

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
HOUSING PRODUCTION TRUST FUND
A Governmental Fund of the District of Columbia**

**Financial Statements Together with
Reports of Independent Public Accountants
For the Year Ended September 30, 2016**



S B & COMPANY, LLC
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SEPTEMBER 30, 2016

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Government of the District of Columbia Housing Production Trust Fund (the Fund), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Fund's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
HOUSING PRODUCTION TRUST FUND**

**Management's Discussion and Analysis
September 30, 2016**

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of September 30, 2016, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Fund and do not purport to, and do not, present fairly the financial position of the Government of the District of Columbia, as of September 30, 2016, and the changes in its financial position for the year then ended in accordance with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 12, 2018, on our consideration of the Fund's internal controls over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Fund's internal control over financial reporting and compliance.

Washington, DC
October 12, 2018



**GOVERNMENT OF THE DISTRICT OF COLUMBIA
HOUSING PRODUCTION TRUST FUND**

**Management’s Discussion and Analysis
September 30, 2016**

The following is a discussion and analysis of the Government of the District of Columbia Housing Production Trust Fund’s (the Fund) financial performance for the fiscal year ended September 30, 2016. The financial statements and accompanying notes on pages 6 through 12 should be read in conjunction with this discussion.

Basic Financial Statements

The Fund’s basic financial statements are comprised of two components: fund financial statements and notes to the fund financial statements.

- **Fund financial statements.** The governmental financial statements focus primarily on the sources, uses, and balances of current financial resources. The financial statements consist of a Balance Sheet and Statement of Revenues, Expenditures, and Change in Fund Balances.
- **Notes to the fund financial statements.** The notes provide additional information that is essential to fully understand the data provided in the Fund’s financial statements.

2016 Financial Highlights

- Other long-term assets/net loans receivable increased by \$12,576,004 or 30%.
- Provision for doubtful accounts increased by \$75,362,095 or 21%.
- Cash and cash equivalents increased by \$65,479,828 or 37%.
- Due from other funds decreased by \$737,414 or -12%.
- Unearned revenues recorded for the Fund increased by \$12,575,969 or 30%.
- 63 new loans were issued in 2016 amounting to \$98,168,552.
- 1,192 Affordable Housing units were started.
- 1,053 new Affordable Housing units were completed.

Table 1 - Condensed Statements of Financial Position as of September 30, 2016 and 2015:

	<u>FY 2016</u>	<u>FY 2015</u>	<u>2016-2015</u>	<u>%</u>
Total Assets	\$ 305,183,863	\$227,878,000	\$77,305,863	34%
Total Liabilities	54,872,969	42,382,000	12,490,969	29%
Restricted Fund Balance	\$ 250,310,894	\$185,496,000	\$64,814,894	35%

Total Assets

Total assets increased by \$77,305,863 or 34% due to additional funding to facilitate the Mayor’s Affordable Housing Initiatives.

Total Liabilities

The total liabilities increased by \$12,490,969 or 29% as a result of net loss, which will not be collected currently.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
HOUSING PRODUCTION TRUST FUND**

**Management's Discussion and Analysis
September 30, 2016**

Table 2 - Condensed Statements of Revenues, Expenditures and Change in Fund Balances for the Years Ended September 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>	<u>2016-2015</u>	<u>%</u>
Revenues				
Taxes	\$ 55,877,916	\$ 60,598,000	\$ (4,720,084)	-8%
Investment Income and Other	<u>5,660,671</u>	<u>3,945,000</u>	<u>1,715,671</u>	<u>43%</u>
	61,538,587	64,543,000	(3,004,413)	-5%
Expenditures	86,902,728	73,010,000	13,892,728	19%
Excess of Expenditures over Revenues	(25,364,141)	(8,467,000)	(16,897,141)	200%
Transfers In	<u>90,179,389</u>	<u>20,099,000</u>	<u>70,080,389</u>	<u>349%</u>
Net Change in Fund Balances	<u>\$ 64,815,248</u>	<u>\$ 11,632,000</u>	<u>\$ 53,183,248</u>	<u>457%</u>

2016

Expenditures

- Expenditures increased by \$13,892,728 or 19% from FY 2015 to FY 2016, which was attributable to the Department of Housing and Community Development (DHCD) closing additional loans to facilitate the Mayor's Affordable Housing Initiative.

Revenues

- Tax revenues decreased by \$4,720,084 or 8% due to lower deed transfer and deed recordation tax revenues received in FY 2016, which fund the Housing Production Trust Fund. See Table 6.
- Investment and other income increased by \$1,715,671 or 43% in FY 2016 over FY 2015 due to an increase in loan repayments, pay-offs and interest earned.

Table 3 – Other Long-term Assets/Loans Receivable as of September 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>	<u>2016-2015</u>	<u>%</u>
Loans Receivable	\$ 495,820,483	\$ 407,882,384	\$ 87,938,099	22%
Allowance	<u>(440,947,514)</u>	<u>(365,585,419)</u>	<u>(75,362,095)</u>	<u>21%</u>
Net Loan Receivable	<u>\$ 54,872,969</u>	<u>\$ 42,296,965</u>	<u>\$ 12,576,004</u>	<u>30%</u>

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
HOUSING PRODUCTION TRUST FUND**

**Management's Discussion and Analysis
September 30, 2016**

Table 4 - Number of Active Loans as of September 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>	<u>2016-2015</u>	<u>%</u>
Amortized	98	64	34	53%
Deferred	260	236	24	10%
Total	358	300	58	19%

Table 5 – Revenues from Loan and Interest Payments for the Years Ended September 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>	<u>2016-2015</u>	<u>%</u>
Amortized: Loan Repayments and Interest	\$ 2,350,957	\$ 2,591,417	\$ (240,460)	-9%
Deferred: Loan Repayments and Interest	1,445,574	738,236	707,338	96%
Total	\$ 3,796,531	\$ 3,329,653	\$ 466,878	14%

Table 6 – Government of the District of Columbia Deed Recordation and Transfer Taxes for the Years Ended September 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>	<u>2016-2015</u>	<u>%</u>
Deed Recordation Taxes	\$ 30,793,000	\$ 32,599,000	\$ (1,806,000)	-6%
Deed Transfer Taxes	25,085,000	27,999,000	(2,914,000)	-10%
Total	\$ 55,878,000	\$ 60,598,000	\$ (4,720,000)	-8%

FY 2017 OUTLOOK

A total revenues collection for FY 2017 is estimated at approximately \$68 million. The estimate is in anticipation of increases in dedicated tax collections and loan repayments tied to current economic trends. Deed recordation and deed transfer taxes are estimated to account for \$58 million of projected revenues, with another \$10.4 million coming from miscellaneous revenues from loan repayments and interest collected on loans in the Fund's loan portfolio. In addition, the Mayor is expected to provide another \$43 million in local funding to support her commitment to keep the Fund funded at \$100 million annually.

DHCD projects that approximately 1,500 new affordable housing units will be initiated in FY 2017, with 700 units projected to be completed. DHCD anticipates selecting as many as 8-10 new multi-family development projects when the Notice of Funding Availability is released in the Spring of 2017. The Fund estimates spending of \$125 million in FY 2017.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
HOUSING PRODUCTION TRUST FUND**

**Management's Discussion and Analysis
September 30, 2016**

Requests for Information

This report is designed to provide a general financial overview of the Fund. Questions concerning any of the information provided in this report or requests for additional information should be directed to Kwame Bryant, Budget Officer of the Department of Housing and Community Development (DHCD) at (202) 442-7262.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
HOUSING PRODUCTION TRUST FUND**

**Balance Sheet
September 30, 2016**

ASSETS

Cash and cash equivalents (restricted)	\$ 242,325,828
Investments (restricted)	2,146,900
Accounts receivable, net	257,580
Due from other funds	5,580,586
Loans receivable, net	<u>54,872,969</u>
Total Assets	<u><u>\$ 305,183,863</u></u>

LIABILITIES

Accounts payable	
Unearned revenue	\$ <u>54,872,969</u>
Total Liabilities	<u>54,872,969</u>

FUND BALANCE

Fund balance restricted for affordable housing initiative	<u>250,310,894</u>
Total Liabilities and Fund Balance	<u><u>\$ 305,183,863</u></u>

The accompanying notes are an integral part of this balance sheet.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
HOUSING PRODUCTION TRUST FUND**

**Statement of Revenues, Expenditures, and Change in Fund Balance
For the Year Ended September 30, 2016**

Revenues

Deed recordation and transfer taxes	\$ 55,877,916
Investment income	83,760
Loan repayments and interest	5,377,971
Other revenue	198,940
Total Revenues	61,538,587

Expenditures

Economic development and regulation	86,902,728
Total Expenditures	86,902,728

Excess of Expenditures Over Revenues (25,364,141)

Other Financing Sources

Transfers in	90,179,389
Total Other Financing Sources	90,179,389

Net Change in Fund Balance 64,815,248

Restricted fund balance at the beginning of the year 185,495,646

Restricted Fund Balance at the End of the Year \$ 250,310,894

The accompanying notes are an integral part of this balance sheet.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
HOUSING PRODUCTION TRUST FUND**

**Notes to the Fund Financial Statements
September 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Government of the District of Columbia Housing Product Trust Fund (the Fund) was established under the District of Columbia Housing Production Trust Fund Act of 1988, D.C. Law 7-202, D.C. Code § 45-3101. The Fund supports the construction, rehabilitation, and acquisition of housing affordable to low and moderate income residents. Since 2001, the Fund has helped build or renovate 9,900 affordable homes throughout the District of Columbia (the District).

Relationship with the District

The Fund is the District's largest affordable housing program. The funding from the Fund often serves as "gap financing" for projects that have substantial amounts of private financing and need only partial support from the District. To serve this purpose, under the District of Columbia Housing Act beginning in 2003, 15% of the Government of the District of Columbia revenues from deed recordation and transfer taxes are dedicated to the Fund each fiscal year. In fiscal year 2015, the Fund received a pledge from the Mayor to fully fund the Fund at \$100 million to provide financing for affordable housing initiative. This initiative provides financial assistance to non-profit and for-profit developers that support the rehabilitation and acquisition of affordable housing for rental or homeownership in the District.

The financial statements of the Fund are intended to present only the financial position of the Fund and do not purport to, and do not present the financial position of the District. Additionally, the Fund's accompanying financial statements are not indicative of the Fund as if it were a stand-alone entity.

Reporting Entity

The financial statements present only the Fund, and do not purport to, and do not present fairly the financial position of the District as of September 30, 2016 and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis of Accounting and Measurement Focus

The Fund's activities are accounted for in the District's general fund, a governmental fund type, which is accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (that is when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, considered by the District to be one year. Expenditures are recorded when the related liabilities are incurred. The Fund's financial statements are presented on a modified accrual basis, which is essentially the same as the full accrual basis; therefore, separate entity-wide statements are not presented.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
HOUSING PRODUCTION TRUST FUND**

**Notes to the Fund Financial Statements
September 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Fund's cash is deposited into an invested pooled account with the District. As of September 30, 2016, all of the Fund's cash was deposited into an investment pool account with the District. In accordance with District's policies, substantially all of its deposits were insured or collateralized with securities held by the District or by its agent in the name of the District.

Investments

The restricted investment is the invested portion of the available funds. The funds are restricted because resources in the Fund are restricted by law through enabling legislation for the purpose of providing financial assistance to a variety of affordable housing programs and opportunities in the District.

Fair Value Measurements

Fair value is defined under GAAP as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last is unobservable, that may be used to measure fair value and are as follows.

Basis of Fair Value Measurement

Level 1: Valuation based on quoted prices in active markets for identical assets or liabilities that a reporting entity has the ability to access at the measurement date, and where transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Valuation based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, that is markets in which there are few transactions, prices are not current, or prices vary substantially over time.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
HOUSING PRODUCTION TRUST FUND**

**Notes to the Fund Financial Statements
September 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Fair Value Measurement (continued)

Level 3: Valuation based on inputs that are unobservable for an asset or liability and shall be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. This input therefore reflects the Foundation's assumptions about what market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Fund Balance

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balance is classified as restricted. As of September 30, 2016, cumulative revenues exceeded cumulative expenditures incurred, resulting in a positive fund balance.

Subsequent Events

The Fund's management has evaluated subsequent events through the date this report which was available for issuance on October 12, 2018. There are no material events that would have an effect on the financial statements.

2. CASH AND CASH EQUIVALENTS

The Fund's cash is deposited into an invested pooled account with the District. As of September 30, 2016, the Fund had restricted cash and cash equivalents of \$242,325,828.

3. CUSTOMER CREDIT RISK DEPOSITS

Custodial credit risk is the risk that, in the event of a bank failure, the Fund's deposits may not be returned to it. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution, or (c) collateralized with securities held by pledging financial institution's trust department or agent but not in the Fund's name. As of September 30, 2016, all of the Fund's cash was deposited into an investment pool account with the District. In accordance with District's policies, substantially all of its deposits were insured or collateralized with securities held by the District or by its agent in the name of the District.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
HOUSING PRODUCTION TRUST FUND**

**Notes to the Fund Financial Statements
September 30, 2016**

4. INVESTMENTS

The restricted investment is the invested portion of the available funds. The funds are restricted because resources in the Fund are restricted by law through enabling legislation for the purpose of providing financial assistance to a variety of affordable housing programs and opportunities. As of September 30, 2016, the Fund had \$2,146,900 invested in guaranteed investment contracts (Level 3), which are valued at fair value by discounting the related cash flows based on current yields of comparable instruments considering the creditworthiness of the issuer.

5. ACCOUNTS RECEIVABLE

The District has a loan service provider that receives and tracks a majority of loan repayments and balances. As of September 30, 2016, the service provider had not remitted September loan and interest payments totaling \$257,580 to the District before year-end.

6. OTHER LONG-TERM ASSETS/LOANS RECEIVABLE

The Fund's other long-term assets consist of loans receivable as follows:

- Amortized loans are required to be completely paid off over a specific period of time at a predetermined interest rate.
- Deferred loans allow the borrower of a low income eligible property to defer repayment of principal during construction, major rehabilitation or modification, and lease period. As of September 30, 2016, the Fund's total principal amounts for deferred loans were \$416,031,424. There were no loans written off in 2016.

	<u>Loan Amount</u>	<u>Allowance</u>	<u>Net Loans Receivable</u>
Amortized Loans	\$ 79,789,059	\$ (39,894,530)	\$ 39,894,529
Deferred Loans	416,031,424	(401,052,984)	14,978,440
Total	<u>\$ 495,820,483</u>	<u>\$ (440,947,514)</u>	<u>\$ 54,872,969</u>

In 2016, the allowance for amortized loans was assessed at 50% based on delinquency and actual historical collections. The allowance for deferred loans with expected repayments was assessed at 49% of outstanding loans balance and deferred loans with no expected repayments was at 100% of outstanding loan balances.

The Fund's loans receivable allowance roll forward for fiscal year 2016 is as follows:

	<u>2016</u>
Allowance for Doubtful Accounts - Beginning	\$ 365,585,419
FY 16 Activity for Allowance	75,362,095
Allowance for Doubtful Accounts - Ending	<u>\$ 440,947,514</u>

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
HOUSING PRODUCTION TRUST FUND**

**Notes to the Fund Financial Statements
September 30, 2016**

7. DUE FROM OTHER FUNDS

The Office of Finance and Treasury transfers monthly revenues (deed recordation taxes and deed transfer taxes) to the Fund. As of September 30, 2016, the Treasury had not remitted the September collections totaling \$5,580,586 to the Fund.

8. TRANSFERS FROM GENERAL FUND

The Fund received a pledge from the Mayor totaling \$100 million, including the dedicated deed recordation and deed transfer taxes, from the District's general revenues in fiscal year 2016. In addition to the annual dedicated deed recordation and deed transfer taxes, an additional \$90,179,389 was transferred in from the general fund for the year ended September 30, 2016.

9. COMMITMENTS AND CONTINGENCIES

The Fund has entered into agreements with developers whereby loan funds have been partially disbursed or are not yet disbursed. As of September 30, 2016, the Fund is committed to fund the total amount of undisbursed loans under executed agreements of \$65,105,363.

10. PENSION AND OTHER POSTEMPLOYMENT BENEFITS

The Fund does not have any direct employees. Instead, direct labor costs are allocated from the District based on actual hours worked at the rate for salary and fringe benefits. Indirect labor and other overhead costs are also allocated to the Fund.

Certain employees of the District are covered under a defined contribution pension plan as well as a postemployment benefit plan, which are sponsored by the District. The District prepares a separate comprehensive annual report, which can be obtained from the Office of the Chief Financial Officer at 1350 Pennsylvania Avenue, N.W., Suite 209, Washington D.C. 20004.



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

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

We have audited, 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 accompanying financial statements of the Government of the District of Columbia Housing Production Trust Fund (the Fund), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated October 12, 2018.

Internal Controls over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fund's internal controls over financial reporting (internal controls) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal controls. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal controls.

A deficiency in internal controls exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal controls, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal controls that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal controls 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 controls over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal controls over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal controls described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies as items 2016-01 and 2016-02.



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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free from 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 the accompanying schedule of findings and questioned costs as items 2016-01 and 2016-02.

Management's Response to Findings

Management's response to the findings identified in our audit are described in the accompanying schedule of corrective actions. Management's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Washington, DC
October 12, 2018

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
HOUSING PRODUCTION TRUST FUND**

**Schedule of Findings and Questioned Costs
September 30, 2016**

Reference Number: 2016-01

Type of Finding: Noncompliance with laws and regulations

Criteria

D.C. Code § 42-2802 (d)(3) requires the District of Columbia Department of Housing and Community Development (DHCD) to have annual audits of the D.C. Housing Production Trust Fund, publish annual reports, hold public hearings, and make annual assessments of the continued housing needs of targeted populations.

Condition

The District of Columbia Department of Housing and Community Development has not complied with the requirements of D.C. Code § 42-2802 (d)(3).

Cause

DHCD relied on the District CAFR audit to satisfy the requirement stated above. However, a separate independent audit was supposed to be performed for the D.C. Housing Production Trust Fund.

Effect

The Fund could face severe consequences for not publishing annual audit reports or for publishing these reports late. The repercussions include:

- Cut down on funding
- Legal issues

Recommendation

SBC recommends that DHCD ensure that annual audits are performed.

Questioned costs

N/A

Management's Response

Management agrees with the finding. See Schedule of Corrective Actions.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
HOUSING PRODUCTION TRUST FUND**

**Schedule of Findings and Questioned Costs
September 30, 2016**

Reference Number: 2016-02

Type of Finding: Noncompliance with laws and regulations

Criteria

D.C. Code § 42-2802 (d)(2) requires the District of Columbia Department of Housing and Community Development (DHCD) to file with the D.C. Council Chairperson of the Committee on Economic Development quarterly reports on activities and expenditures.

Condition

DHCD did not file the quarterly reports for fiscal year 2016 as required by D.C. Code § 42-2802 (d)(2).

Cause

DHCD has had turnover in accounting and program personnel and some of the internal controls relating to the review and filing the quarterly reports were not performed on a timely basis.

Effect

Because of the late submission of the quarterly reports on the Fund's activities and expenditures, the reporting package was not made available to users in a timely manner

Recommendation

We recommended that DHCD develop procedures to ensure that future reporting packages are submitted timely to allow users to make informed decisions.

Questioned costs

N/A

Management's Response

Management agrees with the finding. See Schedule of Corrective Actions.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
HOUSING PRODUCTION TRUST FUND**

**Schedule of Corrective Actions
September 30, 2016**

Reference Number: 2016-01

Responsible Official's Response and Corrective Action Plan

We agree with the finding of the independent auditor. As a result, we have hired an independent auditor to perform our annual audit.

Planned Implementation Date of Corrective Action
2017

Person Responsible for Corrective Action
Polly Donaldson, Director

Reference Number: 2016-02

Responsible Official's Response and Corrective Action Plan

We agree with the finding of the independent auditor and will take steps to implement procedures to address this issue.

Planned Implementation Date of Corrective Action
2017

Person Responsible for Corrective Action
Polly Donaldson, Director