



United States
General Accounting Office
Washington, D.C. 20548

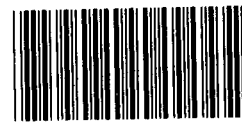
Accounting and Financial
Management Division

B-247837

May 8, 1992

The Honorable Ronald V. Dellums
Chairman, Committee on the District
of Columbia
House of Representatives

The Honorable Jim Sasser
Chairman, Subcommittee on General
Services, Federalism and the
District of Columbia
Committee on Governmental Affairs
United States Senate



146592

This report presents the results of our review of the independent certified public accountant's audit of the District of Columbia's Schedule of Revenues and Nonoperating Revenues derived from the federal government and other sources for the year ended September 30, 1991. The District of Columbia Budgetary Efficiency Act of 1991 (Public Law 102-102) requires us to review this schedule and to report the results to your Committees. This schedule is a basis for determining the authorized amount of the federal payment to the District of Columbia. The amount is determined using a formula specified in the act.

RESULTS IN BRIEF

In the auditors' opinion, the District of Columbia's Schedule of Revenues and Nonoperating Revenues for the year ended September 30, 1991, is fairly presented in accordance with generally accepted accounting principles in relation to the District's financial statements for the year ended September 30, 1991, taken as a whole. Our work, limited to a review of the District's Schedule of Revenues and Nonoperating Revenues, found nothing to indicate that the auditors' opinion was inappropriate or unreliable.

The District's schedule includes local source revenues from its general, enterprise, and trust fund activities.

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Applying the formula to these total revenues results in a higher federal payment than historical trends would indicate. In this regard, congressional hearings and committee reports associated with enactment of the law have generally compared the federal payment to general fund revenues.

BACKGROUND

The government of the District of Columbia is required by D.C. Code 47-119(a) to prepare annual financial statements of its operations in accordance with generally accepted accounting principles and to have them audited. Subsection 2(c)(1) of Public Law 102-102 amended D.C. Code 47-119(a) to require that beginning with the independent audit covering the District's financial operations for fiscal year 1991, the audit include a report of the District's revenues broken down by revenues derived from the federal government and revenues derived from sources other than the federal government during the fiscal year.

The purpose of the breakdown of revenues included in the report is to facilitate implementation of the federal payment formula established by section 2(b) of Public Law 102-102. The formula authorizes an amount equal to 24 percent of the local revenues for each fiscal year to be appropriated as the annual federal payment to the District in the second subsequent fiscal year. The federal payment is to compensate the District for revenue shortages from unreimbursed services provided to the federal government and from federally imposed limitations on the District's ability to raise certain tax revenues. The term "local revenues" is defined as meaning the independently audited revenues of the District that are derived from sources other than the federal government during that year.

The District of Columbia government contracted with an independent certified public accounting firm, KPMG Peat Marwick, to perform an audit of its fiscal year 1991 financial statements. Because the District's financial statements for the year ended September 30, 1991, did not include a breakdown of the District's revenues for 1991 as required, we requested that the District and its auditors provide an audited breakdown of revenues, which we subsequently received on February 28, 1992.

SCOPE OF REVIEW

We conducted our review of the auditors' work in accordance with generally accepted government auditing standards. To determine the reasonableness of the auditors' work in the revenue area and the extent to which we could rely on it, we

- reviewed the auditors' approach and planning of the audit;
- evaluated the qualifications and independence of the audit staff;
- reviewed the financial statements and auditors' report to evaluate compliance with generally accepted accounting principles and generally accepted government auditing standards; and
- reviewed the auditors' working papers to determine (1) the nature, timing, and extent of audit work performed, (2) the extent of audit quality control methods the auditor used, (3) whether the auditors obtained an understanding of the revenue cycle's internal control structure, (4) whether the amounts reported in the revenue schedule agreed with those in the financial statements, and (5) whether the evidence in the working papers supported the auditors' opinion on the Schedule of Revenues and Nonoperating Revenues.

Based on our review, the District Government modified the revenue schedule to, among other things, eliminate certain noncollectible revenues related to operations of the D.C. General Hospital fund. We received the updated final schedule and auditors' opinion related to that schedule on March 27, 1992. (See appendix I.)

AUDITORS' OPINION

In the opinion of KPMG Peat Marwick, the District's financial statements for the year ended September 30, 1991, are fairly presented in all material respects in accordance with generally accepted accounting principles.

Also, in the opinion of KPMG Peat Marwick, the District's Schedule of Revenues and Nonoperating Revenues is fairly presented in all material respects in relation to the District's financial statements taken as a whole. Based on our review, we found nothing to indicate that KPMG Peat Marwick's opinion on the District's fiscal year 1991

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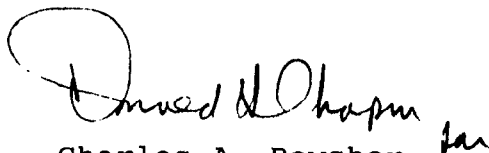
Schedule of Revenues and Nonoperating Revenues is inappropriate or unreliable.

DISCUSSION OF LOCAL REVENUES

In the 1991 Schedule of Revenues and Nonoperating Revenues, the District reported local revenues of \$3.534 billion from nonfederal sources. This amount includes \$2.680 billion of general fund revenue, \$362 million of enterprise fund revenue, and \$492 million of trust fund revenue. The general fund derives its revenue primarily from taxes. The enterprise funds derive revenues from charges for services from the following business-type activities: water and sewer, D.C. General Hospital, Starplex, the Convention Center, lottery games, and the University of the District of Columbia. Trust fund revenues are derived from specific fund activities, namely housing financing, unemployment compensation, and pension plans. Trust funds are held by the District as trustee and applied on behalf of specific parties.

The District included in local revenue all revenue derived from any source other than the federal government. When the formula in the law is applied to the total local revenues presented in the schedule, the resulting authorization to the District for 1993 is greater than historical trends would indicate. In this regard, the congressional hearings and committee reports on the law generally compared, for informational purposes, the federal payments to the District's general fund revenues.

We are sending copies of this report to the Mayor of the District of Columbia, the Deputy Mayor of Finance, and the Deputy Mayor of Operations.


Charles A. Bowsher *for*
Comptroller General
of the United States



Certified Public Accountants

2001 M Street, N.W.
Washington, DC 20036

To the Mayor and Council of the
District of Columbia:

We have audited the general purpose financial statements of the District of Columbia for the year ended September 30, 1991 and have issued our report thereon dated January 23, 1992. The general purpose financial statements are the responsibility of the District of Columbia's management. Our responsibility is to express an opinion on the general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. 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 general purpose 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 audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements of the District of Columbia, taken as a whole. The supplementary information included in the accompanying Schedule of Revenues and Nonoperating Revenues is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

KPMG Peat Marwick

January 23, 1992



Member firm of
KPMG Peat Marwick Goetz & Poon

DISTRICT OF COLUMBIA
SCHEDULE OF REVENUES AND NONOPERATING REVENUES

For the year ended September 30, 1991

(amounts in thousands)

	<u>Local</u>	<u>Federal</u>	<u>Interfund</u>	<u>Total</u>
Revenues:				
General	\$ 2,679,566	1,257,057	48,866	3,985,489
Capital projects	-	106,499	-	106,499
Enterprise	351,392	59,454	27,517	438,363
Trust and agency:				
Housing finance	48,895	12,532	-	61,427
Unemployment compensation	78,438	9,327	5,147	92,912
Pension	<u>364,554</u>	<u>30,463</u>	<u>225,236</u>	<u>620,253</u>
Total revenues	<u>3,522,845</u>	<u>1,475,332</u>	<u>306,766</u>	<u>5,304,943</u>
Nonoperating revenues - enterprise funds:				
Intergovernmental	-	5,662	-	5,662
Interest	2,621	-	-	2,621
Miscellaneous	<u>8,161</u>	<u>-</u>	<u>-</u>	<u>8,161</u>
Total nonoperating revenues - enterprise funds	<u>10,782</u>	<u>5,662</u>	<u>-</u>	<u>16,444</u>
Total revenues and nonoperating revenues	<u>\$ 3,533,627</u>	<u>1,480,994</u>	<u>306,766</u>	<u>5,321,387</u>