

# DISTRICT OF COLUMBIA OFFICE OF THE INSPECTOR GENERAL

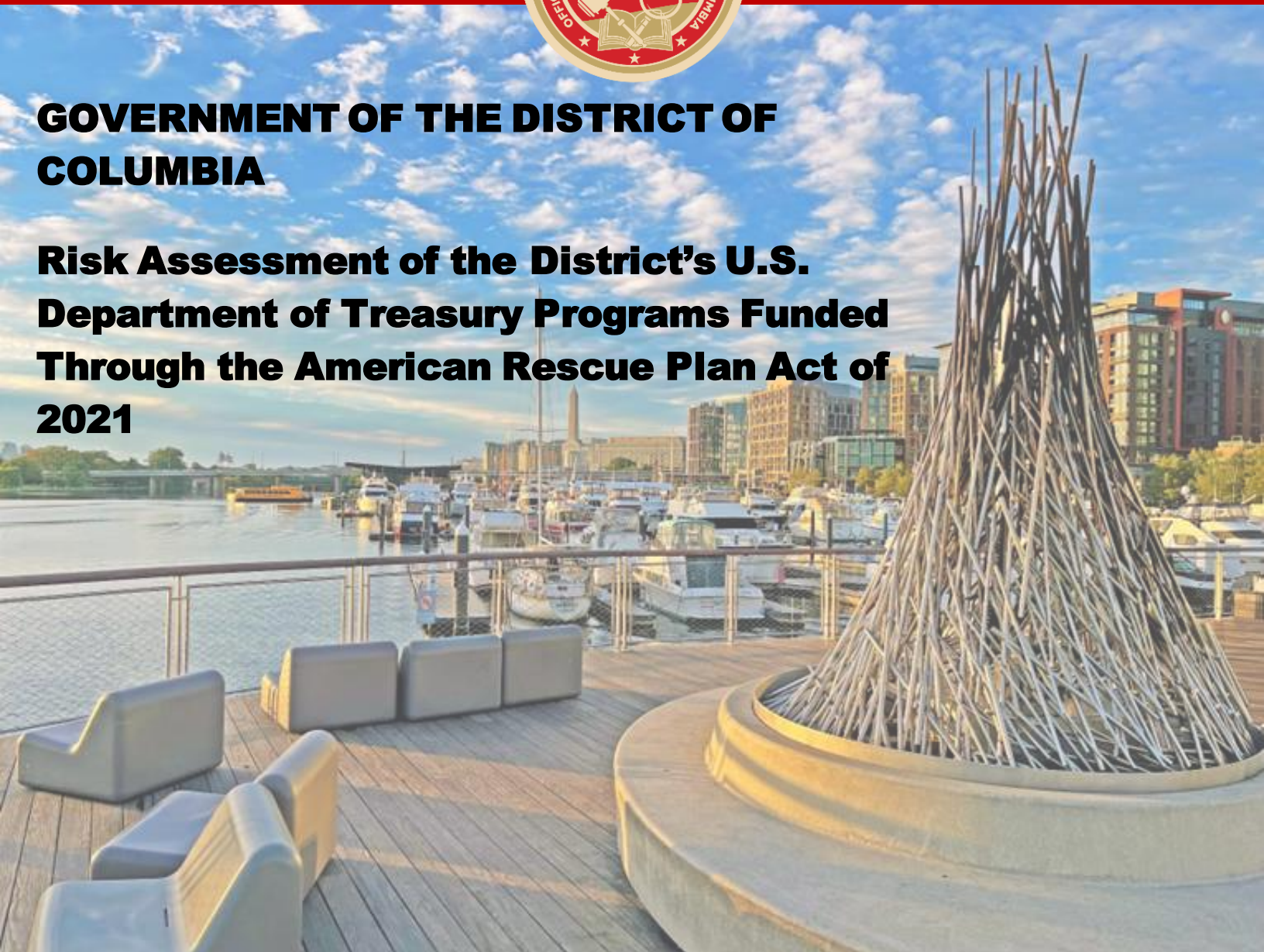
OIG Project No. 22-2-27MA

February 2023



## **GOVERNMENT OF THE DISTRICT OF COLUMBIA**

### **Risk Assessment of the District's U.S. Department of Treasury Programs Funded Through the American Rescue Plan Act of 2021**



#### *GUIDING PRINCIPLES*

*ACCOUNTABILITY \* INTEGRITY \* PROFESSIONALISM  
TRANSPARENCY \* CONTINUOUS IMPROVEMENT \* EXCELLENCE*

## **Mission**

Our mission is to independently audit, inspect, and investigate matters pertaining to the District of Columbia government in order to:

- prevent and detect corruption, mismanagement, waste, fraud, and abuse;
- promote economy, efficiency, effectiveness, and accountability;
- inform stakeholders about issues relating to District programs and operations; and
- recommend and track the implementation of corrective actions.

## **Vision**

Our vision is to be a world-class Office of the Inspector General that is customer-focused and sets the standard for oversight excellence!

## **Core Values**

Accountability \* Integrity \* Professionalism  
Transparency \* Continuous Improvement \* Excellence



**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Office of the Inspector General**

**Inspector General**



February 17, 2023

The Honorable Muriel Bowser  
Mayor of the District of Columbia  
Mayor's Correspondence Unit  
John A. Wilson Building  
1350 Pennsylvania Avenue, N.W., Suite 316  
Washington, D.C. 20004

The Honorable Phil Mendelson  
Chairman  
Council of the District of Columbia  
John A. Wilson Building  
1350 Pennsylvania Avenue, N.W., Suite 504  
Washington, D.C. 20004

Dear Mayor Bowser and Chairman Mendelson:

Enclosed is the Office of the Inspector General's (OIG) final report entitled *Risk Assessment of the District's U.S. Department of Treasury Programs Funded Through the American Rescue Plan Act of 2021* (OIG Project No. 22-2-27MA). The OIG contracted with Crowe LLP (Crowe) to perform a comprehensive risk assessment of U.S. Department of Treasury funded programs through the American Rescue Plan Act of 2021 (ARPA).

As part of the \$3.3 billion ARPA appropriation, the District has allocated substantial resources to ensure a proportional level of management, oversight, monitoring, and evaluation of the incremental funding. Beginning in fiscal year (FY) 2021 and continuing through FY 2025, the District appropriated \$8.6 million in ARPA State and Local Fiscal Recovery Funds (SLFRF) to the OIG to provide additional capacity to conduct focused oversight of the District's use of the federal recovery funds.<sup>1</sup>

Given the District's ARPA appropriation availability is finite, the OIG has elected to conduct a series of focused risk assessments that are designed to timely identify opportunities to enhance the economy, efficiency, and effectiveness of ARPA spending, and to prevent and detect fraud, waste, abuse, and mismanagement of funds that are critically needed to support the District's recovery.<sup>2</sup> Later this fiscal year, the OIG will conduct subsequent risk assessments of ARPA appropriations provided to the District through other federal departments.

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<sup>1</sup> D.C. OFFICE OF THE CITY ADMINISTRATOR, RECOVERY PLAN PERFORMANCE REPORT, STATE AND LOCAL FISCAL RECOVERY FUNDS 2021 REPORT 56, [https://oca.dc.gov/sites/default/files/dc/sites/oca/publication/attachments/DC\\_SLFRF%20Annual%20Report%202021%20and%20Project%20Inventory\\_web.pdf](https://oca.dc.gov/sites/default/files/dc/sites/oca/publication/attachments/DC_SLFRF%20Annual%20Report%202021%20and%20Project%20Inventory_web.pdf) (last visited Feb. 6, 2022).

<sup>2</sup> *Id.*

Crowe's risk assessment leveraged the U.S. Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government* as the criteria to evaluate the District's ARPA internal control system.

The objectives of this risk assessment were to identify:

- District ARPA resources subject to the highest risk of corruption, fraud, waste, abuse, and mismanagement;
- High-risk incongruences in the various federal and District ARPA law, rules, regulations, policies, and criteria; and
- High-risk structural issues related to the District's ARPA funding.

Risks identified in this report constitute the “possibility that an event will occur and adversely affect the achievement of objectives.”<sup>3</sup> As federal government ARPA requirements continue to evolve, coupled with the District's varying funding statuses and maturity of ARPA-funded programs, it is important to note that the identified risks represent both current and future areas for improvement that – if addressed – will exceed the minimum requirements set by the federal government and will assist the District in achieving its stated objectives related to its ARPA appropriation.

Crowe presented its risk assessment results during exit briefings with representatives from the Office of the City Administrator's Office of Budget and Performance Management on October 7, 2022, and with agency program managers on October 12, 2022. Crowe subsequently reviewed concerns raised by District representatives regarding the risks identified and the corresponding risk levels. As such, the enclosed assessment results contained in Crowe's report reflect the risks and corresponding risk levels given the qualitative and quantitative information provided by District agencies.

The risk assessment results are provided to District managers to use as a tool to improve their respective programs' internal controls.<sup>4</sup> In addition to the actions taken by District management in response to this assessment, the OIG will use these results to conduct follow-on engagements, which may result in recommendations that are designed to further mitigate identified risk areas.

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<sup>3</sup> U.S. GOV'T ACCOUNTABILITY OFFICE, GAO-14-704G., STANDARDS FOR INTERNAL CONTROL IN THE FEDERAL GOV'T, GLOSSARY at 78 (Sept. 2014), <https://www.gao.gov/products/GAO-14-704G>. (last visited Oct. 25, 2022).

<sup>4</sup> *Id.* § OV1.06 at 6. (GAO states “[m]anagement is responsible for an effective internal control system.”)

Mayor Bowser and Chairman Mendelson  
Risk Assessment of the District's U.S. Department of  
Treasury Programs Funded Through the American Rescue  
Plan Act of 2021  
OIG Final Report No. 22-2-27MA  
February 17, 2023  
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We appreciate the cooperation and courtesies extended to Crowe during this risk assessment. If you have any questions concerning this report, please contact me or Matthew Wilcoxson, Deputy Inspector General for External Affairs, at (202) 727-2540.

Sincerely,



Daniel W. Lucas  
Inspector General

DWL/mnw

Enclosure

cc: See Distribution List

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Mr. Jed Ross, Director and Chief Risk Officer, Office of Risk Management  
Mr. Bert Nuehring, Partner, Crowe LLP

# District of Columbia Office of the Inspector General Risk Assessment of the District's U.S. Department of Treasury Programs funded through the American Rescue Plan Act of 2021

January 13, 2023

**Submitted to:**

Matthew Wilcoxson  
Deputy Inspector General – External Affairs  
DC Office of the Inspector General  
717 14th Street NW  
Washington, DC 20005

**Submitted by:**

Bert Nuehring, Partner  
Crowe LLP  
1455 Pennsylvania Ave NW, Suite 700  
Washington, DC 20004  
Direct 630.706.2071  
Bert.Nuehring@crowe.com



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# District of Columbia Office of the Inspector General (OIG) Risk Assessment of the District's use of ARPA Funds

## Background

The District of Columbia ("District" or "DC") Office of the Inspector General's (OIG) mission is to independently audit, inspect, and investigate matters pertaining to DC to prevent and detect corruption, mismanagement, waste, fraud, and abuse; promote economy, efficiency, effectiveness, and accountability; inform stakeholders about issues relating to DC's programs and operations; and recommend and track the implementation of corrective actions.

On March 11, 2021, President Biden signed the American Rescue Plan Act of 2021 (ARPA) into law, providing trillions of dollars in supplemental funding to support the recovery from the public health emergency. ARPA funded five new federal assistance programs overseen by the U.S. Department of the Treasury ("Treasury") to support the response to and economic recovery from the COVID-19 pandemic. As DC was allocated billions of dollars through said programs, the OIG required assistance in identifying and assessing risks related to corruption, fraud, waste, abuse, and mismanagement and examining the District's internal controls for the new Treasury programs funded through ARPA to ensure compliance with federal guidance, rules, and regulations.

## Project Objectives

To conduct a risk assessment of the District's ARPA funded programs administered by the U.S. Department of the Treasury. The following objectives were assessed using the internal controls framework of the U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government* (Green Book):

- Identify DC ARPA resources subject to the highest risk of corruption, fraud, waste, abuse, and mismanagement.
- Identify high risk incongruences (inconsistencies) in the various federal and DC ARPA law, rules, regulations, policies, and criteria; and
- Identify high risk structural issues related to DC's ARPA funding.

## Scope

The project's scope was to conduct a qualitative and quantitative risk assessment of the District's \$3.4 billion Treasury relief package awarded through ARPA. The project's scope included efforts as of September 30, 2022.

The assessment included a representative selection of all Treasury funding programs, such as:

- Capital Projects Fund (CPF);
- Emergency Rental Assistance Program (ERAP II);
- Homeowner Assistance Fund (HAF);
- State Small Business Credit Initiative (SSBCI); and
- State and Local Fiscal Recovery Fund (SLFRF). DC has over 200 projects funded under the SLFRF program, therefore, a sample of five (5) projects were selected for the assessment, which are as follows:

No.	Project Name	Expenditure Category
5a.	DC Public Schools (DCPS) COVID Health Safety Measures - <b>\$30</b> million	Public Health
5b.	Health Premium Support (HPS) - <b>\$13.5</b> million	Public Health
5c.	Housing Production Trust Fund (HPTF) - <b>\$323</b> million	Negative Economic Impact*
5d.	Temporary Assistance for Needy Families (TANF) - <b>\$19</b> million	Negative Economic Impact
5e.	Lead Pipe Replacement Program (LPRP) - <b>\$30</b> million	Infrastructure

\* Expenditure category was switched to Revenue Loss.

## District of Columbia Office of the Inspector General (OIG) Risk Assessment of the District's use of ARPA Funds

### Program Overview

Below is a summary for each program assessed:

Name	Purpose	Period of Performance	Total Allocation
<b>Capital Projects Fund (CPF)</b>	To provide investment in broadband infrastructure, connectivity infrastructure, and other Capital Projects designed to directly enabled work, education, and health monitoring.	Pending Application Approval and Award as of 9/30/2022.	\$107 million
<b>Emergency Rental Assistance (ERAP) II</b>	To provide direct financial assistance, including rent, rental arrears, utilities and home energy costs, utilities and home energy costs arrears, and other expenses related to housing based on the number of very low-income renter households paying more than 50 percent of income on rent or living in substandard or overcrowded conditions, rental market costs, and change in employment since February 2020. Also, to provide housing stability services, including case management and other services intended to keep households stably housed.	3/2021 – 9/30/2025	\$152 million
<b>Homeowner Assistance Fund (HAF)</b>	To prevent mortgage delinquencies and defaults, foreclosures, loss of utilities or home energy services, and displacement of homeowners experiencing financial hardship after January 21, 2020. Funds may be used for assistance with mortgage payments, homeowner's insurance, utility payments, and other specified purposes.	3/2021 – 9/30/2026	\$50 million
<b>State Small Business Credit Initiative (SSBCI)</b>	To provide small businesses access to capital needed to invest in job-creating opportunities as the country emerges from the pandemic. The funds will also support recipient jurisdictions in promoting American entrepreneurship and democratizing access to startup capital across the country, including in underserved communities.	Pending Application Approval and Award as of 9/30/2022.	\$62 million
<b>State and Local Fiscal Recovery Fund (SLFRF)</b>	To provide support to State, territorial, local, and Tribal governments in responding to the economic and public health impacts of COVID-19 and in their efforts to contain impacts on their communities, residents, and business.	3/3/2021 – 12/31/2026	\$2.3 billion

Please refer to [Appendix A](#) for more details of each program/project identified for the risk assessment.

# District of Columbia Office of the Inspector General (OIG) Risk Assessment of the District's use of ARPA Funds

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## Summary of Risk Assessment Procedures

As part of the project's initiation and planning, we conducted multiple kick-off events with the OIG team, wherein we confirmed scope, objectives, communication strategies, and schedules. After the planning phase, we conducted research, collected and reviewed preliminary data – including program plans, performance reports, and rules – to better understand applicable ARPA programs.

On August 1, 2022, the OIG issued its engagement letter to the Office of the City Administrator (OCA), notifying them of the upcoming risk assessment of ARPA-funded programs the U.S. Department of the Treasury awarded to DC. On August 5, 2022, the audit team held an entrance conference with the representatives from the Office of the City Administrator (OCA), Office of Budget and Performance Management (OBPM), and other key District stakeholders. We discussed the project's scope, workplan, and deadlines and requested the OCA to designate a point of contact (POC) for each program involved in the risk assessment (i.e., SLFRF, HAF, ERAP II, CPF, and SSBCI). We received the POCs and held initial meetings with stakeholders to gain an understanding of program administration. To accomplish this, we requested and collected organization charts, policies and procedures, and any other relevant information that could identify potential issues, concerns, regulatory and program compliance nuances.

We conducted our assessment in accordance with the American Institute of Certified Public Accountants (AICPA) Consulting Standards. This engagement did not constitute a financial audit, performance audit, review, or attestation engagement in accordance with standards established by the AICPA and/or Government Auditing Standards. Our report is intended to assess existing practices, policies, and procedures to help identify risk areas for the OIG for future ARPA audit or oversight planning. We have no obligation to perform any services beyond those described in our report. If we were to perform additional services, other matters might come to our attention that may affect our analysis and related conclusions. This engagement was not planned or conducted in contemplation of reliance to any other party and is not intended to benefit or influence any other party. Therefore, items of possible interest to a third party may not be specifically addressed or matters may exist that could be assessed differently by a third party.

We performed the assessment using the GAO *Standards for Internal Control in the Federal Government* (Green Book 2014) as a framework. The Green Book provides the standards and criteria for designing, implementing, and operating an effective internal control system. Consistent with the objectives for this risk assessment, our methodology is based on the established hierarchical structure of the five components and seventeen principles found in the Green Book.

To develop our risk assessment criteria and interview questionnaire, we utilized the U.S. Treasury Final Rule, Guidance on Recipient Compliance and Reporting Responsibilities, Uniform Guidance (2 CFR Part 200), the Fiscal Year 2021 Single Audit report (provided by OIG<sup>1</sup>), Recovery Plan Performance Reports, and other relevant program applications, policies, procedures, rules, and guidance for the SLFRF, HAF, ERAP II, CPF and SSBCI programs.

Of the \$3.4 billion in federal aid provided to DC, approximately \$2.3 billion (68%) was allocated to the SLFRF program (DC 2022 Recovery Plan Performance Report). Based on this information and our discussion with OIG, we established an approach (judgmental/targeted approach) to identify a sample list of projects for further assessment. To accomplish this, we obtained and reviewed an inventory of all SLFRF projects from the OIG (e.g. "FY21-FY24 ARPA Project Description"), categorized the data by program initiative and budget/allocation period, evaluated the status of the program funds, and compared it with the 2022 Recovery Plan Performance Report to assess fund usage and budget expenditure to date. We identified initiatives or areas of concern exposed to potential risks. We subsequently met with OIG to obtain information regarding any potential risks relating to SLFRF projects. Based on our knowledge, professional judgement, and risk factors, we selected five projects for assessment.

Please refer to [Appendix D](#) for more details on our sample plan and approach.

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<sup>1</sup> GOV'T OF THE DISTRICT OF COLUMBIA, SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND REPORTS REQUIRED BY THE UNIFORM GUIDANCE YEAR ENDED SEPTEMBER 30, 2021 (Aug. 2022), <https://cfo.dc.gov/sites/default/files/dc/sites/ocfo/publication/attachments/DC%20UG%20FS%202021.pdf>. (Last visited Feb. 6, 2023).

## District of Columbia Office of the Inspector General (OIG) Risk Assessment of the District's use of ARPA Funds

As part of our fieldwork execution process, we created interview survey questionnaires based on the risk assessment criteria developed for each program (CPF, ERAP II, HAF, SSBCI, and SLFRF). For our initial risk identification and evaluation, we distributed the questionnaires in advance to POCs for each program area and projects selected for review and received a 100% response rate. We discussed the responses and any supporting documentation provided during the interview meetings. Additionally, we conducted follow-up interviews to assist with our determination of risk ratings and for program areas that needed clarification on the survey responses. From there, we inquired of the District's Office of the Chief Financial Officer (OCFO) information on the processes and controls related to payments to beneficiaries, sub-recipients, and contractors, program financial reports, and any concerns, including potential or suspected instances of fraud, waste, or abuse in the administration of the ARPA-funded programs/projects across DC.

*Please refer to [Appendix C](#) for more details on our interview survey questionnaire and responses/results*

To conduct our risk evaluation, we collected, reviewed, and analyzed responses and data from the survey. We applied quantitative and qualitative methods and determined relative risk rankings to evaluate significant threats to ARPA-funded programs. To accomplish this, we developed a risk assessment matrix to identify and capture the likelihood of program risk, and evaluated potential impacts or interruptions. We discussed each potential risk based on the impact and likelihood of specific events occurring. Inherent risk is defined as the risk to an entity in the absence of any actions management might take to alter either the risk's likelihood or impact.<sup>2</sup> Residual risk is defined as the risk remaining after management's response to the risk.<sup>3</sup> After assigning a risk level, we identified the controls or risk responses to mitigate the impact and likelihood of the risk event occurring. Subsequently, we discussed the matrix with risk owners and assessed the residual risk therein, taking into consideration the established controls and risk management strategies employed to mitigate the impact the risk event could have on DC. We then evaluated the impact of controls to identify any control gaps, corrective actions, and recommendations. Next, we assigned the level of risk based on five impact and five probability ratings, resulting in an overall risk level of Insignificant, Low, Moderate, Elevated, or High. Risk levels are defined in Table 1. Lastly, we prioritized the risks based on their assessed risk level. All High and Elevated risks were classified as Tier 1, all Moderate risks as Tier 2, and all Low and Insignificant risks as Tier 3.

**Table 1**

Risk Level				
Insignificant	Low	Moderate	Elevated	High
Risk exposure is lower than targeted levels. Undesirable outcomes are remote. Risk response may include an evaluation of the opportunity to take on additional risk. Continue monitoring through ongoing management activities, separate evaluations, or both.	Risk exposure is generally in line with targeted or expected levels. Undesirable outcomes are remote. Risk response is planned for in the normal course of business. Continue Monitoring through ongoing management activities, separate evaluations, or both.	Risk exposure is generally in line with targeted or expected levels. Undesirable outcomes are unlikely. Risk response is planned for in the normal course of business. Continue Monitoring through ongoing management activities, separate evaluations, or both.	Risk exposure is higher than targets and levels are approaching or at tolerance. Undesirable outcomes are possible. Additional risk response above that planned is required.	Risk exposure has exceeded levels willing to be tolerated. Undesirable outcomes are likely. Emergency response measures should be considered or may be required.

*Please refer to [Appendix D](#) for more details on our risk assessment framework.*

<sup>2</sup> U.S. GOV'T ACCOUNTABILITY OFFICE, GAO 14-704G, STANDARDS FOR INTERNAL CONTROL IN THE FEDERAL GOV'T, § 7.03 (Sept. 2014), <https://www.gao.gov/assets/gao-14-704g.pdf> (last visited Feb. 6, 2023).

<sup>3</sup> *Id.*, GLOSSARY at 78 (Sept. 2014), <https://www.gao.gov/products/GAO-14-704G>. (last visited Feb. 7, 2023).

## **District of Columbia Office of the Inspector General (OIG) Risk Assessment of the District's use of ARPA Funds**

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We presented our results during an exit briefing with the DC OIG and subsequently with applicable District stakeholders and program officials on October 7, and 12, 2022, and discussed a summary of key risks identified. After the exit briefings, at the request of the OIG, we evaluated District stakeholder feedback provided during these exit briefings against our risk assessment results, and determined that the risks and corresponding levels assigned were accurate given the qualitative and quantitative information provided.

## District of Columbia Office of the Inspector General (OIG) Risk Assessment of the District's use of ARPA Funds

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### Results In Brief

The District received nearly \$3.3 billion in federal relief to address public health and recover from the negative economic impacts of the COVID-19 pandemic. Establishing the resources, systems, and structures to manage and administer multi-billion dollar programs across multiple agencies is a significant undertaking for which the District was prepared. Overall, most risk observations were categorized as low or moderate (over 80%), stemming from the resources, processes, systems, and controls agencies use to manage ARPA-funded programs. The OCA, which coordinated with program administrators across different agencies, developed an online portal for reporting and monitoring ARPA-funded projects and programs.

Based on our assessment of the five (5) ARPA programs, we identified 18 risk observations we categorized as **elevated or high** and ranked as Tier 1 risks (i.e., risks that require immediate management attention). These observations resulted from defined risk categories, specific, measurable, and consistent terms across programs assessed to determine the areas most exposed to risks and uncertainties. While these risk observations were considered significant and reportable, we also noted several other risk levels ranging from insignificant to moderate (presented in *Appendix E*). Our results provide a comprehensive evaluation of the District's use of program funds that identified high-risk, systemic issues, policies, practices, and operations intended for subsequent oversight engagements by the OIG (e.g., audit, inspection, evaluation, investigation). Summary results for each program assessed is presented below:

**CPF Program:** We identified two (2) high-risk observations attributed to management operations and monitoring categories, activities that relate to fraud prevention and program management oversight. Funding for the CPF Program was not yet awarded by Treasury at the time of this risk assessment. This limited the scope of our review for this program to assessing the inherent risks.

**ERAP II Program:** We identified three (3) elevated risk observations attributed to management operations, eligibility, and financial/programmatic reporting categories; these activities relate to potential funds misuse/mismanagement and information and communication. Prior audit findings and reported observations were considered in assessing the residual risks for this program.

**HAF Program:** We identified two (2) elevated risk observations attributed to eligibility categories; these activities relate to fraud prevention and due diligence.

**SSBCI Program:** We identified four (4) elevated risk observations attributed to management operations and financial/programmatic reporting categories; these activities relate to inadequate or unsupported documentation, fraud prevention, program governance, and performance results. Funding for the SSBCI Program was not awarded by Treasury or expended at the time of this risk assessment, which limited our review scope for this program to assessing the inherent risks.

**SLFRF Program:** We selected five (5) projects to assess based on factors such as the expended amount and DC priorities. These projects included Health Premium Support, COVID Health Safety Measures in DCPS, Housing Production Trust Fund, Temporary Assistance for Needy Families Cash Support, and Lead Pipe Replacement Program. Across these projects, we identified seven (7) elevated risk observations attributed to management operations, compliance, and monitoring categories; these activities relate to cost recognition, fraud prevention, program governance, management assurance, and oversight. Prior audit findings were considered in assessing the residual risks for the Temporary Assistance for Needy Families Cash Support Project and SLFRF Program.

Table 2 summarizes the total number of high and elevated risk observations identified in our assessment. These risks are classified at the Tier 1 level, which requires management's immediate attention. Details of these and other risk observations categorized as Tier II and Tier III risks (ranging from insignificant to moderate risk levels) are listed in [Appendix E](#).

**District of Columbia Office of the Inspector General (OIG)**  
**Risk Assessment of the District's use of ARPA Funds**

**Table 2**

Program (Projects)		Risk Categories						Total No. of High/Elevated Risks
		Eligibility	Compliance	Operation & Management	Finance & Program Reporting	Monitoring	Information Technology	
1	CPF	-	-	1	-	1	-	2
2	ERAP II	1	-	1	1	-	-	3
3	HAF	2	-	-	-	-	-	2
4	SSBCI	-	-	3	1	-	-	4
5	SLFRF	-	2	1	-	4	-	7
	5a. (DCPS)	-	-	1	-	-	-	1
	5b. (HPS)	-	*1	-	-	-	-	1
	5c. (HPTF)	-	-	-	-	2	-	2
	5d. (TANF)	-	-	-	-	-	-	0
	5e. (LPRP)	-	1	-	-	2	-	3

Legend	High	Elevated	* Represent all projects
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**NOTE:** We must emphasize that the description of risk observations identified under each program **do not** constitute 'audit' findings or deficiencies as defined in audit standards; therefore, no opinion is stated. As discussed, (under the "Key Risks" section of this report), these risk statements are based on the probability of 'what could potentially happen' (i.e., action(s) that may adversely affect program management's ability to achieve its objectives. Furthermore, these statements are intended for management consideration of actions necessary to mitigate risk exposures, including the implementation of a risk-based due diligence activities as a best practice to augment the organization's existing controls.

# District of Columbia Office of the Inspector General (OIG)

## Risk Assessment of the District's use of ARPA Funds

### Key Program Rules, Regulations, Compliance and Reporting Guidance

**Table 3**

Program	Relevant Guidance
Treasury Overview	The American Rescue Plan Act <sup>4</sup> provides additional relief to address the continued impact of COVID-19 (i.e., coronavirus disease 2019) on the economy, public health, state and local governments, individuals, and businesses.
SLFRF	Treasury released the State and Local Fiscal Recovery Funds Final Rule <sup>5</sup> which took effect on April 1, 2022, and provides guidance for conducting the SLFRF program. The Recipient Compliance and Reporting Guidance <sup>6</sup> released by Treasury (updated August 15, 2022) provides additional detail and clarification for each recipient's compliance and reporting responsibilities.
HAF	Treasury updated the HAF Guidance <sup>7</sup> on August 8, 2022, to provide additional guidance on the reimbursement of certain qualified expenses. In addition, Guidance on Participant Compliance and Reporting Responsibilities <sup>8</sup> provides additional detail and clarification for each participant's compliance and reporting responsibilities under the HAF program.
ERAP II	Treasury released the ERAP II Reallocation Guidance <sup>9</sup> on July 27, 2022, on the use of ERA2 funds for affordable rental housing, eviction prevention, and housing stability purposes after October 1, 2022. The ERAP II Reporting Guidance <sup>10</sup> released on March 29, 2022, provides detailed information on ERA2 reporting requirements and reporting deadlines.
CPF	Treasury released the CPF Guidance <sup>11</sup> on September of 2021 for recipients to review and implement when receiving CPF funds. The CPF Compliance and Reporting <sup>12</sup> was released by Treasury on August 10, 2022, to support recipients to meet certain compliance and reporting requirements.
SSBCI	Treasury released the Capital Program Policy Guidelines <sup>13</sup> on November 10, 2021, on the use of SSBCI funds to empower small businesses to access capital needed to invest in job-creating opportunities as the country emerges from the pandemic. The Capital Program Reporting Guidance <sup>14</sup> released by Treasury on May 25, 2022, provides detailed information on reporting requirements and reporting deadlines.

<sup>4</sup> PUB. L. NO. 117-2 AMERICAN RESCUE PLAN ACT OF 2021 (Mar. 2021), <https://www.congress.gov/117/plaws/publ2/PLAW-117publ2.pdf>. (last visited Jan. 9, 2023).

<sup>5</sup> CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS 87 FED. REG. 4,338 (Jan. 2022), <https://www.govinfo.gov/content/pkg/FR-2022-01-27/pdf/2022-00292.pdf>. (last visited Jan 9, 2023).

<sup>6</sup> U.S. DEP'T OF TREASURY, COMPLIANCE AND REPORTING GUIDE STATE AND LOCAL FISCAL RECOVERY FUNDS (Sept. 2022), <https://home.treasury.gov/system/files/136/SLFRF-Compliance-and-Reporting-Guidance.pdf>. (last visited Jan 9, 2023).

<sup>7</sup> U.S. DEP'T OF TREASURY, HOMEOWNER ASSISTANCE FUND GUIDANCE (AUG. 2022), <https://home.treasury.gov/system/files/136/HAF-Guidance.pdf>. (last visited Jan 9, 2023).

<sup>8</sup> U.S. DEP'T OF TREASURY, HOMEOWNER ASSISTANCE FUND: GUIDANCE ON PARTICIPANT COMPLIANCE AND REPORTING RESPONSIBILITIES (MAY 2022, REV'D JULY 2022), [https://home.treasury.gov/system/files/136/HAF\\_GuidanceonParticipantComplianceandReportingResponsibilities.pdf](https://home.treasury.gov/system/files/136/HAF_GuidanceonParticipantComplianceandReportingResponsibilities.pdf). (last visited Jan 9, 2023).

<sup>9</sup> U.S. DEP'T OF TREASURY, EMERGENCY RENTAL ASSISTANCE UNDER THE AMERICAN RESCUE PLAN ACT OF 2021 (ERA2) REALLOCATION GUIDANCE (NOV. 2022) <https://home.treasury.gov/system/files/136/ERA2-Reallocation-Guidance-March-30-2022.pdf>. (last visited Jan 9, 2023).

<sup>10</sup> U.S. DEP'T OF TREASURY, REPORTING GUIDANCE EMERGENCY RENTAL ASSISTANCE PROGRAM (DEC. 2022) <https://home.treasury.gov/system/files/136/ERA-REPORTING-GUIDANCE-V2.PDF>. (last visited Jan 9, 2023).

<sup>11</sup> U.S. DEP'T OF TREASURY, GUIDANCE FOR THE CORONAVIRUS CAPITAL PROJECTS FUND FOR STATES, TERRITORIES, & FREELY ASSOCIATED STATES (SEPT. 2021) <https://home.treasury.gov/system/files/136/Capital-Projects-Fund-Guidance-States-Territories-and-Freely-Associated-States.pdf>. (last visited Jan 9, 2023).

<sup>12</sup> U.S. DEP'T OF TREASURY, CORONAVIRUS CAPITAL PROJECTS FUND COMPLIANCE AND REPORTING GUIDANCE FOR STATES, TERRITORIES, & FREELY ASSOCIATED STATES (DEC 2022). (last Jan 9, 2023).

<sup>13</sup> U.S. DEP'T OF TREASURY, STATE SMALL BUSINESS CREDIT INITIATIVE CAPITAL PROGRAM POLICY GUIDELINES (NOV. 2021, REV'D DEC. 2022) <https://home.treasury.gov/system/files/136/SSBCI-Capital-Program-Policy-Guidelines.pdf>. (last Jan 9, 2023).

<sup>14</sup> U.S. DEP'T OF TREASURY, STATE SMALL BUSINESS CREDIT INITIATIVE CAPITAL PROGRAM REPORTING GUIDANCE (MAY 2022, REV'D SEPT. 2022) <https://home.treasury.gov/system/files/136/SSBCI-Reporting-Guidance.pdf>. (last Jan 9, 2023).

## District of Columbia Office of the Inspector General (OIG) Risk Assessment of the District's use of ARPA Funds

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### Constraints and Limitations

The following constraints and limitations should be considered with the risks identified in this report:

1. **Nature of engagement** – This engagement did not constitute a financial audit, performance audit, review, or attestation engagement in accordance with standards established by the AIPCA and/or Government Auditing Standards. Our report assesses existing practices, policies, and procedures to help identify risk areas for the OIG for future ARPA audit or oversight planning. We have no obligation to perform any services beyond those described in our report. If we were to perform additional services, other matters might come to our attention that may affect our analysis and related conclusions. This engagement was not planned or conducted in contemplation of reliance by any other party and is not intended to benefit or influence any other party. Therefore, items of possible interest to a third party may not be specifically addressed or matters may exist that could be assessed differently by a third party.
2. **Program funding status** – The funding for the Capital Projects Fund (CPF) and State Small Business Credit Initiative (SSBCI) Programs were not awarded by Treasury or expended at the time of this risk assessment. This limited our review for these programs to assessing inherent risks. The applications for CPF and SSBCI were submitted to Treasury in August 2022. ARPA reauthorized and expanded the SSBCI Program which was originally established in 2010.

# District of Columbia Office of the Inspector General (OIG)

## Risk Assessment of the District's use of ARPA Funds

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### Key Risks

#### Risk Overview

This assessment is intended to provide a comprehensive evaluation of the District's use of program funds to identify risks, with a particular focus on risks related to corruption, fraud, waste, abuse, and mismanagement, that are critical to achieving program objectives, as well as potential improvement opportunities for management consideration. The following sections outline the key concepts around risks employed for this assessment.

#### What is Risk?

Risk identifies the potential of an event or action that may adversely affect an organization's ability to achieve its organizational objectives and execute its strategies successfully. Every organization has risk and there are fundamental uncertainties common to all organizations. Managers are responsible for implementing management practices that effectively identify, assess, respond to, and report on risk. The responsibilities of managing risks are shared throughout an agency, from the highest levels of executive leadership to the service delivery staff executing federal programs.

#### Types of Risks

Addressing the various types of risks and the amount of risk exposure is the key to optimizing business processes, safeguarding data and information systems, and protecting stakeholders. The following two concepts are vital to protecting the organization, guiding risk controls, and informing risk management policies:

- Inherent Risk – is typically the level of risk in place to achieve an entity's objectives before actions are taken to alter the risk's impact or likelihood.
- Residual Risk – is the risk remaining after considering mitigating influence of the control environment/ risk management techniques.

#### How are Risks Mitigated?

Risk mitigation is the process of planning and developing methods and options to reduce threats to program/project objectives. As expounded on in the GAO Green Book,<sup>15</sup> risks are mitigated by internal controls, comprising 17 principles including: the entire system of (1) establishing the control environment, (2) assessing risk, (3) developing control activities and policies, (4) providing internal and external information and communication, and (5) monitoring and follow-up. A control's mitigating influence is considered when determining the residual risks. The risk assessment process does not test or judge the effectiveness of internal controls.

#### Benefits of Risks

Developing and maintaining a risk management profile (at enterprise or program level) will provide a thoughtful analysis of the risks the Agency faces while achieving its strategic objectives and operations. The profile will help to identify appropriate options for addressing significant risks. Additionally, maintaining one will:

- Identify sources of uncertainty, both positive (opportunities) and negative (threats)
- Identify and gather higher-level, portfolio-level risks facing the District's programs
- Identify potential improvement opportunities for management consideration

Please refer to [Appendix B](#) for details on our risk assessment process, risk categories, and matrix.

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<sup>15</sup> U.S. GOV'T ACCOUNTABILITY OFFICE, GAO-14-704G., STANDARDS FOR INTERNAL CONTROL IN THE FEDERAL GOV'T, (Sept. 2014), <https://www.gao.gov/products/GAO-14-704G>. (last visited Feb. 7, 2023).

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The following results represent the key areas of risks identified during our assessment. As outlined in the project's objectives, we present each key risk area in relation to each program area. We also present the federal Green Book principle(s) to which each risk area aligns. In some instances, selected risk areas apply to more than one objective. Key risks are defined as Tier 1 risks which require management's immediate attention.

*Please refer to [Appendix E](#) for detailed listing of our risk observations for each program discussed below:*

### Capital Project Fund (CPF)

#### **Risk Observation 1**

Lack of established procedures and mechanisms to identify, detect, respond to, and report suspected cases of fraud, waste, and abuse.

The OCA did not provide any documentation or cite any relevant policies, procedures, or mechanisms to manage or mitigate this risk for the CPF program. The OCA stated that it intends to use existing resources, processes, and systems established for the SLFRF program to conduct oversight and collect required reporting data and information through the District Recovery Reporting Portal (DRRP) once the grant application is approved and the funds are awarded by Treasury. Furthermore, the program administrator plans to conduct risk assessments through the regular reviews of data – in the DRRP – and regularly scheduled check-in meetings. While the OCA plans to use these existing resources, processes, and systems to conduct these procedures, they have yet to document and establish this system of controls for the CPF program. This may impact the program office's ability to proactively, adequately, and timely respond to potential risk once the funds are approved.

*Green Book Principle(s) 8: Assess Fraud Risk – 8.01 Management should consider the potential for fraud when identifying, analyzing, and responding to risks.*

Risk Level: High

#### **Risk Observation 2**

Lack of subrecipient and/or contractor monitoring, resulting in potential misuse of funds and/or noncompliance.

The OCA and/or any designated agency with oversight authority has yet to develop and establish monitoring policies and procedures for the CPF program. In addition, the OCA has not selected an agency that will be responsible for administering the program. While OCA presumes the chosen agency can rely on its existing resources, processes, and systems to conduct subrecipient and/or contractor monitoring of funded projects, the eligible use of program funds and compliance with program requirements, no actions have been taken in the application or planning phase to establish monitoring procedures for the CPF program. This may result in potential misuse of funds and/or noncompliance with program requirements once the funds are approved.

*Green Book Principle(s) 16: 16.01 Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.*

Risk Level: High

### Emergency Rental Assistance Program II (ERAP)

#### **Risk Observation 3**

Landlords and/or utility companies decline to participate in the program and eligible applicants and/or renters receive payments directly, resulting in funds being used for purposes outside the program's scope.

We noted there were instances when tenants received rental assistance payments but did not remit the amounts to their landlord. Such cases, according to DHS, have been flagged for further investigation.

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As part of the STAY DC program implementation design, financial assistance payments for rent, rental arrears and utilities, and home energy costs are generally made directly to the lessor or utility provider on behalf of the beneficiaries. However, in certain instances where the lessor or utility provider does not agree to participate in the program and accept such payment from the District, the payments are made directly to the beneficiaries, per Treasury's requirements and guidance. DHS reported that approximately 136 cases have been referred for investigation of potential fraud, to date. Most referrals are as a result of landlords alleging their tenant did not use the program funds for rental payments, as required under the program.

*Green Book Principle(s) 7: Identify, Analyze and Respond to Risk – 7.01 Management should identify, analyze, and respond to risks related to achieving the defined objectives.*

Risk Level: Elevated

### **Risk Observation 4**

Failure to implement and perform established policies and procedures to evaluate and determine eligible applicants, potentially resulting in payments made to ineligible beneficiaries.

DHS established standard operating procedures and hired a contractor to develop and implement a technology solution to provide robust case management and application review support services in compliance with Treasury guidance. The contractor performs approved procedures, application reviews, and makes determinations on whether to approve, reject, or request additional information. A list of approved applications is sent to DHS management to perform a final quality assurance procedure before submitting for payment. However, we noted from prior finding number 2021-004, in the District's FY 2021 Single Audit Report, that during testing over rental and utility beneficiary eligibility the District's Department of Human Services Family Services Agency was unable to provide sufficient documentation to support the beneficiary's eligibility determination during the fiscal year 2021 audit. It also lacked a quality control oversight system to ensure that eligibility documentation was maintained to support eligibility decisions.

*Green Book Principle(s) 12: Implement Control Activities – 12.01 Management should implement control activities through policies.*

Risk Level: Elevated

### **Risk Observation 5**

Failure to complete and submit required program data and information for monthly, quarterly, and annual reports, resulting in noncompliance.

We noted that though DHS has completed monthly and quarterly reporting throughout the program, DHS did not report information on beneficiaries in quarterly reports to Treasury. DHS asserted that the report requires Personally Identifiable Information (PII) such as name, tax ID and addresses. Treasury issued Special Guidance<sup>16</sup> on January 24, 2022, explained on page 19 of the ERAP Reporting Guidance, which states "ERA Recipients are not required to create direct payee records for beneficiaries who are individuals (tenants) or unincorporated small landlords, regardless of the amount of the ERA benefit payment." However, the District is required to create records for business, corporations, or non-profits that receive ERA benefits valued at \$30,000 or more.

We further noted, from prior finding number 2021-005 in the District's FY 2021 Single Audit Report, that the third-party auditor identified several instances where DHS was unable neither to validate amounts reported and certified by management, nor to verify the submission of required reports.

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<sup>16</sup> *Supra* Note FN 10 at 19.

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*Green Book Principle(s) 13 and 15: Use Quality Information and Communicate Externally – 13.01 Management should use quality information to achieve the entity's objectives, and 15.01 Management should communicate externally the necessary quality information to achieve the entity's objectives.*

Risk Level: Elevated

### Homeowner Assistance Fund (HAF)

#### **Risk Observation 6**

Applicants/beneficiaries attest to having a financial hardship, but do not meet program requirements.

#### **Risk Observation 7**

Applicants/beneficiaries have not experienced financial hardship, potentially resulting in payments made to ineligible beneficiaries.

The same sets of facts apply to risk observations 6 and 7. The program's eligibility requirement<sup>17</sup> states that the applicant household must:

- Have income equal to or less than 150% of the AMI, as defined by the US Department of Treasury for the HAF Program
- Be a current Resident of DC
- Attest that the dwelling for which assistance is being requested is the household's principal residence and has been inhabited continuously since at least June 1, 2021
- Attest to having experienced financial hardship after January 21, 2020, and describe the nature of the financial hardship (for example, job loss, reduction in income, or increased costs due to healthcare or the need to care for a family member)

Based on our interview discussion, it appears that DHCD's key control is predicated on beneficiaries' attestation statement. However, applicants/beneficiaries may attest to having a qualifying financial hardship but not meet program's eligibility requirements identified above.

*Green Book Principle(s) 7: Identify, Analyze and Respond to Risks: Management should identify, analyze, and respond to risks related to achieving the defined objectives.*

Risk Level: Elevated

### State Small Business Credit Initiative (SSBCI)

#### **Risk Observation 8**

Incomplete policies and procedures manual, resulting in potential inconsistencies/inefficiencies in program management and administration.

The Department of Insurance, Securities and Banking (DISB) program office is currently working on a standard operating procedure that needs to communicate assigned roles, responsibilities, and authority; ensure adequate control activities are established; and make sure that necessary quality information is disseminated in accordance with program objectives.

*Green Book Principle(s) 10 and 12: Design Control Activities and Implement Control Activities – 10.01 Management should design control activities to achieve objectives and respond to risks. 12.01 Management should implement control activities through policies.*

Risk Level: Elevated

#### **Risk Observation 9**

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<sup>17</sup> *Supra* Note 7 at 5.

## District of Columbia Office of the Inspector General (OIG) Risk Assessment of the District's use of ARPA Funds

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Lack of established controls or whistleblower reporting mechanism to identify, report, and respond to potential fraud, resulting in the potential increased risk of misuse or mismanagement of program funds.

The DISB program office relies on the experience and qualification of the current program manager, but has no system of controls or specified activities in place to respond to potential fraud risks. Moreover, it does not appear that DISB is sufficiently aware of the required controls to mitigate the potential for fraud.

*Green Book Principle(s) 8 and 12: Assess Fraud Risk and Implement Control Activities* 8.01 Management should consider the potential for fraud when identifying, analyzing, and responding to risks. 12.01 Management should implement control activities through policies.

Risk Level: Elevated

### **Risk Observation 10**

Delayed or slow implementation of program may harm the District's ability to expand access to capital needed for small businesses emerging from the COVID-19 pandemic, build entrepreneurship, and create high-quality jobs.

Since November 2021, the Department of Small and Local Business Development (DSLBD) has yet to apply for the Technical Assistance program funding. The program office indicated that the delay stems from unexpected issues in setting up the Venture Capital program and several changes to the Treasury guidance up through the current iteration issued in May 2022. The application submission deadline has now been extended to October 15<sup>th</sup>, 2022. *Green Book Principle(s) 3: Establish Structure, Responsibility and Authority – 3.01 Management should establish an organizational structure, assign responsibility, and delegate authority to achieve the entity's objectives.*

Risk Level: Elevated

### **Risk Observation 11**

Inadequate or ineffective control mechanism to determine financial eligibility, credibility, or accountability, potentially resulting in noncompliance with program requirements for private financing for the Other Credit Support Programs (OCSP) 10:1 financing, pursuant to 12 U.S.C. § 5705(c)(2).

The DISB program office was unable to explain the safeguards in place to demonstrate an effective process for determining and documenting the "cause and result" of private capital leverage related to a loan or investment.

*Green Book Principle(s) 10 and 12: Design Control Activities and Implement Control Activities.* 10.01 Management should design control activities to achieve objectives and respond to risk. 12.01 Management should implement control activities through policies.

Risk Level: Elevated

## State and Local Fiscal Recovery Fund (SLFRF)

### **Risk Observation 12 (All Projects)**

Inadequate controls, processes, or systems to determine eligible costs were incurred during the program's period of performance, resulting in noncompliance.

We noted in finding number 2021-006 in the District's FY 2021 Single Audit Report that \$79.5 million was incurred prior to the start of the SLFRF period of performance. The District concurred with this finding and noted that the use of funds was in accordance with the program's eligibility requirements and that the District received verbal approval from Treasury to use funds before the performance period started.

*Green Book Principle(s) 10 and 12: Design Control Activities and Implement Control Activities -*

## District of Columbia Office of the Inspector General (OIG) Risk Assessment of the District's use of ARPA Funds

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10.01 Management should design control activities to achieve objectives and respond to risk and 12.01 Management should implement control activities through policies.

Risk Level: Elevated

**Risk Observation 13** (Covid Health Safety Measures in DCPS)

Inadequate mechanisms for management to identify, analyze, report, and respond to project risks, potentially increasing the risk of fraud, waste, abuse, and mismanagement of project funds.

DCPS risk management action is predicated on the review of a contractor (Maxim Health Services) deliverables and performance evaluation performed by the Contract Administrator. Program management has not established internal policy, procedures or directives designed to identify, analyze, report, and respond to risk of corruption, fraud, waste, or misuse of program funds. We noted that the contractor's scope of service is to provide healthcare staff support services and the deliverables may not adequately address all related aspects of assessing or monitoring program risks. For example, the DCPS did not require the contractor to have a quality control or risk management plan for monitoring.

*Green Book Principle(s) 7 and 8: Identify, Analyze and Respond to Risk* 7.01 Management should identify, analyze, and respond to risks related to achieving the defined objectives.

Risk Level: Elevated

**Risk Observation 14** (Lead Pipe Replacement Project)

Failure to monitor and understand the Final Rule and updated program guidance and requirements impacting infrastructure projects, resulting in noncompliance.

The SLFRF Compliance and Reporting guidance states specific programmatic requirements for infrastructure projects, including reporting the following: the number of employees of contractors and sub-contractors working on the project; the wages and benefits of workers on the project ordered by classification; and whether those wages are lower than prevailing rates<sup>18</sup>. Based on the questionnaire and interview discussions, it appeared that DOEE was unfamiliar with these requirements, which were subsequently omitted from the Memorandum of Understanding (MOU) with the subrecipient (DC Water). DOEE should collect this information from DC Water to ensure compliance with program and reporting requirements. This may result in noncompliance with quarterly and annual project and expenditure reporting requirements.

*Green Book Principle(s) 16: Perform Monitoring Activities* 16.01 Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.

Risk Level: Elevated

**Risk Observation 15** (Lead Pipe Replacement Project)

Lack of established monitoring policies and procedures, potentially resulting in ineffective project oversight.

Aside from the MOU, the DOEE did not provide any additional documentation requested to demonstrate it had established monitoring policies and procedures to conduct effective oversight of the project's subrecipient, DC Water. Subsequently, following the completion of our fieldwork, the DOEE provided copy of its Lead Pipe Replacement Assistance Program Operations Manual (revised Sept 15, 2022). However, the manual does not specifically address how the DOEE will monitor activities, compliance requirements and other responsibilities of DC Water. Without proper internal controls and established procedures in place, project oversight may not be effectively administered.

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<sup>18</sup> *Supra* Note FN 6 at 30-32.

## District of Columbia Office of the Inspector General (OIG) Risk Assessment of the District's use of ARPA Funds

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*Green Book Principle(s) 16: Perform Monitoring Activities – 16.01 Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.*

Risk Level: Elevated

**Risk Observation 16** (Lead Pipe Replacement Project)

Lack of conducting onsite monitoring and/or desk reviews of DC Water, potentially resulting in ineffective project oversight and noncompliance.

Based on interview responses, the DOEE does not have any plans to conduct onsite monitoring and/or desk reviews of DC Water, required to ensure compliance with program requirements pursuant to 2 CFR 200.332 regarding requirements for pass-through entities, potentially resulting in ineffective project oversight and noncompliance. Subsequently, following the completion of our fieldwork, the DOEE provided copy of its Lead Pipe Replacement Assistance Program Operations Manual (revised Sept 15, 2022); however, based on its process flow, no monitoring procedures by DOEE were noted.

*Green Book Principle(s) 16: Perform Monitoring Activities – 16.01 Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.*

Risk Level: Elevated

**Risk Observation 17:** (Housing Production Trust Fund Subsidy)

Lack of established monitoring policies and procedures, potentially resulting in ineffective oversight of project objectives and funds.

DCHD detected a case of internal fraud with funding under the CARES Act. Though this is no longer a SLFRF ARPA-related project, because the HPTF is a pool of funds from different programs, it may impact the reporting under SLFRF APRA funded projects.

*Green Book Principle(s) 16: Perform Monitoring Activities – 16.01 Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.*

Risk Level: Elevated

**Risk Observation 18:** (Housing Production Trust Fund Subsidy)

Lack of conducting onsite monitoring and/or desk reviews of contractors/third parties, potentially resulting in ineffective project oversight and noncompliance with District rules and regulations.

Because this project is no longer funded under the SLFRF Program, but instead with District funds claimed through Revenue Loss from the SLFRF Program, federal requirements, rules and regulations do not apply. However, any applicable District rules and regulations that could include procurement standards, records retention, and other compliance and reporting requirements would be applicable.

*Green Book Principle(s) 16: Perform Monitoring Activities – 16.01 Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.*

Risk Level: Elevated

## District of Columbia Office of the Inspector General (OIG) Risk Assessment of the District's use of ARPA Funds

### Appendix A: Programs and Projects Subject to ARPA Funds

Table 4 provides details of each program/project identified for our risk assessment.

**Table 4**

Program	Background
CPF	The Capital Projects Fund Program was created from the ARPA bill as a new program for the purpose of ensuring that all communities have access to the high-quality modern infrastructure that meet communities' critical needs in the short- and long-term, with a key emphasis on making funding available for broadband infrastructure. The District of Columbia received a \$107 million allocation for the purposes of conducting the CPF program through December 31, 2026. CPF application was submitted in August 2022 pending approval by Treasury.
ERAP II	The Emergency Rental Assistance Program II was created from the ARPA bill as a new program to make funding available to assist households that are unable to pay rent or utilities. As an extension of ERA I, \$21.55 billion was reallocated to the ERA II program. For beneficiaries to receive ERAP funds, they must apply and meet eligibility guidelines set by Treasury to be approved. The beneficiaries include landlords or property owners and tenants, and once approved, funds are sent directly to the party owed delinquent rent (landlord or property owner) to correct backpay. The District of Columbia received a \$152 million allocation for the purposes of conducting the ERA II program through September 30, 2025. ERAP II application has been submitted to Treasury and funds have been executed.
HAF	The Homeowner Assistance Fund Program was created from the ARPA bill as a new program for the purpose to prevent mortgage delinquencies and defaults, foreclosures, loss of utilities or home energy services, and displacement of homeowners experiencing financial hardship after January 21, 2020. For beneficiaries to receive HAF funds, they must apply and meet eligibility guidelines set by Treasury to be approved. The beneficiary, or homeowner, then receives funds to pay their mortgage servicer. The District of Columbia received a \$50 million allocation for the purposes of conducting the HAF program through September 30, 2026. HAF application has been submitted to Treasury and funds have been executed.
SSBCI	The State Small Business Credit Initiative Program is a remodeled program, which operated from 2011 – 2017 and was reauthorized under the ARPA bill. Its new purpose is to empower small businesses to access capital needed to invest in job-creating opportunities as the country emerges from the pandemic. The District of Columbia received a \$62 million allocation for the purposes of conducting the SSBCI Program through a 10-year period. Application has been submitted for Capital Assistance and award is pending Treasury approval. The Department of Small and Local Business Development (DMLBD) is responsible for administering the Venture Capital program and the application submission deadline has now been extended to October 15 <sup>th</sup> , 2022 due to delay driven by Treasury.
SLFRF	The State and Local Fiscal Recovery Fund Program was created from the ARPA bill as a new program for the purpose of supporting responses to and recovery from the COVID-19 public health emergency. The District of Columbia received a \$2.3 billion allocation for the purposes of conducting the SLFRF program through December 31, 2026. The SLFRF program is made up of over 200 projects to make up the \$2.3 billion allocation. Application has been submitted, funds awarded, and project implementation is ongoing.

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**Risk Assessment of the District's use of ARPA Funds**

**Table 4, Continued**

Projects funded under SLFRF	
Health Premium Support	This project was initiated to pay for health insurance premiums for businesses and individuals who are impacted by the COVID-19 public health pandemic. There are no applicants as the HPS team works with insurance carriers to zero-out delinquent insurance premiums in their systems for small businesses and individuals. The District received \$13,461,073 for Fiscal Year 21 to support this project.
COVID Health Safety Measures in DCPS	This project was initiated to cover costs associated with providing health screeners in DC Public Schools as well as tracing services for students who test positive for COVID-19. The District received \$29,930,833 for Fiscal Year 22 to support this project.
Housing Production Trust Fund	This project is a one-time infusion to the Housing Production Trust Fund to bring the total amount to \$400 million. Increased HPTF funding will allow DHCD to fund more affordable housing units currently in its pipeline. The District received \$156,731,579 for Fiscal Year 21 and \$166,684,444 for Fiscal Year 22 to support this project.
Temporary Assistance for Needy Families Cash Support	This project was initiated to allow The Department of Human Services (DHS) to issue TANF cash assistance to DC residents. The TANF caseload rose during the COVID-19 pandemic and this amount ensures benefit payments to additional DC residents. The District received \$4,000,000 for Fiscal Year 21 and \$4,500,000 in Fiscal Year 22 to support this project.
Lead Pipe Replacement Program	This project was initiated to assist residents in replacing lead water service lines to their homes. DC Water operates several programs for lead service line replacement. The programs are either initiated by DC Water or by the customer. The District received \$10,000,000 for Fiscal Year 22 to support this project.

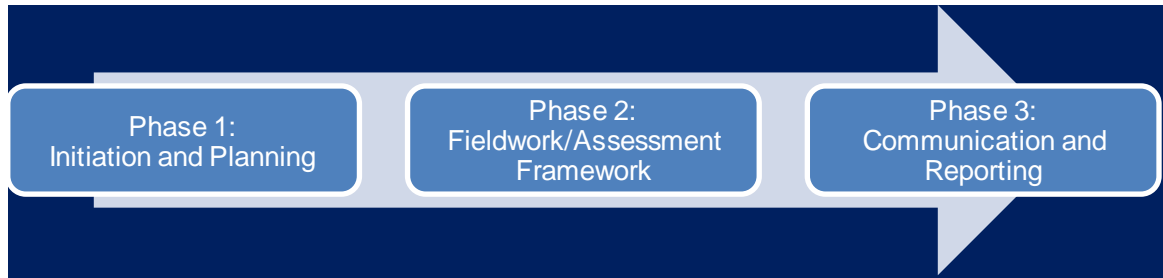
# District of Columbia Office of the Inspector General (OIG) Risk Assessment of the District's use of ARPA Funds

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## Appendix B: Project Approach

The following section highlights our approach for executing the work, including specific phases, tasks, and milestones to accomplish task objectives. A summary of our project approach and methodology includes Phase 1: Planning & Initiation; Phase 2: Fieldwork/Assessment; and Phase 3: Communication and Reporting as depicted in the chart below:

*Figure 1 - Summary Approach*



### Initiation and Planning

- Conducted a kick-off meeting and entrance conference with the OIG team discussing and confirming scope, objectives, communication, and schedule.
- Conducted research, collected, and reviewed preliminary data including program plans, performance reports and rules to gain an understanding of the applicable ARPA programs and identify resources subject to the highest risk of corruption, fraud, waste, abuse, and mismanagement.
- Set up a Crowe Secure Exchange site with limited and controlled access.
- Held entrance meeting with the City Administrator (CA), Office of Budget and Performance Management, the Executive Office of the Mayor, the Office of Program Review, Monitoring, and Investigation, and other key stakeholders.
- Held meetings with key stakeholders to gain an understanding of program administration, obtain organization charts, policies and procedures, and any other relevant information to identify any potential issues, concerns, regulatory and program compliance nuances.

### Applicable Standards and Criteria

- Utilized Statements on Standards for Consulting Services issued by the AICPA, and the GAO Standards for Internal Control in the Federal Government (Green Book).
- Utilized Green Book (2014) criteria for designing, implementing, and operating an effective internal control system, and applied the hierarchical structure of the five components of internal control (see [Figure 2 on the following page](#)) and seventeen principles.
- Utilized the U.S. Treasury Final Rule, Guidance on Recipient Compliance and Reporting Responsibilities, Uniform Guidance (2 CFR Part 200), prior audit reports (provided by OIG), Plan Performance Reports, and other relevant program policies, procedures, rules, and guidance for the SLFRF, HAF, ERAP II, CPF, and SSBCI programs, to develop our risk assessment criteria and interview questionnaire.
- For SLFRF program as determined from the initial assessment due to size and scope of funding, and OIG requested, selected a sample of projects to conduct the assessment.

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*Figure 2 – Internal Control Components*



### Data Collection and Analysis

- Created and issued interview survey questionnaires (based on the risk assessment criteria developed) for each of the District's funding program HAF, ERAP II, CPF, SSBCI, and the five (5) sampled projects of SLFRF programs including:
  - COVID Health Safety Measures in District Public Schools (DCPS)
  - Health Premium Support
  - Housing Production Trust Fund (HPTF)
  - TANF (Temporary Assistance for Needy Families) Cash Support
  - Lead Pipe Replacement
- Collected, reviewed, and analyzed data provided and held interview meetings with program officials to discuss the responses that resulted from the survey.
- Conducted follow-up interviews for program areas that needed clarification on the survey responses, and to enable us make determination of risk ratings.

### Risk Assessment/Evaluation

- Applied quantitative and qualitative methods and determined relative risk rankings to identify and evaluate significant risks by ARPA funded programs.
  - Quantitative method uses verifiable data to analyze the effects of risk in terms of cost overruns, scope creep, resource consumption, and schedule delay
  - Qualitative method is more subjective. It focuses on evaluating the impact and the likelihood of the risk occurring to estimate their significance; measure and assess the impact of risks
- We defined program objectives in specific and measurable terms consistent across the five (5) ARPA programs to identify six (6) risk categories for reporting. See [Figure 3](#) on the following page.
- Developed a risk assessment matrix as a tool to identify and capture the likelihood of program risks and evaluated the potential impact or interruption caused by those risks.
- We validate each potential risk with risk owner and determine what the inherent risk level is based on the impact and likelihood of the risk event occurring.
- After assigning each potential risk an inherent risk level, we identified the controls or risk responses to manage or mitigate the impact and likelihood of the risk event occurring.
- Discussed with risk owners to assess the residual risk level, taking into consideration the established controls and risk management strategies employed to manage or mitigate the impact the risk event could have on the District.
- Evaluated the impact of controls to identify any control gaps, corrective actions, and recommendations. The level of risk is then assigned based on a combination of five impact and five probability ratings resulting in an overall risk level of Insignificant, Low, Moderate, Elevated, or High. See [Figure 4](#) on the following page for detailed criteria and rating.

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*Figure 3: Description of Risk Categories*

Description of Risk Categories
1. <b>Eligibility Risk</b> - criteria, systems and processes are developed, implemented and records retained for determining the eligibility of beneficiaries, recipients, subrecipients and/or contractors?
2. <b>Compliance Risk</b> - requirement applicability, allowability, and incongruences from the various ARPA law, rules, regulations, policies, and criteria.
3. <b>Operations and Management</b> - program operations and management oversight involving the function of internal controls, operating processes, information systems, accountability, and governance.
4. <b>Financial/Program Reporting Risk</b> - accountability and reliability of reporting on the use of funds (internal and external use), structural issues related to funding, and program performance reporting.
5. <b>Monitoring Risk</b> - establish and operate monitoring activities to achieve program's strategic, operating, and reporting objectives; this involves evaluation performed by management or external party.
6. <b>Information Technology Risk</b> - information technologies used are efficiently and effectively supporting the current and future needs of the program, are operating as intended, and are not compromising the integrity and reliability of data and information or exposing funds to potential loss or misuse.

*Figure 4: Risk Assessment Matrix*

		Potential Impact				
		Negligible (1)	Minor (2)	Moderate (3)	Significant (4)	Major (5)
Likelihood	Almost Certain (5)	Low	Moderate	Elevated	High	High
	Likely (4)	Low	Low	Moderate	Elevated	High
	Possible (3)	Low	Low	Moderate	Elevated	Elevated
	Unlikely (2)	Insignificant	Low	Low	Moderate	Moderate
	Rare (1)	Insignificant	Insignificant	Low	Moderate	Moderate

Likelihood of Risk Events Defined	
1. Rare – Reasonable assumption that this risk will not occur.	4. Likely – Reasonable assumption that this risk will likely occur.
2. Unlikely – Reasonable assumption that this risk will likely not occur.	5. Almost Certain – Reasonable assumption that this risk will occur.
3. Possibly – Reasonable assumption that this risk may occur.	
Potential Impact of Risk Events Defined	
1. Negligible – Unlikely to cause the activity to fail to meet part of its objectives.	4. Significant – May cause a failure to meet a significant part of the objectives, or negatively impact the objectives of other activities, which may expose the District to non-compliance with laws and regulations, sizable waste of resources, etc.
2. Minor – May cause a failure to meet part of the objectives, which may expose the District to some non-compliance with laws and regulations, waste of resources, etc.	5. Major – Will cause a failure of the business process to meet the objectives, or cause objective failure in other activities, which may cause or expose the District to comply with laws and regulations, major waste of resources, failure to achieve stated goals, etc.
3. Moderate – May cause a failure to meet a significant part of the objectives, which may expose the District to non-compliance with laws and regulations, sizable waste of resources, etc.	

Risk Prioritization
<b>Tier 1</b> – represents High & Elevated risk level
<b>Tier 2</b> – represents Moderate risk level
<b>Tier 3</b> – represents Low & Insignificant risk level

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- We held exit conferences with the OIG and subsequently, the Office of the City Administrator and other key stakeholders to discuss and present summary of findings and key risks.
- We developed and delivered risk assessment report incorporating findings of identified risks of corruption, fraud, waste, abuse, and mismanagement of ARPA funds by project.

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### Appendix C: Questionnaire and Responses

We created a survey questionnaire based on the risk assessment criteria developed for each of the District's Treasury-funded programs HAF, ERAP II, CPF, SSBCI, and the five (5) sampled projects of SLFRF programs. For our initial risk identification and evaluation, we issued the questionnaire to the nine (9) designated POCs for each program and projects selected for review and received a 100% response rate. We requested additional supporting documentation to review procedures for processes identified as implemented. Table 5 lists the status of each agency's response.

#### *Survey Questionnaire Response Summary*

**Table 5**

Program/Project	Participating/Responding Agencies	Responded?
1. HAF	Department of Housing and Community Development	Y
2. ERAP II	Department of Human Services	Y
3. CPF	Office of the City Administrator	Y
4. SSBCI	District of Columbia Department of Insurance, Securities & Banking	Y
5. SLFRF	<u>See below:</u>	
5a. Health Premium Support	Health Benefit Exchange Authority	Y
5b. COVID Health Safety Measures in DCPS	District of Columbia Public Schools	Y
5c. Housing Production Trust Fund	Department of Housing and Community Development	Y
5d. Temporary Assistance for Needy Families <b>Cash Support</b>	Department of Human Services	Y
5e. Lead Pipe Replacement Program	Department of Energy and Environment and DC Water	Y

To develop our survey questionnaire, we utilized the U.S. Treasury Reporting Guidance for each Program, prior audit reports provided by the OIG and other relevant policies, procedures, and guidance documentation. We defined program objectives consistent across the five (5) programs to identify six (6) risk categories, operations management, eligibility, compliance, finance, and programmatic reporting, monitoring and technology. To conduct our risk evaluation, we reviewed, and analyzed the responses that resulted from the survey. We discussed the responses during our interview meetings with the Program Administrators. These responses allowed us to assess the level of risk based on the implementation status and operating effectiveness of each process. We applied quantitative and qualitative methods for relative risk rankings for the development of our risk matrix. The table below represents a sample of the questions we documented in the questionnaire in each risk category.

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*Figure 5: Survey Questionnaire*

Category	Questions
<b>Operations &amp; Management</b>	
	Do you have established program policies, processes, and procedures to oversee, manage, and administer the program?
	Do you have any established process or mechanism for management to identify, report, and respond risk of corruption, fraud, or misuse/mismanagement of program funds?
<b>Eligibility</b>	
	Do you have a process or procedure in place to review and evaluate eligible projects?
	Do you have a system that tracks, maintains, and evaluates all required documents, processes, and descriptions eligible recipients are to submit as defined in the uniform guidance?
<b>Compliance</b>	
	Do you have a process or procedure in place to review and evaluate eligible subrecipients?
	Do you have a mechanism to identify and document eligible costs occurred within the period of performance?
<b>Finance &amp; Programmatic Reporting</b>	
	Do you have systems and procedures in place to comply with the quarterly and annual reporting requirement?
	Do you have a process in place to ensure that funds are not used for ineligible purposes?
<b>Monitoring</b>	
	Do you have systems or tools and procedures to track, manage, and report on the use of funds?
	Do you have a process that tracks, monitors, and verifies all budget deviation requests submitted by recipients?
<b>Technology</b>	
	Do you have a system that tracks, manages, and reports financial data which does not expose funds to potential loss or security threats?
	Do you have a system that tracks, manages, and reports programmatic/performance data that ensures data reliability and integrity?

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### Appendix D: Sampling Methodology for SLFRF

Our sampling methodology was to select a representative sample of projects funded by the State and Local Fiscal Relief Funds (SLFRF) program to perform risk assessment procedures. With a total allocation of approximately \$2.3 billion, SLFRF is the largest ARPA funded program awarded to the District. SLFRF, unlike the other ARPA programs within scope of this risk assessment, encompasses a wide array of distinct initiatives and projects that are managed by different District government agencies. As a result, the scope for the SLFRF program risk assessment was tailored to sampling several projects as discussed and agreed with the OIG.

Considering the uniqueness of the different SLFRF projects, the status and timeline of completion/performance, District priorities, and funding amounts, a judgmental sampling technique was determined most useful for the selection. The steps and approach taken for the sample selections included identification of: (1) the population of projects, (2) the criteria for selecting projects, and (3) the sampled projects.

#### Population of Projects

We obtained the project PDF file from the OIG, titled *FY21-24 ARPA Project Descriptions – Submitted by EOM*. The document listed over 225 projects, of which 32 project codes were classified as TBD – *To be determined*. Further, the document contained data about the cluster, initiative, Agency, project name, project description, funding source, and funding year. The amounts reflected in the funding year was the annual budget for the projects – the total amount reflected for FY21-24 was \$2.3 billion.

#### Selection Criteria

The following factors were taken into consideration:

1. Projects with specific definitions per the “SLFRF 2022, Recovery Plan Performance Report” e.g., Under the Expenditure Category (EC) 5, infrastructure is limited to lead pipe remediation for both residential properties as well as some educational facilities.
2. Projects that reflect the priorities in the District e.g., Affordable Housing is a key priority in the recovery plan with a Mayoral target of 12,000 new affordable housing units by the end of 2025.
3. The amount of funding and expenditures. e.g., Affordable housing accounts for approximately 50% of all expenditures to date. As of 5/30/2022 the total expenditure was \$203 million per the Recovery Plan Performance Report.
4. Projects with aggregate budget/expenditures over \$10 million for FY 2021 and FY 2022. The \$10 million threshold is about 10% of the budget funds presented in the project list. We believe 10% is reflective of the population and may have significant impact on risk.
5. Other risk consideration e.g., projects with direct access to residents and have historically had high public visibility and patronage e.g., TANF.

#### Selected Sample

Our sample size was determined to mirror the number of other programs that could be assessed within the project time frame established for the overall project. Consequently, based on the above criteria, our knowledge, professional judgement, and other risk factors, the sample size was determined to be the five (5) projects as listed in [Table 6](#).

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**Table 6 - Sample Projects Selected for Review from SLFRF**

PC	Expenditure Category	Initiative	Agency	Project Description	Fund Source	FY21	FY22	Total Expenditure (as at 5/30/22)*
TBD14	Public Health	COVID-19 Public Health Emergency Direct Response Costs	GA0 - District of Columbia Public Schools	Project covers costs associated with health screeners in DC Public Schools as well as tracing services for students who test positive for COVID-19.	Coronavirus State Funds	\$ -	\$ 29,930,833	\$ 67,154,207
G07112	Public Health	Reduction of Healthcare Disparities	HI0 - Health Benefit Exchange Authority	Funding to pay for health insurance premiums for businesses and individuals impacted by the COVID-19 public health pandemic.	Coronavirus Local Funds - Metro City	\$ 13,461,073	\$ -	
A11310	Negative Economic Impact	Build and Preserve Affordable Housing	HP0 - Housing Production Trust Fund Subsidy	A one-time infusion to the Housing Production Trust Fund to bring the total amount to \$400 million.	Coronavirus State Funds	\$ 156,731,579	\$ 166,684,444	\$ 439,310,060
G14203	Negative Economic Impact	Reduction of Healthcare Disparities	JA0 - Department of Human Services	The TANF caseload rose during the COVID-19 pandemic and this amount ensures benefit payments to additional DC residents.	Coronavirus Local Funds - Metro City	\$ 4,000,000	\$ 15,000,000	
E26512	Infrastructure	Economic Recovery for Residents and Businesses	KG0 - Department of Energy and Environment	Increase funding available to assist residents in replacing lead water service lines to their homes.	Coronavirus State Funds	\$ -	\$ 10,000,000	\$ 4,008,788

Notes: \* Data per "SLFRF 2022 Recovery Plan Performance Report" available at: [https://oca.dc.gov/sites/default/files/dc/sites/oca/publication/attachments/2022\\_SLFRF\\_Plan\\_Report\\_Final\\_DC.pdf](https://oca.dc.gov/sites/default/files/dc/sites/oca/publication/attachments/2022_SLFRF_Plan_Report_Final_DC.pdf) (last visited Jan 9, 2023).

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**Appendix E: Detailed Risk Assessment Results**

Below are detailed results of risk observations identified and categorized as *Tier I*, *Tier II* and *Tier III* risks and presented for each program assessed.

Program Name	Risk Statement	Risk Category	Risk Assessment			Risk Prioritization
			Impact	Probability	Level	
CPF	Lack of established procedures and mechanisms to identify, detect, respond and report suspected cases of fraud waste and abuse.	Operations & Management Risk	Major - 5	Likely - 4	High	Tier I
CPF	Lack of subrecipient and/or contractor monitoring, resulting in potential misuse of funds and/or noncompliance.	Monitoring Risk	Major - 5	Likely - 4	High	
CPF	Lack of documented policies and procedures, resulting in ineffective oversight, management and administration of program funds and potential noncompliance.	Operations & Management Risk	Moderate - 3	Possible - 3	Moderate	Tier II
CPF	Lack of procedures, tools and/or systems to track, document, and store financial, programmatic and performance data resulting in noncompliance and other program management issues.	Operations & Management Risk	Moderate - 3	Possible - 3	Moderate	
CPF	Inadequate personnel and resources to oversee, manage and administer the program, resulting in noncompliance and other program management issues	Operations & Management Risk	Moderate - 3	Likely - 4	Moderate	
CPF	Failure to monitor and understand updated program guidance and requirements, resulting in noncompliance.	Eligibility Risk	Moderate - 3	Possible - 3	Moderate	
CPF	Lack of controls or systems to determine eligible costs were incurred within the program's period of performance, resulting in noncompliance.	Compliance Risk	Moderate - 3	Possible - 3	Moderate	

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			Risk Assessment			
Program Name	Risk Statement	Risk Category	Impact	Probability	Level	Risk Prioritization
CPF	Failure to complete and submit monthly, quarterly, final, and annual reports by required deadlines, resulting in noncompliance.	Financial & Programmatic Reporting Risk	Moderate - 3	Likely - 4	<b>Moderate</b>	Tier III
CPF	Lack of systems to track, manage and report financial and performance data resulting in security threats or unreliable data.	IT Risk	Moderate - 3	Unlikely - 2	<b>Low</b>	
CPF	Inadequate policies and procedures to budget and/or appropriate program funds, resulting in ineligible use and noncompliance.	Operations & Management Risk	Moderate - 3	Unlikely - 2	<b>Low</b>	

			Risk Assessment			
Program Name	Risk Statement	Risk Category	Impact	Probability	Level	Risk Prioritization
ERAP II	Landlords and/or utility companies decline to participate in the program and eligible applicants/renters receive payments directly, resulting in funds not being used for the program's intended purpose.	Operations & Management Risk	Significant - 4	Possible - 3	<b>Elevated</b>	Tier I
ERAP II	Failure to implement and perform established policies and procedures to evaluate and determine eligible applicants, potentially resulting in improper payments.	Eligibility Risk	Significant - 4	Possible - 3	<b>Elevated</b>	
ERAP II	Failure to complete and submit required program data and information for monthly, quarterly and annual reports, resulting in noncompliance	Financial & Programmatic Reporting Risk	Significant - 4	Possible - 3	<b>Elevated</b>	
ERAP II	Lack of formal systems and/or mechanisms to report potential waste and abuse of the program's intended use of funds resulting in unreported or underreported cases.	Operations & Management Risk	Moderate - 3	Possible - 3	<b>Moderate</b>	Tier II

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			Risk Assessment			
Program Name	Risk Statement	Risk Category	Impact	Probability	Level	Risk Prioritization
ERAP II	Landlords and/or utility companies that receive payments do not credit the beneficiaries (applicants/renters) for payments made under the program.	Operations & Management Risk	Moderate - 3	Possible - 3	Moderate	
ERAP II	Failure to collect and report required data and information for business, corporations or non-profits that receive ERA benefits valued at \$30,000 or more resulting in noncompliance	Financial & Programmatic Reporting Risk	Moderate - 3	Possible - 3	Moderate	
ERAP II	Applicants/beneficiaries attest to having a qualifying income level and/or financial hardship, but do not meet program requirements.	Eligibility Risk	Moderate - 3	Possible - 3	Moderate	
ERAP II	Applicants/beneficiaries do not have a qualifying income level and/or financial hardship, resulting in payments made to ineligible applicants.	Eligibility Risk	Moderate - 3	Possible - 3	Moderate	
ERAP II	Lack of policies, procedures, systems and/or tools to track, monitoring and report on the use of funds resulting in noncompliance and other program management issues	Monitoring Risk	Moderate - 3	Possible - 3	Moderate	
ERAP II	Lack of documented policies and procedures, resulting in ineffective oversight, management and administration of program funds	Operations & Management Risk	Moderate - 3	Unlikely - 2	Low	Tier III
ERAP II	Lack of established policies, procedures and mechanisms to identify, detect and respond to suspected cases of fraud in the program's application phase.	Operations & Management Risk	Moderate - 3	Unlikely - 2	Low	
ERAP II	Inadequate policies, procedures, tools and/or systems to track, document, and store financial, programmatic and performance data resulting in noncompliance and other program management issues.	Operations & Management Risk	Moderate - 3	Unlikely - 2	Low	
ERAP II	Failure to monitor and understand updated program guidance and requirements resulting in noncompliance.	Operations & Management Risk	Moderate - 3	Unlikely - 2	Low	

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			Risk Assessment			
Program Name	Risk Statement	Risk Category	Impact	Probability	Level	Risk Prioritization
ERAP II	Lack of controls or systems to determine eligible costs were incurred within the program's period of performance, resulting in noncompliance	Compliance Risk	Moderate - 3	Unlikely - 2	Low	
ERAP II	Inadequate staffing and resources dedicated to oversee, manage and administer the program, resulting in noncompliance and other program management issues	Operations & Management Risk	Negligible - 1	Unlikely - 2	Insignificant	

			Risk Assessment			
Program Name	Risk Statement	Risk Category	Impact	Probability	Level	Risk Prioritization
HAF	Applicants/beneficiaries attest to having a qualifying income level and/or financial hardship, but do not meet program requirements.	Eligibility Risk	Significant - 4	Possible - 3	Elevated	Tier I
HAF	Applicants/beneficiaries do not have a qualifying income level and/or financial hardship, resulting in improper payments and abuse of program funds.	Eligibility Risk	Significant - 4	Possible - 3	Elevated	
HAF	Inadequate policies, procedures and mechanisms to identify, detect and respond to suspected cases of fraud in the application phase.	Operations & Management Risk	Significant - 4	Unlikely - 2	Moderate	Tier II
HAF	Lack of formal systems and/or mechanisms to report potential fraud, waste and abuse of program funds.	Operations & Management Risk	Moderate - 3	Possible - 3	Moderate	
HAF	Vendors do not register to participate in the program in a timely matter, resulting in payment delays and potential additional charges like late fees and other penalties incurring.	Operations & Management Risk	Moderate - 3	Possible - 3	Moderate	
HAF	Mortgage lenders and/or homeowners associations decline to participate in the program, resulting in eligible applicants/beneficiaries not receiving program funds.	Eligibility Risk	Moderate - 3	Possible - 3	Moderate	

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			Risk Assessment			
Program Name	Risk Statement	Risk Category	Impact	Probability	Level	Risk Prioritization
HAF	Failure to collect and report required data and information for business, corporations or non-profits that receive HAF benefits valued at \$30,000 or more resulting in noncompliance.	Compliance Risk	Moderate - 3	Possible - 3	Moderate	
HAF	Program funds are not obligated and expended by the end of the program's period of performance, resulting in unused funds returned to the U.S. Treasury Department.	Operations & Management Risk	Moderate - 3	Possible - 3	Moderate	
HAF	Failure to complete and submit monthly, quarterly, final, and annual reports by required deadlines, resulting in noncompliance.	Financial & Programmatic Reporting Risk	Moderate - 3	Likely - 4	Moderate	
HAF	Lack of documented policies and procedures resulting in ineffective oversight, management and administration of program funds.	Operations & Management Risk	Minor - 2	Possible - 3	Low	Tier III
HAF	Inadequate personnel and resources to oversee, manage and administer the program, resulting in noncompliance and other program management issues.	Operations & Management Risk	Minor - 2	Possible - 3	Low	
HAF	Inadequate policies, procedures, tools and/or systems to track, document, and store financial, programmatic and performance data, resulting in noncompliance and other program management issues.	Operations & Management Risk	Moderate - 3	Unlikely - 2	Low	
HAF	Failure to monitor and understand updated program guidance and requirements, resulting in noncompliance.	Operations & Management Risk	Minor - 2	Unlikely - 2	Low	
HAF	Mortgage lenders and/or homeowners associations do not credit applicants/beneficiaries for the delinquent amount of costs owed, resulting in misuse of program funds.	Operations & Management Risk	Moderate - 3	Rare - 1	Low	
HAF	Inadequate policies and procedures to evaluate and determine eligible applicants, resulting in noncompliance.	Eligibility Risk	Moderate - 3	Unlikely - 2	Low	

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			Risk Assessment			
Program Name	Risk Statement	Risk Category	Impact	Probability	Level	Risk Prioritization
HAF	Lack of oversight and monitoring of grantees for compliance with program requirements and the Uniform Guidance, resulting in noncompliance.	Monitoring Risk	Moderate - 3	Unlikely - 2	Low	
HAF	Lack of controls or systems to determine eligible costs were incurred within the program's period of performance, resulting in noncompliance.	Compliance Risk	Minor - 2	Unlikely - 2	Low	

			Risk Assessment			
Program Name	Risk Statement	Risk Category	Impact	Probability	Level	Risk Prioritization
SSBCI	Incomplete policies and procedures manual, resulting in potential inconsistencies /inefficiencies in program management and administration (the program office is currently working on a standard operating procedure guide which needs to be completed and implemented to communicate assigned roles, responsibilities and authority; ensure adequate control activities are established; and that necessary quality information disseminated to achieve the program objectives).	Operations & Management Risk	Significant - 4	Possible - 3	Elevated	Tier I
SSBCI	Lack of established controls or whistleblower reporting mechanism to identify, report, and respond to potential fraud, resulting in the potential increased risk of misuse/ mismanagement of program funds (the program office relies on the experience and qualification of the current program manage but has no control design or specified activities in place to respond to potential risks of fraud).	Operations & Management Risk	Significant - 4	Possible - 3	Elevated	

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			Risk Assessment			
Program Name	Risk Statement	Risk Category	Impact	Probability	Level	Risk Prioritization
SSBCI	Delayed/slow implementation of program may impact the ability of the District to expand access to capital needed for small businesses emerging from the pandemic, build entrepreneurship, and create high-quality jobs (since November 2021, the District is yet to apply for the Technical Assistance program funding. The program office indicated that the delay is due to unexpected issues in setting up the Venture Capital program and changes in Treasury guidance (in May 2022).	Operations & Management Risk	Significant - 4	Possible - 3	<b>Elevated</b>	
SSBCI	Inadequate/ineffective control mechanism to determine financial eligibility, credibility, or accountability, potentially resulting in noncompliance with program requirements for private financing (OCSF 10:1 financing) (the program office was unable to provide requested information/report or safeguard in place to demonstrate an effective process for determining and documenting the "cause and result" of private capital leverage related to a loan or investment).	Financial & Programmatic Reporting Risk	Significant - 4	Likely - 4	<b>Elevated</b>	
SSBCI	Lack of policies or procedures to comply with requirements related to nondiscrimination and nondiscriminatory uses of federal funds, resulting in noncompliance (the program office believes this requirement is not applicable; however, according to SSBCI Privacy Notice and Privacy Act Statement (Appendix 2) the Treasury receives this information (including any demographic information provided) to comply with reporting requirements.	Compliance Risk	Moderate - 3	Likely - 4	<b>Moderate</b>	<b>Tier II</b>
SSBCI	Inadequate staffing and resources dedicated to oversee, manage and administer the program, resulting in noncompliance and other program management issues.	Operations & Management Risk	Moderate - 3	Possible - 3	<b>Moderate</b>	

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			Risk Assessment			
Program Name	Risk Statement	Risk Category	Impact	Probability	Level	Risk Prioritization
SSBCI	Failure to establish and implement policies and procedures to ensure lenders obtain appropriate assurance from borrowers, potentially increasing the probability of the program not achieving its objectives.	Eligibility Risk	Moderate - 3	Possible - 3	Moderate	
SSBCI	Inadequate or ineffective process of determination, allocation and/or disbursement of program funds, potentially resulting in failure to meet program objectives and eligibility requirement i.e. to use federal contributions for generating small business lending and investment (80% to approved state program for eligible businesses, and at least 10 times the federal contribution amount).	Eligibility Risk	Moderate - 3	Possible - 3	Moderate	
SSBCI	Failure to establish and implement policies and procedures to ensure lenders obtain appropriate assurance from borrowers, potentially increasing the probability of the program not achieving its objectives.	Eligibility Risk	Moderate - 3	Possible - 3	Moderate	
SSBCI	Failure to communicate program activities internally, potentially resulting in management's ability to evaluate performance and hold individuals accountable for their internal control responsibilities.	Financial & Programmatic Reporting Risk	Moderate - 3	Possible - 3	Moderate	
SSBCI	Inadequate internal accounting and administrative controls systems to track, manage, secure, and report accurate financial data, potentially exposing funds to potential loss or data security threats.	IT Risk	Moderate - 3	Possible - 3	Moderate	
SSBCI	Failure to monitor, update and implement changes to program guidance in a timely manner, potentially resulting in noncompliance.	Operations & Management Risk	Minor - 2	Possible - 3	Low	Tier III
SSBCI	Inadequate controls to ensure that the total amount of an eligible lender's claim do not exceed the amount of funds in the cash collateral account for that loan, potentially resulting in noncompliance with program requirements.	Compliance Risk	Moderate - 3	Unlikely - 2	Low	

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			Risk Assessment			
Program Name	Risk Statement	Risk Category	Impact	Probability	Level	Risk Prioritization
SSBCI	Inadequate internal procedures (e.g., checklist or review/approval process) demonstrating how program requirements will be validated to determine financial eligibility, credibility, or accountability (ratio, ex ante, size, etc.), potentially resulting in noncompliance with program requirements.	Compliance Risk	Moderate - 3	Unlikely - 2	Low	
SSBCI	Inadequate controls or procedures to ensure that capital provided to private investment funds are held in a separate fund and accounted for separately, potentially resulting in noncompliance with program requirements.	Compliance Risk	Moderate - 3	Unlikely - 2	Low	
SSBCI	Ineffective systems and/or procedures to complete and submit monthly, quarterly and annual reports to Treasury by required deadlines, resulting in noncompliance with program requirements.	Financial & Programmatic Reporting Risk	Moderate - 3	Unlikely - 2	Low	
SSBCI	Ineffective controls and validation processes to ensure that funds are not used for ineligible purposes, resulting in the probability of the misuse of funds.	Financial & Programmatic Reporting Risk	Moderate - 3	Unlikely - 2	Low	
SSBCI	Inadequate systems and/or tools to track, monitor, and report on the use of funds, impacting management's ability to evaluate performance results necessary to achieve program objectives.	Monitoring Risk	Minor - 2	Possible - 3	Low	

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				Risk Assessment			
Program Name	Project Name	Risk Statement	Risk Category	Impact	Probability	Level	Risk Prioritization
SLFRF	All Selected Programs	Lack of controls, processes or systems to determine eligible costs were incurred within the program's period of performance, resulting in noncompliance	Compliance Risk	Significant - 4	Possible - 3	<b>Elevated</b>	<b>Tier I</b>
SLFRF	COVID Health Safety Measures in DCPS	Inadequate processes or mechanisms for management to identify, analyze, report, and respond to project risks, potentially increasing the risk of fraud, waste, abuse and mismanagement of project funds (The program office risk management action is limited to monitoring of a contractor's deliverables and quarterly performance assessment which may not adequately address all related aspects of identifying, analyzing, and monitoring program risks).	Operations & Management Risk	Significant - 4	Possible - 3	<b>Elevated</b>	
SLFRF	Lead Pipe Replacement Program	Failure to monitor and understand the Final Rule and updated program guidance and requirements impacting infrastructure projects, resulting in noncompliance.	Compliance Risk	Significant - 4	Possible - 3	<b>Elevated</b>	
SLFRF	Lead Pipe Replacement Program	Lack of established monitoring policies and procedures, potentially resulting in ineffective project oversight.	Monitoring Risk	Significant - 4	Possible - 3	<b>Elevated</b>	
SLFRF	Lead Pipe Replacement Program	Lack of conducting onsite monitoring and/or desk reviews of DC Water, potentially resulting in ineffective project oversight and noncompliance.	Monitoring Risk	Significant - 4	Possible - 3	<b>Elevated</b>	
SLFRF	Housing Production Trust Fund Subsidy	Lack of established monitoring policies and procedures, potentially resulting in ineffective oversight of project objectives and funds.	Monitoring Risk	Significant - 4	Possible - 3	<b>Elevated</b>	

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				Risk Assessment			
Program Name	Project Name	Risk Statement	Risk Category	Impact	Probability	Level	Risk Prioritization
SLFRF	Housing Production Trust Fund Subsidy	Lack of conducting onsite monitoring and/or desk reviews of contractors/third parties, potentially resulting in ineffective project oversight and noncompliance with City rules and regulations.	Monitoring Risk	Significant - 4	Possible - 3	<b>Elevated</b>	Tier III
SLFRF	Health Premium Support	Individuals do not have a qualifying financial hardship, resulting in individual beneficiaries taking advantage of the program.	Eligibility Risk	Significant - 4	Unlikely - 2	<b>Moderate</b>	
SLFRF	Health Premium Support	Small business does not have a qualifying financial hardship, resulting in small business beneficiaries taking advantage of the program.	Eligibility Risk	Significant - 4	Unlikely - 2	<b>Moderate</b>	
SLFRF	Temporary Assistance for Needy Families (TANF)	Lack of controls to collect, review and submit required data and information for quarterly reports, resulting in potentially reporting inaccurate data.	Financial & Programmatic Reporting Risk	Moderate - 3	Likely - 4	<b>Moderate</b>	
SLFRF	Temporary Assistance for Needy Families (TANF)	Lack of processes and controls to collect, document and store required supporting eligibility documentation, potentially resulting in inaccurate eligibility determinations.	Compliance Risk	Moderate - 3	Likely - 4	<b>Moderate</b>	
SLFRF	Temporary Assistance for Needy Families (TANF)	Failure to implement processes and controls to review and verify income eligibility requirements, resulting in ineligible applicants being approved.	Eligibility Risk	Moderate - 3	Possible - 3	<b>Moderate</b>	
SLFRF	COVID Health Safety Measures in DCPS	Ineffective processes or organizational structure with dedicated resources, assigned responsibilities and delegate authority to administer the project, potentially contributing to unsupported	Operations & Management Risk	Moderate - 3	Possible - 3	<b>Moderate</b>	

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				Risk Assessment			
Program Name	Project Name	Risk Statement	Risk Category	Impact	Probability	Level	Risk Prioritization
		management actions or decisions and increased probability of the program not achieving its objectives.					
SLFRF	COVID Health Safety Measures in DCPS	Unsupported management actions to monitor, update, and internally communicate changes to program requirements and/or delegation of authority, potentially resulting in lack of segregation of duties and noncompliance.	Operations & Management Risk	Moderate - 3	Possible - 3	<b>Moderate</b>	
SLFRF	COVID Health Safety Measures in DCPS	Ineffective processes and controls to evaluate project eligibility and the allowable use of funds, potentially resulting in the misuse of funds (Prior audit/assessment noted misalignment of data fields in the PASS system used in eligibility process).	Compliance Risk	Moderate - 3	Possible - 3	<b>Moderate</b>	
SLFRF	Lead Pipe Replacement Program	Insufficient policies, procedures, staff and resources to oversee, manage, document, and monitor the project, potentially resulting in noncompliance and other program management issues.	Operations & Management Risk	Significant - 4	Unlikely - 2	<b>Moderate</b>	
SLFRF	Lead Pipe Replacement Program	Insufficient processes or mechanisms for management to identify, analyze, report, and respond to risk of corruption, fraud, waste, or misuse/mismanagement of project funds.	Operations & Management Risk	Significant - 4	Unlikely - 2	<b>Moderate</b>	
SLFRF	Lead Pipe Replacement Program	Inadequate documentation of procurement procedures for awarding contracts to eligible contractors,	Compliance Risk	Significant - 4	Unlikely - 2	<b>Moderate</b>	

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				Risk Assessment			
Program Name	Project Name	Risk Statement	Risk Category	Impact	Probability	Level	Risk Prioritization
		potentially resulting in noncompliance with the Uniform Guidance					
SLFRF	Lead Pipe Replacement Program	Lack of controls to identify and document project costs are obligated and/or expenditures are incurred within the program's period of performance.	Compliance Risk	Significant - 4	Unlikely - 2	<b>Moderate</b>	
SLFRF	Lead Pipe Replacement Program	Lack of controls to collect, review and submit required financial and programmatic data and information for quarterly and annual reports, resulting in potentially noncompliance.	Financial & Programmatic Reporting Risk	Moderate - 3	Possible - 3	<b>Moderate</b>	
SLFRF	Housing Production Trust Fund Subsidy	Inadequate policies, procedures and mechanisms to identify, detect and respond to suspected cases of fraud.	Operations & Management Risk	Significant - 4	Unlikely - 2	<b>Moderate</b>	
SLFRF	Housing Production Trust Fund Subsidy	Inadequate documentation of procurement policies and procedures for awarding contracts to eligible contractors, potentially resulting in noncompliance with City rules and regulations.	Compliance Risk	Significant - 4	Unlikely - 2	<b>Moderate</b>	
SLFRF	Health Premium Support	Inadequate policies and procedures to evaluate and determine eligible beneficiaries (individuals and small business), resulting in noncompliance.	Eligibility Risk	Moderate - 3	Unlikely - 2	<b>Low</b>	Tier III
SLFRF	Health Premium Support	Insurance carriers do not credit beneficiaries (individuals and small business) for past due premiums owed, resulting in misuse of program funds.	Operations & Management Risk	Moderate - 3	Unlikely - 2	<b>Low</b>	
SLFRF	Health Premium Support	Lack of formal systems and/or mechanisms to report potential fraud, waste and abuse of program funds.	Operations & Management Risk	Moderate - 3	Unlikely - 2	<b>Low</b>	

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				Risk Assessment			
Program Name	Project Name	Risk Statement	Risk Category	Impact	Probability	Level	Risk Prioritization
SLFRF	Health Premium Support	Failure to complete and submit required data and information for the quarterly and annual reports by deadlines, resulting in noncompliance.	Financial & Programmatic Reporting Risk	Moderate - 3	Unlikely - 2	Low	
SLFRF	Health Premium Support	Inadequate policies and standard operating procedures, resulting in ineffective oversight, management and administration of program funds.	Operations & Management Risk	Moderate - 3	Unlikely - 2	Low	
SLFRF	Health Premium Support	Inadequate personnel and resources to oversee, manage and administer the program, resulting in noncompliance and other program management issues.	Operations & Management Risk	Minor - 2	Unlikely - 2	Low	
SLFRF	Health Premium Support	Inadequate processes, tools and/or systems to track, document, and store financial, programmatic and performance data, resulting in noncompliance and other program management issues.	Operations & Management Risk	Minor - 2	Unlikely - 2	Low	
SLFRF	Health Premium Support	Failure to monitor and understand updated program guidance and requirements, resulting in noncompliance.	Compliance Risk	Minor - 2	Unlikely - 2	Low	
SLFRF	Temporary Assistance for Needy Families (TANF)	Insufficient policies, procedures, staff and resources to oversee, manage, administer and track the program, potentially resulting in noncompliance and other program management issues.	Operations & Management Risk	Moderate - 3	Unlikely - 2	Low	
SLFRF	Temporary Assistance for Needy Families (TANF)	Insufficient processes or mechanisms for management to identify, analyze, report, and respond to risk of corruption, fraud, waste, or misuse/mismanagement of project funds.	Operations & Management Risk	Moderate - 3	Unlikely - 2	Low	

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				Risk Assessment			
Program Name	Project Name	Risk Statement	Risk Category	Impact	Probability	Level	Risk Prioritization
SLFRF	Temporary Assistance for Needy Families (TANF)	Failure to monitor and understand updated program guidance and requirements, resulting in noncompliance.	Compliance Risk	Moderate - 3	Unlikely - 2	Low	
SLFRF	Temporary Assistance for Needy Families (TANF)	Insufficient documentation to support applicant eligibility determinations in the DCAS system, resulting in ineligible applicants receiving funds.	Eligibility Risk	Moderate - 3	Unlikely - 2	Low	
SLFRF	Temporary Assistance for Needy Families (TANF)	Lack of controls to ensure project funds are used for eligible purposes, resulting in the potential misuse of funds.	Compliance Risk	Moderate - 3	Unlikely - 2	Low	
SLFRF	Temporary Assistance for Needy Families (TANF)	Lack of controls to identify and document eligible costs occurred within the program period of performance, resulting in noncompliance.	Compliance Risk	Minor - 2	Unlikely - 2	Low	
SLFRF	COVID Health Safety Measures in DCPS	Inadequate monitoring of costs incurred and use of project funds within the programs period of performance, resulting in noncompliance with program requirements.	Compliance Risk	Moderate - 3	Unlikely - 2	Low	
SLFRF	COVID Health Safety Measures in DCPS	Incomplete and untimely submission of data and information for quarterly and annual reports by required deadlines, resulting in noncompliance with program requirements and increased probability of the project not achieving its objectives.	Financial & Programmatic Reporting Risk	Moderate - 3	Unlikely - 2	Low	

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				Risk Assessment			
Program Name	Project Name	Risk Statement	Risk Category	Impact	Probability	Level	Risk Prioritization
SLFRF	COVID Health Safety Measures in DCPS	Inadequate control activities to track, monitor and report on project performance and results, potentially leading to noncompliance and other project management issues.	Monitoring Risk	Minor - 2	Possible - 3	Low	
SLFRF	COVID Health Safety Measures in DCPS	Inadequate internal accounting and administrative controls systems to track, manage, secure, and report accurate financial data, exposing data to potential loss or security threats.	IT Risk	Moderate - 3	Unlikely - 2	Low	

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**Appendix F: Acronyms and Abbreviations**

List of Acronyms and Abbreviations	
AICPA	American Institute of Certified Public Accountants
ARPA	American Rescue Plan Act
CA	City Administrator
CPF	Capital Projects Fund
DC	The District of Columbia
DCPS	District of Columbia Public Schools
DHS	Department of Human Services
District	The District of Columbia
DOEE	Department of Energy and Environment
DRRP	District Recovery Reporting Portal
EC	Expenditure Category
ERAP II	Emergency Rental Assistance Program II
GAO	U.S. Government Accountability Office
Green Book	GAO Standards for Internal Control in the Federal Government
HAF	Homeowner Assistance Fund Program
HPS	Health Premium Support
HPTF	Housing Production Trust Fund Project
LPRP	Lead Pipe Replacement Program
OCA	Office of the City Administrator
OCFO	Office of the Chief Financial Officer
OIG	Office of the Inspector General
POC	Point of Contact
SLFRF	State and Local Fiscal Recovery Fund
SSBCI	State Small Business Credit Initiative Program
TANF	Temporary Assistance for Needy Families Project
WBS	Work Breakdown Structure



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<http://oig.dc.gov>



[oig@dc.gov](mailto:oig@dc.gov)

