

DISTRICT OF COLUMBIA OFFICE OF THE INSPECTOR GENERAL

OIG Project No. 22-1-35DB

January 2023



HOME PURCHASE ASSISTANCE PROGRAM FUND 0602

Financial Statements (With Independent Auditor's Report) For Fiscal Years Ended September 30, 2022 and 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



January 31, 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 final report entitled *Home Purchase Assistance Program Fund 0602 Financial Statements (With Independent Auditor's Report) for Fiscal Years Ended September 30, 2022 and 2021* (OIG No. 22-1-35DB). McConnell & Jones LLP (MJ) conducted the audit and submitted this component report as part of our overall contract for the audit of the District of Columbia's general-purpose financial statements for fiscal year 2022.

On January 3, 2023, MJ 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 of America. MJ identified no material weaknesses in internal control over financial reporting.

If you have questions about this report, please contact me or Fekede Gindaba, Assistant Inspector General for Audits, at (202) 727-2540.

Sincerely,



Daniel W. Lucas
Inspector General

DWL/ws

Enclosure

cc: See Distribution List

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**GOVERNMENT OF THE DISTRICT OF COLUMBIA
HOME PURCHASE ASSISTANCE PROGRAM FUND 0602**

**FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021
*(With Independent Auditor's Report)***

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
HOME PURCHASE ASSISTANCE PROGRAM FUND 0602**

**FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

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INDEPENDENT AUDITOR'S REPORT

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.

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 0602 (the Fund), as of and for the years ended September 30, 2022 and 2021, 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 financial position of the Fund as of September 30, 2022, and 2021, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

The Fund's 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.

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 the Fund's 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.

Auditor's 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 auditor's 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 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, 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.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for a reasonable period of time.

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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the financial statements present only the Fund and do not purport to, and do not present fairly the financial position of the Government of the District of Columbia as of September 30, 2022 and 2021, or the changes in its financial position for the year then ended, in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to the matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2023, 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



McConnell Jones

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 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.

McConnell Jones

Washington, D.C.
January 3, 2023

GOVERNMENT OF THE DISTRICT OF COLUMBIA
HOME PURCHASE ASSISTANCE PROGRAM FUND 0602
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022 AND 2021 (UNAUDITED)

The following is a discussion and analysis of the Government of the District of Columbia's (District) Home Purchase Assistance Program Fund 0602 (the Fund) financial performance for the fiscal years ended September 30, 2022, and 2021. The financial statements and accompanying notes on pages 10 through 12 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.

2022 Financial Highlights

- Net loans receivable increased by \$1,854,962 or 23% due to a decrease in the loan allowance.
- No new loans were issued in FY 2022.
- The Fund's allowance for uncollectible loans receivable as of September 30, 2022 was 42% 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 recorded for the Fund was \$9,891,556, which corresponds to the net loans' receivable.

2021 Financial Highlights

- Net loans receivable decreased by \$3,010,165 or 27%.
- 57 new loans were issued in FY 2021 totaling \$1,103,156, along with 7 First Responder and 42 Matching grants totaling \$252,500.
- The Fund's allowance for uncollectible loans receivable as of September 30, 2021 was 56% 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 recorded for the Fund was \$8,036,594, which corresponds to the net loans' receivable.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
HOME PURCHASE ASSISTANCE PROGRAM FUND 0602
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022 AND 2021 (UNAUDITED)**

Condensed Balance Sheets as of September 30, 2022, 2021 and 2020

	<u>FY 2022</u>	<u>FY 2021</u>	<u>FY 2020</u>	<u>Change</u>			
				<u>2022-2021</u>	<u>2019-2020</u>		
Total Assets	\$ 11,638,557	\$ 8,632,639	\$ 11,423,475	\$ 3,005,918	35%	\$ (2,790,835)	-24%
Total Liabilities and Deferred Inflows	9,978,716	8,165,822	11,212,953	1,812,894	22%	(3,047,132)	-27%
Fund Balance	\$ 1,659,841	\$ 466,817	\$ 210,521	\$ 1,193,025	256%	\$ 256,295	122%

2022

Assets

- Net loans receivable increased by \$1,854,962, or 23%. The loan allowance decreased by \$3,861,430, or 15%. 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 increased by \$1,812,894, or 22%, primarily due to the increased Deferred Inflows of resources, which corresponds to the net loans receivable.

2021

Assets

- Net loans receivable decreased by \$3,010,165, or 27%. The loan allowance increased by \$2,413,448, or 10%. The allowance on amortized is calculated based on the average of 5 years actual historical collection experience and deferred loans are reserved at 100%. Also, 57 new loans, totaling \$1,103,156, were issued from the Fund during the fiscal year.

Liabilities

- Liabilities and Deferred Inflows decreased by \$3,047,132, or 27%, primarily due to decreased in Deferred Inflows of resources.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
HOME PURCHASE ASSISTANCE PROGRAM FUND 0602
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022 AND 2021 (UNAUDITED)**

Condensed Statements of Revenues, Expenditures, and Changes in Fund Balance for the years ended September 30, 2022, 2021, and 2020

	2022	2021	2020	Change			
				2022-2021		2021-2020	
Revenues							
Principal and Interest Recoveries	\$1,750,801	\$1,853,260	\$1,378,347	\$ (102,459)	-6%	474,913	34%
Total Revenues	<u>1,750,801</u>	<u>1,853,260</u>	<u>1,378,347</u>	<u>(102,459)</u>	<u>-6%</u>	<u>474,913</u>	<u>34%</u>
Expenditures							
Loans	0	1,103,156	1,390,549	(1,103,156)	-100%	(287,393)	-21%
Grants, Administration and Other	90,960	390,258	155,600	(299,298)	-77%	234,658	151%
Total Expenditures	<u>90,960</u>	<u>1,493,414</u>	<u>1,546,149</u>	<u>(1,402,454)</u>	<u>-94%</u>	<u>(52,735)</u>	<u>-3%</u>
Excess of Revenues Over Expenditures	<u>1,659,841</u>	<u>359,846</u>	<u>(167,802)</u>	<u>1,299,995</u>	<u>361%</u>	<u>527,648</u>	<u>314%</u>
Transfer Out	(466,817)	(103,550)	-	(363,267)	351%	(103,550)	100%
Net Change in Fund Balance	<u>\$1,193,024</u>	<u>\$ 256,296</u>	<u>\$ (167,802)</u>	<u>\$ 936,728</u>	<u>365%</u>	<u>\$ 424,098</u>	<u>253%</u>

2022

Revenues

- Revenues decreased by \$102,459, or 6%, primarily due to a small 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 decreased by \$1,402,454, or 94%, as the Home Purchase Assistance Program relied on other funding sources for loan activity. FY 2022 expenditures were limited to small administrative charges in support of the overall program.

2021

Revenues

- Revenues increased by \$474,913, or 34%, primarily due to an increase in loan payoffs. This follows a trend seen in other loan populations, largely attributable to continued low interest rates and a rebounding of real estate transaction volumes, including refinancing.

Expenditures

- Expenditures decreased by \$52,735, or 3%, due to a reduced budget level, based on lower revenue expectations for 2021. The loans variance is due to use of the fund for the Employer-Assisted Home Purchase (EAHP) program in FY 2021, rather than HPAP, as the total number of loans increased from 23 to 59, but with a lower average value of approximately \$20,000 compared to \$59,000 for HPAP. Under Grants, Administration and Other, the FY 2020 amount reflects only administrative costs associated with the program administrator. The equivalent amount in FY 2021 was \$137,758 (an 11% reduction, in line with the change in loan activity). The FY 2021 amount also includes \$252,500 in First Responder and Matching grants to borrowers, which is related to the fund's use for EAHP rather than HPAP in FY 2021, due to demand for that program.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
HOME PURCHASE ASSISTANCE PROGRAM FUND 0602
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022 AND 2021 (UNAUDITED)**

This report is designed to provide a general financial overview of the District of Columbia Government's Home Purchase Assistance Program Fund 0602. 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 0602
BALANCE SHEETS AS OF
SEPTEMBER 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Pooled Cash	\$ 1,747,001	\$ 596,045
Loans Receivable, Net	<u>9,891,556</u>	<u>8,036,594</u>
Total Assets	<u>\$ 11,638,557</u>	<u>\$ 8,632,639</u>
LIABILITIES		
Accounts Payable	\$ 87,160	\$ 129,228
DEFERRED INFLOWS -Unavailable Revenues	9,891,556	8,036,594
FUND BALANCE- Committed	<u>1,659,841</u>	<u>466,817</u>
Total Liabilities, Deferred Inflows and Fund	<u>\$ 11,638,557</u>	<u>\$ 8,632,639</u>

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

GOVERNMENT OF THE DISTRICT OF COLUMBIA
HOME PURCHASE ASSISTANCE PROGRAM FUND 0602
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
REVENUES		
Principal and Interest Recoveries	\$ 1,750,801	\$ 1,853,260
Total Revenues	<u>1,750,801</u>	<u>1,853,260</u>
 EXPENDITURES		
Loans	-	1,103,156
Grants	-	252,500
Administration and Other	90,960	137,758
Total Expenditures	<u>90,960</u>	<u>1,493,414</u>
 Excess of Revenues Over Expenditures	 1,659,841	 359,846
 Other Financing Sources (Uses)		
Transfer Out	(466,817)	(103,550)
Net Change in Fund Balance	<u>1,193,024</u>	<u>256,296</u>
Fund balance, Beginning	<u>466,817</u>	<u>210,521</u>
 Fund Balance, Ending	 <u>\$ 1,659,841</u>	 <u>\$ 466,817</u>

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

GOVERNMENT OF THE DISTRICT OF COLUMBIA
HOME PURCHASE ASSISTANCE PROGRAM FUND 0602
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Home Purchase Assistance Program Fund 0602 was established under the District of Columbia 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 0602 into the General Fund 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 of Columbia Government employees participating in the District of Columbia Employer-Assisted Housing Program. 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 Home Purchase Assistance Program Fund 0602. The Department of Housing and Community Development (DHCD) is responsible for the administration of the program.

The purpose of the District of Columbia Home Purchase Assistance Program Fund 0602 is to:

- Provide financial assistance to lower and moderate-income residents of the District;
- Enable lower and moderate-income residents to purchase decent, safe, and sanitary homes within the District;
- Enable lower and moderate-income residents to make payments toward the purchase of a home within the District; and
- Enable lower and moderate-income residents to make a shared payment or other payment to a housing cooperative to secure occupancy rights to a home within the District as his or her principal place of residence.

The maximum amount of down payment and closing costs assistance that an eligible participant can receive under the program is \$80,000 and \$4,000, respectively.

The Employer-Assisted Housing Program loan maximum is \$20,000, with another \$5,000 available in matching grants. First responders 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 District's Home Purchase Assistance Program Fund 0602 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 0602
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

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 District 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

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the Fund's fund balance is classified as committed. For the year ended September 30, 2022 and 2021, revenues exceeded expenditures, resulting in an increase in the 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 0602
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 3 LOANS RECEIVABLE

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

- 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 subsequent to March 14, 1997, require repayment to begin after five years. Employee loans are provided under the Employee Assisted Housing Program (EAHP) to employees of the District of Columbia who are first time homebuyers purchasing 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, 2022, and 2021, loans receivable consisted of the following:

	2022			
	Loan Amount	Allowance	Net Loan Receivable	Allowance %
Amortized Loans	\$ 17,068,155	\$ (7,176,600)	\$ 9,891,556	42%
Deferred Loans	15,103,395	(15,103,395)	-	100%
Total	\$ 32,171,550	\$ (22,279,995)	\$ 9,891,556	69%

	2021			
	Loan Amount	Allowance	Net Loan Receivable	Allowance %
Amortized Loans	\$ 18,471,168	\$ (10,434,574)	\$ 8,036,594	56%
Deferred Loans	15,706,851	(15,706,851)	-	100%
Total	\$ 34,178,019	\$ (26,141,425)	\$ 8,036,594	76%

In FY 2022, allowance for amortized was assessed at 42% 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 2021, allowance for amortized was assessed at 56% based on the average of 5 years actual collections experience and deferred loans were assessed at 100% of the total outstanding loans balance.

NOTE 4 SUBSEQUENT EVENTS

The Fund’s management has evaluated subsequent events through the date this report was available for issuance, which was January 3, 2023. There are no material events that would have an effect on the financial statements.



**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***

INDEPENDENT AUDITOR'S REPORT

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 have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Government of the District of Columbia Home Purchase Assistance Program Fund 0602 (the Fund), as of and for the year ended September 30, 2022, 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 3, 2023.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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*.



McConnell Jones

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.

Washington, D.C.
January 3, 2023

To report fraud, waste, abuse, or mismanagement:



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



<http://oig.dc.gov>



oig@dc.gov

