



District of Columbia Housing Authority

1133 North Capitol Street, N.E.
Washington, D.C. 20002-7599
(202) 535-1000

Michael Kelly, Executive Director

December 31, 2007

Ms. Dominique Blom
Deputy Assistant Secretary
Office of Public Housing Investments
U.S. Department of Housing and
Urban Development
451 7th Street S.W.
Washington, DC 20410

Dear Ms. Blom:

It is with great pleasure that I share with you the D.C. Housing Authority's (DCHA) FY 2007 Moving to Work (MTW) Report as required per the terms of DCHA's MTW Agreement. This report provides updates on the implementation of DCHA's MTW Initiatives, responses to the data requirements of Attachment B of the Agreement, and information on DCHA's FY 2007 Benchmarks.

DCHA has established a very comprehensive and participatory MTW program. With input from our residents, local advocates, DCHA staff and other important stakeholders, we have designed initiatives that respond more effectively to the needs of the families we serve here in the District of Columbia. We have streamlined some procedures to improve efficiency, and created policies that will enhance the livability of our properties. We have also produced policies in reaction to an ever changing funding environment.

I hope that this report will provide you and your colleagues with information that is useful to other housing authorities across the country. Please feel free to call me with any questions you may have.

Sincerely,

Michael Kelly
Executive Director

cc: Lee Palman

DISTRICT OF COLUMBIA HOUSING AUTHORITY



**CREATIVE LIVING
SOLUTIONS REPORT
FY 2007**

MICHAEL KELLY, Executive Director

Table of Contents

INTRODUCTION	1
PART I: OVERVIEW OF ACTIVITIES AND ISSUES.....	4
I. HOUSEHOLDS SERVED	4
OCCUPANCY POLICIES	14
III. CHANGES IN THE HOUSING STOCK	14
IV. SOURCES AND AMOUNTS OF FUNDING	16
V. USES OF FUNDS	17
VI. CAPITAL PLANNING.....	18
VII. MANAGEMENT INFORMATION FOR OWNED/MANAGED UNITS	22
VIII. MANAGEMENT INFORMATION FOR LEASED HOUSING.....	28
IX. RESIDENT PROGRAMS	31
IX. OTHER INFORMATION REQUIRED BY HUD.....	34
PART II: CREATIVE LIVING SOLUTIONS INITIATIVES	35
OBJECTIVE 2: SUSTAIN QUALITY PROPERTY MANAGEMENT.....	37
<i>Initiative 2.1.04: Simplified Certification and Multi-year Income Recertification</i>	37
OBJECTIVE 3: ACHIEVE EFFECTIVE CUSTOMER SUPPORT SERVICES.....	38
<i>Initiative 3.3.05: Streamlined Subsidy-Only Protocol (the "OPERating Assistance Program")</i>	38
OBJECTIVE 4: ORGANIZE EFFICIENT BUSINESSLIKE OPERATING SYSTEMS	38
<i>Initiative 4.1.04: DCHA Subsidiary to Act as Energy Services Company</i>	38
<i>Initiative 4.3.05: Flexible Funding</i>	38
CONCLUSION	39
PART III: APPENDICES.....	40
APPENDIX A: BENCHMARK STATUS REPORT	41
APPENDIX B: CAPITAL EXPENDITURES AT EXISTING PROPERTIES	42
APPENDIX C: INDEPENDENT AUDIT FOR FY 2006—MOST RECENT	43

INTRODUCTION

This report describes both the ongoing activities of the District of Columbia Housing Authority (DCHA) over the past fiscal year from October 1, 2007 thru September 30, 2007 (Fiscal Year 2007) and the innovative initiatives that DCHA has undertaken using MTW flexibility. The initiatives reported on in this report were first described in DCHA's Moving to Work/Creative Living Solutions (MTW/CLS) Plan for Fiscal Year 2007, presented to HUD in July 2006.

During the past fiscal year, DCHA sustained its mission of managing public housing units, administering vouchers, expanding affordable housing opportunities and supporting resident empowerment efforts. While the year was filled with multiple challenges, it also contained a variety of opportunities that allowed DCHA to face increasing affordable housing needs within a city with an aggressive housing market. Much like its peers across the nation, DCHA sought creative responses to the changing affordable housing environment and the reality of shrinking resources. The DCHA staff has demonstrated remarkable resiliency as both programmatic and administrative changes were implemented to reduce costs. With solid leadership and the commitment and sacrifices of a talented staff, DCHA stabilized the level of its housing assistance programs without undue harm to its existing clients.

During FY 2007, DCHA realized a number of achievements in each of its program areas. Highlights of these achievements include:

- a. Moody's upgraded their previous assessment of DCHA's financial and management operations to MQ1, their highest management rating;
- b. The award-winning Do Your Best program, which offers summer jobs and college preparation to young residents, celebrated its 10th Anniversary;
- c. Maintenance of quality property management at public housing developments;
- d. Construction and occupancy at four HOPE VI sites, including Capper/Carrollsborg, Eastgate, Capital Gateway, and Henson Ridge;
- e. Continued implementation of the expedited modernization program where over \$80 million in bond proceeds are bringing properties to 20-year viability. All funding has been obligated.
- f. Secured \$26 million in funds for additional modernization through DCHA's ESCO initiative;
- g. Updated a 20 year old public housing lease;
- h. Received, for the seventh year in a row, an Unqualified Opinion in FY 206 independent audit;
- i. Completion of 428¹ (cumulative)ADA/504 units,

¹ DCHA has created or converted a cumulative total of 489 UFAS units as of December 2007. The 428 represents the number of UFAS units created during the Fiscal Year.

District of Columbia Housing Authority
Creative Living Solutions Report FY 2007

- j. Closing on 20 homeownership units at various sites, including Henson, Capitol Gateway and other scattered sites;
- k. Acquired a new software system, VisualHomes, to enhance agency wide information management.²

DCHA is the largest landlord in the District of Columbia. This fact, coupled with the agency's location in the nation's capitol, places a unique value on our efforts. Continuously in the spotlight, DCHA continues to assume a leadership role, both locally and federally, by carrying out its mission with a quiet confidence and commitment to excellence.

Moving to Work as a Valuable Tool

Each of the objectives reported as completed in this report advance at least one of the four objectives of DCHA's MTW Plan found in DCHA' MTW Agreement. The four objectives are as follows:

- Develop enhanced housing opportunities;
- Sustain quality property management;
- Achieve effective customer support services; and
- Organize efficient businesslike operating systems.

These four objectives are a summary of the ten objectives of DCHA's two year strategic plan. The initiatives proposed in the CLS Plan and reported on in the CLS Report are just some of the many avenues and tools that DCHA is using to achieve the goals and objectives of the DCHA Strategic Plan. This report covers the policies and accomplishments directly related to MTW/CLS activities. Other planning tools that DCHA uses alongside with the CLS Plan to guide the implementation of its strategic plan include a comprehensive Business Plan and a communications plan. The objectives and the tasks of the strategic plan are updated every two years; the business plan, the communications plan and the CLS Plan are updated annually.

Content of this Report

The report is presented in three parts. The first part presents much of the data and information required by Attachment B of DCHA's MTW Agreement with HUD. The second section reports on the Initiatives proposed in the FY 2007 Creative Living Solutions Plan that was completed during FY 2007. The second section is organized according to DCHA's MTW/CLS objectives. The third section is the Appendices that complete the requirements of the MTW Agreement, including data required by Attachment B of the Agreement. Appendix B of the third section is a table presenting DCHA's progress on the Benchmarks incorporated in DCHA's MTW Agreement.

The Initiatives presented in this report were completed in consultation with the residents of DCHA's communities, the local organizations committed to helping improve

² The software will be fully implemented in January 2008.

District of Columbia Housing Authority
Creative Living Solutions Report FY 2007

the lives of low income families, local elected and appointed officials, DCHA staff and concerned members of the general public. After the exploration and consultation process, the proposed changes that were carried through to implementation were adopted through the District of Columbia rulemaking process, with final adoption by the DCHA Board of Commissioners.

DCHA appreciates the advice, hard work and commitment of all the participants in the process of examining what we do and devising policies and processes that can help us do it better. The completed Initiatives that result from these efforts would not have been possible without the contributions from our clients, advocacy groups and all other stakeholders, not the least of which are DCHA employees responsible for the day-to-day success of the agency in achieving its mission.



Completed Capper I Senior building.

PART I: OVERVIEW OF ACTIVITIES AND ISSUES

This section of the plan is organized according to the reporting requirements of Attachment B of DCHA's MTW Agreement with HUD. It provides the data, narrative and discussion as required by the Agreement.

I. Households Served

Overall, DCHA has achieved a net increase in total families served, exceeding our combined MTW benchmark of 16,661 by 7.1% by serving a total of 17,480. This growth was primarily in the voucher program as DCHA began to remove a modest amount of households from the waiting list and issue vouchers to tenants impacted by local opt outs. In the public housing program, DCHA met the number of households it planned to serve in the FY 2007 MTW Plan, but, as anticipated, the program did not reach the MTW benchmark lease up number due to already reported past delays in the delivery of newly constructed public housing units at HOPE VI sites and changes in a financing structure at the Henson Ridge site where units originally planned as ACC units are now project-based Section 8 units. Additionally, bond-supported modernization efforts have also temporarily taken some units offline. Below are summary of the households served by program.

Public Housing Families								
	End of FY '03	End of FY '04	End of FY '05	End of FY '06	End of FY '07	End of FY '08	End of FY '09	End of FY '10
Planned	7,203	7,508	7,000	7,200	7,200			
Actual	7,203	7,258	7,120	7,032	7,204			

HCVP Recipients								
	End of FY '03	End of FY '04	End of FY '05	End of FY '06	End of FY '07	End of FY '08	End of FY '09	End of FY '10
Planned	8,680	9,300	9,643	10,000	10,200			
Actual	9,249	9,908	9,575	9,905	10,276			

Total Households Served								
	End of FY '03	End of FY '04	End of FY '05	End of FY '06	End of FY '07	End of FY '08	End of FY '09	End of FY '10
Planned	15,883	16,808	16,643	17,200	17,400			
Actual	16,452	17,166	16,695	16,937	17,480			

Changes in Tenant Characteristics-Public Housing and HCVP

One key fact that is not readily captured in the data above is the extent to which DCHA has been able to expand opportunities for low and moderate income families through other affordable housing methods. During FY 2007, DCHA and its partners created a total of 103 HCVP projected based Section 8 units. DCHA also continued to enter into agreements with various other affordable housing providers for the collective creation of more Project Based Section 8 and ACC units. The housing authority has also been a partner in the construction of affordable homeownership sites. In addition, during FY 2007, DCHA delivered a total of 108 homeownership units and one Lease to Purchase unit targeted to mixed-income populations. These units include 96 units at the Henson Ridge development, five (5) at the East Capitol site, six (6) scattered sites, and 1 lease-to-purchase unit at the Wheeler Creek development. Of these units 20 were sold to participants of the DCHA HCV/HOA Programs.

Number of Bedrooms

The bedroom breakdown of the households remained relatively constant in FY 2007. The number of households occupying studio or zero bedroom units dropped by 2.6% from the previous year while the number of households in larger units showed steady growth consistent with the overall growth in the number of households.

Household Type

The change in households type change ranged from 3% to 11%. The number of non-elderly- non-disabled grew by 4% while the number of elderly non-disabled increased by 3%. The most dramatic increase is shown in the number of households with disabled members in the household unit. This group of households experienced 11% growth.



Completed units at Henson Ridge.

District of Columbia Housing Authority
Creative Living Solutions Report FY 2007

The percentage of families with incomes less than thirty (30) percent of the Area Median Income (AMI) decreased slightly from 91% in FY 2006 to 89% during FY 2007 while the number of households in the income range of 30% to 50% of AMI increased by 1 percent from 8% at the end of FY 2006 to 9% at the end of FY 2006. The most dramatic increase is shown in the number of households who fell into the income category of above 80% of the AMI, which increased from just 11 households by the end of FY 2006 to 55 by the end of FY 2007.

Race

As shown in the tables above, DCHA's tenant characteristics have remained fairly constant over the past years. The racial breakdown of the households served has remained relatively the same. For example, the percentage of African Americans compared to the total households served has remained at approximately 97% for the past several years and remained consistent for FY 2007. Households of other races increased slightly.

Ethnicity

The number of Latino households served showed slight decrease from fiscal year end 2006 to fiscal year end 2007. At the end of FY 2006, there were 344 households who identified themselves as "Latino" or "Hispanic" and by the end of fiscal year 2007, the number fell to 340. Over the years the number of Latino/Hispanic households has ranged from the low of 339 to the high of 413. Below are summary tables of the total households severed segregated by demographic characteristics.

Total Households Served: By Bedroom Size								
	End of FY '03	End of FY '04	End of FY '05	End of FY '06	End of FY '07	End of FY '08	End of FY '09	End of FY '10
0 BR	2,255	2,956	2,563	1,021	994			
1 BR	3,592	3,626	3,531	4,274	4,416			
2 BR	5,193	5,196	4,992	5,522	5,586			
3 BR	3,857	3,767	3,796	4,115	4,358			
4 BR	1,177	1,204	1,327	1,462	1,557			
5 BR	343	370	417	465	488			
6 BR	35	57	70	78	81			
TOTAL	16,452	17,166	16,696	16,937	17,480			

District of Columbia Housing Authority
Creative Living Solutions Report FY 2007

Total Households Served: by Household Type								
	End of FY '03	End of FY '04	End of FY '05	End of FY '06	End of FY '07	End of FY '08	End of FY '09	End of FY '10
Non-elderly/non-disabled	9,683	9,732	10,158	10,158	10,570			
Elderly/non-disabled	2,140	2,249	2,476	2,399	2,481			
Disabled	4,629	5,185	5,743	6,126	6,793 ³			
TOTAL	16,452	17,166	18,377	18,683	19,844			

Total Households Served: By Income Group								
	End of FY '03	End of FY '04	End of FY '05	End of FY '06	End of FY '07	End of FY '08	End of FY '09	End of FY '10
<30% AMI	15,465	15,869	15,432	15,428	15,582			
30%-50% AMI	926	1,187	1,153	1,322	1,660			
50%-80% AMI	60	105	104	176	183			
>80% AMI	1	5	6	11	55			
TOTAL	16,452	17,166	16,695	16,937	17,480			

³ This figure represents the count of all household members who are disabled.

District of Columbia Housing Authority
Creative Living Solutions Report FY 2007

Total Households Served: By Race								
	End of FY '03	End of FY '04	End of FY '05	End of FY '06	End of FY '07	End of FY '08	End of FY '09	End of FY '10
Asian/Pacific Islander	48	53	51	59	45			
African American	15,829	16,643	16,185	16,458	17,008			
Native American /Hawaiian	7	27	28	28	26			
Caucasian	326	369	362	364	364			
Other	242	74	69	28	37			
TOTAL	16,452	17,166	16,695	16,937	17,480			

Total Households Served: By Ethnicity								
	End of FY '03	End of FY '04	End of FY '05	End of FY '06	End of FY '07	End of FY '08	End of FY '09	End of FY '10
Hispanic	339	350	413	344	340			
Non-Hispanic	16,113	16,816	16,282	16,593	17,140			
TOTAL	16,452	17,166	16,695	16,937	17,480			

Number and characteristics of households on Waiting Lists

The waiting list represents every single household that has applied for housing assistance. The DCHA waiting list continued to grow in FY 2007. The number of applicants on the waiting list for public housing decreased by 5% from the previous year, while the number of households waiting under the HCV program assistance increased by 5% from the previous year, representing a slower growth rate from FY 2006. It should be noted that some households are on the waiting list for public housing and tenant and project based HCVP assistance. Below are summary tables of the demographics of the households on the DCHA waiting list.

Demographics-Public Housing

As noted above, the overall number of household on the waiting list for assistance for the public housing dropped slightly. However, a closer look at the numbers shows that the number of households on the waiting list for public housing assistance shows a slight increase in the number of households waiting for one and 4 bedroom units. For example, at the end of FY 2006, there were 8,690 household waiting for a one-bedroom unit and

8,988 at the end of FY 2007, representing 3% increase. Similarly, the number of households on the waiting list for four bedroom units increased by 3% from 1,186 at the end of FY 2006 to 1,225 at the end of FY 2007. There were also minimal increases in the number of households waiting for 6 bedroom or larger units.

Household Type-HCVP

As noted the number of households on the waiting list for HCVP assistance grew by 5% from the previous year. The data shows that the most significant increase was in the number of households with disabled household members. This group of household grew by 14% from 2006 from 4,989 at the end of FY 2006 to 5,707 at the end of FY 2007. An increase is also shown in the number of elderly non-disabled households on the waiting list where the number of this group increased from 3,237 in 2006 to 3,498 in 2007, representing an 8% increase.



Partially completed single-family homes at Capitol Gateway.

Income-HCVP

There was a general increase in the number of households on the waiting list in most of the income categories. The very low income households, those whose income falls in the 0%-50% of AMI, continued to represent the largest number of households on the waiting list with those households represent 88% of all the households on the waiting list at the end of FY 2007. Between 2006 and

2007, there was a 5% increase in the number of households in the very low income category or those whose earnings are at or below 30% of the AMI. Households in the income category of 30% to 50% of the AMI showed a 15% increase between 2006 and 2007.

Race-HCVP

The racial breakdown of households on the waiting list showed increases for all races. The rate of change varied from 5% to 11%. The number of both the African-American and Caucasians on the waiting list showed 5% increase. The Native

District of Columbia Housing Authority
Creative Living Solutions Report FY 2007

American/Native Alaskan and the Asian/Pacific Islander household group shows 11% and 10% increase, respectively. The number of households who reported their race as "other" decreased by 4% from 162 at the end of FY 2006 to 156 at the end of FY 2007.

Ethnicity-HCVP

The majority households on the waiting list are non-Latino/non-Hispanic. The Latino/Hispanic household population on the waiting list constituted 2% of the 2007 total number of households on the waiting list for HCVP assistance, which is consistent with that of 2006. While the overall representation remained at 2% in 2007, the number of Latino/Hispanic increased by 11% from 1,005 in 2006 to 1,120 in 2007. Below are summary of the households on the waiting list by broken down demographic characteristics.

	End of FY '03	End of FY '04	End of FY '05	End of FY '06	End of FY '07	End of FY '08	End of FY '09	End of FY '10
Public Housing	20,492	26,458	27,622	29,797	28,347			
HCVP	30,876	40,884	44,500	47,229	49,581			

	End of FY '03	End of FY '04	End of FY '05	End of FY '06	End of FY '07	End of FY '08	End of FY '09	End of FY '10
0 BR	7,011	6,367	6,450	6,995	6,784			
1 BR	3,363	6,636	7,535	8,690	8,988			
2 BR	5,502	7,453	7,730	7,848	7,461			
3 BR	3,485	4,667	4,580	4,906	3,727			
4 BR	846	1,088	1,118	1,186	1,225			
5 BR	141	119	95	71	57			
6 BR	30	25	19	6	9			
6+ BR	114	103	95	95	97			
TOTAL	20,492	26,458	27,622	29,797	28,348			

District of Columbia Housing Authority
Creative Living Solutions Report FY 2007

Households on Waiting List by Income Group: Public Housing								
	End of FY '03	End of FY '04	End of FY '05	End of FY '06	End of FY '07	End of FY '08	End of FY '09	End of FY '10
<30% AMI	20,077	25,971	27,244	29,385	27,938			
30%-50% AMI	357	421	318	353	368			
50%-80% AMI	13	23	20	19	8			
>80% AMI	45	43	40	40	34			
TOTAL	20,492	26,458	27,622	29,797	28,348			

Households on Waiting List by Income Group: HCVP								
	End of FY '03	End of FY '04	End of FY '05	End of FY '06	End of FY '07	End of FY '08	End of FY '09	End of FY '10
<30% AMI	30,164	39,951	43,659	46,349	48,593			
30%-50% AMI	622	821	739	776	891			
50%-80% AMI	29	48	39	41	26			
>80% AMI	61	64	63	63	71			
TOTAL	30,876	40,884	44,500	47,229	49,581			

Households on Waiting List by Household Type: Public Housing								
	End of FY '03	End of FY '04	End of FY '05	End of FY '06	End of FY '07	End of FY '08	End of FY '09	End of FY '10
Non- elderly/non- disabled	18,340	23,320	24,269	25,962	24,570			
Elderly/non- disabled	1,133	1,343	1,051	1,343	980			
Disabled	969	1,751	2,251	2,445	2,753			
Other	50	64	51	47	45			
TOTAL	20,492	26,458	27,622	29,797	28,348			

District of Columbia Housing Authority
Creative Living Solutions Report FY 2007

Households on Waiting List by Household Type: HCVP

	End of FY '03	End of FY '04	End of FY '05	End of FY '06	End of FY '07	End of FY '08	End of FY '09	End of FY '10
Non-elderly/non-disabled	26,304	34,103	37,142	38,924	40,293			
Elderly/non-disabled	2,080	2,881	2,690	3,237	3,498			
Disabled	2,422	3,825	4,668	4,989	5,707			
Other	70	75	-	79	83			
TOTAL	30,876	40,884	44,500	47,229	49,581			

Households on Waiting List by Race: Public Housing

	End of FY '03	End of FY '04	End of FY '05	End of FY '06	End of FY '07	End of FY '08	End of FY '09	End of FY '10
Asian/Pacific Islander	111	185	140	150	138			
African American	19,780	25,505	26,653	28,733	27,341			
Native American /Alaskan Native	59	69	65	74	73			
Caucasian	465	640	672	765	729			
Other	77	59	92	75	67			
TOTAL	20,492	6,458	27,622	29,797	28,348			

Households on Waiting List by Ethnicity: Public Housing

	End of FY '03	End of FY '04	End of FY '05	End of FY '06	End of FY '07	End of FY '08	End of FY '09	End of FY '10
Hispanic	700	412	542	548	518			
Non-Hispanic	19,792	24,609	27,080	29,249	27,830			
TOTAL	20,492	26,458	27,622	29,797	28,348			

District of Columbia Housing Authority
Creative Living Solutions Report FY 2007

Households on Waiting List by Race: HCVP								
	End of FY '03	End of FY '04	End of FY '05	End of FY '06	End of FY '07	End of FY '08	End of FY '09	End of FY '10
Asian/Pacific Islander	154	263	231	263	288			
African American	29,722	39,335	42,803	45,383	47,643			
Native American /Alaskan Native	90	100	164	113	125			
Caucasian	769	1,070	1,187	1,308	1,369			
Other	141	116	115	162	156			
TOTAL	30,876	40,884	44,500	47,229	49,581			

Households on Waiting List by Ethnicity: HCVP								
	End of FY '03	End of FY '04	End of FY '05	End of FY '06	End of FY '07	End of FY '08	End of FY '09	End of FY '10
Hispanic	992	664	895	1,005	1,120			
Non-Hispanic	29,884	40,220	43,605	46,224	48,461			
TOTAL	30,876	40,884	44,500	47,229	49,581			

Discussion

DCHA attributes the increasing rate of growth in the waiting list to the increasing need for affordable housing in a city identified by the National Low Income Housing Coalition's *Out of Reach* report as being one of the top ten most expensive jurisdictions in the country. The local housing market has exacerbated the gentrification of many traditionally low and moderate income communities within the city's core. In the 2007 edition of Fannie Mae's report, "Housing the Nation's Capital", it states that "Prevailing rents also remain out of reach for many households. A family would need an income of about \$49,000 to afford the region's average rent in larger buildings (of \$1,226). As a consequence, in 2005 almost half of all renters region-wide were paying rents considered unaffordable by federal standards (that is, spending more than 30% of their income for rent.)"

During FY 2007, DCHA prepared for a purge of the waiting list that is scheduled to occur in FY 2008. The goal is to update the housing needs of each of the current applicants as well as ensure that the names on the list are a real indicator of the applicant pool.

Occupancy Policies

Changes in concentration of lower income families

It is well documented that the District of Columbia has one of the hottest housing markets in the country. This fact, coupled with revised federal HCVP funding methodologies, and the low turnover rate and low incomes of our family public housing units create a challenge when implementing de-concentration policies. But for the past several years, DCHA has used a variety of tools to encourage and promote deconcentrated neighborhoods.

In the public housing program, DCHA does not have any properties with a large number of families with relatively higher incomes, except in HOPE VI properties where explicit policies have been established to market to and recruit families with a wide-range of incomes. The majority of families in each DCHA property have incomes substantially below 30% of the Area Median Income (AMI). Many DCHA properties have historically been located in low income neighborhoods. However, because of the rapidly increasing demand for homes in the District of Columbia, many of the neighborhoods surrounding DCHA properties have rising income levels. This continues to lead to a greater mix of incomes in neighborhoods that include public housing properties. Additionally, through its CSSP services, HCVP homeownership program and resident employment opportunities programs, DCHA continues to encourage its residents to participate in educational and job training programs that will assist those who are unemployed or underemployed. Here the goal is to increase the incomes of existing public housing households and thus assist them in accessing more housing options.

In the HCVP program, DCHA continues to encourage its voucher participants in their efforts to choose homes in neighborhoods with lower concentrations of poverty. During initial briefing sessions, DCHA staff informs participants about the benefits and the means to get assistance to look for housing in those areas. Information on specific units in low poverty areas is also available. DCHA has also counseling staff who are dedicated to helping participants maintain a successful tenancy. DCHA also has an active Landlord Advisory Committee that assist with the recruitment of landlords in low poverty areas within the city. Additionally, the Board of Commissioners have supported a payment standard set at 110% of FMR which provides participants with the option of accessing units with higher rents.

III. Changes in the Housing Stock

Number of Public Housing units in inventory								
	End of FY '03	End of FY '04	End of FY '05	End of FY '06	End of FY '07	End of FY '08	End of FY '09	End of FY '10
Projected	9,219	8,807	7,000	7,876	7,800			
Actual	9,219	8,607	7,772	7,784	7,878			

District of Columbia Housing Authority
Creative Living Solutions Report FY 2007

Number of Vouchers in inventory								
	End of FY '03	End of FY '04	End of FY '05	End of FY '06	End of FY '07	End of FY '08	End of FY '09	End of FY '10
Projected	9,355	10,800	10,800	11,261	11,261			
Actual	9,355	10,877	10,978	10,031	11,944			

Discussion

DCHA's projected number of units in inventory for FY 2007 included the anticipated completion of 92 ACC units at the Henson Ridge site and 12 ACC units at the newly redeveloped Kentucky Courts site. The actual number is lower because the Henson Ridge units originally planned to be ACC are now project-based Section 8. And although these units are serving the same returning residents, they are not included in the public housing inventory count.

Homeownership

DCHA has a very active and successful homeownership program that utilizes a medley of federal and local tools to assist low and moderate families achieve the American Dream. In FY 2007, DCHA assisted twenty (20) households in achieving homeownership through the 5(h) and HOPE VI programs, with local homeownership assistance programs, and with the voucher program. Given local market pressures, there is a strong demand for DCHA's homeownership efforts.



Townhomes on Capitol Hill (formerly Ellen Wilson).

IV. Sources and Amounts of Funding

The tables in this section, Sources and Uses of Funding, present estimates of the total funds received and expended in FY 2007 at the time the plan was prepared and compared to the actual as of the end of FY '06. The projected sources were based on DCHA's current knowledge of grants approved and/or requested, adjusted by any new information received at the time the plan was being drafted in July 2005. DCHA anticipated a decline in both the Low Rent and HCV program thus the projected uses presented in the FY 2007 plan reflected DCHA's response to the anticipated funding realities.

The tables presented below are estimates only. DCHA will provide HUD provide with the final audited FY 2007 numbers upon completion of DCHA's independent audit. Attached to this report is the FY 2006 independent audit.

Planned versus actual funding amounts, FY 2007 un-audited

Sources-Un-audited - Unadjusted		
Classification	Projected Amount	Prelim FDS
Low Rent Program	\$58,694,392	\$64,369,983
HCVP	\$125,323,637	\$159,432,015
Capital Fund	\$33,200,000	\$38,105,599
HOPE VI Program & other Dev. Grants	\$25,000,000	\$26,278,775
Misc. Grants	\$1,300,000	\$115,436
<i>ROSS-Family Homeownership</i>	0	\$115,436
<i>ROSS-Family Homeownership</i>	0	\$0
<i>Community Vision</i>	\$400,000	\$0
<i>Youth Build Grant</i>	\$400,000	\$0
<i>Neighborhood Newtworks</i>	\$500,000	\$0
<i>Grant</i>		
Subsidiary Corporations	\$1,300,000	\$1,300,000
Interest Income	\$620,000	\$2,747,508
TOTAL	\$245,438,029	\$292,349,316

Discussion

The planned versus the actual funding is based on the amount DCHA anticipated in receiving versus the actual amount it received at the time the MTW plan was being prepared. As shown above, DCHA estimated a total of \$245 million in sources. Preliminary un-audited and unadjusted financial report shows \$292 million in sources. The variation is largely due to an increase in Bond revenue, which was driven by the amount of work performed during the same period and revenue increase in the Voucher program. It should be noted that this figures are based on un-audited and unadjusted.

District of Columbia Housing Authority
Creative Living Solutions Report FY 2007

preliminary closeout information. Final audited sources and uses reports will be available by the end of calendar year 2008.

V. Uses of Funds

Budgeted vs actual expenditures by line item, FY 2007 unaudited

Uses-Un-audited-unadjusted			
Line Item	Classification	Projected Amount	Prelim FDS
4110,4130,4140,4150,4171,4190,4195	Admin -Operations	\$23,200,000	\$26,608,712
4110,4130,4140,4150,4171,4190,4195	Admin- HCVP	\$9,000,000	\$10,451,571
4210 4220,4230	Tenant Services	\$1,500,000	\$1,696,736
4210 4220,4230	Ten Srvcs - obligations		\$2,300,000
4310,4320,4330,4340,4350,4390	Utilities	\$25,000,000	\$25,062,438
4410,4420,4430	Maintenance	\$17,500,000	\$19,211,994
4460,4470,4480	Security	\$7,500,000	\$2,754,639
4715	HAP	\$130,000,000	\$125,059,523
4715 Front Line Customer Initiatives Services	HCVP Initiatives		\$3,947,657
4510,4530,4540,4590	General - Operations	\$11,000,000	\$13,070,363
4510,4530,4540,4590	General - HCVP	\$1,500,000	\$1,236,975
1400,1430,1440,1450, 1460,1470,4610	Dev./Capital/No Routine	\$49,000,000	\$60,130,990
TOTAL		\$275,200,000	\$291,531,598

DCHA projected \$275 million in uses. Our un-audited financials show that the expenditure during FY 2007 was nearly \$291.5 million. Again, DCHA was able to accelerate its modernization efforts at its existing housing stock inventory thereby expending more of its Bond funds.

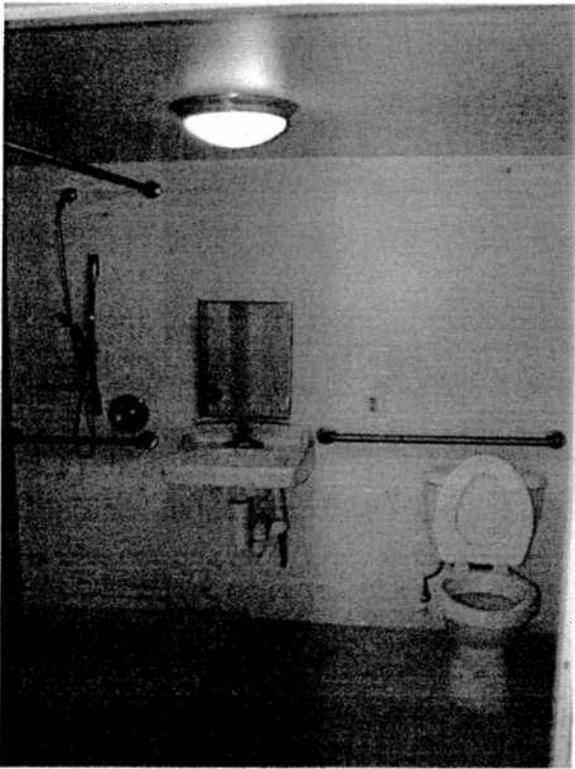
Reserve Balance at End of FY '07 and Adequacy of Reserves

DCHA had an estimated \$34,775,000 in retained earnings in its reserves at the end of FY '07. DCHA's reserves are more than twice its monthly expenses.

VI. Capital Planning

Planned vs Actual Expenditures

The table in Appendix B reflects planned and actual capital expenditures at each existing property during FY 2007, using all capital funding sources.



A view of a bathroom of a converted UFAS unit at Harvard Towers.

Discussion

DCHA has established a grand goal for its capital programs. After a comprehensive assessment of the physical needs of its portfolio and a realistic review of available resources, DCHA has placed each of its developments into one of three capital categories. The first category is for those sites that have already been targeted and funded for major revitalization. This includes the HOPE VI sites and other mixed finance sites throughout the city. The second category is for those sites that will be treated and brought to 20 year viability during the bond funded, four year accelerated modernization program. The third category was established for those sites that due to their size, physical needs, and harsh social dynamics require substantial investment and potential redevelopment.

Accelerated Modernization Program

By borrowing funds to accelerate the modernization of DCHA properties, DCHA hopes to stop further deterioration of targeted properties and resulting increases in routine

maintenance costs. Through bond proceeds received in FY 2005, DCHA has an ongoing modernization program at 39 properties to update/replace major systems in most of its developments and make other physical investments important to our clients.



Renovated balconies at Greenleaf Senior as part of Bond funded modernization efforts.

As of the end of FY 2007, DCHA continued to modernize its housing stock through the Bond program. At the end of FY 2007, the targeted properties 41 of the properties were undergoing renovation activities or were scheduled for renovation activities. To date, DCHA has expended over \$50 million in Bond proceeds for various modernization projects as DCHA properties. The activities include a wide range of modernization efforts, including retrofitting units for UFAS, replacement of boiler systems and removal and replacement of condensing roof tops. A list of activities and the payments made to date can be found in Appendix C.

Revitalization Sites—HOPE VI Sites

Capitol Gateway—Homeownership Units: During FY 2007, 20 homeownership units were placed in services of which 12 were sold to Housing Choice Voucher holders and the remaining 8 sold at market rate prices.



Nearly complete Capper II units.



Construction in progress at Capitol Gateway (formerly East Capitol).

Capitol Gateway—Rental Units: During 2007, DCHA delivered a total of 42 rental units of which 36 were occupied by returning households.

Eastgate—Eastgate is broken into two components-Triangle View Senior and Glenncrest Family. At the senior building, 61 were completed during FY 2007. At the family site, 100 were completed this far.

Henson Ridge—During FY 2007, DCHA delivered a total of 90 rental units of which 60 were occupied and the remaining 30 will be occupied by December 2007, the end the first quarter of FY 2008.

Capper/Carrollsborg—As of September 2007, construction on the first of two Capper buildings have been complete and Capper I become fully occupied during FY 2007. Initial occupancy at Capper II is anticipated for February 2008.

UFAS Activity—DCHA continues to work ardently on the creation of UFAS units to meet the requirements of a Voluntary Compliance Agreement (VCA) with HUD and a court ordered mandate. During FY 2007, DCHA completed a total of 47 units UFAS units, but completed a total of 108 as of the end of calendar year 2007. The creation of the 47 units during FY 2007 brings DCHA's cumulative total to 428 UFAS units. As of the end of the calendar year, DCHA created a total of 489 UFAF units (428 as of the end of the fiscal year).

DCHA will continue to aggressively work towards compliance with the VCA with HUD and its court order mandate. As part of this ongoing efforts, DCHA issued a

RFP offering project based Section 8 subsidy to owners in the private market willing to convert their units. This innovative program will utilize the fungibility available to DCHA through the MTW program, and will provide units, particularly hard to find family-sized units, to households with special needs. The housing authority also continues to make significant progress in converting the common areas of various developments to a UFAS standard.

It should also be noted that DCHA has housed all residents who were awaiting a UFAS unit and thus does not currently have anyone on the waiting list for UFAS units.



A nearly completed UFAS unit at Henson Ridge.

VII. Management Information for Owned/Managed Units

A. Vacancy Rates by Property at end of FY '07

Property	Total # of Units	# of Available Units FY '07	# of Occupied Units FY '07	Actual Adjusted Vacancy Rate FY '07
DCHA – Rock Creek				
Colorado	21	21	21	0%
Columbia Road	23	23	23	0.00%
Fort Lincoln	120	118	116	1.69%
Garfield Terrace	279	268	264	1.49%
Greenleaf Gardens	278	274	259	5.47%
Greenleaf Senior	215	212	205	3.30%
Harvard Towers	193	151	151	0.00%
James Apartments	141	140	138	1.43%
James Creek Apartments	239	235	229	2.55%
Judiciary House	271	181	176	2.76%
Kelly Miller Apartments	160	156	151	3.21%
Langston Addition	34	34	33	2.94%
Langston Terrace	274	270	260	3.70%
LeDroit Apartments	124	121	119	1.65%
Montana Terrace	64	55	54	1.82%
Park Morton Apartments	174	168	158	5.95%
Scattered Sites	63	18	18	0.00%
Syphax Gardens	174	167	159	4.79%
TOTAL	2,847	2,612	2,534	0.13%

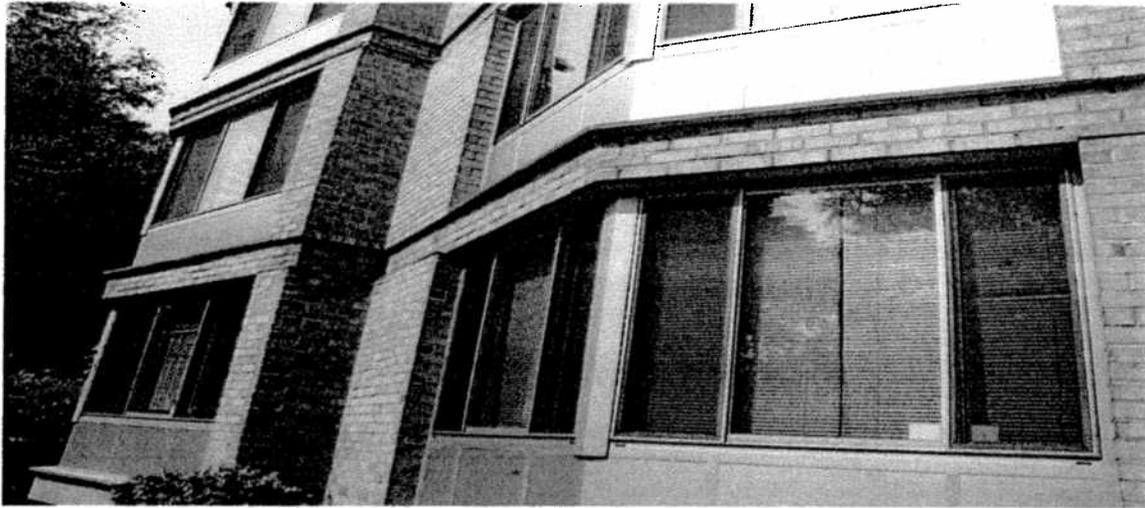
District of Columbia Housing Authority
Creative Living Solutions Report FY 2007



Sidewalk renovation in progress at Kentucky Courts. Renovation was funded by Bond funds.

Property	Total # of Units	# of Available Units FY '07	# of Occupied Units FY '07	Actual Adjusted Vacancy Rate FY '07
DCHA – Potomac				
Benning Terrace	274	262	254	3.05%
Fort DuPont Addition	16	16	16	0.00%
Fort DuPont Dwellings	104	103	101	1.94%
Kenilworth Courts	290	288	282	2.08%
Lincoln Heights	440	427	412	3.51%
Parkside Addition	42	42	37	11.90%
Richardson	190	186	180	3.23%
Stoddert Terrace	158	151	146	3.31%
Barry Farm	432	420	417	0.71%
Carroll Apartments	60	60	58	3.33%
Elvans Road	20	19	19	0.00%
Highland Addition/Dwellings	326	317	304	4.10%
Kentucky Courts	118	109	109	0.00%
Knox Hill Senior	122	122	122	0.00%
The Villager	20	20	18	10.00%
Wade Apartments	12	11	11	0.00%
Woodland	234	227	212	6.61%
Scattered Sites	15	12	12	0.00%
TOTAL	2,873	2,792	2,710	0.12%

District of Columbia Housing Authority
Creative Living Solutions Report FY 2007



Newly replaced windows at Harvard Towers as part of the ongoing Bond funded modernization efforts.

Property	Total # of Units	# of Available Units FY '07	# of Occupied Units FY '07	Actual Adjusted Vacancy Rate FY '07
Privately Managed Properties				
Claridge	340	260	257	1.2%
Horizon House	102	86	83	3.5%
Regency House	157	152	149	2.0%
Lincoln Road/Ontario	20	19	19	0.0%
Sibley Plaza	246	230	224	2.6%
Sursum Corda	28	28	26	7.1%
Potomac Gardens	352	330	314	4.8%
Hopkins Apts.	154	153	140	8.5%
Wheeler Creek	151	148	148	0.0%
Kentucky Courts	12	12	12	0.0%
Capper I	162	162	162	0.0%
Triangle View-Senior	100	100	100	0.0%
Glenncrest-Family	61	61	61	0.0%
Capitol Gateway-Family	86	86	86	0.0%
Edgewood	89	89	83	6.7%
Henson Ridge	68	68	68	0.0%
Oxford Manor	30	30	28	6.7%
Total	2,158	2,014	1,960	2.7%

District of Columbia Housing Authority
Creative Living Solutions Report FY 2007

Work Orders: %-age Emergency Work Orders completed within 24 hours

	End of FY '03	End of FY '04	End of FY '05	End of FY '06	End of FY '07	End of FY '08	End of FY '09	End of FY '10
Projected	100%	100%	100%	100%				
Actual	100%	100%	100%	100%				

D. Inspections

Units and Systems Inspected Annually

	End of FY '03	End of FY '04	End of FY '05	End of FY '06	End of FY '07	End of FY '08	End of FY '09	End of FY '10
Projected	100%	100%	100%	100%				
Actual	100%	100%	100%	100%				

VIII. Management Information for Leased Housing



DCHA's Executive Director, Michael Kelly, and staff with a landlord at a HAP signing ceremony.

A. Leasing Information

Target vs Actual lease-ups at end of period

	End of FY '04	End of FY '05	End of FY '06	End of FY '07	End of FY '08	End of FY '09	End of FY '10
Projected	8680	9,300	9,643	10,200			
Actual	9249	9,908	9,905	10,276			

Rent Reasonableness

DCHA performs rent reasonableness reviews for each new lease and request for rent increase using a comprehensive automated system and on-staff real estate analysts who maintain the district-wide database of comparable properties. DCHA HQS inspectors have been trained and tasked with gathering data, on site, during the initial, pre-lease-up inspections for the use of the real estate analysts in completing an accurate rent reasonableness determination for units newly entering the program. DCHA's inspection unit now schedules and conducts its HQS inspections electronically, which has improved the timing and scheduling of our inspections.

Expanding Housing Opportunities

DCHA has implemented Fair Market Rents based on the 50th percentile and established a high payment standard of 110% in order to expand housing opportunities for its voucher recipients. Each of these past actions has served to expand housing opportunities for DCHA's low income families. DCHA also has staff dedicated to working with clients who encourage the use of vouchers in neighborhoods with relatively low voucher utilization. DCHA's voucher program grew 50% over a five year period and the lease up

success rate is 75%. The authority has modified and improved its rent reasonableness practices to be more efficient and has worked hard to increase the opportunities for voucher participants to live in non-poverty impacted areas.

In an effort to serve a diverse population, DCHA operates several programs utilizing the voucher as a housing subsidy. Within these programs, we partner with numerous stakeholders to provide housing opportunities. These programs include:

- Tenant Based Vouchers
 - Linguistically Isolated Program
 - Family Unification Program
 - Mainstream Disability Voucher Program
 - Veteran Administration Supportive Housing (VASH) Program
 - Witness Relocation Program
 - Public Housing Relocation Program
 - Home Ownership Voucher Program
 - DMH / Homeless Voucher Program
 - HUD Opt-Outs Program
 - VCA ADA/504 Programs

- Project Based Voucher Program
 - Partnership Program
 - Multicultural Program
 - KPRMC Settlement Program
 - Mod Rehab / SRO Program
 - 11b New Construction Program

B. Inspection Strategy

Planned versus actual inspections

DCHA increased the workload of its HCVP inspectors through the aforementioned doubling of the participate households. The HCV program inspects rental units annually. Almost 50 percent fail annual inspection, but we work with landlords who have substandard units to ensure they correct all deficiencies. DCHA's goal is to provide safe and habitable housing in this extremely high-cost housing market without having to force voucher families to move.

While the program units are inspected initially and annually, landlords are responsible for knowing the condition of their property throughout the year and whether it meets HUD's standards. Tenants are responsible for notifying landlords of any problems in their units. Clearly, no inspection system is flawless and unit conditions in any apartment are dynamic and change over time based upon maintenance performed and the actions of households residing in the units. Accordingly as discussed further below, DCHA has made additional program improvements to further insure that inspection standards are adhered to consistently and quality control processes used to monitor the correction of unit deficiencies are more effective.

DCHA schedules 100% of annual and pre-contract HQS inspections of occupied households. During FY 2007, DCHA met its goals of completing 100% of planned HQS Inspections for occupied units and 100% of pre-contract inspections.. The housing authority has also begun a new quality control inspection initiative which will be operated out of DCHA's Office of Audit and Compliance. The goal of this new effort is to enhance consistency of inspections and to strengthen the inspection standards used by staff.

HQS Enforcement

DCHA requires that HQS violations identified are repaired or funding to the landlord is abated. Health and safety (emergency) violations must be repaired with 24 hours. If a landlord does not complete required repairs after an extended period, the participants have the option, and are sometimes encouraged to, transfer to another unit, and the HAP contract with the initial landlord is terminated.

IX. Resident Programs

During fiscal year 2007, DCHA, through its Office of Resident Services (ORS), continued to provide a wide range of resident oriented services to its residents.

- ORS' Workforce development program referred 217 residents to the District Office of Employment Services (DOES) and 25 of 32 referred residents gained employment at Securities. In addition, 44 public housing or HCVP participants were referred to DCHA work sites for employment opportunities.
- DCHA continued its Printer's Training Program in 2007 which netted 17 participants of whom 11 were either public housing or public housing voucher residents.
- Staff successfully submitted a grant application behalf of Community Vision to the DC Children and Youth Trust (DCHA Subsidiary) and was awarded a \$25,000 grant to enhance the Do Your BEST Program.
- ORS hosted Special Events, including a Vendors Bazaar, Potomac Garden Day. Seniors participated in Senior Olympics Day (with senior public housing resident participation), Seniors Day Live Longer through Health and Wellness and Information, a Nationals Baseball Game and Treat a Senior to Jazz Night with Gloria Lynne.
- Through the Do Your Best program, fifty-three Public Housing Residents participated in the Do Your Best College Tours to visit three universities including Hampton, Norfolk State and Old Dominion University.
- Do Your BEST Summer youth participated in close out activities including community service projects and a Xerox Corporation sponsored Team Building and Leadership workshop.
- The Do Your Best Program closed with a 10th Anniversary Awards Ceremony.
- Community Visions received 46 applications for its Commitment to Excellence Program. Eight applicants were selected to receive \$22,500 in scholarships.
- ORS staff organized resident leaders for to reform the Citywide Advisory Board and achieved success with the election of a full slate of officers to the Advisory Board in August 2007. The Citywide Advisory Board was sworn in September 2007.
- ORS staff packed and distributed over 600 book bags with supplies as part of the Annual Back to School Event. The school bags were distributed to twenty (20) family properties with all of them going to children identified as most in need.

- The summer feeding program successfully closed out after giving jobs to 26 public housing residents for the summer. The program helped to ensure that meals were available to public housing youth during the summer months. DCHA also continued its annual Gift of Love, a Holiday gift-giving event to children residents of DCHA public housing.



DCHA staff and residents at an annual Gift of Love Holiday Gift giving event.

- DCHA and the Citywide Advisory Board hosted Rev. Jesse L. Jackson, President of the Rainbow Push Coalition to meet with them during in September 2007 to develop a partnership to promote voter education.

Other accomplishments include:

Job Training

- 113 residents participated in Job Readiness Training of which 58 residents have been placed in a gainful employment.
- 10 residents participated in Occupational Skills Paint Training
- 2 residents placed in construction apprenticeship programs

Job Placement Assistance

- 15 residents were placed in a variety of jobs including security, construction, painting, inventory control, and home inspection. The wages in this jobs ranged from \$9.00 to \$22.00 per hour

Homeownership Counseling

- 23 participated in an orientation to homeownership and financial literacy

After School Programs

- 53 youths enrolled in summer camp

District of Columbia Housing Authority
Creative Living Solutions Report FY 2007

- 2 students received after school tutoring
- 12 students involved in one-on-one mentoring relationships

Adult Literacy

- 25 residents have participated in GED prep classes

IX. Other Information Required by HUD

The results of the latest completed 133 Audit are included in this report at Appendix F. All required certifications were submitted with the FY 2007 CLS Plan, including:

Form HUD-50070	Certification of a Drug-Free Workplace
Form 038-0046	Disclosure of Lobbying Activities
Form HUD 50071	Certification of Payments to Influence Federal Transactions and the Moving to Work Demonstration Program
	Certification for FY 2007 Annual Plan

PART II: CREATIVE LIVING SOLUTIONS INITIATIVES

Overview

Under the terms of DCHA's Moving to Work (MTW) agreement, DCHA has the authority to develop local regulations that better meet the needs of the 50,000 District of Columbia residents that the housing authority serves. During the past fiscal year, DCHA has worked with the residents of its properties, the participants in its HCVP voucher program, the landlords who house voucher recipients, the advocate community and other stakeholders to begin work on the initiatives listed in the FY 2007 Creative Living Solutions Plan (CLS). DCHA values this participatory approach in its policymaking, and takes very seriously the input of all of its stakeholders. As a result of this extensive exploratory process, some initiatives proposed last year have been implemented, some have been closed without implementation, and others will be continued in FY 2008. Of the twelve initiatives proposed in the FY 2007 Creative Living Solutions Plan, implementation began or continued on four. DCHA's FY 2008 plan submitted to HUD earlier this year speaks to the continued implementation and exploration of eleven initiatives previously included in the FY 2007 plan. One FY 2007 initiative (Initiative 4.1.04) has been successfully implemented to the extent that it was not included in the FY 2008 Plan.

Initiatives Implemented:

Initiative 3.3.05	Streamlined Subsidy-Only Protocol
Initiative 2.1.04	Simplified Certification and Multi-year Income Recertification
Initiative 4.1.04	DCHA Subsidiary to Act as Energy Services Company
Initiative 4.3.05	Flexible Funding

Initiatives still that will be further implemented or explored that are included in the FY 2008 Plan are:

Initiative 1.7.04	Security Deposit Guarantee Program
Initiative 1.5.05	Modifications to DCHA's Project-Based Voucher Program
Initiative:1.10.06	Applicant Intake Site Designation
Initiative 2.1.04	Simplified Certification and Multi-year Income Recertification
Initiative 3.3.05	Streamlined Subsidy-Only Protocol
Initiative 3.4.05	Supporting Grandfamilies
Initiative 3.5.06	Rent Simplification and Collections
Initiative 4.2.05	Revolving Loan Fund for HCVP Landlords
Initiative 4.3.05	Flexible Funding
Initiative 4.4.06	Reformulation of HUD Forms
Initiative 2.6.07	Enhanced Public Housing Lease Enforcement Operations

This section of the report presents DCHA activities on the five initiatives where substantial implementation occurred during FY 2007. During the past reporting years,

DCHA has advised HUD on those federal rules that have been modified and codified through the local District of Columbia rulemaking process described below. During the FY 2008 implementation year, DCHA modified the federal rules pertaining to annual recertification of voucher participants; during FY 2008 clients will transition to a biennial recertification process.

Overview of Local Regulatory Process and Implementation of Initiatives

Prior to starting the public rulemaking process DCHA consults with and obtains comments and input on any proposed rule changes or new rules from key stakeholders such as the DCHA Citywide Resident Advisory Board, and the HCVP Landlord Advisory Committee and Participant Advisory Committee, and the local housing advocate community. Once a draft rule has been prepared taking all views into account, it is presented to the appropriate committee(s) of the Board of Commissioners. The Board of Commissioners has four committees with defined responsibilities. These committees are:

- Development and Modernization;
- Operations;
- Finance; and
- Education

Once the appropriate Board committee has provided authorization to publish the proposed rule, it is published for 14 to 30 days in the DC Register by the government of the District of Columbia. Written comments are received and reviewed. Based on the comments and further discussion with stakeholders the proposed rule may or may not be amended. If it is significantly amended it is taken back before the appropriate Board committee(s) and with the committee(s) authorization republished for an additional notice and comment period. If there are no significant changes, the proposed rule is brought back to the committee(s) with the written comments. If the committee(s) approves the proposed rule it is placed on the Board of Commissioners public agenda for action after public testimony. The agenda is distributed to all of the Resident Council Presidents and reviewed with the Citywide Resident Advisory Board, and the HCVP Landlord Advisory Committee and the Participant Advisory Committee. Prior to taking action at the Board meeting, the Board of Commissioners calls on staff for a public presentation of an analysis of the proposed rule and its potential impacts. The new rule or rule change is not in effect until the Board of Commissioners has adopted a resolution in a public meeting approving it, and final notice is published in the DC Municipal Register.

Objective 2: Sustain Quality Property Management

CLS Initiatives

Initiative 2.1.04: Simplified Certification and Multi-year Income Recertification

This initiative has two parts, both designed to make the income and eligibility determination process more efficient and cost effective. The initiative is expected to have the double benefit of, first, saving staffing costs so that scarce resources can be used where they bring more benefit to DCHA's customers and, second, providing greater convenience as well as incentives for self-sufficiency to residents of DCHA properties and applicants for housing or assistance provided through DCHA.

During FY 2007, DCHA focused on one portion of this initiative, the transition to biennial recertification from annual recertification in the Housing Choice Voucher Program.

The DCHA Board of Commissioners adopted as final regulations Chapter 84 of Title 14 of the District of Columbia Municipal Regulations entitled "Rent Subsidy Programs: Certifications." The regulations set forth the timing and procedures for certification and recertification of income and other eligibility criteria for tenants participating in the Housing Choice Voucher Program and other rent assistance programs administered by the District of Columbia Housing Authority. The regulations permit regular recertification every 2 years rather than annually as contemplated under HCVP guidelines.

The regulations implements one component of this initiative intended to make the income and eligibility determination process less burdensome and more efficient and cost effective. Using the flexibility afforded by the MTW Agreement, Chapter 84 allows DCHA to modify the HCVP requirement of regular annual certification. As described in the 2007 MTW Plan, DCHA believes regular certification every 2 years provides work incentives for program participants. Under the regulations, an increase, if any, in income based rent will occur after the mandatory recertification completed every two years. Rents could be reduced any time as necessary following interim recertification.

The change is expected to reduce costs of administering the programs and limit opportunities for errors in rent determination. For tenants, biennial recertification reduces the burden of administrative compliance and removes the disincentive to employment and underemployment. In sum, these procedures will be easier for tenants and staff, alike, to understand and satisfy.

The proposed regulations were presented to the DCHA Operations Committee in April 2007 and published in the DC Register on May 18, 2007 and errata published on July 6, and September 7, 2007. There was no objection to recertification occurring every 2 years.

Objective 3: Achieve Effective Customer Support Services

CLS Initiatives

Initiative 3.3.05: *Streamlined Subsidy-Only Protocol* (the "OPERating Assistance Program")

DCHA has been working with HUD for two years on this innovation that would streamline the housing authority's ability to partner with local housing providers to create more affordable housing units in the District's aggressive rental market. Through this effort, public housing subsidy (ACC) would fund housing in a service-rich environment.

DCHA intends to use MTW to substitute local requirements for any statutory or regulatory barriers to successful partnerships both in Mixed Finance opportunities and in working with supportive service programs of the government of the District of Columbia. During FY 2007, DCHA received preliminary approval from HUD on this initiative and was invited to submit a specific proposal that would demonstrate the goals of the initiative and the components of a streamlined process. DCHA submitted a Mixed Finance Application for the OPERA Program in June 2007.

The proposal is for a small site, Barnaby House that is owned and managed by SOME. Of the 10 units, DCHA has proposed that 2 units be ACC subsidized. The units provide family housing with supportive services.

The plan, as submitted to HUD, is still under review for approval by HUD staff.

Objective 4: Organize Efficient Businesslike Operating Systems

CLS Initiatives

Initiative 4.1.04: *DCHA Subsidiary to Act as Energy Services Company*

DCHA has been working with HUD on this initiative for two years. The housing authority is pleased that we have successfully concluded the initial implementation of this initiative with HUD's approval of DCHA's November 2005 plan to HUD, and the securing of \$26 million in funding tied to the energy efficiencies articulated in DCHA's plan that will be invested into additional modernization efforts at the public housing sites.

Initiative 4.3.05: *Flexible Funding*

In its FY 2007 MTW Plan, DCHA indicated that it intended to exercise its MTW authority and use a portion of HCVP HAP funding available through the MTW Block

Grant for investments in operational costs and costs associated with providing improved customer service. In FY 2007, DCHA utilized \$2.3 million in HAP funds to support operational costs in the implementation of tenant services.

CONCLUSION

In this fourth Moving to Work Annual Report, DCHA has presented the data and other information required under Attachment B of its MTW Agreement with HUD along with a report on the Initiatives proposed in the FY 2007 CLS Plan that were implemented.

Furthermore, the changing dynamics in federal housing policy mandates that DCHA remain nimble in the implementation of its local housing program. Through MTW, DCHA has been able to respond ably to unforeseen circumstances and unanticipated opportunities. This flexibility is invaluable and is an important tool in DCHA's ability to sustain and expand affordable housing in one of the hottest housing markets in the country. During FY 2008, DCHA will continue to use this tool strategically to support the goals of its Strategic Plan and the needs of its clients.

Part III: APPENDICES

Appendix A: Benchmark Status Report

		Year 4(FY 2007) Accomplishments
Objective: DEVELOP ENHANCED HOUSING OPPORTUNITIES		
Benchmark: Housing Choice Voucher	Number of vouchers in use on 9/30/07	10,276
Benchmark: Public Housing Units	Public housing units leased on 9/30/07	7,204
Benchmark: Homeownership Units	Cumulative number of public housing or HCVP or other affordable homeownership units that have gone to closing	
Benchmark: UFAS units	Cumulative number of UFAS units created or converted ¹	428
objective: SUSTAIN QAULTY PROPERTY MANAGEMENT		
Benchmark: Cash Collected/Rent Billed	For the Fiscal Year, tenant payments as the percentage of rent billed	98%
Benchmark: Units & Systems Inspected	The percentage of major systems and occupied units inspected by 9/30/07	100%
Benchmark: Routine Work Order Completion Time	For the Fiscal Year, the average number of days to complete routine work orders	18
Benchmark: Emergency Work Order Completion Rate	For the Fiscal Year, the average number of hours required to close Emergency Work Orders	<24
Benchmark: Adjusted Occupancy Rate	The ratio of Occupied public housing units to available units as of 9/30/07	99%
Objective: ASSURE EFFECTIVE SUPPORT SERVICES		
Benchmark: Families Assisted in Self-Sufficiency Efforts	The cumulative number of families enrolled in or graduated from a DCHA sponsored self-sufficiency program, including HCVP and CSSP	2,227
Objective: MAINTAIN BUSINESS-LIKE OPERATIING SYSTEMS		
Benchmark: Expandable Fund Balance in Operating Reserve	Funds from all sources available to be expended for unanticipated needs expressed in the number of months of average operating expense that could be covered by the reserves	2 Months

Benchmark: File Accuracy	Percentage of an audited sample of public housing and HCVP files for fiscal year reviewed for calculation of adjusted income.	93.9%
Benchmark: Additional Non-PHA Funds Raised		4,600,000

¹ DCHA created a total of 489 units as of 12/31/07, bringing the agency closer to its VC Agreement

Appendix B: Capital Expenditures at Existing Properties

DISTRICT OF COLUMBIA HOUSING AUTHORITY
DEVELOPMENT and MODERNIZATION ADMINISTRATION
BUDGETS, OBLIGATIONS and EXPENDITURES

(as of 09/30/07)

DEVLPMT NAME NUMBER	GRANT NAME	BUDGETS	OBLIGATED FUNDS	EXPENDED FUNDS
		09/30/07	09/30/07	09/30/07

The Villager				
DC1-91	BONDS	345,899	50,899	50,899
DC1-91	CFP	905	905	905
DC1-91		346,804	51,804	51,804

Columbia Road				
DC1-95	BONDS	49,455	14,455	12,359
DC1-95	CFP	43,302	34,399	1,068
DC1-95		92,757	48,854	13,427

Colorado Apartments				
DC1-97	BONDS	335,212	290,289	238,909
DC1-97	CFP	56,069	55,679	0
DC1-97		391,281	345,968	238,909

Lincoln Road				
DC1-98	BONDS	144,347	48,333	48,333
DC1-98	CFP	27,643	26,548	0
DC1-98		171,990	74,881	48,333

Oxford				
	RHF	2,499,045	2,499,045	2,499,045
	BONDS			
	CFP			
		2,499,045	2,499,045	2,499,045

Wheeler Creek				
DC1-104	DHCD/ADA	50,964	0	
DC1-104		50,964	0	0

Total		89,323,941	39,927,150	31,581,185
--------------	--	-------------------	-------------------	-------------------

DISTRICT OF COLUMBIA HOUSING AUTHORITY
 DEVELOPMENT and MODERNIZATION ADMINISTRATION
 BUDGETS, OBLIGATIONS and EXPENDITURES

(as of 09/30/07)

DEVLPMT NAME NUMBER	GRANT NAME	BUDGETS	OBLIGATED FUNDS	EXPENDED FUNDS
		09/30/07	09/30/07	09/30/07
Fort Dupont Dwellings				
DC1-01	DHCD/ADA	3,000	0	0
DC1-01	BONDS	473,239	203,341	203,341
DC1-01	CFP	15,397	15,397	891
DC1-01		491,636	218,738	204,232

James Creek				
DC1-03	DHCD/ADA	15,196	0	0
DC1-03	BONDS	798,419	170,509	170,509
DC1-03	CFP	89,913	0	0
DC1-03		903,528	170,509	170,509

Frederick Douglass Dwellings				
DC1-04	CFP	722,057	1,023	1,023
DC1-04		722,057	1,023	1,023

Kelly Miller				
DC1-08	BONDS	816,569	403,777	403,777
DC1-08	CFP	537,920	376,893	129,565
DC1-08		1,354,489	780,670	533,342

Barry Farms Dwellings				
DC1-09	DHCD/ADA	188,774	59,851	59,851
DC1-09	BONDS	302,717	128,650	128,650
DC1-09	CFP	185,139	34,004	34,004
DC1-09		676,630	222,505	222,505

Lincoln Heights				
DC1-13	DHCD/ADA	29,036	0	0
DC1-13	BONDS	606,129	219,550	192,677
DC1-13	CFP	298,252	0	0
DC1-13		933,417	219,550	192,677

DISTRICT OF COLUMBIA HOUSING AUTHORITY
 DEVELOPMENT and MODERNIZATION ADMINISTRATION
 BUDGETS, OBLIGATIONS and EXPENDITURES

(as of 09/30/07)

DEVLPMT NAME NUMBER	GRANT NAME	BUDGETS	OBLIGATED FUNDS	EXPENDED FUNDS
		09/30/07	09/30/07	09/30/07
Highland Addition				
DC1-16	BONDS	1,513,256	489,583	489,583
DC1-16	CFP	31,605	18,763	18,763
DC1-16		1,544,861	508,346	508,346

Richardson Dwelling				
DC1-17	BONDS	715,601	262,707	262,707
DC1-17	CFP	39,399	27,039	27,039
DC1-17		755,000	289,746	289,746

East Capitol Dwellings				
DC1-18	CFP	1,955,187	1,955,187	1,738,703
DC1-18		1,955,187	1,955,187	1,738,703

Kenilworth Courts				
DC1-19	DHCD/ADA	35,000		
DC1-19	BONDS	3,649,188	1,122,262	1,122,262
DC1-19	CFP	359,963	0	0
DC1-19		4,044,151	1,122,262	1,122,262

Arthur Capper				
DC1-20	CFP	14,028	0	0
DC1-20		14,028	0	0

Easgate Senior				
	RHF	382,775	382,775	382,775
	DHCD/ADA			
	BONDS			
	CFP			
		382,775	382,775	382,775

Greenleaf Gardens				
DC1-21	DHCD/ADA	604,558	0	0
DC1-21	BONDS	4,924,590	3,226,726	3,226,726
DC1-21s	CFP	1,358,235	521,852	

DISTRICT OF COLUMBIA HOUSING AUTHORITY
DEVELOPMENT and MODERNIZATION ADMINISTRATION
BUDGETS, OBLIGATIONS and EXPENDITURES

(as of 09/30/07)

DEVLPMT NAME NUMBER	GRANT NAME	BUDGETS	OBLIGATED FUNDS 09/30/07	EXPENDED FUNDS 09/30/07
		09/30/07		
DC1-21		6,887,383	3,748,578	3,226,726

Benning Terrace				
DC1-22	DHCD/ADA	160,346	0	0
DC1-22	BONDS	1,666,469	129,643	171,154
DC1-22	CFP	950,891	41,511	0
DC1-22		2,777,706	171,154	171,154

Stoddert Terrace				
DC1-23	DHCD/ADA	146,403	0	0
DC1-23	BONDS	77,380	32,717	32,717
DC1-23	CFP	387,338	0	0
DC1-23		611,121	32,717	32,717

Syphax Gardens				
DC1-24	BONDS	896,368	417,382	368,105
DC1-24	CFP	91,752	60,476	57,309
DC1-24		988,120	477,858	425,414

Langston Terrace				
DC1-25	DHCD/ADA	38,964	5,696	5,696
DC1-25	BONDS	1,619,986	560,483	560,483
DC1-25	CFP	191,556	40,941	40,941
DC1-25		1,850,506	607,120	607,120

Sibley Plaza				
DC1-29	DHCD/ADA	124,606	123,446	123,446
DC1-29	BONDS	4,381,088	2,632,057	2,632,057
DC1-29	CFP	1,029,948	0	0
DC1-29		5,535,642	2,755,503	2,755,503

Hopkins Apartments				
DC1-30	DHCD/ADA	83,175	47,237	42,076
DC1-30	BONDS	593,735	214,909	220,070

DISTRICT OF COLUMBIA HOUSING AUTHORITY
DEVELOPMENT and MODERNIZATION ADMINISTRATION
BUDGETS, OBLIGATIONS and EXPENDITURES

(as of 09/30/07)

DEVLPMT NAME NUMBER	GRANT NAME	BUDGETS	OBLIGATED FUNDS	EXPENDED FUNDS
		09/30/07	09/30/07	09/30/07
DC1-30	CFP	56,759	9,885	9,885
DC1-30		733,669	272,031	272,031

Park Morton				
DC1-34	DHCD/ADA	60,266	0	0
DC1-34	BONDS	427,590	222,060	156,511
DC1-34	CFP	286,225		
DC1-34		774,081	222,060	156,511

Greenleaf Addition				
DC1-35	CFP	23,608	720	720
DC1-35		23,608	720	720

Woodland Terrace				
DC1-36a	BONDS	1,046,496	1,007,382	728,695
	CFP	222,737	66,484	51,484
DC1-36a		1,269,233	1,073,866	780,179

Kentucky Courts				
DC1-36b	CFP	8,737	0	0
DC1-36b	BONDS	3,666,746	1,961,542	1,523,571
DC1-36b		3,675,483	1,961,542	1,523,571

Carroll Apartments				
DC1-36c	DHCD/ADA	55,771	55,771	52,896
DC1-36c	BONDS	441,582	23,207	18,751
DC1-36c	CFP	39,735	9,449	9,449
DC1-36c		537,088	88,427	81,096

Garfield Terrace				
DC1-37	BONDS	3,750,797	1,956,769	1,956,769
DC1-37	CFP	278,131	160,310	0
DC1-37		4,028,928	2,117,079	1,956,769

DISTRICT OF COLUMBIA HOUSING AUTHORITY
 DEVELOPMENT and MODERNIZATION ADMINISTRATION
 BUDGETS, OBLIGATIONS and EXPENDITURES

(as of 09/30/07)

DEVLPMT NAME NUMBER	GRANT NAME	BUDGETS	OBLIGATED FUNDS 09/30/07	EXPENDED FUNDS 09/30/07
		09/30/07		

LeDroit Apartments				
DC1-39a	DHCD/ADA	113,142	0	0
DC1-39a	BONDS	1,695,836	1,643,622	800,845
DC1-39a	CFP	197,802	82,648	32,657
DC1-39a		2,006,780	1,726,270	833,502

Langston Addition				
DC1-40	CFP	37,860	0	0
DC1-40		37,860	0	0

Potomac Gardens				
DC1-43	DHCD/ADA	214,688	96,415	96,415
DC1-43	BONDS	533,155	195,670	195,670
DC1-43	CFP	198,644	0	0
DC1-43		946,487	292,085	292,085

Montana Terrace				
DC1-44	DHCD/ADA	22,491	0	0
DC1-44	BONDS	764,793	243,941	169,346
DC1-44	CFP	52,515	0	0
DC1-44		839,799	243,941	169,346

Sursum Corda				
DC1-50	CFP	173,652	70,598	70,598
DC1-50		173,652	70,598	70,598

Highland Dwellings				
DC1-53	BONDS	1,387,626	233,617	233,617
DC1-53	CFP	201,323	0	0
DC1-53		1,588,949	233,617	233,617

Fort Dupont Addition				

**DISTRICT OF COLUMBIA HOUSING AUTHORITY
DEVELOPMENT and MODERNIZATION ADMINISTRATION
BUDGETS, OBLIGATIONS and EXPENDITURES**

(as of 09/30/07)

DEVLPMT NAME NUMBER	GRANT NAME	BUDGETS		OBLIGATED FUNDS 09/30/07	EXPENDED FUNDS 09/30/07
		09/30/07			
DC1-57	BONDS		359,609	144,839	144,839
DC1-57			359,609	144,839	144,839

Scattered Sites-Group 2					
DC1-58	CFP		4,471	0	0
DC1-58			4,471	0	0

Wade Apartments					
DC1-58	BONDS		276,200	20,926	20,926
DC1-58	CFP		20,128	0	0
DC1-58			296,328	20,926	20,926

Claridge Towers					
DC1-60	DHCD/ADA		270,666	150,108	150,108
DC1-60	BONDS		7,277,608	2,910,752	1,927,047
DC1-60	CFP		208,191	0	0
DC1-60			7,756,465	3,060,860	2,077,155

Knox Hill					
DC1-61	DHCD/ADA		59,747	46,688	46,688
DC1-61	BONDS		1,605,756	516,596	516,596
DC1-61	CFP		159,299	116,488	91,604
DC1-61			1,824,802	679,772	654,888

Horizon House					
DC1-62	DHCD/ADA		547,784	41,391	36,170
DC1-62	BONDS		2,698,379	1,700,723	1,700,723
DC1-62	CFP		248,885	94,174	13,226
DC1-62			3,495,048	1,836,288	1,750,119

Fort Lincoln					
DC1-64	DHCD/ADA		61,079	14,392	14,392
DC1-64	BONDS		2,169,449	559,431	559,431
DC1-64	CFP		247,455	0	0

DISTRICT OF COLUMBIA HOUSING AUTHORITY
DEVELOPMENT and MODERNIZATION ADMINISTRATION
BUDGETS, OBLIGATIONS and EXPENDITURES

(as of 09/30/07)

DEVLPMT NAME NUMBER	GRANT NAME	BUDGETS	OBLIGATED	EXPENDED
		09/30/07	FUNDS 09/30/07	FUNDS 09/30/07
DC1-64		2,477,983	573,823	573,823

Judiciary House				
DC1-65	DHCD/ADA	95,401	95,401	88,094
DC1-65	BONDS	8,469,859	3,560,585	689,432
DC1-65	CFP	136,622	0	0
DC1-65		8,701,882	3,655,986	777,526

Harvard Towers				
DC1-68	DHCD/ADA	307,451	0	0
DC1-68	BONDS	4,757,297	1,810,470	1,250,006
DC1-68	CFP	1,194,374	631,551	0
DC1-68		6,259,122	2,442,021	1,250,006

Regency House				
DC1-69	DHCD/ADA	52,100	46,037	46,037
DC1-69	BONDS	2,421,287	1,551,045	1,551,045
DC1-69	CFP	187,940	-	-
DC1-69		2,661,327	1,597,082	1,597,082

James Apartments				
DC1-70	DHCD/ADA	53,095	47,901	47,901
DC1-70	BONDS	1,989,632	617,637	617,637
DC1-70	CFP	762,338	218,125	218,125
DC1-70		2,805,065	883,663	883,663

Scattered Sites-Group 3				
DC1-81	CFP	6,198	1,248	1,248
DC1-81		6,198	1,248	1,248

Elvans Road				
DC1-85	BONDS	58,946	43,613	43,613
DC1-85		58,946	43,613	43,613

**DISTRICT OF COLUMBIA HOUSING AUTHORITY
DEVELOPMENT and MODERNIZATION ADMINISTRATION
BUDGETS, OBLIGATIONS and EXPENDITURES**

(as of 09/30/07)

DEVLPMT NAME NUMBER	GRANT NAME	BUDGETS	OBLIGATED FUNDS	EXPENDED FUNDS
		09/30/07	09/30/07	09/30/07

The Villager				
DC1-91	BONDS	345,899	50,899	50,899
DC1-91	CFP	905	905	905
DC1-91		346,804	51,804	51,804

Columbia Road				
DC1-95	BONDS	49,455	14,455	12,359
DC1-95	CFP	43,302	34,399	1,068
DC1-95		92,757	48,854	13,427

Colorado Apartments				
DC1-97	BONDS	335,212	290,289	238,909
DC1-97	CFP	56,069	55,679	0
DC1-97		391,281	345,968	238,909

Lincoln Road				
DC1-98	BONDS	144,347	48,333	48,333
DC1-98	CFP	27,643	26,548	0
DC1-98		171,990	74,881	48,333

Oxford				
	RHF	2,499,045	2,499,045	2,499,045
	BONDS			
	CFP			
		2,499,045	2,499,045	2,499,045

Wheeler Creek				
DC1-104	DHCD/ADA	50,964	0	
DC1-104		50,964	0	0

Total		89,323,941	39,927,150	31,581,185
--------------	--	-------------------	-------------------	-------------------

Appendix C: Independent Audit for FY 2006—Most recent

DISTRICT OF COLUMBIA HOUSING AUTHORITY
Washington, D.C.

FINANCIAL STATEMENTS
September 30, 2006 and 2005

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	8
Statements of Net Assets	9
Statements of Revenues, Expenses and Net Assets.....	10
Statements of Cash Flows.....	11
Notes to Financial Statements	12
SUPPLEMENTAL INFORMATION	23
Financial Data Schedule	24
REPORT ON SINGLE AUDIT	40
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	41
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM, INTERNAL CONTROL OVER COMPLIANCE AND SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133	43
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	46
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	47
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	48
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS	54



Independent Auditor's Report

Board of Commissioners
District of Columbia Housing Authority
Washington, D.C.

We have audited the accompanying basic financial statements of the District of Columbia Housing Authority (the Authority) as of and for the years ended September 30, 2006 and 2005 as listed in the Table of Contents. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of September 30, 2006 and 2005, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2007, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audits were made for the purpose of forming an opinion on the basic financial statements of the Authority taken as a whole. The accompanying information identified in the Table of Contents as supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

Clifton Gunderson LLP

Baltimore, Maryland
June 15, 2007

**DISTRICT OF COLUMBIA HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
September 30, 2006**

As management of the Housing Authority of the District of Columbia, we offer the readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended September 30, 2006. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to Debbie McDaniel, Deputy Executive Director.

Financial Highlights

- The assets of the Authority exceeded its liabilities as of September 30, 2006 by just over \$442 million (net assets), representing an increase of over \$41 million.
- The Authority's **net current assets** as of September 30, 2006 were in excess of \$57 million representing an increase over September 30, 2005 of \$11 million largely due to increases in cash.

Overview of the Financial Statements

The financial statements included in this annual report are those of a special-purpose government engaged in a business-type activity. The following statements are included:

- **Balance Sheet** – reports the Authority's current financial resources (short-term expendable resources) with capital assets and long-term debt obligations.
- **Statement of Revenues, Expenses and Changes in Net Assets** – reports the Authority's operating and non-operating revenue, by major sources, along with operating and non-operating expenses and capital contributions.
- **Statement of Cash Flows** – reports the Authority's cash flows from operating, investing, capital and non-capital activities.

Our analysis of the Authority as a whole begins on the next page. The most important question asked about the Authority's finances is, "Is the Authority, as a whole, better or worse off as a result of the year's activities?"

The attached analysis of entity-wide net assets, revenue and expenses is provided to assist with answering the above question. This analysis includes all assets and liabilities using the accrual basis of accounting.

Accrual accounting is similar to the accounting used by most private sector companies. Accrual accounting recognizes revenue and expenses when earned regardless of when cash is received or paid.

Our analysis also presents the Authority's net assets and changes in them. The reader can think of the Authority's net assets as the difference between what the Authority owns (assets) and what the Authority owes (liabilities). The change in net assets analysis will assist the reader with measuring the health or financial position of the Authority.

Over time, significant changes in the Authority's net assets are an indicator of whether its financial health is improving or deteriorating. To fully assess the financial health of any Authority, the reader must also consider other non-financial factors such as changes in family

**DISTRICT OF COLUMBIA HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
September 30, 2006**

composition, fluctuations in the local economy, HUD mandated program administrative changes and the physical condition of the Authority's capital assets.

Analysis of Entity-Wide Net Assets (Balance Sheet)

Total Assets increased by over \$64 million, largely due to an increase in cash by \$16 million and capital assets by \$41 million.

Total Liabilities increased by \$23 million, due overwhelmingly to increases in current accounts payable, deferred revenue, and other current liabilities.

The table below illustrates our analysis.

	2006	2005	Net Change	% Change
ASSETS:				
Cash	\$49,718,539	\$34,157,090	\$15,561,449	46%
Receivables	37,765,337	30,743,276	7,022,061	23%
Other current assets	2,962,305	2,855,009	107,296	4%
Capital assets	401,638,543	360,580,268	41,058,275	11%
Total Assets	492,084,724	428,335,643	63,749,081	15%
LIABILITIES AND NET ASSETS:				
Current liabilities	\$45,303,281	\$21,435,711	\$11,804,412	85%
Non-current liabilities	4,391,996	2,654,181	1,737,815	65%
Total Liabilities	49,695,277	27,125,810	22,569,467	83%
NET ASSETS:				
Invested in capital assets, net of related debt	356,983,898	321,452,260	35,531,638	11%
Restricted net assets	1,112,823	720,478	392,345	54%
Unrestricted net assets	84,292,726	79,037,095	5,255,631	7%
Total Net Assets	442,389,447	401,209,833	41,179,614	10%
TOTAL LIABS AND NET ASSETS	\$492,084,724	\$428,335,643	\$63,749,081	15%

Analysis of Entity-Wide Revenue (Statement of Activities)

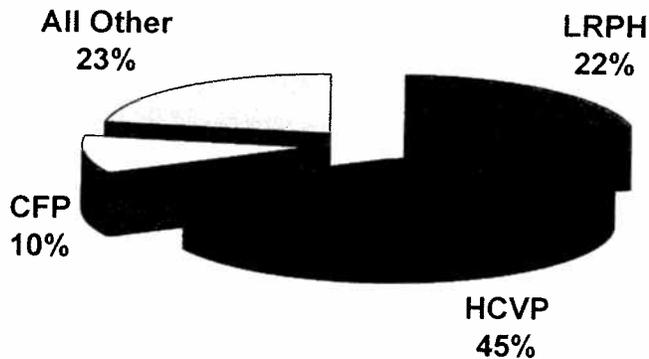
The Authority administers the following programs and the revenue generated from these programs during FYE 2006 and FYE 2005 was as follows:

	2006	2005
Low-Income Public Housing	\$ 67,651,899	\$ 67,974,905
Housing Choice Voucher	135,724,261	135,252,764
Capital Fund	31,019,230	19,338,335
Other Programs	68,362,755	34,240,625
Total Revenue	\$302,758,145	\$256,806,629

**DISTRICT OF COLUMBIA HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
September 30, 2006**

The diagram below illustrates the percentage of revenue generated by program during FY 2006.

FY06 Funding Sources



In FYE 2006 and FYE 2005, total revenue was \$302,758,145 and \$256,806,629, respectively, for a net increase in total revenue of \$45,951,516, or 18 percent. This was due to an increase in Capital Fund and other program revenue by greater than \$11 million and \$34 million, respectively. These increases evidence increased capital work, as well as increased HOPE VI development activity and increased activity in the District funded programs and DCHA's business enterprise activities.

**DISTRICT OF COLUMBIA HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
September 30, 2006**

The table below presents the DCHA entity-wide income statement for 2006 and 2005.

	2006	2005	Net Change	% Change
Tenant Rental Revenue	\$19,240,911	\$18,339,840	\$901,071	5%
HUD Operating Grants	185,040,712	195,866,211	(10,825,499)	-6%
Capital Grants	53,285,600	26,343,670	26,941,930	102%
Investment Income	1,819,906	590,851	1,229,055	208%
Other Revenue	43,371,016	15,666,057	27,704,959	177%
Total Revenue	302,758,145	256,806,629	45,951,516	18%
Operating Expenses:				
Administrative	47,033,667	40,784,527	6,249,140	15%
Tenant Services	3,478,087	4,837,165	(1,359,078)	-28%
Utilities	24,725,416	22,395,308	2,330,108	10%
Maintenance	24,238,191	19,760,184	4,478,007	23%
Protective Services	7,137,811	7,975,035	(837,224)	-10%
General Expenses	7,769,246	4,023,128	3,746,118	93%
Housing Assistance Payments	123,380,614	121,436,455	1,944,159	2%
Extraordinary Maintenance	122,869	135,712	(12,843)	-9%
Depreciation Expense	23,692,630	21,233,546	2,459,084	12%
Total Expenses	261,578,531	242,581,060	18,997,471	8%
Change in Net Assets	\$41,179,614	\$14,225,569	\$26,954,045	189%

Total Operating Revenues increased by 18 percent, as compared to FYE 2005.

Total Operating Expenses increased by 8 percent, as compared to FYE 2005. The majority of the increase was due to administrative and maintenance expenses.

The authority finished FYE 2006 with a healthy positive change in net assets of \$41 million, a strong growth of 189% from FYE 2005.

**DISTRICT OF COLUMBIA HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
September 30, 2006**

Future Economic Factors

Management is aware of the following economic and business factors affecting the Authority:

- A continued holdback of operating subsidy, anticipated to be on the order of 15 percent in 2008, due to continued under funding nationally;
- Continued increasing utility costs resulting from higher utility rates and aging systems;
- A rather significant change in accounting processes and financial statement composition resulting from the new HUD Operating Fund Rule.

BASIC FINANCIAL STATEMENTS

DISTRICT OF COLUMBIA HOUSING AUTHORITY
STATEMENTS OF NET ASSETS
September 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 49,718,539	\$ 34,157,090
Accounts receivable - HUD	24,296,985	22,526,566
Accounts receivable - other governments	496,420	266,208
Accounts receivable - miscellaneous	10,103,498	4,064,887
Tenants receivable, net of allowance of \$1,220,480 in 2006 and \$1,084,210 in 2005	2,868,434	3,885,615
Prepaid expenses	2,380,513	2,238,533
Inventory (net)	<u>581,792</u>	<u>616,476</u>
Total current assets	<u>90,446,181</u>	<u>67,755,375</u>
NON-CURRENT ASSETS		
Capital assets, net	358,683,898	321,452,260
Notes and mortgages receivable	<u>42,954,645</u>	<u>39,128,008</u>
Total non-current assets	<u>401,638,543</u>	<u>360,580,268</u>
TOTAL ASSETS	<u>\$ 492,084,724</u>	<u>\$ 428,335,643</u>
CURRENT LIABILITIES		
Bank overdraft	\$ -	\$ 568,589
Accounts payable	5,893,946	5,394,948
Accrued payroll and taxes	1,571,630	1,517,087
Accrued compensated absences	306,979	294,909
Accounts payable - HUD	3,306,981	2,314,878
Tenant security deposits	361,041	347,560
Deferred revenue	10,807,549	6,497,296
Other current liabilities	<u>10,991,997</u>	<u>4,500,444</u>
Total current liabilities	<u>33,240,123</u>	<u>21,435,711</u>
NON-CURRENT LIABILITIES		
Accrued compensated absences - non-current	2,691,996	2,654,181
Long-term debt, net of current - capital projects	1,700,000	-
Contract deposits payable	<u>12,063,158</u>	<u>3,035,918</u>
Total non-current liabilities	<u>16,455,154</u>	<u>5,690,099</u>
Total liabilities	<u>49,695,277</u>	<u>27,125,810</u>
NET ASSETS		
Investment in capital assets	356,983,898	321,452,260
Restricted net assets	1,112,823	720,478
Unrestricted net assets	<u>84,292,726</u>	<u>79,037,095</u>
Total net assets	<u>442,389,447</u>	<u>401,209,833</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 492,084,724</u>	<u>\$ 428,335,643</u>

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

DISTRICT OF COLUMBIA HOUSING AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND NET ASSETS
Years Ended September 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
OPERATING REVENUES		
Tenant revenue	\$ 19,240,911	\$ 18,339,840
HUD operating grants	185,040,712	195,866,211
Other government grants	27,362,224	10,102,268
Other revenue	<u>16,007,597</u>	<u>4,414,197</u>
 Total operating revenue	 <u>247,651,444</u>	 <u>228,722,516</u>
OPERATING EXPENSES		
Administration	47,033,667	40,784,527
Tenant services	3,478,087	4,837,165
Utilities	24,725,416	22,395,308
Ordinary maintenance/operations	24,238,191	19,760,184
Protective services	7,137,811	7,975,035
General expenses	7,769,246	4,023,128
Extraordinary maintenance	122,869	135,712
Housing assistance payments	<u>123,380,614</u>	<u>121,436,455</u>
 Total operating expenses	 <u>237,885,901</u>	 <u>221,347,514</u>
 Operating income before depreciation	 9,765,543	 7,375,002
 Depreciation	 <u>23,692,630</u>	 <u>21,233,546</u>
 Operating loss	 (13,927,087)	 (13,858,544)
NON-OPERATING REVENUE (EXPENSE)		
Interest income	1,819,906	590,851
Gain on sale of assets	<u>1,195</u>	<u>1,149,592</u>
 Loss before capital contributions	 (12,105,986)	 (12,118,101)
 Capital grants	 <u>53,285,600</u>	 <u>26,343,670</u>
 CHANGE IN NET ASSETS	 41,179,614	 14,225,569
 RETAINED EARNINGS, BEGINNING OF YEAR	 <u>401,209,833</u>	 <u>386,984,264</u>
 RETAINED EARNINGS, END OF YEAR	 <u>\$ 442,389,447</u>	 <u>\$ 401,209,833</u>

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

DISTRICT OF COLUMBIA HOUSING AUTHORITY
STATEMENTS OF CASH FLOWS
Years Ended September 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from HUD	\$ 209,640,414	\$ 212,105,983
Cash received from tenants and others	25,686,613	27,907,049
Cash paid to suppliers	(228,779,431)	(197,740,298)
Cash paid to employees	<u>(24,780,877)</u>	<u>(38,973,980)</u>
Net cash flows provided by (used in) operating activities	<u>(18,233,281)</u>	<u>3,298,754</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(19,611,971)	(22,233,563)
Proceeds from long-term borrowings	-	1,221,264
Capital contributions	53,285,600	26,343,670
Gain on sale of assets	<u>1,195</u>	<u>1,149,592</u>
Net cash flows provided by capital and related financing activities	<u>33,674,824</u>	<u>6,480,963</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCIAL ACTIVITIES		
Increase in notes payable	<u>(1,700,000)</u>	<u>(9,879,344)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	<u>1,819,906</u>	<u>590,851</u>
NET INCREASE IN CASH	15,561,449	491,224
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>34,157,090</u>	<u>33,665,866</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 49,718,539</u>	<u>\$ 34,157,090</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating income (loss)	\$ (13,927,087)	\$ (13,858,543)
Reconciliation of operating income to net cash provided by (used in) operating activities:		
Depreciation	23,692,630	21,233,546
Effects of changes in operating assets and liabilities:		
Accounts receivable - HUD	(1,770,419)	8,855,298
Accounts receivable - other	(5,251,642)	2,603,388
Prepaid expenses	(141,980)	(57,770)
Inventory	34,684	(56,901)
Accounts payable	69,591	(12,047,504)
Accrued expenses	(6,595,981)	(196,312)
Accounts payable - HUD	(992,103)	(5,266,556)
Tenants security deposits	(13,481)	8,277
Other current liabilities	(9,027,240)	(705,231)
Deferred revenue	<u>(4,310,253)</u>	<u>2,787,062</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ (18,233,281)</u>	<u>\$ 3,298,754</u>

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

DISTRICT OF COLUMBIA HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2006 and 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District of Columbia Housing Authority (“the Authority”) was established for the purpose of engaging in the development, acquisition and administrative activities of the low-income housing program and other programs with similar objectives. The United States Department of Housing and Urban Development (HUD) has direct responsibility for administering the low-income housing program under the United States Housing Act of 1937, as amended. HUD is authorized to enter into contracts with local housing authorities to make grants to assist the local housing authorities in financing the acquisition, construction and/or leasing of housing units and to make annual contributions (subsidies) to the local housing authorities for the purpose of maintaining the low-rent character of the local housing program. The governing body of the Authority consists of a nine member Board of Commissioners appointed by the Mayor of the District of Columbia and the Central Labor Council and elected by public housing residents.

Reporting Entity

As required by accounting principles generally accepted in the United States of America, the basic financial statements of the reporting entity include those of the District of Columbia Housing Authority and any component units. Component units are separate legal entities in which elected officials of a primary government are financially accountable for the entity or the nature and significance of the relationship between the entity and a primary government are such that to exclude the entity from the financial reporting entity would render the basic financial statements misleading or incomplete. Based upon the application of these criteria, this report includes all programs and activities operated by the Authority. As such, included in the Business Activities Enterprise Fund is the blended presentation of the Authority’s three component units, which are District of Columbia Housing Enterprises (DCHE), Construction Services Administration (CSA) and Capitol City.

There were no additional entities required to be included in the reporting entity under these criteria in the current fiscal year. Furthermore, the Authority is not included in any other reporting entity as a component unit on the basis of such criteria. A summary of each program administered by the Authority included in the financial statements is provided to assist the reader in interpreting the basic financial statements. These programs constitute a majority of the programs operated by the Authority.

Basis of Accounting and Measurement Focus

The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity. The Authority has created a number of funds within each enterprise fund. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenses. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific programs in accordance with laws, regulations, or other restrictions, including those imposed by HUD. The funds of the Authority are all considered Proprietary Fund Types. The Authority’s proprietary funds are Enterprise Funds used to account for activities that are operated in a manner similar to those found in the private sector.

DISTRICT OF COLUMBIA HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2006 and 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting and Measurement Focus (continued)

The funds included in this category are as follows:

- *PHA Owned Housing Fund* – This Fund accounts for all activities and projects of the Public Housing Program (described below) including Low Income Public Housing, Comprehensive Grant, Capital Fund, Hope VI, Hope I, Development, State and Local, Resident Opportunity and Supportive Services, Drug Elimination Grants and other HUD programs. The Authority either sets up separate funds within the PHA Owned Housing Fund for each program or assigns a particular set of general ledger accounts in order to account for income and expenses of each program separately. All sub-accounts or funds are combined to produce the financial statements of the Public Housing Enterprise Fund.
- *Section 8 Fund* – This fund accounts for all of the activities of the Section 8 programs. Currently the Authority maintains Section 8 Rental Voucher, New Construction/Substantial Rehabilitation, Moderate Rehabilitation and Moderate Rehabilitation Single Room Occupancy Programs.
- *Business Activities Fund* – This fund accounts predominately for the financial activities of the Authority's component units which consist principally of construction management services rendered to governmental agencies as well as administering various home ownership programs.

All proprietary funds are accounted for using the economic resources measurement focus combined with the accrual basis for accounting. The flow of economic resources refers to all of the assets available to the Authority for the purpose of providing goods and services to the public and as such, revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. In applying the provisions of Governmental Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds, the Authority applies all GASB pronouncements and all Financial Accounting Standards Board pronouncements, Accounting Principle Board Opinions, and Accounting Research Bulletins that do not conflict with or contradict GASB Pronouncements.

There are no fiduciary funds nor component units that are fiduciary in nature included in these financial statements.

Descriptions of Programs

Low-Rent Housing Program

This program provides low-rent housing to qualified residents of the District of Columbia. All units are owned and operated by the Authority and were purchased with financing arranged or provided through HUD. The operations of the program are funded by HUD through Annual Contribution Contract W-76.

DISTRICT OF COLUMBIA HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2006 and 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Descriptions of Programs (continued)

Section 8 Programs

The Section 8 programs include New Construction, Substantial Rehabilitation, Moderate Rehabilitation and Housing Voucher Programs. These programs were authorized by Section 8 of the National Housing Act and provide housing assistance payments to private, not-for-profit or public landlords to subsidize rentals for low-income persons.

New Construction and Substantial Rehabilitation Programs

The Section 8 New Construction and Substantial Rehabilitation programs allow for construction to purchase and rehabilitation of low-income housing units to be subsidized for a contracted period of time. Both for profit and not-for-profit developers may provide low-income housing under this program. Developers must obtain their own financing and HUD subsidizes rents once the units are occupied.

Moderate Rehabilitation Program

This program provides for the rehabilitation of housing units, which then must be rented to low-income individuals for a contracted period of time. Both for profit and not-for-profit developers may participate in this program. Under this program, developers must obtain their own rehabilitation financing and then HUD subsidizes rents once the units are occupied in such amounts sufficient to cover the developers debt service payments on the financing.

Housing Voucher Program

The Section 8 Housing Voucher program also allows for existing housing units to be used for low-income housing. HUD provides a contracted number of vouchers to the Authority which can be used to provide rental payments to landlords for a specified number of housing units. This program is similar to the existing housing program except that, with a housing voucher, the tenant will be able to decide the amount of income he or she will spend on rent since the subsidy amount is based upon a fixed standard rather than on the rent of the unit selected by the tenant.

Section 8 Administrative Fees

The Authority earns a fee for administering the annual contributions from HUD. This fund accounts for the revenues and expenses associated with providing administrative services.

Capital Fund Program

The purpose of the Capital Fund Program is to provide another source of funding to cover the cost of physical and management improvements and rehabilitation on existing low-income housing and improving the central office facilities. Funding for this program is provided by grants from HUD.

DISTRICT OF COLUMBIA HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2006 and 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Descriptions of Programs (continued)

Hope VI Program

This program is intended to foster innovative and comprehensive approaches to the problems of severely distressed public housing developments and their residents, including new ways for the Authority and HUD to work together in collaboration with its residents. The program is to address the condition of people in public housing developments, with an emphasis on community and supportive services that have the broadest possible effect in meeting the social and economic needs of the residents and the surrounding community.

Upon completion of individual Hope VI projects, the Authority will transfer the assets and equity of the project into the Low Rent Public Housing program for those projects that are owned or designated as a component unit of the Authority. For individual Hope VI projects whereby the Authority was used in effect as an administrator of Hope VI projects whereby the ownership of the Hope VI project or the Hope VI entity does not qualify as a component unit, then upon successful completion of the project, the related asset and equity are transferred from the Authority to the owning entity.

Budgets and Budgeting Accounting

Budgets are prepared on an annual basis for each major operating program and are used as a management tool throughout the accounting cycle. The capital fund budgets are adopted on a "project length" basis. Budgets are not, however, legally adopted nor legally required for financial statement presentation.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with financial statements 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 financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For reporting purposes on the Statements of Cash Flows, cash and cash equivalents include cash on hand, demand deposits, certificates of deposit, and repurchase agreements with maturity dates of three months or less when purchased.

DISTRICT OF COLUMBIA HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2006 and 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Doubtful Accounts

The Authority has established an allowance for doubtful accounts in accordance with generally accepted accounting principles requirements. At September 30, 2006, the allowance for doubtful accounts was \$1,220,480.

Investments

Statutes authorize the Authority to invest in obligations of the U.S. Treasury, repurchase agreements, certificates of deposit, and certain other investments allowed by HUD. Investments are valued at fair value, based upon quoted market prices, which approximates their cost. At September 30, 2006, investments consist of cash and cash equivalents which are invested in various short term interest bearing instruments. It is the Authority's policy that all funds on deposit are collateralized in accordance with HUD requirements.

Inventories

Inventories are valued at cost using the first-in, first-out (FIFO) method. If inventory falls below cost due to damage, deterioration or obsolescence, the Authority establishes an allowance for obsolete inventory. The Authority relies upon its periodic (annual) inventory for financial reporting purposes. In accordance with consumption methods, inventory is expensed when items are actually placed in service.

Capital Assets

All purchased capital assets are valued at cost when historical records are available. When no historical records are available, capital assets are valued at estimated historical cost. Donated capital assets are recorded at their fair value at the time they are received. All normal expenditures of preparing an asset for use are capitalized.

Pursuant to generally accepted accounting principles, the cost of buildings and equipment is depreciated over the estimated useful lives of the related assets on a composite basis using the straight-line method. Depreciation commences on modernization and development additions in the year placed in service. The useful lives of buildings and equipment for purposes of computing depreciation are as follows:

Buildings	40 years
Building modernizations	15 years
Equipment	5 years

The Authority has been and is currently involved in various demolition activities in conjunction with its modernization and development programs. In accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be disposed of," the Authority has at September 30, 2006 considered the impact of the demolition activities.

DISTRICT OF COLUMBIA HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2006 and 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (continued)

Under the provisions of the statement, long-lived assets are to be reviewed for impairment. If the sum of the expected future cash flows is less than the carrying value amount of the asset, an impairment loss should be recognized. No impairment loss is required to be recorded in the current year.

Inter-Program Receivables and Payables

Inter-program receivables/payables are current, and are the result of the use of the Public Housing Program as the common paymaster for shared costs of the Authority. Cash settlements are made periodically, and all inter-program balances net to zero.

Compensated Absences

Employees earn annual leave at rates ranging from 13 days per year for the first three years of service up to a maximum of 26 days per year after 15 years of service. Annual leave up to 240 hours can accumulate and carry over from one year to the next. Upon termination or death, accumulated annual leave is paid in a lump sum.

Grants

The Authority receives reimbursement from various grantors for the cost of sponsored projects, including administrative costs. Grant revenues are recognized in the period in which the associated costs are incurred.

Capital Contributions

Capital contributions are grants awarded by HUD under various capital development and improvement programs including HOPE VI and Capital Funds Project. Grants under these programs are based on budgeted capital project costs. Interest incurred during the construction phase is included as part of the capitalized amount of construction in process or capitalized costs.

Risk Management

Significant losses are covered by commercial insurance for all major programs. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage except for deductibles and amounts disclosed in Note 2, for the current year or the three prior years.

DISTRICT OF COLUMBIA HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2006 and 2005

NOTE 2 – CASH AND CASH EQUIVALENTS

Deposits

At year-end, the aggregate carrying amount of the Authority's deposits was \$49,718,539 and the bank balance was \$58,965,380. All deposits were collateralized and there was no exposure to custodial credit risk at September 30, 2006.

Investments

At September 30, 2006, the Authority had no separate investments.

Investment Rate Risk

Fair value fluctuates with interest rates, and increasing interest rates could cause fair value to decline below original cost. To limit the Authority's exposure to fair value losses arising from increasing interest rates, the Authority's investment policy limits the term of investment maturities to remain sufficiently liquid to enable the Authority to meet all operating requirements which might be reasonably anticipated. The Authority's management believes the liquidity in the portfolio is adequate to meet cash flow requirements and to preclude the Authority from having to sell investments below original cost for that purpose.

Credit Risk

The investment policy of the Authority permits investment in the following types of investments: direct U.S. obligations, U.S. agency obligations, repurchase agreements, and money market mutual funds.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the Authority will not be able to recover all or a portion of the value of its investments or collateral securities that are in the possession of an outside party. There was no exposure to custodial credit risk at September 30, 2006.

NOTE 3 – NOTES RECEIVABLE

The Authority advances loans to third-party developers in conjunction with multi-lender mixed financing arrangements for new construction. These loans are evidenced by promissory notes. The source of the loans are from various programs including the HOPE VI, State & Local, and Development. The loans are established for a HUD approved amount and funds are drawn by the developers as approved by the Authority. The terms of these promissory notes vary with some requiring repayment 40 years from the date of issue.

DISTRICT OF COLUMBIA HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2006 and 2005

NOTE 3 – NOTES RECEIVABLE (CONTINUED)

In addition, the Authority has two additional notes receivables related to equity in a home that was sold to a family under the Home Ownership Program. The notes will become due and payable to the Authority upon a sale or other conveyance of the property.

The notes outstanding as of September 30, 2006 are as follows:

	Originated	Maturity	Interest Rate	Authorized Amount	Principal Balance 9/30/06	Interest Receivable	Total Note Receivable
Capitol Gateway Estates	2003	3/1/2046	2.33%	\$ 3,228,629	\$ 3,228,629	\$ 506,711	\$ 3,735,340
Capitol Gateway Estates	2005	5/31/2049	0.50%	12,468,913	4,526,378	2,880	4,529,258
Mid-City	2002	10/23/2042	0.50%	7,502,017	7,096,874	147,677	7,244,551
Capper Senior I Ltd Partner	2004	12/22/2048	0.25%	12,724,309	2,050,442	9,101	2,059,543
Wheeler Creek-Homeownership	2000	sale of units	3.00%	20,300,000	4,906,266	-	4,906,266
Wheeler Creek-Community Center	2000				1,120,566	-	1,120,566
Wheeler Creek-Permit Loan	2000				234,000	-	234,000
Wheeler Creek-Authority Loan	1999				12,160,000	-	12,160,000
1866 Alabama Ave.	2005	n/a	n/a		199,300	-	199,300
1112 Varney Street	2001	n/a	n/a		18,763	-	18,763
519 Columbia Rd., NW	2005	n/a	n/a		190,000	-	190,000
FHA Proceeds/Wheeler Creek	1999	11/29/2039	0.25%		3,640,000	62,207	3,702,207
1428 Newton Street NW	2004	n/a	n/a		397,000	-	397,000
Oak Street	2003	4/9/2006	1.13%		400,000	-	400,000
Kentucky Courts	2004	varies	2.00%		-	-	-
Oxford Manor					978,641	8,074	986,715
Oxford Manor					<u>1,062,036</u>	<u>9,100</u>	<u>1,071,136</u>
TOTAL					<u>\$ 42,208,895</u>	<u>\$ 745,750</u>	<u>\$ 42,954,645</u>

NOTE 4 – CAPITAL ASSETS

	Balance 9/30/05	Additions	Disposals	Transfers	Balance 9/30/06
Land	\$ 25,267,513	\$ -	\$ -	\$ -	\$ 25,267,513
Structures	501,691,416	87,914	-	8,083,960	509,863,290
Equipment – dwelling	6,377,334	-	-	-	6,377,334
Equipment - administrative	20,295,969	545,891	(409,837)	-	20,432,023
Infrastructure	10,299,236	47,897	-	-	10,347,133
Construction-in-progress	<u>48,567,069</u>	<u>66,484,562</u>	<u>(4,633,860)</u>	<u>(9,657,398)</u>	<u>100,760,373</u>
	612,498,537	67,166,264	(5,043,697)	(1,573,438)	673,047,666
Less: accumulated depreciation	<u>(291,046,277)</u>	<u>(23,692,630)</u>	<u>375,139</u>	<u>-</u>	<u>(314,363,768)</u>
Total	<u>\$ 321,452,260</u>	<u>\$ 43,473,634</u>	<u>\$ (4,668,558)</u>	<u>\$ (1,573,438)</u>	<u>\$ 358,683,898</u>

The transfers during the year represent reclassification of payments made on loans receivable made for construction in progress.

DISTRICT OF COLUMBIA HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2006 and 2005

NOTE 5 – COMPENSATED ABSENCES

The Authority uses the vesting method for the recording of compensated absences whereas benefits are accrued at the balance sheet date for which payment is probable. As of September 30, 2006, the Authority had accrued \$2,998,975 in compensated absences of which \$306,979 is estimated to be due currently.

NOTE 6 – DEFERRED REVENUES

Deferred revenues consist of HUD operating subsidies and Community Development Block Grants received in advance, and deposits on business-type activities received by the Authority's component units or affiliate entities.

NOTE 7 – LONG-TERM DEBT

DCHA has one outstanding loan at September 30, 2006. The loan outstanding is with the Department of Housing and Community Development (DHCD) and has a principal balance of \$1,700,000. The loan is due 40 years from the execution date and does not accrue interest.

NOTE 8 – PENSION PLAN

The Authority provides two defined contribution pension plans through approved outside fiduciaries for eligible full-time employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plans are administered by the District's Office of Financial Treasury of the Government of the District of Columbia.

The first plan, the Civil Service plan, exists for those employees who were with the Authority prior to October 1, 1987 or were prior federal employees. Employees under this plan have been fully vested since October 1, 1987. The plan is administered by the Civil Service Administration.

The second plan, the District plan, exists for individuals who have become employees with the Authority after September 30, 1987. Employees under this plan are eligible for coverage after one year of employment. An employee becomes fully vested after five years of creditable service in covered employment or when disabled or dies. Annual contributions for, and interest forfeited by, employees who leave employment before five years of service are used to reduce the Authority's current period contribution requirement.

The Authority contributed an amount equal to 8.5% of covered employees payroll to the civil service plan and approximately 5% of the covered employees payroll to the district plan. Total contributions by the Authority to these plans was \$2,082,571 for the year ended September 30, 2006.

The reports can be obtained by writing the District of Columbia Office of Finance and Treasury, 1350 Pennsylvania Avenue, NW, Washington, D.C. 20004.

DISTRICT OF COLUMBIA HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2006 and 2005

NOTE 9 – ECONOMIC DEPENDENCY

The PHA owned Housing Program and Section 8 Program is economically dependent on annual contributions and grants from HUD. The low-income program operates at a loss prior to receiving contributions and grants.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

In January 2002, the Authority entered into various Memorandums of Agreement with agencies of the District of Columbia to provide construction management services.

Revenue from construction contracts is recognized on the percentage of completion method, measured by the percentage of cost incurred to date to estimated total cost for each contract.

Contract costs include all direct material, labor and certain indirect costs related to contract performance. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, and estimated profitability may result in revisions to costs and income and are recognized in the period in which the revisions are determined.

The Authority is a defendant in various legal claims arising in the ordinary course of business, which includes employee and tenant discrimination claims, torts, and contract disputes. The Authority plans to vigorously defend these claims and has recorded an accrual of \$634,000 for its estimate of the settlement of these claims. After discussions with its legal counsel, the Authority believes that it has adequate legal defenses and that the results of the litigation will not have a material effect on the financial statements.

The Authority is subject to numerous laws and regulations. HUD, as well as other internal and external auditors, conduct inquiries and/or investigations regarding the compliance by the Authority and its programs with such laws and regulations. Management believes that there may be findings that result from these inquiries and/or investigations. However, the significance of such findings on the Authority cannot be determined.

The Authority's homeownership program assists low-income families to purchase houses by subsidizing the difference between the appraisal cost of the home and how much each family can afford. The Authority owns the properties that it sells to the buyers. Upon settlement of the property, these amounts are listed as trusts whereby the Authority enters into a promissory agreement with the purchaser for the amount of the trust. These agreements state that only if the buyer sells the home within a certain time period must they pay the Authority the amount of the trust. Based on the contingency of collection and that no actual loan is made upon entering into the promissory agreements, the Authority does not record these amounts as receivables.

DISTRICT OF COLUMBIA HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2006 and 2005

NOTE 10 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

Effective May 1, 2005, the Authority entered into a loan agreement with the District of Columbia Housing Finance Agency to fund certain capital improvements including land acquisition, site improvements, and building construction. The loan is funded by a bond issue in the principal amount of \$76,045,000. Repayment of the loan will be funded through contributions from HUD under the capital fund program and investment earnings. These payments will be made by reducing the amount available to draw by the Authority. The payment will be remitted to the fiscal agent to make payments on the bond. Payments on the bond begin July 1, 2006, and are payable semi-annually thereafter. The first payment is \$1,815,000. Repayments do not flow through the financial statements of the Authority and the Authority would only be liable upon certain defaults included in the agreement which are not considered likely.

NOTE 11 – SUBSEQUENT EVENTS

The Authority entered into two loans subsequent to year-end. The first loan was made to Eastgate Family Rental and the second was made to Eastgate Homeownership.

The Eastgate Rental loan was made on December 11, 2006, in the amount of \$12,489,821. For the first two calendar years following the execution the interest rate to be paid on the outstanding balance shall be 5.32% per annum (the "Construction Rate"). For the third full calendar year, the interest rate to be paid on the outstanding balance shall be 0.25% per annum. For each subsequent year, the interest rate will adjust upward by the annual percentage change in the CPI index. Interest is payable annually in arrears on April 1. Principal payments are due and payable beginning October 1, 2008 and shall be 50% of surplus cash. The entire outstanding principal sum plus all accrued and unpaid interest is due and payable on November 30, 2050.

The Eastgate Homeownership was made on March 8, 2007 in the amount of \$3,177,752. The interest on the funds disbursed to the Borrower shall commence only when such funds are advanced to or disbursed on behalf of the Borrower as stated in the Loan Agreement. The term "Interest Rate" shall mean the rate of interest that shall accrue on all advances made pursuant to the Note from the date of disbursement until the Maturity Date or the earlier termination of the Note per annum, which is equal to 0.25%. The loan shall be repaid, both principal and interest, upon sale of the property. The Borrower is allowed 36 months from the Maturity Date to sell the property. If the Borrower shall default on the Note and not sell within the 36 months, the default rate shall be the lesser of 10% per annum simple interest or the maximum rate as such rate defined in the Loan Agreement.

NOTE 12 – ACCOUNTING CHANGES

The Authority has not assessed the impact on its financial position or results of operations of implementing GASB Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement will be effective for the Authority in fiscal year 2008. It will require prospective recognition of the cost of these benefits as they are earned rather than as they are paid in the government-wide and proprietary financial statements.

This information is an integral part of the accompanying financial statements.

SUPPLEMENTAL INFORMATION

Low Rent Public Housing	Development	Section 8 Mod Rehab DC001 MR0001	Section 8 Mod Rehab DC001 MR0003	Section 8 Mod Rehab DC001 MR0005	Section 8 Mod Rehab DC001 MR0006
\$ 5,957,871	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
361,041	-	-	-	-	-
<u>6,318,912</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	57,923	70,068	153,341	-
-	-	-	-	-	-
5,642,523	-	-	-	-	-
4,088,914	-	-	-	-	-
(1,220,480)	-	-	-	-	-
<u>8,510,957</u>	<u>-</u>	<u>57,923</u>	<u>70,068</u>	<u>153,341</u>	<u>-</u>
2,183,149	-	-	-	-	-
581,792	-	-	-	-	-
12,841,067	-	-	133,619	1,338,368	-
<u>30,435,877</u>	<u>-</u>	<u>57,923</u>	<u>203,687</u>	<u>1,491,709</u>	<u>-</u>
25,267,513	-	-	-	-	-
507,919,426	-	-	-	-	-
5,862,228	-	-	-	-	-
19,340,258	-	-	-	-	-
(313,540,093)	-	-	-	-	-
357,101	569,734	-	-	-	-
10,347,133	-	-	-	-	-
<u>255,553,566</u>	<u>569,734</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
28,132,989	3,702,207	-	-	-	-
<u>283,686,555</u>	<u>4,271,941</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ <u>314,122,432</u>	\$ <u>4,271,941</u>	\$ <u>57,923</u>	\$ <u>203,687</u>	\$ <u>1,491,709</u>	\$ <u>-</u>

Resident Opportunity and Supportive Services	Housing Choice Vouchers	Housing Capital Fund Program	State/Local	Other Federal Program I	Total
\$ -	\$ 20,610,941	\$ 5,001	\$ 953,224	\$ -	\$ 48,605,716
-	751,782	-	-	-	751,782
-	-	-	-	-	361,041
-	21,362,723	5,001	953,224	-	49,718,539
-	370,231	-	-	-	370,231
-	-	12,115,792	-	-	24,296,984
55,853	204,507	-	126,189	-	126,189
-	-	-	140,010	-	10,103,499
-	-	-	-	-	4,088,914
-	-	-	-	-	(1,220,480)
55,853	574,738	12,115,792	266,199	-	37,765,337
-	-	-	-	-	2,380,513
-	-	-	-	-	581,792
-	-	-	7,272,156	49,969	27,511,587
55,853	21,937,461	12,120,793	8,491,579	49,969	117,957,768
-	-	-	-	-	25,267,513
-	203,016	-	-	-	509,863,290
-	515,106	-	-	-	6,377,334
-	983,665	-	-	-	20,432,023
-	(408,677)	-	-	-	(314,363,768)
-	-	20,670,652	17,748,533	-	100,760,373
-	-	-	-	-	10,347,133
-	1,293,110	20,670,652	17,748,533	-	358,683,898
-	-	2,057,851	8,264,598	-	42,954,645
-	1,293,110	22,728,503	26,013,131	-	401,638,543
\$ 55,853	\$ 23,230,571	\$ 34,849,296	\$ 34,504,710	\$ 49,969	\$ 519,596,311

Low Rent Public Housing	Development	Section 8 Mod Rehab DC001MR0001	Section 8 Mod Rehab DC001MR0003	Section 8 Mod Rehab DC001MR0005	Section 8 Mod Rehab DC001MR0006
\$ 1,211,566	\$ -	\$ -	\$ -	\$ -	\$ -
1,427,287	-	-	-	-	-
278,747	-	-	-	-	-
634,000	-	-	-	-	-
-	-	-	-	-	-
361,041	-	-	-	-	-
7,490	44,004	-	-	-	-
5,997,847	-	-	-	-	-
936,995	-	-	-	-	-
-	3,640,000	57,157	-	-	-
<u>10,854,973</u>	<u>3,684,004</u>	<u>57,157</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
<u>2,508,720</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>2,508,720</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>13,363,693</u>	<u>3,684,004</u>	<u>57,157</u>	<u>-</u>	<u>-</u>	<u>-</u>
255,553,566	569,734	-	-	-	-
361,041	-	-	-	-	-
<u>44,844,132</u>	<u>18,203</u>	<u>766</u>	<u>203,687</u>	<u>1,491,709</u>	<u>-</u>
<u>300,758,739</u>	<u>587,937</u>	<u>766</u>	<u>203,687</u>	<u>1,491,709</u>	<u>-</u>
<u>\$ 314,122,432</u>	<u>\$ 4,271,941</u>	<u>\$ 57,923</u>	<u>\$ 203,687</u>	<u>\$ 1,491,709</u>	<u>\$ -</u>

Resident Opportunity and Supportive Services	Housing Choice Vouchers	Housing Capital Fund Program	State/Local	Other Federal Program 1	Total
\$ -	\$ 829	\$ 1,152,036	\$ 1,266,999	\$ -	\$ 17,957,104
-	144,343	-	-	-	1,571,630
-	28,232	-	-	-	306,979
-	-	-	-	-	634,000
-	-	2,214,825	-	-	3,306,981
-	-	-	10,210	-	10,210
-	-	-	-	-	361,041
-	752,466	-	3,804,036	49,969	10,807,549
-	183,001	-	153,361	-	8,426,377
-	-	-	1,802	-	1,921,410
<u>55,853</u>	<u>5,230,540</u>	<u>10,811,783</u>	<u>-</u>	<u>-</u>	<u>27,511,587</u>
<u>55,853</u>	<u>6,339,411</u>	<u>14,178,644</u>	<u>5,236,408</u>	<u>49,969</u>	<u>72,814,868</u>
-	-	-	1,700,000	-	1,700,000
-	-	-	-	-	-
-	183,276	-	-	-	2,691,996
-	183,276	-	1,700,000	-	4,391,996
<u>55,853</u>	<u>6,522,687</u>	<u>14,178,644</u>	<u>6,936,408</u>	<u>49,969</u>	<u>77,206,864</u>
-	1,293,110	20,670,652	16,048,533	-	356,983,898
-	751,782	-	-	-	1,112,823
-	14,662,992	-	11,519,769	-	84,292,726
-	16,707,884	20,670,652	27,568,302	-	442,389,447
<u>\$ 55,853</u>	<u>\$ 23,230,571</u>	<u>\$ 34,849,296</u>	<u>\$ 34,504,710</u>	<u>\$ 49,969</u>	<u>\$ 519,596,311</u>

Low Rent Public Housing	Development	Section 8 Mod Rehab DC001MR0001	Section 8 Mod Rehab DC001MR0003	Section 8 Mod Rehab DC001MR0005	Section 8 Mod Rehab DC001MR0006
\$ 18,797,929	\$ -	\$ -	\$ -	\$ -	\$ -
442,982	-	-	-	-	-
19,240,911	-	-	-	-	-
41,293,979	-	387,025	107,232	2,818,848	-
-	-	-	-	-	-
1,963,594	-	-	-	-	-
726,590	-	3,435	696	17,447	-
721	-	-	-	-	-
4,426,104	-	-	-	-	-
67,651,899	-	390,460	107,928	2,836,295	-
14,349,766	-	32,077	6,528	142,746	-
184,000	-	-	-	-	-
1,513,621	-	-	-	-	-
44,959	-	40	8	179	-
2,916,026	-	5,419	1,103	24,191	-
5,802,012	-	8,227	1,674	46,804	-
567,283	-	-	-	-	-
-	-	-	-	-	-
115,921	-	-	-	-	-
843,020	-	-	-	-	-
2,809,993	-	-	-	-	-
7,277,756	-	-	-	-	-
9,011,541	-	-	-	-	-
(11)	-	-	-	-	-
713,841	-	-	-	-	-
4,912,296	-	-	-	-	-
9,797,238	-	-	-	-	-
2,460,478	-	143	29	1,130	-
4,093,077	-	-	-	-	-
2,002,006	-	-	-	-	-
-	-	-	-	-	-
33,556	-	-	-	-	-
-	-	-	-	-	-
2,425,828	-	-	-	-	-
101,350	-	-	-	-	-
137,027	-	-	-	-	-
(1,061,530)	-	-	4,089	(397,684)	-
-	-	-	-	-	-
-	-	336,085	96,366	2,586,540	-
23,380,735	-	-	-	-	-
94,431,789	-	381,991	109,797	2,403,906	-
(26,779,890)	-	8,469	(1,869)	432,389	-

Resident Opportunity and Supportive Services	Housing Choice Vouchers	Housing Capital Fund Program	State/Local	Other Federal Program 1	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,797,929
-	-	-	-	-	442,982
-	-	-	-	-	19,240,911
50,000	115,555,106	6,323,899	-	-	185,040,712
-	-	24,695,331	-	-	53,285,600
55,853	173,250	-	25,169,527	-	27,362,224
-	461,293	-	9,074	-	1,819,906
-	-	-	-	-	1,195
-	4,040	-	236,975	-	16,007,597
105,853	116,193,689	31,019,230	25,415,576	-	302,758,145
8,729	5,876,957	1,655,391	334,757	-	23,949,272
-	-	-	-	-	213,013
-	6,918	-	-	-	1,513,621
2,008	1,188,740	936,673	842,651	-	52,827
90,617	2,724,477	(870,863)	5,173,723	-	6,246,014
-	-	-	-	-	15,058,920
-	-	-	-	-	831,605
-	-	-	-	-	194,551
4,499	-	-	-	-	182,000
-	-	-	169,669	-	2,269,931
-	-	-	-	-	2,809,993
-	-	-	-	-	7,277,756
-	-	-	-	-	9,011,541
-	-	-	-	-	(11)
-	-	-	-	-	713,841
-	-	-	-	-	4,912,296
-	(1,570)	1,534	-	-	9,797,238
-	-	-	240	-	2,476,601
-	-	-	-	-	9,962,346
-	-	2,404,295	3,441,285	-	2,002,006
-	-	1,258,700	-	-	5,845,580
-	-	(25)	-	-	1,292,256
-	-	-	-	-	(25)
-	249,414	-	-	-	2,425,828
-	-	-	10,677	-	413,228
-	-	-	-	-	137,027
-	4,162,640	(746,273)	1,319,823	-	4,793,163
-	-	-	-	-	122,869
-	98,637,123	-	6,876,689	-	123,380,614
-	167,486	-	-	-	23,692,630
105,853	113,012,185	4,639,432	18,169,514	-	261,578,531
-	3,181,504	26,379,798	7,246,062	-	41,179,614

Low Rent Public Housing	Development	Section 8 Mod Rehab DC001MR0001	Section 8 Mod Rehab DC001MR0003	Section 8 Mod Rehab DC001MR0005	Section 8 Mod Rehab DC001MR0006
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
\$ (26,779,890)	\$ -	\$ 8,469	\$ (1,869)	\$ 432,389	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
304,478,957	587,937	(7,703)	205,556	1,059,320	-
23,059,662	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-

Resident Opportunity and Supportive Services	Housing Choice Vouchers	Housing Capital Fund Program	State/Local	Other Federal Program 1	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
\$ -	\$ 3,181,504	\$ 26,379,798	\$ 7,246,062	\$ -	\$ 41,179,614
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	24,699,957	6,176,949	20,322,240	-	401,209,833
-	(11,173,577)	(11,886,085)	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-

SINGLE AUDIT REPORT



**Clifton
Gunderson LLP**
Certified Public Accountants & Consultants

**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

Board of Commissioners of the
The District of Columbia Housing Authority
Washington, D.C.

We have audited the basic financial statements of the District of Columbia Housing Authority (Authority) as of and for the year ended September 30, 2006, and have issued our report thereon dated June 15, 2007. We conducted our 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 of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Authority's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2006-01 through 2006-03.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above are a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly,

we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted other matters involving the internal control over financial reporting and contain immaterial instances of noncompliance that we have reported to management of the Authority in a separate letter dated June 15, 2007.

This report is intended solely for the information and use of the members of the Board of Commissioners, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Gundersen LLP

Baltimore, Maryland
June 15, 2007

**Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program, Internal Control Over
Compliance and Schedule of Expenditures of Federal Awards
in Accordance with OMB Circular A-133**

Board of Commissioners of the
The District of Columbia Housing Authority
Washington, D.C.

Compliance

We have audited the compliance of the District of Columbia Housing Authority (Authority) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2006. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

As described in item 2006-04 in the accompanying schedule of findings and questioned costs, the Authority did not comply with requirements regarding eligibility and special testing that is applicable to the Housing Choice Voucher program. Compliance with such requirements is necessary, in our opinion, for the Authority to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2006. The results of our auditing procedures also disclosed another instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2006-05.

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Authority's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2006-04 through 2006-05.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe findings 2006-01 and 2006-04 are material weaknesses.

In addition to the reportable conditions described above, we noted certain matters involving internal control and its operation that we reported to the management of the Authority in a separate letter dated June 15, 2007.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the District of Columbia Housing Authority (the Authority) as of and for the year ended September 30, 2006, and have issued our report thereon dated June 15, 2007. Our audit was performed for the purpose of forming an opinion on the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Commissioners and management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Henderson LLP

Baltimore, Maryland
June 15, 2007

**DISTRICT OF COLUMBIA HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2006**

<u>Federal Grantor / Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures FY 2006</u>
U.S. Department of Housing and Urban Development (HUD)		
Capital Fund Program	14.872	\$ 31,019,230
Section 8 Housing Choice Voucher	14.871	115,555,106
Public and Indian Housing	14.850	41,293,979
ROSS	14.870	50,000
HOPE VI	14.866	30,953,020
Section 8 Project Based Cluster:		
Section 8 Moderate Rehab Program	14.856	5,022,737
N/C S/R Section 8 Programs	14.182	13,070,345
Section 8 Moderate Rehab SRO	14.249	1,361,895
Community Development Block Grant	14.218	<u>832,873</u>
 Total U.S. Department of Housing & Urban Development		 239,159,185
U.S. Department of Homeland Security		
District of Columbia:		
Public Assistance Grants	97.036	<u>581,558</u>
 TOTAL FEDERAL AWARDS		 <u>\$ 239,740,743</u>

**DISTRICT OF COLUMBIA HOUSING AUTHORITY
NOTES TO SCHEDULE OF FEDERAL AWARDS
September 30, 2006**

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Housing Authority of the District of Columbia and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

NOTE 2 – NON-CASH FEDERAL ASSISTANCE

The Authority did not receive any non-cash Federal assistance for the year ended September 30, 2006.

NOTE 3 – LOAN GUARANTEES

At year ended September 30, 2006 the Authority is not the guarantor of any loans outstanding other than those disclosed in the basic financial statements.

NOTE 4 – FINDINGS AND QUESTIONED COSTS

The findings and questioned costs identified in connection with the 2006 Single Audit are disclosed in Schedule II, and the status of the prior year findings and questioned costs are disclosed in Schedule III.

**DISTRICT OF COLUMBIA HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2006**

I. Summary of Auditor's Results

Financial Statement Section

- | | |
|--|-------------|
| 1. Type of auditor's report issued: | Unqualified |
| 2. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | No |
| b. Were reportable conditions identified not considered to be material weaknesses? | Yes |
| 3. Noncompliance material to the financial statements? | No |

Federal Awards Section

- | | |
|---|-------------|
| 1. Dollar threshold used to determine Type A Programs | \$3,000,000 |
| 2. Dollar threshold used to determine Type B Programs | \$1,000,000 |
| 3. Auditee qualified as low-risk auditee? | No |
| 4. Type of auditor's report on compliance for major risk programs | Qualified |
| 5. Internal control over compliance: | |
| a. Material weakness(es) identified? | Yes |
| b. Were reportable conditions identified not considered to be material weaknesses? | Yes |
| c. Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (section .510(a))? | Yes |
| 6. Identification of major programs: | |

CFDA Number

Name of Federal Program

14.871
14.872

Section 8 Housing Choice Voucher Program
Capital Fund Program

DISTRICT OF COLUMBIA HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2006

Questioned
Costs

Findings – Financial Statement Audit

Reference: 2006-01

Condition

The supporting documentation underlying the Financial Data Schedule (FDS) is cumbersome to reconcile and results in numerous adjustments. This is a result of inclusion of multiple activities within certain funds such as the Global Unit, and certain transactions recorded through the Authority's interfund accounts. This lack of reconciliation makes it difficult to determine completeness or if there are funds that have not been included on the FDS that are active.

Criteria

HUD reporting requirements require the preparation of an FDS and that financial reports be supported by the books and records of the organization.

Effect

The effect of this condition is an increased risk of inaccurate reporting to HUD and lack of agreement between internal and external reporting.

Recommendation

Procedures for preparation of the FDS should be modified to ensure that it is supported by sufficient supporting documentation. In addition, the general ledger should be reconciled to the FDS to ensure all transactions are recorded properly and are supported with adequate documentation. Any adjustments in preparing the FDS should also be documented.

Response

This is the result of a prior year issue that has been remedied. DCHA improved upon the process by reconciling the general ledger to the FDS. However, certain funds include multiple activities. The transition to property based accounting will resolve this issue.

Reference: 2006-02

Condition

It was noted that the Authority does not always post transactions to the general ledger nor do they post transactions timely. Examples of transactions that were not properly posted include the following:

- Reconciling items identified in bank reconciliations are not always recorded. Items including deposits, interest income, bank fees and other activity are not being recorded in the general ledger and the policy requiring voiding of checks over 90 days old is not being followed.
- Expenditures from credit card bills are posted in the period paid and not the period incurred. In addition, some bills were not paid in full each month, so certain expenditures were not recorded until several months later.

Criteria

GAAP basis accounting requires that all transactions be recorded properly in the books and records of the Organization. In addition, internal controls should be in place to ensure that transactions are processed and recorded properly in the general ledger, accounts are reconciled to ensure accuracy of the account balance, and transactions are being monitored and documented.

**DISTRICT OF COLUMBIA HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2006**

Findings – Financial Statement Audit

**Questioned
Costs**

Effect

The effect of this condition is inaccurate account balances and a lack of timely information on financial activity.

Recommendation

Bank reconciliations should be performed on a monthly basis with reconciling items posted promptly to the correct accounts. Procedures should be established for periodic (monthly or quarterly) reconciliations of critical accounts or accounts that are known to have extensive reconciling items. These reconciliations should be reviewed by management.

Response

All transactions are posted to the general ledger. Some transactions which are posted as a result of tenant accounting process are delayed due to limitations in the tenant accounting software. DCHA is implementing a new tenant accounting software that will properly account for these transactions and post the resulting entries as of the date of the transaction.

It is DCHA policy to post all financial transactions in a timely manner. As a result of the prior year audit, DCHA implemented procedures that require adjusting entries be made as part of the bank reconciliation process.

DCHA implemented its void check policy shortly after receiving the final FY05 audit report late in 2006. Fiscal FY06 was over before DCHA had an opportunity take corrective measures.

Credit card transactions are recorded when the bill is received. Usually this the month after the transaction occurred. These transactions are not significant and would not have a material effect on the financial statements.

As in most organizations, it is DCHA policy to only pay the current portion of the bills it receives. Prior balances sometime occur as a result of timing difference between the date DCHA makes payment and the vendors billing cycle. The prior balance are paid using the original invoices for the applicable period.

Reference: 2006-03

Condition

It was noted that the Office of Risk Management (ORM) receives checks for items such as insurance proceeds. In two cases, these checks were not deposited into the Authority's account in a timely manner as follows.

- A check for \$20,015 dated August 29, 2005, was not deposited into the bank account until May 5, 2006.
- A check for \$111,202 dated November 1, 2005, was not deposited into the bank account until January 19, 2006.

Criteria

Internal controls require that procedures be in place to secure, document and record cash receipts received by the Authority. This ensures all transactions are recorded properly and reduces the risk of fraud and error.

**DISTRICT OF COLUMBIA HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2006**

Questioned
Costs

Findings – Financial Statement Audit

Effect

The effect of this condition is increased risk of misappropriation of cash receipts and improper recording of deposits.

Recommendation

Procedures should be established within ORM to ensure that all receipts accepted by this office are processed and recorded properly, or the Authority should modify the procedures for this type of receipt to ensure that ORM does not collect receipts.

Response

We concur with this finding. This is evidence of a prior year issue that has been remedied. DCHA has implemented Cash Management policies and procedures for assuring all checks received are recorded properly and in a timely manner.

Findings and Questioned Costs – Major Federal Award Programs

Reference: 2006-04, HUD, Housing Choice Voucher Program, CFDA #14.871

Condition

Testing of 120 Housing Choice Voucher tenant files revealed the following exceptions or missing documentation from the files.

- Thirty-six of forty files were missing at least one piece of HUD required documentation to support income/eligibility; third party verification of income, assets, or expenses; the calculation of tenant rent; and timely re-examinations.
- Nine of forty files tested did not document a completed HQS inspection during the past 12 months or did not document a required HQS re-inspection.
- Nineteen of forty files tested did not have a correct HAP amount because an annual recertification was not performed, the recertification was not performed in a timely manner, or third party information was not adequately documented.
- Eight of thirty files did not adequately document how a tenant entered the program or whether they were provided the opportunity to enter the program.
- Five of thirty files did not adequately document the Authority's support for reasonable rent.
- Twenty-four of thirty files did not properly document a failed inspection, the required correction time of a failed inspection, a required re-inspection or evidence that the Authority took action to enforce the obligations of landlords and owners in units with failed inspections.

Criteria

24 CFR 982.516 lists the documentation that should be maintained in the tenant files as stated above. In addition, 24 CFR 982.207, 404(a)(3), 405(a), 507 and 516 describe the various requirements that DCHA must follow in order to properly maintain the tenant files.

Effect

The effect of this condition is increased risk of allowing ineligible tenants, incorrect rent calculations due to lack of support, and failure to address inspection issues accurately and timely.

**DISTRICT OF COLUMBIA HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2006**

Findings – Financial Statement Audit

**Questioned
Costs**

Recommendation

We recommend that management implement a process for tenant file review to ensure that the files meet HUD's eligibility and file documentation requirements.

Response

DCHA's Housing Choice Voucher Program (HCVP) is in the process of developing a corrective action plan to be implemented no later than October 1, 2007, in order to implement ongoing procedures to improve the efficiency, quality and responsiveness of the program, while ensuring that our documentation meets HUD's eligibility and file documentation requirements. The corrective action plan will include ongoing actions to ensure effective and efficient operations of the HCVP, as well as compliance with HUD requirements. DCHA has already taken the following actions in order to improve the management of file documentation.

DCHA has purchased and is implementing a comprehensive HCVP quality control file review system to improve the quality control procedures that were existing at the time of the audit. This improved quality control system identifies all areas of file deficiency to accurately track files and ensure their complete status. This tool also allows HCVP to determine areas of employee deficiency thereby creating opportunities for training and education to improve the efficiency of HCVP staff.

DCHA is also installing "WIZARD", a new HCVP software system designed by Visual HOMES. This new software will transition DCHA's current DOS-based Client Management System and will allow HCVP go better manage the voucher recipients' financial makeup, demographic information, and family composition data. This new system will improve the overall integrity of the HCVP tenant files through its audit trail functionality, easier management of recipient/landlord information, timely "end-of-month" processing and better security features.

DCHA HCVP has installed an electronic file system, "Documentum," and has been working during the past several months to transition files to this system. The Documentum Application System is designed to manage files, folders, or collections of related information in an electronic format to allow easier retrieval and management. The addition of this system will improve the overall integrity of the HCVP tenant files by giving the HCVP staff the ability to track the completeness of a client folder and ensure that all required documents have been submitted, are properly indexed in the client folder and available for review, via the use of a Redline reporting mechanism.

These efforts combined with the corrective action plan will work towards improvement of the processes and overall management of our tenant files, in compliance with HUD requirements.

Reference: 2006-05, HUD, Capital Fund Program, CFDA #14.872

Condition

Based on testing of 146 invoices, it was noted that one invoice for \$82,488 did not have sufficient documentation to support the proper review or approval for payment.

\$ 82,488

Criteria

The Authority's policy and procedure manual requires supervisor review and approval for all payment vouchers.

DISTRICT OF COLUMBIA HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2006

Findings – Financial Statement Audit

Questioned
Costs

Effect

The effect of this condition is an increase of payments made in error or misappropriation of Authority assets.

Recommendation

We recommend that the Authority implement procedures to ensure that all payment vouchers are reviewed and approved prior to the disbursement.

Response

The voucher journal report for this invoice was properly approved for payment in accordance with DCHA policy. The original documents will be made available to CG for review in order to clear this finding.

DISTRICT OF COLUMBIA HOUSING AUTHORITY
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2006

III. Prior Year Findings

Questioned
Costs

Reference 2005-01

Condition

The reconciliation between the Financial Data Schedule (FDS) and the General Ledger system is cumbersome and results in numerous adjustments. This is a result of inclusion of multiple activities within certain funds, and some transactions recorded through the Authority's interfund accounts. Since preparation of the FDS is not yet fully automated, the result is that this lack of reconciliation makes it difficult to determine completeness or if there are funds that have not been included on the FDS that are active.

Recommendation

Procedures for preparation of the FDS should be modified to ensure that it reflects the general ledger. In addition, the general ledger should be reconciled to the FDS to ensure all transactions are recorded properly and are supported with adequate documentation. Any adjustments in preparing the FDS should also be documented.

Status

This condition has not been corrected in the current year and is reported as Finding 2006-01.

Reference 2005-02

Condition

It was noted that one-time and certain types of non-operating transactions are not always being posted to the General Ledger, are not always posted timely, or cannot be supported. These types of transactions are not being detected partially due to account reconciliations not being completed in sufficient detail or timely. Examples of transactions not recorded properly include the following:

- A loan payoff for the Bank of America was not recorded in the general ledger. This resulted in an error in a misstatement in the Public Housing fund on the FDS because the cash that was paid was not properly journalized between public housing and Capital Fund Program (CFP) funds.
- Bank reconciliations had numerous material reconciling items throughout the entire year, including items dating to 2003, without being adjusted. Items including deposits, interest income, bank fees and other transactions are not being recorded in the general ledger and the policy requiring voiding of checks over 90 days old is not being followed. In addition, the Authority is not reconciling their bank balances on a monthly basis.
- Three checks in the amount of \$3,289,889.18 for ADA/504 work were deposited in the bank, however, were not recorded in the general ledger.
- Payments on a promissory note totaling \$1.2 million were not properly applied. In addition, the note was not properly recorded when it was originated.
- Checks totaling approximately \$150,000 were not deposited until six months after being received.

Recommendation

Procedures should be established for periodic (monthly or quarterly) reconciliations of critical accounts or accounts that are known to have extensive reconciling items. These reconciliations should be reviewed by management and the required adjustments

**DISTRICT OF COLUMBIA HOUSING AUTHORITY
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2006**

Questioned
Costs

documented and posted. In addition, controls should be reviewed both within finance and in coordination with other departments to ensure that all activity is captured by the accounting process. We understand that a comprehensive cash management policy has been implemented by the Authority during the current year.

Status

This condition has not been corrected in the current year and is reported as Finding 2006-02.

Reference 2005-03

Condition

It was noted that the Office of Planning and Development (OPD) receives checks, sometimes for significant amounts, for items such as proceeds of loan payoffs and settlement fees on properties sold. This Office does not have the controls in place that the Finance office does to ensure checks are received, documented, and recorded properly, which results in errors and the failure to record cash transactions.

Recommendation

We recommend that either procedures be established within (OPD) to ensure that all receipts accepted by this office are processed and recorded properly, or that the Authority modify the procedures for these types of receipts to ensure that OPD does not collect receipts at all.

Status

This condition has been corrected in the current year.

Reference 2005-04; 2004-03

Condition

Based on testing of Housing Choice Voucher tenant files, failed HQS inspections are not being properly handled. Therefore, DCHA is not complying with HUD requirements or their administrative plan.

Recommendation

We recommend that procedures for processing failed inspections be reviewed and that abatements, when necessary, be implemented more timely. We understand that a staffing issue created this condition and the Authority needs to assess the need for prioritizing staff to address this issue.

Status

This condition has not been corrected in the current year and is reported as Finding 2006-04.

Reference 2005-05

Condition

Based on a testing of tenant files for the Mod Rehab and New Construction/Sub Rehab Programs, eleven of thirty files failed one or more of the eligibility compliance requirements. Requirements tested included eligibility, income verification, and family income and composition.

DISTRICT OF COLUMBIA HOUSING AUTHORITY
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2006

Questioned
Costs

Recommendation

We recommend that management review their internal control and documentation procedures for tenant admissions and ensure that staff are properly utilizing these procedures.

Status

This condition has not been corrected in the current year and is reported as Finding 2006-04.

Reference: 2005-06; 2004-02

Condition

Based off of review of tenant files, DCHA is not properly documenting all necessary information for tenant selection for housing. Due to this, DCHA is not properly following HUD requirements of their administrative plan.

Recommendation

We recommend that management implement a process for tenant file review to ensure that the files meet HUD's eligibility and special reporting requirements.

Status

This condition has not been corrected in the current year and is reported as Finding 2006-04.

Reference: 2005-07

\$ 8,914

Condition

Our testing of cash management for the capital fund program reflected 4 of 15 draws were not expended within two weeks after the receipt of funds from HUD. A portion of these funds were never expended, but a portion of one draw did not have adequate documentation to allow us to determine whether the expense was allowable. These exceptions violate HUD compliance requirements and the policies and procedures manual of DCHA.

Recommendation

We recommend that management take appropriate measures to ensure that grant funds have been expended before requesting reimbursement from HUD, or that grant funds will be expended shortly after the draw from HUD.

Status

This condition has been corrected in the current year.