GOVERNMENT OF THE DISTRICT OF COLUMBIA

OFFICE OF THE INSPECTOR GENERAL

717 14TH STREET, N.W., 5TH FL.
WASHINGTON, D.C. 20005
(202) 727-2540

MEMORANDUM

TO: Donald L. Rickford
Chief Financial Officer, DCPS

FROM E. Barrett Prettyman, Jr.
Inspector General

DATE: December 4, 1998

SUBJECT: Draft Report - "Audit of the Direct Activity Purchase System and the Student Activity Funds at the Margaret Murray Washington Career High School"- (OIG No. 9812-15)

Attached is the subject report by the Office of the Inspector General. This audit of both the Direct Activity Purchase System (DAPS) and the Student Activity Funds (SAF) at the Margaret Murray Washington Career High School covered the period October 1, 1996 through January 31, 1998.

We found that the school did not comply with the DAPS and SAF policies and procedures for administering funds. The funds were not set aside for student activities and there was a lack of documentation to support purchases and other expenditures. As a result, our audit revealed a total of $104,868 in disallowed costs and $22,291 in questioned costs . We believe that management inattention to the operation of these funds and a willingness to circumvent requirements may have contributed to the improper use of these funds.

The audit also disclosed that internal controls exercised over the DAPS and SAF were inadequate. Expenditures were not recorded accurately and timely, bank statements were not reconciled properly and financial reports were not submitted timely.

We are recommending that the Superintendent, DCPS, take measures to ensure that the deficiencies identified in this report are corrected. Also, appropriate administrative and/or disciplinary action should be taken against personnel who do not adhere to prescribed policies and procedures for handling the funds.

We ask that you provide our Office with a written response to this report within ten working days from the date of this memorandum so we can incorporate into our final report any comments or actions proposed by your office to correct the identified discrepancies.

Should you have any questions or need additional information, please contact me at the above number or John N. Balakos, Assistant Inspector General for Audits, on 727-9749.

Attachment

GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE INSPECTOR GENERAL

AUDIT OF THE DIRECT ACTIVITY PURCHASE SYSTEM AND THE STUDENT ACTIVITY FUNDS AT THE MARGARET MURRAY WASHINGTON CAREER HIGH SCHOOL OCTOBER 1, 1996 TO JANUARY 31, 1998

E. BARRETT PRETTYMAN, JR.
INSPECTOR GENERAL

OIG REPORT NO. 9812-15

DECEMBER 23, 1998

GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE INSPECTOR GENERAL

AUDIT OF THE DIRECT ACTIVITY PURCHASE SYSTEM AND THE STUDENT ACTIVITY FUNDS AT THE MARGARET MURRAY CAREER HIGH SCHOOL OCTOBER 1, 1996 TO JANUARY 1998

TABLE OF CONTENTS

I. Introduction and Purpose 1

II. Background 1

III. Scope, Objective and Methodology 2

IV. Summary and Conclusions 3

V. Findings and Recommendations 3

1. Disallowed Costs 3
   Recommendations 6
2. Questioned Costs 7
   Recommendations 7
3. Inadequate Internal Controls 8
   Recommendations 9
4. Bank Reconciliations Not Prepared Accurately 9
   Recommendation 11
5. Financial Activity Reports Not Submitted 12
   Recommendations 13
6. DAPS Procurement Regulations Not Followed 14
   Recommendation 14
7. SAF Funds Deposited in the Incorrect Sub-account 15
   Recommendation 15

EXHIBITS

Exhibit 1-Schedule of Salaries Paid from the SAF Account (Fiscal Years 1997 and 1998)
Exhibit 2-Schedule of DAPS Disallowed Costs (Fiscal Years 1997 and 1998)
Exhibit 3-Schedule of SAF Questioned Costs (Fiscal Years 1997 and 1998)
Exhibit 4-Schedule of DAPS Questioned Costs (Fiscal Years 1997 and 1998)
Exhibit 5-Difference Between the Reconciled Bank and Book Balances Indicated on the SAF Reconciliation Forms
Exhibit 6-Agency Response

GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE INSPECTOR GENERAL

AUDIT OF THE DIRECT ACTIVITY PURCHASE SYSTEM AND THE STUDENT ACTIVITY FUNDS AT THE MARGARET MURRAY WASHINGTON CAREER HIGH SCHOOL OCTOBER 1, 1996 TO JANUARY 31, 1998

INTRODUCTION AND PURPOSE

The Office of the Inspector General (OIG) has conducted an audit of the Direct Activity Purchase System (DAPS) funds and the Student Activity Funds (SAF) maintained at Margaret Murray Washington Career High School (M. M. Washington). The audit was performed at the request of the District of Columbia Public Schools (DCPS) Chief Financial Officer (CFO) due to concerns raised during an internal audit of the funds by the CFO. The objective of the audit was to determine whether M. M. Washington complied with policies and procedures established by DCPS for administering the SAF and DAPS funds.

BACKGROUND

The mission of the DCPS is to provide a viable and comprehensive system of publicly supported education for students from pre-kindergarten through grade twelve. DCPS provides comprehensive programs at the elementary, junior and senior high school levels. Additionally, DCPS provides educational services for students with special needs and career training opportunities for adults at the career development centers.

DCPS established the DAPS in connection with the school based management philosophy aimed at reforming and improving schools. The DAPS is a process that gives local schools more flexibility to purchase and pay for goods and services. The DAPS delegates limited procurement and payment authorities to the local school principals by allowing principals to purchase certain supplies, materials, and services when needed without prior approval from the central offices. The Office of the Chief Financial Officer (OCFO) allocates DAPS funds to schools receiving DAPS on a quarterly basis. The OCFO allocated $14,927 for the DAPS fund in fiscal year 1997 and $50,000 in fiscal year 1998 to M. M. Washington.

The "General Guidelines to the DAPS," dated May 1996, provide the policies and procedures for the schools to administer DAPS funds, along with requirements related to internal controls, accounting, record keeping and reporting. These guidelines for DAPS were updated by the school system in October 1997 through its issuance of the "DAPS Policies and Procedures Manual." Unlike the procedures prescribed in May 1996,

subsequent October 1997 procedures include procurement requirements for the schools when purchasing items. These requirements dictate that schools must obtain approval for certain purchases which did not require such approval in fiscal year 1997. The procedures also increased the spending limitation to $5,000 per day. In fiscal year 1997, the spending limitation was $1,000 per day for regular schools and $2,000 per day for enterprise and charter schools.

The purpose of the SAF is to promote the general welfare, education and morale of the students, and to finance recognized extra-curricular activities of the student body. The funds are raised by school activities approved by the principals, which are not otherwise prohibited by law or DCPS regulations. The "SAF Policy Manual," dated June 1996, provides the policies and procedures for administering the SAF. The manual indicates the items that the school can and can not purchase with the SAF, along with the internal controls, accounting, recordkeeping and reporting requirements.

SCOPE, OBJECTIVE AND METHODOLOGY

The audit covered the period October 1, 1996 through January 31, 1998. We reviewed all DAPS expenditures for M. M. Washington, which totaled $39,002, and the related invoices, receipts, canceled checks, and other supporting documentation. In addition, we reviewed all bank statements, bank statement reconciliations, and financial activity reports prepared during the audit period.

The objective of the audit was to determine whether M. M. Washington complied with policies and procedures established by DCPS for administering the DAPS and SAF funds.

We judgmentally selected SAF for the period October 1, 1996 through January 31, 1998, which totaled approximately $109,000, from a universe total of approximately $195,300. For these expenditures, we reviewed the related invoices, receipts, canceled checks, and other supporting documentation. In addition, we reviewed all bank statements, bank statement reconciliations, and financial activity reports prepared during the audit period. We reviewed selected SAF receipts for the audit period. We compared the receipts to the deposits indicated on the bank statements.

Additionally, we conducted interviews with M. M. Washington personnel responsible for recordkeeping and other functions related to the administration of the SAF and DAPS funds. We also held discussions with officials at the DCPS, Division of Finance.

We did not assess the reliability of the Student Activity II computer systems used to record SAF transactions. The Student Activity II Program was used to record SAF transactions for fiscal year 1997. In fiscal year 1997, DAPS transactions were manually recorded. The Quicken System was used to record SAF and DAPS transactions for fiscal year 1998.

The audit was conducted in accordance with generally accepted government auditing standards as promulgated by the Comptroller General of the United States.

SUMMARY AND CONCLUSIONS

The audit noted that M. M. Washington did not comply with SAF and DAPS policies and procedures for administering the SAF and DAPS funds. The funds were used improperly and were not being set aside for student-related activities. Instead, the funds were used, for example, primarily to pay employee salaries, which is specifically disallowed. Also, there was no documentation to support some of the purchases and other expenditures. As a result, our audit of the SAF and DAPS funds showed $104,868 in disallowed costs and $22,291 in questioned costs. M. M. Washington officials explained to us that they were not aware of all the SAF and DAPS policies and procedures. We believe that management inattention to the operation of these funds and a willingness to circumvent requirements may have contributed to the improper use of these funds.

The internal controls exercised over the funds within both the DAPS and SAF at M. M. Washington were inadequate. Expenditures were not recorded accurately and timely, and bank statements were not reconciled properly. Additionally, our audit disclosed that M. M. Washington did not submit timely financial reports on the status of the DAPS funds to the DCPS, Division of Finance, and did not submit all the required financial reports for the SAF. As a result, DCPS could not accurately track expenditures of the SAF and DAPS funds made by M. M. Washington; and the funds were not protected against theft and irregularities. We believe that such practices existed to circumvent requirements of the DCPS policies and procedures.

We recommended that the Superintendent, DCPS, take measures to ensure that the deficiencies identified in this report are corrected. Also, that appropriate administrative and/or disciplinary action is taken against personnel who have not adhered to prescribed policies and procedures for handling the funds. In response to our draft report, the new principal of M. M. Washington stated that such measures would be implemented. The details of these measures are included after each recommendation and the full response is included as Exhibit 6 to this report.

FINDINGS AND RECOMMENDATIONS

Disallowed Costs

During our review, we noted $89,652 in disallowed costs for SAF and $15,216 in disallowed costs for DAPS funds. The aggregate total of disallowed costs for both funds was $104,868. The disallowed costs noted by OIG were for expenditures that were made without prior approval, non-school-related expenditures, and for specifically disallowed

categories of costs, such as salaries and furniture and fixtures. More details are provided below.

Student Activity Funds

During the period covered by our audit, we determined that M. M. Washington paid employee salaries totaling approximately $87,929 from October 1, 1996 through January 31, 1998 using the SAF (see Exhibit 1). The use of SAF for salaries is prohibited in the SAF policies and procedures. As a result, funds designated for student activities, such as field trips, projects, senior prom, etc. may not be available when needed.

We were informed by the school principal that some SAF funds were temporarily used to pay salaries of evening school teachers who were on the regular payroll. However, the principal stated that personnel action forms were not forwarded to the DCPS Payroll Office in time to allow for the paychecks to be processed in the regular payroll. Also, we found that officials at M. M. Washington used the SAF to pay substitute teachers who were not regularly employed by DCPS and administrative staff who were employed by DCPS. These employees should have been paid by DCPS. In addition to the improper use of this fund, the appropriate amount of payroll taxes was not withheld.

Section VI (C)(5) of the SAF Policy Manual provides that unallowable expenditures include: *"...Salaries for services that are a responsibility of the school system or are for school system assignments...."* Section VI (C)(10) of the manual provides that unallowable expenditures include: *"...Purchases of equipment, supplies, and services for rooms and areas not used primarily for student body activities...."*

Section VI (C)(8) of the SAF Policy Manual provides that unallowable expenditures include: *"...Disbursements which are primarily for the benefit of the school staff or other DCPS employees, such as gifts, socials, meals, retirement functions or other staff social activities. However, disbursements for such purposes may be made from funds derived solely from staff donations or other staff activities, or from funds donated for that specific purpose by a PTA booster club, or student organization...."*

In fiscal year 1998, we noted that M. M. Washington used funds totaling $1,323 from the general fund sub-account to pay for luncheons and catering events for staff. The table below shows the disallowed costs from October 1997 through January 1998.

Table 1. Schedule of Disallowed Costs from October 1997 through January 1998

Check No.	Date	Description	Amount
(catering)			
8751	10/01/97	lunch for department meeting	$ 140.00
8765	10/13/97	catering for meeting	429.25
8790	11/15/97	catering for parent/staff meeting	429.25
8822	01/20/98	catering for staff meeting	325.00
Subtotal			**$1,323.50**
(salaries)			
8776	10/24/97	stipend for bookkeeping	$ 350.00
8796	11/25/97	pay for cleaning	25.00
Subtotal			**$ 375.00**
(other disallowed costs)			
8777	10/20/97	carpet for main office	$ 400.00
Subtotal			**$ 400.00**
Total			**$2,098.50**

Additionally, we noted that in fiscal year 1997, the SAF fund included a $39,000 Pell Grant. M. M. Washington receives Pell Grant funds for the adult students that attend various programs (practical nursing, dental technology, physical therapy, etc). We noted that M. M. Washington transferred $35,000 of the $39,000 out of the Pell Grant sub-account and put the funds in the general fund sub-account. The Pell Grant funds were designated to be used for a specific purpose. However, once deposited in the general sub-account, they become co-mingled with all other funds and may not be available when needed for a specific purpose.

Direct Activity Purchase System Funds

Our audit identified $15,214 of disallowed costs for the DAPS funds. Of this amount, the DCPS officials did not obtain prior approval for $13,099 and purchased items totaling $2,117 specifically disallowed by DAPS policy. Failure to obtain required approvals for purchases can result in procurement errors and may lead to improprieties (i.e., fraud, waste, etc.). The officials at M. M. Washington told us they were not aware of the requirement to get approval for the items. (Exhibit 2 is a schedule of the DAPS disallowed costs for fiscal years 1997 and 1998).

Section C (2) of the General Guidelines to the DAPS provides: *"...The list of supplies and services which may not be purchased using the DAPS process includes, but is not limited to, the following: ...All furniture and fixtures, (object class 701)...."*

Section IV (B) of the DAPS Policies and Procedures Manual provides: *"Object Classes 405 and 406 "Equipment Maintenance" and "Repairs and Building Maintenance and Repairs", are considered allowable costs only when the following events have occurred:*

1. *There is an emergency in the school/department (i.e. leaky roof, broken plumbing).*

2. *COO's office was contacted and stated they could not respond within 24 hours.*

3. *A waiver form...is completed by the COO approving maintenance to be done and waiving the spending limit, if necessary.*

"With the exception of instructional equipment, (i.e., tape recorders, overheads), Object Class 702 "Equipment and Machinery" purchases (i.e., computers, printers) are allowable only when the following events have occurred:

1. *A significant need exists.*

2. *The Director of Management Information Services department was contacted and approved the legitimacy of equipment and software purchases.*

3. *A waiver form...is completed by MIS noting approval of purchases and waiving spending limit."*

During our audit, we noted that the disallowed items were classified incorrectly, with respect to their object class. For example, the computers and the refrigerator were classified under object class 204 (Educational Supplies), instead of object class 702 (Equipment and Machinery). Also, a carpet purchased was classified under object class 424 (Conference and Convention Fees and Registrations), instead of object class 406 (Land and Building Maintenance). In fiscal year 1997, schools did not have to get approval for purchases under object codes 405, 406, and 702. The OIG was unable to determine if the incorrect codes were used in error or if the codes were used to circumvent policies and procedures.

Recommendations:

We recommended that the Superintendent, DCPS, take immediate action to:

1. Ensure that personnel action forms are processed in a timely manner in order to compensate properly DCPS employees;

2. Ensure that payroll regulations are adhered to regarding all permanent, temporary and contractual personnel;

3. Ensure that appropriate disciplinary actions are taken against individuals that knowingly disregard the SAF and DAPS policies and procedures; and

4. Ensure that Pell Grant funds are administered properly in the future.

Agency Response:

DCPS has hired a new business manager knowledgeable about fiscal administration, purchasing, payroll, time and attendance, and business management. **(See Exhibit 6.)**

Questioned Costs

The audit revealed questioned costs of $11,061 for the SAF and $11,230 for DAPS funds, respectively. The costs were questioned because M. M. Washington did not maintain supporting documentation for these expenditures. As a result, we could not determine what items were actually purchased and/or whether the expenditures were made for the intended purpose of the funds. We were informed that school staff did not always submit invoices or receipts as evidence for expenditures when requesting reimbursements. (See Exhibit 3 for SAF questioned costs and Exhibit 4 for DAPS questioned costs). The school staff was reimbursed for expenditures without proper documentation. Also, the bookkeeper did not maintain adequate documentation for purchase of supplies.

Section F (2) of the General Guidelines to the DAPS provides: *"...Files must be maintained in check number sequence for all paid invoices, receiving reports and other supporting evidence. The files must be properly documented, organized and available at all times for inspection by internal and external auditors...."* Section VIII, page 7 of the DAPS Policies and Procedures Manual provides: *"...All checks disbursed from the DAPS account shall be supported by written documentation in some form, such as an invoice. In addition, the request for check distribution form must be completed and maintained in the audit file...."*

Section VII (C)(4)(c) of the SAF Policy Manual provides: *"...At the time of the audit or review, the following records shall be made available to the auditor(s): Paid vouchers and invoices...."*

The M. M. Washington did not maintain supporting documentation for 44 of the 340 SAF expenditures reviewed and did not maintain supporting documents for 26 of the 98 DAPS expenditures examined.

Recommendations:

We recommended that the Superintendent, DCPS, take immediate action to:

1. Ensure that supporting documentation is maintained for all SAF and DAPS expenditures; and

2. For the questioned costs identified, obtain supporting documentation and submit to the OIG for review and approval.

Agency Response:

Both the new principal and business manager have been trained and are aware of the responsibilities in the purchasing procedures and have informed the staff of the new procedures and will work along with the assistant principal to assure that everyone adheres to the District policies. **(See Exhibit 6.)**

Inadequate Internal Controls

M. M. Washington did not have adequate internal controls in place to safeguard the SAF and DAPS funds. We found that one person (the bookkeeper) performed all of the functions related to recording the transactions, authorizing the disbursements and maintaining custody of both funds. The bookkeeper was also responsible for reconciling the SAF and DAPS bank statements. As a result, the funds were not protected against theft because errors and/or irregularities could be perpetrated, concealed, and not detected. The principal informed us that persons handling the funds do not receive additional income, and therefore, there is no incentive for individuals to perform the SAF and DAPS-related functions.

Section VII, page 5 of the DAPS Policies and Procedures Manual and Section IV (A) of the SAF Policy Manual provides: "*...The most important principle of internal control is the separation of duties, so that no one person controls all aspects of a transaction....*"

M. M. Washington violated the DAPS and SAF guidelines by permitting only the bookkeeper to record the transactions, authorize the disbursements and maintain custody of the SAF and DAPS fund.

Other internal control related deficiencies noted during our review of both funds include the following:

- The principal did not designate in writing the employees authorized to sign checks and withdraw funds;

- Inaccurate and incomplete recording of disbursements (SAF transactions from July 1, 1997 through January 31, 1998 had not been posted during the beginning of the audit); and

- The bookkeeper was authorized to sign checks and to withdraw funds.

Recommendations:

We recommended that the Superintendent, DCPS, take immediate action to:

1. Ensure that duties and functions of employees handling the SAF and DAPS are adequately separated;

3. Ensure that expenditures are accurately and timely recorded; and

4. Ensure that the principal designate in writing those employees authorized to sign checks and withdraw funds.

Agency Response:

The new principal stated that the school will adhere to the DAPS and SAFS guidelines by assuring that all internal controls are in place; that no one person will control all aspects of a transaction. At least two signatures will be obtained as required. All transactions, disbursements, and the custody duties and function of the business manager is defined, separated and shared with the principal and assistant principal and the three understand the roles in the entire process.
(See Exhibit 6.)

Bank Reconciliations Not Prepared Accurately

M. M. Washington's bookkeeper did not prepare bank statement reconciliation forms for three consecutive months in the SAF account. Also, the bookkeeper did not often prepare accurately the required reconciliation forms for both the SAF and DAPS. (Exhibit 5 shows the differences between the reconciled bank and book balances on the reconciliation forms). As a result, due to lack of reconciliations, we could not be assured that all funds were properly accounted for. The bookkeeper explained that she had difficulty in reconciling the SAF account and sought help from the DCPS, Division of Finance, but no help was provided. We believe these operating deficiencies exist because of management's inattention to the operations of these funds and the lack of training for DPCS staff.

Section VIII, page 8 of the DAPS Policies and Procedures Manual under the heading "Preparing the Bank Reconciliation" provides: *"...The bank statement must be reconciled to the checkbook each month, preferably as of the last day of the month."* Section IV (E)(5) of the SAF Policy Manual provides *"...The principal shall review the statement, the cancelled checks, and other statement documents and thereafter arrange for a reconciliation of the statement...."* Section 8, page 18 of the User's Guide to Managing the DAPS, dated October 1997, provides the following when the reconciled bank and book balances on the bank reconciliation forms do not agree: *"...If the difference is not zero: find the difference between your register and the statement and correct it...."*

Student Activity Funds

At the beginning of our audit, reconciliation forms for October 1997 through January 1998 had not been prepared. The transactions for that period had not been posted in the Quicken System, which was the system used to account for these funds. The bookkeeper posted the transactions during our audit and subsequently provided the reconciliation forms. The SAF account was last properly reconciled in February 1996.

All reconciliation forms prepared by the bookkeeper for fiscal years 1997 and 1998 were inaccurate with no adequate documentation provided. The bookkeeper did not find the differences between the book and bank balances, which was needed for subsequent corrections (see Exhibit 5). Also, the bookkeeper did not prepare reconciliation forms for July 1996, August 1996 and September 1996 because she did not post transactions for those months in the automated program used to account for SAF funds.

There were often no lists detailing the individual checks to support the outstanding check amounts on the forms. Only one list was provided, which supported the October 1996 reconciliation form. The total amounts for outstanding checks for that month was overstated by $8,523, which overstated the cash balance. Some checks identified as outstanding appeared on earlier bank statements and some had been voided. In October 1996, the bookkeeper incorrectly recorded the bank statement balance at the month end and double posted funds that were received. We noted that the list of outstanding checks for October 1996 included checks that were written in fiscal year 1995. The SAF guidelines do not have provisions for handling checks that had been outstanding for greater than ninety days. However, in our opinion, checks that are not cashed within 90 days should be voided.

Direct Activity Purchase System

Monthly bank reconciliations were not correctly prepared for three months during fiscal year 1997. The differences between bank and book balances were not supported for the months of April, May and June 1997. The bookkeeper did not explain the differences between the bank and the book balances. Furthermore, on the June 1997 reconciliation form, the bookkeeper simply changed the ending balance on the books to match the balance on the bank statement. As a result, the book balance for the cash account was unknown. We found that adequate DAPS records existed to reconcile the book balance with the bank balance; however, the bookkeeper did not reconcile the account. After researching the book errors, we were able to reconcile the account for the above three months.

We noted that the reconciliation form prepared for September 1997 was not accurately prepared although the reconciled bank balance agreed with the book balance. To determine the reconciled bank statement balance, the outstanding check amount must be deducted from the ending balance of the bank statement. The bookkeeper recorded the beginning balance of the bank statement and deducted the checks that had cleared (that is, the checks that were processed by the bank) during the month.

The Quicken System Improperly Used

The DAPS account had not been accurately reconciled in fiscal year 1998 because the bookkeeper did not understand the Quicken System. As a result, there were no controls in place to ensure that the cash on hand was properly recorded and reconciled in a timely manner. This led to the possibility of over spending with no safeguards over the DCPS assets. If the expenditures are properly recorded, the Quicken System will automatically reconcile the account.

In fiscal year 1997, DAPS transactions were manually recorded. For the October 1997 bank reconciliation, the bookkeeper included check numbers 418 through 423 as outstanding. In our review of the October 1997 bank reconciliation and account register, it was noted that only check numbers 418 and 419 were outstanding and two checks had been voided. The bookkeeper was not adhering to the SAF regulations in reconciling the accounts.

When the bookkeeper started using Quicken in fiscal year 1998, there were some checks written in September 1997 that had not cleared the bank. The User's Guide to Managing the DAPS with Quicken, dated October 1997, does not provide the procedures for handling outstanding checks from the previous fiscal year. However, the guidelines for the SAF account states the procedures for handling outstanding checks.

Section 3, page 6 of the User's Guide to Managing the SAF with Quicken, dated October 1997, provides: *"...If you have outstanding checks/transactions at the time you are recording your opening balance, you MUST take special care to account for them in the system so that your SAF account can be properly reconciled with your bank statement every month over the course of the year. If you have uncleared transactions, follow these steps.... Record all outstanding checks/transactions in your account register...."*

Recommendation:

We recommended that the Superintendent, DCPS, train staff to ensure expenditures are entered into the Quicken System and that bank statements are properly reconciled.

Agency Response:

The new principal stated that she and the new business manager understood the new financial system. She stated that DCPS reports will be submitted timely and all bank statements will be reconciled in a timely and efficient manner. **(See Exhibit 6.)**

Financial Activity Reports Not Submitted

Student Activity Funds

We determined that M. M. Washington did not submit to the DCPS, Division of Finance, the SAF quarterly and annual expenditure and revenue reports in fiscal year 1997, as required; and also had not submitted the first quarterly expenditure and revenue report in fiscal year 1998 (which was due on January 15, 1998). As a result, DCPS has been unable to track SAF expenditures and revenues at the school.

The bookkeeper told us that personnel of the DCPS, Division of Finance, told her not to submit the reports since the account was not reconciled. However, no documentation was provided to us by the bookkeeper to support this statement.

Section VII (D)(3) of the SAF Policy Manual provides: *"...At the end of each fiscal year, the treasurer/bookkeeper shall prepare and furnish to the Controller, the annual SAF financial report consisting of the following:*

(a) Form SAF-10. Student Activity Funds Financial Report for the year ended September 30.

(b) Form SAF-11. Physical Inventory of Salable School Merchandise as of September 30.

(c) Form SAF-12. Schedule of Accounts Payable as of September 30.

(d) Bank Reconciliation as of September 30 and copies of the September 30 checking account bank statement.

(e) Copies of all savings account bank statements, passbooks, etc., and copies of all investment records from the financial institutions for the year ended September 30...."

During the audit, M. M. Washington submitted the quarterly financial report for October 1, 1997 through December 31, 1997 to the DCPS.

Direct Activity Purchase System Funds

In fiscal years 1997 and 1998, all of the DAPS quarterly reports were submitted late. The bookkeeper stated that the reports were submitted late due to a lack of time since she is also a teacher at M. M. Washington. As a result, M. M. Washington was not in compliance with the General Guidelines requirements of submitting reports to DCPS by the 15th day following the close of the quarter. Therefore, DCPS could not review how the prior quarter funds were expended before allocating additional DAPS funds to M.M. Washington.

Section B (4) of the General Guidelines to the DAPS provides: *"...By the 15th day following the close of the quarter, each participating school is required to submit a quarterly financial report to the Division of Finance, Office of Fiscal and Personnel Services...."*

Section III (7) of the DAPS Policies and Procedures Manual provides: *"...By the 15th day of each month following initial disbursement, each participating school/department head is required to submit a monthly financial report...to the Office of the Chief Financial Officer to the attention of the Cash Management Supervisor. In order to benefit from the privilege of having a DAPS account these guidelines must be strictly adhered to...."*

We noted that funds were allotted to M. M. Washington in fiscal year 1997 although the DAPS guidelines provide that the Division of Finance will advance quarterly allotments upon review of the quarterly reports or upon receipt for reimbursement by the school. We noted that funds were allotted to the school in fiscal year 1998 although the guidelines provide that the reporting requirements have to be followed in order for schools to have DAPS accounts.

The table below shows the due dates for the quarterly and monthly reports and the number of days that the reports were issued late.

Table 2. Schedule of Report Submissions

Reporting Period	Report Due Date	Number of Days Late
10/96-12/96	01/15/97	245
01/97-03/97	04/15/97	157
04/97-06/97	07/15/97	67
07/97-09/97	10/15/97	14
10/97	11/15/97	61
11/97	12/15/97	71
12/97	01/15/98	40

Recommendations:

We recommended that the Superintendent, DCPS, take immediate action to ensure that:

1. All required financial reports, for both funds, are submitted in a timely manner; and

2. Appropriate disciplinary actions are taken against schools that continuously disregard the SAF and DAPS reporting requirements.

Agency Response:

The new principal stated that since she and the new business manager understood the new financial system, DCPS reports will be submitted in a timely and efficient manner. **(See Exhibit 6.)**

DAPS Procurement Regulations Not Followed

We noted that in fiscal years 1997 and 1998, M. M. Washington did not comply with the DAPS procurement regulations. M. M. Washington staff made purchases that exceeded the established DAPS spending limitations and did not follow ordering procedures. The bookkeeper and principal indicated that the ordering procedures were not followed because they were unaware of the requirements. We believe this demonstrates management inattention and lack of training in the implementation of the DAPS regulations.

Section E (1)(c) of the General Guidelines to the DAPS provides: *"...No single purchase shall exceed $1000 per day per vendor for regular schools, and no single purchase shall exceed $2000 per day per vendor for Enterprise Schools and Charter Schools.* ***Purchases shall not be subdivided or split to qualify under these procedures...."***

Section VII, page 5 of the DAPS Policies and Procedures Manual under the heading of "Spending Limits ($5000) provides: *"No single purchase shall exceed $5,000 per day for all schools (Charter schools and Enterprise schools included); and no purchases shall be subdivided or split to qualify under these procedures...."* In addition, the Section VII, page 6 provides: *"...Orders from $5,001 and greater should not be purchased with DAPS funds...."*

In fiscal year 1997, M. M. Washington staff made two purchases that exceeded the $1,000 spending limitation. Both purchases were for uniforms. The staff also exceeded the spending limitation in fiscal year 1998. It purchased several computers in December 1997, valued at $10,138. The staff wrote three separate checks for the computers. Two checks were written for $5,000 each, and one check was written for the remaining balance, $138.

Recommendation:

We recommended that the Superintendent, DCPS, require M. M. Washington to follow DAPS procurement procedures. If the appropriate procedures are not followed, the Superintendent should discontinue DAPS funds for future use.

Agency Response:

The new principal stated that the school will adhere to the DAPS and SAF guidelines by assuring that all internal controls are in place. **(See Exhibit 6.)**

SAF Funds Deposited in the Incorrect Sub-account

The registration fees totaling $7,050 for the adult education classes were improperly deposited into the general fund sub-account. As a result, registration fees designated for the adult education classes were co-mingled with other funds and may have not been used for the intended purpose. The bookkeeper stated that the registration fees were put in the general fund sub-account to help pay the employees' salaries.

In fiscal year 1997, M. M. Washington offered several courses, which included emergency medical service, dental technology, physical therapy, and practical nursing, to the adult population. In addition to the course fees, M. M. Washington required the students to pay a $50 registration fee. The course fees that the students paid were deposited in the designated sub-accounts for the programs; however, the registration fees that the students paid were deposited into the general fund sub-account. The reconciliation report indicates that the general funds were used to pay salaries and for other purposes unrelated to the adult program. However, due to inadequate documentation, we were unable to validate how the funds were actually used because M. M. Washington co-mingled the funds for the different sub-accounts from the school's activities and the general fund sub-account had a negative balance of approximately $9,819.

Recommendation:

We recommended that the Superintendent, DCPS, monitor sub-accounts to ensure that funds designated for specific activities are deposited into the proper sub-account and used for the intended purpose.

Agency Response:

The new principal stated that the school has established proper sub-accounts for funds to be deposited and disbursed for the purpose for which they were intended. **(See Exhibit 6.)**

Schedule of Salaries Paid from the SAF Account
(Fiscal Years 1997 and 1998)

(Fiscal Year 1997)

Check No.	Date	Amount
7918	10/27/96	$ 180.00
7930	10/01/96	360.00
7932	10/01/96	500.00
7934	10/01/96	335.00
7947	10/04/96	350.00
7948	10/04/96	200.00
7951	10/09/96	110.40
7956	10/09/96	500.00
7957	10/11/96	80.00
7958	10/11/96	500.00
7959	10/11/96	355.00
7965	10/08/96	500.00
7984	10/11/96	288.00
7990	10/11/96	500.00
7991	10/11/96	360.00
7992	10/11/96	500.00
7993	10/11/96	300.00
7994	10/11/96	200.00
7995	10/11/96	400.00
7996	10/15/96	280.00
7997	10/15/96	280.00
7999	10/15/96	140.00
8001	10/15/96	360.00
8002	10/15/96	240.00
8003	10/16/96	70.00
8008	10/17/96	400.00
8010	10/17/96	360.00
8011	10/17/96	500.00
8012	10/17/96	30.00
8013	10/17/96	35.00
8015	10/17/96	380.00
8017	10/17/96	330.00
8018	10/17/96	330.00
8020	10/17/96	500.00
8021	10/17/96	500.00
8022	10/17/96	20.00
8023	10/17/96	420.00
8026	10/18/96	240.00
8032	10/25/96	500.00
8033	10/25/96	335.00
8034	10/25/96	285.00
8035	10/25/96	285.00
Subtotal		**$13,338.40**

Check No.	Date	Amount
8038	10/25/96	199.00
8039	10/25/96	500.00
8040	10/25/96	310.00
8041	10/25/96	500.00
8042	10/25/96	70.00
8044	10/28/96	313.00
8045	10/28/96	313.25
8046	10/28/96	313.00
8047	10/28/96	313.00
8048	10/28/96	313.00
8054	10/28/96	320.00
8075	10/31/96	500.00
8076	10/31/96	445.00
8078	10/31/96	480.00
8079	10/31/96	500.00
8080	10/31/96	40.00
8081	10/31/96	500.00
8082	10/31/96	210.00
8083	10/31/96	360.00
8085	10/31/96	500.00
8086	10/31/96	300.00
8087	10/31/96	300.00
8088	10/31/96	300.00
8091	11/01/96	420.00
8092	11/01/96	500.00
8093	11/01/96	160.00
8094	11/01/96	480.00
8095	11/01/96	440.00
8098	11/01/96	500.00
8099	11/01/96	100.00
8102	11/07/96	320.00
8103	11/07/96	300.00
8104	11/07/96	60.00
8105	11/07/96	500.00
8106	11/07/96	360.00
8107	11/07/96	60.00
8109	11/07/96	500.00
8110	11/07/96	140.00
8111	11/08/96	140.00
8113	11/08/96	450.00
8114	11/08/96	500.00
8115	11/08/96	230.00
8117	11/08/96	500.00
8118	11/08/96	280.00
8126	11/14/96	40.00
Subtotal		**$14,879.25**

Check No.	Date	Amount
8127	11/14/96	$ 480.00
8128	11/14/96	280.00
8129	11/14/96	280.00
8132	11/15/96	500.00
8133	11/15/96	26.00
8134	11/15/96	320.00
8135	11/15/96	400.00
8137	11/15/96	500.00
8138	11/15/96	30.00
8139	11/15/96	240.00
8143	11/18/96	40.00
8144	11/18/96	40.00
8145	11/18/96	100.00
8146	11/18/96	300.00
8147	11/18/96	220.00
8148	11/18/96	256.00
8149	11/18/96	300.00
8150	11/18/96	300.00
8153	11/18/96	360.00
8154	11/18/96	330.00
8155	11/18/96	330.00
8156	11/20/96	420.00
8158	11/20/96	300.00
8159	11/20/96	262.00
8161	11/21/96	360.00
8162	11/21/96	100.00
8170	11/22/96	500.00
8171	11/22/96	240.00
8174	11/26/96	300.00
8175	11/26/96	250.00
8176	11/26/96	100.00
8178	11/27/96	500.00
8181	11/27/96	60.00
8182	11/28/96	340.00
8183	11/28/96	340.00
8184	11/28/96	80.00
8185	11/28/96	500.00
8186	11/28/96	500.00
8187	11/28/96	60.00
8197	11/27/96	300.00
8198	11/27/96	300.00
8202	12/02/96	360.00
8203	12/02/96	500.00
8204	12/02/96	500.00
8205	12/02/96	500.00
Subtotal		**$13,304.00**

Check No.	Date	Amount
8206	12/02/96	$ 260.00
8207	12/02/96	320.00
8208	12/02/96	360.00
8209	12/02/96	480.00
8212	12/03/96	300.00
8213	12/03/96	500.00
8214	12/03/96	300.00
8215	12/03/96	300.00
8216	12/03/96	320.00
8218	12/03/96	320.00
8219	12/03/96	160.00
8223	12/05/96	240.00
8224	12/05/96	420.00
8225	12/05/96	70.00
8234	12/10/96	144.00
8236	12/10/96	400.00
8237	12/10/96	180.00
8246	12/12/96	500.00
8247	12/12/96	60.00
8248	12/13/96	300.00
8249	12/13/96	400.00
8252	12/13/96	120.00
8253	12/13/96	200.00
8254	12/13/96	500.00
8255	12/13/96	300.00
8256	12/13/96	320.00
8257	12/13/96	320.00
8258	12/16/96	400.00
8259	12/16/96	400.00
8260	12/16/96	500.00
8261	12/16/96	90.00
8262	12/16/96	400.00
8263	12/16/96	500.00
8265	12/16/96	60.00
8266	12/16/96	240.00
8267	12/16/96	500.00
8268	12/16/96	100.00
8269	12/16/96	400.00
8270	12/16/96	360.00
8271	12/16/96	500.00
8272	12/16/96	40.00
8273	12/16/96	300.00
8274	12/16/96	301.00
8275	12/16/96	500.00
8276	12/17/96	68.00
Subtotal		**$13,753.00**

Check No.	Date	Amount
8286	12/18/96	$ 500.00
8287	12/18/96	40.00
8288	12/18/96	360.00
8291	12/19/96	120.00
8292	12/19/96	305.00
8293	12/19/96	500.00
8294	12/19/96	140.00
8296	12/20/96	200.00
8297	12/20/96	200.00
8298	12/20/96	230.00
8299	12/20/96	240.00
8300	12/20/96	500.00
8301	12/20/96	340.00
8307	12/24/96	200.00
8308	12/31/96	35.00
8309	12/31/96	35.00
8310	12/31/96	35.00
8314	01/02/97	220.00
8317	01/06/97	190.00
8318	01/06/97	100.00
8319	01/06/97	300.00
8321	01/06/97	160.00
8322	01/06/97	400.00
8323	01/06/97	480.00
8324	01/06/97	200.00
8325	01/06/97	200.00
8345	01/08/97	300.00
8364	01/15/97	450.00
8378	01/10/97	200.00
8381	01/14/97	240.00
8382	01/14/97	430.00
8383	01/15/97	500.00
8385	01/15/97	400.00
8386	01/15/97	400.00
8387	01/16/97	400.00
8388	01/16/97	400.00
8389	01/16/97	380.00
8390	01/16/97	270.00
8391	01/16/97	300.00
8392	01/16/97	300.00
8393	01/16/97	500.00
8394	01/16/97	320.00
8395	01/16/97	360.00
8401	01/16/97	320.00
8403	01/16/97	400.00
Subtotal		**$13,100.00**

Check No.	Date	Amount
8404	01/16/97	$ 500.00
8405	01/16/97	500.00
8406	01/16/97	130.00
8407	01/16/97	56.00
8408	01/17/97	80.00
8409	01/17/97	60.00
8410	01/17/97	280.00
8412	01/17/97	100.00
8413	01/17/97	68.00
8417	01/17/97	500.00
8418	01/17/97	350.00
8420	01/17/97	40.00
8425	01/22/97	400.00
8426	01/23/97	300.00
8427	01/24/97	150.00
8430	01/23/97	10.00
8431	01/23/97	80.00
8436	01/24/97	400.00
8437	01/24/97	160.00
8438	01/24/97	144.00
8439	01/24/97	120.00
8442	01/28/97	500.00
8444	01/28/97	180.00
8445	01/28/97	300.00
8446	01/28/97	240.00
8448	01/28/97	200.00
8449	01/28/97	200.00
8451	01/28/97	240.00
8452	01/28/97	500.00
8453	01/28/97	140.00
8454	01/28/97	500.00
8455	01/28/97	140.00
8460	01/29/97	320.00
8461	01/29/97	250.00
8463	01/29/97	500.00
8464	01/30/97	100.00
8468	01/30/97	120.00
8470	01/30/97	240.00
8471	01/30/97	240.00
8472	01/31/97	120.00
8474	01/31/97	500.00
8475	01/31/97	300.00
8477	02/03/97	420.00
8487	02/10/97	200.00
8489	02/11/97	300.00
Subtotal		**$11,178.00**

Check No.	Date	Amount
8492	02/11/97	$ 280.00
8493	02/11/97	120.00
8500	02/18/97	250.00
8501	02/18/97	80.00
8504	02/19/97	240.00
8508	02/21/97	480.00
8512	02/24/97	290.00
8513	02/24/97	120.00
8524	03/03/97	120.00
8525	03/03/97	230.00
8535	03/10/97	120.00
8541	03/10/97	260.00
8548	03/17/97	80.00
8550	03/17/97	270.00
8553	03/31/97	60.00
8559	03/21/97	120.00
8570	04/03/97	500.00
8571	04/03/97	376.00
8574	04/08/97	120.00
8574	04/08/97	260.00
8579	04/14/97	270.00
8582	04/14/97	120.00
8590	04/21/97	120.00
8593	04/21/97	212.14
8601	04/28/97	350.00
8604	04/28/97	120.00
8606	04/30/97	260.00
8610	05/05/97	180.00
8622	05/07/97	500.00
8623	05/07/97	100.00
8631	05/14/97	230.00
8643	05/21/97	260.00
8646	05/22/97	200.00
8652	06/02/97	150.00
8667	06/11/97	133.20
8683	06/20/97	300.00
8688	06/24/97	120.00
Subtotal		**$ 8,001.34**
Total		**$87,553.99**

(Fiscal Year 1998)

Check No.	Date	Amount
8776	10/24/97	$350.00
8796	11/25/97	25.00
Total		**$375.00**

Schedule of DAPS Disallowed Costs
(Fiscal Years 1997 and 1998)

(Fiscal Year 1997)

Check No.	Date	Description	Amount
385	04/10/97	lateral file, leather chair	$ 380.76
394	04/11/97	mobile workstation & tier	354.96
422	09/26/97	storage cabinet	396.67
Total			**$1,132.39**

(Fiscal Year 1998)

Check No.	Date	Description	Amount
424	12/10/97	carpet for front office*	$ 400.00
431	12/10/97	vacuum cleaner*	599.98
446	12/19/97	computers*	5,000.00
447	12/19/97	computers*	5,000.00
449	12/19/97	computers*	138.77
450	12/19/97	Christmas dinner for staff	984.70
455	01/11/98	computer, video recorder*	1,369.95
456	01/11/98	refrigerator*	429.98
457	01/12/98	microwave*	159.98
Total			**$14,083.36**

* indicates the expenditures that were disallowed due to M.M. Washington failure to get prior approval, as required

Schedule of SAF Questioned Costs
(Fiscal Years 1997 and 1998)

(Fiscal Year 1997)

Check No.	Date	Description	Amount
7953	10/09/96		$ 95.49
8043	10/28/96	reimbursement	122.85
8049	10/25/96	food	500.00
8050	10/28/96	food	133.00
8051	10/28/96	lock repair	360.00
8160	11/20/96	lock repair	150.00
8379	01/13/97		49.00
8435	01/23/97	student refund	96.00
8563	04/01/97	conference	500.00
8564	04/01/97	conference	500.00
8565	04/01/97	conference	500.00
8566	04/01/97	conference	500.00
8567	04/01/97	conference	471.26
8596	04/22/97	conference	200.00
8609	05/05/97	office supplies	145.11
8616	05/05/97	school activity	500.00
8617	05/05/97	school activity	500.00
8618	05/05/97	school activity	500.00
8619	05/05/97	school activity	500.00
8620	05/05/97	school activity	500.00
8621	05/05/97	school activity	44.40
8660	06/09/97	reimbursement	373.50
Total			**$7,240.61**

(Fiscal Year 1997)

Check No.	Date	Description	Amount
8752	10/06/97	copying	$ 385.73
8756	10/06/97	refund	500.00
8757	10/06/97	refund	188.00
8758	10/06/97	state board license	250.00
8759	10/06/97	refund	170.00
8760	10/06/97	refund	50.00
8764	10/13/97	refund	22.00
8767	10/15/97	copying	327.00
8769	10/15/97	flowers	211.90
8771	10/15/97	certificates, ribbons	134.53
8774	10/20/97	keys	20.50
8775	10/20/97	copying	158.30

Check No.	Date	Description	Amount
8779	11/03/97	assemble furniture	80.00
8791	11/15/97	reimbursement	123.91
8794	11/25/97	reimbursement	182.22
8797	11/25/97		303.00
8799	12/04/97	reimbursement	78.91
8802	12/19/97	pizza party	55.40
8803	12/19/97	microwave for lounge	94.98
8807	12/23/97	pizza party	137.77
8813	12/23/97	copier service	312.76
8818	01/20/98		33.95
Total			**$3,820.86**

Schedule of DAPS Questioned Costs
(Fiscal Years 1997 and 1998)

(Fiscal Year 1997)

Check No.	Date	Description	Amount
370	02/19/97	printer, toner	$ 498.93
377	03/09/97	copying	240.20
378	03/11/97	student handbooks	121.00
380	03/12/97	copying	138.96
382	03/14/97	copying	21.50
383	03/14/97	supplies	152.13
387	04/11/97	educational supplies	50.80
388	04/11/97	educational supplies	500.00
389	04/11/97	educational supplies	39.51
390	04/11/97	office supplies	316.20
393	04/11/97	educational supplies	500.00
397	04/11/97	educational supplies	190.97
411	06/16/97	stamps	16.00
414	09/15/97	office supplies	2,193.36
Total			**$4,979.56**

(Fiscal Year 1998)

Check No.	Date	Description	Amount
426	12/10/97	educational supplies	$ 555.88
430	12/10/97	paper, folders	627.06
433	12/10/97	educational supplies	69.00
435	12/10/97	reference material	121.96
436	12/10/97	subscription	26.73
439	12/10/97	math supplies	198.16
440	12/10/97	math supplies	1,000.00
443	12/10/97	education materials	300.00
445	12/19/97	supplies	40.42
458	01/26/97	supplies	1,668.50
463	12/23/97	math supplies	339.55
464	12/23/97	paper, folders	1,283.31
Total			**$6,250.57**

Differences Between the Reconciled Bank and Book Balances Indicated on the SAF Reconciliation Forms

Period	Bank Statement Balance	Book Balance	Over (Under) Statement of Book Balance
10/01/96 – 10/31/96	67,594.62	138,052.84	70,458.22
10/31/96 – 11/07/96	86,144.96	100,570.55	14,425.59
11/08/96 – 11/30/96	57,518.33	111,171.78	53,653.45
12/01/96 – 12/31/96	46,405.47	97,454.48	51,049.01
01/01/97 – 01/31/97	23,469.21	27,037.34	3,568.13
02/01/97 – 02/28/97	3,284.39	33,528.85	30,244.46
03/01/97 – 03/31/97	1,686.74	32,398.02	30,711.28
04/01/97 – 04/30/97	(6,894.73)	33,827.71	40,722.44
05/01/97 – 05/31/97	(12,038.95)	28,684.82	40,723.77
06/01/97 – 06/30/97	(5,372.43)	34,991.63	40,364.06
10/01/97 – 10/31/97	(7,987.93)	2,836.37	10,824.30
11/01/97 – 11/30/97	1,969.06	(2,007.36)	(3,976.42)
12/01/97 – 12/31/97	1,153.52	(1,959.47)	(3,112.99)

Note: The bookkeeper did not prepare the reconciliation forms for July 1997 through September 1997 because the bookkeeper had not posted the transactions in the Student Activity II Program for that time period. The reconciliation forms for fiscal year 1998 were not prepared during the beginning of our audit. The bookkeeper had not then posted transactions for fiscal year 1998 in the Quicken system. The transactions were later posted and the bookkeeper subsequently provided the fiscal year 1998 reconciliation forms.

DISTRICT OF COLUMBIA
PUBLIC SCHOOLS

Office of the Chief Financial Officer
825 North Capitol Street, N.E., 7th Floor
Washington, D.C. 20002-4232
202-442-5300, fax: 202-442-5304
www.k12.dc.us

MEMORANDUM

TO: Mr. E. Barrett Prettyman, Jr.
Inspector General

FROM: Carla W. Carter
Interim Chief Financial Officer

DATE: December 18, 1998

SUBJECT: **MM WASHINGTON DRAFT AUDIT RESPONSE**

Please find attached MM Washington's response to the Inspector General's Audit Report.

If you need further information, please feel free to contact me at 442-5228.

CC:dgk

Attachment

cc: Arlene Ackerman
Ralph Neal
Clarissa Smith

MEMORANDUM

TO: Ralph Neal
Assistant Superintendent
District of Columbia Public Schools
Secondary Division

FROM: Josie Paige
Principal

DATE: December 8, 1998

RE: Response to the Inspector General's Audit Report

As you are aware, my business manager and I attended a meeting regarding the, recently completed, audit conducted by the Inspector General's office. As the new principal of M.M. Washington Career and Vocational High School, I was shocked and appalled at the fiscal mismanagement exhibited by the former administration. I can assure you that the administration of funds will be strictly according to system guidelines and policies under my direction. Our recently hired business manager, Vanessa Knox, and I have instituted some policies and procedures for the entire staff so that everything will be done in a timely, efficient, and effective manner. The actions that I have taken have put some constraints in place so that our fiscal health will be permanently restored. These actions include:

- Hired a new business manager who came highly recommended with an extensive background in DCPS.. She is knowledgeable about fiscal administration, purchasing, payroll, time and attendance, business management, and is an overall hard worker. Her character and integrity is, according to several of her former supervisors, beyond reproach.
- Both Ms. Knox and I have been trained and are aware of our responsibilities in the new purchasing procedures. We have informed the staff of the new procedures and will work along with the assistant principal, Joseph Brown, to assure that everyone adheres to the district policies.
- All personnel action forms as well as time sheets will be submitted in a timely and accurate fashion. We know the policies on permanent, temporary, and contractual personnel and will follow those policies strictly.
- All purchases will be made with the proper signatures, one of which will be the principal's at all times. We will ensure that supporting documentation is maintained for all expenditures and if there is a question, we will seek the advice of the Chief Financial

Officer or the appropriate person.

- We will adhere to the *DAPS and SAFS* guidelines by assuring that all internal controls are in place. No one person will ever control all aspects of a transaction. At least two signatures will be obtained as required. All transactions, disbursements, and the custody of the funds will be the dual responsibility of the business manager and the principal. The duties and function of the business manager is defined, separated and shared with the principal and assistant principal and the three of us understand our roles in the entire process.
- We understand the new financial system so DCPS reports will be submitted and all bank statements will be reconciled in a timely and efficient manner.
- We have established proper sub accounts for funds to be deposited and disbursed for the purpose for which they were intended.

We are well aware of the delicate nature of the responsibilities and the obligation that we have in maintaining the accounts at M.M. Washington. We will seek whatever training that is available so that we remain knowledgeable and capable in our duties, consequently, restoring the reputation and respectability to the school and staff. Please let us know if we need provide any other assurances, statements, or recommendations to you relative to this situation.

I sincerely hope that the former principal will be prosecuted to the fullest extent. This entire situation has caused me a great deal of anguish and frustration since I have not been able to access any financial resources since assuming the principalship and the entire staff is demoralized in the wake of all that has occurred. At the least, the perpetrators should be forced to reimburse the monies so that the students can benefit since it was intended for them in the first place. We certainly need it.