

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

**AUDIT OF SELECTED DISTRICT AGENCIES' INTERNAL CONTROLS  
OVER RECORDING ACCRUED  
NON-PERSONNEL SERVICES EXPENDITURES**

**OFFICE OF INTEGRITY AND OVERSIGHT**



GOVERNMENT OF THE DISTRICT OF COLUMBIA  
Office of the Chief Financial Officer



Office of Integrity and Oversight

MEMORANDUM

**TO:** Angelique Hayes, Associate Chief Financial Officer  
Public Safety and Justice Cluster

Cyril Byron, Jr., Associate Chief Financial Officer  
Economic Development and Regulation Cluster

Mohamed Mohamed, Associated Chief Financial Officer  
Government Operations Cluster

George Dines, Associate Chief Financial Officer  
Government Services Cluster

**FROM:** Timothy Barry, Executive Director  
Office of Integrity and Oversight

**DATE:** December 19, 2014

**SUBJECT:** Final Report on the Audit of Selected District Agencies' Internal Controls over Recording Accrued Non-Personnel Services Expenditures  
(OIO Report No. 14-01-10 OCFO)

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This final report summarizes the results of the Office of Integrity and Oversight (OIO)'s Audit of Selected District Agencies' Internal Controls over Recording Accrued Non-Personnel Services (NPS) Expenditures. This audit was included in OIO's FY 2014 Audit Plan, based on requests from the Deputy Chief Financial Officers of the Office of Budget and Planning (OBP) and Office of Financial Operations and Systems (OFOS). The primary audit objective was to determine whether effective internal controls are in place to ensure compliance with the requirements of the Generally Accepted Accounting Principles (GAAP) on recording year-end accrued NPS expenditures.

OIO provided 4 recommendations to the Associate Chief Financial Officers (ACFOs) to address the findings cited in the report. Except for the Government Services Cluster, which had no findings, the ACFOs concurred with the recommendations and implemented the necessary corrective actions. We consider the corrective actions taken to be responsive and meet the intent of the recommendations.

We appreciate the assistance and cooperation that you and your staff provided to OIO during this audit. Should you have any questions or need additional information, please call me at (202) 442-6433; or Mohamad Yusuff, Internal Audit Director, at (202) 442-8240.

Enclosures

cc: Jeff DeWitt, Chief Financial Officer, Government of the District of Columbia  
Angell Jacobs, Deputy CFO and Chief of Staff, OCFO  
Marshelle Richardson, Interim Chief Risk Officer, OCFO  
Bill Slack, Deputy CFO, Office of Financial Operations and Systems, OCFO  
Gordon McDonald, Deputy CFO, Office of Budget and Planning, OCFO

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**AUDIT OF SELECTED DISTRICT AGENCIES' INTERNAL CONTROLS OVER  
RECORDING ACCRUED NON-PERSONNEL SERVICES EXPENDITURES**

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**AUDIT OF SELECTED DISTRICT AGENCIES' INTERNAL CONTROLS OVER  
RECORDING ACCRUED NON-PERSONNEL SERVICES EXPENDITURES**

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**ACRONYMS**

ACFO	Associate Chief Financial Officer
A/P	Accounts Payable
EDRC	Economic Development and Regulation Cluster
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GASB	Governmental Accounting Standards Board
GOC	Government Operations Cluster
GSC	Government Services Cluster
NPS	Non-Personnel Services
OBP	Office of Budget and Planning
OCFO	Office of the Chief Financial Officer
OFOS	Office of Financial Operations and Systems
OIO	Office of Integrity and Oversight
PO	Purchase Order
PSJC	Public Safety and Justice Cluster
PYCR	Prior Year Cost Recovery

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## EXECUTIVE SUMMARY

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### OVERVIEW

The Office of the Chief Financial Officer (OCFO)'s Office of Integrity and Oversight (OIO) conducted an audit of selected District agencies' internal controls over recording accrued non-personnel services (NPS) expenditures. The primary audit objective was to determine whether effective internal controls were in place to ensure compliance with the requirements of the Generally Accepted Accounting Principles (GAAP) regarding recording year-end accrued NPS expenditures. The audit was included in OIO's FY 2014 Audit Plan, based on requests from the Deputy CFOs at the Office of Budget and Planning (OBP) and Office of Financial Operations and Systems (OFOS).

### CONCLUSION

The audit disclosed that internal controls over recording year-end accrued NPS expenditures need improvements. We found several instances of noncompliance with GAAP, which requires recording liabilities when goods or services are actually or constructively received by the District. Specifically, we found:

- a) Instances of year-end accrued NPS expenditures recorded with no supporting documents other than the year-end balance in the Purchase Orders (POs).
- b) Discrepancies in: 1) the amounts recorded as year-end liabilities; 2) the amounts shown in the receiving reports; and 3) the amounts reported in Excel Sheets sent to the Program Officials to determine whether to accrue or cancel year-end balance of POs.
- c) Program Officials signed and approved receiving reports for goods and services that were not received by the District.

### SUMMARY OF RECOMMENDATIONS

We direct 4 recommendations to the Associate Chief Financial Officers (ACFOs). The recommendations focus on:

- Reinforce to the Cluster's accountants the significance of having signed and approved receiving reports and/or vendors' invoices prior to recording year-end accrued NPS expenditures.
- Improve internal controls to ensure that the amounts recorded as accrued expenditures match the amounts of the receiving reports and/or the vendors' invoices.
- Improve internal controls to ensure that any cancelled liability is supported by appropriate and valid documentations that justify and validate the cancellation.
- Communicate with the agencies' directors to ensure that Program Officials do not sign and approve receiving reports in PASS before the goods and services are actually or constructively received by the District.

A summary of the potential benefits resulting from the audit is shown at **Exhibit A**.

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## EXECUTIVE SUMMARY

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### MANAGEMENT RESPONSES AND OIO COMMENT

OIO received written responses from Public Safety and Justice Cluster (PSJC) on November 24, 2014; from Economic Development and Regulation Cluster (EDRC) on December 11, 2014, and from Government Operations Cluster (GOC) on December 16, 2014. The Government Services Cluster (GSC) was excluded from a response to the draft report because there were no findings related to GSC. The Clusters management concurred with the recommendations, and took the necessary corrective actions to address the audit findings.

We consider the corrective actions taken to be responsive and meet the intent of the recommendations. Copies of the PSJC, EDRC, and GOC's complete responses are included as **Appendix 1, 2, and 3.**

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## INTRODUCTION

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### BACKGROUND

The District of Columbia uses the modified accrual basis of accounting for recording transactions and presenting financial statements for the government funds. In addition, the District uses the accrual basis of accounting for the government-wide financial statements. Both, the modified accrual and the accrual basis of accounting allow recording year-end accrued expenditures.

The Governmental Accounting Standards Board (GASB) Concept Statement No. 4 “*Elements of Financial Statements*,” defines liability as a present obligation to sacrifice resources that the government has little or no discretion to avoid. GASB Concept Statement No. 4 also states: “The reason that many liabilities cannot be avoided is that they are legally enforceable. Examples of legally enforceable liabilities arising from contractual relationships include salaries payable, accounts payable for goods and services received, and bonds and notes payable. The circumstances that constitute legal enforceability may be different depending upon whether the obligation arises from an exchange or a non-exchange transaction. For exchange transactions, the obligation becomes a liability and legally enforceable when the underlying exchange takes place.”

The Office of Financial Operations and Systems (OFOS)’s FYs 2012 and 2013 Closing Instructions, *Topic 5 “Current Liabilities”* define a liability as a commitment related to a performed (executory) contract for goods or services. If performance on an executory contract has been realized, the amount due to the vendor constitutes an expenditures and liability, and should be recorded as such. A liability represents the responsibility to disburse resources to a vendor upon receipt of a proper invoice.

OFOS’s FYs 2012 and 2013 Closing Instructions also state: “The District incurs a liability when goods or services are actually or constructively received. An accounts payable voucher or accrual entry should not be recorded if the District has not actually incurred a liability. In the past, non-existent liabilities were recorded at the close of a fiscal year as a method of “retaining” budget authority for future expenditures. The retaining of Local Funds budget for future expenditure is illegal.”

If the liability was valid, the accrued amount should be paid within few months in the new fiscal year. If the liability was accrued in good faith but later determined to be in error, the excess accrual must be reclassified as a *Prior Year Cost Recovery (PYCR)*, as soon as the error is discovered.

The District has recorded significantly increased amounts of PYCR for FYs 2012 and 2013 (\$21.8 million and \$41.1 million respectively), which indicated that some District agencies are not adherent to OFOS’s Closing Instructions. These amounts of PYCR represent liabilities that were recorded in one year and cancelled in the following year because either the services or good were not received by the District or the vendors never sent the invoices.

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## INTRODUCTION

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Table 1 below presents classification of PYCR by cluster for FYs 2012 and 2013:

**Table 1: Prior Year Cost Recovery (PYCR) by Cluster**

Cluster	FY 2012	FY 2013
Public Safety and Justice Cluster	\$2.6 m	\$3.8 m
Economic Development and Regulation Cluster	\$1.6 m	\$0.6 m
Government Operations Cluster	\$2.8 m	\$4.6 m
Government Services Cluster	\$0.18 m	\$0.02 m
Education Cluster	\$7.6 m	\$16.8 m
Human Support Services Cluster	\$10 m	\$13.7 m
Office of the Chief Financial Officer	(\$3.2 m)*	\$1.6 m
D.C. Retirement Board	\$0.25 m	0
<b>Total</b>	<b>\$21.8 M</b>	<b>\$41.1 M</b>

\* Reversal entry

## OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of the audit were to determine:

1. Whether the District agencies comply with the applicable laws and regulations regarding recording accrued Non-Personnel Services (NPS) expenditures; and
2. Whether effective internal controls are in place to ensure that the District agencies are complying with the requirements of the General Accepted Accounting Principles (GAAP) regarding recording accrued NPS expenditures.

The audit covered the year-end accrued NPS expenditures recorded (FYs 2012 and 2013) for six District agencies within the following Clusters:

1. Public Safety and Justice Cluster (PSJC)
2. Economic Development and Regulation Cluster (EDRC)
3. Government Operations Cluster (GOC)
4. Government Services Cluster (GSC)

Part II of this audit will cover the remaining two clusters; Education Cluster and Human Support Services Cluster.

To achieve the audit objectives, we obtained and reviewed the Clusters' internal control policies and procedures, OFOS's FYs 2012 and 2013 Closing Instructions regarding recording accrued expenditures, Financial Management and Control Order No. 07-004A, and GASB Concept Statement No. 4 "Element of Financial Statements."

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## INTRODUCTION

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Additionally, we interviewed and met with the Clusters' Controllers, Accounts Payable Managers, and OFOS officials responsible for current liabilities.

*Methodology for Agency Selection:*

1. We obtained and analyzed CFO Solve report regarding the percentage of the Non-Personnel Services Expenditures (cash and accrued) recorded in September 2012, to the total agency's budget for FY 2012 (the base year for the audit).
2. If the percentage was  $\geq 60\%$ , the agency was selected for testing.
3. Based on this methodology, we selected 6 agencies within the 4 Clusters for this audit.

The methodology for selecting agencies for testing was discussed and agreed upon with officials from OBP and OFOS.

The following table presents the agencies selected for the audit:

**Table 2: Agencies Selected for the Audit**

No.	Agency	Percentage of NPS Expenditures in September 2012 to Total Budget for FY 2012	Cluster
1	DC National Guard	84%	PSJC
2	Office of Unified Communications	96%	PSJC
3	DC Taxicab Commission	81%	EDRC
4	DC Board of Ethics and Government Accountability	100%	GOC
5	Office of Employees Appeals	65%	GOC
6	Department of Transportation	74%	GSC

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## INTRODUCTION

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We examined 455 transactions of recorded year-end accrued NPS expenditures for FYs 2012 and 2013, for the 6 selected District agencies. The purpose of this examination was to ensure that every recorded accrued NPS expenditure was supported by signed and approved receiving reports and vendor's invoices (if paid); and every accrued expenditure cancelled and recognized as a PYCR was supported by valid and appropriate documentation and justification for the cancellation. Additionally, we tested the amount paid for each year-end liability against the amount shown in the Purchase Order (PO), receiving report, and vendor's invoice.

The following table presents number of transactions tested (in FYs 2012 and 2013) for each agency selected for the audit:

**Table 3: Number of Transactions Tested**

No.	Agency	Number of Transactions Tested		Total
		FY 2012	FY 2013	
1	DC National Guard	51	52	103
2	Office of Unified Communications	8	3	11
3	DC Taxicab Commission	7	-	7
4	DC Board of Ethics and Government Accountability	5	-	5
5	Office of Employees Appeals	5	1	6
6	Department of Transportation	61	262	323
<b>Total</b>		<b>137</b>	<b>318</b>	<b>455</b>

This performance audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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**FINDING AND RECOMMENDATIONS**

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<p><b>FINDING: COMPLIANCE WITH THE GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)</b></p>
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**SYNOPSIS**

For the Public Safety and Justice Cluster (PSJC), we found accrued NPS expenditures were recorded with no supporting documents.

For the Economic Development and Regulation Cluster (EDRC), we found discrepancies among the amounts recorded as year-end liabilities, the amounts shown in the receiving reports, and the amounts reported in Excel Sheet sent to the Program Officials to determine whether to accrue or cancel year-end balance of POs.

For the Government Operations Cluster (GOC), we found Program Officials signed and approved receiving reports for goods and services that were not received by the District.

For the Government Services Cluster (GSC), we found no discrepancies.

These conditions occurred because of noncompliance with GAAP, which requires recording liabilities when goods or services are actually or constructively received by the District. As a result, recording unsupported year-end liabilities is considered a fraud risk factor that has negative effects on the District's financial health.

**DISCUSSION**

**Public Safety and Justice Cluster (PSJC)**

***DC National Guard***

*For FY 2012*, we tested 51 year-end journal entries for accrued NPS expenditures and found that there were no supporting documents for 15 journal entries. We found 11 of the 15 journal entries were recorded as liabilities and the entire amounts were cancelled and recognized as PYCR in the following FY 2013. Total amount of these 11 transactions was \$20,000.

PSJC accountants could not provide supporting receiving reports for these recorded year-end liabilities. The A/P Manager stated that Excel Sheet is emailed to the Program Officials with the outstanding balances of the Purchase Orders (PO) at year end, requesting Program Officials to decide which item should be cancelled or accrued. Based on that Excel Sheet, PSJC records the year-end accrued expenditures without a supporting receiving report or vendor's invoice.

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## FINDING AND RECOMMENDATIONS

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We found 4 of these 15 journal entries were originally recorded as liabilities for total amount of \$10,900. However, we noted that the total amount paid was \$3,200, and the remaining balances (\$7,700) were cancelled and recognized as PYCR in the following FY 2013. Although, the amounts paid for these 4 transactions matched the amounts of the receiving reports and vendors' invoices, there were no valid supporting documents for the amounts recorded as liabilities. These liabilities were supported with only the year-end remaining balances from the POs; however, this type of documentation is not acceptable without a receiving report or vendor's invoice.

*For FY 2013*, we tested 52 year-end journal entries for accrued NPS expenditures, and found that there were no supporting documents for 27 journal entries. We found 14 of the 27 journal entries were recorded as liabilities and the entire amounts were cancelled and recognized as PYCR in the following FY 2014. Total amount of these 14 transactions was \$36,300.

PSJC accountants could not provide supporting receiving reports as evidence that the District received the goods and services before booking these journal entries. The amounts booked as accrued expenditures were based on the remaining balance in the POs outstanding at year-end.

We found 13 of the 27 journal entries were originally recorded as liabilities for total amount of \$127,500. However, we noted that the total amount paid was \$43,500, and the remaining balances (\$84,000) were cancelled and recognized as PYCR in the following FY 2014. Although, the amounts paid for these 13 transactions matched the amounts of the receiving reports and vendors' invoices, there were no valid supporting documents for the amounts recorded as liabilities. These liabilities were supported with only the year-end remaining balances from the POs; however, this type of documentation is not acceptable without a receiving report or vendor's invoice.

### *Office of Unified Communications*

*For FY 2012*, we tested 8 year-end journal entries for accrued NPS expenditures, and found that there were no supporting documents for one journal entry. This journal entry was recorded for the amount of \$16,800 as liability, and the entire amount was cancelled and recognized as PYCR in FY 2013.

PSJC accountants could not provide a receiving report or a vendor's invoice to support this liability. The A/P Manager provided a Change Requisition document that showed a note to carryover the PO from FY 2012 to FY 2013. We concluded that this document was not relevant to recording a year-end liability for goods or services that have not been received by the District.

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## FINDING AND RECOMMENDATIONS

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### Economic Development and Regulation Cluster (EDRC)

#### *DC Taxicab Commission*

For FY 2012, we tested 7 transactions recorded as year-end accrued NPS expenditures and found discrepancies in three journal entries. The *first* journal entry was recorded as a liability for the amount of \$2,051.65, and the entire amount was cancelled and recognized as PYCR in the following FY 2013. We noted that the amount recorded as year-end liability was different from the amount shown in the Excel Sheet sent to the Program Officials, and the amounts of the receiving reports provided to OIO as attachment to the journal entry. The amount shown in the Excel Sheet sent to the Program Officials to determine whether to accrue or cancel year-end POs was \$2,298.15, and the amounts reported in the receiving reports were \$1,399.25, \$246.50, and \$166.75, totaling \$1,812.50.

We concluded that this journal entry was recorded based on the year-end remaining balance of the PO, and there were no supporting receiving reports or vendor's invoices for the same amounts recorded as liabilities.

The *second* journal entry was recorded as a liability for \$3,502.60, and the entire amount was cancelled and recognized as PYCR in the following FY 2013. The amount shown in the Excel Sheet sent to the Program Officials was \$3,692.10, and the amount shown in the receiving report was \$189.50.

We concluded that this liability was recorded based on the year-end remaining balance in the PO. Additionally, the liability was cancelled because the goods and services were never received by the District, and the receiving report provided and attached to the journal entry was not a sufficient and valid document to initially book the liability.

The *third* journal entry was recorded as a liability for \$3,500, and the entire amount was cancelled and recognized as PYCR in the following FY 2013. The amount shown in the Excel Sheet sent to the Program Officials matched the liability's amount. The receiving report provided to OIO with the journal entry did not show the amount received; it showed only the quantity received.

We concluded that this liability was cancelled because the goods or services were not received by the District, and the receiving report was not a sufficient and valid document to initially accrue these expenditures.

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## FINDING AND RECOMMENDATIONS

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### Government Operations Cluster (GOC)

#### *DC Board of Ethics and Government Accountability*

*For FY 2012*, we tested five transactions of recorded year-end accrued NPS expenditures. Three of these 5 transactions were recorded as year-end liabilities and the entire amounts were cancelled and recognized as a PYCR in FY 2013. Total amount of these 3 transactions was \$33,900.

We found email dated October 12, 2012, from Program Official to OCFO and other Program Officials that were attached to these three journal entries, stating that the Program Official has not been able to get invoices from the vendor, and was unable to find anyone, who can inform him about whether the goods/services were delivered. Also, the email stated that the agency was running the risk of having to pay for these with FY 2013 funding. On Monday October 15, 2012, a receiving report related to these three journal entries was signed and approved in PASS.

The Cluster Controller stated GOC used to send an Agency Accruals Excel Sheet to the Program Officials with the POs year-end outstanding balances, requesting the Program Officials to determine which balance should be accrued or cancelled. The Program Officials certified on an Agency Accruals Excel Sheet that goods and serviced related to these three journal entries had been received by the District. However, since no invoices were received from the vendor for 4 months, GOC had to cancel these liabilities and recognize them as PYCR.

We concluded that the Program Officials signed and approved receiving report for these three transactions to avoid paying these expenditures with the following FY's funds, and there were no goods or services actually or constructively received by the District.

#### *Office of Employees Appeals*

*For FY 2012*, we tested five transactions recorded as year-end accrued NPS expenditures and paid for total amount \$3,800. These five journal entries were supported by signed and certified Agency Accruals Excel Sheet and vendors' invoices.

*For FY 2013*, we tested one transaction recorded as voucher payable and paid for the amount \$300. The journal entry was supported by signed and certified Agency Accruals Excel Sheet and vendors' invoices.

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**FINDING AND RECOMMENDATIONS**

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**Government Services Cluster (GSC)**

*District Department of Transportation (DDOT)*

DDOT uses a methodology to estimate the year-end pooled accruals that is based on the fact that the contractual payments for infrastructure projects take about 45 days to process, (1.5 month, or 12.5% of the year). Therefore, the annual pooled accrual is made in the amount of 12.5% of annual capital cash expenditures. The accrual amount is posted to projects within specific funding type with sufficient budget at 9/30. Payments against the accrual are tracked and submitted with current liabilities closing packages in the next FY.

The following table presents the total number of transactions tested for FYs 2012 and 2013:

**Table 4: DDOT’s Number of Transactions Tested**

Agency	FY 2012		FY 2013		Total
	Pooled Accruals	Non-Pooled Accruals	Pooled Accruals	Non-Pooled Accruals	
<b>Department of Transportation</b>	45	16	249	13	323

For FY 2012, we selected and tested a non-statistical sample of 45 transactions out of a total population of 189 pooled accrued transactions. We examined the supporting documents for these 45 transactions including vendors’ invoices and signed and approved receiving reports, and tested the amounts paid against the amounts invoiced and received by the District. We did not find any discrepancies in these 45 transactions.

Additionally, for FY 2012, we tested the entire 16 transactions recorded as non-pooled accrued NPS expenditures. 14 of these liabilities were paid, and 2 were canceled and recognized as PYCR in FY 2013. We examined the required supporting documents for the 14 transactions paid and found no discrepancies. The Cluster Controller stated that the reason for cancelling 2 transactions was to establish a new liability as part of the final payment processing. The difference between the amounts originally booked as liabilities (then were cancelled) and the new liability was minimal. Instead of booking the difference between the old and new liability, GSC decided to cancel the entire old liability and established a new liability with the final payments due to the vendor. We believe that the accounting treatment for these 2 transactions was reasonable and acceptable.

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## FINDING AND RECOMMENDATIONS

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*For FY 2013*, we tested the entire 249 year-end pooled accrued NPS expenditures. We examined the supporting documents for these transactions including vendors' invoices and signed and approved receiving reports, and tested the amounts paid against the amounts invoiced and received by the District. We did not find any discrepancies in these 249 transactions.

Additionally, *for FY 2013*, we tested the entire 13 year-end non-pooled accrued NPS expenditures. We examined the supporting documents for these 13 transactions including vendors' invoices and signed and approved receiving reports, and we tested the amounts paid against the amounts invoiced and received by District. We did not find any discrepancies in these 13 transactions.

We concluded that there were no finding or discrepancies found in DDOT's year-end accrued NPS expenditures for FYs 2012 and 2013.

### RECOMMENDATIONS

We recommend that the Associate Chief Financial Officers (ACFOs):

1. Reinforce to the Cluster's accountants the significance of having signed and approved receiving reports and/or vendors' invoices prior to recording year-end accrued NPS expenditures, in accordance with the OFOS's Closing Instructions.
2. Improve internal controls to ensure that the amounts recorded as accrued expenditures match the amounts of the receiving reports and/or the vendors' invoices.
3. Improve internal controls to ensure that any cancelled liability is supported by appropriate and valid documentation that justify and approve the cancellation.
4. Communicate with the agencies' Directors to ensure that Program Officials do not sign and approve receiving reports in PASS before the goods and services are actually, or constructively, received by the District.

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## FINDING AND RECOMMENDATIONS

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### MANAGEMENT RESPONSES AND OIO COMMENTS

#### **Public Safety and Justice Cluster (PSJC)'s Response:**

PSJC management concurred with the recommendations. In summary, PSJC stated that instructions were given to staff to ensure accruals are supported and correspond with the receiving reports or the vendor's invoices. Additionally, PSJC's Agency Fiscal Officers were instructed to communicate with the agencies' directors to ensure compliance with the audit recommendations.

#### **OIO Comment:**

PSJC's corrective actions are responsive and meet the intent of the recommendations.

#### **Economic Development and Regulation Cluster (EDRC)'s Response:**

EDRC management concurred with the recommendations. In summary, ERDC stated its accounts payable team was informed of the significance of having signed and approved receiving reports and/or vendors' invoice prior to recording year-end accrual. EDRC further stated its accounts payable team was also informed that before a liability is cancelled, supporting documentation justifying cancellation must be received. Additionally, EDRC provided written communication to Program Officials within the Cluster's agencies, regarding the requirements for recording accruals for FY 2014.

#### **OIO Comment:**

EDRC's corrective actions are responsive and meet the intent of the recommendations.

#### **Government Operations Cluster (GOC)'s Response:**

GOC management concurred with the recommendations. In summary, GOC stated there was a communication gap between the DC Board of Ethics and Government Accountability and the temporary support staff regarding the one open purchase order in question. This resulted in the improper receiving action being entered into PASS. This required, GOC to cancel the liability and recognize them as prior year cost recovery in FY13.

#### **OIO Comment:**

GOC's comments are responsive and meet the intent of the recommendations.

**EXHIBIT A: SUMMARY OF POTENTIAL BENEFITS RESULTING FROM  
THE AUDIT**

No.	Recommendations	Type of Benefit	Agency Reported Estimated Completion Date	Status <sup>1</sup>
1	Reinforce to the Cluster’s accountants the significance of having signed and approved receiving reports and/or vendors’ invoices prior to recording year-end accrued NPS expenditures, in accordance with OFOS’s Closing Instructions.	Compliance	October 31, 2014	Closed
2	Improve internal controls to ensure that the amounts recorded as accrued expenditures match the amounts of the receiving reports and/or the vendors’ invoices.	Internal Control	October 31, 2014	Closed
3	Improve internal controls to ensure that any cancelled liability is supported by appropriate and valid documentation that justify and approve the cancellation.	Internal Control	October 31, 2014	Closed
4	Communicate with the agencies’ Directors to ensure that Program Officials do not sign and approve receiving reports in PASS before the goods and services are actually, or constructively, received by the District.	Compliance	October 31, 2014	Closed

<sup>1</sup> This column provides the status of a recommendation as of the report date. For final reports, “open” means management and the OIO are in agreement on the action to be taken, but is not complete. “Closed” means management has advised that action necessary to correct the deficiency is complete. If a completion date was not provided, the date of management’s response is used. “Unresolved” means that management has neither agreed to take the recommended action nor proposed a satisfactory alternative action to correct the condition.

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## APPENDIX 1: PUBLIC SAFETY AND JUSTICE CLUSTER'S RESPONSE

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GOVERNMENT OF THE DISTRICT OF COLUMBIA  
OFFICE OF THE ASSOCIATE CHIEF FINANCIAL OFFICER  
PUBLIC SAFETY & JUSTICE CLUSTER



**MEMORANDUM**

**TO:** Timothy Barry  
Executive Director  
Office of Integrity & Oversight

**FROM:** Angelique R. Hayes *Angelique R. Hayes*  
Associate Chief Financial Officer

**DATE:** November 24, 2014

**SUBJECT:** OIO Draft Report No. 14-01-10 OCFO

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The purpose of this correspondence is to address the internal controls over recording accrued non-personnel services expenditures of the Public Safety and Justice Cluster (PSJC) Client Agencies - DC National Guard and Office of Unified Communications in fiscal years 2012 and 2013 covered in the referenced audit report.

Our comments are as follows:

**Recommendation #1:** Reinforce to the Cluster's accountants the significance of having signed and approved receiving reports before recording year-end accrued expenditures. **Response** – we concur with the recommendation.

**Recommendation #2:** Improve internal controls to ensure that the amounts of recorded accrued expenditures match the amounts of the receiving report and the vendors' invoices. **Response** – we have instructed the staff to ensure accrual are supported and agree to the receiving report or the vendors' invoice.

**Recommendation #3:** Improve internal controls to ensure that any cancelled liability is supported by appropriate and valid documentations that justify and approve the cancellation. **Response** – we concur with the recommendation.

**Recommendation #4:** Communicate with the agencies' directors to ensure that Program Officials do not sign and approve receiving reports in PASS before the goods and services are actually received by the District. **Response** – we concur with the recommendation; the Agency

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1100 FOURTH STREET, S.W. • SUITE E730 • WASHINGTON, D.C. 20024

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## APPENDIX 1: PUBLIC SAFETY AND JUSTICE CLUSTER'S RESPONSE

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Timothy Barry  
Page Two  
November 24, 2014

Fiscal Officers are communicating with the agencies' directors to ensure compliance with the recommendation.

If you have any questions, please contact Loretta Walker on 727-4317 or via Email [Loretta.Walker@dc.gov](mailto:Loretta.Walker@dc.gov).

cc: Loretta Walker, Cluster Controller, PSJC  
Rosanne Etinoff, Cluster Accounts Payable Manager, PSJC  
Evelyn Panglao, Cluster Assistant Accounts Payable Manager, PSJC

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**APPENDIX 2: ECONOMIC DEVELOPMENT AND REGULATION CLUSTER'S  
RESPONSE**

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**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
Office of the Chief Financial Officer  
Economic Development and Regulation



**Cyril Byron, Jr.**  
Associate Chief Financial Officer

**MEMORANDUM**

**TO:** Timothy Barry  
Executive Director  
Office of Integrity and Oversight

**FROM:** Cyril Byron, Jr.   
Associate Chief Financial Officer  
Economic Development & Regulation Cluster -OCFO

**DATE:** December 11, 2014

**SUBJECT:** Response to OIO's Draft Report on the Audit of Selected District Agencies'  
Internal Controls over Recording of Accrued Non-Personnel Services  
Expenditures

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We have received and reviewed the OIO's Draft Report on the Audit of Selected District Agencies' Internal Controls over Recording of Accrued Non-Personnel Services Expenditures. Attached is Economic Development & Regulation Cluster (EDRC) response to OIO's recommendations related to the Taxicab Commission, an agency within EDRC.

Attachment:  
EDRC's Response to OIO's Recommendations

CC: Dennis Ramprashad, Cluster Controller

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**APPENDIX 2: ECONOMIC DEVELOPMENT AND REGULATION CLUSTER'S  
RESPONSE**

**ECONOMIC DEVELOPMENT AND REGULATION CLUSTER  
Response to Recommendations on the Office of Integrity and Oversight's  
Audit of Selected District Agencies' Internal Controls over Recording  
Accrued Non-Personnel Services Expenditures**

No.	Recommendations	Type of Benefit	Agency Reported Estimated Completion	EDRC's Response related to Taxicab Commission
1	Reinforce to the Cluster's accountants the significance of having signed and approved receiving reports and/or vendors' invoices prior to recording year-end accrued NPS expenditures, in accordance with OFOS's Closing Instructions.	Compliance	10/31/2014	EDRC's accounts payable team was informed of the significance of having approved receiving reports and/or vendors' invoices prior to recording year-end accrual. Also, if no invoice or receiving report was received, we requested that program staff submit certification letters from vendors for good and/or services received as of September 30 <sup>th</sup> prior to accrual.
2	Improve internal controls to ensure that the amounts recorded as accrued expenditures match the amounts of the receiving reports and/or the vendors' invoices.	Internal Control	10/31/2014	For FY 2014 Accrual, where we did not receive an invoice, we requested that program staff submit certification letters from vendors and/or receiving reports for goods and services received as of September 30, 2014. We discussed this requirement at our FY 2014 Year-End Closing Meeting with EDRC agency and OCFO staff. Meeting was held on September 18, 2014.
3	Improve internal controls to ensure that any cancelled liability is supported by appropriate and valid documentations that justify and approve the cancellation.	Internal Control	10/31/2014	Accounts payable team was reminded that before a liability is cancelled supporting documentation justifying cancellation must be received.
4	Communicate with the agencies' directors to ensure that Program Officials do not sign and approve receiving report in PASS before the goods and services are actually or constructively received by the District.	Compliance	10/31/2014	We discussed this during EDRC's FY 2014 Year-End Closing Meeting with agency staff. Also, we provided written communication to agency program officials.

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## APPENDIX 3: GOVERNMENT OPERATIONS CLUSTER'S RESPONSE

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GOVERNMENT OF THE DISTRICT OF COLUMBIA  
OFFICE OF THE CHIEF FINANCIAL OFFICER  
GOVERNMENT OPERATIONS CLUSTER  
OFFICE OF FINANCE AND RESOURCE MANAGEMENT



MEMORANDUM

**TO:** Timothy Barry  
Executive Director  
Office of Integrity and Oversight

**FROM:** Mohamed Mohamed *Moh*  
Associate CFO  
Government Operations Cluster

**DATE:** December 11, 2014

**SUBJECT:** Draft Report on the Audit of Selected District Agencies' Internal Controls over Recording Accrued Non-Personnel Services Expenditures – OIO Report No. 14-01-10 OCFO

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This memorandum responds to the findings and recommendations contained in the draft report of Office of Integrity and Oversight (OIO) on audit of Selected District Agencies' Internal Controls over Recording Accrued Non-Personnel Services (NPS) Expenditures for fiscal years 2012 and 2013.

We concur with the recommendations as they are consistently implemented throughout Government Operations Cluster (GOC).

1. **DC Board of Ethics and Government Accountability (AG0)**

It is important to note that the members of the Board of Ethics and Government Accountability (AG0) were appointed by the Mayor in late FY 2012. There was no full time professional staff in place with the agency at that time. The Mayor's Office agreed to provide a temporary support person to help the agency get started as far as purchasing goods and services. It appears that there was a communications gap between the board and the support staff on the one open purchase order in question. This resulted in the improper receiving action in PASS by the support staff therefore GOC had to cancel the liability and recognize them as prior year cost recovery in FY13.

2. **Agency Office of Employees Appeals (CH0)**

There are no findings therefore the agency is in compliance and there are no additional actions required by GOC.