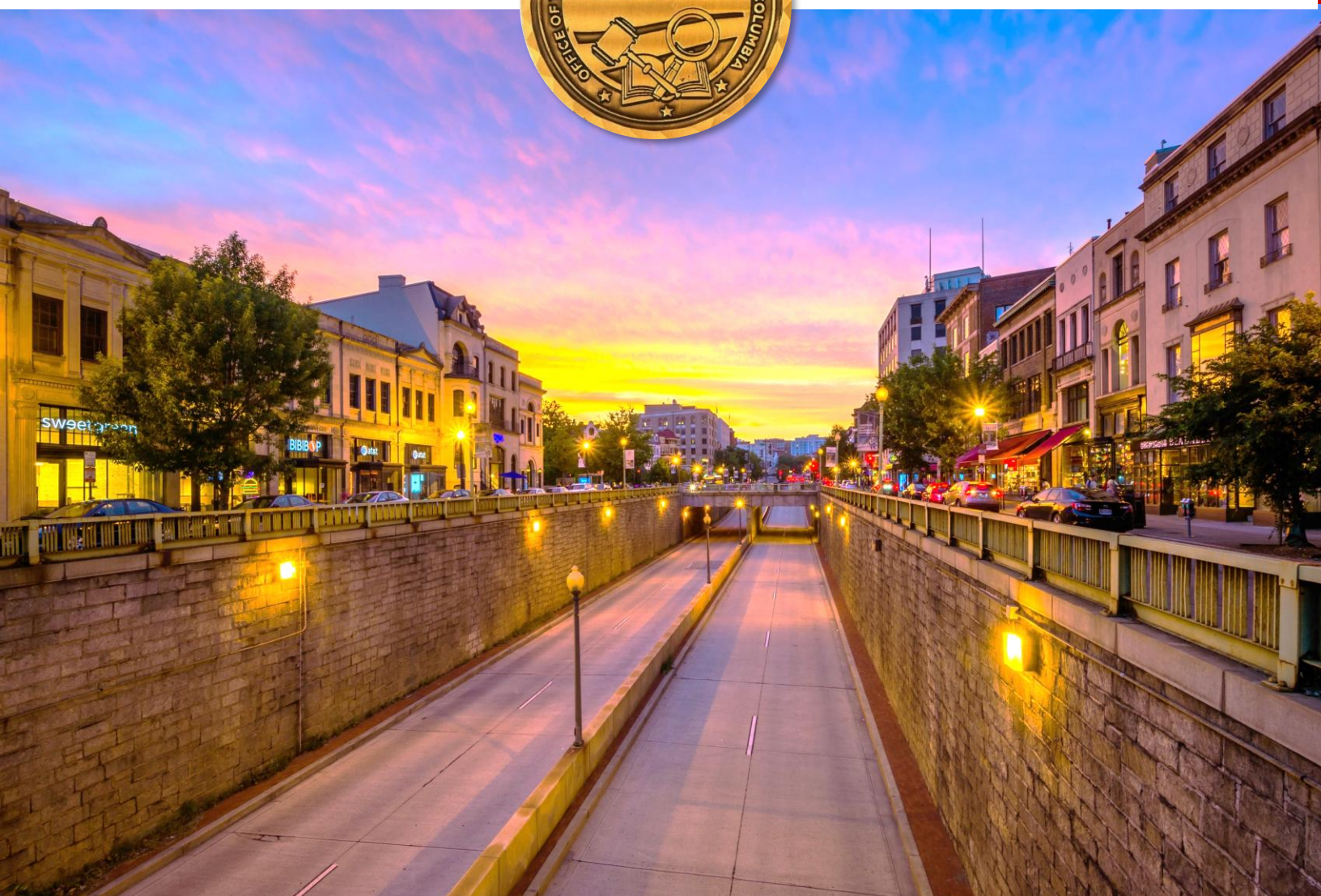


AUDIT REPORT

DC Housing Enterprises

Statement of Net Position with Reports of Independent Public Accountants
Fiscal Year 2024
OIG No. 24-2-29HY

April 15, 2025



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: Keith Pettigrew
Executive Director
District of Columbia Housing Authority

Heather Mueller
Chief Financial Officer
District of Columbia Housing Authority

Raymond Skinner
Board Chair
Stabilization and Reform Board of Commissioners

From: Daniel W. Lucas 
Inspector General

Date: April 15, 2025

Subject: **DC Housing Enterprises Net Position Statement**
OIG No. 24-2-29HY

This memorandum transmits the final *DC Housing Enterprises Statement of Net Position with Reports of Independent Public Accountants* for fiscal year 2024. SB & Company (SBC) 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 2024.

We received SBC's report on April 11, 2025. In this report, SBC noted one material weakness in internal control over financial reporting and issued one recommendation to implement corrective action. Due to the significance of this issue, SBC did not express an opinion on the agency's financial statements.

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

DC HOUSING ENTERPRISES
(A Component Unit of the District of Columbia Housing Authority)

Statement of Net Position with
Reports of Independent Public Accountants

As of September 30, 2024

DC HOUSING ENTERPRISES

Statement of Net Position Together with Reports of Independent Public Accountants

SEPTEMBER 30, 2024

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Mayor, Member of the Council of the Government of the District of Columbia,
The Inspector General of the Government of the District of Columbia, and the
Board of Commissioner of the District of Columbia Housing Authority and
DC Housing Enterprises
Washington, D.C.

Disclaimer of Opinion

We were engaged to audit the statement of net position of DC Housing Enterprises (DCHE) as of September 30, 2024, and the related notes to the statement of net position.

We do not express an opinion on the accompanying statement of net position of DCHE. 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 statement of net position.

Basis for Disclaimer of Opinion

During the year ended September 30, 2024, DCHE implemented a new computerized accounting system. Because of the implementation of the new accounting system and other issues, we could not obtain sufficient audit evidence to verify amounts in the accompanying statement of net position. As of the date of our audit report, management has not rectified its system deficiencies, or provided support for certain balances related to assets, liabilities, and net position.

Responsibilities of Management for the Statement of Net Position

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

In preparing the statement of net position, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about DCHE's ability to continue as a going concern for one year after the date that the statement of net position is issued.



Auditor's Responsibilities for the Audit of the Statement of Net Position

Our responsibility was to conduct an audit of DCHE's statement of net position 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 unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the statement of net position.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2025, on our consideration of DCHE's internal controls 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 to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering DCHE's internal controls over financial reporting and compliance.

Washington, D.C.
April 7, 2025

SB & Company, LLC

DC HOUSING ENTERPRISES

Statement of Net Position As of September 30, 2024

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 10,447,598
Accounts Receivable - Due from DCHA	451,135
Total Current Assets	<u>10,898,733</u>

NONCURRENT ASSETS

Developer's Fee Receivable	1,144,242
Investment in General Partnership	7,030
Capital Assets, Not Being Depreciated	1,781,762
Total Noncurrent Assets	<u>2,933,034</u>
Total Assets	<u>\$ 13,831,767</u>

LIABILITIES AND NET POSITION

LIABILITIES

Accounts Payable - Due to DCHA	\$ 415,265
Retainage Payable	69,152
Other Current Liabilities	826,000
Total Liabilities	<u>1,310,417</u>

NET POSITION

Net Investment in Capital Assets	1,712,610
Unrestricted	10,808,740
Total Net Position	<u>12,521,350</u>
Total Liabilities and Net Position	<u>\$ 13,831,767</u>

The accompanying notes to the statement of net position is an integral part of this statement.

DC HOUSING ENTERPRISES

Notes to the Statement of Net Position September 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

DC Housing Enterprises (DCHE) was organized as a nonprofit corporation under the laws of the District of Columbia Nonprofit Corporation Act on February 12, 2002. DCHE is operated exclusively for charitable purposes by engaging in activities that enhance the supply of affordable housing, as well as related community development. Also, DCHE's purpose is to acquire an interest in real property located in Washington, D.C.

DCHE is wholly owned by and for the benefit, and is an instrumentality of the District of Columbia Housing Authority (DCHA) located in Washington, D.C. DCHE is not subject to federal or District of Columbia (D.C.) income taxes and is not required to file federal or D.C. income tax returns.

Reporting Entity

DCHE's reporting entity include those of DCHE and component units. In determining how to define the reporting entity, management has considered all potential component units. The decision to include a component unit in the reporting entity was made by applying the criteria set forth by the Governmental Accounting Standards Board (GASB). These criteria include manifestation of oversight responsibility including financial accountability, imposition of will, financial benefit to or burden on a primary organization, and financial accountability as a result of fiscal dependency. On the basis of the application of these criteria, the following entity, of which DCHE is the sole member, is required to be reported as blended component units of DCHE:

- AccessiBuild GP I, LLC – this LLC is the general partner and has a 0.01% interest in AccessiBuild I, LP, a limited partnership, the purpose of which is to acquire, develop, rehabilitate, own, maintain, and operate a 22-unit complex for families of low and moderate income. The project is known as Henson Ridge Uniform Federal Accessibility Standards (UFAS) Rentals.

Basis of Presentation and Accounting

DCHE is presented as a blended component unit in DCHA's financial statements. DCHE is presented as a blended component unit in the DCHA financial statements because of the fiscal dependency and because of common members of the board of commissioners/directors who serve on the respective boards. The accompanying statement of net position are only those of DCHE and are not intended to present the statement of net position of DCHA taken as a whole.

DCHE uses the accrual basis of accounting in accordance with not for profit accounting principles generally accepted in the United States of America (GAAP).

DC HOUSING ENTERPRISES

Notes to the Statement of Net Position September 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of the statement of net position in conformity with accounting standards 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 disclosure of contingent liabilities at the date of the statement of net position. Actual results could differ from those estimates.

Cash and Cash Equivalents

DCHE considers all highly liquid investments with a maturity of three months or less when purchased and nonnegotiable certificates of deposit to be cash equivalents. It is DCHE's policy that all funds on deposit are collateralized in accordance with the policies of DCHA.

Accounts Receivables

Accounts receivable are made up of amounts due from DCHA. All accounts receivable balances are reviewed to determine whether they are collectible. Allowance account estimates are established based on the historical experience. There was no allowance recorded as of September 30, 2024, or all amounts were deemed collectible.

Capital Assets

Construction in Progress: DCHE acquired scattered sites consisting of land and single-family dwellings from DCHA. The terms of the sale include a sales price for each parcel as approved by the U.S. Department of Housing and Urban Development (HUD). It was desirous by all parties to establish terms that reflect prevailing market conditions and at terms that could be reasonably accomplished by DCHE. DCHE will pay DCHA the agreed upon amount at the time that each parcel is sold. Construction in progress represents agreed upon acquisition cost and fix up costs to date on sites in which renovations were not complete. As of September 30, 2024, five properties were under renovation and construction in progress at a cost to date of \$1,781,762.

Income Taxes

DCHE is a wholly owned instrumentality of DCHA, which is a public body and a body corporate and politic and is therefore exempt from income taxes. Furthermore, AccessiBuild GPI, LLC, a blended component unit of DCHE, is a single member limited liability company, and is treated as disregarded entities by the IRS. Accordingly, no federal tax returns need to be prepared and filed on behalf of the LLC, as long as it maintains its single member status.

DC HOUSING ENTERPRISES

Notes to the Statement of Net Position September 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position Classifications

Net position is displayed in three components:

Net Investment in Capital Assets – This component of net position consists of all capital assets, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position – 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, etcetera.

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

2. DEPOSITS AND INVESTMENTS

As of September 30, 2024, DCHE deposits had a carrying amount of \$10,447,598 and a bank balance of \$10,447,598. Of the bank balances held in various financial institutions, certain amounts were covered by federal depository insurance and by collateral held under the dedicated method. As of September 30, 2024, deposits were fully collateralized.

Interest rate risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, DCHE typically limits investment portfolio to maturities of 12 months or less. DCHE has no specific policy regarding interest rate risk.

Credit risk – DCHE has no policy regarding credit risk. DCHE had no assets that were considered to be investments under GAAP but does limit cash and cash equivalents held in savings and deposits accounts to under terms of 12 months.

Custodial credit risk - For an investment, the custodial risk is the risk that in the event of the failure of the counterparty, DCHE will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. DCHE had no assets that were considered to be investments under GAAP. DCHE has no policy on custodial credit risk.

Concentration of credit risk – DCHE places no limit on the amount that DCHE may invest in any one issuer. DCHE had no assets that were considered to be investments under GAAP. DCHE has no policy regarding credit risk.

DC HOUSING ENTERPRISES

Notes to the Statement of Net Position September 30, 2024

3. CAPITAL ASSETS

The following is a summary of changes in capital assets for fiscal year ended September 30, 2024:

	Balance September 30, 2023	Additions	Deletions	Impairments	Balance September 30, 2024
Not Being Depreciated:					
Construction in Progress	\$ 1,602,277	\$ 179,485	\$ -	\$ -	\$ 1,781,762
Total Not Being Depreciated	\$ 1,602,277	\$ -	\$ -	\$ -	\$ 1,781,762

4. RELATED PARTY TRANSACTIONS

DCHE has the following activities with various related parties as discussed below:

District of Columbia Housing Authority

Effective March 11, 2002, DCHA and DCHE signed a Memorandum of Understanding (MOU) by which the staff shared between DCHA and DCHE remain as DCHA employees for all purposes other than billing. DCHE would have full use of and access to all DCHA services and property necessary to fulfill DCHE's mission; DCHE would reimburse DCHA for all direct labor, a benefit factor, and an administrative overhead factor. There is an opportunity for the administrative overhead and benefit factors to be reviewed annually.

As of September 30, 2024, DCHE has a due from DCHA of \$451,135 and a due to DCHA of \$415,265, which are non-interest bearing.

AccessiBuild

DCHE is the sole member of AccessiBuild GP I, LLC, which is the general partner of AccessiBuild I, LP. The purpose of AccessiBuild I, LP is to purchase, acquire, hold, improve, sell, convey, assign, lease, mortgage, encumber, manage and deal in real and personal property, improved or otherwise, of any nature and to take any and all actions and engage in all activities as may be necessary or appropriate in connection with DCHE. AccessiBuild GP I, LLC owns .01% of the partnership. The limited partners MMA Special Limited Partner, Inc. (a Florida Corporation) and MMA Henson Ridge, LLC (a Delaware Limited Liability company) own 99.99% of the partnership.

DC HOUSING ENTERPRISES

Notes to the Statement of Net Position September 30, 2024

4. RELATED PARTY TRANSACTIONS (continued)

AccessiBuild (continued)

In January 2008, AccessiBuild I, LP closed on financing through tax credits and bonds to purchase, acquire, own, and manage a multifamily residential rental development comprised of 22 units built to Uniform Federal Accessibility Standards (UFAS). These 22 UFAS units are located at DCHA's Henson Ridge Hope VI Development and were acquired to house persons with mobility impairments on DCHA's public housing waiting list.

In connection with the transaction, DCHE has also unconditionally guaranteed the acquisition, construction, equipment, improvements, and operations of the 22 UFAS units which are sometimes referred to as the "Henson Ridge Apartments." The 22 UFAS units are referred to in the closing documents as the "Henson Ridge Apartments" which is the defined term for the project in the bond and tax credit transaction. During fiscal year 2019, DCHE made a guaranteed payment to AccessiBuild I, LP in connection with the operations of 22 UFAS units. As of September 30, 2024 \$278,229 of the receivable remains outstanding.

The "Henson Ridge Apartments" only includes the 22 UFAS units and does not refer to any other rental or homeownership units located at the Henson Ridge Hope VI Development.

As of September 30, 2024, AccessiBuild I, LP owes DCHE a remaining developer's fee of \$866,013.

DCHE made reservation of NMTC authority to nine developers in the following amounts, and in connection with the following projects:

Entity	Developer	Project	NMTC Reservation	DCHE Investment As of September 30, 2024
CURE V, LLC	KIPP DC	KIPP DC Hamilton	\$ 7,478,323	\$ 756
CURE VI, LLC	Two River-Young QALICB, LLC	Two River	5,859,249	589
CURE VII, LLC	SOME	Benning Program	-	-
CURE VIII, LLC	Achievement Prep Investment Fund, LLC	Achievement Preparatory Academy	7,840,588	806
CURE IX, LLC	DC Prep Anacostia Investment Fund, LLC	DC Preparatory Academy	15,664,440	2,002
CURE X, LLC	Early Childhood Academy	Early Childhood Academy	7,870,598	787
CURE XII, LLC	Bread for the City	Bread for the City	14,550,004	1,496
CURE XIII, LLC	Martin Luther King Community Hospital	DV-MLK CH QEI, LLC	5,935,989	594
Total			<u>\$ 65,199,191</u>	<u>\$ 7,030</u>

DC HOUSING ENTERPRISES

Notes to the Statement of Net Position September 30, 2024

4. RELATED PARTY TRANSACTIONS (continued)

In each transaction, an investor, or investment fund controlled by the investor has made, or intends to make, an equity investment in CURE or the respective CURE entity, in exchange for which equity investment such investor receives the NMTC. CURE, or the designated CURE entity, in turn, has made QLICI in, typically in the form of loans to, the applicable QALICB. The NMTC Reservation amount is reported as of December 31, 2021, the most recent CURE entity fiscal year that falls within DCHE's September 30, 2022 fiscal year-end.

In each of the referenced transactions, DCHE retains a 0.01% membership interest in the applicable CURE Entity. In addition, DCHE continues as the managing member. DCHE's primary duties as managing member are ensuring NMTC compliance throughout the seven-year compliance period, including reporting to the CDFI Fund. DCHE collects annual management fees for undertaking the ongoing asset management duties.

5. ECONOMIC DEPENDENCY

DCHE is economically dependent on DCHA, which provides the bulk of the contracts DCHE.



**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON INTERNAL CONTROLS
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF STATEMENT OF NET POSITION PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Mayor, Members of the Council of the Government of the District of Columbia,
the Inspector General of the Government of the District of Columbia, and the
Board of Commissioners of the District of Columbia Housing Authority and
DC Housing Enterprises
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 statement of net position of DC Housing Enterprises (DCHE) as of September 30, 2024, and the related notes to the statement of net position, and have issued our disclaimer of an opinion dated April 7, 2025. Our report disclaims an opinion on such statement of net position because we were not able to obtain sufficient audit evidence on certain assets, liabilities and net position to form an opinion.

Report on Internal Controls Over Financial Reporting

In connection with our engagement to audit the statement of net position of DCHE, we considered DCHE'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 DCHE's internal controls. Accordingly, we do not express an opinion on the effectiveness of DCHE'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 weaknesses. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal controls that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 DCHE's statement of net position 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 to be a material weakness.

Report on Compliance and Other Matters

In connection with our engagement to audit the statement of net position of DCHE, 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 statement of net position. However, providing an opinion on compliance with those provisions was not an objective of our engagement, 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*. However, if the scope of our work had been sufficient to enable us to express an opinion on the statement of net position, other instances of noncompliance or other matters may have been identified and reported herein.

DCHE's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on DCHE's response to the findings identified in our engagement and described in the accompanying schedule of finding and response. DCHE's responses were not subjected to the other auditing procedures applied in the engagement to audit the statement of net position and, accordingly, we express no opinion on the responses.

Purpose of This Report

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

Washington, D.C.
April 7, 2025

SB + Company, LLC

DC HOUSING ENTERPRISES

Schedule of Finding and Response As of September 30, 2024

Finding: 2024-01

Type of Finding: Material Weakness – Financial Closing Process and Verification of Balances

Condition:

SBC noted that DCHE 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.

Criteria:

Management must implement a formal financial statement closing process that ensures all material account balances are verified to guarantee the accuracy and completeness of the financial statements. The process should ensure all transactions of the entity are properly recorded and charged to the correct entity during the year.

Cause:

Management lacked adequate controls over the statement of net position 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.

Effect:

There was a disclaimer of opinion issued on the statement of net position as of September 30, 2024, because the necessary support to identify incorrect or unsupported account balances was not in place or could not be found. There was also no assurance that all and only transactions related to the entity were properly recorded during the year.

Recommendation:

SBC recommends that management 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 was properly included in the year end balances.

Management's Response:

Management acknowledges the recommendation. The management team went through several changes in the last few years and there have been delays in producing financial statements in a timely manner. Additionally, there was a financial and payroll software conversion completed in FY24. Management is working on developing a new closing process.



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