GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Charles C. Maddox, Esq.
Inspector General

December 2, 1999

Arlene Ackerman
Superintendent
District of Columbia Public Schools
9th Floor
825 North Capital Street, N.E.
Washington, D.C. 20002

Dear Ms. Ackerman:

Enclosed is the final report on the "Audit of the Direct Activity Purchase System and Student Activity Fund at Ballou Senior High School." (OIG No. 15a-99-GA).

Our audit covered fiscal year 1998, and the first quarter of fiscal year 1999. We reviewed 276 Direct Activity Purchase System (DAPS) transactions and 149 Student Activity Fund (SAF) transactions to include related invoices, receipts, and other supporting documentation. Our audit also included interviews with the former and current principal, DAPS and SAF business managers, and faculty members at Ballou Senior High School (SHS), as well as, personnel from the Cash Management Division of the District of Columbia Public Schools (DCPS).

Ballou SHS officials did not follow prescribed DAPS and SAF guidelines. This resulted in exceptions to the transactions in both funds of over $125,000. Specifically, for the DAPS account we determined that: (1) funds were used to purchase items specifically disallowed by DCPS regulation or for items that were not considered necessary and reasonable for proper and efficient performance and administration of the school; (2) funds were used to pay questionable expenditures; (3) quotes were not obtained for purchases exceeding $1,999, as required; (4) spending limitations were circumvented; and (5) vendor files were not properly maintained.

For the SAF account we noted that controls over the management and accountability of funds were not sufficient, deposits were not made timely, financial accounting records were not maintained, and transactions were not properly recorded.

We made eight recommendations to the Superintendent of the DCPS. The recommendations, in part, center on taking appropriate disciplinary actions against individuals that knowingly disregard the DAPS and SAF policies and procedures, implementing controls that ensure DAPS and SAF monies are spent, recorded and safeguarded in accordance with regulations, and requiring the DCPS Internal Control Group to conduct detailed reviews of DAPS and SAF accounts.

In commenting on a draft of this report, officials from the DCPS have cited actions taken or planned to address our recommendations. Their responses are included as Appendix E to the final report. The actions taken or planned meet the intent of our recommendations

If you have any questions regarding this report, please contact me at (02) 727-2540, or a member of your staff may contact John N. Balakos, Assistant Inspector General for Audits, at (202) 727-8279.

Sincerely,

Charles C. Maddox, Esq.
Inspector General

Enclosure

GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE INSPECTOR GENERAL

AUDIT OF THE DIRECT ACTIVITY PURCHASE SYSTEM AND STUDENT ACTIVITY FUND AT BALLOU SENIOR HIGH SCHOOL

CHARLES C. MADDOX, ESQ.
INSPECTOR GENERAL

OIG-15a-99-GA

December 2, 1999

TABLE OF CONTENTS

EXECUTIVE DIGEST

OVERVIEW 1

CONCLUSIONS 1

CORRECTIVE ACTIONS 2

INTRODUCTION

BACKGROUND 3

OBJECTIVES 4

SCOPE AND METHODOLOGY 4

RESULTS OF AUDIT

SECTION 1

DAPS Expenditures – Fiscal Years 1998 and 1999 5

- Inadequate Management Controls 5
- Improper Use of DAPS Funds 7
- Questionable Use of DAPS Funds 8
- Insufficient Number of Quotations Obtained 8
- Spending Limitations Were Circumvented 9
- DAPS Files Were Not Properly Maintained 9

SECTION 2

SAF Activities – Fiscal Years 1998 And 1999 11

- SAF Funds Were Not Properly Managed 11
- Deposits Were Not Made Timely 11
- Financial Accounting Reports Were Not Maintained as Required 12
- Controls Over Receipt and Deposit of Funds Were Lacking 13
- Documentation to Support Disbursements Was Not Complete 13
- Collections and Disbursements Were Not Correctly Recorded to Sub-Accounts 14

Consolidated List of Recommendations 15

APPENDIXES

A Schedule of FY 98 and 99 DAPS Expenditures - Disallowed 16

B Schedule of FY 98 and 99 DAPS Expenditures - Questionable 18

C Schedule of FY 98 and 99 DAPS Expenditures – No Receipt 20

D Schedule of FY 98 and 99 SAF Expenditures – Unsupported Costs 22

E Agency Comments 23

EXECUTIVE DIGEST

OVERVIEW

This report summarizes the Office of the Inspector General's (OIG) audit of the Direct Activity Purchase System (DAPS) account and Student Activity Fund (SAF) at Ballou Senior High School (SHS). During the audit period, Ballou SHS had two principals. The principal is responsible for administering and ensuring the proper use of DAPS and SAF funds. This report is presented in two sections in order to identify the findings by fund type.

The OIG performed the audit as part of its Fiscal Year 1999 Audit Plan. This audit report is the fourth in a series of five reports to be issued on the District of Columbia Public Schools (DCPS) DAPS and SAF accounts.

CONCLUSIONS

Ballou SHS officials did not follow the prescribed DAPS and SAF guidelines. Specifically, for the DAPS account we determined that: (1) funds were used to purchase items specifically disallowed by DCPS regulation or for items that were not considered necessary and reasonable for proper and efficient performance and administration of the school; (2) funds were used to pay questionable expenditures; (3) quotes were not obtained for purchases exceeding $1,999, as required; (4) spending limitations were circumvented; and (5) vendor files were not properly maintained.

For the SAF account we noted inadequate controls over the management and accountability of funds, deposits were not made timely, financial accounting records were not maintained, and transactions were not properly recorded.

In total, exceptions identified approximated $125,000. A summary of the expenditures reviewed and exceptions identified follows.

Fiscal year	Transactions	Dollar Value	Exceptions[1]
DAPS – FY 1998	246	131,908.26	97,140.34
DAPS – FY 1999	30	15,937.72	13,006.82
SAF – FY 1998	113	32,582.78	8,302.21
SAF – FY 1999	36	14,640.05	6,669.16
	425	195,068.81	$125,118.53

[1] Exception categories include: disallowed, questionable and unsupported payments, transactions involving improper payees, insufficient quotations, or circumvention of payment spending limitations, and transactions that do not contain required documentation or approvals.

CORRECTIVE ACTIONS

We directed eight recommendations to the Superintendent of DCPS that represent necessary action to correct the deficiencies described above. The recommendations, in part, center on:

- taking appropriate disciplinary actions against individuals that knowingly disregard the DAPS and SAF policies and procedures;
- implementing controls that ensure DAPS and SAF monies are spent, recorded and safeguarded in accordance with regulations;
- maintaining required supporting documentation for DAPS and SAF expenditures;
- requiring the DCPS Internal Control Group to conduct detailed reviews of DAPS and SAF accounts; and
- providing training to school officials in charge of the DAPS and SAF accounts.

On November 23, 1999, DCPS provided a formal response to the recommendations in our draft report. In general, management concurred with the report, and provided a listing of actions taken or planned to address each recommendation. The complete response is included as Appendix E.

INTRODUCTION

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. The DCPS provides comprehensive programs at the elementary, junior and senior high school levels. Additionally, the DCPS provides educational services for students with special needs, and career training opportunities for adults at career development centers.

The DAPS is a process allowing local schools more flexibility to purchase goods and services. The DCPS established the DAPS process in connection with the school-based management philosophy aimed at reforming and improving schools. The DAPS process allows school Principals "...to purchase supplies, materials and services when needed without prior approval from the central offices."

The DAPS Policies and Procedures Manual (October 1997), prepared by the DCPS Office of the Chief Financial Officer (OCFO), prescribes the procedures that schools must follow in administering the DAPS funds. These procedures outline the guidelines for purchasing goods and services. Specifically, the manual: (1) explains how the DAPS process works; (2) lists the specific supplies, materials, and services that the schools can purchase and can not purchase using DAPS funds; (3) details how schools should control DAPS funds; and (4) lists the recordkeeping, accounting, and reporting requirements that schools must adhere to.

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 regulation. 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.

The DCPS Cash Management Division's provides oversight and training related to DAPS and SAF activities. Specifically their role includes: 1) providing training to the school officials on the use of financial accounting software used to record and report DAPS and SAF activities; 2) providing training on the established DAPS and SAF policies and procedures, and 3) monitoring DAPS and SAF activities through review of financial reports submitted by the DCPS locations receiving DAPS funding. Prior to FY 1999, they also performed "New Principal" audits after the replacement of a principal. In FY 1999, DCPS formed a separate Division – Internal Audit Group to audit the DAPS and SAF accounts within DCPS. The role of the Internal Audit Group is to audit DAPS and SAF accounts on a random, rotating basis to ensure propriety of expenditures and adherence to DCPS established policy.

OBJECTIVES

The overall audit objective was to determine whether Ballou SHS officials complied with policies and procedures established by DCPS for administering the DAPS and SAF funds. Specifically, we determined whether:

1. funds were used for intended and authorized purchases,
2. sufficient controls existed to safeguard funds,
3. agency officials maintained adequate supporting documentation and acceptable accounting records to support transactions, and
4. agency officials utilized the financial accounting software the Office of the Chief Financial Officer (OCFO) has instituted to manage funds.

SCOPE AND METHODOLOGY

The audit period covered fiscal year 1998 and the first quarter of fiscal year 1999. We examined 276 DAPS expenditures totaling $147,846 and 149 SAF expenditures totalling $47,223 paid during the audit period

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

Our audit was conducted in accordance with generally accepted government auditing standards.

RESULTS OF AUDIT

Section 1

DAPS Expenditures – Fiscal Years 1998 and 1999

Synopsis: We determined that the Ballou SHS officials did not follow prescribed DAPS guidelines. This condition occurred because of inadequate management controls and oversight along with improper segregation of duties. As a result, the monitoring and oversight of DAPS activities by the DCPS Cash Management Division were ineffective in assuring that DAPS regulations were followed. We identified: (1) improper use of funds; (2) questionable use of funds; (3) insufficient number of quotations; (4) circumvention of spending limitations; and (5) inadequate support for expenditures.

Audit results: The following subsections provide details of our audit concerning the controls over and use of DAPS funds at Ballou SHS.

Inadequate Management Controls

Our audit determined that the Ballou SHS officials had not established adequate controls relating to the monitoring, control over, and stewardship of DAPS funds. We noted that there was insufficient segregation of duties relating to the ordering, approval, and recording of DAPS transactions. In many instances the business manager ordered merchandise, solicited vendors, and acknowledged receipt of items purchased and/or services received. We determined that authorizations were not noted on invoices prior to payment, nor was there acknowledgment of receipt for items received or services rendered. Additionally, officials at Ballou SHS did not obtain two signatures on 9 of the 276 checks reviewed as required by regulation. Finally, during the month of May of 1998 the DAPS account did not have sufficient funds to cover expenditures.

The most important principle of internal control is the separation of duties, so that no one person controls all aspects of a transaction. The involvement of two or more persons in each transaction discourages dishonesty and encourages accuracy, since each person acts as a check on the work of other.

In FY 1998, the DCPS Cash Management Division performed a review of the DAPS Account for the period October 1, 1997 to September 30, 1998. The review identified 5 findings. These findings included improperly recording the payee or description of services in the ledger, lack of supporting documentation for expenditures, to include waivers, and circumvention of the $5,000 spending limitation. Our audit identified that these same exceptions to DAPS policies continued throughout FY98 and into FY99. We were informed by the Cash Management Division that beginning in FY

1999, an Internal Audit Group was formed within DCPS which is now responsible for performing audits, following upon prior audit findings, and implementing corrective actions regarding DAPS and SAF accounts within the DCPS.

Discussions with the former principal revealed that he reviewed budget reports on how DAPS funds were spent and signed off on monthly bank reconciliations before they were forwarded to the DCPS Internal Control Group. He added that he often asked the business manager if there were any expenditures he needed to approve or checks to sign and the business manager responded that he did not and everything was "in order" and "under control." The former principal stated that he believed these actions constituted proper an adequate oversight of the DAPS account.

The current principal could not explain why there were missing signatures on DAPS checks or why the DAPS files were incomplete. He told us he reviewed invoices and supporting documentation prior to their payment, but conceded that it may have been the disbursement request form reviewed rather than the actual invoice and supporting documentation.

The DAPS Policies and Procedures Manual Section V. Responsibility for Management of DAPS Funds, states [The principal] "they are responsible for safeguarding, accounting, and managing these funds [DAPS] in accordance with DCPS policies, rules, procedures and DAPS guidelines." Section VI. Chiefs/Principals are required to "Be familiar with and enforce the provisions of this manual...Obtain accurate monthly reports from the financial secretary covering the results of operations and status of DAPS funds...Review disbursement requests and checks presented for signature to ensure that purchases and expenditures are properly authorized and supported...The Chief Financial Officer shall establish sound fiscal controls in accordance with Generally Accepted Accounting Principles (GAAP) and exert additional accounting oversight to ensure the propriety of the schools/department's accounting practices and procedures as they relate to DAPS."

The DAPS Policies and Procedures Manual Section VII. Internal Controls Over Funds, states: "The most important principle of internal control is the separation of duties, so that no one person controls all aspects of a transaction. The involvement of two or more persons in each transaction discourages dishonesty and encourages accuracy, since each person acts as a check on the work of others."..."Checks drawn on the DAPS bank account must not exceed the account book balance".

Section VIII of the DAPS Policies and Procedures Manual provides that the principal must designate at least two persons, in addition to himself, to be authorized to sign checks and that two signatures are required on each check.

Improper Use of DAPS Funds

We identified 59 transactions totaling $23,732.63 which were used to purchase items disallowed by DCPS regulation or for items not considered necessary and reasonable for proper and efficient performance and administration of the school. Disallowed expenditures included catered luncheons, miscellaneous food, hats, shirts, and wages for Ballou SHS employees. Additionally, we identified that DAPS funds were used to pay SAF expenditures. Items included the purchase of candy, coffee and other miscellaneous items that we believe were not necessary and reasonable. (See Appendix A for details.) As a result, DAPS funds were not used for their intended purposes and therefore were not available for other uses.

During an interview with the former principal he told us that he believed food expenditures were allowable because they were served in conjunction with meetings to discuss budget matters and students attended some of the events. There were no attendance rolls for these meetings to determine who was in attendance. The former principal added that candy was purchased for teachers and himself to keep on their desks for the children.

The current principal told us that he believed the food expenditures to be legitimate because they were incurred in conjunction with school activities. As for the payment of SAF expenses with DAPS funds, he stated that the Superintendent of DCPS had instructed him to use DAPS funds because funds were not available in the SAF account and the vendors had to be paid. The principal did not have written documentation to support this, nor was there documentation in the DAPS files.

The DAPS Policies and Procedures Manual Section IV. A. - Allowable Costs with no Restrictions provides: "To be allowable under DAPS, costs must:

1. Be necessary and reasonable for proper and efficient performance and administration of the participating school/department

2. Conform to any limitations or exclusions set forth in the DAPS guidelines.

3. Be adequately documented.

4. Be authorized or not prohibited under the DAPS guidelines."

Additionally, DAPS Manual Section VII *Fund Distinction* states that "the co-mingling of DAPS funds with SAF…is strictly prohibited."

Questionable Use of DAPS Funds

We are questioning 48 DAPS transactions totalling $27,692 due to improper payees or supporting documentation. Many of the payees in question were teachers or individuals. In some instances we could not verify the data on the invoices, therefore, we could not determine if the expenditures were legitimate. As a result, DAPS funds amounting to $27,692 may have been inappropriately used. (See Appendix B for details.)

The DAPS Policies and Procedures Manual Section VIII. *Cash Disbursements states that:* "Checks should be made out to vendors only. Under no circumstances should checks be made out to a spouse, family member or colleague."

Insufficient Number of Quotations Obtained

Ballou SHS officials did not adhere to the regulations concerning the attainment of quotes or solicitations for items valued at $1,999 or greater. Our audit identified 10 purchases ranging in price from $2,000 to $4,834 for which quotes were not obtained. The noncompetitive purchases of goods and services without adequate justification subjects the government to charges of favoritism, and is likely to increase the government's cost.

The DAPS Policies and Procedures Manual Section VII – Internal Controls Over Funds requires telephone and letter quotes must be performed by the business manager, assistant principal, or the principal's designee. These quotes should be maintained in the school's DAPS file for tracking and audit purposes.

Additionally, the DAPS Policies and Procedures Manual Section VII states: "For items valued at $1,999 or greater, principals or department heads can use any of the options listed below:

> Option A: Schools can order directly from vendors for which DCPS procurement office has a contract.
>
> Option B: If a school wants to order from a company not on a contract, the following process must be followed:
>
> - Orders from $2,000 to $4,999 need telephone quotes from 3 vendors
> - Orders for $5,000 need letter quotes from 3 vendors.
> - Orders from $5,001 and greater should not be purchased with DAPS funds.
>
> Option C: Schools can use any contract from [General Services Administration] GSA and can purchase up to the dollar limit of the contract."

Spending Limitations Were Circumvented

Ballou SHS officials circumvented spending limitations with the payment of three invoices that totalled $27,453.73. For example, Ballou SHS officials made partial payments to vendors for items purchased or services performed which circumvented the $5,000 spending limitation.

Interviews with the former principal disclosed that he often would ask the business manager if he had any DAPS expenditures he needed to approve or checks to sign and the business manager would respond that he did not and that everything was "in order" and "under control." The current principal stated that he did review invoices and supporting documentation, but conceded that it may have been the disbursement request form rather than invoice and supporting documentation.

The DAPS Policies and Procedures Manual Section VII – Internal Controls Over Funds states that: "No single purchase shall exceed $5,000 per day for all schools... and no purchases shall be subdivided or split to qualify under these procedures."

DAPS Files Were Not Properly Maintained

Proper documentation was not maintained for 98 of the 276 DAPS expenditures reviewed. Our audit identified that DCPS files did not contain: 1) invoices or other identification of purchase; 2) disbursement request forms; 3) cancelled checks; and/or 4) waiver authorization forms to purchase computers and related equipment. We noted that school staff did not always submit invoices or receipts as evidence for expenditures when requesting reimbursements. As a result of these missing documents, we could not determine what was purchased and/or whether expenditures were made for the intended purpose of the funds. Details follow.

Missing Invoices

Adequate supporting documentation was not maintained for 79 of the 276 DAPS transactions reviewed. These unsupported expenditures totalled $38,793.59. (See Appendix C for details.) As a result, we were unable to determine what was purchased and therefore could not determine if the funds were used in accordance with the regulations.

Missing Disbursement Forms

Disbursement request forms were not in the DAPS files for 3 of the 276 expenditures reviewed. Disbursement request forms ensure that only allowable items are purchased and that funds are available prior to the obligation of funds.

Missing Cancelled Checks

Cancelled checks were not in the DAPS files for 8 of the 276 expenditures reviewed. Review of the cancelled check verifies the vendor and amount paid. Endorsements and/or negotiation of the check would indicate legitimacy of the payee.

Missing Waiver Forms

Authorization forms for equipment and machinery purchases were not in the DAPS files for 8 of the 276 expenditures reviewed. Additionally, we could not confirm that the DCPS Management Information Services (MIS) Department was contacted as required by Ballou officials to approve the purchase of computer hardware or software.

The Direct Activity Purchase System (DAPS) Policies and Procedures Manual Section VIII. *Cash Disbursements* states in part:

> "...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...The invoice or other documentation shall be attached to the cancelled check and bear signatures certifying receipt of merchandise, accuracy of prices, and totals...Evidence supporting all disbursements must be kept on file in the school/department financial office and be in the form of signed paper receipts, invoices, or other records-of-receipt materials...Checks should be made out to vendors only. Under no circumstances should checks be made out to a spouse, family member or colleague."

Furthermore, The Direct Activity Purchase System (DAPS) Policies and Procedures Manual Section VIII "*Accounting Requirements*" states: "Each participating school/department head must maintain acceptable accounting records and supporting documentation on all DAPS transactions.

The Direct Activity Purchase System (DAPS) Policies and Procedures Manual Section IV.B. *Allowable Costs with Qualifications* states: "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 MIS Department was contacted and approved the legitimacy of equipment and software purchases.

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

SECTION 2:

SAF Expenditures – FY's 98 and 99

Synopsis: We determined that the Ballou SHS officials did not follow the prescribed SAF guidelines. As a result: (1) funds were not properly managed; (2) deposits were not made timely; (3) financial accounting records were not maintained as required; (4) controls over receipt and deposit of funds were lacking; (5) documentation to support disbursements was not complete; and (6) collections and disbursements were not correctly recorded to sub-accounts. This condition existed due to insufficient management oversight and insufficient internal controls.

Audit results: The following subsections provide details of our audit concerning the controls over and use of SAF funds at Ballou SHS.

SAF Funds Were Not Properly Managed

Ballou SHS officials overdrew the SAF checking account and did not have funds available to pay vendors. We identified 10 instances in which vendors were issued checks that were subsequently returned for insufficient funds. These 10 checks totalled $12,466. Additionally, the school paid $448 in overdraft charges related to these checks. These fees could have been avoided and used for other school activities.

In an interview with the SAF business manager we were told the account became overdrawn during the summer months when the school was closed. She further stated the principal paid bills during July and August of 1998, without verifying that funds were available. The principal stated that the checks were written prior to the end of the school year and he merely mailed them to the respective vendors. He was not aware of the shortage of funds in the SAF account.

Management's failure to implement controls that would have ensured that funds were available prior to their disbursement allowed overdrafts to occur. Additionally, untimely payment of invoices constitutes a violation of procurement regulations but also hinders the relationship and/or ability to do business with vendors with the District.

Deposits Were Not Made Timely

Deposit totaling $200 or more were not made daily in the financial institution as required. We tested 132 deposits totaling approximately $113,000. We identified only three instances in which monies collected in excess of $199 were deposited on the same day. In 35 instances, collections exceeding $199, were not deposited until 10 days or later. Currently, the SAF business manager makes deposits at the financial institution an average of once a week. as time permits.

Ballou SHS had a contract with an armored car service that previously transported funds to the financial institution on a daily basis. We were told that the school had to cancel the contract due to shortage of funds.

By not timely depositing funds as required by DCPS policy, Ballou SHS lost interest revenues, but more importantly, the school increased the risk of theft of funds by keeping excess amounts of cash in the school bank.

Section IV(C)(6) of the SAF Policy Manual provides "Total receipts of $200 or more in a day must be deposited in the financial institution on the same day. Collections of less than $200 must be deposited by the next business day."

Financial Accounting Reports Were Not Maintained as Required

In fiscal year 1998, Ballou SHS personnel did not maintain financial accounting reports required by the SAF regulations. The SAF files did not contain a chart of accounts and an activities subsidiary ledger for the individual sub-accounts.

A chart of accounts identifies each sub-account existing under the SAF. Each sub-account is assigned a number and a title that describes the activity for which the funds are used and/or revenues are received. We were unable to obtain a copy of the chart of accounts for fiscal year 1998.

A subsidiary ledger shows every disbursement, receipt, and transfer relating to individual sub-accounts. This ledger would identify if school personnel overdrew the sub-accounts and/or improperly transferred funds from one sub-account to another sub-account. Also, a negative balance in a sub-account would indicate the fund custodian co-mingled funds (that is, used funds raised by one activity to support another activity).

Interviews with the SAF business manager disclosed that she was unaware that she had to maintain these reports in hard copy format. In fiscal year 1998, a different financial accounting software package was used to record SAF transactions. This software has been subsequently replaced therefore, we could not obtain copies of the reports necessary for our review.

Without the chart of accounts for FY 98, we could not verify whether disbursements or collections were charged to the correct sub-account. Without the subsidiary ledger, we could not reconcile the individual sub-accounts and verify if they had funds in them prior to personnel charging disbursements against them.

Section VII (A) of the SAF Policy Manual provides each school's accounting records, at a minimum, must include the following: chart of accounts, general ledger, cash receipt journal, cash disbursement journal, and activities subsidiary ledgers.

Controls Over Receipt and Deposit of Funds Were Lacking

Receipts issued for cash collections of SAF transactions were not pre-numbered and/or duplicative as required by regulation. Interviews with the SAF business manger disclosed that she did not know SAF regulations required schools to use pre-numbered receipts which at a minimum must be in two parts (original and a copy) for all collections.

Using receipts which are not pre-numbered and/or duplicative does not provide adequate controls to ensure that funds are not misappropriated. Without pre-numbered carbonated receipts, control and accountability over collections are diminished.

The Section IV (C)(1) of the SAF Policy Manual provides " Each school shall obtain books of pre-numbered receipts which at a minimum must be in two parts (original and a copy)." Section IV (C)(2) provides "All monies collected, cash or check, shall be confirmed by issuing a receipt each person remitting the monies."

Documentation to Support Disbursements Was Not Complete

Proper documentation was not maintained for 40 SAF transactions totalling $14,971. (See Appendix D for details.) Exceptions noted involved payments to faculty for reimbursement of school activities and discrepancies surrounding receipts or other supporting documentation for expenditures. A review of the process followed to approve and pay SAF expenditures disclosed that invoices were not thoroughly reviewed because supporting documentation was missing, incomplete, or contained discrepancies. Examples include the following.

- A teacher submitted a request for reimbursement in the amount of $800 for the purchase of "Homecoming" items. The teacher subsequently received this reimbursement. The "Homecoming" budget was attached to the disbursement form. but the files did not contain any invoices or receipts.

- A teacher submitted a request for reimbursement for the purchase of football equipment and uniforms. The teacher received a reimbursement check for $1,426. The receipt, which accompanied the payment. indicated the expense was for transportation in the amount of $125.

Section IX (E) of the SAF Policy Manual provides invoices from vendors must be maintained in the files for 5 years. Section V of the SAF Policy Manual provides "Neither a school nor school activity fund shall be held responsible for an expenditures made by a pupil, teacher or any other school employee who has not received prior authorization from the principal."

Collections and Disbursements Were Not Correctly Recorded to Sub-Accounts

Collections and disbursements were not consistently recorded to the proper sub-accounts. Even though sub-subsidiary ledgers were not maintained and sub-account reconciliations could not be re-created, we were able to prove that funds were commingled and used for purposes other than their identified purposes.

We also noted instances in which that receipt tickets were not adequately completed to identify the date of the collection or the sub-account credited. Receipt tickets used did not contain a specified place to record the related sub-account. Without this information, we could not reconcile deposits to ensure they were all accounted for and subsequently deposited at the financial institution, or could we determine if they were coded to proper accounting sub-account codes.

During discussions with the SAF business manager, we were told funds are commingled and that she has been directed by the former principal to use funds from one sub-account to pay expenses of an unrelated activity when funds are not available in the related sub-account or general fund. We noted the following discrepancies:

- Ballou SHS receives metro tokens to sell to students from Washington Metropolitan Area Transit Authority (WMATA). When token are sold, monies received are to be credited to the "Metro-Tokens" sub-account. When tokens need to be replenished, monies should be available within the sub-account to pay for the original tokens sold. In June of 1998, Ballou SHS issued a check to WMATA in the amount of $6,848, which was returned by the financial institution for insufficient funds. If monies were properly recorded and accounted for, funds should have been available to replenish the token previously sold.

- An expense of $1,300 to repair school lockers was charged to the track/football and athletic sub-account. These expenses are unrelated to these sub-accounts.

- An expense of $800 for "Homecoming" activities was charged to the track/football sub-account. A separate sub-account for Homecoming expenses had been established.

- Funds of $750 were received from a teacher for a stolen computer. The receipt was credited to the "vending machines" sub-account.

- Funds of $195 were received from a teacher for an "Atlantic City Trip". These funds were credited to the athletic fund sub-account. We identified three disbursements, totaling $865 made from the athletic fund to support this trip.

Section III (2) of the SAF Policy Manual provides "Staff social funds must be derived entirely from staff contributions and activities, and must not be augmented by student-owned funds. Staff-owned funds may be included in the SAFs, provided separate fund accounts are maintained."

CONSOLIDATED LIST OF RECOMMENDATIONS:

We are recommending that the Superintendent of DCPS:

1. Ensure that the school officials handling the DAPS and SAF accounts are trained in and knowledgeable of all policies and procedures.

2. Take action to ensure that appropriate disciplinary actions are administered against individuals that knowingly disregard the DAPS and SAF policies and procedures.

3. Require more detailed reviews be conducted by the DCPS Internal Control Group of DAPS and SAF activities. Such reviews should include review of invoices, testing of existence of inventory items and verification of legitimacy of vendors.

4. Ensure that DAPS and SAF funds are properly used, managed, and accounted for as prescribed in the District's guidelines.

5. Ensure that supporting documentation for disbursements are kept within the DAPS and SAF files.

6. Take action to ensure that a sufficient number of oral or written quotations are obtained for competitive small purchase procedures in accordance with DAPS and SAF regulations.

7. Require the SAF accountant to use pre-numbered carbonated receipts that identify the date received and the sub-account charged when recording all collections.

8. Establish an internal control procedure that requires the business manager, the principal, vice principal and other available DCPS officials alternate making SAF deposits at the financial institution to ensure they are made in accordance with the regulations.

Schedule of FY 98 and 99 DAPS Expenditures - Disallowed
Ballou Senior High School

	Check No.	Date	Description	Amount
1	2034	10/27/97	Hats for staff	650.00
2	2035	10/31/97	Shirts for staff	428.50
3	2036	10/31/97	Hats for staff	624.25
4	2038	11/6/97	Cordless Phone/candy	393.34
5	2040	11/9/97	Computer Games	271.15
6	2047	11/13/97	Includes candy, coffee	267.57
7	2048	11/14/97	Home Economic demo	55.12
8	2049	11/14/97	Luncheon	850.00
9	2052	11/14/97	Ice cream	195.90
10	2059	11/14/97	Parking fee	50.00
11	2067	11/17/97	Floral	291.36
12	2068	11/17/97	Daytimers for teachers	798.00
13	2069	11/17/97	Floral	253.43
14	2071	11/21/97	Luncheon	150.00
15	2073	11/14/97	Overtime wages for staff	100.00
16	2079	11/26/97	Includes water, candy	462.95
17	2081	11/26/97	Luncheon	190.00
18	2084	12/1/97	Includes candy, coffee	242.51
19	2087	12/4/97	Snacks	91.00
20	2088	12/4/97	Testing committee refreshments	221.52
21	2102	12/9/97	Includes popcorn, tea	214.31
22	2111	12/11/97	Staff development expenses	150.00
23	2112	12/11/97	Miscellaneous food items	100.00
24	2115	12/15/97	Workshop	100.00
25	2125	12/17/97	Christmas Decorations	150.00
26	2126	12/17/97	Luncheon for Testing Committee	200.00
27	2133	12/23/97	Luncheon for Testing Committee	200.00
28	2143	12/29/97	Refrigerator, candy	437.10
29	2153	1/22/98	Saturday Academy	121.17
30	2157	1/24/98	Luncheon for Testing Committee	220.00
31	2158	1/27/98	Dougnuts	85.00
32	2159	1/28/98	Home Economic demo	85.15
33	2166	2/3/98	Staff development lunches	830.00
34	2172	2/4/98	Saturday Acedemy	87.00
35	2173	2/5/98	Parking fee	5.00
36	2174	2/5/98	Includes candies	582.02
37	2184	2/9/98	Includes candies	344.95
38	2186	2/11/98	Snacks/refreshments	215.29
39	2190	2/11/98	Miscellaneous food items	100.00
40	2205	2/27/98	Includes candies	668.27
41	2206	2/18/98	Staff development lunches	1,410.00

Schedule of FY 98 and 99 DAPS Expenditures - Disallowed
Ballou Senior High School

	Check No.	Date	Description	Amount
42	2218	3/23/98	Includes candies	142.24
43	2219	3/23/98	Staff shirts	437.50
44	2222	3/8/98	Includes candy, coffe, caller ID	406.54
45	2223	3/11/98	Home Economic demo	108.86
46	2224	3/11/98	Snacks and candy	324.43
47	2232	3/12/98	Staff Meeting Refreshments	213.35
48	2236	3/13/98	Meeting - Lunches	132.00
49	2239	3/16/98	Includes candies	261.75
50	2250	3/25/98	Includes candies	158.97
51	2251	3/24/98	Meeting - Snacks	220.44
52	2264	4/4/98	Includes candy and coffee pot	206.44
53	2268	4/21/98	Includes candy and coffee	292.34
54	2278	5/1/98	Includes candy	151.72
55	2288	12/2/98	SAF Expenditures	800.00
56	2290	12/2/98	SAF Expenditures	5,000.00
57	2292	12/2/98	Floral	122.19
58	2293	12/2/98	Parking	14.50
59	2295	12/3/98	SAF Expnditures	1,847.50
				$ 23,732.63

Schedule of FY 98 and 99 DAPS Expenditures - Questionable
Ballou Senior High School

	Check No.	Date	Description	Amount
1	2033	10/27/97	Hats for staff	57.00
2	2043	11/13/97	Shirts for staff	1,000.00
3	2054	11/14/97	Hats for staff	1,500.00
4	2072	no stub	Computer set up charges	1,000.00
5	2077	11/25/97	Unknown	600.00
6	2085	12/2/97	Includes candy, coffee	1,500.00
7	2092	12/4/97	Home Economic demo	949.32
8	2106	12/9/97	Hand-held Radios	3,196.00
9	2108	12/11/97	Ice cream	209.98
10	2110	12/11/97	Hand-held Radios	3,196.00
11	2128	12/18/97	Equipment rental	147.00
12	2134	12/23/97	Cable work	225.00
13	2135	12/23/97	Cable work	225.00
14	2138	12/24/97	Sony floppy disk & Accessories	780.93
15	2144	12/31/97	Overtime wages for the gardener	787.50
16	2145	12/31/97	Includes water, candy	787.50
17	2146	1/6/98	Luncheon	137.50
18	2147	1/6/98	Includes candy, coffee	137.50
19	2149	1/13/98	Snacks	500.00
20	2154	1/22/98	Internet Wiring	200.00
21	2155	1/22/98	Includes popcorn, tea	200.00
22	2165	1/30/98	Staff development expenses	500.00
23	2168	2/4/98	Miscellaneous food items	100.00
24	2169	2/4/98	Educational Aide	75.00
25	2175	2/5/98	Copy paper	500.00
26	2183	2/7/98	Paid to an individual	192.00
27	2191	2/12/98	Luncheon for Testing Committee	900.00
28	2192	2/13/98	Paid to an individual	115.52
29	2193	2/17/98	Paid to an individual	288.00
30	2208	2/20/98	Luncheon for Testing Committee	600.00
31	2214	3/23/98	Paid to an individual	100.00
32	2215	2/24/98	Copy Paper	500.00
33	2221	3/2/98	Copy Paper	750.00
34	2226	3/12/96	Instal local area network wiring	250.00
35	2227	3/12/96	Instal local area network wiring	250.00
36	2228	3/12/98	Instal local area network wiring	500.00
37	2229	3/12/98	Instal local area network wiring	240.00
38	2237	3/16/98	Snacks/refreshments	138.75
39	2242	3/20/98	Miscellaneous food items	1,000.00
40	2265	N/A	Instal local area network wiring	500.00
41	2271	N/A	Saturday wages	256.60

Schedule of FY 98 and 99 DAPS Expenditures - Questionable
Ballou Senior High School

	Check No.	Date	Description	Amount
42	2273	4/23/98	Instal local area network wiring	175.00
43	2276	4/25/98	Staff shirts	925.00
44	2283	11/19/98	Includes candy, coffe, caller ID	350.00
45	2291	12/2/98	Copy Paper	500.00
46	2298	12/9/98	Snacks and candy	200.00
47	2301	12/17/98	Photocopy Paper	300.00
48	2304	12/22/98	Photocopy Paper	150.00
				$ 27,692.10

Schedule of FY 98 and 99 DAPS Expenditures - No Reciept
Ballou Senior High School

	Check No.	Date	Description	Amount
1	2033	10/27/97	Fuses	57.00
2	2042	11/13/97	Checks for laser printer	90.82
3	2055	11/14/97	Unknown	120.07
4	2058	11/14/97	Ribbons for data entry	864.80
5	2059	11/14/97	Parking fee	50.00
6	2060	11/14/97	Delivery fees	17.50
7	2061	11/17/97	Unknown	2,760.99
8	2062	11/17/97	Unknown	60.73
9	2067	11/17/97	Floral	291.36
10	2070	11/17/97	Unknown	2,550.36
11	2080	11/27/97	Cell phone charges	170.00
12	2091	12/4/97	Unknown	589.70
13	2094	12/4/97	Unknown	69.00
14	2096	12/4/97	Computer stands	2,498.00
15	2099	12/4/97	Unknown	348.50
16	2100	12/4/97	Unknown	4,271.22
17	2103	12/9/97	Unknown	758.75
18	2105	12/9/97	Test materials	220.00
19	2111	12/11/97	Staff development expenses	150.00
20	2116	12/12/97	Unknown	1,374.91
21	2117	12/12/97	Unknown	1,375.00
22	2120	12/22/97	Dues/Fees	250.00
23	2125	12/17/97	Christmas Decorations	150.00
24	2136	12/23/97	Unknown	449.99
25	2137	12/23/97	Software	189.98
26	2153	1/22/98	Saturday Academy	121.17
27	2168	2/4/98	Student reimbursement	100.00
28	2169	2/4/98	Educational Aide	75.00
29	2170	2/4/98	Unknown	40.00
30	2172	2/4/98	Saturday Acedemy	87.00
31	2176	2/6/98	Postage	18.30
32	2177	2/6/98	Unknown	245.00
33	2178	2/6/98	Software	309.90
34	2180	2/6/98	Unknown	367.09
35	2183	2/7/98	Paid to an individual	192.00
36	2189	2/10/98	Unknown	141.75
37	2192	2/13/98	Unknown	115.52
38	2193	2/17/98	Paid to an individual	288.00
39	2195	2/17/98	Invoice is a requisition order	557.96
40	2196	2/17/98	Invoice is a requisition order	232.50
41	2198	2/17/98	Invoice is a requisition order	160.36

Schedule of FY 98 and 99 DAPS Expenditures - No Reciept
Ballou Senior High School

	Check No.	Date	Description	Amount
42	2199	2/18/98	Invoice is a requisition order	557.96
43	2200	2/17/98	Invoice is a requisition order	59.75
44	2201	2/17/98	Invoice is a requisition order	173.57
45	2202	2/17/98	Invoice is a requisition order	370.55
46	2203	2/17/98	Invoice is a requisition order	130.65
47	2207	2/18/98	Software	530.00
48	2209	3/9/98	Invoice is a requisition order	886.25
49	2214	3/23/98	Paid to an individual	100.00
50	2217	3/23/98	Unknown	246.80
51	2221	3/2/98	Copy Paper	750.00
52	2232	3/12/98	Staff Meeting Refreshments	213.35
53	2233	3/13/98	Invoice is a requisition order	175.35
54	2234	3/13/98	Invoice is a requisition order	243.42
55	2237	3/16/98	Paid to a teacher	138.75
56	2244	3/20/98	No invoice - piece of paper handwritten items	875.00
57	2245	no date	Invoice is a requisition order	164.17
58	2246	3/23/98	Invoice is a requisition order	123.50
59	2247	3/23/98	Magazine subscription	29.95
60	2252	3/24/98	No reciept	179.80
61	2254	3/24/98	VCR	136.49
62	2255	3/24/98	Printers	758.04
63	2256	3/27/98	Student conference	500.00
64	2261	3/31/98	Math supplies	478.97
65	2262	4/1/98	Miscellaneous office supplies	100.00
66	2265	N/A	Unknown	500.00
67	2266	4/4/98	Children's skills tests	179.96
68	2267	4/5/98	Unknown	70.94
69	2271	N/A	Saturday wages	256.60
70	2272	4/22/98	Tennis balls	87.00
71	2048	11/14/97	Home Economics demo	55.12
72	2086	12/3/97	Photo copies	200.00
73	2164	1/30/98	Computer	4,834.39
74	2190	2/11/98	Unknown	100.00
75	2253	3/24/98	Software	882.93
76	2279	11/4/98	Bus Expenses	125.00
77	2280	11/17/98	Scroll Paper	449.10
78	2298	12/9/98	Home Economics Supplies	200.00
79	2305	12/23/98	Coats for Kids	150.00
				$ 38,793.59

Schedule of FY 98 and 99 SAF Expenditures - Unsupported Costs
Ballou Senior High School

	Check No.	Date	Description	Amount
1	2824*	10/28/97	Supplies	1,018.47
2	2855*	11/14/97	Grant sponsor stipend	500.00
3	2857	11/18/97	Field trip lunch	18.00
4	2866	11/21/97	Labor cost-dinner	165.00
5	2887*	12/03/97	Grant sponsor stipend	250.00
6	2904*	12/12/97	Makeup-school models	33.80
7	3028	02/18/98	Assembly presentation	500.00
8	3037	02/23/98	Assembly presentation	575.00
9	3053	03/04/98	Physical ed uniforms	253.00
10	3054*	03/04/98	Host community project	50.00
11	3072	03/19/98	Workshop consultant	200.00
12	3076	03/19/98	Senior trip	116.00
13	3084	03/20/98	Drill competition	65.00
14	3091*	03/23/98	Grant sponsor stipend	250.00
15	3111*	04/02/98	Grant sponsor stipend	175.00
16	3156*	04/29/98	Food items, parking	152.53
17	3207	05/15/98	Lunch for meeting	29.00
18	3208*	05/18/981	Camcorder repair	213.00
19	3236	05/29/98	Prom DJ	450.00
20	3241	05/29/98	Baccalaureate speaker	100.00
21	3267*	06/08/98	Supplies, printing material	110.00
22	3294*	06/16/98	Gift-retirement party	60.00
23	3302*	06/17/98	Faculty closing activity	20.00
24	3304*	06/17/98	Dinner-cheerleaders	200.00
25	3306*	06/17/98	End of year activity	20.00
26	3318	06/17/98	Tickets-perfect attendance	401.85
27	3328*	06/19/98	Senior class gifts & lunch	361.15
28	3331*	06/19/98	Senior activities-next year	1,913.43
29	3333+	N/A	Miscellaneous supplies	101.98
30	3336*	10/14/98	Homecoming activities	800.00
31	3337	10/14/98	Football expense	1,200.00
32	3340*	10/16/98	Locker combination	650.00
33	3341*	10/22/98	Football equipment	1,426.00
34	3344	10/22/98	N/A	25.00
35	3346	10/22/98	Cards	180.16
36	3348*	10/30/98	Locker combination	650.00
37	3353*	11/10/98	Football concessions	500.00
38	3354	11/16/98	Drill competition	210.00
39	3358*	11/18/98	Football trip and expenses	795.00
40	3365	12/14/98	Bus rental	233.00
			Total	$ 14,971.37

*Payments made to staff persons.
+ Data not available to verify the payee.

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: Eugene Smith
Director, Internal Audit

From Donald L. Rickford
Chief Financial Officer

Date: November 23, 1999

Subject: **RESPONSE TO INSPECTOR GENERAL'S AUDIT – BALLOU SHS**

Attached is a copy of our response to the draft report on the "Audit of the Direct Activity Purchase System and Student Activity Fund" at Ballou Senior High School.

We will continue to work with the Internal Audit Division in assuring that all schools are in compliance with DAPS and SAF policies and procedures.

If you have any further questions, please feel free to call Sherrilyn Silver at 442-5271 or Karin Davis at 442-5281.

Cc. Carla Carter
Sherrilyn Silver
Clarissa Smith
Karin S. Davis

Response to the Inspector General's Audit
Direct Activity Purchase System (DAPS) & Student Activity Fund (SAF)
Ballou Senior High School

OCTOBER 1, 1997 – DECEMBER 31, 1998

1. **Recommendation:** Ensure that the school officials handling the DAPS and SAF accounts are trained in and knowledgeable of all policies and procedures.

   OCFO Response: The Accounting Unit sponsors mandatory DAPS training sessions for all DAPS account holders at least twice a year. In addition, individual training is available on an ongoing basis.

   SAF training was held April 26 – 30, 1999 at Takoma Elementary School. The SAF Business Manager participated in the training on April 27. Ballou recently hired an experienced Business Manager to take over DAPS accounting responsibilities for the school. She has already received individual training and participated in the September 1999 group training.

2. **Recommendation:** Take action to ensure that appropriate disciplinary actions are administered against individuals that knowingly disregard the DAPS and SAF policies and procedures.

   The Superintendent will take appropriate disciplinary action against those employees who violate DAPS and SAF rules.

3. **Recommendation:** Require more detailed reviews be conducted by the DCPS Internal Control Group of DAPS and SAF activities. Such reviews should include review of invoices, testing of existence of inventory items and verification of legitimacy of vendors.

   OCFO Reponse: The Internal Audit Division of DCPS will complete detailed audits of all DAPS and SAF accounts during FY 2000.

4. **Recommendation:** Ensure that DAPS and SAF funds are properly used, managed, and accounted for as prescribed in the District's guidelines.

   The OCFO will continue to review all DAPS on a monthly basis and SAF reports on a quarterly basis and the Accounting Unit will continue to have mandatory DAPS and SAF training sessions. The detailed audits by our Internal Audit Division and the Superintendent's disciplinary actions will help ensure that DAPS and SAF funds are administered in accordance with the District's guidelines.

5. **Recommendation:** Ensure that supporting documentation for disbursements are kept within the DAPS and SAF files.

   OCFO Response: The OCFO and the Internal Audit Division will ensure that Ballou maintains acceptable accounting records and supporting documentation for all DAPS and SAF transactions.

6. **Recommendation:** Take action to ensure that a sufficient number of oral or written quotations are obtained for competitive small purchase procedures in accordance with DAPS and SAF regulations.

   OCFO Response: The OCFO will have a mandatory DAPS training session for all schools to inform them of the current procurement guidelines with respect to DAPS purchases.

   In accordance with SAF regulations, Principals are encouraged but not required to seek the assistance of the Procurement Branch before making a commitment for purchases in excess of $5,000. We will provide copies of the guidelines to the Principals. Future infractions will result in disciplinary action.

7. **Recommendation:** Require the SAF accountant to use pre-numbered carbonated receipts that identify the date received and the sub-account charged when recording all collections.

   OCFO Reponse: The OCFO will ensure that the SAF Business Manager understands the importance of having pre-numbered carbonated receipts for all collections. In the revised SAF manual, a new SAF deposit form was created to assist schools that have high volume activity.

8. **Recommendation:** Establish an internal control procedure that requires the business manager, the principal, vice principal and other available DCPS officials alternate making SAF deposits at the financial institutions to ensure they are made in accordance with the regulations.

   OCFO Response: The OCFO disagrees with this recommendation. There should not be a mandatory rotation for SAF deposits. Deposits should be made by whomever is available.

   The OCFO is in the process of revising the SAF manual and will address internal control procedures with regard to the timeliness of SAF deposits.