Report Number: A-03-04-00353

Ms. Monica Lamboy, Chief Operating Officer
District of Columbia Department of Health
Office of the Director
825 North Capitol Street N.E.
Washington, D.C. 20001

Dear Ms. Lamboy:

Enclosed are two copies of the Department of Health and Human Services (HHS), Office of Inspector General (OIG) final report entitled "Audit of Costs and Reporting of Funds Under the Public Health Preparedness and Response for Bioterrorism Program District of Columbia Department of Health." A copy of this report will be forwarded to the HHS action official noted below for review and any action deemed necessary.

The HHS action official will make final determination as to actions taken on all matters reported. We request that you respond to the HHS action official within 30 days. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

In accordance with the principles of the Freedom of Information Act (5 U.S.C. § 552, as amended by Public Law 104-231, OIG reports issued to the Department’s grantees and contractors are made available to members of the press and general public to the extent the information is not subject to exemptions in the Act which the Department chooses to exercise (see 45 CFR part 5)
If you have any questions or comments about this report, please do not hesitate to contact me at (215) 861-4470 or through email at stephen.virbitsky@oig.hhs.gov or Robert Baiocco, Audit Manager, at (215) 861-4486 or through email at robert.baiocco@oig.hhs.gov. Please refer to report number A-03-04-00353 in all correspondence.

Sincerely yours,

Stephen Virbitsky
Regional Inspector General
for Audit Services

Enclosure

Direct Reply to HHS Action Official:

Analysis Management Team Lead
Management Analysis and Services Office
Office of the Chief Operating Officer
Centers for Disease Control and Prevention
1600 Clifton Road, N.E., MS E-11
Atlanta, Georgia 30333
AUDIT OF COSTS AND REPORTING OF FUNDS UNDER THE PUBLIC HEALTH PREPAREDNESS AND RESPONSE FOR BIOTERRORISM PROGRAM

DISTRICT OF COLUMBIA DEPARTMENT OF HEALTH
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OAS FINDINGS AND OPINIONS

The designation of financial or management practices as questionable or a recommendation for the disallowance of costs incurred or claimed, as well as other conclusions and recommendations in this report, represent the findings and opinions of the HHS/OIG/OAS. Authorized officials of the HHS divisions will make final determination on these matters.
EXECUTIVE SUMMARY

BACKGROUND

States and major local health departments receive Centers for Disease Control and Prevention (CDC) funding to improve bioterrorism preparedness and response capabilities under the Public Health Preparedness and Response for Bioterrorism Program (program). Program funding awarded to the District of Columbia Department of Health (District) has increased from $135,000 in 1999 to $11,492,799 in 2004. As of August 30, 2004, cumulative funds awarded to the District totaled $24,456,357.

OBJECTIVES

The objectives of our audit were to determine whether the District:

• recorded and reported program funds awarded, expended, obligated, and unobligated by focus area in accordance with its cooperative agreement with CDC;

• ensured that program funds were used for necessary, reasonable, allocable, and allowable costs in accordance with the terms of the cooperative agreement; and

• did not supplant current State or local funding with program funds.

SUMMARY OF FINDINGS

We found that the District:

• did not track program funds by focus area, and did not provide an accurate financial status report (FSR) for the period October 2001 to September 2003;

• had unobligated program funds of $11,821,490 as of August 30, 2004, representing 48 percent of the $24,456,357 awarded;

• improperly charged or did not adequately document $76,432 in program funds, and erroneously charged $162,105 in employee overtime pay to program funds; and

• did not use program funds to supplant other State or local expenditures.
RECOMMENDATIONS

We recommend that the District:

1. record, summarize, and report program funds awarded, expended, obligated, and unobligated by focus area in accordance with the cooperative agreement;

2. revise and resubmit the September 30, 2003, FSR to CDC;

3. ensure program activities are funded in a manner to minimize unobligated fund balances and to achieve program goals; and

4. refund to CDC $238,537 representing $76,432 in improperly charged or inadequately documented costs, and $162,105 in erroneously charged overtime pay.

DISTRICT’S COMMENTS

The District concurred with our first three recommendations. We adjusted our fourth recommendation after the District provided documentation to support $66,301 in expenditures in response to our draft report. The District essentially met the intent of our fourth recommendation by agreeing to adjust its FSRs to account for the remaining $238,537 in improperly charged and inadequately documented expenditures. The full text of the District’s comments is included as an appendix.
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</tr>
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INTRODUCTION

BACKGROUND

Public Health Preparedness and Response for Bioterrorism Program

States and major local health departments receive CDC funding to improve their bioterrorism preparedness and response capabilities under the Public Health Preparedness and Response for Bioterrorism Program. The program is authorized under sections 301(a), 317(k)(1)(2), and 319 of the Public Health Service Act (42 U.S.C. §§ 241(a), 247b(k)(1)(2), and 247(d)).

CDC initiated cooperative agreements with awardees requiring them to report the program expenditures by focus area as directed by Program Announcement 99051. Specifically, the notice of cooperative agreement states: “To assure proper reporting and segregation of funds for each focus area, Financial Status Reports…must be submitted for individual focus areas not later than 90 days after the end of the budget period.”

CDC’s program funding is divided into seven focus areas. Eligible applicants could request funds for activities under one or more of these focus areas:

- Focus Area A - Preparedness Planning and Readiness Assessment
- Focus Area B - Surveillance and Epidemiology Capacity
- Focus Area C - Laboratory Capacity--Biologic Agents
- Focus Area D - Laboratory Capacity--Chemical Agents
- Focus Area E - Health Alert Network/Training
- Focus Area F - Communicating Health Risks and Health Information Dissemination
- Focus Area G - Education and Training

Program funds were meant to augment current funding and focus on public health preparedness activities under the CDC Cooperative Agreement. Program Announcement 99051 states that “…cooperative agreement funds under this program may not be used to replace or supplant any current state or local expenditures.”

District Funding

Bioterrorism preparedness program funding for the District has increased from $135,000 in the first year to $11,492,799 for the year that ended August 30, 2004. As of August 30, 2004, cumulative funds awarded to the District totaled $24,456,357.
OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives

The objectives of our audit were to determine whether the District:

- recorded and reported program funds awarded, expended, obligated, and unobligated by focus area in accordance with its cooperative agreement with CDC;
- ensured that program funds were used for necessary, reasonable, allocable, and allowable costs in accordance with the terms of the cooperative agreement; and
- did not supplant current State or local funding with program funds.

Scope

The District expended $8,797,401\textsuperscript{1} of the $24,456,357 in program funds awarded for the period August 31, 1999, to August 30, 2004. Our review included $7,998,747 in program expenditures for the period August 31, 1999, to March 31, 2004. We did not review District expenditures of $798,654 for the period April 1, 2004, to August 30, 2004.

Our review was limited to a nonstatistical sample of District expenditures. The expenditures were generally chosen based on high dollar value or type of expenditure. The following table summarizes the sampled expenditures:

<table>
<thead>
<tr>
<th>Type of Expenditure</th>
<th>Sample Size</th>
<th>Total Expenditures</th>
<th>Sample Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payroll</td>
<td>39</td>
<td>$2,932,080</td>
<td>$691,535</td>
</tr>
<tr>
<td>Non-Payroll</td>
<td>51</td>
<td>$5,066,667</td>
<td>$2,445,231</td>
</tr>
<tr>
<td>Total</td>
<td>90</td>
<td>$7,998,747</td>
<td>$3,136,766</td>
</tr>
</tbody>
</table>

Our audit was conducted for the purposes described above and would not necessarily disclose all material weaknesses. We did not review the overall internal control structure of the District. Our internal control review was limited to obtaining an understanding of the District’s procedures to account for program funds.

We conducted our fieldwork between March and July 2004 at the District office in Washington, District of Columbia.

\textsuperscript{1} There is a difference of $206,014 between actual expenditures and reported expenditures due to an inaccurate FSR for October 1, 2001 to, September 30, 2003 submitted by the District to CDC.
**Methodology**

To accomplish the objectives of our audit, we reviewed the District’s accounting and financial reporting systems to determine how funds were recorded and reported, and to determine whether funds were expended for necessary, reasonable, allocable, and allowable costs. We also reviewed the prior and current levels of District funding of bioterrorism preparedness activities to assess whether these funds were replaced or supplanted by Federal funds provided. Specifically, we:

- reconciled the amounts reported on the District’s FSR for Period 1, 2, and 3 to the accounting records and Notices of Cooperative Agreements and tested the FSRs for completeness and accuracy;
- requested awarded, expended, obligated, and unobligated fund balances for Period 4, as of August 30, 2004, and verified the balances to accounting records provided by the District;
- reviewed sampled expenditures to ensure that program funds were used for necessary, reasonable, allocable, and allowable costs under the terms of the cooperative agreement; and
- addressed supplanting concerns by selectively reviewing cost transfers, District budget reductions versus Federal bioterrorism funding, and the employment history of District program staff.

Our work was performed in accordance with generally accepted government auditing standards.

**FINDINGS AND RECOMMENDATIONS**

We found that the District:

- did not track program funds by focus area, and did not provide an accurate financial status for the period October 2001 to September 2003;
- had unobligated program funds of $11,821,490 as of August 30, 2004, representing 48 percent of the $24,456,357 awarded;
- improperly charged or did not adequately document $76,432 in program funds, and erroneously charged $162,105 in employee overtime pay to program funds; and
- did not use program funds to supplant other State or local expenditures.
RECORDING, SUMMARIZING, AND REPORTING PROGRAM FUNDS

The District Did Not Track Program Funds by Focus Area.

Program Announcement 99051

An essential aspect of the program is the need for the grantee to accurately and fully account for bioterrorism funds. In that regard, recipients of program funds are required to track expenditures by focus area. Note 3: Technical Reporting Requirements of Program Announcement 99501 in the original Cooperative Agreement states:

“…To assure proper reporting and segregation of funds for each focus area, Financial Status Reports (FSRs) which reflect the cooperative agreement number assigned to the overall project must be submitted for individual focus areas not later than 90 days after the end of the budget period.”

The District Was Not Tracking Program Funds By Focus Area

The District did not separately track funds for each focus area in its accounting system during the period. Before CDC significantly increased its program award in Period 3, the District used a manual system to track program expenditures by focus area.

The District Did Not Adjust Accounting Records to Track Focus Areas

The District did not track program funds by focus area because its grant staff had not requested that the accounting staff make the necessary modifications in its accounting system. According to District staff, the District’s accounting system will be capable of tracking program funds by focus area once the necessary modifications are made. The District is planning to modify its accounting system in time to track Fiscal Year (FY) 2005 funds in accordance with the cooperative agreement guidance.

CDC was Unable to Measure the Program Results

Without accurate and complete accounting of program funds, CDC cannot measure how the program is implemented and whether its objectives have been met.

The District Provided an Inaccurate Financial Status Report

The FSR that the District provided to CDC for the period October 1, 2001, to September 30, 2003, was not accurate. The FSR was not supported by the District’s accounting records.

Supporting Schedule Incorrect

District personnel relied on a summary spreadsheet maintained outside the accounting system to prepare the required FSR. Individual amounts on the summary spreadsheet reconciled with accounting records; however, the totals on the spreadsheet were incorrect. These incorrect totals were subsequently reported on the September 30, 2003, FSR.

Unliquidated Obligations Overstated on the Inaccurate FSR
Since accurate figures were not carried over to the supporting spreadsheet, unliquidated obligations were overstated on the FSR by $206,014.

UNOBLIGATED FUND BALANCES

As of August 30, 2004, the District had $11.8 million or 48.3 percent of Program funds unobligated.

Cooperative Agreement

Unobligated funds are monies CDC awarded but have not been obligated or expended. Program Announcement 99051 states that activities funded through the program are considered of core importance to the security of the country and that funded applications should be pursued vigorously with as little time lost in start-up as possible. Program funds should be used during the specified timeframe and only for program purposes. For example, Period 2 funds should have been obligated or expended for specific purposes by August 30, 2001.

In its Period 4 Continuation Guidance, CDC recognized the significance of continuing unobligated fund balances by stating: "estimated FY 2002 supplemental unobligated funds that are not adequately justified or for which a written carry-over request is not received by July 1, 2003 will be brought forward in lieu of new funds."

$11.8 Million in Program Funds Unobligated as of August 30, 2004

As of August 30, 2004, unobligated funds totaled $11,821,490 and represented 48.3 percent of the $24,456,357 awarded. CDC has approved the carry forward of period 1 and 2 unobligated funds to period 3. CDC also approved the carry forward $5,944,580 of Period 3 funds to Period 4. Details are provided in the following table.

### Table 2: District Balances as of August 30, 2004

<table>
<thead>
<tr>
<th>Budget Period</th>
<th>Awarded</th>
<th>Available for Expenditure, including carry forward</th>
<th>Expenditures Reported</th>
<th>Obligated</th>
<th>Unobligated Funds</th>
<th>Carried Forward</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$135,000</td>
<td>$135,000</td>
<td>$117,213</td>
<td>$521</td>
<td>$0</td>
<td>$17,266</td>
</tr>
<tr>
<td>2</td>
<td>235,651</td>
<td>235,651</td>
<td>137,797</td>
<td>2,732</td>
<td>0</td>
<td>95,122</td>
</tr>
<tr>
<td>3</td>
<td>12,592,907</td>
<td>12,705,295</td>
<td>4,572,496</td>
<td>52,582</td>
<td>2,135,637</td>
<td>5,944,580</td>
</tr>
<tr>
<td>4</td>
<td>11,492,799</td>
<td>17,437,379</td>
<td>3,763,952</td>
<td>3,987,574</td>
<td>9,685,853</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$24,456,357</strong></td>
<td><strong>$8,591,458</strong></td>
<td><strong>$4,043,409</strong></td>
<td><strong>$11,821,490</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Funds Were Not Obligated for Various Reasons

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2 Although there were four budget periods at the time of our review, the Program was actually a 5-year project period, August 31, 1999, through August 30, 2004. Budget periods were annual, except for Period 3, which covered the 2-year period August 31, 2001, through August 30, 2003.
District program personnel provided several reasons for the unobligated balances. These included:

- the lengthy District processes in hiring and executing contracts,
- the lengthy District budget modification process, and
- the Federal continuing resolution process that each year restricts District spending.

Our review has found a significant shifting of funds from one period to another that has also contributed to delays in obligating funds. As noted in our summary report on CDC bioterrorism programs in 17 states (OIG Report Number A-05-04-00027), many awardees across the nation found it difficult to obligate large sums of money in short periods. The District has experienced these same problems.

**Program Funds Not Fully Utilized**

Recurring unobligated balances and carry forwards resulted in unused award amounts, suggesting that funds were not fully utilized to meet important program goals and stronger program oversight may be needed.

**ALLOWABILITY OF PROGRAM COSTS**

**The District Improperly Charged or Did Not Adequately Document Program Expenditures**

*Costs Must be Necessary, Reasonable, Allocable, and Adequately Documented*

Office of Management and Budget Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments provides basic guidelines for factors affecting the allowability of costs under Federal awards. To be allowable under Federal awards, costs must “…be allocable to…” (C.1.a) and “…be necessary and reasonable for proper and efficient performance and administration of…” the award (C.1.b). Specifically, the cost principles states:

- “A cost is reasonable if it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.” (C.2)

- “A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.” (C.3.a)

In addition, the guidelines state costs must be adequately documented. (C.1.j)
Nine sample expenditures totaling $76,432 at the District were either improperly charged to the District’s CDC program funds or not adequately documented, and are therefore unallowable. We judgmentally selected 39 payroll expenditures totaling $691,535 (24 percent of payroll universe) and 51 non-payroll expenditures totaling $2,445,231 (48 percent of non-payroll universe). The District reversed one of the non-payroll sample items, a lease accrual for $1,331,485, during our review; therefore, we did not review that expenditure.

**Improper Charges**

We reviewed supporting documentation and found that five sample items totaling $53,188 ($38,438 payroll and $14,750 non-payroll) were improperly charged to the District’s program funds. The breakdown of the improper charges follows:

- The District charged program funds for $36,368 in excess of the salary and fringe benefits that had been allowed for one approved employee position. Although CDC had approved the position at a salary of $82,447 ($69,906 salary costs and $12,541 fringe benefits), the District charged program funds for $118,815 ($100,742 salary and $18,073 fringe benefits) even after the CDC program office had disallowed this amount.

- The District erroneously charged program funds for $2,070 for one pay period’s salary and fringe benefits for an employee not associated with the grant.

- The District charged program funds for $14,750 for costs unrelated to the program.

**Items Not Adequately Documented**

Four sample items totaling $23,244 were not adequately documented. These items appeared to be expenditures made for temporary services, computer purchases and credit card purchases.

**Various Reasons for Improperly Charged or Inadequately Documented Funds**

There were various reasons for the improper charges and inadequate documentation. The improper charges were due to miscommunication between the District and the Chief Financial Officer (CFO) department, who performs accounting services for the District. Although grant personnel identified the proper grant number to be charged on the supporting expenditure certification for some sample items, the actual grant number charged was incorrect. The inadequately documented charges were the result of missing documentation that was not provided by either the District or the CFO.

**CDC Funds May Not Be Expended in Accordance with Guidance**

Improperly charged and inadequately documented expenditures resulted in program funds expended which are not in accordance with the Cooperative Agreement, and are not necessary and reasonable for proper and efficient performance and administration of the program.
The District Erroneously Charged Unrelated Employee Overtime Pay to the Program

The District Self-Reported Erroneous Charging of Overtime Pay to the Program

During our review, the District brought to our attention that it had erroneously charged some unrelated overtime pay to the program. Although the employees were assigned to work on the program, they performed unrelated overtime work for a lead contamination issue in the District. The District plans to reallocate the overtime pay to funding obtained through the District’s Water and Sewer Authority. However, the District had not yet reallocated the overtime to the proper funding source.

$162,105 Erroneously Charged to the Program

The District estimated that $162,105 in unrelated overtime payroll cost was erroneously charged to the program.

SUPPLANTING

No Evidence of Supplanting

Supplanting Not Allowed

Bioterrorism program funds were to be used to augment current funding and focus on public health preparedness activities under the CDC Cooperative Agreement. The funds were not to be used to supplant existing Federal, State, or local funds for bioterrorism, infectious disease outbreaks, other public health threats and emergencies, and public health infrastructure within the jurisdiction. Program Announcement 99051 states “…cooperative agreement funds under this program may not be used to replace or supplant any current state or local expenditures.”

No Evidence of Supplanting

We found no evidence of supplanting at the District. We reviewed cost transfers, the timing of budget reductions versus bioterrorism funding, and costs reported for State fiscal years prior and subsequent to receiving program funding. We did not find significant decreases in District and other funded disbursements in correspondence with increases in federally funded disbursements. We also reviewed the employment history for a sample of program employees. Of the sample reviewed, all program employees’ previous duties were either absorbed by or reassigned to other staff not funded by the CDC program.

RECOMMENDATIONS

We recommend that the District:

1. record, summarize, and report program funds awarded, expended, obligated, and unobligated by focus area in accordance with the cooperative agreement;
2. revise and resubmit the September 30, 2003, FSR to CDC;

3. ensure program activities are funded in a manner to minimize unobligated fund balances and to achieve program goals; and

4. refund to CDC $238,537 representing $76,432 in improperly charged or inadequately documented costs, and $162,105 in erroneously charged overtime pay.

DISTRICT COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

The District concurred with our first three recommendations. We adjusted our fourth recommendation after the District provided documentation to support $66,301 in expenditures in response to our draft report. The District essentially met the intent of our fourth recommendation by agreeing to adjust its FSRs to account for the remaining $238,537 in improperly charged and inadequately documented expenditures. We are pleased that the District recognizes that $238,537 should not have been charged to Program funds. We are concerned that the revision of the FSRs only increases the significant unobligated funds already reported. The full text of the District’s comments is included as an appendix.
APPENDIX
Office of the Director

Stephen Virbitsky
Regional Inspector General for Audit Services
Department of Health & Human Services
Office of the Inspector General
Office of Audit Services
150 S. Independence Mall West, Suite 316
Philadelphia, PA 19106-3499

Re: Response to Audit of Costs and Reporting of Funds Under the Public Health Preparedness and Response for Bioterrorism Program, March 2005 (Report No. A-03-04-00353)

June 2, 2005 (REVISED)

Dear Mr. Virbitsky,

Thank you for allowing the DC Department of Health (DOH) to respond to the findings contained in the “Audit of Costs and Reporting of Funds Under the Public Health Preparedness and Response for Bioterrorism Program, March 2005 (Report No. A-03-04-00353)”. This audit reviews expenditures on the Centers for Disease Control (CDC) grant for bioterrorism preparedness (hereinafter “grant”) from 1999 to August 2004.

The audit findings and DOH responses are as follows:

<table>
<thead>
<tr>
<th>Finding</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>The District did not track program funds by focus area, and did not provide an accurate financial status report (FSR) for the period October 2001 to September 2003.</td>
<td>The District has modified its accounting system to track program funds and expenditures by focus area effective October 1, 2004.</td>
</tr>
<tr>
<td>The District did not provide an accurate financial status for the period October 2001 to September 2003.</td>
<td>The District is in the process of reconciling all expenditures against this grant for all years prior to the end of June 2005. As a result, revised FSR’s for the fiscal years identified will be prepared. Only expenditures fully documented will be reported.</td>
</tr>
<tr>
<td>The District had unobligated program funds of $11,821,400 as of August 30, 2004, representing 48 percent of the $24,456,357 awarded.</td>
<td>The District concurs that the grant had an unexpended balance of $11.8 million on August 30, 2004. However, the CDC has extended the use of the funds through August 30, 2005.</td>
</tr>
</tbody>
</table>
The District improperly charged or did not adequately document $142,733 in program funds, and...

<table>
<thead>
<tr>
<th>This item contains several distinct expenditure issues. Following are comments:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The District recognizes that $38,438 in payroll charges were improperly charged to the grant. The FSR will be revised accordingly.</td>
</tr>
<tr>
<td>2. The District acknowledges that the $2,070 in one time payroll expense was improperly charged to the grant. A correction has been made in payroll system to ensure that this employee does not incorrectly charge to the grant in the future. The FSR will be revised accordingly.</td>
</tr>
<tr>
<td>3. The District acknowledges that $14,750 for costs unrelated to the program were incorrectly charged to the grant. The FSR will be revised accordingly.</td>
</tr>
<tr>
<td>4. The District acknowledges 4 of the 5 items were inadequately documented and therefore cannot be charged to the grant. These include: US Bank ($164,69); Bayview Funding ($13,879.36); National Council on State EMS ($500); and Del Computer ($8,700). However, the $66,301 accrual for Sheehy Ford of Upper Marlboro represented the purchase of two field vehicles for the Bureau of Epidemiology and the Public Health Laboratory. Documentation regarding the procurement, including the Certificates of Origin, was sent to the CDC on January 14, 2005. These vehicles were purchased, not leased. Attached please find a copy of the Certificates of Origin. These purchases were allowable at the time of purchase although CDC provisions have subsequently changed.</td>
</tr>
</tbody>
</table>

| Erroneously charged approximately $162,000 in employee overtime pay to program funds. |
| These expenditures relate to lead in the water crisis experienced by the District. Prior to the close of the District's fiscal year (i.e., September 30, 2004), the $162,000 expenditure was transferred to funding provided by Water and Sewer Authority (WASA). |

| The District did not use program funds to supplant other State and local expenditures. |
| The District concurs with this finding. |

We have further reviewed the recommendations and offer the following comments:
<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>That the District record, summarize, and report program funds awarded, expended, obligated, and unobligated by focus area in accordance with the cooperative agreement.</td>
<td>The District concurs and has modified its accounting system to track program funds and expenditures by focus area effective October 1, 2004.</td>
</tr>
<tr>
<td>That the District revise and resubmit the September 30, 2003 FSR to CDC.</td>
<td>The District concurs. Staff is in the process of reconciling all expenditures against the grant and a revised FSR will be prepared. Only expenditures fully documented will be reported.</td>
</tr>
<tr>
<td>That the District ensure program activities are funded in a manner to minimize unobligated fund balances and to achieve program goals.</td>
<td>The District concurs and is regularly reviewing program activities and unobligated balances with the intent to reduce/eliminate unobligated balances.</td>
</tr>
<tr>
<td>That the District refund to CDC $304,838 representing $142,733 in improperly charged or inadequately documented costs, and $162,105 in erroneously charged overtime pay.</td>
<td>The District does not concur that repayment is required. The District believes that $66,301 of this amount for the purchase of vehicles is an appropriate CDC-funded expenditure and does not concur that repayment is required. For all other charges, the associated FSR and cash drawdown will be revised so that no repayment is necessary.</td>
</tr>
</tbody>
</table>

Thank you again for allowing us to respond to the draft audit findings. If you have any follow up questions, please do not hesitate to contact us at 202-442-5955.

Sincerely,

MONICA R. LAMBOY  
Chief Operating Officer

JON CARVER  
Interim Chief Financial Officer
This report was prepared under the direction of Stephen Virbitsky, Regional Inspector General for Audit Services. Other principal Office of Audit Services staff who contributed include:

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