OFFICE OF THE
INSPECTOR GENERAL
DISTRICT OF COLUMBIA GOVERNMENT

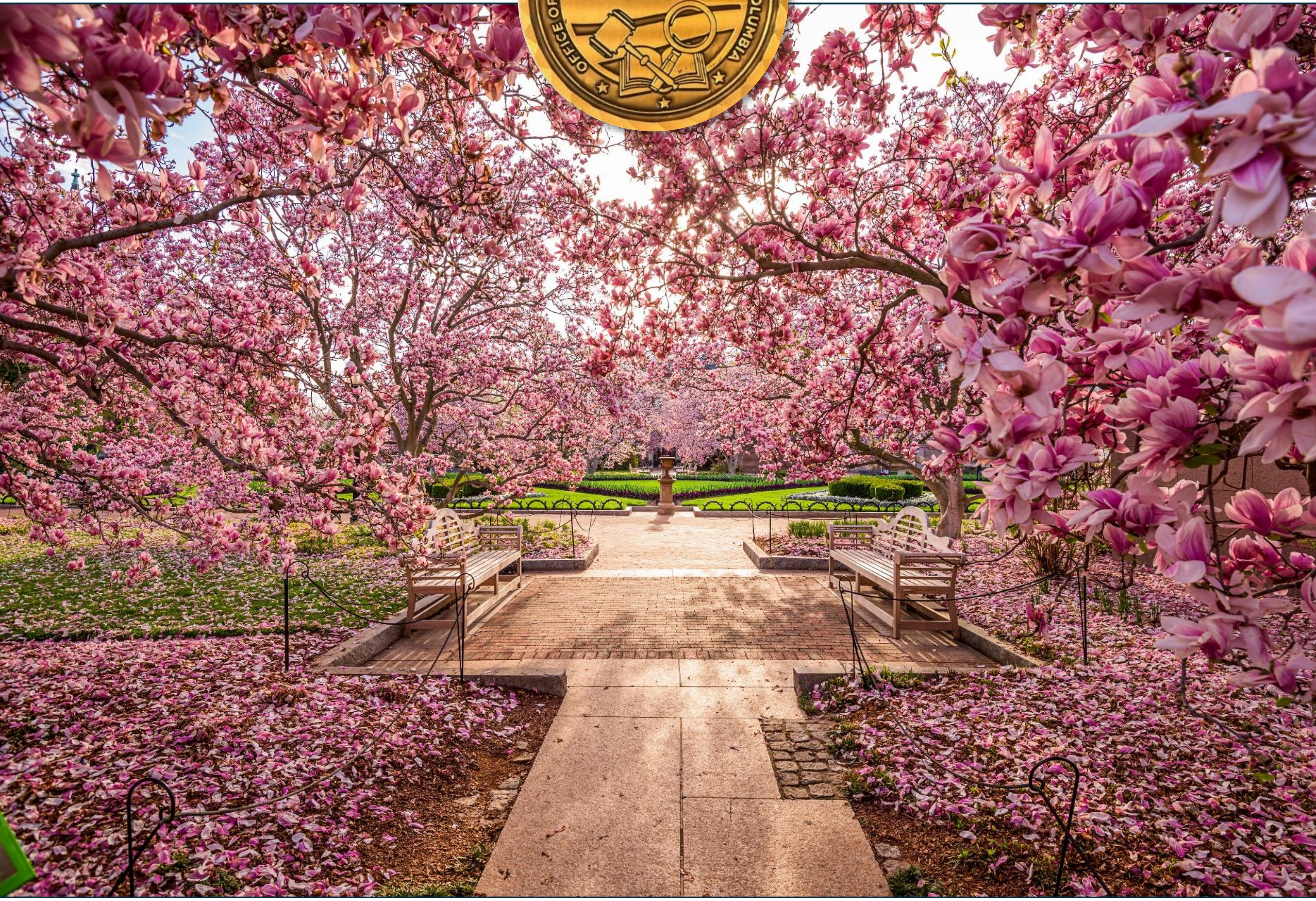
AUDIT REPORT

Construction Services Administration, LLC

Financial Statements and Independent Auditor's Report for FY 2025

OIG No. 25-1-12HY(d)

July 15, 2026



MATT WILCOXSON
INTERIM 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.

MEMORANDUM

To: Nicole Wickliffe, Interim Executive Director
District of Columbia Housing Authority

Isra A. Elkhazeen, Interim Chief Financial Officer
District of Columbia Housing Authority

Raymond Skinner, Board Chair
Stabilization and Reform Board of Commissioners

From: Matthew Wilcoxson *Matthew Wilcoxson*
Interim Inspector General

Date: July 15, 2026

Subject: **Construction Services Administration, LLC Annual Financial Statements and Independent Auditor's Report | OIG No. 25-1-12HY(d)**

This memorandum transmits the final *Construction Services Administration, LLC Annual Financial Statements and Independent Auditor's Report* for fiscal year 2025. CliftonLarsenAllen, LLP (CLA) conducted the audit and submitted these reports as part of our overall contract for the audit of the District of Columbia Housing Authority's basic financial statements for fiscal year 2025.

In this report, CLA noted one material weakness relating to the Authority's financial reporting. Due to the significance of this issue, CLA did not express an opinion on the agency's financial statements.

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

CONSTRUCTION SERVICES ADMINISTRATION, LLC
(A Component Unit of the
District of Columbia Housing Authority)

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2025

CPAs | CONSULTANTS | WEALTH ADVISORS

CLAconnect.com

CONSTRUCTION SERVICES ADMINISTRATION, LLC
TABLE OF CONTENTS
YEAR ENDED SEPTEMBER 30, 2025

INDEPENDENT AUDITORS' REPORT

Mayor, Members of the Council of the Government of the District of Columbia,
Inspector General of the Government of the District of Columbia, Board of
Commissioners of the District of Columbia Housing Authority, and
Construction Services Administration, LLC
Washington, D.C.

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the accompanying financial statements of Construction Services Administration, LLC (CSA), a component unit of the District of Columbia Housing Authority (DCHA), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the CSA's basic financial statements as listed in the table of contents.

We do not express an opinion on the accompanying financial statements of CSA referred to above. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the accompanying financial statements.

Basis for Disclaimer of Opinion

CSA was unable to provide sufficient appropriate audit evidence to support certain material balances and prior-period activity. These matters included unsupported contract costs and related contract revenue, unsupported interfund due to balances, and unsupported prior-year activity affecting beginning net position.

These unresolved matters affect multiple significant financial statement accounts and disclosures, including expenses, revenue, liabilities, and net position. Because sufficient supporting documentation was not available, we were unable to determine whether any adjustments were necessary to the accompanying financial statements. The possible effects of these matters could be material and pervasive. Accordingly, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the accounts of CSA and do not purport to, and do not, present fairly the financial position of the District of Columbia Housing Authority as of September 30, 2025, the changes in its financial position, and its cash flows 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.

As discussed in Note 7 to the financial statements, beginning net position has been restated to correct a misstatement related to prior periods. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about CSA' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our responsibility was to conduct an audit of CSA's financial statements in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* and to issue an auditor's report. However, because of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are required to be independent of CSA and to meet other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We were unable to apply certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America because of the matters described in the *Basis for Disclaimer of Opinion* section of our report. We do not express an opinion or provide any assurance on the information.

***Other Reporting Required by* Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 2, 2026 on our consideration of the CSA'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 CSA'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 CSA's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

Arlington, Virginia
July 2, 2026

Introduction

The District of Columbia Housing Authority (DCHA or the Authority) provides quality affordable housing to extremely low through moderate income households, fosters sustainable communities, and cultivates opportunities for residents to improve their lives.

The Authority presents this discussion and analysis of its for-profit entity, Construction Services Administration, LLC (CSA), for the fiscal years ended September 30, 2025 and 2024 to assist the reader in focusing on significant financial issues of CSA. This entity was created for purposes of undertaking construction management and administrative services for the District of Columbia government agencies, public and private organizations.

CSA's Financial Statements

CSA presents the financial results in three financial statements – the Statements of Net Position; the Statements of Revenues, Expenses, and Changes in Net Position; and the Statements of Cash Flows. These financial statements were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

The Statements of Net Position present information on all of CSA's assets and liabilities. The difference between CSA's assets and liabilities is reported as net position. Increases or decreases in net position will serve as a useful indicator of whether the financial position of CSA is improving or deteriorating.

The Statements of Revenues, Expenses, and Changes in Net Position present information which shows how CSA's net position changes during the fiscal years. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of any unrelated cash flows. Thus, revenues and expenses are reported in these statements for some items that will result in cash flows only in future fiscal periods (e.g., depreciation).

The Statements of Cash Flows report CSA's net cash from operating, investing, capital and related financing activities, and noncapital and related financing activities.

CSA's Financial Highlights for Fiscal Year 2025 (FY 2025)

In summary, the CSA's FY 2025 financial highlights included the following:

- At September 30, 2025, total assets and liabilities were $6,053,407 and $20,265.574, respectively. Total net position was $(14,212,167).

- Total revenues and expenses were $5,903,470 and $5,455,222 respectively; thus, total net position increased by $448,248.

- Cash flows provided by operating activities amounted to $2,332,486. After considering investing activities, total cash increased by $2,335,465.

CSA's Financial Highlights for Fiscal Year 2024 (FY 2024)

In summary, the CSA's FY 2024 financial highlights included the following:

- At September 30, 2024, total assets and liabilities were $6,294,623 and $20,955,038, respectively. Total net position was $(14,660,415).
- Total revenues and expenses were $5,894,208 and $13,148,405, respectively; thus total net position decreased by $7,254,197.

Summary of Net Position

CSA's FY 2025, and FY 2024 statements of net position report all financial assets of CSA and are presented in a format where assets minus liabilities equal net position. Table 1 reflects a condensed summary of net position as of September 30, 2025 and 2024.

Table 1
Summary of Net Position

	2025	2024 As Restated	2025/2024 Increase (Decrease)
Assets			
Current Assets	$ 6,053,407	$ 6,294,623	$ (241,216)
Total Assets	6,053,407	6,294,623	(241,216)
Liabilities			
Current Liabilities	20,265,574	20,955,038	(689,464)
Total Liabilities	20,265,574	20,955,038	(689,464)
Net Position			
Unrestricted	(14,212,167)	(14,660,415)	448,248
Total Net Position	$ (14,212,167)	$ (14,660,415)	$ 448,248

2025 Comparative Analysis

- Total assets decreased by $241,216, primarily due to accounts receivables reducing by $2,576,681, offset by cash increased by $2,335,465.
- Current liabilities decreased $689,464 due to a decrease of $689,464 in the costs incurred and payable to external parties under the CSA contracts at year-end.
- Net position increased $448,248 because of operating income of $445,269 and interest income of $2,979 in fiscal year 2025.

Summary of Revenues, Expenses, and Changes in Net Position

CSA's FY 2025 and FY 2024 Statements of Revenues, Expenses, and Changes in Net Position include operating revenues such as contract revenue, operating expenses such as administrative and contract costs, and nonoperating interest income. In FY 2025, CSA experienced an increase in net position of $448,248. Table 2 presents a condensed summary of data from CSA's Statements of Revenues, Expenses, and Changes in Net Position.

Table 2
Summary of Revenues, Expenses, and Changes in Net Position

	2025	2024 As Restated	2025/2024 Increase (Decrease)
Revenues			
Operating Revenues	$ 5,900,491	$ 5,879,662	$ 20,829
Nonoperating Revenues	2,979	14,546	(11,567)
Total Revenues	5,903,470	5,894,208	9,262
Expenses			
Operating Expenses	5,455,222	13,148,405	(7,693,183)
Total Expenses	5,455,222	13,148,405	(7,693,183)
Change in Net Position	448,248	(7,254,197)	7,702,445
Total Net Position - Beginning of Year, As Restated	(14,660,415)	(7,406,218)	(7,702,445)
Total Net Position - End of Year	$ (14,212,167)	$ (14,660,415)	$ 448,248

2025 Comparative Analysis

- Operating revenues increased $20,829 due to an increase in contract revenue of $43,301 associated with draws received from the DCHA EPC Interest Funding II project, offset by a decrease in other revenue of $22,472.

- Operating expenses decreased $7,693,183 due to the recognition of $5,198,069 in bad debt and $2,500,000 in legal settlements during FY2024, offset by increase of $4,761 in contract expenses and $125 in administrative expenses.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing CSA's budget for the year ended September 30, 2026:

- The Washington DC Metro area economy continued with a steady performance during 2025, and the expected growth will continue with a steady pattern of growth during fiscal year 2026.
- Our budget for 2026 took into consideration the continued growth pattern, despite our projections for federal funding reductions in FY2026 that may also impact CSA's funding.

Requests for Information

This financial report is designed to provide a general overview of CSA's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to:

The Office of the Chief Financial Officer
District of Columbia Housing Authority
300 7th Street, SW, 10th Floor
Washington, D.C. 20024
(202) 535-2878

CONSTRUCTION SERVICES ADMINISTRATION, LLC
STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

ASSETS

CURRENT ASSETS		
Cash and Cash Equivalents - Unrestricted	$	3,176,778
Accounts Receivable		2,876,629
Total Current Assets		6,053,407
Total Assets	$	6,053,407

LIABILITIES AND NET POSITION

CURRENT LIABILITIES		
Accounts Payable	$	1,363,960
Due to DCHA		18,401,614
Unearned Revenue		500,000
Total Current Liabilities		20,265,574
Total Liabilities		20,265,574
NET POSITION		
Unrestricted		(14,212,167)
Total Net Position		(14,212,167)
Total Liabilities and Net Position	$	6,053,407

See accompanying Notes to Financial Statements.

CONSTRUCTION SERVICES ADMINISTRATION, LLC
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED SEPTEMBER 30, 2025

OPERATING REVENUES	
Contract Revenue	$ 5,898,568
Other Revenue	1,923
Total Operating Revenues	5,900,491
OPERATING EXPENSES	
Administrative	193
Contract Expense	5,455,029
Total Operating Expenses	5,455,222
Total Operating Income	445,269
NONOPERATING REVENUES	
Interest Income	2,979
CHANGE IN NET POSITION	448,248
Total Net Position - Beginning of Year, As Originally Stated	(6,015,802)
Prior Period Adjustments - Correction of Errors	(8,644,613)
Total Net Position - Beginning of Year, As Restated	(14,660,415)
TOTAL NET POSITION - END OF YEAR	$ (14,212,167)

See accompanying Notes to Financial Statements.

CONSTRUCTION SERVICES ADMINISTRATION, LLC
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2025

CASH FLOWS FROM OPERATING ACTIVITIES	
Contract and Grant Revenue	$ 8,477,172
Payments to Vendors	(6,144,686)
Net Cash Provided by Operating Activities	2,332,486
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	2,979
NET INCREASE IN CASH	2,335,465
Cash and Cash Equivalents - Beginning of Year	841,313
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 3,176,778
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating Income	$ 445,269
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Accounts Receivable	2,576,681
Accounts Payable	(689,464)
Net Cash Provided by Operating Activities	$ 2,332,486

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Construction Services Administration, LLC (CSA) was formed pursuant to the District of Columbia Limited Liability Company Act of 1994. It was created as a for-profit limited liability company for purposes of undertaking construction management and administration services for District of Columbia governmental agencies and public and private organizations. The CSA provides services for a fee that covers the cost of operations with any residual funds reverting to its sole member, the District of Columbia Housing Authority (DCHA). Management revenue from the Energy Capital Program and grant revenue for Energy Capital Programs approximates 100% of the total revenue.

Basis of Presentation and Accounting

CSA's financial transactions are accounted for as a blended component unit in DCHA's financial statements. CSA is presented as a blended component unit in the DCHA report because of the fiscal dependency and because of common members of the Board of Commissioners/Directors who serve on the respective boards. The accompanying financial statements are only those of CSA and are not intended to present the financial position, changes in financial position, and cash flows of DCHA taken as a whole.

CSA uses the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Under this method, income is recognized as it is earned and expenses are recognized as they are incurred whether or not cash is received or paid out at that time. As a component unit of DCHA, CSA changed the presentation of the financial statements to be presented in accordance with the Governmental Accounting Standards Board (GASB) in fiscal year 2015. Accordingly, the change in presentation has no cumulative effect on the financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

CSA charges an administrative fee for construction management and administration services provided to customer projects. Revenue is recognized based on a cost plus contractual arrangement, which includes actual costs plus overhead and profit. Any unearned revenue is reflected as deferred revenue in the balance sheet.

Income Taxes

CSA is a District of Columbia limited liability company and is treated as a disregarded entity for tax purposes. Because CSA is not a taxpaying entity for federal or state income tax purposes, no income tax expense or provision has been recorded in the financial statements. Income of CSA is passed through to its sole member, DCHA.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash and cash equivalents includes all monies in the bank and on hand as well as highly liquid investments with original maturity of three months or less.

Net Position

Net Position is displayed in three components:

Net Investment in Capital Assets: Capital assets, net of accumulated depreciation and outstanding principal balances of debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted: This component of net position consists of restricted assets when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

Unrestricted: This component consists of net position that does not meet the definition of "Net Investment in Capital Assets," or "Restricted Net Position."

It is CSA's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. As of September 30, 2025, CSA had no net investments in capital assets or restricted net position.

Adoption of New Accounting Standards

CSA adopted GASB Statement No. 102, *Certain Risk Disclosures*, for the fiscal year beginning October 1, 2024. The Statement requires disclosure of vulnerabilities arising from certain concentrations or constraints when specific criteria are met. The adoption of GASB 102 did not have a material impact on the CSA's financial statements, and no additional disclosures were required.

NOTE 2 CONCENTRATION OF CREDIT RISK

CSA maintains its cash at one financial institution. Accounts at an institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 in 2025. Cash at the financial institution occasionally exceeds the federally insured limits. However, CSA's cash is collateralized with securities at the Federal Reserve Bank. At September 30, 2025, the amount in excess of the FDIC limit was $2,905,830, which was fully collateralized.

NOTE 3 RELATED PARTY TRANSACTIONS

CSA utilizes DCHA's staff, services, property, equipment, and supplies in operating the organization. Based on a memorandum of understanding (MOU) with DCHA dated August 22, 2001, CSA reimburses DCHA for all direct labor associated with time spent by DCHA staff on CSA projects, fringe benefits, and administrative overhead costs. CSA reimburses DCHA at a rate of 25% of total direct labor costs for fringe benefits costs and at a rate of 50% of total direct labor cost and fringe benefits for administrative overhead costs. In fiscal year 2025, no such costs were incurred, and as of September 30, 2025, no amounts were owed to DCHA for these items.

NOTE 4 ACCOUNTS PAYABLE

Vendor work that has been billed and not paid by year-end and a retention withheld until close out package is provided are shown as project payable and retainage payable, respectively. At September 30, 2025, project payable totaled $387,584 and retainage payable totaled $976,376.

NOTE 5 MEMBER DISTRIBUTIONS

In fiscal year 2025, CSA made no distributions to its Member, DCHA.

NOTE 6 ECONOMIC DEPENDENCY

CSA is economically dependent on DCHA which provides staff, services, property, equipment, and supplies necessary to operating the organization.

NOTE 7 PRIOR PERIOD ADJUSTMENTS

During the year ended September 30, 2025, management identified prior-period errors related to work-in-progress assets, contract retainage, contract costs, beginning net position, and project income.

The correction included $13,806,440 to eliminate work-in-progress balances that were improperly carried forward from prior years. This amount consisted of $9,850,748 related to WIP balances carried forward from the prior system and $3,955,692 related to ECIPII WIP. Management determined that these balances should not have been recorded as assets, as the related project costs were intended to be expensed or cleared at year-end.

The correction also included $546,794 to remove contract retainage balances related to projects completed and paid prior to fiscal year 2024. In addition, $894,176 was recorded to reclassify a prior-year retainage variance from contract costs to net position, as the amount related to prior periods. Management also recorded a $12,663 adjustment because beginning fiscal year 2024 net position did not properly agree to fiscal year 2023 ending net position. Lastly, $3,708,194 was recorded to correct fiscal year 2024 project income.

NOTE 7 PRIOR PERIOD ADJUSTMENTS (CONTINUED)

The cumulative effect of these corrections decreased beginning net position by $12,352,807 and increased the fiscal year 2024 change in net position by $3,708,194, resulting in a total decrease to ending net position of $8,644,613. Accordingly, net position as of September 30, 2024 has been restated as follows:

	2024 As Originally Stated	2024 Prior Period Adjustments	Balance 2024 As Restated
Net Position, Beginning of Year	$ 4,946,589	$ (12,352,807)	$ (7,406,218)
Change in Net Position	(10,962,391)	3,708,194	(7,254,197)
Net Position, End of Year	$ (6,015,802)	$ (8,644,613)	$ (14,660,415)

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*

Mayor, Members of the Council of the Government of the District of Columbia,
Inspector General of the Government of the District of Columbia, Board of
Commissioners of the District of Columbia Housing Authority, and
Construction Services Administration, LLC
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 (*Government Auditing Standards*), the financial statements of Construction Services Administration, LLC (CSA) as of September 30, 2025, and the related notes to the financial statements, and have issued our disclaimer of an opinion dated July 2, 2026. Our report disclaims an opinion on such financial statements because we were not able to obtain sufficient audit evidence on certain revenues, expenses, assets, liabilities and net position to form an opinion.

Report on Internal Control Over Financial Reporting

In connection with our engagement to audit the financial statements of CSA, we considered CSA's internal controls over financial reporting (internal controls) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the statement of net position, but not for the purpose of expressing an opinion on the effectiveness of CSA's internal controls. Accordingly, we do not express an opinion on the effectiveness of CSA's internal controls.

Our consideration of internal controls was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal controls that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of finding and response, we identified a certain deficiency in internal controls that we consider to be a material weakness.

A *deficiency in internal controls* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal controls, such that there is a reasonable possibility that a material misstatement of CSA's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of finding and response as item 2025-001 to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether CSA'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*.

CSA's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on CSA's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. CSA'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 CSA'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Arlington, Virginia
July 2, 2026

Finding 2025 – 001:

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting - Financial Statement Closing and Verification of Balances

Condition: CSA's financial statements were not closed in a timely manner. Additionally, there was no validation to ensure that all material account balances in the general ledger were supported and accurate. The deficiencies in the close process resulted in material audit adjustments and unsupported balances. Specifically, we noted that management was unable to provide sufficient support for $18.4 million of interfund due to liabilities, $5.6 million of project income/contract revenue, $5.2 million of contract costs, and $5.2 million of FY2024 bad debt/write-off related to a prior-year cash balance that affected beginning net position/prior-period balances carried forward into FY2025.

Criteria or Specific Requirement: The Internal Control-Integrated Framework (COSO Report) requires adequate internal controls over financial reporting to ensure that transactions are properly recorded and accounted for to permit the preparation of reliable financial statements and demonstrate compliance with laws, regulations and other compliance requirements. Internal controls should be in place to provide reasonable assurance that financial statements are prepared in accordance with U.S. GAAP. According to GASB Cod. Sec. 1100.101, a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

Effect: The lack of controls in place over the financial reporting function increases the risk of misstatements, fraud, or errors occurring and not being detected and corrected on a timely basis. Ineffective controls over the financial reporting and close process could result in inaccurate account balances, a significant number of audit adjustments or restatements or a lack of timely financial information. There was a disclaimer of opinion issued on the financial statements as of and for the year ended September 30, 2025 because the necessary support to identify incorrect or unsupported account balances was not in place or could not be found.

Cause: CSA lacked adequate controls over the financial statement closing process and the verification process for account balances to ensure the year-end balances are accurate and all transactions during the year were properly recorded.

Repeat Finding: Yes; 2024-001

Recommendation: We recommend that CSA establish a formal closing process that reconciles and analyzes all material account balances. This process should include specific timelines, defined responsibilities, appropriate supervisory reviews, and the necessary standard journal entries.

Views of Responsible Officials: There is no disagreement with the finding.

CONSTRUCTION SERVICES ADMINISTRATION, LLC
CORRECTIVE ACTION PLAN
YEAR ENDED SEPTEMBER 30, 2025

U.S. Department of Housing and Urban Development

Construction Services Administration, LLC (CSA), a component unit of the District of Columbia Housing Authority, respectfully submits the following summary schedule of prior audit findings for the year ended September 30, 2025.

Audit period: October 1, 2024 – September 30, 2025

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS—FINANCIAL STATEMENT AUDIT

MATERIAL WEAKNESS

2025-001 Material Weakness in Internal Control over Financial Reporting - Financial Statement Closing and Verification of Balances

Recommendation: We recommend that CSA establish a formal closing process that reconciles and analyzes all material account balances. This process should include specific timelines, defined responsibilities, appropriate supervisory reviews, and the necessary standard journal entries. This process should also ensure all transactions of the entity are properly included in the year end balances.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken or planned in response to finding:

CSA Management acknowledges the finding and agrees that improvements are needed in the formal financial statement closing and reconciliation process.

A checklist was created and implemented as a result of the FY2024 finding. However, due to a miscommunication regarding the segregation of duties between the internal staff and fee accountants several functions were not completed timely and accurately.

The following steps will be taken immediately:

a. Revise month end close checklist.
b. Create and formalize SOPs.
c. Train staff on new SOPs and revised checklist.
d. Create a monthly comprehensive financial report for the Executive team's review.

Name(s) of the contact person(s) responsible for corrective action: Isra Elkhazeen and Zewdneh Shiferaw.
Planned completion date for corrective action plan: August 31, 2026.

CONSTRUCTION SERVICES ADMINISTRATION, LLC
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2025

U.S. Department of Housing and Urban Development

Construction Services Administration, LLC (CSA), a component unit of the District of Columbia Housing Authority, respectfully submits the following summary schedule of prior audit findings for the year ended September 30, 2025.

Audit period: October 1, 2024 – September 30, 2025

The finding from the prior audit's schedule of findings and questioned costs is discussed below. The finding is numbered consistently with the number assigned in the prior year.

FINDINGS—FINANCIAL STATEMENT AUDIT

2024-001 Material Weakness – Financial Closing Process and Verification of Balances

Condition: SBC noted that CSA lacks an adequate closing process. Additionally, there was no validation to ensure that all material account balances in the general ledger were supported and accurate. The deficiencies in the close process resulted in SBC being unable to obtain sufficient audit evidence to verify or determine the proper accounting for balances related to the statement of net position.

Status: See current year finding 2025-001.

Reason for finding's recurrence: A checklist was created and implemented as a result of the FY2024 finding. However, during FY2025, responsibilities between the DCHA finance team and the fee accountant were not sufficiently defined and communicated. As a result, certain closing procedures, account reconciliations, and balance sheet reviews were not completed timely and consistently. This led to delays in validating and supporting certain account balances and contributed to the recurrence of the finding. Management has since clarified responsibilities, revised the closing process, and strengthened review procedures to ensure all material account balances are reconciled, supported, and reviewed timely.

Corrective Action: The following steps will be taken immediately:

a. Revise month end close checklist.
b. Create and formalize SOPs.
c. Train staff on new SOPs and revised checklist.
d. Create a monthly comprehensive financial report for the Executive team's review.

REPORT WASTE, FRAUD, ABUSE, AND MISMANAGEMENT

(202) 724-TIPS (8477) and (800) 521-1639

https://oig.dc.gov

oig@dc.gov

STAY UP TO DATE

instagram.com/OIGDC

x.com/OIGDC

facebook.com/OIGDC

Sign-up for email/text updates from OIG