



**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, 2020**

**VECO**  
*CPAs & Advisors*

**CONTENTS**

**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS** ..... 1

**MANAGEMENT’S DISCUSSION AND ANALYSIS** .....3

**FUND FINANCIAL STATEMENTS**

Balance Sheet..... 7

Statement of Revenues, Expenditures, and Changes in Fund Balance ..... 8

**NOTES TO FINANCIAL STATEMENTS** ..... 9

**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON INTERNAL CONTROLS OVER  
FINANCIAL FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE *GOVERNMENT AUDITING STANDARDS*** .....12

**SCHEDULE OF FINDINGS AND RESPONSES** .....14



VECO, CPAs & Advisors  
www.cpa-ve.com

## 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 balance sheet and the statement of revenues, expenditures and change in fund balance of the Housing Production Trust Fund (HPTF), a major fund of the Government of the District of Columbia, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the HPTF's basic financial statements.

### ***Management's Responsibility for the Financial Statements***

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.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the fund balance of the HPTF as of September 30, 2020, and the changes in its fund balance for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As disclosed in Note 1, the financial statements present only the HPTF 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, 2020, 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.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 - 6 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 August 31, 2022, on our consideration of the HPTF'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 solely 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 the effectiveness of HPTF's 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 HPTF's internal control over financial reporting and compliance.

*VECO, CPAs & Advisors*

Washington, DC  
August 31, 2022

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

**Management’s Discussion and Analysis  
September 30, 2020**

The following is a discussion and analysis of the Government of the District of Columbia’s (the District’s) Housing Production Trust Fund (the Fund) financial performance for the fiscal year ended September 30, 2020. The financial statements and accompanying notes 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 financial statements.

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

**2020 Financial Highlights**

- Net loans receivable increased by \$5,223,411 or 6%
- Allowance for doubtful accounts increased by \$198,652 or 26%
- Cash and cash equivalents increased by \$10,884,019 or 8%
- Due from other funds decreased by \$5,992,957 or 61%
- Unearned revenue recorded for the fund increased by \$5,223,411 or 6%
- 22 new loans were closed in 2020 amounting to \$104,563,585
- 1,002 affordable housing units started
- 925 new affordable housing units completed

**Table 1 - Condensed Balance Sheets as of September 30, 2020 and 2019:**

	<b>FY 2020</b>	<b>FY 2019</b>	<b>\$ Variance</b>	<b>% Variance</b>
Total Assets	\$246,760,886	\$236,898,723	\$ 9,862,163	4%
Total Liabilities	130,539,255	93,958,729	36,580,526	39%
Restricted Fund Balance	\$116,221,631	\$142,939,994	\$(26,718,363)	-19%

***Total Assets***

Total assets increased by \$9,862,163 or 4% due to an increase in cash and cash equivalents.

***Total Liabilities***

The total liabilities increased by \$36,580,526 or 39% due to an increase in unearned revenue and an increase in accounts payable associated with normal payments and new project closings at year end.

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

**Management’s Discussion and Analysis  
September 30, 2020**

**Table 2 - Condensed Statements of Revenues, Expenditures and Change in Fund Balances for the years ended September 30, 2020 and 2019:**

	<b>2020</b>	<b>2019</b>	<b>Variance</b>	<b>%</b>
<b>Revenues</b>				
Deed Recordation and Transfer Taxes	\$ 62,636,749	\$ 74,321,539	\$(11,684,790)	-16%
Investment Income & Other	15,872,273	15,629,310	242,963	2%
Total Revenues	78,509,022	89,950,849	(11,441,827)	-13%
<b>Expenditures</b>	143,872,432	150,558,561	(6,686,129)	-4%
Deficiency of Revenues over Expenditures	(65,363,410)	(60,607,712)	(4,755,698)	8%
<b>Transfers In</b>	38,645,047	36,150,839	2,494,208	7%
Net Change in Fund Balances	\$(26,718,363)	\$(24,456,873)	\$ (2,261,490)	9%

**Revenues**

- Deed Recordation and Transfer Taxes decreased by \$11,684,790 or 16% due to lower receipts in FY 2020, attributable to general slowdowns in real estate transactions during the COVID 19 outbreak. See Table 6 below.
- Investment and other income increased by \$242,963 or 2% in FY 2020 over FY 2019 due to a large one-time payoff of a Site Acquisition Funding Initiative (SAFI) loan, offsetting a decrease in Inclusionary Zoning and other loan repayments. FY 2019 Inclusionary Zoning fees included a large one-time payment that did not recur, and other loan repayments were down 19%, largely due to COVID 19 impacts on developers’ cash flow.

**Expenditures**

- Expenditures decreased by \$6,686,129 or 4% from FY 2019 to FY 2020, which is attributed to completion of a project sponsored by the Department for General Services (DGS) and a reduction in Property Acquisition and Disposition expenditures.

**Table 3 – Net Loans Receivable as of September 30, 2020 and 2019:**

	<b>2020</b>	<b>2019</b>	<b>Variance</b>	<b>%</b>
Loans Receivable	\$ 1,054,156,033	\$850,280,532	\$203,875,501	24%
Allowance	(954,973,893)	(756,321,802)	(198,652,091)	26%
	\$ 99,182,140	\$ 93,958,729	\$ 5,223,410	6%

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

**Management's Discussion and Analysis  
September 30, 2020**

**Table 4 - Number of Active Loans as of September 30, 2020 and 2019:**

	<b>2020</b>	<b>2019</b>	<b>Variance</b>	<b>%</b>
Amortized	107	109	(2)	-2%
Deferred	391	386	5	1%
Total	498	495	3	1%

**Table 5 – Revenue from Loan and Interest Payments for the years ended September 30, 2020 and 2019:**

	<b>2020</b>	<b>2019</b>	<b>Variance</b>	<b>%</b>
Amortized: Loan Repayments and Interest	\$ 2,944,349	\$ 2,422,777	\$ 521,572	22%
Deferred: Loan Repayments and Interest	7,224,503	3,846,670	3,377,833	88%
Total	\$ 10,168,852	\$ 6,269,447	\$ 3,899,405	62%

**Table 6 – Government of the District of Columbia Deed Recordation and Transfer Taxes for the years ended September 30, 2020 and 2019:**

	<b>2020</b>	<b>2019</b>	<b>Variance</b>	<b>%</b>
Deed Recordation Taxes	\$ 37,775,193	\$ 45,578,153	(7,802,960)	-17%
Deed Transfer Taxes	24,861,556	28,743,386	(3,881,830)	-14%
Total	\$ 62,636,749	\$ 74,321,539	(11,684,790)	-16%

**Table 7 – Number of Affordable Housing Units under Development, Completed and Initiated during FY 2020 and 2019:**

	<b>2020</b>	<b>2019</b>	<b>Variance</b>	<b>%</b>
Affordable Housing Under Development	2,542	3,700	(1,158)	-31%
Affordable Housing Completed	925	605	320	53%
Affordable Housing Initiated	1,002	973	29	3%
Total	4,469	5,278	(809)	-15%

The decrease in FY 2020 units under development from FY 2019 is related to the smaller number of project closings and associated unit counts in FY 2019, which translates to fewer new units under construction in FY 2020.

The increase in completed housing units in FY 2020 over FY 2019 is due to the impact of the large number of units that began construction in FY 2019, that were put in service in FY 2020.

The increase in initiated housing units is substantially similar to FY 2019, reflecting some minor year-over-year variation in the types and unit mixes of projects funded by the HPTF.

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

**Management's Discussion and Analysis  
September 30, 2020**

**FY 2021 OUTLOOK**

Total revenue collection for FY 2021 was originally estimated at approximately \$73 million based on anticipated increases in dedicated tax collections. Revenues from loan repayments and other miscellaneous revenues are expected to yield approximately another \$9 million. Through the end of January 2021, collections appear to be running slightly behind the original estimates. In addition, the Mayor is expected to provide another \$17.5 million in local funding to fund the HPTF at \$100 million.

The Fund projects that approximately 1,500 additional affordable housing units will be under development in FY 2021, with 2,000 units projected to be completed. The Fund anticipates selecting as many as 33 new multi-family development projects and estimates spending approximately \$150 million in FY 2021, including accumulated fund balance.

This report is designed to provide a general financial overview of the District of Columbia Government's Housing Production Trust Fund. If there are any questions regarding this report, please contact Beth Spooner-Shiflett, Agency Fiscal Officer of the Department of Housing and Community Development at (202) 442-7173.



GOVERNMENT OF THE DISTRICT OF COLUMBIA  
HOUSING PRODUCTION TRUST FUND

Balance Sheet  
September 30, 2020

<b>Assets</b>	
Cash and cash equivalents (restricted)	\$ 143,698,092
Due from other funds	3,880,654
Loans receivable, net	<u>99,182,140</u>
<b>Total Asset</b>	<u><u>\$ 246,760,886</u></u>
<b>Liabilities</b>	
Unearned revenue	\$ 99,182,140
Accounts payable	<u>31,357,115</u>
<b>Total Liabilities</b>	<u>130,539,255</u>
<b>Fund Balance</b>	
Restricted fund balance	<u>116,221,631</u>
<b>Total Liabilities and Fund Balance</b>	<u><u>\$ 246,760,886</u></u>

GOVERNMENT OF THE DISTRICT OF COLUMBIA  
HOUSING PRODUCTION TRUST FUND

Statement of Revenues, Expenditures, and Changes in Fund Balance  
For the Year Ended September 30, 2020

**Revenues**

Deed recordation and transfer taxes	\$ 62,636,749
Investment income	5,813
Loan repayments and interest	10,168,852
Other - Inclusionary zoning fees	5,697,608
<b>Total Revenues</b>	<b><u>78,509,022</u></b>

**Expenditures**

Economic development and regulation	<u>143,872,432</u>
<b>Total Expenditures</b>	<b><u>143,872,432</u></b>

**Deficiency of Revenues Over Expenditures** (65,363,410)

**Other Financing Sources**

Transfers in	<u>38,645,047</u>
<b>Total Other Financing Sources</b>	<b><u>38,645,047</u></b>

**Net Change in Fund Balance** (26,718,363)

Restricted Fund Balance, beginning of the year 142,939,994

**Restricted Fund Balance, ending of the year** **\$ 116,221,631**

GOVERNMENT OF THE DISTRICT OF COLUMBIA  
HOUSING PRODUCTION TRUST FUND

Notes to Financial Statements  
September 30, 2020

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Organization***

The Housing Production Trust Fund (the Fund) was established under the District of Columbia (the District) Housing Production Trust Fund Act of 1988, D.C. Law 7-202, D.C. Code § 42-2802. Under the District of Columbia Housing Act of 2002, D.C. Law 14-114, beginning on October 1, 2003, 15% of the District's revenues from real property transfer and deed recordation taxes are dedicated to the Fund each fiscal year, less debt service.

The purpose of the Fund is to provide loans and grants to for-profit and nonprofit developers who are seeking to build or preserve existing affordable housing in the District.

***Reporting Entity***

The financial statements presented is only for the Housing Production Trust Fund, one of the governmental funds of the District of Columbia. The accompanying financial statements present fairly the financial position and performance of the Fund for the fiscal year ended September 30, 2020 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 special revenue 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 thereafter to be used to pay liabilities of the current period, considered by the District to be 60 days. Expenditures are recorded when the related liabilities are incurred.

***Cash and Cash Equivalents***

Cash and cash equivalents represent cash and investments with maturities of 90 days or less. Investments reported for the fiscal year ended September 30, 2019 was converted to cash equivalents and included in cash and cash equivalents for the fiscal year ended September 30, 2020.

***Fund Balance***

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the Fund's fund balance is classified as restricted. At September 30, 2020 the cumulative revenue exceeded the cumulative expenditures incurred, resulting in positive fund balance.

***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.

GOVERNMENT OF THE DISTRICT OF COLUMBIA  
HOUSING PRODUCTION TRUST FUND

Notes to Financial Statements  
September 30, 2020

**2. CASH AND CASH EQUIVALENTS**

The Fund's cash and cash equivalents is deposited into an invested pooled account with the District. In accordance with District policies, substantially all deposits were insured or collateralized with securities held by the District or by its agent in the name of the District.

**3. OTHER LONG-TERM ASSETS/LOANS RECEIVABLE**

The Fund's other long-term assets consist of loans receivable as of September 30, 2020 is follows:

	<b>Loan Balance</b>	<b>Allowance</b>	<b>Net Loans Receivable</b>
Amortized Loans	\$ 87,172,579	\$ (26,933,796)	\$ 60,238,783
Deferred Loans	966,983,454	(928,040,097)	38,943,356
Total	<u>\$ 1,054,156,033</u>	<u>\$ (954,973,893)</u>	<u>\$ 99,182,140</u>

- 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 low-income eligible property to defer repayment of principal during construction, major rehabilitation or modification, and lease period.

In 2020, allowance for amortized loans was assessed at 31% based on delinquency and actual historical collections. Allowance for deferred loans with expected repayments was assessed at 0% of outstanding loan balances, and allowance for deferred loans with no expected repayments was assessed at 100% of outstanding loan balances.

No loans were written off in 2020.

**4. DUE FROM OTHER FUNDS**

The Treasury transfers monthly revenues (deed recordation taxes and deed transfer taxes) from the Office of the Chief Financial Officer to the Fund. As of September 30, 2020, the Treasury had not remitted September collections totaling \$3,880,654 to the Fund.

**5. TRANSFERS FROM GENERAL FUND**

The Fund received a pledge from the Mayor totaling \$116 million in fiscal year 2020. In addition to the annual dedicated deed recordation and transfer taxes from the District's general revenues, \$38,645,047 was transferred-in from the general fund for the year ended September 30, 2020.

GOVERNMENT OF THE DISTRICT OF COLUMBIA  
HOUSING PRODUCTION TRUST FUND

Notes to Financial Statements  
September 30, 2020

**6. 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, 2020, the total amount of undisbursed loans under executed agreements was \$101,955,406.

**7. RELATED PARTY TRANSACTIONS**

Jubilee Housing Inc., whose CEO and President is a member of the Housing Production Trust Fund Advisory Board, obtained two loans in the amount \$100,000 each from the Department of Housing and Community Development (DHCD) on October 21, 2019 and November 7, 2019 (FY 2020). These loans were part of the Oramenta Newsome Predevelopment Fund for certain building projects within the District. The terms of the loans were the same as with all DHCD loans to similar projects. The amount outstanding on the loans for the fiscal year ended September 30, 2020 was \$200,000, plus \$4,113 in accrued interest. No interest income was recognized during the fiscal year.

**8. SUBSEQUENT EVENTS**

The Fund's management has evaluated subsequent events through the date this report was available for issuance, which was August 31, 2022. There are no material events that would have an effect on the financial statements.



VECO, CPAs & Advisors  
www.cpa-ve.com

**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 Housing Production Trust Fund (HPTF), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise HPTF's basic financial statements, and have issued our report thereon dated August 31, 2022.

***Internal Controls over Financial Reporting***

In planning and performing our audit of the financial statements, we considered HPTF'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 HPTF's internal controls. Accordingly, we do not express an opinion on the effectiveness of HPTF'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 responses as items FY20-01 and FY20-02 that we consider to be significant deficiencies.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether HPTF'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 responses as items FY20-01 and FY20-02.

### **Management's Response to Findings**

Management's response to the findings identified in our audit are described in the accompanying schedule findings and responses. 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 HPTF'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 HPTF's internal controls and compliance. Accordingly, this communication is not suitable for any other purpose.

*VECO, CPAs & Advisors*

Washington, DC  
August 31, 2022

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

**Schedule of Findings and Responses  
September 30, 2020**

**Reference Number: FY20-01**

**Type of Finding: Noncompliance with laws and regulations**

***Criteria***

D.C. Code § 42-2802 (d)(3) requires that with respect to the Housing Production Trust Fund (HPTF), the Department of Housing and Community Development (DHCD) shall conduct annual audits, 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 fully complied with the requirements of D.C. Code § 42-2802 (d)(3). Specifically, DHCD has not prepared annual reports for the HPTF from fiscal year 2016 to fiscal year 2020, that is, since the last annual report prepared for the fiscal year ended September 30, 2015.

***Cause***

DHCD was of the view that preparing the expenditure report that meets the precise requirements of the code as written is difficult to create, because the expenditures have to be allocated across projects and area median income buckets, and pro-rated based on the percentage of the total loan expended in any given year.

***Effect***

The DHCD and the Mayor have not been in compliance with the DC Code regarding preparation of annual report. The performance review of the HPTF is needed by the Council to assist in key decision making and also as part of their governance role in oversight of taxpayer funds over which they have a fiduciary duty

***Recommendation***

DHCD had previously prepared the annual reports as required by the code in prior reporting periods as described above. VECO CPAs and Advisors, recommends that DHCD take the necessary steps to resume the preparation of this annual report and have same submitted by the Mayor to the Council no later than April 1. The Annual report should have all the content described by the Code.

***Management's Response***

Management concurs with the finding and will update, produce and submit an FY2020 annual report which will aggregate the quarterly HPTF reports. The agency has been working to improve reporting compliance by regularly reporting on quarterly activities of the fund. The agency has also been working with Council to modify the statutory reporting requirements to ensure that the income-level targets established are accurately reported at the time funds are obligated and when units are made available for purchase/lease, rather than based on when HPTF expenditures occur. The latter approach, based on spending, does not allow stakeholders to evaluate whether the fund meets the income targets due to the construction timeframes that some projects encounter. Some projects' construction timelines often cross into multiple fiscal years; the spending approach does not allow stakeholders to evaluate HPTF effectively. In the FY 2023 Budget Support Act, the reporting requirements were changed to support DHCD's request and to provide other reporting enhancements. DHCD will produce annual reports by the 1st of April to be submitted to the established income-level targets are accurately reported to Council.



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

**Schedule of Findings and Responses  
September 30, 2020**

**Reference Number: FY20-02**

**Type of Finding: Noncompliance with laws and regulations**

***Criteria***

D.C. Code § 42-2803.01 requires that no later than April 1 of each fiscal year, the Mayor shall transmit to the Council a Housing Production Trust Fund Annual Report.

***Condition***

DHCD has not prepared an annual report for the Housing Production Trust Fund since September 30, 2015 making it impossible for the Mayor to be in compliance with D.C. Code § 42-2803.01.

***Cause***

The cause described on the previous findings with reference number FY20-01 also applies.

***Effect***

The non-preparation of annual reports on the activities, expenditures and outcomes of the HPTF will negatively impact the ability of those charged with its governance and operations to make informed decision. Also, a lack of timely preparation and publication of the annual report could result in other severe consequence such as reduced funding and legal exposure.

***Recommendation***

VECO CPAs and Advisors, recommends that DHCD develop processes and procedures to ensure timely preparation of annual reports to allow users to make informed decisions.

***Management's Response***

Management concurs with the finding and will update, produce and submit an FY2020 annual report which will aggregate the quarterly HPTF reports. The agency has been working to improve reporting compliance by regularly reporting on quarterly activities of the fund. The agency has also been working with Council to modify the statutory reporting requirements to ensure that the income-level targets established are accurately reported at the time funds are obligated and when units are made available for purchase/lease, rather than based on when HPTF expenditures occur. The latter approach, based on spending, does not allow stakeholders to evaluate whether the fund meets the income targets due to the construction timeframes that some projects encounter. Some projects' construction timelines often cross into multiple fiscal years; the spending approach does not allow stakeholders to evaluate HPTF effectively. In the FY 2023 Budget Support Act, the reporting requirements were changed to support DHCD's request and to provide other reporting enhancements. DHCD will produce annual reports by the 1st of April to be submitted to the established income-level targets are accurately reported to Council.