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# Management Alert Report: The District's FY 2022 Annual Comprehensive Financial Report Mischaracterized the Relationship Between the District and the D.C. Housing Authority

January 4, 2024

A report by the Office of the District of Columbia Auditor



**Audit Team**  
**Will Singer, Assistant Deputy Auditor for Finance**  
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January 4, 2024

Glen Lee, Chief Financial Officer  
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Washington, DC 20004

**Management Alert Report: The District’s FY 2022 Annual Comprehensive Financial Report mischaracterized the relationship between the District and the D.C. Housing Authority**

Dear Mr. Lee:

The Office of the D.C. Auditor (ODCA) writes this Management Alert Report because the District’s Annual Comprehensive Financial Report (ACFR) for fiscal year 2022 mischaracterized the relationship between the District and the D.C. Housing Authority (DCHA). Contrary to the relevant accounting standards, the ACFR treated DCHA as a “related organization” of the District, rather than a “component unit.”<sup>1</sup> The 2022 ACFR should have characterized DCHA as a component unit because it is a legally separate organization, the District appoints a voting majority of its governing board, and the District’s operating and capital subsidies establish its financial accountability for DCHA.

ODCA participates in meetings of the committee that oversees preparation of the audited financial statements that are included in the District’s ACFR. At the oversight committee meeting on August 23, 2023, I raised the issue of DCHA’s status with an emphasis on the change in DCHA governance effected at the end of 2022 and the GASB definition of financial accountability. A representative of the Office of Financial Operations and Systems (OFOS), a division of the Office of the Chief Financial Officer (OCFO), responded that an analysis had been undertaken in 2019 and that a reassessment had been prompted by the 2022 DCHA governance change. I requested and subsequently received the 2019 and 2023 OCFO analyses.

In the two referenced position statements that were prepared in 2019 and 2023, respectively (collectively, the OCFO Statements), OFOS memorialized its rationale for treating DCHA as a related organization.<sup>2</sup> Through our participation in ACFR oversight committee meetings noted above, we are aware that the

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1 Government of the District of Columbia, Office of the Chief Financial Officer, *Annual Comprehensive Financial Report, 2022* (hereinafter, “2022 ACFR”), at 72, 74.

2 Office of the Chief Financial Officer, Office of Financial Operations and Systems, *Financial Control and Reporting Statement of Position (SOP-1901)* (hereinafter, the “2019 OCFO Statement”) and *Statement of Position 23-07: DCHA – Reassessment of Reporting Entity Status* (hereinafter, the “2023 OCFO Statement”).

District’s independent audit firm has accepted the OCFO Statements. Part A of this report analyzes accounting standards pertaining to the relationship between the District and DCHA, demonstrating that the OCFO Statements are incorrect.

As a consequence of DCHA’s mischaracterized status, the 2022 ACFR omitted DCHA from the District’s financial reporting entity and omitted DCHA’s financial information from the government-wide financial statements and notes to the financial statements.<sup>3</sup> Likewise, DCHA was omitted from the disclosures contained in the official statements relating to the public sale of the District’s bonds during 2023. Because the 2022 ACFR and the official statements were key disclosure documents provided to the District’s bond investors, any misstatements or omissions expose the District to potential legal risk, as outlined in Part B of this report.

### **A. Under GASB Standards, DCHA is a component unit of the District.**

The District is required to publish annual, audited financial statements that are prepared in accordance with generally accepted accounting principles.<sup>4</sup> In preparing the financial statements, the District claims to follow pronouncements issued by the Governmental Accounting Standards Board (GASB). Thus, the District’s 2022 ACFR states:<sup>5</sup>

This report has been prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America for state and local governments as promulgated by the Governmental Accounting Standards Board (GASB) and includes all disclosures necessary for readers to gain an understanding of the financial activities of the District.

GASB standards require governments to prepare and publish an ACFR, including basic financial statements, for a financial reporting entity.<sup>6</sup> The nucleus of the financial reporting entity is typically a primary government, such as a municipality like the District.<sup>7</sup> A financial reporting entity also includes any component units. Component units include legally separate organizations for which the primary government is financially accountable.<sup>8</sup> In addition, component units include any “other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading.”<sup>9</sup>

Unlike component units, related organizations are not part of the financial reporting entity.<sup>10</sup> Related organizations are organizations for which a primary government appoints a voting majority of the organization’s governing board, but the primary government is not financially accountable.<sup>11</sup> The 2022

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3 The scope of this Management Alert Report is limited to the 2022 ACFR. The District began subsidizing DCHA in FY 2006.

4 Section 424(d)(24) of the Home Rule Act, approved October 16, 2006 (120 Stat. 2034; D.C. Official Code § 1204.24d(24)); D.C. Official Code § 47119(a). See also section 11(a)(2) of the General Obligation Bonds and Bond Anticipation Notes for Fiscal Years 20232028 Authorization Act of 2023, effective June 24, 2023 (D.C. Law 259; 70 DCR 6095) (bond covenant).

5 2022 ACFR, at 1.

6 GASB Codification § 2200.101.

7 GASB Codification §§ 2100.111, .112.

8 GASB Codification §§ 2100.111, .119.

9 GASB Codification § 2100.119.

10 GASB Codification § 2600.129.

11 GASB Codification § 2600.130.

ACFR states that DCHA is a related organization because “the accountability of the District for [DCHA] does not extend beyond these appointments.”<sup>12</sup>

GASB standards determine whether a primary government is financially accountable for a legally separate organization. Financial accountability exists if the primary government appoints a voting majority of the organization’s governing board *and* (1) the primary government “is able to impose its will” on the organization *or* (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government (hereafter referred to as a benefit/burden relationship).<sup>13</sup>

The 2019 OCFO Statement recognized that DCHA is a legally separate organization and that the District appoints a voting majority of DCHA’s governing board.<sup>14</sup> Thus, the District is financially accountable for DCHA if the District is able to impose its will on DCHA (which will be mentioned later in this report) *or* if there is a benefit/burden relationship.

A benefit/burden relationship exists if, for example, “[t]he primary government is legally obligated *or has otherwise assumed* the obligation to finance the deficits of, or provide financial support to, the organization.”<sup>15</sup> Financial support can be provided in different ways and for a variety of reasons. For example, financial support might take the form of annual appropriations to help meet operating expenses, capital grants, and direct payment of capital expenditures or debt service.<sup>16</sup> “A financial burden exists if the primary government is obligated to finance an organization’s deficits even though there has not been, and may never be, a deficit to subsidize.”<sup>17</sup> But financial support does *not* include “exchange transactions” in which a primary government purchases services from an organization.<sup>18</sup>

During FY 2022, the District provided DCHA with an operating subsidy of \$169.2 million.<sup>19</sup> The largest portion of the operating subsidy (\$158.2 million) supported the costs of locally funded rental housing programs.<sup>20</sup> These programs were funded by the District to provide additional rental housing vouchers and ongoing rental assistance.<sup>21</sup> The provision of a “subsidy” for *additional* vouchers and rental assistance might reasonably be viewed as an exchange transaction in which DCHA administers housing programs for the District, as opposed to financial support of DCHA’s operating expenses. Viewed in this light and in

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12 2022 ACFR, at 74.

13 GASB Codification § 2100.120. Financial accountability can also be established under additional circumstances that need not be considered in this report.

14 2019 OCFO Statement, at 1-2; see sections 3(a) and 11a of the District of Columbia Housing Authority Act of 1999 (DCHA Act), effective May 9, 2000 (D.C. Law 13105; D.C. Official Code §§ 6202(a), 6210.01). At the time of this writing, the District appoints all members of DCHA’s governing board (the Stabilization and Reform Board) under a temporary version of section 11a of the DCHA Act. D.C. Official Code § 6-210.01 (temporary version). Likewise, the permanent version of section 13 of the DCHA Act provides for District officials to appoint a voting majority of the predecessor governing board (the Board of Commissioners). D.C. Official Code § 6211 (permanent version).

15 GASB Codification at 2100.127(b) (emphasis added).

16 GASB Codification at 2100.131.

17 GASB Codification at 2100.131(b).

18 GASB Codification at 2100.127.

19 Government of the District of Columbia, FY 2024 Approved Budget and Financial Plan (Vol. 2: Agency Budget Chapters, Part 1), at B33 (showing actual expenditures for FY 2022 and approved budgets for FY 2024).

20 *Id.*, at B34 – B-35 (allocating portions of the FY 2022 subsidy as follows: approximately \$10.0 million for Rental Assistance Support programs, \$127.3 million for tenant-based vouchers, and \$20.8 million for project- and sponsor-based vouchers).

21 Government of the District of Columbia, FY 2022 Approved Budget and Financial Plan (Vol. 2: Agency Budget Chapters, Part 1), at B49 – B-50.

isolation, the operating subsidy for locally funded rental- housing programs might not establish a benefit/ burden relationship.

However, other portions of the District’s operating subsidy helped DCHA meet its operating expenses as a public housing agency in FY 2022. For example, a \$4.2 million portion of the operating subsidy partially covered costs of the DCHA Police Department.<sup>22</sup> The DCHA Police Department is “charged with the duty of enforcing laws, ordinances, rules and regulations of the Authority.”<sup>23</sup> The DCHA Police Department patrols DCHA properties with sworn officers and special police officers, and it also posts security officers inside DCHA properties to provide security services.<sup>24</sup> Enforcing the Authority’s rules and providing security at DCHA properties through DCHA’s separate police department are functions of DCHA, not the District.

Another portion of the District’s operating subsidy was designated for “DCHA Rehabilitation & Maintenance.”<sup>25</sup> The DCHA Rehabilitation and Maintenance Fund (R&M Fund) is administered by the District’s OCFO and supports the costs of maintenance, repair, and rehabilitation projects in DCHA’s public housing facilities.<sup>26</sup> Such projects are the responsibility of DCHA as a public housing authority. Although the District does not directly budget a portion of the operating subsidy into the R&M Fund, District law provides for the R&M Fund to receive at the end of each fiscal year any unused subsidy amounts that had been budgeted for the local rent supplement program.<sup>27</sup> Accordingly, the R&M Fund received approximately \$6.8 million of District funds in FY 2022.<sup>28</sup>

These portions of the District’s operating subsidy helped DCHA meet its operating expenses with respect to security and maintenance. Further, these portions cannot be viewed as exchange transactions because the District receives nothing in return from DCHA. Therefore, these portions of the operating subsidy were financial support of DCHA.

Indeed, partially supporting DCHA’s operations was the stated purpose of the DCHA Subsidy when it began in FY 2006. The District’s FY 2006 budget explained, “The Housing Authority Subsidy provides additional funding to the District of Columbia Housing Authority to subsidize its operations due to anticipated losses in federal operating funding for FY 2006.”<sup>29</sup>

Further, the District has provided DCHA with a substantial capital subsidy to support the development and rehabilitation of DCHA’s real estate portfolio. The District’s FY 2022 budget included \$50 million of

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22 Government of the District of Columbia, FY 2024 Approved Budget and Financial Plan (Vol. 2: Agency Budget Chapters, Part 1), at B34 (allocating a portion of the FY 2022 subsidy to the public safety program).

23 Section 24(a) of the District of Columbia Housing Authority Establishment Act of 1999, effective May 9, 2000 (D.C. Law § 13-105; D.C. Official Code § 6-223(a)).

24 Sworn officers possess concurrent jurisdiction to enforce District law throughout the District, special police officers have arrest powers on DCHA property only, and security officers have no law enforcement authority.

25 Government of the District of Columbia, FY 2024 Approved Budget and Financial Plan (Vol. 2: Agency Budget Chapters, Part 1), at B34.

26 Section 3(c1) of the District of Columbia Housing Authority Establishment Act of 1999, effective May 9, 2000 (D.C. Law § 13-105; D.C. Official Code § 6-202(c1)).

27 Section 3(c1)(2)(C) of the District of Columbia Housing Authority Establishment Act of 1999, effective May 9, 2000 (D.C. Law § 13-105; D.C. Official Code § 6-202(c1)(2)(C)).

28 Government of the District of Columbia, FY 2024 Approved Budget and Financial Plan (Vol. 2: Agency Budget Chapters, Part 1), at B34 (allocating a portion of the FY 2022 subsidy to the rehabilitation and maintenance program).

29 Government of the District of Columbia, FY 2006 Approved Budget and Financial Plan (Vol. 2: Agency Budget Chapters, Part 1), at B143.

borrowing to finance capital improvements to DCHA housing properties.<sup>30</sup> All told, the District provided DCHA with capital allotments totaling \$151.8 million between FY 2021 and FY 2023, and the District's approved FY 2024-2029 capital improvements plan includes an additional \$268.9 million for DCHA. The sources of the prior and planned capital allotments are a combination of the District's paygo<sup>31</sup> and proceeds of the District's bonds.<sup>32</sup> In short, the capital subsidy burdens the District with the cost of improving DCHA's capital assets.

Through the District's operating and capital subsidies, the District has assumed an obligation to provide financial support to DCHA. Thus, a benefit/burden relationship exists, and the District is financially accountable for DCHA within the meaning of GASB standards. Therefore, GASB standards require the District's financial reporting entity to include DCHA as a component unit.

The 2019 OCFO Statement considered various possible grounds on which the District could be financially accountable for DCHA and reached the opposite conclusion. The 2019 OCFO Statement's analysis of the District's potential financial support states, in its entirety,<sup>33</sup>

The D.C. Housing Authority Act of 1999 does not include provisions requiring the District to financially support the operations of the Housing Authority. Therefore, **the District is not legally obligated or has not otherwise assumed the obligation to finance the deficits of, or provide financial support to, the Housing Authority.**

Thus, while purporting to analyze the financial support issue, the 2019 OCFO Statement did not address the District's operating and capital subsidies of DCHA.<sup>34</sup> The operating subsidies were, however, acknowledged in the 2019 OCFO Statement's analysis of a different issue: whether the District is able to impose its will on DCHA.<sup>35</sup>

As mentioned above, if the District is able to impose its will on DCHA, then there is an alternative basis to conclude that the District is financially accountable for DCHA and that DCHA is a component unit.<sup>36</sup>

A primary government is able to impose its will "if it can significantly influence the programs, projects, activities, or level of services performed or provided by the organization."<sup>37</sup>

In assessing whether the District is able to impose its will, the OCFO Statements did not consider whether the District has significantly influenced DCHA's activities, such as its implementation of District-funded local rent supplement programs.<sup>38</sup> Instead, the OCFO Statements analyzed only certain conditions enumerated in GASB Statement 14, "any one of [which] clearly indicates that a primary government has

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30 Government of the District of Columbia, FY 2022 Approved Budget and Financial Plan (Vol. 5: Capital Improvements Plan), at 263 (project number DHA21 – Development and Rehabilitation – DCHA).

31 The term "paygo" is District budget jargon, shortened from "pay-as-you-go" capital funding. Paygo funds are operating resources that are used, in combination with proceeds of long-term indebtedness, to fund the District's capital expenditures.

32 Government of the District of Columbia, FY 2024 Approved Budget and Financial Plan (Vol. 5: Capital Improvements Plan), at 265 (project number DHA21 – Development and Rehabilitation – DCHA).

33 2019 OCFO Statement, at 3 (emphasis in original).

34 *Id.*, at 3.

35 *Id.*, at 4.

36 See GASB Codification § 2100.120.

37 GASB Codification § 2100.126 (codifying GASB Statement 14, at ¶ 21, as amended).

38 See 2019 OCFO Statement, at 35; 2023 OCFO Statement, at 12.

the ability to impose its will on an organization.”<sup>39</sup>

One of the enumerated conditions is met if the primary government has “[t]he ability to modify or approve the budget of the organization.”<sup>40</sup> The 2019 OCFO Statement concluded that this condition was not met, although it noted, “[h]istorically, the District has provided substantial annual operating subsidies to the Housing Authority.”<sup>41</sup> The statement reasoned,<sup>42</sup>

According to GASB Statement No. 14 (examples 3 and 6, paragraphs 137 and 140), providing significant amounts of subsidies to a legally separate entity does not represent the primary government’s ability to modify or approve the entity’s budget.

Although this reasoning has validity in a limited sense, the cited examples from GASB Statement No. 14 contradict OCFO’s stated position that DCHA is a related organization instead of a component unit. The examples are described below.

In 2023, OCFO reassessed the reporting entity status of DCHA following the enactment of a District law that dissolved the DCHA governing board and temporarily replaced it with a different board. OCFO determined that “the District is still unable to impose its will” and performed no further evaluation in concluding that DCHA remained a related organization and not a component unit.<sup>43</sup>

In GASB Statement No. 14, Example 3 describes a public housing authority (PHA) created by a city. Members of the PHA’s governing board are appointed by a city’s mayor and council, and they may be removed only for cause. The PHA is solely responsible for management of its affairs, adopts its budget without city approval, and issues debt that the city is neither legally nor morally obligated to pay. Yet the city has agreed to subsidize the PHA to the extent that federal funds and PHA revenues are insufficient to fund its operations.<sup>44</sup> Thus the example’s conclusion states:

*The PHA is a component unit and should be discretely presented. The separate board is appointed by the city’s officials. The city is not able to impose its will on the PHA, but the PHA does impose a financial burden on the city because the city has agreed to appropriate funds to help meet the authority’s operating expenditures.*<sup>45</sup>

Similarly, in GASB Statement No. 14, Example 6 shows that DCHA is a component unit of the District. In Example 6, a port authority is established under state law to operate port facilities and transit operations within a county. The county “historically has provided substantial annual operating subsidies to the authority but is not legally required to do so.”<sup>46</sup> Further, the county has issued general obligation bonds to finance the port authority’s capital projects. “The county does not have the ability to impose its will on the authority, but the annual operating subsidies from the county and the issuance of authority-related debt

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39 2019 OCFO Statement, at 3 (quoting GASB Statement 14, at ¶ 26).

40 2019 OCFO Statement, at 3 (quoting GASB Statement 14, at ¶ 26).

41 *Id.*, at 4.

42 *Id.*

43 2023 OCFO Statement, at 12.

44 GASB Statement 14, at ¶ 137.

45 GASB Statement 14, at ¶ 137 (emphasis added).

46 GASB Statement 14, at ¶ 140.

by the county place a financial burden on the county.<sup>47</sup> Thus the port authority is a component unit of the county.<sup>48</sup>

Like the city in Example 3 and the county in Example 6, the District is not statutorily required to provide an operating subsidy but nonetheless has agreed to do so. The District also subsidizes DCHA's capital program by applying proceeds of the District's bonds to DCHA housing facilities, just as the county issues general obligation bonds to finance port capital projects in Example 6. These operating and capital subsidies establish a clear benefit/burden relationship.

By effectively confirming the benefit/burden relationship, the examples from GASB Statement No. 14 help to prove that the District is financially accountable for DCHA. DCHA is a component unit of the District under GASB statements, regardless of whether the District can impose its will on DCHA.

In concluding otherwise, the OCFO Statements also did not complete the analysis for determining whether DCHA is a component unit. Even when financial accountability criteria are not met, the primary government may determine through the exercise of management's professional judgment that it is necessary to treat an organization as a component unit in order to prevent the reporting entity's financial statements from being misleading.<sup>49</sup> "[O]rganizations should be evaluated as potential component units if they are closely related to, or financially integrated with, the primary government."<sup>50</sup> In evaluating the closeness of an organization's relationship to the primary government, the focus generally would be on financial relationships.<sup>51</sup> Financial integration may be shown through the policies, practices, or organizational documents of either the primary government or the organization.<sup>52</sup>

The underlying analyses in the OCFO Statements were incomplete because they did not show that management evaluated whether treating DCHA as a component unit would prevent the District's financial statements from being misleading. This evaluation should have considered at least three relevant circumstances. First, the Office of the Attorney General has opined that the District's Chief Financial Officer "has the authority to supervise and to control the financial functions and financial personnel of DCHA."<sup>53</sup> This legal opinion bears on the financial relationships between the District and DCHA. Second, the OCFO has a practice of including DCHA facilities in the District's long-range capital financial plan and Capital Asset Replacement Scheduling System (CARSS).<sup>54</sup> This practice shows some degree of financial integration between the District and DCHA. Third, an expression of professional judgment should have articulated a reason for treating DCHA differently from other legally separate organizations, including the University of the District of Columbia and the Washington Convention and Sports Authority (t/a

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47 GASB Statement 14, at ¶ 140.

48 GASB Statement 14, at ¶ 140.

49 GASB Codification § 2100.140.

50 GASB Codification § 2100.143 (footnotes omitted).

51 GASB Codification § 2100.143 n.11.

52 GASB Codification § 2100.143 n.12.

53 Office of the Attorney General, Opinion of the Attorney General re: Authority of the District CFO Over the Financial Functions and Financial Personnel of DCHA (Feb. 8, 2011), at 1-2.

54 Office of the Chief Financial Officer, Long Range Capital Financial Plan Report (Oct. 2023), at A19 – A21.

EventsDC), that receive subsidies from the District and are characterized as component units.<sup>55</sup>

Given the analytical errors and omissions in the 2019 and 2023 OCFO Statements, their conclusions are untenable. When properly applied, GASB standards require the District to characterize DCHA as a component unit.

### **B. Mischaracterization of DCHA exposes the District to legal risk under federal securities law.**

One purpose of the District's ACFR is to enable potential investors to make informed decisions about purchasing the District's bonds.<sup>56</sup> The District's 2022 ACFR is publicly available on its investor relations website<sup>57</sup> and a nationwide online repository for information about municipal securities.<sup>58</sup> In addition, large portions of the District's 2022 ACFR were incorporated by reference in the official statements published in connection with the initial public sale of the District's bonds.<sup>59</sup>

The District's bonds are securities under federal law.<sup>60</sup> Under rules issued by the U.S. Securities and Exchange Commission (SEC), it is unlawful for any person, in connection with the sale of securities, "[t]o make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading."<sup>61</sup> False or misleading information in financial statements has been the basis of previous SEC enforcement actions against participants in the municipal securities market, including the City of Miami, Florida, and the City of San Diego, California.<sup>62</sup>

The 2022 ACFR undermines its own assertion that the District's financial statements were prepared in accordance with GASB standards, because the financial statements mischaracterized DCHA as a related organization *contrary* to GASB standards. Based on this mischaracterization, the 2022 ACFR omits DCHA's financial information from the government-wide financial statements and note disclosures.<sup>63</sup> For example,

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55 2022 ACFR, at 7273. UDC and EventsDC are component units because the District provides financial support to them and because the District may impose its will on them by modifying or approving their budgets. The District also has the ability to impose its will on EventsDC by setting rates and charges. Id.

56 See U.S. Securities and Exchange Commission, *Report on the Municipal Securities Market* (July 31, 2012), at 69 (explaining that various audiences use government financial statements for different purposes), available at: <https://www.sec.gov/news/studies/2012/munireport073112.pdf> (last visited Nov. 30, 2023).

57 <https://www.dcbonds.com/the-district-of-columbia-dc/documents/downloads/i192?mediaCategoryId=1> (last visited Nov. 30, 2023).

58 Municipal Securities Rulemaking Board, Electronic Municipal Market Access (EMMA). The 2022 ACFR is available at <https://emma.msrb.org/MarketActivity/ContinuingDisclosureDetails/P21254258> (last visited Nov. 30, 2023).

59 For example, the District's most recent official statement for general obligation bonds incorporates 180 pages of the 2022 ACFR. Official Statement relating to \$820,195,000 aggregate principal amount of District of Columbia General Obligation Bonds, Series 2023A, and General Obligation Refunding Bonds, Series 2023B, dated March 9, 2023 (as supplemented March 21, 2023), at 1-1. See also Official Statement relating to \$1,183,930,000 aggregate principal amount of District of Columbia Income Tax Secured Revenue Bonds, Series 2023A, Income Tax Secured Revenue and Refunding Bonds, Series 2023B, Income Tax Secured Revenue Refunding Bonds, Series 2023C, and Income Tax Secured Revenue Refunding Bonds, Series 2024A (Forward Delivery), dated November 15, 2023, at 1-1.

60 See section 3(a)(10) of the Securities Exchange Act of 1934, approved June 6, 1934 (48 Stat. 882; 15 U.S. Code § 78c(a)(10)).

61 17 CFR 240.10b-5 (promulgated under section 10(b) of the Securities Exchange Act of 1934, approved June 6, 1934 (48 Stat. 891; 15 U.S. Code § 78j(b))). In similar terms, the Securities Act of 1933 also prohibits material misstatements and omissions in the offer or sale of securities. Section 17(a) of the Securities Act of 1933, approved May 27, 1933 (48 Stat. 84; 15 U.S. Code § 77q(a)).

62 U.S. Securities and Exchange Commission, *Report on the Municipal Securities Market* (July 31, 2012), at 70-71 & n.421, available at: <https://www.sec.gov/news/studies/2012/munireport073112.pdf> (last visited Nov. 30, 2023).

63 The precise reporting requirements depend on further application of GASB standards to determine whether DCHA's financial information should be blended or discretely presented and, if discretely presented, whether DCHA is a major or nonmajor component unit. See GASB Codification §§ 2600.105, .107-.110, .122.

one note disclosure states, “During fiscal year 2022, the most significant transactions between the District and its discretely presented component units were in the form of subsidies” to the Washington Convention and Sports Authority t/a EventsDC (\$122.3 million), the Green Finance Authority (\$20.8 million), and the University of the District of Columbia (\$112.8 million).<sup>64</sup> But this note does not disclose the District’s significantly larger subsidies to DCHA, which totaled approximately \$193.8 million in FY 2022.<sup>65</sup>

To the extent that the underlying facts are material within the meaning of the federal securities laws, misstatements in or omissions from the 2022 ACFR expose the District to legal risks including potential actions under federal security law.

## Recommendations

1. The OCFO should recognize DCHA as a component unit and then proceed to determine the specific GASB requirements for reporting DCHA’s financial information in the District’s financial statements, based on reasonable judgments about the nature and significance of the relationship between the District and DCHA.
2. In accordance with GASB standards, the OCFO should include financial information of DCHA in the appropriate portions of the District’s financial statements and ACFR for FY 2023. Alternatively, if the OCFO determines that DCHA’s financial information cannot be included because the information is incomplete or unaudited, *and* if doing so is consistent with statutory and contractual requirements to prepare the District’s financial statements in accordance with generally accepted accounting principles,<sup>66</sup> then the OCFO should qualify the ACFR’s assertion that the District’s financial statements were prepared in accordance with GASB standards.

Consistent with ODCA Policies and Procedures, we are submitting this Management Alert Report to you much as we provide draft reports for consideration by District agencies. Please provide a written response indicating whether the OCFO concurs with these recommendations and when and how you plan to implement these recommendations. This Management Alert Report, and written responses to its recommendations, will be made public upon receipt of your responses or on December 21, 2023, whichever occurs first.

In addition, for your information we are providing a copy of this Management Alert Report to the Office of the Attorney General (OAG) as the agency having “charge and conduct of all law business” of the District.<sup>67</sup> We are requesting that the OAG evaluate the circumstances described and determine whether the District should make disclosures to the SEC and market participants.

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<sup>64</sup> 2022 ACFR, at 158 (Note 12(B)).

<sup>65</sup> Government of the District of Columbia, FY 2024 Approved Budget and Financial Plan (Vol. 2: Agency Budget Chapters, Part 1), at B33 (showing the actual expenditures for operating and capital subsidies to DCHA in FY 2022).

<sup>66</sup> See D.C. Official Code § 47119(a); section 11(a)(2) of the General Obligation Bonds and Bond Anticipation Notes for Fiscal Years 20232028 Authorization Act of 2023, effective June 24, 2023 (D.C. Law 259; 70 DCR 6095).

<sup>67</sup> Section 101(a) of the Attorney General for the District of Columbia Clarification and Elected Term Amendment Act of 2010, effective May 27, 2010 (D.C. Law 18-160; D.C. Official Code § 1-301.81(a)).

If you have any questions about this Management Alert Report, please feel free to contact me at [kathy.patterson@dc.gov](mailto:kathy.patterson@dc.gov) or (202) 727-8982, or Assistant Deputy Auditor for Finance Will Singer, at [will.singer@dc.gov](mailto:will.singer@dc.gov) or (202) 727-8984.

Thank you very much for your consideration.

Sincerely yours,

A handwritten signature in blue ink that reads "Kathleen Patterson". The signature is written in a cursive, flowing style.

Kathleen Patterson

District of Columbia Auditor

cc: The Hon. Brian Schwalb, Attorney General  
Angell Jacobs, OCFO  
David Tseng, OCFO  
Kimberly Williams, OCFO

# Agency Comments

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On December 8, 2023, we sent a draft copy of this Management Alert to the Office of the Chief Financial Officer (OCFO) for review and comment. OCFO responded with comments on December 21, 2023. OCFO's comments are included here in their entirety.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
OFFICE OF THE CHIEF FINANCIAL OFFICER



**Glen Lee**  
Chief Financial Officer

December 21, 2023

Kathleen Patterson  
District of Columbia Auditor  
1331 Pennsylvania Ave., NW, Suite 800 South  
Washington, DC 20004

**Re: FY 2022 Annual Comprehensive Financial Report and D.C. Housing Authority**

Dear Ms. Patterson:

Thank you for your letter dated December 8, 2023 regarding the FY 2022 Annual Comprehensive Financial Report (ACFR) and the D.C Housing Authority (DCHA). Specifically, you have requested that the Office of the Chief Financial Officer (OCFO) recognize DCHA as a “component unit” for purposes of the District’s FY 2023 ACFR.

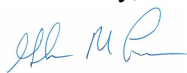
As you know, the ACFR reflects the District’s financial statements at year-end which, for the District, occurs every September 30<sup>th</sup>. The ACFR is prepared annually by the Office of Financial Operations and Systems (OFOS) and audited by an independent firm contracted by the Office of the Inspector General (OIG). The auditor’s opinion is issued yearly following an exhaustive review of the District’s financial records, operations, policies and procedures.

Your December 8 letter asserts that the FY 2022 ACFR “mischaracterized the relationship between the District and the D.C. Housing Authority (DCHA)” and that reassessments of the relationship between the District and DCHA occurred in 2019 and 2022. Your December 8 letter further claims that the 2022 reassessment was triggered by “the 2022 DCHA governance change” wherein a new governing body was established for DCHA. This change, however, did not occur until FY 2023 and, thus, would not apply to the FY 2022 ACFR. Accordingly, your office may wish to re-consider its conclusions in light of this factual error in its analysis.

In addition, the OCFO’s accountants in OFOS specifically reviewed the governing structure of DCHA in order to determine whether it was a component unit for purposes of the ACFR. OFOS concluded that DCHA was not a component unit but, instead, a “related organization,” which, according to general accepted accounting principles, is not included in the audit review for preparing the District’s ACFR. OFOS’ conclusion was then further reviewed by McConnell & Jones LLP, the District’s current independent auditors (McConnell & Jones). McConnell & Jones analyzed DCHA’s structure and relationship with the District, and confirmed that DCHA is, in fact, a “related organization.”

Therefore, after careful review and consideration, we find no basis to follow the recommendations set forth in your December 8 letter.

Sincerely,



Glen Lee

# ODCA Response to Agency Comments

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ODCA appreciates Chief Financial Officer Glen Lee’s timely response to ODCA’s Management Alert Report (MAR) which concluded that the District’s 2022 annual comprehensive financial report (ACFR) should have characterized the D.C. Housing Authority (DCHA) as a component unit of the District.

ODCA has considered the Office of the Chief Financial Officer’s (OCFO) suggestion that the MAR’s conclusion rests on “a factual error in its analysis”; however, this is not the case.

This suggestion is based on the MAR’s reference to a District law changing DCHA’s governance.<sup>1</sup> This law became effective December 22, 2022. This effective date occurred after FY 2022 ended on September 30, 2022, but before the District’s FY 2022 audited financial statements were issued on January 24, 2023. Without citing accounting standards or any other authorities, the OCFO letter asserts that the governance change “did not occur until FY 2023 and, thus, would not apply to the FY 2022 ACFR.”

Yet GASB standards require an ACFR to disclose certain “subsequent events” occurring after the fiscal year has ended but before financial statements are issued.<sup>2</sup>

Events or transactions that affect the financial statements sometimes occur subsequent to the statement of net position date but before financial statements are issued. Some of those transactions and events (referred to as recognized events) require adjustments to the financial statements while others (referred to as nonrecognized events) may require disclosure in the notes to the financial statements.

GASB standards also provide examples of the kinds of subsequent events requiring disclosure in the notes to the financial statements. Such events include “the issuance of bonds” and “the creation of a new component unit.”<sup>3</sup>

Accordingly, the District’s FY 2022 financial statements included a note entitled “Subsequent Events.” This note disclosed that the District had increased the maximum principal amount of a bond-like debt instrument “[i]n November 2022,” which occurred during FY 2023 but before the District had issued its FY 2022 financial statements.<sup>4</sup> This note disclosure undermines the OCFO letter’s assertion of an error.

More importantly, the MAR mentioned the governance change *only* in the second paragraph of a 10-page report, to explain how the issue of DCHA’s status came to ODCA’s attention. DCHA’s changing governance did not affect the MAR’s analysis.

Instead, the MAR analyzed facts that occurred during FY 2022, particularly the District’s payment to DCHA of operating and capital subsidies. As the MAR summarized in its first paragraph,

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1 District of Columbia Housing Authority Stabilization and Reform Emergency Amendment Act of 2022, effective December 2, 2022 (D.C. Act 24702; 70 DCR 164).

2 GASB Codification § 2250.109 (footnote omitted); see generally §§ 2250.109-.116.

3 GASB Codification § 2250.114.

4 2022 ACFR at 163 (Note 16).

The 2022 ACFR should have characterized DCHA as a component unit because it is a legally separate organization, the District appoints a voting majority of its governing board, *and the District's operating and capital subsidies establish its financial accountability for DCHA.*

The OCFO letter does not mention the District's subsidies or contest any analytical step leading to the MAR's conclusion that DCHA met the criteria of a component unit during FY 2022. Instead, the letter relies on a fact that the MAR acknowledged: the independent audit firm McConnell Jones has accepted OCFO's determination of the status of DCHA in the course of auditing the District's financial statements. But this fact is not determinative.

In a financial statement audit, an independent firm relies upon information provided by management.

Further, McConnell Jones's audit objectives were "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 [its] opinions."<sup>5</sup> The Independent Auditors' Report explains:<sup>6</sup>

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 [generally accepted audit standards] will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Thus, relying on McConnell Jones's report is not a substantive response to the MAR. The MAR shows that OCFO's position statements, which McConnell Jones accepted, failed to mention the District's subsidies of DCHA while purporting to analyze whether DCHA is financially supported by the District. Likewise, McConnell Jones might not have considered the subsidies on which the MAR's analysis turned.

In accordance with ODCA policies and procedures, ODCA has assessed audit risk, including the possibility that the MAR's conclusions may be improper or incomplete. This risk is acceptably low. ODCA will publish the MAR without modification, apart from including the OCFO response, this comment on the OCFO response, and the OCFO position statements consistent with ODCA Policies and Procedures.

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5 *Id.* at 25.

6 *Id.*

# Appendix A

OCFO FY 2023 Statement of Position 23-07



## Statement of Position 23-07: DCHA – Reassessment of Reporting Entity Status

### ISSUE

In fiscal year 2023, the Council of the District of Columbia (Council) amended certain legislation to establish a temporary stabilization and reform board to govern the District of Columbia Housing Authority (DCHA or Authority). This statement of position presents a reassessment of the reporting entity status of DCHA in light of the amended legislation. Historically, DCHA has been reported as a related organization.

### BACKGROUND

DCHA was established by the District of Columbia Home Rule Act 87 Statute 779 in 1974. The Authority operates under [Title 6 Chapter 2 Subchapter I of the District of Columbia Code](#)<sup>1</sup> (DC Code or Code) passed in 1999, which established it as an authority separate and independent from the District of Columbia government. 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”<sup>2</sup>.

In its 2019 assessment, the OCFO determined DCHA to be a related organization as the District is not financially accountable for DCHA. Consequently, the financial activities of DCHA were not included in the District’s annual comprehensive financial report.

The Council of the District of Columbia enacted the “District of Columbia Housing Authority Stabilization and Reform Emergency Amendment Act of 2022”<sup>3</sup> (DCHA Reform Act) effective December 22, 2022. The DCHA Reform Act amends, on an emergency basis, the umbrella District of Columbia Housing Authority Act of 1999 (D.C. Law 13-105; D.C. Official Code § 6-201 *et seq.*), to establish a temporary stabilization and reform board to govern DCHA. The DCHA Reform Act also addresses certain required reform activities, such as comprehensive training programs and specific reporting requirements to be established and executed by the Stabilization and Reform Board.

### ANALYSIS

The OCFO reviewed all amendments outlined in the DCHA Reform Act to assess the impact of the legislation relative to the criteria for determining a component unit, i.e., whether the organization is a legally separate entity, and whether the primary government appoints a voting majority of the organization’s governing body. The OCFO also considered the financial benefit/burden criterion or whether the primary government is able to impose its will on the organization.

Based on the OCFO’s review, the only change as it relates to component unit evaluation is the board appointment amendment. Specifically, the DCHA Reform Act replaces the members of the DCHA

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<sup>1</sup> [Chapter 2. District of Columbia Housing Authority. | D.C. Law Library \(dccouncil.gov\)](#)

<sup>2</sup> <https://www.dchousing.org/wordpress/about-us/>

<sup>3</sup> [D.C. Act 24-702. District of Columbia Housing Authority Stabilization and Reform Emergency Amendment Act of 2022. | D.C. Law Library \(dccouncil.gov\)](#)



**Statement of Position 23-07:  
DCHA – Reassessment of Reporting Entity Status**

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Board of Commissioners with named members of a Stabilization and Reform Board and states that each member of the Stabilization and Reform Board shall be appointed by the Mayor, with the advice and consent of the Council. The DCHA Reform Act also requires the Stabilization and Reform Board to provide recommendations to the Mayor and the Council by July 1, 2024, for the structure of a successor Board of Directors to govern the Authority on an ongoing basis. However, while the Mayor can appoint, with the advice and consent of the Council, members to the Reform Board, neither the Mayor nor the Council has the authority to remove the appointed members of DCHA's governing board at will (and thereby is unable to impose its will on DCHA). The criterion that a primary government appoints a voting majority of the organization's governing body is met in the amended legislation, as it was in the OCFO's 2019 evaluation of the reporting entity status. However, the District is still unable to impose its will.

Consequently, the OCFO's evaluation of the board criteria contained in the amendments resulted in no change in its determination of the Authority's entity status (based on the evaluation completed prior to the amendments). Further, no other criteria used in evaluating entity status has changed, therefore, no further evaluation was performed.

**CONCLUSION**

The DCHA Reform Act did not change the determination of the entity status of DCHA that was concluded in 2019, and hence it will remain a related organization of the District for reporting purposes.

# **Appendix B**

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OCFO FY 2019 Statement of Position 19-01

**Statement of Position (SOP-19-01)**

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**Entity Status of the  
District of Columbia Housing Authority**

**ISSUE**

To determine the financial reporting entity status of the District of Columbia Housing Authority.

**BACKGROUND**

The District of Columbia Housing Authority (the Housing Authority) was created by the District of Columbia Housing Authority Act of 1994 (D.C. Law 10-243) which was later repealed and replaced by the District of Columbia Housing Authority Act of 1999. The Housing Authority is an independent agency within the District of Columbia, established as a corporate body to effectuate certain public purposes, having a legal existence separate and distinct from the District government.

The Housing Authority was established to, among other things, govern public housing and implement the United States Housing Act of 1937 in the District of Columbia. In addition, the Housing Authority is responsible for carrying out the public purpose of providing decent, safe, and sanitary dwellings, and related facilities, for persons and families of low and moderate income in the District of Columbia

**ANALYSIS**

The Office of Financial Operations and Systems (OFOS) reviewed GASB Statement Nos. 14, 39 and 61, to determine the appropriate financial reporting status of the Housing Authority. An analysis based on the criteria established in the referenced GASB Statements and the relevant portions of applicable legislation is presented below.

**Is the Housing Authority legally separate from the District government? YES**

*GASB Statement No. 14, Par.15 states: An organization has separate legal standing if it is created as a body corporate or a body corporate and politic, or if it otherwise possesses the corporate powers that would distinguish it as being legally separate from the primary government. Generally, corporate powers give an organization the capacity to have a name; the right to sue and be sued in its own name without recourse to a state or local governmental unit; and the right to buy, sell, lease, and mortgage property in its own name. The corporate powers granted to a separate organization are enumerated in its corporate charter or in the legislation authorizing its creation.*

**Statement of Position (SOP-19-01)**

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Section 4.1 (a) of the District of Columbia Housing Authority Act of 1999 states: “There is hereby established as an *independent* agency within the District of Columbia, the District of Columbia Housing Authority. The Authority shall be a *corporate body*, intended, created, and empowered to effectuate certain public purposes, having a *legal existence separate and distinct from the District government . . .*” Moreover, pursuant to Section 5.1 of the Act, the Housing Authority, among other things, has the power and authority to: sue and be sued in its own name; acquire real and personal property by purchase, lease, transfer, gift, exchange or otherwise, and by power of eminent domain; hold, own, operate, lease, and manage real property and the improvements thereon, personal property, funds, accounts, and other items; and lease, sell, pledge, encumber, mortgage, convey, dispose of or otherwise transfer rights and interests in real property and the improvements thereon, personal property, funds, accounts, and other items. Therefore, the Housing Authority holds corporate powers that distinguish it as being legally separate from the District government.

**Does the District appoint a voting majority of the Housing Authority’s board? YES**

GASB Statement No. 14, Par. 22 states: *“If a primary government appoints a simple majority of the organization’s governing board, it usually has a voting majority. However, if financial decisions require the approval of more than a simple majority, the primary government is not accountable for the organization.”*

Pursuant to Section 12.1 of the D.C. Housing Authority Act of 1999, the Housing Authority’s Board of Commissioners is comprised of 11 voting members, which include the following: (a) four public Commissioners, nominated by the Mayor, with the advice and consent of the Council; (b) three resident Commissioners who are to be elected in, and for certain residents of, the Authority’s Housing Properties; (c) one resident Commissioner, nominated by the Mayor, with the advice and consent of the Council; (d) one ex officio Commissioner, the Deputy Mayor for Planning and Economic Development; (e) one Commissioner who is a labor representative named by the central labor council; and (f) one Commissioner who is a housing advocacy representative named by the D.C. Consortium of Legal Services Providers. Therefore, 5 of the 11 Commissioners are appointed by the District and 1 Commissioner is a District official.

**Is there a financial benefit /burden relationship? NO**

GASB Statement No. 61, Section 6, Amendments to Inclusion under the Financial Accountability Concept, states that: *“An organization has a financial benefit or burden relationship with the primary government if . . . any one of these conditions exists: (a) the primary government is legally entitled to or can otherwise access the organization’s resources; (b) the primary government is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) the primary government is obligated in some manner for the debt of the organization.”*

**Statement of Position (SOP-19-01)**

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Pursuant to Section 4.1, paragraph (c) of the D.C. Housing Authority Act of 1999, the District of Columbia Housing Authority Fund (the Fund) has been established, which shall be “operated by the Authority in accordance with generally accepted accounting principles. All revenues, rents, proceeds and monies, from whatever source derived, that are collected or received by the Authority shall be credited to the Fund and shall not at any time be transferred to, lapse into, or be commingled with the General Fund of the District of Columbia or any other fund or account of the District, except that funds may be paid out of the Fund to the District of Columbia Treasurer to pay for goods, services, or property, or other things of value, if any, purchased by the Authority from the District.” **Accordingly, the District is not legally entitled to or cannot otherwise access the organization’s resources.**

The D.C. Housing Authority Act of 1999 does not include provisions requiring the District to financially support the operations of the Housing Authority. Therefore, **the District is not legally obligated or has not otherwise assumed the obligation to finance the deficits of, or provide financial support to, the Housing Authority.**

Consistent with the provisions of the D.C. Housing Authority Act of 1999, §11.1 Terms for sale of bonds; additional note and bond provisions, paragraph (k), “Obligations issued under the provisions of this chapter do not constitute an obligation of the District but are payable solely from the revenues or assets of the Authority. Each obligation issued under this chapter must contain on its face a statement to this effect, and a notation that neither the faith and credit nor the taxing power of the District is pledged to the payment of the principal of or interest on such obligation.” The Act further states in Section 5, General Powers of the Authority, that the Authority is empowered and authorized to “. . . apply for, accept, receive, and utilize funds from public and private sources in the form of gifts, grants or loans. . .” and “. . . undertake any and all other activities as may be reasonably necessary and appropriate in connection with furthering and accomplishing the Authority’s purposes.” The referenced Act does not include provisions requiring the District to fund any portion of the Authority’s debt. Consequently, **the District is not obligated in any manner for the debt of the District of Columbia Housing Authority.**

**Consequently, there is no financial benefit/burden relationship between the District and the Housing Authority.**

**Is the District able to impose its will on the Housing Authority? NO**

GASB Statement No. 14 Par. 26 states: *A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, activities or level of services performed or provided by the organization. The existence of **any one** of the following conditions clearly indicates that a primary government has the ability to impose its will on an organization:*

- 1) *The ability to remove appointed members of the organization’s governing board at will.*
- 2) *The ability to modify or approve the budget of the organization.*

**Statement of Position (SOP-19-01)**

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- 3) *The ability to modify or approve rate or fee changes affecting revenues, such as water usage rate increases.*
  - 4) *The ability to veto, over-rule, or modify the decisions (other than those in 2 and 3) of the organization's governing body.*
  - 5) *The ability to appoint, hire, reassign, or dismiss those persons responsible for the day-to-day operations (management) of the organization.*
- **Removal of Appointed Board Members.** Section 12.1 (o) of the D.C. Housing Authority Act of 1999 does not explicitly state that the District may remove an appointed Board member (Commissioner) at will. The Act states that: "The Board may, by majority vote, remove any Commissioner for official misconduct, conflict of interest violations, neglect of duty, incompetence, or personal misconduct, but only after the Commissioner shall have been given a copy of the charges and an opportunity to answer those charges in accordance with a procedure established in the by-laws or other rules of the Board. The Chairperson shall suspend a Commissioner pending the Board's consideration of the charges. If the Chairperson is the Commissioner against whom charges have been made, the Mayor shall suspend the Chairperson pending such consideration." Therefore, a Commissioner can only be removed based upon the determinations and actions of the Board and such removal is to be for cause (e.g., official misconduct, conflict of interest violations, neglect of duty, incompetence, or personal misconduct.)

In addition to interpreting the cited legislation, one must also determine whether the Mayor has the ability to remove Board members at will. "At will" is defined by Webster's New World Law Dictionary as "a status or relationship that can be terminated for any reason, or for no reason, at any time without prior notice."<sup>1</sup> Because the Housing Authority's enabling legislation does not state that a Board member may be removed with or without cause at any time but does state that the Board member must be given notice prior to removal, the "at-will" criteria do not apply with respect to the Housing Authority's Board members.

**The District does not have the ability to remove appointed members of the organization's governing board at will.**

- **Ability to modify or approve the Housing Authority's budgets.** There is no provision in the Housing Authority's enabling legislation requiring the Authority to submit its budgets to the District for approval. Historically, the District has provided substantial annual operating subsidies to the Housing Authority. According to GASB Statement No. 14 (examples 3 and 6, paragraphs 137 and 140), providing significant amounts of subsidies to a legally separate entity does not represent the primary government's ability to modify or approve the entity's budget. Therefore, **the District does not have the ability to modify or approve the Housing Authority's budget.**

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<sup>1</sup> Webster's New World Law Dictionary, 2010, Wiley Publishing, Inc., Hoboken, New Jersey.

**Statement of Position (SOP-19-01)**

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- Ability to modify or approve rates or fees. This criterion is not applicable to the Housing Authority because this organization does not charge rates or fees for services. Tenants in residential properties pay rents consistent with applicable law, housing regulations, and federal guidelines. **The District does not modify or approve rates or fees.**
- Ability to veto, over-rule, or modify the decisions (other than those in 2 and 3) of the organization's governing body. There is no provision in the Housing Authority's enabling legislation which indicates that the District may overrule the decisions made by the Housing Authority's Board of Commissioners. Therefore, **the District does not have the ability to veto, over-rule, or modify the decisions of the Housing Authority's governing body.**
- Ability to appoint, hire, reassign, or dismiss those persons responsible for the day-to-day operations of the Housing Authority. Pursuant to the D.C. Housing Authority Act of 1999, Section 13(c), the person responsible for the day-to-day operations of the Housing Authority is its Executive Director, who is appointed by the Board of Commissioners. Consistent with §13(c)(2) of the District of Columbia Housing Authority Act of 1999, the Executive Director supervises the staff of the Housing Authority, makes all final personnel decisions, and employs assistants, employees and consultants as necessary in accordance with applicable legislation, rules, regulations, by-laws, and policies adopted by the Board of Commissioners. The legislation does not indicate that the District has the ability to hire, reassign, or dismiss the Executive Director or any of those which he/she employs. Thus, **the District does not have the ability to appoint, hire, reassign, or dismiss those persons responsible for the day-to-day operations of the Housing Authority.**

OFOS has determined that *the District does not have the ability to impose its will on the Housing Authority* because the District did not meet any of the five conditions established by GASB Statement No. 14.

**CONCLUSION**

Based on the above analysis, OFOS concludes that the **Housing Authority is not a component unit of the District of Columbia Government** because: 1) there is no financial benefit/burden relationship between the District and the Housing Authority; and 2) the District does not have the ability to impose its will on the Housing Authority. The Housing Authority is a related organization to the District.

# About ODCA

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The mission of the Office of the District of Columbia Auditor (ODCA) is to support the Council of the District of Columbia by making sound recommendations that improve the effectiveness, efficiency, and accountability of the District government.

To fulfill our mission, we conduct performance audits, non-audit reviews, and revenue certifications. The residents of the District of Columbia are one of our primary customers and we strive to keep the residents of the District of Columbia informed on how their government is operating and how their tax money is being spent.

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