

TESTIMONY OF DANIEL W. LUCAS, INSPECTOR GENERAL
BEFORE THE
COUNCIL OF THE DISTRICT OF COLUMBIA
COMMITTEE OF THE WHOLE
PUBLIC OVERSIGHT HEARING ON THE
“FISCAL YEAR 2025 ANNUAL COMPREHENSIVE FINANCIAL
REPORT”

FEBRUARY 10, 2026

Good afternoon, Chairman Mendelson, and Members of the Committee of the Whole. I am Daniel W. Lucas, Inspector General for the District of Columbia. I am pleased to appear at today’s hearing to discuss the District’s Fiscal Year (FY) 25 Annual Comprehensive Financial Report (ACFR) audit results.

Joining me are staff from the Office of the Inspector General (OIG) and Mr. Sean Walker, Principal , from CliftonLarsonAllen, LLP (CLA), contracted by the OIG to independently audit the District’s financial statements.

ACFR AUDIT CONTRACT ADMINISTRATION AND OVERSIGHT

The OIG is responsible for entering into a contract with an independent auditor to audit the District’s financial statements annually.¹ In awarding this contract, the OIG must ensure that the same independent auditor is not used for more than five (5) consecutive fiscal years.² FY 25 is the first year that CLA served as the OIG’s ACFR auditor.

¹ D.C. Code § 1-301.115a (a)(4).

² *Id.* at (a)(4)(A).

Following award, OIG staff perform day-to-day administration and oversight of the ACFR audit contract. The OIG’s ACFR Audit Oversight Committee (ACFR Committee) is the primary tool to coordinate ACFR audit progress among the independent auditors, the Executive Office of the Mayor, the D.C. Council, the Office of the Chief Financial Officer (OCFO), and other District management officials. Matters that may impact an on-time delivery of the ACFR audit are brought to the Committee, which in turn works to remediate any impediments.

The FY 25 ACFR audit engagement began in May 2025,³ and continued through the OIG’s release of the FY 25 ACFR audit opinion and associated reports.⁴

FY 25 ACFR AUDIT RESULTS

As reported, the District’s overall FY 25 ACFR audit received an unmodified, or “clean” audit opinion. However, reported with the District’s overall ACFR audit is one (1) material weakness,⁵ related to the Housing Production Trust Fund.

³ OIG Engagement Letter, Audit of the FY 2025 Annual Comprehensive Financial Report (May 21, 2025), <https://oig.dc.gov/sites/default/files/Reports/ACFR%20engagement%20letter%20FY%202025.pdf> (last visited Jan. 30, 2026).

⁴ OIG Report No. 25-1-01MA, [Government of the District of Columbia Annual Comprehensive Financial Report, Reports of Independent Public Accountants for the Fiscal Year Ended September 30, 2025](#) (Jan. 30, 2026), <https://oig.dc.gov> (last visited Jan. 30, 2026).

⁵ A “material weakness” is a deficiency, or a combination of deficiencies, in internal control over financial reporting, 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. ASS’N OF INT’L CERTIFIED PROF’L ACCOUNTANTS, COMMUNICATING INTERNAL CONTROL RELATED MATTERS IN AN AUDIT, AU-C § 265.05-07 (2025), <https://www.aicpa-cima.com/resources/download/aicpa-statements-on-auditing-standards-currently-effective> (last visited Jan. 30, 2026).

CLA also issued 11 unmodified, or “clean” audit opinions for 11 organizational units, funds, and programs, and CLA reviewed nine third-party audits, eight of which received unmodified, or “clean” audit opinions. However, the Green Finance Authority received a “qualified” opinion, related to the accounting treatment of an outstanding loan.

In addition to the financial statement audit opinions, *Government Auditing Standards* require CLA to communicate to those charged with governance and management any deficiencies in internal control identified during the audit of the District’s financial statements. Since FY 2020, we have ensured these corresponding internal control reports are transmitted concurrently with the ACFR audit opinions. For FY 25, CLA identified 10 control deficiency⁶ findings at the District-wide ACFR level, and 23 control deficiency findings at the organizational unit, fund, and program level. These control deficiencies have been communicated in seven Management Recommendation Reports issued by the OIG.

A list of all FY 25 ACFR audit reports released by the OIG are included as an attachment to my testimony and are available on the OIG’s website at oig.dc.gov.

⁶ See *id.* A “deficiency in internal control” over financial reporting 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.

CONCLUSION

Before I ask Mr. Walker to discuss CLA’s FY 25 ACFR audit results, I would like to thank the ACFR Committee members for their support throughout the year, which ensured an on-time ACFR audit delivery. Transitioning to a new ACFR auditor is not easy, and the ACFR Committee worked diligently to make the transition as smooth as possible.

With that, I will turn it over to Mr. Walker.

Attachment -- FY 25 ACFR Audit Reports Issued by the OIG

District-wide ACFR Audited by CLA:

- [District of Columbia Government Independent Auditor's Reports on the Annual Comprehensive Financial Report for Fiscal Year 2025](#) (OIG No. 25-1-01MA)
 - One (1) material weakness concerning the restatement of Housing Production Trust Fund Beginning Fund Balance due to overstatement of \$19.3 million due from federal balances.

Organizational Units, Funds, and Programs Audited by CLA:

- [Emergency and Non-Emergency Telephone Number Calling System Fund Annual Financial Statements and Independent Auditor's Reports for Fiscal Year 2025](#) (OIG No. 25-1-02UC)
- [Highway Trust Fund Annual Financial Statements and Independent Auditor's Reports for Fiscal Year 2025](#) (OIG No. 25-1-03KA)
- [Home Purchase Assistance Program Fund Annual Financial Statements and Independent Auditor's Reports for Fiscal Year 2025](#) (OIG No. 25-1-04DB)
 - One (1) material weakness concerning the methodology used to calculate the allowance for doubtful accounts produced a negative allowance percentage on the amortized portion of the loan portfolio balance.
- [Housing Production Trust Fund Annual Financial Statements and Independent Auditor's Reports for Fiscal Year 2025](#) (OIG No. 25-1-05UZ)
- [Other Post-Employment Benefits Fund Annual Financial Statements and Independent Auditor's Reports for Fiscal Year 2025](#) (OIG No. 25-1-06MA)
- [Health Benefits Exchange Authority Annual Financial Statements and Independent Auditor's Reports for Fiscal Year 2025](#) (OIG No. 25-1-07HI)
- [Not-for-Profit Hospital Corporation Annual Financial Statements and Independent Auditor's Reports for Fiscal Year 2025](#) (OIG No. 25-1-08HW)
- [Office of Lottery and Gaming Annual Financial Statements and Independent Auditor's Reports for Fiscal Year 2025](#) (OIG No. 25-1-09DC)
- [University of the District of Columbia Annual Financial Statements and Independent Auditor's Reports for Fiscal Year 2025](#) (OIG No. 25-1-10GG)

- [Unemployment Compensation Fund Annual Financial Statements and Independent Auditor's Reports for Fiscal Year 2025](#) (OIG No. 25-1-11BH)
- [Washington Convention and Sports Authority Annual Financial Statements and Independent Auditor's Reports for Fiscal Year 2025](#) (OIG No. 25-1-12ES)

Organizational Units, Funds, and Programs Audited by Third-Party Auditors and Reviewed by CLA:

- [Teachers' Retirement Fund and the Police Officers and Firefighters Retirement Funds Annual Financial Statements and Independent Auditor's Reports for Fiscal Year 2025](#) (OIG No. 25-1-13MA)
- [529 College Savings Program Trust Participant and Administrative Funds Annual Financial Statements and Independent Auditor's Reports for Fiscal Year 2025](#) (OIG No. 25-1-14AT)
- [Tobacco Settlement Financing Corporation Annual Financial Statements and Independent Auditor's Reports for Fiscal Year 2025](#) (OIG No. 25-1-17TT)
- [401\(a\) Defined Contribution Plan Annual Financial Statements and Independent Auditor's Reports for Fiscal Year 2025](#) (OIG No. 25-1-15AT)
- [457\(b\) Deferred Compensation Fund Annual Financial Statements and Independent Auditor's Reports for Fiscal Year 2025](#) (OIG No. 25-1-16AT)
- [Green Finance Authority Annual Financial Statements and Independent Auditor's Reports for Fiscal Year 2025](#) (OIG No. 25-1-18KB):
 - Qualified opinion as the allowance for credit losses was not adjusted as of year-end to record a program loan at its net realizable value.
- [Housing Finance Agency Annual Financial Statements and Independent Auditor's Reports for Fiscal Year 2025](#) (OIG No. 25-1-19HF)

Management Letter Reports issued by CLA and Third-Party Auditors

- [District of Columbia Government Management Recommendations for Fiscal Year 2025](#) (OIG No. 25-1-01MA(a)):
 - One (1) deficiency at DMPED
 - One (1) deficiency at DMV
 - One (1) deficiency at DHS
 - Six (5) deficiencies at OCTO
 - One (1) deficiency at OCFO
 - One (1) deficiency at DGS
 - Two (2) repeat findings identified in the [District of Columbia Government Management Recommendations from Fiscal Year 2024](#) (OIG No. 24-1-07MA(a))
- [Other Post-Employment Benefits Fund Management Recommendations for Fiscal Year 2025](#) (OIG No. 25-1-06MA(a)):
 - Two (2) deficiencies; (1) deficiency was a repeat finding identified in the [Other Post-Employment Benefits Plan Management Recommendations for Fiscal Year 2024](#) (OIG No. 24-1-13MA(a))
- [Housing Production Trust Fund Management Recommendations for FY 2025](#) (OIG No. 25-1-11UZ(a)):
 - One (1) deficiency
- [Office of Lottery and Gaming Management Recommendations for Fiscal Year 2025](#) (OIG No. 25-1-09DC(a)):
 - Nine (9) deficiencies
- [University of the District of Columbia Management Recommendation Report for Fiscal Year 2025](#) (OIG No. 25-1-10GG(a)):
 - Six (6) deficiencies
- [United Medical Center Management Recommendation Report for Fiscal Year 2025](#) (OIG No. 25-1-08HW(a)):
 - One (1) deficiency
- [Unemployment Compensation Fund Management Recommendations Report for Fiscal Year 2025](#) (OIG No. 25-1-11BH(a)):
 - Three (3) deficiencies