



## **Management Alert**

### **Management Alert to the Department of Housing and Community Development Regarding the Housing Production Trust Fund**

March 15, 2016

A Management Alert from the Office of the District of Columbia Auditor  
Kathleen Patterson, District of Columbia Auditor

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March 15, 2016

Ms. Polly Donaldson  
Director  
Department of Housing and Community Development  
1800 Martin Luther King Avenue, S.W.  
Washington, D.C. 20020

**Management Alert**

Dear Director Donaldson:

As you know, this office is conducting an audit of the Housing Production Trust Fund at the request of the D.C. Council with the goal of providing the Council with additional information on the activities of the Trust Fund to assist in their oversight of the priority work of increasing the stock of affordable housing in the District of Columbia.

In the course of our research we have discovered that an audit requirement and requirements for regular reports to the Council have not been met in recent years. These are included as responsibilities of the Department of Housing and Community Development. Specifically with regard to the audit requirement, the D.C. Code states, at Section 42-2802 (d)(3) that the Department shall “conduct annual audits.” The corresponding regulation included in DCMR at 4102-9(d) is more specific, that DHCD shall be responsible for “commissioning an annual audit report of the Fund by a Certified Public Accountant or firm of public accountants independent of DHCD in accordance with generally acceptable government auditing standards covering financial and compliance audits which sets forth the amount of deposits in the fund, the aggregate amount of all loans or grants issued by the Fund, and the number and amount of Fund loans in default.”

I call this requirement to your attention at this point with the recommendation that you undertake such an audit, in compliance with existing law and regulation. Such an audit would not be duplicative of our effort since we will produce a performance audit, not a financial audit.

The law and regulation also call for the department to file “quarterly reports on activities and expenditures” with the Council Committee Chairperson, listed in the statute as the Committee on Economic Development and in the DCMR as the Committee on Housing and Economic Development. There is also an annual report requirement in both law and regulation. It appears that DHCD has met this requirement in some years, but not recently. I recommend that you proceed to produce annual reports for FY 2013 through 2015, and begin publishing quarterly reports immediately, consistent with the statute.

Please let me know by March 29, 2016, whether you will move forward on these recommendations. If you will, please let me know the timeframe, and if you will not, please

explain why not. At that time this management alert and your response will be made public.

Thank you very much for your consideration. I look forward to continuing to work with you and your staff on this and other reviews with the goal of improving the District government and benefiting residents of the District.

Sincerely yours,

A handwritten signature in blue ink that reads "Kathleen Patterson". The signature is fluid and cursive, with the first name "Kathleen" written in a larger, more prominent script than the last name "Patterson".

Kathleen Patterson  
District of Columbia Auditor

Cc: Betsy Cavendish, General Counsel, Executive Office of the Mayor

## **Agency Comments**



**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**



**VIA ELECTRONIC MAIL**

**MAR 30 2016**

Kathleen Patterson  
District of Columbia Auditor  
Office of the District of Columbia Auditor  
717 14<sup>th</sup> Street N.W, Suite 900  
Washington, DC 20005

Re: Management Alert – Housing Production Trust Fund Audit

Dear Ms. Patterson:

The District of Columbia Department of Housing and Community Development (DHCD) is responding to the office of the District of Columbia Auditor (ODCA) letter dated March 15, 2016 with regard to certain Management Alert related to Housing Production Trust Fund (HPTF). DHCD agrees to the suggestions to move forward with your recommendations as follows:

The requirement that DHCD procure the services of a Certified Public Accountant or firm of Public Accountants independent of DHCD annually to audit the Financial Statements of HPTF as stated in DC Code Section 42-2802(d)(3) and included in D.C. Municipal Regulations (DCMR) 4102-9(d). In the past DHCD had relied on the Comprehensive Annual Financial Report (CAFR). DHCD agrees with your recommendation and is working with Office of Contracts and Procurement (OCP) and the Office of the Chief Financial Officer (OCFO) to procure an auditor. The auditor will start with the audit of the FY 2016 financials of HPTF, which will be issued by December 31, 2016.

Delay in the publication of Annual and Quarterly reports. DHCD had been late in completing the annual financial reports of the HPTF. The FY 2013 report has been completed and is being reviewed for submission to the Council. The FY 2014 report is in process and will be ready and submitted to the Council by April 30, 2016.

DHCD expects to catch up with the Quarterly statements from FY 2012 through second Quarter FY 2016 by May 31, 2016.

If you need additional information, please contact Oke Anyaegbunam at 202-442-7142.

Sincerely,



Polly Donaldson  
Director

cc: Betsy Cavendish, General Counsel, Executive Office of the Mayor  
Vonda Orders, Chief Program Officer  
Julia Wiley, Interim General Counsel