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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

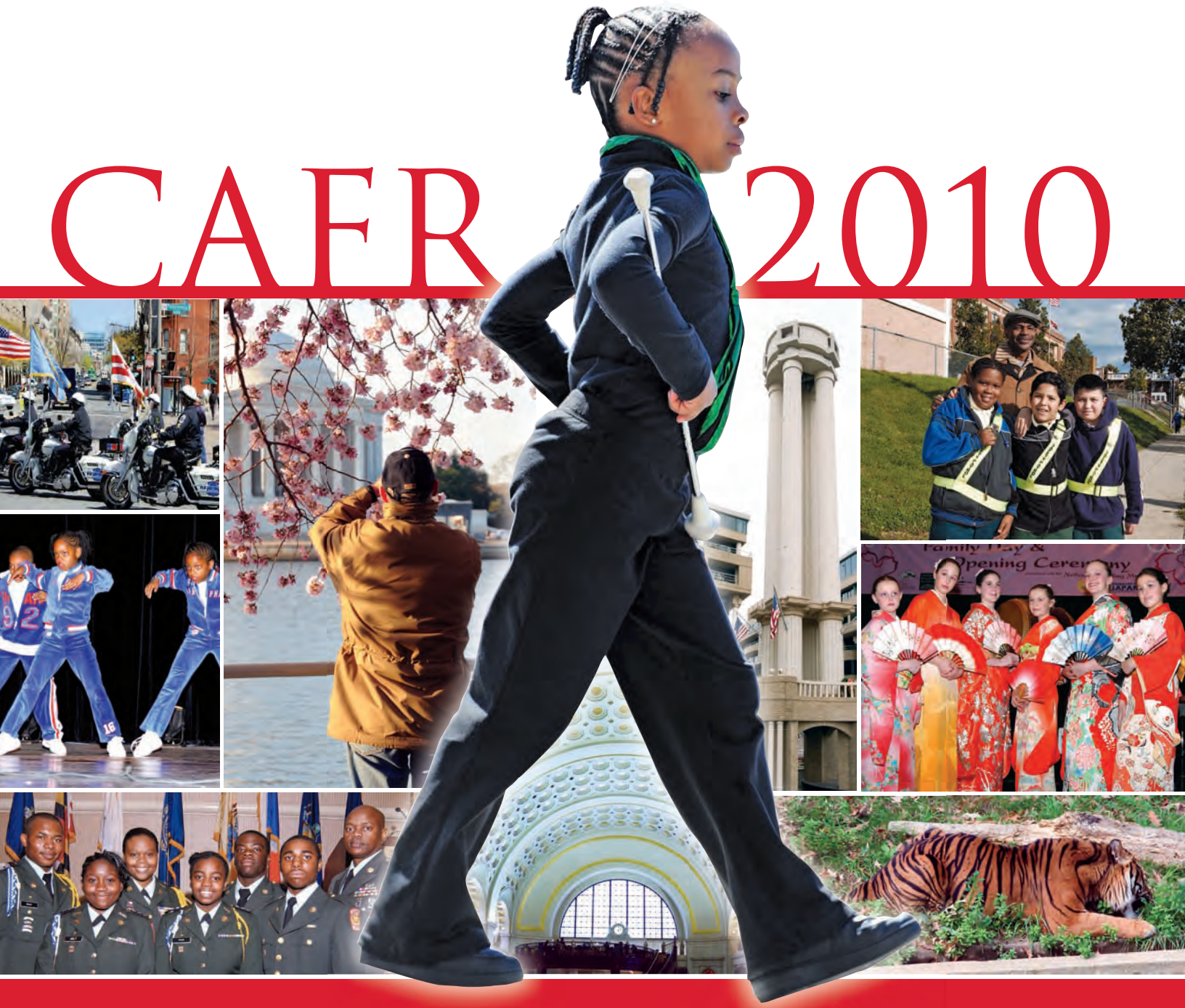
YEAR ENDED SEPTEMBER 30, 2010

ADRIAN M. FENTY, MAYOR
2007-2010

VINCENT C. GRAY, MAYOR
2011-2014

NATWAR M. GANDHI, CHIEF FINANCIAL OFFICER

CAFR 2010



VINCENT C. GRAY
MAYOR

January 27, 2011

Dear Residents of the District of Columbia,

I am pleased to present the District of Columbia's (District) Fiscal Year 2010 Comprehensive Annual Financial Report (CAFR). Despite a nationwide economic downturn, the District's finances remain strong. We completed Fiscal Year 2010 with a budgetary surplus of $58 million, resulting in a General Fund balance of $890 million at September 30, 2010, and the audit opinion is unqualified for the fourteenth consecutive year.

As in previous years, the District was able to continue to invest in neighborhoods and commercial projects and continues to be an attractive destination for visitors from all over the world. We now enjoy a "AAA" rating from Standard & Poor's on our Income Tax secured revenue bonds, with ratings of "AA+" and "Aa1" from Fitch Ratings and Moody's Investors Service, respectively. All three rating agencies have "stable" outlooks on the District's income tax bonds. The District's general obligation bond ratings are "A+" from Standard & Poor's, "AA-" from Fitch Ratings, and "Aa2" from Moody's Investors Service, also with "stable" outlooks. This strong bond rating allows the District to incur debt at lower interest rates, which permits us to continue to improve both infrastructure and service delivery.

Because of measures taken over the last few years, the District is faring better in this national recession than most state and local governments, but we continue to face challenges. Revenues continue to decline requiring more creative approaches to reducing expenses. As "One City", we must build on the success of the past to ensure financial stability in the years to come. My administration is committed to strengthening the District's financial position and will continue to improve the safety, health, and education of all of our citizens.

We will continue to do what is needed to improve opportunities for all Washingtonians. With your continued support, we will continue to lift communities in every Ward to provide our children with a proud legacy, and a much brighter future.

Sincerely,

Vincent C. Gray

Vincent C. Gray

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

Natwar M. Gandhi
Chief Financial Officer

January 27, 2011

The Honorable Vincent C. Gray
Mayor of the District of Columbia
1350 Pennsylvania Avenue, N.W.
Washington, D.C. 20004

Dear Mayor Gray:

I am pleased to present the District of Columbia's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2010, on which our independent auditors, KPMG, LLP, issued an unqualified (clean) opinion. This is the 14th consecutive year in which the District has received a clean audit opinion on its annual financial statements.

This financial report presents the results of the collaborative efforts of the Mayor, Council, Agency Directors, and other District managers and staff to maintain financial stability in fiscal year 2010, even as the District continued to experience the effects of the national economic downturn. Due to the District's disciplined financial management practices, we have weathered the economic storm relatively well in comparison with many other jurisdictions. As presented in the CAFR, at the end of fiscal year 2010, General Fund revenues exceeded expenditures by $58 million on a budgetary basis and the cumulative General Fund fund balance was $890 million, down from $920 million in fiscal year 2009. Although this represents a significant decrease, the District's General Fund fund balance position is better than that of many other state and local governments. For some time, however, I have expressed my concerns about the depletion of our General Fund fund balance and the possible effect on our bond ratings. In its most recent report on our General Obligation (GO) bonds issued by Standard & Poor's on December 14, 2010, they state that "...the District's financial position was, in our opinion, good but we expect it to weaken based on a trend of using reserves to offset revenue shortfalls." It is imperative that the District adopt future budgets on the principle of current year spending not exceeding current year revenues. The Sustained Capital Investment and Fund Balance Restoration Act of 2010, adopted last year, was an important step in replenishing General Fund fund balance.

The District refunded approximately $828.7 million of its outstanding general obligation bonds through the issuance of Income Tax Secured Revenue Refunding Bonds. The refunding, also considered a debt restructuring because it changed the amortization structure of the District's debt portfolio, reduced the District's debt service payments in FY 2010 and other years without extending the final maturity of any particular bond issue. The primary reason for doing this refunding/restructuring transaction was that the substantial reduction in revenues caused by the economic recession pushed the District's debt cap close to its limit. This transaction allowed the District to continue making important

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long-term investments in its infrastructure with on-going financing of its Capital Improvements Program, including Schools Modernization, while keeping annual debt service payments at levels that remain within the 12 percent debt cap throughout the financial plan period.

The District continued to enjoy strong ratings on both its general obligation and income tax bonds. The District's Income Tax Secured Revenue Bonds are currently rated as follows: AA+ by Fitch Ratings; Aa1 by Moody's Investors Service; and AAA by Standard and Poor's Rating Service. All three rating agencies have assigned "stable" outlooks to the District's bonds. The credit rating agencies have also rated the District's general obligation bonds favorably with current ratings as follows: AA- (Fitch Ratings); Aa2 (Moody's Investors Service); and A+ (Standard and Poor's Rating Service), all of which also carry "stable" outlooks.

Maintaining strong bond ratings has never been more important as the District continues to be impacted by the economic decline of recent years. Measures must be taken to avoid practices that will compromise the District's bond ratings or present the risk of a downgrade in ratings. Accordingly, the District should make every effort to limit the use of reserves to meet operational needs or close budget gaps. The District must be prudent in its use of available financial resources.

The ability to effectively manage the District's finances depends on sound and reasonable revenue estimates. Although the economy began to show signs of recovery in fiscal year 2010, the economic climate impacted the District's revenue streams and presented significant budget challenges during the year. During the first quarter of fiscal year 2010, estimated revenues totaled $5.182 billion. However, based on the results of economic analysis and trending, by the end of the fiscal year, the revenue estimate decreased by $38 million to $5.144 billion. As the anticipated economic impact on the District's operations continued to worsen, the Mayor and the Council responded quickly to close the resulting budget gaps.

Although the District has been able to maintain financial stability and operate within budgetary constraints, the tenuous nature of the economy will continue to impact the District's financial condition in future fiscal years. Recognizing that fact, the OCFO will continue to be vigilant in its efforts to effectively manage and account for the District's financial resources. We are committed to improving business processes on an on-going basis, strengthening internal controls, and maximizing overall operational efficiency.

I would like to take this opportunity to thank the many employees, both program and financial staff throughout the District, who have worked diligently to successfully close the District's books for fiscal year 2010. Through their joint efforts, the District, as one government, was able to complete its fiscal year 2010 CAFR in four months instead of the six-month period allowed most jurisdictions. This is no small accomplishment, and the District truly has much of which to be proud.

Sincerely,

Natwar M. Gandhi
Chief Financial Officer

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Government of the District of Columbia
Comprehensive Annual Financial Report
Year Ended September 30, 2010

Adrian M. Fenty
Mayor
2007 – 2010

Vincent C. Gray
Mayor
2011 - 2014

Natwar M. Gandhi
Chief Financial Officer

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DISTRICT OF COLUMBIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended September 30, 2010

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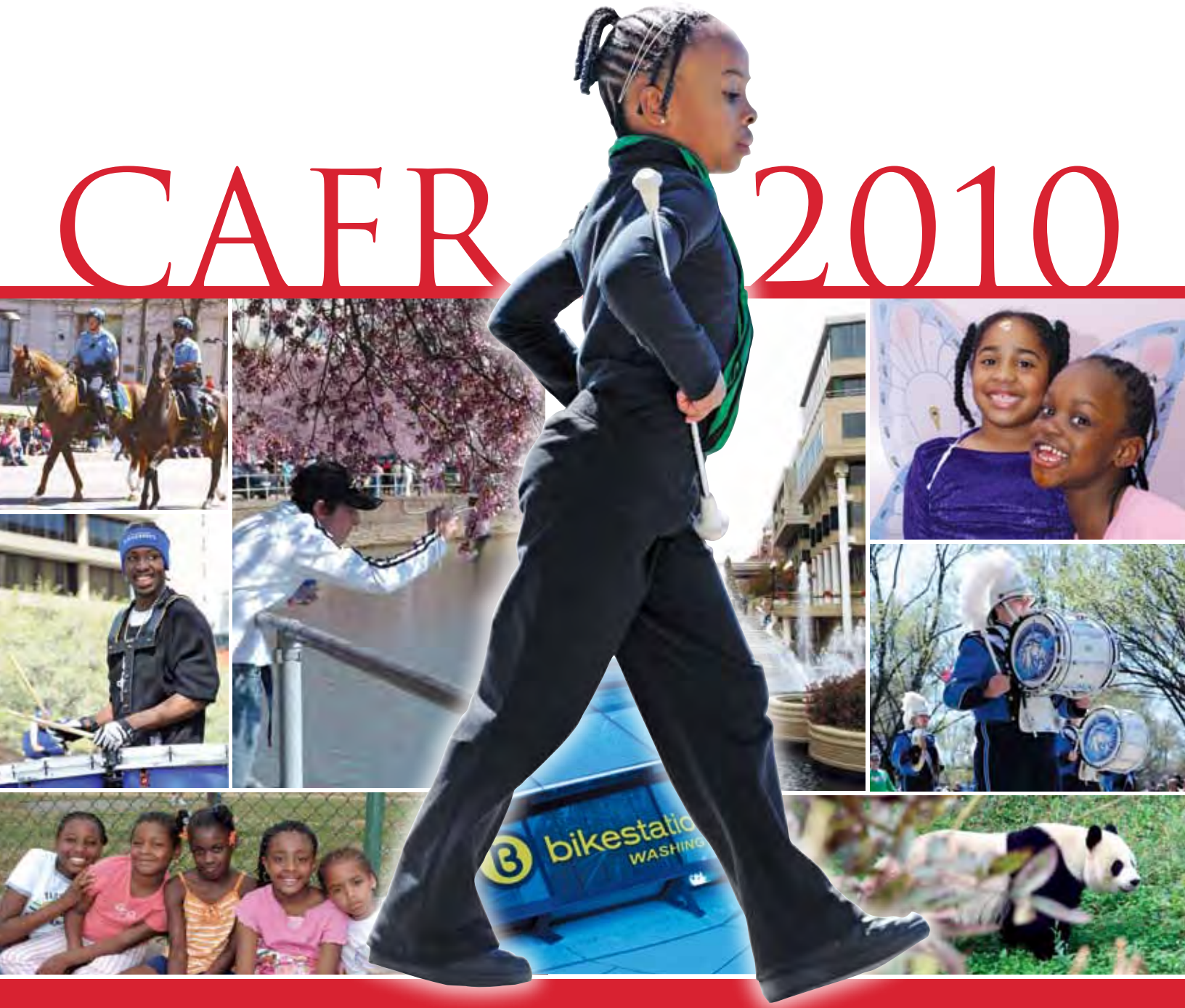
GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE CHIEF FINANCIAL OFFICER

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED SEPTEMBER 30, 2010

INTRODUCTORY SECTION

CAFR 2010



Government of the District of Columbia

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January 27, 2011

Dr. Natwar M. Gandhi
Chief Financial Officer

The Comprehensive Annual Financial Report (CAFR) of the Government of the District of Columbia (District) for the fiscal year ended September 30, 2010, is herewith submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with District management and the Office of the Chief Financial Officer. To the best of my knowledge and belief, the enclosed financial statements and schedules are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and component units of the District.

This report has been prepared in accordance with generally accepted accounting principles (GAAP) for governments as promulgated by the Governmental Accounting Standards Board (GASB) and includes all disclosures necessary for readers to gain a useful understanding of the District's financial activities. The city of Washington, D.C. is referred to in this CAFR as Washington, D.C., the City, the District of Columbia, and the District.

The ability to produce a timely and accurate CAFR depends upon the adequacy of the District's internal controls. Internal control is defined as a process, effected by an entity's governing board, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in one of the following categories: (a) efficiency and effectiveness of operations; (b) reliability of financial reporting; and (c) compliance with applicable laws and regulations. Reasonable assurance is defined as a high, but not absolute, level of assurance about whether the financial statements are free of misstatement. The District's management is responsible for establishing and maintaining adequate internal controls. The greatest challenge in establishing and maintaining adequate internal controls is ensuring that the control framework developed by management is comprehensive—that is, broad enough to achieve its intended purpose.

Due to certain inherent limitations, such as prohibitive costs, judgment errors, or potential for management override and collusion, internal control can only provide reasonable assurance that management's objectives will be achieved. However, routine, periodic audits help management to assess, on an on-going basis, the adequacy of the District's internal controls. In accordance with D.C. Code Section 47-119, an independent auditor audited the District's financial statements for the year ended September 30, 2010. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. In addition to issuing an opinion on the District's financial statements, the independent auditor, KPMG, LLP, also prepared a report, which is issued in conjunction with the CAFR, that discusses the auditor's consideration of the District's internal control over financial reporting and the outcome of the auditor's tests of the District's compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters.

Moreover, an audit of compliance with the Federal Single Audit Act Amendments of 1996 and the related OMB Circular A-133 is also performed annually. The District's fiscal year 2010 Single Audit Report will be issued at a later date.

GASB Statement No. 34 requires management to provide a narrative introductory overview and analysis (termed management's discussion and analysis (MD&A)) to accompany the basic financial statements. This letter of transmittal is designed to complement the MD&A and, therefore, does not discuss the District's financial operations and results. For that reason, this letter should be read in conjunction with the MD&A in order to gain a better understanding of the District's financial condition.

PROFILE OF THE GOVERNMENT

Overview: Historical Background of the District

President George Washington established Washington, D.C. (the District of Columbia) in 1791 from territory ceded by Maryland and Virginia. The United States Congress assumed jurisdiction over the District of Columbia, but residents of the District of Columbia did not have voting representation in Congress.

In February 1801, Congress enacted the Organic Act of 1801, that divided the capital district into the counties of Washington (former Maryland area) and Alexandria (former Virginia area). In 1846, Congress passed a law that allowed the return of the City of Alexandria and Alexandria County to the Commonwealth of Virginia. In 1871, Congress consolidated the three remaining municipal governments of the District of Columbia-Georgetown, Washington City and Washington County, into one territorial government. A territorial governor and council were appointed by the President and an elected House of Delegates and a non-voting delegate to Congress were also created. However, in 1874, the territorial government of the District of Columbia was abolished and the non-voting delegate to Congress was also eliminated at that time. The power to elect a territorial governor and council was subsequently eliminated in 1878. In that year, Congress passed legislation which established a three-member Board of Commissioners to govern the District of Columbia. This form of District governance lasted for almost 100 years.

With the ratification of the 23rd Amendment to the U.S. Constitution in 1961, citizens of the District of Columbia were granted the right to vote in a presidential election. As part of a reorganization of city government that also included an appointed council, in 1967, President Lyndon Johnson appointed Walter E. Washington Mayor of the District of Columbia. In 1970, Congress passed the District of Columbia Delegate Act, and in 1971, Walter Fauntroy became the first Congressional Delegate to represent the District of Columbia.

Congress passed the District of Columbia Home Rule Act in 1973, which provides for a popularly elected mayor and a 13-member Council of the District of Columbia (Council). Congress retained and continues to retain the right to review and overturn the legislative acts of the Council if both houses vote within 30 legislative days to do so. The budget for the District of Columbia government must be approved by Congress and the President of the United States.

The Home Rule Act prohibits the taxing of federal property, other property exempted from taxation by federal law and the income of non-District residents who work in the District. In 1983, it was determined that the District could legally issue its own debt and on October 15, 1984, the District issued municipal debt on its own, for the first time, in the form of Tax Revenue Anticipation Notes (TRANs), totaling $150 million. These TRANs were paid in full on September 30, 1985.

Although progress has been made on many fronts throughout the city's history, District of Columbia residents do not have voting representation in Congress. In accordance with the District of Columbia Delegate Act of 1970, U.S. Public Law 91-405, the citizens of the District of Columbia are represented in the House of Representatives by a Delegate, who is elected by the voters of the District of Columbia. Consistent with the Act:

> *The Delegate shall have a seat in the House of Representatives, with the right of debate, but not of voting, shall have all the privileges granted a Representative by § 6 of Article I of the Constitution, and shall be subject to the same restrictions and regulations as are imposed by law or rules on Representatives. The Delegate shall be elected to serve during each Congress.*

Although the current D.C. Delegate, Congresswoman Eleanor Holmes Norton, has no voting power, she has been able to accomplish much for the citizens of the nation's capital. The following are some of her major recent accomplishments:

- Secured $5.8 million in federal Stimulus funding for the construction of a levee in the area near 17th Street and Constitution Avenue. The Federal Emergency Management Administration (FEMA) has identified potential flood zones in the Southeast and Southwest areas of the District, surrounding the U.S. Capitol and monuments; residents within the 100-year flood zones will be required to obtain flood insurance until a levee is constructed by the Army Corps of Engineers.

- Launched inter-city bus service from the District's Union Station as part of efforts to transform Union Station, making it a model inter-modal transportation center that offers AMTRAK, Washington Metropolitan Area Transit Authority (WMATA) rail and bus, Virginia Railway Express (VRE), Maryland Area Regional Commuter (MARC), bike-sharing, taxicab, and low-cost privately-owned bus services. Such transformation is occurring as train service at Union Station is being expanded and plans are under way to develop the air space above the railroad tracks into retail and commercial space.

- Maximized District funding made possible by the passage of the American Recovery and Reinvestment Act (ARRA), or federal "Stimulus Bill" by securing more than $3 billion to be used to save critical city

jobs, upgrade schools, and make infrastructure improvements. The District also received Stimulus funds for the U.S. Department of Homeland Security Headquarters, being constructed in the District's Ward 8, and the repair and upgrade of federal buildings located in the District. Secured $135 million in the Stimulus Bill to rehabilitate the National Mall and National Park Service parks within the District.

- Achieved renewal of the $5,000 District homebuyer and small business tax credits in an effort to help District residents through the mortgage crisis and the declining job market.

For more information on the goals and accomplishments of the D.C. Delegate, visit Congresswoman Eleanor Holmes Norton's website at www.norton.house.gov.

Financial Reporting Entity

For financial reporting purposes, the District's reporting entity consists of: (1) the primary government; (2) five discretely presented component units (Housing Finance Agency, University of the District of Columbia, Washington Convention and Sports Authority, Water and Sewer Authority, and the Not-For-Profit Hospital Corporation (the United Medical Center)); and (3) one blended component unit (the Tobacco Settlement Financing Corporation). The District of Columbia Housing Authority and the District of Columbia Courts are considered related organizations because the District is not financially accountable for their operations. The funds and accounts of all agencies, boards, commissions, foundations, and authorities that have been identified as part of the primary government or a component unit have been included in the reporting entity. Further information on the reporting entity can be found in Note 1B, page 56 of the Notes to the Basic Financial Statements.

The District and its component units provide a wide range of services to residents, including elementary, secondary, and postsecondary education; health and human services; economic development and regulation; public safety; transportation; and other general government services.

Budgetary Information

During the first quarter of each fiscal year, agencies begin the budget formulation process for the upcoming fiscal year. Around March of each year, consistent with Section 442 of the Home Rule Act, the Mayor submits a balanced operating budget for the upcoming fiscal year to the Council for review and approval. The Council holds public hearings and adopts the budget through passage of a Budget Request Act. A financial plan for the District's capital projects is also adopted. The Mayor may not submit and the Council may not adopt any budget which presents expenditures and other financing uses that exceed revenues and other financing sources. After the Mayor approves the adopted budget, it is forwarded to the President and Congress for approval. Congress holds public hearings and enacts the District's budget through passage of an appropriations bill, which is signed into law by the President of the United States.

The legally adopted budget is the annual Appropriations Act passed by Congress and signed by the President. The Appropriations Act authorizes expenditures at the agency level and by appropriation title (function), such as Public Safety and Justice; Human Support Services; or Public Education. To revise planned expenditures for any function, Congress must enact the appropriate legislation. However, the District may reallocate budgeted amounts using the District's reprogramming process in accordance with applicable legal requirements.

The District utilizes budgetary controls designed to monitor compliance with expenditure limitations contained in the annual Appropriations Act. Both automation and sound governance provide strong budgetary controls. The annual budget is assigned specific accounting attributes and is uploaded into the District's accounting system of record, thereby establishing the budget authority for each entity within the District government. The budget authority established in the system of record is then reconciled to the levels of funding authorized by the Appropriations Act. In addition, on an annual basis, independent auditors review the budgetary comparison statement to ensure compliance with federally approved amounts and to determine whether budget adjustments are properly documented and approved.

The "*District Anti-Deficiency Act of 2002*" (the Act), which became effective on April 4, 2003, introduced additional budgetary control requirements. This Act requires District managers to develop spending projections, by source of funds, on a monthly basis, which show year-to-date spending, approved budget, year-end projected spending, explanations of variances greater than 5% or $1 million, and planned corrective actions for instances of overspending. Spending projections are required to be submitted to the agency head and the Agency Fiscal Officer. Summarized spending projections must be submitted to the District's CFO no later than 30 days after the end of each month.

Other reporting requirements have also been established to enhance the District's budgetary control policies and practices. Consistent with D.C. Code § 47-355.04, agency heads and Agency Fiscal Officers are to submit jointly a monthly spending plan for the fiscal year to the CFO by October 1 of each fiscal year. In addition, pursuant to D.C. Code § 47-355.05, the District's CFO is to submit quarterly reports to the Council and the Mayor that present each agency's actual expenditures, encumbrances, and commitments, each by source of funds, compared to each agency's approved spending plan. This report is required

to be accompanied by the District CFO's observations regarding spending patterns and steps being taken to ensure that spending remains within the approved budget. These reports are used by the District's Anti-Deficiency Review Board to assess cases of overspending.

In addition, the District uses encumbrance accounting as a means of strengthening budgetary controls and financial reporting. Under this method of accounting, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in the financial system of record in order to reserve the portion of the related appropriation that will be needed for the expenditure. Therefore, the recording of encumbrances is a valuable tool used by the District to ensure that expenditures are within budgeted amounts. Generally, encumbered amounts lapse at year-end in the General Fund but not in the Capital Projects Fund, Special Revenue Fund, or the fund for Federal Payments.

Cash Reserves

Through Congressional mandate, the District is required to maintain cash reserves totaling 6% of the previous fiscal year general fund expenditures less debt service cost. The 6% is comprised of a contingency cash reserve of 4% and an emergency cash reserve of 2%. The contingency cash reserve may be used to provide for nonrecurring or unforeseen needs (e.g., severe weather or other natural disasters, and unexpected obligations created by federal law) that arise during the fiscal year or to cover revenue shortfalls experienced by the District for three consecutive months. The emergency cash reserve may be used to provide for unanticipated and nonrecurring extraordinary needs of an emergency nature (e.g., natural disaster or calamity) and may be used in the event that the Mayor declares a State of Emergency in the District.

District Accounting and Financial System

Accounting System

The District's accounting system is organized and maintained on a fund basis. Each fund, which is a separate, distinct accounting entity, has its own assets, liabilities, equity, revenues, and expenditures/expenses. The District uses generally accepted accounting principles (GAAP) when determining the types of funds to be established and is guided by the "minimum number of funds principle" and sound financial management practices when determining the number of funds to be set up within each fund type. Specialized accounting and reporting principles and practices apply to governmental funds. Proprietary funds, component units and pension trust funds are accounted for in the same manner as business enterprises.

Measurement Focus and Basis of Accounting

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). Accordingly, the measurement focus and basis of accounting applied in the preparation of government-wide financial statements and fund financial statements are as follows:

- The government-wide financial statements focus on all of the District's economic resources and use the full accrual basis of accounting.

- Fund financial statements focus primarily on the sources, uses, and balances of current financial resources and use the modified accrual basis of accounting.

- The budgetary basis of accounting is used to prepare the budgetary comparison statement presented in Exhibit 2-d. This basis of accounting differs from the GAAP basis as a result of the following:

    - ***Basis Differences*** - The District uses the purchases method for budgetary purposes and the consumption method to account for inventories on a GAAP basis. Under the purchases method, purchases of inventories are recognized as expenditures when the goods are received and the transaction is vouchered. Under the consumption method, an expenditure is recognized only when the inventory items are used.

    - ***Entity Differences*** - This basis relates to inclusion or exclusion of certain activities for budgetary purposes as opposed to those on a GAAP basis for reporting purposes. Such activities primarily include the following as reported in Exhibit 2-d:

        1. Fund balance released from restrictions
        2. Proceeds from debt restructuring
        3. Accounts receivable allowance
        4. Operating surplus from enterprise funds

    - ***Perspective Differences*** – Perspective differences exist when the structure of financial information for budgetary purposes differs from the fund structure that is used to construct the basic financial statements. If there were significant budgetary perspective differences, the District would not be able to present budgetary comparisons for the District's general fund and major special revenue funds as part of the basic financial statements. In that case, the District would present its budgetary comparisons as required supplementary information (RSI). The District does not have any significant budgetary

perspective differences that limit its ability to present budgetary comparisons of its general fund. The District's *Budgetary Comparison Statement* is presented as part of the basic financial statements in Exhibit 2-d beginning on page 47.

- ***Timing Differences*** – Timing differences can exist when there are significant variances between budgetary practices and GAAP, which may include continuing appropriations, project appropriations, automatic re-appropriations, and biennial budgeting. The District has no significant timing differences between its budgetary practices and its GAAP presentation of its financial statements.

Cash Management

It is the District's policy to combine or pool all cash of the primary government unless prohibited by law. Cash that is not needed for immediate disbursement is generally invested in securities which are essentially guaranteed by the federal government. Such investments include but are not limited to mutual funds consisting of federal government obligations or repurchase agreements collateralized by federal agency obligations.

However, pursuant to the Financial Institutions Deposit and Investment Amendment Act of 1997 (D.C. Code §47-351.03), the District may invest in certain obligations that are not guaranteed by the federal government. Such deposits and investments must be fully collateralized with approved securities that are held by the District or by its agent in the District's name.

Risk Management

With the exception of healthcare and life insurance benefits for employees, the District retains the risk of loss arising from the ownership of property or other causes. The District is self-insured for general liability and liabilities associated with unemployment and disability (worker's compensation). A liability is established in the government-wide statement of net assets to reflect certain contingencies; however, this amount is not intended to include all assets that may be required to finance losses. Rather, certain losses are recognized in the affected funds when they occur.

Transparency in Financial Reporting

The Office of the Chief Financial Officer (OCFO) continues to promote openness in government and transparency in financial reporting. Over the last ten years, the District has opened its books to the public by posting online the annual operating budget and capital plan, the comprehensive annual financial report, and the popular annual financial report. In addition, the OCFO's website provides information that allows taxpayers to review and assess the District's financial status, programs, activities and services, and determine how their tax dollars are being used. This information includes: monthly cash collection reports; debt management policy and data regarding bond issuances; monthly reviews of economic trends; other economic indicators and reports; CFO News (including press releases and Council Hearing written testimonies); and links to other useful information, such as the Taxpayer Service Center, the D.C. College Savings Plan, Unclaimed Property Division, and the Office of Contracting and Procurement.

With the receipt of Stimulus Funds, the District broadened its efforts to be transparent in financial reporting by creating the website, www.recovery.dc.gov. This website offers a wealth of information regarding the District's receipt and use of federal Stimulus funds. More specifically, it allows the general public to track the District's applications for Stimulus funds, and the receipt and use of such funds (by project category and District agency). This site also: (a) provides information on how District residents may access the benefits associated with Stimulus funds, such as health care assistance through Medicaid, additional job training and placement programs, unemployment benefits, and nutrition assistance programs; (b) discusses how the District's Stimulus funds are managed; and (c) presents guidance on applying for federal Stimulus awards.

To ensure accurate and consistent accounting for and reporting of Stimulus funding, the OCFO implemented Stimulus 360, a web-based application that provides background information on the Act and details on how Stimulus awards are to be recorded in the District's accounting system of record. It also presents specific guidelines for completing a Stimulus application, drawing down awarded funds from the federal government, and preparing the required financial and programmatic reports. Stimulus 360 also provides information on the key District programs which are funded by Stimulus dollars; presents legislative updates pertaining to the Stimulus Act; presents Stimulus Frequently Asked Questions; and provides links to other pertinent information (*e.g.*, copy of the American Recovery and Reinvestment Act, OMB Memoranda for the Heads of Departments and Agencies, U.S. Department of Education Race to the Top Budget Guidance, etc.) and related websites (*e.g.*, the Mayor's Official Recovery website (www.recovery.dc.gov), the federal government's Recovery website (www.recovery.gov), www.grants.gov, and other related sites.)

ECONOMIC CONDITION AND OUTLOOK

Impact of the Recession on the District in Fiscal Year 2010

The impact of the recession on the District's economy was mixed in fiscal year 2010. During the recession, the District and the entire metropolitan region benefitted greatly from the presence of the federal government, which is the source of jobs from both direct federal hiring and contracts. Jobs located within the District remained strong compared to the rest of the nation; however, unemployment among District residents continued to be high in fiscal year 2010.

The District's economy is strongly influenced by its position as the central city of one of the best performing metropolitan areas in the country. The District accounted for 23.8% of the Washington metropolitan area's wage and salary employment and 10.5% of its resident employment during the quarter ending June 30, 2010.

Some of the factors that demonstrate the District's mixed economic picture in fiscal year 2010 include the following:

- During the three-month period ending July 2010, there were approximately 12,500 (1.8%) more wage and earned salary jobs located in the District than a year earlier. The federal government gained 10,367 (5.2%) more jobs over the past year, while the private sector gained 2,733 (0.6%) more jobs. (The private sector gains were in the relatively low wage miscellaneous business services category.)

- District resident employment during the three-month period ending July 2010 was 3,402 (1.1%) more than a year earlier. However, the total labor force also increased by 3,682 (1.1%), resulting in only a minor reduction in the unemployment rate.

- The District's unemployment rate in July 2010 (9.8% seasonally adjusted) moved closer to the national rate of 9.5%.

- During the summer of 2010, the number of housing sales declined compared with the prior year, while average prices were higher. Single family sales for the three-month period ending July 2010, were down 3.3% from a year ago, and the average selling prices were 2.2% higher. Condominium sales in that three-month period were down 25.8% but average prices were 8.4% higher over the prior year. Due principally to the decline in the number of condominium sales, the value of all home sale contracts for the three-month period ending in July 2010, was 7.7% less than the prior year.

- In the quarter ending in September 2010, occupied office space rose by 1.5% from the prior quarter and 4.8% from the prior year. At the same time, the commercial office vacancy rate fell from 10% (including sublet) in June 2010 to 9.1% in September 2010. The September 2010 vacancy rate was well below the metropolitan area average of 12.2%.

Local Economy

Population

The U.S. Census Bureau estimated that there were 601,723 residents in Washington, D.C., as of July 1, 2010. This represents an increase of 2,066, or 3.45%, from the revised July 1, 2009, estimate of 599,657. The annual census estimates are based on birth and death records, changes in tax return filings, and estimates of the number of immigrants who move into the District each year. **Chart 1** found on the following page presents the District's population trends for calendar years 2006 through 2010.

Employment Trends

Total wage and salary employment in the Washington metropolitan area increased to approximately 2,984,000 in fiscal year 2010 from the revised 2,928,600 for fiscal year 2009, representing a 1.9% increase. These numbers exclude the self-employed, domestic workers, and military and foreign government personnel, which represent a significant portion of the total workforce of the region. Some of the references to the 2009 employment numbers may differ from those presented in the fiscal year 2009 CAFR because of updates and revisions. **Table 1** found on the following page presents 2010 labor market data for the District and the metropolitan region.

During the past three years, total wage and salary employment within the District increased slightly to 24.0% of the metropolitan area's total wage and salary employment. The seasonally adjusted September 2010 unemployment rate in the District was 9.8%, compared to the September 2009 seasonally adjusted rate of 11.1%.

Total employment within the District increased to 718,000 as of September 2010 from the revised 695,700 as of September 2009. As the nation's capital, Washington, D.C. is the seat of the federal government and headquarters for most federal departments and agencies. The total September 2010 federal workforce in the Washington metropolitan area was 379,000; with approximately 212,200 federal employees located in Washington, D.C. and 166,800 additional federal employees who worked elsewhere in the Washington metropolitan area. Federal employment in the region has remained strong due to the activities of and related spending by the Department of Homeland Security and the Department of Defense.

Chart 1 – Population Trends (2006 – 2010)

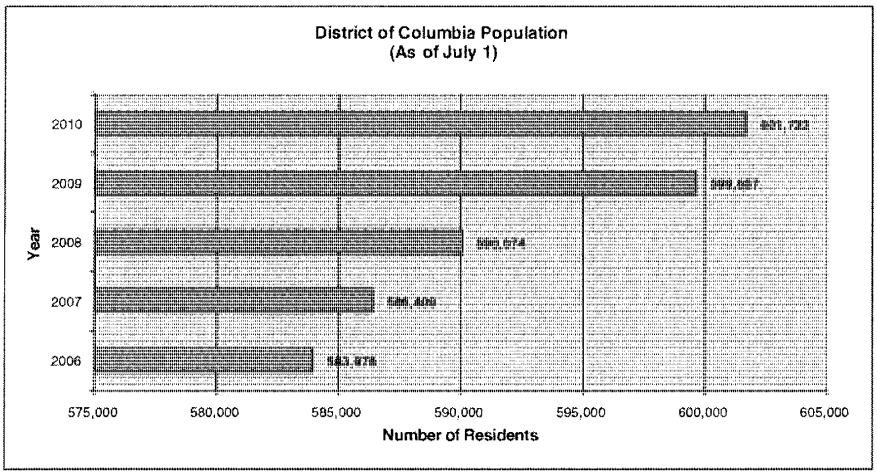


Table 1 – 2010 Labor Market Data for the District and Surrounding Metropolitan Area

Labor Market (000s): FY 2010

	District of Columbia			Metropolitan Area		
Item	**Level**	**1 yr. change (number)**	**1 yr. change (%)**	**Level**	**1 yr. change (number)**	**1 yr. change (%)**
Employed residents	299.7	6.1	2.1	2,870.7	28.0	1.0
Labor force	331.4	0.6	0.2	3,051.9	20.4	0.7
Total wage and salary employment	718.2	22.5	3.2	2,984.7	56.1	1.9
Federal government	212.2	10.6	5.3	379.0	15.7	4.3
Local government	37.4	-1.8	-4.6	308.7	6.0	2.0
Leisure & hospitality	59.3	1.4	2.4	272.6	12.7	4.9
Trade	22.2	0.2	0.9	322.7	9.4	3.0
Education and health	104.9	2.1	2.0	355.0	9.0	2.6
Prof., bus., and other services	219.6	9.8	4.7	866.1	14.6	1.7
Other private	62.6	0.2	0.3	480.6	-11.3	-2.3
Unemployed	31.6	-5.5	-14.8	181.2	-7.5	-4.0
New Unemployment Claims	1.6	-0.2	-12.3			

Sources: U.S. Bureau of Labor Statistics (BLS) & D.C. Dept. of Employment Services (DOES)
All data are monthly averages for the fiscal year and are preliminary, not seasonally adjusted.

Income Trends

In recent years, income has grown considerably in the District. From the third quarter of 2000 to the third quarter of 2010, personal income grew 83.8% in the District, as compared to 45.8% nationally. Over the past five years, personal income in the District grew 31.6% as compared to 19.2% in the U.S. Data regarding the District's 2010 per capita income is not yet available; however, the District's per capita income of $68,013 in 2009 was 71.6% higher than the U.S. average.

The distribution of income in the District differs from that of the nation as a whole, with higher proportions at the higher and lower ends and a smaller proportion in the middle. Consequently, median household income in the District is much closer to the U.S. average. For the two-year period 2008 and 2009, the District's median household income of $54,260 was 8.6% above the U.S. average. The Census Bureau estimates that 18.4% of the District's population was below the poverty line in 2009 as compared to 14.3% for all of the U.S.

Minimum Wage Rate

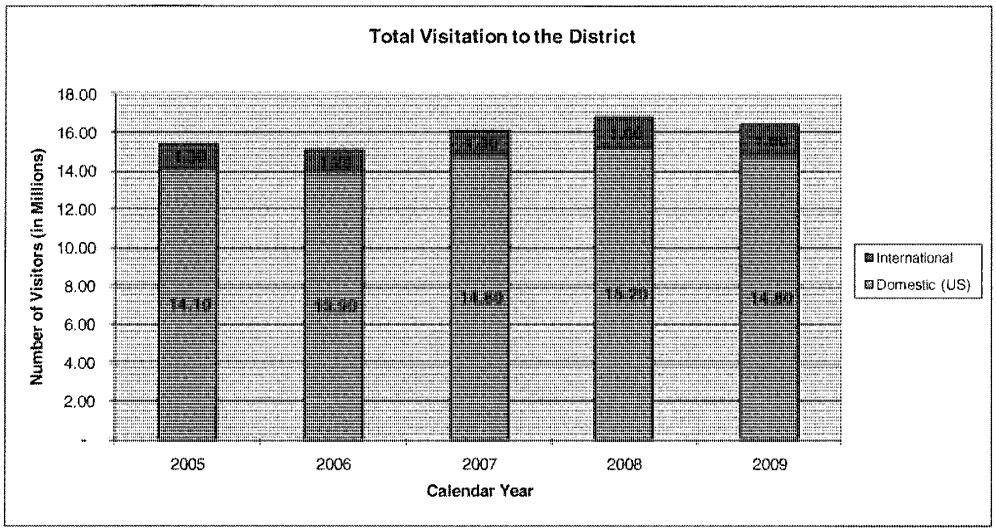
District law requires that the minimum wage rate for District employees be at least $1.00 per hour more than the Federal minimum wage. Beginning on July 24, 2009, the Federal minimum wage rate was increased to $7.25 per hour. Therefore, effective July 24, 2009, the District's minimum wage rate increased to $8.25 per hour.

Tourism and Hospitality

Millions of U.S. citizens and international tourists visit the District's more than 400 museums and historical landmarks each year. During calendar year 2009, the District was the ninth most visited U.S. city among domestic travelers and the seventh most visited destination in the U.S. for international travelers. Popular attractions include sites along the National Mall, monuments to U.S. presidents, war memorials, and other museums. The presence of a large number of foreign embassies, recognized diplomatic missions, and other international organizations in the District helps to boost tourism/ visitation within the District. In calendar year 2009, approximately 14.8 million domestic visitors and 1.6 million international visitors traveled to the District. **Chart 2** presents the trends in tourism for calendar years 2005 through 2009. Tourism data for calendar year 2010 are not yet available.

Direct visitor spending generated additional business activity in related industries (*e.g.*, hotel, restaurant, and retail) and continues to sustain the local and regional economy. The District's hospitality industry generated an estimated $5.25 billion in visitor spending on hotels, retail, transportation and entertainment in 2009, which was a decrease of 7.1% over the prior year. Hotel occupancy was approximately 77.9% at September 30, 2010. Travel and tourism support more than 66,706 full-time jobs in the District, generating approximately $2.6 billion in wages.

Chart 2 – Trends in District Tourism (2005 – 2009)



Source: Data compiled by Destination DC (formerly the Washington Convention and Tourism Corporation)

Construction

The construction sector showed signs of recovery during calendar year 2010 as the vacancy rate for commercial office properties fell. During the year, leased space increased by 5.1 million square feet, outpacing the net addition to inventory of 4.5 million square feet. Consequently, the vacancy rate (including sublet) declined from 10.5% at the end of 2009 to 9.1% at the end of 2010. Federal leasing activities (including 900,000 square feet for the Securities and Exchange Commission) were responsible for the declining vacancy rate, as private sector tenants were hesitant to lease new space. Through 2012, 2.1 million square feet of inventory is scheduled to be delivered from the construction pipeline.

Development in the District continues to be strong in the retail sector. Eleven 7-11 stores will open soon in the District. By the end of calendar year 2010 stores at the following locations were slated to open: 7th Street and Georgia Avenue, N.W.; Florida Avenue and 2nd Street, N.E.; 900 block of H Street, N.E.; 1200 Brentwood Road, N.E.; and 1751 Columbia Road, N.W.

In addition, in June 2010, an Apple Store opened in Georgetown. Although this is the ninth Apple store to open in the metropolitan area, it is the first to open in the District.

Costco, the wholesale grocer, will open a store in the planned Washington Gateway shopping center in 2011. The D.C. Council approved a $10 million loan in 2005 for the shopping center project, which is located in the District's Fort Lincoln neighborhood.

Development in the hospitality sector also continues to be strong. A $59 million, 204-room, 128,500 square foot Hilton Garden Inn will open in 2011. The hotel will be part of the Constitution Square development located in the District's North of Massachusetts Avenue (NoMa) neighborhood.

Plans are also underway to restore the 251-room luxury Watergate Hotel. The renovations, which are expected to cost the developer more than $50 million, include a spa, ample meeting space, restaurants, and bars.

In addition, Capella Hotels and Resorts will open a property in Georgetown. Capella, IGC Properties and Castleton Holdings will redevelop an existing five-story building at 1050 31st Street, NW into the Capella Georgetown Hotel. Construction is expected to begin in January 2011, with an opening scheduled for January 2012. The Capella Georgetown Hotel will include 48 rooms and suites, a premium restaurant and lounge, and a rooftop pool with a bar and spa.

American Recovery and Reinvestment Act (Stimulus Act) Expenditures

On February 17, 2009, the American Recovery and Reinvestment Act (ARRA), or federal "Stimulus Bill" was signed into law. The Stimulus Bill was created to jump start the economy, preserve existing jobs, create new employment opportunities, and promote economic recovery throughout the country. Stimulus funding was made available for investments in infrastructure, energy efficiency, science, and state and local fiscal stabilization.

The District received stimulus funding for a variety of activities, including: road and bridge construction; public transportation improvements; energy efficiency and environmental projects; health care and health research; education; and public safety. Budget authority for stimulus funding was established in the financial system based on the notices of award received by District agencies from the federal government. For fiscal 2009, total stimulus budget authority (operating and capital) available for expenditure was approximately $277 million. By the end of fiscal year 2010, this amount had increased to approximately $655.3 million.

Total stimulus expenditures were approximately $422.7 million in fiscal year 2010, comprised of $360 million in operating expenditures and $62.7 million in capital expenditures. Approximately $330 million, or 91.7%, of the District's total stimulus operating expenditures were made by the following agencies: Department of Health Care Finance, Office of the State Superintendent for Education, Department of Housing and Community Development, Unemployment Compensation Fund, Department of Employment Services, District Department of the Environment, and the Child and Family Services Agency. Approximately $49.4 million, or 78.8%, of the District's stimulus capital expenditures were made by the District Department of Transportation and approximately $13.3 million, or 21.2% of the remaining stimulus capital expenditures were made by the District Department of the Environment.

Bond Rating

Rating agencies assess the credit quality of municipal issuers and assign a credit rating to the issuer based on the results of their analyses. Consequently, rating agencies provide vital information to investors regarding the relative risks associated with rated bond issues. An acceptable credit rating allows the issuer to access the market.

The three primary agencies that rate municipal debt are: (1) Fitch Ratings; (2) Moody's Investors Service; and (3) Standard & Poor's Rating Service. **Table 2** presents the District's bond ratings from these rating agencies for the past four years. The District's ratings for its general obligation bonds have remained high over the last several years. As a result, the District has been able to issue bonds more cost effectively.

During fiscal year 2009, the District issued its first Income Tax Secured Revenue Bonds. These bonds are special obligations of the District, payable solely from the Trust Estate pledged under the indenture. The bonds are without recourse to the District, and are not a pledge of, and do not involve, the faith and credit or the taxing power of the District (other than the pledge of the available tax revenues made by the indenture and the Act). The bonds do not constitute a debt of the District, or lending of the public credit for private undertakings. As presented in **Table 2**, the District's ratings for its Income Tax Secured Revenue Bonds continued to be high in fiscal year 2010.

Table 2 – Bond Rating History (Last Four Fiscal Years)

	General Obligation Bonds				Income Tax Secured Revenue Bonds	
	2007	2008	2009	2010	2009	2010
Fitch Ratings	A+	A+	A+	**AA-**	AA	AA+
Moody's Investors Service	A1	A1	A1	Aa2	Aa2	Aa1
Standard & Poor's Rating Service	A+	A+	A+	A+	AAA	AAA

Other Factors Affecting the District's Financial Position

The District, as the central urban location of a large metropolitan area, houses a disproportionately large share of the area's poor and needy population. The District's overall poverty rate of 18% and child poverty rate of 30% are significantly higher than the U.S average and that of neighboring counties in Maryland and Virginia. Unlike other urban jurisdictions, the District cannot pool resources across suburban areas to serve its urban poor. Yet, it must provide state-level services such as healthcare, housing and welfare largely through its own resources.

Moreover, the District's service delivery costs are high. Labor costs in the District are 23% above the national average for public services, and the costs associated with acquiring capital goods and services are 54% above the national average. This combination of a significant population in need of services and the high costs of service delivery severely strains the District's financial resources. It has been estimated that if the District were to offer a basket of public services that prevail as "average" among all the state and local governments, it would have to spend 31% more than the national average to deliver it.

The District's ability to pay the high costs of delivering services to its population is constrained by several federal mandates. The federal government has restricted the District's tax base by prohibiting the taxation of federal real property; however, the federal government does not provide a Payment in Lieu of Taxes to compensate for the revenue forgone from this federally-mandated prohibition. In addition, the Home Rule Act prohibits the District from taxing nonresident income. This prohibition significantly reduces the District's income tax base because approximately 66% of the workers in the District are nonresidents.

These restrictions on the revenue collections imply that the District's residents must bear a disproportionate share of the costs of public services, while the benefits generated by the District are shared by a much larger community. It also implies that under slower revenue growth scenarios, District services could become severely impaired.

The U.S. Government Accountability Office (GAO), in its report entitled, "District of Columbia – Structural Imbalance and Management Issues," described the impact of the high cost of living, high poverty and crime rates, and limited tax base on the District's financial operations and estimated the range of the District's structural deficit to be between $470 million to $1.143 billion annually. Although the GAO's report, which was issued in May 2003, discusses conditions that existed at that time, the District's financial operations continue to be negatively impacted by the conditions reported.

Long-Term Financial Planning

As a result of improved financial management practices over the years, the District has been able to develop and operate within more disciplined budgets and address the challenges resulting from the economic downturn.

District officials have developed and implemented a plan for maintaining a strong, stable financial environment, which includes:

- Monitoring and analyzing the District's quarterly revenue estimates and making spending adjustments throughout the year, as necessary;
- Identifying sound measures to enhance revenue streams; and
- Developing and implementing plans to minimize costs without sacrificing essential programs or services.

Major Initiatives

Many initiatives and projects have been completed or planned to help sustain the District's economy and produce strong financial results. Several of the District's major initiatives and projects are discussed briefly below:

- **Waterfront Station:** This is a new pedestrian-friendly, mixed-use project on the site of the former Waterside Mall located at M and 4th Streets, S.W. Waterfront Station, an $800 million multi-phase redevelopment project, will consist of

1.2 million square feet of new office space, approximately 1,000 new residential units, underground parking, and a minimum of 110,000 square feet of retail space.

The office component is complete and is fully leased to the District of Columbia government. In April 2010, employees from several District agencies including the Office of the Chief Financial Officer, Office of Planning, and the Department of Consumer and Regulatory Affairs, moved into Waterfront Station's two office towers.

The retail component includes two existing retailers: Safeway, which opened its new ground-floor store in April 2010, and CVS, which opened its new store in July 2010. Several other new dining and neighborhood service-related retail tenants are planned. In all, approximately 85,000 square feet of retail space will open as a part of the project's first phase.

- **U.S. Department of Homeland Security Headquarters (St. Elizabeth's West Campus)**: In September 2009, the U.S. Department of Homeland Security (DHS) and the U.S. General Services Administration (GSA) broke ground for the $3.4 billion consolidated DHS headquarters. Currently, DHS operates in more than 35 offices around the national capital region and expects to save approximately $163 million over the next 30 years by moving to a consolidated headquarters. DHS is building its headquarters on the west campus of St. Elizabeth's Hospital located in Southeast Washington, D.C. This project is the largest in the Washington area since the Pentagon was built in the 1940s and will help to revitalize and stimulate development in the Anacostia community.

  In August 2009, GSA awarded a $435 million contract to a local contractor to design the site's first phase, the new energy-efficient 1.18 million square-foot Coast Guard headquarters facility. The Coast Guard facility will receive LEED Silver certification from the U.S. Green Building Council, incorporating state-of-the-art efficiency technologies, including green roofs, landscaped courtyards to capture and reuse surface water runoff, and innovative heating, ventilation, and air conditioning systems. Occupancy of the new Coast Guard headquarters is slated to begin in 2013.

  When completed, the DHS headquarters will house approximately 14,000 employees working in the following DHS components: Transportation Security Administration (TSA), Customs and Border Protection, Immigration and Customs Enforcement (ICE), and the Federal Emergency Management Administration (FEMA).

- **Saint Elizabeth's Mental Hospital (New Facility):** After a three-year construction period, the new 450,000 square-foot Saint Elizabeth's Mental Hospital opened in April 2010 on the grounds of the original hospital's East Campus, located at 2700 Martin Luther King, Jr. Avenue, S.E. The $161 million, 448,190 square-foot facility is designed to serve approximately 300 patients. In addition, the new facility will allow patients to receive their meals, treatment, and medical care in one building. The hospital offers treatment areas that include a comfort room for relaxation; enclosed courtyards for use by patients; and an Activities of Daily Living Apartment to help patients prepare for transition back into a home environment.

- **The Park at the Yards:** The grand opening of the Park at the Yards, a 5.4-acre public waterfront park overlooking the Anacostia River, was held in September 2010. The park, which is located between Nationals Park and the Navy Yard, is a key component of The Yards project, which will include the development of a dynamic urban neighborhood spanning 42 acres along the Anacostia Waterfront. When completed, The Yards will also accommodate approximately 2,700 new condos and apartments, 400,000 square feet of restaurants and assorted shops, 1.8 million square feet of office space, and the preservation of unique historical buildings already located on the site. The Yards is projected to house more than 3,700 residents and create approximately 7,700 jobs.

  At a cost of $42 million, The Park at the Yards includes a riverfront promenade, vast open lawns, gardens with benches and colorful plants, a riverfront courtyard enclosed on three sides by retail pavilions, a canal basin and waterfall, a pedestrian bridge, and the restoration of the historic Lumber Shed building. The District's Anacostia Riverwalk Trail runs through the park, providing vital pedestrian and bicycle links to the rest of the Anacostia waterfront.

- **D.C. Streetcar:** The District is planning to build a $1.5 billion network of eight streetcar lines throughout the city by 2020, providing transit links in areas lacking Metrorail access. The first two lines, H Street/Benning Road in Northeast and Martin Luther King Boulevard in Anacostia,

are scheduled to begin ferrying riders by spring 2012.

Construction of the line in Anacostia has begun; tracks are being laid on H Street and Benning Road, and planning is underway for the additional segments. The District purchased "modern streetcars" which were shipped from the Czech Republic to the United States in late 2009. These cars are approximately eight feet wide and approximately 66 feet long, about 10 inches narrower and one-third the length of a light rail double car train. They are able to operate in mixed traffic and easily accommodate existing curbside parking and loading.

The D.C. Streetcar will make travel within the District much easier for residents, workers, and visitors, and it will complement the District's existing transit options by: (a) linking neighborhoods with a modern, convenient, and attractive transportation alternative; (b) providing quality service to attract and reach new transit ridership; (3) offering a broader range of transit options for District residents and visitors; (4) reducing short inner-city auto trips, parking demand, traffic congestion, and air pollution; and (5) encouraging economic development and affordable housing options along streetcar corridors.

Several District projects and initiatives have been implemented with a focus on protecting the environment. Two of these initiatives are described more fully below:

- **Capital Bikeshare:** In September 2010, the District launched Capital Bikeshare, a regional bikesharing network of 1,100 bicycles throughout the District and Arlington, Virginia. This new program couples modern electronic gadgetry with 19th century invention to create a system that encourages casual cyclists to pedal around town. Bikes will be docked at bike stations in the District and Arlington, where they will be locked to racks until a Capital Bikeshare member comes along to use one. Anyone can become a Bikeshare member by paying the following fees: for 24 hours, $5; for 30 days, $25; or for a full year, $75.

  Members who sign up for longer than a day receive palm-size cards that have bar codes. These cards are slipped into a slot to release a bike. The first 30 minutes of each ride are free, after which, the meter starts running ($1.50 for the next 30 minutes; $3 for the third half-hour; and $6 for each 30-minute period after that.) The pricing is designed to encourage short trips from place to place rather than leisurely cruising.

  Amounts owed will be billed to the member's credit card and $1,000 will be charged if the bike is not returned within 24 hours. The billing system is activated with the insertion of the bar-coded membership card at the bike station, and another insertion when the bike is returned, both of which are transmitted to Bikeshare headquarters through a wireless, solar-powered communications network.

  Each station will begin the day with about 10 bikes and five empty docking spaces. On the Capital Bikeshare Website, a click of the mouse on each station reveals the number of bikes which are available at any given moment, and the number of docking stations which are open for those who want to return a bike. In addition, smartphone applications will also be available.

  Capital Bikeshare, which expands the District's current SmartBike program, is the nation's largest program of its type.

- **Anacostia River Clean Up and Protection Fund/ Carryout Bag Fees:** During fiscal year 2010, the District established the Anacostia River Clean Up and Protection Fund, which is to be used solely to fund efforts to clean and protect the Anacostia River and the other impaired waterways.

  Funds may be used for the following projects (in order of priority): (a) a public education campaign to educate residents, businesses, and tourists about the impact of trash on the District's environmental health; (b) providing reusable carryout bags to District residents, with priority distribution to seniors and low-income residents; (c) purchasing and installing equipment designed to minimize trash pollution that enters the waterways through storm drains; (d) creating youth-oriented water resource and water pollution educational campaigns for students at District public and charter schools; (e) monitoring and recording pollution indices; (f) preserving or enhancing water quality and fishery or wildlife habitat; (g) promoting conservation programs; (h) purchasing and installing equipment designed to minimize trash pollution, including recycling containers, and covered trash receptacles; (i) restoring and enhancing wetlands and green infrastructure to protect the health of the watershed and restore the aquatic and land resources of its watershed; (j) funding community cleanup events and other activities that reduce

trash, such as increased litter collection; (k) funding a circuit rider program with neighboring jurisdictions to focus river and tributary clean-up efforts upstream; (l) supporting vocational and job training experiences in environmental and sustainable professions that enhance the health of the watershed; (m) maintaining a public website that educates District residents on the progress of clean-up efforts; and (n) paying for the administration of this program.

In January 2010, to help fund such environmental conservation activities, the District began levying a five-cent "bag tax" that is to be charged to every consumer in the District. A consumer making a purchase from a retail establishment within the District must pay at the time of purchase a fee of five cents for each disposable carryout bag he or she receives. By the end of fiscal year 2010, the District had collected approximately $1.5 million in bag taxes.

Additional information about these and other initiatives within the District may be obtained from the following:

- **Office of the Deputy Mayor for Planning & Economic Development**
  John A. Wilson Building
  1350 Pennsylvania Avenue, N.W., Suite 317
  Washington, D.C. 20004
  Telephone: (202) 727-6880
  Website: http://dcbiz.dc.gov

- **District Department of Transportation**
  2000 14th Street, N.W., 6th Floor
  Washington, D.C. 20009
  Telephone: (202) 673-6813
  Website: http://ddot.dc.gov

- **Office of Planning**
  1100 Fourth Street, S.W., Suite E650
  Washington, D.C. 20024
  Telephone: (202) 442-7600
  Website: http://planning.dc.gov

- **Department of Parks and Recreation**
  3149 16th Street, N.W.
  Washington, D.C. 20010
  Telephone: (202) 673-7647
  Website: http://dpr.dc.gov

- **Department of Real Estate Services**
  2000 14th Street, N.W., 8th Floor
  Washington, D.C. 20009
  Telephone: (202) 724-4400
  Website: http://dres.dc.gov

- **U.S. General Services Administration**
  1800 F Street, N.W.
  Washington, D.C. 20405
  Telephone: (202) 501-0705
  Website: http://www.gsa.gov

AWARDS AND ACKNOWLEDGMENTS

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District of Columbia for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2009. The District has received this award for twenty-six of the last twenty-eight years. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that the fiscal year 2010 CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

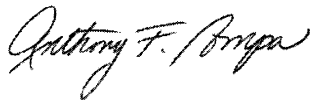
The District also earned an award from GFOA for Outstanding Achievement in Popular Annual Financial Reporting (PAFR) for the fiscal year ended September 30, 2009, for the seventh consecutive year. The PAFR presents the District's financial results in a format and language that allows information to be more easily understood by the general public. The PAFR is not required to present the same level of detail as the CAFR. It contains very few financial statements, less technical language, and more graphics and photographs.

Like the Certificate of Achievement, the Award for Popular Annual Financial Reporting is valid for one year only. The District expects that the fiscal year 2010 PAFR, which will be issued within 30 days after the CAFR is completed, will conform to the Award for Popular Annual Financial Reporting Program requirements. It will also be submitted to the GFOA to determine its eligibility for another award.

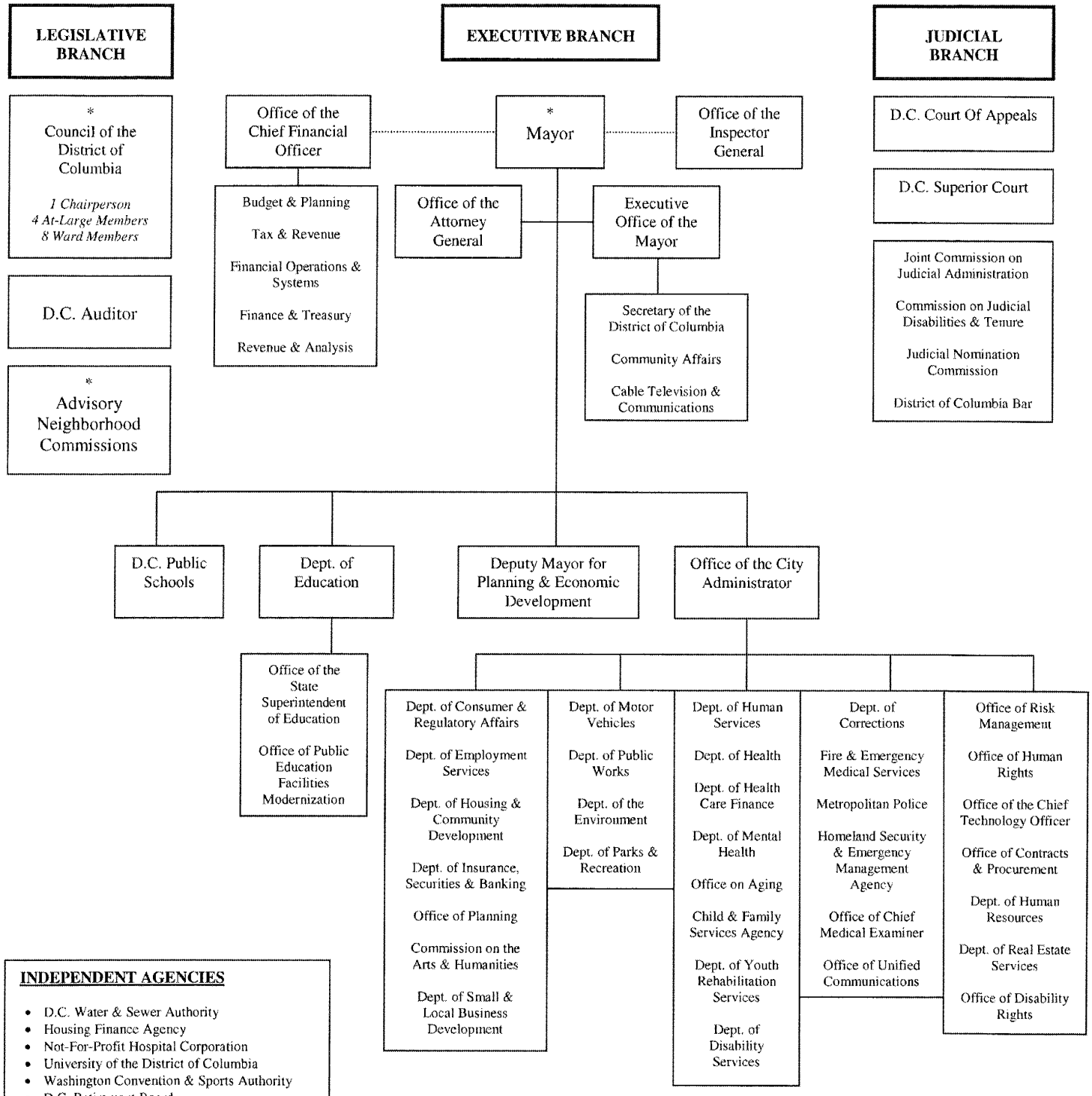
Acknowledgments

I would like to thank the District's accounting and financial management personnel who worked collaboratively with the Office of Financial Operations and Systems throughout the year. I greatly appreciate their efforts, which contribute significantly to the timely preparation of the CAFR. I want to thank my immediate staff, *Bill Slack, Diji Omisore, Tonja Lowe, Wilma Matthias, Vanessa Jackson,* and their respective teams. I am grateful for their dedicated efforts. I would also like to thank the Office of the Inspector General, and the District's independent auditors, KPMG LLP, assisted by Bert Smith & Company, for their efforts throughout the audit engagement.

Respectfully submitted,



Anthony F. Pompa
Deputy Chief Financial Officer
Financial Operations and Systems



INDEPENDENT AGENCIES

- D.C. Water & Sewer Authority
- Housing Finance Agency
- Not-For-Profit Hospital Corporation
- University of the District of Columbia
- Washington Convention & Sports Authority
- D.C. Retirement Board
- Office of Employee Appeals
- Public Employee Relations Board
- Public Defenders Services
- Pretrial Services Agency
- D.C. Lottery & Charitable Games
- Board of Library Trustees
- Office of the People's Counsel
- D.C. Housing Authority

CHARTER INDEPENDENT AGENCIES

- Zoning Commission
- Public Charter Schools
- Public Service Commission
- Board of Elections & Ethics

REGIONAL BODIES

- Metropolitan Washington Council of Governments
- National Capital Planning Commission
- Washington Metropolitan Area Transit Authority
- Washington Metropolitan Area Transit Commission
- Washington Metropolitan Airports Authority

* Elected Officials

DISTRICT OF COLUMBIA
PRINCIPAL OFFICIALS
September 30, 2010

Name	Position	First Took Office	Term Expires
	Chief Executive Officer		
Adrian M. Fenty	Mayor	2007	2011
	Council		
Vincent C. Gray	Chairman	2007	2011
Kwame R. Brown	At Large	2005	2013
Michael A. Brown	At Large	2009	2013
David A. Catania	At Large	1997	2011
Phil Mendelson	At Large	1999	2011
Jim Graham	Ward 1	1999	2011
Jack Evans	Ward 2	1991	2013
Mary C. Cheh	Ward 3	2007	2011
Muriel Bowser	Ward 4	2007	2013
Harry Thomas, Jr.	Ward 5	2007	2011
Tommy Wells	Ward 6	2007	2011
Yvette M. Alexander	Ward 7	2007	2013
Marion Barry, Jr.	Ward 8	2005	2013
	House of Representatives		
Eleanor Holmes Norton	Delegate	1991	2011

Executive Officers

Neil O. Albert	City Administrator
Natwar M. Gandhi	Chief Financial Officer
Peter Nickles	Attorney General
Carrie Kohns	Chief of Staff
Victor Reinoso	Deputy Mayor for Education
Valerie Santos	Deputy Mayor for Planning and Economic Development
Stephanie D. Scott, PhD	Secretary of the District of Columbia
Michelle Rhee	Chancellor for D.C. Public Schools
Charles J. Willoughby	Inspector General
Gordon McDonald	Deputy CFO, Budget and Planning
Anthony F. Pompa	Deputy CFO, Financial Operations and Systems
Lasana K. Mack	Deputy CFO, Finance and Treasury
Fitzroy Lee	Deputy CFO, Revenue Analysis
Stephen Cordi	Deputy CFO, Tax and Revenue
Cyril Byron, Jr.	Associate CFO, Economic Development and Regulation
Mohamed Mohamed	Associate CFO, Governmental Operations
Rumman Dastgir	Interim Associate CFO, Government Services
Deloras A. Shepherd	Associate CFO, Human Support Services
Angelique Hayes	Associate CFO, Public Safety and Justice
George B. Dines, Jr.	Interim Agency CFO, D.C. Public Schools
Buddy Roogow	Executive Director, D.C. Lottery

DISTRICT OF COLUMBIA
PRINCIPAL OFFICIALS
January 2, 2011

Name	Position		First Took Office	Term Expires
		Chief Executive Officer		
Vincent C. Gray	Mayor		2011	2014
		Council		
Kwame R. Brown	Chairman		2011	2014
Michael A. Brown	At Large		2009	2013
David Catania	At Large		1997	2014
Phil Mendelson	At Large		1999	2014
Sekou Biddle	At Large	[*Interim until Special Election 4/26/2011*]	2011	2011
Jim Graham	Ward 1		1999	2014
Jack Evans	Ward 2		1991	2013
Mary C. Cheh	Ward 3		2007	2014
Muriel Bowser	Ward 4		2007	2013
Harry Thomas, Jr.	Ward 5		2007	2014
Tommy Wells	Ward 6		2007	2014
Yvette M. Alexander	Ward 7		2007	2013
Marion Barry, Jr.	Ward 8		2005	2013
		House of Representatives		
Eleanor Holmes Norton	Delegate		1991	2013

Executive Officers

Allen Lew	City Administrator
Natwar M. Gandhi	Chief Financial Officer
Irvin B. Nathan	Acting Attorney General
Gerri Mason Hall	Chief of Staff
De'Shawn Wright	Deputy Mayor for Education
Victor L. Hoskins	Deputy Mayor for Planning and Economic Development
Cynthia Brock-Smith	Secretary of the District of Columbia
Kaya Henderson	Interim Chancellor for D.C. Public Schools
Charles J. Willoughby	Inspector General
Gordon McDonald	Deputy CFO, Budget and Planning
Anthony F. Pompa	Deputy CFO, Financial Operations and Systems
Lasana K. Mack	Deputy CFO, Finance and Treasury
Fitzroy Lee	Deputy CFO, Revenue Analysis
Stephen Cordi	Deputy CFO, Tax and Revenue
Cyril Byron, Jr.	Associate CFO, Economic Development and Regulation
Mohamed Mohamed	Associate CFO, Governmental Operations
Rumman Dastgir	Interim Associate CFO, Government Services
Deloras A. Shepherd	Associate CFO, Human Support Services
Angelique Hayes	Associate CFO, Public Safety and Justice
George B. Dines, Jr.	Interim Agency CFO, D.C. Public Schools
Buddy Roogow	Executive Director, D.C. Lottery

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Government of the District of Columbia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED SEPTEMBER 30, 2010

FINANCIAL SECTION

CAFR 2010

INDEPENDENT AUDITORS' REPORT

KPMG LLP
2001 M Street, NW
Washington, DC 20036-3389

Independent Auditors' Report

The Mayor and the Council of the Government of the District of Columbia
Inspector General of the Government of the District of Columbia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, the budgetary comparison statement, each major fund, and the aggregate remaining fund information of the Government of the District of Columbia (the District), as of and for the year ended September 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. The basic financial statements of the District as of and for the year ended September 30, 2009, were audited by other auditors whose report dated January 28, 2010, expressed and unqualified opinion on those financial statements.

We conducted our 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the District of Columbia Water and Sewer Authority, and District of Columbia Housing Financing Agency, both discretely presented component units of the District, were not audited in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Government of the District of Columbia as of September 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general and federal and private resources funds for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2011, on our consideration of the District's internal control 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 control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

KPMG LLP is a Delaware limited liability partnership, the U.S. member firm of KPMG International Cooperative ("KPMG International"), a Swiss entity.

The accompanying management's discussion and analysis on pages 23 through 40 and the required supplementary information on pages 121 through 123 are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, the other supplementary information presented in the financial section, and the statistical section, as listed in the accompanying table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The statements and schedules described as other supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

January 27, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2010

(Dollar amounts expressed in thousands)

The following is a discussion and analysis of the District of Columbia's (the District's) financial performance for the fiscal year ended September 30, 2010, which includes a narrative overview and analysis of the District's financial activities. This information should be read in conjunction with the transmittal letter, located in the Introductory Section of this report, and the District's basic financial statements and note disclosures, which follow this discussion and analysis.

FINANCIAL HIGHLIGHTS

- The District's assets exceeded its liabilities as of September 30, 2010, by $3,021,333. The District had negative unrestricted net assets totaling $(771,735) at the end of fiscal year 2010. (See Table 1)

- The District's total net assets increased by $173,221 as a result of an increase of $506,627 in revenues in fiscal year 2010 and an increase in expenses of approximately $199,988. General revenues declined by approximately $(92,064); however, the District's revenues from operating grants and contributions increased by more than $508,000, much of which was in the form of federal American Recovery and Reinvestment Act (or Stimulus) funding. In addition, in fiscal year 2010, the District implemented self-imposed cost reduction plans to address potential revenue shortfalls which proved to be successful in limiting expenses. (See Table 2)

- As of September 30, 2010, the District's governmental funds reported combined ending fund balances of $1,583,524, a decrease of $(261,849) in comparison with the prior year. (See Table 3)

- The District's total long-term liabilities increased by $622,331, or 8.2%, during fiscal year 2010. This increase resulted, in large part, from the District's issuance of Income Tax Secured Revenue Bonds during the year. The District issued more than $1 billion in Income Tax Secured Revenue Bonds to fund infrastructure improvements/capital projects and refund certain series of outstanding general obligation bonds. The amount of general obligation bonds defeased through the fiscal year 2010 refundings totaled $828,735. Other factors which contributed to the increase in long-term liabilities include the issuance of Deed Transfer Bonds (Housing Production Trust Fund) totaling $53,190 and increases in liabilities for disability compensation totaling $18,197 and accreted interest totaling $25,597.

- On July 9, 2010, the District acquired the United Medical Center (UMC) after foreclosing on UMC's assets for non-payment of loans owed to the District. The District established the Not-for-Profit Hospital Corporation (the Hospital Corporation) as a separate legal entity of the District government, to receive the assets of UMC (including land, buildings, equipment, furnishings, and accounts) and operate the hospital until such time that a buyer is identified. Upon the purchase of UMC, the District also assumed certain liabilities previously incurred by UMC. The District simultaneously transferred the foreclosed assets and the assumed liabilities to the Hospital Corporation. The fair market value of identifiable net assets acquired and transferred by the District to the Hospital Corporation was $48,128. For further discussion on the hospital, refer to Note 1B, Financial Reporting Entity, on page 56.

OVERVIEW OF THE FINANCIAL STATEMENTS

Basic Financial Statements

In general, the purpose of financial reporting is to provide users of financial statements with information that will help them make decisions or reach conclusions about a reporting entity. Many parties use the District's financial statements; however, they do not always use them for the same specific purpose. In order to address the needs of as many financial statement users as possible, the District, in accordance with generally accepted accounting principles (GAAP) presents: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the basic financial statements.

Government –Wide Financial Statements

The government-wide financial statements focus on the District's overall financial position and activities, and include a *statement of net assets* and a *statement of activities*. These financial statements report on the primary government and its component units. The primary government is further divided into governmental activities and business-type activities.

The purpose of the *statement of net assets* is to report all of the assets held and the liabilities owed by the District at the end of the fiscal year. The difference between the District's total assets and total liabilities is classified as net assets. Total net assets is comprised of three components: 1) *net assets invested in capital assets, net of related debt; 2) restricted net assets;* and *3) unrestricted net assets (deficit).* Although the focus of the District's operations is not to accumulate net assets, in general, gauging increases or decreases in this amount is one way to assess the District's financial position over time. Other factors, such as changes in population, the property tax base, infrastructure conditions, and other non-financial matters, should also be considered when assessing the District's overall financial health.

The purpose of the *statement of activities* is to present the District's revenues and expenses. The difference between revenues and expenses is reported as the change in net assets. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses reported in this statement also include items that will result in cash flows in future fiscal periods (for example, uncollected taxes and earned but unused vacation leave).

The *statement of activities* summarizes both the gross and net cost of the governmental activities and business-type activities. Governmental activities include the District's basic functional services which are generally financed through taxes, intergovernmental revenues and other revenues. Business-type activities include enterprise operations which are primarily funded by fees for services which are expected to cover all or most of the costs of operations, including depreciation. Program or functional expenses are reduced by program-specific earned revenues, and by grants and contributions.

The District's government-wide financial statements are presented on pages 42 and 43 of this report.

Fund Financial Statements

Unlike the government-wide financial statements, the fund financial statements focus on specific District activities rather than the District as a whole. Specific funds are established to maintain managerial control over resources or to comply with legal requirements established by external parties, governmental statutes, or regulations. The District's fund financial statements are divided into three categories: (1) governmental funds; (2) proprietary funds; and (3) fiduciary funds.

Governmental fund financial statements consist of a balance sheet and a statement of revenues, expenditures, and changes in fund balances. These statements are prepared using a basis of accounting which differs from that used to prepare the government-wide statements. Governmental Fund financial statements focus primarily on the sources, uses, and balances of current financial resources and use the modified accrual basis of accounting. However, government-wide financial statements focus on all of the District's economic resources and use the full accrual basis of accounting. Governmental fund financial statements have a short-term emphasis, and generally measure and account for cash and other assets that can easily be converted to cash. As such, these statements present the District's financial position at the end of the fiscal year and how the governmental activities were financed during the year.

The balances and activities accounted for in governmental funds are also reported in the governmental activities columns of the government-wide financial statements; however, because different accounting bases are used to prepare fund financial statements and government-wide financial statements, there are often significant differences in the totals presented in these statements. Therefore, an analysis is presented at the bottom of the balance sheet that reconciles the total fund balances to the amount of net assets presented in the governmental activities column of the statement of net assets. In addition, there is an analysis following the statement of revenues, expenditures, and changes in fund balances that reconciles the total net change in fund balances for all governmental funds to the change in net assets as reported in the governmental activities column of the government-wide statement of activities.

The District presents funds that are significant to the District (major funds) in separate columns and all other governmental funds are aggregated and reported in a single column (nonmajor funds).

The District's governmental fund financial statements are presented on pages 44 and 45 of this report.

Proprietary fund financial statements consist of a statement of net assets; a statement of revenues, expenses, and changes in fund net assets; and a statement of cash flows. These statements are prepared using the full accrual basis of accounting similar to that used to prepare the government-wide financial statements. The District's proprietary funds account for the activities of District entities that charge customers fees for services provided. The District's proprietary fund financial statements present the changes in financial position and condition of the District's two major proprietary funds, the D.C. Lottery & Charitable Games Board and the Unemployment Compensation Fund, and its one non-major proprietary fund, Nursing Home Services. The Unemployment Compensation Fund is reported as a proprietary fund similar to a public entity risk pool because the District is required by law to recover its costs.

The District's proprietary fund financial statements are presented on pages 48 through 50 of this report.

Fiduciary fund financial statements consist of a statement of fiduciary net assets and a statement of changes in fiduciary net assets. These statements are prepared using the full accrual basis of accounting similar to that used to prepare the government-wide financial statements. Assets held by the District for other parties (either as a trustee or as an agent), that cannot be used to finance the District's operating programs, are reported in the fiduciary funds. The District is responsible for ensuring that the activities reported in the fiduciary funds are consistent with each fund's intended purpose.

The District's fiduciary fund financial statements are presented on pages 51 and 52 of this report.

Component Units

Combining financial statements, presented on pages 53 and 54, report the financial data for the District's discretely presented component units.

Notes to the Basic Financial Statements

Notes to the Basic Financial Statements, beginning on page 55, present additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's progress in funding its obligation to provide pension and other postemployment benefits to District employees. Required supplementary information can be found on pages 121 through 123 of this report.

Individual fund financial statements, combining statements (in connection with nonmajor governmental funds), and supporting schedules are presented immediately following the required supplementary information on postemployment benefits. Individual fund statements and combining statements and schedules can be found in the other supplementary information presented on pages 125 through 151 of this report.

OVERVIEW OF THE DISTRICT'S FINANCIAL POSITION AND OPERATIONS

The District's overall financial position improved moderately as a result of the year's activities. The District's financial position and operations for the past two fiscal years are summarized in **Tables 1 and 2**. These tables are based on the information provided in the government-wide financial statements presented on pages 42 and 43 of this report.

Table 1 - Net Assets as of September 30, 2010

	Governmental activities		Business-type activities		Totals	
	2010	2009	2010	2009	2010	2009
Current and other assets	$ 3,453,157	$ 3,483,849	$ 364,234	$ 451,471	$ 3,817,391	$ 3,935,320
Capital assets	9,228,531	8,114,819	4,827	16,012	9,233,358	8,130,831
Total assets	12,681,688	11,598,668	369,061	467,483	13,050,749	12,066,151
Long-term liabilities	8,174,105	7,545,839	29,218	35,153	8,203,323	7,580,992
Other liabilities	1,733,001	1,551,366	93,092	85,681	1,826,093	1,637,047
Total liabilities	9,907,106	9,097,205	122,310	120,834	10,029,416	9,218,039
Net assets:						
Invested in capital assets, net of related debt	2,437,385	2,155,206	4,827	16,012	2,442,212	2,171,218
Restricted	1,117,560	852,061	233,296	304,773	1,350,856	1,156,834
Unrestricted	(780,363)	(505,804)	8,628	25,864	(771,735)	(479,940)
Total net assets	**$ 2,774,582**	**$ 2,501,463**	**$ 246,751**	**$ 346,649**	**$ 3,021,333**	**$ 2,848,112**

Table 2 - Change in Net Assets for the year ended September 30, 2010

	Governmental activities		Business-type activities		Total		
	2010	2009	2010	2009	2010	2009	Variance
Revenues:							
Program revenues:							
Charges for services	$ 450,022	$ 399,478	$ 250,150	$ 288,794	$ 700,172	$ 688,272	$ 11,900
Operating grants and contributions	3,321,671	2,813,568	36,998	36,985	3,358,669	2,850,553	508,116
Capital grants and contributions	259,277	180,602	-	-	259,277	180,602	78,675
General revenues:							
Property taxes	1,877,264	1,951,345	-	-	1,877,264	1,951,345	(74,081)
Sales and use taxes	1,081,005	1,052,011	-	-	1,081,005	1,052,011	28,994
Income and franchise taxes	1,434,131	1,478,068	-	-	1,434,131	1,478,068	(43,937)
Other taxes	560,490	577,885	129,471	94,622	689,961	672,507	17,454
Non tax revenues	466,524	559,089	243,293	171,222	709,817	730,311	(20,494)
Total revenues	**9,450,384**	**9,012,046**	**659,912**	**591,623**	**10,110,296**	**9,603,669**	**506,627**
Expenses:							
Governmental direction and support	871,240	878,219	-	-	871,240	878,219	(6,979)
Economic development and regulation	374,149	470,567	-	-	374,149	470,567	(96,418)
Public safety and justice	1,563,505	1,407,166	-	-	1,563,505	1,407,166	156,339
Public education system	1,989,518	1,937,238	-	-	1,989,518	1,937,238	52,280
Human support services	3,677,405	3,598,570	-	-	3,677,405	3,598,570	78,835
Public works	497,027	553,233	-	-	497,027	553,233	(56,206)
Public transportation	243,668	230,499	-	-	243,668	230,499	13,169
Interest on long-term debt	324,319	336,536	-	-	324,319	336,536	(12,217)
Lottery and games	-	-	163,393	176,625	163,393	176,625	(13,232)
Unemployment compensation	-	-	480,976	370,775	480,976	370,775	110,201
Nursing home services	-	-	18,817	44,601	18,817	44,601	(25,784)
Total expenses	**9,540,831**	**9,412,028**	**663,186**	**592,001**	**10,204,017**	**10,004,029**	**199,988**
Special item	266,942	287,137	-	-	266,942	287,137	(20,195)
Increase in net assets before transfers	**176,495**	**(112,845)**	**(3,274)**	**(378)**	**173,221**	**(113,223)**	**286,444**
Transfer in (out)	96,624	68,775	(96,624)	(68,775)	-	-	-
Change in net assets	273,119	(44,070)	(99,898)	(69,153)	173,221	(113,223)	286,444
Net assets - Oct 1	2,501,463	2,545,533	346,649	415,802	2,848,112	2,961,335	(113,223)
Net assets - Sept 30	**$ 2,774,582**	**$ 2,501,463**	**$ 246,751**	**$ 346,649**	**$ 3,021,333**	**$ 2,848,112**	**$ 173,221**

Please refer to Note 1W – *Reconciliation of Government-Wide and Fund Financial Statements*, on page 70, for additional information on the differences between the two bases of accounting that the District used in this report.

Financial Analysis of the Government as a Whole (Government-Wide Financial Statements)

- The District's combined net assets (governmental and business-type activities) increased by $173,221, or 6.1%, from $2,848,112 in fiscal year 2009 to $3,021,333 in fiscal year 2010. This increase in net assets resulted from an increase of $199,988 in expenses, primarily in the area of public safety and justice and an increase of $506,627 in revenues, primarily operating grants and contributions. In fiscal year 2010, the District's debt service costs decreased as a result of refundings of certain outstanding bonds. In addition, the District also benefitted from the receipt of federal Stimulus funding.

- *Restricted net assets* are assets that are subject to use constraints imposed either: (a) externally by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments; or (b) by law, through constitutional provisions or enabling legislation. Restricted net assets totaled $1,350,856 in fiscal year 2010 and $1,156,834 in fiscal year 2009, representing an increase of $194,022, or 16.8%. Most of this increase is due to more funds being held for debt services, grants, and special purposes.

Total net assets of governmental activities was $2,774,582 in fiscal year 2010, which was $273,119 or 10.9%, more than total net assets of governmental activities in fiscal year 2009. Expenses increased by $128,803 from the prior year and revenues increased by $438,338.

- As a result of the District using current resources to finance capital projects, absorbing Medicaid disallowances, and utilizing available net assets to finance operations, there was a negative unrestricted net asset amount of $(780,363) for governmental activities for fiscal year 2010. This amount, combined with the unrestricted net assets for business-type activities totaling $8,628, resulted in negative total unrestricted net assets for fiscal year 2010 of $(771,735).

The Lottery and Charitable Games Control Board (the Lottery), an enterprise fund of the primary government, transfers substantially all of its net income to the District at the end of each fiscal year. In fiscal years 2010 and 2009, the Lottery transferred $66,750 and $68,775 to the District's General Fund, respectively. Additionally, in fiscal year 2010, with the closure of the Washington Center for Aging Services, $29,874 was transferred from that entity to the District's General Fund. Total transfers from the proprietary funds to the primary government were $96,624 in fiscal year 2010.

Chart 1 graphically depicts the District's sources of revenues as presented in Table 2, *Change in Net Assets* for the year ended September 30, 2010, found on page 26.

Chart 1 – Revenues by Source – Governmental Activities

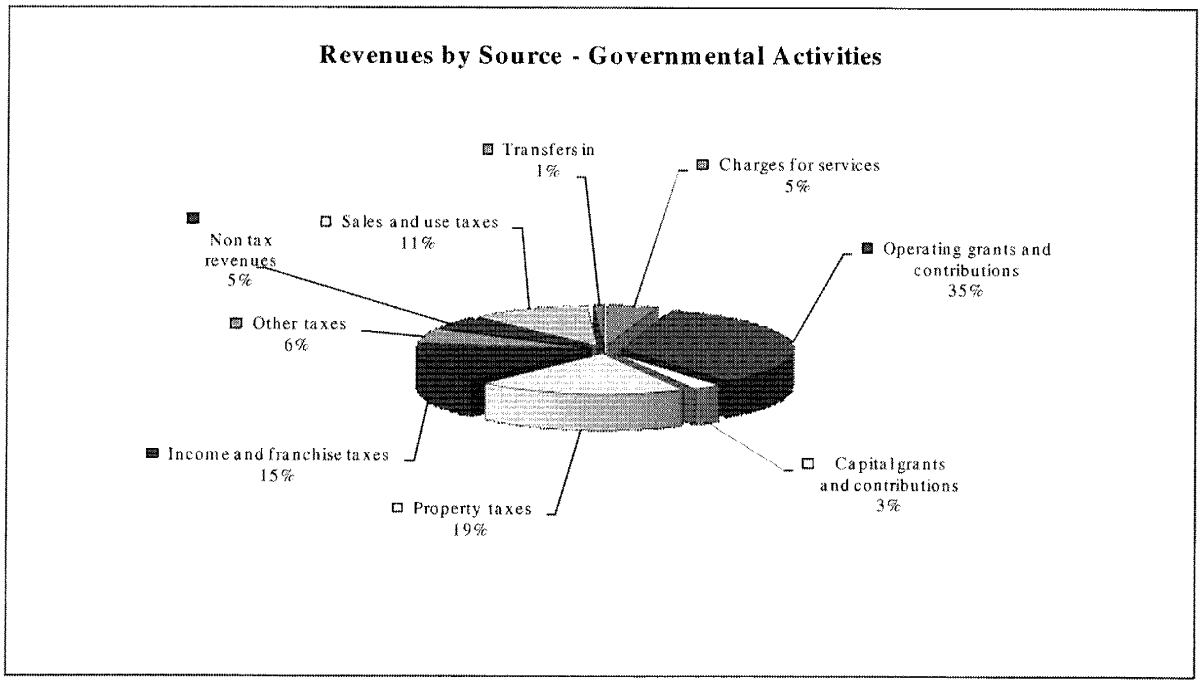
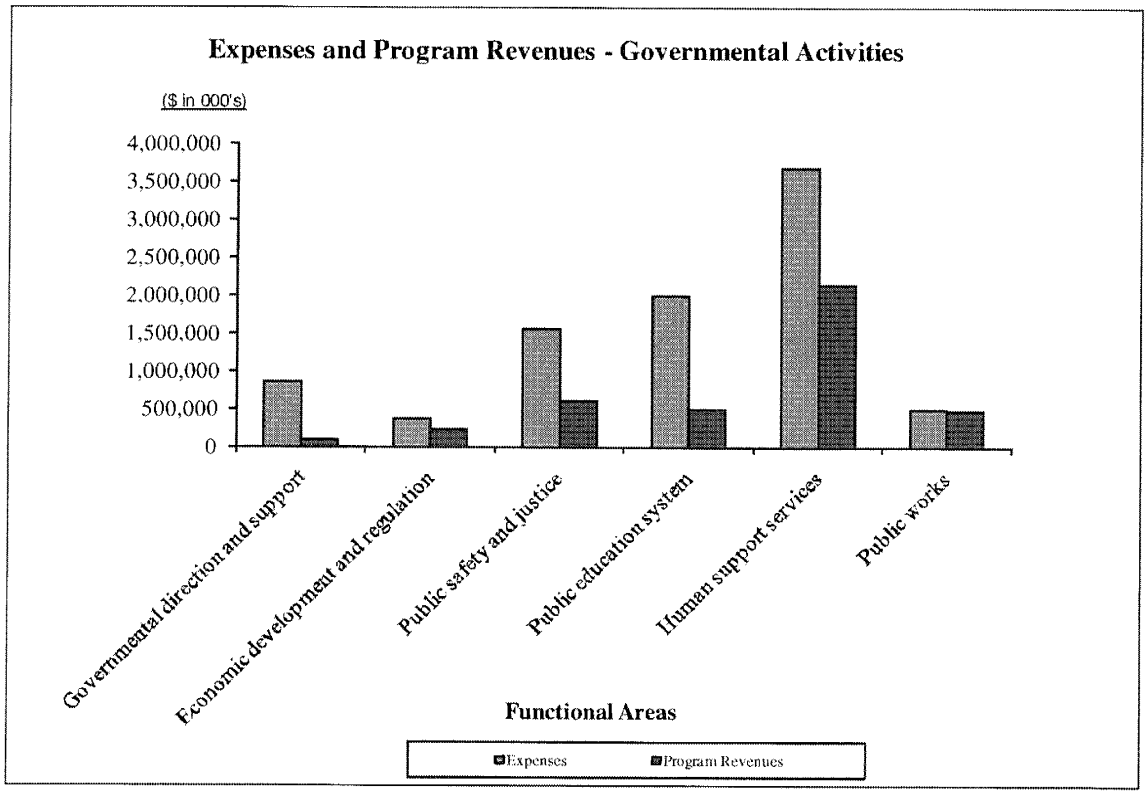


Chart 2 displays both expenses and program revenues of selected governmental activities for the fiscal year. The governmental activities are: governmental direction and support, economic development and regulation, public safety and justice, public education, human support services and public works.

Chart 2 – Governmental Activities Expenses and Program Revenues



Reporting on the District's Most Significant Funds

Fund financial statements focus on major funds, instead of fund types. A governmental fund is classified as a major fund if the fund has revenues, expenditures/expenses, assets, or liabilities (excluding extraordinary items) that are at least 10% of the corresponding totals for all governmental or enterprise funds and at least 5% of the aggregate amount for all governmental and enterprise funds for the same item. Major funds, as required by generally accepted accounting principles (GAAP), are presented individually with nonmajor governmental funds combined in a single column. Detailed information for individual nonmajor governmental funds can be found in Other Supplementary Information, Exhibits B-1 and B-2, presented on pages 136 and 137 of this report.

Governmental Funds

The District's governmental funds provide information that is useful when assessing the District's financing needs, such as data pertaining to near-term inflows, outflows, and balances of spendable resources. For instance, the amount of unreserved fund balance may serve as a useful measure of the government's net resources that are available for spending as of the end of the fiscal year.

Most basic services are reported in the governmental funds, which are further classified as General, Federal and Private Resources, General Capital Improvements, and Nonmajor Governmental Funds. Please refer to Exhibits 2-a and 2-b presented on pages 44 and 45, for more detailed information about these funds.

- **Fund Balances:** The governmental funds reported a combined fund balance of $1,583,524 in fiscal year 2010 and $1,845,373 in fiscal year 2009, which represents a decrease of $(261,849), or -14.2%, from the prior year. The components of the combined fund balance of the governmental funds are presented in **Table 3**.

Table 3 – Comparison of FY 2010 and FY 2009 Fund Balance

Governmental Fund	FY 2010 Balance	FY 2009 Balance	Dollar Variance	Percentage Variance
General	$ 890,126	$ 920,483	$ (30,357)	-3.3%
Federal and Private Sources	191,023	142,566	48,457	34.0%
General Capital Improvements	133,438	406,854	(273,416)	-67.2%
Nonmajor governmental funds	368,937	375,470	(6,533)	-1.7%
Total Fund Balance	**$ 1,583,524**	**$ 1,845,373**	**$ (261,849)**	-14.2%

The most significant change in the total fund balance of the governmental funds was in the General Capital Improvements Fund. The fund balance of the General Capital Improvements Fund decreased by more than $273 million primarily because the capital outlays increased by $253 million in fiscal year 2010. At the end of fiscal year 2010, cash and cash equivalents totaled approximately $566 million, which was $174 million less than the prior year balance of $740 million. In addition, the General Capital Improvements Fund owed $302 million to other funds which was $98 million higher than the $204 million owed to other funds at the end of fiscal year 2009. Debt issuances increased by approximately $211 million in fiscal year 2010 to finance capital projects. Although capital outlays increased sharply by $253 million, total revenues and other financing sources and uses of the General Capital Improvements Fund only increased by $160 million.

The largest portion of the fund balance of the governmental funds is in the General Fund, the District's primary operating fund. A more detailed discussion of the District's General Fund is provided below:

- **Revenues:** General Fund revenues decreased by $148,911 in fiscal year 2010. The collection of taxes and other revenues decreased as the District continued to be impacted in fiscal year 2010 by the economic decline over the last three years. Property taxes and income and franchise taxes decreased while sales and use taxes increased. **Table 4** presents the most significant one-year variances in General Fund revenues.

Table 4 – Changes in Major General Fund Revenues (Taxes)

Tax Category	Fiscal Year 2010	Fiscal Year 2009	Dollar Variance	Percentage Variance
Property	$ 1,876,815	$ 1,934,523	$ (57,708)	-3.0%
Sales and Use	1,081,005	1,052,011	28,994	2.8%
Income and Franchise	1,434,131	1,478,068	(43,937)	-3.0%
Total (These Categories)	**$ 4,391,951**	**$ 4,464,602**	**$ (72,651)**	-1.6%

Property tax. There is a two year lag between the time real property values are assessed and when the revenue from the assessments is realized. Prior to fiscal year 2009, the District experienced significant increases in tax collections as a result of robust growth in property values, as evidenced by a growing number of property sales, and increases in average sales prices. As the housing market declined and the recession worsened, both the number and sales prices of residential and commercial property sales declined in late 2008 and 2009. The effect of these declines resulted in lower real property tax collections in fiscal year 2010.

Personal property tax collections also declined as a result of a stalled economy, as the level of business activity and new business investment decreased.

Sales and use tax. The increase in the sales and use tax was driven primarily by an increase in the general sales tax rate to 6.00% from 5.75%. Sales tax revenues began to rebound in fiscal year 2010 as the national and local economy began to show signs of recovery.

Income and franchise tax. Income tax collections through withholdings increased by $49 million over the prior year. However, the non-withholding component of income tax revenue, which includes declarations (estimated payments), declined by $75 million. The behavior of the declarations component is related to the performance of the stock market which declined sharply in recent years. In addition, losses from steep declines of recent years continued to affect amounts collected through non-withholdings and contributed to weakness in the corporate and unincorporated franchise taxes.

Although corporate franchise tax revenues increased in fiscal year 2010 due to a rebound in the equity markets, overall economic recovery has been slow and the markets remained relatively flat. Continued weakness in fiscal year 2010, due to depressed real estate activity, led to declines in unincorporated business franchise taxes.

Dedicated Revenues

Portions of the District's tax revenue streams are dedicated for specific purposes. The dedicated portion of tax revenues is transferred out of the local fund (the major component of the general fund), and is not available for general budgeting. In fiscal year 2010, the District dedicated a total of $304,400 in tax revenues to fund the projects shown in **Tables 5a** and **5b**. There were $76,982 non-budgetary dedicated tax revenues and $227,418 budgetary dedicated tax revenues.

Table 5a – Dedicated Local Tax Revenues

Non-Budgetary Dedicated Taxes							
Source	**Gross Collection**	**Housing Production Trust Fund**	**DDOT**	**Convention Center**	**Baseball Special Revenue Fund**	**Highway Trust Fund**	**Net Collection**
Public Space Rental	$ 34,264		$ (31,170)			$ (3,094)	$ -
General Sales	976,690		(9,476)	$ (1,306)	$ (3,042)	(985)	961,881
Public Utility	149,877				(10,301)		139,576
Toll Telecommunications	62,826				(489)		62,337
Deed Recordation	113,198	$ (9,034)					104,164
Deed Transfer	94,202	(8,085)					86,117
Total	**$ 1,431,057**	**$ (17,119)**	**$ (40,646)**	**$ (1,306)**	**$ (13,832)**	**$ (4,079)**	**$ 1,354,075**

Table 5b – Dedicated Local Tax Revenues

Budgetary Dedicated Taxes										
Source	**Local Collection**	**TIF**	**DDOT**	**Baseball Special Revenue Fund**	**Nursing Facility Fund**	**Convention Center**	**Housing Production Trust Fund**	**Highway Trust Fund**	**Neighborhood Investment Fund**	**Available for General Fund Use**
Real Property	$ 1,821,459	$ (11,145)								$ 1,810,314
Personal Property	52,032								$ (2,588)	49,444
General Sales	961,881	(22,995)	$ (17,800)	$ (6,935)		$ (93,054)		$ (113)		820,984
Motor Fuel Tax	22,180							(22,180)		-
Toll Telecommunications	62,337			(1,434)						60,903
Healthcare Provider Tax	12,423				$ (12,423)					-
Baseball gross receipts	23,712			(23,712)						-
Deed Recordation	104,164						$ (7,389)			96,775
Deed Transfer	86,117						(5,650)			80,467
Total	**$ 3,146,305**	**$ (34,140)**	**$ (17,800)**	**$ (32,081)**	**$ (12,423)**	**$ (93,054)**	**$ (13,039)**	**$ (22,293)**	**$ (2,588)**	**$ 2,918,887**

- **Expenditures:** The District's general fund expenditures, excluding debt service, decreased by $253,592 from the previous year. Variances by program or function are presented in **Table 6**:

Table 6 – General Fund Expenditure Variances by Function

Program/ Functional Area	Fiscal Year 2010	Fiscal Year 2009	Dollar Variance	Percentage Variance
Governmental direction and support	$ 579,457	$ 589,492	$ (10,035)	-1.7%
Economic developnment and regulation	247,355	339,783	(92,428)	-27.2%
Public safety and justice	1,018,335	984,892	33,443	3.4%
Public education system	1,400,832	1,497,302	(96,470)	-6.4%
Human support services	1,564,143	1,643,779	(79,636)	-4.8%
Public works	276,990	298,625	(21,635)	-7.2%
Public transportation	243,668	230,499	13,169	5.7%
Total Functional Expenditures	**$ 5,330,780**	**$ 5,584,372**	**$ (253,592)**	-4.5%

Explanations for significant variances in General Fund expenditures are presented below:

Economic Development and Regulation - The one-year variance in spending was due to the implementation of cost-saving measures across all agencies within the Economic Development and Regulation cluster. However, some of the more significant reductions in expenditures over the one-year period occurred in the Office of the Deputy Mayor for Planning and Economic Development (ODMPED), Department of Employment Services (DOES), Housing Production Trust Fund Subsidy, and the Commission on Arts and Humanities (CAH).

- ODMPED expenditures decreased by approximately $43 million as a result of the budget and associated expenditures for Business Improvement Districts being transferred to a separate agency in fiscal year 2010. In addition, ODMPED expenditures were approximately $23 million less in the local fund because pass-through grants were removed from the Mayor's budget in fiscal year 2010. However, these variances were offset by a higher pace of spending in the Neighborhood Investment Fund in fiscal year 2010.

- DOES expenditures were approximately $18 million less in fiscal year 2010 when compared to fiscal year 2009 due to program cost savings in the Summer Youth Employment and Transitional Employment Programs.

- Housing Production Trust Fund Subsidy expenditures were approximately $15 million less in fiscal year 2010 than in the prior year due to lower revenue collections. Expenditures cannot exceed the amount of revenues collected.

- CAH expenditures accounted for approximately $8 million of the cluster's one-year expenditure variance. During fiscal year 2010, CAH's budget for grants to local artists was reduced as part of the District's city-wide cost-savings plan; therefore, CAH had fewer resources available to spend for this purpose.

Public Education – Much of the reductions in Public Education resulted from organizational and operational changes made within the Office of the State Superintendent for Education (OSSE). Throughout fiscal year 2010, OSSE continued to assess its operations and purpose and as a result reduced or otherwise eliminated functions and contractual expenses more directly related to local education agencies. OSSE reduced the number of administrative staff in several units across the agency and reduced costs associated with direct educational services more appropriately provided at the local school level. In addition, OSSE delayed office furniture purchases and other non-essential equipment acquisitions, eliminated duplicative information technology contracts, and reduced costs for supplies, materials, and travel.

Human Support Services – The decrease in Human Support Services expenditures was due, in large part, to reductions within the Department of Human Services (DHS), Department of Health (DOH), Department of Mental Health (DMH), and the Child and Family Services Agency (CFSA).

- The decrease in DHS expenditures was primarily associated with the provision of Temporary Assistance for Needy Families (TANF) benefits to program recipients. Local costs associated with providing TANF cash assistance was reduced by approximately $10.3 million without reducing the overall benefits to clients. The mandated local Maintenance of Effort (MOE) was achieved through partnerships with other agencies. In addition, DHS's Family Services Administration had cost reductions of approximately $7.5 million associated with homeless services, including the Housing First Initiative. Other cost savings totaling approximately $1.7 million resulted from the reallocation of local personnel costs to federal grants.

- DOH expenditures decreased approximately $22.9 million over the one-year period. Approximately $6.5 million of this variance resulted from the Addiction, Prevention and Recovery Administration (APRA): (a) outsourcing its detoxification center and its referral and assessment services; and (b) realigning APRA's administrative staff. In addition, in fiscal year 2010, DOH's Health Care Regulation and Licensing Administration was legally mandated to transfer the function of licensing of day care facilities to the Office of the State Superintendent for Education (OSSE). Transferring this function to OSSE resulted in a decrease in Human Support Services expenditures of approximately $1.6 million. DOH also experienced cost savings of approximately $9.4 million in its Community Health Administration (CHA) as a result of the outsourcing of the Commodity Supplemental Food Program and the realignment of CHA's administrative staff. Other reductions of approximately $3.4 million were realized in the HIV/AIDS Administration through the elimination of the Ticket to Work Project. Moreover, like other agencies within the cluster, DOH reduced spending for utilities, telecommunications, rent and janitorial services across multiple programs within the agency resulting in additional savings.

- The reduction in DMH expenditures resulted from the closing of the D.C. Community Services Agency (DCCSA) which was a component of DMH. The services previously provided by DCCSA are now being provided through community-based agencies through contractual services. The cost savings associated with the closing of DCCSA were approximately $17.2 million.

- On a comparative basis, CFSA's expenditures were lower than the previous years due to a write-off of $32 million in uncollectible Medicaid receivables. A Medicaid receivable write-off was not necessary in fiscal year 2010.

Capital Expenditures and Financing

The District's investments in capital improvements are based on need rather than available current year revenues. It is the District's financial policy to issue general obligation bonds to support the expenditures associated with its Capital Improvements Program. In order to minimize the cost of carrying debt, the District has instituted the practice of issuing bonds based on actual expenditures, in some cases, as well as based on the annual amount budgeted. In practice, agencies are authorized to spend their annual appropriated capital budget in advance of financing. The General Fund advances the amount of the funding, and is repaid with the proceeds from the bonds when issued. This allows the District to determine when it will enter the market to issue bonds, based upon cash flow needs, favorable market rates, and the total amount of municipal debt financing and the types of credits that are available. This flexibility helps to minimize borrowing costs and maximize the pool of potential investors for the District's debt issuances.

The District spent $1,307,946 on general capital improvements which exceeded the general capital improvements revenues of $264,296 by $1,043,650, which is reported as a deficiency in the capital projects fund. This deficiency was subsequently financed with a total of $770,234 from bond proceeds and other financing sources. The net change in the general capital improvements fund balance was a decrease of ($273,416).

Proprietary Funds

The District currently has two major Proprietary Funds: the D.C. Lottery & Charitable Games Board (Lottery), and the Unemployment Compensation Fund (Unemployment). There is one nonmajor proprietary fund, Nursing Home Services, which includes the operations of the JB Johnson Nursing Center.

The total assets for the Lottery decreased by $4,981, or 9.8%, over the prior year, due to scheduled payments to long-term prize winners. Total assets for Unemployment decreased by $(44,915), or -11.4%, due to decreases in restricted cash. Due to the economic decline in recent years, the District paid a high level of unemployment compensation benefits to eligible

recipients in fiscal year 2010. Overall total net assets of the District's proprietary funds decreased by $(99,898), or -28.8%, over the prior year, due in large part to these factors. Exhibits 3-a, 3-b, and 3-c on pages 48 through 50 present the financial statements of the proprietary funds.

Charts 3 and 4 graphically present comparisons of the revenues and expenses of the District's proprietary funds, based on information contained in the Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds, shown on page 49 of this report.

Chart 3 – Expenses and Program Revenues – Business-type Activities

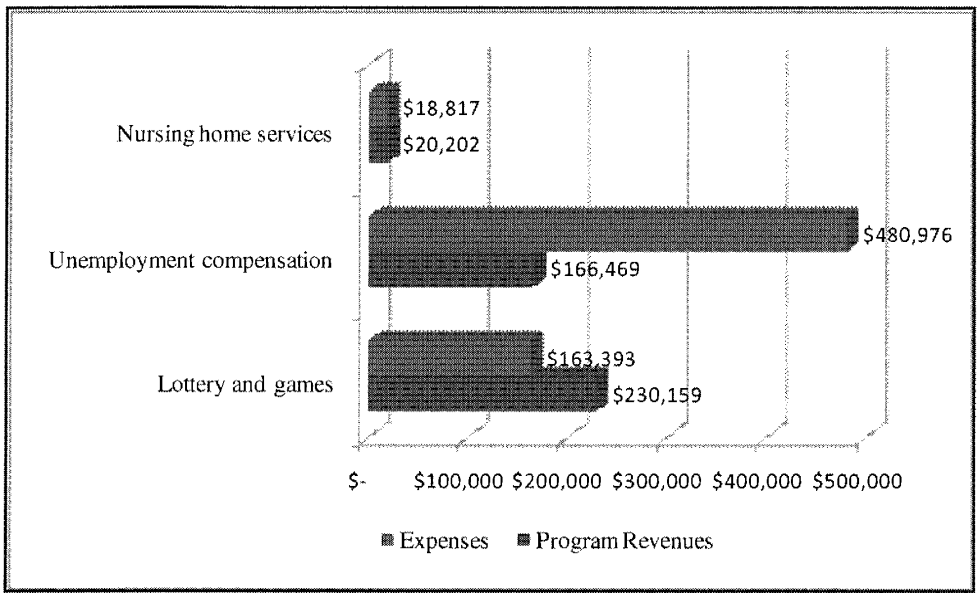
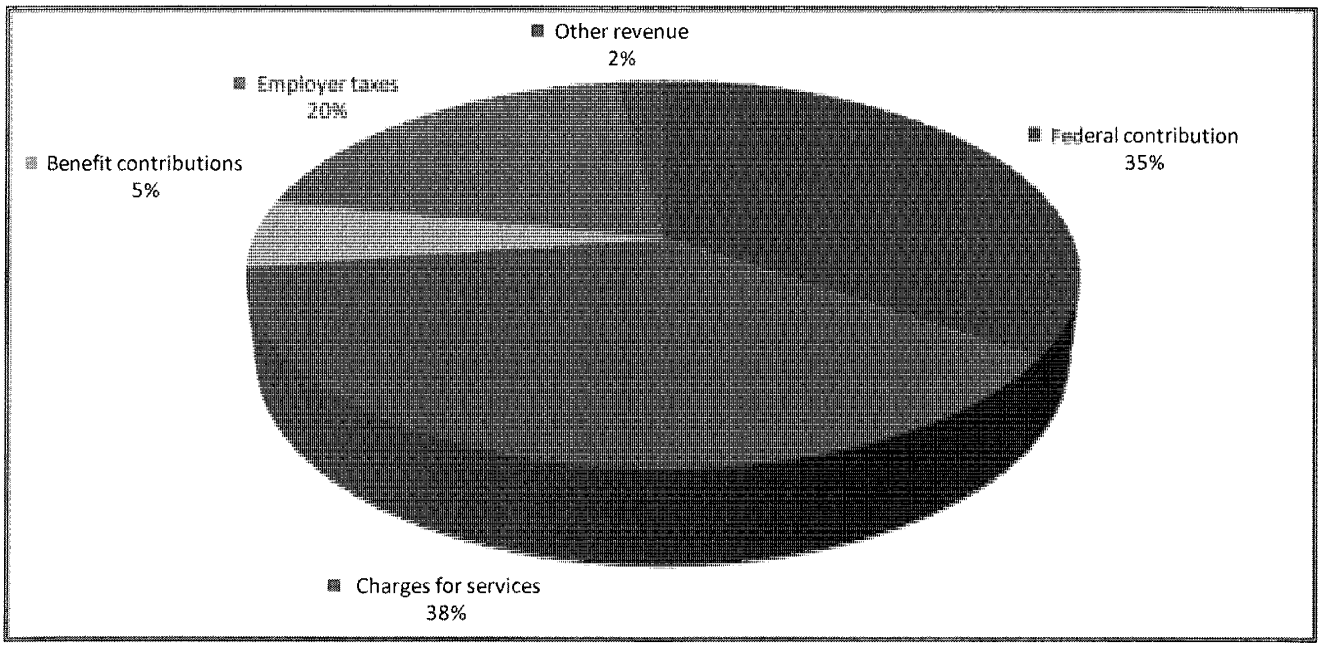


Chart 4 – Revenues by Source – Business-type Activities



Fiduciary Funds

The *Trust and Agency Funds* are used to account for assets held by the District as trustee for individuals, private organizations, or other governments. The District is the *trustee* or *fiduciary* for its employees' pension plans and other postemployment benefits (OPEB). All fiduciary activities are reported in Exhibit 4-a, *Statement of Fiduciary Net Assets* and Exhibit 4-b, *Statement of Changes in Fiduciary Net Assets* on pages 51 and 52, respectively. Exhibits C-1, C-2, and C-3, presented on pages 140, 141, and 142 respectively, provide additional information. These activities are excluded from the District's governmental and business-type activities because these resources are restricted and are not available to support the District's operations.

The changes in the net assets of the Pension Trust Funds and OPEB Trust Fund are presented in **Table 7**.

Table 7 – Variances in Net Assets of Pension and OPEB Trust Funds

Trust Fund	Fiscal Year 2010	Fiscal Year 2009	Dollar Variance	Percentage Variance
Police and Firefighters Pension	$2,925,742	$2,524,994	$ 400,748	15.9%
Teachers Pension	1,317,470	1,204,391	113,079	9.4%
Other Postemployment Benefits	424,254	309,136	115,118	37.2%
Total Net Assets (End of Year)	**$4,667,466**	**$4,038,521**	**$ 628,945**	15.6%

Net assets of the fiduciary funds increased due to contributions received and increases in the value of equity investments. In addition, there were significant reductions in accounts payable and other current liabilities in these funds.

Private-purpose trust funds are used to report any trust arrangement not reported in the pension or OPEB trust funds under which principal and income benefit specific individuals, private organizations, or other governments. For instance, the District's 529 College Savings Investment Plan, which is designed to help families save for the higher education expenses of designated beneficiaries, comprises the Private-Purpose Trust Fund.

Component Units

Component units are legally separate organizations for which the District is financially accountable. The District has five discretely presented component units: (1) Water and Sewer Authority; (2) Washington Convention and Sports Authority; (3) Not-For-Profit Hospital Corporation, which was established in July 2010; (4) Housing Finance Agency; and (5) University of the District of Columbia. Effective October 1, 2009, the Sports and Entertainment Commission was abolished and its operations were merged with those of the Washington Convention Center Authority, thereby creating the Washington Convention and Sports Authority. The District established the Not-For-Profit Hospital Corporation (the Hospital Corporation) as an independent instrumentality of the District government in fiscal year 2010. As a legally separate entity, the Hospital Corporation is a discretely presented component unit because the Mayor and Council appoint a voting majority of the Hospital Corporation's governing board and the District is able to impose its will on the Hospital Corporation. In addition, the Hospital Corporation operates as the United Medical Center, and as such, provides healthcare services to District residents and the general public.

The District is financially accountable for these organizations because the Mayor, with the consent of the Council, appoints a voting majority of the governing bodies of these organizations. In addition, the District has an obligation to provide financial support to the Washington Convention and Sports Authority, and the University of the District of Columbia.

Other component units have operations that are so intertwined with those of the primary government that they function, for all practical purposes, as an integral part of the primary government. These are reported as blended component units. A component unit should be blended when the primary government and the component unit share a common governing body or when the component unit either: (1) provides service entirely or almost entirely to the primary government; or (2) otherwise exclusively or almost exclusively benefits the primary government although it does not provide services directly to it. The District has one blended component unit, the Tobacco Settlement Financing Corporation (Tobacco Corporation). The Tobacco Corporation is a blended component unit because it provides services exclusively to the District.

Each of the component units prepares its own independently audited financial statements, which are accompanied by their respective Management's Discussion and Analysis. Exhibits 5-a and 5-b on pages 53 and 54, respectively, present more detailed financial information on the District's component units.

Short-Term Debt

The District issues short-term debt primarily to finance seasonal cash flow needs. This need occurs due to time lags between the receipt of taxes, grants and other revenues and the outflow of funds for governmental operations and required disbursements. The District issued $500,000 in Tax Revenue Anticipation Notes (TRANs) on October 30, 2009, at an interest rate of 2.50%. By law, the District must repay any short-term debt in its entirety by September 30 of the fiscal year in which the debt was incurred. Accordingly, the District repaid the TRANs on September 30, 2010.

Long-Term Debt

The District is empowered by law (Section 461 of the District of Columbia Home Rule Act, as amended) to issue general obligation bonds to refund indebtedness of the District and to provide for the payment of the cost of acquiring or undertaking the District's various capital projects. The District also issues income tax secured revenue bonds pursuant to the Bond Authorization Act of 2008 (D.C. Code §§ 47-340.26 to 47-340.36). The payment of principal and interest on these bonds comes solely from the associated trust estate and the available pledged tax revenues. The income tax secured revenue bonds are without recourse to the District, and are not a pledge of, and do not involve the full faith and credit or the taxing power of the District.

The District also issues, on a less frequent basis, other types of long term debt, including Tax Increment Financing (TIF) Bonds, Tobacco Bonds, Housing Production Trust Bonds, Qualified Zone Academy Bonds, and other revenue bonds.

At September 30, 2010, the District had $8,174,105 in long term debt outstanding, of which $6,883,433, or 84.2%, was in the form of bonds. Of the outstanding bonds, $2,781,053, or 40.4%, were general obligation bonds, and $2,570,650, or 37.3%, were income tax secured revenue bonds. **Table 8** presents the District's outstanding bonds as of September 30, 2010.

Table 8 – Outstanding Bonds at September 30, 2010 and 2009

Type of Bonds	2010	2009	Dollar Variance	Percentage Variance
General Obligation Bonds	$ 2,781,053	$ 3,766,628	$ (985,575)	-26.2%
Income Tax Secured Revenue Bonds	2,570,650	1,071,785	1,498,865	139.8%
Other Bonds:				
Tobacco Bonds	699,779	711,239	(11,460)	-1.6%
Ballpark Bonds	517,390	521,750	(4,360)	-0.8%
AWC PILOT Revenue Bonds	96,950	102,970	(6,020)	-5.8%
TIF Bonds	91,807	96,197	(4,390)	-4.6%
HPTF Bonds	85,615	33,010	52,605	159.4%
NCRC Revenue Bonds	30,671	39,168	(8,497)	-21.7%
Qualified Zone Academy Bonds	9,518	6,044	3,474	57.5%
Total	**$6,883,433**	**$6,348,791**	**$534,642**	**8.4%**

As presented in **Table 8**, the amount of general obligation bonds outstanding at September 30, 2010, decreased significantly from the prior year while the amount of income tax secured revenue bonds increased dramatically. In fiscal year 2010, the District refunded $828,735 of its outstanding general obligation bonds through the issuance of Income Tax Secured Revenue Refunding Bonds. In March 2010, the District issued $694,300 in Income Tax Secured Revenue Refunding Bonds, Series 2010A (Tax-Exempt), to refund the following outstanding general obligation bonds: Series 1998B, Series 1999A, Series 2001B, Series 2001C, Series 2001D, Series 2002D, Series 2003A, Series 2003B, Series 2004A, Series 2005A, Series 2007C, Series 2008E, and Series 2008F. In April 2010, the District issued $126,670 in Income Tax Secured Revenue Refunding

Bonds, Series 2010C, to currently refund the outstanding principal amount of the District's Multimodal General Obligation Refunding Bonds, Series 2008B (Variable Rate Demand Obligations).

The total debt per capita as of September 30, 2010, was $11,949 (not in thousands). This represents an increase of $868 (not in thousands), or 7.8%, over the prior year. This increase is due to the District's issuance of additional Income Tax Secured Revenue Bonds in fiscal year 2010. Exhibit S-3C, on page 171, presents ratios of total outstanding debt for the last ten fiscal years.

For more detailed information on the District's long-term debt activity, refer to Note 8, Long-Term Liabilities, found on pages 89 through 106.

Capital Assets

The General Capital Improvements Fund is used to account for the purchase or construction of capital assets financed by transfers, capital grants, and debt. Capital assets include, but are not limited to, land, buildings, police and fire equipment, office equipment, park facilities, roads, and bridges. In fiscal year 2010, total capital assets increased by $1,113,712, or 13.7%, over the prior year. Total overall capital assets has continued to increase because the District has been investing more resources in the construction of new assets and the rehabilitation of existing infrastructure, such as roads, streets, and bridges.

At September 30, 2010, total net capital assets (capital assets less depreciation) were $9,233,358. Net capital assets of the governmental activities totaled $ 9,228,531 and the net capital assets of the business-type activities totaled $4,827. The governmental activities depreciation charges for fiscal year 2010 totaled $314,938 compared to the prior year's amount of $304,354. **Table 9** presents more detailed information on the District's net capital assets.

Table 9 – Net Capital Assets as of September 30, 2010

Asset Category	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	$ 916,721	$ 594,593	$ -	$ 1,264	$ 916,721	$ 595,857
Buildings	3,429,054	3,035,186	3,192	12,000	3,432,246	3,047,186
Infrastructure	2,279,590	2,121,095	-	-	2,279,590	2,121,095
Equipment	427,976	502,961	1,635	2,748	429,611	505,709
Construction in progress	2,175,190	1,860,984	-	-	2,175,190	1,860,984
Total net capital assets	**$ 9,228,531**	**$ 8,114,819**	**$ 4,827**	**$ 16,012**	**$ 9,233,358**	**$ 8,130,831**

For more detailed information on the District's capital asset activity, refer to Note 5, Capital Assets, found on pages 83 through 88.

REPORTING THE DISTRICT'S BUDGET

Overview in Brief

D.C. Code § 47-392.01(c) (1) (A) requires the District to prepare a balanced budget each year. Consistent with D.C. Code §47-392.02, the Mayor is required to submit the budget to Council for review, approval, and submission to Congress. The District's budget is subject to revision and veto by Congress and the President of the United States. As the budget moves through the budgetary process, there may be changes in both amounts and purposes.

The Chief Financial Officer is responsible for forecasting revenue for the District government. Each February, the Chief Financial Officer issues the official revenue estimate that is used to develop the District's budget for the next fiscal year. This estimate is revised as the new fiscal year begins and is periodically reviewed and adjusted at regular intervals throughout the fiscal year to reflect current economic trends and outlook, new legislative mandates, and other similar factors. As the revenue estimates are revised, the District's expenditure budget is also revised to be consistent with the updated revenue estimates.

General Fund Budgetary Highlights

The General Fund is the chief budgetary operating fund of the primary government. **Table 10** presents a Schedule of Budgetary Basis Revenues and Expenditures for the General Fund for the fiscal year ended September 30, 2010.

Table 10 – Schedule of Budgetary Basis Revenues and Expenditures

	Original Budget	Revised Budget	Actual	Variance
Revenues and Sources:				
Taxes	$ 4,964,926	$ 5,044,968	$ 4,903,867	(141,101)
Licenses and permits	60,959	66,155	60,852	(5,303)
Fines and forfeits	180,411	147,203	111,488	(35,715)
Charges for services	45,901	37,774	46,125	8,351
Miscellaneous	122,069	83,185	119,743	36,558
Other sources	460,574	440,479	439,908	(571)
General obligation bonds	15,000	15,000	5,079	(9,921)
Fund Balance released from restrictions	129,047	214,852	138,421	(76,431)
Interfund transfer from lottery and games	65,775	67,350	66,750	(600)
Interfund transfer - others	3,497	23,897	24,287	390
Total revenues and other sources	6,048,159	6,140,863	5,916,520	(224,343)
Expenditures and Other Uses:				
Governmental direction and support	373,596	388,565	375,801	12,764
Economic development and regulation	318,012	323,801	265,865	57,936
Public safety and justice	1,020,190	1,040,529	1,018,244	22,285
Public education	1,380,532	1,417,923	1,406,991	10,932
Human support services	1,410,425	1,479,115	1,461,272	17,843
Public works	579,216	592,453	565,731	26,722
Repay bonds and interest	476,922	375,656	353,965	21,691
Other expenditures and uses	434,332	484,752	410,522	74,230
Total expenditures and other uses	5,993,225	6,102,794	5,858,391	244,403
Excess of Revenues and Other Sources Over Expenditures and Other Uses - Budgetary Basis	$ 54,934	$ 38,069	$ 58,129	$ 20,060

Revenues and Other Sources

Actual General Fund revenues and other sources were $(224,343) less than the revised budget. As presented in **Table 10**, this $(224,343) variance was primarily due to shortfalls in taxes and fund balance released from restrictions which are discussed below.

Taxes

Tax revenues were $(141,101) less than the final revised budget for fiscal year 2010. Revenues from property taxes and gross receipts and other taxes exceeded the revised budget by $34,957 and $11,114, respectively. The positive variance in property taxes was due to increased collections resulting from the reclassification of vacant property. The excess in gross receipts and other tax revenue was due to increased deed recordation and transfer taxes and estate taxes which offset declines in gross receipts taxes due to reclassification of dedicated amounts. However, the excess revenues from property taxes and

gross receipts and other taxes were offset by significant shortages in other taxes. Actual income and franchise tax revenues were $138,549 less than the revised budget while revenues derived from sales and use taxes were $48,623 less than the revised budget. The shortfalls in income taxes were due to much lower final payments and estimated payments as a result of the decline in investment returns over the past several years. The shortfall in sales and use taxes was due to the economic conditions in the fall and winter of fiscal year 2010.

Fund Balance Released from Restrictions

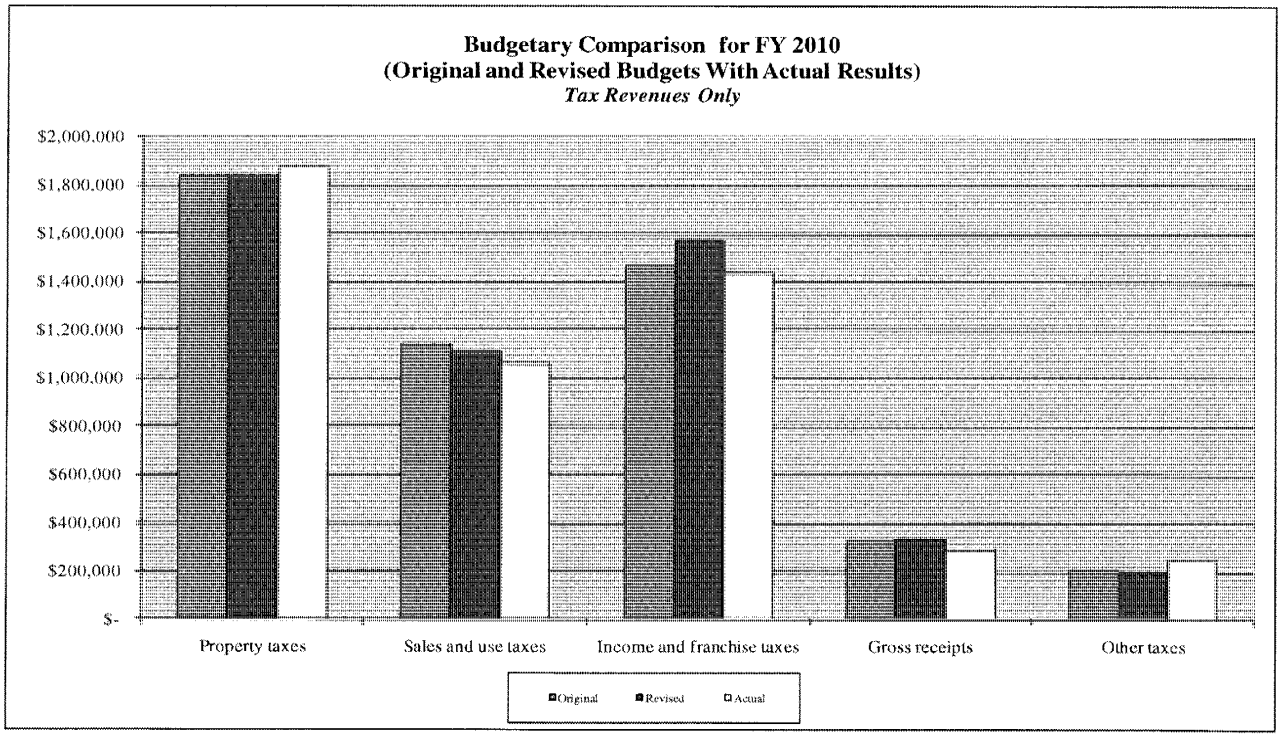
Fund balance released from restrictions represents the portion of assets that were restricted for either a period of time or for a particular purpose for which the imposed conditions have been met, allowing the assets to become available for use. In other words, this amount of fund balance was used to finance current year's operations. As presented in **Table 10**, the actual amount of fund balance released from restrictions was $(76,431) less than the revised budget.

Expenditures and Other Uses

Actual General Fund expenditures and other uses were $244,403 less than the revised budget. As presented in **Table 10**, this $244,403 variance was primarily due to underspending in the areas of Economic Development and Regulation and Public Works. In addition, of the $74,230 amount under-spent in Other Expenditures and Uses, $47,480 was in the Emergency and Contingency Reserve.

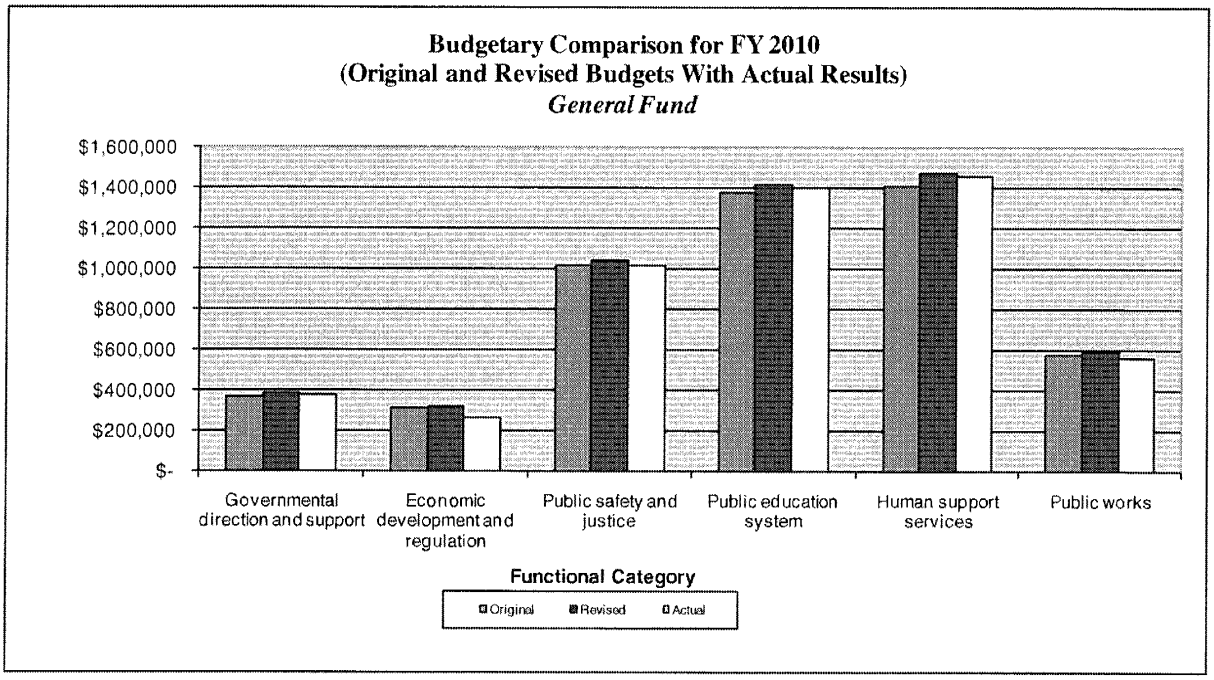
More than 80% of the General Fund's revenues are derived from taxes. **Chart 5** graphically presents differences between the General Fund's original budget, final revised budget and actual revenues (by type of tax) for fiscal year 2010.

Chart 5 – Budgetary Comparison – FY 2010 Tax Revenues



More than 60% of the General Fund's expenditures were in the areas of Human Support Services, Public Education, and Public Safety and Justice combined. **Chart 6** graphically presents differences between the General Fund's original budget, revised budget, and actual expenditures (by functional category) for fiscal year 2010.

Chart 6 – General Fund Expenditures (by Function)



For more detailed information, refer to the budgetary schedules for the General Fund, Exhibits A-4 – A-6 which are presented on pages 131 through 133.

SUBSEQUENT EVENTS

Short-Term Debt

On October 25, 2010, the District issued $700,000 in Tax Revenue Anticipation Notes (TRANs) as a means of financing, on a short-term basis, the District's general governmental expenses in anticipation of receiving or collecting revenues for fiscal year 2011. These fixed rate TRANs were issued at an interest rate of 2.50% and mature on September 30, 2011. By law, the District must repay any short-term debt in its entirety by September 30 of the fiscal year of issuance.

Income Tax Secured Revenue Bonds

On November 22, 2010, the District issued $63,860 in Income Tax Secured Revenue Refunding Bonds, Series 2010E. The proceeds of the Series 2010E Bonds will be used, together with other funds of the District, to: (a) currently refund $63,335 of the outstanding principal amount of the District's Income Tax Secured Revenue Refunding Bonds, Series 2010C and (b) pay the costs and expenses of issuing and delivering the Series 2010E Bonds. The Series 2010E Bonds bear interest at a rate equal to an Adjusted Securities Industry and Financial Markets Association (SIFMA) Rate.

Other subsequent events are presented in Note 16, found on pages 118 through 120.

CONTACTING THE DISTRICT'S OFFICE OF THE CHIEF FINANCIAL OFFICER

This CAFR is designed to provide the District's citizens, taxpayers, customers, vendors, investors, and creditors with a general overview of the District's finances and to demonstrate the effectiveness of the District's systems of accountability for the money it receives. If you have any questions regarding this report, suggestions for improvement, or need additional financial information, please contact the following:

The Office of the Chief Financial Officer
The John A. Wilson Building
1350 Pennsylvania Avenue, N.W., Suite 209
Washington, D.C. 20004
(202) 727-2476
www.cfo.dc.gov

BASIC FINANCIAL STATEMENTS

The basic financial statements include the *Government-Wide Financial Statements*, *Governmental Fund Financial Statements*, *Propietary Fund Financial Statements, Fiduciary Fund Financial Statements and the Component Unit Financial Statements*. These financial statements present different views of the District.

Following the basic financial statements are the *Notes to the Basic Financial Statements* which explain some of the information in the financial statements and provide more detail.

Exhibit 1-a

District of Columbia
Statement of Net Assets
September 30, 2010
(With Comparative Totals at September 30, 2009)
($000s)

	Primary Government				
	Governmental Activities	Business-Type Activities	Totals 2010	Totals 2009	Component Units
ASSETS					
Cash and cash equivalents (unrestricted)	$ 76,455	$ 13,919	$ 90,374	$ 401,453	$ 147,975
Investments (unrestricted)	-	288	288	5,627	160,871
Due from federal government	585,463	5,505	590,968	462,781	40,264
Taxes receivable, net	355,860	-	355,860	351,096	-
Accounts receivable, net	214,741	23,730	238,471	232,327	62,034
Other receivables	-	-	-	-	29,795
Due from primary government	-	-	-	-	15,513
Due from component units	61,014	-	61,014	26,016	-
Due from fiduciary funds	1,882	-	1,882	4,677	-
Internal balances	31,510	(31,510)	-	-	-
Inventories	13,753	-	13,753	11,431	8,318
Other current assets	6,128	258	6,386	1,753	25,558
Cash and cash equivalents (restricted)	1,443,419	322,826	1,766,245	1,975,701	367,509
Investments (restricted)	319,945	29,218	349,163	220,573	463,978
Other long term assets	113,300	-	113,300	142,192	543,161
Deferred outflow of resources	61,697	-	61,697	-	-
Deferred charges	167,990	-	167,990	99,693	-
Depreciable capital assets, net	6,136,620	4,827	6,141,447	5,673,990	3,421,622
Non-depreciable capital assets	3,091,911	-	3,091,911	2,456,841	399,226
Total assets	12,681,688	369,061	13,050,749	12,066,151	5,685,824
LIABILITIES					
Accounts payable	734,032	82,197	816,229	753,671	127,220
Compensation payable	153,376	1,452	154,828	181,791	34,687
Due to primary government	-	-	-	-	61,014
Due to component units	15,513	-	15,513	14,151	-
Due to fiduciary funds	2,292	-	2,292	-	-
Unearned revenues	295,111	152	295,263	281,467	69,580
Accrued liabilities	351,513	9,291	360,804	306,542	48,076
Accrued interest payable	107,960	-	107,960	88,736	-
Other current liabilities	11,507	-	11,507	10,689	68,792
Derivative instrument liabilities	61,697	-	61,697	-	-
Long-term liabilities:					
Due within one year	421,311	6,873	428,184	518,243	63,166
Due in more than one year	7,752,794	22,345	7,775,139	7,062,749	3,560,204
Total liabilities	9,907,106	122,310	10,029,416	9,218,039	4,032,739
NET ASSETS					
Invested in capital assets, net of related debt	2,437,385	4,827	2,442,212	2,171,218	1,163,678
Restricted for:					
Expendable					
Debt service	288,336	-	288,336	203,298	-
Benefit payments	-	233,296	233,296	304,773	-
Capital projects	4,484	-	4,484	-	-
Grants and special purposes	276,895	-	276,895	142,566	-
Budget and subsequent years expenditures	74,447	-	74,447	-	-
Purpose restriction	118,143	-	118,143	104,626	-
Emergency reserves	337,945	-	337,945	284,316	-
Other	17,310	-	17,310	117,255	200,779
Nonexpendable	-	-	-	-	7,242
Unrestricted (deficit)	(780,363)	8,628	(771,735)	(479,940)	281,386
Total net assets	$ 2,774,582	$ 246,751	$ 3,021,333	$ 2,848,112	$ 1,653,085

The accompanying notes are an integral part of this statement.

Exhibit 1-b

District of Columbia

Statement of Activities
For the Year Ended September 30, 2010
(With Comparative Totals for the Year Ended September 30, 2009)
($000s)

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets				
					Primary Government				
		Charges for Services, Fees,	Operating Grants and	Capital Grants and	Governmental	Business-type	Totals		Component
Functions/Programs	**Expenses**	**Fines & Forfeits**	**Contributions**	**Contributions**	**Activities**	**Activities**	**2010**	**2009**	**Units**
Primary government:									
Governmental activities:									
Governmental direction and support	$ 871,240	$ 28,388	$ 40,199	$ 15,000	$ (787,653)		$ (787,653)	$ (757,632)	
Economic development and regulation	374,149	112,074	118,202	-	(143,873)		(143,873)	(288,728)	
Public safety and justice	1,563,505	76,952	528,688	-	(957,865)		(957,865)	(943,348)	
Public education system	1,989,518	449	495,727	-	(1,493,342)		(1,493,342)	(1,527,277)	
Human support services	3,677,405	13,154	2,104,280	18,760	(1,541,211)		(1,541,211)	(1,750,044)	
Public works	497,027	219,005	34,575	225,517	(17,930)		(17,930)	(184,316)	
Public transportation	243,668	-	-	-	(243,668)		(243,668)	(230,499)	
Interest on long-term debt	324,319	-	-	-	(324,319)		(324,319)	(336,536)	
Total governmental activities	9,540,831	450,022	3,321,671	259,277	(5,509,861)		(5,509,861)	(6,018,380)	
Business-type activities:									
Lottery and games	163,393	230,159	-	-		$ 66,766	66,766	68,745	
Unemployment compensation	480,976	-	36,998	-		(443,978)	(443,978)	(333,790)	
Nursing home services	18,817	19,991	-	-		1,174	1,174	(1,177)	
Total business-type activities	663,186	250,150	36,998			(376,038)	(376,038)	(266,222)	
Total primary government	$ 10,204,017	$ 700,172	$ 3,358,669	$ 259,277	(5,509,861)	(376,038)	(5,885,899)	(6,284,602)	
Component units:									
Water and sewer authority	$ 387,495	$ 357,093	$ -	$ 30,403					$ 1
Convention center	111,990	21,365	-	-					(90,625)
United Medical Center	20,560	21,336	-	-					776
Housing finance	58,048	7,151	-	-					(50,897)
University	141,266	27,907	29,079	1,473					(82,807)
Total component units	$ 719,359	$ 434,852	$ 29,079	$ 31,876					(223,552)
General revenues:									
Taxes:									
Property taxes					1,877,264	-	1,877,264	1,951,345	-
Sales and use taxes					1,081,005	-	1,081,005	1,052,011	-
Income and franchise taxes					1,434,131	-	1,434,131	1,478,068	-
Gross receipts taxes					295,531	-	295,531	315,976	-
Other taxes					264,959	129,471	394,430	356,531	-
Investment earnings					19,156	13,584	32,740	47,303	52,142
Miscellaneous					447,368	229,709	677,077	683,008	27,213
Subsidy from primary government					-	-	-	-	156,178
Special item - federal real property swap					266,942	-	266,942	287,137	-
Transfer in (out)					96,624	(96,624)	-	-	48,128
Total general revenues, special item and transfers					5,782,980	276,140	6,059,120	6,171,379	283,661
Change in net assets					273,119	(99,898)	173,221	(113,223)	60,109
Net assets at October 1,					2,501,463	346,649	2,848,112	2,961,335	1,592,976
Net assets at September 30					$ 2,774,582	$ 246,751	$ 3,021,333	$ 2,848,112	$ 1,653,085

The accompanying notes are an integral part of this statement.

Exhibit 2-a

District of Columbia
Balance Sheet
Governmental Funds
September 30, 2010
(With Comparative Totals at September 30, 2009)
($000s)

	General	Federal & Private Resources	General Capital Improvements	Nonmajor Governmental Funds	Total Governmental Funds 2010	Total Governmental Funds 2009
ASSETS						
Cash and cash equivalents (unrestricted)	$ 76,455	$ -	$ -	$ -	$ 76,455	$ 385,459
Due from federal government	25,910	496,130	63,423	-	585,463	443,898
Taxes receivable, net	355,860	-	-	-	355,860	351,096
Accounts receivable, net	99,531	81,028	3,696	30,486	214,741	207,629
Due from component units	59,873	-	-	1,141	61,014	26,016
Due from other funds	593,501	37,131	73	18,273	648,978	388,834
Inventories	9,614	4,139	-	-	13,753	11,431
Other current assets	2,005	824	3,299	-	6,128	1,107
Cash and cash equivalents (restricted)	311,945	195,297	565,523	370,654	1,443,419	1,609,298
Investments (restricted)	319,945	-	-	-	319,945	181,583
Other long term assets	22,030	12,889	-	78,381	113,300	142,192
Total assets	1,876,669	827,438	636,014	$ 498,935	3,839,056	3,748,543
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	403,254	111,364	192,365	27,049	734,032	679,832
Compensation payable	133,562	16,844	2,779	191	153,376	178,646
Due to other funds	24,051	268,790	302,210	22,827	617,878	364,387
Due to component units	12,050	3,285	178	-	15,513	14,151
Deferred revenue	190,877	95,981	5,042	79,813	371,713	357,128
Accrued liabilities	214,658	136,737	-	118	351,513	298,337
Other current liabilities	8,091	3,414	2	-	11,507	10,689
Total liabilities	986,543	636,415	502,576	129,998	2,255,532	1,903,170
Fund balances:						
Reserved for:						
General fund purposes	836,181	-	-	-	836,181	703,694
Special revenue funds purposes	-	191,023	-	364,453	555,476	507,678
Capital project purposes	-	-	133,438	4,484	137,922	417,212
Unreserved, designated, reported in:						
General fund	53,945	-	-	-	53,945	216,789
Total fund balances	890,126	191,023	133,438	368,937	1,583,524	1,845,373
Total liabilities and fund balances	$ 1,876,669	$ 827,438	$ 636,014	$ 498,935		$ 3,748,543

Amounts reported for governmental activities in the statement of net assets (Exhibit 1a) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		9,228,531
Certain long term assets are not available to pay current period expenditures and are therefore deferred in the funds.		76,602
Adjustment for deferred charges.		167,990
Certain liabilities (such as bonds payable and accrued expenses) are not due and payable in the current period:		
General obligation bonds	2,781,053	
Income tax revenue bonds	2,570,650	
Tobacco settlement bonds	699,779	
TIF bonds	91,807	
Ballpark bonds	517,390	
QZAB	9,518	
Accrued interest payable	107,960	
Capital leases	36,108	
Other long-term liabilities	1,467,800	
		(8,282,065)
Net assets of governmental activities		$ 2,774,582

The accompanying notes are an integral part of this statement.

Exhibit 2-b

District of Columbia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2010
(With Comparative Totals for the Year Ended September 30, 2009)
($000s)

	General	Federal & Private Resources	General Capital Improvements	Nonmajor Governmental Funds	Total Governmental Funds 2010	Total Governmental Funds 2009
REVENUES						
Taxes:						
Property taxes	$ 1,876,815	$ -	$ -	$ -	$ 1,876,815	$ 1,934,523
Sales and use taxes	1,081,005	-	-	-	1,081,005	1,052,011
Income and franchise taxes	1,434,131	-	-	-	1,434,131	1,478,068
Gross receipts taxes	295,531	-	-	-	295,531	315,976
Other taxes	264,959	-	-	-	264,959	261,909
Fines and forfeitures	128,473	-	-	-	128,473	106,169
Licenses and permits	86,946	5	-	-	86,951	91,230
Charges for services	223,454	4,411	-	6,733	234,598	202,079
Investment earnings	2,325	757	114	15,960	19,156	28,242
Miscellaneous	356,122	36,168	4,905	50,170	447,365	524,046
Federal contributions	-	655,186	15,000	-	670,186	573,446
Operating grants	-	2,666,485	244,277	-	2,910,762	2,420,724
Total revenues	5,749,761	3,363,012	264,296	72,863	9,449,932	8,988,423
EXPENDITURES						
Current:						
Governmental direction and support	579,457	43,936	-	34,542	657,935	672,463
Economic development and regulation	247,355	100,993	-	40,076	388,424	405,140
Public safety and justice	1,018,335	528,138	-	-	1,546,473	1,381,873
Public education system	1,400,832	503,191	-	-	1,904,023	1,850,200
Human support service	1,564,143	2,095,367	-	9,857	3,669,367	3,485,267
Public works	276,990	41,600	-	-	318,590	388,713
Public transportation	243,668	-	-	-	243,668	230,499
Debt service:						
Principal	175,019	-	-	34,727	209,746	277,523
Interest	233,536	-	-	66,587	300,123	292,484
Fiscal charges	64,532	-	-	-	64,532	19,659
Capital outlay	-	-	1,307,946	51,542	1,359,488	1,130,971
Total expenditures	5,803,867	3,313,225	1,307,946	237,331	10,662,369	10,134,792
Excess (deficiency) of revenues over (under) expenditures	(54,106)	49,787	(1,043,650)	(164,468)	(1,212,437)	(1,146,369)
OTHER FINANCING SOURCES (USES)						
Debt issuance	21,269	-	699,656	29,373	750,298	491,645
Refunding debt issuance	835,010	-	-	-	835,010	580,140
Premium on sale of bonds	74,840	-	13,321	1,344	89,505	50,198
Payment to refunded bond escrow agent	(855,011)	-	-	-	(855,011)	(607,640)
Equipment financing program	-	-	34,162	-	34,162	62,068
Transfers in	125,002	259	81,177	222,595	429,033	447,639
Transfers out	(177,361)	(1,589)	(58,082)	(95,377)	(332,409)	(378,864)
Sale of capital assets	-	-	-	-	-	6,800
Total other financing sources (uses)	23,749	(1,330)	770,234	157,935	950,588	651,986
Net change in fund balances	(30,357)	48,457	(273,416)	(6,533)	(261,849)	(494,383)
Fund balances at October 1	920,483	142,566	406,854	375,470	1,845,373	2,339,756
Fund balances at September 30	$ 890,126	$ 191,023	$ 133,438	$ 368,937	$ 1,583,524	$ 1,845,373

The accompanying notes are an integral part of this statement.

Exhibit 2-c

District of Columbia
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2010
($000s)

Net change in fund balances - total governmental funds	$ (261,849)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.	1,113,713
Deferred property tax revenues which were earned but whose current financial resources are not available for the purpose of recognition in the governmental funds were recognized in the government-wide financial statements.	449
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which bond proceeds exceeded repayments.	(553,215)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the amount that other long term liabilities decreased in the current period.	(25,979)
Change in net assets of governmental activities	$ 273,119

The accompanying notes are an integral part of this statement.

Exhibit 2-d

District of Columbia
Budgetary Comparison Statement
For the Year Ended September 30, 2010
($000s)

	General Fund				Federal and Private Resources				Totals			
	Budget			Variance Positive	Budget			Variance Positive	Budget			Variance Positive
	Original	Revised	Actual	(Negative)	Original	Revised	Actual	(Negative)	Original	Revised	Actual	(Negative)
Revenues and Sources:												
Taxes:												
Property taxes	$ 1,835,702	$ 1,838,534	$ 1,873,491	$ 34,957	$ -	$ -	$ -	$ -	$ 1,835,702	$ 1,838,534	$ 1,873,491	$ 34,957
Sales and use taxes	1,141,396	1,109,544	1,060,921	(48,623)	-	-	-	-	1,141,396	1,109,544	1,060,921	(48,623)
Income and franchise taxes	1,463,177	1,572,680	1,434,131	(138,549)	-	-	-	-	1,463,177	1,572,680	1,434,131	(138,549)
Other taxes	524,651	524,210	535,324	11,114	-	-	-	-	524,651	524,210	535,324	11,114
Total taxes	4,964,926	5,044,968	4,903,867	(141,101)	-	-	-	-	4,964,926	5,044,968	4,903,867	(141,101)
Licenses and permits	60,959	66,155	60,852	(5,303)	-	-	-	-	60,959	66,155	60,852	(5,303)
Fines and forfeits	180,411	147,203	111,488	(35,715)	-	-	-	-	180,411	147,203	111,488	(35,715)
Charges for services	45,901	37,774	46,125	8,351	-	-	-	-	45,901	37,774	46,125	8,351
Miscellaneous	122,069	83,185	119,743	36,558	-	-	-	-	122,069	83,185	119,743	36,558
Other sources	460,574	440,479	439,908	(571)	-	-	-	-	460,574	440,479	439,908	(571)
General obligation bonds	15,000	15,000	5,079	(9,921)	-	-	-	-	15,000	15,000	5,079	(9,921)
Federal contributions	-	-	-	-	136,175	186,207	135,839	(50,368)	136,175	186,207	135,839	(50,368)
Operating grant	-	-	-	-	2,646,603	2,854,733	2,493,351	(361,382)	2,646,603	2,854,733	2,493,351	(361,382)
Fund balance released from restrictions	129,047	214,852	138,421	(76,431)	-	14,156	14,156	-	129,047	229,008	152,577	(76,431)
Interfund transfer-from lottery and games	65,775	67,350	66,750	(600)	-	-	-	-	65,775	67,350	66,750	(600)
Interfund transfer-others	3,497	23,897	24,287	390	-	-	-	-	3,497	23,897	24,287	390
Total revenues and other sources	6,048,159	6,140,863	5,916,520	(224,343)	2,782,778	3,055,096	2,643,346	(411,750)	8,830,937	9,195,959	8,559,866	(636,093)
Expenditures and Other Uses:												
Governmental direction and support	373,596	388,565	375,801	12,764	28,280	29,795	28,931	864	401,876	418,360	404,732	13,628
Economic development and regulation	318,012	323,801	265,865	57,936	115,456	187,811	102,021	85,790	433,468	511,612	367,886	143,726
Public safety and justice	1,020,190	1,040,529	1,018,244	22,285	263,556	255,860	117,779	138,081	1,283,746	1,296,389	1,136,023	160,366
Public education system	1,380,532	1,282,280	1,271,348	10,932	357,228	534,995	395,372	139,623	1,737,760	1,817,275	1,666,720	150,555
Public education AY11 expenditure	-	135,643	135,643	-	-	-	-	-	-	135,643	135,643	-
Human support services	1,410,425	1,479,115	1,461,272	17,843	1,947,166	1,987,698	1,881,865	105,833	3,357,591	3,466,813	3,343,137	123,676
Public works	579,216	592,453	565,731	26,722	56,092	43,269	41,745	1,524	635,308	635,722	607,476	28,246
Emergency planning and security costs	-	-	-	-	15,000	15,624	15,624	-	15,000	15,624	15,624	-
Wilson building	3,625	3,242	3,226	16	-	-	-	-	3,625	3,242	3,226	16
Repay bonds and interest	472,061	370,795	351,816	18,979	-	-	-	-	472,061	370,795	351,816	18,979
Repay revenue bonds and interest	4,861	4,861	2,149	2,712	-	-	-	-	4,861	4,861	2,149	2,712
Bond fiscal charge	15,000	15,000	6,514	8,486	-	-	-	-	15,000	15,000	6,514	8,486
Interest on short term borrowing	9,000	3,000	2,373	627	-	-	-	-	9,000	3,000	2,373	627
Certificates of participation	32,285	32,285	32,257	28	-	-	-	-	32,285	32,285	32,257	28
Settlements and judgments fund	21,477	21,477	21,470	7	-	-	-	-	21,477	21,477	21,470	7
Presidential inauguration	-	-	-	-	-	44	44	-	-	44	44	-
Baseball tax transfer	32,081	32,081	32,081	-	-	-	-	-	32,081	32,081	32,081	-
Convention center transfer	93,054	93,054	93,054	-	-	-	-	-	93,054	93,054	93,054	-
Highway trust transfer	29,762	29,762	24,889	4,873	-	-	-	-	29,762	29,762	24,889	4,873
TIF and pilot transfer	45,992	45,992	34,140	11,852	-	-	-	-	45,992	45,992	34,140	11,852
Equipment lease operating	46,157	44,320	43,863	457	-	-	-	-	46,157	44,320	43,863	457
Emergency and contingency reserve	-	47,480	-	47,480	-	-	-	-	-	47,480	-	47,480
Pay-go capital	2,984	14,933	14,933	-	-	-	-	-	2,984	14,933	14,933	-
Schools modernization fund	8,612	8,612	8,612	-	-	-	-	-	8,612	8,612	8,612	-
District retiree health contribution	90,700	90,700	90,700	-	-	-	-	-	90,700	90,700	90,700	-
Cash reserve	-	53	-	53	-	-	-	-	-	53	-	53
Non-departmental agency	3,603	2,761	2,410	351	-	-	-	-	3,603	2,761	2,410	351
Total expenditures and other uses	5,993,225	6,102,794	5,858,391	244,403	2,782,778	3,055,096	2,583,381	471,715	8,776,003	9,157,890	8,441,772	716,118
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES -- BUDGETARY BASIS	**$ 54,934**	**$ 38,069**	**$ 58,129**	**$ 20,060**	**$ -**	**$ -**	**$ 59,965**	**$ 59,965**	**$ 54,934**	**$ 38,069**	**$ 118,094**	**$ 80,025**

The accompanying notes are an integral part of this statement.

Exhibit 3-a

District of Columbia

Statement of Net Assets
Proprietary Funds
September 30, 2010
(With Comparative Totals at September 30, 2009)
($000s)

	Lottery and Games	Unemployment Compensation	Nonmajor* Proprietary Fund	Totals 2010	Totals 2009
ASSETS					
Current assets:					
Cash and cash equivalents (unrestricted)	$ 10,858	$ -	$ 3,061	$ 13,919	$ 15,994
Investments (unrestricted)	-	-	288	288	5,627
Due from federal government	-	5,505	-	5,505	18,883
Accounts receivable, net	4,969	16,006	2,755	23,730	24,698
Due from other funds	-	5,621	-	5,621	-
Other current assets	7	-	251	258	646
Cash and cash equivalents (restricted)	-	322,826	-	322,826	366,403
Total current assets	15,834	349,958	6,355	372,147	432,251
Noncurrent assets:					
Investments (restricted)	29,218	-	-	29,218	38,990
Capital assets, net	579	-	4,248	4,827	16,012
Total noncurrent assets	29,797	-	4,248	34,045	55,002
Total assets	45,631	349,958	10,603	406,192	487,253
LIABILITIES					
Current liabilities					
Accounts payable	2,221	79,531	445	82,197	73,839
Accrued compensated absences	838	-	614	1,452	3,145
Due to other funds	-	37,131	-	37,131	19,770
Deferred revenue	152	-	-	152	492
Accrued liabilities	9,291	-	-	9,291	8,205
Long term liabilities due within one year	6,873	-	-	6,873	7,406
Total current liabilities	19,375	116,662	1,059	137,096	112,857
Noncurrent liabilities					
Long term liabilities due in more than one year	22,345	-	-	22,345	27,747
Total noncurrent liabilities	22,345	-	-	22,345	27,747
Total liabilities	41,720	116,662	1,059	159,441	140,604
NET ASSETS					
Invested in capital assets	579	-	4,248	4,827	16,012
Restricted - expendable	-	233,296	-	233,296	304,773
Unrestricted	3,332	-	5,296	8,628	25,864
Total net assets	$ 3,911	$ 233,296	$ 9,544	$ 246,751	$ 346,649

* This column includes Washington Center for Aging activites.

The accompanying notes are an integral part of this statement.

Exhibit 3-b

District of Columbia

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended September 30, 2010
(With Comparative Totals for the Year Ended September 30, 2009)
($000s)

	Lottery and Games	Unemployment Compensation	Nonmajor* Proprietary Fund	Totals 2010	Totals 2009
Operating revenues:					
Employer taxes	$ -	$ 129,471	$ -	$ 129,471	$ 94,622
Charges for services	230,159	-	19,991	250,150	288,794
Benefit contributions	-	36,998	-	36,998	36,985
Miscellaneous	-	-	211	211	919
Total operating revenues	230,159	166,469	20,202	416,830	421,320
Operating expenses:					
Benefits	-	480,976	-	480,976	370,775
Prizes, agents commission & advertising	138,558	-	-	138,558	148,274
Personnel services	10,177	-	2,438	12,615	17,677
Contractual services	14,508	-	12,077	26,585	44,525
Depreciation	150	-	427	577	2,354
Miscellaneous	-	-	3,875	3,875	8,396
Total operating expenses	163,393	480,976	18,817	663,186	592,001
Operating income (loss)	66,766	(314,507)	1,385	(246,356)	(170,681)
Nonoperating revenues:					
Interest and investment revenue	25	13,532	27	13,584	19,061
Federal contribution	-	229,498	-	229,498	151,242
Total nonoperating revenue	25	243,030	27	243,082	170,303
Income (loss) before transfers	66,791	(71,477)	1,412	(3,274)	(378)
Transfer out	(66,750)	-	(29,874)	(96,624)	(68,775)
Change in net assets	41	(71,477)	(28,462)	(99,898)	(69,153)
Total net assets at October 1	3,870	304,773	38,006	346,649	415,802
Total net assets at September 30	$ 3,911	$ 233,296	$ 9,544	$ 246,751	$ 346,649

* This column includes Washington Center for Aging activites.

The accompanying notes are an integral part of this statement.

Exhibit 3-c

District of Columbia
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2010
(With Comparative Totals for the Year Ended September 30, 2009)
($000s)

	Lottery and Games	Unemployment Compensation	Nonmajor* Proprietary Fund	Totals 2010	Totals 2009
Cash Flows from Operating activities:					
Cash receipts from customers/employers	$ 232,001	$ 157,914	$ 18,560	$ 408,475	$ 415,728
Other cash receipts	453	-	80	533	1,417
Cash payments to vendors	(22,494)	-	(17,187)	(39,681)	(66,235)
Cash payments to employees/claimants	(7,014)	(475,173)	-	(482,187)	(352,306)
Other cash payments, including prizes	(132,793)	-	(4,735)	(137,528)	(143,172)
Net cash provided by (used in) operating activities	70,153	(317,259)	(3,282)	(250,388)	(144,568)
Cash Flows from Noncapital financing activities:					
Intergovernmental grants	-	261,298	-	261,298	143,559
Interfund transfers out	(66,750)	-	(29,874)	(96,624)	(71,916)
Reimbursement of administrative cost	-	(1,148)	-	(1,148)	-
Net cash provided by (used in) noncapital financing activities	(66,750)	260,150	(29,874)	163,526	71,643
Cash Flows from Capital and related financing activities:					
Acquisitions of capital assets	(250)	-	29,581	29,331	(1,617)
Net cash used in capital and related financing activities	(250)	-	29,581	29,331	(1,617)
Cash Flows from Investing activities:					
Receipts of interest and dividends	25	13,532	27	13,584	19,061
Net proceeds from related party	-	-	(1,417)	(1,417)	(800)
Sales of investments	-	-	(288)	(288)	(1,889)
Net cash provided by (used in) investing activities	25	13,532	(1,678)	11,879	16,372
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,178	(43,577)	(5,253)	(45,652)	(58,170)
Cash and cash equivalents at October 1	7,680	$ 366,403	$ 8,314	382,397	440,567
Cash and cash equivalents at September 30	$ 10,858	$ 322,826	$ 3,061	$ 336,745	$ 382,397
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	$ 66,766	$ (314,508)	$ 1,385	$ (246,357)	$ (170,681)
Depreciation	150	-	427	577	2,354
Decrease (increase) in assets:					
Accounts receivable	2,323	(8,554)	(1,431)	(7,662)	(5,164)
Allowance for uncollectible	-	-	1,146	1,146	2,761
Deposits	-	-	28	28	(356)
Other current assets	1	-	(4,735)	(4,734)	67
Increase (decrease) in liabilities:					
Accounts payable	(251)	5,803	30	5,582	25,654
Accrued liabilities	617	-	(132)	485	694
Deferred revenue	(28)	-	-	(28)	(123)
Other current liabilities	575	-	-	575	226
Net cash provided by (used in) operating activities:	$ 70,153	$ (317,259)	$ (3,282)	$ (250,388)	$ (144,568)

* This column includes Washington Center for Aging activites.

The accompanying notes are an integral part of this statement.

Exhibit 4-a

District of Columbia
Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2010
($000s)

	Pension/OPEB Trust Funds	Private Purpose Trust Fund	Agency Funds
ASSETS			
Cash and cash equivalents - restricted	$ 317,268	$ -	$ 77,638
Investments - restricted:			
Equities	2,736,517	100,398	-
Fixed income securities	966,605	45,628	-
Real estate	188,543	-	-
Private Equity	614,419	-	-
Collateral for securities lending transactions	515,203	-	-
Accounts receivable	-	30	-
Due from federal government	1,321	-	-
Benefit contribution receivables	8,650	-	-
Due from other funds	-	-	2,292
Other receivables	-	-	18,077
Other current assets	219,913	-	-
Capital assets	16	-	-
Total assets	5,568,455	146,056	98,007
LIABILITIES			
Accounts payable	5,043	38	8,520
Securities lending collateral	519,562	-	-
Due to other funds	1,882	-	-
Other current liabilities	374,502	-	89,487
Total liabilities	900,989	38	$ 98,007
NET ASSETS			
Held in trust for pension and OPEB benefits and other purposes	$ 4,667,466	$ 146,018	

The accompanying notes are an integral part of this statement.

Exhibit 4-b

District of Columbia
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended September 30, 2010
($000s)

	Pension/OPEB Trust Funds	Private Purpose Trust Fund
ADDITIONS		
Contributions:		
Employer	$ 223,000	$ -
Plan members	61,755	27,012
Total contributions	284,755	27,012
Investment earnings:		
From investment activities		
Net increase in fair value of investments	251,413	9,160
Other revenue	2,250	-
Interest and dividends	185,687	2,091
Total investment gain	439,350	11,251
Less - investment expenses	(13,479)	(1,382)
Net gain from investing activities	425,871	9,869
From securities lending activities		
Securities lending income	3,238	-
Less: securities lending expenses	(1,193)	-
Net income from securities lending activities	2,045	-
Net investment gain	427,916	9,869
Total additions	712,671	36,881
DEDUCTIONS		
Benefits	74,212	-
Administrative expenses	9,514	406
Distributions to participants	-	8,384
Total deductions	83,726	8,790
Change in net assets	628,945	28,091
Net assets at October 1	4,038,521	117,927
Net assets at September 30	$ 4,667,466	$ 146,018

The accompanying notes are an integral part of this statement.

Exhibit 5-a

District of Columbia

Discretely Presented Component Units
Combining Statement of Net Assets
September 30, 2010
(With Comparative Totals at September 30, 2009)
($000s)

	Water and Sewer Authority	Washington Convention and Sports Authority	Not-for-Profit Hospital Corporation	Housing Finance Agency	University	Totals 2010	Totals 2009
ASSETS							
Current Assets:							
Cash and cash equivalents (unrestricted)	$ 81,069	$ 14,103	$ 8,148	$ 20,348	$ 24,307	$ 147,975	$ 158,018
Investments (unrestricted)	70,255	81,645	-	8,971	-	160,871	183,176
Receivables, net:							
Accounts	39,742	2,185	9,372	-	10,735	62,034	45,921
Other	8,531	-	1,702	12,646	6,916	29,795	46,939
Due from federal government	40,077	-	187	-	-	40,264	69,857
Due from primary government	1,996	8,487	-	-	5,030	15,513	14,151
Inventories	7,339	-	979	-	-	8,318	9,369
Other current assets	371	1,527	499	21,836	1,325	25,558	1,068
Restricted cash	116,786	2,500	19,607	227,778	838	367,509	312,348
Restricted investments	40,027	83,137	-	305,959	34,855	463,978	524,755
Total current assets	406,193	193,584	40,494	597,538	84,006	1,321,815	1,365,602
Noncurrent Assets:							
Loans receivable	-	-	-	525,321	1,141	526,462	578,664
Other	7,990	5,892	327	2,194	296	16,699	18,590
Total long term assets	7,990	5,892	327	527,515	1,437	543,161	597,254
Capital assets, net							
Property and equipment	2,673,074	626,555	53,370	1,807	66,816	3,421,622	3,075,258
Non-depreciable capital assets	327,738	45,004	8,100	573	17,811	399,226	453,804
Total assets	**3,414,995**	**871,035**	**102,291**	**1,127,433**	**170,070**	**5,685,824**	**5,491,918**
LIABILITIES							
Current Liabilities:							
Payables:							
Accounts	95,184	5,234	13,626	991	12,185	127,220	116,360
Compensation	15,043	599	8,736	182	10,127	34,687	25,540
Due to primary government	2,510	2,422	26,000	-	30,082	61,014	26,016
Accrued liabilities	32,289	11,111	-	-	4,676	48,076	48,131
Deferred revenue	25,354	2,807	-	25,923	15,496	69,580	85,446
Current maturities	17,793	12,700	-	32,673	-	63,166	83,416
Other current liabilities	29,200	719	1,399	32,397	5,077	68,792	51,493
Total current liabilities	217,373	35,592	49,761	92,166	77,643	472,535	436,402
Noncurrent Liabilities:							
Long term debt:							
Bonds payable	1,234,726	453,298	-	923,092	-	2,611,116	2,565,508
Other long-term liabilities	20,568	7,932	3,009	454	-	31,963	29,903
Refundable advances	-	884	-	-	1,388	2,272	1,350
Deferred revenue	914,853	-	-	-	-	914,853	865,779
Total long term liabilities	2,170,147	462,114	3,009	923,546	1,388	3,560,204	3,462,540
Total Liabilities	**2,387,520**	**497,706**	**52,770**	**1,015,712**	**79,031**	**4,032,739**	**3,898,942**
NET ASSETS							
Invested in capital assets, net of related debt	880,934	196,913	-	1,204	84,627	1,163,678	1,076,962
Restricted - expendable	44,333	83,282	-	72,829	335	200,779	187,111
Restricted - nonexpendable	-	-	-	-	7,242	7,242	7,242
Unrestricted	102,208	93,134	49,521	37,688	(1,165)	281,386	321,661
Total Net Assets	**$ 1,027,475**	**$ 373,329**	**$ 49,521**	**$ 111,721**	**$ 91,039**	**$ 1,653,085**	**$ 1,592,976**

The accompanying notes are an integral part of this statement.

Exhibit 5-b

District of Columbia
Discretely Presented Component Units
Combining Statement of Activities
For the Year Ended September 30, 2010
(With Comparative Totals for the Year Ended September 30, 2009)
($000s)

	Water and Sewer Authority	Washington Convention and Sports Authority	Sports Commission	Not-for-Profit Hospital Corporation	Housing Finance Agency	University	Totals 2010	Totals 2009
Expenses	$ 387,495	$ 111,990	-	$ 20,560	$ 58,048	$ 141,266	$ 719,359	$ 682,912
Program Revenues:								
Charges for services, fees, fines & forfeits	357,093	21,365	-	21,336	7,151	27,907	434,852	378,820
Operating grants and contributions	-	-	-	-	-	29,079	29,079	29,109
Capital grants and contributions	30,403	-	-	-	-	1,473	31,876	33,140
Net (Expense) Revenue	1	(90,625)	-	776	(50,897)	(82,807)	(223,552)	(241,843)
General Revenues:								
Investment earnings	1,561	959	-	94	47,225	2,303	52,142	67,720
Miscellaneous	6,655	1,998	-	523	10,747	7,290	27,213	40,173
Subsidy from primary government	-	94,108	-	-	-	62,070	156,178	153,538
Total general revenues	8,216	97,065	-	617	57,972	71,663	235,533	261,431
Capital Contributions	-	19,843	(19,843)	48,128	-	-	48,128	-
Change in net assets	8,217	26,283	(19,843)	49,521	7,075	(11,144)	60,109	19,588
Net assets at October 1	1,019,258	347,046	19,843	-	104,646	102,183	1,592,976	1,573,388
Net assets at September 30	$ 1,027,475	$ 373,329	$ -	$ 49,521	$ 111,721	$ 91,039	$ 1,653,085	$ 1,592,976

The accompanying notes are an integral part of this statement.

NOTES TO THE BASIC FINANCIAL STATEMENTS

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NOTES TO THE BASIC FINANCIAL STATEMENTS

September 30, 2010

(Dollar amounts expressed in thousands)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BACKGROUND AND HISTORY OF GOVERNMENTAL UNIT

General Operations

The District of Columbia (the District) was created on March 30, 1791, from territory ceded by Maryland and Virginia. Article 1, section 8, clause 17 of the United States Constitution empowered Congress to establish the seat of government for the United States. Pursuant to these provisions of the Constitution, the District was established as the nation's capital on December 1, 1800.

On January 2, 1975, Congress granted the District a Home Rule charter, which became effective through the enactment of the District of Columbia Self-Government and Governmental Reorganization Act, Public Law 93-198. Pursuant to its charter, the District is a municipal corporation, which operates under an elected Mayor-Council form of government. Accordingly, an Act of the Council, other than a Budget Request Act, becomes law unless Congress and the President of the United States disapprove it after it has been adopted. Citizens residing in the District have the right to vote for the President and Vice-President of the United States but not for members of Congress. The District does, however, have an elected non-voting Delegate to the United States House of Representatives.

Due to its unique organizational structure (i.e., not part of a state's government), the District provides a broad range of services to its residents, including those normally provided by a state. These services include: public safety and protection, fire and emergency medical services, human support and welfare services, public education, and many others.

B. FINANCIAL REPORTING ENTITY

A financial reporting entity consists of a primary government and its component units. The primary government is the District of Columbia, including all of the agencies that make up its legal entity. The criteria used to determine whether organizations are to be included as component units within the District's reporting entity are as follows:

- The District holds the corporate powers of the organization.
- The District appoints a voting majority of the organization's board.
- The District is able to impose its will on the organization.
- The organization has the potential to impose a financial burden on, or provide financial benefit to the District.
- The organization is fiscally dependent on the District.
- It would be misleading to exclude the organization from the District's financial statements.

Based on the application of the aforementioned criteria, the District's financial statements include five discretely presented component units: Water and Sewer Authority, Washington Convention and Sports Authority, Not-for-Profit Hospital Corporation (dba United Medical Center), Housing Finance Agency, and the University of the District of Columbia.

Creation of the Washington Convention and Sports Authority

Effective October 1, 2009, the Sports and Entertainment Commission (SEC) was abolished and the Washington Convention and Sports Authority (WCSA) was created pursuant to section 2081(d) of the fiscal year 2010 Budget Support Act of 2009. Upon creation of WCSA, the authorities, functions, assets, rights and obligations of SEC were transferred to WCSA. This combination of governmental entities is recorded as a contribution of net assets in WCSA's fiscal year 2010 statement of revenues, expenses, and changes in net assets.

Purchase of the United Medical Center

The United Medical Center (UMC) is a 184-bed facility that serves as the primary community health care provider to the southeast area of the District of Columbia and adjacent communities.

Between November 2007 and July 2010, the District provided approximately $95.9 million in direct and indirect funding to UMC in the form of loans and grants. Despite significant financial support provided by the

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

District, UMC's financial position and operational stability continued to deteriorate. The hospital was unable to pay its liabilities as they came due and lagged behind in servicing its loan payments to the District.

Consequently, the District foreclosed on UMC's assets pursuant to the Deed of Trust, Security Agreement, Fixture Filing and Restrictive Covenants securing the District loans. The foreclosure auction occurred on July 9, 2010, and the District was the sole bidder, paying $20 million to acquire the land, buildings, equipment, furnishings, and accounts of UMC. The consideration given by the District was in the form of forgiveness of a portion of the outstanding working capital and acquisition loans owed to the District. Because the remaining outstanding loan balance of $26,759 is non-recourse debt, the District assumes that collection is doubtful.

Subsequent to the purchase of UMC, the District created the Not-for-Profit Hospital Corporation (the Hospital Corporation) as an independent instrumentality of the District government. The primary purposes of the Hospital Corporation are to receive the land, improvements on the land, equipment, and other assets of UMC; to operate and take all actions necessary to ensure the continued operations of the hospital; and to sell or otherwise transfer all or part of the hospital and site, when a buyer is identified.

Upon foreclosure, the District obtained approximately $79,290 in cash and investments, receivables, and tangible and intangible assets. Additionally, the District assumed approximately $3,222 in Internal Revenue Service (IRS) tax liens owed by UMC. Finally, in order to ensure the continued operations of the hospital, the District assumed that it may have to pay a portion of approximately $27,940 of outstanding liabilities owed by UMC to critical vendors. Simultaneously with the foreclosure, the District made a capital contribution of these net assets to the newly established Hospital Corporation.

The fair value of identifiable net assets acquired and transferred by the District to the Not-for-Profit Hospital Corporation is presented below:

Transfer of UMC's Assets to Not-For-Profit Hospital Corporation

Identifiable net assets transferred:

Assets	$ 79,290
Liabilities	31,162
Net assets transferred/ Capital contribution	**$ 48,128**

Rationale for Discretely Presenting Entities as Component Units of the District of Columbia

The Hospital Corporation, a legally separate entity, is a discretely presented component unit because the Mayor and Council appoint a voting majority of the Hospital Corporation's governing board. In addition, the District is able to impose its will on the Hospital Corporation because the Mayor is authorized to remove any board member for misconduct, neglect of duty, or for other good cause and the District must approve the Hospital Corporation's annual operating budgets. Moreover, the Hospital Corporation operates as the United Medical Center, providing healthcare services to District residents and the general public, and thus, does not provide services entirely or almost entirely to the District government.

The Mayor, with the consent of the Council, also appoints the governing bodies of the Water and Sewer Authority, Washington Convention and Sports Authority, Housing Finance Agency, and the University of the District of Columbia. In addition, the District has an obligation to provide financial support to the Housing Finance Agency, the Washington Convention and Sports Authority, and the University of the District of Columbia, and must approve certain transactions of and certain tax revenues dedicated to the Washington Convention and Sports Authority. The Water and Sewer Authority is responsible for the payment of certain District long-term debt, issued before that Authority's creation, to finance capital improvements. For that reason, and because the Water and Sewer Authority is an independent authority established under its enabling legislation, this entity is included as a component unit of the District of Columbia.

The financial data for these organizations is presented in a separate column in the government-wide financial statements to emphasize that these entities are legally separate from the District.

Information regarding the financial statements of each discretely presented component unit may be obtained from the following locations:

D.C. Water and Sewer Authority
General Manager
5000 Overlook Avenue, S.W.
Washington, D.C. 20032

Washington Convention and Sports Authority
General Manager
801 Mount Vernon Place, N.W.
Washington, D. C. 20001

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Housing Finance Agency
Executive Director
815 Florida Avenue, N.W.
Washington, D. C. 20001

University of the District of Columbia
President
Van Ness Campus
4200 Connecticut Avenue, N.W.
Washington, D. C. 20008

Not-For-Profit Hospital Corporation
dba United Medical Center
Chief Executive Officer
1310 Southern Avenue, S.E.
Washington, D.C. 20032

The District established the District of Columbia Tobacco Settlement Financing Corporation (the Tobacco Corporation) as a special purpose, independent instrumentality of the District government. The Tobacco Corporation is a blended component unit because it provides services exclusively to the District. The District also appoints all members of the governing body of the Tobacco Corporation. Its members are authorized to modify or approve the Tobacco Corporation's budget, and appoint, hire, reassign, or dismiss those persons responsible for the organization's day-to-day operations. In addition, the District is able to impose its will on this organization.

Separate audited financial statements for the Tobacco Corporation are available at the Office of the Chief Financial Officer, Office of Finance and Treasury, 1101 4th Street, S.W., Suite 800, Washington, D.C. 20024.

C. RELATED ORGANIZATIONS

A related organization is one for which the primary government is responsible but not *financially accountable*. The District of Columbia Housing Authority and the District of Columbia Courts are treated by the District as related organizations because the District is not financially accountable for them. Although the Mayor appoints a voting majority of the Housing Authority's governing board, the District's accountability for this organization does not extend beyond such appointments. The Mayor does not appoint the members of the Courts' Joint Committee on Judicial Administration; however, the courts are considered related organizations because they provide the District with judicial services normally associated with state and local governments.

D. JOINT VENTURE

The District participates with other local jurisdictions in a joint venture to plan, construct, finance and operate a public transit system serving the Metropolitan Washington Area Transit zone, which includes the District of Columbia; the cities of Alexandria, Falls Church, Fairfax, Manassas and Manassas Park and the counties of Arlington, Fairfax, Loudoun and Prince William in Virginia; and Montgomery, Anne Arundel and Prince George's in Maryland. The Washington Metropolitan Area Transit Authority (WMATA) was created in February 1967 to fulfill the purposes of the joint venture. Pursuant to P.L. 111-62, which revised the WMATA compact agreement, WMATA is governed by an eight-member Board and eight alternates, comprised of two Directors and two alternates for Maryland, Virginia, the District of Columbia, and the federal government. The Directors and alternates for Maryland are appointed by the Washington Suburban Transit Commission from among its members; for Virginia, by the Northern Virginia Transportation Commission from among its members; for the District of Columbia, by the Council from its members and mayoral nominees; and for the federal government, by the Administrator for General Services. The District does not have explicit measurable equity interest in the joint venture; accordingly, the District does not include the financial activities of the joint venture in its financial statements. Further information regarding this joint venture is discussed in Note 12 on page 114.

E. BASIS OF PRESENTATION

Government-wide Financial Statements – the government-wide financial statements report information on all of the non-fiduciary activities of the primary government and its component units. Because assets of fiduciary funds are held for the benefit of a third party and cannot be used to address activities or obligations of the District, these funds are not incorporated into the government-wide statements. Governmental activities of the primary government, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services. The government-wide statements are comprised of the following:

- *Statement of Net Assets* – the Statement of Net Assets displays the financial position of the District's governmental and business-type activities and its discretely presented component units. The District reports all capital assets, including infrastructure, in the government-wide Statement of Net Assets. The

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

District reports net assets in three distinct categories: (1) invested in capital assets, net of related debt; (2) restricted; and (3) unrestricted.

- *Statement of Activities* – the Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include fines and forfeitures, charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. The District also reports depreciation expense, the cost of "using up" capital assets, in the Statement of Activities.

Fund Financial Statements - fund accounting is used to demonstrate legal compliance and to segregate transactions related to certain District functions or activities. Each fund represents a separate accounting entity and the transactions in each fund are summarized in a separate set of self-balancing accounts which include assets, liabilities, fund equity, revenues and expenses/ expenditures.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the fund financial statements.

Governmental funds are used to account for all of the District's general activities. The acquisition, use and balance of the District's expendable financial resources and the related liabilities (except those accounted for in the Proprietary Funds and the discretely presented component units) are accounted for in the Governmental Funds.

The District reports the following major governmental funds:

- *General Fund* - used to account for all financial resources not accounted for in other funds.

- *Federal and Private Resources Fund* - used to account for proceeds of intergovernmental grants and other federal payments, private grants and private contributions that are legally restricted to expenditure for specified purposes.

- *General Capital Improvements Fund* - used to account for the purchase or construction of capital assets financed by operating transfers, capital grants or debt proceeds.

In previous fiscal years, the District also reported the Baseball Capital Projects Fund as a major governmental fund. This fund was used to account for the construction of the new baseball stadium. Construction of the stadium was completed and the facility was placed in service in fiscal year 2008. Since that time, additional costs were incurred and other transactions were entered into to close-out the construction of the stadium. During fiscal year 2010, the miscellaneous expenditures and other remaining account balances of the Baseball Capital Project Fund, all of which were immaterial and non-capital in nature, were transferred to the baseball special revenue fund.

Nonmajor Governmental Funds include six Special Revenue Funds: (1) Tax Increment Financing (TIF) Program Fund; (2) Tobacco Settlement Financing Corporation (TSFC) Fund; (3) Community Health Care Financing Fund; (4) Housing Production Trust Fund; (5) PILOT Special Revenue Fund, and (6) Baseball Project Fund. Other Nonmajor Governmental Funds include the Highway Trust Fund, a Capital Project Fund; and a debt service fund.

Proprietary Funds are used to account for activities similar to those found in the private sector. The criteria for inclusion as a proprietary fund include: (a) the costs (including depreciation) of providing goods or services primarily or solely to the public on a continuing basis are financed or recovered primarily through user charges; and (b) the determination of net income is necessary or useful for sound financial administration. The District's proprietary funds include two major enterprise funds and one nonmajor proprietary fund, which are discussed below:

- *Lottery and Games Fund* - used to account for revenues from lotteries and daily numbers games operated by the District and from the issuance of licenses to conduct bingo games and raffles, and related prizes, expenses and capital outlays. Gaming activities are administered by the Lottery and Charitable Games Control Board consisting of five members appointed by the Mayor with the consent of the Council.

- *Unemployment Compensation Fund* - used to account for the accumulation of financial resources to be used for benefit payments to unemployed former employees of the District and federal governments

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

and of private employers in the District. Resources are contributed by private employers at rates fixed by law, and by the District and federal governments on a reimbursable basis. The administrative costs of the program are accounted for in the General Fund.

- *Nonmajor Proprietary Fund* - used to account for the operations of the JB Johnson Nursing Center.

  In previous years, the District also included the operations of the Washington Center for Aging Services (WCAS) and the Washington Center for Aging Services Center Care (WCASCC) in the nonmajor proprietary fund. Although the District retains ownership of the WCAS/WCASCC facility, during fiscal year 2010, the District discontinued its responsibility for operating these entities. On June 30, 2010, the District entered into a long-term ground lease agreement with Stoddard Baptist Home Foundation, Inc. (Stoddard). Through this agreement, Stoddard leased the WCAS/WCASCC facility which is to be used for the operation of a long-term care nursing home and for related nursing home services, adult day care services, dialysis services, and elderly/handicapped transportation services. The lease commitment date was July 21, 2010, and the lease agreement is effective for a term of 30 lease years. The lease was classified as a direct financing lease.

Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations and other governments. The District reports the following fiduciary funds:

- *Pension Trust Funds* – used to report the activities of the District's retirement systems, which accumulate financial resources for pension benefit payments to eligible District employees.

- *Other Postemployment Benefit (OPEB) Trust Fund* - used to report assets that are accumulated and benefits that are paid for postemployment healthcare and life insurance.

- *Private Purpose Trust Fund* - used to report trust arrangements not reported in pension trust funds "under which principal and income benefit individuals, private organizations, or other governments." The District uses this fund to account for the amounts held in its tax-advantaged 529 College Savings Investment Plan, which was established to help families save for the higher education expenses of designated beneficiaries.

- *Agency Funds* – used to report those resources which are held by the District in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

Fiduciary funds are not included in the government-wide financial statements because the resources cannot be used for operations of the government.

Prior Year Comparative Information

The financial statements include summarized prior-year comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles (GAAP). Accordingly, such information should be read in conjunction with the District's financial statements for the year ended September 30, 2009, from which such summarized information was derived.

F. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) applicable to state and local governmental entities as established by the Governmental Accounting Standards Board (GASB).

Government-Wide Financial Statements

The government-wide financial statements are reported using the flow of economic resources measurement focus and the accrual basis of accounting. Therefore, the Statement of Net Assets reports all assets (including receivables regardless of when collected and capital assets, such as heavy trucks and infrastructure (e.g., highways and bridges), and all liabilities regardless of when payment is due. The Statement of Activities is designed to present the degree to which the direct expenses of a particular function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges for goods or services, grant revenues, and fines. Tax revenues are reported separately as general revenues. The Statement of Activities reports: (a) governmental activities expenses, (b) business-type activities expenses, and (c) the expenses of component units. Governmental activities expenses include governmental fund expenditures that are not eliminated or reclassified and current year depreciation on capital assets. The effect of interfund activity is eliminated from the government-wide financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Financial Statements

Governmental Funds

All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. Under this measurement focus, only current assets and current liabilities are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Unreserved fund balance represents a measure of available, spendable resources.

Under the modified accrual basis of accounting, revenues of governmental funds are recognized in the year they become susceptible to accrual (both measurable and available) to pay current fiscal year liabilities. The District considers property taxes to be available if they are collected within 60 days of the fiscal year-end. A one-year availability period is used for revenue recognition for all other governmental fund revenues, with the exception of expenditure-driven grants, which are recognized when all eligibility criteria and compliance requirements have been met and the related amounts are earned.

GASB Interpretation No. 6 (GASBI 6) requires that expenditures and liabilities such as debt service, compensated absences, claims and judgments, and special termination benefits be recorded in the governmental fund statements only when they mature or become due for payment within the period. Otherwise, such activity is reported in the government-wide financial statements as incurred.

Proprietary Funds, Pension and OPEB Trust Funds, and Component Units

The proprietary funds, pension and OPEB trust funds, private purpose trust fund, and discretely presented component units are accounted for on a flow of economic resources measurement focus and the accrual basis of accounting. Under this measurement focus, all assets and liabilities associated with the operation of these funds are included on the Statement of Net Assets. Net assets of the proprietary funds are segregated into capital assets, net of related debt; and restricted and unrestricted components. Under the accrual basis of accounting, revenues are recognized in the fiscal year earned and expenses are recognized in the fiscal year incurred. The related operating statements of proprietary funds present increases (revenues) and decreases (expenses) in net assets. Operating statements of pension and private purpose trust funds present additions and deductions in fiduciary net assets.

Proprietary funds classify revenues and expenses as either operating or nonoperating. Operating revenues and expenses generally result from providing services and/or producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary funds financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). The District also has the option of following private-sector guidance issued after November 30, 1989, for its business-type activities and enterprise funds and component units. As allowed by GASB Statement No. 20, the District has elected to follow only those Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB), issued prior to December 1, 1989.

The Pension Trust Funds and OPEB Trust Fund recognize additions to net assets derived from various sources, as follows:

- Participants' contributions, when due;
- District contributions, when due and a formal commitment for payment has been made; and
- Net investment income, as earned.

Expenditures for benefits and refunds are recognized when due and payable. The Private Purpose Trust Fund recognizes additions to net assets when participants' contributions are received.

Revenue Recognition (by Type or Source)

Property Taxes

Property taxes are recognized as revenue in the tax year for which they are levied, provided they are available.

Real property taxes are levied as of October 1 on property values assessed as of the preceding January 1. The tax levy is due and collectible in two equal installments on March 31 and September 15. After these dates, the bill becomes delinquent and the District may assess penalties and interest. Real property taxes attach as an enforceable lien on property as of October 1 of the year after levy.

In the District, the personal property tax is self-assessed. The District requires a personal property tax return for the tax year beginning July 1 and ending June 30 each year to be filed on or before July 31 of that tax year. The return should report the remaining cost (current value) of all

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

tangible personal property as of July 1 that is taxable in the District of Columbia. Property taxes are levied after the returns are filed. However, if a taxpayer fails to pay property taxes when due, the District does not have a legal claim to the taxpayer's property until after July 31. Failure to pay the levied taxes may result in the District's eventual seizure of the taxpayer's property. The revenue budget for the Personal Property Tax is formulated with the understanding that 25% of collections are to be allocated to the current fiscal year, while the remaining 75% are to be allocated to the immediate subsequent fiscal year.

Other Taxes and Revenues

Sales and use taxes are recognized as revenue when the sales or uses take place. Interest on investments is recognized when earned. Charges for services are recorded as revenues when services are provided.

Intergovernmental Revenues

Intergovernmental revenues are amounts derived through agreements with other governments. In general, these revenues are comprised of contributions and grants made by the federal government to the District. Contributions are recognized as revenue when received. Generally, entitlements and shared revenues are recognized as revenue at the time of receipt or earlier, if measurable and available. Resources arising from grants are usually subject to certain eligibility requirements; therefore, most grant revenues are recognized as revenue only when the conditions of the grant are met. Grant funds received before all eligibility requirements are met are recorded as deferred revenue.

Food Stamps

The District participates in the federal government's food stamp program, which is designed to increase the food purchasing power of economically disadvantaged residents. The District mainly uses the electronic benefits transfer (EBT) system that allows program beneficiaries to charge their qualifying food purchases, thereby eliminating the need for paper stamps. Revenues and expenditures are reported in the federal and private resources fund when the underlying transaction (the food purchase) occurs.

Revenues Susceptible To Accrual

Revenues which are susceptible to accrual include: taxes, federal contributions and grants, charges for services, and investment income.

Revenues Not Susceptible To Accrual

Licenses and permits and fines and forfeitures are recorded as revenue when received in cash because they are generally not measurable until received.

G. BASIS OF BUDGETING AND BUDGETARY CONTROL POLICIES

Process

On or about March of each year, the Mayor submits to the Council an all sources budget for the General Operating Fund for the fiscal year commencing the following October 1. The Council holds public hearings and adopts the budget through passage of a budget request act. The Mayor may not forward and the Council may not adopt any budget for which expenditures and other financing uses exceed revenues and other financing sources. A project-length financial plan is adopted for the General Capital Improvements Fund. On or about June of each year, the Mayor approves the adopted budget and forwards it to the President of the United States for review. The President submits the reviewed budget to Congress which conducts public hearings and enacts the budget through passage of an appropriations bill.

Appropriations Act

The legally adopted budget is the annual Appropriations Act enacted by Congress and signed by the President of the United States. The Appropriations Act authorizes expenditures at the function level or by appropriation title, such as Public Safety and Justice, Human Support Services, or Public Education. Congress must enact a revision that alters the total expenditures of any function. The District may request a revision to the appropriated expenditure amounts provided in the Appropriations Act by submitting to the President and Congress a request for a supplemental appropriation.

Pursuant to the Reprogramming Policy Act (D. C. Official Code §47-363 (2001), as amended), the District may reallocate budget amounts within an appropriation title. The appropriated budget amounts in the Budgetary Comparison Statement (Exhibit 2-d) include all approved reallocations. This statement reflects budget to actual comparisons at the function level (or appropriation title). Appropriated actual expenditures and uses may not legally exceed appropriated budgeted expenditures and uses at the function level as shown in this statement. A negative expenditure variance in the budgetary comparison statement for a particular function is a violation of the federal Anti-Deficiency Act (31 U.S.C. §§1341, 1342, 1349, 1351, 1511-1519 (2008)); the

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

District of Columbia Anti-Deficiency Act (D.C. Official Code §§47-355.01-355.08, (2001); and Section 446 of the Home Rule Act, D.C. Official Code § 1-204.46). Also, a violation of the D.C. Anti-Deficiency Act exists if there is a negative expenditure variance for a particular agency within an appropriation.

The Appropriations Act specifically identifies expenditures and net operating results but does not specify revenue amounts. The legally adopted revenue budget is based primarily on the revenue estimates submitted to the President and Congress as modified through legislation.

By law, the budgetary general fund includes both the general fund and the federal and private resources fund as presented in the Budgetary Comparison Statement in Exhibit 2-d. The budgetary basis of accounting used to prepare this statement differs from the GAAP basis used to prepare the general fund and federal and private resources fund statements presented in Exhibit 2-b due to the following differences:

- *Basis Differences* – these are differences that arise because the basis of budgeting differs from the basis of accounting prescribed by GAAP as indicated in Note 1X on page 72.
- *Entity Differences* – these differences result from the inclusion or exclusion of certain activities for budgetary purposes as opposed to those included or excluded on a GAAP basis as indicated in Note 1X on page 72.

Budgetary Controls

The District maintains budgetary controls designed to monitor compliance with expenditure limitations contained in the annual appropriated budget approved by Congress and the President. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by function within the general fund.

Encumbrances

Encumbrance accounting is used in the governmental funds. Under this method of accounting, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the required portion of an appropriation. Encumbrances outstanding at year-end do not constitute expenditures or liabilities for GAAP or budgetary purposes. Generally, encumbered amounts lapse at year-end in the General Fund and may be re-appropriated and re-encumbered as part of the subsequent year's budget. However, encumbered amounts do not lapse at year-end in the Capital Projects Fund, Special Revenue Fund, or Federal and Private Resources Fund.

H. CASH AND INVESTMENTS

Cash

Cash from the governmental and proprietary funds and certain component units is pooled unless prohibited by law. The cash management pool is used as a demand deposit account by each participating fund and component unit. If a fund overdraws its share of the pooled cash, that fund reports a liability (Due To) to the General Fund, which is deemed to have loaned the cash to the overdrawn fund. The General Fund reports a receivable (Due From) from the overdrawn fund.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and mature in such a short period of time that their values are effectively immune from changes in interest rates. The District's cash management pool is considered a cash equivalent. For an investment to be considered a cash equivalent, it must mature no more than three months after the date it is purchased.

Investments

Any cash that is not needed for immediate disbursement is used to purchase investments. The District purchases legally authorized investments consistent with the provisions of the Financial Institutions Deposit and Investment Amendment Act of 1997 (D.C. Law 12-56, D.C. Official Code §47-351.01, et seq.), which became effective March 18, 1998, and the District's Investment Policy, adopted November 2008. At September 30, 2010, the District invested primarily in securities backed by U.S. government agencies with the implicit guarantee of the federal government. Such investments are considered to be the equivalents of cash. The Pension Trust Funds are authorized to invest in fixed income, equity securities and other types of investments. Also, the Private Purpose Trust Fund is authorized to invest in eight portfolios which are comprised of equities, balanced funds, and fixed income securities.

Money market investments must be in compliance with the requirements of Rule 2a-7 (17 CFR 270.2a-7) under the Investment Company Act of 1940 (15 U.S.C. 80a-1 et seq.). Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost, which approximates fair value. Other investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment purchases and sales are recorded as of the trade date. These transactions are not finalized until the settlement date. Cash received as collateral on securities lending transactions and investments made are reported as assets and related liabilities for collateral received.

I. INVENTORY

Inventory reported in the governmental funds consists of materials and supplies held for consumption. Inventory on hand at year-end is stated at cost (generally using the weighted average method.) The District utilizes the consumption method to account for inventory whereby materials and supplies are recorded as inventory when purchased and as expenditures/expenses when they are consumed.

The inventories in the proprietary fund and discretely presented component units also consist of materials and supplies and are recorded at the lower of weighted average cost or market.

J. RESTRICTED ASSETS

Certain governmental and proprietary fund assets, some assets reported by the component units, and all fiduciary fund assets are restricted as to use by legal or contractual requirements. Any excess of restricted assets over liabilities payable from restricted assets is reported as part of the restricted net assets in the government-wide, proprietary, and fiduciary financial statements and as "reserved" fund balance in the governmental fund financial statements, to indicate the portion of the net assets or fund balance that is available for restricted purposes only. Restricted assets also include cash deposited in bank accounts legally restricted for certain purposes such as the payment of bond principal and interest or the payment of fiscal charges on long-term debt.

K. PREPAID ITEMS AND DEFERRED CHARGES

Prepaid items are payments made by the District in the current fiscal year for services to be received in the subsequent fiscal year. Such advance payments are recorded as prepaid charges at the time of prepayment and recognized as expenditures/expenses when the related services are received.

In governmental funds, long-term debt premiums (discounts) and issuance costs are recognized in the current period as other financing sources (uses) and fiscal charges, respectively. In the government-wide financial statements, long-term debt premiums (discounts) and issuance costs are capitalized and amortized over the term of the related debt using the outstanding balance method.

L. RECEIVABLES AND PAYABLES

Taxes receivable are taxes levied by the District, including interest and penalties on delinquent taxes, which have not been collected, canceled or abated, less the portion of the receivables estimated not to be collectible. Accounts receivable are amounts owed by customers for goods or services sold. Intergovernmental receivables are amounts owed by other governments to the District.

Accounts payable are amounts owed to vendors for goods or services purchased and received. Intergovernmental payables are amounts owed to other governments.

M. TRANSFERS AND OTHER TRANSACTIONS BETWEEN FUNDS

Interfund transactions are categorized as: (a) revenue and expense/expenditure transactions consisting of temporary interfund transactions which include reimbursements and quasi-external transactions; or (b) reallocation of resources, transactions including temporary interfund loans, advances or operating transfers. Reimbursements between funds occur when expenditures/expenses made from one fund are properly applicable to another fund.

Activity between funds that represent lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "Due To or Due From Other Funds." Any remaining balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "Internal Balances." Short-term amounts owed between the primary government and a discretely presented component unit is classified as "Due To/From Primary Government" and "Due To/From Component Unit" on the Statement of Net Assets.

Transfers are included in the results of operations of both the governmental and proprietary funds. Accordingly, transfers are reported in the "Other Financing Sources (Uses)" section of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Funds and in the "Transfers" section in the Statement of Revenues, Expenses, and Changes in Net Assets of the Proprietary Funds.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

N. CAPITAL ASSETS

Capital assets, which include property, plant, equipment, land improvements, and infrastructure (e.g., roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items), are reported in the applicable governmental or business-type activities or component units columns in the government-wide financial statements and proprietary fund financial statements. All purchased capital assets are stated at cost when historical records are available and at estimated historical cost when no historical records exist.

Assets acquired through capital leases are stated at the lesser of the present value of the lease payments or the fair value of the asset at the date of lease inception. Donated capital assets are stated at their estimated fair market value on the date received. The cost of maintenance and repairs that does not add to the value of the assets or materially extend asset lives is not capitalized. Betterments are capitalized as separate assets. Capital asset purchases are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements, as well as the proprietary funds and component units' financial statements.

When the construction of assets is financed through the issuance of long-term debt, interest is capitalized in the government-wide financial statements for business-type activities and proprietary funds. The amount of interest to be capitalized is calculated by offsetting interest expense incurred on tax-exempt debt from the date of borrowing until completion of the project with interest earned on invested proceeds over the same period.

Capitalization and Depreciation Policies

Capitalized assets have an original cost of $5 (five thousand dollars) or more per unit. Depreciation is calculated on each class of depreciable property using the straight-line method. Estimated useful lives for capital assets are shown in **Table 1** by class.

Table 1 – Estimated Useful Lives (by Asset Class)

	Useful life
Storm Drains	45 years
Infrastructure	20-40 years
Buildings	50 years
Equipment and Machinery	5-10 years
Furniture and Fixtures	5 years
Vehicles (and Other Mobile Equipment)	5-12 years
Library Books	5 years
Leasehold Improvements	10 years

O. CAPITAL LEASES

Leased property having elements of ownership is recorded in the government-wide and proprietary fund financial statements. The related obligations, in amounts equal to the present value of minimum lease payments payable during the remaining term of the leases, are also recorded in these financial statements.

P. COMPENSATED ABSENCES

Benefit Accumulation Policies

The District's policy allows employees to accumulate unused sick leave, with no maximum limitation. Annual (vacation) leave may be accumulated up to 240 hours, regardless of the employee's length of service, while there is no limit to the amount of compensatory leave (leave granted to eligible employees in lieu of paid overtime) that may be accumulated.

Accrual

The District records vacation leave as an expenditure and related liability in the governmental fund financial statements only to the extent that the compensated absences have matured or come due for payment. Accumulated annual leave that has not matured by the end of the current fiscal year is reported in the government-wide financial statements. Accumulated annual leave of the proprietary funds and discretely presented component units is recorded as an expense and liability as the benefits accrue to employees.

The District does not record a liability for accumulated rights to receive sick pay benefits. At the time of retirement, however, unused sick leave can be used to determine employees' years of service. District

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

employees earn sick leave credits that are considered termination payments at the time of retirement. For instance, one month would be added to the years and months of service of employees who have accumulated 22 days of sick leave in the Civil Service Retirement System or in the District Retirement Program.

The District estimates the sick leave liability at fiscal year-end based on the number of employees who are currently eligible for retirement and sick leave payments upon separation, or who are expected to become eligible in the future to receive such payments.

Q. LONG-TERM LIABILITIES

Pursuant to Section 603 of the District of Columbia Home Rule Act, as amended, no long-term general obligation debt (other than refunding debt) may be issued during any fiscal year in an amount which would cause the amount of the principal and interest paid in any fiscal year on all general obligation debt to exceed 17% of the total General Fund revenues of the fiscal year in which the debt is issued. The legal debt limitation is calculated annually by dividing maximum annual principal and interest by current-year total general fund revenues (excluding revenue and debt of the Water and Sewer Authority, pursuant to the Home Rule Act.)

In addition, consistent with the Limitation on Borrowing and Establishment of Operating Cash Reserve Act of 2008 (D.C. Code § 47-335.02), the Council shall not approve a District bond issuance if the applicable annual debt service on the District bond issuance would cause the debt service on all District bonds in the fiscal year in which the District bonds are issued, or in any of the three succeeding fiscal years, to exceed 12% of General Fund expenditures, net of debt service, in any applicable fiscal year.

General obligation bonds, revenue bonds and other long-term liabilities directly related to and intended to be paid from proprietary funds or discretely presented component units are included in the accounts of such funds. All other long-term indebtedness of the District, such as disability compensation, compensated absences, employee separation incentives and accreted interest liabilities, which have been incurred but not financed, are reported in the government-wide financial statements. Such obligations are to be paid through the District's General Fund.

The District will begin paying principal on its 1994B Capital Appreciation Bonds (CABs) in June 2012, and will make such payments annually through June 2014. There are no periodic interest payments due. The CABs accrete to their full value at maturity. Interest is accreted and recorded annually using rates ranging from 6.00% to 6.65%. Accreted interest is calculated throughout the maturity periods of the bonds and is recorded in the government-wide financial statements. The accreted value of such bonds is the current value, plus the interest that has been accumulating on the bonds.

The District began paying principal on its 2002 Mandarin TIF CABs on July 1, 2002, and will make such payments annually until July 1, 2021. The CABs accrete to their full value at maturity. Interest is accreted and compounded semi-annually using rates ranging from 4.26% to 5.91%. Accreted interest is calculated throughout the maturity periods of the bonds and is recorded in the government-wide financial statements. The accreted value of such bonds is the current value, plus the interest that has been accumulating on the bonds.

The District will pay principal on its 2006 Tobacco CABs in June 2046 and June 2055. There are no periodic interest payments due. The CABs accrete to their full value at maturity. Interest is accreted and recorded annually using rates ranging from 6.25% to 7.25%. Accreted interest is calculated throughout the maturity periods of the bonds and is recorded in the government-wide financial statements. The accreted value of such bonds is the current value, plus the interest that has been accumulating on the bonds.

R. NEW ACCOUNTING STANDARDS ADOPTED

During the fiscal year ended September 30, 2010, the District adopted the following new accounting standards issued by the Governmental Accounting Standards Board (GASB):

Statement No. 51, Accounting and Financial Reporting for Intangible Assets

Issued in June 2007, this statement provides that intangible assets must possess the following characteristics:

- Lack physical substance;
- Be non-financial in character; and
- Have an initial useful life extending beyond a single reporting period.

The statement further provides that recognition of intangible assets is only appropriate when they are either separable (e.g. can be sold, transferred, or licensed) or represent contractual or other legal rights regardless of transferability or separability. Implementation of this statement had no material

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

impact on the District's fiscal year 2010 financial statements.

Statement No. 53, Accounting and Financial Reporting for Derivative Instruments

Issued in June 2008, this statement requires governments to measure most derivative instruments at fair value in financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. This statement provides specific criteria to be used by governments to determine whether a derivative instrument results in an effective hedge. Changes in fair value for effective hedges that are achieved with derivative instruments are to be recognized in the reporting period to which they relate. Changes in the fair value of these hedging derivative instruments do not affect current investment revenue, but are reported as deferrals in the statement of net assets or the balance sheet. Derivative instruments that either do not meet the criteria for an effective hedge or are associated with investments that are already reported at fair value are to be classified as investment derivative instruments for financial reporting purposes. Changes in fair value of those derivative instruments are reported as part of investment revenue in the current reporting period. Implementation of this statement had no material impact on the District's fiscal year 2010 financial statements.

Certain new accounting standards issued by the GASB were not applicable to the District and therefore, were not adopted. Such standards include the following:

Statement No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans

Issued in December 2009, this statement establishes standards for the measurement and financial reporting of actuarially determined information by agent employers with individual-employer OPEB plans that have fewer than 100 total plan members and by the agent multiple-employer OPEB plans in which they participate. In addition, this statement clarifies the requirements of Statements 43 and 45 related to the coordination of the timing and frequency of OPEB measurements by agent employers and the agent multiple-employer OPEB plans in which they participate.

The District is fully aware of this statement's requirements; however, the provisions of Statement No. 57 are not applicable to the District because the District's plan is a single-employer defined benefit plan administered jointly by the Department of Human Resources and the Office of Finance and Treasury.

Statement No. 58, Accounting and Financial Reporting for Chapter 9 Bankruptcies

Issued in December 2009, this statement provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court approves a new payment plan.

The District is fully aware of this statement's requirements; however, the provisions of Statement No. 58 are not applicable to the District because the District government has not petitioned for bankruptcy protection.

S. NEW ACCOUNTING PRONOUNCEMENTS

The District plans to implement the following pronouncements by the required implementation dates or earlier, when deemed feasible.

Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions

Issued in March 2009, this statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The initial distinction that is being made in reporting fund balance information is identifying amounts that are considered nonspendable, such as fund balance associated with inventories. This statement also requires additional classification of fund balance as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

This statement also provides guidance for classifying stabilization amounts on the face of the balance sheet and requires disclosure of certain information about certain stabilization arrangements in the notes to the financial statements. The definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are also clarified in this statement.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement No. 54 is effective for financial statements for periods beginning after June 15, 2010, the District's fiscal year 2011.

Statement No. 59, Financial Instruments Omnibus

Issued in June 2010, this statement provides updates and refinements to existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. This statement provides for the following amendments:

- National Council on Governmental Accounting Statement 4, *Accounting And Financial Reporting Principles For Claims and Judgments And Compensated Absences*, is updated to be consistent with the amendments to GASB Statement No. 53, *Accounting And Financial Reporting For Derivative Instruments*, regarding certain financial guarantees.

- Statement No. 25, *Financial Reporting For Defined Benefit Pension Plans And Note Disclosures For Defined Contribution Plans*, And No. 43, *Financial Reporting For Postemployment Benefit Plans Other Than Pension Plans*, are amended to remove the fair value exemption for unallocated insurance contracts. The effect of this amendment is that investments in unallocated insurance contracts should be reported as interest-earning investment contracts according to the provisions of paragraph 8 of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

- Statement No. 31 is clarified to indicate that a 2a7-like pool, as described in Statement No. 31, is an external investment pool that operates in conformity with the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended.

- Statement No. 40, *Deposit And Investment Risk Disclosures*, is amended to indicate that interest rate risk information should be disclosed only for debt investment pools—such as bond mutual funds and external bond investment pools—that do not meet the requirements to be reported as a 2a7-like pool.

- Statement No. 53 is amended to:

  - Clarify that the net settlement characteristic of Statement No. 53 that defines a derivative instrument is not met by a contract provision for a penalty payment for nonperformance;

  - Provide that financial guarantee contracts included in the scope of Statement No. 53 are limited to financial guarantee contracts that are considered to be investment derivative instruments entered into primarily for the purpose of obtaining income or profit;

  - Clarify that certain contracts based on specific volumes of sales or service revenues are excluded from the scope of Statement No. 53; and

  - Provide that one of the "leveraged yield" criteria of Statement No. 53 is met if the initial rate of return on the companion instrument has the potential for at least a doubled yield.

This statement is effective for financial statements for periods beginning after June 15, 2010, the District's fiscal year 2011.

T. RESTRICTED NET ASSETS AND FUND BALANCE RESERVATIONS AND DESIGNATIONS

The government-wide and proprietary fund financial statements utilize a net assets presentation. Net assets are categorized as:

- *Invested In Capital Assets, Net Of Related Debt* - This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category. Restricted cash balances from debt issuances not yet spent increase the balance in this category.

- *Restricted Net Assets* - This category presents net assets subject to external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. Non-expendable restricted net

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

assets represent the portion of net assets that must be held in perpetuity in accordance with donor stipulations.

- *Unrestricted Net Assets* - This category represents net assets of the District not restricted for any project or other purpose.

It is the policy of the District to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

In the governmental fund financial statements, reservations and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The amount of fund balance that is available for future operations is presented as "unreserved". Reservations of fund balance represent amounts that are legally or statutorily identified for specific purposes or portions that are not appropriable for expenditure. These reserved fund balances are imposed by the Congress of the United States and by contractual commitments to external entities. Designations of fund balance represent management's intent to fund future projects, but do not represent a legal or statutory requirement to do so.

As of September 30, 2010, the District had established the following fund balance reservations and restricted net assets (see **Tables 43a and 43b** on pages 113 and 114).

Reservations

Reserve for Long-Term Assets - This portion of fund balance represents those long-term assets that are not available for appropriation and expenditure.

Reserve for Emergency and Contingency Cash Reserve Fund - This portion of fund balance represents amounts that, in accordance with legislative mandate, are held in an emergency and contingency cash reserve fund, to be used for unanticipated and non-recurring, extraordinary needs of an emergency nature.

Reserve for Debt Service–Bond Escrow - This portion of fund balance represents that portion of investments held in escrow that are available for future debt service obligations or requirements.

Reserve for Subsequent Year's Expenditures - This portion of fund balance represents amounts to be used to finance certain non-recurring policy initiatives and other expenditures included in the FY 2011 budget approved by the District Council and Congress.

Reserve for Inventory - This portion of fund balance represents amounts not available for appropriation or expenditure because the underlying asset (inventory) is not an available financial resource for appropriation or expenditure.

Reserve for Budget - This portion of fund balance represents unused FY 2010 budget reserve amounts that are available until expended.

Reserve for Purpose Restrictions - This portion of fund balance represents resources from grants and other revenues with limitations on how the District may expend the funds.

Reserve for Student Enrollment - This portion of fund balance is reserved for payments to public charter schools in the event that enrollment exceeds projections used in developing the Uniform Per Student Funding Formula.

Reserve for Capital Projects - This portion of fund balance is reserved for the purpose of executing capital projects.

Reserve for PILOT - This portion of fund balance is reserved for payment of future debt service associated with the Anacostia Waterfront Corporation PILOT Revenue Bonds.

Reserve for Tobacco Settlement - This portion of the District's fund balance is reserved for the purpose of paying future debt service and related expenses associated with the Tobacco Corporation's issuance of Tobacco Settlement Asset-Backed Bonds in fiscal years 2001 and 2006.

Reserve for Tax Increment Financing Program - This portion of fund balance is reserved for debt service on Tax Increment Financing Bonds and Notes.

Reserve for Housing Production Trust Fund - This portion of fund balance is reserved to provide financial assistance to developers for the planning and production of low, very low, and extremely low income housing and related facilities.

Reserve for Community Healthcare - This portion of fund balance is reserved to promote healthcare and the delivery of healthcare-related services in the District.

Reserve for Baseball Special Revenue - This portion of fund balance represents resources set aside for baseball debt service payments.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reserve for Highway Projects - This portion of fund balance is reserved for the purpose of executing federal highway projects.

Designation

This is the portion of unreserved fund balance that is intended for future use in accordance with the District's self-imposed limitations through Council legislation.

Restricted Net Assets

Restricted for Future Benefits - This portion of net assets represents the resources available for benefit payments from the Pension and Private Purpose Trust Funds and Unemployment Compensation Fund.

U. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

In addition to the pension benefits described in Note 9 and pursuant to D.C. Code §1-621.13, employees hired after September 30, 1987, who retire may be eligible to continue their healthcare benefits. Furthermore, in accordance with D.C. Code §1-622.16, these employees may convert their group life insurance to individual life insurance. The expense of providing such benefits to employees hired prior to October 1, 1987, is paid by the federal government and the District has no liability for these costs. However, the District provides health and life insurance benefits to retirees first employed by the District after September 30, 1987.

The District transitioned to a graded contribution schedule in fiscal year 2010. Under the revised schedule, District contributions to the plan are based on the employee's years of creditable District service; however, the District pays no more than 75% of the cost of health insurance, and 33% of the cost of life insurance for eligible retirees. The District also pays no more than 60% of the premium for a retiree's spouse and dependent health insurance coverage. More information regarding the OPEB contribution policy is presented in Note 10 on page 110.

The District records a liability in its government-wide financial statements for its portion of the cost of postemployment benefits. A liability for such benefits is not recorded in the fund statements. The District began funding the OPEB plan on an actuarial basis in fiscal year 2008.

As of September 30, 2010, there were 506 OPEB Plan participants receiving such benefits, including 358 teachers, police, and firefighters, and 148 general District retirees. During fiscal year 2010, $5.4 million was paid from the OPEB plan for the associated insurance carrier premiums and other administrative costs.

V. USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to use estimates and make assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the basic financial statements. The use of estimates may also affect the reported amounts of revenues, expenses and expenditures during the reporting period. Actual results could differ from the estimates used.

W. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the governmental funds balance sheet and governmental activities on the government-wide statement of net assets

The governmental funds balance sheet includes a reconciliation between fund balances - total governmental funds versus net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that certain liabilities, including deferred revenue, are not reported under the modified accrual basis of accounting, but are reported in the government-wide financial statements. The difference in deferred revenue of $76,602 between the two statements is a reconciling item, which is attributable to the modified accrual basis of accounting having been used to recognize property tax revenues in the governmental funds as this amount is not currently available for use in fiscal year 2010. The accrual basis of accounting is used to record revenues in the government-wide financial statements.

Explanation of certain differences between the governmental funds statement of revenues, expenditures, and changes in fund balances and governmental activities on the government-wide statement of activities

The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances versus total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The details of the $1,113,713 difference related to capital outlay are as follows:

Capital outlay capitalized	$	1,150,971
Less:		
Depreciation expense		(314,938)
Capital asset additions		37,743
Transfer and dispositions		(27,005)
Special Item - Gain from land swap		266,942
Net Adjustment	**$**	**1,113,713**

Deferred property tax revenues which were earned but not currently available financial resources for the purpose of recognition in the governmental funds were recognized in the government-wide financial statements. Such revenues were $449 more in the statement of activities than in the Statement of Revenues, Expenditures and Changes in Fund Balances.

The details of the $553,215 difference related to long-term liabilities are as follows:

Bonds issued	$	(1,585,198)
Equipment financing program		(34,162)
Premium on long-term debt		(89,506)
Parks and Recreation notes		(12,500)
Less:		
G.O. Bonds current and advance refunding		828,735
Principal payments on G.O. bonds		156,840
Principal payments on other long-term debt		93,653
Amortization of premium		20,626
Fiscal charges -net		68,297
Net Adjustment	**$**	**(553,215)**

The details of the $25,979 difference related to the change in accrued liabilities are as follows:

Annual leave	$	32,940
Future disability benefits		(18,197)
CAB interest accretion		(25,598)
Grant disallowances		(200)
Accrued interest		(19,224)
Claims and judgments		(11,598)
Unfunded pension expenses		2,673
Net OPEB liability		(2,602)
Severance pay		15,827
Net Adjustment	**$**	**(25,979)**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

X. BUDGETARY COMPARISON STATEMENT – RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS

The following presents the reconciliation of the budgetary basis operating results to the GAAP basis.

	GENERAL FUND	FEDERAL AND PRIVATE RESOURCES
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES - BUDGETARY BASIS	$ 58,129	$ 59,965
Basis differences:		
Inventory is recorded using the purchase method for budgetary purposes and the consumption method on a GAAP basis	(606)	2,930
Transfers - other financing sources/uses	24,640	-
Unclaimed Property adjustment	(8,647)	-
Debt related adjustments	(774)	(282)
Fund balance released from restrictions - a funding source for budgetary purposes but not revenue on a GAAP basis	(138,421)	(14,156)
Loan to Not-for-Profit Hospital Corporation	26,000	-
State education loan program	11,383	-
Other	(2,061)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES - GAAP BASIS	**$ (30,357)**	**$ 48,457**

NOTE 2. CASH AND INVESTMENTS

A. CASH

The District of Columbia follows the practice of pooling cash and cash equivalents for some of its governmental funds and component units in order to provide better physical custody and control of cash, to enhance operational efficiency, and to maximize investment opportunities. Of the $2,767,009 within the custody of the District, in accordance with District policies, substantially all deposits as of September 30, 2010, were insured or collateralized with securities held by the District or by its agent in the District's name. At September 30, 2010, the carrying amount of cash for the primary government and fiduciary funds was $2,251,525 and the bank balance was $2,920,282. The carrying amount of cash (deposits) for the component units was $515,484 and the bank balance was $490,640.

B. INVESTMENTS

The Treasurer is authorized by District laws to invest funds in a manner that will preserve principal and meet the District's anticipated daily cash requirements, while maximizing investment earnings. The District purchases legally authorized investments consistent with the provisions of the Financial Institutions Deposit and Investment Act of 1997 (D.C. Law 12-56), which became effective March 18, 1998, and the District's Cash and Investment Management Policy, adopted November 2008.

NOTE 2. CASH AND INVESTMENTS

The District's investment policy limits investments to obligations of the United States and agencies thereof, prime commercial paper, bankers' acceptances and repurchase agreements fully collateralized in obligations of the United States government and agency securities. During the fiscal year, the District's investments (other than those held by the Retirement Board) consisted primarily of money market funds and/or obligations backed by the United States government or its agencies.

The Retirement Board is authorized to invest in a variety of investments including fixed income, equity securities and other types of investments. As prescribed in D.C. Code §1-907.01 (2001 ED), the Retirement Board may not invest in debt instruments of the District, the Commonwealth of Virginia, or the State of Maryland governments, political subdivisions thereof, or any entity subject to control by them; debt instruments fully guaranteed by those governments; real property in those jurisdictions; or debt instruments secured by real property in those jurisdictions.

The District's investments and those of its discretely presented component units are subject to interest rate, credit, custodial credit, and foreign currency risks as described below:

- *Interest Rate Risk* – as a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy limits the District's portfolio to specific maturities.

  The District's investment policy stipulates that for the District's authorized investments, investment maturities are limited as follows:

Type of investment	Maturity	Maximum investment
U.S. Treasury Obligations	Five years	100%
Federal Agency Obligations	Five years	100%
Repurchase Agreements	90 days Or less	100%
Commercial Paper	180 days or less	30%
Bankers' Acceptances	270 days or less	40%
Municipal Obligations	Five years	20%
Federally Insured or Collateralized Certificates of Deposit		30%
Money Market Mutual Funds		100%

- *Credit Risk* – the District's Investment Policy limits investments in commercial paper, bankers' acceptances, municipal obligations, and money market mutual funds to certain ratings issued by nationally recognized credit rating agencies. District policy requires that for investments in: (a) commercial paper, the issuing corporation, or its guarantor, have a short-term rating of no less than A-1 (or its equivalent) by at least two credit rating agencies, (b) bankers' acceptances, the short-term paper of the issuer be rated not lower than A-1 or the equivalent by a credit rating agency; (c) municipal obligations, such bonds, notes, and other evidences of indebtedness be rated in either of the two highest rating categories by a credit rating agency, without regard to gradation; and (d) money market mutual funds, the fund be rated AAAm or AAAm-G or the equivalent by a credit rating agency.

- *Custodial Credit Risk* – custodial credit risk occurs in the event that investment securities are uninsured and/or not registered in the name of the government, and there is failure of the counterparty. In such a case, the government will not be able to recover the value of its investments or collateral securities held in the possession of an outside party. The District had no custodial credit risk exposure during the fiscal year. All District investments in fiscal year 2010 were collateralized. All collateral for investments is held in the District's name by the Federal Reserve in a custodial account. Any funds not invested at the end of the day are placed in overnight investments in the District's name.

- *Concentration of Credit Risk* – the District's investment policy does not allow for an investment in any one institution that is in excess of twenty-five percent of the District's total investment. At September 30, 2010, the District was in compliance with this policy.

- *Foreign Currency Risk* – as a general policy of the Retirement Board, investment managers with authority to invest in securities denominated in a foreign currency may reduce exposure to currency risk by systematically hedging foreign currency positions back to U.S. dollars through the foreign currency markets. Because the forward exchange rate is seldom equal to the spot exchange rate, forward hedging gains and losses may arise.

NOTE 2. CASH AND INVESTMENTS

At September 30, 2010, other than the Retirement Board, the District had no exposure to foreign currency risk. At the end of fiscal year 2010, the Retirement Board held investments that were denominated in a currency other than the United States dollar, as follows:

	Asset Class (in $000s)					
	Cash	Equities	Fixed Income	Private Equity	Swaps	Total
Australian Dollar	$ 453	$ 28,453	$ 1,342	$ -	$ (104)	$ 30,144
Canadian Dollar	177	19,790	5,372	-	-	25,339
Swiss Franc	181	33,173	-	-	-	33,354
Danish Krone	130	3,088	-	-	-	3,218
Euro	1,359	240,615	18,714	12,524	-	273,212
Pound Sterling	574	78,055	4,779	-	-	83,408
Hong Kong Dollar	76	39,345	-	-	-	39,421
Israeli Shekel	50	2,847	-	-	-	2,897
Japanese Yen	478	126,885	3,466	-	-	130,829
South Korean Won	-	4,054	-	-	-	4,054
Norwegian Krone	134	5,572	-	-	-	5,706
New Zealand Dollar	47	97	-	-	-	144
Swedish Krona	98	23,833	-	-	-	23,931
Singapore Dollar	191	6,663	-	-	-	6,854
Mexican Peso	25	-	-	-	123	148
Brazilian Real	-	-	-	-	656	656
Total Foreign Currency	$ 3,973	$ 612,470	$ 33,673	$ 12,524	$ 675	$ 663,315

Asset Impairment

At September 30, 2010, the District recognized an impairment loss totaling $56 ($56 thousand) related to its investment in certain mortgage-backed securities (MBS), in the aggregate.

The purchase cost and market value of these securities, in the aggregate, were $26,203 and $17,083, respectively. The total value of the MBS is less than 1% of the total investment holdings. Market values for the MBS are based on pricing provided by an independent valuation service. The District has determined this impairment to be other than temporary because the decline in value has existed for an extended period of time, and is directly related to adverse conditions that are specific to these securities. Various dynamics in the credit-market environment and the illiquidity of some MBS have resulted in declines in the market values of these securities. The District has no current plans to sell these securities. The District expects to continue to receive timely principal and interest payments on these securities, and most of them are rated in the highest rating category (AAA). As such, the District may recoup some or all of the impairment amount. Mortgage-Backed Securities are prohibited by the District's current investment policy; however, all existing MBS positions were "grandfathered" into the overall investment portfolio.

NOTE 2. CASH AND INVESTMENTS

Table 2a – Cash and Investments Detail

	Total Carrying Value	
INVESTMENTS		
Primary Government:		
U. S. government securities	$ 177,683	
Corporate securities	29,218	
Mutual funds	142,550	
Total Primary Government		$ 349,451
Fiduciary Funds:		
Pension trust funds investments held by Board's agent in Board's name:		
Equity securities	2,736,517	
Fixed income securities	966,605	
Real estate	188,543	
Private equity	614,419	
Private purpose trust funds investments	146,026	
Total Fiduciary Funds		4,652,110
Component Units:		
U. S. government securities	419,267	
Corporate securities	56,760	
Investment contracts	65,685	
Mutual funds	83,137	
Total Component Units		624,849
Total reporting entity investments		$ 5,626,410
CASH BALANCES		
Primary government		$ 1,856,619
Fiduciary Funds		394,906
Component units		515,484
Total cash balances		**$ 2,767,009**

Table 2b – Reconciliation of the District's Deposit and Investment Balances

Total investments per Table 2a	$ 5,626,410
Total cash balances	2,767,009
Total	**$ 8,393,419**

	Exhibit 1-a	Exhibit 4-a	Total
Cash and cash equivalents	$ 238,349	$ -	$ 238,349
Investments	161,159	-	161,159
Cash and cash equivalents (restricted)	2,133,754	394,906	2,528,660
Investments (restricted)	813,141	4,652,110	5,465,251
Total	**$ 3,346,403**	**$ 5,047,016**	**$ 8,393,419**

NOTE 2. CASH AND INVESTMENTS

Derivative Instruments

Derivative instruments are generally defined as contracts, the value of which depends on or derives from, the value of an underlying asset, reference rate, or index. Structured financial instruments are also defined as derivatives, such as mortgage-backed securities, asset-backed securities, and floating rate notes. Other common types of derivatives used by governments include: interest rate and commodity swaps, interest rate locks, and forward contracts.

Table 3 presents the fair value balances and notional amounts of the District's derivative instruments outstanding at September 30, 2010, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the fiscal year 2010 financial statements.

Table 3 - derivative instruments outstanding at September 30, 2010

	Changes in Fair Value		Fair Value at September 30, 2010		
	Classification	Amount	Classification	Amount	Notional
Governmental Activities:					
Cash flow hedges:					
Floating to fixed interest rate swaps					
2008C Swap	Deferred outflow	$ (11,972)	Debt	$ (46,565)	$ 224,300
2007 AWC Swap	Deferred outflow	$ (3,625)	Debt	$ (12,183)	$ 96,950
2004B Swap	Deferred outflow	$ (624)	Debt	$ (3,117)	$ 38,250
Floating to floating interest rate swaps					
2001C/D Basis Swap	Deferred inflow	$ 23,151	Debt	$ 169	$ 230,455
Interest rate cap					
2006 NCRC Swap	Deferred outflow	$ -	Debt	$ -	$ 45,346

The fair values of the interest rate swaps were provided by the counterparty to each respective swap and confirmed by the District's financial advisor, Phoenix Capital Partners, LLP. The fair value takes into consideration the prevailing interest rate environment and the specific terms and conditions of each swap. The fair values of the interest rate swaps were estimated using the zero coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve. The current swap and the new swap payments are present valued at the LIBOR spot rates. The difference in the present value of the cash flows will equal the fair value.

Objective and Terms of Hedging Derivative Instruments

Table 4 presents the objective and terms of the District's hedging derivative instruments outstanding at September 30, 2010, along with the credit rating of the associated counterparty.

NOTE 2. CASH AND INVESTMENTS

Table 4 – objectives and terms of hedging derivative instruments outstanding at September 30, 2010

Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
Pay-fixed interest rate swaps:						
2004 B Swap	Hedge of changes in cash flows on the 2004B General Obligation Bonds	$ 38,250	12/08/04	06/01/20	Pay fixed rates of 4.598%, 4.701%, 4.794% and 5.121%; receive variable rate payments equivalent to the CPI	Aa2/A+/A
2008 C Swap	Hedge of changes in cash flows on the 2002B Multimodal General Obligation Bonds	$ 224,300	10/15/02	06/01/27	Pay fixed rate of 3.615%; receive variable rate payments equivalent to BMA Swap Index until 12/01/2004 and at 67% of LIBOR thereafter	A2/A/A
2001 C/D Basis Swap	Reduce basis risk; provide a closer match between the underlying variable rate bonds and variable rate swap receipts from the counterparty	$ 230,455	06/02/03	06/01/29	Pay 67% of LIBOR; receive variable rate as a percentage of the actual LIBOR reset each month, based on 60% to 90% of LIBOR (Only the net difference in interest payments actually exchanged between counterparties)	Aa1/AA-/AA-
2007 AWC Swap	Hedge of changes in cash flows on the 2007 AWC PILOT Revenue Bonds	$ 96,950	09/20/07	12/01/21	Pay fixed rate of 4.46%; receive a variable rate that matches the rate on the bond purchased by Wachovia	Aa2/AA/AA-
Rate cap:						
2006 NCRC Swap	Hedge of changes in cash flows on the 2006 NCRC Revenue Bonds	$ 45,346	02/06/06	02/01/12	Pay premium on bonds; receive payments in an amount by which the interest rate on the bonds exceeds 8.57%	Aa3/A+/AA-

Risks

Credit Risk

The fair market values of the interest rate swaps represent the District's obligation to the respective counterparties if the swap agreements were terminated. The District is exposed to credit risk on hedging derivative instruments that have positive fair values (or are in asset positions). To minimize its exposure to loss related to credit risk, the District diversified its counterparties and as such, has a different counterparty for each of its outstanding swaps. The credit ratings of each of the counterparties as of September 30, 2010 were as presented in **Table 4**.

The District was exposed to minimal credit risk because most of the interest rate swaps had negative fair values. The aggregate fair value of hedging derivative instruments in asset positions at September 30, 2010, was $169. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted. In each of the District's swap agreements, the payments are netted against obligation within each swap. As such, if the District is owed any payment due to an event of default by the counterparty that payment can be netted against any outstanding obligations within that specific swap agreement.

Interest Rate Risk

The District is exposed to interest rate risk on its interest rate swaps. As LIBOR or the BMA swap index decreases, the District's net payment on its pay-fixed, receive variable interest rate swaps increases.

NOTE 2. CASH AND INVESTMENTS

Basis Risk

The District is exposed to basis risk on its pay-fixed interest rate swap and rate cap hedging derivative instruments because the variable-rate payments received by the District on these hedging derivative instruments are based on a rate or index other than interest rates the District pays on its hedged variable-rate debt, which is remarketed every 7 days. In order to mitigate basis risk, the District typically executes a basis swap which pays the District a higher percentage of LIBOR as interest rates decrease. As of September 30, 2010, the weighted-average interest rate on the District's hedged variable–rate debt was approximately 0.26%, while the BMA swap index (SIFMA) rate was 0.27% and 67% of LIBOR was 0.17%.

Termination Risk

The District or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the associated contract. The District is exposed to termination risks on its pay-fixed interest rate swap agreements, which incorporate the International Swap Dealers Association (ISDA) Master Agreement. The ISDA Master Agreement includes standard termination events. Accordingly, an interest rate swap may be terminated if a counterparty or its Credit Support Provider, or the District has one or more outstanding issues of rated unsecured, unenhanced senior debt and none of such issues has a rating of at least (i) BAA3 or higher as determined by Moody's Investors Service, Inc., (ii) BBB-, or higher as determined by Standard & Poor's Ratings Service, or (iii) an equivalent investment grade rating determined by a nationally recognized rating service acceptable to both parties.

The District is exposed to termination risk on its rate cap because the current mark to market value of the swap is $32 and as such, the District would be due this amount from the counterparty and would be exposed to increases in rates above the cap strike rate of 8.57%.

If at the time of termination, a hedging derivative instrument is in a liability position, the District would be liable to the counterparty for a payment equal to the liability, subject to netting arrangements, as applicable.

Rollover Risk

The District is exposed to rollover risk on hedging derivative instruments that are hedges of debt that mature or may be terminated prior to the maturity of the hedged debt. When these hedging derivative instruments terminate, or in the case of a termination option, if the counterparty exercises its option, the District will be re-exposed to the risks being hedged by the hedging derivative instrument. In order to mitigate this risk, the District matches the maturity of each fixed to floating rate swap with the maturity date of the underlying bonds. The District was not exposed to rollover risk during fiscal year 2010.

Retirement Board Derivatives

During fiscal year 2010, the District Retirement Funds, in accordance with the policies of the Retirement Board, and through the District Retirement Funds' investment managers who have full discretion over investment decisions, invested in various derivative instruments either to increase potential earnings or to hedge against potential losses.

Derivative instruments generally contain exposure to credit risk, market risk, and/or legal risk. Credit risk is the exposure to the default of another party to the transaction (counterparty), or to the creditworthiness of derivative securities, such as mortgage-backed, asset-backed, floating rate, and stripped securities. Market risk is the exposure to changes in the market, such as a change in interest rates, currency exchange rates, or a change in the price or principal value of a security. The Retirement Board believes that all contracts entered into are legally permissible in accordance with the policy of the board.

To-be-announced market trades (TBAs) (sometimes referred to as "dollar rolls") are used by the District Retirement Funds as an alternative to holding mortgage-backed securities outright to raise the potential yield and to reduce transaction costs. The selected TBAs are used because they are expected to behave the same in duration and convexity as mortgage-backed securities with identical credit, coupon and maturity features. Credit risk is managed by limiting these transactions to primary dealers. Market risk for this type of security is not significantly different from the market risk for mortgage-backed securities.

Foreign currency forward, futures contracts and foreign currency options are generally used by the District Retirement Funds for defensive purposes. These contracts hedge a portion of the District Retirement Funds' exposure to particular currencies on occasion when significant adverse short-term movement in exchange rate levels is expected.

Foreign currency forward and futures contracts can pose market risk when the maximum potential loss on a particular contract is greater than the value of the underlying investment. Market risks arise due to movements in the foreign exchange rates underlying the contracts used by the District Retirement Funds. Credit

NOTE 2. CASH AND INVESTMENTS

risk is managed by limiting transactions to counterparties with short-term credit ratings of Al or Pl or by trading on organized exchanges. Market risk for currency options is limited to the purchase cost. Credit risk is managed by limiting transactions to counterparties with investment-grade ratings or by trading on organized exchanges.

Equity index futures were also used by the District Retirement Funds in order to gain exposure to equity markets in a more efficient and liquid manner than directly investing in all of the underlying equity securities. Equity index futures may pose market risk when the maximum potential loss on a particular contract is greater than the value of the underlying investment. Market risks arise due to movements in the equities markets underlying the contracts used by the District Retirement Funds. The notional amounts of the contracts are not included in the derivatives holdings disclosed. Credit risk is managed by dealing with member firms of the futures exchanges.

Exchange-traded and over-the-counter bond futures and options are used by the District Retirement Funds to gain exposure to fixed income markets in a more efficient and liquid manner than by purchasing the underlying bonds. Market risk for these options is limited to purchase cost. Credit risk is managed by limiting transactions to counterparties with investment-grade ratings or by trading with member firms of organized exchanges.

Warrants are used by the District Retirement Funds to gain equity exposure and to enhance performance. Warrants are often distributed by issuers to holdings of common stock and bonds, and are held for the same fundamental reasons as the original common stock and/or bond holdings. Market risk is limited to the purchase cost. Credit risk is similar to the underlying equity and/or bond holdings. All such risks are monitored and managed by the District Retirement Funds' external investment managers who have full discretion over such investment decisions.

Swaps represent an agreement between two or more parties to exchange a sequence of cash flows during a predetermined timeframe. The District Retirement Funds utilize swaps for several different reasons: to manage interest rate fluctuations, to protect against a borrower default, and to gain market exposure without having to actually own the asset. The District Retirement Funds may manage credit exposure through the use of credit default swaps. A credit default swap (CDS) is a contract whereby the credit risk associated with an investment is transferred by entering into an agreement with another party who, in exchange for periodic fees, agrees to make payments in the event of a default or other predetermined credit event. One of the main advantages of a CDS is that it allows for exposure to credit risk while limiting exposure to other risks such as interest rate and currency risk.

The District Retirement Funds also hold derivative instruments indirectly by participating in pooled, commingled, or short-term funds that hold derivatives. Information regarding any risks associated with these holdings is not generally available.

NOTE 2. CASH AND INVESTMENTS

Table 5 presents a list of the District Retirement Funds' derivatives aggregated by type as of September 30, 2010.

Table 5 – Retirement Board Derivative Investments Aggregated by Type

Type of Derivative	Classification	Amount (1)	Classification	Amount (2)	Notional (3)
Credit Default Swaps	Investment Income	$ 772	Swaps	$ 2,640	$ 95,278
Fixed Income Futures Long	Investment Income	3,676	Futures	-	54,600
Fixed Income Futures Short	Investment Income	(4,132)	Futures	-	(27,200)
Fixed Income Options Written	Investment Income	2,118	Options	(723)	(184,100)
Foreign Currency Options Bought	Investment Income	(573)	Options	-	-
Foreign Currency Options Written	Investment Income	93	Options	-	-
Futures Options Written	Investment Income	486	Options	-	-
FX Forwards	Investment Income	(719)	LT Instruments	(1,745)	66,644
Index Futures Long	Investment Income	2,179	Futures	-	20,455
Interest Rate Swaps	Investment Income	(523)	Swaps	675	79,060
Rights	Investment Income	(3,053)	Common Stock	-	-
TBA Transactions Long	Investment Income	6,625	LT Instruments	(345)	153,800
TBA Transactions Short	Investment Income	38	LT Instruments	-	-
Warrants	Investment Income	(64)	Common Stock	88	-
Grand Totals		$ 6,923		$ 590	

(1) Negative values (in brackets) refer to losses

(2) Negative values refer to liabilities

(3) Notional may be a dollar amount or size of underlying for futures and options; negative values refer to short positions

(4) Excludes futures margin payments

C. SECURITIES LENDING

During fiscal year 2010, the master custodian, at the direction of the Retirement Board, loaned certain of the District Retirement Funds' equity and fixed income securities secured by collateral in the form of United States and foreign currency cash, securities issued or guaranteed by the United States government, the sovereign debt of foreign countries and irrevocable bank letters of credit. This collateral could not be pledged or sold unless the borrower defaulted on the loan. Borrowers were required to deliver and maintain collateral for each loan in an amount equal to (i) at least 102% of the market value of the loaned securities in the United States; or (ii) 105% of the market value of the loaned securities in the case of loaned securities not denominated in United States dollars or whose primary trading market was not located in the United States.

The Retirement Board and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool (the Quality D Fund).

Because the Quality D Fund does not meet the requirements of Securities and Exchange Commission Rule 2a-7 of the Investment Company Act of 1940, the master custodian has valued the Fund's investments at fair value for reporting purposes.

The Quality D Fund is not registered with the Securities and Exchange Commission. The master custodian, and consequently the investment vehicles it sponsors (including the Quality D Fund), are subject to the oversight of the Federal Reserve Board and the Massachusetts Commissioner of Banks. The fair value of the Funds' position in the Quality D Fund is not the same as the value of the District Retirement Funds' shares.

There was no involuntary participation in an external investment pool by the Quality D Fund and there was no income from one fund that was assigned to another fund by the master custodian during fiscal year 2010.

During fiscal year 2010, the Retirement Board did not restrict the amount of the loans that the master custodian made on its behalf. There were no failures by any borrowers to return loaned securities or pay distributions

NOTE 2. CASH AND INVESTMENTS

thereon and there were no losses resulting from a default of the borrowers or the master custodian during 2010.

The Quality D Fund invests cash collateral from loans of U.S. and non-U.S. equities, U.S. corporate fixed income securities, U.S. Government securities and sovereign debt. It had a weighted average maturity of 44.24 days and an average expected maturity of 216.27 days. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral.

Investments are restricted to issuers with a short-term credit rating not lower than A1/P1, or long-term ratings not lower than A-/A3, or the equivalent thereof. The Quality D Fund may invest in other investment vehicles managed by the master custodian provided they conform to fund guidelines.

As of September 30, 2010, the fair value of securities on loan was $505,146. Associated collateral totaling $519,562 was comprised of cash which was invested in the Quality D Fund. As of September 30, 2010, the invested cash collateral had a fair value of $515,203.

During the fiscal year ended September 30, 2010, the market value of the shares in the Quality D Fund purchased with cash collateral by the lending agent was less than the cost, resulting in an unrealized loss of $4,359.

The collateral held is included in cash and investments shown in Table 2a and Exhibit 4-a, and the securities on loan are reported at their carrying amounts also in Table 2a and Exhibit 4-a.

Net security lending income is comprised of three components: gross income, broker rebates, and agent fees. Gross income is equal to earnings on cash collateral received in a security lending transaction. A broker rebate is the cost of using that cash collateral. Agent fees represent the fees paid to the agent for administering the lending program. Net security lending income is equal to gross income less broker rebates and agent fees. Security lending income for fiscal year 2010 was recorded on a cash basis which approximated the accrual basis. For the year ending September 30, 2010, securities lending income was $3,238 and securities lending expense was $1,193, resulting in net securities lending income of $2,045.

NOTE 3. RESTRICTED ASSETS

At September 30, 2010, restricted assets of the primary government, component units, and fiduciary funds totaled $7,993,911 as summarized in **Table 6**.

Table 6 – Summary of Restricted Assets

	Governmental Funds/Governmental Activities				
	General	Federal & Private Resources	General Capital Improvements	Non-Major	Total
Bond Escrow Accounts	$ 288,336	$ -	$ -	$ -	$ 288,336
Public Transportation	-	-	565,523	13,920	579,443
Emergency Cash Reserves	337,945	-	-	-	337,945
Others	5,609	195,297	-	356,734	557,640
Total	$ 631,890	$ 195,297	$ 565,523	$ 370,654	$ 1,763,364

	Proprietary Funds/Business-Type Activities				
	Lottery & Games	Unemployment Compensation	Total	Fiduciary Funds	Component Units
Bond Escrow Accounts	$ -	$ -	$ -	$ -	$ 776,187
Unpaid Prizes	29,218	-	29,218	-	-
University Endowment	-	-	-	-	34,855
Benefits	-	322,826	322,826	5,047,016	-
Other	-	-	-	-	20,445
Total	$ 29,218	$ 322,826	$ 352,044	$ 5,047,016	$ 831,487

The bond escrow accounts include bond escrow for capital lease payment of $10,715.

NOTE 4. RECEIVABLES, INTERFUND TRANSFERS/BALANCES

A. RECEIVABLES

Receivables are valued at their estimated collectible amounts. These receivables are presented in various funds as shown in **Table 7.**

Table 7 – Receivables

	General	Federal & Private Resources	General Capital Improvements	Nonmajor Governmental Funds	Lottery & Games	Unemployment Compensation	Nonmajor J.B. Johnson Nursing Center	Fiduciary Funds
Gross Receivable:								
Taxes	$ 497,872	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Interest	-	-	-	-	-	-	-	-
Accounts and other	306,873	331,492	9,833	30,486	4,969	16,006	2,755	26,757
Federal	25,910	496,130	63,423	-	-	5,505	-	1,321
Total gross receivable	**830,655**	**827,622**	**73,256**	**30,486**	**4,969**	**21,511**	**2,755**	**28,078**
Less-allowance for uncollectibles	349,354	250,464	6,137	-	-	-	-	-
Total net receivable	**$ 481,301**	**$ 577,158**	**$ 67,119**	**$ 30,486**	**$ 4,969**	**$ 21,511**	**$ 2,755**	**$ 28,078**

B. INTERFUND TRANSFERS

Table 8 shows a summary of interfund transfers for the fiscal year ended September 30, 2010.

Table 8 – Summary of Interfund Transfers

TRANSFER FROM (Out)	TRANSFER TO (In)	PURPOSE	AMOUNT
General Fund	Highway Trust Fund	Motor fuel Taxes dedicated to the Highway Trust Fund	$ 23,278
General Fund	Highway Trust Fund	Taxes imposed for Capital Projects - DDOT	1,691
General Fund	Highway Trust Fund	PAYGO - Capital projects financed by operating funds	4,842
General Fund	Highway Trust Fund	Taxes imposed for Capital Projects - Parking and Storage	9,476
General Fund	Highway Trust Fund	Taxes imposed for Capital Projects - Public Space	3,094
Lottery and Games	General Fund	DC Lottery excess revenues, after operating cost, to the General Fund	66,750
Washington Ctr for Aging Svcs	General Fund	Closeout of Washington Center for Aging Operations	29,874
General Fund	Capital Improvements Fund	PAYGO - Capital projects financed by the General Fund	14,933
General Fund	Capital Improvements Fund	PAYGO - Capital proj financed by the Local Roads Const Maint Fund	30,000
Capital Improvements Fund	Community Healthcare Fund	Tobacco monies for School Modernization Projects	55,933
General Fund	Baseball Special Revenue Fund	Taxes imposed for the Baseball Stadium Project	25,490
General Fund	Tax Increment Financing Fund	Tax imposed to pay debt service on economic development projects	28,599
Federal and Private Resources Fund	General Fund	Revenues generated from the indirect cost recovery assessment	1,589
Capital Improvements Fund	General Fund	Funds for Housing Production debt service payments	2,149
Baseball Special Revenue Fund	Baseball Debt Service Fund	Funds for baseball debt service payments	30,944
Baseball Capital Projects Fund	Baseball Special Revenue Fund	Closeout of the Baseball Capital Projects Fund	3,549
Community Healthcare Fund	General Fund	Community Healthcare financing to assist with gap closing	14,840
General Fund	Federal & Private Resources Fund	Local funds used to satisfy federal grant accounts receivable	259
General Fund	PILOT Special Revenue Fund	Payment in lieu of taxes	5,541
General Fund	Housing Production Trust	Dedicated taxes for Housing Production Trust Fund	30,158
Tax Increment Financing Fund	General Fund	Tax Increment Financing Program to assist with gap closing	9,800
Community Healthcare Fund	Capital Improvements Fund	PAYGO-Capital Projects financed by Community Healthcare	36,244
		TOTAL INTERFUND TRANSFERS	**$ 429,033**

NOTE 4. RECEIVABLES, INTERFUND TRANSFERS/BALANCES

C. RECEIVABLES AND PAYABLES BETWEEN FUNDS AND COMPONENT UNITS

Due to/due from and interfund receivable and payable balances for each fund and individual component unit at September 30, 2010, are shown in **Table 9**.

Table 9 – Summary of Due To /Due From and Interfund Balances

	Primary Government/ Component Units		Interfund	
Fund or Component Unit	**Receivables**	**Payables**	**Receivables**	**Payables**
General	$ 59,873	$ 12,050	$ 593,501	$ 24,051
Federal & Private Resources	-	3,285	37,131	268,790
General Capital Improvements	-	178	73	302,210
Nonmajor-Highway Trust Fund	-	-	3,845	138
Nonmajor-Baseball Special Revenue	1,141	-	1,285	22,689
Nonmajor-Housing Production Trust Fund	-	-	9,306	-
Nonmajor-Tax Increment Financing Fund	-	-	3,837	-
Unemployment Compensation	-	-	5,621	37,131
Agency Fund	-	-	2,292	-
Pension Trust Funds	-	-	-	1,882
Water and Sewer Authority	1,996	2,510	-	-
United Medical Center	-	26,000	-	-
Washington Convention and Sports Authority	8,487	2,422	-	-
University of the District of Columbia	5,030	30,082	-	-
Total	**$ 76,527**	**$ 76,527**	**$ 656,891**	**$ 656,891**

The above balances represent the impact of transactions among the funds and component units which will be settled during fiscal year 2011.

NOTE 5. CAPITAL ASSETS

Capital outlays

Capital outlays reported in the General Capital Improvements and Highway Trust Fund totaled $1,359,488 for the fiscal year ended September 30, 2010. As construction progresses, the cumulative expenditures are capitalized as Construction in Progress (CIP) in the governmental activities column of the government-wide financial statements. Upon completion of the project, the balance in the CIP account is transferred to an appropriate descriptive capital asset account such as land, building, equipment, or infrastructure.

District Land Swaps with the Federal Government

Pursuant to the Federal and District of Columbia Government Real Property Act of 2005, Congress authorized the exchange of 29 parcels of land between the federal government and the District. The District will receive title to nine National Park Service (NPS) and two General Services Administration (GSA) properties, including 66 acres around the site of the former D.C. General Hospital, Poplar Point (approximately 100 acres on the east side of the Anacostia River adjacent to the 11th Street Bridge), 15 acres of the Robert F. Kennedy Stadium parking lot, and four other small Potomac Avenue parcels. The District will also gain administrative jurisdiction (which includes administration and maintenance, but not title) over seven smaller NPS properties.

In exchange, the NPS will gain administrative jurisdiction over eight properties and title to two others. GSA will gain title to five buildings on the west campus of St. Elizabeth's Hospital. In addition, as part of the exchange, the federal government will gain release from all current claims by the District regarding St. Elizabeth's Hospital, and the District will cover all costs associated with the relocation of federal facilities currently located at Poplar Point (headquarters of the National Capital Parks-East and the U.S. Park Police Anacostia Operations and Helicopter Facilities.).

The following properties were transferred to the District during fiscal year 2010: Reservation 13 (lots 801 through 804) and the Old Naval Hospital (located at 921

NOTE 5. CAPITAL ASSETS

Pennsylvania Avenue, S.E.) Consequently, the conveyance of these properties to the District resulted in a total gain of $266,942 ($215,157 related to Reservation 13 and $51,785 related to the Old Naval Hospital), which represents the fair market value of the properties received. These transactions, recorded at fair market value, comprise the special item reported in the statement of activities in the government-wide financial statements.

Pollution Remediation Outlays

Consistent with GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations,* pollution remediation outlays include all direct outlays which may be attributed to pollution remediation activities (e.g., payroll and benefits, equipment and facilities, materials, and legal and other professional services) and may also include estimated indirect outlays (e.g., general overhead). Pollution remediation activities include: (a) pre-clean-up activities (site assessment, site investigation, corrective measures feasibility study, and the design of a remediation plan); (b) clean-up activities; (c) external government oversight and enforcement-related activities; and (d) operation and maintenance of the remedy (post-remediation monitoring).

During fiscal year 2010, the Office of Public Education and Facilities Modernization (OPEFM), which is responsible for the modernization, renovation, and repair of the District of Columbia Public Schools (DCPS), engaged in remediation activities to address immediate public safety concerns arising from pollution. Whenever pollution is found during the course of completing a project at a DCPS facility, OPEFM incorporates the necessary pollution remediation into the work required to comply with relevant building codes and other applicable laws and regulations. During fiscal year 2010, OPEFM's pollution remediation outlays were approximately $10,295 for asbestos abatement and related air quality monitoring.

Because OPEFM's remediation activities were started and completed during fiscal year 2010, the District had no further associated liability (or material pollution remediation obligation) at September 30, 2010.

A. GOVERNMENTAL ACTIVITIES CAPITAL ASSETS BY CLASS

Table 10 presents the changes in the governmental activities capital assets by class for the primary government:

Table 10 - Changes in the Governmental Activities Capital Assets by Asset Class

Asset Class	Balance October 1, 2009	Additions	Transfers/ Dispositions	Transfers from CIP	Balance September 30, 2010
Non-depreciable:					
Land	$ 594,593	$ 230,390	$ 24,937	$ 66,801	$ 916,721
Construction in progress	1,860,984	1,150,971	-	(836,765)	2,175,190
Total non-depreciable	**2,455,577**	**1,381,361**	**24,937**	**(769,964)**	**3,091,911**
Depreciable:					
Infrastructure	3,872,952	-	-	260,854	4,133,806
Buildings	4,127,147	59,249	(52,360)	456,454	4,590,490
Equipment	1,271,434	15,045	(26,950)	52,656	1,312,185
Total depreciable	**9,271,533**	**74,294**	**(79,310)**	**769,964**	**10,036,481**
Less accumulated depreciation for:					
Infrastructure	(1,751,857)	(102,359)	-	-	(1,854,216)
Buildings	(1,091,961)	(74,840)	5,365	-	(1,161,436)
Equipment	(768,473)	(137,739)	22,003	-	(884,209)
Total accumulated depreciation	**(3,612,291)**	**(314,938)**	**27,368**	**-**	**(3,899,861)**
Total depreciable, net	**5,659,242**	**(240,644)**	**(51,942)**	**769,964**	**6,136,620**
Net governmental activities capital assets	**$ 8,114,819**	**$ 1,140,717**	**$ (27,005)**	**$ -**	**$ 9,228,531**

NOTE 5. CAPITAL ASSETS

B. GOVERNMENTAL ACTIVITIES CAPITAL ASSETS

Table 11 presents the changes in the governmental activities capital assets by function for the primary government:

Table 11- Governmental Activities Capital Assets by Function

Function	Balance October 1, 2009	Additions	Transfers/ Dispositions	CIP Transfers in (out)	Balance September 30, 2010
Governmental direction and support	$ 1,693,367	$ 216,239	$ (90,454)	$ 151,641	$ 1,970,793
Economic development and regulation	387,936	10,425	22,267	5,012	425,640
Public safety and justice	712,385	6,462	(2,873)	9,860	725,834
Public education system	1,778,517	4,390	(20,572)	260,783	2,023,118
Human support services	764,324	12,830	52,069	97,360	926,583
Public works	4,529,597	54,338	(14,810)	312,109	4,881,234
Construction in progress (CIP)	1,860,984	1,150,971	-	(836,765)	2,175,190
Total	**$ 11,727,110**	**$ 1,455,655**	**$ (54,373)**	**$ -**	**$ 13,128,392**

C. GOVERNMENTAL ACTIVITIES CAPITAL ASSETS ACCUMULATED DEPRECIATION BY FUNCTION

A summary of changes in governmental activities capital assets depreciation by function for the primary government is shown in **Table 12**.

Table 12 – Governmental Activities Capital Assets Accumulated Depreciation by Function

Function	Balance October 1, 2009	Additions	Transfers/ Dispositions	Balance September 30, 2010
Governmental direction and support	$ 453,110	$ 103,768	$ (1,282)	$ 555,596
Economic development and regulation	33,447	3,860	(1,285)	36,022
Public safety and justice	325,374	30,082	(7,881)	347,575
Public education system	501,220	38,930	(6,577)	533,573
Human support services	297,782	16,386	(382)	313,786
Public works	2,001,358	121,912	(9,961)	2,113,309
Total	**$ 3,612,291**	**$ 314,938**	**$ (27,368)**	**$ 3,899,861**

NOTE 5. CAPITAL ASSETS

D. BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS

Business-Type Activities Capital Assets are presented in **Table 13**.

Table 13 - Business-Type Activities Capital Assets

Asset Class	Balance October 1, 2009	Additions	Dispositions/ Adjustments	Balance September 30, 2010
Lottery:				
Depreciable:				
Equipment	$ 3,251	$ 250	$ (109)	$ 3,392
Total	**3,251**	**250**	**(109)**	**3,392**
Nonmajor business-type				
Non-depreciable:				
Land	1,264	-	(1,264)	-
Depreciable:				
Building	48,361	-	(36,622)	11,739
Equipment	6,211	12	(4,498)	1,725
Total Depreciable, nonmajor business-type	**54,572**	**12**	(41,120)	**13,464**
Total Business-Type	**59,087**	**262**	**(42,493)**	**16,856**
Less: accumulated depreciation for:				
Building	(36,361)	(290)	27,843	(8,808)
Equipment	(6,714)	(287)	3,780	(3,221)
Total accumulated depreciation	(43,075)	(577)	31,623	(12,029)
Net capital assets	**$ 16,012**	**$ (315)**	**$ (10,870)**	**$ 4,827**

NOTE 5. CAPITAL ASSETS

E. DISCRETELY PRESENTED COMPONENT UNITS CAPITAL ASSETS

A summary of capital assets by class for the discretely presented component units is shown in **Tables 14 and 15**.

Table 14 - Capital Assets by Class for the Discretely Presented Component Units

Asset Class	Balance October 1, 2009	Additions	Transfers/ Dispositions	CIP Transfers in (out)	Balance September 30, 2010
Land	$ 12,889	$ 8,100	$ -	$ -	$ 20,989
Utility plant	3,157,325	38,817	-	320,983	3,517,125
Buildings and improvements	998,179	61,247	(2)	-	1,059,424
Equipment	190,696	20,467	(4,889)	8,602	214,876
Artwork	2,741	-	-	-	2,741
Construction in progress	438,174	266,907	-	(329,585)	375,496
Total	**4,800,004**	**395,538**	**(4,891)**	**-**	**5,190,651**
Less:accumulated depreciation for					
Utility plant	(805,072)	(54,758)	-	-	(859,830)
Buildings and improvements	(306,788)	(34,598)	-	-	(341,386)
Equipment	(159,082)	(14,333)	4,828	-	(168,587)
Total accumulated depreciation	**(1,270,942)**	**(103,689)**	**4,828**	**-**	**(1,369,803)**
Net Capital Assets	**$ 3,529,062**	**$ 291,849**	**$ (63)**	**$ -**	**$ 3,820,848**

Table 15 - Capital Assets by Component Unit

Component Units	Balance October 1, 2009	Additions	Transfers/ Dispositions	Balance September 30, 2010
University of the District of Columbia	$ 191,541	$ 19,840	$ (105)	$ 211,276
Washington Convention and Sports Authority	861,149	17,380	59,124	937,653
Water and Sewer Authority	3,680,094	295,315	(2,501)	3,972,908
Sports and Entertainment Commission	61,409	-	(61,409)	-
Housing Finance Agency	5,811	17	-	5,828
Not-for-Profit Hospital Corporation	-	62,986	-	62,986
Total capital assets	**4,800,004**	**395,538**	**(4,891)**	**5,190,651**
Less-accumulated depreciation for:				
University of the District of Columbia	(121,549)	(5,144)	44	(126,649)
Washington Convention and Sports Authority	(186,979)	(32,405)	(46,710)	(266,094)
Water and Sewer Authority	(910,163)	(64,425)	2,492	(972,096)
Sports and Entertainment Commission	(49,002)	-	49,002	-
Housing Finance Agency	(3,249)	(199)	-	(3,448)
Not-for-Profit Hospital Corporation	-	(1,516)	-	(1,516)
Total accumulated depreciation	**(1,270,942)**	**(103,689)**	**4,828**	**(1,369,803)**
Net component units capital assets	**$ 3,529,062**	**$ 291,849**	**$ (63)**	**$ 3,820,848**

NOTE 5. CAPITAL ASSETS

F. CONSTRUCTION IN PROGRESS

Construction in progress by function for governmental activities capital assets is shown in **Table 16.**

Table 16– Construction in Progress by Function

Function and Subfunction	Number of Projects	Authorizations	Expenditures: Prior Year	Expenditures: Current Year	Expenditures: Transfers from CIP/Disposition	Expenditures: Total	Unexpended Balance
PRIMARY GOVERNMENT							
Governmental Direction and Support							
Finance	5	$ 103,930	$ 5,178	2,722	$ 3,404	$ 4,496	$ 99,434
Executive	3	11,985	6,030	213	-	6,243	5,742
Administrative	122	712,969	148,018	212,085	159,325	200,778	512,191
Total	130	828,884	159,226	215,020	162,729	211,517	617,367
Public Safety and Justice							
Police	10	470,115	18,592	42,880	1,319	60,153	409,962
Fire	31	156,982	40,285	13,172	1,899	51,558	105,424
Corrections	5	35,524	238	3,594	44	3,788	31,736
Total	46	662,621	59,115	59,646	3,262	115,499	547,122
Economic Development and Regulation							
Community Development	30	210,351	30,042	71,445	5,606	95,881	114,470
Total	30	210,351	30,042	71,445	5,606	95,881	114,470
Public Education System							
Schools	136	2,273,847	515,393	268,869	216,484	567,778	1,706,069
Culture	30	100,672	30,574	46,152	44,258	32,468	68,204
Total	166	2,374,519	545,967	315,021	260,742	600,246	1,774,273
Human Support Services							
Health and Welfare	38	478,345	301,050	19,996	1,496	319,550	158,795
Human Relations	3	24,581	5,331	7,491	-	12,822	11,759
Recreation	53	372,886	163,991	45,942	95,804	114,129	258,757
Total	94	875,812	470,372	73,429	97,300	446,501	429,311
Public Works							
Environmental	94	742,006	596,262	416,410	307,126	705,546	36,460
Total	94	742,006	596,262	416,410	307,126	705,546	36,460
Totals	560	$ 5,694,193	$ 1,860,984	$ 1,150,971	$ 836,765	$ 2,175,190	$ 3,519,003

NOTE 6. CONDUIT DEBT TRANSACTIONS

A. INDUSTRIAL REVENUE BOND PROGRAM

The District has issued, under its Industrial Revenue Bond Program, private activity bonds for which the principal and interest are payable solely from defined revenues of private entities, such as non-profit organizations. The District has no obligation for this debt beyond resources that may have been provided by related leases or loans. Organizations participating in the Industrial Revenue Bond Program are allowed to borrow at the prevailing municipal bond rate. These private activity bonds provide economic incentive to construct, modernize or enhance private entity facilities in the District, thereby supporting the District's economic base. As of September 30, 2010, the aggregate outstanding principal amount for these conduit debt obligations was approximately $4.8 billion.

NOTE 6. CONDUIT DEBT TRANSACTIONS

B. ENTERPRISE ZONE FACILITY BONDS

Beginning January 1, 1998, businesses located in the District of Columbia Enterprise Zone (D.C. Zone) are eligible to obtain up to $15 million of tax-exempt financing. Similar to Industrial Revenue Bonds, the principal and interest are payable solely from defined revenues of private entities, including non-profit and for-profit organizations. The District has no obligation for this debt beyond resources that may have been provided by related leases or loans. As of September 30, 2010, the aggregate outstanding principal amount for Enterprise Zone Facility Bonds was $89.1 million.

NOTE 7. SHORT-TERM LIABILITIES

TAX REVENUE ANTICIPATION NOTES

The District issued $500,000 in Tax Revenue Anticipation Notes (TRANs) on October 30, 2009. The TRANs are general obligations of the District, secured by the District's full faith and credit, and payable from available revenues, including tax revenues, of the District. The issuance of such notes is a short term financing method used to provide for seasonal cash flow needs in anticipation of the collection or receipt of revenues for fiscal year 2010. Operational and other costs are covered by the proceeds from the TRANs until periodic taxes, grants, and other revenues are received. The notes were issued as fixed-rate notes with an interest rate of 2.50%, and matured on September 30, 2010.

Table 17- Changes in Short-Term Liabilities

Account	Balance October 1, 2009	Additions	Deductions	Balance September 30, 2010
Governmental Activities				
Tax Revenue Anticipation Notes	$ -	$ 500,000	$ 500,000	$ -

NOTE 8. LONG-TERM LIABILITIES

A. LONG-TERM DEBT

In the government-wide financial statements and proprietary funds, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net assets of governmental activities, business-type activities, and proprietary funds. Long term debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the outstanding principal method. Long-term debt payable is reported separately from the applicable premium or discount. The issuance cost for long term debt is reported as deferred charge.

Governmental funds recognize premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

A summary of the District's outstanding long-term debt totaling $7,153,618 is shown in **Table 18**.

NOTE 8. LONG – TERM LIABILITIES

Table 18- Changes in Governmental Activities Long-Term Debt of Primary Government

	General Obligation Bonds	Income Tax Secured Bonds	TIF Bonds	Tobacco Bonds	Ballpark Bonds	COPs	Housing Production Trust	QZAB	NCRC Revenue Bonds	AWC PILOT Revenue Bonds	CAPPER PILOT BANs	Total
Debt Payable at September 30, 2009	$ 3,766,628	$ 1,071,785	$ 96,197	$ 711,239	$ 521,750	$ 251,515	$ 33,010	$ 6,044	$ 39,168	$ 102,970	$ -	**$ 6,600,306**
Bond and Notes Issued:												
2009D	-	129,620	-	-	-	-	-	-	-	-	-	**129,620**
2009E	-	501,290	-	-	-	-	-	-	-	-	-	**501,290**
2010A	-	694,300	-	-	-	-	-	-	-	-	-	**694,300**
2010B	-	14,040	-	-	-	-	-	-	-	-	-	**14,040**
2010C	-	126,670	-	-	-	-	-	-	-	-	-	**126,670**
2010D	-	32,945	-	-	-	-	-	-	-	-	-	**32,945**
HPTF 2010A	-	-	-	-	-	-	23,190	-	-	-	-	**23,190**
HPTF 2010B	-	-	-	-	-	-	26,540	-	-	-	-	**26,540**
HPTF 2010C	-	-	-	-	-	-	3,460	-	-	-	-	**3,460**
QZAB 2010	-	-	-	-	-	-	-	4,143	-	-	-	**4,143**
CAPPER Pilot Note	-	-	-	-	-	-	-	-	-	-	29,000	**29,000**
Total	**3,766,628**	**2,570,650**	**96,197**	**711,239**	**521,750**	**251,515**	**86,200**	**10,187**	**39,168**	**102,970**	**29,000**	**8,185,504**
Debt Payments:												
Principal Matured	156,840	-	4,390	11,460	4,360	10,330	585	669	8,497	6,020	-	**203,151**
Principal Defeased	828,735	-	-	-	-	-	-	-	-	-	-	**828,735**
Debt Payable at September 30, 2010	**$ 2,781,053**	**$ 2,570,650**	**$ 91,807**	**$ 699,779**	**$ 517,390**	**$ 241,185**	**$ 85,615**	**$ 9,518**	**$ 30,671**	**$ 96,950**	**$ 29,000**	**$ 7,153,618**

General Obligation Bonds

The District's general obligation bonds are authorized and issued primarily to provide funds for certain capital projects and improvements. The general obligation bonds are backed by the full faith and credit of the District. In addition, the bonds are secured by a security interest in and lien on the funds derived from a Special Real Property Tax levied annually by the District on portions of certain real property. These tax revenues have been dedicated for the payment of bond principal and interest. Amounts collected are deposited in banks and held in escrow for payment of bond principal and interest when due.

Income Tax Secured Revenue Bonds

The District's Income Tax Secured Revenue Bonds are also issued to fund certain capital projects and improvements, as an alternative to the issuance of general obligation bonds. On October 22, 2008, the Council of the District of Columbia established the Income Tax Secured Revenue Bond Fund (the Fund) through the Income Tax Secured Bond Authorization Act of 2008 (the Act) (D.C. Code §47-340.26 – 47-340.36). Pursuant to the Act, amounts deposited in the Fund and all investment earnings on these funds, are to be irrevocably dedicated and pledged to the payment of the principal of, and interest on, the bonds and related costs (e.g., costs of the collection agent and trustee and debt service.) The Act further provides that bonds in one or more series may be issued in an aggregate amount not to exceed $2,918,815 to fund the costs of the District's capital projects and to refund outstanding debt. Bonds, as defined in the Act, include the initial series of Income Tax Secured Bonds and additional bonds, notes, or other obligations, in one or more series, and authorized subordinated bonds. The Income Tax Secured Revenue Bond Fund is a non-lapsing fund that is separate and distinct from the General Fund. Funds held in the Income Tax Secured Revenue Bond Fund and all investments or earnings on these funds are to be irrevocably dedicated and pledged to the payment of the principal of, and interest on the bonds and other associated costs as set forth in the financing documents.

NOTE 8. LONG-TERM LIABILITIES

Series 2009D and 2009E

On December 22, 2009, the District issued $129,620 in Income Tax Secured Revenue Bonds, Series 2009D (Tax-Exempt) and $501,290 in Income Tax Secured Revenue Bonds, Series 2009E (Federally Taxable – Build America Bonds – Direct Pay to Issuer), as Senior Bonds pursuant to: (a) the Income Tax Secured Bond Authorization Act of 2008, effective October 22, 2008, (b) the Fiscal Year 2010 Income Tax Secured Revenue Bond and General Obligation Bond Issuance Emergency Approval Act of 2009, effective December 4, 2009, and (c) a Master Indenture of Trust between the District and Wells Fargo Bank, as supplemented by a Supplemental Indenture dated December 1, 2009. The District made an irrevocable election to treat the Series 2009E bonds as Taxable Build America Bonds that are qualified under the American Recovery and Reinvestment Act of 2009, the credits with respect to which will be payable directly to the District, and not available as tax credits to the beneficial owners of the series 2009E Bonds. The proceeds of the Series 2009D and Series 2009E Bonds were used to: (a) provide funds for capital projects, (b) pay for financing costs, and (c) fund capitalized interest on the Series 2009D and Series 2009E Bonds.

The Series 2009D and Series 2009E bonds, the outstanding bonds, and any additional bonds issued under the terms of the indenture will be payable from and secured by a security interest in and a statutory lien on the Trust Estate. The Series 2009D Bonds were issued with interest rates ranging from 2.50% to 5.00% with a yield rate ranging from 0.770% to 2.680%. The Series 2009E Bonds were issued with interest rates ranging from 4.343% to 5.541% with a yield rate ranging from 4.343% to 5.541%. A $300,000 term bond, with an interest rate of 5.591% will be due on December 1, 2034, priced to yield 5.591%.

Series 2010A and 2010B

On March 25, 2010, the District issued $694,300 in Income Tax Secured Revenue Refunding Bonds, Series 2010A (Tax-Exempt) and $14,040 in Income Tax Secured Revenue Bonds, Series 2010B (Federally Taxable), as Senior Bonds pursuant to: (a) the Income Tax Secured Bond Authorization Act of 2008, effective October 22, 2008 (D.C. Law 17-254; D.C. Code §§47-340.26-36) (the Act); (b) a Master Indenture of Trust between the District and Wells Fargo Bank, N.A.. as trustee, dated March 1, 2009, as amended and supplemented (the "Master Indenture") and (c) a Seventh Supplemental Indenture of Trust dated March 1, 2010 (the Seventh Supplemental Indenture), and together with the Master Indenture (the Indenture), executed pursuant to the Act and the "Fiscal Year 2010 Income Tax Secured Revenue Refunding Bond Issuance Approval Resolution of 2010" relating to the Series 2010A-B Bonds adopted by the Council of the District of Columbia.

The proceeds of the Series 2010A Bonds were used to refund the following outstanding general obligation bonds of the District: Series 1998B, Series 1999A, Series 2001B, Series 2001C, Series 2001D, Series 2002D, Series 2003A, Series 2003B, Series 2004A, Series 2005A, Series 2007C, Series 2008E, and Series 2008F and pay for financing costs of the Series 2010A Bonds, including fees associated with termination of certain interest rate swap agreements related to a portion of the refunded bonds and costs of issuance. The proceeds of the Series 2010B Bonds were used to terminate an interest rate swap agreement related to the Series 2002D General Obligation Bonds, which were refunded by the issuance of the Series 2010A Bonds, and to pay costs of issuance associated with the Series 2010B Bonds.

The Series 2010A and Series 2010B Bonds, the outstanding bonds, and any additional bonds issued under the terms of the indenture will be payable from and secured by a security interest in and a statutory lien on the Trust Estate, consisting primarily of the revenues (including all available tax revenues received or to be received by the collection agent), the trustee, or the District. Available tax revenues means the sum of available business franchise tax revenues and available income tax revenues generated and to be generated in any fiscal year of the District. The Series 2010A Bonds were issued with interest rates ranging from 3.00% to 5.00% with a yield rate ranging from 2.50% to 4.270%. The Series 2010B Bonds were issued with an interest rate of 4.053% with a yield rate of 4.053%.

Series 2010C

On April 1, 2010, the District issued $126,670 in Income Tax Secured Revenue Refunding Bonds, Series 2010C as Senior Bonds pursuant to: (a) the Income Tax Secured Bond Authorization Act of 2008, effective October 22, 2008 (D.C. Law 17-254; D.C. Code §§47-340.26-36)(the Act), (b) a Master Indenture of Trust between the District and Wells Fargo Bank, N.A.. as trustee, dated March 1, 2009, as amended and supplemented (the "Master Indenture") and (c) an Eighth Supplemental Indenture of Trust dated March 1, 2010 (the Eighth Supplemental Indenture), and together with the Master Indenture, (the Indenture), executed pursuant to the Act and the "Fiscal Year 2010 Income Tax Secured Revenue Refunding Bond Issuance Approval Resolution of 2010" relating to the Series 2010C Bonds adopted by the Council of the District of Columbia.

NOTE 8. LONG – TERM LIABILITIES

The proceeds of the Series 2010C Bonds were used, together with other funds of the District, to: (a) currently refund the outstanding principal amount of the District's Multimodal General Obligation Refunding Bonds, Series 2008B (Variable Rate Demand Obligations) maturing on June 1, 2034, and (b) pay for financing costs, including financing costs in connection with the substitution on March 26, 2010, of letters of credit in connection with the District's Series 2008A and 2008D general obligation bonds.

The Series 2010C Bonds, the outstanding bonds and any additional bonds issued under the terms of the indenture will be payable from and secured by a security interest in and a statutory lien on the trust estate, consisting primarily of the revenues (including all available tax revenues received or to be received by the collection agent, the trustee, or the District.) "Available tax revenues" means the sum of available business franchise tax revenues and available income tax revenues generated and to be generated in any fiscal year of the District.

The Series 2010C bonds were issued with an adjusted Securities Industry and Financial Markets Association (SIFMA) rate. The applicable interest rates for the Series 2010C Bonds are SIFMA rate plus 0.02% in 2010 and SIFMA rate plus 0.18% in 2011, making the initial interest rates on the bonds -.31% and -.47%.

Series 2010D

On June 3, 2010, the District issued $32,945 in Income Tax Secured Revenue Bonds, Series 2010D (Federally Taxable – Qualified School Construction Bonds – Direct Pay to Issuer.) The Series 2010D Bonds were issued as Senior Bonds pursuant to: (a) the Income Tax Secured Bond Authorization Act of 2008, effective October 22, 2008 (D.C. Law 17-254; D.C. Code §§47-340.26-36)(the Act); (b) a Master Indenture of Trust between the District and Wells Fargo Bank, N.A., as trustee, dated March 1, 2009, as amended and supplemented (the "Master Indenture"); and (c) a Ninth Supplemental Indenture of Trust between the District and the Trustee dated June 1, 2010 (the Ninth Supplemental Indenture), and together with the Master Indenture (the Indenture), executed pursuant to the Act and the "Fiscal Year 2010 Income Tax Secured Revenue Bond and General Obligation Bond Issuance Temporary Approval Act of 2009" relating to the Series 2010D Bonds enacted by the Council of the District of Columbia.

The Series 2010D Bonds were issued as Qualified School Construction Bonds as defined in Section 54F of the Internal Revenue Code of 1986, as amended (the Code), and as specified tax credit bonds as defined in Section 6431(f)(3) of the Code. The Series 2010D bonds were also issued under the provisions of the American Recovery and Reinvestment Act of 2009 and the Hiring Incentives to Restore Employment Act of 2010. Interest on the Series 2010D Bonds is not excluded from gross income for purposes of federal income taxation. The District expects to irrevocably elect to receive Qualified School Construction Bonds direct subsidy payments, which are direct cash subsidy payments from the U.S. Treasury relating to the interest payable by the District on the Series 2010D Bonds on each interest payment date. Owners of the Series 2010D Bonds are not entitled to receive a credit against tax imposed by the Code with respect to Series 2010D Bonds. The proceeds of the Series 2010D bonds were used to (a) pay and/or reimburse the District for the costs of Qualified School Construction Projects and (b) pay for financing costs.

The Series 2010D Bonds, the outstanding bonds, and any additional bonds issued under the terms of the Indenture will be payable from and secured by a security interest in and a statutory lien on the Trust Estate, consisting primarily of the revenues (including all available tax revenues received or to be received by the collection agent, the trustee, or the District). "Available tax revenues" means the sum of available business franchise tax revenues and available income tax revenues generated and to be generated in any fiscal year of the District. The Series 2010D Bonds were issued with an interest rate of 4.996% and will mature on December 1, 2026.

A summary of the debt service requirements to maturity for principal and interest for the Income Tax Secured Revenue Bonds is shown in **Table 19**.

Table 19 – Income Tax Secured Revenue Bonds

Year Ending	INCOME TAX SECURED REVENUE BONDS		
September 30	Principal	Interest	Total
2011	$ 86,495	$ 127,424	$ 213,919
2012	154,090	118,602	272,692
2013	88,025	114,627	202,652
2014	103,030	110,301	213,331
2015	52,265	106,769	159,034
2016 - 2020	336,300	494,628	830,928
2021 - 2025	574,675	382,966	957,641
2026 - 2030	751,020	211,020	962,040
2031 - 2035	424,750	51,487	476,237
Total	**$ 2,570,650**	**$ 1,717,824**	**$ 4,288,474**

NOTE 8. LONG-TERM LIABILITIES

Interest Rates on General Obligation Bonds and Income Tax Secured Revenue Bonds

The weighted average interest rate on the District's outstanding fixed-rate bonds is 4.668%. The weighted average interest rate on the District's variable rate bonds for fiscal year 2010 is 0.264%.

Current and Advance Refunding

The District used the proceeds of the Series 2010A and Series 2010B Income Tax Secured Revenue Refunding Bonds (discussed above), plus original issue premium, to advance refund $703,080 of outstanding general obligation bonds with fixed and variable interest rates. The refunding, also considered a debt restructuring because it changed the amortization structure of the District's debt portfolio, reduced the District's debt service payments in fiscal year 2010 and other years without extending the final maturity of any particular bond issue. The primary reason for doing this refunding/restructuring transaction was that the substantial reduction in revenues caused by the economic recession pushed the District's debt cap close to its limit, and this transaction allowed the District to continue making important long-term investments in its infrastructure with on-going financing of its Capital Improvements Program, including Schools Modernization. The result of the Series 2010A and Series 2010B Income Tax Secured Revenue Refunding Bonds issuance produced an increase of $271,068 in future debt service with a minimal economic loss of $513, given the low interest rates at which the Refunding Bonds were able to be issued.

In addition, the District used the proceeds of its Series 2010C Income Tax Secured Revenue Refunding Bonds (discussed above) to currently refund $125,655 of outstanding series 2008B General Obligation Bonds with a variable interest rate. The net proceeds from the issuance of the Series 2010C Bonds were used to redeem the Series 2008B General Obligation Bonds on April 1, 2010. The District completed the refunding to reduce the present value of its total debt service payments over the next 19 years. The result of the Series 2010C Income Tax Secured Revenue Refunding Bonds produced a reduction of $28,428 of future debt service with an economic gain of $22,187.

Variable Rate Demand Bond Program

As of September 30, 2010, the District had three outstanding series of General Obligation Variable Rate Demand Obligations (VRDO) with an aggregate principal amount of $398,155. While all of the outstanding VRDO series are currently in a weekly interest rate reset mode, each series is a long-term obligation with final maturities ranging from 2027 to 2034. Each of the outstanding VRDO series is secured by a direct pay letter of credit (LOC) issued by a banking institution to provide both credit enhancement and liquidity support for the "demand" feature of the securities whereby, pursuant to the provisions of the authorizing documents for each of the VRDO series, bondholders have the right to tender their bonds to the District at any time for repurchase at 100% of the face value of the bonds (plus accrued interest). Pursuant to the terms of each LOC, each time bonds are tendered for purchase and at each principal and/or interest payment date, the LOC is drawn upon to make such payments. Following the draw on the LOC, the LOC provider is reimbursed by the trustee/tender agent from remarketing proceeds and/or Special Real Property Tax Revenue held in escrow by the trustee. To the extent that a LOC provider is not immediately reimbursed for a draw on its LOC, the terms and conditions of future repayment are set forth in the reimbursement agreement between the District and the LOC provider.

NOTE 8. LONG – TERM LIABILITIES

Table 20 summarizes each of the outstanding VRDO series and certain of the terms and conditions of each supporting LOC and reimbursement agreement.

Table 20 – Outstanding Variable Rate Demand Obligations

Series	Par Outstanding	Final Maturity	Reset Mode / Payment Frequency	LOC Provider	LOC Issue Date	LOC Expiration Date
2008A	$59,970	06/01/26	7-Day Reset Monthly Pay	Bank of America	03/26/10	03/26/13
2008C-1	$67,195	06/01/29	7-Day Reset Monthly Pay	TD Bank	11/19/09	11/19/12
2008C-2	$157,105	06/01/31	7-Day Reset Monthly Pay	JP Morgan	11/19/09	09/03/11
2008D	$113,885	06/01/34	7-Day Reset Monthly Pay	Wells Fargo Bank	03/26/10	03/26/13

Note: The Annual Letter of Credit Fees range from 107 basis points to 145 basis points per annum based on outstanding principal.

Hedging Derivative Instrument Payments and Hedged Debt

Table 21 presents aggregate debt service requirements of the District's debt and net receipts/payments on associated hedging derivative instruments as of September 30, 2010. These amounts assume that current interest rates on variable-rate bonds and the current reference rates of hedging derivative instruments will remain the same for their term. As these rates vary, interest payments on variable-rate bonds and net receipts/ payments on the hedging derivative instruments will vary. Refer to Note 2 for information on derivative instruments.

Table 21 – Aggregate Debt Service Requirements and Net Receipts/Payments On Hedging Derivative Instruments

Fiscal Year Ending September 30	Principal	Interest	Hedging Derivatives, Net	Total
2011	$ -	$ 1,495	$ 8,649	$ 10,144
2012	-	1,495	8,649	10,144
2013	-	1,495	8,650	10,145
2014	9,135	1,495	8,650	19,280
2015	9,590	1,286	8,438	19,314
2016-2020	43,975	4,357	40,080	88,412
2021-2025	137,125	1,913	25,334	164,372
2026-2030	62,725	246	3,262	66,233
Total	**$ 262,550**	**$ 13,782**	**$ 111,712**	**$ 388,044**

TIF Notes and Bonds

The Tax Increment Financing (TIF) Notes and Bonds are special limited obligations of the District. TIF is an economic development tool used to facilitate the financing of business investment activities within a locality. The sole source of repayment of the TIF Notes is the incremental sales and/or real property tax revenues from the Project, and the District has no obligation to make any payments on the TIF Notes other than through the remittance of the incremental revenues to the Paying Agent. For this reason, TIF Notes are not included in **Table 18** as long-term debt of the District.

Embassy Suites Hotel

In 2004, the District issued TIF Notes to finance the Embassy Suites Hotel. The $11,000 Embassy Suites Hotel TIF Note, which had an interest rate of 5.00%, was paid in full on November 16, 2009.

NOTE 8. LONG-TERM LIABILITIES

Downtown Retail Priority Area: H & M, Zara, West Elm, National Crime and Punishment Museum, and Madame Tussauds

In March 2006, the Mayor executed the first Downtown Retail Priority Area TIF Note. The H & M TIF Note, which matures on March 1, 2016, or upon payment in full, is for approximately $2,996 with an 8.00% interest rate. In May 2008, the Mayor executed two additional notes, one for Zara, which matures on June 1, 2018, or upon payment in full, for $1,750 at a 5.50% interest rate, and one for West Elm, which was to also mature on June 1, 2018, or upon payment in full, for $5,000 at a 5.50% interest rate. Because the West Elm store, which was the subject of the development agreement, closed for business on March 23, 2010, the development agreement was terminated and the associated TIF note was cancelled during fiscal year 2010. In September 2008, the Mayor executed the fourth Downtown Retail Priority Area TIF Note for the National Crime and Punishment Museum for $3,000, also at a 5.50% interest rate. This TIF Note matures on October 1, 2018. In December 2008, the Mayor also executed the Madame Tussauds TIF Note under the Downtown Retail Priority TIF Program, for $1,300 at a 4.50% interest rate. This TIF Note matures on December 1, 2018.

These Downtown Retail Priority Area TIF Notes are pledges of incremental sales tax revenues only. If the incremental revenues are insufficient to pay the principal and interest due on the TIF Notes when due, the payment shortfall will not constitute a default. However, if the incremental revenues are sufficient to pay the principal and interest expense on the TIF Notes when due, the District must pay the amount of any previous shortfall(s) to the Development Sponsor without any penalty interest or premium thereon.

Capitol Hill Towers

On December 20, 2006, the District released the $10,000 TIF Note of the Capitol Hill Towers from escrow. The note matures on January 1, 2029, with an interest rate of 7.50% compounded semiannually on unpaid principal.

Verizon Center

In December 2007, the District issued $50,000 in taxable financing notes to finance upgrades at the Verizon Center. The 2007A Note was issued in the amount of $43,570 at a fixed interest rate of 6.734% and matures on August 15, 2047. The 2007B note was issued in the amount of $6,430 at a fixed interest rate of 6.584% with a maturity date of August 15, 2027. These notes are a special limited obligation of the District and are secured by a portion of the taxes on certain on-site personal property, services and public ticket sales at the Verizon Center. In the event such taxes are not sufficient, the notes are further secured by incremental increases in the Downtown TIF Area, which are subordinate to the pledge of such revenues to the TIF Bonds that were issued to finance Gallery Place and the Mandarin Oriental Hotel.

Shakespeare Theatre

The Shakespeare Theatre TIF Note was issued in September 2006 for $10,000. The TIF Note is to be paid in a lump sum on July 1, 2011, from available incremental revenues from the Downtown TIF Area. The interest rate on this Note is 6.00%.

Waterfront Arts Project

The Waterfront Arts Project TIF Note was issued in May 2009 for $10,000 to help finance the expansion of the Arena Stage. The TIF Note is held in escrow pending the completion of the project. The TIF Note is to be paid in a lump sum on May 8, 2014, from available incremental revenues from the Downtown TIF Area. The interest rate on this Note is 4.66%

Great Streets Retail Priority Areas

In September 2009, the Mayor executed the first Great Streets TIF, the Georgia Avenue Retail Project Great Streets TIF Note in the amount of approximately $1,935. The interest rate on the Note is 5.00%. The Note, which is to be repaid from project incremental sales and property tax revenues, has a maturity date of June 1, 2035. If the incremental revenues are insufficient to pay the principal and interest due on the note when payable, the payment shortfall will not constitute a default. If the incremental revenues are sufficient, the District will pay the principal and interest due, and the amount of any previous shortfall(s) to the Development Sponsor without any penalty interest or premium thereon.

Gallery Place and Mandarin Oriental Hotel

In 2002, the District promised to pay an aggregate principal amount of $73,650 to the Gallery Place Development Sponsor and $45,995 to the Mandarin Hotel Development Sponsor. The District issued two Tax Increment Financing (TIF) Bonds pursuant to the District of Columbia Tax Increment Financing Authorization Act of 1998, as amended, and the Trust Indenture dated as of April 1, 2002. These included the Gallery Place TIF Bond, which matures on July 1, 2031, and the Mandarin Oriental TIF Bond, which matures on July 1, 2022. Interest rate yields on the Gallery Place and Mandarin Hotel TIF Bonds range from 3.28% to 5.91%. These two bond issuances are supported by the pledge of incremental

NOTE 8. LONG – TERM LIABILITIES

sales and real property tax revenues from the respective projects and secondarily by incremental tax revenues from a Downtown TIF Area.

Tables 22 and 23 show the summary of debt service requirements for *Gallery Place and Mandarin Oriental Hotel.*

Table 22 - Summary of Debt Service Requirements for Gallery Place TIF Bond

Year Ending	GALLERY PLACE		
September 30	Principal	Interest	Total
2011	$ 1,740	$ 3,464	$ 5,204
2012	1,835	3,370	5,205
2013	1,930	3,272	5,202
2014	2,035	3,165	5,200
2015	2,150	3,054	5,204
2016-2020	12,665	13,358	26,023
2021-2025	16,375	9,640	26,015
2026-2030	21,156	4,861	26,017
2031-2035	4,935	266	5,201
Total	**$ 64,821**	**$ 44,450**	**$ 109,271**

Table 23 - Summary of Debt Service Requirements for Mandarin Oriental Hotel TIF Bond

Year Ending	MANDARIN ORIENTAL HOTEL		
September 30	Principal	Interest	Total
2011	$ 2,583	$ 1,921	$ 4,504
2012	2,434	2,070	4,504
2013	2,292	2,217	4,509
2014	2,148	2,356	4,504
2015	2,014	2,495	4,509
2016-2020	8,281	14,245	22,526
2021-2025	7,234	1,780	9,014
Total	**$ 26,986**	**$ 27,084**	**$ 54,070**

Tobacco Bonds

In November 1998, the District (along with a number of states and various jurisdictions) signed a Master Settlement Agreement with the major U.S. tobacco companies that ended litigation over healthcare treatment costs incurred for smoking-related illnesses. Under the settlement, the District is scheduled to receive total annual payments aggregating an estimated $1.2 billion by 2025. There are a number of potential adjustments to this schedule, including an inflation adjustment and a cigarette volume adjustment. In addition, there are numerous risks regarding whether the District will receive the full amount to which it is entitled under the terms of the Master Settlement Agreement, including various lawsuits outside the District alleging that the Master Settlement Agreement is void or voidable.

In 2001, the Tobacco Corporation issued its Tobacco Settlement Asset-Backed Bonds, Series 2001, the principal amount of which was $521,105. As of September 30, 2010, $451,515 remained outstanding.

In 2006, the Tobacco Corporation issued its Tobacco Settlement Asset-Backed Bonds, Series 2006, the principal amount of which was $248,264. Bond proceeds were used to pay: (i) the cash portion of the purchase price for the Residual Tobacco Assets; and (ii) certain costs of issuance related to the Series 2006 Bonds. The payment of these bonds is secured by the District's distribution under the November 1998 Master Settlement Agreement (MSA). As such, the Series 2006 Bonds are secured and payable solely from: (i) the residual annual and strategic contribution fund payments (TSRs) and all future aid, rents, fees, charges, payments, investment earnings and other income and receipts with respect to the pledged TSRs; (ii) all rights to receive revenues and proceeds from the TSRs; (iii) all accounts established under the indenture and the related assets; and (iv) subject to certain limitations, all rights and interest of the Tobacco Corporation under the purchase agreement. Pursuant to the District of Columbia Tobacco Settlement Financing Act of 2000, and a Purchase and Sale Agreement dated August 1, 2006, the District's Tobacco Settlement Trust Fund sold all of its rights, title, and interest in certain residual tobacco assets paid or payable to the District on or after April 1, 2015. Approximately 25% of the anticipated $1.2 billion in total annual payments to be received by the District was pledged as security for these bonds. The Tobacco Bonds are neither general nor moral obligations of the District and are not secured by a pledge of the full faith and credit of the District. Because no payment was made in 2010, the amount outstanding as of September 30, 2010, was $248,264. Payments received by the tobacco corporation under the MSA in excess of the annual debt service requirements for the Tobacco Bonds may revert to the General Fund.

As of September 30, 2010, the total outstanding balance for all Tobacco Bonds as shown in **Table 24** was $699,779.

NOTE 8. LONG-TERM LIABILITIES

Summary of debt service requirements for general obligation and tobacco bonds to maturity is shown in **Table 24**.

Table 24 - Summary of Debt Service Requirements for General Obligation and Tobacco Bonds to Maturity

Year Ending	General Obligation Bonds		Tobacco Bonds		
September 30	Principal	Interest	Principal	Interest	Total
2011	$ 132,785	$ 127,379	$ 18,295	$ 29,456	$ 307,915
2012	49,223	140,489	16,515	28,330	234,557
2013	48,075	140,529	17,510	27,337	233,451
2014	36,350	132,179	19,060	26,279	213,868
2015	98,425	115,552	18,980	25,119	258,076
2016 - 2020	543,580	505,243	120,930	105,133	1,274,886
2021 - 2025	648,705	366,412	161,760	59,702	1,236,579
2026 - 2030	490,975	222,907	78,465	5,296	797,643
2031 - 2035	528,945	117,126	-	-	646,071
2036 - 2040	203,990	14,125	-	-	218,115
2046 - 2050	-	-	159,733	1,697,592	1,857,325
2056 - 2060	-	-	88,531	2,478,469	2,567,000
Total	**$ 2,781,053**	**$ 1,881,941**	**$ 699,779**	**$ 4,482,713**	**$ 9,845,486**

Defeased Bonds

In prior years, the District defeased certain bond issues by issuing refunding bonds. Defeased debt outstanding does not constitute a debt of the District because the net proceeds from the issuance of the refunding bonds have been deposited in an irrevocable trust with an escrow agent to provide debt service payments until the defeased bonds are fully called.

As of September 30, 2010, the total amount of defeased debt outstanding held by the escrow agent was $536,735. This amount has been removed from the government-wide financial statements. As presented in **Table 25**, the amount of bonds defeased through fiscal year 2010 refundings was $828,735.

Table 25- Summary of Defeased Bonds in FY 2010

GENERAL OBLIGATION BONDS IN FY2010
Defeased by Income Tax Secured Revenue Bonds, Series 2010A and 2010 B and 2010C SIFMA Notes

Bond Series Refunded	Interest Rate	Refunded Amount
1998B	5.75%	$ 31,860
1999A	5.50%	7,810
2001B	5.50%	1,510
2003A	5.00% - 5.50%	51,875
2003B	5.00%	40,875
2004A	3.25% - 5.25%	32,095
2005A	5.00%	76,580
2007C	4.00% - 5.00%	38,410
2008E	4.00% - 5.00%	53,670
2008F	4.00% - 4.50%	5,310
2001C	Various	170,895
2001D	Various	67,195
2002D	Various	124,995
2008B	Various	125,655
		$ 828,735

NOTE 8. LONG – TERM LIABILITIES

Ballpark Revenue Bonds

On May 15, 2006, the District issued Ballpark Revenue Bonds in the principal amount of $534,800. This offering includes the issuance of Taxable Series 2006A-1 bonds in the principal amount of $78,425 and the issuance of Taxable Series 2006A-2 bonds in the principal amount of $76,410 (the Series 2006A-1 Bonds together with the Series 2006A-2 bonds, constitute the Series 2006A Bonds).

This offering also includes the issuance of Series 2006B-1 in the principal amount of $354,965 and Series 2006B-2 (Initially Auction Rate Securities) in the principal amount of $25,000 (the Series 2006B-1 Bonds together with the Series 2006B-2 Bonds, constitute the Series 2006B Bonds). Series 2006B is tax-exempt.

The weighted average interest rate yield on the fixed-rate bonds (2006A and 2006B-1) is 5.33%. The interest rate yield on the 2006B-2 bonds is variable. **Table 26** assumes an interest rate of 4.89% for the series 2006 B-2 Bonds.

The proceeds of the Series 2006 Ballpark Revenue Bonds were used to finance a portion of the cost of construction of the new baseball stadium. The stadium is owned by the District of Columbia.

Table 26 - Summary of Debt Service Requirements for Ballpark Revenue Bonds

Year Ending	BALLPARK BONDS		
September 30	Principal	Interest	Total
2011	$ 4,540	$ 27,012	$ 31,552
2012	4,915	26,788	31,703
2013	5,680	26,533	32,213
2014	6,835	26,218	33,053
2015	7,685	25,841	33,526
2016-2020	52,940	121,941	174,881
2021-2025	83,500	104,508	188,008
2026-2030	125,225	77,364	202,589
2031-2035	181,430	37,029	218,459
2036-2040	44,640	1,144	45,784
Total	**$ 517,390**	**$ 474,378**	**$ 991,768**

Housing Production Trust Fund Program

On March 16, 1989, the Council enacted the Housing Production Trust Fund Act of 1988, D.C. Law 7-202, which was subsequently amended on May 7, 2003, with administration authority for the Trust Fund vested in the D.C. Department of Housing and Community Development (DHCD). The purpose of the Trust Fund is to provide financial assistance to non-profit and for-profit developers for the planning and production of low, very low, and extremely low income housing and related facilities. In fiscal year 2007, budget authority was established for $150 million for the New Communities Projects (which the District planned to finance with bond proceeds). To pay the debt service on these bonds, the Council authorized up to $16 million annually to be transferred from the allocated fund of the Housing Production Trust Fund (HPTF), which was funded by dedicated revenue from deed recordation and transfer taxes. The District issued approximately $34.1 million of revenue bonds in 2007 for a major investment in the "Northwest One New Communities Project Area." The bonds were issued with an average interest rate of 4.82%.

On August 24, 2010, the District issued $23,190 in Deed Tax Revenue Bonds, Series 2010A; $26,540 in Deed Tax Revenue Bonds, Series 2010B; and $3,460 in Taxable Deed Tax Revenue Bonds, Series 2010C. These bonds were issued pursuant to: (a) the amended and restated Indenture of Trust dated August 1, 2010 and (b) the First Supplemental Indenture of Trust, dated August 1, 2010, each by and between the District and the Bank of New York Mellon (formerly known as the Bank of New York), as trustee.

The 2010 Bonds were issued to: (a) finance, refinance, and reimburse a portion of the costs of undertakings by the District to accomplish the New Communities Initiative, including the New Communities Projects, (b) satisfy, together with funds on deposit under the indenture, the debt service reserve account requirement, and (c) pay costs of issuance of the Series 2010 Bonds.

The Series 2010 Bonds are payable from and are secured by a pledge of the Trust Estate, which includes the pledged revenues. Pledged revenues include the amounts of the Allocated Fund that are received by the trustee under the indenture. The Series 2010A Bonds were issued with an interest rate of 5.00% and the series 2010B bonds were issued with interest rates ranging between 4.00% and 5.00%. The Series 2010C Bonds were issued with an interest rate of 3.387%.

The District intends to issue additional HPTF revenue bonds in future years to fund other New Communities projects.

NOTE 8. LONG-TERM LIABILITIES

Table 27 details the annual funding requirements necessary to repay the outstanding bonds.

Table 27 - Summary of Debt Service Requirements for Housing Production Trust Fund

Year Ending September 30	HOUSING PRODUCTION TRUST FUND Principal	Interest	Total
2011	$ 1,280	$ 3,502	$ 4,782
2012	1,530	4,044	5,574
2013	1,585	3,988	5,573
2014	1,650	3,924	5,574
2015	1,720	3,857	5,577
2016-2020	9,970	17,907	27,877
2021-2025	12,615	15,258	27,873
2026-2030	16,050	11,820	27,870
2031-2035	20,340	7,538	27,878
2036-2040	18,875	2,558	21,433
Total	**$ 85,615**	**$ 74,396**	**$ 160,011**

Qualified Zone Academy Bonds

The District issued the following Qualified Zone Academy Bonds (QZABs) as taxable general obligation bonds without incurring explicit interest costs:

- On December 21, 2001, the District issued QZAB as a taxable general obligation bond. The District received $4,665 and is obligated to deposit a total amount of $3,583 into a sinking fund in fourteen equal annual amounts of $256 beginning December 1, 2002. At September 30, 2010, the District had deposited $2,047 into the required sinking fund.

- On December 28, 2005, the District issued QZAB as a taxable general obligation bond. The District received $3,191 and is obligated to deposit a total amount of $2,662 into a sinking fund in fifteen equal annual amounts of $177 beginning December 1, 2006. At September 30, 2010, the District had deposited $710 into the required sinking fund.

- On May 29, 2008, the District issued QZAB as a taxable general obligation bond. The District received $2,360 and is obligated to deposit a total amount of $2,360 into a sinking fund in ten equal annual amounts of $236 beginning December 1, 2008. At September 30, 2010, the District had deposited $472 into the required sinking fund.

- On June 30, 2010, the District issued QZAB Series 2010 as a taxable general obligation bond. The District received $4,143 and is obligated to deposit a total amount of $4,143 into a sinking fund in fifteen equal annual amounts of $276 beginning December 1, 2010.

A summary of debt service requirements to maturity for QZAB is shown in **Table 28.**

Table 28 - Summary of Debt Service Requirements for QZAB

Year Ending September 30	QZAB Principal
2011	$ 945
2012	946
2013	946
2014	945
2015	945
2016-2020	3,232
2021-2025	1,559
Total	**$ 9,518**

National Capital Revitalization Corporation Revenue Bonds

On February 15, 2006, the National Capital Revitalization Corporation (NCRC) issued revenue bonds in the amount of $46,900 which currently have a variable interest rate based on 70% of LIBOR plus 1.50%. The bonds are due and payable on February 1, 2024. Under the bond indenture, minimum required debt service payments were calculated based on a 25-year amortization schedule. The repayment of the bonds comes from two sources: 1) a $42,000 District TIF Note supported by taxes generated from the DC USA retail project, and 2) the net cash flow generated from the attached District-owned parking garage. During fiscal year 2010, in addition to mandatory sinking fund payments, the District paid $7,510 of bond redemptions.

The bonds were issued to finance the development and acquisition of a 1,000-space underground parking garage attached to the DC USA retail project. Included in the bond issue is $39,300 cost of acquisition of the garage and $5,850 in capitalized interest. Effective October 1, 2007, NCRC was abolished and its assets and liabilities were assumed by the District.

NOTE 8. LONG – TERM LIABILITIES

A summary of the debt service requirements to maturity for principal and interest for the NCRC revenue bonds is shown in **Table 29** and has been calculated with a 4.949% interest rate for illustration purposes.

Table 29 - National Capital Revitalization Corporation Revenue Bonds Debt Service Requirements to Maturity

Year Ending September 30	National Capital Revitalization Corporation Principal	Interest	Total
2011	$ 1,038	$ 1,327	$ 2,365
2012	1,091	1,446	2,537
2013	1,147	1,387	2,534
2014	1,205	1,329	2,534
2015	1,267	1,268	2,535
2016-2020	7,377	5,313	12,690
2021-2025	17,546	2,422	19,968
Total	**$ 30,671**	**$ 14,492**	**$ 45,163**

Anacostia Waterfront Corporation PILOT Revenue Bonds (Anacostia DOT Waterfront Projects)

In September 2007, the Anacostia Waterfront Corporation (AWC) issued $111.55 million of PILOT Revenue Bonds (the AWC Bonds) with a 4.463% interest rate. The bonds were issued to finance, refinance, and reimburse the AWC for development costs associated with park and infrastructure projects along the Anacostia River Waterfront. The AWC was a discretely presented component unit of the District at the time of issuance of the AWC bonds. Effective October 1, 2007, the District dissolved the AWC and assumed its assets and obligations, including the payment of the AWC bonds.

A summary of the debt service requirements to maturity for principal and interest for the AWC PILOT Revenue Bonds is shown in **Table 30.**

Table 30 - Anacostia Waterfront Corporation PILOT Revenue Bonds Debt Service Requirements to Maturity

Year Ending September 30	Anacostia Waterfront Corporation Principal	Interest	Total
2011	$ 6,290	$ 4,258	$ 10,548
2012	6,575	3,974	10,549
2013	6,875	3,678	10,553
2014	7,180	3,367	10,547
2015	7,510	3,044	10,554
2016-2020	42,935	9,820	52,755
2021-2025	19,585	988	20,573
Total	**$ 96,950**	**$ 29,129**	**$ 126,079**

Capper PILOT Revenue Bond Anticipation Notes

On March 22, 2010, the District issued $29,000 in PILOT Revenue Bond Anticipation Notes (Arthur Capper/Carrollsburg Public Improvements Issue), Series 2010. These notes were issued pursuant to the Capper PILOT Act and the Master Indenture of Trust, dated March 1, 2010, between the District of Columbia, and U.S. Bank National Association, as trustee, as supplemented by the first supplement to the master indenture of trust, dated March 1, 2010. Proceeds from the issuance of these notes were be used to: (a) refinance certain outstanding indebtedness of the District of Columbia Housing Authority (DCHA) and reimburse DCHA for amounts expended, to construct certain Capper/Carrollsburg public improvements, (b) provide funding for the construction of additional Capper/Carrollsburg public improvements, and (c) pay costs of issuance of the notes.

The notes are special obligations of the District, secured by a lien on and pledge of, and payable from the trust estate pledged pursuant to the indenture, including: (a) the pledged PILOT payments within the Capper/Carrollsburg PILOT Area; (b) to the extent the pledged pilot payments are insufficient to pay principal and interest when due on the notes, available increment from the Downtown TIF Area; and (c) monies and investments on deposit in the funds and accounts established under the indenture.

These notes were issued with an interest rate of 4.00% and will mature on December 1, 2012.

NOTE 8. LONG-TERM LIABILITIES

A summary of the debt service requirements to maturity for principal and interest for the Capper PILOT Revenue Bond Anticipation Notes is shown in **Table 31.**

Table 31 - Capper PILOT Revenue Bond Anticipation Notes Debt Service Requirements to Maturity

Year Ending September 30	Capper PILOT Revenue Bond Anticipation Notes		
	Principal	Interest	Total
2011	$ -	$ 1,357	$ 1,357
2012	-	1,160	1,160
2013	29,000	580	29,580
Total	**$ 29,000**	**$ 3,097**	**$ 32,097**

Component Units

Water and Sewer Authority

Prior to the creation of the Water and Sewer Authority (WASA) as an independent entity, the District issued general obligation bonds to fund improvements to the water and wastewater system. Although WASA is not directly liable for these general obligation bonds, WASA is required by enabling legislation to transfer to the District the funds necessary to pay its portion of the debt service on these bonds. Accordingly, District general obligation bonds totaling $1,490 are reflected in WASA's financial statements.

WASA derives part of its funding for future capital projects from the issuance of revenue bonds, District general obligation bonds, notes payable to the federal government and various other non-debt sources of financing. The public utility revenue bonds and notes payable to the federal government for the Washington Aqueduct are considered senior debt. Notes payable to the federal government for the Washington Aqueduct are specifically secured by user charges assessed on retail customers. There were no outstanding notes to the federal government for the Washington Aqueduct at the end of fiscal year 2010. Debt outstanding at September 30, 2010, totaling $1,252,519 included net unamortized bond premiums of $11,759 and a remaining principal balance of $1,240,760.

Table 32 presents the debt service requirements to maturity for principal and interest for WASA's outstanding bonds.

Table 32 – Water and Sewer Authority Debt Service Requirements to Maturity

Year Ending September 30	Water and Sewer Authority		
	Principal	Interest	Total
2011	$ 17,793	$ 64,063	$ 81,856
2012	18,721	63,087	81,808
2013	19,692	62,064	81,756
2014	20,749	60,966	81,715
2015	21,888	59,781	81,669
2016 - 2020	128,822	279,086	407,908
2021 - 2025	167,430	239,514	406,944
2026 - 2030	205,838	189,948	395,786
2031 - 2035	247,256	131,981	379,237
2036 - 2040	321,343	55,730	377,073
2041 - 2045	71,228	2,014	73,242
Subtotal	**1,240,760**	**1,208,234**	**2,448,994**
Add: Unamortized Bond Premium-Net	11,759	-	11,759
Total	**$ 1,252,519**	**$ 1,208,234**	**$ 2,460,753**

Commercial Paper Note Payable

NOTE 8. LONG – TERM LIABILITIES

In November 2001, WASA closed on its $100 million commercial paper program. This program provides interim financing for a portion of WASA's approved $3.8 billion capital improvement program. Under the commercial paper program, WASA issues fixed-rate, short-term (no greater than 270 days) notes. WASA's commercial paper program is backed by a direct letter of credit issued by Westdeutsche Landesbank Giroznetrale (West LB). The notes are rated based on West LB's rating; in effect, the letter of credit of the bank substitutes WASA's security with the paying ability of the bank, enhancing the appeal and marketability of the notes.

Three series of notes have been issued under the commercial paper program: (1) the tax-exempt Series A CP Notes in an aggregate principal amount not to exceed 100 million, (2) the tax-exempt Series B CP Notes in an aggregate principal amount not to exceed $50 million, and (3) the taxable Series C CP Notes in an aggregate principal amount not to exceed $75 million, each as subordinate debt. To provide liquidity and credit support for the commercial paper notes, WASA obtained irrevocable, direct-pay letters of credit issued by J.P. Morgan Chase Bank and U.S. Bank, N.A., which expire on May 31, 2013. In connection with the banks' issuance of the letters of credit, WASA and each bank entered into a reimbursement agreement. Each agreement, dated June 1, 2010, obligates WASA to pay bank obligations and reimbursement obligations (as defined in the Eleventh Supplemental Indenture relating to the Commercial Paper Notes) and fee obligations (as defined in each reimbursement agreement) to the applicable bank. The bank obligations, reimbursement obligations, and fee obligations are subordinate debt under the indenture.

There was $29.2 million in outstanding taxable commercial paper at the end of fiscal year 2010. **Table 33** presents a schedule of commercial paper activity for the year ended September 30, 2010.

Table 33 – FY 2010 Commercial Paper Activity

Description	Balance at October 1, 2009	Addition	Deduction	Balance at September 30, 2010
Series C, (taxable), interest ranges from 2% to 28%	$ 29,200	$ -	$ -	$ 29,200
Total Commercial Paper	**$ 29,200**	**$ -**	**$ -**	**$ 29,200**

Washington Convention and Sports Authority

The Washington Convention and Sports Authority (WCSA), formerly known as the Washington Convention Center Authority (WCCA), was authorized to issue bonds to finance the costs of the new convention center pursuant to the WCCA Act, as amended. On September 28, 1998, WCCA issued $524,500 in Senior Lien Dedicated Tax Revenue Refunding Bonds (series 1998a bonds) to finance the construction of the new Washington Convention Center.

A summary of WCSA's debt service requirements to maturity for principal and interest is shown in **Table 34**.

NOTE 8. LONG-TERM LIABILITIES

Table 34 – Washington Convention and Sports Authority Debt Service Requirements To Maturity

	Washington Convention and Sports Authority		
Year Ending September 30	**Principal**	**Interest**	**Total**
2011	$ 12,700	$ 21,655	$ 34,355
2012	13,265	21,055	34,320
2013	13,865	20,376	34,241
2014	14,545	19,686	34,231
2015	15,235	18,988	34,223
2016 - 2020	87,955	82,282	170,237
2021 - 2025	111,860	57,355	169,215
2026 - 2030	141,520	26,451	167,971
2031 - 2035	48,505	3,936	52,441
2036 - 2040	9,225	212	9,437
Subtotal	**468,675**	**271,996**	**740,671**
Less: Unamortized Bond Discount - Net	(2,677)	-	(2,677)
Total	**$ 465,998**	**$ 271,996**	**$ 737,994**

Housing Finance Agency

Bonds issued by the Housing Finance Agency (HFA) are special obligations of the agency and are payable from the revenue and special funds of the applicable indentures. The bonds do not constitute debt of and are not guaranteed by the District or any other program of the District. All mortgage revenue bonds for multifamily projects financed to date have been issued by HFA as standalone pass-through financings with no direct economic recourse to the agency as issuer.

The provisions of the various bond indentures require or allow for the special redemption of bonds at par through the use of unexpended bond proceeds and excess funds accumulated primarily through prepayment of mortgage loans and mortgage-backed securities. All outstanding bonds are subject to redemption at the option of HFA or the borrower, in whole or in part at any time, after certain dates, as specified in the respective bond indentures and bond resolutions, at prescribed redemption prices. The redemption premiums range up to 5.00%. Under the Multi-Family (Conduit Bond) program, this option generally cannot be exercised until the bonds have been outstanding for ten years as provided in the various indentures. Term bonds are generally subject to redemption, without premium, from mandatory sinking fund payments.

Bonds issued to provide financing for HFA's housing programs are collateralized by: (a) mortgage-backed securities in connection with underlying loans; (b) mortgage loans made on the related multi-family developments or single family residential mortgage loans purchased; or (c) investments of bond proceeds, debt service reserves and escrow accounts, and all revenues, mortgage payments, and recovery payments received by HFA from mortgage loans and mortgage-backed securities in connection with the related developments.

A summary of HFA's debt service requirements to maturity for principal and interest is shown in **Table 35**.

NOTE 8. LONG – TERM LIABILITIES

Table 35- Housing Finance Agency Debt Service Requirements to Maturity

Year Ending September 30	Principal	Interest	Total
2011	$ 32,673	$ 42,847	$ 75,520
2012	31,016	41,406	72,422
2013	19,728	40,373	60,101
2014	14,008	39,666	53,674
2015	17,130	38,850	55,980
2016-2020	91,730	180,450	272,180
2021-2025	146,176	152,056	298,232
2026-2030	104,106	113,025	217,131
2031-2035	117,820	83,263	201,083
2036-2040	131,382	50,981	182,363
2041-2045	117,304	22,497	139,801
2046-2050	37,468	6,693	44,161
2051-2055	87,698	494	88,192
2056-2060	567	366	933
Subtotal	**948,806**	**812,967**	**1,761,773**
Add: Unamortized Bond Premium, net	6,959	-	6,959
Total	**$ 955,765**	**$ 812,967**	**$ 1,768,732**

During fiscal year 2010, HFA secured two committed lines of credit with PNC Bank, N.A. in the total amount of $53,000: (1) one line of credit for $3,000 to be used to acquire ownership of and make improvements to HFA's headquarters building, and (2) another line of credit for $50,000 to be used to provide interim financing for the costs of extending multi-family and single-family mortgages and/or mortgage-backed securities under the United States Treasury New Issue Bond Program or any subsequent bond program of HFA as approved by PNC Bank. As of September 30, 2010, HFA did not request and receive any advances under either of these lines of credit with PNC Bank.

B. OTHER LONG-TERM LIABILITIES

Certificates of Participation

In 2002, Certificates of Participation (COPs) were issued under an Indenture of Trust between Wells Fargo Delaware Trust Company (the "Lessor") and Wells Fargo Bank Minnesota, N.A. (the "Trustee"). The District agreed in the lease agreement to make lease payments (the "lease payments"), which are expected to be sufficient to pay the principal of and interest on the COPs. The District has $21,990 of outstanding COPs issued by a trust in 2002 with a final maturity of 2013. The 2002 COPs were used to finance the acquisition of certain real property located in the District at 441 Fourth Street, N.W. the debt service requirements on these COPs are included in capital leases payable (see Note 14C).

In 2003, Certificates of Participation (COPs) were issued under an Indenture of Trust between Wells Fargo Delaware Trust Company (the "Lessor") and Wells Fargo Bank Minnesota, N.A. (the "Trustee"). The District has $55,240 of outstanding COPs issued by a trust in 2003 with a final maturity of 2023, as shown in **Table 36a**. The 2003 COPs were used to provide funds to finance portions of the design and construction of a public safety and emergency preparedness communications and command center, and the design, construction and installation of a high-speed telecommunications network. In each case, the District's payment obligations are subject to and dependent upon the inclusion of sufficient funds in annual District budgets and annual appropriations being made by the United States Congress for such purpose. The weighted average interest rate on these cops is 4.71%.

In 2006, COPs were issued under an Indenture of Trust between M&T Trust Company of Delaware (the "Lessor") and Manufacturers and Traders (the "Trustee"). The aggregate principal amount of this issuance was $211,680 to fund the Saint Elizabeth's Hospital and DMV projects as shown in **Table 36b**. The COPs' proceeds are being used to fund a portion of the cost of the design and construction of the hospital, which is estimated to cost approximately $208 million. Of this amount, $184,200 will be financed with COP proceeds and interest earnings thereon. In addition, COP proceeds are being used to fund the purchase of the DMV building from its current owner for $15,300 and $3,100 of improvements to include: parking enhancements, window

NOTE 8. LONG-TERM LIABILITIES

replacement, elevators, a loading dock, and access to the adjacent inspection facility. The District has $185,945 of outstanding COPs issued by a trust in 2006 with a final maturity of 2026. The weighted average interest rate yield on these COPs is 4.51%.

Table 36a - Summary of Debt Service Requirements for COP- Public Safety Communications Center

Year Ending September 30	Emergency Preparedness Communications Center & Related Technology (COP) Principal	Interest	Total
2011	$ 3,100	$ 2,703	$ 5,803
2012	3,255	2,544	5,799
2013	3,405	2,395	5,800
2014	3,545	2,256	5,801
2015	3,720	2,082	5,802
2016-2020	21,995	7,009	29,004
2021-2024	16,220	1,180	17,400
Total	**$ 55,240**	**$ 20,169**	**$ 75,409**

Table 36b - Summary of Debt Service Requirements for COP- St Elizabeth/DMV Building

Year Ending September 30	St Elizabeth/DMV Building (COP) Principal	Interest	Total
2011	$ 7,750	$ 9,069	$ 16,819
2012	8,145	8,672	16,817
2013	8,565	8,254	16,819
2014	9,015	7,804	16,819
2015	9,500	7,318	16,818
2016-2020	55,640	28,464	84,104
2021-2025	70,920	13,177	84,097
2026	16,410	410	16,820
Total	**$ 185,945**	**$ 83,168**	**$ 269,113**

A summary of changes in other long-term liabilities for governmental activities is shown in **Table 37**.

Table 37 - Changes in Other Long-Term Liabilities

Account	Balance October 1, 2009	Additions	Deductions	Balance September 30, 2010
Governmental Activities:				
Accrued disability compensation (Note 15)	$ 142,316	$ 45,268	$ (27,071)	$ 160,513
Accumulated annual leave	179,552	2,704	(35,644)	146,612
Grant disallowances	69,610	200	-	69,810
Claims & judgments (Note 15)	58,837	35,310	(23,712)	70,435
Equipment financing program (Note 14)	118,515	34,162	(38,957)	113,720
Accreted interest	107,444	25,597	-	133,041
Capital leases payable (Note 14)	44,492	-	(8,384)	36,108
Total	**$ 720,766**	**$ 143,241**	**$ (133,768)**	**$ 730,239**
Business-Type Activities:				
Obligation for unpaid prizes	**$ 35,153**	**$ 1,471**	**$ (7,406)**	**$ 29,218**

NOTE 8. LONG – TERM LIABILITIES

C. CURRENT & LONG-TERM PORTIONS OF LONG-TERM LIABILITIES

Table 38 presents the current and long-term portions of long-term liabilities. For the governmental activities, accumulated annual leave and claims and judgments are generally liquidated by the general fund.

Table 38 – Current & Long-Term Portions of Long-Term Liabilities

Type of Liability	Current Portion	Long-Term Portion	Total
Governmental Activities:			
General obligation bonds	$ 132,785	$ 2,648,268	$ 2,781,053
Income tax secured revenue bonds	86,495	2,484,155	2,570,650
Premium on long-term debt	7,212	215,730	222,942
TIF bonds	4,323	87,484	91,807
QZAB	945	8,573	9,518
Capital leases	8,675	27,433	36,108
Tobacco bonds	18,295	681,484	699,779
Ballpark bonds	4,540	512,850	517,390
Annual leave	95,884	50,728	146,612
Disability compensation	-	160,513	160,513
Equipment financing program	39,574	74,146	113,720
Accreted interest	-	133,041	133,041
Grant disallowances	-	69,810	69,810
Claims and judgments	-	70,435	70,435
Housing production trust fund	1,280	84,335	85,615
Verizon	-	4,494	4,494
Unfunded pension expenses	-	5,609	5,609
COPs	10,850	230,335	241,185
PILOT revenue bonds (AWC & NCRC)	7,328	120,293	127,621
CAPPER PILOT bond anticipation notes	-	29,000	29,000
OPEB liability	-	44,703	44,703
Parks and Recreation notes	3,125	9,375	12,500
Total	**$ 421,311**	**$ 7,752,794**	**$ 8,174,105**
Business-Type Activities:			
Obligation for unpaid prizes	**$ 6,873**	**$ 22,345**	**$ 29,218**

Obligation for Unpaid Prizes

The D.C. Lottery and Charitable Games Control Board (the Lottery) is a member of the Multi-State Lottery Association (MUSL), which is responsible for payments to Lotto-America and Powerball winners. MUSL is responsible for providing cash to the Lottery for funding these installment payments. As of September 30, 2010, MUSL purchased, for the Lottery, U.S. government securities totaling $30,526 to fund future installment payments to winners.

The market value of these securities at September 30, 2010, was $29,218. The Lottery has reflected the market value of the securities as restricted investments and as corresponding obligations for unpaid prizes on the statement of net assets.

NOTE 9. RETIREMENT PROGRAMS

A. DEFINED BENEFIT PENSION PLANS

District full-time employees receive pension benefits through the federally administered Civil Service Retirement System (CSRS), the Social Security System, or the District's Retirement Programs.

Civil Service Retirement System

Plan Description

The District contributes to the Civil Service Retirement System (CSRS), a cost-sharing multiple-employer public employee retirement system, administered by the federal government's Office of Personnel Management (OPM). Permanent full-time District employees hired before October 1, 1987, except those covered by the District Retirement Program, are covered by CSRS, which provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and their beneficiaries. In fiscal year 2010, there were 3,008 District employees who were covered by CSRS. The OPM issues a publicly available financial report that includes financial statements and required supplementary information for CSRS, which may be obtained at www.opm.gov.

Funding Policy

The District contributes 7% of each covered employee's annual salary to the CSRS. The contribution requirements of plan members are established (and may be amended) by the OPM. The District contributed 100% of the required amount to the CSRS for each of the past three fiscal years. The District's CSRS contributions for the years ended September 30, 2010, 2009, and 2008, were $15,076, $17,513 and $20,388, respectively.

Social Security System

Plan Description

The District also contributes to the federal government's Social Security System, a program that provides benefits for retirement, disability, survivorship, and death, which is funded by dedicated payroll taxes. The Social Security Administration and the U.S. Departments of Health and Human Services, Labor, and Treasury administer this program. The authority to establish and amend policy and benefit provisions rests with the President and Congress of the United States.

Funding Policy

Consistent with the Federal Insurance Contributions Act (FICA), a 6.20% Social Security tax is withheld from the gross salary/wage amount of District employees, up to but not exceeding the applicable social security wage base, which was $106,800 (not in thousands) for 2010. In addition, the District also pays a 1.45% payroll tax for Medicare with an additional 1.45% being withheld from each employee's salary/wages. District contributions to the Social Security System for FICA, for the years ended September 30, 2010 and 2009, were $67,815 and $65,653, respectively. In addition, District contributions for Medicare for fiscal years 2010 and 2009 were $27,340 and $26,101, respectively.

District Retirement Programs

Plan Description

The Retirement Board administers the District's Retirement Programs (D.C. Code §4-601, 11-1561, 31-120), which consist of two single-employer defined benefit pension plans, one established for police and firefighters, and the other for teachers.

Each plan provides retirement, death and disability benefits, and annual cost of living adjustments to plan members and beneficiaries. Retirement and disability benefit provisions for police and firefighters are established by the Policemen and Firemen's Retirement and Disability Act (D.C. Code §5-701 et seq. (2001 ed.)). For the Teachers Plan, Title 38, Chapter 20 of the D.C. Code (D.C. Code § 38-2001, et seq. (2001 ed.)) assigns the authority to establish and amend benefit provisions to the Council. The Retirement Board issues a publicly available financial report which includes financial statements and required supplementary information for the plans. This report can be obtained from the District of Columbia Retirement Board, Executive Director, 900 7th Street, N.W., 2nd Floor, Washington, D.C. 20001.

Funding Policy

Member contribution requirements are established by D.C. Code § 5-706 and requirements for District contributions are established by D.C. Code § 1-907.02 (2001 ed.), which may be amended by the Council. Administrative costs are paid from investment earnings.

Members contribute by salary deductions on the basis of a normal rate of contributions, which is assigned by the Program at membership. Members contribute 7% (or 8% for teachers hired on or after November 16, 1996) of annual pay minus any pay received for summer school. Members may also contribute up to 10% of annual pay toward an annuity in addition to any vested pension.

The District is required to contribute the remaining amounts necessary to finance the coverage of its

NOTE 9. RETIREMENT PROGRAMS

employees through periodic contributions at actuarially determined amounts in accordance with the provisions of the Replacement Act. The Replacement Act defines the eligibility and the calculation of the amount of the benefit payment for covered District employees for service accrued after June 30, 1997. The District's contributions for fiscal years 2010, 2009 and 2008, were equal to the fund's independent actuary's recommendation.

Under P. L. 105-33, the federal government makes annual contributions to the Police and Firefighters' Plan and to the Teachers' Plan on behalf of District employees and retirees. These on-behalf payments totaled $519,000 for the year ended September 30, 2010, and have been reported as intergovernmental revenue. Related expenditures of $410,010 and $108,990 have been reported in the public safety and justice and the public education system functions, respectively.

Annual Pension Cost and Net Pension Obligation

As actuarially determined, the District was not required to make a contribution to the Teachers Pension Plan in fiscal year 2010. However, in that year, the District made its actuarially required contribution of $132,300 to the Police and Firefighters Pension Plan.

The District's annual pension cost and net pension obligation to these plans for fiscal year 2010 are presented in **Table 39.**

Table 39 - Annual Pension Cost and Net Pension Obligation

	Teachers	Police and Firefighters
Annual required contribution (ARC)	$0	$132,300
Interest on net pension obligation	$0	$0
Adjustment to ARC	$0	$0
Annual pension cost	$0	$132,300
Contributions made	$0	$132,300
Increase (decrease) in net pension obligation	$0	$0
Net pension obligation beginning of year	$0	$0
Net pension obligation end of year	$0	$0

Table 40 presents three-year trend information regarding annual pension cost, percentage of annual pension cost contributed, and net pension obligation.

Table 40 - Three Year Trend Information

	Teachers			Police and firefighters		
Fiscal Year Ending	Annual Pension Cost (APC) (millions)	Percentage of APC Contributed	Net Pension Obligation	Annual Pension Cost (APC) (millions)	Percentage of APC Contributed	Net Pension Obligation
09/30/10	$0	N/A	$0	$132.3	100%	$0
09/30/09	$0	N/A	$0	$106.0	100%	$0
09/30/08	$6.0	100%	$0	$137.0	100%	$0

NOTE 9. RETIREMENT PROGRAMS

Actuarial Methods and Assumptions

The District's Annual Required Contributions for the Police and Firefighters Pension Plan and the Teachers Pension Plan were calculated using the aggregate actuarial cost method. Because the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funding status and funding progress was prepared using the entry age actuarial cost method for that purpose. The information presented as required supplementary information is intended to serve as a surrogate for the funded status and funding progress of the plan.

Additional information regarding the plans as of the latest actuarial valuation date includes the following:

Fiscal Year 2010	
Valuation date	October 1, 2009
Actuarial cost method for contributions	Aggregate
Actuarial cost method for accrued liabilities	Entry Age Normal
Amortization method	Not applicable
Remaining amortization period	Not applicable
Asset valuation method	Actuarial value: 1/7 excess earnings subtracted from expected actuarial value
Actuarial assumptions:	
Investment rate of return	7.00%
Projected salary increases:	
Police officers and fire fighters	5.30% - 10.00%
Teachers	5.00% - 8.90%
Includes inflation at	4.25%
Cost of living adjustments (COLAs)	4.25%
COLAs (for post November 10, 1996 hires)	Limited to 3.00%

Funded Status and Funding Progress

As of October 1, 2009, the most recent actuarial valuation date, the Teachers', Police Officers' and Firefighters' Pension Plan was 103.74% funded. The actuarial accrued liability for benefits was $4,332 and the actuarial value of assets was $4,493 resulting in a negative unfunded actuarial accrued liability (UAAL), or funding excess, of ($161). The covered payroll (annual payroll of active employees covered by the plan) was $773 and the ratio of the UAAL to the covered payroll was -20.8%. (In prior years, actuarial data regarding funded status and funding progress was reported separately by the Retirement Plans. However, for the most recent actuarial valuation date, this information was combined for both plans.)

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the plan's assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Contribution Receivable

During fiscal year 2007, the Retirement Board's actuary was engaged by the District of Columbia Public Schools to review active participant data in order to verify eligibility. The actuary noted a number of participants who should have been enrolled in the plan, but were wrongly enrolled in the defined contribution plan of the District. The actuary also noted a number of active participants whose contribution rates were wrongly coded and those who should not have enrolled in the plan.

The actuary used the Entry Age Normal method to estimate the amount receivable from the District of Columbia. The total actuarial impact including interest through October 1, 2011, is estimated to be approximately $9,000 (9 million). The District accrued this amount in its government-wide financial statements as of September 30, 2009. As of September 30, 2010, the remaining balance was $5,609.

B. DEFINED CONTRIBUTION PENSION PLAN

Plan Description

Under the provisions of D C. Code §1-627, the District sponsors a defined contribution pension plan with a qualified trust under Internal Revenue Code (IRC) Section 401(a) for permanent full-time employees covered under the Social Security System. In fiscal year 2010, there were 14,923 employees participating in the Section 401(a) plan. Employees do not contribute to the plan and are eligible to participate after one year of service. The District contributes 5% of base salaries for eligible employees each pay period. This contribution rate is 5.5% of base salaries for detention officers. Contributions and earnings vest incrementally beginning after two years of service, including a one-year waiting period, and vest fully after five years of service including the one-year waiting period. Contributions and earnings are forfeited for the period of service during which the employee does not achieve incremental vesting, if separation occurs before five years of credited service. These contributions are not considered assets of the District, and the District has no further liability to this plan. For the fiscal year ended September 30, 2010,

NOTE 9. RETIREMENT PROGRAMS

District contributions to the plan were $43,167.

This plan also covers employees of the D.C. Housing Authority and Water and Sewer Authority, while the employees of the Housing Finance Agency, Washington Convention and Sports Authority, the University, and the Not-for-Profit Hospital Corporation are covered under their own separate defined contribution plans.

C. DEFERRED COMPENSATION PLANS

Internal Revenue Code Section 403 Plan

The District sponsors an annuity purchase plan (D.C. Code §31-1252) with insurance companies and other issuers in accordance with IRC Section 403 for public teachers covered by the District Retirement Program. The District does not contribute to this plan and has no liability to the plan. Under this annuity purchase plan, eligible employees were able to defer up to $16.5 ($16.5 thousand) of their annual compensation for calendar year 2010. Employees with 15 years of service or more were able to defer an additional amount, not to exceed the lesser of: (a) $3 ($3 thousand) in additional contributions; (b) $15 ($15 thousand) reduced by amounts contributed under this special provision in prior years; or (c) $5 ($5 thousand) times the number of years of service less the total elective deferrals from previous years. In addition, employees who were 50 years old or older by the end of the plan year were able to defer an additional amount as a catch up contribution. The maximum amount for catch up contributions was $5.5 ($5.5 thousand) in 2010. District employees contributed $14,852 to this annuity plan in fiscal year 2010. Contributions vest immediately and are not assets of the District.

Internal Revenue Code Section 457 Plan

The District offers its employees a deferred compensation plan (D.C. Code §47-3601) created in accordance with IRC Section 457. Employees, including teachers, are able to defer the lesser of $16.5 ($16.5 thousand) or 100% of includable compensation in calendar year 2010. A special catch-up provision is also available to participants that allows them to "make up" or "catch up" for prior years in which they did not contribute the maximum amount to the plan. The "catch up" limit is the lesser of: (a) twice the annual contribution limit $33 ($33 thousand); or (b) the annual contribution limit for the year plus underutilized amounts from prior taxable years. An additional deferral of $5.5 ($5.5 thousand) is available to participants who are at least 50 years old before the end of the calendar year.

Compensation deferred and incomes earned are taxable when paid, or made available to the participant or beneficiary, upon retirement, death, termination, or unforeseeable emergency. District employees contributed $34,526 to this plan in fiscal year 2010. Contributions are not assets of the District, and the District has no further liability to the plan.

NOTE 10. OTHER POST EMPLOYMENT BENEFITS (OPEB)

The District implemented Governmental Accounting Standards Board (GASB) Statement No. *43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* in fiscal year 2007. This statement requires additional reporting and disclosures for OPEB plans. Thus, the assets and actuarial accrued liabilities for the District's OPEB plan were initially determined through an actuarial valuation performed as of September 30, 2007, using the required parameters of GASB Statement No. 43.

In fiscal year 2008, the District implemented GASB Statement No. 45, *Financial Reporting by Employers for Postemployment Benefits Other Than Pension.* This statement specifies the standards to be used for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and required supplementary information, as applicable. Consistent with the requirements of this statement, the District began paying contributions based on an actuarially determined valuation in fiscal year 2008.

a) Plan Description:

The District of Columbia Postretirement Health and Life Insurance Benefit Plan (the Plan) is a single-employer defined benefit healthcare and life insurance plan administered jointly by the Department of Human Resources and the Office of Finance and Treasury. The Plan is administered as an irrevocable trust through which assets are accumulated and benefits are paid as they become due in accordance with the substantive plan. All employees hired after September 30, 1987, and employees who retire under the Teachers Retirement System and Police and Firefighters Retirement System or who are eligible for retirement benefits under the Social Security Act, are eligible to participate in the Plan. The Plan

NOTE 10. OTHER POST EMPLOYMENT BENEFITS (OPEB)

provides medical care and life insurance benefits to eligible employees. D.C. Code §1-621.09 authorizes the Mayor to determine the amount of District contribution for enrollments before the beginning of each contract period. In addition, the Mayor may propose amendments to establish and/or revise benefit provisions and the Council may elect to pass the appropriate legislation. The Plan's administrators issue a publicly available financial report that includes financial statements and required supplemental information for the Plan. This report may be obtained from the following location:

Office of Finance and Treasury
D.C. Treasurer
1101 4th Street, S.W., Suite 800
Washington, D.C. 20024

Plan administrators signed a contract with a Master Custodian on September 24, 2009. The District established a Master Custodian for the Plan to reduce the risk of loss and to improve security. The Master Custodian provides information on investment transactions from an independent source which allows additional tracking of information provided by the investment managers. State Street serves as the Master Custodian for the Trust Fund. The assets held in Bernstein Strategic Value and Strategic Growth Investments that were individually managed by Bernstein were transferred to State Street on September 28, 2009, with the exception of a cash balance of approximately $9 ($9 thousand) and $2 ($2 thousand), respectively.

b) Summary of Significant Accounting Policies

The Plan's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. District contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. The Plan's administrative costs are paid by the District.

Investments are reported at fair value with realized and unrealized gains and losses included in the Statement of Changes in Plan Net Assets. Fair value of marketable securities is based on quoted market price, dealer quotes, and prices obtained from independent pricing sources. Securities for which market quotations are not readily available are valued at their fair value, as determined by the custodian under the direction of the plan or fund, with the assistance of a valuation service.

c) Funding Policy

The contribution requirements of plan members and the District are established by the Mayor and the Council of the District of Columbia. The Mayor and Council may also amend contribution requirements. The first actuarial valuation of the plan's assets and liabilities using GASB Statement No. 43 parameters was performed in fiscal year 2007, and the District began paying contributions based on an actuarially determined valuation using the parameters of GASB 45 in fiscal year 2008, as presented in the Schedule of Employer Contributions.

For fiscal year 2010, the District contributed $90.7 million to the plan and retiree contributions totaled $803 ($803 thousand). Employee contributions are not required prior to retirement to fund the plan.

In fiscal year 2010, the District transitioned to a graded contribution schedule. Annuitants with at least 10 years of creditable District service but less than 30 years of creditable District service pay 75% of their health insurance premiums and the District pays the remaining 25%, plus an additional 2.5% for each year of creditable service over 10 years, provided that the District's contribution shall not exceed 75% of the cost of the selected health benefit plan. For annuitants with 30 or more years of creditable District service or annuitants who are injured in the line of duty, the District pays 75% of the cost of the selected health benefit plan and the annuitant pays 25% of the cost of the selected health benefit plan.

Covered family members of an annuitant with at least 10 years of creditable District service but less than 30 years of creditable District service pay 80% of their health insurance premiums and the District pays the remaining 20%, plus an additional 2% for each year of creditable District service over 10 years, provided that the District's contribution shall not exceed 60% of the cost for the covered family member of the annuitant. The District pays 60% of the cost of the selected health benefit plan for covered family members of an annuitant with 30 or more years of creditable District service and the family member pays 40% of the cost of the selected health benefit plan. The

NOTE 10. OTHER POST EMPLOYMENT BENEFITS (OPEB)

District pays 60% of the cost of the selected health benefit plan and the family member pays 40% of the cost of the selected health benefit plan for covered family members of annuitants who are injured or killed in the line of duty. The impact this change will have on the District's portion of future OPEB costs has not been determined.

d) Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the District's annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Table 41 shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB asset or obligation to the plan.

Table 41 – Annual OPEB Cost, Actual Plan Contributions, and Changes in Net OPEB Obligations

	FY 2010	FY 2009	FY 2008
Annual required contribution	$92,193	$130,882	$103,400
Interest on net OPEB obligation	$3,052	($488)	$0
Adjustment to annual required contribution	($1,943)	$314	$0
Annual OPEB cost (expense)	$93,302	$130,708	$103,400
Contributions made	$90,700	$81,100	$110,907
Net OPEB asset/(obligation)	($2,602)	($49,608)	$7,507
Net OPEB asset (obligation) – beginning of year	($42,101)	$7,507	$0
Net OPEB asset (obligation) – end of year	($44,703)	($42,101)	$7,507

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2010 and the two preceding years are shown in **Table 42.**

Table 42 - Annual OPEB Cost, Percentage of Annual OPEB Cost Contributed, Net OPEB Obligation (Fiscal Years 2008 through 2010)

Fiscal Year Ended	Annual OPEB Cost (millions)	% Of Annual OPEB Cost Contributed	Net OPEB Obligation
09/30/10	$93.3	97%	$44.7
09/30/09	$130.7	62%	$42.1
09/30/08	$103.4	107.3%	($7.5)

e) Funded Status and Funding Progress

As of September 30, 2009, the most recent actuarial valuation date, the Plan was 49.4% funded. The actuarial accrued liability for benefits was $625,900 and the actuarial value of assets was $309,100, resulting in an unfunded actuarial accrued liability (UAAL) of $316,800. The covered payroll (annual payroll of active employees covered by the plan) was $1,579,900 and the ratio of the UAAL to the covered payroll was 20.1%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Using the September 30, 2009, actuarial valuation results, the September 30, 2010, estimated actuarial liability is $745,900 and the actuarial value of the assets is $424,200 resulting in an estimated unfunded actuarial accrued liability (UAAL) of $321,700. The estimated covered payroll (annual payroll of active employees covered by the Plan) is $1,692,100 and the estimated ratio of the UAAL to the covered payroll is 19%.

f) Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the District and the plan members) and include the types of benefits

NOTE 10. OTHER POST EMPLOYMENT BENEFITS (OPEB)

historical pattern of sharing of benefit costs between the District and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The Entry Age Actuarial cost method was used to prepare the September 30, 2009 actuarial valuation. The actuarial assumptions included a 7.25% investment rate of return, a discount rate of 7.25%; a 5.0% salary increase rate (plus merit scale); and a medical inflation rate ranging between 10% (pre-Medicare) and 9% (post-Medicare) grading to 5.25% over 14 years. The amortization method applied was the Level Percent Open Method. The remaining amortization period at September 30, 2009, was 30 years.

NOTE 11. FUND BALANCE/NET ASSETS

Reserved and unreserved fund balances at September 30, 2010, are shown in **Table 43a**.

Table 43a - Schedule of FY 2010 Reserved and Unreserved Fund Balance

	General Fund	Federal & Private Resources	General Capital Improvements	Nonmajor Governmental Funds
Reserved				
Long term assets	$ 4,020	$ -	$ -	$ -
Emergency/contingency cash	337,945	-	-	-
Bond escrow	288,336	-	-	-
Subsequent years' expenditure	37,173	-	-	-
Inventory	9,614	-	-	-
Budget	37,274	-	-	-
Purpose restrictions	118,143	191,023	-	-
Student enrollment fund	3,676	-	-	-
Capital improvements	-	-	133,438	-
PILOT	-	-	-	138,638
Tobacco settlement	-	-	-	84,611
Tax increment financing	-	-	-	12,537
Housing production	-	-	-	40,315
Community healthcare	-	-	-	42,795
Baseball special revenue	-	-	-	45,557
Highway trust	-	-	-	4,484
Total Reserved Fund Balances	**836,181**	**191,023**	**133,438**	**368,937**
Unreserved				
Designated Unreserved Fund Balances	**53,945**	-	-	-
Total Fund Balances	**$ 890,126**	**$ 191,023**	**$ 133,438**	**$ 368,937**

NOTE 11. FUND BALANCE/NET ASSETS

Net assets at September 30, 2010, are shown in **Table 43b**.

Table 43b - Schedule of FY 2010 Net Assets, Proprietary and Fiduciary Funds

	Lottery & Games	Unemployment Compensation Fund	Nonmajor J.B. Johnson Nursing	Fiduciary Funds
Net Assets				
Invested in capital assets, net of related debt	$ 579	$ -	$ 4,248	$ -
Restricted for future benefits	-	233,296	-	4,813,484
Unrestricted	3,332	-	5,296	-
Total Net Assets	**$ 3,911**	**$ 233,296**	**$ 9,544**	**$ 4,813,484**

NOTE 12. JOINT VENTURE

Washington Metropolitan Area Transit Authority

The Washington Metropolitan Area Transit Authority (WMATA) was created by an Interstate Compact between Maryland, Virginia and the District of Columbia, pursuant to Public Law 89-774. The District's commitment or obligation to provide financial assistance to WMATA is established by annual appropriations, as approved by Congress. The District supports WMATA through operating, debt service and capital grants. The District places the amounts to be provided to WMATA in an escrow account until such time when the funds are drawn down for use by WMATA. Operating grants may be in the form of operating and interest subsidies. WMATA records the District's operating grants as advanced contributions when received and as nonoperating revenues when the related expenses are incurred. WMATA recognizes the District's capital grants as additions to construction in progress and investment in capital assets when the grant resources are expended for capital acquisitions. A summary of the grants provided to WMATA during the year ended September 30, 2010, is shown in **Table 44a.**

Table 44a - Summary of Grants Provided to WMATA

Type	Amount
Operating grants	$ 233,337
Debt service grants	10,331
Capital grants	72,726
Total	**$ 316,394**

WMATA issues separate audited financial statements which can be requested from the Washington Metropolitan Area Transit Authority, General Manager, 600 5th Street, N.W., Washington, D.C. 20001. **Table 44b** presents information that allows financial statement users to assess whether WMATA is accumulating significant financial resources or experiencing fiscal stress that may cause additional financial benefits or burden to the District and other participating governments.

Table 44b - Summary of Financial Statements for WMATA as of and for the year ended June 30, 2010

Financial Position	
Total assets	$ 9,935,128
Total liabilities	(1,865,175)
Net assets	**$ 8,069,953**
Operating Results	
Operating revenues	$ 727,832
Operating expenses	(2,004,945)
Nonoperating revenues, net	718,444
Revenue from capital contributions	680,227
Change in net assets	**$ 121,558**
Change in Net Assets	
Net assets, beginning of year, restated	$ 7,948,395
Change in net assets	121,558
Net assets, end of year	**$ 8,069,953**

NOTE 13. TRANSACTIONS WITH THE FEDERAL GOVERNMENT

A. FEDERAL CONTRIBUTION

In accordance with the National Capital Revitalization and Self-Government Improvement Act of 1997 (Public Law 105-33), the annual federal payment was repealed and replaced with a federal contribution to cover special purpose and other unusual costs imposed on the District by the federal government. Federal contributions to the District for the year ended September 30, 2010, totaled $670,186.

B. EMERGENCY PREPAREDNESS

The District, as the nation's capital, serves as the command post and the source of first response to any national threat or terrorist act against the nation. The District did not receive federal funding for emergency preparedness in fiscal year 2010. However, in fiscal year 2002, the District received $155,900 in federal funding for emergency preparedness. This funding was provided by the federal government to assist the District in preparing for response to potential terrorist threats or other attacks. As of September 30, 2008, the District had spent $151,659, or 97.3%, of the $155,900 received in fiscal year 2002. None of the remaining $4,241 was expended during fiscal year 2010.

C. GRANTS

The District participates in a number of programs which are funded by the federal government through formula and project grants, direct and guaranteed loans, direct payments for specified and unrestricted use, food stamps, and other pass-through grants.

The federal government also provides capital grants, which are used for the purchase or construction of capital assets. Capital grants are recorded as intergovernmental revenue in the general capital improvements fund. Federal grants and contributions are shown by function on the government-wide financial statements.

D. WATER AND SEWER SERVICES

The District exercises no oversight responsibility over the Washington Aqueduct, which is owned by the federal government and operated by the U.S. Army Corps of Engineers. Historically, the District issued long-term debt to finance most of the Aqueduct's capital facilities and the Water and Sewer Authority recorded this debt and related capital costs in its financial statements. In 1997, the Water and Sewer Authority and Northern Virginia customers entered into an agreement with the federal government, which provided for the funding of the Washington Aqueduct's capital improvement program directly through borrowings. The Water and Sewer Authority is now responsible for funding only its portion of this debt and other related capital projects, and operating costs calculated as the pro rata share of water purchased. The Water and Sewer Authority records payments for capital costs related to the Washington Aqueduct as purchased capacity. Such costs, which were allocable to other jurisdictions but funded by the Water and Sewer Authority prior to April 1, 1997, are reported as due from other jurisdictions.

Capital outlays are capitalized and depreciated over 60 years by the Water and Sewer Authority. Total capital outlays including capitalized interest from the U.S. Treasury drawdowns and pay-as-you-go financing were $38,818 for the fiscal year ended September 30, 2010.

NOTE 14. LEASES

A. CAPITAL LEASES

The District leases buildings and equipment under various agreements that are accounted for as capital leases that have varying terms. Capital lease commitments are recorded in the government-wide financial statements.

Capital lease payments are classified as debt service expenditures in the governmental funds. Such expenditures totaled $8,384 in fiscal year 2010.

Equipment Financing Program

The District began its Master Equipment Lease Purchase Program (the Program) in 1998 to provide tax-exempt financing for assets with short-term to intermediate-term useful lives. Equipment procured under this program includes such items as fire apparatus (trucks) and other emergency medical services equipment (ambulances); trucks and cranes used by the Department of Public Works; vehicles used by the Metropolitan Police Department; and other heavy equipment items.

NOTE 14. LEASES

As of September 30, 2010, the District financed approximately $332 million of its capital equipment needs through the program, and had approximately $114 million in principal outstanding. During the year, the average interest rate used to finance equipment through the Program was 3.06%. Payments on the liability are made on a quarterly basis.

Table 45 shows the schedule of equipment financing program payments.

Table 45– Schedule of Equipment Financing Program Payments

Year Ending September 30	Principal	Interest	Total
2011	$ 39,574	$ 3,764	$ 43,338
2012	31,471	2,260	33,731
2013	24,517	1,143	25,660
2014	13,612	380	13,992
2015	4,546	63	4,609
Total	**$ 113,720**	**$ 7,610**	**$ 121,330**

B. OPERATING LEASES

Operating leases are not recorded in the statement of net assets. These leases contain various renewal options, the effects of which are reflected in the minimum lease payments only if the options will be exercised. Certain other operating leases contain escalation clauses and contingent rentals that are not included in the calculation of the future minimum lease payments. Operating lease expenditures recorded in governmental funds totaled $130,929 in fiscal year 2010.

C. SCHEDULE OF FUTURE MINIMUM LEASE COMMITMENTS

Table 46 shows the present value of future minimum lease payments under capital leases and minimum lease payments for all operating leases having non-cancelable terms in excess of one year at September 30, 2010.

Table 46 - Schedule of Future Minimum Lease Payments

	Primary Government		
	Capital	Operating Leases	
Year Ending September 30	Leases	Facilities	Equipment
2011	$ 10,715	$ 96,266	$ 1,298
2012	10,710	79,629	1,212
2013	10,715	78,897	1,118
2014	2,792	68,904	1,053
2015	2,792	63,760	1,029
2016-2020	4,189	302,557	72
2021-2025	-	197,871	-
2026-2030	-	41,067	-
2031-2035	-	16,729	-
2036-2040	-	508	-
2041-2045	-	518	-
2046-2050	-	423	-
Minimum lease payments	**41,913**	**$ 947,129**	**$ 5,782**
Less - imputed interest	(5,805)		
Present value of payments	**$ 36,108**		

NOTE 15. COMMITMENTS AND CONTINGENCIES

A. RISK MANAGEMENT

The District is exposed to various risks of loss related to: torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District pays all claim settlements and judgments from its general fund resources and reports all of its risk management activities as governmental activities in the government-wide financial statements. Non-incremental claims adjustment expenses are not included in the liability for claims and judgments. Claim expenditures and liabilities are reported in the government-wide financial statements when it is probable that loss has occurred and the amount of that loss can be reasonably estimated, and reported in the general fund when due and payable. These losses include an estimate of claims that have been incurred but not reported.

B. GRANTS AND CONTRACTS

The District has received federal grants for specific purposes that are subject to review and audit by the grantor agencies. Claims against these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from an audit may become a liability of the District. The audits of these federally assisted programs have not been conducted for the year ended September 30, 2010. As such, the District's compliance with applicable grant and federal requirements will be assessed and established at some future date. Based on prior experience and resolutions reached with grantor agencies, the District determined that at September 30, 2010, there were no probable cumulative expenditures that may be disallowed by grantor agencies. Accordingly, an accrual for such expenditures has not been provided in the government-wide financial statements. Certain grant expenditures of prior years have been disallowed by grantors based on the outcome of audits of federally assisted programs. Accordingly, $102 ($102 thousand) has been included as part of the accrued liability to reflect these known grant disallowances.

C. CONTINGENCIES RELATED TO DERIVATIVE INSTRUMENTS

All of the District's derivative instruments, except for the rate cap, include provisions that require the District to post collateral in the event its credit rating falls below AA as issued by Fitch Ratings and Standard and Poor's or Aa as issued by Moody's Investors Service. The collateral posted is to be in the form of U.S. treasury securities in the amount of the fair value of hedging derivative instruments in liability positions net of the effect of applicable netting arrangements. If the District does not post collateral, the hedging derivative instrument may be terminated by the counterparty. At September 30, 2010, the aggregate fair value of all hedging derivative instruments with these collateral posting provisions was $168,690. If the collateral posting requirements were triggered at September 30, 2010, the District would have been required to post $0 in collateral to counterparties. The District's general obligation credit rating is A+/Aa2/AA-; therefore, no collateral had been posted at September 30, 2010.

D. LITIGATION

The District is named as a party in legal proceedings and investigations that occur in the normal course of governmental operations. Although the ultimate outcome of these legal proceedings and investigations is unknown, the District is vigorously defending its position in each case. All amounts in connection with lawsuits in which a loss is probable have been included in the liability for claims and judgments at September 30, 2010.

The accrued liability is based on estimates of the payments that will be made upon judgment or resolution of the claim. This accrued amount is the minimum amount in the range of estimates that have the same probability of occurrence. The sum of the amount in excess of the minimum range of probable losses and the amount of the minimum range of losses that are reasonably possible which are not accrued is estimated to be $41,292.

A summary of the changes in the accrued liability for claims and judgments reported in the government-wide financial statements is shown in **Table 47.**

Table 47 - Summary of Changes in Claims and Judgments Accrual

Description	2010	2009
Liability at October 1	**$ 58,837**	**$ 55,902**
Incurred claims	35,310	32,410
Less:		
claims payments/adjustments	(23,712)	(29,475)
Liability at September 30	**$ 70,435**	**$ 58,837**

NOTE 15. COMMITMENTS AND CONTINGENCIES

E. DISABILITY COMPENSATION

The District's Office of Risk Management administers a disability compensation program under Title XXIII of the District of Columbia Comprehensive Merit Personnel Act of 1978 (CMPA). This program, which covers all District employees hired under the authority of CMPA, provides compensation for lost wages, medical expenses, and other limited rehabilitation expenses to eligible employees and/or their dependents, where a work-related injury or illness results in disability or death. The benefits are funded on a pay-as-you-go basis. The present value of projected disability compensation discounted at 3% is accrued in the government-wide financial statements.

A summary of changes in this accrual is shown in **Table 48**.

Table 48 – Summary of Changes in Disability Compensation Accrual

Description	2010	2009
Liability at October 1	**$ 142,316**	**$ 105,751**
Claims incurred	45,268	65,939
Less-benefit payments/adjustments	(27,071)	(29,374)
Liability at September 30	**$ 160,513**	**$ 142,316**

F. DEBT SERVICE DEPOSIT AGREEMENTS

In prior years, the District entered into debt service deposit agreements which will be effective through fiscal year 2014. Under these agreements, the District exchanged future cash flows of certain special tax fund escrow accounts for fixed amounts received by the District. Execution of the debt service deposit agreements increased the District's ability to predict cash flows from the earnings on escrow account investments.

Upon early termination of an agreement and depending upon the prevailing interest rates at the time of termination, a termination amount may be owed by the District. At September 30, 2010, unearned revenue of $762 related to debt service deposit agreements was recorded in the government-wide financial statements.

NOTE 16. SUBSEQUENT EVENTS

A. TAX REVENUE ANTICIPATION NOTES

The District issued $700,000 in Tax Revenue Anticipation Notes (TRANs) on October 25, 2010. The issuance of such notes is a short term financing method used to provide for seasonal cash flow needs, and the proceeds are to be used to finance general governmental expenses of the District in anticipation of the collection or receipt of revenues for fiscal year 2011.

The TRANs are general obligations of the District secured by the District's full faith and credit and are payable from all funds of the District not otherwise legally committed. In addition, the TRANs constitute continuing obligations until paid in accordance with their terms. The District has covenanted to deposit certain receipts into a TRANs Escrow Account, a segregated special purpose account, for the purpose of paying the principal of and interest on the TRANs when due.

Under the TRANs Escrow Agreement, the District is to make deposits into the TRANs Escrow Account in accordance with the following schedule:

Date of Deposit	Amount of Deposit
September 1, 2011	20% of the outstanding principal amount
September 20. 2011	60% of the outstanding principal amount
September 28, 2010	20% of the outstanding principal amount, plus 100% of accrued interest to maturity

The TRANs were issued as fixed rate notes with an interest rate of 2.00%, and will mature on September 30, 2011.

B. INCOME TAX SECURED REVENUE BONDS

On November 22, 2010, the District issued $63,860 in Income Tax Secured Revenue Refunding Bonds, Series 2010E as Senior Bonds pursuant to: (a) the Income Tax Secured Bond Authorization Act of 2008 (the Act), effective October 22, 2008; (b) a Master Indenture of Trust between the District and Wells Fargo Bank as amended and supplemented; and (c) a Tenth

NOTE. 16. SUBSEQUENT EVENTS

Supplemental Indenture of Trust dated November 1, 2010, executed pursuant to the Act and the "Fiscal Year 2011 Income Tax Secured Revenue Refunding Bond Issuance Emergency Approval Act of 2010," effective November 17, 2010.

The proceeds of the Series 2010E Bonds will be used, together with other funds of the District, to: (a) currently refund $63,335 of the outstanding principal amount of the District's Income Tax Secured Revenue Refunding Bonds, Series 2010C maturing on December 1, 2010; and (b) pay the costs and expenses of issuing and delivering the Series 2010E Bonds.

The Series 2010E Bonds, the outstanding bonds and any additional bonds issued under the terms of the indenture will be payable from and secured by a security interest in and a statutory lien on the Trust Estate, consisting primarily of all available tax revenues received or to be received by the collection agent, the trustee, or the District. The Series 2010E Bonds bear interest at a variable rate equal to an adjusted SIFMA rate. The per annum interest rate spread is as follows: (a) maturity date December 1, 2011, SIFMA rate, plus 0.03%; and (b) maturity date December 1, 2013, SIFMA rate, plus 0.35%.

C. COMPONENT UNITS

Housing Finance Agency Bond Activity

Subsequent to the end of fiscal year 2010, the Housing Finance Agency (HFA), issued new bonds, as follows: (a) on December 16, 2010, $5,040 of District of Columbia Housing Finance Agency Multifamily Revenue Bonds, Series 2009 A-7 (NIB Program) to finance the Avalon Courts Project; (b) on December 16, 2010, $13,000 of District of Columbia Housing Finance Agency Multifamily Housing Revenue Bonds, Series 2009 A-8 (NIB Program) to finance the Samuel J. Simmons Estates Project; (c) on December 16, 2010, $8,000 of District of Columbia Housing Finance Agency Multifamily Housing Revenue Bonds, Series 2010, to finance the Samuel J. Simmons Estates Project; (d) on December 16, 2010, $5,000 of District of Columbia Housing Finance Agency Multifamily Housing Revenue Bonds, Series 2010 A to finance the Samuel J. Simmons Estates Project; (e) on December 16, 2010, $3,640 of District of Columbia Housing Finance Agency Multifamily Housing Revenue Bonds, Series 2009 A-9 (NIB Program), to finance the Avenue Project; and (f) on October 22, 2010, $5,700 of District of Columbia Housing Finance Agency Multifamily Housing Revenue Bonds, Series 2010, in a draw down mode to finance the Arthur Capper II project.

In addition, between October 1, 2010, and December 31, 2010, the following Multifamily Mortgage Revenue Bonds were issued through draw down bonds.

Series	Project name	Draw date	New issue draw amount
2008 Series A	St. Martin's Apartments	10/28/2010	$386
2010 Series A	Sheridan Station	11/01/2010	855
2010 Series B	Matthews Memorial	12/08/2010	300
2010 Series	Arthur Capper II Project	10/22/2010	500
		Total	**$2,041**

Subsequent to September 30, 2010, certain outstanding bonds matured and/or were redeemed. Maturities and redemptions were as follows: (a) 1996 Single Family Mortgage Revenue Bonds, $1,525 principal matured and $7,185 principal redeemed on October 1, 2010; (b) 1996 Single Family Mortgage Revenue Bonds, $1,925 principal redeemed on December 1, 2010; and (c) Multifamily Housing Revenue Bonds, Series 2009 A-1, $50 redeemed through a sinking fund maturity, on October 1, 2010; and (d) Multifamily Mortgage Revenue Bonds, $1,841 principal redeemed between October 1, 2010, and December 31, 2010.

Washington Convention and Sports Authority

Between June 2006 and July 2009, the Council passed a series of legislative acts (collectively, the Hotel Acts) which authorized the financing, construction and development of a privately owned and operated Headquarters Hotel for the Convention Center. Together, the Hotel Acts: (a) created a Tax Increment Financing Area (the Hotel TIF District), the revenues from which will be used to secure Authority bonds to partially finance the costs of the Headquarters Hotel; (b) authorized the Authority to issue TIF bonds in a net amount up to $206 million to partially finance the development and construction of the hotel; (c) established a $2 million Headquarters Hotel jobs training program; (d) authorized the Authority and the District to acquire and lease land for the hotel to the developer; and, (e) approved the Headquarters Hotel Development Funding Agreement, ground lease and related project documents.

Before the TIF Bonds could be issued, an administrative appeal and two (2) civil actions were filed to challenge the development of the hotel. By October, 2010, all matters had either been dismissed or settled without payment by the Authority.

NOTE. 16. SUBSEQUENT EVENTS

On October 26, 2010, the Authority concluded the sale of its Series 2010 Bonds in the gross amount of approximately $250 million. The bonds yielded $206 million in net revenue, after cost of issuance, capitalized interest and reserve requirements. They are secured by specified revenue sources, carry an interest rate of approximately 5%, and reach final maturity in 2040. The bonds bear interest from the date of delivery, payable semiannually each April 1 and October 1, commencing on April 1, 2011.

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information presents additional information as mandated by current governmental financial reporting standards.

Schedule of Funding Progress
District of Columbia Retirement Programs

TEACHERS' AND POLICE OFFICERS' AND FIREFIGHTERS' PLANS

As of September 30, 2010
($000s)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities	Unfunded Actuarial Accrued Liability (UAAL)/ (Funding Excess)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
10/01/2009	$4,493,400	$4,332,400	($161,000)	103.7%	$772,700	20.9%
10/01/2008	$4,379,700	$4,276,800	($102,900)	102.4%	$780,900	-13.2%
10/01/2007	$4,068,900	$3,898,600	($170,300)	104.4%	$668,400	-25.5%
10/01/2006	N/A	N/A	N/A	N/A	N/A	N/A

N/A – The District implemented the reporting requirements of GASB Statement No. 50 in fiscal year 2008.

The District of Columbia Retirement Board uses the Aggregate Actuarial Cost Method, which does not result in the calculation of an unfunded accrued liability. GASB Statement No. 50 requires funds using the Aggregate Actuarial Cost Method to disclose funding status information based on Entry Age Normal calculations. Consistent with GASB Statement No. 50, the above Schedule of Funding Progress has been prepared using the Entry Age Actuarial Cost Method, to provide information that serves as a surrogate for the funded status and funding progress of the plan.

Actuarial Methods and Assumptions

OTHER POST EMPLOYMENT BENEFITS (OPEB) PROGRAM

As of September 30, 2010

Valuation Date	September 30, 2010 (projected from March 2009 census)
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent open
Remaining Amortization Period	30 years
Asset Valuation Method	Market Value
Actuarial Assumptions: Investment Rate of Return Discount Rate Rate of Salary Increases Rate of Medical Inflation	 7.25% 7.25% 5.0% (plus merit scale) 10% (pre-Medicare) or 9% (post-Medicare)
Grading over 15 years	Grading to 5.25% over 14 years

The rate of employer contributions to the Plan is composed of the Normal Cost plus amortization of the Unfunded Actuarial Liability. The Normal Cost is a portion of the actuarial present value of plan benefits and expenses which is allocated to a valuation year by the actuarial cost method. The Actuarial Liability is that portion of the Present Value of Projected Benefits that will not be paid by Future Employer Normal Costs or active employee contributions. The difference between this liability and the funds accumulated as of the same date is the Unfunded Actuarial Liability.

Schedule of Funding Progress

OTHER POST EMPLOYMENT BENEFITS (OPEB) PROGRAM

As of September 30, 2010
($000s)

	Actuarial Value of Assets	**Actuarial Accrued Liabilities**	**Unfunded Actuarial Accrued Liabilities (UAAL)**	**Funded Ratio**	**Covered Payroll**	**UAAL as a Percentage of Covered Payroll**
9/30/2010	$424,300	$625,900	$201,600	67.8%	$1,579,900	27.5%
09/30/2009	$309,100	$900,000	$590,900	34.3%	$1,185,700	49.8%
09/30/2008	$219,700	$745,200	$525,500	29.5%	$1,107,100	47.5%
09/30/2007	$164,200	$600,100	$435,900	27.4%	$1,090,900	40.0%
09/30/2006	N/A	N/A	N/A	N/A	N/A	N/A

N/A – The District began paying contributions based on an actuarially determined valuation using GASB Statement No. 45 parameters in FY 2008.

Amounts presented for fiscal year 2009 are estimates made by the actuary. The District is required to have an actuarial valuation completed every two years. Therefore, an actuarial valuation was not completed for the period ending 09/30/2009.

OTHER SUPPLEMENTARY INFORMATION

This subsection includes the combining and individual fund statements and schedules for the following:

General Fund

Nonmajor Governmental Funds

Fiduciary Funds

Supporting Schedules

GENERAL FUND

The General Fund is used to account for all financial resources that are not required to be accounted for in another fund.

Exhibit A-1

GENERAL FUND
BALANCE SHEET
September 30, 2010
(With Comparative Totals at September 30, 2009)
($000s)

	2010	2009
ASSETS		
Cash and cash equivalents (unrestricted)	$ 76,455	$ 385,459
Receivables (net of allowances for uncollectibles):		
Intergovernmental	25,910	19,856
Taxes	355,860	351,096
Accounts	99,531	96,450
Due from component units	59,873	24,489
Interfund	593,501	346,597
Inventories	9,614	10,221
Other current assets	2,005	1,066
Cash and cash equivalents (restricted)	311,945	397,058
Investments (restricted)	319,945	181,583
Total current assets	1,854,639	1,813,875
Long term assets	22,030	58,994
Total assets	**$ 1,876,669**	**$ 1,872,869**
LIABILITIES AND FUND BALANCE		
Liabilities:		
Payables:		
Accounts	$ 403,254	$ 369,504
Compensation:		
Salaries and wages	129,402	147,008
Employee benefits	902	796
Payroll taxes	384	601
Other deductions	2,874	3,073
Interfund	24,051	30,406
Due to component units	12,050	14,127
Deferred revenue:		
Property taxes	117,245	112,328
Other	73,632	82,545
Accrued liabilities:		
Claims and judgments	94	70
Grant disallowances	4,347	1,300
Medicaid	147,791	126,889
Tax refunds	62,426	55,439
Other current liabilities	8,091	8,300
Total liabilities	**986,543**	**952,386**
Fund Balance:		
Reserved	836,181	703,694
Unreserved	53,945	216,789
Total fund balance	**890,126**	**920,483**
Total liabilities and fund balance	**$ 1,876,669**	**$ 1,872,869**

See Accompanying Independent Auditors' Report.

Exhibit A-2

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
Year Ended September 30, 2010
(With Comparative Totals for the Year Ended September 30, 2009)
($000s)

	2010	2009
Revenues:		
Taxes	$ 4,952,441	$ 5,042,487
Fines and forfeits	128,473	106,169
Licenses and permits	86,946	91,230
Charges for services:		
Public	205,247	187,261
Intergovernmental	18,207	8,856
Miscellaneous:		
Public	356,122	444,234
Investment income	2,325	18,435
Total revenues	5,749,761	5,898,672
Expenditures:		
Current:		
Governmental direction and support	579,457	589,492
Economic development and regulation	247,355	339,783
Public safety and justice	1,018,335	984,892
Public education system	1,400,832	1,497,302
Human support services	1,564,143	1,643,779
Public works	276,990	298,625
Public transportation	243,668	230,499
Debt service:		
Principal	175,019	241,654
Interest	233,536	223,364
Fiscal charges	64,532	19,628
Total expenditures	5,803,867	6,069,018
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(54,106)	(170,346)
Other Financing Sources (Uses):		
Debt issuance	21,269	2,742
Refunding debt issuance	835,010	580,140
Premium on sale of bonds	74,840	36,601
Payment to refunded bond escrow agent	(855,011)	(607,640)
Transfers in	125,002	121,651
Transfers out	(177,361)	(294,187)
Sale of capital assets	-	6,800
Total other financing sources (uses)	23,749	(153,893)
DEFICIENCY OF REVENUES AND OTHER SOURCES UNDER EXPENDITURES AND OTHER USES	**(30,357)**	**(324,239)**
Fund Balance at October 1	**920,483**	**1,244,722**
Fund Balance at September 30	**$ 890,126**	**$ 920,483**

See Accompanying Independent Auditors' Report.

Exhibit A-3

GENERAL FUND
SCHEDULE OF EXPENDITURES AND NET FINANCING (SOURCES) USES
FUNCTION AND OBJECT --GAAP BASIS
Year Ended September 30, 2010
(With Comparative Totals for the Year Ended September 30, 2009)
($000s)

Function and Subfunction	Personnel Services	Contractual Services	Supplies	Occupancy	Miscel-laneous *	Totals 2010	Totals 2009
Governmental Direction and Support:							
Legislative	$ 20,408	$ 1,538	$ 122	$ 482	$ 995	$ 23,545	$ 24,479
Executive	69,401	36,034	263	8,466	24,548	138,712	131,345
Finance	83,478	27,808	474	20,618	161,033	293,411	260,863
Personnel	10,197	16,466	128	2,283	94	29,168	29,847
Administrative	36,187	33,153	223	18,098	328	87,989	136,233
Elections	4,487	1,231	78	814	22	6,632	6,725
Total	224,158	116,230	1,288	50,761	187,020	579,457	589,492
Economic Development and Regulation:							
Community development	20,277	13,381	109	2,561	56,017	92,345	167,290
Economic regulation	49,494	8,674	324	14,102	3,792	76,386	77,697
Employment services	19,570	8,857	116	9,112	40,969	78,624	94,796
Total	89,341	30,912	549	25,775	100,778	247,355	339,783
Public Safety and Justice:							
Police	429,914	52,818	1,632	22,807	109,849	617,020	597,544
Fire	173,974	8,347	4,896	6,106	38,302	231,625	216,758
Corrections	66,586	66,656	2,761	4,871	11,057	151,931	151,838
Protection	6,595	1,771	79	2,153	160	10,758	10,499
Law	6,048	755	79	54	65	7,001	7,847
Judicial	-	-	-	-	-	-	406
Total	683,117	130,347	9,447	35,991	159,433	1,018,335	984,892
Public Education System:							
Schools	422,318	59,619	12,061	42,624	398,916	935,538	1,072,646
Culture	126,805	40,134	952	12,418	284,985	465,294	424,656
Total	549,123	99,753	13,013	55,042	683,901	1,400,832	1,497,302
Human Support Services:							
Health and welfare	267,760	122,453	12,136	63,176	881,378	1,346,903	1,446,089
Human relations	4,299	2,494	84	459	15,236	22,572	23,687
Employment benefits	-	-	-	-	146,240	146,240	122,851
Recreation	31,477	9,855	710	6,086	300	48,428	51,152
Total	303,536	134,802	12,930	69,721	1,043,154	1,564,143	1,643,779
Public Works	132,717	80,196	1,579	25,795	36,703	276,990	298,625
Public Transportation	-	-	-	-	243,668	243,668	230,499
Debt Service	-	-	-	-	473,087	473,087	484,646
Net Financing Uses (Sources)	-	-	-	-	(23,749)	(23,749)	153,893
Total expenditures and net sources	$ 1,981,992	$ 592,240	$ 38,806	$ 263,085	$ 2,903,995	$ 5,780,118	$ 6,222,911

See Accompanying Independent Auditors' Report.

*Miscellaneous column includes transfers, subsidies and other payments totaling $2,828,986.

Transfers to: Convention Center [$93,054], Charter Schools [$410,005], UDC [$62,070], Police & Fire Retirement System [$132,300], Housing Authority Subsidy [$25,103], Mass Transit Subsidies [$243,718], District Retiree Health Contribution [$90,700]

Payments for: Dept. of Employment Services [$45,241], Certificate of Participation [$32,257], Repayment of Loan & Interest [$374,716], Dept. of Housing & Community Development [$19,957], Master Equipment Lease [$43,863], Economic Development [$11,551], State Education [$84,981], Office of Non-Public Tuition [$166,567], Dept. of Health [$25,365], Dept. of Healthcare Financing [$521,832], Dept. of Human Services [$110,161], Disability Services [$40,398], Dept. of Youth Rehabilitation [$39,440], Dept. of Transportation [$54,783], Dept. of the Environment [$34,827], Office of Child & Family Services [$147,717], Dept. of Mental Health [$18,380]

Exhibit A-4

GENERAL FUND
SCHEDULE OF LOCAL SOURCE REVENUES
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended September 30, 2010
($000s)

Source	Budget Original	Budget Revised	Actual	Variance Positive (Negative)
Taxes:				
Property:				
Real	$ 1,779,486	$ 1,773,106	$ 1,821,459	$ 48,353
Personal	56,216	65,428	52,032	(13,396)
Total	1,835,702	1,838,534	1,873,491	34,957
Sales and use:				
General	1,016,007	1,013,959	961,881	(52,078)
Alcoholic beverages	5,126	5,358	5,717	359
Cigarette	55,627	30,000	33,394	3,394
Motor vehicles	40,963	32,108	37,749	5,641
Motor fuel tax	23,673	28,119	22,180	(5,939)
Total	1,141,396	1,109,544	1,060,921	(48,623)
Income and franchise:				
Individual income	1,076,661	1,219,620	1,110,444	(109,176)
Corporation franchise	262,121	246,584	207,292	(39,292)
Unincorporated business	124,395	106,476	116,395	9,919
Total	1,463,177	1,572,680	1,434,131	(138,549)
Gross receipts:				
Public utility	153,696	152,126	139,576	(12,550)
Toll telecommunication	63,360	67,718	62,337	(5,381)
Insurance companies	74,767	75,287	44,436	(30,851)
Health care providers	11,000	11,000	12,423	1,423
Baseball gross receipts	20,603	21,000	23,712	2,712
HSC contribution	-	5,000	5,000	-
Total	323,426	332,131	287,484	(44,647)
Other:				
Deed recordation	71,746	80,546	104,164	23,618
Deed transfers	50,288	66,533	86,117	19,584
Inheritance and estate	60,000	35,000	39,341	4,341
Economic interests	19,191	10,000	18,218	8,218
Total	201,225	192,079	247,840	55,761
Total taxes	4,964,926	5,044,968	4,903,867	(141,101)
Licenses and Permits:				
Business licenses	28,739	36,083	30,374	(5,709)
Nonbusiness permits	32,220	30,072	30,478	406
Total	60,959	66,155	60,852	(5,303)
Fines and Forfeits	180,411	147,203	111,488	(35,715)
Charges for Services:				
Other	45,901	37,774	46,125	8,351
Total	45,901	37,774	46,125	8,351
Miscellaneous:				
Interest	26,500	14,500	6,781	(7,719)
Other	95,569	68,685	112,962	44,277
Total	122,069	83,185	119,743	36,558
Total local revenues	**5,374,266**	**5,379,285**	**5,242,075**	**(137,210)**
Transfers and Other sources:				
General obligation bonds	15,000	15,000	5,079	(9,921)
Fund balance released from restrictions	60,301	131,288	117,859	(13,429)
Interfund transfer	69,272	91,247	91,037	(210)
Total transfers and other sources	**144,573**	**237,535**	**213,975**	**(23,560)**
Total Local Revenues and Sources	**$ 5,518,839**	**$ 5,616,820**	**$ 5,456,050**	**$ (160,770)**

See Accompanying Independent Auditors' Report.

Exhibit A-5

GENERAL FUND
SCHEDULE OF BUDGETARY BASIS REVENUES AND EXPENDITURES BY SOURCE OF FUNDS
Year Ended September 30, 2010
($000s)

	Local Source				Other Source				Totals			
	Original Budget	Revised Budget	Actual	Variance	Original Budget	Revised Budget	Actual	Variance	Original Budget	Revised Budget	Actual	Variance
Revenues and Sources:												
Taxes												
Property	$ 1,835,702	$ 1,838,534	$ 1,873,491	$ 34,957	$ -	$ -	$ -	$ -	$ 1,835,702	$ 1,838,534	$ 1,873,491	$ 34,957
Sales and uses	1,141,396	1,109,544	1,060,921	(48,623)	-	-	-	-	1,141,396	1,109,544	1,060,921	(48,623)
Income and franchise	1,463,177	1,572,680	1,434,131	(138,549)	-	-	-	-	1,463,177	1,572,680	1,434,131	(138,549)
Gross receipts and other taxes	524,651	524,210	535,324	11,114	-	-	-	-	524,651	524,210	535,324	11,114
Total taxes	4,964,926	5,044,968	4,903,867	(141,101)	-	-	-	-	4,964,926	5,044,968	4,903,867	(141,101)
Licenses and permits	60,959	66,155	60,852	(5,303)	-	-	-	-	60,959	66,155	60,852	(5,303)
Fines and forfeits	180,411	147,203	111,488	(35,715)	-	-	-	-	180,411	147,203	111,488	(35,715)
Charges for services	45,901	37,774	46,125	8,351	-	-	-	-	45,901	37,774	46,125	8,351
Miscellaneous	122,069	83,185	119,743	36,558	-	-	-	-	122,069	83,185	119,743	36,558
Other	-	-	-	-	460,574	440,479	439,908	(571)	460,574	440,479	439,908	(571)
General obligation bonds	15,000	15,000	5,079	(9,921)	-	-	-	-	15,000	15,000	5,079	(9,921)
Fund balance released from restrictions	60,301	131,288	117,859	(13,429)	68,746	83,564	20,562	(63,002)	129,047	214,852	138,421	(76,431)
Interfund transfer-from lottery and gam	65,775	67,350	66,750	(600)	-	-	-	-	65,775	67,350	66,750	(600)
Interfund transfer-others	3,497	23,897	24,287	390	-	-	-	-	3,497	23,897	24,287	390
Total Revenues and Sources	5,518,839	5,616,820	5,456,050	(160,770)	529,320	524,043	460,470	(63,573)	6,048,159	6,140,863	5,916,520	(224,343)
Expenditures and Uses:												
Governmental direction and support	311,154	346,096	341,793	4,303	62,442	42,469	34,008	8,461	373,596	388,565	375,801	12,764
Economic development and regulation	164,634	173,969	167,641	6,328	153,378	149,832	98,224	51,608	318,012	323,801	265,865	57,936
Public safety and justice	931,795	955,757	952,288	3,469	88,395	84,772	65,956	18,816	1,020,190	1,040,529	1,018,244	22,285
Public education system	1,359,697	1,262,243	1,259,640	2,603	20,835	20,037	11,708	8,329	1,380,532	1,282,280	1,271,348	10,932
Public education AY11 expenditure	-	135,643	135,643	-	-	-	-	-	-	135,643	135,643	-
Human support services	1,378,217	1,441,560	1,429,343	12,217	32,208	37,555	31,929	5,626	1,410,425	1,479,115	1,461,272	17,843
Public works	413,603	420,974	419,758	1,216	165,613	171,479	145,973	25,506	579,216	592,453	565,731	26,722
Wilson building	3,625	3,242	3,226	16	-	-	-	-	3,625	3,242	3,226	16
Repay bonds and interest	468,596	367,330	348,351	18,979	3,465	3,465	3,465	-	472,061	370,795	351,816	18,979
Repay revenue bonds and interest	4,861	4,861	2,149	2,712	-	-	-	-	4,861	4,861	2,149	2,712
Bond fiscal charge	15,000	15,000	6,514	8,486	-	-	-	-	15,000	15,000	6,514	8,486
Interest on short term borrowing	9,000	3,000	2,373	627	-	-	-	-	9,000	3,000	2,373	627
Certificates of participation	32,285	32,285	32,257	28	-	-	-	-	32,285	32,285	32,257	28
Settlements and judgments fund	21,477	21,477	21,470	7	-	-	-	-	21,477	21,477	21,470	7
Baseball tax transfer	32,081	32,081	32,081	-	-	-	-	-	32,081	32,081	32,081	-
Convention center transfer	93,054	93,054	93,054	-	-	-	-	-	93,054	93,054	93,054	-
Highway trust transfer	29,762	29,762	24,889	4,873	-	-	-	-	29,762	29,762	24,889	4,873
TIF and pilot transfer	45,992	45,992	34,140	11,852	-	-	-	-	45,992	45,992	34,140	11,852
Equipment lease operating	46,157	44,320	43,863	457	-	-	-	-	46,157	44,320	43,863	457
Emergency and contingency reserve	-	47,480	-	47,480	-	-	-	-	-	47,480	-	47,480
Pay-go capital	-	499	499	-	2,984	14,434	14,434	-	2,984	14,933	14,933	-
Schools modernization fund	8,612	8,612	8,612	-	-	-	-	-	8,612	8,612	8,612	-
District retiree health contribution	90,700	90,700	90,700	-	-	-	-	-	90,700	90,700	90,700	-
Cash reserve	-	53	-	53	-	-	-	-	-	53	-	53
Non-departmental agency	3,603	2,761	2,410	351	-	-	-	-	3,603	2,761	2,410	351
Total Expenditures and Uses	5,463,905	5,578,751	5,452,694	126,057	529,320	524,043	405,697	118,346	5,993,225	6,102,794	5,858,391	244,403
Excess of Revenues and Sources Over Expenditures and Uses	$ 54,934	$ 38,069	$ 3,356	$ (34,713)	$ -	$ -	$ 54,773	$ 54,773	$ 54,934	$ 38,069	$ 58,129	$ 20,060

See Accompanying Independent Auditors' Report.

Exhibit A-6

GENERAL FUND

SCHEDULE OF BUDGETARY BASIS REVENUES AND EXPENDITURES

Year Ended September 30, 2010
($000s)

	Original Budget	Revisions	Revised Budget	Actual	Variance (Actual To Original Budget)
Revenues and Sonrces:					
Taxes:					
Property	$ 1,835,702	$ 2,832	$ 1,838,534	$ 1,873,491	$ 37,789
Sales and use	1,141,396	(31,852)	1,109,544	1,060,921	(80,475)
Income and franchise	1,463,177	109,503	1,572,680	1,434,131	(29,046)
Other taxes	524,651	(441)	524,210	535,324	10,673
Total taxes	4,964,926	80,042	5,044,968	4,903,867	(61,059)
Licenses and permits	60,959	5,196	66,155	60,852	(107)
Fines and forfeits	180,411	(33,208)	147,203	111,488	(68,923)
Charges for services	45,901	(8,127)	37,774	46,125	224
Miscellaneous	122,069	(38,884)	83,185	119,743	(2,326)
Other	460,574	(20,095)	440,479	439,908	(20,666)
General obligation bonds	15,000	-	15,000	5,079	(9,921)
Fund balance released from restriction	129,047	85,805	214,852	138,421	9,374
Interfund transfer-from lottery and games	65,775	1,575	67,350	66,750	975
Interfund transfer-others	3,497	20,400	23,897	24,287	20,790
Total Revenues and Sources	6,048,159	92,704	6,140,863	5,916,520	(131,639)
Expenditures and Uses:					
Governmental direction and support	373,596	14,969	388,565	375,801	(2,205)
Economic development and regulation	318,012	5,789	323,801	265,865	52,147
Public safety and justice	1,020,190	20,339	1,040,529	1,018,244	1,946
Public education system	1,380,532	(98,252)	1,282,280	1,271,348	109,184
Public education AY11 expenditure	-	135,643	135,643	135,643	(135,643)
Human support services	1,410,425	68,690	1,479,115	1,461,272	(50,847)
Public works	579,216	13,237	592,453	565,731	13,485
Wilson building	3,625	(383)	3,242	3,226	399
Repay bonds and interest	472,061	(101,266)	370,795	351,816	120,245
Repay revenue bonds and interest	4,861	-	4,861	2,149	2,712
Bond fiscal charge	15,000	-	15,000	6,514	8,486
Interest on short term borrowing	9,000	(6,000)	3,000	2,373	6,627
Certificates of participation	32,285	-	32,285	32,257	28
Settlements and judgments fund	21,477	-	21,477	21,470	7
Baseball tax transfer	32,081	-	32,081	32,081	-
Convention center transfer	93,054	-	93,054	93,054	-
Highway trust transfer	29,762	-	29,762	24,889	4,873
TIF and pilot transfer	45,992	-	45,992	34,140	11,852
Equipment lease operating	46,157	(1,837)	44,320	43,863	2,294
Emergency and contingency reserve	-	47,480	47,480	-	-
Pay-go capital	2,984	11,949	14,933	14,933	(11,949)
Schools modernization fund	8,612	-	8,612	8,612	-
District retiree health contribution	90,700	-	90,700	90,700	-
Cash reserve	-	53	53	-	-
Non-departmental agency	3,603	(842)	2,761	2,410	1,193
Total Expenditures and Uses	5,993,225	109,569	6,102,794	5,858,391	134,834
Excess of Revenues and Sources Over Expenditures and Uses	**$ 54,934**	**$ (16,865)**	**$ 38,069**	**$ 58,129**	**$ 3,195**

See Accompanying Independent Auditors' Report.

NONMAJOR GOVERNMENTAL FUNDS
(Combining Statements)

Special Revenue Funds

The **Tax Increment Financing (TIF) Program Fund** is used to account for activities relating to various TIF development initiatives. These activities support new economic development projects.

The **Tobacco Settlement Financing Corporation (TSFC) Fund** is used to account for the tobacco litigation settlement activities of the District of Columbia.

The **Community Health Care Financing Fund** is used to reserve funding to construct health care facilities, a comprehensive assessment to improve the District's urgent and emergent care delivery system and to recommend investments in that system.

The **Housing Production Trust Fund** is used to provide financial assistance to non-profit and for-profit developers for the planning and production of low, very low, and extremely low income housing and related facilities.

The **PILOT Special Revenue Fund** is used to account for the proceeds of revenue bonds issued by the Anacostia Waterfront Corporation (AWC) to finance the development costs associated with park and infrastructure projects along the Anacostia River Waterfront.

The **Baseball Special Revenue Fund** is used to account for the proceeds of baseball related revenue sources that are legally restricted to expenditures for baseball project purposes. The Baseball Capital Project Fund was combined with the Baseball Project Special Revenue Fund at the beginning of the year.

Debt Service Fund

The **Debt Service Fund** is used to account for the accumulation of resources for, and the payment of ballpark revenue bonds.

Capital Project Fund

The **Highway Trust Fund** is used to account for the motor vehicle fuel taxes and other fees collected and used by the District for highway projects.

Exhibit B-1

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
September 30, 2010
(With Comparative Totals at September 30, 2009)
($000s)

	Special Revenue Funds							Capital Project Fund	Totals	
	Tax Increment Financing Program	Tobacco Settlement Financing Corporation	Community Health Care Financing	Housing Production Trust	PILOT Special Revenue	Baseball Project	Debt Service Fund	Highway Trust	2010	2009
ASSETS										
Current Assets:										
Receivables (net of allowances for uncollectibles):										
Accounts	$ 17	$ 28,585	$ -	$ -	$ -	$ 1,884	$ -	$ -	$ 30,486	$ 30,803
Due from other District entities	-	-	-	-	-	1,141	-	-	1,141	-
Interfund	3,837	-	-	9,306	-	1,285	-	3,845	18,273	20,242
Other current assets	-	-	-	-	-	-	-	-	-	41
Restricted cash and cash equivalents	10,572	56,133	43,897	42,986	138,638	64,395	-	14,033	370,654	336,822
Other long term assets	-	-	-	78,381	-	-	-	-	78,381	67,161
Total assets	$ 14,426	$ 84,718	$ 43,897	$ 130,673	$ 138,638	$ 68,705	$ -	$ 17,878	$ 498,935	$ 455,069
LIABILITIES AND FUND BALANCE										
Current Liabilities:										
Payables:										
Accounts	$ 1,889	$ -	$ 1,102	$ 11,952	$ -	$ -	$ -	$ 12,106	27,049	$ 15,076
Compensation payable	-	-	-	25	-	-	-	166	191	103
Deferred revenue	-	-	-	78,381	-	448	-	984	79,813	67,384
Due to other funds	-	-	-	-	-	22,689	-	138	22,827	485
Accrued liabilities	-	107	-	-	-	11	-	-	118	100
Total liabilities	1,889	107	1,102	90,358	-	23,148	-	13,394	129,998	83,148
Fund Balance:										
Reserved for special revenue funds	12,537	84,611	42,795	40,315	138,638	45,557	-	-	364,453	365,112
Reserved for capital project fund	-	-	-	-	-	-	-	4,484	4,484	6,809
Total fund balances	12,537	84,611	42,795	40,315	138,638	45,557	-	4,484	368,937	371,921
Total liabilities and fund balance	$ 14,426	$ 84,718	$ 43,897	$ 130,673	$ 138,638	$ 68,705	$ -	$ 17,878	$ 498,935	$ 455,069

See Accompanying Independent Auditors' Report.

Exhibit B-2

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
Year Ended September 30, 2010
(With Comparative Totals for the Year Ended September 30, 2009)
($000s)

	Special Revenue Funds							Capital Project Fund		Totals	
	Tax Increment Financing Program	Tobacco Settlement Financing Corporation	Community Health Care Financing	Housing Production Trust	PILOT Special Revenue	Baseball Project	Debt Service Fund	Baseball Capital	Highway Trust	2010	2009
Revenues:											
Interest	$ 3	$ 2,189	$ 2,000	$ -	$ 11,747	$ 9	$ -	$ -	$ 12	$ 15,960	$ 7,180
Tobacco settlement revenue	-	37,147	-	-	-	-	-	-	-	37,147	-
Other	3	-	242	4,894	2,916	4,877	-	-	6,824	19,756	64,796
Total revenues	6	39,336	2,242	4,894	14,663	4,886	-		6,836	72,863	71,976
Expenditures:											
Governmental direction and support	15,956	388	-	-	13,115	5,083	-	-	-	34,542	200
Capital outlay	-	-	-	-	-	-	-	-	51,542	51,542	58,719
Bond principal payment	4,390	11,460	-	-	14,517	-	4,360	-	-	34,727	35,869
Interest	5,320	30,112	-	-	4,571	-	26,584	-	-	66,587	69,120
Fiscal charges	-	-	-	-	-	-	-	-	-	-	31
Other	-	-	9,857	40,076	-	-	-	-	-	49,933	56,818
Total expenditures	25,666	41,960	9,857	40,076	32,203	5,083	30,944	-	51,542	237,331	220,757
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(25,660)	(2,624)	(7,615)	(35,182)	(17,540)	(197)	(30,944)	-	(44,706)	(164,468)	(148,781)
Other Financing Sources (Uses):											
Bond issuance	-	-	-	373	29,000	-	-	-	-	29,373	-
Premium on sale of bonds	-	-	-	-	1,344	-	-	-	-	1,344	-
Transfers in	28,599	-	55,933	30,158	5,541	29,039	30,944	-	42,381	222,595	198,920
Transfers out	(9,800)	-	(51,084)	-	-	(30,944)	-	(3,549)	-	(95,377)	(82,922)
Total other financing sources (uses)	18,799	-	4,849	30,531	35,885	(1,905)	30,944	(3,549)	42,381	157,935	115,998
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	(6,861)	(2,624)	(2,766)	(4,651)	18,345	(2,102)	-	(3,549)	(2,325)	(6,533)	(32,783)
Fund Balances at October 1	19,398	87,235	45,561	44,966	120,293	47,659	-	3,549	6,809	375,470	404,704
Fund Balances at September 30	$ 12,537	$ 84,611	$ 42,795	$ 40,315	$ 138,638	$ 45,557	$ -	$ -	$ 4,484	$ 368,937	$ 371,921

See Accompanying Independent Auditors' Report.

FIDUCIARY FUNDS
(Combining Statements)

The Fiduciary Funds are used to account for assets held by the District in a trustee or agency capacity. These assets cannot be used to support the District's programs.

The **Pension Trust Funds** are used to account for the accumulation of resources to be used for retirement annuity payments at appropriate amounts and times in the future for police officers, fire fighters and public school teachers of the District. Resources are contributed by employees and by the District and federal government at amounts determined by an annual actuarial study. The funds are administered by a thirteen member Retirement Board. Three of these members are appointed by the Mayor and three by the Council. The other members include one each active and retired police officers, fire fighters, and teachers. The administrative costs of the board are accounted for in the funds.

The **Other Post Employment Benefit (OPEB) Trust Fund** is used to account for the receipt of monies for post-employment healthcare and life insurance benefits provided under the Post-Retirement Health and Life Insurance Benefit Plan. Annual District contributions are actuarially determined and paid accordingly. No employee contributions are required prior to retirement to fund the OPEB plan; however, retirees make contributions as required by the associated substantive plan.

The **Agency Funds** are used to account for refundable deposits required of various licensees, monies held in escrow as an agent for individuals, private organizations or other governments.

Exhibit C-1

PENSION TRUST FUNDS
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
September 30, 2010
(With Comparative Totals at September 30, 2009)
($000s)

	Pension Trust Funds		Other Postemployment Benefits (OPEB)	Totals	
	Police & Fire	Teachers	Trust Fund	2010	2009
ASSETS					
Current Assets:					
Cash and cash equivalents - restricted	$ 155,106	$ 69,514	$ 92,648	$ 317,268	$ 307,807
Investments - restricted	2,882,591	1,291,887	331,606	4,506,084	3,912,390
Collateral from securities lending transaction	352,834	162,369	-	515,203	470,807
Receivables:				-	-
Due from federal government	912	409	-	1,321	2,272
Benefit contribution	1,622	7,028	-	8,650	11,014
Other current assets	151,336	67,824	753	219,913	123,235
Capital assets	11	5	-	16	22
Total assets	**3,544,412**	**1,599,036**	**425,007**	**5,568,455**	**4,827,547**
LIABILITIES					
Current Liabilities:					
Accounts payable	2,946	1,344	753	5,043	9,478
Securities lending	355,820	163,742	-	519,562	482,328
Due to other funds	1,300	582	-	1,882	5,963
Other current liabilities	258,604	115,898	-	374,502	291,257
Total liabilities	**618,670**	**281,566**	**753**	**900,989**	**789,026**
NET ASSETS					
Net Assets					
Held in trust for pension benefits	**$ 2,925,742**	**$ 1,317,470**	**$ 424,254**	**$ 4,667,466**	**$ 4,038,521**

See Accompanying Independent Auditors' Report.

Exhibit C-2

PENSION TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
For the Year Ended September 30, 2010
(With Comparative Totals for the Year Ended September 30, 2009)
($000s)

	Pension Trust Funds		Other Postemployment Benefit Trust	Totals	
	Police & Fire	Teachers	Fund (OPEB)	2010	2009
Additions:					
Benefit contributions:					
Employer	$ 132,300	$ -	$ 90,700	$ 223,000	$ 187,100
Plan members	31,607	29,940	208	61,755	55,605
Investment income (loss):					
From investment activities					
Net appreciation (depreciation) in fair value of investments	156,515	72,809	22,089	251,413	(173,611)
Other revenue	1,555	695	-	2,250	2,473
Interest and dividends	121,648	56,495	7,544	185,687	95,943
Less - investment expenses	(9,282)	(4,197)	-	(13,479)	(12,262)
Net income (loss) from investing activities	270,436	125,802	29,633	425,871	(87,457)
From securities lending activities					
Securities lending income	2,210	1,028	-	3,238	8,522
Less: securities lending expenses	(814)	(379)	-	(1,193)	(3,637)
Net income from securities lending activities	1,396	649	-	2,045	4,885
Total net investment income (loss)	271,832	126,451	29,633	427,916	(82,572)
Total additions	435,739	156,391	120,541	712,671	160,133
Deductions:					
Benefit payments	29,846	40,985	3,381	74,212	67,390
Administrative expenses	5,145	2,327	2,042	9,514	8,387
Total deductions	34,991	43,312	5,423	83,726	75,777
Change in net assets	**400,748**	**113,079**	**115,118**	**628,945**	**84,356**
Net assets held in trust for pension benefits:					
October 1	**2,524,994**	**1,204,391**	**309,136**	**4,038,521**	**3,954,165**
September 30	**$ 2,925,742**	**$ 1,317,470**	**$ 424,254**	**$ 4,667,466**	**$ 4,038,521**

See Accompanying Independent Auditors' Report.

Exhibit C-3

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended September 30, 2010
($000s)

	Balance October 1 2009	Additions	Deductions	Balance September 30 2010
ASSETS				
Cash and cash equivalents - restricted	$ 91,814	$ 3,516,230	$ 3,530,406	$ 77,638
Due from other funds	206	2,086	-	2,292
Other receivables	8,115	1,135,763	1,125,801	18,077
Total assets	$ 100,135	$ 4,654,079	$ 4,656,207	$ 98,007
LIABILITIES				
Accounts payable	$ 8,169	$ 26,891	$ 26,540	$ 8,520
Due to other funds	7,139	131	7,270	-
Other current liabilities	84,827	8,751,372	8,746,712	89,487
Total liabilities	$ 100,135	$ 8,778,394	$ 8,780,522	$ 98,007

See Accompanying Independent Auditors' Report.

SUPPORTING SCHEDULES

Supporting schedules are financial presentations used to aggregate and present in greater detail information contained in the financial statements and to present additional information not disclosed in the basic financial statements.

Exhibit D-1

FINANCIAL REPORTING ENTITY
SCHEDULE OF BUDGETARY BASIS EXPENDITURES
Year Ended September 30, 2010
($000s)

	Budget			
	Original	Revised	Actual	Variance
Governmental direction and support:				
Council of the district of columbia	$ 19,832	$ 19,699	$ 18,768	$ 931
Office of the d.c. auditor	4,119	4,338	3,858	480
Advisory neighborhood commissions	1,001	993	920	73
Office of the mayor	5,349	4,353	4,333	20
Office of the secretary	3,299	3,194	2,955	239
Office of the inspector general	17,541	17,614	16,632	982
Medical liability captive	1,000	1,000	210	790
City administrator / deputy mayor	5,442	5,121	5,033	88
DC office of personnel	5,686	5,527	5,414	113
Office of finance & resource mgmt	4,323	4,323	4,297	26
Department of property management	35,208	33,611	29,685	3,926
Office of contracting & procurement	3,897	3,797	3,298	499
Contract appeals board	1,100	1,040	1,032	8
Office of the chief financial officer	143,349	131,668	131,326	342
Office of the attorney general	87,813	82,382	78,552	3,830
Office of risk management	1,039	1,039	1,016	23
Office of community affairs	3,022	2,722	2,678	44
Serve dc	3,757	3,526	3,447	79
Office of disability rights	1,135	1,253	1,181	72
Office of partnership and grant services	642	786	768	18
Office of chief technology officer	43,052	50,523	50,114	409
Board of elections and ethics	5,382	8,953	8,474	479
Office of campaign finance	1,690	1,640	1,636	4
Public employee relations board	1,004	1,064	1,055	9
Office of employee appeals	1,798	1,798	1,753	45
Metropolitan wash council of governments	396	396	297	99
Not for profit hospital	-	26,000	26,000	-
Total governmental direction and support	**401,876**	**418,360**	**404,732**	**13,628**
Economic development and regulation:				
Business services and economic development	41,410	39,335	30,829	8,506
Office of local business development	2,385	2,917	2,682	235
Office of municipal planning	8,128	8,735	7,824	911
Office of zoning	3,136	3,136	2,986	150
Dept of housing and community development	84,585	147,382	85,312	62,070
Office of motion picture and television development	636	606	537	69
Department of employment services	140,148	157,396	116,728	40,668
Board of real property assess & appeals	698	698	645	53
Dept of consumer and regulatory affairs	35,133	35,680	32,251	3,429
Alcoholic beverage regulation administration	5,886	5,654	5,251	403
Office of cable tv	8,477	7,626	6,685	941
Commission on arts & humanities	6,563	6,835	6,238	597
Housing authority subsidy	25,103	25,103	25,103	-
Business improvement districts transfer	23,000	23,000	-	23,000
Housing production trust fund subsidy	13,039	13,039	13,039	-
Office of tenant advocate	3,567	2,774	2,319	455
Public service commission	10,111	10,320	9,781	539
Insurance regulation	16,327	16,240	14,953	1,287
Office of people's counsel	5,136	5,136	4,723	413
Total economic development and regulation	**433,468**	**511,612**	**367,886**	**143,726**
Public safety and justice:				
Metropolitan police department	485,296	470,583	464,178	6,405
Fire and emergency medical services	189,455	198,366	196,812	1,554
Police and firefighter retirement system	132,975	132,976	132,299	677
Office of administrative hearings	7,013	7,013	7,003	10
Criminal justice coordinating council	2,298	1,847	1,719	128
Corrections information council	25	-	-	-
Department of corrections	138,710	156,708	150,767	5,941
Chief medical officer	8,638	8,487	8,325	162
Forensic health & science lab	1,249	1,293	1,293	-
DC national guard	7,856	6,103	5,935	168
Emergency management agency	239,043	231,634	95,391	136,243
Commission on judicial disabilities and tenure	295	263	263	-
Judicial nomination commission	205	146	146	-
Citizen complaint review board	2,618	2,619	2,587	32
Office of unified communications	40,912	48,218	46,780	1,438
Motor vehicle theft prevention commission	750	-	-	-
Office of victim services	14,700	15,071	8,348	6,723
Office of justice grant administration	10,892	11,246	10,383	863
Section 103 judgments	-	3,000	3,000	-
Advisory commission on sentencing	816	816	794	22
Total public safety and justice	**1,283,746**	**1,296,389**	**1,136,023**	**160,366**

(Continued)

(Continued)
Exhibit D-1

FINANCIAL REPORTING ENTITY
SCHEDULE OF BUDGETARY BASIS EXPENDITURES
Year Ended September 30, 2010
($000s)

	Budget			
	Original	Revised	Actual	Variance
Public education system:				
District of columbia public schools	570,824	573,959	571,149	2,810
AY11 public school advance appropriations		27,118	27,118	-
Public charter schools	373,969	267,679	267,635	44
AY11 public charter school advance appropriations		108,210	108,210	-
Teachers' retirement system	3,000	3,000	3,000	-
University of the district of columbia	62,070	62,070	62,070	-
State education office	423,212	571,799	428,604	143,195
DC public library	41,539	41,890	40,764	1,126
Office of public education facilities modernization	32,199	32,475	31,437	1,038
DC public charter school board	3,637	3,637	1,605	2,032
Special education training	77,431	93,282	93,066	216
AY11 advance appropriations		315	315	-
Non-public tuition	149,100	166,655	166,568	87
Department of education	778	828	823	5
Total public education system	**1,737,759**	**1,952,917**	**1,802,364**	**150,553**
Human support services:				
Department of human services	321,060	322,610	319,649	2,961
Department of health	228,640	239,046	226,962	12,084
Department of parks and recreation	41,639	49,635	48,651	984
DC office on aging	23,004	25,097	24,131	966
Unemployment compensation fund	11,136	17,231	17,231	-
Disability compensation fund	25,163	38,310	38,310	-
Office of human rights	2,935	2,636	2,551	85
Office on latino affairs	3,821	3,777	3,712	65
Children investment trust	10,602	10,602	10,602	-
Child and family services	253,136	268,116	266,825	1,291
Dept of mental health	202,367	204,274	202,383	1,891
Asian and pacific islander affairs	965	877	871	6
Office of veteran affairs	463	463	423	40
Depart of youth rehab services	89,016	101,240	100,396	844
Department on disability services	95,130	94,871	92,693	2,178
Department of health care finance	2,048,514	2,088,028	1,987,747	100,281
Total human support services	**3,357,591**	**3,466,813**	**3,343,137**	**123,676**
Public works:				
Department of public works	125,122	128,386	124,739	3,647
Department of transportation	107,132	124,982	116,181	8,801
Taxi cab commission	1,869	1,654	1,544	110
Department of motor vehicles	40,286	39,832	36,389	3,443
Washington metro area transit commission	123	123	123	-
Mass transit subsidies	243,668	243,668	243,668	-
District depart. of environment	109,440	90,744	78,506	12,238
School transit subsidies	7,668	6,333	6,326	7
Total public works	**635,308**	**635,722**	**607,476**	**28,246**
Other:				
Repayment of loans and interest	472,061	370,795	351,816	18,979
Bond fiscal chg paid from bond proceeds	15,000	15,000	6,514	8,486
Repayment of interest on short-term borrowing	9,000	3,000	2,373	627
Settlements and judgments fund	21,477	21,477	21,470	7
Presidential inauguration	-	44	44	-
Wilson building	3,625	3,242	3,226	16
Schools modernization fund	8,612	8,612	8,612	-
District retiree health contribution	90,700	90,700	90,700	-
Repayment of revenue bonds	4,861	4,861	2,149	2,712
Certificate of participation	32,285	32,285	32,257	28
Convention center transfer dedicated taxes	93,054	93,054	93,054	-
Highway trust fund transfer	29,762	29,762	24,889	4,873
Baseball dedicated tax transfer	32,081	32,081	32,081	-
TIF and pilot transfer	45,992	45,992	34,140	11,852
Emergency planning and security costs	15,000	15,624	15,624	-
Cash reserve	-	53	-	53
Equipment lease operating	46,157	44,320	43,863	457
Emergency and contingency reserve funds	-	47,480	-	47,480
Pay-go capital	2,984	14,933	14,933	-
Non-departmental	3,603	2,761	2,410	351
DC retirement board	30,622	30,622	20,945	9,677
Housing finance agency	8,894	8,894	-	8,894
Total other	**965,770**	**915,592**	**801,100**	**114,492**
Total	**$ 8,815,518**	**$ 9,197,405**	**$ 8,462,718**	**$ 734,687**

See Accompanying Independent Auditors' Report.

Exhibit D-2

FINANCIAL REPORTING ENTITY
SCHEDULE OF BUDGETARY BASIS OPERATIONS BY SOURCE OF FUNDS
Year Ended September 30, 2010
($000s)

	Local Source				Federal Source			
	Original Budget	Revised Budget	Actual	Variance	Original Budget	Revised Budget	Actual	Variance
Governmental direction and support:								
Council of the district of columbia	$ 19,833	$ 19,700	$ 18,768	$ 932	$ -	$ -	$ -	$ -
Office of the d.c. auditor	4,119	4,339	3,858	481	-	-	-	-
Advisory neighborhood commissions	1,001	994	920	74	-	-	-	-
Office of the mayor	5,349	4,349	4,333	16	-	-	-	-
Office of the secretary	2,751	2,647	2,520	127	-	-	-	-
Office of the inspector general	15,457	15,527	14,880	647	2,084	2,087	1,752	335
Medical liability captive	-	-	-	-	-	-	-	-
City administrator / deputy mayor	5,442	5,042	5,017	25	-	-	-	-
DC office of personnel	5,408	5,249	5,136	113	-	-	-	-
Office of finance & resource mgmt	4,323	4,323	4,297	26	-	-	-	-
Department of property management	21,801	19,604	19,546	58	-	-	-	-
Office of contracting & procurement	3,021	2,921	2,775	146	-	-	-	-
Contract appeals board	1,100	1,040	1,032	8	-	-	-	-
Office of the chief financial officer	105,866	115,268	115,213	55	-	950	950	-
Office of the attorney general	58,303	56,748	56,039	709	22,676	18,698	18,598	100
Office of risk management	1,039	1,039	1,016	23	-	-	-	-
Office of community affairs	3,022	2,722	2,678	44	-	-	-	-
Serve dc	434	434	355	79	3,323	3,087	3,087	-
Office of disability rights	1,135	1,033	961	72	-	220	220	-
Office of partnership and grant services	642	642	624	18	-	144	144	-
Office of chief technology officer	41,027	46,134	46,089	45	-	865	561	304
Board of elections and ethics	5,193	5,443	4,995	448	189	3,510	3,479	31
Office of campaign finance	1,690	1,640	1,636	4	-	-	-	-
Public employee relations board	1,004	1,064	1,055	9	-	-	-	-
Office of employee appeals	1,798	1,798	1,753	45	-	-	-	-
Metropolitan wash council of governments	396	396	297	99	-	-	-	-
Not for profit hospital	-	26,000	26,000	-	-	-	-	-
Total governmental direction and support	**311,154**	**346,096**	**341,793**	**4,303**	**28,272**	**29,561**	**28,791**	**770**
Economic development and regulation:								
Business services and economic development	25,184	25,177	20,993	4,184	8,000	6,575	3,157	3,418
Office of local business development	2,385	2,374	2,339	35	-	445	341	104
Office of municipal planning	7,618	7,915	7,220	695	450	760	574	186
Office of zoning	3,136	3,136	2,986	150	-	-	-	-
Dept of housing and community development	10,020	22,226	22,220	6	63,962	113,156	58,729	54,427
Office of motion picture and television development	584	554	518	36	-	-	-	-
Department of employment services	57,215	51,459	50,980	479	42,081	65,326	37,845	27,481
Board of real property assess & appeals	698	698	645	53	-	-	-	-
Dept of consumer and regulatory affairs	13,258	15,938	15,499	439	-	-	-	-
Alcoholic beverage regulation administration	400	400	400	-	-	-	-	-
Office of cable tv	-	-	-	-	-	-	-	-
Commission on arts & humanities	5,434	5,390	5,160	230	729	1,045	1,028	17
Housing authority subsidy	25,103	25,103	25,103	-	-	-	-	-
Business improvement districts transfer	-	-	-	-	-	-	-	-
Housing production trust fund subsidy	13,039	13,039	13,039	-	-	-	-	-
Office of tenant advocate	560	560	539	21	-	-	-	-
Public service commission	-	-	-	-	154	221	220	1
Insurance regulation	-	-	-	-	-	-	-	-
Office of people's counsel	-	-	-	-	-	-	-	-
Total economic development and regulation	**164,634**	**173,969**	**167,641**	**6,328**	**115,376**	**187,528**	**101,894**	**85,634**
Public safety and justice:								
Metropolitan police department	446,423	437,754	437,494	260	6,491	5,782	5,539	243
Fire and emergency medical services	187,935	194,849	193,326	1,523	-	1,996	1,982	14
Police and firefighter retirement system	132,975	132,975	132,300	675	-	-	-	-
Office of administrative hearings	7,005	7,005	7,003	2	-	-	-	-
Criminal justice coordinating council	298	298	298	-	2,000	1,511	1,383	128
Corrections information council	25	-	-	-	-	-	-	-
Department of corrections	103,887	125,301	124,778	523	-	222	187	35
Chief medical officer	8,364	8,213	8,074	139	-	-	-	-
Forensic health & science lab	1,249	1,293	1,293	-	-	-	-	-
DC national guard	3,365	3,442	3,317	125	4,491	2,662	2,617	45
Emergency management agency	3,277	3,572	3,561	11	235,767	228,064	91,831	136,233
Commission on judicial disabilities and tenure	-	-	-	-	295	263	263	-
Judicial nomination commission	-	-	-	-	205	146	146	-
Citizen complaint review board	2,618	2,618	2,587	31	-	-	-	-
Office of unified communications	29,873	31,161	31,003	158	-	-	-	-
Motor vehicle theft prevention commission	225	-	-	-	-	-	-	-
Office of victim services	3,065	3,065	3,065	-	3,610	3,981	3,681	300
Office of justice grant administration	395	395	395	-	10,497	10,851	9,988	863
Section 103 judgments	-	3,000	3,000	-	-	-	-	-
Advisory commission on sentencing	816	816	794	22	-	-	-	-
Total public safety and justice	**931,795**	**955,757**	**952,288**	**3,469**	**263,356**	**255,478**	**117,617**	**137,861**

Exhibit D-2

FINANCIAL REPORTING ENTITY
SCHEDULE OF BUDGETARY BASIS OPERATIONS BY SOURCE OF FUNDS
Year Ended September 30, 2010
($000s)

	Local Source				Federal Source			
	Original Budget	Revised Budget	Actual	Variance	Original Budget	Revised Budget	Actual	Variance
Public education system:								
District of columbia public schools	510,881	490,557	490,556	1	52,155	55,872	54,068	1,804
AY11 public school advance appropriations		27,118	27,118	-		-	-	-
Public charter schools	373,969	267,679	267,635	44	-	-	-	-
AY11 public charter school advance appropriations		108,210	108,210	-		-	-	-
Teacher's retirement system	3,000	3,000	3,000	-	-	-	-	-
University of the district of columbia	62,070	62,070	62,070	-	-	-	-	-
State education office	111,990	108,190	106,370	1,820	300,494	455,550	318,742	136,808
DC public library	39,904	39,554	39,186	368	795	1,191	1,191	-
Office of public education facilities modernization	28,914	28,768	28,761	7	-	-	-	-
DC public charter school board	1,660	1,660	1,605	55	-	-	-	-
Special education tran	77,431	93,282	93,066	216	-	-	-	-
AY11 advance appropriations		315	315	-		-	-	-
Non-public tuition	149,100	166,655	166,568	87	-	-	-	-
Department of education	778	828	823	5	-	-	-	-
Total public education system	**1,359,697**	**1,397,886**	**1,395,283**	**2,603**	**353,444**	**512,613**	**374,001**	**138,612**
Human support services:								
Department of human services	144,388	142,170	141,095	1,075	173,948	177,885	177,885	-
Department of health	78,190	73,550	72,639	911	135,859	148,735	140,065	8,670
Department of parks and recreation	39,625	47,712	46,945	767	-	-	-	-
DC office on aging	16,218	17,336	16,638	698	6,786	7,761	7,493	268
Unemployment compensation fund	11,136	17,231	17,231	-	-	-	-	-
Disability compensation fund	25,163	38,310	38,310	-	-	-	-	-
Office of human rights	2,617	2,306	2,222	84	318	329	329	-
Office on latino affairs	3,821	3,777	3,712	65	-	-	-	-
Children investment trust	10,602	10,602	10,602	-	-	-	-	-
Child and family services	194,161	207,690	206,400	1,290	58,203	59,259	59,259	-
Dept of mental health	191,390	188,528	187,898	630	6,435	7,328	7,090	238
Asian and pacific islander affairs	965	875	869	6	-	-	-	-
Office of veteran affairs	463	463	423	40	-	-	-	-
Depart of youth rehab services	85,016	97,860	97,016	844	4,000	3,380	3,380	-
Department on disability services	62,007	61,643	59,465	2,178	26,923	27,791	27,791	-
Department of health care finance	512,455	531,507	527,878	3,629	1,534,236	1,554,274	1,457,622	96,652
Total human support services	**1,378,217**	**1,441,560**	**1,429,343**	**12,217**	**1,946,708**	**1,986,742**	**1,880,914**	**105,828**
Public works:								
Department of public works	116,021	119,285	119,211	74	-	-	-	-
Department of transportation	13,043	18,410	18,409	1	4,200	10,603	9,418	1,185
Taxi cab commission	1,213	1,114	1,077	37	-	-	-	-
Department of motor vehicles	26,524	26,958	26,630	328	-	154	154	-
Washington metro area transit commission	123	123	123	-	-	-	-	-
Mass transit subsidies	231,668	231,668	231,668	-	-	-	-	-
District depart. of environment	17,343	17,083	16,314	769	51,762	32,228	31,889	339
School transit subsidies	7,668	6,333	6,326	7	-	-	-	-
Total public works	**413,603**	**420,974**	**419,758**	**1,216**	**55,962**	**42,985**	**41,461**	**1,524**
Other:								
Repayment of loans and interest	468,596	367,330	348,351	18,979	-	-	-	-
Bond fiscal chg paid from bond proceeds	15,000	15,000	6,514	8,486	-	-	-	-
Repayment of interest on short-term borrowing	9,000	3,000	2,373	627	-	-	-	-
Settlements and judgments fund	21,477	21,477	21,470	7	-	-	-	-
Presidential inauguration	-	-	-	-	-	44	44	-
Wilson building	3,625	3,242	3,226	16	-	-	-	-
Schools modernization fund	8,612	8,612	8,612	-	-	-	-	-
District retiree health contribution	90,700	90,700	90,700	-	-	-	-	-
Repayment of revenue bonds	4,861	4,861	2,149	2,712	-	-	-	-
Certificate of participation	32,285	32,285	32,257	28	-	-	-	-
Convention center transfer-dedicated taxes	93,054	93,054	93,054	-	-	-	-	-
Highway trust fund transfer	29,762	29,762	24,889	4,873	-	-	-	-
Baseball dedicated tax transfer	32,081	32,081	32,081	-	-	-	-	-
TIF and pilot transfer	45,992	45,992	34,140	11,852	-	-	-	-
Emergency planning and security costs	-	-	-	-	15,000	15,624	15,624	-
Cash reserve	-	53	-	53	-	-	-	-
Equipment lease operating	46,157	44,320	43,863	457	-	-	-	-
Emergency and contingency reserve funds	-	47,480	-	47,480	-	-	-	-
Pay-go capital	-	499	499	-	-	-	-	-
Non-departmental	3,603	2,761	2,410	351	-	-	-	-
DC retirement board	-	-	-	-	-	-	-	-
Housing finance agency	-	-	-	-	-	-	-	-
Total other	**904,805**	**842,509**	**746,588**	**95,921**	**15,000**	**15,668**	**15,668**	**-**
Total	**$ 5,463,905**	**$ 5,578,751**	**$ 5,452,694**	**$ 126,057**	**$ 2,778,118**	**$ 3,030,575**	**$ 2,560,346**	**$ 470,229**

See Accompanying Independent Auditors' Report.

Exhibit D-2

FINANCIAL REPORTING ENTITY
SCHEDULE OF BUDGETARY BASIS OPERATIONS BY SOURCE OF FUNDS
Year Ended September 30, 2010
($000s)

	Private Grants				Other Source			
	Original Budget	Revised Budget	Actual	Variance	Original Budget	Revised Budget	Actual	Variance
Governmental direction and support:								
Council of the district of columbia	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Office of the d.c. auditor	-	-	-	-	-	-	-	-
Advisory neighborhood commissions	-	-	-	-	-	-	-	-
Office of the mayor	-	-	-	-	-	-	-	-
Office of the secretary	8	8	8	-	540	540	427	113
Office of the inspector general	-	-	-	-	-	-	-	-
Medical liability captive	-	-	-	-	1,000	1,000	210	790
City administrator / deputy mayor	-	79	16	63	-	-	-	-
DC office of personnel	-	-	-	-	277	277	277	-
Office of finance & resource mgmt	-	-	-	-	-	-	-	-
Department of property management	-	-	-	-	13,407	14,007	10,139	3,868
Office of contracting & procurement	-	-	-	-	876	876	523	353
Contract appeals board	-	-	-	-	-	-	-	-
Office of the chief financial officer	-	40	9	31	37,483	15,410	15,154	256
Office of the attorney general	-	102	102	-	6,834	6,834	3,813	3,021
Office of risk management	-	-	-	-	-	-	-	-
Office of community affairs	-	-	-	-	-	-	-	-
Serve dc	-	5	5	-	-	-	-	-
Office of disability rights	-	-	-	-	-	-	-	-
Office of partnership and grant services	-	-	-	-	-	-	-	-
Office of chief technology officer	-	-	-	-	2,025	3,525	3,465	60
Board of elections and ethics	-	-	-	-	-	-	-	-
Office of campaign finance	-	-	-	-	-	-	-	-
Public employee relations board	-	-	-	-	-	-	-	-
Office of employee appeals	-	-	-	-	-	-	-	-
Metropolitan wash council of governments	-	-	-	-	-	-	-	-
Not for profit hospital	-	-	-	-	-	-	-	-
Total governmental direction and support	**8**	**234**	**140**	**94**	**62,442**	**42,469**	**34,008**	**8,461**
Economic development and regulation:								
Business services and economic development	-	-	-	-	8,226	7,584	6,680	904
Office of local business development	-	-	-	-	-	98	-	98
Office of municipal planning	-	-	-	-	60	60	28	32
Office of zoning	-	-	-	-	-	-	-	-
Dept of housing and community development	-	203	127	76	10,603	11,797	4,237	7,560
Office of motion picture and television development	-	-	-	-	52	52	20	32
Department of employment services	80	80	-	80	40,771	40,530	27,903	12,627
Board of real property assess & appeals	-	-	-	-	-	-	-	-
Dept of consumer and regulatory affairs	-	-	-	-	21,875	19,741	16,752	2,989
Alcoholic beverage regulation administration	-	-	-	-	5,486	5,254	4,851	403
Office of cable tv	-	-	-	-	8,477	7,626	6,685	941
Commission on arts & humanities	-	-	-	-	400	400	51	349
Housing authority subsidy	-	-	-	-	-	-	-	-
Business improvement districts transfer	-	-	-	-	23,000	23,000	-	23,000
Housing production trust fund subsidy	-	-	-	-	-	-	-	-
Office of tenant advocate	-	-	-	-	3,007	2,214	1,780	434
Public service commission	-	-	-	-	9,958	10,100	9,561	539
Insurance regulation	-	-	-	-	16,327	16,240	14,953	1,287
Office of people's counsel	-	-	-	-	5,136	5,136	4,723	413
Total economic development and regulation	**80**	**283**	**127**	**156**	**153,378**	**149,832**	**98,224**	**51,608**
Public safety and justice:								
Metropolitan police department	200	324	124	200	32,181	26,720	21,021	5,699
Fire and emergency medical services	-	-	-	-	1,520	1,520	1,504	16
Police and firefighter retirement system	-	-	-	-	-	-	-	-
Office of administrative hearings	-	-	-	-	8	8	-	8
Criminal justice coordinating council	-	38	38	-	-	-	-	-
Corrections information council	-	-	-	-	-	-	-	-
Department of corrections	-	-	-	-	34,824	31,187	25,801	5,386
Chief medical officer	-	-	-	-	274	274	251	23
Forensic health & science lab	-	-	-	-	-	-	-	-
DC national guard	-	-	-	-	-	-	-	-
Emergency management agency	-	-	-	-	-	-	-	-
Commission on judicial disabilities and tenure	-	-	-	-	-	-	-	-
Judicial nomination commission	-	-	-	-	-	-	-	-
Citizen complaint review board	-	1	-	1	-	-	-	-
Office of unified communications	-	19	-	19	11,038	17,038	15,777	1,261
Motor vehicle theft prevention commission	-	-	-	-	525	-	-	-
Office of victim services	-	-	-	-	8,025	8,025	1,602	6,423
Office of justice grant administration	-	-	-	-	-	-	-	-
Section 103 judgments	-	-	-	-	-	-	-	-
Advisory commission on sentencing	-	-	-	-	-	-	-	-
Total public safety and justice	**200**	**382**	**162**	**220**	**88,395**	**84,772**	**65,956**	**18,816**

Exhibit D-2

FINANCIAL REPORTING ENTITY
SCHEDULE OF BUDGETARY BASIS OPERATIONS BY SOURCE OF FUNDS
Year Ended September 30, 2010
($000s)

	Private Grants				Other Source			
	Original Budget	Revised Budget	Actual	Variance	Original Budget	Revised Budget	Actual	Variance
Public education system:								
District of columbia public schools	3,784	22,367	21,371	996	4,005	5,164	5,153	11
AY11 public school advance appropriations		-	-	-		-	-	-
Public charter schools	-	-	-	-	-	-	-	-
AY11 public charter school advance appropriations		-	-	-		-	-	-
Teacher's retirement system	-	-	-	-	-	-	-	-
University of the district of columbia	-	-	-	-	-	-	-	-
State education office	-	15	-	15	10,728	8,044	3,492	4,552
DC public library	-	-	-	-	840	1,145	387	758
Office of public education facilities modernization	-	-	-	-	3,286	3,708	2,676	1,032
DC public charter school board	-	-	-	-	1,976	1,976	-	1,976
Special education tran	-	-	-	-	-	-	-	-
AY11 advance appropriations		-	-	-		-	-	-
Non-public tuition	-	-	-	-	-	-	-	-
Department of education	-	-	-	-	-	-	-	-
Total public education system	**3,784**	**22,382**	**21,371**	**1,011**	**20,835**	**20,037**	**11,708**	**8,329**
Human support services:								
Department of human services	-	49	49	-	2,725	2,507	620	1,887
Department of health	319	458	458	-	14,272	16,303	13,800	2,503
Department of parks and recreation	-	146	141	5	2,014	1,778	1,565	213
DC office on aging	-	-	-	-	-	-	-	-
Unemployment compensation fund	-	-	-	-	-	-	-	-
Disability compensation fund	-	-	-	-	-	-	-	-
Office of human rights	-	-	-	-	-	-	-	-
Office on latino affairs	-	-	-	-	-	-	-	-
Children investment trust	-	-	-	-	-	-	-	-
Child and family services	22	198	198	-	750	968	968	-
Dept of mental health	117	103	103	-	4,424	8,314	7,292	1,022
Asian and pacific islander affairs	-	2	2	-	-	-	-	-
Office of veteran affairs	-	-	-	-	-	-	-	-
Depart of youth rehab services	-	-	-	-	-	-	-	-
Department on disability services	-	-	-	-	6,200	5,437	5,437	-
Department of health care finance	-	-	-	-	1,823	2,248	2,247	1
Total human support services	**458**	**956**	**951**	**5**	**32,208**	**37,555**	**31,929**	**5,626**
Public works:								
Department of public works	-	-	-	-	9,101	9,101	5,527	3,574
Department of transportation	-	94	94	-	89,889	95,875	88,260	7,615
Taxi cab commission	-	-	-	-	656	540	467	73
Department of motor vehicles	-	-	-	-	13,762	12,720	9,606	3,114
Washington metro area transit commission	-	-	-	-	-	-	-	-
Mass transit subsidies	-	-	-	-	12,000	12,000	12,000	-
District depart. of environment	130	190	190	-	40,205	41,243	30,113	11,130
School transit subsidies	-	-	-	-	-	-	-	-
Total public works	**130**	**284**	**284**	**-**	**165,613**	**171,479**	**145,973**	**25,506**
Other:								
Repayment of loans and interest	-	-	-	-	3,465	3,465	3,465	-
Bond fiscal chg paid from bond proceeds	-	-	-	-	-	-	-	-
Repayment of interest on short-term borrowing	-	-	-	-	-	-	-	-
Settlements and judgments fund	-	-	-	-	-	-	-	-
Presidential inauguration	-	-	-	-	-	-	-	-
Wilson building	-	-	-	-	-	-	-	-
Schools modernization fund	-	-	-	-	-	-	-	-
District retiree health contribution	-	-	-	-	-	-	-	-
Repayment of revenue bonds	-	-	-	-	-	-	-	-
Certificate of participation	-	-	-	-	-	-	-	-
Convention center transfer-dedicated taxes	-	-	-	-	-	-	-	-
Highway trust fund transfer	-	-	-	-	-	-	-	-
Baseball dedicated tax transfer	-	-	-	-	-	-	-	-
TIF and pilot transfer	-	-	-	-	-	-	-	-
Emergency planning and security costs	-	-	-	-	-	-	-	-
Cash reserve	-	-	-	-	-	-	-	-
Equipment lease operating	-	-	-	-	-	-	-	-
Emergency and contingency reserve funds	-	-	-	-	-	-	-	-
Pay-go capital	-	-	-	-	2,984	14,434	14,434	-
Non-departmental	-	-	-	-	-	-	-	-
DC retirement board	-	-	-	-	30,622	30,622	20,945	9,677
Housing finance agency	-	-	-	-	8,894	8,894	-	8,894
Total other	**-**	**-**	**-**	**-**	**45,965**	**57,415**	**38,844**	**18,571**
Total	**$ 4,660**	**$ 24,521**	**$ 23,035**	**$ 1,486**	**$ 568,836**	**$ 563,559**	**$ 426,642**	**$ 136,917**

See Accompanying Independent Auditors' Report.

Exhibit D-3

FINANCIAL REPORTING ENTITY
SCHEDULE OF BUDGET REVISIONS
Year Ended September 30, 2010
($000s)

	Local Source			Federal Resources		
	Original Budget	Repro-gramming	Revised Budget	Original Budget	Repro-gramming	Revised Budget
Revenues and Sources:						
Taxes:						
Property taxes	$ 1,835,702	$ 2,832	$ 1,838,534	$ -	$ -	$ -
Sales and use taxes	1,141,396	(31,852)	1,109,544	-	-	-
Income taxes	1,463,177	109,503	1,572,680	-	-	-
Other taxes	524,651	(441)	524,210	-	-	-
Total taxes	4,964,926	80,042	5,044,968	-	-	-
Licenses and permits	60,959	5,196	66,155	-	-	-
Fines and forfeits	180,411	(33,208)	147,203	-	-	-
Charges for services	45,901	(8,127)	37,774	-	-	-
Miscellaneous	122,069	(38,884)	83,185	-	-	-
Other	-	-	-	-	-	-
Federal contributions	-	-	-	136,175	50,032	186,207
Operating grant	-	-	-	2,641,943	188,457	2,830,400
General obligation bonds	15,000	-	15,000	-	-	-
Fund balance released from restrictions	60,301	70,987	131,288	-	13,968	13,968
Transfer in from Lottery Board	65,775	1,575	67,350	-	-	-
Transfer in-others	3,497	20,400	23,897	-	-	-
Total revenues and sources	**5,518,839**	**97,981**	**5,616,820**	**2,778,118**	**252,457**	**3,030,575**
Expenditures and Uses:						
Governmental direction and support	311,154	34,942	346,096	28,272	1,289	29,561
Economic development and regulation	164,634	9,335	173,969	115,376	72,152	187,528
Public safety and justice	931,795	23,962	955,757	263,356	(7,878)	255,478
Public education system	1,359,697	(97,454)	1,262,243	353,444	159,169	512,613
Public education AY11 expenditure	-	135,643	135,643	-	-	-
Human support services	1,378,217	63,343	1,441,560	1,946,708	40,034	1,986,742
Public works	413,603	7,371	420,974	55,962	(12,977)	42,985
Repayment of loans and interest	468,596	(101,266)	367,330	-	-	-
Bond fiscal chg paid from bond proceeds	15,000	-	15,000	-	-	-
Repayment of interest on short-term borrowin	9,000	(6,000)	3,000	-	-	-
Settlements and judgments fund	21,477	-	21,477	-	-	-
Presidential inauguration	-	-	-	-	44	44
Wilson building	3,625	(383)	3,242	-	-	-
Schools modernization fund	8,612	-	8,612	-	-	-
District retiree health contribution	90,700	-	90,700	-	-	-
Repayment of revenue bonds	4,861	-	4,861	-	-	-
Certificate of participation	32,285	-	32,285	-	-	-
Convention center transfer-dedicated taxes	93,054	-	93,054	-	-	-
Highway trust fund transfer	29,762	-	29,762	-	-	-
Baseball dedicated tax transfer	32,081	-	32,081	-	-	-
TIF and pilot transfer	45,992	-	45,992	-	-	-
Emergency planning and security costs	-	-	-	15,000	624	15,624
Cash reserve	-	53	53	-	-	-
Equipment lease operating	46,157	(1,837)	44,320	-	-	-
Emergency and contingency reserve funds	-	47,480	47,480	-	-	-
Pay-go capital	-	499	499	-	-	-
Non-departmental	3,603	(842)	2,761	-	-	-
DC retirement board	-	-	-	-	-	-
Housing finance agency	-	-	-	-	-	-
Total expenditures and uses	**5,463,905**	**114,846**	**5,578,751**	**2,778,118**	**252,457**	**3,030,575**
Excess of Revenues and Sources Over Expenditures and Uses	**$ 54,934**	**$ (16,865)**	**$ 38,069**	**$ -**	**$ -**	**$ -**

See Accompanying Independent Auditors' Report.

Exhibit D-3

FINANCIAL REPORTING ENTITY
SCHEDULE OF BUDGET REVISIONS
Year Ended September 30, 2010
($000s)

	Private Grant and Contributions			Other Sources		
	Original Budget	Repro-gramming	Revised Budget	Original Budget	Repro-gramming	Revised Budget
Revenues and Sources:						
Taxes:						
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -
Sales and use taxes	-	-	-	-	-	-
Income taxes	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-
Total taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Other	-	-	-	500,090	(20,095)	479,995
Federal contributions	-	-	-	-	-	-
Operating grant	4,660	19,673	24,333	-	-	-
General obligation bonds	-	-	-	-	-	-
Fund balance released from restrictions	-	188	188	68,746	14,818	83,564
Transfer in from Lottery Board	-	-	-	-	-	-
Transfer in-others	-	-	-	-	-	-
Total revenues and sources	**4,660**	**19,861**	**24,521**	**568,836**	**(5,277)**	**563,559**
Expenditures and Uses:						
Governmental direction and support	8	226	234	62,442	(19,973)	42,469
Economic development and regulation	80	203	283	153,378	(3,546)	149,832
Public safety and justice	200	182	382	88,395	(3,623)	84,772
Public education system	3,784	18,598	22,382	20,835	(798)	20,037
Public education FY11 expenditure	-	-	-	-	-	-
Human support services	458	498	956	32,208	5,347	37,555
Public works	130	154	284	165,613	5,866	171,479
Repayment of loans and interest	-	-	-	3,465	-	3,465
Bond fiscal chg paid from bond proceeds	-	-	-	-	-	-
Repayment of interest on short-term borrowing	-	-	-	-	-	-
Settlements and judgments fund	-	-	-	-	-	-
Presidential inauguration	-	-	-	-	-	-
Wilson building	-	-	-	-	-	-
Schools modernization fund	-	-	-	-	-	-
District retiree health contribution	-	-	-	-	-	-
Repayment of revenue bonds	-	-	-	-	-	-
Certificate of participation	-	-	-	-	-	-
Convention center transfer-dedicated taxes	-	-	-	-	-	-
Highway trust fund transfer	-	-	-	-	-	-
Baseball dedicated tax transfer	-	-	-	-	-	-
TIF and pilot transfer	-	-	-	-	-	-
Emergency planning and security costs	-	-	-	-	-	-
Cash reserve	-	-	-	-	-	-
Equipment lease operating	-	-	-	-	-	-
Emergency and contingency reserve funds	-	-	-	-	-	-
Pay-go capital	-	-	-	2,984	11,450	14,434
Non-departmental	-	-	-	-	-	-
DC retirement board	-	-	-	30,622	-	30,622
Housing finance agency	-	-	-	8,894	-	8,894
Total expenditures and uses	**4,660**	**19,861**	**24,521**	**568,836**	**(5,277)**	**563,559**
Excess of Revenues and Sources Over Expenditures and Uses	$ -	$ -	$ -	$ -	$ -	$ -

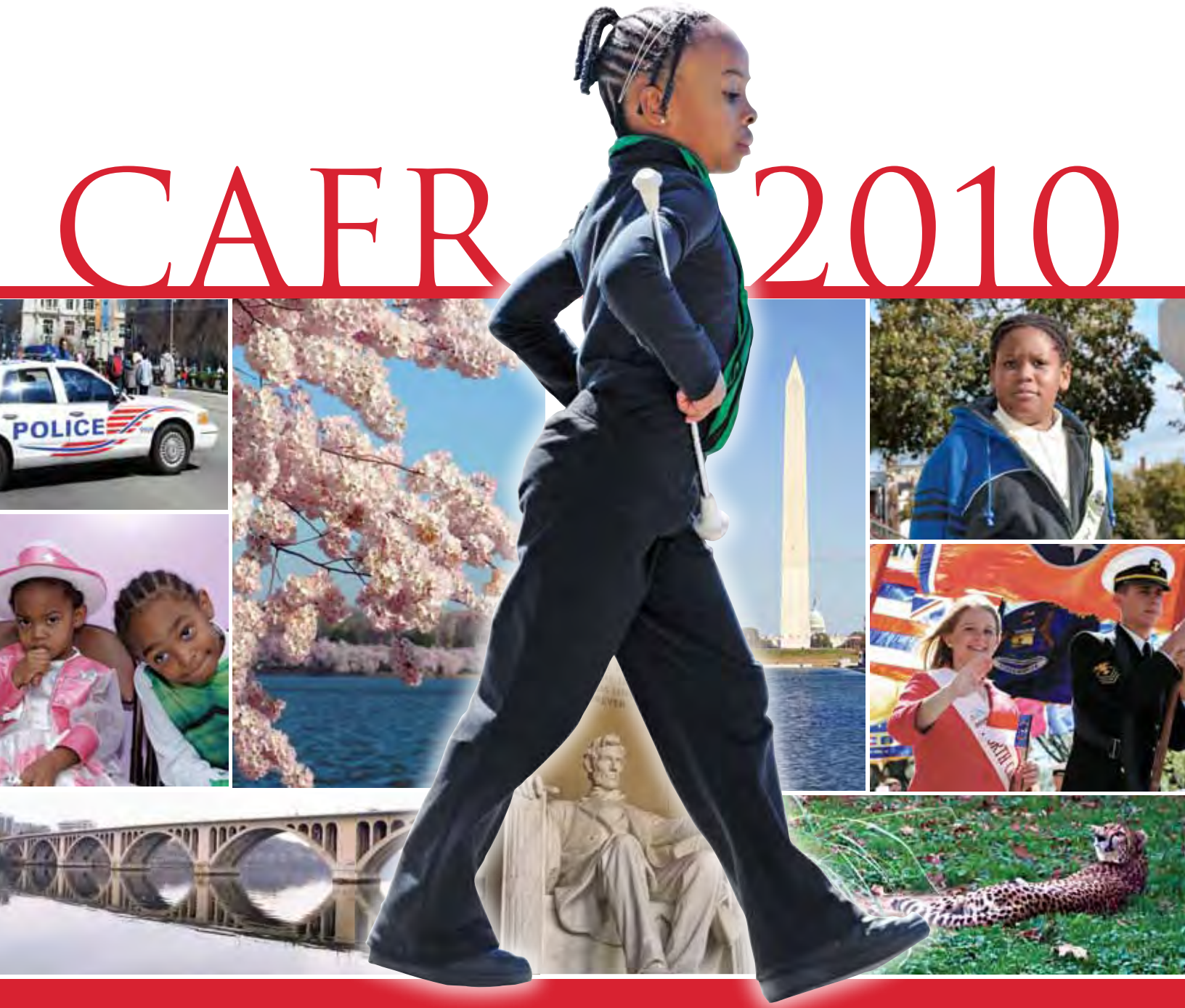
GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE CHIEF FINANCIAL OFFICER

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED SEPTEMBER 30, 2010

STATISTICAL SECTION

CAFR 2010



Statistical Section
(Unaudited)

This section contains statistical tables that reflect financial trends information, revenue capacity information, debt capacity information, demographic and economic information, and operating information. These tables differ from the financial statements because they usually cover more than two fiscal years and may present non-accounting data.

The Statistical Section is divided into 5 sections as follows:

Section	Page
1. Financial Trends	**155**
2. Revenue Capacity	**163**
3. Debt Capacity	**169**
4. Demographic and Economic Information	**175**
5. Operating Information	**177**

1. Financial Trends

These schedules contain trend information to better understand how the District's financial performance and well-being have changed over time.

Net Assets By Component
Last Nine Fiscal Years
(accrual basis of accounting, dollars in thousands)

Exhibit S-1A

NET ASSETS	2002	2003	2004	2005	2006	2007	2008	2009	2010
Governmental activities									
Invested in capital assets, net of related debt	$ 656,901	$ 518,223	$ 774,533	$ 1,069,731	$ 958,597	$ 1,197,275	$ 1,794,279	$ 2,155,206	$ 2,437,385
Restricted	834,006	870,284	807,839	930,021	987,650	1,269,708	1,156,213	852,061	1,117,560
Unrestricted	(625,908)	(593,786)	(370,474)	(249,088)	167,779	92,345	(404,959)	(505,804)	(780,363)
Total governmental activities net assets	864,999	794,721	1,211,898	1,750,664	2,114,026	2,559,328	2,545,533	2,501,463	2,774,582
Business-type activities									
Invested in capital assets, net of related debt	1,495	1,354	17,927	16,183	17,505	17,211	16,747	16,012	4,827
Restricted	271,361	262,148	288,224	322,893	347,938	375,148	374,282	304,773	233,296
Unrestricted	1,990	37,442	34,829	34,968	29,000	25,980	24,773	25,864	8,628
Total business-type activities net assets	274,846	300,944	340,980	374,044	394,443	418,339	415,802	346,649	246,751
Primary government									
Invested in capital assets, net of related debt	658,396	519,577	792,460	1,085,914	976,102	1,214,486	1,811,026	2,171,218	2,442,212
Restricted	1,105,367	1,132,432	1,096,063	1,252,914	1,335,588	1,644,856	1,530,495	1,156,834	1,350,856
Unrestricted	(623,918)	(556,344)	(335,645)	(214,120)	196,779	118,325	(380,186)	(479,940)	(771,735)
Total primary government net assets	$ 1,139,845	$ 1,095,665	$ 1,552,878	$ 2,124,708	$ 2,508,469	$ 2,977,667	$ 2,961,335	$ 2,848,112	$ 3,021,333

Note: As a result of GASB 34 implementation in FY2002, only nine fiscal years are presented.
Source: Information was extracted from Exhibit 1-a, Statement of Net Assets, Page 42.

Changes in Net Assets
Last Nine Fiscal Years
(accrual basis of accounting, dollars in thousands)

Exhibit S-1B

	2002	2003	2004	2005	2006	2007	2008	2009	2010
Governmental activities									
Expenses									
Governmental direction and support	$ 471,609	$ 525,072	$ 554,614	$ 641,964	$ 574,097	$ 787,392	$ 834,694	$ 878,219	$ 871,240
Economic development and regulation	323,804	252,716	253,311	283,186	391,203	509,874	499,644	470,567	374,149
Public safety and justice	920,599	936,797	1,007,755	1,036,120	1,124,896	1,264,715	1,384,517	1,407,166	1,563,505
Public education system	1,153,719	1,168,545	1,301,807	1,374,538	1,486,112	1,589,652	1,787,635	1,937,238	1,989,518
Human support services	2,267,597	2,572,881	2,537,195	2,663,556	2,967,372	2,992,805	3,285,325	3,598,570	3,677,405
Public works	279,506	312,704	313,580	307,247	351,917	481,702	586,649	553,233	497,027
Public transportation	184,883	272,726	162,602	167,783	187,615	198,484	214,905	230,499	243,668
Interest on long-term debt	175,241	178,301	189,697	201,882	269,725	281,918	293,339	336,536	324,319
Total governmental activities expenses	5,776,958	6,219,742	6,320,561	6,676,276	7,352,937	8,106,542	8,886,708	9,412,028	9,540,831
Program revenues									
Charges for services, fees, fines & forfeitures:									
Economic development and regulation	60,636	75,540	83,866	92,198	94,487	102,230	111,105	105,148	112,074
Public works	129,441	129,251	134,875	132,533	146,628	151,957	206,771	196,119	219,005
Others	95,967	118,370	81,369	102,431	84,298	80,790	61,273	98,211	118,943
Operating grants & contributions	1,890,544	1,833,060	2,060,973	2,098,723	2,155,035	2,309,495	2,178,275	2,813,568	3,321,671
Capital grants & contributions	161,450	176,449	151,334	112,704	119,715	130,557	175,841	180,602	259,277
Total governmental activities program revenues	2,338,038	2,332,670	2,512,417	2,538,589	2,600,163	2,775,029	2,733,265	3,393,648	4,030,970
Net expenses	(3,438,920)	(3,887,072)	(3,808,144)	(4,137,687)	(4,752,774)	(5,331,513)	(6,153,443)	(6,018,380)	(5,509,861)
General revenues									
Taxes:									
Property taxes	809,069	899,665	1,017,653	1,150,672	1,272,998	1,545,325	1,787,365	1,951,345	1,877,264
Sales and use taxes	750,060	779,920	828,391	957,394	1,004,471	1,056,780	1,101,859	1,052,011	1,081,005
Income and franchise taxes	1,160,423	1,167,452	1,299,009	1,472,432	1,591,483	1,736,361	1,755,894	1,478,068	1,434,131
Gross receipts taxes	231,786	261,643	271,897	295,819	278,453	302,768	302,873	315,976	295,531
Other taxes	283,146	273,191	379,521	377,213	390,542	498,198	413,401	261,909	264,959
Grants and contributions - unrestricted	-	25,070	24,543	-	-	-	-	-	-
Investment earnings	19,283	13,341	16,211	39,811	73,207	124,420	95,847	28,242	19,156
Miscellaneous	333,943	325,529	314,596	311,662	431,182	456,425	458,469	530,847	447,368
Special items	(171,094)	-	-	-	-	(8,838)	153,640	287,137	266,942
Transfers	63,000	37,574	73,500	71,450	73,800	65,376	70,300	68,775	96,624
Total governmental activities general revenues	3,479,616	3,783,385	4,225,321	4,676,453	5,116,136	5,776,815	6,139,648	5,974,310	5,782,980
Change in net assets --- governmental activities	$ 40,696	$ (103,687)	$ 417,177	$ 538,766	$ 363,362	$ 445,302	$ (13,795)	$ (44,070)	$ 273,119

Changes in Net Assets
Last Nine Fiscal Years
(accrual basis of accounting, dollars in thousands)

Exhibit S-1B
(Continued)

	2002	2003	2004	2005	2006	2007	2008	2009	2010
Business activities									
Expenses									
Lottery and games	$ 148,670	$ 166,185	$ 167,938	$ 164,066	$ 193,907	$ 192,336	$ 182,981	$ 176,625	$ 163,393
Unemployment compensation	191,043	165,045	113,888	92,728	102,749	99,920	150,237	370,775	480,976
Nursing home services	-	34,687	33,023	35,066	35,434	37,556	40,837	44,601	18,817
Total business-type activities expenses	339,713	365,917	314,849	291,860	332,090	329,812	374,055	592,001	663,186
Program revenues									
Charges for services, fees, fines & forfeitures:									
Lottery and games	211,151	237,890	241,133	234,931	266,391	256,824	252,721	245,370	230,159
Nursing home services	-	34,124	30,907	32,184	29,154	31,849	37,435	43,424	19,991
Operating grants & contributions	49,308	55,356	26,588	16,707	14,825	18,358	21,191	36,985	36,998
Capital grants & contributions	-	-	15,464	-	-	-	-	-	-
Total business-type activities program revenues	260,459	327,370	314,092	283,822	310,370	307,031	311,347	325,779	287,148
Net expenses	(79,254)	(38,547)	(757)	(8,038)	(21,720)	(22,781)	(62,708)	(266,222)	(376,038)
General revenues									
Taxes:									
Other taxes	104,945	82,626	97,196	92,985	95,888	90,117	92,733	94,622	129,471
Investment earnings	18,978	19,332	16,847	18,887	19,321	20,841	21,317	19,061	13,584
Miscellaneous	-	261	250	680	710	1,095	16,355	152,161	229,709
Transfers	(63,000)	(37,574)	(73,500)	(71,450)	(73,800)	(65,376)	(70,300)	(68,775)	(96,624)
Total business-type activities general revenues	60,923	64,645	40,793	41,102	42,119	46,677	60,105	197,069	276,140
Change in net assets --- business-type activities	$ (18,331)	$ 26,098	$ 40,036	$ 33,064	$ 20,399	$ 23,896	$ (2,603)	$ (69,153)	$ (99,898)
Total primary government									
Expenses	$ 6,116,671	$ 6,585,659	$ 6,635,410	$ 6,968,136	$ 7,685,027	$ 8,436,354	$ 9,260,763	$ 10,004,029	$ 10,204,017
Program revenues	2,598,497	2,660,040	2,820,257	2,822,411	2,910,533	3,082,060	3,044,612	3,719,427	4,318,118
Net (expenses)/revenues	(3,518,174)	(3,925,619)	(3,815,153)	(4,145,725)	(4,774,494)	(5,354,294)	(6,216,151)	(6,284,602)	(5,885,899)
General revenues	3,540,539	3,848,030	4,272,366	4,717,555	5,158,255	5,823,492	6,199,753	6,171,379	6,059,120
Change in net assets --- primary government	$ 22,365	$ (77,589)	$ 457,213	$ 571,830	$ 383,761	$ 469,198	$ (16,398)	$ (113,223)	$ 173,221

Note: As a result of GASB 34 implementation in FY2002, only nine fiscal years are presented.

Source: Information was extracted from Exhibit 1-b, Statement of Activities, Page 43.

Fund Balances, Governmental Funds
Last Nine Fiscal Years
(modified accrual basis of accounting, dollars in thousands)

Exhibit S-1C

	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Fund									
Reserved	$ 545,414	$ 568,243	$ 607,903	$ 1,110,770	$ 1,045,560	$ 1,135,459	$ 957,977	$ 703,694	$ 836,181
Unreserved	319,914	329,114	607,112	473,913	389,582	358,541	286,745	216,789	53,945
Total general fund	$ 865,328	$ 897,357	$ 1,215,015	$ 1,584,683	$ 1,435,142	$ 1,494,000	$ 1,244,722	$ 920,483	$ 890,126
All other governmental funds									
Reserved, reported in:									
Special revenue funds	$ 324,687	$ 249,434	$ 239,291	$ 249,911	$ 321,878	$ 460,556	$ 465,229	$ 507,678	$ 555,476
Capital project funds	148,760	52,607	43,914	86,530	732,602	835,024	629,805	417,212	137,922
Unreserved, reported in:									
Capital project funds	(472,305)	(169,287)	(273,432)	(312,161)	-	-	-	-	-
Total all other governmental funds	$ 1,142	$ 132,754	$ 9,773	$ 24,280	$ 1,054,480	$ 1,295,580	$ 1,095,034	$ 924,890	$ 693,398

Note: As a result of GASB Statement No. 34 implementation in FY2002, only nine fiscal years are presented.

Source: Information was extracted from Exhibit 2-a, Balance Sheet - Governmental Funds, Page 44.

Changes in Fund Balances, Governmental Funds **Exhibit S-1D**
Last Nine Fiscal Years
(modified accrual basis of accounting, dollars in thousands)

	2002	2003	2004	2005	2006	2007	2008	2009	2010
REVENUES									
Taxes	$ 3,229,809	$ 3,384,093	$ 3,806,906	$ 4,251,191	$ 4,472,845	$ 5,146,007	$ 5,333,118	$ 5,042,487	$ 4,952,441
Fines and forfeits	88,495	90,238	102,828	111,146	112,919	101,971	99,452	106,169	128,473
Licenses and permits	52,003	62,189	62,968	82,093	81,222	89,072	94,988	91,230	86,951
Charges for services	145,546	170,736	134,314	133,923	131,273	143,934	184,709	202,079	234,598
Investment earnings	19,283	13,341	16,211	39,811	73,206	124,420	95,847	28,242	19,156
Miscellaneous	332,861	320,460	305,039	311,573	489,067	444,262	457,747	524,046	447,365
Federal contributions	490,373	380,100	393,928	382,966	362,075	440,962	433,206	573,446	670,186
Operating grants	1,561,621	1,555,404	1,842,922	1,828,461	1,912,675	1,999,090	1,920,910	2,420,724	2,910,762
Total revenues	5,919,991	5,976,561	6,665,116	7,141,164	7,635,282	8,489,718	8,619,977	8,988,423	9,449,932
EXPENDITURES									
Governmental direction and support	366,981	415,591	483,185	590,344	611,620	651,974	695,175	672,463	657,935
Economic development and regulation	223,760	224,811	236,220	267,335	348,091	444,508	461,707	405,140	388,424
Public safety and justice	899,116	907,670	984,062	1,034,456	1,133,800	1,241,684	1,369,907	1,381,873	1,546,473
Public education system	1,143,281	1,155,297	1,284,448	1,340,767	1,439,510	1,541,194	1,716,701	1,850,200	1,904,023
Human support services	2,249,303	2,445,336	2,563,646	2,657,848	2,952,637	2,975,821	3,222,979	3,485,267	3,669,367
Public works	149,302	164,753	164,231	175,300	184,200	329,942	416,982	388,713	318,590
Public transportation	184,883	272,726	162,602	167,783	187,615	198,484	214,905	230,499	243,668
Debt service:									
Principal	138,575	149,792	152,086	183,845	205,654	232,389	251,998	277,523	209,746
Interest and other charges	189,006	178,301	189,697	202,387	225,195	258,769	287,354	292,484	300,123
Fiscal charges	-	15,338	13,721	9,277	31,958	15,095	25,330	19,659	64,532
Total debt service	327,581	343,431	355,504	395,509	462,807	506,253	564,682	589,666	574,401
Subtotal expenditures	5,544,207	5,929,615	6,233,898	6,629,342	7,320,280	7,889,860	8,663,038	9,003,821	9,302,881
Capital outlay	905,418	762,145	666,649	615,089	901,204	1,024,541	1,390,415	1,130,971	1,359,488
Total expenditures	6,449,625	6,691,760	6,900,547	7,244,431	8,221,484	8,914,401	10,053,453	10,134,792	10,662,369
Excess (deficiency) of revenues over (under) expenditures	(529,634)	(715,199)	(235,431)	(103,267)	(586,202)	(424,683)	(1,433,476)	(1,146,369)	(1,212,437)
OTHER FINANCING SOURCES (USES)									
Debt issuance	338,465	856,703	325,726	386,370	1,342,612	610,580	664,105	491,645	750,298
Refunding debt issuance	69,715	163,170	-	-	116,475	251,155	675,895	580,140	835,010
Premium on sale of bonds	-	-	-	14,478	39,944	16,063	36,282	50,198	89,505
Payment to escrow agent	(69,487)	(234,179)	-	-	(136,137)	(264,334)	(675,385)	(607,640)	(855,011)
Other sources	-	-	9,557	89	-	-	-	-	-
Proceeds from capital lease	-	-	503	19	-	-	-	-	-
Equipment financing program	51,944	17,094	20,822	15,036	30,167	42,471	36,479	62,068	34,162
Transfers in	63,000	77,119	109,717	193,439	685,206	694,229	477,829	447,639	429,033
Transfers out	-	(34,476)	(36,217)	(121,989)	(611,406)	(628,853)	(407,529)	(378,864)	(332,409)
Sale of capital assets	-	-	-	-	-	12,168	726	6,800	-
Total other financing sources	453,637	845,431	430,108	487,442	1,466,861	733,479	808,402	651,986	950,588
Special items	-	-	-	-	-	(8,838)	175,250	-	-
Net change in fund balances	$ (75,997)	$ 130,232	$ 194,677	$ 384,175	$ 880,659	$ 299,958	$ (449,824)	$ (494,383)	$ (261,849)
Other capital expenditures	$ 31,262	$ 49,529	$ 23,960	$ 33,706	$ 65,197	$ 24,651	$ 129,294	$ 305,480	$ 304,684
Total capital expenditures	$ 936,680	$ 811,674	$ 690,609	$ 648,795	$ 771,069	$ 857,739	$ 1,402,291	$ 1,222,453	$ 1,455,655
Debt service as a percentage of noncapital expenditures	5.94%	5.58%	5.50%	5.86%	5.78%	6.10%	6.23%	6.40%	5.54%

Note: As a result of GASB Statement No. 34 implementation in FY2002, only nine fiscal years are presented.

Source: Information was extracted from Exhibit 2-b, Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds, Page 45.

Tax Revenues by Source, Governmental Funds **Exhibit S-1E**
Last Nine Fiscal Years
(modified accrual basis of accounting, dollars in thousands)

Fiscal Year	Property Tax			Sales and Use	Income and Franchise	Gross Receipts	Other Taxes	Total
	Real	Personal	Rental					
2002	$ 726,014	$ 65,208	$ 13,172	$ 750,060	$ 1,160,423	$ 231,786	$ 283,146	$ 3,229,809
2003	822,845	67,294	11,749	779,920	1,167,452	261,643	273,191	3,384,094
2004	947,690	63,558	16,840	828,391	1,299,009	271,897	379,521	3,806,906
2005	1,058,100	72,068	18,165	957,394	1,472,432	295,819	377,213	4,251,191
2006	1,163,598	55,548	22,336	970,885	1,591,483	278,453	390,542	4,472,845
2007	1,452,267	67,394	32,239	1,056,780	1,736,361	302,768	498,198	5,146,007
2008	1,666,315	59,690	33,086	1,101,859	1,755,894	302,873	413,401	5,333,118
2009	1,832,748	69,163	32,612	1,052,011	1,478,068	315,976	261,909	5,042,487
2010	1,821,458	52,032	3,325	1,081,005	1,434,131	295,531	264,959	4,952,441

Note: As a result of GASB Statement No. 34 implementation in FY2002, only nine fiscal years are presented.

Source: Information was extracted from Exhibit 2-b, Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds, Page 45.

2. Revenue Capacity

These schedules contain information regarding the District's most significant local revenue sources: property, income, and sales and use taxes.

Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(dollars in thousands)

Exhibit S-2A

Fiscal Year	Estimated Actual Value: Commercial Property	Estimated Actual Value: Residential Property *	Total Taxable	Tax Exempt	Total Value	Total Direct Tax Rate**	Tax Exempt as a % of Total Value
2001	$ 21,960,148	$ 22,268,968	$ 44,229,116	$ 32,086,134	$ 76,315,250	1.45	42.0%
2002	27,619,604	24,902,543	52,522,147	33,812,037	86,334,184	1.39	39.2%
2003	29,684,430	28,379,237	58,063,667	35,728,289	93,791,956	1.38	38.1%
2004	33,752,889	32,701,220	66,454,109	43,234,068	109,688,177	1.35	39.4%
2005	36,905,213	49,982,554	86,887,767	43,219,725	130,107,492	1.37	33.2%
2006	40,400,447	58,090,888	98,491,335	59,664,865	158,156,200	1.34	37.7%
2007	51,748,487	73,126,786	124,875,273	57,690,545	182,565,818	1.31	31.6%
2008	61,557,827	81,400,361	142,958,188	67,869,520	210,827,708	1.30	32.2%
2009	68,495,502	84,544,053	153,039,555	81,211,121	234,250,676	1.29	34.7%
2010	68,254,862	81,862,427	150,117,289	82,113,504	232,230,793	1.30	35.4%

* After deduction of homestead exemption and credits against tax for 1999-2007
Does not reflect the 2002 & 2003 Cap Assessment of 25% for Class 01 with Homestead Exemptions
Does not reflect the 2004 & 2005 Cap Assessment of 12% for Class 01 with Homestead Exemptions
Does not reflect the 2006 Cap Assessment of 10% for Class 01 with Homestead Exemptions
After deduction of Homestead Exemption for 2008- 2009

**The total direct rate is the weighted rate of all taxable real property, obtained by multiplying the weighted rate by the percentage of the total value of real property for each class.

Source: Office of Tax and Revenue

Note: Assessed value is 100 percent of estimated actual value

Direct Property Tax Rates
Last Ten Fiscal Years

Exhibit S-2B

Fiscal Year	Direct Property Tax Rate: Basic Rate	General Obligation Debt Service	Redevelopment Program	Total Direct
2001	0.75	0.70	-	1.45
2002	0.79	0.60	-	1.39
2003	0.78	0.60	-	1.38
2004	0.90	0.45	-	1.35
2005	0.92	0.45	-	1.37
2006	0.94	0.40	-	1.34
2007	0.86	0.45	-	1.31
2008	0.98	0.32	-	1.30
2009	1.01	0.28	-	1.29
2010	1.02	0.28	-	1.30

Note:

The total direct rate is the weighted rate of all taxable real property, obtained by multiplying the weighted rate by the percentage of the total value of real property for each class.

Source: Office of Tax and Revenue

Major Tax Rates
Last Ten Fiscal Years

Exhibit S-2C

	Property (per $100 of assessed value)						Sales and Use			Income and Franchise		Gross Receipt	
	Residential		Commercial									Public Utility (6)	
Fiscal Year	Owner occupied	Tenant occupied	Hotels	Improved	Unimproved	Personal	General (1)	Cigarette (2)	Motor Fuel (3)	Individual (4)	Business (5)	Commercial	Residential
2001	0.96	1.15	1.85	1.95	1.95	3.40	0.0575	0.65	0.20	.050-.093	0.09975	0.10	0.10
2002	0.96	0.96	1.85	1.85	1.85	3.40	0.0575	0.65	0.20	.050-.093	0.09975	0.10	0.10
2003	0.96	0.96	1.85	1.85	5.00	3.40	0.0575	1.00	0.20	.050-.093	0.09975	0.11	0.11
2004	0.96	0.96	1.85	1.85	5.00	3.40	0.0575	1.00	0.20	.050-.093	0.09975	0.11	0.11
2005	0.96	0.96	1.85	1.85	5.00	3.40	0.0575	1.00	0.20	.050-.090	0.09975	0.11	0.10
2006	0.92	0.92	1.85	1.85	5.00	3.40	0.0575	1.00	0.20	.045-.087	0.09975	0.11	0.10
2007	0.88	0.88	1.85	1.85	5.00	3.40	0.0575	1.00	0.20	.040-.085	0.09975	0.11	0.10
2008	0.85	0.85	1.85	1.85	5.00	3.40	0.0575	1.00	0.20	.040-.085	0.09975	0.11	0.10
2009	0.85	0.85	1.65/1.85*	1.65/1.85*	10.00	3.40	0.0575	2/2.5**	0.20	.040-.085	0.09975	0.11	0.10
2010	0.85	0.85	1.65/1.85	1.65/1.85	10.00	3.40	0.0600	2/2.5	0.24	.040-.085	0.09975	0.11	0.10

Source: Office of Tax and Revenue

*$1.65 for Commercial Improved properties assessed at up to $3 million; 1.85 for all residuals above $3 million.
** $2 per pack of 20 and $2.50 per pack of 25

(1) Of sales value
(2) Per package of 20
(3) Per gallon
(4) Of taxable Income
(5) Of net income
(6) Of gross charges (gas, lighting, telephone)

Principal Property Taxpayers
Current Year and Nine Years Ago
(dollars in thousands)

Exhibit S-2D

	2010			2001		
Taxpayer	Taxable Assessed Value	Rank	% of Total Taxable Assessed Value	Taxable Assessed Value	Rank	% of Total Taxable Assessed Value
JBG/FEDERAL CENTER LLC	$ 599,321	1	0.399%	$ ***		
MANUFACTURERS LIFE INSURANCE	563,284	2	0.375%	230,800	1	0.522%
DAVID NASSIF ASSOCIATES	446,002	3	0.297%	137,633	12	0.311%
13TH & F ASSOCIATES LP	425,749	4	0.284%	221,778	2	0.501%
WASHINGTON SQUARE LIMITED PARTNERSHIP	412,957	5	0.275%	181,074	3	0.409%
CARR CRHP PROPERTIES LLC	393,639	6	0.262%	161,333	7	0.365%
WARNER INVESTMENTS LP	390,000	7	0.260%	176,831	5	0.400%
SECOND ST HOLDING LLC	385,134	8	0.257%	***		
UNITED BROTHERHOOD CRPT JNR AM NATL H S FD	379,262	9	0.253%	39,229	167	0.089%
1301 K STREET LP	343,172	10	0.229%	164,184	6	0.371%

*** 2001 exact rank can not be determined

Source: Office of Tax and Revenue

Ten Highest Assessed Values For Tax Exempt Properties **Exhibit S-2E**
Current Year
(dollars in thousands)

Property	Value
INTERNATIONAL FINANCE CORPORATION	$ 544,621
INTERNATIONAL BANK FOR RECONSTRUCTION & DEVELOPMENT	459,053
INTER-AMERICAN DEVELOPMENT BANK	429,786
CATHOLIC UNIVERSITY OF AMERICA	386,066
GEORGETOWN UNIVERSITY	375,992
INTERNATIONAL MONETARY FUND	298,701
INTERNATIONAL MONETARY FUND	284,032
PROTESTANT EPISCOPAL CATHEDRAL FOUNDATION DC	275,612
HOWARD UNIVERSITY	252,609
THE FREEDOM FORUM INC	243,474

Source: Office of Tax and Revenue

Note: Duplicate property listings result from owners with multiple properties.

Property Tax Levies and Collections **Exhibit S-2F**
Last Ten Fiscal Years
(dollars in thousands)

Fiscal Year Ended Sept 30	Tax Levy	Tax Collections (1) Current	Subsequent Years (2)	Total	Percent of Collections to Levy Current	Total
2001	$ 669,016	$ 576,965	$ 58,359	$ 635,324	86.2%	95.0%
2002	740,387	649,895	57,729	707,624	87.8%	95.6%
2003	847,980	774,989	63,110	838,099	91.4%	98.8%
2004	1,011,891	898,352	47,701	946,053	88.8%	93.5%
2005	1,198,319	1,021,836	46,314	1,068,150	85.3%	89.1%
2006	1,234,062	1,102,954	47,422	1,150,376	89.4%	93.2%
2007	1,525,002	1,361,132	66,500	1,427,632	89.3%	93.6%
2008	1,815,303	1,623,073	67,384	1,690,457	89.4%	93.1%
2009	2,103,251	1,760,938	69,483	1,830,421	83.7%	87.0%
2010	2,064,618	1,746,542	97,044	1,843,586	84.6%	89.3%

(1) Approximately 45% of real property tax collections are deposited with fiscal agents, such as commercial banks, for payment of matured bonds and interest.
(2) Subsequent year collections related to collections on prior year levies.

Current year tax levy amounts include new billings for prior year penalties and interest.
Subsequent year collections relate to collections on prior year levies.

Source: Office of Tax and Revenue

Personal Income Tax Rates
Last Ten Fiscal Years

Exhibit S-2G

Year	Top Rate	Top Income Tax Rate Is Applied to Taxable Income in Excess of Listed Amounts: Single	Married Filling Jointly	Head of Household	* Average Effective Rate
2001	9.30%	$ 30,000	$ 30,000	$ 30,000	6.60%
2002	9.30%	30,000	30,000	30,000	6.55%
2003	9.30%	30,000	30,000	30,000	6.66%
2004	9.30%	30,000	30,000	30,000	6.65%
2005	9.00%	30,000	30,000	30,000	6.68%
2006	8.70%	40,000	40,000	40,000	6.45%
2007	8.50%	40,000	40,000	40,000	6.20%
2008	8.50%	40,000	40,000	40,000	5.93%
2009	8.50%	40,000	40,000	40,000	5.64%
2010	8.50%	40,000	40,000	40,000	N/A

N/A: Not Available

* Fiscal year personal income tax collections divided by prior-year personal income.

Source: Office of Tax and Revenue

Personal Income Tax Filers and Liability by Income Level
Current Year and Nine Years Ago

Exhibit S-2H

Income Level	2010 Number of Filers	2010 Percentage of Total	2010 Personal Income Tax Liability	2010 Percentage of Total	2001 Number of Filers	2001 Percentage of Total	2001 Personal Income Tax Liability	2001 Percentage of Total
$100,001 and higher	41,949	13.65%	$ 590,978,417	59.86%	28,214	9.59%	$ 596,029,000	58.62%
$75,001 -- $100,000	22,237	7.24%	104,135,049	10.55%	15,373	5.22%	87,223,531	8.58%
$50,001 -- $75,000	41,051	13.36%	120,105,761	12.17%	32,586	11.07%	121,357,560	11.94%
$25,001 -- $50,000	77,417	25.19%	108,528,441	10.99%	82,268	27.96%	152,597,440	15.01%
$10,001 -- $25,000	63,152	20.55%	26,610,644	2.70%	77,697	26.41%	50,874,277	5.00%
$10,000 -- and lower	61,518	20.02%	36,829,815	3.73%	58,103	19.75%	8,709,844	0.86%
Total	307,324	100.00%	$ 987,188,127	100.00%	294,241	100.00%	$ 1,016,791,652	100.00%

Note: Amounts not expressed in thousands.

Source: Office of Tax and Revenue

3. Debt Capacity

These schedules present information showing the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

Ratios of General Obligation Bonds Outstanding
Last Ten Fiscal Years
(dollars in thousands, except per capita)

Exhibit S-3A

Fiscal Year	General Obligation Bonds (GO)	Actual Value of Taxable Property	GO Bonds as a Percentage of Actual Value of Taxable Property	GO Debt Per Capita *
2001	$ 2,582,017	$ 44,229,116	5.84%	$ 4,470
2002	2,670,573	52,522,147	5.08%	4,611
2003	3,251,118	58,063,667	5.60%	5,631
2004	3,418,933	66,454,109	5.14%	5,900
2005	3,632,198	86,887,767	4.18%	6,240
2006	3,773,863	98,491,335	3.83%	6,446
2007	4,140,133	124,875,273	3.32%	7,043
2008	4,592,518	142,958,188	3.21%	7,760
2009	3,766,628	153,039,555	2.46%	6,281
2010	2,781,053	150,117,289	1.85%	4,622

* The prior year per capita amounts were updated to reflect the revised census population estimates.

Pledged-Revenue Coverage
Last Eight Fiscal Years
(dollars in thousands)

Exhibit S-3B

	Tax Increment Financing Debts				
			Debt Service		
Fiscal Year	Sales Tax Increment	Real Property Tax Increment	Principal	Interest	Coverage
2003	$ -	$ -	$ -	$ 4,236	0.00%
2004	790	-	-	4,236	18.65%
2005	4,507	2,397	4,942	4,764	71.13%
2006	8,299	974	4,809	4,899	95.52%
2007	8,948	3,516	4,666	5,042	128.39%
2008	9,090	1,563	4,565	5,147	109.69%
2009	10,032	4,918	4,467	5,245	153.93%
2010	7,529	4,431	4,390	5,320	123.17%

Note: Details regarding the District's outstanding debt can be found in the Notes to the Basic Financial Statements.

Beginning FY 2010, the District has revised the presentation of the Exhibit by removing sales tax increment and real property tax increment that was dedicated to tax increment financing other than the Gallery Place TIF Bonds and the Mandarin Hotel TIF Bonds for which the principal and interest components of debt service were indicated.

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(dollars in thousands, except per capita)

Exhibit S-3C

	Governmental Activities														
Fiscal Year	General Obligation Bonds	Income Tax Secured Bonds	TIF Bonds	Qualified Zone Academy Bonds	Certificates of Participation	Capital Leases	Ballpark Bonds	HPTF Bonds(3)	PILOT Revenue Bonds(4)	Tobacco Bonds(1)	**Total Debt**	**Personal Income(2)**	**Total Debt as a Percentage of Personal Income**	**Total Debt Per Capita**	**Total "Tax Supported Debt" Per Capita**
2001	$ 2,582,017	$ -	$ 6,900	$ -	$ -	$ 121,564	$ -	$ -	$ -	$ 521,105	$ 3,231,586	$ 25,525,115	12.7%	$ 5,594	$ 4,692
2002	2,670,573	-	126,545	3,582	-	157,057	-	-	-	514,280	3,472,037	25,786,286	13.5%	5,995	5,107
2003	3,251,118	-	125,524	3,327	129,530	90,458	-	-	-	506,550	4,106,507	26,913,785	15.3%	7,112	6,235
2004	3,418,933	-	124,009	3,071	128,345	84,456	-	-	-	502,740	4,261,554	29,203,213	14.6%	7,354	6,486
2005	3,632,198	-	117,525	2,815	120,760	76,390	-	-	-	498,740	4,448,428	31,874,543	14.0%	7,643	6,786
2006	3,773,863	-	109,895	5,221	278,100	67,942	534,800	-	-	742,284	5,512,105	33,895,852	16.3%	9,416	8,148
2007	4,140,133	-	105,229	4,787	270,780	59,868	528,490	34,105	-	737,069	5,880,461	36,119,426	16.3%	10,003	8,749
2008	4,592,518	-	100,664	6,713	261,375	52,403	526,415	33,570	155,630	724,484	6,453,772	39,131,118	16.5%	10,905	9,709
2009	3,766,628	1,071,785	96,196	6,044	251,515	44,492	521,750	33,010	142,138	711,239	6,644,797	40,784,749	16.3%	11,081	9,895
2010	2,781,053	2,570,650	91,807	9,518	241,185	36,108	517,390	85,615	156,621	699,779	7,189,726	N/A	N/A	11,949	10,786

Note: There are no business type activities with outstanding debt.
Prior year per capita amounts were updated to reflect U.S. Census Bureau population estimates.
Convention Center bonds are neither reported nor included in this table.
(1) Tobacco bonds are not supported by general tax revenues and are not included in the Total "Tax Supported Debt" Per Capita calculation.
(2) The prior year personal income amounts were updated to reflect revised U.S. Bureau of Economic Analysis estimates.
(3) HPTF - Housing Production Trust Fund
(4) PILOT - Payments in Lieu of Taxes
N/A - Not Available

Legal Debt Margin Information
Last Ten Fiscal Years
(dollars in thousands)

Exhibit S-3D

Debt Service Cost Margin Calculation for Fiscal Year 2010:

General fund revenue		$ 5,749,761
Debt service cost limitation (17% of general fund revenue)		$ 977,459
Debt expenditure applicable to limit:		
Principal	$ 175,019	
Interest	233,536	
Subtotal for current year	408,555	
Highest debt service cost	$ 408,555	
Total debt service cost subject to the limitation		408,555
Debt service cost margin		$ 568,904

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Debt service cost limitation	$ 718,024	$ 622,331	$ 627,516	$ 735,472	$ 823,558	$ 875,852	$ 1,000,684	$ 1,039,711	$ 1,002,774	$ 977,459
Highest future year debt service cost	270,910	284,114	319,160	339,003	359,735	383,659	406,161	456,152	408,506	408,555
Debt service cost margin	$ 447,114	$ 338,217	$ 308,356	$ 396,469	$ 463,823	$ 492,193	$ 594,523	$ 583,559	$ 594,268	$ 568,904
Total debt service cost subject to the limit as a percentage of debt service cost limit	37.7 %	45.7 %	50.9 %	46.1 %	43.7 %	43.8 %	40.6 %	43.9 %	40.7 %	41.8 %
Debt limit ratio	6 %	7.8 %	8.6 %	7.8 %	7.4 %	7.4 %	6.9 %	7.5 %	6.9 %	7.1 %

Note: Under the District of Columbia Self-Government and Governmental Reorganization Act, no long term general obligation debt (other than refunding debt) may be issued during any fiscal year in an amount which would cause the amount of the principal and interest paid in any fiscal year on all long term debt to exceed 17 percent of the revenues of the fiscal year in which the debt is issued. The debt service percent is calculated using the highest fiscal year debt service divided by the total revenues.

Limitation On Borrowing
(dollars in thousands)

Exhibit S-3E

General Fund Expenditures:	$	5,803,867	
General Fund Transfers out:		177,361	
Total:	**$**	**5,981,228**	
Limitation on borrowing (12%):	$		717,747
FY 2010 debt service cost:			544,201
Margin on Limitation:	$		**173,546**
FY 2010 Debt service percentage:			**9.10%**

Debt Service Expenditures by Fiscal Year

		2010			2011			2012			2013		
Long Term Debt		Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
General Obligation Bonds	$	156,840	148,887	305,727	132,785	127,379	260,164	49,223	140,489	189,712	48,075	140,529	188,604
Income Tax Revenue Bonds		-	59,710	59,710	86,495	127,424	213,919	154,090	118,602	272,692	88,025	114,627	202,652
TIF Bonds		4,389	5,320	9,709	4,323	5,385	9,708	4,269	5,440	9,709	4,222	5,489	9,711
TIF Notes		3,187	4,610	7,797	12,165	6,971	19,136	1,566	4,010	5,576	1,382	3,911	5,293
QZAB		669	-	669	945	-	945	946	-	946	946	-	946
Capital Leases		8,384	2,536	10,920	8,675	2,040	10,715	9,189	1,521	10,710	9,744	971	10,715
Ballpark Bonds		4,360	26,386	30,746	4,540	27,012	31,552	4,915	26,788	31,703	5,680	26,533	32,213
Equipment Financing Program		38,958	4,746	43,704	39,574	3,764	43,338	31,471	2,260	33,731	24,517	1,143	25,660
HPTF Revenue Bonds		585	1,561	2,146	1,280	3,502	4,782	1,530	4,044	5,574	1,585	3,988	5,573
AWC PILOT Rev Bonds		6,020	4,530	10,550	6,290	4,258	10,548	6,575	3,974	10,549	6,875	3,678	10,553
Rhode Island Avenue Metro PILOT		-	-	-	-	-	-	98	208	306	204	408	612
Foundry Lofts PILOT Note		-	-	-	-	229	229	53	292	345	110	288	398
Capper Carrollsburg PILOT		-	-	-	-	1,357	1,357	-	1,160	1,160	29,000	580	29,580
NCRC Revenue Bonds		8,497	595	9,092	1,038	1,327	2,365	1,091	1,446	2,537	1,147	1,387	2,534
COPs		8,541	11,079	19,620	10,850	11,772	22,622	11,400	11,216	22,616	11,970	10,649	22,619
Washington Convention Center Authority		12,160	21,651	33,811	12,700	21,655	34,355	13,265	21,055	34,320	13,865	20,376	34,241
Total	**$**	**252,590**	**291,611**	**544,201**	**321,660**	**344,075**	**665,735**	**289,681**	**342,505**	**632,186**	**247,347**	**334,557**	**581,904**

Source: Office of Finance and Treasury

4. Demographic and Economic Information

These schedules offer demographic and economic data to help explain the environment within which the District's financial activities take place. This information also facilitates comparisons of financial statement information over time and among governments.

Demographic and Economic Statistics
Last Ten Fiscal Years

Exhibit S-4A

Fiscal Year	Population (1)	Personal Income (2)(3)	Per Capita Income (2)	Median Age (1)	Employment (4)	Unemployment Rate (4)	Claims Accepted (5)	Claims Rejected (5)
2001	577,678	25,525,115	44,188	34.7	654,400	6.0%	18,189	6,514
2002	579,112	25,786,286	44,521	34.8	661,800	6.6%	26,166	10,706
2003	577,371	26,913,785	46,607	34.9	665,900	7.0%	21,527	7,342
2004	579,521	29,203,213	50,383	34.9	670,500	7.8%	18,554	6,450
2005	582,049	31,874,543	54,763	35.0	677,900	7.5%	17,223	6,074
2006	583,978	33,895,852	57,896	35.0	689,300	5.7%	17,021	6,212
2007	586,409	36,119,426	61,397	35.0	695,900	5.8%	17,111	5,918
2008	590,074	39,131,118	66,119	34.9	703,600	6.3%	20,425	7,123
2009	599,657	40,784,749	68,013	35.1	707,100	9.9%	34,668	13,697
2010	601,723	N/A	N/A	N/A	718,000	9.8%	34,481	10,761

N/A: Not Available
(1) Source: U.S. Bureau of the Census (As of July 1 - Updated each December for all of the years after the 2000 census)
(2) Source: U.S. Department of Commerce, Bureau of Economic Analysis (BEA). BEA uses slightly different population estimates in its calculation of per capita income. Updates are made each year to prior year numbers, which will not match prior year CAFR figures.
(3) In thousands
(4) Source: D.C. Department of Employment Services
(5) Source: D.C. Unemployment Compensation Office

Principal Employers
Prior Year and Nine Years Ago **

Exhibit S-4B

	2009 **			2000		
Employer	Employees	Rank	% of Total Employment	Employees	Rank	% of Total Employment
Georgetown University	*	1	*	*	4	*
The George Washington University	*	2	*	*	1	*
Washington Hospital Center	*	3	*	*	2	*
Children's National Medical Center	*	4	*	*	5	*
Howard University	*	5	*	*	3	*
Georgetown University Hospital	*	6	*	*	7	*
American University	*	7	*	*	10	*
Fannie Mae	*	8	*	*	6	*
The Catholic University of America	*	9	*	*	15	*
Providence Hospital	*	10	*	*	8	*
Howard University Hospital	*	11	*	*	12	*
Sibley Memorial Hospital	*	12	*	*	21	*
George Washington University Hospital	*	13	*	*	19	*
Total	48,539		7.1%	41,127		6.5%

* This data is produced through the Quarterly Covered Employment and Wage (QCEW) Program, a Bureau of Labor Statistics federal/state cooperative statistical program. Release of data under this program is subject to the Confidential Information Protection and Statistical Efficiency Act of 2002. The District cannot release company specific employment information without the written consent of each of the companies that are included in the release of such data. As a result, we are only presenting rank and total employment information for the top thirteen principal employers.

** 2010 data will not be available until fiscal year 2011

5. Operating Information

These schedules contain service and infrastructure data to better understand how the information in the District's financial reports relates to the services the District provides and the activities it performs.

Operating Indicators by Function/Program
Last Ten Fiscal Years

Exhibit S-5A

Function/Program	Operating Indicators 2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
GOVERNMENTAL DIRECTION AND SUPPORT										
General Obligation Bonds										
Bond rating by S&P	BBB+	BBB+	A-	A	A+	A+	A+	A+	A+	A+
Bond rating by Moody's	Baa1	Baa1	Baa1	A2	A2	A2	A1	A1	A1	Aa2
Bond rating by Fitch	BBB+	BBB+	A-	A-	A	A	A+	A+	A+	AA-
Income Tax Secured Revenue Bond *										
Bond rating by S&P	-	-	-	-	-	-	-	-	AAA	AAA
Bond rating by Moody's	-	-	-	-	-	-	-	-	Aa2	Aa1
Bond rating by Fitch	-	-	-	-	-	-	-	-	AA	AA+
*First issued in FY 2009										
ECONOMIC DEVELOPMENT AND REGULATION										
Taxable retail sales ($ millions)	$ 7,367	$ 7,485	$ 7,683	$ 8,343	$ 10,487	$ 10,051	$ 9,971	$ 11,048	10,198	11,191
Commercial construction units	38	59	59	115	125	121	173	156	107	138
Value	$ 889,830	$ 919,252	$ 418,049	$ 1,720,869	$ 1,466,587	$ 1,366,931	$ 1,300,454	$ 1,938,197	2,321,216	1,518,394
Residential construction units	422	448	499	506	861	815	664	1,237	1,003	850
Value	$ 100,366	$ 102,861	$ 68,931	$ 117,803	$ 192,609	$ 186,685	$ 182,298	$ 276,722	269,812	214,187
Housing Finance Agency										
Number of Single-Family Units Financed	503	161	5	0	0	67	273	218	109	15
Amount of Single-Family Financing Provided ($ 000s)	$ 61,300	$ 19,600	$ 612	$ 0	$ 0	$ 16,820	$ 59,070	$ 43,795	24,750	2,704
Number of Multi-Family Units Financed	1,555	1,893	1,237	525	7,623	1,165	1,198	917	297	1,307
Amount of Multi-Family Financing Provided ($ 000s)	$ 98,534	$ 101,205	$ 76,358	$ 36,051	$ 133,510	$ 71,543	$ 118,978	$ 91,014	28,255	137,000
Total Number of Housing Units Financed	2,058	2,054	1,242	525	7,623	1,232	1,471	1,135	406	1,322
Total Amount of Housing Financing Provided ($ 000s)	$ 159,834	$ 120,805	$ 76,970	$ 36,051	$ 133,510	$ 88,363	$ 178,048	$ 134,809	53,005	139,704
PUBLIC SAFETY AND JUSTICE										
Police										
Crime Index Offenses	40,305	40,213	39,797	36,246	32,678	32,311	33,043	35,351	34,977	30,872
Number of Police Officers	3,601	3,666	3,711	3,800	3,800	3,800	3,907	4,050	4,047	3,960
Fire & EMS										
Number of Operational Personnel **	1,613	1,648	1,765	1,768	1,831	1,800	1,818	1,958	1,958	1,946
Total Number of Incidents	145,121	138,277	142,154	140,585	145,812	149,395	153,778	158,919	165,725	162,440
Total Number of Fire/Rescue Incidents	41,243	30,672	30,559	30,029	30,989	32,015	32,363	32,396	30,728	31,562
Number of Medical Incidents	103,878	107,605	11,595	110,556	114,823	117,380	121,415	126,523	134,997	130,878
Total number of Transports	71,267	75,785	79,245	77,289	73,314	75,186	76,841	81,981	86,824	94,039
Inspections	23,923	20,303	13,055	26,703	29,072	28,636	19,282	13,175	22,716	24,862
**Beginning in FY 2008 - The number of Fire Fighters and the number of Emergency Medical Personnel have been combined into a single measure, "Number of Operational Personnel" to reflect the agency's evolution into a unified all-hazards department.										
PUBLIC LIBRARY										
Number of Volumes	2,715,332	2,721,119	2,609,062	2,559,601	2,333,957	2,873,518	3,037,696	2,897,099	2,525,848	2,242,514

Operating Indicators by Function/Program
Last Ten Fiscal Years

Exhibit S-5A
(Continued)

Function/Program	Operating Indicators									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
PUBLIC EDUCATION SYSTEM										
D.C. Public School System										
Number of School Teachers	4,850	4,938	4,365	5,206	4,938	4,614	4,509	4,328	3,722	3,758
Number of School Students	68,925	67,522	65,093	62,306	62,306	56,943	52,945	46,208	46,132	45,772
Number of High School Graduates	2,808	2,894	2,723	2,740	2,680	2,450	2,489	2,555	2,679	2,790
University of the District of Columbia										
Number of Teachers	N/A	260	260	208	219	215	242	247	241	231
Number of Students	5,456	5,468	5,241	5,424	5,364	5,772	5,612	5,595	5,260	5,855
Number of Graduates	511	466	483	508	503	573	475	599	711	602
PUBLIC WORKS/PUBLIC TRANSPORTATION										
Street Resurfaced (includes reconstruction); regular cover; pavement restoration (miles)	78.8	103.1	27.8	36.5	90.0	65.2	52.3	32.1	18.0	13.0
Potholes Repaired	5,802	7,005	7,679	9,177	5,272	3,649	6,262	2,800	2,400	5,580
Refuse collected (tons per day)	466	491	511	506	485	425	406	404	378	390
Recyclables collected (tons per day)	82	78	83	84	85	86	95	98	105	110
Tons of Bulk Trash Removed	N/A	4,898	4,994	5,362	4,956	4,610	4,831	4,025	4,136	3,611
Tons of Leaves Removed	N/A	8,983	8,014	6,651	9,569	9,588	7,834	10,072	8,289	8,050
Tons of Snow Removed	1,475,619	638,106	8,056,083	2,472,659	880,000	855,712	661,050	674,225	808,732	5,298,905
Department of Motor Vehicles										
Number of motor vehicle registrations (1/1 - 12/31)	N/A	231,848	235,907	243,874	250,602	260,662	271,243	269,549	259,367	276,585
Number of operator licenses issued (1/1 - 12/31)	N/A	70,491	78,022	96,760	80,765	90,456	117,902	112,072	110,846	109,630
Number of operator licenses outstanding (1/1 - 12/31)	N/A	N/A	241,304	237,526	314,650	357,569	396,193	342,816	340,316	348,036
D.C. WATER AND SEWER AUTHORITY										
Number of Customer locations	124,749	130,000	122,502	122,802	123,062	123,465	124,109	124,582	125,130	124,993
Average daily water consumption (MGD)	132	135	86	87	86	87	87	84	80	79
Daily maximum sewer capacity (MGD)	740	1,076	370	370	370	370	370	370	370	370
Peak 4 Hour Flow, through complete process (MGD)	740	740	740	740	740	740	740	740	740	740
Excess Storm Flow, primary treatment only (MGD)	336	336	336	336	336	336	336	336	336	336
Peak Flow (MGD)	1,076	1,076	1,076	1,076	1,076	1,076	1,076	1,076	1,076	1,076
CONVENTION CENTER										
Conferences held	165	169	163	201	189	106	151	183	204	214
Attendees	985,196	915,088	891,008	1,023,072	1,153,250	935,485	1,028,953	1,091,406	1,053,266	1,015,324

N/A: Not Available

Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Exhibit S-5B

Function/Program	Fiscal Years 2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Police										
Police Stations Including Satellites	13	14	14	16	16	16	16	17	11	11
Number of Patrol Cars	N/A	N/A	N/A	1,207	1,199	1,234	1,222	1,242	1,200	1,183
Fire										
Number of Fire and EMS stations	34	34	34	34	34	33	34	34	34	34
Number of Front-line Emergency Vehicles	78	78	91	92	92	107	130	111	126	126
EMS										
Number of Ambulances	53	53	65	62	62	91	78	79	77	78
D.C. Public School System										
Schools	146	146	147	147	165	144	144	144	131	122
Number of School Buses	N/A	N/A	N/A	650	669	712	727	727	790	753
Public Library										
Number of Main and Branch Buildings	22	22	22	22	22	22	22	22	24	25
Number of Community and Kiosk Facilities	5	5	5	5	5	5	5	5	0	0
Parks and Recreation										
Acreage	800	800	800	800	800	832	836	836	836	836
Number of Recreation & Community Centers	77	78	75	75	72	70	73	75	75	79
Number of Day Camps	3	78	57	70	51	86	86	71	68	76
Number of Outdoor Swimming Pools	35	22	32	27	26	24	26	24	24	23
Number of Indoor Swimming Pools	7	7	6	6	8	6	8	7	7	10
Public Works/Public Transportation										
Number of Refuse Collection Trucks	52	52	52	52	71	71	77	77	84	71
Primary Street Miles	126	126	126	126	126	126	126	126	126	126
Secondary Street Miles	1,007	1,007	1,007	1,007	1,007	1,007	1,007	1,007	1,007	1,007
Number of Street Lights	64,349	66,089	66,570	66,562	66,650	66,630	68,000	68,000	68,000	68,000
Number of Signalized Intersections	1,519	1,529	1,533	1,534	1,538	1,563	1,570	1,575	1,600	1,700
Number of Trees	N/A	106,000	110,000	114,000	118,000	120,934	128,540	144,000	145,312	146,920
D.C. Water & Sewer Authority										
Miles of Water Mains	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300
Miles of Sewer Mains	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800

N/A: Not Available

Budgeted Full-Time Equivalent District Government Employees, by Function, General Operating Funds
Last Ten Fiscal Years
(Year ended Sept 30)

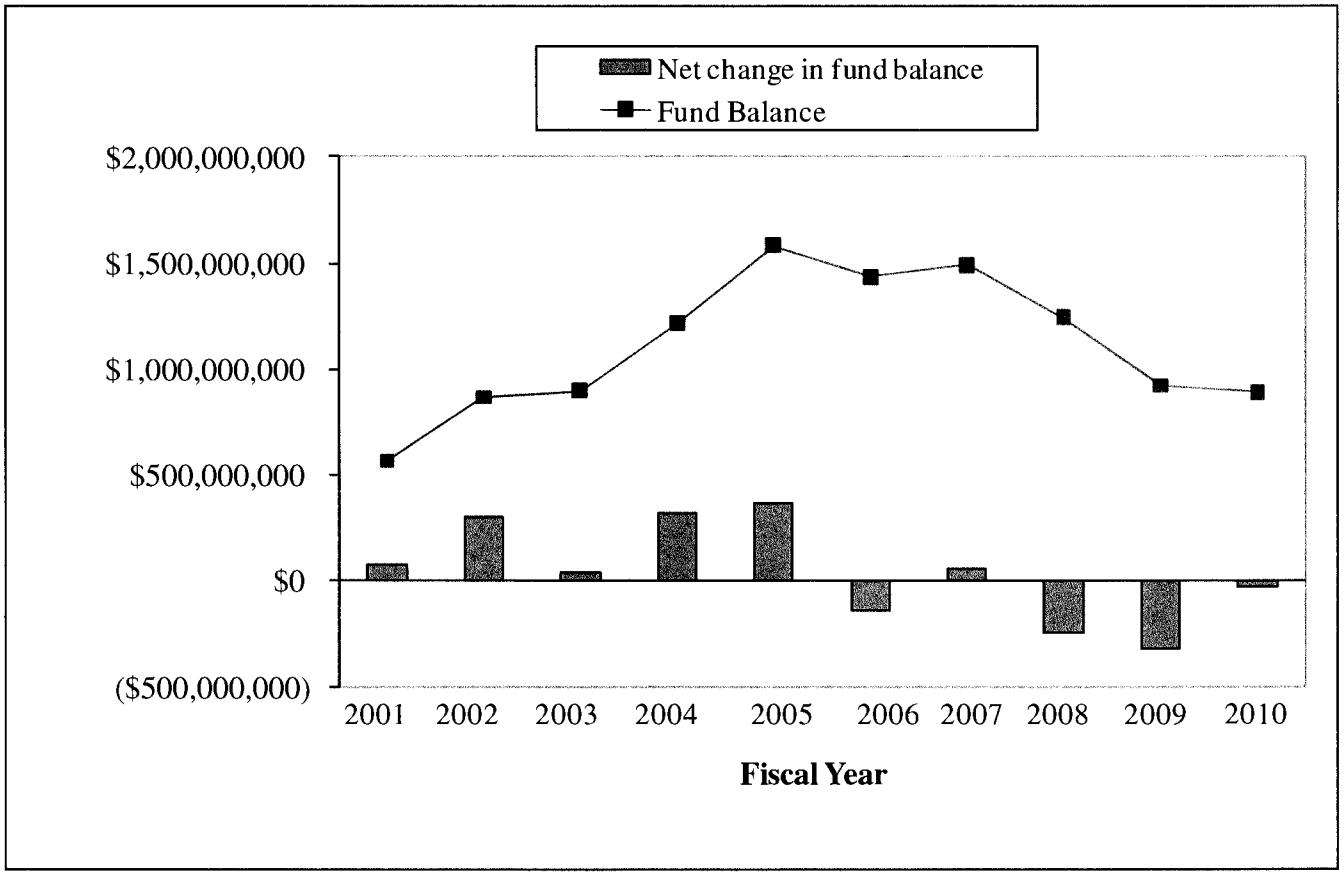
Exhibit S-5C

	Full-time Equivalent District Government Employees									
Function	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008 ***	**2009**	**2010**
Governmental direction and support	2,659	2,647	2,417	2,358	2,419	2,475	2,613	2,725	2,726	2,440
Economic development and regulation	597	556	538	1,000	986	1,104	1,157	1,220	1,230	1,128
Public safety and justice	7,328	7,169	7,379	7,547	7,963	7,919	8,234	8,720	8,728	8,586
Public education system	10,824	11,344	10,818	10,770	9,211	9,714	9,367	8,618	8,323	7,651
Human support services	1,957	4,095	4,280	4,211	4,555	4,611	4,571	4,816	4,559	3,946
Public works	2,071	1,585	1,454	1,624	1,752	1,789	1,889	2,073	2,197	2,106
Total	**25,436**	**27,396**	**26,886**	**27,510**	**26,886**	**27,612**	**27,831**	**28,172**	**27,763**	**25,857**

* The statistics for FY 2008 were revised to reflect budget.
Source: Office of Budget and Planning

Exhibit S-5D

General Fund
Fund Balance Trend Chart



GOVERNMENT OF THE DISTRICT OF COLUMBIA

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PHOTOS

Ernest Grant
OCFO Office of Communications

YEAR ENDED SEPTEMBER 30, 2010

KPMG LLP
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To the Mayor and the Council of the Government of the District of Columbia
Inspector General of the Government of the District of Columbia

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, budgetary comparison statement, each major fund, and the aggregate remaining fund information of the District of Columbia (the District) as of and for the year ended September 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 27, 2011. We conducted our 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. The financial statements of the District of Columbia Water and Sewer Authority, and District of Columbia Housing Financing Agency, both discretely presented component units of the District, were not audited in accordance with *Government Auditing* Standards.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control over financial reporting 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 combination of deficiencies, in internal control over financial reporting, 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and that are described in Appendix A to this report. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in finding 2010-02 in Appendix A to this report.

The District's responses to the findings identified in our audit are described in the accompanying Appendix. We did not audit the District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Mayor, the Council, the Office of the Inspector General, District management, the U.S. Government Accountability Office, the U.S. Congress, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

January 27, 2011

Appendix A – Significant Deficiencies in Internal Control Over Financial Reporting

Finding 2010-01 – Weaknesses in the District's General Information Technology Controls

Background:
General Information Technology Controls (GITCs) provide the foundation for a well-controlled technology environment that supports the consistent processing and reporting of operational and financial data in accordance with management's directives. Our audit included an assessment of selected GITCs in four (4) key control areas: Access to Programs and Data, Program Changes, Program Development, and Computer Operations. During our assessment, we identified pervasive GITC-related findings. Our findings included the following:

Access to Programs and Data
Conditions:

1. Failure to consistently restrict privileged and general user access to key financial applications in accordance with employee job responsibilities and/or segregation of duties considerations.
2. Inconsistent performance and/or documentation of user access administration activities, including the approval of new user access and access changes, periodic review of user access rights, and timely removal of user access upon employee termination.
3. Use of generic accounts to perform system administration and/or end user functions within key applications without adequate monitoring controls over such activities.

Program Changes
Conditions:

1. Failure to institute well-designed program change and/or system development life cycle policies that establish procedural and documentation requirements for authorizing, developing, testing, and approving changes to key financial applications and related infrastructure software[1] in the production environment.
2. Inconsistent adherence to established program change management procedures including instances in which changes made to the system were not approved, tested or documented appropriately per the established procedures.
3. Failure to consistently restrict developer access to the production environments of key financial applications in accordance with segregation of duties considerations or, if infeasible, implement independent monitoring controls to help ensure changes applied to the production environment are authorized.

Table 1 below summarizes the key financial applications that were impacted by the findings noted above.

[1] Infrastructure changes refer to software changes and updates applied to underlying operating systems and databases supporting the key financial applications.

Appendix A

Table 1: Summary of applications impacted by the findings related to the Access to Programs and Data and Program Change control areas

Application	Access to Program and Data	Program Changes
PeopleSoft	X	X
TACIS	X	X
PASS	X	
ACEDS	X	X
DOCS	X	X
DUTAS	X	X
BARTS		X
Meditech	X	
TAS	X	

Criteria:

1. The Federal Information Security Management Act (FISMA), passed as part of the Electronic Government Act of 2002, mandates that Federal entities maintain IT security programs in accordance with National Institute of Standards and Technology (NIST). The following NIST criteria were leveraged:
   a) NIST Special Publications (SP) 800-12, An Introduction to Computer Security
   b) NIST SP 800-53, Revision 3, Recommended Security Controls for Federal Information Systems and Organizations, August 2009
   c) NIST SP 800-64, Security Considerations in the System Development Life Cycle, October 2008
   d) NIST SP 800-14, Generally Accepted Principles and Practices for Securing Information Technology, September 1996
2. The U.S. Government Accountability Office's (GAO's) Evaluating Internal Controls in Computer Based Systems (Black Book)

Cause/Effect:

The findings highlighted above include weaknesses in both the design and consistent operation of policies and procedures considered relevant to the Access to Programs and Data and Program Change areas. We noted a segmented approach in the design and implementation of relevant GITCs, including the lack of a concentrated effort to formalize underlying GITC processes and controls, and the lack of an effective monitoring function. The existence of these findings increases the risk that unauthorized changes applied to key financial applications and the data they process adversely affect application processing and data integrity and, as a result, may materially impact the financial statements. Additionally, the existence of these findings impacts the reliability of key application reports and the ability to rely upon automated, configurable controls embedded within key financial applications.

Appendix A

Recommendations:

1. *Related to Access to Programs and Data controls, we recommend that management:*
    1. Assess and update or, as applicable, develop and document access management policies and procedures for production applications and underlying infrastructure systems. These policies and procedures should address requirements for clearly documenting user access requests and supervisory authorizations, periodic reviews of the appropriateness of user access by Agency business management, timely communication of employee separations/transfers, and disablement/removal of the related user access.
    2. Develop and implement controls that establish organizational and logical segregation between program development roles, production administration roles and business end user roles among different individuals or, independently performed monitoring of the activities of users provided with conflicting system access.
    3. Restrict the use of generic IDs or, if such access is required, implement independent monitoring of the activities performed using generic ID.
    4. Formally communicate policies and procedures per the recommendations above to control owners and performers. Further, management should institute a formalized process to monitor adherence to policies and procedures related to key controls and, as performance deviations are identified, follow up as appropriate.

2. *Related to Program Change controls, we recommend that management:*
    1. Assess and update or, as applicable, develop and document program change control policies and procedures for production applications and underlying infrastructure systems including, but not limited to, requirements for the documentation of: properly detailed change requests, authorization of the change prior to initiation of the work, preparation of test plans and results, and formal approval of the change prior to migration to production.
    2. Formally communicate policies and procedures per the recommendations above to control owners and performers. Further, management should institute a formalized process to monitor adherence to policies and procedures related to key controls and, as performance deviations are identified, follow up as appropriate.
    3. Develop and implement controls that establish organizational and logical segregation between program development roles and change migration roles among different individuals or, independent monitoring of the activities of users provided with conflicting system access.

Management's Response:

The District concurs with the auditor's findings with respect to general information technology controls and will develop and implement the necessary corrective actions to address the deficiencies noted and enhance operational efficiency.

Appendix A

Access to Programs and Data

The District concurs with this finding and will implement the necessary measures to adequately restrict user access to programs and data based on job functions and the need for adequate separation of incompatible duties. In addition, the District will develop (or revise) and implement policies and procedures for: (a) restricting user access; (b) routinely monitoring application access privileges; (c) approving new user access (or access changes); and (d) timely removing user access upon employee separation/termination. Such policies and procedures will also include specific guidance on the use of generic accounts to perform system administration functions (e.g., instances in which such accounts are to be used and how the use of generic accounts is to be monitored).

Program Changes

The District concurs with this finding and will review existing policies regarding authorizing, developing, testing, and approving changes to financial applications and related infrastructure software. To the extent that current policies are not adequate, the District will revise them accordingly. In addition, we will periodically perform internal reviews of program change management practices to ensure that changes made in the financial systems are properly approved, tested, and documented. This will include monitoring whether system developers are being limited to the production environments of financial applications.

Appendix A

Finding 2010-02 – Weaknesses in the District's Procurement and Disbursement Controls

Background:
The District expends over $8 billion per year in non-personnel related expenditures. In order to be as efficient and effective as possible, the District has established very robust policies and procedures at the Office of Contracts and Procurement, as well as at those agencies that have independent procurement authority to procure goods and services and to make payments for those goods and services. Further, these policies and procedures serve to ensure the District's compliance with various laws and regulations governing procurement and payment, such as the Procurement Practices Act and the Quick Payment Act.

Condition:
We selected a sample of 25 sole source procurements executed by the District in fiscal year 2010 and noted the following:

Lack of supporting documentation:
- For six (6) contracts, the Determination and Findings (D&F) were not available for review.
- For ten (10) contracts, the screen prints showing that a search was performed to determine whether the vendor was debarred or suspended from doing business with the District were not available for review.
- For three (3) contracts, the use of the sole source method of procurement was not appropriate.

Inadequate approvals:
- For three (3) contracts, the D&F was not approved by the Contracting Officer.
- For two (2) contracts, the Contracting Officer delegation authority was not available for review.
- For one (1) contract, the Contracting Officer was able to approve a purchase requisition above his delegation of authority.
- For one (1) contract, the D&F was not approved by the Agency Director and/or Department Head.
- For four (4) contracts, the Council and Office of the Attorney General (OAG) approval was not available for review.
- For two (2) contracts, the purchase requisition was not approved by the Contracting Officer.
- For one (1) contract, the OAG approval was not available for review.
- In one (1) instance, the contract was misclassified as a sole source contract.

We also selected a sample of 25 emergency procurements executed during fiscal year 2010 and noted the following:

Lack of supporting documentation:
- There was no evidence to support the classification as an emergency procurement for ten (10) procurements.
- There is no evidence of competition or a sole source determination for three (3) emergency procurement contracts.

- The screen prints to provide evidence that a search to determine whether the vendor was debarred or suspended from doing business with the District was not available for review for seven (7) contracts.
- For one (1) contract, the D&F was not available for review.

Inadequate approvals:
- The delegation of authority for the contracting officer was not available for three (3) procurements.
- The contracting officer approved a requisition above his the delegation of authority for one (1) contract.
- The Council and OAG approval was not available for review for one (1) contract.

Non-compliance with emergency criteria requirement:
- The period of performance exceeded the 120 days requirement for an emergency procurement for three (3) contracts inspected.

We selected seven (7) large construction contracts and determined that the District was unable to provide the supporting documentation for three (3) of the construction contracts as follows:
- The Solicitation and Evaluation documents were not available for review for two (2) contracts.
- The Determination and Finding for price reasonableness and Contractor responsibility, the Council approval and OAG legal review for when the contract was awarded in 2005, were not available for review for one (1) contract.
- The Excluded parties' printouts were not available for review for one contract.

We also selected 37 small purchases over $5,000 and identified the following exceptions:
- Small purchases quotations were not available for review for four (4) purchases.
- The BPA (Blanket Purchase Agreement) relating to repetitive services was not available for review for five (5) purchases.
- The purchase requisition was not available for review for one (1) purchase.

We also selected 31 large procurements over $100,000 other than construction contracts and identified the following exceptions:
- Two (2) contracts were not available for review.
- There was no evidence of competition for one (1) procurement.
- There was no evidence that the District performed a search to determine whether the vendor was debarred or suspended from conducting business with the District for two (2) procurements.
- The supporting documents provided for one (1) contract related to a FY2009 contract that had expired and not the active contract.
- The authorization for DC participation in a cooperative agreement with the contractor and the Commonwealth of Virginia was not available for review for one (1) procurement.

Appendix A

In our testing of procurement and disbursement transactions at the District of Columbia Public Schools (DCPS), we observed the following:

- One (1) of 92 procurement transactions tested where DCPS was not in compliance with the District of Columbia's Laws regarding sole source procurements. Specifically, one file for a procurement totaling $4,004 did not contain a copy of the signed contract or proper approval from the contracting officer on the letter of determination and findings.
- Eight (8) transactions, totaling $259,370, of 68 transactions tested, totaling $11,503,960, were paid through direct voucher were also related to prior period expenditures that were not properly accrued in the prior year.
- Two (2) transactions, totaling $12,093, of 68 total transactions tested, totaling $11,503,960, were paid through direct voucher but were not appropriately listed on the approved direct voucher list.
- Twelve (12) payments, totaling $343,839, of 160 files tested did not have proper vendor invoices to support the payment made.

In addition, although we were able to substantiate the accuracy and existence of the expenditure, we noted for 8 of the 160 transactions tested, DCPS did not follow its existing internal policies and procedures related to the processing of the transaction. Specifically:

- Eight (8) direct voucher payments totaling $524,009 where there was insufficient detail documentation to support DCPS' commitment to various services provided by the vendor, or the support provided was not consistent with the documentation provided; and
- Of 160 disbursements tested, we noted 11 transactions totaling $1,470,290 where the transaction was posted to the incorrect comptroller object code in DCPS' general ledger.

With regard to our testing of compliance with the District of Columbia Quick Payment Act, we determined that:

- Seventy (70) of 683 non-DCPS payments selected for testing were not paid timely in accordance with the Quick Payment Act; and
- Seven (9) of 169 DPCS payments selected for testing were not paid timely in accordance with the Quick Payment Act. In addition, we noted an additional 27 payments for which ayment was made more than 30 days after the CFO Office received the invoice due to delays in receiving the appropriate documents (i.e.., receiving report, etc.) to perform the required three way match.

Criteria:
The Procurement Practices Act indicates the following:

27 DCMR chapter 17, states that: ***"****In each instance where the sole source procurement procedures are used, the contracting officer shall prepare a written determination and findings ("D&F") justifying the procurement which specifically demonstrates that procurement by competitive sealed bids or competitive sealed proposals is not required."*

27 DCMR chapter 17, states that: **"***Each sole source D&F for a procurement in an amount greater than twenty-five thousand dollars ($ 25,000) shall be reviewed by the Director before solicitation and shall be approved by the Director before contract execution."*

DC Code 1-204.51, states that: "*prior to the award of a multiyear contract or a contract in excess of $1,000,000 during a 12-month period, the Mayor or executive independent agency or instrumentality shall submit the proposed contract to the Council for review and approval.*"

DC Code 2-301.05(G) states that "*All contracts over a million dollar must go to the Office of the Attorney General (OAG) for a legal sufficiency review*."

DCMR chapter 17 states that "*An "emergency condition" is a situation (such as a flood, epidemic, riot, equipment failure, or other reason set forth in a proclamation issued by the Mayor) which creates an immediate threat to the public health, welfare, or safety. The emergency procurement of services shall be limited to a period of not more than one hundred twenty (120) days. If a long-term requirement for the supplies, services, or construction is anticipated, the contracting officer shall initiate a separate non-emergency procurement action at the same time that the emergency procurement is made. The contracting officer shall attempt to solicit offers or proposals from as many potential contractors as possible under the emergency condition. An emergency procurement shall not be made on a sole source basis unless the emergency D&F includes justification for the sole source procurement. When an emergency procurement is proposed, the contracting officer shall prepare a written determination and findings (D&F) that sets forth the justification for the emergency procurement.*"

The District's Quick Payment Act indicates the following:
"*If a contract specifies the date on which payment is due, the required payment date is the date specified in the contract. If a contract does not specify a payment date, the required payment date will be one of the following:*

a) Meat and meat food products - the seventh (7th) day after the date of delivery of the meat or meat product;
(b) Perishable agricultural commodities - the tenth (10th) day after the date of delivery of the perishable agricultural commodity; or
(c) All other goods and services - the thirtieth (30th) day after the receipt of a proper invoice by the designated payment officer."

Cause/Effect:
District agencies are not adhering to the established policies and procedures governing creation and maintenance of procurement documentation and the payment of vendor obligations, which may cause noncompliance with the Procurement Practices Act and the Quick Payment Act.

Recommendation:
We recommend that the District conduct mandatory training sessions for all personnel involved in the procurement of and payment for goods and services to reemphasize the critical importance of adhering to the existing procurement and disbursement policies and procedures. Further, we

recommend that the District conduct an "internal audit" of compliance with the Procurement Practices Act and the Quick Payment Act during fiscal year 2011. This internal audit should be conducted after the internal training sessions are held. During this internal audit, the District should select a sample of fiscal year 2011 sole source and emergency procurements as well as vendor disbursements. By conducting the audit after the training, the District may be able to determine the effectiveness of the training by comparing compliance results from procurements and disbursements before and after the training.

Management's Response:
The District concurs with the facts of this finding and will implement the necessary control procedures to: (a) ensure that purchases are authorized by the appropriate managers and officials before they are made; and (b) ensure that approvals of purchases are adequately documented and such documentation is retained in the District's files for quick retrieval, as needed. The District will also periodically review on an on-going basis purchases/disbursements to monitor compliance with applicable laws and regulations (e.g., Procurement Practices Act and the Quick Payment Act).

Appendix A

Finding 2010-03 – Weaknesses in Monitoring Financial Reporting and Non-Routine Transactions in Stand-Alone Reports

Background:
The District's annual financial statement process is complex and highly decentralized. District agencies are required to prepare financial closing packages and submit those packages to the District's Office of Financial Operations and Systems (OFOS) for review and approval. OFOS uses these closing packages to prepare the basic financial statements and the notes thereon. While testing the closing packages and financial statements submitted by various District agencies, we observed the following:

- *Unemployment Compensation Fund* – The District's Unemployment Compensation Trust Fund is a major fund in the District's Comprehensive Annual Financial Report (CAFR), and its management prepares a separate set of financial statements. The original draft of those financial statements submitted to both OFOS and the auditors were substantially incomplete and required significant, material adjustments to both the financial statements and the notes.
- *University of the District of Columbia* - The University of the District of Columbia is presented as a discretely presented component unit in the District's CAFR, and its management prepares a separate set of financial statements. The original draft of those financial statements submitted to both OFOS and the auditors were substantially incomplete and required significant, material adjustments and revisions to Management's Discussion and Analysis, the financial statements and the notes.
- *Convention and Sports Authority* - The District's Convention and Sports Authority is presented as a discretely presented component unit in the District's CAFR, and its management prepares a separate set of financial statements. The original draft of those financial statements submitted to both OFOS and the auditors did not properly account for and disclose the merger of the old Convention Center Authority and the Sports and Entertainment Commission and required significant, material adjustments to both the financial statements and the notes.
- *United Medical Center Intangible Assets* – On July 9, 2010, the District established the Not-for-Profit Hospital Corporation (NFPHC), a discretely presented component unit, to account for and maintain the assets upon which the District foreclosed to satisfy an outstanding debt obligation of the former United Medical Center. Under U.S. generally accepted accounting principles, the NFPHC must record the fair value of both the tangible and intangible assets that existed at July 9, 2010. NFPHC did not originally account for the intangible assets acquired, such as the fair value of its bed licenses, until requested by the auditor.
- *Oversight of Actuarial Advisors* – The District's Office of Risk Management (ORM) engages an actuary to provide a valuation of the liability for disability compensation. Further, the District's Department of Human Resources (DHR) engages an actuary to provide a valuation of the liability for other post employment benefits (OPEB) for

District retirees. Neither ORM nor DHR adequately documented the rationale behind the actuarial assumptions established between the District and the engaged actuary.

Criteria:
Government Auditing Standards, Appendix I, section A1.08 d., states that management at a State and Local government entity is responsible for "*establishing and maintaining effective internal control to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported*;"

Cause/Effect:
District component units do not appear to consider properly the accounting and financial reporting for non-routine transactions in order to develop and maintain documentation to support the amounts and disclosures in the CAFR. Further, these component units and agencies do not have adequate policies and procedures surrounding the year-end financial reporting closing process to develop and support the amounts and disclosures in their stand-alone financial statements.

Recommendation:
We recommend that all District entities that prepare stand alone financial statements should prepare interim financial statements that are submitted to OFOS for review and approval.

Management's Response:
The District concurs with this finding. The Office of the Chief Financial Officer, Office of Financial Operations and Systems (OFOS) will revise its interim closing practices to require more financial analysis and reporting of the component units during the fiscal year (at least quarterly). OFOS will review the interim component unit financial data received from each entity for accuracy and reasonableness and will work with each component unit to resolve reporting issues as they arise during the fiscal year. These measures should reduce the level of effort needed at year-end by the component units to produce accurate, reliable financial statements. In addition, the need for significant audit adjustments should also be minimized as a result of these measures. OFOS will continue the practice of reviewing the annual financial statements of component units for reasonableness and accuracy but will use the interim information received from component units to perform a more meaningful review and analysis.

Finding 2010-04 – Weaknesses in the Financial Reporting Process at the Office of Tax and Revenue

Background:
The District's Office of Tax and Revenue (OTR) had over $4.95 billion in tax revenues in FY 2010. During our testwork at OTR we observed the following:

- There was insufficient monitoring of internal controls by the Returns Processing Administration (RPA) at its lockbox service provider. The service provider processes approximately $1.9 billion in lockbox transactions on behalf of the District, yet OTR has not ensured that the service provider has been through an in-depth audit of its control objectives and activities, which include controls over information systems, security of taxpayer data, and other related processes. Specifically, we noted:
    - The service provider received a SAS 70 Type I report (Report on Controls Placed in Operation) in the current year versus a SAS 70 Type II report (Report on controls placed in operation and evaluation of Tests of Operating Effectiveness) in prior years;
    - OTR management did not review the SAS 70 report received, and was not aware of the change of the report type;
    - OTR has not performed a site visit to the lockbox manager or its subservice organizations, since March 2008; and
    - OTR was unable to provide supporting documentation or evidence of review of monthly and weekly performance reports provided by the service provider.

- Multiple auditors who prepare audit assessment change documents within the Compliance Division have access rights to make audit assessment adjustments within the Integrated Tax System (ITS). Procedurally, these auditors are not allowed to enter assessment adjustments that they have prepared; however, they have the system access to do so.
- The District continues to maintain insufficient control procedures over the reconciliation of tax withholdings to taxpayer submitted data. OTR has begun to develop policies and procedures to perform these reconciliations, but these corrective actions were partially implemented during FY 2010.Further corrective actions are needed in order to implement fully the policies and procedures.
- Nine (9) of 25 real property tax exemption applications selected for testing at the Real Property Tax Administration were not properly signed by an assessment specialist as being complete.
- Fifteen (15) of 27 SOAR to ITS monthly reconciliations selected for testing included significant reconciling items which were not corrected or input into ITS.
- Management has not performed adequate verification and validation procedures surrounding the methodologies used for setting the allowance for uncollectible accounts for various types of tax receivables. The current methodology was established in 2004; however, no documentation is maintained that demonstrates management's updated review of the estimates.

Criteria:
Government Auditing Standards, Appendix I, section A1.08 d., states that management at a State and Local government entity is responsible for "*establishing and maintaining effective internal control to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported*;"

Cause/Effect:
OTR is not adhering to its existing policies and procedures governing review of lockbox operations, reconciliation of tax withholdings, maintenance of Homestead Tax Credit documentation, and granting of real property tax exemption. Further, OTR has not designed an appropriate policy requiring incompatible duties to be segregated to prevent a single employee from being able to prepare, review and approve SOAR cash receipt vouchers nor has management restricted access appropriately to prevent Compliance Division personnel from having inappropriate access. These deficiencies increase the risk that inappropriate refunds may be issued.

Recommendation:
We recommend that OTR adhere to its existing policies and procedures regarding review of lockbox operations, reconciliation of tax withholdings, and maintenance of Homestead Tax Credit documentation. OTR should also consider specific training in these areas to reinforce those procedures. We also recommend that OTR establish a policy requiring that the incompatible preparation, review and approval duties be segregated when preparing a SOAR cash receipt voucher. Finally, we recommend that OTR establish a policy requiring that management's review of the estimation methodology for the reserve for uncollectible taxes be documented annually.

We further recommend that the Office of Integrity and Oversight conduct a periodic review of OTR's implementation of changes as a result of these audit observations.

Management's Response:
The District's Office of Tax and Revenue (OTR) continues to place a strong emphasis on its internal controls, including risk and control self-identification and self-assessment. OTR leadership and teammates will continue to work closely with the Chief Risk Officer and the Director of the Office of Integrity and Oversight to design, institutionalize, and monitor effective controls.

Appendix A

Finding 2010-05 – Weaknesses in the Personnel Management and Employee Compensation Process

Background:
The District employs approximately 31 thousand employees and disburses over $2.6 billion in compensation annually. Various payroll rules and regulations are administered by the District's Department of Human Resources, and the payroll disbursements are administered by the Office of Pay and Retirement Services.

During our testwork over payroll expenditures, we observed the following:

- One (1) of 319 employees tested received overtime pay even though the employee was considered to be exempt under the Fair Labor and Standards Act of 1938 (FSLA) and was not eligible for overtime. This resulted in an overpayment to the employee for 390 hours, totaling $31,073 for FY 2010.
- Eight (8) of 165 employee personnel files tested did not contain the required supporting documentation (Form SF-52, signed offer letter, and signed I-9 verification form with a copy of the employees' identification) in accordance with District policy. Specifically, we noted 5 files did not contain signed offer letters.
- One (1) of 40 terminated employees tested received pay subsequent to termination from District employment. Specifically, the employee received a car allowance during employment, was terminated in March 2010, but continued to receive a car allowance subsequent to termination, resulting in an overpayment to the employee of approximately $3,300.
- Fifteen (15) of 63 transactions were tested in which an employee's life insurance and/or retirement payroll deduction did not agree to the approved rate. Specifically, the deduction withheld from the employee's pay was less than the approved rate for the benefit elected. This resulted in total overpayments to employees in the amount of $252.
- One (1) of 63 transactions was tested in which the employee elected benefit coverage but the appropriate benefit deduction was not withheld from the employee's paycheck.
- Seven (7) of 43 employees tested whose personnel files did not contain the required supporting documentation (Form SF-52, signed offer letter, signed I-9 verification form with a copy of the employees' identification, and transcripts (if applicable)) in accordance with DCPS policy. Specifically, we noted:
    - One (1) file which was missing the signed SF-52, signed offer letter, I-9 and copy of identification and copy of official transcript indicating the employee met the requisite educational requirements;
    - Two (2) files which were missing the signed SF-52 and I-9 and copy of identification;
    - Two (2) files which were missing the signed offer letter; and
    - Two (2) files which were missing the official transcript indicating educational requirements.
- Two (2) of 40 transactions were tested in which the employee received retirement benefits before becoming eligible for the benefit under the District's policy.

- Four (4) of 10 retroactive pay transactions were tested in which the District miscalculated the amount due to the employee which resulted in 3 overpayments to individual employees totaling $67,572, $488, and $696, respectively, and one underpayment totaling $11,181.
- Twenty two (22) of 165 transactions tested were tested in which the hours paid were reclassified from one fund/index code to another. All 22 reclassifications were approved in PeopleSoft in accordance with DCPS' policies and procedures. However, DCPS was unable to provide supporting documentation for 13 of the reclassifications. Further, for the remaining 9 reclassifications, there was no evidence that the supervisor that approved the original timesheet had reviewed the employees' timesheets prior to approving the reclassification.

Criteria:
According to the Yellow Book, Appendix I, section A1.08 d., management at a State and Local government entity is responsible for "*establishing and maintaining effective internal control to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported*;"

Cause/Effect:
District employees are not adhering to existing policies and procedures, which increases the risk that amounts may be incorrectly paid to employees.

Recommendation:
We recommend that the District conduct a comprehensive "refresher" training course or courses for all employees involved in the payroll process. Further, we recommend that the District conduct periodic internal reviews of a sample of transactions to monitor compliance with existing policies and procedures.

Management's Response:
The District concurs with facts of this finding and will take the necessary measures to improve controls over personnel management and compensation. We will review current practices regarding the retention of supporting documentation for personnel actions and other payroll-related transactions. To the extent that current practices are determined to be inadequate, the District will revise existing policies and procedures accordingly. As recommended by the auditors, the District will perform periodic reviews of sampled payroll transactions to monitor compliance with policies and procedures. Moreover, as deemed appropriate, the District will provide additional training to staff that perform payroll-related functions to improve efficiency, and reduce the risk of errors.

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Government of the District of Columbia

Schedule of Expenditures of Federal Awards and Reports Required by Government Auditing Standards and OMB Circular A-133

Year Ended September 30, 2010

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GOVERNMENT OF THE DISTRICT OF COLUMBIA

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Government of the District of Columbia

Independent Auditors' Reports Required by
Government Auditing Standards and
OMB Circular A-133
Year Ended September 30, 2010

KPMG LLP
2001 M Street, NW
Washington, DC 20036-3389

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Mayor and the Council of the Government of the District of Columbia
Inspector General of the Government of the District of Columbia

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, budgetary comparison statement, each major fund, and the aggregate remaining fund information of the District of Columbia (the District) as of and for the year ended September 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 27, 2011. We conducted our 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. The financial statements of the District of Columbia Water and Sewer Authority, and District of Columbia Housing Financing Agency, both discretely presented component units of the District, were not audited in accordance with *Government Auditing* Standards.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control over financial reporting 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 combination of deficiencies, in internal control over financial reporting, 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and that are described in Appendix A to this report. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less

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severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in finding 2010-02 in Appendix A to this report.

The District's responses to the findings identified in our audit are described in the accompanying Appendix. We did not audit the District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Mayor, the Council, the Office of the Inspector General, District management, the U.S. Government Accountability Office, the U.S. Congress, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

January 27, 2011

Appendix A – Significant Deficiencies in Internal Control Over Financial Reporting

Finding 2010-01 – Weaknesses in the District's General Information Technology Controls

Background:
General Information Technology Controls (GITCs) provide the foundation for a well-controlled technology environment that supports the consistent processing and reporting of operational and financial data in accordance with management's directives. Our audit included an assessment of selected GITCs in four (4) key control areas: Access to Programs and Data, Program Changes, Program Development, and Computer Operations. During our assessment, we identified pervasive GITC-related findings. Our findings included the following:

Access to Programs and Data
Conditions:

1. Failure to consistently restrict privileged and general user access to key financial applications in accordance with employee job responsibilities and/or segregation of duties considerations.
2. Inconsistent performance and/or documentation of user access administration activities, including the approval of new user access and access changes, periodic review of user access rights, and timely removal of user access upon employee termination.
3. Use of generic accounts to perform system administration and/or end user functions within key applications without adequate monitoring controls over such activities.

Program Changes
Conditions:

1. Failure to institute well-designed program change and/or system development life cycle policies that establish procedural and documentation requirements for authorizing, developing, testing, and approving changes to key financial applications and related infrastructure software[1] in the production environment.
2. Inconsistent adherence to established program change management procedures including instances in which changes made to the system were not approved, tested or documented appropriately per the established procedures.
3. Failure to consistently restrict developer access to the production environments of key financial applications in accordance with segregation of duties considerations or, if infeasible, implement independent monitoring controls to help ensure changes applied to the production environment are authorized.

Table 1 below summarizes the key financial applications that were impacted by the findings noted above.

[1] Infrastructure changes refer to software changes and updates applied to underlying operating systems and databases supporting the key financial applications.

Appendix A

Table 1: Summary of applications impacted by the findings related to the Access to Programs and Data and Program Change control areas

Application	Access to Program and Data	Program Changes
PeopleSoft	X	X
TACIS	X	X
PASS	X	
ACEDS	X	X
DOCS	X	X
DUTAS	X	X
BARTS		X
Meditech	X	
TAS	X	

Criteria:

1. The Federal Information Security Management Act (FISMA), passed as part of the Electronic Government Act of 2002, mandates that Federal entities maintain IT security programs in accordance with National Institute of Standards and Technology (NIST). The following NIST criteria were leveraged:
   a) NIST Special Publications (SP) 800-12, An Introduction to Computer Security
   b) NIST SP 800-53, Revision 3, Recommended Security Controls for Federal Information Systems and Organizations, August 2009
   c) NIST SP 800-64, Security Considerations in the System Development Life Cycle, October 2008
   d) NIST SP 800-14, Generally Accepted Principles and Practices for Securing Information Technology, September 1996
2. The U.S. Government Accountability Office's (GAO's) Evaluating Internal Controls in Computer Based Systems (Black Book)

Cause/Effect:

The findings highlighted above include weaknesses in both the design and consistent operation of policies and procedures considered relevant to the Access to Programs and Data and Program Change areas. We noted a segmented approach in the design and implementation of relevant GITCs, including the lack of a concentrated effort to formalize underlying GITC processes and controls, and the lack of an effective monitoring function. The existence of these findings increases the risk that unauthorized changes applied to key financial applications and the data they process adversely affect application processing and data integrity and, as a result, may materially impact the financial statements. Additionally, the existence of these findings impacts the reliability of key application reports and the ability to rely upon automated, configurable controls embedded within key financial applications.

Appendix A

Recommendations:

1. *Related to Access to Programs and Data controls, we recommend that management:*
    1. Assess and update or, as applicable, develop and document access management policies and procedures for production applications and underlying infrastructure systems. These policies and procedures should address requirements for clearly documenting user access requests and supervisory authorizations, periodic reviews of the appropriateness of user access by Agency business management, timely communication of employee separations/transfers, and disablement/removal of the related user access.
    2. Develop and implement controls that establish organizational and logical segregation between program development roles, production administration roles and business end user roles among different individuals or, independently performed monitoring of the activities of users provided with conflicting system access.
    3. Restrict the use of generic IDs or, if such access is required, implement independent monitoring of the activities performed using generic ID.
    4. Formally communicate policies and procedures per the recommendations above to control owners and performers. Further, management should institute a formalized process to monitor adherence to policies and procedures related to key controls and, as performance deviations are identified, follow up as appropriate.

2. *Related to Program Change controls, we recommend that management:*
    1. Assess and update or, as applicable, develop and document program change control policies and procedures for production applications and underlying infrastructure systems including, but not limited to, requirements for the documentation of: properly detailed change requests, authorization of the change prior to initiation of the work, preparation of test plans and results, and formal approval of the change prior to migration to production.
    2. Formally communicate policies and procedures per the recommendations above to control owners and performers. Further, management should institute a formalized process to monitor adherence to policies and procedures related to key controls and, as performance deviations are identified, follow up as appropriate.
    3. Develop and implement controls that establish organizational and logical segregation between program development roles and change migration roles among different individuals or, independent monitoring of the activities of users provided with conflicting system access.

Management's Response:

The District concurs with the auditor's findings with respect to general information technology controls and will develop and implement the necessary corrective actions to address the deficiencies noted and enhance operational efficiency.

Appendix A

Access to Programs and Data

The District concurs with this finding and will implement the necessary measures to adequately restrict user access to programs and data based on job functions and the need for adequate separation of incompatible duties. In addition, the District will develop (or revise) and implement policies and procedures for: (a) restricting user access; (b) routinely monitoring application access privileges; (c) approving new user access (or access changes); and (d) timely removing user access upon employee separation/termination. Such policies and procedures will also include specific guidance on the use of generic accounts to perform system administration functions (e.g., instances in which such accounts are to be used and how the use of generic accounts is to be monitored).

Program Changes

The District concurs with this finding and will review existing policies regarding authorizing, developing, testing, and approving changes to financial applications and related infrastructure software. To the extent that current policies are not adequate, the District will revise them accordingly. In addition, we will periodically perform internal reviews of program change management practices to ensure that changes made in the financial systems are properly approved, tested, and documented. This will include monitoring whether system developers are being limited to the production environments of financial applications.

Appendix A

Finding 2010-02 – Weaknesses in the District's Procurement and Disbursement Controls

Background:
The District expends over $8 billion per year in non-personnel related expenditures. In order to be as efficient and effective as possible, the District has established very robust policies and procedures at the Office of Contracts and Procurement, as well as at those agencies that have independent procurement authority to procure goods and services and to make payments for those goods and services. Further, these policies and procedures serve to ensure the District's compliance with various laws and regulations governing procurement and payment, such as the Procurement Practices Act and the Quick Payment Act.

Condition:
We selected a sample of 25 sole source procurements executed by the District in fiscal year 2010 and noted the following:

Lack of supporting documentation:
- For six (6) contracts, the Determination and Findings (D&F) were not available for review.
- For ten (10) contracts, the screen prints showing that a search was performed to determine whether the vendor was debarred or suspended from doing business with the District were not available for review.
- For three (3) contracts, the use of the sole source method of procurement was not appropriate.

Inadequate approvals:
- For three (3) contracts, the D&F was not approved by the Contracting Officer.
- For two (2) contracts, the Contracting Officer delegation authority was not available for review.
- For one (1) contract, the Contracting Officer was able to approve a purchase requisition above his delegation of authority.
- For one (1) contract, the D&F was not approved by the Agency Director and/or Department Head.
- For four (4) contracts, the Council and Office of the Attorney General (OAG) approval was not available for review.
- For two (2) contracts, the purchase requisition was not approved by the Contracting Officer.
- For one (1) contract, the OAG approval was not available for review.
- In one (1) instance, the contract was misclassified as a sole source contract.

We also selected a sample of 25 emergency procurements executed during fiscal year 2010 and noted the following:

Lack of supporting documentation:
- There was no evidence to support the classification as an emergency procurement for ten (10) procurements.
- There is no evidence of competition or a sole source determination for three (3) emergency procurement contracts.

- The screen prints to provide evidence that a search to determine whether the vendor was debarred or suspended from doing business with the District was not available for review for seven (7) contracts.
- For one (1) contract, the D&F was not available for review.

Inadequate approvals:
- The delegation of authority for the contracting officer was not available for three (3) procurements.
- The contracting officer approved a requisition above his the delegation of authority for one (1) contract.
- The Council and OAG approval was not available for review for one (1) contract.

Non-compliance with emergency criteria requirement:
- The period of performance exceeded the 120 days requirement for an emergency procurement for three (3) contracts inspected.

We selected seven (7) large construction contracts and determined that the District was unable to provide the supporting documentation for three (3) of the construction contracts as follows:
- The Solicitation and Evaluation documents were not available for review for two (2) contracts.
- The Determination and Finding for price reasonableness and Contractor responsibility, the Council approval and OAG legal review for when the contract was awarded in 2005, were not available for review for one (1) contract.
- The Excluded parties' printouts were not available for review for one contract.

We also selected 37 small purchases over $5,000 and identified the following exceptions:
- Small purchases quotations were not available for review for four (4) purchases.
- The BPA (Blanket Purchase Agreement) relating to repetitive services was not available for review for five (5) purchases.
- The purchase requisition was not available for review for one (1) purchase.

We also selected 31 large procurements over $100,000 other than construction contracts and identified the following exceptions:
- Two (2) contracts were not available for review.
- There was no evidence of competition for one (1) procurement.
- There was no evidence that the District performed a search to determine whether the vendor was debarred or suspended from conducting business with the District for two (2) procurements.
- The supporting documents provided for one (1) contract related to a FY2009 contract that had expired and not the active contract.
- The authorization for DC participation in a cooperative agreement with the contractor and the Commonwealth of Virginia was not available for review for one (1) procurement.

Appendix A

In our testing of procurement and disbursement transactions at the District of Columbia Public Schools (DCPS), we observed the following:

- One (1) of 92 procurement transactions tested where DCPS was not in compliance with the District of Columbia's Laws regarding sole source procurements. Specifically, one file for a procurement totaling $4,004 did not contain a copy of the signed contract or proper approval from the contracting officer on the letter of determination and findings.
- Eight (8) transactions, totaling $259,370, of 68 transactions tested, totaling $11,503,960, were paid through direct voucher were also related to prior period expenditures that were not properly accrued in the prior year.
- Two (2) transactions, totaling $12,093, of 68 total transactions tested, totaling $11,503,960, were paid through direct voucher but were not appropriately listed on the approved direct voucher list.
- Twelve (12) payments, totaling $343,839, of 160 files tested did not have proper vendor invoices to support the payment made.

In addition, although we were able to substantiate the accuracy and existence of the expenditure, we noted for 8 of the 160 transactions tested, DCPS did not follow its existing internal policies and procedures related to the processing of the transaction. Specifically:

- Eight (8) direct voucher payments totaling $524,009 where there was insufficient detail documentation to support DCPS' commitment to various services provided by the vendor, or the support provided was not consistent with the documentation provided; and
- Of 160 disbursements tested, we noted 11 transactions totaling $1,470,290 where the transaction was posted to the incorrect comptroller object code in DCPS' general ledger.

With regard to our testing of compliance with the District of Columbia Quick Payment Act, we determined that:

- Seventy (70) of 683 non-DCPS payments selected for testing were not paid timely in accordance with the Quick Payment Act; and
- Seven (9) of 169 DPCS payments selected for testing were not paid timely in accordance with the Quick Payment Act. In addition, we noted an additional 27 payments for which ayment was made more than 30 days after the CFO Office received the invoice due to delays in receiving the appropriate documents (i.e.., receiving report, etc.) to perform the required three way match.

Criteria:
The Procurement Practices Act indicates the following:

27 DCMR chapter 17, states that: **"***In each instance where the sole source procurement procedures are used, the contracting officer shall prepare a written determination and findings ("D&F") justifying the procurement which specifically demonstrates that procurement by competitive sealed bids or competitive sealed proposals is not required."*

27 DCMR chapter 17, states that: **"***Each sole source D&F for a procurement in an amount greater than twenty-five thousand dollars ($ 25,000) shall be reviewed by the Director before solicitation and shall be approved by the Director before contract execution."*

DC Code 1-204.51, states that: "*prior to the award of a multiyear contract or a contract in excess of $1,000,000 during a 12-month period, the Mayor or executive independent agency or instrumentality shall submit the proposed contract to the Council for review and approval.*"

DC Code 2-301.05(G) states that "*All contracts over a million dollar must go to the Office of the Attorney General (OAG) for a legal sufficiency review*."

DCMR chapter 17 states that "*An "emergency condition" is a situation (such as a flood, epidemic, riot, equipment failure, or other reason set forth in a proclamation issued by the Mayor) which creates an immediate threat to the public health, welfare, or safety. The emergency procurement of services shall be limited to a period of not more than one hundred twenty (120) days. If a long-term requirement for the supplies, services, or construction is anticipated, the contracting officer shall initiate a separate non-emergency procurement action at the same time that the emergency procurement is made. The contracting officer shall attempt to solicit offers or proposals from as many potential contractors as possible under the emergency condition. An emergency procurement shall not be made on a sole source basis unless the emergency D&F includes justification for the sole source procurement. When an emergency procurement is proposed, the contracting officer shall prepare a written determination and findings (D&F) that sets forth the justification for the emergency procurement.*"

The District's Quick Payment Act indicates the following:
"*If a contract specifies the date on which payment is due, the required payment date is the date specified in the contract. If a contract does not specify a payment date, the required payment date will be one of the following:*

a) Meat and meat food products - the seventh (7th) day after the date of delivery of the meat or meat product;
(b) Perishable agricultural commodities - the tenth (10th) day after the date of delivery of the perishable agricultural commodity; or
(c) All other goods and services - the thirtieth (30th) day after the receipt of a proper invoice by the designated payment officer."

Cause/Effect:
District agencies are not adhering to the established policies and procedures governing creation and maintenance of procurement documentation and the payment of vendor obligations, which may cause noncompliance with the Procurement Practices Act and the Quick Payment Act.

Recommendation:
We recommend that the District conduct mandatory training sessions for all personnel involved in the procurement of and payment for goods and services to reemphasize the critical importance of adhering to the existing procurement and disbursement policies and procedures. Further, we

recommend that the District conduct an "internal audit" of compliance with the Procurement Practices Act and the Quick Payment Act during fiscal year 2011. This internal audit should be conducted after the internal training sessions are held. During this internal audit, the District should select a sample of fiscal year 2011 sole source and emergency procurements as well as vendor disbursements. By conducting the audit after the training, the District may be able to determine the effectiveness of the training by comparing compliance results from procurements and disbursements before and after the training.

Management's Response:
The District concurs with the facts of this finding and will implement the necessary control procedures to: (a) ensure that purchases are authorized by the appropriate managers and officials before they are made; and (b) ensure that approvals of purchases are adequately documented and such documentation is retained in the District's files for quick retrieval, as needed. The District will also periodically review on an on-going basis purchases/disbursements to monitor compliance with applicable laws and regulations (e.g., Procurement Practices Act and the Quick Payment Act).

Appendix A

Finding 2010-03 – Weaknesses in Monitoring Financial Reporting and Non-Routine Transactions in Stand-Alone Reports

Background:
The District's annual financial statement process is complex and highly decentralized. District agencies are required to prepare financial closing packages and submit those packages to the District's Office of Financial Operations and Systems (OFOS) for review and approval. OFOS uses these closing packages to prepare the basic financial statements and the notes thereon. While testing the closing packages and financial statements submitted by various District agencies, we observed the following:

- *Unemployment Compensation Fund* – The District's Unemployment Compensation Trust Fund is a major fund in the District's Comprehensive Annual Financial Report (CAFR), and its management prepares a separate set of financial statements. The original draft of those financial statements submitted to both OFOS and the auditors were substantially incomplete and required significant, material adjustments to both the financial statements and the notes.
- *University of the District of Columbia* - The University of the District of Columbia is presented as a discretely presented component unit in the District's CAFR, and its management prepares a separate set of financial statements. The original draft of those financial statements submitted to both OFOS and the auditors were substantially incomplete and required significant, material adjustments and revisions to Management's Discussion and Analysis, the financial statements and the notes.
- *Convention and Sports Authority* - The District's Convention and Sports Authority is presented as a discretely presented component unit in the District's CAFR, and its management prepares a separate set of financial statements. The original draft of those financial statements submitted to both OFOS and the auditors did not properly account for and disclose the merger of the old Convention Center Authority and the Sports and Entertainment Commission and required significant, material adjustments to both the financial statements and the notes.
- *United Medical Center Intangible Assets* – On July 9, 2010, the District established the Not-for-Profit Hospital Corporation (NFPHC), a discretely presented component unit, to account for and maintain the assets upon which the District foreclosed to satisfy an outstanding debt obligation of the former United Medical Center. Under U.S. generally accepted accounting principles, the NFPHC must record the fair value of both the tangible and intangible assets that existed at July 9, 2010. NFPHC did not originally account for the intangible assets acquired, such as the fair value of its bed licenses, until requested by the auditor.
- *Oversight of Actuarial Advisors* – The District's Office of Risk Management (ORM) engages an actuary to provide a valuation of the liability for disability compensation. Further, the District's Department of Human Resources (DHR) engages an actuary to provide a valuation of the liability for other post employment benefits (OPEB) for

District retirees. Neither ORM nor DHR adequately documented the rationale behind the actuarial assumptions established between the District and the engaged actuary.

Criteria:
Government Auditing Standards, Appendix I, section A1.08 d., states that management at a State and Local government entity is responsible for "*establishing and maintaining effective internal control to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported*;"

Cause/Effect:
District component units do not appear to consider properly the accounting and financial reporting for non-routine transactions in order to develop and maintain documentation to support the amounts and disclosures in the CAFR. Further, these component units and agencies do not have adequate policies and procedures surrounding the year-end financial reporting closing process to develop and support the amounts and disclosures in their stand-alone financial statements.

Recommendation:
We recommend that all District entities that prepare stand alone financial statements should prepare interim financial statements that are submitted to OFOS for review and approval.

Management's Response:
The District concurs with this finding. The Office of the Chief Financial Officer, Office of Financial Operations and Systems (OFOS) will revise its interim closing practices to require more financial analysis and reporting of the component units during the fiscal year (at least quarterly). OFOS will review the interim component unit financial data received from each entity for accuracy and reasonableness and will work with each component unit to resolve reporting issues as they arise during the fiscal year. These measures should reduce the level of effort needed at year-end by the component units to produce accurate, reliable financial statements. In addition, the need for significant audit adjustments should also be minimized as a result of these measures. OFOS will continue the practice of reviewing the annual financial statements of component units for reasonableness and accuracy but will use the interim information received from component units to perform a more meaningful review and analysis.

Appendix A

Finding 2010-04 – Weaknesses in the Financial Reporting Process at the Office of Tax and Revenue

Background:
The District's Office of Tax and Revenue (OTR) had over $4.95 billion in tax revenues in FY 2010. During our testwork at OTR we observed the following:

- There was insufficient monitoring of internal controls by the Returns Processing Administration (RPA) at its lockbox service provider. The service provider processes approximately $1.9 billion in lockbox transactions on behalf of the District, yet OTR has not ensured that the service provider has been through an in-depth audit of its control objectives and activities, which include controls over information systems, security of taxpayer data, and other related processes. Specifically, we noted:
    - The service provider received a SAS 70 Type I report (Report on Controls Placed in Operation) in the current year versus a SAS 70 Type II report (Report on controls placed in operation and evaluation of Tests of Operating Effectiveness) in prior years;
    - OTR management did not review the SAS 70 report received, and was not aware of the change of the report type;
    - OTR has not performed a site visit to the lockbox manager or its subservice organizations, since March 2008; and
    - OTR was unable to provide supporting documentation or evidence of review of monthly and weekly performance reports provided by the service provider.

- Multiple auditors who prepare audit assessment change documents within the Compliance Division have access rights to make audit assessment adjustments within the Integrated Tax System (ITS). Procedurally, these auditors are not allowed to enter assessment adjustments that they have prepared; however, they have the system access to do so.
- The District continues to maintain insufficient control procedures over the reconciliation of tax withholdings to taxpayer submitted data. OTR has begun to develop policies and procedures to perform these reconciliations, but these corrective actions were partially implemented during FY 2010.Further corrective actions are needed in order to implement fully the policies and procedures.
- Nine (9) of 25 real property tax exemption applications selected for testing at the Real Property Tax Administration were not properly signed by an assessment specialist as being complete.
- Fifteen (15) of 27 SOAR to ITS monthly reconciliations selected for testing included significant reconciling items which were not corrected or input into ITS.
- Management has not performed adequate verification and validation procedures surrounding the methodologies used for setting the allowance for uncollectible accounts for various types of tax receivables. The current methodology was established in 2004; however, no documentation is maintained that demonstrates management's updated review of the estimates.

Criteria:
Government Auditing Standards, Appendix I, section A1.08 d., states that management at a State and Local government entity is responsible for "*establishing and maintaining effective internal control to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported*;"

Cause/Effect:
OTR is not adhering to its existing policies and procedures governing review of lockbox operations, reconciliation of tax withholdings, maintenance of Homestead Tax Credit documentation, and granting of real property tax exemption. Further, OTR has not designed an appropriate policy requiring incompatible duties to be segregated to prevent a single employee from being able to prepare, review and approve SOAR cash receipt vouchers nor has management restricted access appropriately to prevent Compliance Division personnel from having inappropriate access. These deficiencies increase the risk that inappropriate refunds may be issued.

Recommendation:
We recommend that OTR adhere to its existing policies and procedures regarding review of lockbox operations, reconciliation of tax withholdings, and maintenance of Homestead Tax Credit documentation. OTR should also consider specific training in these areas to reinforce those procedures. We also recommend that OTR establish a policy requiring that the incompatible preparation, review and approval duties be segregated when preparing a SOAR cash receipt voucher. Finally, we recommend that OTR establish a policy requiring that management's review of the estimation methodology for the reserve for uncollectible taxes be documented annually.

We further recommend that the Office of Integrity and Oversight conduct a periodic review of OTR's implementation of changes as a result of these audit observations.

Management's Response:
The District's Office of Tax and Revenue (OTR) continues to place a strong emphasis on its internal controls, including risk and control self-identification and self-assessment. OTR leadership and teammates will continue to work closely with the Chief Risk Officer and the Director of the Office of Integrity and Oversight to design, institutionalize, and monitor effective controls.

Appendix A

Finding 2010-05 – Weaknesses in the Personnel Management and Employee Compensation Process

Background:
The District employs approximately 31 thousand employees and disburses over $2.6 billion in compensation annually. Various payroll rules and regulations are administered by the District's Department of Human Resources, and the payroll disbursements are administered by the Office of Pay and Retirement Services.

During our testwork over payroll expenditures, we observed the following:

- One (1) of 319 employees tested received overtime pay even though the employee was considered to be exempt under the Fair Labor and Standards Act of 1938 (FSLA) and was not eligible for overtime. This resulted in an overpayment to the employee for 390 hours, totaling $31,073 for FY 2010.
- Eight (8) of 165 employee personnel files tested did not contain the required supporting documentation (Form SF-52, signed offer letter, and signed I-9 verification form with a copy of the employees' identification) in accordance with District policy. Specifically, we noted 5 files did not contain signed offer letters.
- One (1) of 40 terminated employees tested received pay subsequent to termination from District employment. Specifically, the employee received a car allowance during employment, was terminated in March 2010, but continued to receive a car allowance subsequent to termination, resulting in an overpayment to the employee of approximately $3,300.
- Fifteen (15) of 63 transactions were tested in which an employee's life insurance and/or retirement payroll deduction did not agree to the approved rate. Specifically, the deduction withheld from the employee's pay was less than the approved rate for the benefit elected. This resulted in total overpayments to employees in the amount of $252.
- One (1) of 63 transactions was tested in which the employee elected benefit coverage but the appropriate benefit deduction was not withheld from the employee's paycheck.
- Seven (7) of 43 employees tested whose personnel files did not contain the required supporting documentation (Form SF-52, signed offer letter, signed I-9 verification form with a copy of the employees' identification, and transcripts (if applicable)) in accordance with DCPS policy. Specifically, we noted:
    - One (1) file which was missing the signed SF-52, signed offer letter, I-9 and copy of identification and copy of official transcript indicating the employee met the requisite educational requirements;
    - Two (2) files which were missing the signed SF-52 and I-9 and copy of identification;
    - Two (2) files which were missing the signed offer letter; and
    - Two (2) files which were missing the official transcript indicating educational requirements.
- Two (2) of 40 transactions were tested in which the employee received retirement benefits before becoming eligible for the benefit under the District's policy.

- Four (4) of 10 retroactive pay transactions were tested in which the District miscalculated the amount due to the employee which resulted in 3 overpayments to individual employees totaling $67,572, $488, and $696, respectively, and one underpayment totaling $11,181.
- Twenty two (22) of 165 transactions tested were tested in which the hours paid were reclassified from one fund/index code to another. All 22 reclassifications were approved in PeopleSoft in accordance with DCPS' policies and procedures. However, DCPS was unable to provide supporting documentation for 13 of the reclassifications. Further, for the remaining 9 reclassifications, there was no evidence that the supervisor that approved the original timesheet had reviewed the employees' timesheets prior to approving the reclassification.

Criteria:
According to the Yellow Book, Appendix I, section A1.08 d., management at a State and Local government entity is responsible for "*establishing and maintaining effective internal control to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported*;"

Cause/Effect:
District employees are not adhering to existing policies and procedures, which increases the risk that amounts may be incorrectly paid to employees.

Recommendation:
We recommend that the District conduct a comprehensive "refresher" training course or courses for all employees involved in the payroll process. Further, we recommend that the District conduct periodic internal reviews of a sample of transactions to monitor compliance with existing policies and procedures.

Management's Response:
The District concurs with facts of this finding and will take the necessary measures to improve controls over personnel management and compensation. We will review current practices regarding the retention of supporting documentation for personnel actions and other payroll-related transactions. To the extent that current practices are determined to be inadequate, the District will revise existing policies and procedures accordingly. As recommended by the auditors, the District will perform periodic reviews of sampled payroll transactions to monitor compliance with policies and procedures. Moreover, as deemed appropriate, the District will provide additional training to staff that perform payroll-related functions to improve efficiency, and reduce the risk of errors.

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Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect On Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

To the Mayor and Council of the Government of the District of Columbia:

Compliance

We have audited the District of Columbia's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct or material effect on each of the District's major Federal programs for the year ended September 30, 2010. The District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs (schedule). Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

The District's basic financial statements include the operations of the District of Columbia Water and Sewer Authority (WASA) and the District of Columbia Housing Finance Agency (HFA), which are not included in the schedule for the year ended September 30, 2010. Our audit, described below, did not include the operations of WASA and HFA, because these component units engaged other auditors to perform an audit in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

As described in items 2010-90 to 2010-100 in the accompanying schedule of findings and questioned costs, the District did not comply with the following requirements that are applicable to its student financial assistance program cluster: activities allowed or unallowed, cash management, eligibility, period of availability, reporting, special tests and provisions – verification, special tests and provisions – disbursements to or on behalf of students, special tests and provisions – return of Title IV funds, special tests and provisions – student status changes, special tests and provisions – student loan repayments, and special tests and provisions – institutional eligibility. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

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Also, as identified in Table I and described more fully in the accompanying schedule of findings and questioned costs, the District did not comply with certain requirements that are applicable to certain of its major programs. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to those programs.

TABLE I – MATERIAL NONCOMPLIANCE

Federal Awarding Agency	CFDA Number	Federal Program	Compliance Requirement	Finding Number
Agriculture/ Health and Human Services	10.551, 10.561/ 93.775, 93.777, 93.778	Supplemental Nutrition Assistance Program/ Medicaid Cluster	Special Tests and Provisions – ADP Systems/ Special Tests and Provisions – ADP Risk Analysis and System Security Review	2010-10
Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Allowable Costs/Cost Principles	2010-14, 2010-15
Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Procurement	2010-17
Housing and Urban Development	14.218, 14.253	Community Development Block Grant	Allowability	2010-19
Housing and Urban Development	14.239	Home Investment Partnerships Program	Allowable Costs/Cost Principles	2010-22
Housing and Urban Development	14.239	Home Investment Partnerships Program	Program Income	2010-24
Housing and Urban Development	14.241	Housing Opportunities for Persons with AIDS	Level of Effort, Earmarking	2010-28
Labor	17.258, 17.259, 17.260	Workforce Investment Act	Eligibility	2010-34
Labor	17.258, 17.259, 17.260	Workforce Investment Act	Procurement	2010-35

Federal Awarding Agency	CFDA Number	Federal Program	Compliance Requirement	Finding Number
Education	84.010, 84.389	Title I	Allowable Cost/Cost Principles	2010-38
Education	84.010, 84.389	Title I	Level of Effort, Supplement not Supplant – DCPS	2010-40
Education	84.010, 84.389	Title I	Special Tests and Provisions – Comparability – DCPS	2010-42
Education	84.010, 84.389	Title I	Special Tests and Provisions – Comparability – OSSE	2010-43
Education	84.126, 84.390	Vocational Rehabilitation	Eligibility	2010-46
Education	84.367	Improving Teacher Quality	Level of Effort, Supplement not Supplant	2010-48
Health and Human Services	93.563	Child Support Enforcement	Special Tests and Provisions – Establishment of Paternity and Support Obligations	2010-53
Health and Human Services	93.563	Child Support Enforcement	Special Tests and Provisions – Enforcement of Support Obligations	2010-54
Health and Human Services	93.563	Child Support Enforcement	Special Tests and Provisions – Provision of Child Support Services for Interstate Cases – State Programs	2010-55
Health and Human Services	93.600, 93.708	Head Start	Eligibility	2010-62
Health and Human Services	93.658/ 93.659	Foster Care/ Adoption Assistance	Allowable Costs/Cost Principles	2010-66
Health and Human Services	93.658	Foster Care	Eligibility	2010-68

Federal Awarding Agency	CFDA Number	Federal Program	Compliance Requirement	Finding Number
Health and Human Services	93.658	Foster Care	Subrecipient Monitoring	2010-69
Health and Human Services	93.767	Children's Health Insurance Program	Eligibility	2010-74
Health and Human Services	93.914	HIV Emergency Relief Grant	Allowable Costs/Cost Principles	2010-77
Health and Human Services	93.914	HIV Emergency Relief Grant	Level of Effort/Earmarking	2010-78
Health and Human Services	93.914	HIV Emergency Relief Grant	Procurement	2010-79
Health and Human Services	93.917	HIV Care Formula Grant	Allowable Costs/Cost Principles	2010-81, 2010-82
Health and Human Services	93.917	HIV Care Formula Grant	Level of Effort, Earmarking	2010-85
Health and Human Services	93.917	HIV Care Formula Grant	Procurement	2010-86
Homeland Security	97.067	Homeland Security Emergency Management Grant	Procurement	2010-88
Education	84.007, 84.032, 84.033, 84.063, 93.925	Student Financial Assistance Program Cluster	Activities Allowed or Unallowed	2010-90
Education	84.007, 84.032, 84.033, 84.063, 93.925	Student Financial Assistance Program Cluster	Cash Management	2010-91
Education	84.007, 84.032, 84.033, 84.063, 93.925	Student Financial Assistance Program Cluster	Eligibility	2010-92
Education	84.007, 84.032, 84.033, 84.063, 93.925	Student Financial Assistance Program Cluster	Period of Availability	2010-93
Education	84.007, 84.032, 84.033, 84.063, 93.925	Student Financial Assistance Program Cluster	Reporting	2010-94

Federal Awarding Agency	CFDA Number	Federal Program	Compliance Requirement	Finding Number
Education	84.007, 84.032, 84.033, 84.063, 93.925	Student Financial Assistance Program Cluster	Special Tests and Provisions - Verification	2010-95
Education	84.007, 84.032, 84.033, 84.063, 93.925	Student Financial Assistance Program Cluster	Special Tests and Provisions – Disbursements to or on Behalf of Students	2010-96
Education	84.007, 84.032, 84.033, 84.063, 93.925	Student Financial Assistance Program Cluster	Special Tests and Provisions – Return of Title IV Funds	2010-97
Education	84.007, 84.032, 84.033, 84.063, 93.925	Student Financial Assistance Program Cluster	Special Tests and Provisions – Student Status Changes	2010-98
Education	84.007, 84.032, 84.033, 84.063, 93.925	Student Financial Assistance Program Cluster	Special Tests and Provisions – Student Loan Repayments	2010-99
Education	84.007, 84.032, 84.033, 84.063, 93.925	Student Financial Assistance Program Cluster	Special Tests and Provisions – Institutional Eligibility	2010-100

In our opinion, because of the effects of the noncompliance described in the second preceding paragraph, the District did not comply, in all material respects, with the requirements referred to above that could have a direct and material effect on its student financial assistance program cluster.

Also, in our opinion, except for the noncompliance described in the Table I (except for findings 2010-90 to 2010-100 previously discussed), the District complied, in all material respects, with the compliance requirements referred to above that could have a direct or material effect on each of its major Federal programs for the year ended September 30, 2010.

As identified in Table II, the results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described more fully in the accompanying schedule of findings and questioned costs.

TABLE II – OTHER REPORTABLE INSTANCES OF NONCOMPLIANCE

Federal Awarding Agency	CFDA Number	Federal Program	Compliance Requirement	Finding Number
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program	Reporting	2010-09

Federal Awarding Agency	CFDA Number	Federal Program	Compliance Requirement	Finding Number
Agriculture	10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster	Special Tests and Provisions – Verification of Free and Reduced Price Applications – DCPS	2010-13
Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Cash Management	2010-16
Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Reporting	2010-18
Housing and Urban Development	14.218, 14.253	Community Development Block Grant	Earmarking	2010-20
Housing and Urban Development	14.218, 14.253	Community Development Block Grant	Reporting	2010-21
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Special Tests and Provisions – Drawdowns of HOME Funds	2010-25
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Special Tests and Provisions – Housing Quality Standards	2010-26
Housing and Urban Development	14.241	Housing Opportunities for Persons with AIDS	Cash Management	2010-27
Housing and Urban Development	14.241	Housing Opportunities for Persons with AIDS	Reporting	2010-29
Labor	17.225	Unemployment Insurance	Allowable Costs/Cost Principles	2010-30

Federal Awarding Agency	CFDA Number	Federal Program	Compliance Requirement	Finding Number
Labor	17.225	Unemployment Insurance	Eligibility	2010-31
Labor	17.258, 17.259, 17.260	Workforce Investment Act	Reporting	2010-36
Transportation	20.205	Highway Planning and Construction	Davis-Bacon Act	2010-37
Education	84.010, 84.389	Title I	Cash Management – OSSE	2010-39
Education	84.010, 84.389	Title I	Subrecipient Monitoring – OSSE	2010-41
Education	84.027, 84.173, 84.391, 84,392	Special Education	Subrecipient Monitoring	2010-45
Education	84.367	Improving Teacher Quality	Allowable Costs/Cost Principles – DCPS	2010-47
Education	84.367	Improving Teacher Quality	Subrecipient Monitoring – OSSE	2010-49
Health and Human Services	93.558, 93.714	Temporary Assistance for Needy Families	Reporting	2010-51
Health and Human Services	93.558, 93.714	Temporary Assistance for Needy Families	Special Tests and Provisions – Child Support Non-Cooperation	2010-52
Health and Human Services	93.568	Low Income Housing Energy Assistance Program	Eligibility	2010-56
Health and Human Services	93.568	Low Income Housing Energy Assistance Program	Subrecipient Monitoring	2010-57
Health and Human Services	93.569, 93.710	Community Services Block Grant	Allowable Costs/Cost Principles	2010-58
Health and Human Services	93.569, 93.710	Community Services Block Grant	Cash Management	2010-59

Federal Awarding Agency	CFDA Number	Federal Program	Compliance Requirement	Finding Number
Health and Human Services	93.569, 93.710	Community Services Block Grant	Reporting	2010-60
Health and Human Services	93.600, 93.708	Head Start	Reporting	2010-64
Health and Human Services	93.658	Foster Care	Special Tests and Provisions – R2 – Presentation on the SEFA and Data Collection Form	2010-70
Health and Human Services	93.659	Adoption Assistance	Eligibility	2010-72
Health and Human Services	93.659	Adoption Assistance	Special Tests and Provisions – R2 – Presentation on the SEFA and Data Collection Form	2010-73
Health and Human Services	93.775, 93.777, 93.778	Medicaid	Cash Management	2010-76
Health and Human Services	93.917	HIV Care Formula Grant	Cash Management	2010-83

Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance 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. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. As identified in Table III, we consider the deficiencies in internal control over compliance, which are described more fully in the accompanying schedule of findings and questioned costs, to be material weaknesses.

TABLE III – MATERIAL WEAKNESS IN INTERNAL CONTROL OVER COMPLIANCE

Federal Awarding Agency	CFDA Number	Federal Program	Compliance Requirement	Finding Number
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program/	Preparation of Schedule of Expenditures of Federal Awards	2010-06
Agriculture/ Health and Human Services	10.551, 10.561/ 93.775, 93.777, 93.778	Supplemental Nutrition Assistance Program/ Medicaid Cluster	Special Tests and Provisions – ADP Systems/ Special Tests and Provisions – ADP Risk Analysis and System Security Review	2010-10
Agriculture	10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster	Program Income – DCPS	2010-12
Agriculture	10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster	Special Tests and Provisions – Verification of Free and Reduced Price Applications – DCPS	2010-13
Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Allowable Costs/Cost Principles	2010-14, 2010-15
Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Procurement	2010-08, 2010-17

Federal Awarding Agency	CFDA Number	Federal Program	Compliance Requirement	Finding Number
Housing and Urban Development	14.218, 14.253	Community Development Block Grant	Allowable Costs/Cost Principles	2010-19
Housing and Urban Development	14.239	Home Investment Partnerships Program	Allowable Costs/Cost Principles	2010-22
Housing and Urban Development	14.239	Home Investment Partnerships Program	Matching, Earmarking	2010-23
Housing and Urban Development	14.239	Home Investment Partnerships Program	Program Income	2010-24
Housing and Urban Development	14.241	Housing Opportunities for Persons with AIDS	Level of Effort, Earmarking	2010-28
Labor	17.258, 17.259, 17.260	Workforce Investment Act	Eligibility	2010-34
Labor	17.258, 17.259, 17.260	Workforce Investment Act	Procurement	2010-08, 2010-35
Education	84.010, 84.389	Title I	Allowable Cost/Cost Principles – DCPS	2010-38
Education	84.010, 84.389	Title I	Level of Effort, Supplement not Supplant – DCPS	2010-40
Education	84.010, 84.389	Title I	Special Tests and Provisions – Comparability – DCPS	2010-42
Education	84.010, 84.389	Title I	Special Tests and Provisions – Comparability – OSSE	2010-43
Education	84.027, 84.173, 84.391, 84.392	Special Education Cluster	Allowable Costs/Cost Principles	2010-44
Education	84.126, 84.390	Vocational Rehabilitation	Eligibility	2010-46

Federal Awarding Agency	CFDA Number	Federal Program	Compliance Requirement	Finding Number
Education	84.367	Improving Teacher Quality	Level of Effort, Supplement not Supplant	2010-48
Health and Human Services	93.558, 93.714	Temporary Assistance for Needy Families	Eligibility	2010-50
Health and Human Services	93.563	Child Support Enforcement	Special Tests and Provisions – Establishment of Paternity and Support Obligations	2010-53
Health and Human Services	93.563	Child Support Enforcement	Special Tests and Provisions – Enforcement of Support Obligations	2010-54
Health and Human Services	93.563	Child Support Enforcement	Special Tests and Provisions – Provision of Child Support Services for Interstate Cases – State Programs	2010-55
Health and Human Services	93.600, 93.708	Head Start	Allowable Costs/Cost Principles	2010-61
Health and Human Services	93.600, 93.708	Head Start	Eligibility	2010-62
Health and Human Services	93.600, 93.708	Head Start	Earmarking	2010-63
Health and Human Services	93.600, 93.708	Head Start	Reporting	2010-65
Health and Human Services	93.658/ 93.659	Foster Care/ Adoption Assistance	Allowable Costs/Cost Principles	2010-66
Health and Human Services	93.658	Foster Care	Eligibility	2010-68
Health and Human Services	93.658	Foster Care	Subrecipient Monitoring	2010-69

Federal Awarding Agency	CFDA Number	Federal Program	Compliance Requirement	Finding Number
Health and Human Services	93.767	Children's Health Insurance Program	Eligibility	2010-74
Health and Human Services	93.914	HIV Emergency Relief Grant	Allowable Costs/Cost Principles	2010-77
Health and Human Services	93.914	HIV Emergency Relief Grant	Level of Effort/Earmarking	2010-78
Health and Human Services	93.914	HIV Emergency Relief Grant	Procurement	2010-08, 2010-79
Health and Human Services	93.917	HIV Care Formula Grant	Allowable Costs/Cost Principles	2010-81, 2010-82
Health and Human Services	93.917	HIV Care Formula Grant	Level of Effort, Earmarking	2010-85
Health and Human Services	93.917	HIV Care Formula Grant	Procurement	2010-08, 2010-86
Homeland Security	97.067	Homeland Security Emergency Management Grant	Procurement	2010-08, 2010-88
Homeland Security	97.067	Homeland Security Emergency Management Grant	Subrecipient Monitoring	2010-89
Education	84.007, 84.032, 84.033, 84.063, 93.925	Student Financial Assistance Program Cluster	Activities Allowed or Unallowed	2010-90
Education	84.007, 84.032, 84.033, 84.063, 93.925	Student Financial Assistance Program Cluster	Cash Management	2010-91
Education	84.007, 84.032, 84.033, 84.063, 93.925	Student Financial Assistance Program Cluster	Eligibility	2010-92
Education	84.007, 84.032, 84.033, 84.063, 93.925	Student Financial Assistance Program Cluster	Period of Availability	2010-93
Education	84.007, 84.032, 84.033, 84.063, 93.925	Student Financial Assistance Program Cluster	Reporting	2010-94

Federal Awarding Agency	CFDA Number	Federal Program	Compliance Requirement	Finding Number
Education	84.007, 84.032, 84.033, 84.063, 93.925	Student Financial Assistance Program Cluster	Special Tests and Provisions - Verification	2010-95
Education	84.007, 84.032, 84.033, 84.063, 93.925	Student Financial Assistance Program Cluster	Special Tests and Provisions – Disbursements to or on Behalf of Students	2010-96
Education	84.007, 84.032, 84.033, 84.063, 93.925	Student Financial Assistance Program Cluster	Special Tests and Provisions – Return of Title IV Funds	2010-97
Education	84.007, 84.032, 84.033, 84.063, 93.925	Student Financial Assistance Program Cluster	Special Tests and Provisions – Student Status Changes	2010-98
Education	84.007, 84.032, 84.033, 84.063, 93.925	Student Financial Assistance Program Cluster	Special Tests and Provisions – Student Loan Repayments	2010-99
Education	84.007, 84.032, 84.033, 84.063, 93.925	Student Financial Assistance Program Cluster	Special Tests and Provisions – Institutional Eligibility	2010-100

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance yet important enough to merit attention by those charged with governance. As described in Table IV, we consider the deficiencies in internal control over compliance, which are described more fully in the accompanying schedule of findings and questioned costs, to be significant deficiencies.

TABLE IV – SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL OVER COMPLIANCE

Federal Awarding Agency	CFDA Number	Federal Program	Compliance Requirement	Finding Number
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program	Reporting	2010-09

Federal Awarding Agency	CFDA Number	Federal Program	Compliance Requirement	Finding Number
Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Cash Management	2010-07, 2010-16
Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Reporting	2010-18
Housing and Urban Development	14.218, 14.253	Community Development Block Grant	Earmarking	2010-20
Housing and Urban Development	14.218, 14.253	Community Development Block Grant	Reporting	2010-21
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Special Tests and Provisions – Drawdowns of HOME Funds	2010-25
Housing and Urban Development	14.239	HOME Investment Partnerships Program	Special Tests and Provisions – Housing Quality Standards	2010-26
Housing and Urban Development	14.241	Housing Opportunities for Persons with AIDS	Cash Management	2010-07, 2010-27
Housing and Urban Development	14.241	Housing Opportunities for Persons with AIDS	Reporting	2010-29
Labor	17.225	Unemployment Insurance	Allowable Costs/Cost Principles	2010-30
Labor	17.225	Unemployment Insurance	Eligibility	2010-31
Labor	17.225	Unemployment Insurance	Reporting	2010-32
Labor	17.225	Unemployment Insurance	Special Tests and Provisions – UI Benefit Payments	2010-33

Federal Awarding Agency	CFDA Number	Federal Program	Compliance Requirement	Finding Number
Labor	17.258, 17.259, 17.260	Workforce Investment Act	Reporting	2010-36
Transportation	20.205	Highway Planning and Construction	Davis-Bacon Act	2010-37
Education	84.010, 84.389	Title I	Cash Management – OSSE	2010-07, 2010-39
Education	84.010, 84.389	Title I	Subrecipient Monitoring – OSSE	2010-41
Education	84.027, 84.173, 84.391, 84,392	Special Education	Subrecipient Monitoring	2010-45
Education	84.367	Improving Teacher Quality	Allowable Costs/Cost Principles – DCPS	2010-47
Education	84.367	Improving Teacher Quality	Subrecipient Monitoring – OSSE	2010-49
Health and Human Services	93.558, 93.714	Temporary Assistance for Needy Families	Reporting	2010-51
Health and Human Services	93.558, 93.714	Temporary Assistance for Needy Families	Special Tests and Provision – Child Support Non-Cooperation	2010-52
Health and Human Services	93.568	Low Income Housing Energy Assistance Program	Eligibility	2010-56
Health and Human Services	93.568	Low Income Housing Energy Assistance Program	Subrecipient Monitoring	2010-57
Health and Human Services	93.569, 93.710	Community Services Block Grant	Allowable Costs/Cost Principles	2010-58
Health and Human Services	93.569, 93.710	Community Services Block Grant	Cash Management	2010-07, 2010-59
Health and Human Services	93.569, 93.710	Community Services Block Grant	Reporting	2010-60
Health and Human Services	93.600, 93.708	Head Start	Reporting	2010-64

Federal Awarding Agency	CFDA Number	Federal Program	Compliance Requirement	Finding Number
Health and Human Services	93.658/ 93.659	Foster Care/ Adoption Assistance	Cash Management	2010-07, 2010-67
Health and Human Services	93.658	Foster Care	Special Tests and Provisions – R2 – Presentation on the SEFA and Data Collection Form	2010-70
Health and Human Services	93.659	Adoption Assistance	Allowable Costs/Cost Principles	2010-71
Health and Human Services	93.659	Adoption Assistance	Eligibility	2010-72
Health and Human Services	93.659	Adoption Assistance	Special Tests and Provisions – R2 – Presentation on the SEFA and Data Collection Form	2010-73
Health and Human Services	93.775, 93.777, 93.778	Medicaid	Allowable Costs/Cost Principles	2010-75
Health and Human Services	93.775, 93.777, 93.778	Medicaid	Cash Management	2010-76
Health and Human Services	93.914	HIV Emergency Relief Grant	Reporting	2010-80
Health and Human Services	93.917	HIV Care Formula Grant	Cash Management	2010-07, 2010-83
Health and Human Services	93.917	HIV Care Formula Grant	Eligibility	2010-84
Health and Human Services	93.917	HIV Care Formula Grant	Reporting	2010-87

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses, and accordingly, we express no opinion on the responses.

Schedule of Expenditures of Federal Awards

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of Federal awards for the year ended September 30, 2010 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the fiscal 2010 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the fiscal 2010 basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the fiscal 2010 basic financial statements taken as a whole.

This report is intended solely for the information and use of the Mayor and Council of the Government of the District of Columbia, management, others within the entity, and Federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

June 30, 2011

Government of the District of Columbia

Schedule of Expenditures
of Federal Awards
and
Notes to the Schedule of Expenditures
of Federal Awards
Year Ended September 30, 2010

Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by Federal Grantor

For the Year Ended September 30, 2010

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	*Federal CFDA Number*		*Total Federal Expenditures*
U.S. Department of Homeland Security			
REGIONAL CATASTROPHIC PREPAREDNESS GRANT PROGRAM	97.111		1,850,876
NATIONAL INCIDENT MANAGEMENT SYSTEM (NIMS)	97.107		686,130
BUFFER ZONE PROTECTION PLAN (BZPP)	97.078		14,592
HOMELAND SECURITY RESEARCH TESTING, EVALUATION & DEMONSTRATION OF TECHNOLOGIES RELATED TO NUCLEAR DETECTION	97.077		5,444
RAIL AND TRANSIT SECURITY GRANT PROGRAM	97.075		9,002,623
HOMELAND SECURITY GRANT PROGRAM	97.067		67,922,678
SCHOLARS AND FELLOWS, AND EDUCATIONAL PROGRAMS	97.062		64,806
ASSISTANCE TO FIREFIGHTERS GRANT	97.044		1,295,983
EMERGENCY MANAGEMENT PERFORMANCE GRANTS	97.042		2,111,872
DISASTER GRANTS- PUBLIC ASSISTANCE (PRESIDENTIALLY DECLARED DISASTERS)	97.036	8,671,631	
DISASTER GRANTS- PUBLIC ASSISTANCE (PRESIDENTIALLY DECLARED DISASTERS)	97.036	18,564	
SUBTOTAL - PUBLIC ASSISTANCE GRANTS			8,690,195
BOATING SAFETY FINANCIAL ASSISTANCE	97.012		977,512
NON-PROFIT SECURITY PROGRAM	97.008		617,739
EMERGENCY MANAGEMENT PERFORMANCE GRANTS	97.001		(4,950)
Total U.S. Department of Homeland Security			**93,235,500**
Social Security Administration			
SOCIAL SECURITY_DISABILITY INSURANCE	96.001		**8,480,005**
Corporation for National and Community Service			
SENIOR COMPANION PROGRAM	94.016		305,491
TRAINING AND TECHNICAL ASSISTANCE	94.009		104,210
PROGRAM DEVELOPMENT AND INNOVATION GRANTS	94.007	710,334	
PROGRAM DEVELOPMENT AND INNOVATION GRANTS	94.007	48,783	
SUBTOTAL - PROGRAM DEVELOPMENT AND INNOVATION GRANTS			759,117
AMERICORPS	94.006	2,331,821	
ARRA - AMERICORPS	94.006	135,017	
SUBTOTAL - AMERICORPS			2,466,838

Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by Federal Grantor

For the Year Ended September 30, 2010

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	*Federal CFDA Number*		*Total Federal Expenditures*
LEARN AND SERVE AMERICA_SCHOOL AND COMMUNITY BASED PROGRAMS	94.004		467,154
Total Corporation for National and Comm Service			**4,102,811**
U.S. Department of Health and Human Services			
AFDC/TANF RECOUPMENT	93.TAN		83,899
MATERNAL AND CHILD HEALTH SERVICES BLOCK GRANT TO THE STATES	93.994		7,562,121
PREVENTIVE HEALTH & HEALTH SERVICES BLOCK GRANT	93.991		875,196
PREVENTIVE HEALTH SVCS_SEXUALLY TRANSMITTED DISEASES CONTROL GRANTS	93.977		1,341,710
BLOCK GRANTS FOR PRVENTION AND TREATMENT OF SUBSTANCE ABUSE	93.959		5,527,580
BLOCK GRANTS FOR COMMUNITY MENTAL HEALTH SERVICES	93.958		1,252,478
ASSISTANCE PROGRAMS FOR CHRONIC DIDEASE PREVENTION & CONTROL	93.945		310,231
HIV/AIDS VIRUS SYNDROME SURVEILLANCE	93.944		1,696,853
HIV PREVENTION ACTIVITIES_HEALTH DEPARTMENT BASED	93.940		8,735,267
COOP AGREEMENTS TO SUPPORT COMPREHENSIVE SCHOOL HEALTH PROGRAM TO PREVENT THE SPREAD OF HIV AND OTHER IMPORTANT HEALTH PROBLEMS	93.938	268,836	
COOP AGREEMENTS TO SUPPORT COMPREHENSIVE SCHOOL HEALTH PROGRAM TO PREVENT THE SPREAD OF HIV AND OTHER IMPORTANT HEALTH PROBLEMS	93.938	20,600	
SUBTOTAL - COOPERATIVE AGREEMENTS TO SUPPORT COMPREHENSIVE SCHOOL HEALTH PROGRAM TO PREVENT THE SPREAD OF HIV & OTHER IMPORTANT HEALTH PROBLEMS			289,436
HEALTHY START INITIATIVE	93.926		3,483,819
SCHOLASHIPS FOR HEALTH PROFESSIONS STUDENTS FROM DISADVANTAGED BACKGROUNDS	93.925		173,612
HIV CARE FORMULA GRANTS	93.917		16,572,820
HIV EMERGENCY RELIEF PROJECT GRANTS	93.914		32,191,359
NATIONAL BIOTERRORISM HOSPITAL PREPAREDNESS PROGRAM	93.889		2,000,104
BIOMEDICAL RESEARCH AND RESEARCH TRAINING	93.859		356,882
MEDICAID TRANSFORMATION GRANTS	93.793		6,330,265
MONEY FOLLOWS THE PERSON REBALANCING DEMONSTRATION	93.791		6,178,689
CTRS FOR MEDICARE & MEDICAID RESEARCH, DEMONSTRATIONS AND EVALUATIONS	93.779		120,767
MEDICAL ASSISTANCE PROGRAM	93.778	1,277,681,159	
MEDICAL ASSISTANCE PROGRAM	93.778	15,267,885	
MEDICAL ASSISTANCE PROGRAM	93.778	18,760,398	

Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by Federal Grantor

For the Year Ended September 30, 2010

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	*Federal CFDA Number*		*Total Federal Expenditures*
MEDICAL ASSISTANCE PROGRAM	93.778	4,815,021	
MEDICAL ASSISTANCE PROGRAM	93.778	4,411,273	
ARRA - MEDICAL ASSISTANCE PROGRAMS	93.778	155,256,404	
SUBTOTAL - MEDICAL ASSISTANCE PROGRAMS			1,476,192,140
STATE SURVEY AND CERTIFICATION OF HEALTH CARE PROVIDERS & SUPPLIERS			
TITLE (XVIII) MEDICARE	93.777	697,760	
STATE MEDICAID FRAUD CONTROL UNITS	93.775	1,752,073	
SUBTOTAL - STATE SURVEY AND CERTIFICATION AND MEDICAID FRAUD CONTROL UNITS CLUSTER			2,449,832
MEDICAID INFRASTRUCTURE GRANTS TO SUPPORT THE COMPETITIVE EMPLOYMENT OF PEOPLE WITH DISABILITIES (2000U)	93.768		645,851
CHILDREN'S HEALTH INSURANCE PROGRAM	93.767		11,115,961
ARRA - COMMUNITIES PUTTING PREVENTION TO WORK: CHRONIC DISEASE SELF-MANAGEMENT PROGRAM	93.725		20,770
ARRA - PREVENTION-COMMUNITIES PUTTING PREVENTION TO WORK FUNDING OPPROTUNITIES ANNOUNCEMENT (FOA)	93.724		24,920
ARRA - PREVENTION AND WELLNESS STATE, TERRITORIES & PACIFIC ISLANDS	93.723		8,300
ARRA - STATE GRANTS TO PROMOTE HEALTH INFORMATION TECHNOLOGY	93.719		280,066
ARRA - PREVENTING HEALTHCARE-ASSOCIATED INFECTIONS	93.717		28,779
ARRA - STRENGTHENING COMMUNITIES FUND	93.711		143,705
FAMILY VIOLENCE PREVENTION & SERVICES/GRANT FOR BATTERED WOMEN'S SHELTERS_GRANTS TO STATES & INDIAN TRIBES	93.671		607,181
ARRA - FOSTER CARE_TITLE IV-E	93.658	1,176,638	
FOSTER CARE_TITLE IV-E	93.658	30,566,265	
SUBTOTAL - FOSTER CARE_TITLE IV-E			31,742,903
CHAFEE FOSTER CARE INDEPENDENCE PROGRAM	93.674		1,101,674
CHILD ABUSE & NEGLECT STATE GRANTS	93.669		85,423
SOCIAL SERVICES BLOCK GRANT	93.667		6,862,359
ARRA - ADOPTION ASSISTANCE	93.659	1,350,597	
ADOPTION ASSISTANCE	93.659	22,974,726	
SUBTOTAL - ADOPTION ASSISTANCE			24,325,323
CHILD WELFARE SERVICES_STATE GRANTS	93.645		324,541
DEVELOPMENTAL DISABILITIES BASIC SUPPORT AND ADVOCACY GRANTS	93.630		219,932
ARRA - HEAD START	93.708	852,381	

Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by Federal Grantor

For the Year Ended September 30, 2010

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	*Federal CFDA Number*		*Total Federal Expenditures*
ARRA - HEADSTART CONSOLIDATED	93.708	127,478	
HEAD START	93.600	66,777	
HEAD START	93.600	3,265	
HEAD START	93.600	6,735,059	
HEAD START - PASS-THROUGH FUNDING	93.600	3,974,457	
SUBTOTAL - HEAD START CLUSTER			11,759,416
GRANTS TO STATES FOR ACCESS AND VISITATION PROGRAM	93.597		55,000
REFUGEE & ENTRANT ASSISTANCE_DISCRETIONARY GRANTS	93.576		36,510
ARRA-CHILD CARE AND DEVELOPMENT BLOCK GRANT	93.713	858,540	
CHILD CARE & DEVELOPMENT BLOCK GRANT	93.575	8,798,041	
SUBTOTAL - CHILD CARE DEVELOPMENT CLUSTER			9,656,581
COMMUNITY SERVICE BLOCK GRANT	93.569	11,258,024	
ARRA - COMMUNITY SERVICE BLOCK GRANT	93.710	10,697,811	
SUBTOTAL - COMMUNITY SERVICE BLOCK GRANT			21,955,835
LOW INCOME HOME ENERGY ASSISTANCE	93.568		15,405,454
REFUGEE & ENTRANT ASSISTANCE_STATE ADMINISTERED	93.566		1,288,448
CHILD SUPPORT ENFORCEMENT RESEARCH	93.564		38,328
PATERNITY AND CHILD ENFORCEMENT PROGRAM	93.563	17,621,894	
ARRA - PATERNITY AND CHILD ENFORCEMENT PROGRAM	93.563	882,862	
SUBTOTAL - PARTERNITY AND CHILD ENFORCEMENT PROGRAM			18,504,755
ARRA - EMERGENCY CONTINGENCY FUND FOR TANF STATE PROGRAM	93.714	1,648,338	
TEMPORARY ASSISTANCE FOR NEEDY FAMILIES	93.558	109,484,702	
SUBTOTAL - TEMPORARY ASSISTANCE FOR NEEDY FAMILIES			111,133,040
FAMILY PRESERVATION	93.556		858,025
SPECIAL PROGRAMS FOR THE AGING_TITLE III, PART G_PREVENTION OF ABUSE, NEGLECT, & EXPLOITATION OF OLDER INDIVIDUALS	93.552		25,000
ARRA - STATE PRIMARY CARE OFFICES	93.414		7,428
ARRA - SCHOLARSHIPS FOR DISADVANTAGED STUDENTS	93.407		90,103
CANCER RESEARCH MANPOWER	93.398		221,681
CANCER CENTERS SUPPORT GRANTS	93.397		73,671
MINORITY HEALTH AND HEALTH DISPARITIES RESEARCH	93.307		569,849
CENTERS FOR DISEASE CONTROL & PREVENTION: INVEST & TECHNICAL ASSISTANCE	93.283		3,127,596

Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by Federal Grantor

For the Year Ended September 30, 2010

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	*Federal CFDA Number*		*Total Federal Expenditures*
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES-ACCESS TO RECOVERY	93.275		6,480,915
ARRA - IMMUNIZATION	93.712	74,536	
IMMUNIZATION GRANTS	93.268	1,670,263	
SUBTOTAL - IMMUNIZATION PROGRAM			1,744,799
UNIVERSAL NEWBORN HEARING SCREENING	93.251		138,812
SUBSTANCE ABUSE MENTAL HEALTH SERVICES (SAMHS)_PROJECTS OF REGIONAL AND NATIONAL SIGNIFICANCE	93.243	531,164	
SUBSTANCE ABUSE MENTAL HEALTH SERVICES (SAMHS)_PROJECTS OF REGIONAL AND NATIONAL SIGNIFICANCE	93.243	900,810	
SUBTOTAL - SAMHS PROJECTS OF REGIONAL & NAT'L SIGNIFICANCE			1,431,974
TRAUMATIC BRAIN INJURY STATE DEMONSTRATION GRANT PROGRAM	93.234		84,401
PROJECTS_STATE & LOCAL CHILDHOOD LEAD POISONING PREVENTION & SURVEILLANCE OF BLOOD LEAD LEVELS IN CHILDREN	93.197		526,198
PROJECTS FOR ASSISTANCE IN TRANSITION FROM HOMELESSNESS (PATH)	93.150		298,642
INJURY PREVENTION & CONTROL RESEARCH & STATE COMMUNITY BASED PROGRAM	93.136		75,028
COOP AGREEMENTS TO STATES/TERRITORIES FOR THE COORDINATION AND DEVELOPMENT OF PRIMARY CARE OFFICES	93.130		139,390
PROJECT GRANTS & COOP AGREEMENTS FOR TUBERCOLOSIS CONTROL PROGRAMS	93.116		653,359
MATERNAL & CHILD HEALTH FEDERAL CONSOLIDATED PROGRAMS	93.110		548,136
FOOD AND DRUG ADMINISTRATION_RESEARCH	93.103		5,000
EMERGENCY SYSTEM FOR ADV REGISTRATION OF VOLUNTEER HEALTH PROFESSIONALS	93.089		60,000
HEALTHY MARRIAGE PROMOTION & RESPONSIBLE FATHERHOOD GRANTS	93.086		1,779,731
DC LIFESPAN RESPITE PROGRAM	93.072	57,689	
ARRA - LIFESPAN RESPITE CARE PROGRAM	93.072	333,094	
SUBTOTAL - LIFESPAN RESPITE CARE PROGRAM			390,783
MEDICARE ENROLLMENT ASSISTANCE PROGRAM	93.071		28,174
PUBLIC HEALTH EMERGENCY PREPAREDNESS	93.069		7,609,730
SPECIAL PROGRAMS FOR THE AGING_TITLE IV & TITLE II DISCRETIONARY PROJECTS	93.048	105,910	
SPECIAL PROGRAMS FOR THE AGING_TITLE IV & TITLE II DISCRETIONARY PROJECTS	93.048	68,091	
SUB -SPECIAL PROG FOR THE AGING_TITLE IV & TITLE II DISCRETIONARY PROJECTS			174,001
ARRA - TITLE III - FRAIL & ELDERLY	93.705		160,000
NUTRITION SERVICES INCENTIVE PROGRAM	93.053	637,436	
SPECIAL PROGRAMS FOR THE AGING_TITLE III, PART C_NUTRITION SERVICES	93.045	3,341,526	

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SPECIAL PROGRAMS FOR THE AGING_TITLE III, PART B_GRANTS FOR SUPPORTIVE SERVICES AND SENIOR CENTERS	93.044	1,846,809	
SUBTOTAL - TITLE III CLUSTER			5,825,771
SPECIAL PROGRAMS FOR THE AGING_TITLE VII, CHAPTER 2_LONG TERM CARE OMBUDSMAN SERVICES FOR OLDERS INDIVIDUALS	93.042		882,058
STATE & TERRITORIAL & TECHNICAL ASSISTANCE CAPACITY DEVELOPMENT MINORITY HIV/AIDS DEMONSTRATION PROGRAM	93.006		114,974
HCFA - NURSING HOME & ICF-MR CERTIFICATION	93.796		2,282,822
Total U.S. Depart. of Health and Human Services			**1,877,504,166**
U.S. Department of Education			
ARRA - INDEPENDENT LIVING SVCS FOR OLDER INDIVIDUALS WHO ARE BLIND	84.399		2,826
ARRA - INDEPENDENT LIVING STATE GRANTS	84.398		70,421
ARRA - STATES FISCAL STABILIZATION FUND - GOVERNMENT SERVICES	84.397	16,266,626	
ARRA - STATES FISCAL STABILIZATION FUND (SFSF) - EDUCATION STATE GRANTS	84.394	72,283,896	
ARRA - (SFSF) - EDUCATION STATE GRANTS, RECOVERY ACT	84.394	855,900	
SUBTOTAL - STATES FISCAL STABILIZATION			89,406,422
ARRA - EDUCATION FOR HOMELESS CHILDREN AND YOUTH	84.387		48,444
COLLEGE ACCESS CHALLENGE GRANT PROGRAM	84.378		499,447
SCHOOL IMPROVEMENT GRANTS	84.377		1,126,948
STATEWIDE DATA SYSTEMS	84.372		1,211,967
GRANTS FOR STATE ASSESSMENTS & RELATED ACTIVITIES	84.369		3,455,606
GRANTS FOR ENHANCED ASSESSMENT INSTRUMENTS	84.368		469,541
IMPROVING TEACHER QUALITY STATE GRANTS	84.367		12,587,128
MATHEMATICS & SCIENCE PARTNERSHIP	84.366		805,511
ENGLISH LANGUAGE ACQUISITION	84.365		788,046
READING FIRST- TITLE I, PART B, NCLB	84.357		211,722
TRANSITION TO TEACHING	84.350		(1,260)
GAINING EARLY AWARENESS AND READINESS FOR UNDERGRADUATE PROGRAMS	84.334		183,068
GRANTS FOR STATES FOR WORKPLACE & COMMUNITY TRANSITION TRAINING FOR INCARCERATED INDIVIDUALS	84.331		123,872
ADVANCED PLACEMENT PROGRAM	84.330		106,168
SPECIAL EDUCATION-PERSONNEL DEVELOPMENT TO IMPROVE SVCS & RESULTS			

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FOR CHILDREN WITH DISABILITIES	84.325		162,084
ARRA - EDUCATION TECHNOLOGY STATE GRANT, RECOVERY ACT	84.386	66,116	
EDUCATIONAL TECHNOLOGY STATE GRANTS	84.318	1,274,539	
SUBTOTAL - EDUCATION TECHNOLOGY CLUSTER			1,340,655
21ST CENTURY COMM LEARNING CTRS-AFTER SCHOOL	84.287		7,264,273
CHARTER SCHOOLS	84.282		2,034,261
REHABILITATION TRAINING_STATE VOCATIONAL REHAB UNIT IN-SERVICE TRAINING	84.265		17,267
ASSISTIVE TECHNOLOGY	84.224		316,060
FUND FOR THE IMPROVEMENT OF EDUCATION	84.215		450,149
TITLE 1 EVEN START	84.213		331,270
EDUCATION FOR HOMELESS CHILDREN AND YOUTH	84.196		115,225
SUPPORTED EMPLOYMENT SVCS_INDIV WITH THE MOST SIGNIFICANT DISABILITIES	84.187		419,532
SAFE AND DRUG FREE SCHOOLS & COMMUNITIES_STATE GRANTS	84.186	649,945	
SAFE AND DRUG FREE SCHOOLS & COMMUNITIES_STATE GRANTS	84.186	188,585	
SUBTOTAL - SAFE & DRUG FREE SCHOOLS & COMMUNITIES_ STATE GRANTS			838,530
BYRD HONORS SCHOLARSHIPS	84.185		69,000
ARRA - SPECIAL EDUCATION-GRANTS FOR INFANTS AND FAMILIES	84.393	82,033	
SPECIAL EDUCATION_GRANTS FOR INFANTS_FAMILIES	84.181	2,299,723	
SUBTOTAL - SPECIAL EDUCATION CLUSTER			2,381,756
REHABILITATION SERVICES_INDEPENDENT LIVING SERVICES_OLDER INDIVIDUALS WHO ARE BLIND	84.177		219,005
INDEPENDENT LIVING_STATE GRANTS	84.169		313,552
REHABILITATION SERVICES_CLIENT ASSISTANCE PROGRAM	84.161		117,571
ARRA - REHABILITATION SVCS- VOCATIONAL REHABILITATION GRANTS TO STATES	84.390	323,480	
REHABILITATION SERVICES_VOCATIONAL REHABILITATION GRANTS TO STATES	84.126	12,696,064	
SUBTOTAL - VOCATIONAL REHABILITATION CLUSTER			13,019,544
LEVERAGING EDUCATIONAL ASSISTANCE PARTNERSHIP	84.069		472,582
FEDERAL PELL GRANT PROGRAM	84.063		4,884,978
CAREER & TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048		3,278,538
TRIO_UPWARD BOUND	84.047	305,377	
TRIO_TALENT SEARCH	84.044	518,838	
TRIO_STUDENT SUPPORT SERVICES	84.042	556,524	

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SUBTOTAL - TRIO CLUSTER			1,380,739
IMPACT AID	84.041		1,110,209
FEDERAL WORK-STUDY PROGRAM	84.033	161,539	
ARRA - JOB LOCATOR DEVELOPMENT	84.033	55,813	
SUBTOTAL - JOB LOCATOR DEVELOPMENT			217,352
HIGHER EDUCATION_INSTITUTIONAL AID	84.031		4,088,099
ARRA - SPECIAL EDUCATION - PRESCHOOL GRANTS	84.392	223,793	
ARRA - SPECIAL EDUCATION GRANTS TO STATES	84.391	14,871,149	
SPECIAL EDUACATION - PRESCHOOL GRANTS	84.173	374,168	
SPECIAL EDUACATION - GRANT TO STATES	84.027	15,881,922	
SUBTOTAL - SPECIAL EDUCATION CLUSTER			31,351,031
TITLE I STATE AGENCY PROGRAM FOR NEGLECTED & DELINQUENT CHILDREN	84.013		160,436
ADULT EDUCATION - BASIC GRANTS TO STATES	84.002		1,327,209
FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS (SEOG)	84.007		619,577
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES (LEA)	84.010	48,162,395	
ARRA - TITLE I GRANTS TO LOCAL EDUCATUIONAL AGENCIES	84.389	22,881,684	
SUBTOTAL - TITLE I GRANTS TO LOCAL EDUCATIONAL CLUSTER			71,044,080
MISC. - NATIONAL ASSESSMENT OF EDUC PROG. (NAEP)	84.NAEP		64,051
Total U.S. Department of Education			**260,504,491**
Federal Emergency Management Agency			
STATE AND LOCAL ASSISTANCE	83.534		**2,393**
U.S. Department of Energy			
ARRA - ENERGY EFFICIENCY AND CONSERVATION BLOCK GRANT (EECBG)	81.128		571,402
ARRA - ENERGY EFFICIENT APPLIANCE REBATE PROGRAM (EEARP)	81.127		1,925
ARRA - ELECTRICITY DELIVERY AND ENERGY RELIABILITY, R & D ANALYSIS	81.122	862	
ARRA - ELECTRICITY DELIVERY AND ENERGY RELIABILITY, R & D ANALYSIS	81.122	63,859	
SUBTOTAL - ELECTRICITY DELIVERY AND ENERGY RELIABILITY, R & D ANALYSIS			64,721
WEATHERIZATION ASSISTANCE FOR LOW-INCOME PERSONS	81.042	860,324	
ARRA - WEATHERIZATION ASSISTANCE FOR LOW-INCOME PERSONS	81.042	3,949,085	

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SUBTOTAL - WEATHERIZATION ASSISTANCE FOR LOW-INCOME PERSONS			4,809,409
STATE ENERGY PROGRAM	81.041	133,840	
ARRA - STATE ENERGY PROGRAM	81.041	8,961,130	
SUBTOTAL - STATE ENERGY PROGRAM			9,094,970
NATIONAL ENERGY INFORMATION CENTER	81.039		996
Total U.S. Department of Energy			**14,543,424**
Environmental Protection Agency			
STATE AND TRIBAL RESPONSE PROGRAM	66.817		254,603
SUPERFUND STATE AND TRIBE CORE PROGRAM COOP AGREEMENTS	66.809	47,530	
SUPERFUND STATE AND TRIBE CORE PROGRAM COOP AGREEMENTS	66.809	149,261	
SUBTOTAL - SUPERFUND & TRIBE CORE PROGRAM COOP AGREEMENTS			196,791
ARRA - LEAKING UNDERGROUND STORAGE TANK TRUST FUND CORRECTIVE ACTION	66.805		48,203
UNDERGROUND STORAGE TANK PREVENTION, DETECTION & COMPLIANCE PROGRAM	66.804		606,214
HAZARDOUS WASTE MANAGEMENT STATE PROGRAM SUPPORT	66.801		242,881
TSCA TITLE IV STATE LEAD GRANTS CERT OF LEAD-BASED PAINT PROFESSIONALS	66.707		402,914
ENVIRONMENTAL INFO EXCHANGE NETWORK GRANT PROGRAM & RELATED ASSIST	66.608		227,569
PERFORMANCE PARTNERSHIP GRANTS	66.605		247,393
CAPITALIZATION GRANTS FOR DRINKING WATER STATE REVOLVING FUNDS	66.468		168
CHESAPEAKE BAY PROGRAM	66.466		866,805
NONPOINT SOURCE IMPLEMENTATION GRANTS	66.460		1,088,332
WATER QUALITY MANAGEMENT PLANNING	66.454	100,000	
ARRA - WATER QUALITY MANAGEMENT PLANNING	66.454	109,925	
SUBTOTAL - WATER QUALITY MANAGEMENT PLANNING			209,925
WATER POLLUTION CONTROL STATE, INTERSTATE, TRIBAL PROGRAM SUPPORT	66.419		1,438,876
CONSTRUCTION GRANTS FOR WASTEWATER TREATMENT WORKS	66.418	2,579	
ARRA - CONSTRUCTION GRANTS FOR WASTEWATER TREATMENT WORKS	66.418	5,171,869	
SUBTOTAL - CONSTRUCTION GRANTS FOR WASTEWATER TREATMENT WORKS			5,174,448
CLEAN SCHOOL BUS USA	66.036		222,515
SURVEYS, STUDIES, INVESTIGATIONS ACTIVITIES RELATING TO THE CLEAN AIR ACT	66.034		188,929
STATE INDOOR RADON GRANTS	66.032		110,000

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AIR POLLUTION CONTROL PROGRAM SUPPORT	66.001	1,087,076	
ARRA - AIR POLLUTION CONTROL PROGRAM SUPPORT	66.001	256,187	
SUBTOTAL - AIR POLLUTION CONTROL PROGRAM SUPPORT			1,343,264
Total Environmental Protection Agency			**12,869,830**
National Science Foundation			
EDUCATION AND HUMAN RESOURCES	47.076		406,583
COMPUTER AND INFORMATION SCIENCE AND ENGINEERING	47.070		35,004
ENGINEERING GRANTS	47.041		58,167
Total National Science Foundation			**499,755**
National Endowment for the Humanities			
GRANTS TO STATES	45.310		1,020,888
PROMOTION OF THE HUMANITIES_DIVISION OF PRESERVATION & ACCESS	45.149		2,477
PROMOTION OF THE ARTS_PARTNERSHIP AGREEMENTS	45.025	737,743	
ARRA - PROMOTION OF THE ARTS_PATNERSHIP AGREEMENTS	45.025	290,000	
SUBTOTAL - PROMOTION OF THE ARTS PARTNERSHIP AGREEMENTS			1,027,743
PROMOTION OF THE ARTS_GRANTS TO ORGANIZATIONS AND INDIVIDUALS	45.024		20,000
Total National Endowment for the Humanities			**2,071,108**
National Aeronautics and Space Administration			
SCIENCE	43.001		**7,310**
General Services Administration			
PUBLIC BUILDINGS SERVICE	39.012		**70,625**
Equal Employment Opportunity Commission			
EMPLOYMENT DISCRIMINATION_TITLE VII OF THE CIVIL RIGHTS ACT OF 1964	30.001		**159,250**
U.S. Department of the Treasury			
LOW-INCOME TAXPAYER CLINICS	21.008		90,295

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ARRA - RAGLTC- GRANTS IN LIEU OF TAX CREDITS SEC	21.GRDC15		5,171,629
Total U.S. Department of the Treasury			5,261,924
U.S. Department of Transportation			
PIPELINE SAFETY PROGRAM BASE GRANTS	20.700		156,554
STATE TRAFFIC SAFETY INFORMATION SYSTEM IMPROVEMENT GRANTS	20.610	4,028	
STATE AND COMMUNITY HIGHWAY SAFETY	20.600	2,596,289	
SUBTOTAL - HIGHWAY SAFETY CLUSTER			2,600,317
CAPITAL ASSIST PRGM FOR ELDERLY PERSONS AND PERSONS WITH DISABILITIES	20.513		30,119
METROPOLITAN TRANSPORTATION PLANNING	20.505		220,193
NATIONAL MOTOR CARRIER SAFETY	20.218	405,238	
NATIONAL MOTOR CARRIER SAFETY	20.218	116,055	
SUBTOTAL - NATIONAL MOTOR CARRIER SAFETY			521,293
MOTOR CARRIER SAFETY	20.217		37,634
HIGHWAY PLANNING AND CONSTRUCTION	20.205	162,796,622	
ARRA - HIGHWAY PLANNING AND CONSTRUCTION	20.205	49,408,142	
SUBTOTAL - HIGHWAY PLANNING & CONSTRUCTION			212,204,764
Total U.S. Department of Transportation			**215,770,875**
U.S. Department of Labor			
CONSULTATION AGREEMENTS	17.504		375,570
TEMPORARY LABOR CERTIFICATION FOR FOREIGN WORKERS	17.273		93,264
WORK OPPORTUNITY TAX CREDIT PROGRAM (WOTC)	17.271		41,596
REINTEGRATION OF EX-OFFENDERS	17.270		34,680
WORK INCENTIVE GRANTS	17.266		87,510
WIA PILOTS, DEMONSTRATIONS, AND RESEARCH PROJECTS	17.261		637,519
WIA DISLOCATED WORKERS	17.260	4,671,716	
ARRA - WIA DISLOCATED WORKERS	17.260	2,362,253	
WIA YOUTH ACTIVITIES	17.259	3,252,143	
ARRA - WIA YOUTH ACTIVITIES+A398	17.259	3,360,848	
WIA ADULT PROGRAM	17.258	2,432,735	

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ARRA - WIA ADULT PROGRAM	17.258	378,171	
SUBTOTAL - WIA CLUSTER			16,457,866
SENIOR COMMUNITY SERVICE EMPLOYMENT PROGRAM	17.235	678,101	
ARRA - SENIOR COMMUNITY SERVICE EMPLOYMENT PROGRAM	17.235	107,848	
SUBTOTAL - SENIOR COMMUNITY SERVICE			785,949
UNEMPLOYMENT INSURANCE	17.225	465,004,475	
ARRA - UNEMPLOYMENT INSURANCE	17.225	32,029,674	
SUBTOTAL - UNEMPLOYMENT INSURANCE			497,034,149
LOCAL VETERANS EMPLOYMENT REPRESENTATIVE	17.804	321,556	
DISABLED VETERANS OUTREACH PROGRAM	17.801	284,432	
EMPLOYMENT SERVICE/WAGNER-PEYSER FUNDED ACTIVITIES	17.207	2,280,574	
ARRA - EMPLOYMENT SERVICE/WAGNER-PEYSER FUNDED ACTIVITIES	17.207	437,289	
SUBTOTAL - EMPLOYMENT SERVICE CLUSTER			3,323,852
COMPENSATION AND WORKING CONDITIONS	17.005		78,052
LABOR FORCE STATISTICS	17.002		621,473
Total U.S. Department of Labor			**519,571,480**
U.S. Department of Justice			
GANG INTELLIGENCE INITIATIVE	16.753		259,074
FORENSIC DNA BACKLOG REDUCTION PROGRAM	16.741		348,907
JUVENILE MENTORING PROGRAM	16.726		172,760
PUBLIC SAFETY PARTNERSHIP & COMMUNITY POLICING GRANTS	16.710	84,338	
ARRA - PUBLIC SAFETY PARTNERSHIP & COMMUNITY POLICING GRANTS	16.710	2,545,688	
SUBTOTAL - PUBLIC SAFETY PARTNERSHIP & COMMUNITY POLICING GRANTS			2,630,026
PROJECT SAFE NEIGHBORHOODS	16.609		158,389
STATE CRIMINAL ALIEN ASSISTANCE PROGRAM	16.606		187,280
COMMUNITY CAPACITY DEVELOPMENT OFFICE	16.595		(4,685)
RESIDENTIAL SUBSTANCE ABUSE TREATMENT FOR STATE PRISONERS	16.593		10,731
GRANTS TO ENCOURAGE ARREST POLICIES & ENFORCEMENT OF PROTECT ORDERS	16.590		296,722
VIOLENCE AGAINST WOMEN FORMULA GRANTS	16.588	893,882	
ARRA - VIOLENCE AGAINST WOMEN FORMULA GRANTS	16.588	820,118	

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SUBTOTAL - STOP VIOLENCE AGAINST WOMEN			1,714,000
DISTRICT VICTIMS ASSISTANCE ACADEMY	16.582	37,700	
CRIME VICTIM ASSISTANCE/DISCRETIONARY GRANTS	16.582	(4,725)	
SUBTOTAL - DC VICTIMS ASSISTANCE ACADEMY			32,975
ED BYRNE MEMORIAL STATE & LOCAL LAW ENFORCEMENT ASSISTANCE GRANTS	16.580		1,284,497
EDWARD BYRNE MEMORIAL FORMULA GRANT PROGRAM	16.579	1,999,047	
EDWARD BYRNE MEMORIAL FORMULA GRANT PROGRAM	16.579	4,750,911	
SUBTOTAL - EDWARD BYRNE MEMORIAL FORMULA GRANT PROGRAM			6,749,958
CRIME VICTIM ASSISTANCE PROGRAM	16.575	1,154,497	
ARRA - CRIME VICTIM ASSISTANCE PROGRAM	16.575	520,844	
SUBTOTAL - CRIME VICTIM ASSISTANCE PROGRAM			1,675,341
NAT'L INSTITUTE OF JUSTICE RESEARCH, EVALUATION & DEVELOPMENT PROJECT	16.560		52,220
STATE JUSTICE STATISTICS PROG FOR STATICAL ANALYSIS CENTERS	16.550	155,150	
STATE JUSTICE STATISTICS PROG FOR STATICAL ANALYSIS CENTERS	16.550	32,537	
SUBTOTAL - STATE JUSTICE STATISTICS PROG FOR STATICAL ANALYSIS CENTERS			187,686
JUVENILE JUSTICEAND DELINQUENCY PREVENTION_ALLOCATION TO STATES	16.540		1,039,989
JUVENILE ACCOUNTABILITY INCENTIVE BLOCK GRANT PROGRAM	16.523		494,404
SERVICES FOR TRAFFICKING VICTIMS	16.320		17,357
PRISON REENTRY INITIATIVE	16.202		218,897
CHILDREN AND YOUTH EXPOSED	16.020		66,452
LAW ENFORCEMENT ASSIST_NARCOTICS &DANGEROUS DRUGS LAB ANALYSIS	16.001	155,288	
LAW ENFORCEMENT ASSIST_NARCOTICS &DANGEROUS DRUGS LAB ANALYSIS	16.001	645,237	
SUB - LAW ENFORCEMENT ASSIST_NARCOTICS &DANGEROUS DRUGS ANALYSIS			800,525
MISC. FEDERAL PROGRAM/MOU	16.UNK		252,919
Total U.S. Department of Justice			**18,646,425**
U.S. Department of the Interior			
HISTORIC PRESERVATION FUND GRANTS-IN-AID	15.904		503,490
NATIONAL SPATIAL DATA INFRATRUCTURE COOPERATIVE AGREEMENTS PROGRAM	15.809		50,000
US GEOLOGICAL SURVEY_RESEARCH AND DATA COLLECTION	15.808		40,000
ASSISTANCE TO WATER RESOURCES RESEARCH INSTITUTES	15.805		121,689

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STATE WILDLIFE GRANTS	15.634		145,810
SPORTFISHING AND BOATING SAFETY ACT	15.622		85,280
SPORT FISH RESTORATION PROGRAM	15.605		960,176
Total U.S. Department of the Interior			**1,906,445**
U.S. Department of Housing and Urban Development			
ARRA - LEAD HAZARD REDUCTION DEMONSTRATION GRANT PROGRAM	14.909		677,402
FAIR HOUSING ASSISTANCE PROGRAM_STATE AND LOCAL	14.401		169,831
ARRA - HOMELESS PREVENTION AND RAPID RE-HOUSING PROGRAM TECHNICAL ASSISTANCE	14.262		3,923,529
ARRA - TAX CREDIT ASSISTANCE PROGRAM ARRA	14.258		8,920,539
ARRA - NEIGHBORHOOD STABILIZATION PROGRAM	14.256		70,136
HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS	14.241		13,109,240
HOME INVESTMENT PARTNERSHIP PROGRAM (HOME)	14.239		13,009,473
SHELTER PLUS CARE	14.238	398,069	
SHELTER PLUS CARE	14.238	3,248,659	
SUBTOTAL - SHELTER PLUS CARE			3,646,728
SUPPORTIVE HOUSING PROGRAM	14.235		191,821
EMERGENCY SHELTER GRANT PROGRAM	14.231		1,442,612
COMMUNITY DEVELOPMENT BLOCK GRANT/STATE'S PROGRAM & NON ENTITLEMENT GRANTS IN HAWAII	14.228		135,348
ARRA - COMMUNITY DEVELOPMENT BLOCK GRANT ARRA ENTITLEMENT	14.253	1,061,376	
COMMUNITY DEVELOPMENT BLOCK GRANTS /ENTITLEMENT GRANTS (CDBG)	14.218	30,159,129	
COMMUNITY DEVELOPMENT BLOCK GRANTS /ENTITLEMENT GRANTS (CDBG)	14.218	1,785,575	
SUBTOTAL - COMMUNITY DEVELOPMENT BLOCK GRANT CLUSTER			33,006,080
Total U.S. Depart. of Housing and Urban Development			**78,302,740**
U.S. Department of Defense			
COMMUNITY ECONOMIC ADJUSTMENT ASSISTANCE FOR ESTABLISHMENT, EXPANSION, REALIGNMENT, OR CLOSURE OF A MILITARY INSTALLATION	12.607		1,285,839
MILITARY MEDICAL RESEARCH AND DEVELOPMENT	12.420		17,965
NATIONAL GUARD CHALLENGE PROGRAM	12.404		755,685
NATIONAL GUARD MILITARY OPERATIONS AND MAINTENANCE (O&M) PROJECTS	12.401		1,607,373

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STATE MEMORANDUM OF AGREEMENT PROGRAM FOR THE REIMBURSEMENT OF TECHNICAL SERVICES	12.113		474,834
PROCUREMENT TECHNICAL ASSITANCE FOR BUSINESS FIRMS	12.002	204,991	
PROCUREMENT TECHNICAL ASSITANCE FOR BUSINESS FIRMS	12.002	136,378	
SUBTOTAL - PROCUREMENT TECHNICAL ASSITANCE FOR BUSINESS FIRMS			341,369
Total U.S. Department of Defense			**4,483,065**
U.S. Department of Commerce			
ARRA - BROADLAND TECHNOLOGY OPPORTUNITIES PROGRAM (BTOP)	11.557	148,970	
ARRA - BROADLAND TECHNOLOGY OPPORTUNITIES PROGRAM (BTOP)	11.557	470,840	
SUBTOTAL - BROADLAND TECHNOLOGY OPPORTUNITIES PROGRAM (BTOP)			619,810
PUBLIC SAFETY INTEROPERABLE COMMUNICATIONS GRANT PROGRAM	11.555		1,641,144
ATLANTIC COASTAL FISHERIES COOPERATIVE MANAGEMENT ACT	11.474		18,857
CHESAPEAKE BAY STUDIES	11.457		127,070
Total U.S. Department of Commerce			**2,406,881**
U.S. Department of Agriculture			
ARRA - RECOVERY ACT OF 2009: WILDLAND FIRE MANGEMENT	10.688		50,699
COOPERATIVE FORESTRY ASSISTANCE	10.664		155,886
CHILD NUTRITION DISCRETIONARY GRANTS LIMITED AVAILABILITY	10.579	2,425	
CHILD NUTRITION DISCRETIONARY GRANTS LIMITED AVAILABILITY	10.579	56,960	
SUBTOTAL - CHILD NUTRITION DISCRETIONARY GRANTS LIMITED AVAILABILITY			59,385
SENIOR FARMERS MARKET NUTRITION PROGRAM	10.576		130,000
TEAM NUTRITION GRANTS	10.574		76,740
WIC FARMERS' MARKET NUTRITION PROGRAM (FMNP)	10.572		298,021
EMERGENCY FOOD ASSISTANCE PROGRAM (ADMINISTRATIVE COST)	10.568	178,476	
ARRA - EMERGENCY FOOD ASSISTANCE PROGRAM (ADMINISTRATIVE COST)	10.568	59,778	
SUBTOTAL - EMERGENCY FOOD ASSISTANCE PROGRAM (ADMINISTRATIVE COST)			238,254
COMMODITY SUPPLEMENTAL FOOD PROGRAM	10.565		451,265
STATE ADMINISTRATIVE MATCHING GRANTS_ FOR THE SUPPLEMENTAL NUTRITION	10.561	11,368,187	
ARRA -STATE ADMIN MATCHING GRANTS_ FOR THE SUPPLEMENTAL NUTRITION	10.561	676,706	
STATE ADMINISTRATIVE MATCHING GRANTS_ FOR THE SUPPLEMENTAL NUTRITION	10.561	2,274,221	

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Schedule of Expenditures of
Federal Awards by Federal Grantor

For the Year Ended September 30, 2010

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	*Federal CFDA Number*		*Total Federal Expenditures*
STATE ADMINISTRATIVE MATCHING GRANTS_ FOR THE SUPPLEMENTAL NUTRITION	10.561	949,726	
SUBTOTAL - STATE ADMN MATCHING GRANT_FOR THE SUPPLEMENTAL NUTRITION			15,268,840
STATE ADMINISTRATIVE EXPENSES FOR CHILD NUTRITION	10.560		446,453
CHILD AND ADULT CARE FOOD PRGRAM	10.558		5,732,355
SPECIAL SUPPLEMENTAL NUTRITION PROG FOR WOMEN, INFANTS & CHILDREN (WIC)	10.557		15,740,513
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	2,787,288	
SPECIAL MILK PROGRAM FOR CHILDREN	10.556	37,715	
NATIONAL SCHOOL LUNCH PROGRAM	10.555	19,307,568	
SCHOOL BREAKFAST PROGRAM	10.553	5,619,022	
SUBTOTAL - NATIONAL SCHOOL LUNCH, BREAKFAST CLUSTER			27,751,593
SPECIALTY CROP BLOCK GRANT PROGRAM - FARM BILL	10.170		34,839
COOPERATIVE EXTENSION SERVICE	10.500		40,355
PAYMENTS TO AGRICULTURAL EXPERIMENT STATIONS UNDER THE HATCH ACT	10.203		1,896,516
GRANTS FOR AGRICULTURAL RESEARCH, SPECIAL RESEARCH GRANTS	10.200		35,801
SPECIALTY CROP BLOCK GRANT PROGRAM - FARM BILL	10.170		193,039
Total U.S. Department of Agriculture			**68,600,556**
U.S. Department of Veterans Affairs			
VETERANS AFFAIRS MEDICAL CENTER	64.009		333,441
Total U.S. Department of Veterans Affairs			**333,441**
Total SEFA			**3,189,334,496**

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Federal Awards by District Agency

For the Year Ended September 30, 2010

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Federal Expenditures
Department of Health Care Finance		
SPECIAL PROGRAMS FOR THE AGING_TITLE IV & TITLE II DISCRETIONARY PROJECTS	93.048	105,910
MEDICARE ENROLLMENT ASSISTANCE PROGRAM	93.071	28,174
CHILDREN'S HEALTH INSURANCE PROGRAM	93.767	11,115,961
MEDICAID INFRASTRUCTURE GRANTS TO SUPPORT THE COMPETITIVE EMPLOYMENT OF PEOPLE WITH DISABILITIES (2000U)	93.768	645,851
MEDICAL ASSISTANCE PROGRAM	93.778	1,277,681,159
ARRA - MEDICAL ASSISTANCE PROGRAMS	93.778	155,256,404
MONEY FOLLOWS THE PERSON REBALANCING DEMONSTRATION	93.791	6,178,689
MEDICAID TRANSFORMATION GRANTS	93.793	6,330,265
ARRA - STATE GRANTS TO PROMOTE HEALTH INFORMATION TECHNOLOGY	93.719	280,066
Total Department of Health Care Finance		**1,457,622,478**
Department of Employment Services		
LABOR FORCE STATISTICS	17.002	621,473
EMPLOYMENT SERVICE/WAGNER-PEYSER FUNDED ACTIVITIES	17.207	2,280,574
ARRA - EMPLOYMENT SERVICE/WAGNER-PEYSER FUNDED ACTIVITIES	17.207	437,289
UNEMPLOYMENT INSURANCE	17.225	465,004,475
ARRA - UNEMPLOYMENT INSURANCE	17.225	32,029,674
SENIOR COMMUNITY SERVICE EMPLOYMENT PROGRAM	17.235	678,101
ARRA - SENIOR COMMUNITY SERVICE EMPLOYMENT PROGRAM	17.235	107,848
WIA ADULT PROGRAM	17.258	2,432,735
ARRA - WIA ADULT PROGRAM	17.258	378,171
WIA YOUTH ACTIVITIES	17.259	3,252,143
ARRA - WIA YOUTH ACTIVITIES	17.259	3,360,848
WIA DISLOCATED WORKERS	17.260	4,671,716
ARRA - WIA DISLOCATED WORKERS	17.260	2,362,253
WORK INCENTIVE GRANTS	17.266	87,510
WORK OPPORTUNITY TAX CREDIT PROGRAM (WOTC)	17.271	41,596

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Federal Awards by District Agency

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Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Federal Expenditures
TEMPORARY LABOR CERTIFICATION FOR FOREIGN WORKERS	17.273	93,264
CONSULTATION AGREEMENT	17.504	375,570
DISABLED VETERANS OUTREACH PROGRAM	17.801	284,432
LOCAL VETERANS EMPLOYMENT REPRESENTATIVE	17.804	321,556
Total Department of Employment Services		**518,821,229**
State Superintendent of Education (OSSE)		
ARRA - EDUCATION TECHNOLOGY STATE GRANT, RECOVERY ACT	84.386	66,116
ARRA - EDUCATION FOR HOMELESS CHILDREN AND YOUTH	84.387	48,444
ARRA - TITLE ONE GRANTS TO LOCAL EDUCATUIONAL AGENCIES	84.389	22,881,684
ARRA - SPECIAL EDUCATION GRANTS TO STATES	84.391	14,871,149
ARRA - SPECIAL EDUCATION - PRESCHOOL GRANTS	84.392	223,793
ARRA - SPECIAL EDUCATION-GRANTS FOR INFANTS AND FAMILIES	84.393	82,033
ARRA - STATES FISCAL STABILIZATION FUND (SFSF) - EDUCATION STATE GRANTS	84.394	72,283,896
ARRA - STATES FISCAL STABILIZATION FUND - GOVERNMENT SERVICES	84.397	16,266,626
ARRA-CHILD CARE AND DEVELOPMENT BLOCK GRANT	93.713	858,540
CHILD NUTRITION DISCRETIONARY GRANTS LIMITED AVAILABILITY	10.579	56,960
SCHOOL BREAKFAST PROGRAM	10.553	5,619,022
NATIONAL SCHOOL LUNCH PROGRAM	10.555	19,307,568
SPECIAL MILK PROGRAM FOR CHILDREN	10.556	37,715
CHILD AND ADULT CARE FOOD PRGRAM	10.558	5,732,355
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	2,787,288
STATE ADMINISTRATIVE EXPENSES FOR CHILD NUTRITION	10.560	446,453
EMERGENCY FOOD ASSISTANCE PROGRAM (ADMINISTRATIVE COST)	10.568	178,476
ARRA - EMERGENCY FOOD ASSISTANCE PROGRAM (ADMINISTRATIVE COST)	10.568	59,778
TEAM NUTRITION GRANTS	10.574	76,740
CHILD NUTRITION DISCRETIONARY GRANTS LIMITED AVAILABILITY	10.579	2,425
ADULT EDUCATION - BASIC GRANTS TO STATES	84.002	1,327,209
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES (LEA)	84.010	48,162,395
TITLE I STATE AGENCY PROGRAM FOR NEGLECTED & DELINQUENT CHILDREN	84.013	160,436

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Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Federal Expenditures
SPECIAL EDUCATION - GRANT TO STATES	84.027	15,881,922
CAREER & TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	3,278,538
LEVERAGING EDUCATIONAL ASSISTANCE PARTNERSHIP	84.069	472,582
SPECIAL EDUCATION - PRESCHOOL INCENTIVE	84.173	374,168
SPECIAL EDUCATION_GRANTS FOR INFANTS_FAMILIES	84.181	2,299,723
BYRD HONORS SCHOLARSHIP	84.185	69,000
SAFE AND DRUG FREE SCHOOLS & COMMUNITIES_STATE GRANTS	84.186	649,945
EDUCATION FOR HOMELESS CHILDREN AND YOUTH	84.196	115,225
EVEN START_STATE EDUCATIONAL AGENCY	84.213	331,270
CHARTER SCHOOLS	84.282	2,034,261
TWENTY-FIRST CENTURY COMMUNITY LEARNING CENTERS	84.287	7,264,273
EDUCATIONAL TECHNOLOGY STATE GRANTS	84.318	1,274,539
ADVANCED PLACEMENT PROGRAM	84.330	106,168
GRANTS FOR STATES FOR WORKPLACE & COMMUNITY TRANSITION TRAINING FOR INCARCERATED INDIVIDUALS	84.331	123,872
GAINING EARLY AWARENESS AND READINESS FOR UNDERGRADUATE PROGRAMS	84.334	183,068
READING FIRST- TITLE I, PART B, NCLB	84.357	211,722
ENGLISH LANGUAGE ACQUISITION	84.365	788,046
MATHEMATICS & SCIENCE PARTNERSHIP	84.366	805,511
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	12,587,128
GRANTS FOR ENHANCED ASSESSMENT INSTRUMENTS	84.368	469,541
GRANTS FOR STATE ASSESSMENTS & RELATED ACTIVITIES	84.369	3,455,606
STATEWIDE DATA SYSTEMS	84.372	1,211,967
SCHOOL IMPROVEMENT GRANTS	84.377	1,126,948
COLLEGE ACCESS CHALLENGE GRANT PROGRAM	84.378	499,447
CHILD CARE & DEVELOPMENT BLOCK GRANT	93.575	8,798,041
HEAD START	93.600	66,777
COOP AGREEMENTS TO SUPPORT COMPREHENSIVE SCHOOL HEALTH PROGRAM TO PREVENT THE SPREAD OF HIV AND OTHER IMPORTANT HEALTH PROBLEMS	93.938	268,836
MISC. - NATIONAL ASSESSMENT OF EDUC PROG. (NAEP)	84.NAEP	64,051
Total State Superintendent of Education (OSSE)		**276,349,277**

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Federal Awards by District Agency

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Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Federal Expenditures
Department of Transportation		
COOPERATIVE FORESTRY ASSISTANCE	10.664	155,886
ARRA - RECOVERY ACT OF 2009: WILDLAND FIRE MANGEMENT	10.688	50,699
HIGHWAY PLANNING AND CONSTRUCTION	20.205	162,796,622
ARRA - HIGHWAY PLANNING AND CONSTRUCTION	20.205	49,408,142
METROPOLITAN TRANSPROTATION PLANNING	20.505	220,193
CAPITAL ASSIST PRGM FOR ELDERLY PERSONS AND PERSONS WITH DISABILITIES	20.513	30,119
STATE AND COMMUNITY HIGHWAY SAFETY	20.600	2,596,289
Total Department of Transportation		**215,257,951**
Department of Human Services		
VETERANS AFFAIRS MEDICAL CENTER	64.009	333,441
STATE ADMINISTRATIVE MATCHING GRANTS_ FOR THE SUPPLEMENTAL NUTRITION	10.561	11,368,187
ARRA -STATE ADMIN MATCHING GRANTS_ FOR THE SUPPLEMENTAL NUTRITION	10.561	676,706
FAMILY VIOLENCE PREVENTION & SERVICES/GRANT FOR BATTERED WOMEN'S SHELTERS_GRANTS TO STATES & INDIAN TRIBES	93.671	607,181
HEALTHY MARRIAGE PROMOTION & RESPONSIBLE FATHERHOOD GRANTS	93.086	1,779,731
TEMPORARY ASSISTANCE FOR NEEDY FAMILIES	93.558	109,484,702
REFUGEE & ENTRANT ASSISTANCE_STATE ADMINISTERED	93.566	1,288,448
COMMUNITY SERVICE BLOCK GRANT	93.569	11,258,024
ARRA - COMMUNITY SERVICE BLOCK GRANT	93.710	10,697,811
SOCIAL SERVICES BLOCK GRANT	93.667	6,862,359
ARRA - EMERGENCY CONTINGENCY FUND FOR TANF STATE PROGRAM	93.714	1,648,338
MEDICAL ASSISTANCE PROGRAM	93.778	15,267,885
AFDC/TANF RECOUPMENT	93.TAN	83,899
Total Department of Human Services		**171,356,711**
Department of Health		
SPECIAL SUPPLEMENTAL NUTRITION PROG FOR WOMEN, INFANTS & CHILDREN (WIC)	10.557	15,740,513

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Federal Awards by District Agency

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Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Federal Expenditures
STATE ADMINISTRATIVE MATCHING GRANTS_ FOR THE SUPPLEMENTAL NUTRITION	10.561	2,274,221
COMMODITY SUPPLEMENTAL FOOD PROGRAM	10.565	451,265
WIC FARMERS' MARKET NUTRITION PROGRAM (FMNP)	10.572	298,021
SENIOR FARMERS MARKET NUTRITION PROGRAM	10.576	130,000
SHELTER PLUS CARE	14.238	398,069
HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS	14.241	13,109,240
COMPENSATION AND WORKING CONDITIONS	17.005	78,052
SUPERFUND STATE AND TRIBE CORE PROGRAM COOP AGREEMENTS	66.809	47,530
SAFE AND DRUG FREE SCHOOLS & COMMUNITIES_STATE GRANTS	84.186	188,585
HCFA - NURSING HOME & ICF-MR CERTIFICATION	93.796	2,282,822
STATE & TERRITORIAL & TECHNICAL ASSISTANCE CAPACITY DEVELOPMENT MINORITY HIV/AIDS DEMONSTRATION PROGRAM	93.006	114,974
PUBLIC HEALTH EMERGENCY PREPAREDNESS	93.069	7,609,730
EMERGENCY SYSTEM FOR ADV REGISTRATION OF VOLUNTEER HEALTH PROFESSIONALS	93.089	60,000
FOOD AND DRUG ADMINISTRATION_RESEARCH	93.103	5,000
MATERNAL & CHILD HEALTH FEDERAL CONSOLIDATED PROGRAMS	93.110	548,136
PROJECT GRANTS & COOP AGREEMENTS FOR TUBERCOLOSIS CONTROL PROGRAMS	93.116	653,359
COOP AGREEMENTS TO STATES/TERRITORIES FOR THE COORDINATION AND DEVELOPMENT OF PRIMARY CARE OFFICES	93.130	139,390
INJURY PREVENTION & CONTROL RESEARCH & STATE COMMUNITY BASED PROGRAM	93.136	75,028
TRAUMATIC BRAIN INJURY STATE DEMONSTRATION GRANT PROGRAM	93.234	84,401
SUBSTANCE ABUSE MENTAL HEALTH SERVICES (SAMHS)_PROJECTS OF REGIONAL AND NATIONAL SIGNIFICANCE	93.243	531,164
UNIVERSAL NEWBORN HEARING SCREENING	93.251	138,812
IMMUNIZATION PROGRAM	93.268	1,670,263
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES-ACCESS TO RECOVERY	93.275	6,480,915
CENTERS FOR DISEASE CONTROL & PREVENTION: INVEST & TECHNICAL ASSISTANCE	93.283	3,127,596
ARRA - STATE PRIMARY CARE OFFICES	93.414	7,428
REFUGEE & ENTRANT ASSISTANCE_DISCRETIONARY GRANTS	93.576	36,510
ARRA - IMMUNIZATION	93.712	74,536
ARRA - PREVENTING HEALTHCARE-ASSOCIATED INFECTIONS	93.717	28,779
ARRA - PREVENTION AND WELLNESS STATE, TERRITORIES & PACIFIC ISLANDS	93.723	8,300

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Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Federal Expenditures
ARRA - PREVENTION-COMMUNITIES PUTTING PREVENTION TO WORK FUNDING OPPROTUNITIES ANNOUNCEMENT (FOA)	93.724	24,920
STATE SURVEY AND CERTIFICATION OF HEALTH CARE PROVIDERS & SUPPLIERS TITLE (XVIII) MEDICARE	93.777	697,760
MEDICAL ASSISTANCE PROGRAM	93.778	18,760,398
NATIONAL BIOTERRORISM HOSPITAL PREPAREDNESS PROGRAM	93.889	2,000,104
HIV EMERGENCY RELIEF PROJECT GRANTS	93.914	32,191,359
HIV CARE FORMULA GRANTS	93.917	16,572,820
HEALTHY START INITIATIVE	93.926	3,483,819
HIV PREVENTION ACTIVITIES_HEALTH DEPARTMENT BASED	93.940	8,735,267
HIV/AIDS VIRUS SYNDROME SURVEILLANCE	93.944	1,696,853
ASSISTANCE PROGRAMS FOR CHRONIC DIDEASE PREVENTION & CONTROL	93.945	310,231
BLOCK GRANTS FOR PRVENTION AND TREATMENT OF SUBSTANCE ABUSE	93.959	5,527,580
PREVENTIVE HEALTH SVCS_SEXUALLY TRANSMITTED DISEASES CONTROL GRANTS	93.977	1,341,710
PREVENTIVE HEALTH & HEALTH SERVICES BLOCK GRANT	93.991	875,196
MATERNAL AND CHILD HEALTH SERVICES BLOCK GRANTTO THE STATES	93.994	7,562,121
Total Department of Health		**156,172,778**
Homeland Security / Emergency Management		
EMERGENCY MANAGEMENT PERFORMANCE GRANTS	97.001	(4,950)
HOMELAND SECURITY GRANT PROGRAM	97.067	67,922,678
REGIONAL CATASTROPHIC PREPAREDNESS GRANT PROGRAM	97.111	1,850,876
PUBLIC SAFETY INTEROPERABLE COMMUNICATIONS GRANT PROGRAM	11.555	1,641,144
STATE AND LOCAL ASSISTANCE	83.534	2,393
NON-PROFIT SECURITY PROGRAM	97.008	617,739
DISASTER GRANTS- PUBLIC ASSISTANCE (PRESIDENTIALLY DECLARED DISASTERS)	97.036	8,671,631
EMERGENCY MANAGEMENT PERFORMANCE GRANTS	97.042	2,111,872
RAIL AND TRANSIT SECURITY GRANT PROGRAM	97.075	9,002,623
BUFFER ZONE PROTECTION PLAN (BZPP)	97.078	14,592
Total Homeland Security / Emergency Management		**91,830,597**

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Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Federal Expenditures
Department of Housing and Comm. Development		
COMMUNITY DEVELOPMENT BLOCK GRANT/STATE'S PROGRAM & NON ENTITLEMENT GRANTS IN HAWAII	14.228	135,348
ARRA - COMMUNITY DEVELOPMENT BLOCK GRANT ARRA ENTITLEMENT	14.253	1,061,376
ARRA - NEIGHBOURHOOD STABILIZATION PROGRAM	14.256	70,136
ARRA - TAX CREDIT ASSISTANCE PROGRAM ARRA	14.258	8,920,539
ARRA - HOMELESS PREVENTION AND RAPID RE-HOUSING PROGRAM TECHNICAL ASSISTANCE	14.262	3,923,529
ARRA - LEAD HAZARD REDUCTION DEMONSTRATION GRANT PROGRAM	14.909	677,402
COMMUNITY DEVELOPMENT BLOCK GRANTS /ENTITLEMENT GRANTS (CDBG)	14.218	30,159,129
EMERGENCY SHELTER GRANT PROGRAM	14.231	1,442,612
SHELTER PLUS CARE	14.238	3,248,659
HOME INVESTMENT PARTNERSHIP PROGRAM (HOME)	14.239	13,009,473
ARRA - RAGLTC- GRANTS IN LIEU OF TAX CREDITS SEC	21.GRDC15	5,171,629
Total Department of Housing and Community Development		**67,819,833**
Child and Family Services		
ARRA - FOSTER CARE_TITLE IV-E	93.658	1,176,638
ARRA - ADOPTION ASSISTANCE	93.659	1,350,597
FAMILY PRESERVATION	93.556	858,025
CHILD WELFARE_SERVICES_STATE GRANTS	93.645	324,541
FOSTER CARE_TITLE IV-E	93.658	30,566,265
ADOPTION ASSISTANCE	93.659	22,974,726
CHILD ABUSE AND NEGLECT STATE GRANTS	93.669	85,423
CHAFEE FOSTER CARE INDEPENDENCE PROGRAM	93.674	1,101,674
Total Child and Family Services		**58,437,889**
District Department of the Environment		
CHESAPEAKE BAY STUDIES	11.457	127,070
ATLANTIC COASTAL FISHERIES COOPERATIVE MANAGEMENT ACT	11.474	18,857
STATE MEMORANDUM OF AGREEMENT PROGRAM FOR THE REIMBURSEMENT OF TECHNICAL SERVICES	12.113	474,834

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Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Federal Expenditures
SPORT FISH RESTORATION PROGRAM	15.605	960,176
STATE WILDLIFE GRANTS	15.634	145,810
AIR POLLUTION CONTROL PROGRAM SUPPORT	66.001	1,087,076
ARRA - AIR POLLUTION CONTROL PROGRAM SUPPORT	66.001	256,187
STATE INDOOR RADON GRANTS	66.032	110,000
SURVEYS, STUDIES, INVESTIGATIONS ACTIVITIES RELATING TO THE CLEAN AIR ACT	66.034	188,929
CLEAN SCHOOL BUS USA	66.036	222,515
CONSTRUCTION GRANTS FOR WASTEWATER TREATMENT WORKS	66.418	2,579
ARRA - CONSTRUCTION GRANTS FOR WASTEWATER TREATMENT WORKS	66.418	5,171,869
WATER POLLUTION CONTROL STATE, INTERSTATE, TRIBAL RPROGRAM SUPPORT	66.419	1,438,876
WATER QUALITY MANAGEMENT PLANNING PROGRAM	66.454	100,000
ARRA - WATER QUALITY MANAGEMENT PLANNING PROGRAM	66.454	109,925
NONPOINT SOURCE IMPLEMENTATION GRANTS	66.460	1,088,332
CHESAPEAKE BAY PROGRAM	66.466	866,805
CAPITALIZATION GRANTS FOR DRINKING WATER STATE REVOLVING FUNDS	66.468	168
PERFORMANCE PARTNERSHIP GRANTS	66.605	247,393
ENVIRONMENTAL INFO EXCHANGE NETWORK GRANT PROGRAM & RELATED ASSIST	66.608	227,569
TSCA TITLE IV STATE LEAD GRANTS CERT OF LEAD-BASED PAINT PROFESSIONALS	66.707	402,914
HAZARDOUS WASTE MANAGEMENT STATE PROGRAM SUPPORT	66.801	242,881
UNDERGROUND STORAGE TANK PREVENTION, DETECTION & COMPLIANCE PROGRAM	66.804	606,214
ARRA - LEAKING UNDERGROUND STORAGE TANK TRUST FUND CORRECTIVE ACTION	66.805	48,203
SUPERFUND STATE AND TRIBE CORE PROGRAM COOP AGREEMENTS	66.809	149,261
STATE AND TRIBAL RESPOSNE PROGRAM	66.817	254,603
NATIONAL ENERGY INFORMATION CENTER	81.039	996
STATE ENERGY PROGRAM	81.041	133,840
ARRA - STATE ENERGY PROGRAM	81.041	8,961,130
WEATHERIZATION ASSISTANCE FOR LOW-INCOME PERSONS	81.042	860,324
ARRA - WEATHERIZATION ASSISTANCE FOR LOW-INCOME PERSONS	81.042	3,949,085
ARRA - ELECTRICITY DELIVERY AND ENERGY RELIABILITY, R & D ANALYSIS	81.122	862
ARRA - ENERGY EFFICIENT APPLIANCE REBATE PROGRAM (EEARP)	81.127	1,925

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Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Federal Expenditures
ARRA - ENERGY EFFICIENCY AND CONSERVATION BLOCK GRANT (EECBG)	81.128	571,402
PROJECTS_STATE & LOCAL CHILDHOOD LEAD POISONING PREVENTION & SURVEILLANCE OF BLOOD LEAD LEVELS IN CHILDREN	93.197	526,198
LOW INCOME HOME ENERGY ASSISTANCE PROGRAM	93.568	15,405,454
Total District Department of the Environment		**44,960,263**
Department of Disability Services		
REHABILITATION SERVICES_VOCATIONAL REHABILITATION GRANTS TO STATES	84.126	12,696,064
REHABILITATION SERVICES_CLIENT ASSISTANCE PROGRAM	84.161	117,571
INDEPENDENT LIVING_STATE GRANTS	84.169	313,552
REHABILITATION SERVICES_INDEPENDENT LIVING SERVICES_OLDER INDIVIDUALS WHO ARE BLIND	84.177	219,005
SUPPORTED EMPLOYMENT SVCS_INDIV WITH THE MOST SIGNIFICANT DISABILITIES	84.187	419,532
ASSISTIVE TECHNOLOGY	84.224	316,060
REHABILITATION TRAINING_STATE VOCATIONAL REHAB UNIT IN-SERVICE TRAINING	84.265	17,267
ARRA - REHABILITATION SVCS- VOCATIONAL REHABILITATION GRANTS TO STATES	84.390	323,480
ARRA - INDEPENDENT LIVING STATE GRANTS	84.398	70,421
ARRA - INDEPENDENT LIVING SVCS FOR OLDER INDIVIDUALS WHO ARE BLIND	84.399	2,826
MEDICAL ASSISTANCE PROGRAM	93.778	4,815,021
SOCIAL SECURITY_DISABILITY INSURANCE	96.001	8,480,005
Total Department of Disability Services		**27,790,804**
Office of the Attorney General		
PATERNITY AND CHILD ENFORCEMENT PROGRAM	93.563	17,621,894
CHILD SUPPORT ENFORCEMENT RESEARCH	93.564	38,328
GRANTS TO STATES FOR ACCESS AND VISITATION PROGRAM	93.597	55,000
Total Office of the Attorney General		**17,715,221**
University of the District of Columbia		
SPECIALTY CROP BLOCK GRANT PROGRAM - FARM BILL	10.170	193,039
GRANTS FOR AGRICULTURAL RESEARCH, SPECIAL RESEARCH GRANTS	10.200	35,801

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Schedule of Expenditures of
Federal Awards by District Agency

For the Year Ended September 30, 2010

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Federal Expenditures
PAYMENTS TO AGRICULTURAL EXPERIMENT STATIONS UNDER THE HATCH ACT	10.203	1,896,516
COOPERATIVE EXTENSION SERVICE	10.500	40,355
SPECIALTY CROP BLOCK GRANT PROGRAM - FARM BILL	10.170	34,839
MILITARY MEDICAL RESEARCH AND DEVELOPMENT	12.420	17,965
ASSISTANCE TO WATER RESOURCES RESEARCH INSTITUTES	15.805	121,689
LOW-INCOME TAXPAYER CLINICS	21.008	90,295
SACIENCE	43.001	7,310
ENGINEERING GRANTS	47.041	58,167
COMPUTER AND INFORMATION SCIENCE AND ENGINEERING	47.070	35,004
EDUCATION AND HUMAN RESOURCES	47.076	406,583
FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS (SEOG)	84.007	619,577
HIGHER EDUCATION_INSTITUTIONAL AID	84.031	4,088,099
FEDERAL WORK-STUDY PROGRAM	84.033	161,539
ARRA - FEDERAL WORK-STUDY PROGRAM	84.033	55,813
TRIO_STUDENT SUPPORT SERVICES	84.042	556,524
TRIO_TALENT SEARCH	84.044	518,838
TRIO_UPWARD BOUND	84.047	305,377
FEDERAL PELL GRANT PROGRAM	84.063	4,884,978
SPECIAL EDUCATION-PERSONNEL DEVELOPMENT TO IMPROVE SVCS & RESULTS FOR CHILDREN WITH DISABILITIES	84.325	162,084
TRANSITION TO TEACHING PROGRAM	84.350	(1,260)
ARRA - (SFSF) - EDUCATION STATE GRANTS, RECOVERY ACT	84.394	855,900
MINORITY HEALTH AND HEALTH DISPARITIES RESEARCH	93.307	569,849
CANCER CENTERS SUPPORT GRANTS	93.397	73,671
CANCER RESEARCH MANPOWER	93.398	221,681
ARRA - SCHOLARSHIPS FOR DISADVANTAGED STUDENTS	93.407	90,103
HEAD START	93.600	3,265
BIOMEDICAL RESEARCH AND RESEARCH TRAINING	93.859	356,882
SCHOLASHIPS FOR HEALTH PROFESSIONS STUDENTS FROM DISADVANTAGED BACKGROUNDS	93.925	173,612
PROGRAM DEVELOPMENT AND INNOVATION GRANTS	94.007	710,334

Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by District Agency

For the Year Ended September 30, 2010

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Federal Expenditures
SENOIR COMPANION PROGRAM	94.016	305,491
SCHOLARS AND FELLOWS, AND EDUCATIONAL PROGRAMS	97.062	64,806
Total University of the District of Columbia		**17,714,725**
Office of Justice Grants Administration		
PRISON REENTRY INITIATIVE	16.202	218,897
JUVENILE ACCOUNTABILITY INCENTIVE BLOCK GRANT PROGRAM	16.523	494,404
JUVENILE JUSTICEAND DELINQUENCY PREVENTION_ALLOCATION TO STATES	16.540	1,039,989
STATE JUSTICE STATISTICS PROG FOR STATICAL ANALYSIS CENTERS	16.550	155,150
EDWARD BYRNE MEMORIAL FORMULA GRANT PROGRAM	16.579	1,999,047
ARRA - EDWARD BYRNE MEMORIAL FORMULA GRANT PROGRAM	16.579	4,750,911
ED BYRNE MEMORIAL STATE & LOCAL LAW ENFORCEMENT ASSISTANCE GRANTS	16.580	1,284,497
RESIDENTIAL SUBSTANCE ABUSE TREATMENT FOR STATE PRISONERS	16.593	10,731
REINTEGRATION OF EX-OFFENDERS	17.270	34,680
Total Office of Justice Grants Administration		**9,988,307**
District of Columbia Public Schools		
IMPACT AID	84.041	1,110,209
FUND FOR THE IMPROVEMENT OF EDUCATION	84.215	450,149
HEAD START	93.600	6,735,059
HEAD START - PASS-THROUGH FUNDING	93.600	3,974,457
ARRA - HEADSTART CONSOLIDATED	93.708	127,478
ARRA - HEAD START	93.708	852,381
COOP AGREEMENTS TO SUPPORT COMPREHENSIVE SCHOOL HEALTH PROGRAM TO PREVENT THE SPREAD OF HIV AND OTHER IMPORTANT HEALTH PROBLEMS	93.938	20,600
Total District of Columbia Public Schools		**13,270,333**
Office on Aging		
SPECIAL PROGRAMS FOR THE AGING_TITLE VII, CHAPTER 2_LONG TERM CARE OMBUDSMAN SERVICES FOR OLDERS INDIVIDUALS	93.042	882,058
SPECIAL PROGRAMS FOR THE AGING_TITLE III, PART B_GRANTS FOR SUPPORTIVE SERVICES AND SENIOR CENTERS	93.044	1,846,809

Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by District Agency

For the Year Ended September 30, 2010

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Federal Expenditures
SPECIAL PROGRAMS FOR THE AGING_TITLE III, PART C_NUTRITION SERVICES	93.045	3,341,526
ARRA - TITLE III - FRAIL & ELDERLY	93.705	160,000
SPECIAL PROGRAMS FOR THE AGING_TITLE IV & TITLE II DISCRETIONARY PROJECTS	93.048	68,091
NUTRITION SERVICES INCENTIVE PROGRAM	93.053	637,436
DC LIFESPAN RESPITE PROGRAM	93.072	57,689
ARRA - DC LIFESPAN RESPITE PROGRAM	93.072	333,094
SPECIAL PROGRAMS FOR THE AGING_TITLE III, PART G_PREVENTION OF ABUSE, NEGLECT, & EXPLOITATION OF OLDER INDIVIDUALS	93.552	25,000
ARRA - COMMUNITIES PUTTING PREVENTION TO WORK: CHRONIC DISEASE SELF-MANAGEMENT PROGRAM	93.725	20,770
CTRS FOR MEDICARE & MEDICAID RESEARCH, DEMONSTRATIONS AND EVALUATIONS	93.779	120,767
Total Office on Aging		**7,493,240**
Department of Mental Health		
SUPPORTIVE HOUSING PROGRAM	14.235	191,821
PROJECTS FOR ASSISTANCE IN TRANSITION FROM HOMELESSNESS (PATH)	93.150	298,642
SUBSTANCE ABUSE MENTAL HEALTH SERVICES (SAMHS)_PROJECTS OF REGIONAL AND NATIONAL SIGNIFICANCE	93.243	900,810
MEDICAL ASSISTANCE PROGRAM	93.778	4,411,273
BLOCK GRANTS FOR COMMUNITY MENTAL HEALTH SERVICES	93.958	1,252,478
Total Department of Mental Health		**7,055,025**
Metropolitan Police Department		
SERVICES FOR TRAFFICKING VICTIMS	16.320	17,357
NAT'L INSTITUTE OF JUSTICE RESEARCH, EVALUATION & DEVELOPMENT PROJECT	16.560	52,220
CRIME VICTIM ASSISTANCE/DISCRETIONARY GRANTS	16.582	37,700
COMMUNITY CAPACITY DEVELOPMENT OFFICE	16.595	(4,685)
PUBLIC SAFETY PARTNERSHIP & COMMUNITY POLICING GRANTS	16.710	84,338
ARRA - PUBLIC SAFETY PARTNERSHIP & COMMUNITY POLICING GRANTS	16.710	2,545,688
JUVENILE MENTORING PROGRAM	16.726	172,760
FORENSIC DNA CAPACITY ENHANCEMENT PROGRAM	16.741	348,907
GANG INTELLIGENCE INITIATIVE	16.753	259,074

Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by District Agency

For the Year Ended September 30, 2010

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Federal Expenditures
NATIONAL MOTOR CARRIER SAFETY	20.218	405,238
STATE TRAFFIC SAFETY INFORMATION SYSTEM IMPROVEMENT GRANTS	20.610	4,028
BOATING SAFETY FINANCIAL ASSISTANCE	97.012	977,512
HOMELAND SECURITY RESEARCH TESTING, EVALUATION & DEMONSTRATION OF TECHNOLOGIES RELATED TO NUCLEAR DETECTION	97.077	5,444
MISC. FEDERAL PROGRAM/MOU	16.UNK	252,919
CHILDREN AND YOUTH EXPOSED	16.020	66,452
LAW ENFORCEMENT ASSIST_NARCOTICS &DANGEROUS DRUGS LAB ANALYSIS	16.001	155,288
PROJECT SAFE NEIGHBORHOODS	16.609	158,389
LAW ENFORCEMENT ASSIST_NARCOTICS &DANGEROUS DRUGS LAB ANALYSIS	16.001	645,237
Total Metropolitan Police Department		**6,183,866**
Office of Victim Services		
CRIME VICTIM ASSISTANCE PROGRAM	16.575	1,154,497
ARRA - CRIME VICTIM ASSISTANCE PROGRAM	16.575	520,844
CRIME VICTIM ASSISTANCE/DISCRETIONARY GRANTS	16.582	(4,725)
VIOLENCE AGAINST WOMEN FORMULA GRANTS	16.588	893,882
ARRA - VIOLENCE AGAINST WOMEN FORMULA GRANTS	16.588	820,118
GRANTS TO ENCOURAGE ARREST POLICIES & ENFORCEMENT OF PROTECT ORDERS	16.590	296,722
Total Office of Victim Services		**3,681,338**
Deputy Mayor for Economic Development		
COMMUNITY ECONOMIC ADJUSTMENT ASSISTANCE FOR ESTABLISHMENT, EXPANSION, REALIGNMENT, OR CLOSURE OF A MILITARY INSTALLATION	12.607	1,285,839
COMMUNITY DEVELOPMENT BLOCK GRANTS /ENTITLEMENT GRANTS (CDBG)	14.218	1,785,575
SPORTFISHING AND BOATING SAFETY ACT	15.622	85,280
Total Deputy Mayor for Economic Development		**3,156,695**
Serve DC		
LEARN AND SERVE AMERICA_SCHOOL AND COMMUNITY BASED PROGRAMS	94.004	467,154
AMERICORPS	94.006	2,331,821

Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by District Agency

For the Year Ended September 30, 2010

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Federal Expenditures
ARRA - AMERICORPS	94.006	135,017
PROGRAM DEVELOPMENT AND INNOVATION GRANTS	94.007	48,783
TRAINING AND TECHNICAL ASSISTANCE	94.009	104,210
Total Serve DC		**3,086,986**
Office of the Inspector General		
ARRA - PATERNITY AND CHILD ENFORCEMENT PROGRAM	93.563	882,862
STATE MEDICAID FRAUD CONTROL UNITS	93.775	1,752,073
Total Office of the Inspector General		**2,634,935**
DC National Guard		
NATIONAL GUARD MILITARY OPERATIONS AND MAINTENANCE (O&M) PROJECTS	12.401	1,607,373
NATIONAL GUARD CHALLENGE PROGRAM	12.404	755,685
Total DC National Guard		**2,363,058**
Fire and Emergency Medical Services		
ASSISTANCE TO FIREFIGHTERS GRANT	97.044	1,295,983
NATIONAL INCIDENT MANAGEMENT SYSTEM (NIMS)	97.107	686,130
Total Fire and Emergency Medical Services		**1,982,113**
DC Public Library		
ARRA - BROADLAND TECHNOLOGY OPPORTUNITIES PROGRAM (BTOP)	11.557	148,970
PROMOTION OF THE ARTS_GRANTS TO ORGANIZATIONS AND IMDIVIDUALS	45.024	20,000
PROMOTION OF THE HUMANITIES_DIVISION OF PRESERVATION & ACCESS	45.149	2,477
GRANTS TO STATES	45.310	1,020,888
Total DC Public Library		**1,192,335**
Commission on Arts & Humanities		
PROMOTION OF THE ARTS_PARTNERSHIP AGREEMENTS	45.025	737,743
ARRA - PROMOTION OF THE ARTS_PATNERSHIP AGREEMENTS	45.025	290,000

Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by District Agency

For the Year Ended September 30, 2010

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Federal Expenditures
Total Commission on Arts & Humanities		**1,027,743**
Office of the Chief Financial Officer		
STATE ADMINISTRATIVE MATCHING GRANTS_ FOR THE SUPPLEMENTAL NUTRITION	10.561	949,726
Total Office of the Chief Financial Officer		**949,726**
Department of Youth Rehabilitation Services		
WIA PILOTS, DEMONSTRATIONS, AND RESEARCH PROJECTS	17.261	637,519
Total Department of Youth Rehabilitation Services		**637,519**
Office of Municipal Planning		
HISTORIC PRESERVATION FUND GRANTS-IN-AID	15.904	503,490
PUBLIC BUILDINGS SERVICE	39.012	70,625
Total Office of Municipal Planning		**574,115**
Office of the Chief Technology Officer		
ARRA - BROADLAND TECHNOLOGY OPPORTUNITIES PROGRAM (BTOP)	11.557	470,840
US GEOLOGICAL SURVEY_RESEARCH AND DATA COLLECTION	15.808	40,000
NATIONAL SPATIAL DATA INFRATRUCTURE COOPERATIVE AGREEMENTS PROGRAM	15.809	50,000
Total Office of the Chief Technology Officer		**560,840**
Department of Small & Local Business Development		
PROCUREMENT TECHNICAL ASSITANCE FOR BUSINESS FIRMS	12.002	204,991
PROCUREMENT TECHNICAL ASSITANCE FOR BUSINESS FIRMS	12.002	136,378
Total Department of Small & Local Business Development		**341,369**
Office of Human Rights		
FAIR HOUSING ASSISTANCE PROGRAM_STATE AND LOCAL	14.401	169,831
EMPLOYMENT DISCRIMINATION_TITLE VII OF THE CIVIL RIGHTS ACT OF 1964	30.001	159,250
Total Office of Human Rights		**329,081**

Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by District Agency

For the Year Ended September 30, 2010

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Federal Expenditures
Public Service Commission		
PIPELINE SAFETY PROGRAM BASE GRANTS	20.700	156,554
ARRA - ELECTRICITY DELIVERY AND ENERGY RELIABILITY, R & D ANALYSIS	81.122	63,859
Total Public Service Commission		**220,413**
Office of Disability Rights		
DEVELOPMENTAL DISABILITIES BASIC SUPPORT AND ADVOCACY GRANTS	93.630	219,932
Total Office of Disability Rights		**219,932**
Department of Corrections		
STATE CRIMINAL ALIEN ASSISTANCE PROGRAM	16.606	187,280
Total Department of Corrections		**187,280**
Department of Motor Vehicles		
MOTOR CARRIER SAFETY	20.217	37,634
NATIONAL MOTOR CARRIER SAFETY	20.218	116,055
Total Department of Motor Vehicles		**153,689**
Office of Partnership and Grants Services		
ARRA - STRENGTHENING COMMUNITIES FUND	93.711	143,705
Total Office of Partnership and Grants Services		**143,705**
Criminal Justice Coordinating Council		
STATE JUSTICE STATISTICS PROG FOR STATICAL ANALYSIS CENTERS	16.550	32,537
Total Criminal Justice Coordinating Council		**32,537**
Total Inaugural Expenses		
DISASTER GRANTS- PUBLIC ASSISTANCE (PRESIDENTIALLY DECLARED DISASTERS)	97.036	18,564
Total Inaugural Expenses		**18,564**

Government of the District of Columbia
Schedule of Expenditures of
Federal Awards by District Agency

For the Year Ended September 30, 2010

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Federal Expenditures
Total SEFA		**3,189,334,496**

Note 1. Summary of Significant Accounting Policies

Reporting Entity

The Schedules of Expenditures of Federal Awards (the Schedules) include the activity of all federal award programs administered by the Government of the District of Columbia (District), except for the District of Columbia Housing Finance Agency (HFA) and the District of Columbia Water & Sewer Authority (WASA), for the fiscal year ended September 30, 2010. HFA and WASA contract for separate audits in compliance with Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. The federal awards for these two entities are excluded from the Schedules.

Federal award programs include direct expenditures, monies passed through to nonstate agencies (i.e., payments to subrecipients), nonmonetary assistance, and loan programs.

Basis of Presentation

The Schedules present total federal awards expended for each individual federal program in accordance with OMB Circular A-133. Federal award program titles are reported as presented in the Catalog of Federal Domestic Assistance (Catalog). Federal award program titles not presented in the Catalog are identified by Federal awarding agency's two digit prefix (or 99) followed by (contract number or UNKOWN).

Basis of Accounting

The expenditures for each of the federal award programs are presented in the Schedules on a modified accrual basis. The modified accrual basis of accounting incorporates an estimation approach to determine the amount of expenditures incurred if not yet billed by a vendor. Thus, those Federal programs presenting negative amounts on the Schedules are the result of prior year estimates being overstated and/or reimbursements due back to the grantor.

Matching Costs

Matching costs, the nonfederal share of certain programs costs, are not included in the Schedules.

Note 2. Relationship to Federal Financial Reports

The regulations and guidelines governing the preparation of Federal financial reports vary by Federal agency and among programs administered by the same agency. Accordingly, the amounts reported in the Federal financial reports do not necessarily agree with the amounts reported in the accompanying Schedules, which are prepared on the basis explained in Note 1.

Note 3. Federally Funded Loan Programs

Home Investment Partnerships Program (CFDA #14.239)
The amount in the accompanying schedules is $13,009,473. The outstanding loans cumulative balance as of September 30, 2010, is $63,608,357.

Beginning Balance	$52,955,608
Add: New Loans	11,496,032
	64,451,640
Less: Principal Payments	(843,283)
Ending Balance	$63,608,357

Family Federal Education Loan Program (CFDA #84.032)
The District, through the University of the District of Columbia (UDC), participates in the Federal Family Education Loans Program (FFELP), which includes the Federal Stafford Loan Program and the Federal Parents' Loan for Undergraduate Students Program. In FY 2010, new loans made to students enrolled at the University of the District of Columbia under the Family Federal Education Loan Programs (FFEL) CFDA #84.032 totals $9,889,920. This amount is not included in the Schedules. The Cluster total amount for Student Financial Assistance made to students enrolled at the University of the District of Columbia is $15,785,439 during the year ended September 30, 2010.

Note 4. Rebates from the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)

During fiscal year 2010, the District received cash rebates from infant formula manufacturers totaling $4,553,062 on sales of formula to participants in the WIC program (CFDA #10.557), which are netted against total expenditures included in the Schedules. Rebate contracts with infant formula manufacturers are authorized by 7 CFR 246.16(m) as a cost containment measure. Rebates represent a reduction of expenditures previously incurred for WIC food benefit costs.

Note 5. Non-Cash Awards

Most federal awards are in the form of cash awards; however, a number of federal programs involve non-cash transactions. These programs may include food stamps, food commodities, and donated property and also loans and loans guarantees. OMB Circular A-133 states that the value of federal awards expended in the form of non-cash assistance should be reported either on the face of the schedule or disclosed in the notes to the schedule.

Food Stamps Program – EBT Redemption

The food stamp program recorded the gross up of the amount of food stamps totaling $195,048,463 that were used by the District citizens for FY 2010. The Food Stamp Program is a program that is funded by the U.S. Department of Agriculture (USDA) under CFDA #10.551, and these expenditures are not charged against the District's budget or included in the SEFA.

H1N1 Vaccines

In fiscal year 2010, the total number of vaccines shipped to the District per CDC account was 200,100; and they are valued at $8.35/unit. The total value of Federal Assistance from the H1N1 vaccine totals $1,670,835. The H1N1 vaccine was purchased by the U.S. Department of Health and Human Services (HHS) with public health preparedness grants money under CFDA #93.069.

Commodities – Food Nutrition Service

The total non-cash award value for food commodities (e.g. milk, cheese, etc.) provided to the District of Columbia Public Schools during fiscal year 2010 is $623,673. This non-cash award is a program that is funded by the U.S. Department of Agriculture (USDA) under CFDA #10.579, and these amounts are not included in the SEFA.

Note 6. Unemployment Insurance

State unemployment tax revenues and government, tribal, and non-profit reimbursements in lieu of State taxes (State UI funds) must be deposited to the Unemployment Trust Fund in the U.S. Treasury, and are primarily used to pay benefits under the federally-approved State unemployment law. Consequently, State UI funds as well as Federal funds are included in the total expenditures of CFDA #17.225 in the accompanying Schedules.

The composition of CFDA #17.225 in fiscal year 2010 is as follows:

State UI Benefits	$242,243,555
Federal UI Benefits	9,233,434
Federal Extended UI Benefits	198,445,443
Federal UI Administrative Expenditures	16,058,318
Subtotal	$465,980,750
Additional Federal Unemployment Compensation	
ARRA – Federal UI	$31,053,398
Total	$497,034,148

Note 7. Head Start

In fiscal year 2010 the D.C. Public Schools received additional Head Start funds passed through from the United Planning Organization as a delegate to provide services under the Head Start program. These pass through funds are included under CFDA# 93.600.

Grant	CFDA #	Expense Reported
Head Start & Early Head Start	93.600	$ 3,974,457
Head Start & Early Head Start COLA & Quality Improvement Grant- ARRA	93.708	127,478
Total		$ 4,101,935

Note 8. Federal Emergency Management Agency (CFDA #83.534)
Snow Removal Event

During fiscal year 2010, the District received federal reimbursements for expenditures incurred by the District responding to the snow events of December 2009 and February 2010. These expenditures are not included in the SEFA. The D.C. Department of Public Works reimbursement totals $797,554 ($438,562 for December 2009, and $358,992 for February 2010).

Note 9. Subrecipients

Of the federal expenditures presented in the Schedules, the District provided federal awards to major program subrecipients as follows. It is not practicable to determine amounts passed to subrecipients of nonmajor programs.

Program Title	Federal CFDA #	Amount Provided to Subrecipients
Homeland Security Grant Program	97.067	$65,453,880
Title I Grants to Local Education Agency LEA	84.010	45,486,124
HIV Emergency Relief Project Grants	93.914	28,021,848
National School Lunch Program	10.555	19,137,592
Community Development Block Grants (CDBG)	14.218	14,385,875
Special Education Grants to States	84.027	13,303,078
Housing Opportunities for Person with AIDS	14.241	12,833,968
Improving Teacher Quality State Grants	84.367	10,970,149
ARRA – Tax Credit Assistance Program	14.258	8,920,539
Home Investment Partnership Program (HOME)	14.239	7,289,347
Child Care and Development Block Grant	93.575	6,798,751
School Breakfast Program	10.553	5,485,954
Child and Adult Care Food Program	10.558	5,242,644
Community Development Block Grants (CDBG)	14.218	4,733,147
Twenty-First Century Community Learning Ctr.	84.287	4,244,181
Title II HIV Care Grants	93.917	4,212,459
Summer Food Service Program for Children	10.559	2,956,425
Home Investment Partnership Program (HOME)	14.239	2,688,298
Community Development Block Grants (CDBG)	14.218	2,366,124
Low Income Home Energy Assistance Program	93.568	1,216,478
ARRA – Multi Family Rehab Acquisition	14.253	1,016,518
Home Investment Partnership Program (HOME)	14.239	450,000
Special Education – Preschool Grants	84.173	291,977
Highway Planning and Construction	20.205	262,832
ARRA – Community Development Block Grant	14.253	44,858
Special Supplemental Nutrition Program	10.557	35,525
Total		$267,848,571

Note 10. Intra-District Funding and Expenditures

The Public Education Reform Act of 2007 gave the Office of the State Superintendent of Education (OSSE) the authority to serve as the State Educational Agency (SEA) and perform the functions of a SEA for the District under applicable federal law, including grant-making and federal accountability requirements for elementary and secondary education. Accordingly, OSSE is the SEA charged by federal law and regulations to administer grant awards from the Federal government and DCPS is the Local Educational Agency (LEA) receiving funds for use and expenditure in its schools and programs.

Therefore, in the accompanying Schedule of Expenditures of Federal Awards, by District Agency, expenditures incurred have presented at the DCPS LEA

level for major program awards. It is not practicable to determine these expenditures for nonmajor programs.

Government of the District of Columbia

Schedule of Findings
And Questioned Costs
Year Ended September 30, 2010

1 Summary of Auditors' Results

Basic Financial Statements

a) An unqualified opinion was issued on the basic financial statements of the Government of the District of Columbia (the District) as of and for the year ended September 30, 2010.

b) The audit disclosed no material weaknesses and five significant deficiencies in internal control over financial reporting in connection with the basic financial statements of the District as of and for the year ended September 30, 2010.

c) The audit disclosed an instance of noncompliance that is material to the basic financial statements of the District as of and for the year ended September 30, 2010.

Single Audit

d) The audit of Federal financial assistance disclosed material weaknesses and significant deficiencies that were reported in connection with major Federal programs of the District for the year ended September 30, 2010.

e) The type of report issued on compliance for each major program is as follows:

Major Program/Cluster	CFDA Number	Type of Report Issued
Supplemental Nutrition Assistance Program	10.551, 10.561	Qualified
Child Nutrition Cluster	10.553, 10.555, 10.556, 10.559	Unqualified
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	Qualified
Community Development Block Grants/Entitlement Grants	14.218, 14.253	Qualified
HOME Investment Partnership Program	14.239	Qualified
Housing Opportunities for Persons with AIDS	14.241	Qualified
Unemployment Insurance	17.225	Unqualified
Workforce Investment Act Cluster	17.258, 17.259, 17.260	Qualified
Highway Planning and Construction	20.205	Unqualified
Title I Grants to Local Educational Agencies	84.010, 84.389	Qualified
Special Education Cluster	84.027, 84.173, 84.391, 84.392	Unqualified
Vocational Rehabilitation Grants to States	84.126, 84.390	Qualified
Improving Teacher Quality State Grants	84.367	Qualified
States Fiscal Stabilization Fund	84.394, 84.397	Unqualified
Temporary Assistance for Needy Families	93.558, 93.714	Unqualified
Child Support Enforcement	93.563	Qualified
Low-Income Home Energy Assistance Program	93.568	Unqualified
Community Services Block Grant	93.569, 93.710	Unqualified
Head Start	93.600, 93.708	Qualified

Major Program/Cluster	CFDA Number	Type of Report Issued
Foster Care – Title IV-E	93.658	Qualified
Adoption Assistance	93.659	Qualified
Children's Health Insurance Program	93.767	Qualified
Medical Assistance Program	93.775, 93.777, 93.778	Qualified
HIV Emergency Relief Project Grants	93.914	Qualified
HIV Care Formula Grants	93.917	Qualified
Homeland Security Grant Programs	97.067	Unqualified
Student Financial Assistance Cluster	84.007, 84.032, 84.033, 84.063, 93.925	Adverse

f) There were audit findings that are required to be reported under Section 510(a) of OMB Circular A-133 for the year ended September 30, 2010.

g) The major Federal programs of the District for the year ended September 30, 2010 were as follows:

Major Program/Cluster	CFDA Number
Supplemental Nutrition Assistance Program	10.551, 10.561
Child Nutrition Cluster	10.553, 10.555, 10.556, 10.559
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557
Community Development Block Grants/Entitlement Grants	14.218, 14.253
HOME Investment Partnership Program	14.239
Housing Opportunities for Persons with AIDS	14.241
Unemployment Insurance	17.225
Workforce Investment Act Cluster	17.258, 17.259, 17.260
Highway Planning and Construction	20.205
Title I Grants to Local Educational Agencies	84.010, 84.389
Special Education Cluster	84.027, 84.173, 84.391, 84.392
Vocational Rehabilitation Grants to States	84.126, 84.390
Improving Teacher Quality State Grants	84.367
States Fiscal Stabilization Fund	84.394, 84.397
Temporary Assistance for Needy Families	93.558, 93.714
Child Support Enforcement	93.563
Low-Income Home Energy Assistance Program	93.568
Community Services Block Grant	93.569, 93.710
Head Start	93.600, 93.708
Foster Care – Title IV-E	93.658
Adoption Assistance	93.659
Children's Health Insurance Program	93.767
Medical Assistance Program	93.775, 93.777, 93.778
HIV Emergency Relief Project Grants	93.914
HIV Care Formula Grants	93.917
Homeland Security Grant Programs	97.067
Student Financial Assistance Cluster	84.007, 84.032, 84.033, 84.063, 93.925

h) The dollar threshold used to distinguish between type A and type B programs was $10,192,095 for Federal awards for the year ended September 30, 2010.

i) The District did not qualify as a low-risk auditee for the year ended September 30, 2010.

2 Findings Related to the Basic Financial Statements Reported in Accordance with Government Auditing Standards

Finding 2010-01 – Weaknesses in the District's General Information Technology Controls

Background:
General Information Technology Controls (GITCs) provide the foundation for a well-controlled technology environment that supports the consistent processing and reporting of operational and financial data in accordance with management's directives. Our audit included an assessment of selected GITCs in four (4) key control areas: Access to Programs and Data, Program Changes, Program Development, and Computer Operations. During our assessment, we identified pervasive GITC-related findings. Our findings included the following:

Access to Programs and Data
Conditions:

1. Failure to consistently restrict privileged and general user access to key financial applications in accordance with employee job responsibilities and/or segregation of duties considerations.
2. Inconsistent performance and/or documentation of user access administration activities, including the approval of new user access and access changes, periodic review of user access rights, and timely removal of user access upon employee termination.
3. Use of generic accounts to perform system administration and/or end user functions within key applications without adequate monitoring controls over such activities.

Program Changes
Conditions:

1. Failure to institute well-designed program change and/or system development life cycle policies that establish procedural and documentation requirements for authorizing, developing, testing, and approving changes to key financial applications and related infrastructure software[1] in the production environment.
2. Inconsistent adherence to established program change management procedures including instances in which changes made to the system were not approved, tested, or documented appropriately per the established procedures.
3. Failure to consistently restrict developer access to the production environments of key financial applications in accordance with segregation of duties considerations or, if infeasible, implement independent monitoring controls to help ensure changes applied to the production environment are authorized.

Table 1 below summarizes the key financial applications that were impacted by the findings noted above.

[1] Infrastructure changes refer to software changes and updates applied to underlying operating systems and databases supporting the key financial applications.

Table 1: Summary of applications impacted by the findings related to the Access to Programs and Data and Program Change control areas

Application	Access to Program and Data	Program Changes
PeopleSoft	X	X
TACIS	X	X
PASS	X	
ACEDS	X	X
DOCS	X	X
DUTAS	X	X
BARTS		X
Meditech	X	
TAS	X	

Criteria:

1. The Federal Information Security Management Act (FISMA), passed as part of the Electronic Government Act of 2002, mandates that Federal entities maintain IT security programs in accordance with National Institute of Standards and Technology (NIST). The following NIST criteria were leveraged:
   a) NIST Special Publications (SP) 800-12, An Introduction to Computer Security
   b) NIST SP 800-53, Revision 3, Recommended Security Controls for Federal Information Systems and Organizations, August 2009
   c) NIST SP 800-64, Security Considerations in the System Development Life Cycle, October 2008
   d) NIST SP 800-14, Generally Accepted Principles and Practices for Securing Information Technology, September 1996
2. The U.S. Government Accountability Office's (GAO's) Evaluating Internal Controls in Computer Based Systems (Black Book)

Cause/Effect:

The findings highlighted above include weaknesses in both the design and consistent operation of policies and procedures considered relevant to the Access to Programs and Data and Program Change areas. We noted a segmented approach in the design and implementation of relevant GITCs, including the lack of a concentrated effort to formalize underlying GITC processes and controls, and the lack of an effective monitoring function. The existence of these findings increases the risk that unauthorized changes applied to key financial applications and the data they process adversely affect application processing and data integrity and, as a result, may materially impact the financial statements. Additionally, the existence of these findings impacts the reliability of key application reports and the ability to rely upon automated, configurable controls embedded within key financial applications.

Recommendations:

1. *Related to Access to Programs and Data controls, we recommend that management:*
   1. Assess and update or, as applicable, develop and document access management policies and procedures for production applications and underlying infrastructure systems. These policies and procedures should address requirements for clearly documenting user access requests and supervisory authorizations, periodic reviews of the appropriateness of user access by agency business management, timely communication of employee separations/transfers, and disablement/removal of the related user access.

2. Develop and implement controls that establish organizational and logical segregation between program development roles, production administration roles and business end user roles among different individuals, or independently performed monitoring of the activities of users provided with conflicting system access.
3. Restrict the use of generic IDs or, if such access is required, implement independent monitoring of the activities performed using generic IDs.
4. Formally communicate policies and procedures per the recommendations above to control owners and performers. Further, management should institute a formalized process to monitor adherence to policies and procedures related to key controls and, as performance deviations are identified, follow up as appropriate.

2. *Related to Program Change controls, we recommend that management:*
   1. Assess and update or, as applicable, develop and document program change control policies and procedures for production applications and underlying infrastructure systems including, but not limited to, requirements for the documentation of properly detailed change requests, authorization of the change prior to initiation of the work, preparation of test plans and results, and formal approval of the change prior to migration to production.
   2. Formally communicate policies and procedures per the recommendations above to control owners and performers. Further, management should institute a formalized process to monitor adherence to policies and procedures related to key controls and, as performance deviations are identified, follow up as appropriate.
   3. Develop and implement controls that establish organizational and logical segregation between program development roles and change migration roles among different individuals or independent monitoring of the activities of users provided with conflicting system access.

Management's Response:
The District concurs with the auditor's findings with respect to general information technology controls and will develop and implement the necessary corrective actions to address the deficiencies noted and enhance operational efficiency.

Access to Programs and Data
The District concurs with this finding and will implement the necessary measures to adequately restrict user access to programs and data based on job functions and the need for adequate separation of incompatible duties. In addition, the District will develop (or revise) and implement policies and procedures for (a) restricting user access; (b) routinely monitoring application access privileges; (c) approving new user access (or access changes); and (d) timely removing user access upon employee separation/termination. Such policies and procedures will also include specific guidance on the use of generic accounts to perform system administration functions (e.g., instances in which such accounts are to be used and how the use of generic accounts is to be monitored).

Program Changes
The District concurs with this finding and will review existing policies regarding authorizing, developing, testing, and approving changes to financial applications and related infrastructure software. To the extent that current policies are not adequate, the District will revise them accordingly. In addition, we will periodically perform internal reviews of program change management practices to ensure that changes made in the financial systems are properly approved, tested, and documented. This will include monitoring whether system developers are being limited to the production environments of financial applications.

Finding 2010-02 – Weaknesses in the District's Procurement and Disbursement Controls

Background:
The District expends over $8 billion per year in nonpersonnel-related expenditures. In order to be as efficient and effective as possible, the District has established very robust policies and procedures at the Office of Contracts and Procurement, as well as at those agencies that have independent procurement authority to procure goods and services and to make payments for those goods and services. Further, these policies and procedures serve to ensure the District's compliance with various laws and regulations governing procurement and payment, such as the Procurement Practices Act and the Quick Payment Act.

Condition:
We selected a sample of 25 sole source procurements executed by the District in FY2010 and noted the following:

Lack of supporting documentation:
- For six (6) contracts, the Determination and Findings (D&F) were not available for review.
- For ten (10) contracts, the screen prints showing that a search was performed to determine whether the vendor was debarred or suspended from doing business with the District were not available for review.
- For three (3) contracts, the use of the sole source method of procurement was not appropriate.

Inadequate approvals:
- For three (3) contracts, the D&F was not approved by the Contracting Officer.
- For two (2) contracts, the Contracting Officer delegation authority was not available for review.
- For one (1) contract, the Contracting Officer was able to approve a purchase requisition above his delegation of authority.
- For one (1) contract, the D&F was not approved by the agency Director and/or Department Head.
- For four (4) contracts, the Council and Office of the Attorney General (OAG) approval was not available for review.
- For two (2) contracts, the purchase requisition was not approved by the Contracting Officer.
- For one (1) contract, the OAG approval was not available for review.
- In one (1) instance, the contract was misclassified as a sole source contract.

We also selected a sample of 25 emergency procurements executed during FY2010 and noted the following:

Lack of supporting documentation:
- There was no evidence to support the classification as an emergency procurement for ten (10) procurements.
- There is no evidence of competition or a sole source determination for three (3) emergency procurement contracts.
- The screen prints to provide evidence that a search to determine whether the vendor was debarred or suspended from doing business with the District was not available for review for seven (7) contracts.
- For one (1) contract, the D&F was not available for review.

Inadequate approvals:
- The delegation of authority for the Contracting Officer was not available for three (3) procurements.
- The Contracting Officer approved a requisition above his delegation of authority for one (1) contract.

- The Council and OAG approval was not available for review for one (1) contract.

Noncompliance with emergency criteria requirement:
- The period of performance exceeded the 120-days requirement for an emergency procurement for three (3) contracts inspected.

We selected seven (7) large construction contracts and determined that the District was unable to provide the supporting documentation for three (3) of the construction contracts as follows:
- The Solicitation and Evaluation documents were not available for review for two (2) contracts.
- The D&F for price reasonableness and Contractor responsibility, the Council approval, and OAG legal review for when the contract was awarded in 2005 were not available for review for one (1) contract.
- The Excluded parties' printouts were not available for review for one contract.

We also selected 37 small purchases over $5,000 and identified the following exceptions:
- Small purchases quotations were not available for review for four (4) purchases.
- The BPA (Blanket Purchase Agreement) relating to repetitive services was not available for review for five (5) purchases.
- The purchase requisition was not available for review for one (1) purchase.

We also selected 31 large procurements over $100,000 other than construction contracts and identified the following exceptions:
- Two (2) contracts were not available for review.
- There was no evidence of competition for one (1) procurement.
- There was no evidence that the District performed a search to determine whether the vendor was debarred or suspended from conducting business with the District for two (2) procurements.
- The supporting documents provided for one (1) contract related to a FY2009 contract that had expired and not the active contract.
- The authorization for DC participation in a cooperative agreement with the contractor and the Commonwealth of Virginia was not available for review for one (1) procurement.

In our testing of procurement and disbursement transactions at the District of Columbia Public Schools (DCPS), we observed the following:

- One (1) of 92 procurement transactions tested showed DCPS was not in compliance with the District of Columbia's laws regarding sole source procurements. Specifically, one file for a procurement totaling $4,004 did not contain a copy of the signed contract or proper approval from the Contracting Officer on the D&F.
- Eight (8) transactions, totaling $259,370, of 68 transactions tested, totaling $11,503,960, paid through direct voucher were also related to prior period expenditures that were not properly accrued in the prior year.
- Two (2) transactions, totaling $12,093, of 68 total transactions tested, totaling $11,503,960, were paid through direct voucher but were not appropriately listed on the approved direct voucher list.
- Twelve (12) payments, totaling $343,839, of 160 files tested did not have proper vendor invoices to support the payment made.

In addition, although we were able to substantiate the accuracy and existence of the expenditure, we noted for 8 of the 160 transactions tested, DCPS did not follow its existing internal policies and procedures related to the processing of the transaction. Specifically:

- Eight (8) direct voucher payments totaling $524,009 indicated there was insufficient detail documentation to support DCPS' commitment to various services provided by the vendor or the support provided was not consistent with the documentation provided.
- Of 160 disbursements tested, we noted 11 transactions totaling $1,470,290 where the transaction was posted to the incorrect comptroller object code in DCPS' general ledger.

With regard to our testing of compliance with the District of Columbia Quick Payment Act, we determined that:

- Seventy (70) of 683 non-DCPS payments selected for testing were not paid timely in accordance with the Quick Payment Act.
- Seven (7) of 169 DCPS payments selected for testing were not paid timely in accordance with the Quick Payment Act. In addition, we noted an additional 27 payments for which payment was made more than 30 days after the CFO Office received the invoice due to delays in receiving the appropriate documents (i.e., receiving report, etc.) to perform the required three-way match.

Criteria:
The Procurement Practices Act indicates the following:

27 DCMR chapter 17, states, **"***In each instance where the sole source procurement procedures are used, the Contracting Officer shall prepare a written determination and findings ("D&F") justifying the procurement which specifically demonstrates that procurement by competitive sealed bids or competitive sealed proposals is not required."*

27 DCMR chapter 17, states, **"***Each sole source D&F for a procurement in an amount greater than twenty-five thousand dollars ($ 25,000) shall be reviewed by the Director before solicitation and shall be approved by the Director before contract execution."*

DC Code 1-204.51, states, "*Prior to the award of a multiyear contract or a contract in excess of $1,000,000 during a 12-month period, the Mayor or executive independent agency or instrumentality shall submit the proposed contract to the Council for review and approval.*"

DC Code 2-301.05(G) states, "*All contracts over a million dollar must go to the Office of the Attorney General (OAG) for a legal sufficiency review*."

DCMR chapter 17 states, "*An "emergency condition" is a situation (such as a flood, epidemic, riot, equipment failure, or other reason set forth in a proclamation issued by the Mayor) which creates an immediate threat to the public health, welfare, or safety. The emergency procurement of services shall be limited to a period of not more than one hundred twenty (120) days. If a long-term requirement for the supplies, services, or construction is anticipated, the Contracting Officer shall initiate a separate non-emergency procurement action at the same time that the emergency procurement is made. The Contracting Officer shall attempt to solicit offers or proposals from as many potential contractors as possible under the emergency condition. An emergency procurement shall not be made on a sole source basis unless the emergency D&F includes justification for the sole source procurement. When an emergency procurement is proposed, the Contracting Officer shall prepare a written determination and findings (D&F) that sets forth the justification for the emergency procurement.*"

The District's Quick Payment Act indicates the following:
"*If a contract specifies the date on which payment is due, the required payment date is the date specified in the contract. If a contract does not specify a payment date, the required payment date will be one of the following:*

(a) Meat and meat food products – the seventh (7th) day after the date of delivery of the meat or meat product;
(b) Perishable agricultural commodities – the tenth (10th) day after the date of delivery of the perishable agricultural commodity; or
(c) All other goods and services – the thirtieth (30th) day after the receipt of a proper invoice by the designated payment officer."

Cause/Effect:
District agencies are not adhering to the established policies and procedures governing creation and maintenance of procurement documentation and the payment of vendor obligations, which may cause noncompliance with the Procurement Practices Act and the Quick Payment Act.

Recommendation:
We recommend that the District conduct mandatory training sessions for all personnel involved in the procurement of and payment for goods and services to reemphasize the critical importance of adhering to the existing procurement and disbursement policies and procedures. Further, we recommend that the District conduct an "internal audit" of compliance with the Procurement Practices Act and the Quick Payment Act during FY2011. This internal audit should be conducted after the internal training sessions are held. During this internal audit, the District should select a sample of FY2011 sole source and emergency procurements as well as vendor disbursements. By conducting the audit after the training, the District may be able to determine the effectiveness of the training by comparing compliance results from procurements and disbursements before and after the training.

Management's Response:
The District concurs with the facts of this finding and will implement the necessary control procedures to (a) ensure that purchases are authorized by the appropriate managers and officials before they are made and (b) ensure that approvals of purchases are adequately documented and such documentation is retained in the District's files for quick retrieval, as needed. The District will also periodically review on an ongoing basis purchases/disbursements to monitor compliance with applicable laws and regulations (e.g., Procurement Practices Act and the Quick Payment Act).

Finding 2010-03 – Weaknesses in Monitoring Financial Reporting and Nonroutine Transactions in Stand-Alone Reports

Background:
The District's annual financial statement process is complex and highly decentralized. District agencies are required to prepare financial closing packages and submit those packages to the District's Office of Financial Operations and Systems (OFOS) for review and approval. OFOS uses these closing packages to prepare the basic financial statements and the notes thereon. While testing the closing packages and financial statements submitted by various District agencies, we observed the following:

- *Unemployment Compensation Fund* – The District's Unemployment Compensation Trust Fund is a major fund in the District's Comprehensive Annual Financial Report (CAFR), and its management prepares a separate set of financial statements. The original draft of those financial

statements submitted to both OFOS and the auditors were substantially incomplete and required significant, material adjustments to both the financial statements and the notes.

- *University of the District of Columbia* – The University of the District of Columbia is presented as a discretely presented component unit in the District's CAFR, and its management prepares a separate set of financial statements. The original draft of those financial statements submitted to both OFOS and the auditors were substantially incomplete and required significant, material adjustments and revisions to Management's Discussion and Analysis, the financial statements, and the notes.
- *Convention and Sports Authority* – The District's Convention and Sports Authority is presented as a discretely presented component unit in the District's CAFR, and its management prepares a separate set of financial statements. The original draft of those financial statements submitted to both OFOS and the auditors did not properly account for and disclose the merger of the old Convention Center Authority and the Sports and Entertainment Commission and required significant, material adjustments to both the financial statements and the notes.
- *United Medical Center Intangible Assets* – On July 9, 2010, the District established the Not-for-Profit Hospital Corporation (NFPHC), a discretely presented component unit, to account for and maintain the assets upon which the District foreclosed to satisfy an outstanding debt obligation of the former United Medical Center. Under U.S. generally accepted accounting principles, the NFPHC must record the fair value of both the tangible and intangible assets that existed at July 9, 2010. NFPHC did not originally account for the intangible assets acquired, such as the fair value of its bed licenses, until requested by the auditor.
- *Oversight of Actuarial Advisors* – The District's Office of Risk Management (ORM) engages an actuary to provide a valuation of the liability for disability compensation. Further, the District's Department of Human Resources (DHR) engages an actuary to provide a valuation of the liability for other postemployment benefits (OPEB) for District retirees. Neither ORM nor DHR adequately documented the rationale behind the actuarial assumptions established between the District and the engaged actuary.

Criteria:
Government Auditing Standards, Appendix I, section A1.08 d., states that management at a State and Local government entity is responsible for "*establishing and maintaining effective internal control to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported*;…"

Cause/Effect:
District component units do not appear to consider properly the accounting and financial reporting for nonroutine transactions in order to develop and maintain documentation to support the amounts and disclosures in the CAFR. Further, these component units and agencies do not have adequate policies and procedures surrounding the year-end financial reporting closing process to develop and support the amounts and disclosures in their stand-alone financial statements.

Recommendation:
We recommend that all District entities that prepare stand-alone financial statements should prepare interim financial statements that are submitted to OFOS for review and approval.

Management's Response:
The District concurs with this finding. The Office of the Chief Financial Officer, Office of Financial Operations and Systems (OFOS), will revise its interim closing practices to require more financial analysis and reporting of the component units during the fiscal year (at least quarterly). OFOS will review

the interim component unit financial data received from each entity for accuracy and reasonableness and will work with each component unit to resolve reporting issues as they arise during the fiscal year. These measures should reduce the level of effort needed at year-end by the component units to produce accurate, reliable financial statements. In addition, the need for significant audit adjustments should also be minimized as a result of these measures. OFOS will continue the practice of reviewing the annual financial statements of component units for reasonableness and accuracy but will use the interim information received from component units to perform a more meaningful review and analysis.

Finding 2010-04 – Weaknesses in the Financial Reporting Process at the Office of Tax and Revenue

Background:
The District's Office of Tax and Revenue (OTR) had over $4.95 billion in tax revenue in FY2010. During our testwork at OTR, we observed the following:

- There was insufficient monitoring of internal controls by the Returns Processing Administration (RPA) at its lockbox service provider. The service provider processes approximately $1.9 billion in lockbox transactions on behalf of the District, yet OTR has not ensured that the service provider has been through an in-depth audit of its control objectives and activities, which include controls over information systems, security of taxpayer data, and other related processes. Specifically, we noted:
    - The service provider received a SAS 70 Type I report (Report on Controls Placed in Operation) in the current year versus a SAS 70 Type II report (Report on controls placed in operation and evaluation of Tests of Operating Effectiveness) in prior years.
    - OTR management did not review the SAS 70 report received, and was not aware of the change of the report type.
    - OTR has not performed a site visit to the lockbox manager or its subservice organizations, since March 2008.
    - OTR was unable to provide supporting documentation or evidence of review of monthly and weekly performance reports provided by the service provider.
- Multiple auditors who prepare audit assessment change documents within the Compliance Division have access rights to make audit assessment adjustments within the Integrated Tax System (ITS). Procedurally, these auditors are not allowed to enter assessment adjustments that they have prepared; however, they have the system access to do so.
- The District continues to maintain insufficient control procedures over the reconciliation of tax withholdings to taxpayer submitted data. OTR has begun to develop policies and procedures to perform these reconciliations, but these corrective actions were partially implemented during FY2010. Further corrective actions are needed in order to implement fully the policies and procedures.
- Nine (9) of 25 real property tax exemption applications selected for testing at the Real Property Tax Administration were not properly signed by an assessment specialist as being complete.
- Fifteen (15) of 27 SOAR to ITS monthly reconciliations selected for testing included significant reconciling items that were not corrected or input into ITS.
- Management has not performed adequate verification and validation procedures surrounding the methodologies used for setting the allowance for uncollectible accounts for various types of tax receivables. The current methodology was established in 2004; however, no documentation is maintained that demonstrates management's updated review of the estimates.

Criteria:
Government Auditing Standards, Appendix I, section A1.08 d., states that management at a State and Local government entity is responsible for "*establishing and maintaining effective internal control to help*

ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported;…"

Cause/Effect:
OTR is not adhering to its existing policies and procedures governing review of lockbox operations, reconciliation of tax withholdings, maintenance of Homestead Tax Credit documentation, and granting of real property tax exemption. Further, OTR management has not appropriately restricted access to prevent Compliance Division personnel from having inappropriate access. These deficiencies increase the risk that inappropriate refunds may be issued.

Recommendation:
We recommend that OTR adhere to its existing policies and procedures regarding review of lockbox operations, reconciliation of tax withholdings, and maintenance of Homestead Tax Credit documentation. OTR should also consider specific training in these areas to reinforce those procedures. Finally, we recommend that OTR establish a policy requiring that management's review of the estimation methodology for the reserve for uncollectible taxes be documented annually.

We further recommend that the Office of Integrity and Oversight conduct a periodic review of OTR's implementation of changes as a result of these audit observations.

Management's Response:
The District's Office of Tax and Revenue (OTR) continues to place a strong emphasis on its internal controls, including risk and control self-identification and self-assessment. OTR leadership and teammates will continue to work closely with the Chief Risk Officer and the Director of the Office of Integrity and Oversight to design, institutionalize, and monitor effective controls.

Finding 2010-05 – Weaknesses in the Personnel Management and Employee Compensation Process

Background:
The District employs approximately 31 thousand employees and disburses over $2.6 billion in compensation annually. Various payroll rules and regulations are administered by the District's Department of Human Resources, and the payroll disbursements are administered by the Office of Pay and Retirement Services.

During our testwork over payroll expenditures, we observed the following:

- One (1) of 319 employees tested received overtime pay even though the employee was considered to be exempt under the Fair Labor and Standards Act of 1938 (FSLA) and was not eligible for overtime. This resulted in an overpayment to the employee for 390 hours, totaling $31,073 for FY2010.
- Eight (8) of 165 employee personnel files tested did not contain the required supporting documentation (Form SF-52, signed offer letter, and signed I-9 verification form with a copy of the employees' identification) in accordance with District policy. Specifically, we noted five (5) files did not contain signed offer letters.
- One (1) of 40 terminated employees tested received pay subsequent to termination from District employment. Specifically, the employee received a car allowance during employment, was terminated in March 2010, but continued to receive a car allowance subsequent to termination, resulting in an overpayment to the employee of approximately $3,300.

- Fifteen (15) of 63 transactions were tested in which an employee's life insurance and/or retirement payroll deduction did not agree to the approved rate. Specifically, the deduction withheld from the employee's pay was less than the approved rate for the benefit elected. This resulted in total overpayments to employees in the amount of $252.
- One (1) of 63 transactions was tested in which the employee elected benefit coverage but the appropriate benefit deduction was not withheld from the employee's paycheck.
- Seven (7) of 43 employees tested whose personnel files did not contain the required supporting documentation (Form SF-52, signed offer letter, signed I-9 verification form with a copy of the employees' identification, and transcripts (if applicable)) in accordance with DCPS policy. Specifically, we noted:
    - One (1) file was missing the signed SF-52, signed offer letter, I-9 with copy of identification, and copy of official transcript indicating the employee met the requisite educational requirements.
    - Two (2) files were missing the signed SF-52 and I-9 with copy of identification.
    - Two (2) files were missing the signed offer letter.
    - Two (2) files were missing the official transcript indicating educational requirements.
- Two (2) of 40 transactions were tested in which the employee received retirement benefits before becoming eligible for the benefit under the District's policy.
- Four (4) of 10 retroactive pay transactions were tested in which the District miscalculated the amount due to the employee, which resulted in three (3) overpayments to individual employees totaling $67,572, $488, and $696, and one underpayment totaling $11,181.
- Twenty-two (22) of 165 transactions tested indicated the hours paid were reclassified from one fund/index code to another. All 22 reclassifications were approved in PeopleSoft in accordance with DCPS' policies and procedures. However, DCPS was unable to provide supporting documentation for 13 of the reclassifications. Further, for the remaining 9 reclassifications, there was no evidence that the supervisor that approved the original time sheet had reviewed the employees' time sheets prior to approving the reclassification.

Criteria:
According to the Yellow Book, Appendix I, section A1.08 d., management at a State and Local government entity is responsible for "*establishing and maintaining effective internal control to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported*;…"

Cause/Effect:
District employees are not adhering to existing policies and procedures, which increases the risk that amounts may be incorrectly paid to employees.

Recommendation:
We recommend that the District conduct a comprehensive "refresher" training course or courses for all employees involved in the payroll process. Further, we recommend that the District conduct periodic internal reviews of a sample of transactions to monitor compliance with existing policies and procedures.

Management's Response:
The District concurs with facts of this finding and will take the necessary measures to improve controls over personnel management and compensation. We will review current practices regarding the retention of supporting documentation for personnel actions and other payroll-related transactions. To the extent that current practices are determined to be inadequate, the District will revise existing policies and procedures accordingly. As recommended by the auditors, the District will perform periodic reviews of

sampled payroll transactions to monitor compliance with policies and procedures. Moreover, as deemed appropriate, the District will provide additional training to staff that perform payroll-related functions to improve efficiency and reduce the risk of errors.

3 Findings and Questioned Costs Related to Federal Awards:

Finding Number	**2010-06**
Federal Program	**Supplemental Nutrition Assistance Program (10.551, 10.561),**
Federal Award Number	***1DC400402 (10/1/08 – 9/30/10)***
Federal Agency	**Agriculture**
District Department	**Office of the Chief Financial Officer**
Compliance Requirement	**Preparation of Schedule of Expenditures of Federal Awards**

Criteria

OMB Circular A-133, section 310 (b) indicates:

> Schedule of expenditures of Federal awards (SEFA). The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:
>
> 1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
> 2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
> 3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
> 4) Include notes that describe the significant accounting policies used in preparing the schedule.
> 5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
> 6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of noncash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year-end. While not required, it is preferable to present this information in the schedule.

Condition

The SEFA that was provided by the District's Office of the Chief Financial Officer (OCFO) required significant adjustments to be presented in accordance with OMB Circular A-133, section 310(b). Based on review of the SEFA initially presented, we had the following observations:

- The value of certain noncash awards (food stamps electronic benefits payments, school food service commodities, vaccines, loan guarantees, etc.) were not presented on the SEFA or in the notes.

- Other required SEFA footnote disclosures (Unemployment Insurance, Federally Funded Loan Programs, etc.) were incomplete or inaccurate.
- Certain CFDA numbers or program titles were invalid or incomplete.
- Numerous adjustments were required between Federal programs as a result of auditor inquiry.
- Certain locally funded programs were presented incorrectly as Federal programs and subsequently removed from the SEFA.

Cause

The District has not developed specific policies and procedures to delineate responsibilities among program management, the agency fiscal officer, OFOS, and the Office of Integrity and Oversight for the preparation and review of the SEFA.

Effect

The SEFA may not be fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

Recommendation

We recommend that the District develop policies and procedures to delineate responsibilities among the parties outlined above. Further, we recommend that key District grants management personnel, including both Mayoral personnel and OCFO personnel, be trained on the requirements of OMB Circular A-133.

Related Noncompliance

None

Questioned Costs

None

Views of Responsible Officials

The OCFO concurs with the auditor's recommendation to review and strengthen the District-wide policies and procedures relating to the generation and reporting of the SEFA. The process for generating the SEFA for A-133 single audit is under review and will be improved and strengthened as follows:

- Office of Financial Operations and Systems (OFOS) will continue to provide Office of Integrity and Oversight (OIO) with the SEFA information as recorded in the District Financial System prior to the start of the single audit process.

- OFOS will ensure that each award has correct program title and CFDA number as stated on the Catalog of Federal Domestic Assistance.

- Missing CFDA numbers on the SEFA will be extracted and researched by OFOS; OFOS will provide OIO with such reports on a quarterly basis and upon request from OIO.

- OIO will perform a reconciliation of District agencies' SEFA to information reported in the District Financial System.
- OIO will notify affected program or District agency to make appropriate changes.
- The noncash awards are programs funded by the Federal Government Department, and these amounts are valued by the Federal agency that provides the services. The values of certain noncash awards, such as school food service commodities and vaccines, are valued by the Federal awarding agency. The values are presented in notes to the SEFA.

OCFO also strongly believes that these changes in the District SEFA process, FY2011 going forward, will assure the production and completion of a reliable SEFA document for delivery to the independent auditors for their determination and selection of Federal programs to be audited in accordance with OMB Circular A-133.

Finding Number	**2010-07**
Federal Program	**Various**
Federal Agency	**Various**
District Department	**Office of Finance and Treasury (OFT)**
Compliance Requirement	**Cash Management**

Criteria

U. S. Department of the Treasury (Treasury) regulations at 31 CFR part 205, which implements the Cash Management Improvement Act of 1990 (CMIA), as amended (Pub. L. No. 101-453; 31 USC 6501 et seq.), require State recipients to enter into agreements that prescribe specific methods of drawing down Federal funds (funding techniques) for selected large programs. The agreements also specify the terms and conditions in which an interest liability would be incurred.

§ 205.14 "The Federal Program Agency incurs interest liability if a State pays out its own funds for Federal assistance program purposes with valid obligational authority under Federal law, Federal regulation, or Federal-State agreement. A Federal interest liability will accrue from the day a State pays out its own funds for Federal assistance program purposes to the day Federal funds are credited to a State bank account."

§ 205.29 "A State must maintain records supporting interest calculations, clearance patterns, Interest Calculation Costs, and other functions directly pertinent to the implementation and administration of this subpart A for audit purposes."

Condition

While performing District-wide CMIA compliance testwork, we identified that:

- OFT requires District agencies to utilize one combined CMIA template for both personnel and nonpersonnel service expenditures. Under the District's Treasury-State agreement, personnel and nonpersonnel services have differing funding techniques that require separate analysis. The use of one combined CMIA report does not allow for the analysis of differing clearance patterns as outlined in the Treasury-State agreement.

- The calculation of interest liability due to or from the Federal government is not being properly prepared. Specifically, the CMIA template provided to the agencies should calculate the number of days used as a part of the interest liability as the difference between the expenditure payment date and the date that funds were received from the Federal government. However, the number of days of interest liability was based upon a "targeted receivable due date," instead of the actual expenditure payment date.

- The date the expenditure was paid and the date the reimbursement request was submitted are both based on the journal entry posting dates in the general ledger of these activities and do not represent when the activities actually occurred.

Cause

The instructions and CMIA reconciliation template provided by OFT to the District's various program agencies did not clearly provide instructions in accordance with the District's Treasury-State agreement. The template includes incorrect formulas to calculate the days lapsed between the payment of the expenditure and the receipt of Federal funds, which ultimately affects the interest due to the government. Finally, the instructions did not specify that the dates entered into the CMIA template were to be actual dates of when the activities occurred and not the journal entry posting dates.

Effect

The District of Columbia could potentially be noncompliant with the terms of the District's Treasury-State Agreement or the regulations at 31 CFR part 205, which implement the Cash Management Improvement Act of 1990 (CMIA), as amended (Pub. L. No. 101-453; 31 USC 6501 et seq.)

Recommendation

We recommend that OFT management:

- Update the CMIA template to calculate accurately the clearance pattern for each transaction type based on the dates as to when the expenditure was actually paid and reimbursement request was actually submitted and thus, monitor the compliance with terms stated in the CMIA agreement.
- Develop instructions on how to complete the template in accordance with terms of the CMIA agreement and clearly communicate them to the program agencies.
- Develop training to ensure that program personnel understand the fields of the CMIA reconciliation template.

Related Noncompliance

None

Questioned Costs

Not determinable.

Views of Responsible Officials

OFT disagrees that the use of one combined CMIA report does not allow for proper analysis of disbursements and reimbursements. Most agencies use the same funding technique for both personnel service (PS) and nonpersonnel service (NPS) expenditures. There are a few agencies that use separate funding techniques for PS and NPS expenditures. For these agencies, the funding techniques are written such that the reimbursement requests are tied to the date of expenditure. This in effect means that the only significant difference between PS and NPS expenditures, for CMIA purposes, is the clearance pattern. PS payments use 0 clearance days and NPS payments use 7 clearance days (Medicaid payments use 5 days for NPS payments). We include a "Clearance Days" column on the CMIA template to help ascertain when a reimbursement is due from the Federal government. Each disbursement is analyzed using the clearance pattern attributed to it. These clearance patterns were developed by the District in FY2009 according to specifications discussed in the CMIA. In conjunction with this response, we are providing KPMG with the check clearance pattern analysis. Clearance patterns are discussed in the Treasury-State Agreement under Section 7.0.

KPMG's understanding that reimbursements should be received on the same date of expenditure is inaccurate. OFT uses the due date of receivable to calculate District interest liability because this date incorporates the clearance pattern used by the District, consistent with the Treasury-State Agreement. Reimbursements should occur no earlier than the date checks clear. That is the reason why OFT incorporates clearance days when calculating interest due. We have received confirmation from the FMS at U.S. Treasury that this is the correct interpretation, and this confirmation is being provided to KPMG in conjunction with this response.

The journal entry posting date is the date on which funds are deposited into the District's grants bank accounts (unless there is a posting error). We exercise great care to make sure the proper date is used when we post journals in the general ledger. We have reminded agencies that perform their own journal recordation of the importance of adhering to this procedure.

In response to the recommendations, management responds as follows:

- Recommendation: Update the CMIA template to calculate accurately the clearance pattern for each transaction based on the dates as to when the expenditure was actually paid and reimbursement request was actually submitted and thus, monitor the compliance with terms stated in the CMIA agreement.
    - *Response: The CMIA template accurately calculates the clearance pattern based on the check clearance pattern analyses conducted in FY2009. We will consult with each agency this fiscal year to determine whether updates are warranted. OFT monitors compliance with terms stated in the CMIA.*
- Develop instructions on how to complete the template in accordance with terms of the CMIA agreement and clearly communicate them to the program agencies.
    - *OFT has provided and continues to provide agencies with instructions on how to complete the CMIA template, and provides technical assistance via phone, e-mail, and in-person meetings to assist with the implementation of the procedures.*
- Develop a training to ensure that program personnel understand the fields of the CMIA reconciliation template.
    - *OFT conducts annual training for all agency CFO personnel on the requirements of the CMIA as well as the requirements of the journal recordation process. This year's training will include program staff as well. OFT will also meet with each agency separately to discuss currently used funding techniques and determine if a new technique is necessary based on each agency's particular needs and rate of expenditure*.

KPMG Response

We have read management's response, and our finding remains as indicated.

Finding Number	**2010-08**
Federal Program	**Various**
Federal Agency	**Various**
District Department	**Office of Contracts and Procurement**
Compliance Requirement	**Procurement, Suspension and Debarment**

Criteria

Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. "Covered transactions" include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed $25,000 or meet certain other specified criteria. 2 CFR section 180.220 of the government-wide nonprocurement debarment and suspension guidance contains those additional limited circumstances. All nonprocurement transactions (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions.

When a non-Federal entity enters into a covered transaction with an entity at a lower tier, the non-Federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).

Condition

District procurement policies indicate that procurement officers are required to consult the EPLS only for those procurements that are greater than $100,000.

Cause

District procurement policies were drafted without consideration of Federal grants management requirements.

Effect

The suspended and debarred status of vendors procured by the District and paid out of Federal funds is not verified against the EPLS for procurements between $25,000 and $100,000, and as such, vendors that are suspended and debarred may be paid with Federal funds.

Recommendation

We recommend that the District modify its existing procurement policies and procedures to ensure that the EPLS status of all vendors procured with Federal funds is consulted for all procurements greater than $25,000.

Related Noncompliance

None

Questioned Costs

Not determinable

Views of Responsible Officials

On the issue pertaining to EPLS, our procurement staff have been working with a common understanding that these checks are not required for small purchases (≤$100K). Further, following an internal inquiry, our policy staff advised that over the past several years, there has been no record that procurement staff has been informed of specific Federal procurements requirements by way of directive or policy statement.

As expressed in communications with our agency partners, we recommend the drafting and dissemination of a Federal award guide to OCP and independent agencies to facilitate a reduction in repeat findings in this and other applicable areas.

Finding Number	**2010-09**
Federal Program	**Supplemental Nutrition Assistance Program (10.551, 10.561)**
Federal Award Number	***1DC400402 (10/1/08 – 9/30/10)***
Federal Agency	**Agriculture**
District Department	**Human Services**
Compliance Requirement	**Reporting**

Criteria

The ARRA and implementing guidance issued by OMB (2 CFR section 176.210(b)) require States to distinguish ARRA funds from regular funds appropriated for the same programs, and to maintain this distinction throughout the grant cycle. To accomplish this, Food and Nutrition Services (FNS) has instructed States to submit separate, parallel Financial Status Reports on SNAP administrative costs supported by regular and ARRA funds.

According to American Recovery and Reinvestment Act (Stimulus Act) Requirements, under ARRA Reporting Requirement section stated that "Quarterly Reports" – Recipient of ARRA funding are to prepare quarterly reports. These reports are due no later than 10 calendar days after each calendar quarter of the award period.

Condition

The SNAP program received ARRA funds for FY2010 and was required to submit the program financial status report on a quarterly basis. The District submitted the 2nd quarter FY2010 Financial Status Form SF-269 for ARRA – SNAP program after the due date. The report was submitted on April 20, 2010, when it was required to be submitted 10 days after the close of the quarter, or April 10, 2010.

Cause

Lack of adequate management oversight contributed to the late submission of the 2nd quarter ARRA fund Financial Status Report – SF-269 for the SNAP program.

Effect

The District was not in compliance with the ARRA reporting requirements.

Recommendation

We recommend the accounting department, HSSC, OCFO institute a more effective monitoring control over the timeliness of financial report submissions to Federal government.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

The agency does not concur, and this finding should be removed. In correspondence from the Federal government, the reporting of ARRA funds should be submitted… "in a manner parallel to expenditures of regular SNAP administrative funds." See attached. According the FNS-269, reports are due 30 days after the end of the quarter.

KPMG's Response

We have read management's response and our finding remains as indicated.

Finding Number	**2010-10**
Federal Program	**Supplemental Nutrition Assistance Program (10.551, 10.561)** **Medical Assistance Program (93.775, 93.777, 93.778)**
Federal Award Number	***1DC400402 (10/1/08 – 9/30/10)*** ***1005-DC5MAP (10/1/09-9/30/10)*** ***1005-DC5ADM (10/1/09-9/30/10)*** ***1005-DCARRA (10/1/09-9/30/10)***
Federal Agency	***Agriculture,* Health and Human Services**
District Department	**Human Services/Health Care Finance**
Compliance Requirement	**Special Tests and Provisions – ADP System for SNAP** **Special Tests and Provisions – ADP Risk Analysis and System Security**

Criteria

SNAP:
State agencies are required to automate their SNAP operations and computerize their systems for obtaining, maintaining, utilizing, and transmitting information concerning SNAP (7 CFR sections 272.10 and 277.18). This includes (1) processing and storing all case file information necessary for eligibility determination and benefit calculation, identifying specific elements that affect eligibility, and notifying the certification unit of cases requiring notices of case disposition, adverse action and mass change, and expiration; (2) providing an automatic cutoff of participation for households that have not been recertified at the end of their certification period by reapplying and being determined eligible for a new period (7 CFR sections 272.10(b)(1)(iii) and 273.10(f) and (g)); and (3) generating data necessary to meet Federal issuance and reconciliation reporting requirements.

Medicaid:
State agencies must establish and maintain a program for conducting periodic risk analyses to ensure that appropriate, cost-effective safeguards are incorporated into new and existing systems. State agencies must perform risk analyses whenever significant system changes occur. State agencies shall review the ADP system security installations involved in the administration of HHS programs on a biennial basis. At a minimum, the reviews shall include an evaluation of physical and data security operating procedures and personnel practices. The State agency shall maintain reports on its biennial ADP system security reviews, together with pertinent supporting documentation, for HHS on-site reviews (45 CFR section 95.621).

Condition

During our testwork over the District's ACEDS system during the financial statement audit, the following deficiencies were identified that relate to two (2) different special tests required when auditing the SNAP program and the Medicaid program in accordance with OMB Circular A-133:

1. We noted two (2) infrastructure changes to the ACEDS system were implemented into production without prior approval from the Office of the Chief Technology Officer (OCTO) Change Advisory Board (CAB). These changes resulted in temporary service outages to District of Columbia (DC) Government IT networks and systems.

2. Management has not updated its policy that defines the minimum password configuration requirements for DCIT systems in over six years. Further, inquiry and inspection procedures performed during the audit indicate that the policy was not effectively communicated to responsible personnel.

3. During our testwork over the application program changes for ACEDS, we noted the following:

   a. For 8 of 14 changes sampled in which a change request number has not been noted within the description of the change, documentation of authorization prior to migration to production could not be provided by management.

   b. For 6 of 14 changes sampled in which a change request number has been noted within the description of the change, the documentation provided did not correspond to the specific production programs selected for testing. As a result, we were unable to map the modified programs to the specific Change Control Forms evidencing approval for those changes.

   c. For all 14 changes sampled, documentation supporting the testing procedures performed (e.g., test scripts, test plans, and test results) were not maintained.

4. Management does not periodically review physical access to the OCTO Data Center 1 (ODC1) and Data Center 2 (ODC2) facilities, which host the SOAR, TAS, PeopleSoft, PASS, ACEDS, DOCS, and DUTAS applications.

5. Developers were granted inappropriate levels of access to migrate changed ACEDS program code into production without any preventative impedance provided by other change-mitigating controls placed into operation by management.

6. Management does not have a formalized process in place for monitoring the generic mainframe account PC911, which has been granted elevated access to make changes to ACEDS production programs in emergency situations. This account can be utilized on a temporary basis by individuals who can authorize and implement emergency program changes in the production environment.

7. Management has not instituted a formalized process to periodically review access to update and install mainframe database system software. As a result, we noted instances in which such access was not assigned based on least privilege and need-to-know security concepts.

8. Control deficiencies over the process for making changes to eligibility determination tables within ACEDS.

9. Control deficiencies in the area of physical access to the hardware maintaining the ACEDS system.

10. We compared a list of separated employees for the period of October 1, 2009 through September 8, 2010, with an ACEDS access list generated on August 30, 2010, and identified 12 active accounts with mainframe and application access that belonged to individuals who no longer worked for the District. During procedures performed to evaluate the impact of this access, we noted that none of the 12 accounts had a logon date after the date of separation from the District.

11. Management does not periodically review ACEDS application access to ensure that user access permissions remain commensurate with employee job responsibilities.

12. One (1) of the 4 ACEDS application developers had administrative privileges to the production database that supports the ACEDS application.

Cause

The instances identified above, indicative of a lack of appropriate internal control over physical access, data security, change control, etc., are due to both a lack of appropriate controls in place and a failure to adhere to existing District control procedures.

Effect

The control deficiencies identified could lead to inaccuracies and incomplete data related to SNAP/ Medicaid benefits and noncompliance with Federal regulations.

Recommendation

We recommend DHS, IMA, and the Division of Information Systems of the District work to remediate the control deficiencies noted to ensure the District's ADP System operates in a properly controlled environment and to help ensure complete and accurate case file data, proper operation, and compliance with Federal regulations.

Related Noncompliance

Material noncompliance

Questioned Costs

None

Views of Responsible Officials

See management's response to finding 2010-01.

Findings 2010-11 is not used.

Finding Number	**2010-12**
Federal Program	**Child Nutrition Cluster (10.553, 10.555, 10.556, 10.559)**
Federal Award Number	***2010IN109941 (10/1/09-9/30/10)***
	2010IN202041 (10/1/09-9/30/10)
Federal Agency	**Agriculture**
District Department	**District of Columbia Public Schools**
Compliance Requirement	**Program Income**

Criteria

7 CFR 3016.26 Program Income indicates:

> (g) Use of program income. Program income shall be deducted from outlays that may be both Federal and non-Federal as described below, unless the Federal agency regulations or the grant agreement specify another alternative (or a combination of the alternatives).

Condition

While performing Program Income compliance testwork over the FY2010 Child Nutrition Cluster, we determined:

- The cafeteria sales deposit for the month of December 2009 for $76,380 was incorrectly recorded to the Food Services account instead of the Cafeteria Sales account.
- DCPS did not reconcile the Cash Transaction Journals per Websmart, the DCPS Point of Sale (POS) system used to record cafeteria sales transactions, to the actual bank amount deposited for the first six months of FY2010.
- For 12 of the 12 months reviewed, DCPS has unreconciled differences between Websmart and the actual bank amount deposited that aggregate $95,628.

Cause

DCPS does not have adequately designed policies and procedures over the recording and reconciliation of Websmart Point of Sale transactions to the general ledger.

Effect

DCPS may not properly record cafeteria sales in the proper general ledger account.

Recommendation

We recommend that DCPS establish and implement policies and procedures to ensure that all sales recorded in Websmart have been properly recorded in the correct general ledger account and that DCPS reconcile Websmart to the general ledger monthly.

Related Noncompliance

None

Questioned Costs

None

Views of Responsible Officials

DCPS concurs with the finding. FNS will retrain staff on POS procedures to ensure accurate recording of daily cash, as well as continue to provide alternate payment methods to move to a cashless environment and require greater accuracy and accountability over addressing reconciling items from the cash journal per Websmart to the bank deposits.

Finding Number	**2010-13**
Federal Program	**Child Nutrition Cluster (10.553, 10.555, 10.556, 10.559)**
Federal Award Number	***2010IN109941 (10/1/09-9/30/10)***
	2010IN202041 (10/1/09-9/30/10)
Federal Agency	**Agriculture**
District Department	**District of Columbia Public Schools**
Compliance Requirement	**Special Tests and Provisions – Verification of Free and Reduced Price Applications**

Criteria

Code of Federal Regulations title 7 Section 245.6 Application, eligibility, and certification of children for free and reduced price meals and free milk indicates:

> (e) Recordkeeping. The local educational agency must maintain documentation substantiating eligibility determinations on file for 3 years after the date of the fiscal year to which they pertain, except that if audit findings have not been resolved, the documentation must be maintained as long as required for resolution of the issues raised by the audit.

Condition

FNS was unable to provide us with the final signed application form evidencing that the applications were properly authorized by FNS's designated certifying official for 93 out of the 95 applications selected for testing. In addition, we noted that FNS was unable to provide the Free and Reduced Lunch Application for one student, totaling $538, of the 95 applications selected for testing, totaling $6,009,188, in either electronic or hard copy format, to properly support the student's eligibility determination.

Cause

The final approved free and reduced price meal applications are not scanned into Websmart after being processed for eligibility. Further, management represented to us that turnover during FY2010 led to a lack of effective monitoring over the adequacy of the record-keeping procedures.

Effect

Student eligibility determinations may not be properly authorized or accurate.

Recommendation

We recommend that the system of filing and record keeping be updated to ensure that the final approved copies of free and reduced price meal applications can be retrieved from Websmart. In addition, we recommend that the DCPS Food and Nutrition Services Department adhere to its established policies and procedures to ensure that all free and reduced meal applications are properly reviewed and authorized by the appropriate certifying officials. The DCPS Food and Nutrition Services Department should also ensure that there are adequate personnel available to effectively implement established policies and procedures.

Related Noncompliance

Noncompliance

Questioned Costs

$538

Views of Responsible Officials

DCPS concurs with this finding. The FNS Director will issue a directive outlining and clarifying the review and approval steps to ensure that applications are signed by the certifying officer prior to being scanned and ensure that the document retention policies are updated to ensure easy access to copies of the applications as necessary.

Finding Number	**2010-14**
Federal Program	**Special Supplemental Nutrition Program for Women, Infants, and Children (10.557)**
Federal Award Number	***1DC700700 (10/1/09-9/30/12)***
Federal Agency	**Agriculture**
District Department	**Health**
Compliance Requirement	**Allowable Costs/Cost Principles**

Criteria

OMB Circular A-87, attachment C (2) (a) states the following: "Where a grantee agency's major functions benefit from its indirect costs to approximately the same degree, the allocation of indirect costs may be accomplished by (1) classifying the grantee agency's total costs for the base period as either direct or indirect, and (2) dividing the total allowable indirect costs (net of applicable credits) by an equitable distribution base. The result of this process is an indirect cost rate that is used to distribute indirect costs to individual Federal awards. The rate should be expressed as the percentage that the total amount of allowable indirect costs bears to the base selected. This method should also be used where a governmental unit's department or agency has only one major function encompassing a number of individual projects or activities, and may be used where the level of Federal awards to that department or agency is relatively small."

According to the Indirect Cost Rate Agreement between the District Department of Health (DoH) and the cognizant agency, DoH can only charge 50 percent of direct salaries and wages (including fringe benefits) as indirect cost to the program.

Condition

Indirect costs charged to the grant exceeded the amount allowed by the approved indirect cost rate agreement by $303,280. The additional $303,280 of indirect cost charged to the grant could not be supported by management.

Cause

Management is not adhering to existing policies and procedures to ensure that adequate management review is performed over indirect costs charged to the grant to ensure that the costs charged to the program are allowable and comply with the grant agreement.

Effect

The District did not comply with the allowable cost requirement as it relates to indirect cost for the WIC program.

Recommendation

We recommend that the District adhere to existing policies and procedures to ensure that indirect costs charged to the program are reviewed and compared to the indirect cost rate agreement and the grant agreement.

Related Noncompliance

Material noncompliance

Questioned Costs

$303,280

Views of Responsible Officials

Management does not concur with the facts of this finding. The Personnel Services expenditures Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) total $1,005,247 for the fiscal year under review. Using the approved indirect cost rate of 46.5 percent, the total allowable IDCR expenditure is $467,440. The financial system of record, SOAR, reflects that $467,440 was charged as IDCR on the WIC grant.

KPMG's Response

We have read management's response and our finding remains as indicated.

Finding Number	**2010-15**
Federal Program	**Supplemental Nutrition Program for Women, Infants, and Children (10.557)**
Federal Award Number	***1DC700700 (10/1/09-9/30/12)***
Federal Agency	**Agriculture**
District Department	**Health**
Compliance Requirement	**Allowable Costs/Cost Principles**

Criteria

OMB Circular A-87 requires recipients of Federal awards to maintain effective controls over the recording and claiming for reimbursement of costs related to a Federal program, and that the accounting treatment applied to those costs be consistently applied among the various Federal programs. Additionally, OMB Circular A-87, B8 (h) requires that the distribution of salaries and related benefits of employees who are assigned to work on multiple activities or cost centers be supported by personnel activity reports or equivalent documentation that meets the standards outlined in B8 (h) (5) of OMB Circular A-87 unless a statistical sampling system or other substitute system has been approved by the cognizant Federal agency. Such documentary support is required in a variety of circumstances such as when employees are assigned to work on multiple Federal award programs. When an employee is assigned to work solely on one Federal program or cost objective, certifications must be prepared at least semiannually certifying to this fact and must be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.

Condition

For 4 payroll transactions, totaling $7,143, of the 40 payroll transactions tested, totaling $106,701, the employees' time sheets provided by management did not indicate the number of hours worked on the WIC program; the time sheets only indicated the total hours each employee worked during the payroll cycle, although the employees tested worked on multiple cost objectives. In addition, time and effort certifications were not properly performed in accordance with OMB Circular A-87 for the employees that work on multiple cost objectives.

Cause

Management indicated that payroll costs for its personnel are allocated in its PeopleSoft Human Resources/Payroll System based on budgeted percentages at the beginning of the year for what management believes will be the respective employee's level of effort for each cost objective. PeopleSoft calculates and reports payroll costs on the Labor Distribution Report (485 Report) for each employee based on the predetermined allocation for each payroll cycle. However, management did not perform the quarterly comparison of actual costs to the budgeted costs and make the necessary adjustment as required by OMB Circular A-87 B8 (h) when such method is used. In addition, time and effort certifications were not properly performed in accordance with OMB A-87 for the employees that work on multiple cost objectives.

Effect

The District is not compliant with the payroll cost documentation requirements of OMB Circular A-87.

Recommendation

We recommend that the District institute a monitoring control to ensure that the SNAP program adheres to existing policies and procedures regarding documentation of payroll costs.

Related Noncompliance

Material noncompliance

Questioned Costs

Not determinable

Views of Responsible Officials

The current HR Payroll system documents split budget and accounting for all payroll for employees working on multiple grants and funding sources. DoH will enhance these existing controls to establish time distribution monitoring and random sampling to compare hours recorded in PeopleSoft and hours reported on time sheets by personnel assigned across multiple grants or cost objectives. DoH Time Distribution Sheets will be requested by DoH management and will be certified by the employee and responsible supervisor. DoH Human Resources will request and maintain all documentation for each payroll. DoH Office of Grants Management will routinely monitor implementation of this protocol.

Finding Number	**2010-16**
Federal Program	**Special Supplemental Nutrition Program for Women, Infants, and Children (10.557)**
Federal Award Number	***1DC700700 (10/1/09-9/30/12)***
Federal Agency	**Agriculture**
District Department	**Health**
Compliance Requirement	**Cash Management**

Criteria

The CMIA agreement between the District of Columbia and the U.S. Department of Treasury requires that established funding techniques be followed when requesting Federal funds. The agreement requires the following:

a) Reimbursements for nonpayroll disbursements require the use of the average clearance funding technique and a clearance pattern of seven (7) days; the amount of the requests shall be the exact amount of funds disbursed.
b) Reimbursement for payroll expenditures require the use of the modified average clearance funding technique and a clearance pattern of 0 days; the amount of the request shall be for the exact amount of funds disbursed.

Condition

For 3 expenditures, totaling $166,756, of 95 expenditures tested, totaling $9,706,455, management could not provide information to support when the drawdown requests for the expenditures were made. Dates shown on the CMIA report provided by management indicate that the drawdown requests were made before the District disbursed the funds.

Cause

The District is not consistently adhering to the established policies and procedures over cash management requirements to ensure that drawdown requests were only submitted for expenditures that were already paid.

Effect

Management did not comply with the provisions of the CMIA agreement, resulting in noncompliance.

Recommendation

We recommend that the District institute a monitoring control to periodically review documentation supporting cash drawdowns to ensure that it adheres to its established policies and procedures consistent with the CMIA agreement funding techniques.

Related Noncompliance

Noncompliance

Questioned Costs

Not determinable

Views of Responsible Officials

The NPS expenditures in question (VO682938, VO682943, and VO682949) were all paid on 4/21/2010 and drawn on 4/30/2010 DA10WC17 and not DA10WC15, a clearance pattern of 7 business days. Draw DA10WC15 was for food and PS expenditures only; no NPS expenditures were drawn. No NPS was drawn, because the prior week's draw of $52,437.39 (#DA10WC14) included accrued PS expenditures. The accruals, which were reversed after this draw was done but before draw DA10WC15, resulted in a negative draw total of $49,443.85 for DA10WC15. Because of this negative amount, no NPS expenditures were drawn; only expenditures for food and PS were drawn.

KPMG's Response

We have read management's response and our finding remains as indicated.

Finding Number	**2010-17**
Federal Program	**Supplemental Nutrition Program for Women, Infants, and Children (10.557)**
Federal Award Number	***1DC700700 (10/1/09-9/30/12)***
Federal Agency	**Agriculture**
District Department	**Health**
Compliance Requirement	**Procurement**

Criteria

The DC Procurement Practices Act of 1985 and section ST§ 2-303 of the District's procurement policies manual requires a competitive bidding process for its contracts unless the Director of Procurement or the Director's designee determines in writing that noncompetitive negotiation should be used because one of the following conditions exists:

- There is only one (1) source for the required commodity, service, or construction item.
- The contract is for the purchase of real property or interests in real property.
- The contract is with a vendor who maintains a price agreement or schedule with any Federal agency, so long as no contract executed under this provision authorizes a price higher than is contained in the contract between the Federal agency and the vendor.
- The contract is with a vendor who agrees to adopt the same pricing schedule for the same services or goods as that of a vendor who maintains a price agreement or schedule with any Federal agency, if no contract executed under this paragraph authorizes a price higher than is contained in the contract between the Federal agency and the vendor.
- Contracts for the purchase of commodities, supplies, equipment, or construction services that would ordinarily be purchased on a competitive basis when an emergency has been declared pursuant to § 2-303.12.

Condition

For 3 nonsubrecipient contracts/purchase orders, totaling $350,920, of 20 nonsubrecipient contracts/purchase orders tested, totaling $5,344,722, the Office of Contracts and Procurement (OCP) could not provide the procurement files to test for the program's compliance with the procurement requirements.

Cause

The District is not adhering to its existing policies and procedures to maintain documentation supporting procurement transactions.

Effect

The District did not comply with the requirements with regard to the procurement activities for the HIV Care Formula Program.

Recommendation

We recommend that the District adhere to its existing policies and procedures regarding maintenance of supporting documentation for procurement transactions.

Related Noncompliance

Material noncompliance

Questioned Costs

$350,920

Views of Responsible Officials

Thematically, the deficiencies cited in this single audit closely mirror issues reported in the FY2010 Comprehensive Annual Financial Review (CAFR). For the record, our commitment to following through on our remediation action plans remains unchanged. These cited deficiencies are correctable through the same activities defined through the CAFR, which are currently in progress.

On that note, since May 14, 2011, this administration has:

1. Delivered an agency-wide CAFR debrief to all staff and shared lessons learned and remediation action steps with both OCP-dependent and independent agencies with stand-alone procurement operations;
2. Distributed an official memo to Contracting Officers reiterating their responsibilities for maintaining complete and accurate contract files, and the consequences (penalties) for any failures to comply identified through audits and other means, which includes loss of delegated authority, suspension, and/or termination; and
3. Taken the initiative to strengthen the coordination of system upgrades and modifications to our PASS modules through Service Level Agreements (SLAs) and official Change Control procedures, which will facilitate robust electronic contract file management.

Finding Number	**2010-18**
Federal Program	**Special Supplemental Nutrition Program for Women, Infants, and Children (10.557)**
Federal Award Number	***1DC700700 (10/1/09-9/30/12)***
Federal Agency	**Agriculture**
District Department	**Health**
Compliance Requirement	**Reporting**

Criteria

Per 7 CFR (Code of Federal Regulations) section 246.25(b), State agencies are required to submit financial and program performance data on a monthly basis, as specified by the FNS, to support program management and funding decisions. Such information must include, but may not be limited to, actual and projected participation and actual and projected food funds expenditure.

Condition

Management did not have adequate controls in place to ensure the accuracy of the financial information recorded on the FNS-798, *WIC Financial Management and Participation Report (OMB No. 0584-0045),* and submitted to the cognizant agency.

Specifically, the amounts reported on the FNS-798 are not supported by accounting transaction recorded in the general ledger (SOAR). The food costs reported on the report is based on the food cost recorded in the CARES system. However, management uses the bank statements for the food instruments redeemed to record the cost in the general ledger without performing reconciliation between the bank statements and the costs recorded in the CARES system. This caused a difference of $571k between the food costs recorded in the general ledger and the food cost recorded on the FNS-798. In addition, the report included an indirect cost of $112k that was not initially included in the SEFA.

Cause

There is a lack of policies and procedures over the recording of food costs and preparation and review of the FNS-798 report to ensure compliance with the reporting requirements. Management does not perform periodic reconciliations over the food costs recorded in the general ledger and food costs recorded in the CARES system.

Effect

The District did not comply with the reporting requirements as required by 7 CFR section 246.26(b).

Recommendation

We recommend that management establish policies and procedures to ensure that the financial information reported on the FNS-798 is supported by amounts in the general ledger. These procedures should include periodic reconciliation between the food costs recorded on the general ledger and the food costs recorded in the CARES system.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

The food portion of the FNS-798 is a program report that is based on issuance as required by the USDA. The GL report, on the other hand, is based on redemption for that month per the bank statement. The monthly issuance and redemption reports are never the same because of the timing difference. The program staff has a three-month window to report all issuance and redemptions for a particular month regardless of the month in which it was redeemed. The expense (GL) data, however, is based on redemptions, not issuance.

At the end of the fiscal year, the program prepared the closeout (final) FNS-798 report (due in February 2011) that covered the period from October 2009 to September 2010 and captures all the expenditures, rebates, and redemptions through September 2010. The SEFA report covers up to month 13, which closed in December 2010 and does not capture any FNS data updated after month 13 closed but before the final FNS was produced. The fourth quarter IDCR was inadvertently removed from the SEFA report by management. Effective FY2011, management will reconcile the FNS-798 with SOAR on a quarterly basis. The CMIA agreement will be modified to acknowledge that the FNS-798 data is based on issuance, while the SOAR data is based on redemptions, and as such, a disparity will exist between the data in the FNS-798 versus SOAR.

KPMG's Response

We have read management's response and our finding remains as indicated.

Finding Number	**2010-19**
Federal Program	**Community Development Block Grant (CDBG) (14.218, 14.253)**
Federal Award Number	***B09-MC-11-0001(10/1/09-9/30/10)***
Federal Agency	**Housing and Urban Development**
District Department	**Housing and Community Development (DHCD)**
Compliance Requirement	**Allowable Costs/Cost Principles**

Criteria

OMB Circular A-87 requires recipients of Federal awards to maintain effective controls over the recording and claiming for reimbursement of costs related to a Federal program, and that the accounting treatment applied to those costs be consistently applied among the various Federal programs. Additionally, OMB Circular A-87, B8 (h) requires that the distribution of salaries and related benefits of employees who are assigned to work on multiple activities or cost centers be supported by personnel activity reports or equivalent documentation that meets the standards outlined in B8 (h) (5) of OMB Circular A-87 unless a statistical sampling system or other substitute system has been approved by the cognizant Federal agency. Such documentary support is required in a variety of circumstances, such as when employees are assigned to work on multiple Federal award programs. When an employee is assigned to work solely on one Federal program or cost objective, certifications must be prepared at least semiannually certifying to this fact and must be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.

Condition

For 40 of 40 payroll transactions, totaling $63,433, the employees' time sheets provided by management did not indicate the number of hours worked on CDBG; the time sheets only indicated the total hours worked during the payroll cycle, although the employees tested worked on multiple cost objectives. In addition, time and effort certifications were not properly performed in accordance with OMB A-87. Management was subsequently able to provide signed certifications that the selected employee worked solely on the CDBG program for the applicable six-month period.

Cause

Management stated that payroll costs for administrative personnel are allocated in its in-house PeopleSoft Human Resources/Payroll System based on budgeted percentages at the beginning of the year for what management believes will be the respective employee's level of effort for each cost objective. However, management did not perform a periodic comparison of actual costs to the budgeted costs and make the necessary adjustment as required by OMB Circular A-87 B8 (h) when such method is used.

For employees that work directly on the program, management stated that the employees record the actual time spent on each grant in PeopleSoft to generate the 485 Report. However, management could not provide the PeopleSoft time sheets showing such allocation. Instead, manual time sheets were provided, which only show the total hours each employee worked during the pay cycle. In addition, time and effort certifications were not properly performed in accordance with OMB A-87.

Effect

The District is not in compliance with the payroll documentation requirements of OMB Circular A-87.

Recommendation
DHCD should modify its existing policies and procedures to ensure that the distribution of salaries and related benefits of employees who are assigned to work on multiple activities or cost centers is supported by personnel activity reports or equivalent documentation as set forth in OMB Circular A-87.

Related Noncompliance

Material noncompliance

Questioned Costs

Not determinable

Views of Responsible Officials

DHCD management agrees with the facts in this finding. DHCD management will ensure the agency maintains the following standards in accordance with OMB Circular A-87:

1) Maintain effective controls over the recording and claiming of reimbursement of costs related to a Federal program;

2) Executive certifications at least semiannually for employees that are assigned to work solely on one Federal program or cost objective; and

3) Ensure that documentation substantiating the distribution of salaries and related benefits of employees who are assigned to work on multiple activities or cost centers are supported by personnel activity reports or equivalent documentation.

Finding Number	**2010-20**
Federal Program	**Community Development Block Grant (14.218, 14.253)**
Federal Award Number	***B09-MC-11-0001(10/1/09-9/30/10)***
Federal Agency	**Housing and Urban Development**
District Department	**Housing and Community Development**
Compliance Requirement	**Earmarking**

Criteria

According to 24 CFR sections 570.200(a)(3) and 570.208(a), not less than 70 percent of the funds must be used over a period of up to three (3) years for activities that benefit low- and moderate-income persons. In addition, according to 24 CFR sections 570.201(e), the amount of CDBG funds obligated during the program year for public services must not exceed 15 percent of the grant amount received for that year plus 15 percent of the program income it received during the preceding program year.

Also, 24 CFR sections 570.205 and 570.206 (24 CFR section 570.200(g)) require that not more than 20 percent of the total CDBG grant, plus 20 percent of program income received during a program year, may be obligated during the year for activities that qualify as planning and administration.

Condition

Management was not able to provide documented evidence of periodic review of grant financial status and the reconciliation of budget to actual comparison to track the programs' compliance with earmarking requirements. In addition, management relies on the information reported in HUD's Integrated Disbursement and Information System (IDIS) reports to determine how much administrative cost it has charged to the grant instead of using the general ledger (SOAR).

Cause

Management is not adhering to existing policies and procedures over monitoring the earmarking requirements for the CDBG program.

Effect

Failure to adhere to existing controls could lead to noncompliance with the earmarking requirements.

Recommendation

We recommend that management implement monitoring controls to ensure that CDBG adheres to existing policies and procedures to ensure that periodic reviews of earmarking calculations are performed to ensure the program's compliance with the requirements. Management should maintain evidence that the review is performed.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

We concur with this finding. DHCD will implement proper controls, including periodic review of earmarking calculations, to ensure the program's compliance with the earmarking requirements. Management will also implement policies and procedures to require the review to be documented.

Finding Number	**2010-21**
Federal Program	**Community Development Block Grant (14.218, 14.253)**
Federal Award Number	***B09-MC-11-0001(10/1/09-9/30/10)***
Federal Agency	**Housing and Urban Development**
District Department	**Housing and Community Development**
Compliance Requirement	**Reporting**

Criteria

The A-102 Common Rule requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Condition

We determined that the first quarter Federal Financial Report (SF-425) submitted to the U.S. Department of Housing and Urban Development (HUD) was not properly supported as it contained mathematical errors. Also, the report included CDBG ARRA funds that should have been reported separately.

Cause

Adequate review was not performed on the financial report to ensure that the financial reports submitted to HUD are complete and accurate.

Effect

The District did not comply with the reporting requirements for the CDBG program.

Recommendation

We recommend that the District implement a monitoring control to ensure that DHCD adheres to its existing policies and procedures requiring a proper review of the reports submitted.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

We concur with this finding. DHCD will implement controls including proper review of the reports submitted to the cognizant agency to ensure that they include accurate financial information.

Finding Number	**2010-22**
Federal Program	**Home Investments Partnership Program (14.239)**
Federal Award Number	***M09-SG-11-0100 (10/1/09-9/30/10)***
Federal Agency	**Housing and Urban Development**
District Department	**Housing and Community Development**
Compliance Requirement	**Allowable Costs/Cost Principles**

Criteria

OMB Circular A-87 requires recipients of Federal awards to maintain effective controls over the recording and claiming for reimbursement of costs related to a Federal program, and that the accounting treatment applied to those costs be consistently applied among the various Federal programs. Additionally, OMB Circular A-87, B8 (h) requires that the distribution of salaries and related benefits of employees who are assigned to work on multiple activities or cost centers be supported by personnel activity reports or equivalent documentation that meets the standards outlined in B8 (h) (5) of OMB Circular A-87 unless a statistical sampling system or other substitute system has been approved by the cognizant Federal agency. Such documentary support is required in a variety of circumstances, such as when employees are assigned to work on multiple Federal award programs. When an employee is assigned to work solely on one Federal program or cost objective, certifications must be prepared at least semiannually certifying to this fact, and must be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.

Condition

For 40 of 40 payroll transactions, totaling $33,964, the employees' time sheets provided by management did not indicate the number of hours worked on the HOME grant; the time sheets only indicated the total hours worked during the payroll cycle, although the employees tested worked on multiple cost objectives. In addition, time and effort certifications were not properly performed in accordance with OMB A-87. Management was subsequently able to provide signed certifications that the selected employee worked solely on the CDBG program for the applicable six-month period.

Cause

Management stated that payroll costs for administrative personnel are allocated in its in-house PeopleSoft Human Resources/Payroll System based on budgeted percentages at the beginning of the year for what management believes will be the respective employee's level of effort for each cost objective. However, management did not perform a periodic comparison of actual costs to the budgeted costs and make the necessary adjustment as required by OMB Circular A-87 B8 (h) when such method is used.

For employees that work directly on the program, management stated that the employees record the actual time spent on each grant in PeopleSoft to generate the 485 Report. However, management could not provide the PeopleSoft time sheets showing such allocation. Instead, manual time sheets were provided that only show the total hours each employee worked during the pay cycle. In addition, time and effort certifications were not properly performed in accordance with OMB A-87.

Effect

The District is not in compliance with the payroll documentation requirements of OMB Circular A-87.

Recommendation

DHCD should modify its existing policies and procedures to ensure that the distribution of salaries and related benefits of employees who are assigned to work on multiple activities or cost centers is supported by personnel activity reports or equivalent documentation as set forth in OMB Circular A-87.

Related Noncompliance

Material noncompliance

Questioned Costs

Not determinable

Views of Responsible Officials

DHCD management agrees with the facts in this finding. DHCD management will ensure the agency maintains the following standards in accordance with OMB Circular A-87:

1) Maintain effective controls over the recording and claiming of reimbursement of costs related to a Federal program;

2) Perform executive certifications at least semiannually for employees that are assigned to work solely on one Federal program or cost objective; and

3) Ensure that documentation substantiating the distribution of salaries and related benefits of employees who are assigned to work on multiple activities or cost centers are supported by personnel activity reports or equivalent documentation.

Finding Number	**2010-23**
Federal Program	**HOME Investment Partnerships Program (14.239)**
Federal Award Number	***M09-SG-11-0100 (10/1/09-9/30/10)***
Federal Agency	**Housing and Urban Development**
District Department	**Housing and Community Development**
Compliance Requirement	**Matching, Earmarking**

Criteria

According to 24 CFR sections 92.218 through 92.220, 92.222, and 92.508, each participating jurisdiction is required to provide eligible matching contributions of 25 percent of HOME funds drawn down during the fiscal year.

Also, 24 CFR section 92.207 requires a participating jurisdiction to expend an amount of HOME funds that is not more than 10 percent of the fiscal year HOME basic formula allocation for its HOME administrative and planning costs plus any funds received in accordance with 24 CFR section 92.102(b) to meet or exceed threshold requirements.

Condition

Management was not able to provide documented evidence of periodic review of grant financial status and the reconciliation of budget to actual comparison to track the program's compliance with matching and earmarking requirements. Also, management calculated the matching and earmarking requirement using an incorrect basis at year-end. For matching, management used the grant award amount as a basis to calculate the matching requirement instead of using the total expenditures or drawdown amount for the year. For earmarking, management used grant award as the basis for calculating the requirement for administrative charges instead of using total direct costs.

Cause

Management is not adhering to existing policies and procedures over monitoring the matching and earmarking requirements for the HOME program.

Effect

Failure to adhere to existing controls could lead to noncompliance with the matching and earmarking requirements.

Recommendation

We recommend that management implement monitoring controls to ensure that HOME adheres to existing policies and procedures to ensure that periodic reviews of matching and earmarking calculations are performed to ensure the program's compliance with the matching and earmarking requirements. Management should maintain evidence that the review is performed.

Related Noncompliance

None

Questioned Costs

None

Views of Responsible Officials

We concur with this finding. DHCD management will implement proper controls, including periodic review of matching and earmarking calculations, to ensure the program's compliance with the matching and earmarking requirements. Management will implement policies and procedures to require the review to be documented.

Finding Number	**2010-24**
Federal Program	**Home Investment Partnerships Program (14.239)**
Federal Award Number	***M09-SG-11-0100 (10/1/09-9/30/10)***
Federal Agency	**Housing and Urban Development**
District Department	**Housing and Community Development**
Compliance Requirement	**Program Income**

Criteria

Regulation 24 CFR Part 92.503 (b)(3) states that HOME funds disbursed from the participating jurisdiction's HOME Investment Trust Fund Treasury account must be repaid to the Treasury account, and HOME funds disbursed from the participating jurisdiction's HOME Investment Trust Fund local account must be repaid to the local HOME account.

Condition

For 1 program income transaction, totaling $127,968, out of 15 program income transactions selected, totaling $1,189,721, we determined that management received a repayment related to the Community Development Block Grant, but incorrectly credited the funds to the HOME program.

Cause

Management did not perform an appropriate review of repayments to ensure that they are properly supported and recorded in the proper program.

Effect

The District did not comply with the requirements of program income as outlined in 24 CFR Part 92.

Recommendation

We recommend that the District institute a monitoring control to ensure that DHCD adheres to its existing policies and procedures to ensure that program income recorded for the HOME program is accurate, supported, and is recorded in the proper program.

Related Noncompliance

Material noncompliance

Questioned Costs

$127,968

Views of Responsible Officials

We concur with this finding. DHCD program management will implement controls to ensure that program income recorded for the HOME program is accurate, is supported, and recorded to the proper program.

Finding Number	**2010-25**
Federal Program	**HOME Investments Partnership Program (14.239)**
Federal Award Number	***M09-SG-11-0100 (10/1/09-9/30/10)***
Federal Agency	**Housing and Urban Development**
District Department	**Housing and Community Development**
Compliance Requirement	**Special Tests and Provisions – Drawdowns of HOME Funds**

Criteria

Regulation 24 CFR Part 92.502 requires jurisdictions participating in the HOME program to maintain payment certifications each time a drawdown of funds is made. Any drawdown of HOME funds from the United States Treasury account is conditioned upon the provision of satisfactory information by the participating jurisdiction about the project or tenant-based rental assistance and compliance with other procedures, as specified by HUD.

Condition

For 4 of 4 drawdown transactions tested, totaling $395,737, management did not maintain payment certifications as required by 24 CFR section 92.502.

Cause

DHCD was unaware of the requirement to maintain payment certifications supporting the drawdown requests.

Effect

DHCD is not in compliance with the cash management requirements of its grant agreement.

Recommendation

We recommend that DHCD develop policies and procedures to maintain documentation, including payment certifications, supporting the cash drawdowns.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

We concur with this finding. DHCD does have controls to ensure that payment certifications for drawdown of HOME funds are maintained to support the amounts disbursed. However, it should be noted that the certification is performed electronically via the HUD IDIS. Further, during the automated process for certification of and the actual drawdown transaction, IDIS does not allow/enable the user to proceed with such drawdown process unless the person actually executing the drawdown performs the electronic certification.

The HUD IDIS system does not allow the user to move forward in the drawdown of funds process unless the "Electronic" certification button is clicked. In addition, the system does not provide the user with the capability to maintain a manual certification for file documentation and substantiation purposes; for example, the system does not provide the user with a "confirmation screen" that reflects the system's certification in which the user may actually "print screen" in order to actually maintain a file copy certification in the manual format.

As this finding is based on 24 CFR Part 92.502, DHCD contends that the system tool provided by HUD for jurisdictions to execute financial transactions related to the Federal grant program does not appear to provide the capability for jurisdictions to actually apply this rule and comply with all portions of the requirement.

Finding Number	**2010-26**
Federal Program	**HOME Investments Partnership Program (14.239)**
Federal Award Number	***M09-SG-11-0100 (10/1/09-9/30/10)***
Federal Agency	**Housing and Urban Development**
District Department	**Housing and Community Development**
Compliance Requirement	**Special Tests and Provisions – Housing Quality Standards**

Criteria

During the period of affordability (i.e., the period for which the non-Federal entity must maintain subsidized housing), 24 CFR 92.504 requires the participating jurisdiction to perform on-site inspections to determine compliance with property standards and verify the information submitted by the owners no less than (a) every three years for projects containing 1 to 4 units, (b) every two years for projects containing 5 to 25 units, and (c) every year for projects containing 26 or more units.

Condition

For 13 annual inspections that were required during FY2010, management did not perform the site visit within the one-year time frame from the previous year site visit as required by 24 CFR 92.254. Management performed a site visit in both calendar years 2009 and 2010. However, the gap between the 2009 and 2010 visit exceeded one year (12-month period).

Cause

There is no monitoring control that tracks the time frame within which annual site visits are required to occur.

Effect

The District is not in compliance with the Housing Quality Standards inspection compliance requirement.

Recommendation

We recommend that the District institute a monitoring control to ensure that all on-site property inspections are completed within the required time frames.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

We concur with this finding. DHCD management will implement controls to ensure that the required site visits are made timely to comply with the housing quality standards for the HOME program.

Finding Number	**2010-27**
Federal Program	**Housing Opportunities for Persons with AIDS (HOPWA) (14.241)**
Federal Award Number	***DCH09-F001 (10/1/09-9/30/10)***
Federal Agency	**Housing and Urban Development**
District Department	**Health**
Compliance Requirement	**Cash Management**

Criteria

The CMIA agreement between the District of Columbia and the U.S. Department of the Treasury requires that established funding techniques be followed when requesting reimbursement of Federal funds. The agreement requires the following:

a) Reimbursements for nonpayroll disbursements require the use of the average clearance funding technique and a clearance pattern of 7 days; the amount of the requests shall be the exact amount of funds disbursed.
b) Reimbursement for payroll expenditures require the use of the modified average clearance funding technique and a clearance pattern of 0 days; the amount of the request shall be for the exact amount of funds disbursed.

Condition

The District was not in compliance with cash management policies as described in the CMIA agreement for the HOPWA program. Specifically, for 3 expenditures, totaling $28,222, of 95 expenditures, totaling $2,316,438, we determined that the District requested and received reimbursement before the District disbursed the funds.

Cause

The District is not consistently adhering to the established policies and procedures over cash management requirements to ensure that drawdown requests were only submitted for expenditures that were already paid.

Effect

The District did not comply with the provisions of the CMIA agreement, resulting in noncompliance.

Recommendation

We recommend that the District institute a monitoring control to periodically review documentation supporting cash drawdowns to ensure that it adheres to its established policies and procedures consistent with the CMIA agreement funding techniques.

Related Noncompliance

Noncompliance

Questioned Costs

Not determinable

Views of Responsible Officials

Management concurs with an explanation. Unlike other grants that are drawn weekly, HOPWA seeks reimbursement from Grantor (HUD) for nonpersonnel expenditures on a monthly basis. As a common rule, DoH seeks reimbursement for expenditures that are paid. Typically, HOPWA expenditures are paid, i.e., converted from an accrued expenditure to cash expenditure within five (5) days of being recorded in the District's Financial Management System (SOAR). The expenditures in question were recorded in SOAR as accrued expenditures on July 2 and July 8. Allowing for the typical clearance pattern, the fact that drawdowns are done monthly and that the reimbursement request that was sent to the Program on July 14 included these expenditures, the DoH OCFO assumed that the cash expenditure would be realized and, as such, included this on the reimbursement request approved by HUD on July 22, 2010. Unfortunately, these expenditures were not paid until July 31, 2010. To avoid this, DoH will only request reimbursement for expenditures that are supported by check numbers.

Finding Number	**2010-28**
Federal Program	**Housing Opportunity for Persons with AIDS (14.241)**
Federal Award Number	***DCH09-F001 (10/1/09-9/30/10)***
Federal Agency	**Housing and Urban Development**
District Department	**Health**
Compliance Requirement	**Level of Effort**

Criteria

Regulation 24 CFR section 574.400 states that the amounts received from grants under this program may not be used to replace other amounts made available or designated by State or local governments through appropriations to be used to carry out the purposes of this program.

Also, 24 CFR section 574.300(b)(10)(i)–(ii)) requires each grantee to use not more than 3 percent of the grant amount for its own administrative costs relating to administering grant amounts and allocating such amounts to project sponsors (subrecipients).

Condition

Management was not able to provide documented evidence of periodic review of grant financial status and the reconciliation of budget to actual comparison to track the program's compliance with the level of effort requirement.

Cause

The District has not implemented a policy or procedure requiring that documentation of management review regarding periodic monitoring of compliance with the grant requirements for level of effort be maintained.

Effect

Lack of adequate controls could lead to noncompliance with the level of effort requirements.

Recommendation

We recommend that the District implement policies and procedures requiring documentation of management review of the level of effort calculation be maintained.

Related Noncompliance

Material noncompliance

Questioned Costs

None

Views of Responsible Officials

DoH does not concur. The HOPWA grant has no requirement for earmarking, match, or maintenance of effort.

KPMG's Response

We have read management's response and our finding remains as indicated. The OMB Compliance Supplement and 24 CFR part 91 requires grantees to maintain a certain level of effort and has earmarking requirements. The grant agreement also references the CFR.

Finding Number	**2010-29**
Federal Program	**Housing Opportunities for Persons with AIDS (14.241)**
Federal Award Number	***DCH09-F001 (10/1/09-9/30/10)***
Federal Agency	**Housing and Urban Development**
District Department	**Health**
Compliance Requirement	**Reporting**

Criteria

Regulation 24 CFR section 574.520 and 24 CFR part 91 requires grantees to submit to HUD annually a report describing the use of the amounts received, including the number of individuals assisted, the types of assistance provided, and any other information that HUD may require. Annual reports are required until all grant funds are expended.

Condition

Financial information reported in part 3 of the HUD-40110-D, Consolidated Annual Performance and Evaluation Report (CAPER), was not recorded accurately and completely, and it was not checked for arithmetic accuracy or reviewed. There was an unreconciled difference of approximately $5,000 between the expenditures on the report and the amount recorded on the SEFA. Also, the detailed breakdown of the expenditure categories reported could not be accurately traced to the supporting documentation provided by management.

Cause

The report is not properly reviewed to ensure that the financial information is accurate and properly supported.

Effect

The District did not comply with the reporting requirements for the HOPWA program.

Recommendation

We recommend that management adhere to existing policies and procedures to ensure adequate review of the CAPER to ensure the program's compliance with the reporting requirements, including the maintenance of documentation supporting the amounts presented on the CAPER.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

DoH concurs that the report did not include a "TOTAL" amount and, thus, was incomplete. HUD has reimbursed these expenditures, and this is confirmed with the required HUD reporting system (IDIS).

DoH will implement measures to ensure that the report is properly footed with documentation of review by supervisory personnel.

Finding Number	**2010-30**
Federal Program	**Unemployment Insurance (17.225)**
Federal Award Number	***UI-19575-10-55-A-11 (10/1/09-9/30/10)***
	UI-18013-09-55-A-11 (10/1/09-9/30/09)
Federal Agency	**Labor**
District Department	**Employment Services**
Compliance Requirement	**Allowable Costs/Cost Principles**

Criteria

According to OMB Circular A-87 relating to compensation personal services:

"g. Severance pay

(1) Payments in addition to regular salaries and wages made to workers whose employment is being terminated are allowable to the extent that, in each case, they are required by (a) law, (b) employer-employee agreement, or (c) established written policy.

(2) Severance payments (but not accruals) associated with normal turnover are allowable. Such payments shall be allocated to all activities of the governmental unit as an indirect cost.

(3) Abnormal or mass severance pay will be considered on a case-by-case basis and is allowable only if approved by the cognizant Federal agency."

Condition

We identified a $25,000 incentive payment made to a voluntary retiree.

Cause

The District incorrectly determined that an early retirement incentive payment was allowable under OMB Circular A-87 without preapproval by the cognizant Federal agency.

Effect

By failing to obtain preapproval, the District charged an unallowable cost to the grant.

Recommendation

The District should consult OMB Circular A-87 to determine that a nonroutine transaction cost may be charged to a Federal award program prior to recording the transaction in the general ledger.

Related Noncompliance

Noncompliance

Questioned Costs

$25,000

Views of Responsible Officials

The Department of Employment Services (DOES) uses a time distribution system (FARS) to allocate cost to benefiting programs, and the system is approved by the Department of Labor (DoL). DOES also submits a cost allocation each year to the Division of Cost Determination at DoL and obtains an annual certification. Therefore, we believe that special approval to charge abnormal or severance payments to the benefiting program is not required. Former Circular A-87 did not note a specific requirement for advance approval, but did require that, for claiming such costs, all costs be allocable to the benefiting Federal programs. The employee in question was 100 percent unemployment insurance program funded.

KPMG Response

We have read management's response, and our finding remains as indicated.

Finding Number	**2010-31**
Federal Program	**Unemployment Insurance (17.225)**
Federal Award Number	***UI-19575-10-55-A-11 (10/1/09-9/30/10)***
	UI-18013-09-55-A-11 (10/1/09-9/30/09)
Federal Agency	**Labor**
District Department	**Employment Services**
Compliance Requirement	**Eligibility**

Criteria

Federal regulations require that the District maintain records such that the auditor can "*determine whether required eligibility determinations were made (including obtaining any required documentation/verifications) that individual program participants or groups of participants (including area of service delivery) were determined to be eligible, and that only eligible individuals or groups of individuals participated in the program.*"

Condition

We determined that 2 out of 65 claimant certifications, in the amounts of $11,254 and $67,721, were not available for review.

Cause

The District failed to adhere to its policies and procedures requiring that it administer an adequate record-keeping system to ensure that all claimant information is maintained.

Effect

Federal funds may be disbursed to ineligible claimants.

Recommendation

We recommend that the District establish a monitoring control to periodically verify that DOES is adhering to its existing policies and procedures to maintain adequate claimant records.

Related Noncompliance

Noncompliance

Questioned Costs

$11,254

Views of Responsible Officials

DOES has established a system for monitoring the complete documentation of each claimant file to ensure that all supporting documentation is in the file.

Finding Number	**2010-32**
Federal Program	**Unemployment Insurance (17.225)**
Federal Award Number	***UI-19575-10-55-A-11 (10/1/09-9/30/10)***
	UI-18013-09-55-A-11 (10/1/09-9/30/09)
Federal Agency	**Labor**
District Department	**Employment Services**
Compliance Requirement	**Reporting**

Criteria

According to 45 Code of Federal Regulations (CFR) Part 92.20(b) (2), *Accounting records,* "*grantees and sub-grantees must maintain records which adequately identify the source and application of funds provided for financially assisted activities. These records must contain information pertaining to grant or sub-grant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income."*

Condition

We noted the following conditions during our testwork over the financial reporting compliance requirement:

- District employees rely heavily on third-party contractors to gather the data from DUTAS and DOCS used in the Unemployment Insurance financial reports, specifically for the following reports:
    - ETA 581, *Contribution Operations (OMB No. 1205-0178)*
    - ETA 191, *Financial Status of UCFE/UCX (OMB No 1205-0162)*
    - ETA 227, *Overpayment Detection and Recovery Activities (OMB No. 1205-0162)*

- The District did not maintain an audit trail to support the amounts disclosed in the ETA 581 and ETA 227 reports

- The following reports are not being reviewed by a supervisor prior to being submitted to Department of Labor:

    - ETA 2112, *UI Financial Transaction Summary (OMB No. 1205-0154)*
    - ETA 581, *Contribution Operations (OMB No. 1205-0178)*
    - ETA 191, *Financial Status of UCFE/UCX (OMB No. 1205-0162)*
    - ETA 227, *Overpayment Detection and Recovery Activities (OMB No. 1205-0162)*
    - ETA UI3, *UI Contingency report – Special report***.**

- The 9130 reports were not submitted timely for 2 out of 8 quarterly reports tested.

Cause

The District does not have resources that are trained to administer and monitor the report information pulled from the DUTAS and DOCS systems by the third-party contractors for use in financial reports. Further, the District does not maintain sufficient documentation to support amounts submitted in its financial reports to the DoL. Additionally, there are currently no controls in place to require reports to be

reviewed by a supervisor prior to being submitted to the Department of Labor to ensure their accuracy and timely submission.

Effect

Failure to maintain appropriate control policies and procedures over reporting could allow unsupported amounts to be reported to the Federal government and has resulted in the untimely filing of required information.

Recommendation

The District should develop control policies and procedures over reporting to ensure that amounts reported to the Federal government on the required reports are adequately supported and provided timely. The District should also ensure that supporting documentation is maintained so that adequate management review can be performed prior to submission of the reports to the Federal government.

Related Noncompliance

None

Questioned Costs

None

Views of Responsible Officials

The District will retain a screen shot of all the data used in all financial reports, which will be maintained with a copy of that report. Program personnel will review all financial reports prior to submission to the Federal government.

Finding Number	**2010-33**
Federal Program	**Unemployment Insurance (17.225)**
Federal Award Number	***UI-19575-10-55-A-11 (10/1/09-9/30/10)***
	UI-18013-09-55-A-11 (10/1/09-9/30/09)
Federal Agency	**Labor**
District Department	**Employment Services**
Compliance Requirement	**Special Tests and Provisions – UI Benefit Payments**

Criteria

The Employment and Training Administration (ETA) Handbook 395, 4th edition, indicates: "*Completion of Cases and Timely Data Entry. Prompt completion of investigations is important to ensure the integrity of the information being collected by questioning claimant and employers before the passage of time adversely affects recollections. Prompt entry of associated data is necessary for both the State Workforce Agency and the Department of Labor to maintain current databases. Therefore, the following time limits are established for completion of all cases for the year. (The "year" includes all batches of weeks ending in the calendar year.):*

- *a minimum of 70 percent of cases must be completed within 60 days of the week ending date of the batch, and 95 percent of cases must be completed within 90 days of the week ending date of the batch; and*
- *a minimum of 98 percent of cases for the year must be completed within 120 days of the ending date of the calendar year.*

A case is complete when the investigation has been concluded as required, all official actions for the Key Week (except appeals) have been completed, the supervisor has signed off, and the results have been entered into the computer."

Condition

During our testwork over the special tests and provisions compliance requirement relating to the benefits accuracy measurement (BAM), we determined that, for 29 out of 65 beneficiary files tested, there was no evidence that the BAM had been properly reviewed by a supervisor.

Cause

The District does not follow its existing control procedures relating to the review of the BAM.

Effect

Ineffective controls may fail to prevent and detect noncompliance with the BAM requirements.

Recommendation

The District should institute a monitoring control requiring a periodic review of BAM approvals to ensure that all beneficiary files are being properly reviewed by a supervisor.

Related Noncompliance

None

Questioned Costs

None

Views of Responsible Officials

The District does not concur with this finding. Reviews of BAM cases are optional. The DoL has determined that each jurisdiction is equipped to decide how many BAM investigations are subject to supervisory reviews each period. Additionally, this review is primarily to ensure that the functional requirements of a BAM audit are being met. Per Ann Maria Merena, UI Program Specialist, there is no formal requirement on supervisory review of BAM cases; it is not cited in the handbook. It is recommended that a supervisor review as many cases as they deem necessary to confirm that investigators are using correct coding and that they are following BAM methodology.

However, given this flexibility from the DoL, the District BAM Unit is now conducting supervisory reviews weekly. This was a decision made by new management as a way to give additional visibility to the quality of BAM investigations.

KPMG Response

We have read management's response, and our finding remains as indicated.

Finding Number	**2010-34**
Federal Program	**Workforce Improvement Act (WIA) (17.258, 17.259, 17.260)**
Federal Award Number	***AA-20187-10-55-A-11 (10/1/09-9/30/10)***
	AA-18632-09-55-A-11 (10/1/08-9/30/09)
	AA-17114-08-55-A-11 (10/1/07-9/30/08)
	AA-16021-07-55-A-11 (10/1/06-9/30/07)
Federal Agency	**Labor**
District Department	**Employment Services**
Compliance Requirement	**Eligibility**

Criteria

According to 20 CFR sections 663.240 and 663.310, "*Before receiving training services, an adult or dislocated worker must have received at least one intensive service, been determined to be unable to obtain or retain employment through intensive services, and met all of the following requirements:*

a) Had an interview, evaluation, or assessment and determined to be in need of training services and have the skills and qualifications to successfully complete the selected training program
b) Selected a training service linked to the employment opportunities
c) Was unable to obtain grant assistance from other sources, including other Federal programs, to pay the costs of the training"

Condition

We determined that the eligibility determination for all WIA participants who do not receive any training was not required to be reviewed by a supervisor. Of the 33 applicants selected for testing, 12 had not received any training, and as such, their eligibility had not been reviewed by a supervisor.

We determined that the eligibility determination for 5 out of 32 Youth Program applicants had not been reviewed by either a Supervisor or the Quality Control Manager.

Finally, 19 of the 33 applicants for the WIA Adult and Dislocated Workers program tested were eligible to receive training services, but the evidence showing that the District verified that the training providers were eligible was insufficient.

Cause

For the WIA program for Adult and Dislocated Workers, the District does not require a supervisory review of the eligibility determination checklist when the applicant is not eligible for training services.

For the WIA Youth Program, the District failed to follow its established policies and procedures.

Finally, the District failed to follow its established policies and procedures to determine whether prospective participants have sought assistance from other sources prior to applying for benefits.

Effect

Failure to follow existing policies and procedures could result in unallowable costs being charged to the WIA programs.

Recommendation

The District should require the eligibility determination for all applications under the WIA program for Adult and Dislocated Workers to be reviewed by a supervisor, regardless of whether the applicant is eligible for training services or not.

Related Noncompliance

Material noncompliance

Questioned Costs

$86,058

Views of Responsible Officials

The District has implemented the following corrective actions to ensure compliance with WIA regulations:

- The WIA Eligibility Checklist has been updated to include a subsection for financial assistance efforts (Pell Grants and other assistance).
- The review process for training participants includes a supervisory review at the career center (initial eligibility determination location) and a subsequent interoffice review by the program monitoring office for training participants. Nontraining participant's eligibility review includes a supervisory review and sign-off at the career center through Part I of the Eligibility Checklist.

The Office of Youth Programs has updated the Eligibility Checklist to include a space for three (3) different people to initial for approval: 1) certifier, 2) program supervisor, and 3) quality control unit. A copy of the form will be maintained in each participant file.

Finding Number	**2010-35**
Federal Program	**Workforce Improvement Act (17.258, 17.259, 17.260)**
Federal Award Number	***AA-20187-10-55-A-11 (10/1/09-9/30/10)***
	AA-18632-09-55-A-11 (10/1/08-9/30/09)
	AA-17114-08-55-A-11 (10/1/07-9/30/08)
	AA-16021-07-55-A-11 (10/1/06-9/30/07)
Federal Agency	**Labor**
District Department	**Employment Services**
Compliance Requirement	**Procurement**

Criteria

According to **DC Code 1-204.51**, "*Prior to the award of a multiyear contract or a contract in excess of $1,000,000 during a 12-month period, the Mayor or executive independent agency or instrumentality shall submit the proposed contract to the Council for review and approval.*"

Also, **DC Code 2-301.05(G)** states, "*All contracts over a million dollars must go to the Office of the Attorney General (OAG) for a legal sufficiency review*.

According to 27 DCMR, Chapter 12:

1202.2 [1203.2] The documentation in each contract file maintained by the contract office shall be sufficient to constitute a complete history of the transaction for the following purposes:

a) Providing a complete background as a basis for informed decisions at each step of the procurement process;
b) Supporting actions taken;
c) Providing information for reviews and investigations; and
d) Furnishing essential facts in the event of litigation.

Condition

We selected 65 expenditures, totaling $844,306, and noted the following:

- The sole source determination form was not signed by the Contracting Officer for one (1) procurement.
- There was no documentation to show that a competitive bid occurred for two (2) procurements.
- There was no documentation supporting the rationale to limit competition for one (1) procurement.
- No contract was provided for review for 19 procurements, totaling $182,161.
- The cost or price analysis was missing for one (1) procurement.
- There was no evidence that the District obtained a certification or checked the excluded party listing (EPLS) for 16 procurements.

Cause

The District did not consistently adhere to its existing policies and procedures over procurements.

Effect

The District is in noncompliance with the procurement compliance requirements.

Recommendation

We recommend that the District adhere to its existing policies and procedures over procurement. Further, we recommend that the District implement certain monitoring procedures to ensure that procurements are made in accordance with Federal compliance requirements.

Related Noncompliance

Material noncompliance

Questioned Costs

$182,161

Views of Responsible Officials

Thematically, the deficiencies cited in this single audit closely mirror issues reported in the FY2010 Comprehensive Annual Financial Review (CAFR). For the record, our commitment to following through on our remediation action plans remains unchanged. These cited deficiencies are correctable through the same activities defined through the CAFR, which are currently in progress.

On that note, since May 14, 2011, this administration has:

1. Delivered an agency-wide CAFR debrief to all staff and shared lessons learned and remediation action steps with both OCP-dependent and independent agencies with stand-alone procurement operations;
2. Distributed an official memo to Contracting Officers reiterating their responsibilities for maintaining complete and accurate contract files, and the consequences (penalties) for any failures to comply identified through audits and other means, which includes loss of delegated authority, suspension, and/or termination; and
3. Taken the initiative to strengthen the coordination of system upgrades and modifications to our PASS modules through Service Level Agreements (SLAs) and official Change Control procedures, which will facilitate robust electronic contract file management.

Finding Number	**2010-36**
Federal Program	**Workforce Improvement Act (17.258, 17.259, 17.260)**
Federal Award Number	***AA-20187-10-55-A-11 (10/1/09-9/30/10)***
	AA-18632-09-55-A-11 (10/1/08-9/30/09)
	AA-17114-08-55-A-11 (10/1/07-9/30/08)
	AA-16021-07-55-A-11 (10/1/06-9/30/07)
Federal Agency	**Labor**
District Department	**Employment Services**
Compliance Requirement	**Reporting**

Criteria

Under Federal regulations, "ETA-9130, *Financial Report (OMB No. 1205-0461)* – All ETA grantees are required to submit quarterly financial reports for each grant award they receive. Reports are required to be prepared using the specific format and instructions for the applicable program(s); in this case, *Workforce Investment Act* instructions for the following: *Statewide Adult; Workforce Statewide Youth; Statewide Dislocated Worker; Local Adult; Local Youth; and Local Dislocated Worker.* A separate ETA-9130 is submitted for each of these categories. Reports are due 45 days after the end of the reporting quarter.

Condition

We identified the following regarding the WIA report submission process:

- The following reports were not submitted timely:
  - *ETA-9130 report*: Five (5) out of 20 reports tested were not submitted timely.
  - *Section 1512 ARRA report*: Two (2) out of two (2) reports tested were not submitted timely.
  - *ETA-9149 report*: One (1) out of three (3) reports tested was not submitted in a timely manner.

- The following reports were not reviewed and approved prior to submission:
  - *Section 1512 ARRA report*: One (1) out of two (2) reports was not reviewed by an authorized DOES official.
  - *ETA-9091 report*: The annual report was not reviewed by someone other than the preparer.

- No supporting documentation was maintained for the data submitted for the following reports:
  - *ETA-9149 report*: Three (3) out of three (3) reports were not supported by summary data from the District's system.
  - *ETA-9091 report*: The annual data reported was not supported by summary data from the District's system.

Cause

The District has not developed adequate control policies and procedures over management review and maintenance of supporting documentation for its WIA grant reports.

Effect

Inadequate control over financial reporting to the Federal government could lead to unsupported and unreconciled costs being reported to the Federal government.

Recommendation

We recommend that the District establish appropriate control policies and procedures to ensure that all reports submitted to the Federal government are adequately supported and have undergone appropriate management review prior to submission.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

The District will retain a screen shot of all of the data used in the financial reports, which will be maintained with a copy of that report. Program personnel will review all financial reports prior to submission to the Federal government.

Finding Number	**2010-37**
Federal Program	**Highway Planning and Construction (20.205)**
Federal Award Number	***00-388-0940 (10/1/09-9/30/10)***
Federal Agency	**Transportation**
District Department	**Transportation**
Compliance Requirement	**Davis-Bacon Act**

Criteria

The Davis-Bacon Act requires that all laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of $2,000 financed by Federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the DoL (40 USC 3141-3144, 3146, and 3147 (formerly 40 USC 276a to 276a-7)).

Condition

We identified the following:

- For 1 of the 40 payroll submissions selected, the contractor did not submit the certified payroll within the time line required by Davis-Bacon.
- For 3 of the 40 items, the District Department of Transportation (DDOT) was unable to provide either a certified payroll register or certified notice indicating that no work had been performed for the week by the contractor.
- For two (2) of the items selected, DDOT was unable to provide evidence that the contract specialist reviewed the submitted certified payroll report.

Cause

DDOT did not consistently adhere to its established policies and procedures to ensure that the contract specialists monitor contractor compliance with the Davis-Bacon Act.

Effect

If payroll registers from contractors are not provided to DDOT or are not adequately reviewed by DDOT, there is a possibility that if a contractor is not paying their employees the prevailing wages established by DoL, it will not be detected timely.

Recommendation

We recommend that the District institute a monitoring control to periodically review supporting documentation to ensure that DDOT adheres to its existing policies and procedures that the contracting specialists are properly monitoring Davis-Bacon requirements.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

DDOT has identified software that will supplement staff review of payrolls and force compliance by contractors. The system is offered as part of the agency's suite of software services through the American Association of State Transportation Officials and is currently in testing. When available, the system will be implemented by DDOT. The system will be operational by October 1, 2011.

Finding Number	**2010-38**
Federal Program	**Title I (84.010, 84.389)**
Federal Award Number	***S010A090051A (10/1/09-9/30/10)***
Federal Agency	**Education**
District Department	**District of Columbia Public Schools**
Compliance Requirement	**Allowable Costs/Cost Principles**

Criteria

According to OMB A-87, *Cost Principles for State, Local and Indian Tribe Governments,* an employee who works solely on a single cost objective (i.e., the consolidated administrative cost objective) must furnish a semiannual certification that the employee has been engaged solely in activities. The certifications must be signed by the employee or a supervisory official having firsthand knowledge of the work performed by the employee in accordance with OMB Circular A-87, Attachment B, paragraph 8.h.(3). An employee who works in part on a single cost objective (i.e., the consolidated administrative cost objective) and in part on a Federal program whose administrative funds have not been consolidated or on activities funded from other revenue sources must maintain time and effort distribution records in accordance with OMB Circular A-87, Attachment B, paragraphs 8.h.(4), (5), and (6) documenting the portion of time and effort dedicated to (a) the single cost objective and (b) each program or other cost objective supported by nonconsolidated Federal funds or other revenue sources.

Condition

We selected a sample of 95 payroll expenditures, totaling $990,340, out of total DCPS expenditures of $28,233,179. For 14 of the 95 items tested, totaling $151,816, DCPS incorrectly charged the employees' time to Title I when they did not perform services for Title I. DCPS subsequently reviewed payroll costs charged to Title I and identified a total of $336,117 that was incorrectly charged to the program.

Cause

DCPS is not consistently adhering to its existing policies and procedures to ensure that adequate documentation of time and effort certifications for Title I teachers/staff are properly maintained in accordance with OMB Circular A-87. Further, DCPS is not sufficiently monitoring payroll costs charged to the program to identify improper payroll costs charged to the grant.

Effect

Without adequate policies and procedures to ensure sufficient documentation is maintained, DCPS could not validate employees' time and, therefore, is not compliant with the payroll allowability compliance requirement for Title I.

Recommendation

We recommend that the District institute a monitoring control to ensure that DCPS adheres to its existing policies and procedures over obtaining and maintaining the time and effort certifications for Title I program employees to ensure compliance with allowability compliance requirements. Further, we recommend an additional monitoring control over payroll costs charged to the grant in the aggregate to identify any unusual variances from expected payroll costs to be charged to the grant.

Related Noncompliance

Material noncompliance

Questioned Costs

$336,117

Views of Responsible Officials

DCPS concurs that ongoing and consistent application of its policies and procedures related to time and effort certification requirements should be achieved. We will ensure that the Title I Management team develops a communication plan reiterating to Program Managers the importance of timely completion of time and effort certifications.

Finding Number	**2010-39**
Federal Program	**Title I (84.010, 84.389)**
Federal Award Number	***S010A090051A (10/1/09-9/30/10)***
Federal Agency	**Education**
District Department	**Office of the State Superintendent of Education**
Compliance Requirement	**Cash Management**

Criteria

The A-102 Common Rule requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. In addition, when entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the Federal government.

Condition

During FY2010, the Title I program had total expenditures of $12,587,128. We selected eight (8) drawdowns, totaling $4,715,885, and determined that OSSE drew down funds in excess of the actual expenditures in one instance, totaling $49,141. This was the result of a formula error in the supporting documentation. Specifically, although each line item was reviewed for allowability, the supporting documentation was not verified for mathematical accuracy prior to being approved.

Cause

Management is not adhering to existing policies and procedures regarding sufficient review of supporting documentation for cash drawdowns.

Effect

Insufficient review of drawdown supporting documentation can result in noncompliance with cash management requirements.

Recommendation

We recommend that OSSE implement a monitoring control to ensure that it adheres to existing policies and procedures regarding sufficient review of supporting documentation for cash drawdowns.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

OSSE agrees with this finding. OSSE has developed procedures by which calculations will be checked prior to allowing reimbursement of subgrantees.

Finding Number	**2010-40**
Federal Program	**Title I (84.010, 84.389)**
Federal Award Number	***S010A090051A (10/1/09-9/30/10)***
Federal Agency	**Education**
District Department	**District of Columbia Public Schools**
Compliance Requirement	**Level of Effort – Supplement not Supplant**

Criteria

The A-102 Common Rule requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Condition

DCPS did not maintain appropriate documentation to demonstrate that it monitored compliance with the level of effort: supplement not supplant requirement during FY2010.

Cause

DCPS has not established policies and procedures requiring it to monitor the status periodically throughout the fiscal year of its compliance with the supplement not supplant requirement.

Effect

Without proper internal controls in place to monitor compliance with applicable programmatic requirements, noncompliance could result.

Recommendation

We recommend that DCPS develop policies and procedures to monitor the status periodically throughout the year of its compliance with the supplement not supplant requirement.

Related Noncompliance

Material noncompliance

Questioned Costs

None

Views of Responsible Officials

DCPS will develop a policy in which procedures related to the supplement not supplant objectives are documented to facilitate third-party review, as there are various controls built into the existing process requiring detailed expenditure review and analysis that prevent supplanting from occurring.

Finding Number	**2010-41**
Federal Program	**Title I (84.010, 84.389)**
Federal Award Number	***S010A090051A (10/1/09-9/30/10)***
Federal Agency	**Education**
District Department	**Office of the State Superintendent of Education**
Compliance Requirement	**Subrecipient Monitoring**

Criteria

The A-102 Common Rule requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Regulation 31 USC § 7502: U.S. Code – Section 7502 states that each pass-through entity shall 1) provide such subrecipients the program names (and any identifying numbers) from which such assistance is derived, and the Federal requirements that govern the use of such awards; 2) monitor the subrecipient's use of Federal awards through site visits, limited scope audits, or other means; and 3) review the audit of a subrecipient as necessary to determine whether prompt and appropriate corrective action has been taken with respect to audit findings.

Condition

We determined that for two (2) of the eight (8) subrecipients, management determination letters were not issued within six (6) months of the receipt of the audit report. In addition, we determined that OSSE has not established an internal control to verify that those subrecipients who did not submit an A-133 audit did not expend over $500,000 in Federal funds. Further, we also determined that OSSE did not perform monitoring procedures other than the receipt of an OMB Circular A-133 report to determine whether its LEAs were in compliance with the supplement not supplant requirement.

Cause

Management is not adhering to its existing policies and procedures to issue all management determinations within six (6) months of receipt of the audit report. Further, OSSE obtains an annual financial statement audit from all subrecipients; however, it has not established a policy requiring affirmation from the subrecipient that the subrecipient is not required to have a single audit report in circumstances where the subrecipient expends less than $500,000 in Federal funds. Management indicated that it relies on A-133 audits to notify them whether the LEA complied with the supplement not supplant requirement.

Effect

Without adequate internal controls to ensure proper monitoring over subrecipients and its LEA, OSSE may be noncompliant with program requirements.

Recommendation

We recommend that OSSE establish a monitoring control to ensure management determination letters are issued within six (6) months of receipt of the audit report. Further, we recommend that OSSE obtain a representation from subrecipients in circumstances when the subrecipient is not required to obtain a single

audit. Finally, we recommend that management implement a monitoring control during the year to determine its LEAs' compliance with the supplement not supplant requirement.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

OSSE agrees with this finding. OSSE did complete the review of all LEAs' A-133 single audits but was unable to issue management letters within the specified time period. OSSE will release the FY2009 management letters for these LEAs' by the end of July 2011. OSSE agrees with the auditor's recommendation and will update existing policies and procedures to ensure that management letters are issued timely moving forward. OSSE will also take steps to strengthen internal controls to verify that those subrecipients who did not submit an A-133 audit did not expend over $500,000 in Federal funds. These new activities will be added to OSSE's internal policies and procedures by September 30, 2011.

In its monitoring of LEAs (including DCPS), OSSE includes indicators related to supplement not supplant. OSSE monitors are not financial auditors. It is for this reason that, in addition to monitoring for supplement not supplant, OSSE relies on the LEAs' A-133 audits to ensure that LEAs are meeting programmatic and fiscal requirements. Through corrective action plans (CAPs), OSSE works with the LEAs to ensure that they are taking the necessary steps to address specific monitoring and/or A-133 findings.

Finding Number	**2010-42**
Federal Program	**Title I (84.010, 84.389)**
Federal Award Number	***S010A090051A (10/1/09-9/30/10)***
Federal Agency	**Education**
District Department	**District of Columbia Public Schools**
Compliance Requirement	**Special Tests and Provisions – Comparability**

Criteria

According to Section 1120A(c) of ESEA (20 USC 6321(c) of the Code of Federal Regulations, no local educational agency shall be required to provide services under this part through a particular instructional method or in a particular instructional setting in order to demonstrate such agency's compliance with paragraph (1)(c) comparability of services. Comparable services except as provided in paragraphs (4) and (5), a local educational agency may receive funds under this part only if State and local funds will be used in schools served under this part to provide services that, taken as a whole, are at least comparable to services in schools that are not receiving funds under this part. If the local educational agency is serving all of such agency's schools under this part, such agency may receive funds under this part only if such agency will use State and local funds to provide services that, taken as a whole, are substantially comparable in each school.

Under program requirements, a local educational agency (LEA) may receive funds under the program only if State and local funds will be used in participating schools to provide services that, taken as a whole, are at least comparable to services that the LEA is providing in schools that are not receiving Title I Program funds, including comparability of the average number of students per instructional staff.

Condition

We selected a sample of 8 of the 127 Title I schools that had a higher student-to-teacher ratio than non-Title I schools., We requested that the DCPS provide us with proper documentation evidencing either 1) the required staff decrease or 2) that the return of funds to the State educational agency (SEA) for the amount for which the ratio was noncompliant. DCPS was unable to provide supporting documentation for 8 out of the 8 schools selected.

Cause

DCPS is not adhering consistently to existing policies and procedures to ensure compliance with the comparability program requirement.

Effect

Lack of adherence to existing policies and procedures resulted in DCPS not being able to substantiate the remediation of the noncompliant schools, meaning that the agency could be providing excess funds to schools that are not eligible. This could result in DCPS being noncompliant with the comparability program requirements.

Recommendation

We recommend DCPS institute a monitoring procedure to ensure that it adheres to its existing policies and procedures that proper documentation is maintained in accordance with program requirements.

Related Noncompliance

Material noncompliance

Questioned Costs

Not determinable

Views of Responsible Officials

DCPS concurs with this finding. We will ensure that sufficient supporting documentation related to corrective actions over noncompliant schools is appropriately retained to substantiate our adherence to the comparability requirement.

Finding Number	**2010-43**
Federal Program	**Title I (84.010, 84.389)**
Federal Award Number	***S010A090051A (10/1/09-9/30/10)***
Federal Agency	**Education**
District Department	**Office of the State Superintendent of Education**
Compliance Requirement	**Special Tests and Provisions – Comparability**

Criteria

According to Section 1120A(c) of ESEA (20 USC 6321 (c), the SEA is ultimately responsible for ensuring that LEAs remain in compliance with the comparability requirement

Condition

During our testwork over the comparability requirement, we selected a sample of 8 of the 127 Title I schools. For those schools that had a higher student-to-teacher ratio than non-Title I schools, we requested that the District of Columbia Public Schools (DCPS) provide us with proper documentation of either 1) a required staff decrease or 2) proof that funds were returned to the SEA for the appropriate amount for which the ratio was noncompliant. DCPS was unable to provide supporting documentation for 8 out of the 8 schools selected. In its monitoring of DCPS, OSSE was unable to determine whether such comparability documentation exists.

Cause

OSSE did not establish sufficient monitoring policies and procedures to ensure that its LEAs remained in compliance with program requirements.

Effect

Without proper internal controls in place to monitor LEAs' compliance with applicable compliance requirements, the LEAs could be incurring unallowed expenditures that could result in OSSE being noncompliant as it relates to various program requirements.

Recommendation

We recommend that OSSE strengthen its monitoring policies and procedures to ensure its LEAs are in compliance with the various requirements applicable to the program.

Related Noncompliance

Material noncompliance

Questioned Costs

Not determinable

Views of Responsible Officials

OSSE agrees that as the SEA, it is responsible for ensuring that LEAs (in the case of the District of Columbia this requirement is applicable to DCPS only) are in compliance with comparability requirements under ESEA. Each year, OSSE requires a comparability report from DCPS as stated in the Phase I and Phase II Consolidated Application program plans. Upon receipt, OSSE reviews the report and provides feedback as necessary. We agree that OSSE does not have a protocol that requires written documentation of the comparability review by the SEA. Moving forward, OSSE will develop additional internal controls to include written communication about the review of comparability reports from the LEAs.

Finding Number	**2010-44**
Federal Program	**Special Education Cluster (84.027, 84.173, 84.391, 84.392)**
Federal Award Number	***SG027A (10/1/09-9/30/10)***
	SG173A (10/1/09-9/30/10)
Federal Agency	**Education**
District Department	**District of Columbia Public Schools**
Compliance Requirement	**Allowable Costs/Cost Principles**

Criteria

Per OMB A-87, Cost Principles for State, Local, and Indian Tribal Governments – Section 8 – *Compensation for Personal Services:*

(1) Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit.
(2) No further documentation is required for the salaries and wages of employees who work in a single indirect cost activity.
(3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semiannually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.
(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation that meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- More than one Federal award
- A Federal award and a non-Federal award
- An indirect cost activity and a direct cost activity
- Two or more indirect activities that are allocated using different allocation bases
- An unallowable activity and a direct or indirect cost activity.

Condition

We determined that, for all 94 sample items selected, the original semiannual certification of time for FY2010 were not provided; instead, copies were provided that were signed by the employee and dated April 2011.

Cause

DCPS is not adhering to its existing policies and procedures that requires adequate documentation of time and effort certifications for Special Education teachers and staff be properly maintained in accordance with OMB Circular A-87.

Effect

Without adequate adherence to internal controls to ensure that sufficient documentation is maintained, DCPS could not provide original certifications for the requested period to validate employee's time for the selected period and, therefore, is not compliant with the time and effort reporting requirements of OMB Circular A-87.

Recommendation

We recommend that DCPS establish a monitoring control to ensure that semiannual time certifications are appropriately signed and submitted timely.

Related Noncompliance

None

Questioned Costs

None

Views of Responsible Officials

DCPS concurs that there should be an ongoing and consistent application of its policies and procedures related to time and effort certification requirements. We will ensure that the Special Education management team maintains signed copies of the original time and certifications.

Finding Number	**2010-45**
Federal Program	**Special Education Cluster (84.027, 84.173, 84.391, 84.392)**
Federal Award Number	***SG027A (10/1/09-9/30/10)***
	SG173A (10/1/09-9/30/10)
Federal Agency	**Education**
District Department	**Office of the State Superintendent of Education**
Compliance Requirement	**Subrecipient Monitoring**

Criteria

7 CFR 3052.400 (d) (5)
(d) Pass-through entity responsibilities. A pass-through entity shall issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action.

Condition

The DC Office of the State Superintendent of Education (OSSE) Special Education Division did not provide the management decision letter within six (6) months after the audit findings were issued to the District of Columbia Public Schools (DCPS).

Cause

During the period of time that the management letter should have been released, OSSE experienced several changes in leadership at the executive level (Superintendents, Assistant Superintendents, Deputy Mayor, etc.). Due to these changes, OSSE was not able to finalize and release the DCPS management letter timely.

Effect

Corrective action plans related to audit findings may not be implemented timely.

Recommendation

We recommend that OSSE develop a monitoring control to ensure that management decision letters are issued timely.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

OSSE agrees with this finding. OSSE did complete the review of all LEAs' A-133 single audits but was unable to issue management letters within the specified time period. OSSE will release the DCPS FY2009 management letter by the end of June 2011. OSSE agrees with the auditor's recommendation and will

update existing policies and procedures to ensure that management letters are issued timely moving forward.

Finding Number	**2010-46**
Federal Program	**Vocational Rehabilitation (VR) (84.126, 84.390)**
Federal Program	***H126A090011B (10/1/08 – 9/30/10)***
Federal Agency	**Education**
District Department	**Disability Services**
Compliance Requirement	**Eligibility**

Criteria

According to 29 USC Section 722 (a) (1), Eligibility and individualized plan for employment, an individual is eligible for VR services if the individual (a) has a physical or mental impairment that, for the individual, constitutes or results in a substantial impediment to employment; (b) can benefit in terms of an employment outcome from VR services; and (c) requires VR services to prepare for, secure, retain, or regain employment.

The 29 USC Section 722 (a)(6) code also states that the VR agency must determine whether an individual is eligible for VR services within a reasonable period of time, not to exceed 60 days, after the individual has submitted an application for the services unless:

(a) Exceptional and unforeseen circumstances beyond the control of the State VR agency preclude making an eligibility determination within 60 days and the State agency and the individual agree to a specific extension of time;

(b) The State VR agency is exploring an individual's abilities, capabilities, and capacity to perform in work situations through trial work experiences in order to determine the eligibility of the individual or the existence of clear and convincing evidence that the individual is incapable of benefiting in terms of an employment outcome from VR services.

Condition

We identified the following:

- Four (4) out of 30 items tested did not have the VR application form properly signed or the form was missing.
- Three (3) out of 30 items tested did not have the required physical or mental assessment.
- Five (5) out of 30 items tested did not have the certification properly signed, or the certification was missing.
- Twenty (20) out of 30 items tested did not have the Individual Plan for Employment properly signed by either the client or VR specialist, or the IPE was missing.

We also noted that eight (8) items, totaling $25,695, were made to ineligible participants.

Cause

There is an ineffective management review performed of the applications prepared by counselors. Additionally, there is no monitoring control to identify determinations that are due within 60 days after applications are submitted.

Effect

The program is providing benefits to participants that are not eligible; therefore, all costs related to those participants are not allowable under the USC 29 Section 722.

Recommendation

We recommend the District establish additional policies and procedures to ensure appropriate documentation is retained to support eligibility determinations. The District should also provide training to those employees involved in the eligibility determination process to ensure the proper eligibility determinations are made and that there is appropriate documentation available to support the determinations made.

Related Noncompliance

Material noncompliance

Questioned Costs

$25,695

Views of Responsible Officials

The District's Rehabilitation Services Administration addressed this weakness in FY2011 through the completion of the agency policy and procedure manual and training of staff in the first quarter of FY2011, and by reinstating supervisory review of all eligibility and IPE documents in April 2011. In addition, internal analysis identified high vacancy rates and turnover in the VR counselor and supervisor ranks in FY2010 through the first quarter of FY2011 as a significant contributor to amended IPE documents without signatures. Staffing in both areas has stabilized in the second and third quarter of FY2011. Lastly, the Federal Compliance unit with the agency will initiate random sample audits of each counselor work unit to test for compliance beginning in July 2011 and provide monthly reports to the new VR Program Administrator for management follow-up and oversight.

Finding Number	**2010-47**
Federal Program	**Improving Teacher Quality (84.367)**
Federal Award Number	***S367A090008A (10/1/09-9/30/10)***
Federal Agency	**Education**
District Department	**District of Columbia Public Schools**
Compliance Requirement	**Allowable Costs/Cost Principles**

Criteria

According to OMB A-87, *Cost Principles for State, Local and Indian Tribe Governments*, an employee who works solely on a single cost objective (i.e., the consolidated administrative cost objective) must furnish a semiannual certification that the employee has been engaged solely in activities. The certifications must be signed by the employee or a supervisory official having firsthand knowledge of the work performed by the employee in accordance with OMB Circular A-87, Attachment B, paragraph 8.h.(3). An employee who works in part on a single cost objective (i.e., the consolidated administrative cost objective) and in part on a Federal program whose administrative funds have not been consolidated or on activities funded from other revenue sources must maintain time and effort distribution records in accordance with OMB Circular A-87, Attachment B, paragraphs 8.h.(4), (5), and (6) documenting the portion of time and effort dedicated to (a) the single cost objective and (b) each program or other cost objective supported by nonconsolidated Federal funds or other revenue sources.

Condition

We selected a sample of 95 payroll expenditures, totaling $1,558,345, out of total DCPS expenditures of $5,542,183. For 1 of the 95 items tested, DCPS did not conduct a payroll certification until June 2011.

Cause

DCPS is not consistently adhering to its existing policies and procedures to ensure that adequate documentation of time and effort certifications for Title II teachers/staff are properly maintained in accordance with OMB Circular A-87.

Effect

Without adequate internal controls to ensure sufficient documentation is maintained, DCPS could not provide original certifications for the requested period to validate employees' time for the selected period and, therefore, is not compliant with the time and effort reporting requirements of OMB Circular A-87.

Recommendation

We recommend that the District implement a monitoring control to ensure that DCPS adheres to its existing policies and procedures for obtaining and maintaining the time and effort certifications for Title II program employees to ensure compliance with allowability compliance requirements.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

DCPS concurs that there should be ongoing and consistent application of its policies and procedures related to time and effort certification requirements. The fact that 94 of the 95 certifications were complete illustrates general adherence to this requirement. We will, however, ensure that the Title II Management team reiterates the need for timely certification to all Program Managers.

Finding Number	**2010-48**
Federal Program	**Improving Teacher Quality (84.367)**
Federal Award Number	***S367A090008A (10/1/09-9/30/10)***
Federal Agency	**Education**
District Department	**District of Columbia Public Schools**
Compliance Requirement	**Level of Effort – Supplement not Supplant**

Criteria

The A-102 Common Rule requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Condition

DCPS did not maintain appropriate documentation to demonstrate that it monitored compliance with the level of effort: supplement not supplant requirement during FY2010.

Cause

DCPS has not established policies and procedures requiring it to monitor the status periodically throughout the fiscal year of its compliance with the supplement not supplant requirement.

Effect

Without proper internal controls in place to monitor compliance with applicable programmatic requirements, noncompliance could result.

Recommendation

We recommend that DCPS develop policies and procedures to monitor the status periodically throughout the year of its compliance with the supplement not supplant requirement.

Related Noncompliance

Material noncompliance

Questioned Costs

None

Views of Responsible Officials

DCPS will develop a policy in which procedures related to the supplement not supplant objectives are documented to facilitate third-party review, as there are various controls built into the existing process requiring detailed expenditure review and analysis that prevent supplanting from occurring.

KPMG's Response

We have read management's response and our finding remains as indicated. DCPS, the LEA, has acknowledged that they do not have adequate controls over supplement not supplant objectives.

Finding Number	**2010-49**
Federal Program	**Improving Teacher Quality (84.367)**
Federal Award Number	***S367A090008A (10/1/09-9/30/10)***
Federal Agency	**Education**
District Department	**Office of the State Superintendent of Education**
Compliance Requirement	**Subrecipient Monitoring**

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Regulation 31 USC § 7502: U.S. Code – Section 7502 states that each pass-through entity shall 1) provide such subrecipients the program names (and any identifying numbers) from which such assistance is derived, and the Federal requirements that govern the use of such awards; 2) monitor the subrecipient's use of Federal awards through site visits, limited scope audits, or other means; and 3) review the audit of a subrecipient as necessary to determine whether prompt and appropriate corrective action has been taken with respect to audit findings.

Condition

We determined that for two (2) of the eight (8) subrecipients, management determination letters were not issued within six (6) months of the audit. In addition, we determined that OSSE has not established an internal control to verify that those subrecipients who did not submit an A-133 audit did not expend over $500,000 in Federal funds. Further, we also determined that OSSE did not perform sufficient monitoring procedures to determine whether its LEA was in compliance with the supplement not supplant requirement.

Cause

Management is not adhering to its existing policies and procedures to issue all management determinations within six (6) months of receipt of the audit report. Further, OSSE obtains an annual financial statement audit from all subrecipients; however, it has not established a policy requiring affirmation from the subrecipient that the subrecipient is not required to have a single audit report in circumstances where the subrecipient expends less than $500,000 in Federal funds. Further, we also determined that OSSE did not perform sufficient monitoring procedures to determine whether its LEA was in compliance with the supplement not supplant requirement.

Effect

Without adequate internal controls to ensure proper monitoring over subrecipients and its LEA, OSSE may be noncompliant with program requirements.

Recommendation

We recommend that OSSE establish a monitoring control to ensure management determination letters are issued within six (6) months of receipt of the audit report. Further, we recommend that OSSE obtain a representation from subrecipients in circumstances when the subrecipient is not required to obtain a single

audit. Finally, we recommend that management implement a monitoring control during the year to determine its LEAs' compliance with the supplement not supplant requirement.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

OSSE agrees with this finding. OSSE did complete the review of all LEAs' A-133 single audits but was unable to issue management letters within the specified time period. OSSE will release the FY2009 management letters for these LEAs by the end of July 2011. OSSE agrees with the auditor's recommendation and will update existing policies and procedures to ensure that that management letters are issued timely moving forward. OSSE will also take steps to strengthen internal controls to verify that those subrecipients who did not submit an A-133 audit did not expend over $500,000 in Federal funds. These new activities will be added to OSSE's internal policies and procedures by September 30, 2011.

In its monitoring of LEAs (including DCPS), OSSE includes indicators related to supplement not supplant. OSSE monitors are not financial auditors. It is for this reason that, in addition to monitoring for supplement not supplant, OSSE relies on the LEAs' A-133 audits to ensure that LEAs are meeting programmatic and fiscal requirements. Through corrective action plans (CAPs), OSSE works with the LEAs to ensure that they are taking the necessary steps to address specific monitoring and/or A-133 findings.

Finding Number	**2010-50**
Federal Program	**Temporary Assistance for Needy Families (TANF) (93.558, 93.714)**
Federal Award Number	***G-1002DCTANF (10/1/09 – 9/30/10)***
Federal Agency	**Health and Human Services**
District Department	**Human Services (DHS)**
Compliance Requirement	**Eligibility**

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. OMB Circular A-133 requires auditors to obtain an understanding of the non-Federal entity's internal control over Federal programs sufficient to plan the audit to support a low assessed level of control risk for major programs, plan the testing of internal control over major programs to support a low assessed level of control risk for the assertions relevant to the compliance requirements for each major program, and, unless internal control is likely to be ineffective, perform testing of internal control as planned.

The eligibility requirements for TANF, which must be substantiated when subjected to audit, can be located at 42 USC 602, 602(a)(1)(B)(iii); 42 USC 609(a)(7)(B)(IV), 608(a)(1), 619(2); and 45 CFR section 263.2(b)(2).

Condition

For 18 of the 65 items tested, the District was not able to provide sufficient documentation supporting that the eligibility requirements were met. It was not until approximately four (4) months after the original request that we were provided documentation for these 18 participants. While program management eventually located the files and demonstrated eligibility, this delay indicates that the record-keeping system is inadequate.

Cause

Case files substantiating eligibility of TANF participants could not be readily located and provided for inspection due to an inefficient record-keeping system.

Effect

Failure to maintain an adequate record-keeping system may lead to noncompliance with Federal laws and regulations.

Recommendation

We recommend that management maintain a file system such that files can be more readily located.

Related Noncompliance

None

Questioned Costs

None

Views of Responsible Officials

DHS agrees that the instances of noncompliance should be removed, as the documentation for the 18 cases was eventually provided. Some case records in the single audit sample had been previously provided and reviewed by auditors at the Service Centers during the CAFR audit and were not quickly provided for the auditors during the single audit. Moreover, due to the major implementation of digitizing all case documents in the Document Imaging System (DIMS), including scanning and tagging new documents as well as boxing up all of the active case files at each Service Center location and sending them to Source Corp to be scanned into DIMS, all documents were not readily located for the auditor timely. By September 30, 2012, FY2012, DHS/IMA plans to have all of the case files converted into electronic documents in DIMS. Each Service Center is in a different stage in the process. DHS expects three (3) of the five (5) Service Centers to be converted by October 2011. The remaining two (2) Centers should be fully converted by March 2012.

Finding Number	**2010-51**
Federal Program	**Temporary Assistance for Needy Families (93.558, 93.714)**
Federal Award Number	***G-1002DCTANF (10/1/09 – 9/30/10)***
Federal Agency	**Health and Human Services**
District Department	**Human Services**
Compliance Requirement	**Reporting**

Criteria

Code 42 USC 609(a)(4) states, *(3) Failure to satisfy minimum participation rates (A) In general if the Secretary determines that a State to which a grant is made under section 603 of this title for a fiscal year has failed to comply with section 607(a) of this title for the fiscal year, the Secretary shall reduce the grant payable to the State under section 603(a)(1) of this title for the immediately succeeding fiscal year by an amount equal to the applicable percentage of the State family assistance grant.*

Condition

We identified two (2) instances of noncompliance in which the work participation hours could not be verified with the source document.

Cause

Source files could not be located that contained the work participation hours.

Effect

The work participation data is a critical area of the ACF-199 reporting. The findings indicate that the information on the ACF-199 report may not be reliable. The Federal government may penalize the District by an amount of up to 21 percent of the State Family Assistance Grant for violation of the work participation rate provision.

Recommendation

We recommend that management adhere to existing policies and procedures to ensure that work participation hours documentation is properly maintained.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

DHS agrees with this finding. Currently, tracking of earnings come through the entries made in the CATCH system by TANF employment vendors. However, because the earnings in the cases cited by the auditor were accrued by the customers independently of the agency's TANF employment vendors, the hours and supportive data were not captured and entered into the system. In FY2012, beginning in October 2011, under the redesigned TANF Employment Program, the pay stubs and other documents will be scanned into DIMS, which will allow for retrieval and verification of source documents.

Finding Number	**2010-52**
Federal Program	**Temporary Assistance for Needy Families (93.558, 93.714)**
Federal Award Number	***G-1002DCTANF (10/1/09 – 9/30/10)***
Federal Agency	**Health and Human Services**
District Department	**Human Services**
Compliance Requirement	**Special Tests and Provisions – Child Support Non-Cooperation**

Criteria

Code 42 USC 608(a)(2) indicates that the reduction in benefit due to noncooperation with child support should be not less than 25 percent:

> *(2) Reduction or elimination of assistance for noncooperation in establishing paternity or obtaining child support;*
> *If the agency responsible for administering the State plan approved under part D of this subchapter determines that an individual is not cooperating with the State in establishing paternity or in establishing, modifying, or enforcing a support order with respect to a child of the individual, and the individual does not qualify for any good cause or other exception established by the State pursuant to section 654 (29) of this title, then the State—*
> ***(A)*** *shall deduct from the assistance that would otherwise be provided to the family of the individual under the State program funded under this part an amount equal to not less than 25 percent of the amount of such assistance; and*
> ***(B)*** *may deny the family any assistance under the State program.*

Code 42 USC 609(a)(8) indicates: *Noncompliance of State child support enforcement program with requirements of part D could result in State funding reductions depending on the number of years of noncompliance.*

Condition

We identified 1 instance out of 95 tested where TANF benefits were not reduced by at least 25 percent, as required by the program, but instead were reduced by 14 percent. Total benefits overpaid were $339, and total benefits paid in our sample were $32,219.

Cause

The case was erroneously classified as an initial application instead of a renewal, which caused the reduction of the TANF benefit to be less than 25 percent.

Effect

Benefits paid to participants may be in excess of those permitted by regulation.

Recommendation

We recommend the Income Maintenance Administration monitor the data entered in to ACEDS to ensure the cases being sanctioned for TANF benefits are reduced to at least 25 percent.

Related Noncompliance

Noncompliance

Questioned Costs

Not determinable

Views of Responsible Officials

DHS agrees that in this one instance the benefits were not reduced by 25 percent. In FY2012, to ensure accuracy, calculations for reductions will be automated in ACEDS, beginning October 1, 2011.

Finding Number	**2010-53**
Federal Program	**Child Support Enforcement (93.563)**
Federal Award Number	***1004DC4004 (10/1/09-9/30/10)***
Federal Agency	**Health and Human Services**
District Department	**Office of the Attorney General**
Compliance Requirement	**Special Tests and Provisions – Establishment of Paternity and Support Obligations**

Criteria

According to CFR 45 sections 303.4 and 303.5:

§ 303.4 Establishment of support obligations

For all cases referred to the IV-D agency or applying under §302.33 of this chapter, the IV-D Agency must:

a) When necessary, establish paternity pursuant to the standards of §303.5

b) Utilize appropriate State statutes and legal processes in establishing the support obligation pursuant to §302.50 of this chapter

c) Periodically review and adjust child support orders, as appropriate, in accordance with §303.8.

d) Within 90 calendar days of locating the alleged father or noncustodial parent, regardless of whether paternity has been established, establish an order for support or complete service of process necessary to commence proceedings to establish a support order and, if necessary, paternity (or document unsuccessful attempts to serve process, in accordance with the State's guidelines defining diligent efforts under §303.3(c)).

e) If the court or administrative authority dismisses a petition for a support order without prejudice, the IV-D agency must, at the time of dismissal, examine the reasons for dismissal and determine when it would be appropriate to seek an order in the future, and seek a support order at that time.

f) Seek a support order based on a voluntary acknowledgment in accordance with §302.70(a)(5)(vii).

§ 303.5 Establishment of paternity

a) For all cases referred to the IV-D agency or applying for services under §302.33 of this chapter in which paternity has not been established, the IV-D agency must, as appropriate:

1) Provide an alleged father the opportunity to voluntarily acknowledge paternity in accordance with §302.70(a)(5)(iii); and

2) Attempt to establish paternity by legal process established under State law."

Condition

During our testwork over the establishment of paternity and support obligations, we determined:

- For 11 out of 95 cases tested, the paternity establishment date was incorrectly overwritten in the system.
- For 5 out of 95 cases tested, the District failed to establish or attempt to complete service of process necessary to commence proceedings to establish a support order.

Cause

There was an inadequate review of claimant files to ensure that existing procedures relating to the establishment of paternity and support obligation were being followed for each case in a timely and consistent manner.

Effect

The District is not in compliance with the regulations relating to the establishment of paternity and support obligations.

Recommendation

The District should enhance its existing control procedures to ensure that all claimant files are properly reviewed to ensure compliance with requirements relating to the establishment of paternity and support obligations.

Related Noncompliance

Material noncompliance

Questioned Costs

Not determinable

Views of Responsible Officials

For 10 out of 95 cases tested, the paternity establishment date was incorrectly overwritten in the system:

372874*1
389167*1
117249*1
394022*1
366851*1
136936*2
135103*1
382807*2
382840*1
394186*1

Child Support Services Division (CSSD) disagrees with the audit finding. OAG has instituted many improvements to its procedures for the establishment of paternity and support cases. The agency automated system recently underwent an overhaul of its paternity tracking in September 2010. The system changes were based on the new Domestic Partnership Judicial Determination of Parentage Amendment Act of 2009. To comply with the new law, it was determined that all children within District Child Support Enforcement System (DCCSES) would have a parentage record and populate those records with a Parentage Established Date based on the following criteria:

1. Dependents with a Parentage Type of PM – Presumption of Marriage had the Parentage Established Date defaulted to the dependents' DOB.

2. If the dependent is on a child support monetary obligation, the earliest qualifying obligation date was populated in the Parentage Established Date field.

3. If there were no qualifying monetary obligations for the dependent but a nonmonetary parentage establishment obligation existed, the effective (order) date of that obligation was populated in the Parentage Established Date field.

4. If there were no qualifying monetary or nonmonetary obligations, the dependents' date of birth was populated in the Parentage Established Date field.

In addition to the function of the A-133 single audit, it appears that CSSD is being subjected to a second Data Reliability Audit. CSSD is a Statewide Paternity Establishment Percentage (PEP) jurisdiction. As such, the DC Department of Health – Vital Records Division is the official repository of all birth data. All CSSD employees are trained to verify birth data with Vital Records when processing paternity cases. This verified information is then transferred into our Unwed Birth System (UBS). The Federal Office of Child Support Enforcement does not use CSSD's automated case management system (DCCSES) for paternity verification.

CSSD has been proactively taking corrective action to improve the efficiency of the paternity establishment process. CSSD is improving its relationship with Vital Records to speed up the data retrieval process. The agency has two (2) CSSD employees located at the Vital Records office to expedite paternity information. CSSD is also in talks with Vital Records to use IT enhancements to gain better access to Vital Records data. Further, CSSD has made IT enhancements to its automated case management system to better document paternity data. CSSD has made the above changes to improve upon the procedures for the establishment of paternity and will continue to take any necessary corrective action identified in the future.

KPMG's Response

We have read management's response, and our finding remains as indicated.

Views of Responsible Officials

For 1 out of 95 cases tested, the agency did not attempt to establish a support order, and the case was dismissed due to CSE's inability to attempt to secure service upon the noncustodial parent:

397159*1 – Child Support Services Division disagrees with the audit finding. The automated case management system reflects multiple successful service attempts by CSSD on the noncustodial parent.

Additionally, multiple court hearings were successfully held upon completion of service of process. The matter was dismissed upon the agency's request for a reissuance of notices that was not due to CSSD's inability to serve notice on the noncustodial parent. The District of Columbia is a judicial authority jurisdiction. There has been a recent shift at DC Superior Court where the court prefers the agency to file new petitions in some cases instead of reissuing a previous petition. This was the instance in this matter.

Pursuant to the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, the agency follows auditing standards under 45 CFR 308.1(e)(2). The purpose of the single audit is not to validate the data on the agency's system, but to determine whether or not paternity/support is established in fact. Regulations allow for either 1) completion of service of process or 2) documentation of unsuccessful service attempts. Successful service attempts occurred within time frames in this matter.

CSSD has been proactively taking corrective action to improve the efficiency of the parent locate process. CSSD recently moved the Locate Unit under the supervision of the Systems and Automation Section to increase its performance through automation. CSSD has acquired new resources for locating tools to expand locate efforts and employed using IT enhancements, which include providing vehicle interior mountable laptops to allow investigators to have locate information readily available in the field. In the future, CSSD will continue to make improvements and is considering incorporating a tickler system to ensure compliance with time lines and emphasis on managerial oversight. Lastly, CSSD is in a judicial authority jurisdiction, and some of the delays associated with locate efforts stem from the reliance on DC Superior Court for the provision of notices and scheduling of court hearings. If a delay exists in these areas, it further delays the parent locate process. This particular challenge facing CSSD cannot be resolved solely through the efforts of the agency to take corrective action.

KPMG's Response

We have read management's response, and our finding remains as indicated. Court documentation included in the file indicated that on July 8, 2010, an order from the Superior Court of the District of Columbia indicated that the government made an oral request to "have the matter scheduled for a new date and for the court to re-issue notices to the parties. In this instance, the government has failed to attempt to effectuate service upon the respondent. Given the government's inability to even attempt to secure service upon the respondent, the matter shall be dismissed without prejudice for want of prosecution."

Views of Responsible Officials

For 5 out of 95 cases tested, the agency failed to establish or attempt to complete service of process necessary to commence proceedings to establish a support order

395345*1 – Child Support Services Division disagrees with the audit finding. The automated case management system reflects service of process completed on 3/18/10. Pursuant to 45 CFR 303.3 – Location of Non-Custodial Parents, regulations allow for either 1) completion of service of process or 2) documentation of unsuccessful service attempts. In the referenced case, CSSD's service attempt was completed and well documented.

In addition to the function of the A-133 single audit, it appears that CSSD is being subjected to a second Data Reliability Audit. Pursuant to the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, the agency follows auditing standards under 45 CFR 308.1(e)(2). The purpose of the single audit is not to validate the data on the agency's system, but to determine whether or not paternity/support is established in fact. An order for support was established in this matter.

128983*7 – Child Support Services Division disagrees with the audit finding. The automated case management system reflects service of process completed on 7/29/10. Pursuant to 45 CFR 303.3 – Location of Non-Custodial Parents, regulations allow for either 1) completion of service of process or 2) documentation of unsuccessful service attempts. In the referenced case, CSSD's service attempt was completed and documented.

The purpose of the single audit is to determine whether or not paternity/support is established in fact. An order for support was established in this matter.

363124*3 – Child Support Services Division disagrees with the audit finding. The automated case management system reflects service of process completed on 3/31/10. The matter was initially presented as an Interstate case, and the custodial parent later provided a local address for the noncustodial parent. Pursuant to 45 CFR 303.3 – Location of Non-Custodial Parents, regulations allow for either 1) completion of service of process or 2) documentation of unsuccessful service attempts. In the referenced case, CSSD's service attempt was completed and documented.

The purpose of the single audit is to determine whether or not paternity/support is established in fact. An order for support was established in this matter.

366125*1 – Child Support Services Division disagrees with the audit finding. The automated case management system reflects service of process completed on 10/8/09. The matter was initially presented as an Interstate case, and the custodial parent later provided a local address for the noncustodial parent. A reissue was subsequently submitted to reflect the new location information. Pursuant to 45 CFR 303.3 – Location of Non-Custodial Parents, regulations allow for either 1) completion of service of process or 2) documentation of unsuccessful service attempts. In the referenced case, CSSD's service attempt was completed and documented.

The purpose of the single audit is to determine whether or not paternity/support is established in fact. An order for support was established in this matter.

383530*1 – Child Support Services Division disagrees with the audit finding. The automated case management system reflects an unsuccessful service attempt on 12/12/09. Pursuant to 45 CFR 303.3 – Location of Non-Custodial Parents, regulations allow for either 1) completion of service of process or 2) documentation of unsuccessful service attempts. In the referenced case, CSSD's service attempt was documented.

The purpose of the single audit is to determine whether or not paternity/support is established in fact. An order for support was established in this matter on 4/15/10.

CSSD has been proactively taking corrective action to improve the efficiency of the parent locate process. CSSD recently moved the Locate Unit under the supervision of the Systems and Automation Section to increase its performance through automation. CSSD has acquired new resources for locating tools to expand locate efforts and employed using IT enhancements, which include providing vehicle interior mountable laptops to allow investigators to have locate information readily available in the field. In the future CSSD will continue to make improvements and is considering incorporating a tickler system to ensure compliance with time lines and emphasis on managerial oversight. Lastly, CSSD is in a judicial authority jurisdiction, and some of the delays associated with locate efforts stem from the reliance on DC Superior Court for the provision of notices and scheduling of court hearings. If a delay exists in these

areas, it further delays the parent locate process. This particular challenge facing CSSD cannot be resolved solely through the efforts of the agency to take corrective action.

KPMG's Response

We have read management's response, and our finding remains as indicated. The District failed to establish or attempt to complete service of process necessary to commence proceedings to establish a support order within the required time frame.

Finding Number	**2010-54**
Federal Program	**Child Support Enforcement (93.563)**
Federal Award Number	***1004DC4004 (10/1/09-9/30/10)***
Federal Agency	**Health and Human Services**
District Department	**Office of the Attorney General**
Compliance Requirement	**Special Tests and Provisions – Enforcement of Support Obligations**

Criteria

According to CFR 45 sections 303.5 and 303.4:
§ 303.6 Enforcement of support obligations

For all cases referred to the IV-D agency or applying for services under §302.33 in which the obligation to support and the amount of the obligation have been established, the IV-D agency must maintain and use an effective system for

a) Monitoring compliance with the support obligation

b) Identifying on the date the parent fails to make payments in an amount equal to the support payable for one month, or on an earlier date in accordance with State law, those cases in which there is a failure to comply with the support obligation; and

c) Enforcing the obligation by

1) Initiating income withholding, in accordance with §303.100;

2) Taking any appropriate enforcement action (except income withholding and Federal and State income tax refund offset) unless service of process is necessary, within no more than 30 calendar days of identifying a delinquency or other support-related non-compliance with the order or the location of the noncustodial parent, whichever occurs later. If service of process is necessary prior to taking an enforcement action, service must be completed (or unsuccessful attempts to serve process must be documented in accordance with the State's guidelines defining diligent efforts under §303.3(c)), and enforcement action taken if process is served, within no later than 60 calendar days of identifying a delinquency or other support-related non-compliance with the order, or the location of the noncustodial parent, whichever occurs later

3) Submitting once a year all cases which meet the certification requirements under §303.102 of this part and State guidelines developed under §302.70(b) of this title for State income tax refund offset, and which meet the certification requirements under §303.72 of this part for Federal income tax refund offset; and

4) In cases in which enforcement attempts have been unsuccessful, at the time an attempt to enforce fails, examining the reason the enforcement attempt failed and determining when it would be appropriate to take an enforcement action in the future, and taking an enforcement action in accordance with the requirements of this section at that time."

Condition

During our testwork relating to the enforcement of support obligations, we determined:

- For 1 out of 64 cases tested, we were unable to determine whether the respondent was ever overdue or making prepayments, both of which are not allowed.
- For 2 out of 64 cases tested, the District did not take (1) any enforcement actions or (2) timely enforcement actions for cases that required enforcement.

Cause

There is an inadequate review of claimant files to ensure that existing procedures relating to the establishment of paternity and support obligation were being followed for each case in a timely and consistent manner.

Effect

The District is not compliant with the enforcement of support obligations requirement.

Recommendation

The District should enhance its existing control procedures to ensure that all claimant files are properly reviewed to ensure compliance with requirements relating to the establishment of paternity and support obligation.

Related Noncompliance

Material noncompliance

Questioned Costs

Not determinable

Views of Responsible Officials

For 1 out of 65 cases tested, we were unable to determine whether respondent was ever overdue or making prepayments, both of which are not allowed.

136936*2 – Child Support Services Division disagrees with the audit finding. Records indicate that $690 in total current support was due during the audit period. CSSD collected $556.51, of which $241.57 was distributed to current support and $314.94 was distributed to arrears. The respondent was not overdue, nor did CSSD collect prepayments in this case.

CSSD has been proactively taking corrective action to improve the efficiency of its enforcement process. The agency is working to improve the automated civil contempt policy and procedure by employing IT enhancements. Additionally, CSSD is employing more enforcement tools in its arsenal to increase child support collections and providing training to CSSD staff to utilize these tools.

KPMG's Response

We have read management's response, and our finding remains as indicated.

Views of Responsible Officials

For 2 out of 65 cases tested, the District did not take any enforcement actions for case that required enforcement.

390513*1 – Child Support Services Division disagrees with the audit findings. One case was cited for no enforcement action taken during the FY2010. The case was placed in a pending closure status on 8/14/09, and this prevented enforcement actions from being initiated. The closure status was pursuant to Federal case closure criteria as stated in 45 CFR 303.11 – Case Closure Criteria, due to the noncooperation of the recipient of services (custodial parent). Also, this matter is an Interstate case, and the home State of the noncustodial parent is the enforcing agency (New York).

139507*3 – Child Support Services Division disagrees with the audit findings. Federal offset records indicate that the case was submitted for Federal tax offset on 2/26/10, and State tax offset was submitted 3/1/10. Additionally, the DC Code has strict standards relating to contempt. The automated case management system will automatically review all cases for civil contempt in batch processing according to the following eligibility requirement:

1. No voluntary payment received in 60 days;
2. Valid NCP address in CSSD service area;
3. Active monetary obligation (for either arrears or current support) with a specified cycle amount, a balance of at least $5,000 for local and interstate responding cases;
4. Not in Locate Status;
5. NCP not receiving SSI;
6. NCP not incarcerated;
7. Case is not already pending in court for contempt;
8. If a case was previously reviewed and determined that contempt not appropriate, then it must have been entered at least 60 days prior; and
9. If Amnesty Case Action entered on the case, then must have been entered at least 60 days prior.

Based on these criteria, civil contempt was filed on 11/19/10, and a court hearing was held in this matter. Payments were received in October 2010 and November 2010 pursuant to the civil contempt filing.

No corrective action is warranted in these matters as proper automated enforcement actions were taken. However, CSSD has been proactively taking corrective action to improve the efficiency of its enforcement process. The agency is working to improve the automated civil contempt policy and procedure by employing IT enhancements. CSSD will continue to make improvements and is considering incorporating a tickler system to ensure compliance with time lines. CSSD will also place more emphasis on managerial oversight. Additionally, CSSD is employing more enforcement tools in its arsenal to increase child support collections and providing training to CSSD staff to utilize these tools. New policy and procedure will be created when warranted for any improvements that are identified in the future.

KPMG's Response

We have read management's response, and our finding remains as indicated. Management action does not appear to have been taken within the required time frame based on documentation maintained in the file.

Views of Responsible Officials

For 1 out of 65 cases tested, the agency did not take timely enforcement actions for a case that required enforcement.

380148*1 – In addition to the function of the A-133 single audit, it appears that CSSD is being subjected to a second Data Reliability Audit. Pursuant to the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, the agency follows auditing standards under 45 CFR 308.1(e)(2). The purpose of the single audit is not to validate the data on the agency's system, but to determine whether or not paternity/support is established in fact. Regulations allow for either 1) completion of service of process or 2) documentation of unsuccessful service attempts. Successful service attempts occurred within time frames in this matter.

CSSD has been proactively taking corrective action to improve the efficiency of its enforcement process. The agency is working to improve the automated civil contempt policy and procedure by employing IT enhancements. CSSD will continue to make improvements and is considering incorporating a tickler system to ensure compliance with time lines. CSSD will also place more emphasis on managerial oversight. Additionally, CSSD is employing more enforcement tools in its arsenal to increase child support collections and providing training to CSSD staff to utilize these tools. New policy and procedure will be created when warranted for any improvements that are identified in the future.

KPMG's Response

We have read management's response, and our finding remains as indicated.

Finding Number	**2010-55**
Federal Program	**Child Support Enforcement (93.563)**
Federal Award Number	***1004DC4004 (10/1/09-9/30/10)***
Federal Agency	**Health and Human Services**
District Department	**Office of the Attorney General**
Compliance Requirement	**Special Tests and Provisions – Provision of Child Support Services for Interstate Cases – State Programs**

Criteria

The State IV-D agency must provide the appropriate child support services needed for interstate cases (cases in which the child and custodial parent live in one State and the responsible relative lives in another State); establish an interstate central registry responsible for receiving, distributing, and responding to inquiries on all incoming interstate IV-D cases; and meet required time frames pertaining to provision of interstate services. The case requiring action may be an initiating interstate case (a case sent to another State to take action on the initiating State's behalf) or a responding interstate case (a request by another State to provide child support services or information only). Specific time frame requirements for responding and initiating interstate cases are at 45 CFR sections 303.7(a) and 303.7(b)(2), (4), (5) and (6), respectively (45 CFR sections 302.36 and 303.7).

Condition

During our testwork over the Special Tests and Provisions compliance requirements relating to the Interstate Cases, as operated by the Child Support Service Division (CSSD). We noted the following:

Responding Cases:

1. For 28 out of the 45 cases tested, we could not determine whether CSSD reviewed the cases for completeness within the 10 working days requirement.
2. For 3 out of the 45 cases tested, we were unable to determine if CSSD notified Title IV in the initiating State of any necessary additions or corrections to the form or documentation to proceed with the case in the required time frame.
3. For 2 out of the 45 cases tested, we could not determine what steps were taken in the case due to lack of supporting documentation in the case file.
4. For 1 out of the 45 cases tested, we could not determine whether CSSD requested any missing documentation from the initiating State within the 10 working days requirement.
5. For 1 out of the 45 cases tested, CSSD requested missing documentation from the initiating State after the 10 working days requirement.
6. For 1 out of 45 cases tested, the case required enforcement action; however, the agency did not provide evidence of enforcement action during FY2010.

Initiating Cases:

1. For 1 out of 50 cases, we noted that the case was sent to the Interstate Unit and a UIFSA interview was scheduled but noted no other actions taken by the agency. Thus, we cannot determine procedures based on information provided.
2. For 2 out of 50 cases, the agency could not state with certainty when the petition was sent to the other State. We could not determine if the case was sent within the 20-day requirement.

3. For 6 out of 50 cases, we noted that the case was sent to the Interstate Unit but noted no other actions taken by the agency. Thus, we cannot determine procedures based on information provided.
4. For 2 out of 50 cases, we noted that the agency obtained all necessary information needed to process the case but did not refer the case to the other State until past the 20-day requirement.
5. For 1 out of the 50 initiating cases selected, the documentation provided by the agency was for another case.
6. For 2 out of the 50 cases, we noted that the agency improperly closed the case.
7. For 1 out of 50 cases, the agency was unable to locate UIFSA documentation. We are not able to determine if information submitted to the other State is the necessary documentation and Federally approved interstate forms.
8. For 4 out of the 50 initiating cases, once the noncustodial parent was located in another State, the case was not sent to the Interstate Unit in a timely manner.
9. For 3 out of the 50 initiating cases, we were unable to determine if the agency took enforcement action against the custodial parent or began the case closure process when the custodial parent did not appear at the UIFSA interview to verify information that is necessary to be sent to the other State.

Cause

Inadequate review of files is performed to ensure that existing procedures relating to the interstate cases were being followed for each case file in a timely and consistent manner.

Effect

Noncompliance with the Special Test and Provisions relating to interstate cases.

Recommendation

The District should enhance existing procedures to ensure that all claimant files are properly reviewed to ensure compliance with requirements relating to the interstate cases.

Related Noncompliance

Material noncompliance

Questioned Costs

Not determinable

Views of Responsible Officials

Responding Cases

- 28 out of the 45 cases tested, we could not determine whether CSSD reviewed the cases for completeness within 10 working days requirement

Child Support Services Division disagrees with the audit finding. The case is reviewed for completeness on the day of receipt. The acknowledgement process includes an internal Quality Control review before

filing that is held on the day the case is received. This takes place within the 10 working day requirement and is a part of the standard Interstate acknowledgement process.

- 3 out of the 45 cases tested, we were unable to determine if CSSD notified title IV in the initiating state, if any necessary additions or corrections to the form or documentation to proceed with the case in the required timeframe

397631*1 - Child Support Services Division disagrees with the audit finding. In an effort to conserve resources this fiscal year CSSD instituted a paperless initiative. CSSD implemented a new policy to reduce paper usage and waste by limiting the paper documents necessary in a case file and emphasizing documentation on the automated case management system. The automated case management system reflects information indicating that CSSD filed a petition with DC Superior Court on 4/18/10. The case is reviewed for completeness on the day of receipt. The acknowledgement process includes an internal Quality Control (QC) review before filing that is held on the day the case is received. This takes place within the 10 working day requirement and is a part of the standard Interstate acknowledgement process. Any necessary addition or correction to any documentation is identified in the QC review process. Notification is then sent to the initiating state to proceed with the case in the required timeframe.

395173*1 - Child Support Services Division disagrees with the audit finding. In an effort to conserve resources this fiscal year CSSD instituted a paperless initiative. CSSD implemented a new policy to reduce paper usage and waste by limiting the paper documents necessary in a case file and emphasizing documentation on the automated case management system. The automated case management system reflects case note information indicating that CSSD made a request for additional social security information on child from other state on 1/5/10. The case is reviewed for completeness on the day of receipt. The acknowledgement process includes an internal Quality Control (QC) review before filing that is held on the day the case is received. This takes place within the 10 working day requirement and is a part of the standard Interstate acknowledgement process. Any necessary addition or correction to any documentation is identified in the QC review process. Notification is then sent to the initiating state to proceed with the case in the required timeframe.

313379*1 - Child Support Services Division disagrees with the audit finding. In an effort to conserve resources this fiscal year CSSD instituted a paperless initiative. CSSD implemented a new policy to reduce paper usage and waste by limiting the paper documents necessary in a case file and emphasizing documentation on the automated case management system. The automated case management system reflects case note information indicating that CSSD made a request for additional information from other state on 3/3/10. The case is reviewed for completeness on the day of receipt. The acknowledgement process includes an internal Quality Control (QC) review before filing that is held on the day the case is received. This takes place within the 10 working day requirement and is a part of the standard Interstate acknowledgement process. Any necessary addition or correction to any documentation is identified in the QC review process. Notification is then sent to the initiating state to proceed with the case in the required timeframe.

- 2 out of the 45 cases tested, we could not determine what steps were taken in the case due to lack of supporting documentation in the case file

396626*1 - Child Support Services Division disagrees with the audit finding. In an effort to conserve resources this fiscal year CSSD instituted a paperless initiative. CSSD implemented a new policy to reduce paper usage and waste by limiting the paper documents necessary in a case file and emphasizing

documentation on the automated case management system. The automated case management system reflects case note information indicating that CSSD made a request for additional information from other state on 4/28/10. Other state agency did not provide additional information in order to proceed with case processing. Pending closure process initiated on 6/25/10 due to other state's failure to respond. Case closed 8/23/10. The purpose of the Single Audit is not to validate the data on the agency's system, but to determine whether or not paternity/support is established in fact.

154815*1 – Child Support Services Division disagrees with the audit finding. In an effort to conserve resources this fiscal year CSSD instituted a paperless initiative. CSSD implemented a new policy to reduce paper usage and waste by limiting the paper documents necessary in a case file and emphasizing documentation on the automated case management system. The automated case management system reflects case note information indicating that CSSD received a new petition on 9/3/10 and sent an acknowledgment to the other state agency that same day. CSSD requested information form the other state on 9/2910 and the case was placed in a pending closure status. The case ultimately closed due to failure of the other state agency to respond to CSSD request for information

- 1 out of the 45 cases tested, we could not determine whether CSSD requested any missing documentation from the initiating state within 10 working days requirement

395035*1 - Child Support Services Division disagrees with the audit finding. The case is reviewed for completeness on the day of receipt. The acknowledgement process includes an internal Quality Control (QC) review before filing that is held on the day the case is received. This takes place within the 10 working day requirement and is a part of the standard Interstate acknowledgement process. Any necessary documentation is identified in the QC review process. Notification is then sent to the initiating state to proceed with the case in the required timeframe. The QC checklist used for the case review is attached. (See Attachment #1) Purpose of Single Audit is not to validate the data on the agency's system, but to determine whether or not paternity/support established in fact. A support order was established in this case.

- 1 out of the 45 cases tested, CSSD requested missing documentation from the initiating state after 10 working days requirement

313379*1 – Child Support Services Division disagrees with the audit finding. In an effort to conserve resources this fiscal year CSSD instituted a paperless initiative. CSSD implemented a new policy to reduce paper usage and waste by limiting the paper documents necessary in a case file and emphasizing documentation on the automated case management system. The automated case management system reflects information indicating that CSSD missing information from the other state on 3/3/11.

-1 out of 45 cases tested, the case required enforcement action however the agency did not provide evidence enforcement action during FY 2010.

395035*1 - Child Support Services Division disagrees with the audit finding. Interstate Responding test does not include any enforcement provisions; the test is only for establishment and status requests. Purpose of Single Audit is not to validate the data on the agency's system, but to determine whether or not paternity/support established in fact. A support order was established in this case.

KPMG's Response

We have read management's response, and our finding remains as indicated.

Initiating Cases

- 1 out of 50 cases, we noted that the case was sent to the Interstate Unit and UIFSA interview scheduled but noted no other actions taken by the Agency. Thus, we cannot determine procedures based on information provided

395480*1 - Child Support Services Division disagrees with the audit finding. This is not an establishment case. Pre-existing foreign order with NCP in another jurisdiction. Although a UIFSA appointment was scheduled no appointment was necessary. Case properly sent to APM to open obligation and timely processed.

-2 out of 50 cases the Agency could not state with certainty when the petition was sent to the other state. We could not determine if case was sent within 20 day requirement.

397158*1 - Child Support Services Division disagrees with the audit finding. The automated case management system reflects information indicating that CSSD packaged the petition to be sent to the other state agency on 7/22/10 and that the other state agency acknowledge receipt of the petition on 10/21/10. CSSD's documentation of the preparation and packaging to send the petition coupled with the other state agency's acknowledged receipt is certain proof that the package was submitted.

397924*1 - Child Support Services Division disagrees with the audit finding. The automated case management system reflects information indicating that a Quality Control review took place on 8/5/10 for the petition to be sent to the other state agency and on 8/31/10 the other state agency acknowledge receipt of the petition. CSSD's documentation of the preparation of the petition to be sent to the other state agency coupled with the other state agency's acknowledged receipt is certain proof that the package was submitted.

- 6 out of 50 cases, we noted that the case was sent to the Interstate Unit but noted no other actions taken by the Agency. Thus, we cannot determine procedures based on information provided

379963*2 – Agreed, CSSD will not challenge this audit finding.
398267*2 – Agreed, CSSD will not challenge this audit finding.
137510*3 – Agreed, CSSD will not challenge this audit finding.
398223*1 – Agreed, CSSD will not challenge this audit finding.
396756*1 – Agreed, CSSD will not challenge this audit finding.
397791*1 – Agreed, CSSD will not challenge this audit finding.

- 2 out of 50 cases, we noted that the Agency obtained all necessary information needed to process the case but did not refer the case to the other state until past the 20 day requirement

130288*6 - Child Support Services Division disagrees with the audit finding. Per case note information case referred to Interstate 3/17/10, CP appt scheduled 3/22/10 and held 4/1/10. Agency needed more

information from CP but information not provided until 7/8/10 office visit. Update sent to other state on 7/15/10 within 20 days of receiving information needed to proceed. Case notes indicate compliance with timeframes.

395106*1 – Child Support Services Division disagrees with the audit finding. Although case action information indicates agency outside of timelines, per case note information case referred to Interstate 10/27/09, CP interview conducted on 11/18/09 and Quality Control review took place on the same day. The case was sent to the other state agency on 12/09/09. Case notes indicate compliance with timeframes.

-1 out of the 50 initiating cases selected, the documentation provided by the agency was for another case

397654*1 – Child Support Services Division disagrees with the audit finding. In an effort to conserve resources this fiscal year CSSD instituted a paperless initiative. CSSD implemented a new policy to reduce paper usage and waste by limiting the paper documents necessary in a case file and emphasizing documentation on the automated case management system. The documentation in the automated case management system properly identifies the appropriate CP and NCP.

- 2 out of the 50 cases, we noted that the agency improperly closed the case

163581*2 - Child Support Services Division disagrees with the audit finding. Case not improperly closed and correct action taken. Emancipation age is 18 in NCP's jurisdiction (LA). CSSD has identified this "gap" time issue when NCP jurisdiction emancipation age is 18 and DP is under 21. The law of the controlling jurisdiction prevented CSSD from taking action on the case. Case sent to Interstate when DP turned 18. The correct case action taken to close matter. The purpose of the Single Audit is not to validate the data on the agency's system, but to determine whether or not paternity/support is established in fact.

109167*6 – Child Support Services Division disagrees with the audit finding. Case not improperly closed and correct action taken. Non-custodial parent receiving SSI and the custodial parent and non-custodial parent reside together. Case review completed on 6/16/10 and the case was subsequently closed for good cause.

- 1 out of 50 cases, Agency was unable to locate UIFSA documentation. We are not able to determine if information submitted to the other state is the necessary documentation and federally approved interstate forms.

394257*2 – Child Support Services Division disagrees with the audit finding. In an effort to conserve resources this fiscal year CSSD instituted a paperless initiative. CSSD implemented a new policy to reduce paper usage and waste by limiting the paper documents necessary in a case file and emphasizing documentation on the automated case management system. The automated case management system reflects case note information indicating that CSSD appointment set on 4/29/10 and the Quality Control review was completed on 5/17/10. The UIFSA documents packaged 5/19/10 and sent to the other state agency on 5/20/10. An acknowledgement was sent from the other state agency to CSSD on 6/25/10.

-4 out of the 50 initiating cases, once the non-custodial parent was located in another state, the case was not sent to the Interstate Unit in a timely manner

105503*3 - Child Support Services Division disagrees with the audit finding. In an effort to conserve resources this fiscal year CSSD instituted a paperless initiative. CSSD implemented a new policy to reduce paper usage and waste by limiting the paper documents necessary in a case file and emphasizing documentation on the automated case management system. The automated case management system reflects information indicating that the non-custodial parent was located on 11//16/09 and the case was submitted to the Interstate Unit on the same day. The case was eventually placed in a pending closure status on 12/8/09 due to the non-cooperation of the custodial parent.

126896*1 - Child Support Services Division disagrees with the audit finding. In an effort to conserve resources this fiscal year CSSD instituted a paperless initiative. CSSD implemented a new policy to reduce paper usage and waste by limiting the paper documents necessary in a case file and emphasizing documentation on the automated case management system. The automated case management system reflects information indicating that the non-custodial parent was located on 4/2/10 and the case was submitted to the Interstate Unit on 7/16/10. The case was eventually placed in a pending closure status on 7/28/10 due to the non-cooperation of the custodial parent.

115993*2 - Child Support Services Division disagrees with the audit finding. In an effort to conserve resources this fiscal year CSSD instituted a paperless initiative. CSSD implemented a new policy to reduce paper usage and waste by limiting the paper documents necessary in a case file and emphasizing documentation on the automated case management system. The automated case management system reflects information indicating that the non-custodial parent was located on 7/12/10 and the case was submitted to the Interstate Unit on the 8/18/10. The case was eventually placed in a pending closure status on 9/29/10 due to the non-cooperation of the custodial parent.

394257*2 - Child Support Services Division disagrees with the audit finding. In an effort to conserve resources this fiscal year CSSD instituted a paperless initiative. CSSD implemented a new policy to reduce paper usage and waste by limiting the paper documents necessary in a case file and emphasizing documentation on the automated case management system. The automated case management system reflects information indicating that the non-custodial parent was located on 12/10/09 and the case was submitted to the Interstate Unit on 2/17/10. The case was subsequently sent to the other state agency on 5/20/10.

- 3 out of the 50 initiating cases, KPMG was unable to determine if the agency took enforcement action against the custodial parent or began the case closure process when the custodial parent did not appear at the UIFSA interview to verify information that is necessary to be sent to the other state.

397316*1 - Child Support Services Division disagrees with the audit finding. No further action can be taken on the case as custodial parent did not appear for interview. This is a TANF case so it cannot be closed but CSSD does not have enough information to process further. The purpose of the Single Audit is not to validate the data on the agency's system, but to determine whether or not paternity/support is established in fact.

395480*1 - Child Support Services Division disagrees with the audit finding. Not an establishment case. Custodial parent (CP) had existing Florida order and wanted arrears due for period prior to DP adoption by CP's new husband in 9/2009. Adoption decree determined to terminate all obligations of NCP, including arrears as there was no exception for this in the decree. Florida would not reopen their closed

case. CP was told to provide any documentation that the decree was amended and CSSD would pursue the matter. 7/2010, CP has verbally requested to close matter but has not provided written request. CSSD awaiting closure request from CP to proceed with case closure. The purpose of the Single Audit is not to validate the data on the agency's system, but to determine whether or not paternity/support is established in fact.

395489*2 – Agreed, CSSD will not challenge this audit finding.

KPMG's Response

We have read management's response, and our finding remains as indicated.

Finding Number	**2010-56**
Federal Program	**Low Income Housing Energy Assistance Program (LiHEAP) (93.568)**
Federal Award Number	***G-10B1DCLIEA (10/1/09-9/30/11)*** ***G-09B1DCLIEA (10/1/09-9/30/10)***
Federal Agency	**Health and Human Services**
District Department	**Environment**
Compliance Requirement	**Eligibility**

Criteria

The District must maintain documentation showing that each participant met one of the following criteria:

(a) Households in which one or more individuals are receiving Temporary Assistance for Needy Families (TANF), Supplemental Security Income (SSI), food stamps, or certain needs-tested veterans benefits; or
(b) Households with income that do not exceed the greater of 150 percent of the State's established poverty level or 60 percent of the State median income.

The District may establish lower income eligibility criteria, but no household may be excluded solely on the basis of income if the household income is less than 110 percent of the State's poverty level. DDOE may give priority to those households with the highest home energy costs or needs in relation to income (42 USC 8624(b)(2)).

Condition

For 1 out of the 65 participants selected for testing, totaling $802 out of a sample of $42,959, we were unable to conclude whether this participant was eligible to receive assistance for home energy. A number of applicants to the LiHEAP program are considered "homebound," and, as such, cannot report in person to one of the District facilities to apply for the LiHEAP benefits. In such situations, the District will send a field officer to the applicant's home to review the applicant's documentation and determine eligibility as well as applicable benefits.

During our testwork over eligibility of participants, we determined that the only support for the eligibility data for "homebound" applicants was the applicant and field officer's signed certification of accuracy. The field officer does not maintain the documentation used in the eligibility determination; consequently, the District does not retain evidence supporting the eligibility determination for "homebound" applicants. Homebound applicant payments represent approximately 4 percent of the total of all beneficiary payments.

Cause

The District did not follow its standard documentation policies and procedures, because it did not maintain eligibility documentation for "homebound" applicants.

Effect

The lack of proper documentation to support "homebound" eligibility determinations results in an unsupported program disbursement and a questioned cost. It also prevents management from performing a proper quality control review.

Recommendation

We recommend the District enhance its existing policies and procedures by implementing monitoring procedures to ensure that all supporting documentation for each applicant is properly maintained and available for review for "homebound" applicants.

Related Noncompliance

Noncompliance

Questioned Costs

$802

Views of Responsible Officials

A) DDOE was unable to locate one file as requested. Although this is attributed to the relocation of DDOE's LiHEAP service center from one location to two different locations in the city, and the transfer of files to storage facilities, DDOE concurs that record keeping and retention is extremely important and is of the highest priority. In FY 2012, DDOE will implement and enforce the following monitoring and record-keeping controls to ensure that all files are properly maintained, readily accessible, and in compliance with grant requirements:

    1) Ensure that each intake worker collects the required documentation from each client as required by the Federal grant;
    2) Conduct weekly file reviews for completeness, orderliness, and accuracy;
    3) Perform annual comprehensive and systematic file reviews against electronic records of clients who were provided with energy assistance;
    4) Add responsible filing and record keeping as a performance metric for applicable staff;
    5) As necessary, provide training to intake staff on new and enhanced record-keeping methods, and on integrity in record collection and data entry.

B) DDOE's homebound applicants account for approximately 4 percent of our total LiHEAP recipients. In these cases, DDOE's homebound representatives go to the homes of low-income District residents who are chronically ill, disabled, senior citizens, or who are suffering with other conditions that render them homebound. DDOE's approved policy for homebound visits is as follows. DDOE homebound employees must:

    1) Request, receive, and review the relevant eligibility documents;
    2) Extract the pertinent data from the documents for the LiHEAP application form; and
    3) Certify that the documents were indeed physically reviewed and approved. Certification occurs with a signature requirement from both the intake representative and the applicant on a unique DDOE homebound form that was developed for this purpose.

This homebound intake policy is also used in other States. For example, per Idaho's Intake Manual, the policy for homebound applicants is to view the original documents without replicating them, note the income verification documents, and certify via a signature on the application form. Georgia has a similar policy, whereby a document verification form is used to verify that the intake worker saw specific forms of documentation needed to determine income eligibility. This form is then signed by the intake worker and the customer.

DDOE believes that its current intake policy for homebound applicants is sufficient (especially since homebound applicants account for only 4 percent of our total LiHEAP recipients); however, we will consider the purchase of 4 portable scanners at the beginning of FY2012 for the homebound representatives to use when they visit these homes. This will ensure that documentation, in addition to the intake certification form, is retained in each participant's file to support the eligibility determination for all beneficiaries.

Finding Number	**2010-57**
Federal Program	**Low Income Housing Energy Assistance Program (93.568)**
Federal Award Number	***G-10B1DCLIEA (10/1/09-9/30/11)***
	G-09B1DCLIEA (10/1/09-9/30/10)
Federal Agency	**Health and Human Services**
District Department	**Environment**
Compliance Requirement	**Subrecipient Monitoring**

Criteria

Per 31 USC 7502(f)(2)(A), "*Each pass-through entity shall provide such subrecipient the program names (and any identifying numbers) from which such assistance is derived, and the Federal requirements which govern the use of such awards and the requirements of this chapter.*"

Condition

We determined that for two (2) of the four (4) subrecipients who received $550,000 in LiHEAP funds from the District, the CFDA number (94.568) of the grant and the Federal award number (G-10B1DCLIEA) were not included in the subrecipient agreement.

Cause

The District failed to review subrecipient agreements prior to executing them to ensure that the agreements include all required elements in accordance with Federal guidelines.

Effect

The subrecipient entity was not formally notified at the time of award of the appropriate identifying numbers pertaining to the Federal award. Failure to include this required information in the subrecipient agreement results in noncompliance with Federal rules and regulations relating to subrecipient monitoring. It may also result in the subrecipient failing to properly classify such funds as Federal for single audit purposes.

Recommendation

We recommend the District enhance its control policies and procedures to ensure that all appropriate information, including CFDA and grant identifying numbers, are included in subrecipient agreements.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

The District interpreted this Federal requirement to mean that sufficient grant-identifying information should be included in subrecipient agreements, such as the CFDA number (Catalogue of Federal

Domestic Assistance) or the Federal grant number, but not that these specific numbers be included. Rather than these numbers, the District included the specific name of the Federal grant in order to make subrecipients aware of the source of the funds. No negative effects resulted from this usage. However, we will include the CFDA and grant number in new subrecipient agreements signed during FY2012.

Finding Number	**2010-58**
Federal Program	**Community Services Block Grant (CSBG) (93.569, 93.710)**
Federal Award Number	***G10B1DCCOSR (10/1/09-9/30/11)***
	G09B1DCCOSR (10/1/08-9/30/10)
Federal Agency	**Health and Human Services**
District Department	**Human Services**
Compliance Requirement	**Allowable Costs/Cost Principles**

Criteria

Per OMB A-87, Cost Principles for State, Local, and Indian Tribal Governments – Section 8 – *Compensation for Personal Services:*

(1) Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit.
(2) No further documentation is required for the salaries and wages of employees who work in a single indirect cost activity.
(3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semiannually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.
(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation that meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- More than one Federal award
- A Federal award and a non-Federal award
- An indirect cost activity and a direct cost activity
- Two or more indirect activities that are allocated using different allocation bases
- An unallowable activity and a direct or indirect cost activity.

Condition

We identified that one (1) of five (5) CSBG employees did not have an accurate OMB A-87 time and effort certification. Specifically, the CSBG program manager certified that 100 percent of his time and effort was related to the CSBG program; however, we determined that he also works on the DC Father Hood Initiative (CFDA #93.086 – Healthy Marriage Promotion and Responsible Fatherhood Grants). We also determined that another employee certified semiannually that 20 percent of his time was related to the CSBG program; however, actual expenditures charged were 25 percent of his time. Also, as this employee charges time to multiple projects, the employee is required to complete signed activity reports monthly as opposed to semiannually.

Cause

CSBG personnel are not consistently adhering to its established policies and procedures to properly complete the time certification.

Effect

CSBG program expenditures are not in compliance with OMB Circular A-87.

Recommendation

We recommend that the District institute a monitoring control to ensure that the CSBG program is properly recording and reporting time and effort worked on Federal programs in accordance with the guidelines established in OMB Circular A-87

Related Noncompliance

Noncompliance

Questioned Costs

Not determinable

Views of Responsible Officials

Adjusted "Support of Salaries and Wages with Federal Funds" certification on file and forwarded to the auditor on June 9, 2011 as requested to reflect 25 percent time and effort charged to CSBG for employee #2 (Administrator, Family Services Administration);

The Program Manager did not make any significant or consistent deviation from his CSBG role during the period in reference (FY2010) and charged appropriately to CSBG 100 percent of the time.

KPMG's Response

We have read management's response, and our finding remains as indicated.

Finding Number	**2010-59**
Federal Program	**Community Services Block Grant (93.569, 93.710)**
Federal Award Number	***G10B1DCCOSR (10/1/09-9/30/11)***
	G09B1DCCOSR (10/1/08-9/30/10)
Federal Agency	**Health and Human Services**
District Department	**Human Services**
Compliance Requirement	**Cash Management**

Criteria

When entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the Federal government. When funds are advanced, recipients must follow procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement. When advance payment procedures are used, recipients must establish similar procedures for subrecipients. Pass-through entities must establish reasonable procedures to ensure receipt of reports on subrecipients' cash balances and cash disbursements in sufficient time to enable the pass-through entities to submit complete and accurate cash transactions reports to the Federal awarding agency or pass-through entity. Pass-through entities must monitor cash drawdowns by their subrecipients to assure that subrecipients conform substantially to the same standards of timing and amount as apply to the pass-through entity. Interest earned on advances by local government grantees and subgrantees is required to be submitted promptly, but at least quarterly, to the Federal agency. Up to $100 per year may be kept for administrative expenses. Interest earned by non-State nonprofit entities on Federal fund balances in excess of $250 is required to be remitted to Department of Health and Human Services, Payment Management System, P.O. Box 6021, Rockville, MD 20852.

U.S. Department of the Treasury (Treasury) regulations at 31 CFR part 205, which implement the Cash Management Improvement Act of 1990 (CMIA), as amended (Pub. L. No. 101-453; 31 USC 6501 et seq.), require State recipients to enter into agreements that prescribe specific methods of drawing down Federal funds (funding techniques) for selected large programs. The agreements also specify the terms and conditions in which an interest liability would be incurred. Programs not covered by a Treasury-State Agreement are subject to procedures prescribed by Treasury in Subpart B of 31 CFR part 205 (Subpart B). The requirements for cash management are contained in the OMB Circular 102 (Paragraph 2.a.), the A-102 Common Rule , OMB Circular A-110 , Treasury regulations at 31 CFR part 205, Federal awarding agency regulations, and the terms and conditions of the award.

Condition

Two (2) expenditures totaling $487,839, of the 25 expenditures selected for testing, totaling $8,404,051, were disbursed after the request for payment was made.

Cause

DHS management has not properly reviewed the reconciliation of expenditures and revenue to determine that requests for reimbursement are only for disbursed expenditures.

Effect

The District is not complying with the provisions of the CMIA agreement, resulting in noncompliance.

Recommendation

We recommend that the District adhere to existing policies and procedures to ensure that requests are made for reimbursement only for amounts actually paid and in compliance with the terms of the CMIA agreement.

Related Noncompliance

Noncompliance

Questioned Costs

Not determinable

Views of Responsible Officials

DHS agrees with the finding and will ensure that prior to Federal drawdowns, we will confirm and reconcile that all revenue is posted in SOAR.

Finding Number	**2010-60**
Federal Program	**Community Services Block Grant (93.569, 93.710)**
Federal Award Number	***G10B1DCCOSR (10/1/09-9/30/11)***
	G09B1DCCOSR (10/1/08-9/30/10)
Federal Agency	**Health and Human Services**
District Department	**Human Services**
Compliance Requirement	**Reporting**

Criteria

ARRA 1512 reporting through Recovery.gov must be made by the required deadline 10 days after the end of each quarter. Reporting should comprise the best available information at the time available to the recipient of ARRA funds. Should circumstances arise where the information reported to Recovery.gov is no longer accurate, revisions must be made to the data previously submitted. Recovery.gov provides information on the process for recipient reporting and the process by which data can be revised in the *User Guides* published on its Web site. Additionally, OMB's *Updated Guidance on the American Recovery and Reinvestment Act* memo dated March 22, 2010 speaks to the concept of "continuous corrections" whereby entities are expected to revise submitted data:

In January 2010, the Recovery Accountability and Transparency Board (RATB) modified the process for correcting data in FederalReporting.gov by initiating a "continuous corrections" period. Previously, data in FederaIReporting.gov for a given reporting quarter was locked and no longer correctable once the reporting period for that quarter closed and the information was published on Recovery.gov. With a "continuous corrections" period, recipients can correct reported data for the immediately preceding reporting quarter after that reporting quarter has ended and after the data is published on FederaIReporting.gov.

Condition

While performing reporting compliance testwork over the FY2010 CSBG program, we determined that the quarterly American Recovery and Reinvestment Act (ARRA) reports submitted to the Federal government included estimates for subgrantee vendor transactions. Upon full liquidation of all ARRA funding, CSBG management did not update estimated figures to reflect actual amounts expended in the final ARRA reports submitted.

Cause

CSBG program management did not follow established ARRA reporting guidance, as they were not aware that estimated amounts included in the reports needed to be "trued up" to actual results.

Effect

The District's final report regarding the use of CSBG ARRA funding may not be accurate and adequately supported by the accounting records.

Recommendation

We recommend that CSBG program management revise previously submitted ARRA amounts to reflect actual activity and use of ARRA funding. Further, we recommend that CSBG program management review ARRA reporting requirements to ensure that they are familiar with such requirements.

Related Noncompliance

Noncompliance

Questioned Costs

Not determinable

Views of Responsible Officials

Outcomes were reported as actual. The award amount subgranted to the eligible entity is our primary responsibility and was reported accurately. The line items in between were budget amounts to the vendors of the subgrantee and were presented as estimates at the beginning of the ARRA program (April 2009). Actual payouts were the responsibility of the subgrantee and were based on performance.

KPMG's Response

We have read management's response, and our finding remains as indicated. Any amounts reported as estimated should have been updated to actual amounts incurred.

Finding Number	**2010-61**
Federal Program	**Head Start (93.600, 93.708)**
Federal Award Number	***03CH0233/23 (10/1/09-9/30/10)***
	03SE0233/01 (10/1/09-9/30/10)
Federal Agency	**Health and Human Services**
District Department	**District of Columbia Public Schools**
Compliance Requirement	**Allowable Costs/Cost Principles**

Criteria

OMB Circular A-87 – *Cost Principles for State, Local, and Indian Tribal Governments, Attachment B, Paragraph 8.h.(3)* states*:*

Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semiannually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.

Condition

For 5 of 95 selected employees, there were no payroll certifications maintained for the period covering March 28, 2010 through September 30, 2010.

Cause

DCPS is not consistently adhering to its existing policies and procedures requiring that adequate documentation of time and effort certifications for Head Start teachers and staff are properly maintained in accordance with OMB Circular A-87.

Effect

Without adequate adherence to internal controls to ensure that sufficient documentation is maintained, DCPS could not provide certifications for the requested period to validate employee's time for the selected period and, therefore, is not compliant with the time and effort reporting requirements of OMB A-87.

Recommendation

We recommend that the District institute a monitoring control to ensure that DCPS adheres to its existing policies and procedures for obtaining and maintaining the time and effort certifications for Head Start program employees.

Related Noncompliance

None

Questioned Costs

None

Views of Responsible Officials

DCPS concurs that ongoing and consistent application of its policies and procedures related to time and effort certification requirements should be achieved. The Head Start management team will develop a communication plan reiterating to Program Managers the importance of timely completion of time and effort certifications.

Finding Number	**2010-62**
Federal Program	**Head Start (93.600, 93.708)**
Federal Award Number	***03CH0233/23 (10/1/09-9/30/10)***
	03SE0233/01 (10/1/09-9/30/10)
Federal Agency	**Health and Human Services**
District Department	**District of Columbia Public Schools**
Compliance Requirement	**Eligibility**

Criteria

Regulation 45 CFR Section 1305.4 of the Head Start Program Performance Standards provides grantees and delegate agencies with the requirements that must be followed when determining the eligibility of children and their families:

§ 1305.4.b.1 "At least 90 percent of the children who are enrolled in each Head Start program must be from low-income families."

§ 1305.4.b.2 "Except as provided in paragraph (b)(3) of this section, up to ten percent of the children who are enrolled may be children from families that exceed the low-income guidelines but who meet the criteria that the program has established for selecting such children and who would benefit from Head Start services."

§ 1305.4.c "The family income must be verified by the Head Start program before determining that a child is eligible to participate in the program."

§ 1305.4.d "Verification must include examination of any of the following: Individual Income Tax Form 1040, W-2 forms, pay stubs, pay envelopes, written statements from employers, or documentation showing current status as recipients of public assistance."

§ 1305.4.e "A signed statement by an employee of the Head Start program, identifying which of these documents was examined and stating that the child is eligible to participate in the program, must be maintained to indicate that income verification has been made."

Condition

Out of the 95 participants selected for testing, we determined:

- For 16 sampled items, the income verification form was not maintained.
- For six (6) sampled items, the document verification form did not document the family's income.
- For two (2) sampled items, the document verification form was not signed by the Head Start employee.
- For five (5) sampled items, the data entered into the Genesis Earth system did not agree to the information on the forms.

Cause

Controls are not consistently applied to ensure proper record retention of eligibility program requirements.

Effect

Without adherence to existing internal controls and procedures, DCPS may have provided program services to ineligible participants.

Recommendation

We recommend that DCPS adheres to its existing internal controls and procedures to ensure that:

- Income verification is performed and documented for all children enrolled in the program.
- Head Start employees responsible for reviewing eligibility documents sign the documentation verification form to evidence their review.
- The Head Start team should review data entered into the Genesis Earth system to ensure the accuracy and completeness of the data.

Related Noncompliance

Material noncompliance

Questioned Costs

$164,421

Views of Responsible Officials

DCPS concurs with the finding. The enrollment process was revised for the FY2010–2011 school year, and there have been changes made to the income verification procedures. Eligibility documents are now stored electronically, ensuring improved access, and a periodic review of documents has been instituted to ensure greater adherence to existing policies.

Finding Number	**2010-63**
Federal Program	**Head Start (93.600, 93.708)**
Federal Award Number	***03CH0233/23 (10/1/09-9/30/10)***
	03SE0233/01 (10/1/09-9/30/10)
Federal Agency	**Health and Human Services**
District Department	**District of Columbia Public Schools**
Compliance Requirement	**Earmarking**

Criteria

Regulation 45 CFR Section 1305.32 of the Head Start Program Performance Standards provides grantees and delegate agencies with the requirements on the limitations on costs of development and administration of a Head Start program:

§ 1305.32.1.1: "Allowable costs for developing and administering a Head Start program may not exceed 15 percent of the total approved costs of the program, unless the responsible HHS official grants a waiver approving a higher percentage for a specific period of time not to exceed twelve months."

Condition

DCPS does not have documentation that it retains to demonstrate that it monitors compliance with the earmarking requirement that administrative costs cannot exceed 15 percent of total program costs.

Cause

DCPS has not established policies and procedures requiring the periodic monitoring of compliance with the 15 percent administrative costs requirement.

Effect

The District may be noncompliant with the earmarking requirements of the grant.

Recommendation

We recommend that DCPS develop policies and procedures for ensuring that administrative costs do not exceed 15 percent of total program costs to ensure that the analysis performed is reviewed and approved by program management and ensure that such analysis is maintained.

Related Noncompliance

None

Questioned Costs

None

Views of Responsible Officials

DCPS concurs that there are no written procedures in place documenting the activities performed when the monitoring of the administrative costs occurs to ensure that the 15 percent limitation is not exceeded. DCPS will formalize the existing monitoring activities in a policy document and ensure that periodic monitoring of the administrative cost occurs in accordance with that policy.

Finding Number	**2010-64**
Federal Program	**Head Start (93.600, 93.708)**
Federal Award Number	***03CH0233/23 (10/1/09-9/30/10)***
	03SE0233/01 (10/1/09-9/30/10)
Federal Agency	**Health and Human Services**
District Department	**District of Columbia Public Schools**
Compliance Requirement	**Reporting**

Criteria

The Head Start Delegate Agency Agreement (the Delegate) between the District of Columbia Public Schools and the United Planning Organization (UPO), Section 6 – Costs and Payments, indicates:

A. UPO shall reimburse the Delegate for authorized expenditures incurred pursuant to the budget in Appendix B of this agreement according to the following method:

   1. The Delegate shall submit to the UPO Office of Finance and DOPDC, not later than the 15th business day of each month, a certified requisition for payment of expenses, inclusive of non-Federal project cost and authorized children with disabilities expenses, for the prior month on a form that UPO will supply for this purpose. The requisition for payment of expenses should cover the month prior to the one preceding the month payment is requested (i.e., the request for advance payment for March should be accompanied by the expense report for January). All expenses incurred for the approved program must be supported by fully executed contracts, purchase orders, requisitions, bills, or other evidence of obligation consistent with the Delegate's established accounting policies and procedures. The requisition shall state, for each budget expense category: the amount budgeted, expenses incurred during the preceding month, cumulative expenses, and the balance remaining in the budget. The amount payable to the Delegate will be the Delegate's cumulative allowable expenses, less the total amount previously paid to the Delegate pursuant to this Agreement.

Condition

We determined that DCPS is required to submit no later than the 15th day of each month a certified requisition for payment of expenses to UPO. DCPS only submitted a total of five such requisitions to UPO during the 2009–2010 grant year.

Cause

DCPS has not established adequate monitoring procedures to ensure that reimbursement requests are made in accordance with the Delegate agency agreement.

Effect

DCPS is not in compliance with the reporting requirements under the Delegate agency agreement.

Recommendation

We recommend that DCPS establish a regular reporting schedule that requires reimbursement requests to be properly submitted in accordance with the Delegate agency agreement.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

DCPS concurs with the finding. We will establish a regular reporting schedule to ensure that requests for reimbursement are submitted with greater frequency and in accordance with the Delegate agency agreement.

Finding Number	**2010-65**
Federal Program	**Head Start (93.600, 93.708)**
Federal Award Number	***03CH0233/23 (10/1/09-9/30/10)***
	03SE0233/01 (10/1/09-9/30/10)
Federal Agency	**Health and Human Services**
District Department	**District of Columbia Public Schools**
Compliance Requirement	**Reporting**

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Condition

DCPS does not have internal controls in place for review and approval of quarterly ARRA 1512 report submissions. Additionally, DCPS could not provide supporting documentation for expenditure amounts reported in two (2) out of two (2) quarterly submissions selected for testing.

Cause

Policies and procedures have not been established to ensure that adequate documentation of amounts reported in quarterly ARRA 1512 report submissions is maintained, and that the reports are reviewed prior to submission.

Effect

Inadequate policies and procedures to ensure proper documentation is maintained could result in noncompliance with program requirements.

Recommendation

We recommend that DCPS establish policies and procedures to ensure that adequate support for amounts reported in ARRA 1512 reports is maintained. Additionally, we recommend that DCPS review ARRA 1512 reports prior to submission and ensure such review is documented.

Related Noncompliance

None

Questioned Costs

None

Views of Responsible Officials

DCPS concurs with the finding. The amounts included in the reports were based on balances as of the report date, and the documentation necessary to substantiate these balances was not maintained. DCPS will ensure that, going forward, all supporting documentation is appropriately maintained.

Finding Number	**2010-66**
Federal Program	**Foster Care (93.658)**
	Adoption Assistance (93.659)
Federal Awards Number	***1001DC1401 (10/1/09-9/30/11)***
	1001DC1402 (10/1/09-9/30/11)
	0901DC1401 (10/1/08-9/30/10)
	0901DC1402 (10/1/08-9/30/10)
	1001DC1403 (10/1/09-9/30/10)
	1001DC1407 (10/1/09-9/30/10)
Federal Agency	**Health and Human Services**
District Department	**Child and Family Services Agency (CFSA)**
Compliance Requirement	**Allowable Costs/Cost Principles**

Criteria

The A-102 Common Rule requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Condition

Random Moment Sampling (RMS) is used to determine how to allocate administrative costs (nonpersonnel and personnel costs) to CFSA programs. The agency selects a sample of employees, and the employee completes an RMS survey that reports the program, the client file, and activity the employee was working on at that specific time. The employee and the employee's supervisor sign the survey to validate the information reported. While performing allowability compliance testwork over the Foster Care program, we identified the following:

- Five (5) RMS surveys out of 95 sampled were not filled out completely by the employee. Specifically, 2 surveys did not indicate a program or service area the employee was working on in Section I of the survey form, and 3 survey forms did not indicate in Section II an activity that the employee was performing at the time of the RMS survey.

- Three (3) surveys out of 95 sampled were completed by the employee's supervisor without signature from the employee.

- Two (2) surveys out of 95 were not signed by the employee or the employee's supervisor.

- Two (2) surveys out of 95 were signed by the employee's supervisor approximately two (2) months after the employee signed the RMS survey.

Based upon discussion with management, these surveys were not included in the RMS calculation. However, we inspected the data entered for the responses to the surveys by the contractor and determined that complete responses were noted, and the responses were counted in the RMS calculation. Management indicated that the consultant performing the RMS analysis increased the number of survey responses obtained to calculate an accurate RMS rate to allow for instances, such as the ones noted above, where the surveys were not completed properly (and were therefore excluded by the consultant). However, we were unable to verify that the RMS surveys noted above were excluded from the calculation

of the RMS rate and did not impact the accuracy of the RMS rate as the consultant did not provide a copy of the methodology and detailed analysis to the District to support the RMS rate calculation.

Total indirect costs charged in FY2010 to the Foster Care and Adoption Assistance programs were $16,420,554, and $6,356,558, respectively.

Cause

The incomplete surveys were caused by inadequate supervisor review and the lack of adherence to the existing policies and procedures over completion of the RMS surveys. Furthermore, the CFSA was unable to provide adequate documentation to support the RMS methodology used.

Effect

As we were unable to obtain a full understanding of the methodology employed to calculate the RMS rate used to allocate the personnel costs, we are unable to verify the validity and reasonableness of the methodology. As such, personnel costs may not be properly allocated to the Foster Care and Adoption Assistance programs.

Recommendation

We recommend CFSA perform the following:

- Adhere to its established policies and procedures to monitor the RMS process and ensure expenses are being properly allocated to the Foster Care and Adoption Assistance programs.
- Develop and maintain sufficient documentation to support the RMS rate calculated and applied to allocate expenses.

Related Noncompliance

Material noncompliance

Questioned Costs

Not determinable

Views of Responsible Officials

CFSA concurs with the facts of this finding.

Effective October 1, 2010, the agency implemented an automated Web-based RMS system that improves the agency's ability to develop and maintain sufficient documentation of responses to support the RMS rate used to allocate administrative costs to each Federal program. In addition, procedures have been established and distributed that ensure that the RMS is properly completed.

The newly implemented Web-based RMS system requires that participants complete and submit via the RMS Internet Observation Form within 72 hours of the moment. Further, the participant cannot access the RMS Internet Observation Form after the 72-hour time frame; they will receive an error message if they attempt to enter the form after the 72-hour time frame stating, "Observation has expired." This eliminates the possibility of RMS submissions that exceed Federal requirements.

Solid quality controls have been implemented in addition to the time limits. The agency has assigned RMS Coordinators for each administration to provide assistance and support to the RMS process. In addition, the agency validates at least 10 percent of the RMS generated each quarter. CFSA Supervisors validate once an initial response has been recorded electronically. If correction is needed, participants can correct their responses if still within the 72-hour period. Supervisors can print an RMS Control List that lists all samples for their employees for the quarter, as well as a "No Response Report" and "Response Summary by Date Report." Each quarter, Supervisors also must complete the following to ensure accuracy and Federal compliance: update the employee roster, assist with completing nonresponses, complete the sample validation, notify the RMS Administrator if a position becomes vacant during the sample period, and provide training on RMS to employees before they are added to the RMS roster.

The agency is confident that the newly implemented Web-based RMS system, procedures, training, and quality controls will reduce the agency's vulnerability to future findings.

Finding Number	**2010-67**
Federal Program	**Foster Care (93.658)**
	Adoption Assistance (93.659)
Federal Awards Number	***1001DC1401 (10/1/09-9/30/11)***
	1001DC1402 (10/1/09-9/30/11)
	0901DC1401 (10/1/08-9/30/10)
	0901DC1402 (10/1/08-9/30/10)
	1001DC1403 (10/1/09-9/30/10)
	1001DC1407 (10/1/09-9/30/10)
Federal Agency	**Health and Human Services**
District Department	**Child and Family Services Agency**
Compliance Requirement	**Cash Management**

Criteria

According to 45 CFR 95.511(a), *Approval of the Cost Allocation Plan or Plan Amendment*, we noted the following requirement:

> *The Director, DCA, after consulting with the affected Operating Divisions, shall notify the State in writing of his/her findings. This notification will be made within 60 days after receipt of the proposed plan or amendment and shall either: (1) Advise the State that the plan or plan amendment is approved or disapproved, (2) advise the State of the changes required to make the plan or amendment acceptable, or (3) request the State to provide additional information needed to evaluate the proposed plan or amendment. If the DCA cannot make a determination within the 60-day period, it shall so advise the State.*

Condition

The Child and Family Services Agency (CFSA) administers the various Federal programs for which they incur administrative costs. In order to properly allocate such costs to the various programs, CFSA developed and utilizes a Public Assistance Cost Allocation Plan (CAP). The Public Assistance CAP is submitted to the U.S. Department of Health and Human Services (DHHS) for approval. Amendments are made to the original Public Assistance CAP (dated in FY2003) as CFSA's organizational structure changes or when allocation methods change. We obtained a copy of CFSA's Public Assistance CAP and noted no evidence of DHHS's approval.

Cause

No approval has been received from the U. S. Department of Health and Human Services since the initial submission in 2003.

Effect

CFSA may not be following an approved Public Assistance CAP.

Recommendation

We recommend CFSA obtain an approval for its Public Assistance CAP.

Related Noncompliance

None

Questioned Costs

None

Views of Responsible Officials

The agency concurs with the facts of this finding, with the exception noted below. To address this finding, prior to each drawdown, CFSA accounting staff will reconcile the projected revenue draw to expenditures and current drawn revenue already in SOAR to validate the correct amount to be drawn.

With regard to the Auditor's observation that "…drawdown requests are not tracked on an expenditure-by-expenditure basis in order to track when the request for reimbursement was actually submitted for each specific expenditure…," the agency notes that each drawdown is based on actual expenditures recorded in the District's financial management system (SOAR). An adjustment is then made to ensure that the agency does not over-draw funds from the PMS system, pending the submission of the quarterly claims for reimbursement and the quarterly true up noted by the auditor comments above.

KPMG's Response

We have read management's response, and our finding remains as indicated.

Finding Number	**2010-68**
Federal Program	**Foster Care (93.658)**
Federal Awards Number	***1001DC1401 (10/1/09-9/30/11)***
	1001DC1402 (10/1/09-9/30/11)
	0901DC1401 (10/1/08-9/30/10)
	0901DC1402 (10/1/08-9/30/10)
Federal Agency	**Health and Human Services**
District Department	**Child and Family Services Agency**
Compliance Requirement	**Eligibility**

Criteria

According to 45 CFR Part 92.20(b)(2), *Accounting records,* "*Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.*"

According to 42 U.S. Code 671(a)(10), "*The State shall establish or designate [individuals] to be responsible for establishing and maintaining standards for foster family homes and child care institutions which are reasonably in accordance with recommended standards of national organizations concerned with standards for such institutions or homes, including standards related to admission policies, safety, sanitation, and protection of civil rights, provided that the standards so established shall be applied by the State to any foster family home or child care institution receiving funds under the State plan.*"

Furthermore, 42 USC 671(a)(20)(A) through (C) requires criminal records checks, including fingerprint-based checks of national crime information databases (as defined in section 534 (e)(3)(A) of title 28), for any prospective foster parent and any relative guardian before the foster parent may be approved for placement of a child. The code also requires the State to check any child abuse and neglect registry maintained by the State for information on any prospective foster parent and on any other adult living in the home of such a prospective parent, and request any other State in which any such prospective parent or other adult has resided in the preceding five (5) years to enable the State to check any child abuse and neglect registry maintained by such other State for such information before the prospective foster parent may be approved for placement of a child.

Condition

We tested 95 participants, representing disbursed funds totaling $85,949, and noted the following:

- For two (2) participants, we obtained an unsigned copy of the foster parent's license but were not able to obtain a signed/approved copy of the foster parent's licenses.
- For 1 participant, CFSA was unable to provide the license for the foster parent.
- For two (2) participants, we obtained the most recent approved license and determined that it did not cover the service period tested. The client was unable to provide an approved license that covered the service period.
- For 14 participants, we determined that the criminal background check was not valid for the service period.
- For 3 participants, we determined that the child abuse registry check was not valid for the service period.

- For 1 participant, neither the criminal background check nor the child abuse registry check was valid for the service period.
- For 1 participant, no evidence of a child abuse registry check was provided.
- For 1 participant, no evidence of a criminal background check or child abuse registry check was provided.
- For 1 participant, no evidence of licensing, criminal background check, or child abuse registry check was provided.

The exceptions noted above are associated with $29,766 out of $85,949 total costs sampled.

Cause

The District's subrecipient monitoring procedures did not identify that, for the licenses maintained by the Child Placement Agencies (CPAs), the CPA did not retain a copy of the signed license, criminal background check, or child abuse registry check for their records before mailing the original to the foster parent. Additionally, CPAs and CFSA did not conduct criminal background checks and child abuse registry checks on a consistent basis for FY2010.

Effect

If the foster parent does not have a valid license, a valid criminal background check, and/or a valid child abuse registry check for the service period in which the allowable costs was disbursed, the foster care program is not in compliance with the program's requirements, and the costs are no longer allowable for Federal reimbursement by the District.

Recommendation

We recommend that the District require the CPAs to maintain appropriate documentation supporting that the foster parent has a valid license and has passed the criminal background and child abuse registry checks. Further, the District should conduct monitoring visits to these CPAs to ensure that they are adhering to these policies and procedures.

Related Noncompliance

Material noncompliance

Questioned Costs

$29,766

Views of Responsible Officials

The agency concurs with the facts of the findings, but there is an important qualifying point to be made with respect to those that cite criminal background clearances or child protection register checks that "do not cover the service period" (which accounts for 18 of the 21 control testwork findings): It was not until March 26, 2010, almost seven months into the fiscal year, that the Children's Bureau promulgated the governance that required criminal background checks (CBC) and child protection register checks (CPRC) to be specific to a service period. ACYF-CB-PI-10-02 tied Title IV-E eligibility to the licensing and CBC and CPRC standards of the Title IV-E single State agency in each State. The licensing governance of DC

and Maryland require that CFSA and Maryland's child placing agencies (CPA), respectively, obtain CBCs and CPRCs at regular intervals for as long as the foster parents remain active and licensed foster care providers.

Prior to the PI, the only Federal governance on the matter related to Title IV-E was 42 USC 671(a)(20)(A) through (C), which required only that these documents be obtained at the time of initial licensure for *prospective* foster parents. At the time of the Federal Title IV-E Foster Care Eligibility Review in September 2009, the Federal reviewers held CFSA to this standard in determining levels of compliance with Title IV-E. The standards enumerated in DC and Maryland regulation were inapplicable.

The CBCs and CPRCs indicated in the control testwork findings as "not covering the service period" were documents that were invariably dated *prior to the service period* and, hence, met the requirements of 42 USC 671, which was the only governance in effect for over half the fiscal year being audited.

Moreover, following the issuance of ACYF-CB-PI-10-02, CFSA immediately mobilized resources to ensure that licensing practice reflected the local standards that became Title IV-E requirements. For instance, the 14 findings for CBCs that didn't cover the service period involved lapses in FBI CBCs for Maryland foster care providers. In Maryland, local Maryland CBCs are obtained through an automatic transmission process between the CPAs and the Maryland Criminal Justice Information System (CJIS). It is a passive notification system whereby CJIS automatically notifies the CPA if one of its licensed foster care providers has a recent arrest and/or conviction. For some time prior to the PI, the CPAs understood that this passive notification process applied to Federal CBCs as well as the local Maryland CBCs. However, this was not the case. The passive notification system applied only to the local Maryland CBCs.

Following the PI, CFSA became aware of the misconception among the CPA community, clarified the matter with them, and *immediately* required them to bring current the FBI CBC documentation for all of their licensed foster care providers. In the majority of these 14 findings, the issue was a lapse between the Federal CBC check that the CPAs obtained for foster care providers at the time of their initial licensure and the updated CBC check that they obtained following CFSA's clarification and request for immediate corrective action.

Thus, remediation for this particular issue actually occurred within the very same fiscal year.

Finding Number	**2010-69**
Federal Program	**Foster Care (93.658)**
Federal Awards Number	***1001DC1401 (10/1/09-9/30/11)***
	1001DC1402 (10/1/09-9/30/11)
	0901DC1401 (10/1/08-9/30/10)
	0901DC1402 (10/1/08-9/30/10)
Federal Agency	**Health and Human Services**
District Department	**Child and Family Services Agency**
Compliance Requirement	**Subrecipient Monitoring**

Criteria

Regulation 45 CFR Section 92.37, *Subgrants,* require states (1) ensure that every subgrant includes any clauses required by Federal statute and executive orders and their implementing regulations; (2) ensure that subgrantees are aware of requirements imposed upon them by Federal statute and regulation; (3) ensure that a provision for compliance with 45 CFR Section 92.42, *Retention and Access Requirements for Records*, is placed in every cost reimbursement subgrant; and (4) conform any advances of grant funds to subgrantees substantially to the same standards of timing and amount that apply to cash advances by Federal agencies.

According to 2 CFR section 176.50(c), *Award Terms for Assistance Agreements that Include Funds under the American Recovery and Reinvestment Act of 2009, Public Law 111-5, Subpart A – Reporting and Registration Requirements under Section 1512 of the American Recovery and Reinvestment Act of 2009,* recipients and their first-tier recipients must maintain current registrations in the Central Contractor Registration (CCR) (http://www.ccr.gov) at all times during which they have active Federal awards funded by ARRA funds. A Dun and Bradstreet Data Universal Numbering System (DUNS) number (http://www.dnb.com) is one of the requirements for registration in the CCR.

According to 2 CFR section 176.210(c) and (d), *Award Terms for Assistance Agreements that Include Funds under the American Recovery and Reinvestment Act of 2009, Public Law 111-5, Subpart D – Single Audit Information for Recipients of Recovery Act Funds*, recipients agree to separately identify to each subrecipient, and document at the time of the subaward and at the time of disbursement of funds, the Federal award number, CFDA number, and amount of ARRA funds. When a recipient awards ARRA funds for an existing program, the information furnished to subrecipients shall distinguish the subawards of incremental ARRA funds from regular subawards under the existing program.

Condition

Although management performed a detailed analysis of the classification of its Child Placement Agencies (CPAs), the CPAs were inappropriately classified as vendors rather than subrecipients of the Federal awards. As a result, we identified the following issues related to the pass-through of Federal awards to the CPAs that resulted from the misclassification:

- The Catalog of Federal Domestic Assistance (CFDA) title, CFDA number, award name, award number, and name of awarding agency were not present on the CPA agreements.
- There was no evidence that CFSA identified American Recovery and Reinvestment Act (ARRA) awards and applicable requirements to its subrecipients and separately identified to each subrecipient, and documented at the time of the subaward and disbursement of funds, the Federal award number, CFDA number, and the amount of ARRA funds.

- For awards greater than $500,000, we identified no evidence in the contract monitoring files or in the CPAs' contract terms that the CPAs were required to obtain an audit in accordance with OMB Circular A-133 and submit a copy of the report to CFSA, where applicable.
- There was no evidence that CFSA communicated to subrecipients the requirement to register in the Central Contractor Registration (CCR), obtain a DUNS number, and maintain that information. Also, there was no evidence that CFSA determined that subrecipients have current CCR registrations prior to making subawards and performed periodic checks to ensure that subrecipients are updating information, as necessary.

Cause

The District did not identify the CPAs as subrecipients as they did not apply the subrecipient determination guidelines in OMB Circular A-133 properly; therefore, they did not require the CPAs to comply with the additional requirements of being subrecipients or the additional requirements for subrecipients receiving ARRA funding.

Effect

The District is not in compliance with subrecipient requirements for Federal funds and ARRA funds. Furthermore, if the CPAs are unaware that they are subrecipients and as subrecipients have additional requirements to adhere to, the CPAs may use Federal funds inappropriately, potentially causing the District to be in noncompliance with allowable cost requirements.

Recommendation

We recommend CFSA perform the following:

- Properly classify the CPAs as subrecipients and reflect the necessary requirements in the CPAs' contracts
- Update its subrecipient monitoring policies and procedures to monitor the additional requirements, including monitoring findings identified in the CPAs' single audit reports to ensure that the findings are remediated timely.

Related Noncompliance

Material noncompliance

Questioned Costs

None

Views of Responsible Officials

CFSA maintains that the Child Placing Agencies (CPAs) that it contracts with are vendors and not subrecipients.

The management analysis that CFSA provided to KPMG before the audit outlines the many reasons why the vendor classification is appropriate and why the subrecipient classification is inapplicable. CFSA acknowledges that the Federal guidance on the vendor/subrecipient classification leaves room for

interpretation, which is why the agency crafted a thoughtful and well-reasoned defense of its decision to classify the CPAs as vendors.

Federal governance under OMB Circular A-87 states that a subrecipient is an entity that performs one of the following functions on behalf of the Title IV-E single State agency:

1) Determine who is eligible to receive what Federal financial assistance;
– This is inapplicable to the CPAs. CFSA does this.

2) Has its performance measured against whether the objectives of the Federal program are met;
– This is inapplicable to the CPAs. The CPAs bear no direct responsibility for achieving Title IV-E objectives and their performance evaluations are based on adherence to local standards and governance.

3) Has responsibility for programmatic decision making;
– The CPAs do not have direct programmatic decision-making ability.

4) Has responsibility for adherence to applicable Federal program compliance requirements;
– CFSA bears this responsibility exclusively.

5) Uses the Federal Funds to carry out a program of the organization as compared to providing goods or services for a program of the pass-through entity.
– The private agencies provide CFSA with foster care services, just like is done by the various CFSA Administrations under the CFSA Deputy Director for Agency Programs. CFSA remits payment to the CPAs for foster care services for those youth placed in CPA foster family homes. In cases where these youth are Title IV-E eligible, CFSA submits claims for IV-E Federal reimbursement. In cases where the youth are not Title IV-E eligible, CFSA submits no claim and bears the full cost of the foster care payment. The payment to the CPA does not change at all.

In its analysis, which contains greater detail and explanation than the concise summaries above, the agency demonstrated that none of the above conditions applies to the CPAs, and therefore, its classification of the CPAs as vendors is completely justified.

Conversely, given the degree of legal interpretation involved in this matter, CFSA feels that the auditors have not sufficiently demonstrated why it feels that the CPAs are unequivocally subrecipients.

KPMG's Response

We have read management's response, and our finding remains as indicated. Correspondence from HHS indicates that it considers such CPAs subrecipients.

Finding Number	**2010-70**
Federal Program	**Foster Care (93.658)**
Federal Awards Number	***1001DC1401 (10/1/09-9/30/11)***
	1001DC1402 (10/1/09-9/30/11)
	0901DC1401 (10/1/08-9/30/10)
	0901DC1402 (10/1/08-9/30/10)
Federal Agency	**Health and Human Services**
District Department	**Child and Family Services Agency**
Compliance Requirement	**Special Tests and Provisions – R2 – Presentation on the Schedule of Expenditures of Federal Awards and Data Collection Form**

Criteria

The A-102 Common Rule requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Condition

The Child and Family Services Agency (CFSA) administers the Adoption Assistance Title IV-E program for the District. Every quarter, the Adoption Assistance program reports its total expenditures for the quarter on the Foster Care and Adoption Assistance Financial Reports (ACF-IV-E-1) and submits the report to the U.S. Department of Health and Human Services (DHHS). Furthermore, if adjustments are necessary to previously reported amounts, CFSA submits a revised ACF-IV-E-1 Report to DHHS noting the adjustment amounts by cost type (maintenance costs or administrative costs).

During our testwork, we reconciled total Foster Care program expenditures (maintenance costs and administrative costs) to the total expenditures presented on the Schedule of Expenditures of Federal Awards (SEFA) funded by both the American Recovery and Reinvestment Act (ARRA) and non-ARRA funds. We noted that ARRA expenditures were over-reported on the SEFA by $5,994 and non-ARRA expenditures were over-reported on the SEFA by $225,212.

Cause

The District is not consistently adhering to its existing policies and procedures requiring reconciliation of the Federal financial reports to its general ledger.

Effect

Amounts reported to the Federal government may not agree to the accounting records.

Recommendation

We recommend that management establish monitoring controls to ensure that the Federal financial reports are properly reconciled to the accounting records.

Related Noncompliance

Noncompliance

Questioned Costs

Not determinable

Views of Responsible Officials

With regard to ARRA expenditures over-reported on the SEFA by $5,994 and non-ARRA expenditures over-reported on the SEFA by $225,212, when both are compared to the applicable ACF-IV-E-1 reports, the agency concurs with the findings. The Agency Fiscal Officer will review all calculations between the ACF-IV-E-1 reports and the summary tables used in the SEFA reporting to ensure accuracy within 15 days of any ACF IV-E-1 report being submitted to the Federal government.

Finding Number	**2010-71**
Federal Program	**Adoption Assistance (93.659)**
Federal Award Number	***1001DC1403 (10/1/09-9/30/10)***
	1001DC1407 (10/1/09-9/30/10)
Federal Agency	**Health and Human Services**
District Department	**Child and Family Services Agency**
Compliance Requirement	**Allowable Costs/Cost Principles**

Criteria

According to 45 Code of Federal Regulations (CFR) Part 92.20(b)(2), *Accounting records,* "*Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.*"

Condition

We were unable to obtain 1 eligibility file to support 2 allowable costs, totaling $581, out of 70 items, totaling $35,581, to determine that an eligibility determination was initially made and the child was eligible to receive assistance from the program.

Cause

The eligibility file could not be located.

Effect

The lack of appropriate support for expenditures increases the risk of an unallowable cost being charged to the grant, resulting in noncompliance.

Recommendation

CFSA should adhere to its existing policies and procedures to ensure proper maintenance of participant eligibility files to support allowable costs charged to the grant as well as the related eligibility determination.

Related Noncompliance

None

Questioned Costs

$581

Views of Responsible Officials

The agency concurs with the facts of this finding.

The agency was able to produce supporting documentation for 69 of the 70 records being requested (these adoptions were finalized between 1996 and 2010). To ensure that the agency is in compliance with record retention program requirements, a review will be conducted on all physical subsidy records. Subsidy staff will cross-reference FACES data for all recipients of an adoption subsidy with the actual subsidy record being housed in the agency to ensure that a record exists and is maintained for each child receiving an adoption subsidy. Each record will be reviewed to ensure that requisite documentation is included in the record.

The subsidy unit will develop "written" procedures for maintaining subsidy records.

Finding Number	**2010-72**
Federal Program	**Adoption Assistance (93.659)**
Federal Award Number	***1001DC1403 (10/1/09-9/30/10)***
	1001DC1407 (10/1/09-9/30/10)
Federal Agency	**Health and Human Services**
District Department	**Child and Family Services Agency**
Compliance Requirement	**Eligibility**

Criteria

According to 45 CFR Part 92.20(b)(2), *Accounting records, "Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income."*

According to the Social Security Act (Title IV-E) Section 473 (4)(B), *"A payment may not be made pursuant to this section to parents or relative guardians with respect to a child (i) who has attained 18 years of age, or such greater age as the State may elect under section 475(8)(B)(iii); or 21 years of age, if the State determines that the child has a mental or physical handicap which warrants the continuation of assistance; (ii) who has not attained 18 years of age, if the State determines that the parents or relative guardians, as the case may be, are no longer legally responsible for the support of the child; or (iii) if the State determined that the child is no longer receiving any support from the parents or relative guardians, as the case may be…[Furthermore,] parents or relative guardians who have been receiving adoption assistance payments…under this section shall keep the State or local agency administering the program under this section informed of circumstances which would, pursuant to this subsection, make them ineligible for the payments, or eligible for the payments in a different amount."*

Condition

While performing eligibility compliance testwork over the FY2010 Adoption Assistance program, we determined the following:

- For three (3) participants, the FACES system shows that a redetermination response was received in 2010, but CFSA was unable to locate the documents to support the redetermination.

- For one (1) participant, a redetermination letter was never sent to the provider for the selected child during FY2010.

The total sample payments identified were $35,581, and the four (4) participants identified above as exceptions were paid $1,504.

Cause

The completed redetermination forms returned by the foster parents of three (3) of the adopted children were misplaced. In addition, CFSA management confirmed that they did not send a redetermination form for the fourth child.

Effect

Failure to maintain appropriate supporting documentation and failure to complete appropriate redeterminations may result in benefits paid to ineligible participants.

Recommendation

We recommend that the District adhere to its existing policies and procedures to ensure that the status of all adopted children is monitored and that redetermination forms are sent to and completed by foster parents timely.

Related Noncompliance

Noncompliance

Questioned Costs

$1,504

Views of Responsible Officials

The agency does not concur with the facts of this finding.

The District of Columbia government goes beyond what is required by Federal guidelines in the administration of the Title IV-E adoption assistance program, as it relates to the annual subsidy reviews being conducted by the agency. There is no Federal statute that requires an annual review, redetermination, or renewal for Title IV-E adoption assistance. As explained in ACYF-CB-PIQ-98-02 (9/03/98), **Parents** who receive adoption assistance payments,…have a **responsibility** to keep the State or local agency informed of circumstances that would make them ineligible for Title IV-E adoption assistance payments or eligible for assistance payments in a different amount (Section 473 (a) (4) (B) of the Social Security Act). Once a child is determined eligible to receive Title IV-E adoption assistance, the child remains eligible, and the subsidy continues until: (1) the age of 18 (or 21 if the State determines that the child has a mental or physical disability that warrants the continuation of assistance), (2) the State determines that the parent is no longer legally responsible for the support of the child, or (3) the State determines the child is no longer receiving any support from the parents. Social Security Act – section 473(a) (4) (B).

KPMG's Response

We have read management's response, and our finding remains as indicated. The District has not established a monitoring control to ensure compliance with items (2) and (3) indicated in the views of responsible officials above.

Finding Number	**2010-73**
Federal Program	**Adoption Assistance (93.659)**
Federal Award Number	***1001DC1403 (10/1/09-9/30/10)***
	1001DC1407 (10/1/09-9/30/10)
Federal Agency	**Health and Human Services**
District Department	**Child and Family Services Agency**
Compliance Requirement	**Special Tests and Provisions – R2 – Presentation on the Schedule of Expenditures of Federal Awards and Data Collection Form**

Criteria

The A-102 Common Rule requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Condition

The Child and Family Services Agency (CFSA) administers the Adoption Assistance program for the District. Every quarter, the Adoption Assistance program reports its total expenditures for the quarter on the Foster Care and Adoption Assistance Financial Reports (ACF-IV-E-1) and submits the report to the U.S. Department of Health and Human Services (DHHS). Furthermore, if adjustments are necessary to previously reported amounts, CFSA submits a revised ACF-IV-E-1 report noting the adjustment amounts by cost type (maintenance costs or administrative costs) to DHHS.

During our testwork, we reconciled the total Adoption Assistance program expenditures (maintenance costs and administrative costs) to the total expenditures presented on the Schedule of Expenditures of Federal Awards (SEFA) funded by both the American Recovery and Reinvestment Act (ARRA) and non-ARRA funds. We determined that ARRA expenditures were under-reported on the SEFA by $27,883 and non-ARRA expenditures were over-reported on the SEFA by $57,102. Additionally, we determined that non-ARRA expenditures included $342,690 in expenditures that should have been reported in the Guardianship program (93.090).

Furthermore, we also agreed the total expenditures noted on the SEFA to the award amounts on the Adoption Assistance program award letters from DHHS. We determined that the SEFA reflected an amount that was $329,043 greater than the total non-ARRA funds awarded per the award documents. We also noted that there was no evidence of adjustments made by DHHS.

Cause

The District is not consistently adhering to its existing policies and procedures requiring reconciliation of the Federal financial reports to its general ledger.

Effect

Amounts reported to the Federal government may not agree to the accounting records or to the accounting records of the granting agency.

Recommendation

We recommend that management develop monitoring controls to ensure that the Federal financial reports are properly reconciled to the accounting records.

Related Noncompliance

Noncompliance

Questioned Costs

Not determinable

Views of Responsible Officials

With regard to ARRA expenditures under-reported on the SEFA by $27,883 and non-ARRA expenditures over-reported on the SEFA by $57,102, when both are compared to the applicable ACF-IV-E-1 reports, the agency concurs with the findings. As noted above, a significant portion of the discrepancy is due to the inclusion of the Guardianship claiming under the Adoption Assistance grant for the fourth quarter of FY2010. The Agency Fiscal Officer will review all calculations between the ACF-IV-E-1 reports and the summary tables used in the SEFA reporting to ensure accuracy within 15 days of any ACF IV-E-1 report being submitted to the Federal government.

With regard to the SEFA reflecting an amount that was $329,043 greater than the total non-ARRA funds awarded per the award documents, it is noted this is due to the agency decision to claim guardianship subsidies during the fourth quarter of FY2010. Although the agency had secured a State Plan Amendment approval to claim for these subsidies, no formal grant award was sent by the Federal Department of Health and Human Services (DHHS). The agency has worked with DHHS and has received grant awards in FY2011 for guardianship subsidies.

Finding Number	**2010-74**
Federal Program	**Children's Health Insurance Program (93.767)**
Federal Award Number	***82MCHP/10 (10/1/08-9/30/10)***
Federal Agency	**Health and Human Services**
District Department	**Human Services**
Compliance Requirement	**Eligibility**

Criteria

Federal regulations require that the District must retain sufficient evidence to "*Determine whether required eligibility determinations were made, (including obtaining any required documentation/verifications), that individual program participants or groups of participants (including area of service delivery) were determined to be eligible, and that only eligible individuals or groups of individuals participated in the program.*"

Condition

For 12 out of the 30 participants selected for testing, we were unable to conclude whether the participant was eligible to receive assistance for health insurance as supporting documentation could not be located.

Cause

The District did not consistently adhere to its established policies and procedures requiring it to retain documentation supporting participant eligibility.

Effect

The District may make payments to ineligible participants.

Recommendation

We recommend that DHS enhance its policies and procedures to ensure proper documentation is retained in each participant's file to support the eligibility determination for all beneficiaries.

Related Noncompliance

Material noncompliance

Questioned Costs

Not determinable

Views of Responsible Officials

DHS agrees with this finding. However, DHS does not agree that this is material noncompliance. Auditors requested the CHIP sample (on 5/13/11) at the end of the audit period and requested 95 cases; the agency had a limited time to locate these files (one-third of which were made available for the auditor on 5/18/11—within five (5) business days). Moreover, the auditors were unclear about the sample period and did not give credit for eligibility where eligibility documents crossed fiscal years. DHS/IMA has

limited resources in which to search for audit files, due to the major implementation of digitizing all case documents in the Document Imaging System (DIMS), including scanning and tagging new documents as well as boxing up all of the active case files at each Service Center location and sending them to Source Corp to be scanned into DIMS. Each Service Center is in a different stage in the process. Due to the short window to find case records, coupled with the resources needed to scan and index case documents and service clients daily, DHS was not able to meet the time frame required to locate 95 cases.

DHS expects three (3) of the five (5) Service Centers to be converted by October 2011. The remaining two (2) Centers should be fully converted by March 2012. Tracking and monitoring controls are in place and workflows are being established to ensure case documents are scanned, tagged, and indexed to the case record by document group and type. Workflows are also being established to assign and track case actions taken relative to the documents. A copy of the DIMS taxonomy is attached. DHS believes that once the agency has fully implemented the DIMS system, this concern will be remedied.

KPMG's Response

We have read management's response and our findings remain as indicated. Management was unable to locate the participant files.

Finding Number	**2010-75**
Federal Program	**Medicaid (93.775, 93.777, 93.778)**
Federal Award Number	***1005-DC5MAP (10/1/09-9/30/10)***
	1005-DC5ADM (10/1/09-9/30/10)
	1005-DCARRA (10/1/09-9/30/10)
Federal Agency	**Health and Human Services**
District Department	**Health Care Finance**
Compliance Requirement	**Allowable Costs/Cost Principles**

Criteria

Medicaid State Plan: Citation 42 CFR 431.17AT-79-29, Section: 4.7 Maintenance of Records The Medicaid agency maintains or supervises the maintenance of records necessary for the proper and efficient operation of the plan, including records regarding applications, determination of eligibility, the provision of medical assistance, and administrative costs and statistical, fiscal, and other records necessary for reporting and accountability, and retains these records in accordance with Federal requirements. All requirements of 42 CFR 431.17 are met.

Condition

During our allowability testing over personnel service expenditures charged to the Medicaid program, we determined the following:

- For 32 of 95 sample items, DHCF/OFOS were unable to provide any documentation supporting the expenditure. These sample items were for metro benefits paid to employees that are working on the Medicaid program.
- For 1 of 95 sample items, DHS was unable to provide sufficient documentation supporting the expenditure.

Cause

DHCF and OFOS do not consistently maintain readily available documentation relating to costs incurred for employee metro benefits.

Effect

The program is not able to properly support the accuracy and allowability of grant expenditures.

Recommendation

We recommend that the District implement policies and procedures to improve the maintenance of supporting documentation for grant-related expenditures.

Related Noncompliance

None

Questioned Costs

None

Views of Responsible Officials

The metro benefit is administered and all records held by the Office of Financial Operations and Systems and District of Columbia Human Resources. As a result, all records must come from those offices. We disagree with the finding, because the documentation was provided.

In addition, based on the results of the RMS study through the second quarter, it was determined that the Medicaid program expenditures were overstated. As a result, a portion of the charges was transferred out. The exact amount of any adjustment will not be determined until the end of the fourth quarter when all RMS studies are concluded and the correct allocation for each grant is known. At that time, a final adjustment will be made to ensure that the expenditures as reflected in SOAR match the expenditures calculated through the quarterly RMS studies.

KPMG's Response

We have read management's response, and our findings remain as indicated.

Finding Number	**2010-76**
Federal Program	**Medicaid (93.775, 93.777, 93.778)**
Federal Award Number	***1005-DC5MAP (10/1/09-9/30/10)***
	1005-DC5ADM (10/1/09-9/30/10)
	1005-DCARRA (10/1/09-9/30/10)
Federal Agency	**Health and Human Services**
District Department	**Health Care Finance**
Compliance Requirement	**Cash Management**

Criteria

Per 31 CFR section 205.29(b), *"A State must maintain records supporting interest calculations, clearance patterns, Interest Calculation Costs, and other functions directly pertinent to the implementation and administration of this subpart A for audit purposes. A State must retain the records for each fiscal year for three years from the date the State submits its Annual Report, or until any pending dispute or action involving the records and documents is completed, whichever is later…"*

Condition

We determined that, for 14 out of 40 items, there was insufficient detailed documentation supporting the amount of the draw and the date that the providers were paid.

Cause

The process of preparing draw requests involves the use of information systems that are not configured to produce detailed reports of the individual providers paid by provider type or the adjustments made for prior payments.

Effect

There is insufficient detail supporting amounts drawn down from the Medicaid program.

Recommendation

We recommend that the District maintain documentation to specifically identify the amounts paid to each provider through the development of a detailed, system-generated report.

Related Noncompliance

Noncompliance

Questioned Costs

Not determinable

Views of Responsible Officials

We disagree with this finding. The Department of Health Care Finance has provided detail that supports the total payment for each sampled cycle, documentation that supports the draw for the electronic payment (ACH) portion of the total payment, and documentation of any adjustments. The draw for the

check portion is the total net of what was previously drawn for the ACH payments and net of any other adjustments including, but not limited to, drug rebates, reimbursement from commercial insurers for Medicaid payments for their members, and other collections. DHCF's CMIA reports balance to the District's accounting system (SOAR), and there is no issue of questioned costs. Because the draw for the check payment is a net amount, the level of detail of DHCF's backup documentation did not meet the requirements of the test.

Additionally, DHCF can demonstrate with certainty when any provider was paid.

KPMG's Response

We have read management's response, and our findings remain as indicated. Management did not maintain documentation supporting how the cash drawdown amount was derived.

Finding Number	**2010-77**
Federal Program	**HIV Emergency Relief Grant (93.914)**
Federal Award Number	***H89HA00012-20-2 (3/1/09-2/28/11)***
	H8HA00012-19-01 (3/1/09-2/28/11)
Federal Agency	**Health and Human Services**
District Department	**Health**
Compliance Requirement	**Allowable Costs/Cost Principles**

Criteria

OMB Circular A-87 requires recipients of Federal awards to maintain effective controls over the recording and claiming for reimbursement of costs related to a Federal program, and that the accounting treatment applied to those costs be consistently applied among the various Federal programs. Additionally, OMB Circular A-87, B8 (h) requires that the distribution of salaries and related benefits of employees who are assigned to work on multiple activities or cost centers be supported by personnel activity reports or equivalent documentation that meets the standards outlined in B8 (h) (5) of OMB Circular A-87 unless a statistical sampling system or other substitute system has been approved by the cognizant Federal agency. Such documentary support is required in a variety of circumstances such as when employees are assigned to work on multiple Federal award programs. When an employee is assigned to work solely on one Federal program or cost objective, certifications must be prepared at least semiannually certifying to this fact, and must be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.

Condition

For 26 payroll transactions, totaling $32,969, of the 40 payroll transactions tested, totaling $74,882, the employees' time sheets provided by management did not indicate the number of hours worked on the HIV Emergency Relief program; the time sheets only indicated the total hours each employee worked during the payroll cycle, although the employees tested worked on multiple cost objectives. In addition, time and effort certifications were not properly performed in accordance with OMB A-87 for the employees that work on multiple cost objectives.

Cause

Management stated that payroll costs for its personnel are allocated in its in-house PeopleSoft Human Resources/Payroll System based on budgeted percentages at the beginning of the year for what management believes will be the respective employee's level of effort for each cost objective. PeopleSoft calculates and reports payroll costs on the Labor Distribution Report (485 Report) for each employee based on the predetermined allocation for each payroll cycle. However, management did not perform the quarterly comparison of actual costs to the budgeted costs and make the necessary adjustment as required by OMB Circular A-87 B8 (h) when such method is used. In addition, time and effort certifications were not properly performed in accordance with OMB A-87 for the employees that work on multiple cost objectives.

Effect

The District is not compliant with the payroll cost documentation requirements of OMB Circular A-87.

Recommendation

We recommend the District implement a monitoring control to ensure that the Department of Health (DoH) adheres to its existing policies and procedures over documentation of payroll costs.

Related Noncompliance

Material noncompliance

Questioned Costs

Not determinable

Views of Responsible Officials

The current HR Payroll system documents split budget and accounting for all payroll for employees working on multiple grants and funding sources. DoH will enhance these existing controls to establish time distribution monitoring and random sampling to compare hours recorded in PeopleSoft and hours reported on time sheets by personnel assigned across multiple grants or cost objectives. DoH Time Distribution Sheets will be requested by DoH management and will be certified by the employee and responsible supervisor. DoH Human Resources will request and maintain all documentation for each payroll. DoH Office of Grants Management will routinely monitor implementation of this protocol.

Finding Number	**2010-78**
Federal Program	**HIV Emergency Relief Grant (93.914)**
Federal Award Number	***H89HA00012-20-2 (3/1/09-2/28/11)***
	H8HA00012-19-01 (3/1/09-2/28/11)
Federal Agency	**Health and Human Services**
District Department	**Health**
Compliance Requirement	**Level of Effort**

Criteria

Code 42 USC (U.S. Code) 300ff-14(h)(1) requires each political subdivision within eligible metropolitan areas (EMAs) and transitional grant areas (TGAs) to maintain its level of expenditures for HIV-related services to individuals with HIV disease (or, effective with FY2007 awards, core and support services) at a level equal to its level of such expenditures for the preceding fiscal year. Political subdivisions within the EMA or TGA may not use funds received under the HIV grants to maintain the required level of HIV-related services (42 USC 300ff-15(a)(1)(B) and (C)).

According to 42 USC 300ff-14(c)(1), not less than 75 percent of the amount remaining after reserving amounts for EMA or TGA administration and a clinical quality management program shall be used to provide core medical services to eligible individuals in the eligible area (including services regarding the co-occurring conditions of those individuals), unless waived by the Secretary of Health and Human Services (HHS) or his designee.

Also, 42 USC 300ff-14(h)(1) limits EMAs' or TGAs' administrative cost up to 10 percent of the amounts awarded to the EMA or TGA.

Condition

Management was not able to provide documented evidence of periodic review of grant financial status and the reconciliation of budget to actual comparison to track the program's compliance with the level of effort requirement.

Cause

The District has not implemented a policy or procedure requiring that documentation of management review regarding periodic monitoring of compliance with the grant requirements for level of effort be maintained.

Effect

Lack of adequate controls could lead to noncompliance with the level of effort requirements.

Recommendation

We recommend that the District implement policies and procedures requiring documentation of management review of the level of effort calculation be maintained.

Related Noncompliance

Material noncompliance

Questioned Costs

None

Views of Responsible Officials

DoH concurs that there is no documentation of regular review of reconciliation of budget to actual comparison for this requirement, but makes this exception to the facts stated in the finding: DoH and OCFO convene a monthly budget meeting to review total grant expenditures and to monitor qualifying match, level of effort, and earmarking expenditures for all DoH Federal awards with this requirement, effectively ensuring compliance. In addition, a specific documented review is conducted monthly regarding compliance with the "75/25" provision by the Program Manager. DoH will review current procedures and documentation in this area and develop a plan to clearly document monitoring in this area and compliance.

Finding Number	**2010-79**
Federal Program	**HIV Emergency Relief Grant (93.914)**
Federal Award Number	***H89HA00012-20-2 (3/1/09-2/28/11)***
	H8HA00012-19-01 (3/1/09-2/28/11)
Federal Agency	**Health and Human Services**
District Department	**Health**
Compliance Requirement	**Procurement**

Criteria

The D.C. Procurement Practices Act of 1985 and section ST§ 2-303 of the District's procurement policies manual requires a competitive bidding process for its contracts unless the Director of Procurement or the Director's designee determines in writing that noncompetitive negotiation should be used because one of the following conditions exists:

- There is only one (1) source for the required commodity, service, or construction item.
- The contract is for the purchase of real property or interests in real property.
- The contract is with a vendor who maintains a price agreement or schedule with any Federal agency, so long as no contract executed under this provision authorizes a price higher than is contained in the contract between the Federal agency and the vendor.
- The contract is with a vendor who agrees to adopt the same pricing schedule for the same services or goods as that of a vendor who maintains a price agreement or schedule with any Federal agency, if no contract executed under this paragraph authorizes a price higher than is contained in the contract between the Federal agency and the vendor.
- Contracts for the purchase of commodities, supplies, equipment, or construction services that would ordinarily be purchased on a competitive basis when an emergency has been declared pursuant to § 2-303.12.

Condition

For 3 nonsubrecipient contracts, totaling $350,920, of 20 nonsubrecipient contracts tested, totaling $5,344,722, the Office of Contracts and Procurement (OCP) could not provide supporting documentation to verify whether the procurement process was opened and competitive, and there was no documentation provided to justify limitation of competition or the need for sole source selection.

Additionally, for 6 nonsubrecipient contracts, totaling $1,958,722, of 20 nonsubrecipients contracts tested, totaling $5,344,722, OCP could not provide evidence that management checked the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA) to determine that the vendor is not suspended or debarred before the contract was awarded.

Cause

The District is not adhering to its existing policies and procedures to maintain documentation supporting procurement transactions.

Effect

The District did not comply with the requirements with regard to the procurement activities for the HIV Care Formula Program.

Recommendation

We recommend that the District adhere to its existing policies and procedures regarding maintenance of supporting documentation for procurement transactions.

Related Noncompliance

Material noncompliance

Questioned Costs

$2,344,267

Views of Responsible Officials

Thematically, the deficiencies cited in this single audit closely mirror issues reported in the FY2010 Comprehensive Annual Financial Review (CAFR). For the record, our commitment to following through on our remediation action plans remains unchanged. These cited deficiencies are correctable through the same activities defined through the CAFR, which are currently in progress.

On that note, since May 14, 2011, this administration has:

1. Delivered an agency-wide CAFR debrief to all staff and shared lessons learned and remediation action steps with both OCP-dependent and independent agencies with stand-alone procurement operations;
2. Distributed an official memo to Contracting Officers reiterating their responsibilities for maintaining complete and accurate contract files, and the consequences (penalties) for any failures to comply identified through audits and other means, which includes loss of delegated authority, suspension, and/or termination; and
3. Taken the initiative to strengthen the coordination of system upgrades and modifications to our PASS modules through Service Level Agreements (SLAs) and official Change Control procedures, which will facilitate robust electronic contract file management.

Finding Number	**2010-80**
Federal Program	**HIV Emergency Relief Project Grants (93.914)**
Federal Award Number	***H89HA00012-20-2 (3/1/09-2/28/11)***
	H8HA00012-19-01 (3/1/09-2/28/11)
Federal Agency	**Health and Human Services**
District Department	**Health**
Compliance Requirement	**Reporting**

Criteria

The A-102 Common Rule requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Condition

Management was not able to provide documented evidence of review of the annual performance reports submitted to the Health and Resources and Services Administration (HRSA) as required by the grant agreement.

Cause

Management is not adhering to existing policies and procedures requiring management review of the Federal reports submitted for the HIV Emergency Relief Project Grants.

Effect

Lack of adhering to existing policies and procedures could lead to noncompliance with the reporting requirements.

Recommendation

We recommend that management adhere to existing policies and procedures to review all performance and special reports submitted to HRSA to ensure the program's compliance with the reporting requirements, including maintaining documentation evidencing the review performed.

Related Noncompliance

None

Questioned Costs

None

Views of Responsible Officials

DoH concurs that there is no documentation of supervisory review of required progress and special reports submitted to HRSA. HIV/AIDS, Hepatitis, STD, and TB Administration (HAHSTA) has revised its procedures to include generating and maintaining the required documentation. DoH Office of Grants Management will establish a required approval flow and monitor compliance.

Finding Number	**2010-81**
Federal Program	**HIV Care Formula Grant (93.917)**
Federal Award Number	***2X07HA00045-20-00 (4/1/09-3/31/11)***
	2X07HA00045-19 (4/1/09-3/31/11)
Federal Agency	**Health and Human Services**
District Department	**Health**
Compliance Requirement	**Allowable Costs/Cost Principles**

Criteria

HIV Care Formula grant agreement states, *"Funds may not be used for broad scope awareness activities about HIV services which target the general public (poster campaigns for display on public transit, TV or radio public service announcements, etc."*

In addition, the Health Resources and Services Administration (HRSA) of the U.S. Department of Health and Human Services (HHS) Policy Notice 07-06 states, *"The goal of outreach services continues to be to link individuals into care that would ultimately result in ongoing primary care and increased adherence to medication regiments… Broad-based activities such as providing 'leaflets at a subway stop' or 'poster at a bus shelter' would not meet the intent of the law."*

Also, 42 USC 300ff.22 permits HIV Care grant money to be used for support services including outreach programs. The law defines those support services as *"services, subject to the approval of the Secretary, that are needed for individuals with HIV/AIDS to achieve their medical outcomes (such as respite care for persons caring for individuals with HIV/AIDS, outreach services, medical transportation, linguistic services, and referrals for health care and support services."*

In addition, the A-102 Common Rule requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Condition

For 5 transactions, totaling $387,327, of the 95 transactions, totaling $12,958,528, we determined that program funds were used for activities/costs that are unallowed by the grant agreement. Specifically, the funds were used for broad outreach activities such as the development of a Web site to educate the public about the use of condoms and posters displayed in public transit areas to educate the public about HIV. These activities are specifically prohibited in the grant agreement. Since all 5 transactions originated from one vendor, we expanded our testwork by selecting all the expenditures from this vendor and identified two (2) additional exceptions, totaling $103,344.

Cause

Management did not thoroughly review the grant agreement to understand the activities and/or types of costs that are prohibited under the grant. Instead, management referred only to the requirements in 42 USC 300ff and HRSA 2007 amendments to justify the use of the funds for the activities described above.

Effect

The District did not comply with the terms of the grant agreement, resulting in disallowed costs of over $490 thousand.

Recommendation

We recommend that the District review the terms of grant agreements with its cognizant agency to understand the activities that are allowed or unallowed. When there appears to be a conflict between the grant agreement and the law or regulation that established the grant, the District should consult with the cognizant agency to resolve the issue.

Related Noncompliance

Material noncompliance

Questioned Costs

$490,671

Views of Responsible Officials

DoH does not concur with this finding. The expenditures in question are permissible as part of the service category "Health Education and Risk Reduction," which is included as a permissible activity for Ryan White Part B funds. The specific question is the extent to which the social marketing was "targeted" rather than "general." While developing this response, the responsible program leads consulted with HRSA, and DoH can document HRSA concurrence with DoH that this expenditure is a permissible activity under this funding. DoH will request a revised Federal grant agreement for this funding in order to include language that reflects the inclusion of Health Education Risk Reduction activities.

KPMG's Response

We have read management's response, and our findings remain as indicated. No correspondence was obtained by the District until after our inquiries about the allowability of such costs, and no amended grant agreement was obtained during FY2010.

Finding Number	**2010-82**
Federal Program	**HIV Care Formula Grant (93.917)**
Federal Award Number	***2X07HA00045-20-00 (4/1/09-3/31/11)***
	2X07HA00045-19 (4/1/09-3/31/11)
Federal Agency	**Health and Human Services**
District Department	**Health**
Compliance Requirement	**Allowable Costs/Cost Principles**

Criteria

OMB Circular A-87 requires recipients of Federal awards to maintain effective controls over the recording and claiming for reimbursement of costs related to a Federal program, and that the accounting treatment applied to those costs be consistently applied among the various Federal programs. Additionally, OMB Circular A-87, B8 (h) requires that the distribution of salaries and related benefits of employees who are assigned to work on multiple activities or cost centers be supported by personnel activity reports or equivalent documentation that meets the standards outlined in B8 (h) (5) of OMB Circular A-87 unless a statistical sampling system or other substitute system has been approved by the cognizant Federal agency. Such documentary support is required in a variety of circumstances such as when employees are assigned to work on multiple Federal award programs. When an employee is assigned to work solely on one Federal program or cost objective, certifications must be prepared at least semiannually certifying to this fact, and must be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.

Condition

For 2 payroll transactions, totaling $1,276, of 40 payroll transactions tested, totaling $90,855, management charged 1 employee's time to the grant although the employee did not work on the HIV program. Also, for 21 payroll transactions, totaling $35,882, the employees' time sheets provided by management did not indicate the number of hours worked on the HIV Care program; the time sheets only indicated the total hours each employee worked during the payroll cycle, although the employees worked on multiple cost objectives. In addition, time and effort certifications were not properly performed in accordance with OMB A-87 for the employees that work on multiple cost objectives. Consequently, payroll cost actually incurred for the HIV Care program could not be determined.

Cause

The District is not consistently adhering to existing policies and procedures requiring the maintenance of adequate documentation of payroll costs.

Effect

The District did not comply with the requirements of OMB Circular A-87 with regards to the distribution of salary and related benefits charged to the HIV Care program.

Recommendation

We recommend that management institute a monitoring control to ensure that the DoH HIV Care Formula Grant Program adheres to existing policies and procedures to ensure that the distribution of salaries and related benefits of employees who are assigned to work on multiple activities or cost centers is supported by personnel activity reports or equivalent documentation as set forth in OMB Circular A-87.

Related Noncompliance

Material noncompliance

Questioned Costs

$37,158

Views of Responsible Officials

The current HR Payroll system documents split budget and accounting for all payroll for employees working on multiple grants and funding sources. DoH will enhance these existing controls to establish time distribution monitoring and random sampling to compare hours recorded in PeopleSoft and hours reported on time sheets by personnel assigned across multiple grants or cost objectives. DoH Time Distribution Sheets will be requested by DoH management and will be certified by the employee and responsible supervisor. DoH Human Resources will request and maintain all documentation for each payroll. DoH Office of Grants Management will routinely monitor implementation of this protocol.

Finding Number	**2010-83**
Federal Program	**HIV Care Formula Grant (93.917)**
Federal Award Number	***2X07HA00045-20-00 (4/1/09-3/31/11)***
	2X07HA00045-19 (4/1/09-3/31/11)
Federal Agency	**Health and Human Services**
District Department	**Health**
Compliance Requirement	**Cash Management**

Criteria

The Cash Management Improvement Act (CMIA) agreement between the District of Columbia and the U.S. Department of the Treasury requires that established cash management funding techniques be followed when requesting reimbursement of Federal funds. The agreement requires the following:

a) Reimbursements for nonpayroll disbursements require the use of the average clearance funding technique and a clearance pattern of seven (7) days; the amount of the requests shall be for the exact amount of funds disbursed.
b) Reimbursement for payroll expenditures require the use of the modified average clearance funding technique and a clearance pattern of 0 days; the amount of the request shall be for the exact amount of funds disbursed.

Condition

Management was not in compliance with cash management for the HIV Care Program as described in the CMIA agreement between the District of Columbia and the U.S. Department of the Treasury. Specifically, for 6 expenditures, totaling $101,341, out of 95 expenditures, totaling $12,958,528, we determined that management requested and received reimbursement prior to the payment of the expenditure.

Cause

The District is not consistently following established procedures over cash management to ensure that drawdown requests are only submitted for expenditures that were actually paid.

Effect

The District did not comply with the provisions of the CMIA agreement, resulting in noncompliance.

Recommendation

We recommend that the District institute a monitoring control to periodically review documentation supporting cash drawdowns to ensure that it adheres to its established policies and procedures consistent with the CMIA agreement funding techniques.

Related Noncompliance

Noncompliance

Questioned Costs

Not determinable

Views of Responsible Officials

Management concurs with an explanation. At the end of the grant year (9LHATT – YR19), program personnel requested numerous adjustments be made. As a result of these adjustments, matching expenditures with revenue on the CMIA spreadsheet gave the appearance that DoH requested reimbursement before the expenditure was paid.

Finding Number	**2010-84**
Federal Program	**HIV Care Formula Grants (93.917)**
Federal Award Number	***2X07HA00045-20-00 (4/1/09-3/31/11)***
	2X07HA00045-19 (4/1/09-3/31/11)
Federal Agency	**Health and Human Services**
District Department	**Health**
Compliance Requirement	**Eligibility**

Criteria

Code 42 USC 300ff-15(a)(7)(A) defines eligible beneficiaries of HIV Care program as individuals or families of individuals with HIV/AIDS. It states the following:

"To the maximum extent practicable, that –

(A) HIV health care and support services provided with assistance made available under this part will be provided without regard – (i) to the ability of the individual to pay for such services; and (ii) to the current or past health condition of the individual to be served;

(B) such services will be provided in a setting that is accessible to low-income individuals with HIV-disease; and

(C) a program of outreach will be provided to low-income individuals with HIV-disease to inform such individuals of such services;

(8) that the applicant has participated, or will agree to participate, in the statewide coordinated statement of need process where it has been initiated by the State public health agency responsible for administering grants under part B of this subchapter, and ensure that the services provided under the comprehensive plan are consistent with the statewide coordinated statement of need."

Condition

Management was not able to provide documented evidence of supervisory review of the eligibility determination made by the program staff. Also, program personnel do not maintain a checklist to indicate that they obtained and reviewed all the applicable required documents from the applicants before qualifying them for the service.

Cause

Policies and procedures over the documentation of eligibility requirements have not been established sufficiently for the HIV Care Formula Grant.

Effect

Lack of adequate controls could lead to noncompliance with the eligibility requirements.

Recommendation

We recommend that management implement policies and procedures to require supervisory review of the eligibility determinations made by the program staff. The review should be documented. Also, management should develop a checklist of the items needed to qualify for the program benefits and should require the staff to check the items provided by the applicant to qualify for the service.

Related Noncompliance

None

Questioned Costs

None

Views of Responsible Officials

DoH concurs that there is no documentation of supervisory review of eligibility of each client and will revise its procedures to include generating and maintaining the required documentation. DoH senior management will direct HAHSTA program leads to implement the recommended checklist and sampling approach to monitor compliance of eligibility review. DoH Office of Grants Management will be responsible for internal compliance monitoring of this requirement and corrective actions. HAHSTA will select a testing model that is deemed to be satisfactory and in compliance with standards of the Federal agreement.

Finding Number	**2010-85**
Federal Program	**HIV Care Formula Grant (93.917)**
Federal Award Number	***2X07HA00045-20-00 (4/1/09-3/31/11)***
	2X07HA00045-19 (4/1/09-3/31/11)
Federal Agency	**Health and Human Services**
District Department	**Health**
Compliance Requirement	**Level of Effort**

Criteria

Under the grant agreement, the District was required to spend not less than $9,585,885 in local funds toward the HIV Care program in the FY2010 award period.

According to 42 USC 300ff-27, *"The State will maintain HIV-related activities at a level that is equal to not less than the level of such expenditures by the State for the 1-year period preceding the fiscal year for which the State is applying for Title II/Part B funds."*

According to 42 USC 300ff-28(b)(3), the State may not use more than 10 percent of the funds amounts received under the grant for administration.

Condition

Management was not able to provide documented evidence of periodic reviews of grant financial status and the reconciliation of budget to actual comparison to track the program's compliance with the level of effort, matching, and earmarking requirements.

Cause

The District has not implemented a policy or procedure requiring that documentation of management review regarding periodic monitoring of compliance with the grant requirements for level of effort be maintained.

Effect

Lack of adequate controls could lead to noncompliance with the level of effort requirements.

Recommendation

We recommend that the District implement policies and procedures requiring documentation of management review of the level of effort calculation be maintained.

Related Noncompliance

Material noncompliance

Questioned Costs

None

Views of Responsible Officials

DoH concurs that there is no documentation of regular review of reconciliation of budget to actual comparison for this requirement, but makes this exception to the facts stated in the finding: DoH and OCFO convene a monthly budget meeting to review total grant expenditures and to monitor qualifying match, level of effort, and earmarking expenditures for all DoH Federal awards with this requirement, effectively ensuring compliance. In addition, a specific documented review is conducted monthly regarding compliance with the "75/25" provision by the Program Manager. DoH will review current procedures and documentation in this area and develop a plan to clearly document monitoring in this area and compliance.

Finding Number	**2010-86**
Federal Program	**HIV Care Formula Grant (93.917)**
Federal Award Number	***2X07HA00045-20-00 (4/1/09-3/31/11)***
	2X07HA00045-19 (4/1/09-3/31/11)
Federal Agency	**Health and Human Services**
District Department	**Health**
Compliance Requirement	**Procurement**

Criteria

The D.C. Procurement Practices Act of 1985 and section ST§ 2-303 of the District's procurement policies manual requires a competitive bidding process for its contracts unless the Director of Procurement or the Director's designee determines in writing that noncompetitive negotiation should be used because one of the following conditions exists:

- There is only one (1) source for the required commodity, service, or construction item.
- The contract is for the purchase of real property or interests in real property.
- The contract is with a vendor who maintains a price agreement or schedule with any Federal agency, so long as no contract executed under this provision authorizes a price higher than is contained in the contract between the Federal agency and the vendor.
- The contract is with a vendor who agrees to adopt the same pricing schedule for the same services or goods as that of a vendor who maintains a price agreement or schedule with any Federal agency, if no contract executed under this paragraph authorizes a price higher than is contained in the contract between the Federal agency and the vendor.
- Contracts for the purchase of commodities, supplies, equipment, or construction services that would ordinarily be purchased on a competitive basis when an emergency has been declared pursuant to § 2-303.12.

Condition

For one (1) nonsubrecipient contracts/purchase order, totaling $876,385, of six (6) nonsubrecipient contracts/purchase orders tested, totaling $15,991,768, the Office of Contracts and Procurement (OCP) could not provide the procurement files to test the program's compliance with the procurement requirements.

Cause

The District is not consistently adhering to its existing policies and procedures to maintain documentation supporting procurement transactions.

Effect

The District did not comply with the requirements with regard to the procurement activities for the HIV Care Formula Program.

Recommendation

We recommend that the District adhere to its existing policies and procedures regarding maintenance of supporting documentation for procurement transactions.

Related Noncompliance

Material noncompliance

Questioned Costs

$876,385

Views of Responsible Officials

Thematically, the deficiencies cited in this single audit closely mirror issues reported in the FY2010 Comprehensive Annual Financial Review (CAFR). For the record, our commitment to following through on our remediation action plans remains unchanged. These cited deficiencies are correctable through the same activities defined through the CAFR, which are currently in progress.

On that note, since May 14, 2011, this administration has:

1. Delivered an agency-wide CAFR debrief to all staff and shared lessons learned and remediation action steps with both OCP-dependent and independent agencies with stand-alone procurement operations;
2. Distributed an official memo to Contracting Officers reiterating their responsibilities for maintaining complete and accurate contract files, and the consequences (penalties) for any failures to comply identified through audits and other means, which includes loss of delegated authority, suspension, and/or termination; and
3. Taken the initiative to strengthen the coordination of system upgrades and modifications to our PASS modules through Service Level Agreements (SLAs) and official Change Control procedures, which will facilitate robust electronic contract file management.

Finding Number	**2010-87**
Federal Program	**HIV Care Formula Grants (93.917)**
Federal Award Number	***2X07HA00045-20-00 (4/1/09-3/31/11)***
	2X07HA00045-19 (4/1/09-3/31/11)
Federal Agency	**Health and Human Services**
District Department	**Health**
Compliance Requirement	**Reporting**

Criteria

The A-102 Common Rule requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Condition

Management was not able to provide documented evidence of review of the annual performance reports submitted to the Health and Resources and Services Administration (HRSA) as required by the grant agreement.

Cause

Management is not adhering to existing policies and procedures requiring management review of the Federal reports submitted for the HIV Care Formula Grant.

Effect

Lack of adhering to existing policies and procedures could lead to noncompliance with the reporting requirements.

Recommendation

We recommend that management adhere to existing policies and procedures to review all performance and special reports submitted to HRSA to ensure the program's compliance with the reporting requirements, including maintaining documentation evidencing the review performed.

Related Noncompliance

None

Questioned Costs

None

Views of Responsible Officials

DoH concurs that there is no documentation of supervisory review of required progress and special reports submitted to HRSA. HAHSTA has revised its procedures to include generating and maintaining the required documentation. DoH Office of Grants Management will establish a required approval flow and monitor compliance.

Finding Number	**2010-88**
Federal Program	**Homeland Security Grant Cluster (97.067)**
Federal Award Number	***2010-SS-T0-0010 (8/1/10-7/31/13)***
	2009-SS-T9-0085 (8/1/09-7/31/12)
	2008-SS-T8-0035 (9/1/08-8/31/11)
Federal Agency	**Homeland Security**
District Department	**Homeland Security and Emergency Management Agency**
Compliance Requirement	**Procurement**

Criteria

According to **DC Code 1-204.51**, "*Prior to the award of a multiyear contract or a contract in excess of $1,000,000 during a 12-month period, the Mayor or executive independent agency or instrumentality shall submit the proposed contract to the Council for review and approval.*"

Also, **DC Code 2-301.05(G)** states, "*All contracts over a million dollars must go to the Office of the Attorney General (OAG) for a legal sufficiency review*."

According to 27 DCMR, Chapter 12:

1202.2 [1203.2] The documentation in each contract file maintained by the contract office shall be sufficient to constitute a complete history of the transaction for the following purposes:

a) Providing a complete background as a basis for informed decisions at each step of the procurement process;
b) Supporting actions taken;
c) Providing information for reviews and investigations; and
d) Furnishing essential facts in the event of litigation.

Condition

During our testwork over 65 procurement transactions (totaling $7,948,223), we noted the following:

- Three (3) contract files, totaling $1,772,195, were not available for review.
- There was no evidence of competition for two (2) procurement transactions.
- A cost/price analysis was not performed for one (1) procurement transaction.

Cause

The District did not follow its established policies and procedures.

Effect

Failure to follow established policies and procedures may result in unallowable costs being charged to the grant. Further, the District may not get the best price possible for the goods or services procured.

Recommendation

The District should follow its existing policies and procedures to ensure that procurement policies, as prescribed by 27 DCMR, are followed consistently.

Related Noncompliance

Material noncompliance

Questioned Costs

$313,471

Views of Responsible Officials

Thematically, the deficiencies cited in this single audit closely mirror issues reported in the FY2010 Comprehensive Annual Financial Review (CAFR). For the record, our commitment to following through on our remediation action plans remains unchanged. These cited deficiencies are correctable through the same activities defined through the CAFR, which are currently in progress.

On that note, since May 14, 2011, this administration has:

1. Delivered an agency-wide CAFR debrief to all staff and shared lessons learned and remediation action steps with both OCP-dependent and independent agencies with stand-alone procurement operations;
2. Distributed an official memo to Contracting Officers reiterating their responsibilities for maintaining complete and accurate contract files, and the consequences (penalties) for any failures to comply identified through audits and other means, which includes loss of delegated authority, suspension, and/or termination; and
3. Taken the initiative to strengthen the coordination of system upgrades and modifications to our PASS modules through Service Level Agreements (SLAs) and official Change Control procedures, which will facilitate robust electronic contract file management.

Finding Number	**2010-89**
Federal Program	**Homeland Security Grant Program (HSGP) (97.067)**
Federal Award Number	***2010-SS-T0-0010 (8/1/10-7/31/13)***
	2009-SS-T9-0085 (8/1/09-7/31/12)
	2008-SS-T8-0035 (9/1/08-8/31/11)
Federal Agency	**Homeland Security**
District Department	**Homeland Security and Emergency Management Agency**
Compliance Requirement	**Subrecipient Monitoring**

Criteria

The A-102 Common Rule requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Code 31 USC § 7502: U.S. Code – Section 7502 states that each pass-through entity shall 1) provide such subrecipients the program names (and any identifying numbers) from which such assistance is derived, and the Federal requirements that govern the use of such awards; 2) monitor the subrecipient's use of Federal awards through site visits, limited scope audits, or other means; and 3) review the audit of a subrecipient as necessary to determine whether prompt and appropriate corrective action has been taken with respect to audit findings.

Condition

During our testwork over subrecipient monitoring, we determined:

- In 4 instances out of 65, totaling $464,092 and $13,211,798, respectively, subrecipients were reimbursed for expenditures incurred outside of the subgrant period.
- In five (5) instances, the subrecipient grant award was increased on the last day of the grant to reimburse for expenditures incurred during the original grant period.
- The subrecipient report was not available for review for 1 out 65 subrecipient transactions tested, totaling $27,932.
- The report provided for review covered a period other than 2010 for 4 out of 65 subrecipient transactions tested, totaling $1,976,181.
- For 19 out of 65 subrecipient transactions tested, the District did not check whether the subrecipient was debarred or suspended from doing business with the Federal government.

Cause

The District is not consistently adhering to its existing policies and procedures over subrecipient monitoring. Further, the District has not established adequate policies and procedures to ensure that it verifies whether a subrecipient is suspended or debarred.

Effect

Failure to adequately monitor its subrecipients could result in improper costs being charged to the grant program.

Recommendation

We recommend that the District institute a monitoring control to ensure that the Department of Homeland Security is adhering to its existing policies and procedures regarding subrecipient monitoring. Further, we recommend that the District establish a policy to verify that a potential subrecipient is not included on the EPLS.

Related Noncompliance

None

Questioned Costs

None

Views of Responsible Officials

The D.C. Homeland Security and Emergency Management Agency is the State Administrative Agent (SAA) for the HSGP grant. The SAA does not concur with the finding. Our first objection is that item #2 written into the "cause" in the finding discusses recipient debarment/suspension, which is not related in any way to the "conditions" noted in the finding.

The SAA does not concur that four (4) subrecipients were reimbursed for expenditures incurred outside the subgrant period. The SAA provided grant adjustment notices to the audit team that extended these project subgrant periods. The subrecipients met the Federal requirement to obligate funds within the Federal grant period of performance, and the payments were made during the 90-day grant liquidation period.

The SAA does not concur with the finding that five (5) subrecipient status reports were missing, since these projects had completed work before FY2010 began. The SAA provided quarterly status reports for the last reporting period that we required from these subrecipients. The SAA recognizes that the written policy on subrecipient status reports is not entirely clear on this point and will revise its standard operating procedures to clarify what reports are required from subrecipients and in what situations (project closing, etc.) a status report is not required. This revision will prevent future confusion between the SAA and auditors regarding the submission of status reports and the SAA's follow-up responsibility with subrecipients that do not submit reports.

The SAA is open to improving its ability to effectively monitor subrecipients. Currently, the SAA does not process reimbursements for subrecipients that are delinquent on status reports, which has improved the timeliness of status report submission. In addition, the SAA has initiated a schedule of monitoring site visits and phone reports with subrecipients in FY2011 that will enhance our awareness of subrecipient activities, project progress, and ensure compliance with SAA and Federal requirements.

KPMG's Response

We have read management's response, and our findings remain as indicated. The documentation provided to us regarding the four (4) subrecipients indicate that the subrecipients incurred allowable costs in excess of the initial grant award prior to receiving authorization to incur such costs from the District. The District's monitoring controls did not identify this overspending until the last day of the grant award period, indicating an ineffective control.

Finding Number	**2010-90**
Federal Program	**Student Financial Assistance Cluster (84.007, 84.032, 84.033, 84.063, 93.925)**
Federal Award Number	***P007A090836 (7/1/09-6/30/10)*** ***P033A090836 (7/1/09-6/30/10)*** ***P063P101238 (7/1/09-6/30/10)*** ***T08HP13254-01-00 (7/1/09-6/30/10)***
Federal Agency	**Education**
District Department	**University of the District of Columbia**
Compliance Requirement	**Activities Allowed or Unallowed**

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Student Financial Assistance (SFA) funds can be awarded only to students enrolled in eligible programs. Eligible programs are listed on an institution's Eligibility and Certification Approval Report (ECAR). Other programs can be added after the school's most recent certification without obtaining the Department of Education's (ED) approval if they lead to an associate, baccalaureate, professional, or graduate degree or are at least 8 semester hours, 12 quarter hours, or 600 clock hours, and they prepare students for gainful employment in the same or a related occupation of a previously ED-designated eligible program (34 CFR section 600.10(c)(2)).

Condition

For 31 out of 60 student beneficiary payments selected for testing of activities allowed / unallowed, the University was unable to provide documentation supporting the amounts disbursed to the students. These 31 of 60 payments tested totaled approximately $203,714 and $434,164, respectively.

Cause

The University had not developed sufficient policies and procedures to require sufficient documentation be maintained for Institutional Student Information Records (ISIR) student data that was not requested to be verified by the U.S. Department of Education.

Effect

The University may not be able to demonstrate compliance with the student financial assistance program cluster compliance requirements.

Recommendation

We recommend that the University establish policies and procedures that ensure that (1) all ISIR documentation is maintained by University personnel; and (2) student data supporting ISIR data be maintained and readily available for inspection.

Related Noncompliance

Material noncompliance

Questioned Costs

Not determinable

Views of Responsible Officials

We disagree with the scope of this finding. This finding is based on a sample of students that were not on the Report of Students Selected for Verification. Thus, the lack of documents necessary to verify funds disbursed to the students for the sample students used is mischaracterization of the condition of students' files. If the agency had been given sufficient time to produce the report requested, then the sample used would have been accurate.

Further, the University's on-site repository of COD documentation that is used to determine the eligibility for Title IV funds, was been deemed "unreliable." NOTE: Information requested by auditor was unavailable from Department of Education because the aid year is closed. Thus the only source from which we could produce the Institutional Student Information Records (ISIR) information requested was SIS Plus (SIS+). Procedurally, ISIRs are downloaded from COD SIS+. We do not print this information; it is maintained in SIS+ and all financial aid operations (awarding, packaging, verification, etc.) are executed based on this information. Since our staff does not manipulate the information, there is no need to create a hard copy.

The students used as a sample for this test were not selected for verification by the Department of Education. Therefore, these folders may contain seemingly incomplete or extraneous documentation. However, these students may have been selected by the counselor for verification for a variety of reasons: e.g., taxes, proof of income, birth certificate.

Going forward, a revised Policies and Procedures Manual has been created and corresponding operations and procedures have been re-crafted to meet Department of Education regulations, our new Banner student system functionality, and the University's financial aid packaging philosophy.

KPMG's Response

We have read management's response, and our findings remain as indicated. Management has indicated that it has revised its policies and procedures during FY 2011 to ensure that all required documentation is maintained to demonstrate compliance with Department of Education regulations.

Finding Number	**2010-91**
Federal Program	**Student Financial Assistance Cluster (84.007, 84.032, 84.033, 84.063, 93.925)**
Federal Award Number	***P007A090836 (7/1/09-6/30/10)*** ***P033A090836 (7/1/09-6/30/10)*** ***P063P101238 (7/1/09-6/30/10)*** ***T08HP13254-01-00 (7/1/09-6/30/10)***
Federal Agency	**Education**
District Department	**University of the District of Columbia**
Compliance Requirement	**Cash Management**

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

The U. S. Department of Education provides the following to assist institutions in reconciling their internal accounting records with the G5 System. Using their DUNS (Data Universal Numbering System) number, institutions can obtain a G5 External Award Activity Report (https://www.g5.gov/) showing cumulative and detail information for each award. The External Award Activity Report can be created with date parameters (Start and End Dates) and viewed on-line. To view each draw per award, the G5 user may click on the award number to view a display of individual draws for that award.

The *advance* payment method is the most widely used payment method. It permits institutions to draw down Title IV funds prior to disbursing funds to eligible students and parents. The institution's request must not exceed the amount immediately needed to disburse funds to students or parents. A disbursement of funds occurs on the date an institution credits a student's account or pays a student or parent directly with either SFA funds or its own funds. The institution must make the disbursements as soon as administratively feasible, but no later than 3 business days following the receipt of funds. Any amounts not disbursed by the end of the third business day are considered to be excess cash and generally are required to be promptly returned to ED (34 CFR section 668.166(a)(1)). Excess cash includes any funds received from ED that are deposited or transferred to the institution's Federal account as a result of an award adjustment, cancellation, or recovery. However, an excess cash balance tolerance is allowed if that balance: (1) is less than one percent of its prior-year draw-downs; and (2) is eliminated within the next 7 calendar days (34 CFR sections 668.166(a) and (b)). Except for FPL program earnings, interest earnings greater than $250 must be returned to ED (34 CFR section 668.163(c)(4)). Federal Perkins Loans (FPL) earnings are reinvested in the FPL fund (34 CFR section 668.163(c)(1)).

Condition

No documentation was provided or maintained to substantiate the amount drawn down by the University for 1 of 3 PELL cash draws selected for testing totaling $3,810,648.,. Total draw downs tested were $6,476,183.

It was also noted that for 19 of 31 Federal Family Education Loan Program (FFELP) disbursement items tested, representing $73,910 of $122,576, respectively, the University did not make disbursements to the student accounts within 3 days of receiving the EFT from the loan guarantee agency. Additionally, for 5 of 31 FFELP disbursement items tested, representing $20,295 of $122,576, respectively, the University

was unable to provide adequate supporting documentation substantiating the date in which the EFT was received.

Cause

The University did not develop sufficient policies and procedures to require sufficient documentation be maintained to substantiate the amounts drawn down for PELL grants made. Additionally, policies and procedures have not been effectively implemented to ensure timely disbursement of FFELP payments to students.

Effect

The University may not be able to demonstrate compliance with the student financial assistance program cluster compliance requirements.

Recommendation

We recommend that the University develop policies and procedures to maintain sufficient documentation to substantiate the amounts drawn down for PELL grants made, and implement procedures to ensure timely disbursement of FFELP funds to students in accordance with program requirements.

Related Noncompliance

Material noncompliance

Questioned Costs

None

Views of Responsible Officials

The institution will include this requirement in its revised Policies and Procedures Manual that has been created. This new document outlines updated policies, operations and procedures that meet Department of Education regulations, our new Banner student system functionality, and the University's financial aid packaging philosophy.

Finding Number	**2010-92**
Federal Program	**Student Financial Assistance Cluster (84.007, 84.032, 84.033, 84.063, 93.925)**
Federal Award Number	***P007A090836 (7/1/09-6/30/10)*** ***P033A090836 (7/1/09-6/30/10)*** ***P063P101238 (7/1/09-6/30/10)*** ***T08HP13254-01-00 (7/1/09-6/30/10)***
Federal Agency	**Education**
District Department	**University of the District of Columbia**
Compliance Requirement	**Eligibility**

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Awards must be coordinated among the various programs and with other Federal and non-Federal aid (need and non-need based aid) to ensure that total aid is not awarded in excess of the student's financial need (34 CFR section 668.42, FPL, FWS, and FSEOG, 34 CFR sections 673.5 and 673.6; FFEL, 34 CFR section 682.603; Direct Loan, 34 CFR section 685.301; HPSL, PCL, and LDS, 42 CFR section 57.206; NSL, 42 CFR section 57.306(b)).

In the process of a student applying for ED Federal financial aid, an ISIR normally is sent electronically to the institution and a Student Aid Report (SAR) may be sent to the student. The original ISIR or SAR for an award year may contain codes that relate to student eligibility requirements numbers 2, 4, 5, 7, 8, and 12 in Appendix A. If the original ISIR or SAR does not contain codes relating to those eligibility requirements, and the institution has no information indicating otherwise, the student can be considered to have met them. The *ISIR Guide* contains all the ISIR and SAR codes and is available on the Internet at http://www.ifap.ed.gov/ifap/byAwardYear.jsp?type=isirguide.

Condition

For 31 out of 60 students selected for Eligibility testing, representing SFA Title IV payments of $203,714 of 434,164, respectively, the University was unable to provide the ISIR documentation supporting the amounts disbursed to the students. As a result, eligibility of these students could not be appropriately tested and verified.

For the remaining 29 students whose files contained verification data, we were able to perform some aspects of eligibility testing. Those results are summarized below:

1. We noted that the supporting documentation for 1 of 29 students tested received an award amount of $3,960, which is greater than the subsidized loan limit of $3,500 for a dependent.

2. For 20 of 29 students tested, the sum of the PELL grant amount, FFELP unsubsidized amount, and FFELP subsidized amount exceeded the documented need amount. Cumulative overages for the 20 exceptions noted amount to $116,009.

Cause

The University has not developed sufficient policies and procedures to require sufficient documentation be maintained for ISIR student data that was not requested to be verified by the U.S. Department of Education.

Effect

The University may not be able to demonstrate compliance with the student financial assistance program cluster compliance requirements.

Recommendation

We recommend that the University establish policies and procedures that ensure that (1) all ISIR documentation is maintained by University personnel, and (2) student data supporting the ISIR documentation be adequately maintained. In addition, internal controls should be enhanced so to ensure students do not receive financial aid in excess of limitations.

Related Noncompliance

Material noncompliance

Questioned Costs

Not determinable

Views of Responsible Officials

The institution will include this requirement in its revised Policies and Procedures Manual that has been created. This new document outlines updated policies, operations and procedures that meet Department of Education regulations, our new Banner student system functionality, and the University's financial aid packaging philosophy.

Finding Number	**2010-93**
Federal Program	**Student Financial Assistance Cluster (84.007, 84.032, 84.033, 84.063, 93.925)**
Federal Award Number	***P007A090836 (7/1/09-6/30/10)*** ***P033A090836 (7/1/09-6/30/10)*** ***P063P101238 (7/1/09-6/30/10)*** ***T08HP13254-01-00 (7/1/09-6/30/10)***
Federal Agency	**Education**
District Department	**University of the District of Columbia**
Compliance Requirement	**Period of Availability**

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Condition

For 31 out of 60 students selected for testing, the University was unable to provide documentation supporting the amounts disbursed to the students were disbursed within the period of availability.

Cause

The University had not developed sufficient policies and procedures to require sufficient documentation be maintained for ISIR student data that was not requested to be verified by the U.S. Department of Education.

Effect

The University may not be able to demonstrate compliance with the student financial assistance program cluster compliance requirements.

Recommendation

We recommend that the University establish policies and procedures that ensure that (1) all ISIR documentation is maintained by University personnel; and (2) student data supporting ISIR data be maintained and readily available for inspection.

Related Noncompliance

Material noncompliance

Questioned Costs

Not determinable

Views of Responsible Officials

We disagree with the scope of this finding. This finding is based on a sample of students that were not on the Report of Students Selected for Verification. Thus, the lack of documents necessary to verify funds disbursed to the students within the period of availability for the sample students used is mischaracterization of the condition of students' files. If the agency had been given sufficient time to produce the report requested, then the sample used would have been accurate.

Further, the University's on-site repository of COD documentation that is used to determine the eligibility for Title IV funds, was been deemed "unreliable." NOTE: Information requested by auditor was unavailable from Department of Education because the aid year is closed. Thus the only source from which we could produce the Institutional Student Information Records (ISIR) information requested was SIS Plus (SIS+). Procedurally, ISIRs are downloaded from COD SIS+. We do not print this information; it is maintained in SIS+ and all financial aid operations (awarding, packaging, verification, etc.) are executed based on this information. Since our staff does not manipulate the information, there is no need to create a hard copy.

The students used as a sample for this test were not selected for verification by the Department of Education. Therefore, these folders may contain seemingly incomplete or extraneous documentation. However, these students may have been selected by the counselor for verification for a variety of reasons: e.g., taxes, proof of income, birth certificate.

Going forward, a revised Policies and Procedures Manual has been created and corresponding operations and procedures have been re-crafted to meet Department of Education regulations, our new Banner student system functionality, and the University's financial aid packaging philosophy.

KPMG's Response

We have read management's response, and our findings remain as indicated. Management has indicated that it has revised its policies and procedures during FY 2011 to ensure that all required documentation is maintained to demonstrate compliance with Department of Education regulations.

Finding Number	**2010-94**
Federal Program	**Student Financial Assistance Cluster (84.007, 84.032, 84.033, 84.063, 93.925)**
Federal Award Number	***P007A090836 (7/1/09-6/30/10)*** ***P033A090836 (7/1/09-6/30/10)*** ***P063P101238 (7/1/09-6/30/10)*** ***T08HP13254-01-00 (7/1/09-6/30/10)***
Federal Agency	**Education**
District Department	**University of the District of Columbia**
Compliance Requirement	**Reporting**

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Pell Payment Data (OMB No. 1845-0039) - All schools receiving Pell grants submit Pell payment data to the Department through the Common Origination and Disbursement (COD) System. Schools submit Pell origination records and disbursement records to the COD. Origination records can be sent well in advance of any disbursements, as early as the school chooses to submit them for any student the school reasonably believes will be eligible for a payment. A school follows up with a disbursement record for that student no more than 30 days before a disbursement is to be paid (7 days in the case of a school using the just-in-time method). The disbursement record reports the actual disbursement date and the amount of the disbursement. ED processes origination and/or disbursement records and returns acknowledgments to the school. The acknowledgments identify the processing status of each record: Rejected, Accepted with Corrections, and Accepted. In testing the Pell Payment origination and disbursement data, the auditor should be most concerned with the data ED has categorized as accepted or accepted with corrections. Institutions must report student payment data within 30 calendar days after the school makes a payment; or becomes aware of the need to make an adjustment to previously reported student payment data or expected student payment data. Schools may do this by reporting once every 30 calendar days, bi-weekly, weekly or may set up their own system to ensure that changes are reported in a timely manner.

ED Form 646-1, *Fiscal Operations Report and Application to Participate (FISAP) (OMB No. 1845-0030)* - This electronic report is submitted annually to receive funds for the campus-based programs. The school uses the *Fiscal Operations Report* portion to report its expenditures in the previous award year and the *Application to Participate* portion to apply for the following year. FISAPs are required to be submitted by October 1 following the end of the award year (which is always June 30). For example, by October 1, 2010, the institution should submit its FISAP that includes the *Fiscal Operations Report* for the award year ended June 30, 2010 and the *Application to Participate* for the 2011-2012 award year (FPL, FWS, FSEOG 34 CFR section 673.3; *Instruction Booklet for Fiscal Operations Report and Application to Participate*).

Department of Education Recovery Reporting guidance is located at: http://www.ed.gov/policy/gen/leg/recovery/section-1512.html. On this webpage, under the Section *ED Clarifying Guidance on Recovery Act Section 1512 Quarterly Reporting,* see item 3, ED Information for Section 1512 Recipient Reporting for Federal Work-Study Program Funds under the Recovery Act where there are links to memoranda issued by ED regarding FWS and reporting under Section 1512.

Condition

During our testwork over the financial, special, and ARRA 1512 Reporting requirements, we determined the following:

1. For 1 of 29 tested, we noted that the verification status code is missing from the reporting data shown on the COD System.
2. For 1 of 29 tested, we noted that the CPS transaction number on the COD System did not agree with that shown on the SIS+ supporting documentation.
3. The University did not reconcile the amounts reported through the COD System to amounts reported on the SEFA for the year ended September 30, 2010. Further, for 31 out of 60 students selected, the University did not maintain documentation to demonstrate that the University followed up with a disbursement record for that student no more than 30 days before the disbursement was to be paid.
4. Management was able to provide the FISAP and the related supporting documentation for the following programs: FSEOG, FFEL, and FWS. We noted, however, when agreeing the FY2010 expenditures for the PELL program to the SEFA, that there was a difference of $3.8M, which could not be explained by management. The SEFA and general ledger have $4,884,978 listed as total PELL expenditures in FY2010; however, the FISAP shows $8,660,730 for the 2009-2010 award year. No reconciliation was able to be obtained explaining the difference.
5. The University must comply with the ARRA 1512 Reporting requirement as they receive such funds under the Federal Work Study program. Upon inquiry, however, management could not provide support or demonstrate who was accountable for completing the necessary ARRA 1512 Reports.

Cause

The University had not developed sufficient policies and procedures to require sufficient documentation be maintained.

Effect

The University may not be able to demonstrate compliance with the student financial assistance program cluster compliance requirements.

Recommendation

We recommend that the University:

1. Reconcile data and amounts reported through the COD system to the general ledger monthly. We further recommend that the University establish policies and procedures that ensure that all ISIR documentation is maintained by University personnel.

2. Establish policies and procedures to ensure all SFA grant amounts are completely and accurately recorded in the general ledger and the SEFA.

3. Implement policies and procedures to ensure compliance with the ARRA 1512 Reporting requirements, and that adequate supporting documentation is readily available for inspection.

Related Noncompliance

Material noncompliance

Questioned Costs

None

Views of Responsible Officials

1. The named student was not selected for verification by CPS. Therefore, there the "selected for verification status" was not populated in COD. The student reported an income of $1 and the institution selected the student for verification of income. The documentation provided by the student did not change the student's EFC since the student received "in kind" assistance.
2. The named student was paid from COD Transaction #3 on the ISIR received 11/3/2011. We received another ISIR update which resulted in no change to the student's EFC (which was zero) and resulted in no liability.
3. This finding is based on a sample of students that were not on the Report of Students Selected for Verification by COD. Thus, the lack of documents necessary to "demonstrate that the University followed up with a disbursement record for students that was no more than 30 days before the disbursement was to be paid" for the sample students that was actually used is a mischaracterization of the condition of students' files and our operations. If the agency had been given sufficient time to produce the report requested, then the sample used would have been accurate. Additionally, SEFA did not record/capture Stafford Loans because these loans were paid from a third-party.
4. DO NOT CONCUR. There is a reconciliation of the numbers and disbursements, the problem is that the auditors assigned did not request the reconciliation for these programs. Keep in mind that the Academic year begins July 1 and ends June 30, the University's fiscal year begins October 1 and ends September 30, hence you have three months of the fiscal year which are a part of the academic year. The expenditures for the two years should be combined for the total disbursement.
5. DO NOT CONCUR. All quarterly reports have been submitted to the US Department of Education for the ARRA portion of the College Work Study. Copies are available if it is identified what is needed. The inquiry did not include the College Work Study, but Scholarships for Disadvantage Students.

KPMG's Response

We have read management's response, and our findings remain as indicated.

Finding Number	**2010-95**
Federal Program	**Student Financial Assistance Cluster (84.007, 84.032, 84.033, 84.063, 93.925)**
Federal Award Number	***P007A090836 (7/1/09-6/30/10)*** ***P033A090836 (7/1/09-6/30/10)*** ***P063P101238 (7/1/09-6/30/10)*** ***T08HP13254-01-00 (7/1/09-6/30/10)***
Federal Agency	**Education**
District Department	**University of the District of Columbia**
Compliance Requirement	**Special Tests and Provisions – Verification**

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

An institution may participate under an ED-approved Quality Assurance Program (QAP) that exempts it from verifying those applicants selected by the central processor, provided that the applicants do not meet the institution's own verification selection criteria. (20 USC 1094a; HEA section 487A) (*FSA Handbook 2009-2010* Application and Verification Guide, page AVG-82 http://ifap.ed.gov/fsahandbook/attachments/0910AVG.pdf) An institution not participating under an ED-approved QAP is required to establish written policies and procedures that incorporate the provisions of 34 CFR sections 668.51 through 668.61 for verifying applicant information. Such an institution shall require each applicant whose application is selected by the central processor, based on edits specified by ED, to verify the information specified in 34 CFR section 668.56. However, certain applicants are excluded from the verification process as listed in 34 CFR section 668.54(b). The institution is not required to verify the applications of more than 30 percent of its total number of applicants selected by ED (34 CFR section 668.54(a)(2)). The institution shall also require applicants to verify any information used to calculate an applicant's expected family contribution (EFC) that the institution has reason to believe is inaccurate. Generally, the information that must be updated is the number of family members, number of family members attending postsecondary educational institutions, and the applicant's dependency status (34 CFR section 668.55). Information that must be verified or updated is adjusted gross income, U.S. income tax paid, aggregate number of family members in the household, number of family members in the household who are enrolled as at least half-time students in postsecondary educational institutions if that number is greater than one, and untaxed income and benefits including:

- Social security benefits if the institution has reason to believe that those benefits were received and were not reported or were not correctly reported;
- Child support if the institution has reason to believe child support was received;
- U.S. income tax deductions for a payment made to an individual retirement account or Keogh account;
- Interest on tax-free bonds;
- Foreign income excluded from U.S. income taxation if the institution has reason to believe that foreign income was received;

- Earned income credit taken on the applicant's tax return; and

- All other untaxed income subject to U.S. income tax reporting requirements in the base year included on the tax return form, excluding information contained on schedules appended to such forms (34 CFR section 668.56).

Acceptable documentation for the verification is listed in 34 CFR section 668.57.

Condition

During our testwork over the 'Verification' Special Test & Provision, we requested but were not provided in a timely manner a listing of those students selected for verification during the Fall 2009 and Spring 2010 semesters. As a result, we were unable to make an appropriate sample selection and obtain the supporting documentation evidencing that the University performed the required verification procedures for the proper students.

Instead, for the sample of 60 students selected for eligibility testing, we noted evidence of verification in the case files of 29 students. Noting that while many of the student case files with verification documentation maintained therein did not correspond to the name of any student on the subsequently provided listing of those students selected for verification during the Fall 2009 and Spring 2010 semesters, we attempted to test those 29 students to determine whether the University maintained acceptable documentation of verification.

For the 29 students whose documentation was maintained, we determined the following:

- For 1 out of the 29 student files reviewed, we were unable to determine when verification was completed;
- For 6 out of the 29 student files reviewed, the information contained in student file did not agree to reported information in the SIS+;
- For 2 out of the 29 student files reviewed, complete supporting documentation was not provided; and
- For 1 out of the 29 student files reviewed, the student's file did not contain accurate information used for verification.

Cause

The University had not developed sufficient policies and procedures to require sufficient documentation be maintained for ISIR student data that was not requested to be verified by the U.S. Department of Education.

Effect

The University may not be able to demonstrate compliance with the student financial assistance program cluster compliance requirements.

Recommendation

We recommend that the University establish policies and procedures that ensure that (1) all ISIR documentation is maintained by University personnel, and (2) student data supporting ISIR data be maintained.

Related Noncompliance

Material noncompliance

Questioned Costs

None

Views of Responsible Officials

We disagree with the scope of this finding. This finding is based on a sample of students that were not on the Report of Students Selected for Verification. Thus, the lack of documents necessary to verify funds disbursed to the students for the sample students used is mischaracterization of the condition of students' files. If the agency had been given sufficient time to produce the report requested, then the sample used would have been accurate.

Further, the University's on-site repository of COD documentation that is used to determine the eligibility for Title IV funds, was been deemed "unreliable." NOTE: Information requested by auditor was unavailable from Department of Education because the aid year is closed. Thus the only source from which we could produce the Institutional Student Information Records (ISIR) information requested was SIS Plus (SIS+). Procedurally, ISIRs are downloaded from COD SIS+. We do not print this information; it is maintained in SIS+ and all financial aid operations (awarding, packaging, verification, etc.) are executed based on this information. Since our staff does not manipulate the information, there is no need to create a hard copy.

The students used as a sample for this test were not selected for verification by the Department of Education. Therefore, these folders may contain seemingly incomplete or extraneous documentation. However, these students may have been selected by the counselor for verification for a variety of reasons: e.g., taxes, proof of income, birth certificate.

Going forward, a revised Policies and Procedures Manual has been created and corresponding operations and procedures have been re-crafted to meet Department of Education regulations, our new Banner student system functionality, and the University's financial aid packaging philosophy.

KPMG's Response

We have read management's response, and our findings remain as indicated. Management has indicated that it has revised its policies and procedures during FY 2011 to ensure that all required documentation is maintained to demonstrate compliance with Department of Education regulations.

Finding Number	**2010-96**
Federal Program	**Student Financial Assistance Cluster (84.007, 84.032, 84.033, 84.063, 93.925)**
Federal Award Number	***P007A090836 (7/1/09-6/30/10)*** ***P033A090836 (7/1/09-6/30/10)*** ***P063P101238 (7/1/09-6/30/10)*** ***T08HP13254-01-00 (7/1/09-6/30/10)***
Federal Agency	**Education**
District Department	**University of the District of Columbia**
Compliance Requirement	**Special Tests and Provisions – Disbursements To or On Behalf of Students**

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

The payment period for a student enrolled in an eligible program that measures progress in credit hours and has standard academic terms (semesters, trimesters, or quarters), or has non-standard terms that are substantially equal in length is the academic term (34 CFR section 668.4(a)). (Non-standard terms are substantially equal in length if no term is more than 2 weeks of instructional time longer than any other term (34 CFR section 668.4(h))).

Condition

For 31 out of 60 students selected for testing, the University was unable to provide documentation demonstrating that the disbursement was made to the student account within the required timeframe.

Further, for the 29 students whose files contained verification documentation, we reviewed the supporting documentation of the disbursement and determined whether they were made / returned in accordance with required timeframes, and that proper documentation was obtained prior to disbursement. As a result of these tests, we noted the following:

- 16 SFA disbursements (11 PELL and 5 FFELP), corresponding to 16 of 29 students tested, occurred outside the required timeframe;
- Evidence of adherence to the documentation requirements for numerous disbursements of the 29 students tested could not be obtained:
  - *PELL:* We did not receive the Federal Schedule Payment for 28 out 28 sample items.
  - *FFELP:* We did not receive the promissory notes (17 out 17), evidence of interest counseling (17 out 17), verification documentation (1 out 17), check and EFT documentation (17 out 17), and notification letters (17 out 17).

Cause

The University has not developed sufficient policies and procedures to require sufficient documentation be maintained for ISIR student data for those students not requested to be verified by the U.S. Department of Education. Additionally, insufficient supporting documentation is maintained in student files to substantiate that disbursements were made in accordance with regulations.

Effect

The University may not be able to demonstrate compliance with the student financial assistance program cluster compliance requirements.

Recommendation

We recommend that the University establish policies and procedures that ensure that (1) all ISIR documentation is maintained by University personnel, and (2) student data supporting the ISIR documentation be adequately maintained. Additionally, we recommend that internal controls be enhanced so to prevent / detect instances where inadequate documentation is maintained in the student files.

Related Noncompliance

Material noncompliance

Questioned Costs

None

Views of Responsible Officials

The institution will include this requirement in its revised Policies and Procedures Manual that has been created. This new document outlines updated policies, operations and procedures that meet Department of Education regulations, our new Banner student system functionality, and the University's financial aid packaging philosophy.

Finding Number	**2010-97**
Federal Program	**Student Financial Assistance Cluster (84.007, 84.032, 84.033, 84.063, 93.925)**
Federal Award Number	***P007A090836 (7/1/09-6/30/10)*** ***P033A090836 (7/1/09-6/30/10)*** ***P063P101238 (7/1/09-6/30/10)*** ***T08HP13254-01-00 (7/1/09-6/30/10)***
Federal Agency	**Education**
District Department	**University of the District of Columbia**
Compliance Requirement	**Special Tests and Provisions – Return of Title IV Funds**

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV aid earned by the student as of the student's withdrawal date. If the total amount of Title IV assistance earned by the student is less than the amount that was disbursed to the student or on his or her behalf as of the date of the institution's determination that the student withdrew, the difference must be returned to the Title IV programs as outlined in this section and no additional disbursements may be made to the student for the payment period or period of enrollment. If the amount the student earned is greater than the amount disbursed, the difference between the amounts must be treated as a post-withdrawal disbursement (34 CFR sections 668.22(a)(1) through (a)(4)).

Returns of Title IV funds are required to be deposited or transferred into the SFA account or electronic fund transfers initiated to ED or the appropriate FFELP lender as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. Returns by check are late if the check is issued more than 45 days after the institution determined the student withdrew or the date on the canceled check shows the check was endorsed more than 60 days after the date the institution determined that the student withdrew (34 CFR section 668.173(b)).

An institution must determine the withdrawal date for a student who withdraws without providing notification to the institution no later than 30 days after the end of the earlier of the: (1) payment period or period of enrollment, (2) academic year in which the student withdrew, or (3) educational program from which the student withdrew (34 CFR section 668.22(j)).

Condition

During our testwork over the 'Return of Title IV Funds' Special Test and Provision, we determined the following:

- For 6 of the 30 withdrawal forms selected for testing 1) two (2) withdrawal forms were not signed by both the Registrar's staff and the Financial Aid department, and 2) four (4) withdrawal forms were not provided for review.
- For 7 of the 30 student files reviewed, the *Treatment of Title IV Funds when a Student Withdraws from a Credit-Hour Program* form was not provided for review.

Cause

The University has not developed sufficient policies and procedures to require sufficient documentation be maintained and readily available to substantiate that the University is making returns of Title IV funds in the proper amount and in a timely manner and is applying the return of Title IV funds to Federal programs as required.

Effect

The University may not be able to demonstrate compliance with the student financial assistance program cluster compliance requirements.

Recommendation

We recommend that the University establish policies and procedures to ensure that adequate supporting detail is maintained substantiating that the University is making returns of Title IV funds in the proper amount and in a timely manner and is applying the return of Title IV funds to Federal programs as required.

Related Noncompliance

Material noncompliance

Questioned Costs

None

Views of Responsible Officials

The University disagrees with this finding. There is no federal requirement for Financial Aid to sign off on students' withdrawal forms. All documentation requested was provided.

Going forward, a revised Policies and Procedures Manual has been created and corresponding operations and procedures have been re-crafted to meet Department of Education regulations, our new Banner student system functionality, and the University's financial aid packaging philosophy. This non-Federal requirement will be added immediately.

KPMG's Response

We have read management's response, and our findings remain as indicated. There was no evidence of managerial review or approval on withdrawl forms. Management has also indicated that it has revised its policies and procedures during FY 2011 to ensure that all required documentation is maintained to demonstrate compliance with Department of Education regulations.

Finding Number	**2010-98**
Federal Program	**Student Financial Assistance Cluster (84.007, 84.032, 84.033, 84.063, 93.925)**
Federal Award Number	***P007A090836 (7/1/09-6/30/10)*** ***P033A090836 (7/1/09-6/30/10)*** ***P063P101238 (7/1/09-6/30/10)*** ***T08HP13254-01-00 (7/1/09-6/30/10)***
Federal Agency	**Education**
District Department	**University of the District of Columbia**
Compliance Requirement	**Special Tests and Provisions – Student Status Changes**

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Schools must complete and return within 30 days of receipt the Student Status Confirmation Reports (SSCR) sent by ED or a guaranty agency (*OMB No. 1845-0035*). The SSCR is transmitted electronically to National Student Loan Data System (NSLDS). The institution determines how often it receives the SSCR, but the minimum is twice a year. Once received, the institution must update for changes in student status, report the date the enrollment status was effective, enter the new anticipated completion date, and submit the changes electronically through the batch method or the NSLDS web site. Institutions are responsible for timely reporting, whether they report directly or via a third-party servicer. Unless the school expects to complete its next SSCR within 60 days, the school must notify the lender or the guaranty agency within 30 days, if it discovers that a student who received a loan either did not enroll or ceased to be enrolled on at least a half-time basis (FFELP, 34 CFR section 682.610; Direct Loan, 34 CFR section 685.309).

Condition

During our testwork over the 'Student Status Changes' Special Test and Provision pertaining to the FFELP, we noted insufficient NSLDS Enrollment Detail supporting documentation was provided by the University.

Cause

The University has not developed sufficient policies and procedures to require sufficient documentation be maintained and readily available to substantiate that all Student Status Change requirements have been met and recorded accurately in the Enrollment Timeline data.

Effect

The University may not be able to demonstrate compliance with the student financial assistance program cluster compliance requirements.

Recommendation

We recommend that the University establish policies and procedures to ensure that NSLDS Enrollment Detail is maintained so that it can be tested and agreed to students' academic files.

Related Noncompliance

Material noncompliance

Questioned Costs

None

Views of Responsible Officials

The University disagrees with this finding. The institution has checked with the National Student Loan Data System (NSLDS) to ensure they have routinely updated our Clearinghouse Enrollment Transmission Reports. Their records confirm that we have sent regular transmissions of updated information. NOTE: All correspondence is electronic.

Procedurally, Report RTO3292.11 is run to capture the data; the data is electronically transmitted to NSDLS; NSDLS sends a confirmation that the data has been received. If there are errors or discrepancies, NSLDS sends an electronic notification to the institution. Once the institution has corrected the file, and information transmitted to NSLDS then the institution received email confirmation that the records have been updated.

KPMG's Response

We have read management's response, and our findings remain as indicated. Evidence of communications with the NSLDS was not readily available.

Finding Number	**2010-99**
Federal Program	**Student Financial Assistance Cluster (84.007, 84.032, 84.033, 84.063, 93.925)**
Federal Award Number	***P007A090836 (7/1/09-6/30/10)*** ***P033A090836 (7/1/09-6/30/10)*** ***P063P101238 (7/1/09-6/30/10)*** ***T08HP13254-01-00 (7/1/09-6/30/10)***
Federal Agency	**Education**
District Department	**University of the District of Columbia**
Compliance Requirement	**Special Tests and Provisions – Student Loan Repayments**

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

For NSL loans after November 13, 1998, the 10-year repayment period may be extended for 10 years for any student borrower who, during the repayment period failed to make consecutive payments and who, during the last 12 months of the repayment period, has made at least 12 consecutive payments (42 USC 292r(c) and 297b(b)(8) (sections 722(c) and 836(b)(8) of PHSA); Pub. L. No. 105-392, sections 133(a)(2) and 134(a)(3)). Except as required in 42 CFR section 57.210(a), a repayment of a HPSL/PCL/LDS loan must begin one year after the student ceases to be a full-time student. For a NSL loan, repayment must begin 9 months after the student ceases to be a full-time or half-time student, except as required in 42 CFR section 57.310(a). For a FPL loan, the institution must establish a repayment plan. The repayment period begins after an initial grace period of either 6 months or 9 months after the student ceases to be at least a half-time student at an institution of higher education, depending on when the loan was made (34 CFR section 674.31(b)(2)).

Borrowers may be eligible for loan deferments or cancellations under certain circumstances. Examples of when loan payments may be deferred are when the borrower is in certain student statuses at other eligible institutions, employed as a full-time teacher at certain schools, employed full-time in other specified occupations, or serving in the military or as a volunteer in the Peace Corps, ACTION programs (AmeriCorps*VISTA), or other programs deemed to be comparable. FPL loans may be canceled based on full-time employment as a teacher at certain schools or specified fields, other qualifying employment, military or other volunteer service, and death or disability. Cancellation rates (amount of loan that is canceled for each year of qualifying service) for FPL loans vary, depending on the criteria. Specific requirements for deferment and cancellation vary, depending on when the loan was made. To qualify for a deferment or cancellation of an FPL loan, the borrower is required to submit to the institution to which the loan is owed a written request for the deferment or cancellation, with documentation required by the institution, by the date established by the institution, unless it is an in-school deferment. For an in-school deferment, the institution may grant the deferment based on student enrollment information showing that a borrower is enrolled as a regular student on at least a half-time basis, if the institution notifies the borrower of the deferment and of the borrower's option to cancel the deferment and continue paying on the loan. Loans under the HPSL/PCL/LDS or NSL programs may be cancelled only in the event that the borrower dies or becomes disabled.

Condition

During our testwork over the 'Student Loan Repayments' Special Test and Provision, we were not provided a population of loans entering repayment during the year under audit in a timely manner.

Cause

The University has not developed sufficient policies and procedures to require sufficient documentation be maintained and readily available to substantiate that all Student Loan Repayment requirements have been met and that conversion to repayment and development of a repayment plan was established in a timely manner.

Effect

The University may not be able to demonstrate compliance with the student financial assistance program cluster compliance requirements.

Recommendation

We recommend that the University establish policies and procedures to ensure that Student Loan Repayment documentation is maintained substantiating compliance with student financial assistance program cluster compliance requirements.

Related Noncompliance

Material noncompliance

Questioned Costs

None

Views of Responsible Officials

Our servicer has to build the report as an ad hoc report based on what the auditor's asked for. These reports were on queue to be run, but once the auditors declined receipt of any more documentation, this was no longer considered as needed.

KPMG's Response

We have read management's response, and our findings remain as indicated. Further, the requested report is of such a nature that it should be readily available and not needed to be produced on an "ad hoc" basis.

Finding Number	**2010-100**
Federal Program	**Student Financial Assistance Cluster (84.007, 84.032, 84.033, 84.063, 93.925)**
Federal Award Number	***P007A090836 (7/1/09-6/30/10)*** ***P033A090836 (7/1/09-6/30/10)*** ***P063P101238 (7/1/09-6/30/10)*** ***T08HP13254-01-00 (7/1/09-6/30/10)***
Federal Agency	**Education**
District Department	**University of the District of Columbia**
Compliance Requirement	**Special Tests and Provisions – Institutional Eligibility**

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

a. An institution is not eligible to participate in Title IV programs if for the *award year* (year ending June 30) that ended during the institution's fiscal year (34 CFR section 600.7):

   (1) More than 50 percent of its courses were correspondence courses;
   (2) 50 percent or more of its regular students (i.e., students enrolled for the purpose of obtaining a degree, certificate or diploma) were enrolled in correspondence courses;
   (3) 25 percent or more of its regular students were incarcerated;
   (4) More than 50 percent of its regular students were enrolled as "ability-to benefit students," i.e., without a high school diploma, the recognized equivalent *and* the institution did not provide a 4- or 2-year program for which it awards a bachelor's or associate degree, respectively.

   The Higher Education Reconciliation Act of 2005 (Section 8002 of Pub. L. No. 109-171) modified the term correspondence courses to specifically exclude courses offered by telecommunications. This change was effective July 1, 2006. "Correspondence programs" and "Telecommunication programs" are defined in 34 CFR section 600.2.

Condition

During our testwork over the 'Institutional Eligibility' Special Test and Provision, we noted the following:

1. Insufficient supporting documentation was provided by the University to substantiate that no more than 25 percent of its regular students were incarcerated; and

2. Insufficient supporting documentation was provided by the University to evidence that no more than 50 percent of its regular students were enrolled as "ability-to benefit students;"

Cause

The University has not developed sufficient policies and procedures to require sufficient documentation be maintained and readily available to substantiate that all Institutional Eligibility requirements have been met.

Effect

The University may not be able to demonstrate compliance with the student financial assistance program cluster compliance requirements.

Recommendation

We recommend that the University establish policies and procedures to ensure that (1) data substantiating the number of incarcerated students enrolled is maintained, and (2) data substantiating the number of "ability-to benefit students" enrolled is maintained.

Related Noncompliance

Material noncompliance

Questioned Costs

None

Views of Responsible Officials

The institution will include this requirement in its revised Policies and Procedures Manual that has been created. This new document outlines updated policies, operations and procedures that meet Department of Education regulations, our new Banner student system functionality, and the University's financial aid packaging philosophy.

Government of the District of Columbia

Summary Schedule of Prior Audit Findings
and Management's Corrective Action Plan
Year Ended September 30, 2010

Finding Number	Program Name	Type of Finding	Program CFDA Number	Current Status
Department of Health Care Finance (DHCF)				
2009-07	**US Dept of HHS** Medical Assistance Program Cluster and ARRA Med Assistance Program	Allowable Costs: Escheated Warrants	93.775, 93.778	Corrected.
2009-08	**US Dept of HHS** Medical Assistance Program Cluster and ARRA Med Assistance Program	Allowable Costs: Drug Rebates	93.775, 93.778	Corrected.
2009-09	**US Dept of HHS** Children's Health Insurance Program	Cash Management	93.767	Corrected.
2009-10	**US Dept of HHS** Medical Assistance Program Cluster and ARRA Med Assistance Program	Cash Management	93.775, 93.778	Corrected.
2009-11	**US Dept of HHS** Children's Health Insurance Program	Eligibility	93.767	Partially Corrected. As the agency moves closer toward a paperless system, the reliance upon hard copy records for holding documents will diminish, with electronic filing and maintenance of documents being primarily supported through the functionality of ACEDS and the new Document Imaging Management System (DIMS).
2009-12	**US Dept of HHS** Medical Assistance Program Cluster and ARRA Med Assistance Program	Eligibility	93.775, 93.778	Partially Corrected. Digitization of the case records and scanning of all incoming documents will further support the case record maintenance improvements.

Finding Number	Program Name	Type of Finding	Program CFDA Number	Current Status
2009-13	**US Dept of HHS** Medical Assistance Program Cluster and ARRA Med Assistance Program	Eligibility: Medicaid Eligibility Quality Control (MEQC)	93.775, 93.778	Corrected.
Department of Health (DOH)				
2009-14	**US Dept of Housing & Urban Development** Housing Opportunities for Persons With AIDS	Cash management: Funding Technique	14.241	Partially Corrected. The time period between the approval of the IDIS data by HUD to the time drawdowns are initiated and received range from one to three days which is within the CMIA clearance pattern of 7 days. DOH will submit a revision to the CMIA to outline the unique draw requirements of this grant.
2009-15	**US Dept of HHS** Public Health Emergency Preparedness	Cash management: Funding Technique	93.069	Partially Corrected. Program officials are collaborating with CDC to determine when this restriction can be lifted Management is also in the process of amending the CMIA agreement to include language that reflects that this grant operates on a manual drawdown pattern and therefore, cannot be held to the rigid requirements of the pre-established CMIA agreement.
2009-16	**US Dept of HHS** HIV Emergency Relief Project Grants	Cash management: Funding Technique	93.914	Partially Corrected. Program officials are collaborating with CDC to determine when this restriction can be lifted Management is also in the process of amending the CMIA agreement to include

Finding Number	Program Name	Type of Finding	Program CFDA Number	Current Status
				language that reflects that this grant operates on a manual drawdown pattern and therefore, cannot be held to the rigid requirements of the pre-established CMIA agreement.
2009-17	**US Dept of HHS** HIV Care Formula Grants	Cash management: Funding Technique	93.917	Partially Corrected. See Agency Response Above.
2009-18	**US Dept of HHS** HIV Prevention Activities	Cash management: Funding Technique	93.940	Partially Corrected. See Agency Response Above.
2009-19	**US Dept of HHS** Healthy Start Initiative	Eligibility	93.926	Partially Corrected. CHA's Healthy Start Initiative program utilizes operational policies and procedures (P&Ps) to provide services to eligible participants. It is the program's goal that a copy of these P&Ps is distributed to all applicable staff and staff members adhere to them.
2009-20	Not Used			
2009-21	**US Dept of HHS** Public Health Emergency Preparedness	Procurement, Suspension and Debarment	93.069	Partially Corrected. Throughout FY 2010 and into early FY 2011, the implementation phases will progress, beginning with and continuing to include: (1) defining the user requirements; (2) customizing & developing the system; (3) conducting user testing; and (4) implementation (which includes both a communication and training plan for users). Equally critical to the successful

Finding Number	Program Name	Type of Finding	Program CFDA Number	Current Status
				implementation of the ACC module and full remediation of this finding will be the migration of the current and active contracts from OCP and the independent agencies into PASS.
Department of Disability Services (DDS)				
2009-22	**US Dept of Education** Vocational Rehabilitation Cluster & ARRA – Rehabilitation Svcs- Vocational Rehabilitation Grants to States	Cash management: Funding Technique	84.126, 84.390	Corrected. .
2009-23	**Social Security Administration** Social Security – Disability Insurance	Cash management: Funding Technique	96.001	Corrected.
2009-24	**US Dept of Education** Vocational Rehabilitation Cluster & ARRA – Rehabilitation Svcs- Vocational Rehabilitation Grants to States	Eligibility	84.126, 84.390	Partially Corrected. The new policy and procedures manual was approved by the State Rehabilitation Council and employee training on the manual was in the first quarter of FY 2011. Also, effective July 2011, the Federal Compliance unit within the agency will initiate random sample audits for eligibility compliance and provide monthly reports for follow-up and oversight.

Finding Number	Program Name	Type of Finding	Program CFDA Number	Current Status
2009-25	**US Dept of Education** Vocational Rehabilitation Cluster & ARRA – Rehabilitation Svcs- Vocational Rehabilitation Grants to States	Procurement, Suspension and Debarment	84.126, 84.390	Corrected.
2009-26	**Social Security Administration** Social Security – Disability Insurance	Procurement, Suspension, and Debarment	96.001	Corrected.
2009-27	**Social Security Administration** Social Security – Disability Insurance	Reporting	96.001	Corrected.
Office of the Attorney General (OAG)				
2009-28	**US Dept of HHS** Child Support Enforcement	Cash Management: Funding Technique	93.563	Partially Corrected. The funding technique was changed in the FY2011 Treasury State Agreement. OAG conducts ongoing reviews of its policies and procedures so that improvements/compliance with the CMIA agreement can be achieved.
2009-29	**US Dept of HHS** Child Support Enforcement	Procurement, Suspension, and Debarment	93.563	Partially Corrected. OCP is responsible for the finding. While OCP remains responsible for procuring goods and services on behalf of OAG's Child Support Enforcement Program, OAG will continue to diligently work with OCP in an effort to ensure that it adheres to all applicable Federal laws and regulations and to avoid

Finding Number	Program Name	Type of Finding	Program CFDA Number	Current Status
				future similar audit findings.
2009-30	**US Dept of HHS** Child Support Enforcement	Special Tests and Provisions: Provision of Child Support Services for Interstate Initiating Cases	93.563	Corrected.
2009-31	**US Dept of HHS** Child Support Enforcement	Special Tests and Provisions: Establishment of Paternity and Support Obligations	93.563	Corrected.
2009-32	Not Used			
District of Columbia Public Schools (DCPS)				
2009-33	**US Dept of HHS** Head Start (Direct Funding)	Allowable Costs: Indirect Cost Activities	93.600	Corrected.
2009-34	**US Dept of HHS** Head Start (Direct Funding)	Cash Management	93.600	Corrected.
2009-35	Not Used			
2009-36	**US Dept of HHS** Head Start (Direct and Pass-through Funding)	Matching, Level of Effort, Earmarking	93.600	Corrected.
2009-37	**US Dept of HHS** Head Start (Direct and Pass-through Funding)	Period of Availability	93.600	Corrected.
2009-38	**US Dept of HHS** Head Start (Pass-through Funding)	Reporting	93.600	Corrected.
2009-39	**US Dept of HHS** Head Start (Pass-through Funding)	Subrecipient Monitoring	93.600	Corrected.
2009-40	**US Dept of HHS** Head Start (Direct and Pass-through Funding)	Special Tests and Provisions: Governing Body Composition	93.600	Corrected.
2009-41	Not Used			

Finding Number	Program Name	Type of Finding	Program CFDA Number	Current Status
2009-42	Not Used			
Child and Family Services Agency (CFSA)				
2009-43	**US Dept of HHS** Foster Care – Title IV-E and ARRA – Foster Care – Title IV-E	Allowable Costs: Indirect Cost Activities	93.658	Corrected.
2009-44	**US Dept of HHS** Adoption Assistance and ARRA - Adoption Assistance	Allowable Costs: Indirect Cost Activities	93.659	Corrected.
2009-45	**US Dept of HHS** Foster Care – Title IV-E and ARRA – Foster Care – Title IV-E	Cash Management: Funding Technique	93.658	Corrected.
2009-46	**US Dept of HHS** Adoption Assistance and ARRA - Adoption Assistance	Cash Management: Funding Technique	93.659	Corrected.
2009-47	**US Dept of HHS** Foster Care – Title IV-E and ARRA – Foster Care – Title IV-E	Eligibility	93.658	Corrected.
2009-48	**US Dept of HHS** Adoption Assistance and ARRA - Adoption Assistance	Eligibility	93.659	Corrected.
2009-49	**US Dept of HHS** Foster Care – Title IV-E and ARRA – Foster Care – Title IV-E	Procurement, Suspension, and Debarment	93.658	Corrected.
2009-50	**US Dept of HHS** Foster Care – Title IV-E and ARRA – Foster Care – Title IV-E	Subrecipient Monitoring	93.658	Partially Corrected. Under the leadership of the new CFSA Contracts Administrator, internal protocols and procedures have been or are being

Finding Number	Program Name	Type of Finding	Program CFDA Number	Current Status
				implemented and documented to strengthen internal management and controls. The Administrator has received the requirements related to ARRA funding and will develop monitoring controls to ensure adherence with the requirements from this finding.
Department of Human Services (DHS)				
2009-51	**US Dept of HHS** Temporary Assistance for Needy Families (TANF)	Allowable Costs: Indirect Cost Activities	93.558	Corrected.
2009-52	**US Dept of HHS** Temporary Assistance for Needy Families (TANF)	Allowable Costs: Nonpayroll Activities	93.558	Partially Corrected. DHS plans to reimburse District agencies based on expenditures and proper documentation rather than advance funds for goods and services for the TANF program. This will improve processes and procedures to ensure that proper documentation is maintained and safeguarded relating to expenditures for the TANF program.
2009-53	**US Dept of HHS** Supplemental Nutrition Assistance Program Cluster & ARRA - Supplemental Nutrition Assistance Program	Cash Management: Funding Technique	10.551, 10.561	Corrected.
2009-54	**US Dept of HHS** Temporary Assistance for Needy Families (TANF)	Cash Management: Funding Technique	93.558	Corrected.

Finding Number	Program Name	Type of Finding	Program CFDA Number	Current Status
2009-55	**US Dept of HHS** Community Services Block Grant & ARRA-Community Services Block Grant	Cash Management: Funding Technique	93.569	Corrected.
2009-56	**US Dept of HHS** Temporary Assistance for Needy Families (TANF)	Eligibility	93.558	Partially Corrected. DHS has convened a work group tasked with revising and enhancing the current combined benefits application form to be more comprehensive. The application will include a targeted question requiring TANF applicants to certify/verify that he/she or any member in their household are not fleeing felons or found guilty of a felony.
2009-57	**US Dept of HHS** Supplemental Nutrition Assistance Program Cluster & ARRA - Supplemental Nutrition Assistance Program	Procurement, Suspension, and Debarment	10.551, 10.561	Partially Corrected. Throughout FY 2010 and into early FY 2011, the implementation phases will progress, beginning with and continuing to include: (1) defining the user requirements; (2) customizing & developing the system; (3) conducting user testing; and (4) implementation (which includes both a communication and training plan for users). Equally critical to the successful implementation of the ACC module and full remediation of this finding will be the migration of the current and active contracts from OCP and the independent agencies into PASS.

Finding Number	Program Name	Type of Finding	Program CFDA Number	Current Status
2009-58	**US Dept of HHS** Temporary Assistance for Needy Families (TANF)	Procurement, Suspension, and Debarment	93.558	Corrected.
2009-59	**US Dept of HHS** Temporary Assistance for Needy Families (TANF)	Reporting	93.558	Corrected.
2009-60	**US Dept of HHS** Temporary Assistance for Needy Families (TANF)	Subrecipient Monitoring	93.558	Corrected.
2009-61	**US Dept of HHS** Temporary Assistance for Needy Families (TANF)	Special Tests and Provisions: Child Support Non-Cooperation	93.558	Partially Corrected. To ensure that documentation is properly maintained, safeguarded, and available for review, IMA has created a Case Record Management Unit (CRMU) in each Service Center to improve the maintenance and safeguarding of documents. In addition, IMA will soon be utilizing a document imaging system that is expected to improve IMA's ability to maintain and safeguard documents.
Department of Employment Services (DOES)				
2009-62	**US Dept of Labor (DOL)** Unemployment Ins and ARRA-Unemployment Insurance	Cash Management: Funding Technique	17.225	Corrected.
2009-63	**US Dept of Labor (DOL)** Unemployment Ins and ARRA-Unemployment Insurance	Eligibility	17.225	Corrected.

Finding Number	Program Name	Type of Finding	Program CFDA Number	Current Status
2009-64	**US Dept of Labor (DOL)** Unemployment Ins and ARRA-Unemployment Insurance	Reporting	17.225	Corrected.
Homeland Security and Emergency Management Agency (HSEMA)				
2009-65	**US Dept of Homeland Security-** Disaster Grants – Public Assistance	Allowable Costs: Nonpayroll Activities	97.036	Corrected.
2009-66	**US Dept of Homeland Security-** Homeland Security Grant Program	Allowable Costs: Nonpayroll Activities	97.067	Corrected.
2009-67	Not Used			
2009-68	**US Dept of Homeland Security-** Homeland Security Grant Program	Period of Availability	97.067	Corrected.
2009-69	**US Dept of Homeland Security-** Homeland Security Grant Program	Procurement, Suspension, and Debarment	97.067	Corrected.
2009-70	**US Dept of Homeland Security-** Homeland Security Grant Program	Reporting	97.067	Corrected.
2009-71	**US Dept of Homeland Security-** Homeland Security Grant Program	Special Tests and Provisions: Supplement not Supplant	97.067	Corrected.
Office of the State Superintendent of Education (OSSE)- State Educational Agency				
2009-72	**US Dept of Education** – Special Education Cluster	Allowable Costs: Payroll and Nonpayroll Activities.	84.027, 84.173	Corrected.

Finding Number	Program Name	Type of Finding	Program CFDA Number	Current Status
2009-73	**US Dept of Agric (USDA)** – Child and Adult Care Food Program	Cash Management	10.558	Corrected.
2009-74	**US Dept of Education** – Title I Grants to Local Educational Agencies	Cash Management	84.010	Corrected.
2009-75	**US Dept of Education** – Special Education Cluster	Cash Management	84.027, 84.173	Corrected.
2009-76	**US Dept of Education** – Charter Schools	Cash Management	84.282	Corrected.
2009-77	**US Dept of Education** – Improving Teacher Quality State Grants	Cash Management	84.367	Corrected.
2009-78	**US Dept of HHS** Child Care Mandatory & Matching Funds of the Child Care & Development Fund	Cash Management	93.596	Corrected.
2009-79	**US Dept of HHS** Child Care Mandatory & Matching Funds of the Child Care & Development Fund	Eligibility	93.596	Corrected.
2009-80	**US Dept of Education** – Title I Grants to Local Educational Agencies	Matching, Level of Effort, Earmarking	84.010	Corrected.
2009-81	**US Dept of Education** – Improving Teacher Quality State Grants	Matching, Level of Effort, Earmarking	84.367	Corrected.
2009-82	**US Dept of Education** – Title I Grants to Local Educational Agencies	Reporting	84.010	Corrected.

Finding Number	Program Name	Type of Finding	Program CFDA Number	Current Status
2009-83	**US Dept of Agric (USDA)** – Child and Adult Care Food Program	Subrecipient Monitoring	10.558	Partially Corrected. The Child and Adult Care Food Program (CACFP) unit in the Wellness and Nutrition Services Division (WNS) has established procedures to follow up when subrecipient organizations have been monitored and require implementation of corrective actions for failure to comply with CACFP requirements.
2009-84	**US Dept of HHS** Child Care Mandatory & Matching Funds of the Child Care & Development Fund	Subrecipient Monitoring	93.596	Corrected.
District of Columbia Public Schools (DCPS)- Local Educational Agency (LEA)				
2009-85	**US Dept of Education** – Title I Grants to Local Educational Agencies	Allowable Costs: Payroll and Nonpayroll Activities.	84.010	Corrected.
2009-86	**US Dept of Education** – Improving Teacher Quality State Grants	Allowable Costs: Nonpayroll Activities.	84.367	Corrected.
2009-87	**US Dept of Education** – Title I Grants to Local Educational Agencies	Matching, Level of Effort, Earmarking	84.010	Corrected.
2009-88	**US Dept of Education** – Special Education Cluster	Matching, Level of Effort, Earmarking	84.027, 84.173	Corrected.
2009-89	**US Dept of Education** – Improving Teacher Quality State Grants	Matching, Level of Effort, Earmarking	84.367	Corrected.

Finding Number	Program Name	Type of Finding	Program CFDA Number	Current Status
2009-90	**US Dept of Education** – Title I Grants to Local Educational Agencies	Procurement, Suspension, and Debarment	84.010	Corrected.