

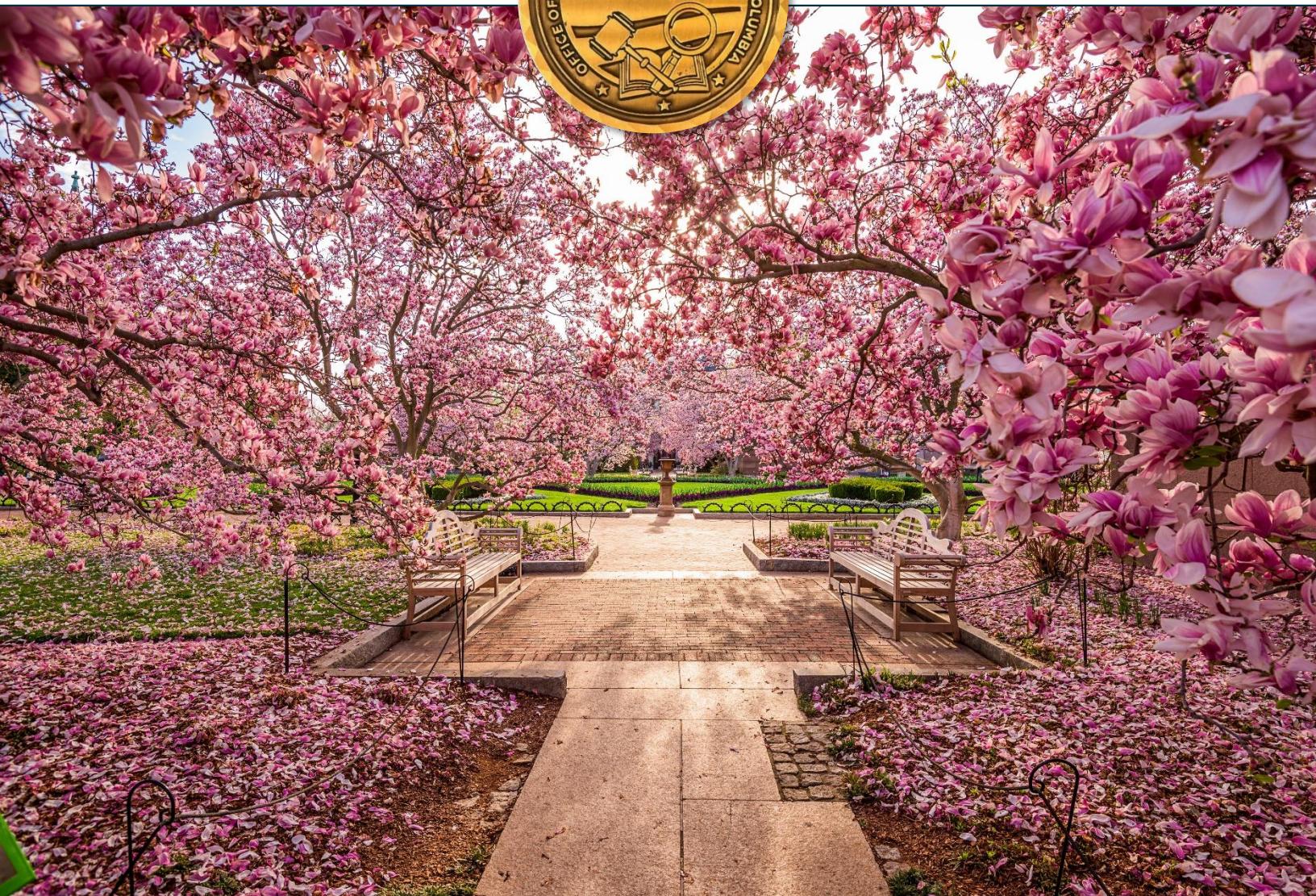
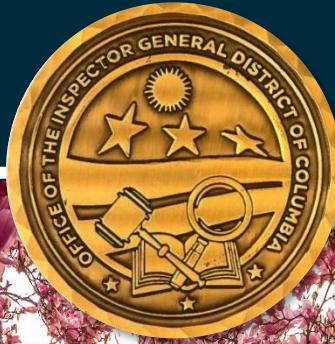
AUDIT REPORT

Home Purchase Assistance Program Fund

Annual Financial Statements and Independent Auditor's Reports
Fiscal Year 2025

OIG No. 25-1-04DB

January 30, 2026



DANIEL W. LUCAS
INSPECTOR GENERAL

OUR MISSION

We 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.



OUR VISION

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

OUR VALUES

Accountability: We recognize that our duty extends beyond oversight; it encompasses responsibility. By holding ourselves accountable, we ensure that every action we take contributes to the greater good of the District.

Continuous Improvement: We view challenges not as obstacles, but as opportunities for growth. Our commitment to continuous improvement drives us to evolve, adapt, and enhance our practices.

Excellence: Mediocrity has no place in our lexicon. We strive for excellence in every facet of our work.

Integrity: Our integrity is non-negotiable. We act with honesty, transparency, and unwavering ethics. Upholding the public's trust demands nothing less.

Professionalism: As stewards of oversight, we maintain the utmost professionalism. Our interactions, decisions, and conduct exemplify the dignity of our role.

Transparency: Sunlight is our ally. Transparency illuminates our processes, decisions, and outcomes. By sharing information openly, we empower stakeholders, promote understanding, and reinforce our commitment to accountability.



DISTRICT OF COLUMBIA | OFFICE OF THE INSPECTOR GENERAL

MEMORANDUM

To: The Honorable Muriel Bowser
Mayor of the District of Columbia

The Honorable Phil Mendelson
Chairman, Council of the District of Columbia

From: Daniel W. Lucas 
Inspector General

Date: January 30, 2026

Subject: **Home Purchase Assistance Program Fund Annual Financial Statements | OIG No. 25-1-04DB**

This memorandum transmits the final *Home Purchase Assistance Program Fund Independent Auditor's Reports on the Annual Comprehensive Financial Report* for fiscal year 2025. CliftonLarsonAllen LLP (CLA) provided these reports to the Office of the Inspector General as part of the annual audit of the District of Columbia's general-purpose financial statements for fiscal year 2025.

On January 5, 2026, CLA issued its opinion and concluded that the financial statements are presented fairly in all material respects, in accordance with accounting principles generally accepted in the United States. CLA found one material weakness in internal control over financial reporting and issued four recommendations for corrective action.

Should you have questions or concerns, please contact me or Dr. Slemo Warigon, Assistant Inspector General for Audits, at (202) 792-5684.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
HOME PURCHASE ASSISTANCE PROGRAM FUND 1060027**
(a part of the General Fund of the Government of the District of Columbia)

**FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2025 AND 2024**
(With Independent Auditor's Report)

GOVERNMENT OF THE DISTRICT OF COLUMBIA
HOME PURCHASE ASSISTANCE PROGRAM FUND 1060027
(a part of the General Fund of the Government of the District of Columbia)

FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2025 AND 2024

TABLE OF CONTENTS

Independent Auditor's Report.....	1
Management's Discussion and Analysis.....	4
Fund Financial Statements	
Balance Sheets	7
Statements of Revenues, Expenditures, and Changes in Fund Balance	8
Notes to Financial Statements.....	9
Independent Auditor's Report on Internal Controls over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	12



INDEPENDENT AUDITORS' REPORT

To the Mayor, Members of the Council of the Government of the District and Inspector General of the Government of the District of Columbia
Washington, D.C.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Government of the District of Columbia Home Purchase Assistance Program Fund 1060027 (the Fund), a part of the General Fund of the Government of the District of Columbia, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the Fund as of September 30, 2025, and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Fund and do not purport to, and do not, present fairly the financial position of the General Fund of the District of Columbia, as of September 30, 2025 and 2024, or the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matter – Prior Year Financial Statements Audited by Another Auditor

The financial statements of the Fund as of September 30, 2024 were audited by another auditor, whose report dated January 3, 2025, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Mayor, Members of the Council of the Government of the District
and Inspector General of the Government of the District of Columbia
Government of the District of Columbia Home Purchase Assistance Program Fund 1060027

Required Supplementary Information

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the cover page, the mission, vision, values and the Fund annual financial statements memorandum (collectively, the other information) but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2026, on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Arlington, Virginia
January 5, 2026

GOVERNMENT OF THE DISTRICT OF COLUMBIA
HOME PURCHASE ASSISTANCE PROGRAM FUND 1060027
(a part of the General Fund of the Government of the District of Columbia)

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2025 AND 2024 (UNAUDITED)

The following is a discussion and analysis of the Government of the District of Columbia's (District) Home Purchase Assistance Program Fund 1060027 (the Fund), a part of the General Fund of the Government of the District of Columbia, financial performance for the fiscal years ended September 30, 2025 and 2024. The basic financial statements and accompanying notes on pages 7 through 11 should be read in conjunction with this discussion.

Basic Financial Statements

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

- **Fund financial statements.** The governmental financial statements focus primarily on the sources, uses, and balances of current financial resources. The financial statements consist of the balance sheets and statements of revenues, expenditures, and changes in fund balance.
- **Notes to the financial statements.** The notes provide additional information that is essential to fully understand the data provided in the fund financial statements.

2025 Financial Highlights

- Net loans receivable increased by \$1,349,249 or 9% due to the issuance of new loans and a decrease in allowance of Amortized loans, as a result of more repayments received than expected.
- Eight new loans were issued in FY 2025.
- The Fund's allowance for uncollectible loans receivable as of September 30, 2025 was 0% for amortized loans and 100% for deferred loans. The allowance for amortized loans is calculated based on the average of 5 years historical collection experience.
- Deferred inflows of resources recorded for the Fund were \$16,812,452, which corresponds to the net loans receivable balance.

2024 Financial Highlights

- Net loans receivable increased by \$2,921,473 or 23% due to a decrease in the loan allowance.
- 34 new loans were issued in FY 2024.
- The Fund's allowance for uncollectible loans receivable as of September 30, 2024 was 11% for amortized loans and 100% for deferred loans. The allowance for amortized is calculated based on the average of 5 years historical collection experience.
- Deferred inflows of resources recorded for the Fund were \$15,463,203, which corresponds to the net loans receivable.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
HOME PURCHASE ASSISTANCE PROGRAM FUND 1060027
(a part of the General Fund of the Government of the District of Columbia)

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2025 AND 2024 (UNAUDITED)

Condensed Balance Sheets as of September 30, 2025, 2024 and 2023

	<u>FY 2025</u>	<u>FY 2024</u>	<u>FY 2023</u>	<u>2025-2024</u>	<u>Change</u>	<u>2024-2023</u>
Total Assets	\$ 16,858,514	\$ 15,464,087	\$ 14,887,222	\$ 1,394,427	9%	\$ 576,865 4%
Total Liabilities and Deferred Inflows of Resources	16,827,713	15,464,061	13,664,296	1,363,652	9%	1,799,765 13%
Fund Balance	\$ 30,801	\$ 26	\$ 1,222,926	\$ 30,775	118,364%	\$ (1,222,900) -100%

2025

Assets

- Net loans receivable increased by \$1,349,249 or 9%. The loan allowance decreased by \$2,489,710, or 12%. The allowance on amortized loans is calculated based on the average of 5 years actual historical collection experience and deferred loans are reserved at 100%.

Liabilities

- Liabilities and Deferred inflows of resources increased by \$1,363,652 or 9%, primarily due to the increased Deferred inflows of resources, which correspond to the net loans receivable.

2024

Assets

- Net loans receivable increased by \$2,921,473, or 23%. The loan allowance decreased by \$232,102, or 1%. The allowance on amortized loans is calculated based on the average of 5 years actual historical collection experience and deferred loans are reserved at 100%.

Liabilities

- Liabilities and Deferred inflows of resources increased by \$1,799,765, or 13%, primarily due to the increased Deferred inflows of resources, which correspond to the net loans receivable.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
HOME PURCHASE ASSISTANCE PROGRAM FUND 1060027
(a part of the General Fund of the Government of the District of Columbia)

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2025 AND 2024 (UNAUDITED)

Condensed Statements of Revenues, Expenditures, and Changes in Fund Balance for the years ended September 30, 2025, 2024, and 2023.

	2025	2024	2023	Change		
				2025-2024	2024-2023	
Revenues						
Principal and Interest Recoveries	\$ 804,775	\$ 765,000	\$ 1,221,415	\$ 39,775	5%	\$ (456,415) -37%
Total Revenues	804,775	765,000	1,221,415	39,775	5%	(456,415) -37%
Expenditures						
Loans	774,000	1,987,900	1,658,331	(1,213,900)	-61%	329,569 20%
Total Expenditures	774,000	1,987,900	1,658,331	(1,213,900)	-61%	329,569 20%
Excess (deficiency) of Revenues Over Expenditures	30,775	(1,222,900)	(436,916)	1,253,675	-103%	(785,984) 180%
Net Change in Fund Balance	\$ 30,775	\$ (1,222,900)	\$ (436,916)	\$ 1,253,675	-103%	\$ (785,984) 180%

2025

Revenues

- Revenues increased by \$39,775, or 5%, primarily due to an increase in loan remittances. This follows a trend seen in other loan populations, which may indicate improving financial conditions from the period of COVID-related mortgage delinquencies.

Expenditures

- Expenditures decreased by \$1,213,900 or 61%, as the fund used accumulated fund balance for some loan activity in FY 2024, due to high demand and higher program benefit levels during that fiscal year. FY 2025 expenditures were limited to revenues available in the current year and were therefore significantly lower when compared to expenditures in FY 2024.

2024

Revenues

- Revenues decreased by \$456,415, or 37%, primarily due to a large decrease in loan payoffs. This follows a trend seen in other loan populations, largely attributable to increasing interest rates and a decline in refinancing and real property sales activity.

Expenditures

- Expenditures increased by \$329,569, or 20%, as the fund fully utilized all available funding sources for loan activity in FY 2024, due to high demand and higher program benefit levels. Administrative costs were absorbed by other funds.

Contact Information:

This report is designed to provide a general financial overview of the District of Columbia Government's Home Purchase Assistance Program Fund 1060027. If you have any questions regarding this report, please contact Beth Spooner, Agency Fiscal Officer of the Department of Housing and Community Development at (202) 442-7173.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
HOME PURCHASE ASSISTANCE PROGRAM FUND 1060027
(a part of the General Fund of the Government of the District of Columbia)

BALANCE SHEETS AS OF
SEPTEMBER 30, 2025 AND 2024

	2025	2024
ASSETS		
Pooled Cash	\$ -	\$ 884
Loans Receivable, Net	16,812,452	15,463,203
Accounts Receivable	<u>46,062</u>	-
Total Assets	<u>\$ 16,858,514</u>	<u>\$ 15,464,087</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Accounts Payable	\$ 90	\$ 858
Due to Other Funds	15,171	-
DEFERRED INFLOWS OF RESOURCES -Unavailable Revenues	16,812,452	15,463,203
FUND BALANCE- Committed	<u>30,801</u>	<u>26</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 16,858,514</u>	<u>\$ 15,464,087</u>

The accompanying notes are an integral part of the financial statements.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
HOME PURCHASE ASSISTANCE PROGRAM FUND 1060027
 (a part of the General Fund of the Government of the District of Columbia)

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEARS ENDED SEPTEMBER 30, 2025 AND 2024

	2025	2024
REVENUES		
Principal and Interest Recoveries	\$ 804,775	\$ 765,000
Total Revenues	<u>804,775</u>	<u>765,000</u>
EXPENDITURES		
Loans	774,000	1,987,900
Total Expenditures	<u>774,000</u>	<u>1,987,900</u>
Excess (Deficiency) of Revenues Over Expenditures	30,775	(1,222,900)
Net Change in Fund Balance	<u>30,775</u>	<u>(1,222,900)</u>
Fund Balance, Beginning	<u>26</u>	<u>1,222,926</u>
Fund Balance, Ending	<u>\$ 30,801</u>	<u>\$ 26</u>

The accompanying notes are an integral part of the financial statements.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
HOME PURCHASE ASSISTANCE PROGRAM FUND 1060027
(a part of the General Fund of the Government of the District of Columbia)

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025, AND 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Home Purchase Assistance Program Fund 1060027 (the Fund) was established under the District of Columbia (the District) Home Purchase Assistance Fund Act of 1978, which was amended by D.C. Law 21-139, Home Purchase Assistance Program Amendment Act of 2016. D.C. Law 3-70 incorporated The Home Purchase Assistance Program Fund 1060027 into the General Fund of the District where it is accounted for as a separate activity, while retaining its original name. It provides financial assistance to low- and moderate-income persons and District employees participating in the District's Employer-Assisted Housing Program (EAHP). Any unexpended balance at the end of the year shall be reserved as committed fund balance and used to provide authorization to expend for subsequent years subject to the direction of the Mayor. Title 14 Chapter 25 of the D.C. Municipal Regulations (DCMR) provides rules for loans made under the Fund. The Department of Housing and Community Development (DHCD) is responsible for the administration of the program.

The purpose of the Fund is to provide financial assistance to low and moderate income persons, District employees participating in EAHP and families seeking to purchase homes in the District for the purpose of enabling them to purchase decent, safe, and sanitary homes in the District. The maximum amount of down payment and closing costs assistance that an eligible participant can receive under the program are \$202,000 and \$4,000, respectively. EAHP loan maximum is \$20,000, with another \$5,000 available in matching grants. First responders and educators are eligible for an additional \$10,000 in down payment assistance grants, with a maximum matching grant of \$15,000.

Reporting Entity

The financial statements present only the Fund and do not purport to, and do not present the financial position or changes in financial position of the District's General Fund or other funds of the Home Purchase Assistance Program.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
HOME PURCHASE ASSISTANCE PROGRAM FUND 1060027
(a part of the General Fund of the Government of the District of Columbia)

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025 AND 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting and Measurement Focus

The Fund's activities are accounted for in the District's General Fund, a governmental fund type, which is accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (that is when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon thereafter to be used to pay liabilities of the current period, which is considered by the Fund to be 60 days per District's policy. The Fund's loans receivable is not available under this policy and, therefore, is offset by an equal deferred inflows amount. Expenditures are recorded when the related liabilities are incurred.

Estimates

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

Fund Balance

The Fund's fund balance is classified as committed, i.e., can be used only for specific purposes determined by formal action of the District's highest level of decision-making authority. For the years ending September 30, 2025 and 2024 the Fund has a positive ending fund balance.

NOTE 2 POOLED CASH

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

GOVERNMENT OF THE DISTRICT OF COLUMBIA
HOME PURCHASE ASSISTANCE PROGRAM FUND 1060027
(a part of the General Fund of the Government of the District of Columbia)

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025 AND 2024

NOTE 3 LOANS RECEIVABLE

The Fund's loans consist of two types: amortized and deferred.

- Deferred loans allow the borrower to defer payment of the principal until the property purchased ceases to be their principal residence. Except for employee deferred loans, deferred loans with a closing date after March 14, 1997 require repayment to begin after five years. Employee loans are provided under the EAHP to employees of the District who are first time homebuyers in the District. Repayments on employee loans are deferred until the housing unit is sold, transferred, or ceases to be the borrower's principal residence.
- Amortized loans are required to be paid off over a specific period at a predetermined interest rate.

As of September 30, 2025, and 2024, loans receivable consisted of the following:

	2025			
	Loan Amount	Allowance	Net Loan Receivable	Allowance %
Amortized Loans	\$ 16,812,452	\$ -	\$ 16,812,452	0%
Deferred Loans	17,490,915	(17,490,915)	-	100%
Total	\$ 34,303,367	\$ (17,490,915)	\$ 16,812,452	51%

	2024			
	Loan Amount	Allowance	Net Loan Receivable	Allowance %
Amortized Loans	\$ 17,462,978	\$ (1,999,775)	\$ 15,463,203	11%
Deferred Loans	17,980,850	(17,980,850)	-	100%
Total	\$ 35,443,828	\$ (19,980,625)	\$ 15,463,203	56%

In FY 2025, allowance for amortized was assessed at 0% based on the average of 5 years actual collections experience, and deferred loans were assessed at 100% of the total outstanding loans balance. In FY 2024, allowance for amortized loans was assessed at 11% and deferred loans were assessed at 100% of the total outstanding loans balance.



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

To the Mayor, Members of the Council of the Government of the District of Columbia
and Inspector General of the Government of the District of Columbia
Washington, D.C.

We were engaged to audit, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Government of the District of Columbia's Home Purchase Assistance Program Fund 1060027 (the Fund), a part of the General Fund of the Government of the District of Columbia as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements and have issued our report thereon dated January 5, 2026.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

We identified a certain deficiency in internal control, described in the accompanying schedule of finding and response as item 2025-001 that we consider to be a material weakness.

Mayor, Members of the Council of the Government of the District
and Inspector General of the Government of the District of Columbia
Government of the District of Columbia Home Purchase Assistance Program
Fund 1060027

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Management's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on management's response to the finding identified in our audit and described in the accompanying schedule of finding and response. Management's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Arlington, Virginia
January 5, 2026

GOVERNMENT OF THE DISTRICT OF COLUMBIA
HOME PURCHASE ASSISTANCE PROGRAM FUND 1060027
(a part of the General Fund of the Government of the District of Columbia)

SCHEDULE OF FINDING AND RESPONSE
YEAR ENDED SEPTEMBER 30, 2025

Section I – Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
 - Material weakness identified? yes no
 - Significant deficiency identified? yes none reported
3. Noncompliance material to financial statements noted? yes no

Section II – Financial Statement Findings

2025 – 001

Type of Finding: Choose from the following: Material Weakness in Internal Control over Financial Reporting

Condition: During our testing of the allowance for doubtful accounts, we noted that the methodology used to calculate the allowance produced a negative allowance percentage on the amortized portion of the loan portfolio balance. Management applied this negative percentage to the outstanding amortized portion of the loan portfolio balance, which resulted in a debit balance in the allowance for doubtful accounts for the amortized portion of the loan portfolio balance —a contra-asset account that should normally carry a credit balance.

As a result, the allowance account for the amortized portion of the loan portfolio balance effectively increased, rather than decreased, the reported value of loans receivable, leading to an overstatement of amortized loan receivables by \$689,669.

Criteria or specific requirement: Under accounting principles generally accepted in the United States of America (U.S. GAAP), the allowance for doubtful accounts represents management's estimate of expected credit losses on outstanding receivables. The allowance is intended to reduce accounts receivable to their net realizable value and should not result in a negative reserve.

Effect: The negative allowance for doubtful accounts resulted in a \$689,669 overstatement of amortized loan receivables and related disclosures not accurately reflecting the credit risk profile of the Home Purchase Assistance Program (HPAP).

Cause: The negative allowance balance occurred because the methodology used to calculate the allowance for doubtful accounts on the was not designed to prevent or flag negative percentages. The underlying calculation did not incorporate sufficient validation checks, and management did not perform a review that would identify the incorrect results prior to posting the adjustment.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
HOME PURCHASE ASSISTANCE PROGRAM FUND 1060027
(a part of the General Fund of the Government of the District of Columbia)**

**SCHEDULE OF FINDING AND RESPONSE
YEAR ENDED SEPTEMBER 30, 2025**

Recommendation: We recommend that HPAP financial management, in coordination with the Office of the Chief Financial Officer (OCFO):

- Revise the allowance for doubtful accounts methodology to ensure negative percentages cannot occur and that the resulting allowance aligns with expected credit losses under U.S. GAAP.
- Implement automated validation controls (e.g., error checks or threshold warnings) to prevent the posting of allowance amounts that produce incorrect debit balances in the contra-asset account.
- Conduct periodic reviews of allowance assumptions and formulas, documenting management's justification for percentages and historical loss data used in the calculation.
- Provide training to accounting personnel on proper presentation of allowance accounts and on evaluating the reasonableness of estimates prior to year-end close

Views of responsible officials and planned corrective actions: The overstatement of amortized loan receivables by \$689,669 was corrected by Management before the finalization of the Fund's books and financial statements for the fiscal year. We do not agree that this finding is of the severity to be reported as a material weakness. The overstatement was only 2% of the total loans receivable balance, including deferred loans, and we do not believe it would have led a reasonable person reviewing the financial statements to think that the financial statements are materially misstated. Further, the total loan balance, including deferred loans, is reserved at 51%, which we believe is reasonable.

The recommendation is noted. We will review the allowance calculation methodology for the Fund and enhance the review process over the allowance calculation.

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REPORT WASTE, FRAUD, ABUSE, AND MISMANAGEMENT

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