

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
OFFICE OF THE INSPECTOR GENERAL**

**DISTRICT OF COLUMBIA PUBLIC SCHOOLS**

**REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING  
AND ADVISORY COMMENTS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2007**



**CHARLES J. WILLOUGHBY  
INSPECTOR GENERAL**

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Office of the Inspector General**

Inspector General



June 20, 2008

The Honorable Adrian M. Fenty  
Mayor of the District of Columbia  
Mayor's Correspondence Unit, Suite 316  
1350 Pennsylvania Avenue, N.W.  
Washington, D.C. 20004

The Honorable Vincent C. Gray  
Chairman  
Council of the District of Columbia  
1350 Pennsylvania Avenue, N.W., Suite 504  
Washington, D.C. 20004

Dear Mayor Fenty and Chairman Gray:

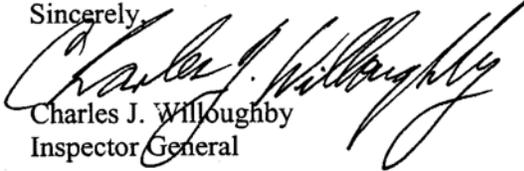
In conjunction with the audit of the District of Columbia Public School's (DCPS) Budgetary Comparison Schedule – Governmental Funds and Supplemental Information (With Independent Auditor's Report Thereon) for the fiscal year ended September 30, 2007, BDO Seidman, LLP submitted the enclosed report on material weaknesses and significant deficiencies in internal control over financial reporting and advisory comments. This report provides recommendations, a summary of management responses, and the status of actions planned/taken to resolve noted deficiencies.

With regard to Appendix A, DCPS management did not concur with Recommendation IV, Indirect Costs, or Recommendation V, Recording of Expenditures. With regard to Appendix B, DCPS neither agreed with Observation/Recommendation I, Availability of Board Minutes, nor Observation II, Cancellation of Outstanding Checks in the Student Activity Fund. DCPS only partially agreed with Observation/Recommendation III, Classification of Fixed Assets. The Office of the Inspector General, through the Comprehensive Annual Financial Report Oversight Committee, will continue to assess DCPS's implementation of the recommendations.

Mayor Fenty and Chairman Gray  
FY 2007 DCPS Report On Internal Control  
Over Financial Reporting and Advisory Comments  
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June 20, 2008  
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If you have any questions, or need additional information, please contact me, or have a member of your staff contact William J. DiVello, Assistant Inspector General for Audits, at (202) 727-2540.

Sincerely,



Charles J. Willoughby  
Inspector General

CJW/ws

Enclosure

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FY 2007 DCPS Report On Internal Control  
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April 17, 2008

To the Inspector General of the Government of the District of Columbia  
Chancellor, District of Columbia Public Schools  
Washington, D.C. 20002

In planning and performing our audit of the Budgetary Comparison Schedule - Governmental Funds (the Schedule) of the **District of Columbia Public Schools (DCPS)**, an agency of the Government of the District of Columbia, for the year ended September 30, 2007, we considered its internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Schedule but not for the purpose of expressing an opinion on the effectiveness of DCPS' internal control. Accordingly, we do not express an opinion on the effectiveness of DCPS' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we have identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is control deficiency, or combination of control deficiencies that adversely affects DCPS' ability to initiate, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of DCPS' Schedule that is more than inconsequential will not be prevented or detected by DCPS' internal control. Significant deficiencies in internal control over financial reporting are identified below and described in greater detail in Appendix A.

- I. Disbursement Practices
- II. Processing of Journal Entries
- III. Human Resources/Payroll System
- IV. Indirect Costs
- V. Recording of Expenditures
- VI. Management of the Student Activity Fund
- VII. Grants Management
- VIII. Budget Reprogrammings
- IX. Medicaid Costs Reports
- X. Inadequate Support for Car Allowances Expenditures

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the Schedule will not be prevented or detected by DCPS' internal control.



Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider the following to be material weaknesses.

- I. Disbursement Practices
- II. Processing of Journal Entries
- III. Human Resources/Payroll System
- IV. Indirect Costs
- V. Recording of Expenditures
- VI. Management of the Student Activity Fund

We have also prepared certain suggestions for improving existing internal controls. We did not consider these matters to be significant deficiencies or material weaknesses. Furthermore, they did not affect the fair presentation of the Schedule. These are presented in Appendix B for your consideration and consist of the following:

- I. Availability of Board Minutes
- II. Cancellation of Outstanding Checks in the Student Activity Fund
- III. Classification of Fixed Assets
- IV. Disbursement of Checks to Vendors

The status of prior year material weaknesses, significant deficiencies, and advisory comments is presented in Appendix C.

DCPS' responses to the significant deficiencies, material weaknesses, and advisory comments identified in our audit are included in Appendix A and Appendix B. We did not audit DCPS' responses and, accordingly, we express no opinion on them.

This letter is intended solely for the information and use of the management of DCPS, the Mayor and Council of the District, and the Office of Inspector General of the District, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*BDO Seidman, LLP*

**BDO SEIDMAN, LLP**



## Material Weaknesses and Significant Deficiencies In Internal Controls Over Financial Reporting

### I. Disbursements Practices

#### Observation and Recommendation:

The DCPS Office of the Chief Financial Officer issued policies and procedures for disbursements. The purpose of the policies was to provide appropriate and consistent procedures for the payment of invoices and to establish internal controls related to disbursements. The policy directive requires that all invoices be sent directly to the Central Invoice Receiving Unit for processing. The directive further reiterates the requirement that the District of Columbia must comply with the Prompt Payment Act which requires that invoices be paid within 30 days of receipt at DCPS.

We sampled 262 disbursements made during FY 2007 and noted the following specific deficiencies with the disbursement practices:

- Eight (8) of the 262 disbursements sampled lacked adequate supporting documentation to test the disbursements.
- Three (3) of the 262 disbursements sampled were not properly authorized.
- Nine (9) of the 262 disbursements sampled were not date stamped indicating the date they were received.
- Eight (8) of the 262 disbursements sampled were not paid within 30 days as required by the Prompt Payment Act.
- Five (5) of the 262 disbursements sampled had no signature indicating that the transaction had been posted to SOAR, the District's accounting system of record.

In addition, DCPS lacked the supporting documentation for 1 of the 77 direct disbursements sampled. We recommend that DCPS follow its existing policies for documentation related to the disbursement process. We further recommend DCPS focus on the maintenance of the related records, to help ensure that all transactions are proper and appropriately supported.

#### Management's Response:

DCPS agrees with the finding. The disbursements process will be reviewed and modified as needed. Staff has been briefed on these findings and the importance of adhering to the policies of the office. Staff has also been instructed to obtain proper supporting documentation for payments.

### II. Processing of Journal Entries

#### Observation and Recommendation:

During our test of journal entries, we noted the following deficiencies:

- Thirteen (13) of 65 journal entry vouchers were not appropriately reviewed and approved by supervisory personnel.



### Material Weaknesses and Significant Deficiencies In Internal Controls Over Financial Reporting

- For eleven (11) of the 65 journal entries, DCPS was unable to provide adequate supporting documentation.
- For three (3) of the 65 journal entries the amount shown on the journal entry did not exactly match the amount posted in SOAR, the District's accounting system of record.

We recommend that DCPS consider instituting a Journal Entry cover sheet which accompanies the supporting details. This cover sheet should have a designated place for both the preparer and reviewer to sign and date after completion of their respective roles. In addition, support for all journal entries should be included with the cover sheet. DCPS should also evaluate its filing process to ensure these documents can be readily accessed. In addition, any changes that are made should have accompanying supporting documentation and not just be entered into SOAR.

#### Management's Response:

DCPS agrees with the finding. DCPS represents that a new policy is in place for a narrative to be added to the journal entries and for the journal entries to be scanned and saved in a shared drive on the network. Employees have been instructed not to post entries that do not have approval signatures.

### III. Human Resources/Payroll System

#### Observation and Recommendation:

DCPS' Human Resource Department utilizes the Comprehensive Automated Personnel Payroll System (CAPPS) to process and manage payroll. CAPPS was implemented in 1999 and replaced the Unified Personnel Payroll System (UPPS).

Our audit process noted several systemic deficiencies with CAPPS. CAPPS is less automated and requires more manual interface than UPPS which results in unintentional errors and the use of an antiquated system. For instance:

- CAPPS does not have the capability to track and calculate step increases for employees. Therefore, human resource personnel must determine when an employee is eligible for a step increase and process it manually. During our review of step increases for FY 2007, we noted the following deficiencies:
  - One (1) of the 45 step increases reviewed the pay rate was incorrect.
  - Three (3) of the 45 step increases were not processed timely.
  - One (1) of the 45 employees was two step increases behind where the employee should have been paid.
- There is a system limitation in the Comprehensive Automated Payroll Personnel System (CAPPS) to automatically remove employees once their final pay is processed. Thus, a CAPPS Processing Schedule, which shows when employees will receive their final pay based on their effective termination date, is used by the HR Specialist to manually monitor when employees will be removed from the system.



### **Material Weaknesses and Significant Deficiencies In Internal Controls Over Financial Reporting**

In order to provide adequate security to computer system operations and valuable assets such as system hardware, software, and data, management should consider performing a periodic review of all resigned and terminated employees to ensure that they are removed from CAPPS in a timely manner. This procedure becomes particularly relevant and important when the termination involves information technology or IT personnel or an involuntary termination or one occurring under adverse conditions.

- Checks and balances for CAPPS is a manual process making it difficult to validate the data in CAPPS. Furthermore, it is difficult to produce reports from CAPPS to help analyze human resource/payroll functions such as the amount of overtime spent during the year or employees terminated but still reflected as active in the system. As a result, the following issue was noted:

The District of Columbia Teachers' Fund (the Fund) holds, in trust, the assets available to pay pension benefits to all teachers employed by DCPS, including certain other educational employees in public day schools and certain eligible educational employees in the public charter schools of the District. The Fund receives information, instruction, and data from other agencies and departments of the District in order to generate financial and non-financial information for the Plan. Following are the entities which provide information to the Fund relating to the Teachers' Plan.

- The District of Columbia Board of Education makes findings of fact, conclusions of law, and decisions regarding involuntary retirement, survivor benefits, and annual medical and income reviews.
- The Fund's Benefits Department receives the retirement orders for retirement benefit calculations for all active plan members found eligible for retirement by DCPS, and carries out the day-to-day processing of retirement benefits. The Fund also processes employee requests for refunds of contributions.
- The Office of Pay and Retirement Services (OPRS) maintains contribution and participant data relating to active participants. OPRS also maintains historical payroll data for retired or terminated employees for a number of years. The Fund's Benefits Department receives payroll history of retired and terminated employees from OPRS and determines pension and refundable contributions based on such information.
- DCPS enrolls and enters personnel data for all teachers in CAPPS which is used by OPRS to generate payroll and contribution data. DCPS' actuary obtains participant data from OPRS who extracts the data from the CAPPS system.

During FY 2007, we noted a review by the Fund's actuary (EFI Actuaries) which indicated DCPS operational failures dealing with erroneous tracking of employees under various retirement programs. It was noted that during the affected time periods of the operational failures, contributions to the Fund have been affected due to the submission of improper amounts of employee and employer contributions and an inaccurate reflection of the Teachers' Plan population. Specifically, participants contributed too much or too little to the Fund and the appropriate groups of participants were not accounted for as part of the annual actuarial valuations.



### **Material Weaknesses and Significant Deficiencies In Internal Controls Over Financial Reporting**

OPRS provided the actuary with missing contribution amounts based on historical contribution data available from the District's payroll system. Considering all known corrections as determined from information provided by DCPS and OPRS, the actuary estimated the total actuarial impact to be approximately \$7.5 million as of September 30, 2007. DCPS has accrued a contribution payable to the Fund for this amount for FY 2007.

We recommend that management consider a task force be established with representatives from DCPS, the Fund, OPRS, the Office of Inspector General, and appropriate legal counsel. Among other items, the task force should consider the following:

- Development of corrective action for the data issues affecting the teachers' participant population;
- Agreement on the parameters of the population to be verified; and
- Establishment of a timeline and completion of the review as soon as possible.

#### Management's Response:

DCPS agrees with the finding. DCPS will transition from CAPPs to PeopleSoft in late FY 2008 and early FY 2009, utilizing the time and attendance, labor distribution, and the human resource components. As a step increase is based primarily on the employee reaching the anniversary date of their employment, Peoplesoft will automatically update the step increase which lessens the chance of human error.

With respect to the District of Columbia Teachers' Fund, DCPS met with OPRS and identified the population affected. This information has been forwarded to the outside consultant that DCPS retained to verify the validity and the correctness of the data.

DCPS is currently in discussion with the Fund and is working on a resolution. DCPS is on track to resolve the issue by the end of FY 2008.

#### **IV. Indirect Costs**

##### Observation and Recommendation:

DCPS has an approved indirect cost rate with the U.S. Department of Education which defines the maximum amount of indirect costs that can be attributed to Federal programs. DCPS was unable to provide complete support for the total program expenditures that were used to calculate the indirect costs that were applied to each grant. Further, DCPS was unable to provide evidence that total indirect costs were posted to SOAR, the District's accounting system of record. We also noted that in some cases, more indirect costs were applied than were allowed to be applied to the respective grant.

DCPS should improve its recordkeeping to ensure that all indirect costs claimed are valid.



## Material Weaknesses and Significant Deficiencies In Internal Controls Over Financial Reporting

### Management's Response:

DCPS agrees with the finding. New policies and procedures will be drafted at DCPS, and staff will be trained, to better manage the calculation and recording of indirect cost allocations.

### **V. Recording of Expenditures**

#### Observation and Recommendation:

During our test of subsequent cash disbursements, we noted that 18 of 110 disbursements sampled totaling \$14.3 million were not properly accrued for in FY 2007. Of this total, \$8 million was related to construction expenditures that DCPS did not accrue. In fact, DCPS was not accruing for any construction related expenses. Instead, they were tracking the construction expenditures to the budget appropriated amount and expensing the project upon completion. DCPS should consider a more detailed analysis in analyzing disbursements to ensure they are reported in the proper period.

#### Management's Response:

DCPS disagrees with this finding. Twelve of the eighteen items identified totaling \$10 million were accrued as part of the closing process. However, six items totaling \$4 million were subsequently accrued.

### **VI. Management of the Student Activity Fund**

#### Observation and Recommendation:

School personnel responsible for management of the Student Activity Fund (SAF) accounts are not adhering to established policies and procedures to ensure cash receipts and disbursements are safeguarded and properly accounted for. The District has around 150 SAF accounts totaling approximately \$2 million in cash at September 30, 2007.

The Office of Compliance within DCPS performed audits and follow-up audits during FY 2007 and reported the following discrepancies:

- School personnel are not adhering to policies and procedures.
- Deposits are not made in a timely manner.
- Lack of original documentation and receipts to support the disbursement of funds.
- Inadequate separation of duties in the processing of cash receipts and disbursements.
- Business manager retained sole control over all financial transactions.
- Lack of two signatures on the SAF checking account for all disbursements.
- Lack of adequate training which had an adverse impact on the overall operations of the SAF.



### Material Weaknesses and Significant Deficiencies In Internal Controls Over Financial Reporting

- Required forms for disbursements were not used by the schools to document expenditures in the SAF.
- Material weaknesses in internal controls which resulted in embezzlement and fraud of SAF.
- Checks over 90 days old were not voided as required by CFO policy.

Currently, the Principal of each school is responsible for management of the SAF accounts including receipt and disbursement of funds. However, due to the discrepancies noted above, SAF assets were not adequately accounted for or properly safeguarded.

In addition to the Office of Compliance audits, the Office of Integrity and Oversight (OIO) issued an Internal Audit Alert on October 22, 2007 which showed that there was a lack of adequate knowledgeable staff and weak internal controls in one of the school's business office. The Alert also reported that funds collected were not deposited in the school's commercial account in a timely manner.

Since there is a lack of adherence to established policies and procedures, there is no assurance that SAF funds are being accounted for properly.

#### Management's Response:

DCPS agrees with the finding. DCPS will hold a discussion to address the finding and how DCPS should move forward.

### VII. Grants Management

#### Observation and Recommendation:

We selected 40 grants for testing to determine whether the ending receivable balance agreed to the general ledger balance. Of the 40 grants reviewed, we noted that for 19 grants, the year end receivable balance did not agree to the general ledger balance. The discrepancy between the ending balance and the general ledger balance for the 19 grants totaled \$4.3 million. In addition, we noted that for 19 of the 40 grants reviewed, the grant revenue amount exceeded the total grant expenditure amount by \$14 million. Total expenditures included the opening receivable balance plus any expenditure incurred during the fiscal year. We noted that fourteen of the 19 grants did not have an opening receivable balance.

#### Management's Response:

Total DCPS grant revenues and expenditures for FY 2007 were over \$121 million. However, DCPS grant revenue did exceed FY 2007 DCPS grant expenditures by \$232,251. New policies and procedures will be drafted at DCPS, and staff will be trained, to better manage the calculation and timing of grant drawdowns and the recording of grant receivables. Staff will be trained on improved reporting skills so that internally generated receivable reports prepared as part of the closing process will agree with the actual receivable balances in the general ledger.



## Material Weaknesses and Significant Deficiencies In Internal Controls Over Financial Reporting

### VIII. Budget Reprogrammings

#### Observation and Recommendation:

During our review of 45 budget modifications, we noted that 1 of the 45 modifications was not approved. In addition, the modification amount did not agree to the amount posted in SOAR, the District's accounting system of record.

#### Management's Response:

DCPS agrees with this finding.

### IX. Medicaid Costs Reports

#### Observation and Recommendation:

DCPS' Medicaid Cost Reports are required to be audited by an independent third party. DCPS has filed all required Medicaid Cost Reports to date. However, the fiscal years 2003, 2004, 2005, and 2006 Cost Reports have not been audited as of the date of this management letter.

Based on a historical analysis of prior year disallowances or other appropriate methodology, DCPS has not recognized any liability for potential disallowances uncovered during audits of the cost reports for these years.

#### Management's Response:

DCPS has recorded over \$4.5 million as potential grant disallowances. \$1.8 million of this liability is for the potential of a disallowance from the audits of Medicaid cost reports for FY 2003, 2004, 2005, and 2006.

### X. Inadequate Support for Car Allowance Expenditures

#### Observation and Recommendation:

DCPS did not have documentation in a personnel file to support a car allowance for 1 of the 7 employees reviewed resulting in unallowed car expenses totaling \$6,600 for the period September 2006 through September 2007. During FY 2007, DCPS spent over \$116,000 on car allowances for employees to cover the costs of transportation for DCPS employees to conduct business throughout the District. Proper authorization for a car allowance was not provided and documented in the personnel file. Sound internal control procedures dictate that expenditures be adequately supported.

Without proper documentation or authorization to support the car allowance, the District is expending funds improperly.

This issue was reported as an advisory comment in the FY 2006 Management Letter to District Management. In the Management Letter, DCPS agreed with the finding and recommendation and stated that it was in the process of developing a policy and standard procedures related to car



**Material Weaknesses and Significant Deficiencies  
In Internal Controls Over Financial Reporting**

allowance expenditures. However, due to DCPS' lack of corrective action to properly correct this issue, we noted this finding as a significant deficiency.

We recommend that DCPS review the employees receiving car allowances for FY 2007 and determine whether they are properly authorized and documented. In addition, we recommend that DCPS establish internal controls to ensure that only eligible employees receive car allowances and that they are properly documented in their personnel file.

Management's Response:

DCPS agrees with the audit finding and recommendation.



## Advisory Comments

### I. Availability of Board Minutes

#### Observation and Recommendation:

DCPS was unable to provide copies of the School Board Minutes for 2 of the 9 months the Board existed during FY 2007. As a result, we were unable to review and identify relevant information that may have had an impact on the CAFR. We recommend that management make every effort to enhance and improve current record-keeping practices.

#### Management's Response:

DCPS disagrees with the finding. The auditors were put in contact with the archivist for the District of Columbia. All available minutes and transcripts were open for the auditors to review. Minutes for October 2006 and April 2007 were not available. No minutes were available after June 2007 since the Board was dissolved in June 2007.

### II. Cancellation of Outstanding Checks in the Student Activity Fund

#### Observation and Recommendation:

DCPS' Office of the Chief Financial Officer, at the direction of the DCPS Superintendent, issued Standard Operating Procedures (SOP) on October 1, 2005 to document the procedures for the Student Activity Fund (SAF). Specifically, the purpose of the SOP was to establish uniform policies for administering the SAF within DCPS.

We reviewed Student Activity Fund bank account activity for 15 public schools and we noted that 2 of the 15 schools had checks outstanding greater than 180 days totaling \$3,157. DCPS' standard operating procedures specifically require that checks outstanding over 180 days be voided. The policy to cancel checks was revised during FY 2006 from 90 days to 180 days.

We recommend that school management adhere to the standard operating procedures and void checks outstanding over 180 days.

#### Management's Response:

DCPS disagrees with the audit finding. One school had four checks that in totality equaled \$32.00. Voiding each check would have required that a stop payment be placed on each of the four checks. This would have necessitated over \$100.00 in fees. The bank considers a check stale dated after 180 days and should not be honored.

For the second school the check was voided a number of days past the 180 days.

We will amend our policy.



## Advisory Comments

### III. Classification of Fixed Assets

#### Observation and Recommendation:

According to District of Columbia policy, all expenditures must be evaluated and properly classified on the Construction in Process Closing Package either as an Expense, Construction in Process, or Fixed Assets. During our testing of capital expenditures, we noted a transaction recorded by the Office of the Chief Technology Officer (OCTO) as a construction in process addition during FY 2007. However, the item was an intra-district agency transaction relating to the repayment of debt service which should have been expensed in the period incurred and not capitalized.

In addition, we noted two transactions at DCPS which should have been recorded as construction in process but were incorrectly expensed as period costs.

We identified these discrepancies from a sample of transactions that were selected for testing. Management should recognize that the potential exists for additional discrepancies.

The miscalculations noted in our audit process were mainly due to record-keeping or unintentional errors of assigning data in the system. However, District agencies should have proper controls in place to ensure that the values (e.g. cost, useful life, in service date, asset class, etc.) are entered into the system accurately.

We recommend that District personnel perform a periodic review of existing and newly entered information and implement policies to improve and strengthen controls over recording of fixed assets in the respective systems. These reconciliations and adjustments will ensure meaningful and accurate financial statements.

#### Management's Response:

- (1) Management concurs that there was an error in classification related to an intra-district transaction with OCTO. DCPS will monitor more closely the intra-district transactions to insure that such errors are identified more timely.
- (2) Management disagrees with the auditors classification of the two additional items noted. In the first instance, the facilities project manager confirmed that no asset was realized; therefore, there was no error made in classifying the \$121,654.95 disbursement.

In the second instance, the nature of the work performed neither improved the life of the asset nor added to the value of the asset, therefore the total costs of repairs of \$710,591.63 was expensed in the period incurred. The amount in question of \$28,536.10 for architectural design services was expensed to follow the classification of the repairs performed on the school. We believe that it would be inappropriate to single out less than 5% of the total cost to capitalize.



## Advisory Comments

### IV. Disbursement of Checks to Vendors

#### Observation and Recommendation:

Current District policy dictates that before releasing checks that are held for pick up, staff has to obtain a signature of the receiver, inspect a form of identification and make a copy to keep on file, and receive communication from the vendor confirming the identity of the representative authorized for check pick-up. During our procedures, we noted that complete support for two such checks (one issued at Office of the Chief Technology Officer and the other issued at DCPS) in our sample was unavailable. Therefore, we were unable to confirm if the vendors were authorized to pick-up their checks.

We identified these discrepancies from a sample of transactions that were selected for testing. Management should recognize that the potential exists for additional discrepancies.

It is important to produce certain detailed reports or records at specific time periods and to maintain these records for possible analysis by users such as management, independent auditors, or other governmental bodies. We recommend that District personnel perform a review of existing records retention policies and the related compliance with those policies and implement steps to improve and strengthen overall controls and to minimize the risk of misappropriation.

#### Management's Response:

DCPS agrees with the finding. DCPS stated that one item in the sample did not have a photo copy of the party picking up the check. This was an oversight. The staff has been instructed to be sure to adhere to the policies at all times.



Status of Prior Year Comments

Nature of Comment	Type of Comment in Fiscal Year 2006	Current Year Status*
DCPS is Classified as "High Risk" School District by the U.S. Department of Education	Material Weakness	No change in status.
District of Columbia Office of Inspector General identified DCPS as "High Risk"	Material Weakness	No change in status.
Procurement Practices	Material Weakness	Not Repeated
Human Resource/Payroll System	Material Weakness	Material Weakness
Medicaid Cost Reports Are Not Filed Timely	Material Weakness	Resolved
Medicaid Receivable Is Not Recorded at Year End	Material Weakness	Resolved
Central Investment Fund Expenditures lacked Adequate Supporting Documentation	Reportable Condition	Resolved
Official Personnel Folders and Inadequate Supporting Documentation	Reportable Condition	Resolved
Car Allowance Expenditures Were Not Supported	Advisory Comment	Significant Deficiency
Supervisory Review of Bank Reconciliations Were Not Performed	Advisory Comment	Resolved

\* The terminology and classification of the current year findings is based on Statement on Auditing Standards, No. 112.