OFFICE OF THE DISTRICT OF COLUMBIA AUDITOR

717 14TH STREET N.W., SUITE 900
WASHINGTON, D.C. 20005
TEL. 202-727-3600 • FAX: 202-724-8814

Deborah K. Nichols
District of Columbia Auditor

007:05:LS

Letter Report: Implementation Status of Auditor Recommendations Pertaining to Audits of Agencies Under the Purview of the Committee on Education, Libraries, and Recreation (ED)

February 25, 2005

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February 25, 2005

Honorable Kathleen Patterson
Chairperson
Committee on Education, Libraries, and Recreation
Council of the District of Columbia
The John A. Wilson Building
1350 Pennsylvania Avenue, NW, Suite 107
Washington, DC 20004

Letter Report: **Implementation Status of Auditor Recommendations Pertaining to Audits of Agencies Under the Purview of the Committee on Education, Libraries, and Recreation (ED)**

Dear Councilmember Patterson:

Attached for your review is a summary of the implementation status of District of Columbia Auditor recommendations pertaining to audits of agencies under the purview of the Committee on Education, Libraries, and Recreation. This report reflects the implementation status of recommendations contained in ten audits of the District of Columbia Public Schools, the District of Columbia State Education Office, the Department of Parks and Recreation, the University of the District of Columbia, and the Village Learning Center Public Charter School. Additional efforts will be undertaken by my office to verify the accuracy and validity of the information reported by these agencies.

Submitted with this letter report is a matrix for each audit. Each matrix sets forth the findings, recommendations, and the agencies' status of implementing each recommendation. This report covers the following audits issued by the District of Columbia Auditor between fiscal years 2002 and 2005 to date:

FY 2002:

- DCA1402: City Charges District of Columbia Public Schools Nearly $1 Million in Utility Expenses that Should Have Been Charged to Other Entities, RELEASED: April 23, 2002 **(District of Columbia Public School System)**
- DCA2002: DC Public Schools' Medicaid Revenue Recovery Operations Require Substantial Improvements, RELEASED: August 7, 2002 **(District of Columbia Public School System)**

- DCA2502: Mismanaged Special Education Payment System Vulnerable to Fraud, Waste, and Abuse, RELEASED: September 27, 2002 **(District of Columbia Public School System)**

FY 2003:

- DCA0303: Flawed Processes and Ineffective Systems of Accountability Pertaining to DCPS' Special Education Program Have Resulted in Costly Legal Fees and Exorbitant Charges for Related Services and Nonpublic Tuition, RELEASED: May 9, 2003 **(District of Columbia Public School System)**

- DCA0603: Auditor's Review of the University of the District of Columbia's Land-Grant Endowment Fund, RELEASED: June 9, 2003 **(University of the District of Columbia)**

- DCA0803: Mismanagement, Noncompliance, and Ineffective Internal Controls Exposed School System Funds to a Significant Risk of Fraud, Waste, and Abuse, RELEASED: June 16, 2003 **(District of Columbia Public School System)**

- DCA1803: Review of the District of Columbia Public School System's Fiscal Years 2001 and 2002 Cellular Telephone Service Expenditures, RELEASED: September 29, 2003 **(District of Columbia Public School System)**

FY 2004:

- DCA1304: Financial Operations of the Village Learning Center Public Charter School RELEASED May 17, 2004 **(District of Columbia Board of Education)**

- DCA2104: Ineffective Management, Poor Internal Controls, and Inadequate Financial Oversight Found Within the District's Subsidized Child Care Program RELEASED: September 15, 2004 **(District of Columbia Public School System/DHS Office of Early Childhood Development)**

- DCA2204: Effectiveness of the Special Nutrition and Commodities Distribution Program was Hindered by Lax Management and Inadequate Oversight by Other Agencies RELEASED: September 22, 2004 **(State Education Office)**

Our review procedures consisted of staff inquiries as well as a review of the status of recommendations provided by agency management. Our follow-up work is being conducted in accordance with government audit standards established by the Comptroller General of the United States, United States Government Accountability Office.

It is my plan to follow-up on significant findings and recommendations to determine whether timely and appropriate corrective actions have been undertaken and fully implemented by the appropriate agencies. I believe that our efforts to ensure timely implementation of recommendations contained in District of Columbia Auditor reports will contribute substantially to the goal of making government work more efficiently, effectively, and economically. Further, we will continuously perform follow-up work to determine recommendations that have only been partially implemented or not implemented at all. Our efforts in this particular area will be to assist the affected agency in designing and implementing corrective actions or other solutions to effectively and timely address the deficiency, weakness, or risk found during the audit.

As always, please do not hesitate to contact me at 202/727-3600 should you have any questions.

Sincerely,

Deborah K. Nichols
District of Columbia Auditor

cc: Honorable Linda W. Cropp
Chairman, Council of the District of Columbia

OFFICE OF THE DISTRICT OF COLUMBIA AUDITOR FISCAL YEAR 2002 REPORTS:
"City Charges District of Columbia Public Schools Nearly $1 Million in Utility Expenses That Should Have Been Charged to Other Entities"
RELEASED: April 23, 2002

TOTAL RECOMMENDATIONS: 10
RECOMMENDATIONS IMPLEMENTED OR CORRECTIVE ACTIONS TAKEN: 6
RECOMMENDATIONS PARTIALLY IMPLEMENTED OR IN PROGRESS: 4
RECOMMENDATIONS NOT IMPLEMENTED:
NO RESPONSE TO RECOMMENDATION:

FINDING NO. 1: OPM FAILED TO PROPERLY MANAGE THE UTILITY BILL REVIEW AND CERTIFICATION PROCESS WITH REGARD TO DCPS DURING FISCAL YEAR 2001
Subfinding 1: OPM Certified and OFRM Used DCPS Funds to Pay At Least $848,309 in Utility Costs During Fiscal Year 2001 and $44,560 for the First Quarter of Fiscal Year 2002 for Facilities That Were Not Occupied or Controlled by DCPS

RECOMMENDATIONS	STATUS OF IMPLEMENTATION OF RECOMMENDATIONS FROM DCPS Responses 4/11/03 and 2/11/05	STATUS OF IMPLEMENTATION OF RECOMMENDATIONS RESPONSE FROM OCFO DATED 2/10/05, OAG dated 2/16/05, and OPM dated 2/17/05
The Chief Property Management Officer of OPM must immediately develop an accurate database of all facilities for which DCPS has responsibility for the payment of utility expenses. The Chief Property Management Officer must develop the database of DCPS facilities in collaboration with the Chief Operating Officer for DCPS, the Deputy CFO for OFRM, and the DCPS CFO. The database must be regularly reviewed by DCPS staff and regularly updated by OPM staff. The Auditor will confirm compliance with this recommendation within 60 days of this report.	**Letter dated April 11, 2003 from Paul L. Vance, Superintendent: Corrective action is complete.** The Chief Property Manager has developed and submitted an accurate database to DCPS that lists all DCPS locations by account for which DCPS has responsibility for payment of utility expenses. **Letter dated February 11, 2005 from Dr. Janey:** This is handled by the DCPS CFO's office. **Letter dated April 11, 2003 from Paul L. Vance, Superintendent: Corrective action is complete.** All of the aforementioned agencies participated in the development of DCPS facilities database. The database is subject to regular review by DCPS Deputy Chief Financial Officer and is continuously updated by OPM's Energy Manager. **Letter dated February 11, 2005 from Dr. Janey:** This is handled by the DCPS CFO's office.	**Letter dated February 10, 2005 from Dr. Gandhi, OCFO:** "The Office of Property Management has established a database, which includes, among other things, expenditure information on all facilities that fall under the purview of DCPS. This database is continuously updated and its contents have been shared with DCPS officials at the DCPS Realty Office, DCPS CFO's Office, and the DCPS Facilities Department. The database forms the foundation for the forecast of DCPS's fixed costs. This forecast information is then submitted to OFRM and OFRM, in turn, forwards copies to OBP and DCPS's. The data pertaining to DCPS facilities is therefore subject to review by three agencies prior to DCPS confirmation of the accuracy of its facilities and the costs associated with the procurement of services deemed as fixed costs. This confirmation takes place at the annual MOU process conducted by OFRM. In addition, OPM has routinely met with DCPS officials regarding its facilities and has shared this information with DCPS officials over the past three years, on a number of occasions."

		Letter dated February 17, 2005 from Carol Mitten, Director, OPM: "OPM has developed a database that lists the facilities associated with DCPS for which OPM is responsible for certifying payment of utilities. The database has been designed to incorporate the changes recommended in the DC Auditor's report. Information regarding the DCPS facilities in the database was shared with the DCPS CFO, the DCPS Realty Officer, and OFRM's Director of Financial Operations, the Deputy CFO's designee. The database is updated regularly to reflect the current status of DCPS facilities inventory."
Prior to certifying payment for any DCPS utility bills, OPM managers and staff must ensure that the payment is only for a facility occupied and controlled by DCPS. OPM managers and staff who fail to comply with this recommendation must be held accountable to the fullest extent permitted under the District of Columbia Comprehensive Merit Personnel Act of 1978, as amended, and the District Personnel Regulations.	**Letter dated April 11, 2003 from Paul L. Vance, Superintendent: Corrective action is complete.** Prior to certifying any utility expenditure for a DCPS facility, OPM verifies that the facility in question is part of the current inventory for DCPS. If an expenditure is found not to belong to DCPS, that charge and the associated facility are moved from DCPS and allocated to the appropriate agency. **Letter dated February 11, 2005 from Dr. Janey:** This is handled by the DCPS CFO's office.	**Letter dated February 17, 2005 from Carol Mitten, Director, OPM:** "Subsequent to the DC Auditor's report, OPM realigned those DC government accounts that do not fall under the purview of DCPS. Certification of payments associated with DCPS is reviewed within OPM for accuracy, based upon facility location and payable amount. OPM maintains contact with DCPS, particularly the Facilities Department, on a continuous basis regarding facility verification. Updated DCPS facility listings are requested by OPM and provided by DCPS on a regular basis. Information regarding contractual work and verification of work period are monitored constantly and cooperatively between OPM and the DCPS Facilities Department to ensure that certification of payment is made for only facilities operated and controlled by DCPS. Moreover, OFRM makes available all certification-of-payment information, to all agencies including DCPS, on a monthly basis for agency perusal and verification. It must be understood that OPM and DCPS share the responsibility for the accuracy of the information regarding DCPS locations."
The Deputy Chief Financial Officer for the Office of Finance and Resource Management must work in collaboration with the Chief Property Management Officer, DCPS Chief Operating Officer, and the Chief Financial Officer of DCPS to ensure that DCPS funds are used to pay utility expenses only for those facilities occupied and controlled by	**Letter dated April 11, 2003 from Paul L. Vance, Superintendent: Corrective action is complete.** This requirement has been complied with. This is an on-going process. Meetings have been held between all aforementioned agencies including the Deputy Mayor to ensure that DCPS funds are used to pay utility expenses only for the facilities under the purview of DCPS. **Letter dated February 11, 2005 from Dr. Janey:** This is handled by the DCPS CFO's office.	**Letter dated February 10, 2005 from Dr. Gandhi, OCFO:** "At the beginning of the fiscal year all agencies certify their facilities through the MOU process. On a monthly basis, OFRM receives a certified document indicating which agencies should be charged for utility expenses from OPM. OFRM charges the appropriate agencies that are detailed in the certified document. In addition, agencies receive electronic billing information of the expenditures charged for each utility monthly."

DCPS.		**Letter dated February 17, 2005 from Carol Mitten, Director, OPM:** "As indicated in response to #2 recommendation, OPM has been working closely with DCPS to ensure that it is not charged fore facilities that are not under their responsibility and control. In addition, OPM has made the list of DCPS facilities available to all DCPS Chief Financial Officers. Since the issuance of the DC Auditor's report, OPM has worked closely with OFRRM to ensure that certification of payment for all District facilities, including DCPS, accurately reflects the District agencies' facilities."

FINDING NO. 2: SUBSTANTIAL IMPROVEMENTS ARE NEEDED IN MONITORING COMPLIANCE WITH USE AND LEASE AGREEMENTS TO ENSURE THAT UTILITY COSTS ARE PAID IN ACCORDANCE WITH SUCH AGREEMENTS

Subfinding 1: OPM Erroneously Certified and OFRM Paid Utility Expenses from DCPS Funds for Facilities Occupied and Controlled by Other District Agencies

Subfinding 2: OPM Erroneously Certified and OFRM Paid Utility Expenses From DCPS Funds for At Least 11 Charter Schools

RECOMMENDATION	STATUS OF IMPLEMENTATION OF RECOMMENDATIONS	STATUS OF IMPLEMENTATION OF RECOMMENDATIONS RESPONSE FROM OCFO DATED 2/10/05, OAG dated 2/16/05, and OPM dated 2/17/05
The District of Columbia Board of Education and the Chief Property Management Officer must immediately establish a valid lease or use agreement with the D.C. Fire and Emergency Medical Services Department and the D.C. Department of Corrections which provides that these two agencies pay, at minimum, all utility expenses for Grimke School.	**Letter dated April 11, 2003 from Paul L. Vance, Superintendent: Corrective action is in progress.** OPM's Energy Manager has put in place a tracking system to ensure that all agencies are being charged appropriately for their specific energy expenditures. In this regard, the costs associated with Grimke School have been allocated to both D.C. Fire and Emergency Medical Services Department and the D.C. Department of Corrections. The Chief Property Management's Office along with the District's Office of the Corporation Counsel is in the process of negotiating lease/use agreements for the Fire and Corrections Departments who are currently occupy Grimke. **Letter dated February 11, 2005 from Dr. Janey:** This is handled by the DCPS CFO's office.	**Letter dated February 17, 2005 from Carol Mitten, Director, OPM:** "Since the receipt of the DC Auditor's report, OPM has charged all utility expenses for the Grimke School to DCFEMS and the Department of Corrections."
The Chief Property Management Officer and the Deputy Chief Financial Officer for OFRM must immediately determine the amount	**Letter dated April 11, 2003 from Paul L. Vance, Superintendent: Corrective action is complete.** The Grimke School was included in the DCPS inventory between fiscal years	**Letter dated February 10, 2005 from Dr. Gandhi, OCFO:** "OPM's Energy Manager has put in place a tracking system to ensure that all agencies are being charged appropriately for their specific energy expenditures. In this regard, the costs associated with Grimke School

of DCPS intra-District funds that were used to pay utility expenses for the D.C. Fire and Emergency Medical Services Department and the Department of Corrections between fiscal years 1999 through 2002. These payments must be recovered from the DCFEMS and Corrections, and credited to DCPS' intra-District utility account for fiscal year 2003. The District's Chief Financial Officer should provide assistance, where necessary, in recovering these payments from DCFEMS and Corrections.	1999 through 2002. While the facility's inclusion was incorrect, the DC Government gave budget authority and provided funding to DCPS to cover the fixed costs expenses associated with the Grimke School. The D.C. Fire and Emergency Medical Services Department and the Department of Corrections received neither budget authority nor District funding for this facility. Such costs, had they been appropriately allocated, would have been apportioned to both D.C. Fire and Emergency Medical Services Department and the Department of Corrections, respectively. Consequently, any recovery of expenses from D.C. Fire and Emergency Medical Services Department and the Department of Corrections would have the effect of appropriating the expenditures associated with Grimke twice over for these two agencies. **Letter dated February 11, 2005 from Dr. Janey:** This is handled by the DCPS CFO's office.	have been allocated to both DC Fire/EMS and DC Dept. of Corrections. Regarding period 1999 to 2002, efforts to recover funds from the DC Fire/EMS were futile because although the facility was misaligned the facility was in fact a DC govt. property and payment of the utility expense by the District was appropriate. IF the OCFO were to retrieve the funds from two recipient agencies the funds would be returned to the District's general fund and not to DCPS because the fiscal year(s) in question are closed." **Letter dated February 17, 2005 from Carol Mitten, Director, OPM:** "OPM has been unable to determine the extent of the payments made on Grimke School over the period 1999 to 2003 due to missing invoices. During the period when the Office of the DC Auditor conducted the audit, the audit arm of the CFO's office also audited OPM. OPM was made to turn over all invoices to OFRM and DCPS. On return of invoices, OPM discovered that there were missing invoices. However, it should be noted that recovery of any payments would have been returned to the general fund since the fiscal years (1999 through 2002) would have concluded and the corresponding fiscal periods closed. OPM maintains, however, that while the appropriations may have been misaligned, by agency, the authority for the appropriation expenditure rested with the agencies in which the funds resided, namely DCFEMS and Corrections, respectively."
The manager of DCPS' Realty Office, in collaboration with the Chief Property Management Officer, must immediately ensure that the MPD complies with the lease agreement between MPD and DCPS, and that MPD transfers all utility accounts for the Petworth School to MPD's name. Further, the Chief Property Management Officer and the manager of DCPS' Realty Office must immediately take all steps necessary to recover the $8,538.30 from MPD; and must immediately take the appropriate steps legally necessary to credit this amount to DCPS' fiscal year 2003 intra-District	**Letter dated April 11, 2003 from Paul L. Vance, Superintendent: Corrective action is complete.** OPM has transferred all utility accounts for Petworth into MPD's name. MPD has submitted payment in the amount of $8,538.30 to DCPS as reimbursement of utility expenditures. **Letter dated February 11, 2005 from Dr. Janey:** No further action required by DCPS Realty Office.	**Letter dated February 17, 2005 from Carol Mitten, Director, OPM:** "OPM has been unable to recover the $8,538.30 from MPD and credit this amount from prior fiscal periods since, as previously indicated in response #5, any moneys recovered prior to 2003 would have been returned to the general fund since the fiscal years 1999 through 2002 would have concluded and the corresponding fiscal periods closed."

utility account.		
OPM and DCPS officials must work cooperatively in determining which agency will manage each of the properties that the Control Board transferred to the Mayor and ensure that OFRM does not continue paying utility costs from DCPS' intra-District fund transfers for schools not occupied or controlled by DCPS.	**Letter dated April 11, 2003 from Paul L. Vance, Superintendent: Corrective action is complete.** All surplus properties transferred to the Mayor by the Control Board are managed by OPM. OPM's Energy Manager does not certify any funds for utility expenditures that are not under the control of DCPS. **Letter dated February 11, 2005 from Dr. Janey:** No further action required by DCPS Realty Office. This matter is handled exclusively by the OPM's Energy Manager.	**Letter dated February 10, 2005 from Dr. Gandhi, OCFO:** "OPM and DCPS officials worked in conjunction with the management of the DCPS facilities to ensure that utility bills are paid only on DCPS schools, on all facilities transferred from the DC Control Board to the Mayor. In this regard, OPM has worked with the DCPS Realty Office, the DCPS CFO and officials within that office and with the DCPS Facilities Department to ensure that the DCPS facilities are accurately identified and payments are made only on those facilities for which intra-District funds are available." **Letter dated February 17, 2005 from Carol Mitten, Director, OPM:** "OPM has resolved all issues regarding the management of properties transferred by the Control Board to the Mayor to ensure that OFRM does not pay utility costs from DCPS's intra-District fund for schools not occupied or controlled by DCPS."
DCPS and OPM officials must immediately review all use and lease agreements for DCPS facilities and negotiate and execute new agreements to replace those that have expired.	**Letter dated April 11, 2003 from Paul L. Vance, Superintendent: Corrective action is in progress**. The Office of Property Management is in the process of putting in place use agreements for facilities without existing use agreements in place. In addition, one expired use agreement is currently being prepared by OPM. **Letter dated February 11, 2005 from Dr. Janey:** The Office of Property Management, Realty Specialist along with Senior Counsel in the Office of the Attorney General are continuing to work together to resolve any use/lease renegotiations as required.	**Letter dated February 17, 2005 from Carol Mitten, Director, OPM:** "OPM has conducted and completed an exhaustive review of all use and lease agreements for DCPS facilities, and has and continues to negotiate and execute new agreements to replace those that have expired."
OPM and DCPS officials specifically designated by the Chief Property Management Officer and Superintendent of DCPS must monitor lease and use agreements to ensure that all provisions of the agreements are met. Lessees must show proof that utilities have been placed in their name and that they have received and paid all utility bills. Further, the Chief Property	**Letter dated April 11, 2003 from Paul L. Vance, Superintendent: Corrective action is in progress**. Over the past year the Office of Property Management (OPM) in conjunction with the manager of DCPS Realty Office and the Office of the Corporation Counsel have aggressively pursued the recovery of funds that should have been assessed to Charter Schools as identified in the DC Auditors report. To date, a total of approximately $256,279.42 has been collected. This has been an ongoing	**Letter dated February 16, 2005 from Robert J. Spagnoletti, Attorney General, OAG:** "Between fiscal years 2002 and 2004, OPM in conjunction with the manager of DCPS Realty Office and OAG have aggressively pursued the recovery of funds that should have been assessed to Charter Schools as identified in the DC Auditor's report. To date approximately, $300,000 has been collected. This has been an ongoing process and collection efforts have been intensified in order to collect the outstanding sums. It is anticipated that the entire sum of $602,151 will be recovered."

Management Officer and the manager of DCPS' Realty Office must take the appropriate administrative and/or legal steps necessary to recover $602,151 from charter schools identified in this report and credit this amount to DCPS for fiscal year 2003. The Office of the Corporation Counsel should provide assistance, where necessary, in recovering these payments from charter schools.	process and collection efforts have been intensified in order to collect the outstanding sums. It is anticipated that the recovery of funds will be finalized by the end of the fourth quarter of fiscal year 2003. **Letter dated February 11, 2005 from Dr. Janey:** OPM in conjunction with manager of DCPS Realty Office and Office of the Attorney General are working together to renegotiate lease agreements. The DCPS Realty Office collected $147,363.50 to cover utility expenses in FY 2003.	**Letter dated February 17, 2005 from Carol Mitten, Director, OPM:** "OPM, in cooperation with the DCPS Realty Office, continues to monitor lease and use agreements to ensure that all provisions of the agreements are met. DCPS leases are constantly monitored for adherence to the provisions contained therein, particularly with respect to the payment of utility expenditures. In this regard, OPM, in conjunction with the DCPS Realty Office, has been able to recover on excess of $300,000 from the charter schools identified in the DC Auditor's report for utility expenses paid in error. The recovery of outstanding charges from charter schools is ongoing."
DCPS' Superintendent and CFO should seek the recovery of the $1.2 million paid to vendors for unauthorized services provided to individuals identified in this report.	**Letter dated April 11, 2003 from Paul L. Vance, Superintendent: Corrective action is in progress**. As previously indicated, a collaborative effort by the Office of Property Management, the DCPS Realty Office, and the Office of the Corporation Counsel is ongoing to collect the outstanding sum of $602, 151 due to DCPS from Charter Schools. The remaining sum of approximately $0.6 million, while correctly identified in the DC auditor's report as being misappropriated under the wrong agency code, was nevertheless provided with the budget authority and required funding attributes under DCPS fixed costs allocation for the fiscal periods under consideration. Efforts to collect this sum from District agencies would constitute double jeopardy and undue hardship on these agencies since the fixed costs were properly allocated to the facilities identified in the DC Auditor's report. It should be noted that while the facilities in question were misallocated, payment made under the wrong agency do not mitigate against the fact that the fixed costs associated with these facilities were properly placed. In light of the foregoing, the paramount objective is the collection of the outstanding sums due from the surplus schools that either were leased or sold to non-DC agencies.	

	Letter dated February 11, 2005 from Dr. Janey: No further action required by DCPS Realty Office. This matter is handled by the OPM's Energy Manager.	

OFFICE OF THE DISTRICT OF COLUMBIA AUDITOR FISCAL YEAR 2002 REPORTS:
"DC Public Schools' Medicaid Revenue Recovery Operations Require Substantial Improvements"
RELEASED: August 7, 2002

TOTAL RECOMMENDATIONS: 22
RECOMMENDATIONS IMPLEMENTED OR CORRECTIVE ACTIONS TAKEN: 4
RECOMMENDATIONS PARTIALLY IMPLEMENTED OR IN PROGRESS: 13
RECOMMENDATIONS "PLANNED" BUT NOT IMPLEMENTED: 5
RECOMMENDATIONS NOT IMPLEMENTED:
NO RESPONSE TO RECOMMENDATION:

FINDING NO. 1: MRU's FAILURE TO BECOME FULLY FUNCTIONAL IMPEDES RECOVERY OF AT LEAST AN ADDITIONAL $5 MILLION IN MEDICAID REIMBURSEMENTS FOR THE PERIOD OCTOBER 2000 THROUGH FEBRUARY 2002
Subfinding 1: Formal Budget Not Established to Support Organizational Development of the MRU
Subfinding 2: Lack of Policies Regarding the Medicaid Application Process Prevents Maximization of Medicaid Reimbursements
Subfinding 3: MRU and DCPS' OCFO Have Not Performed All Activities Necessary to Facilitate In-House Billing

RECOMMENDATION	STATUS OF IMPLEMENTATION OF RECOMMENDATIONS	EXPLANATION FOR RECOMMENDATIONS THAT HAVE NOT BEEN IMPLEMENTED
The Chief Financial Officer of the District of Columbia should extend the existing revenue maximization contract until the MRU is fully staffed and operational to prevent further disruption of DCPS' Medicaid recovery process. After the MRU is fully operational, the DCPS CFO should immediately audit the contractor's records and bring the Medicaid billing system and all related records in-house.	**Letter dated April 11, 2003 from former Superintendent Vance and Letter dated February 11, 2005 from Superintendent Janey: Corrective action implemented.** The contract with Maximus, the revenue maximization contractor was extended from March 11, 2002 until September 30, 2003. At present, the Medicaid Unit is obtaining all billing and related records from Maximus. It is proposed that the Medicaid Unit will obtain the services of a billing contractor for one additional year before bringing that function into the Unit. Maximus has submitted a training plan to train appropriate Medicaid Unit staff on claims submission and processing.	
The DCPS CFO should immediately hire an MRU director with, at a minimum, extensive knowledge of Medicaid rules and regulations, special education experience, and experience in administering an effective Medicaid recovery operation.	**Letter dated April 11, 2003 from former Superintendent Vance and Letter dated February 11, 2005 from Superintendent Janey: Corrective action implemented.** In January 2003, a new Medicaid Director was hired. She came directly from the District of Columbia Medical Assistance Administration, Office of Children and Families. She has a Ph.D. in Special Education and many years of experience with Medicaid as a director of programs receiving Medicaid funding, as a consultant to state programs on Medicaid reimbursement and as a special education administrator developing Medicaid reimbursement fro special education programs.	

The DCPS CFO should establish an MRU staffing plan and hire staff with the requisite qualifications necessary to successfully develop and operate an effective MRU, and provide ongoing staff training and other resources necessary to ensure the MRU's success.	**Letter dated April 11, 2003 from former Superintendent Vance and Letter dated February 11, 2005 from Superintendent Janey: Corrective action in progress.** At present, five of the staff in the MRU are still under the CFO's Office, as the Memorandum of Understanding which will transfer the positions to the Office of Special Education (OSE) has not been finalized. At the point at which the Memorandum of Understanding is signed and finally approved by the DC-CFO and the Superintendent of Schools, those staff will be transferred to the OSE. Acquisition of additional staff is a top priority and will continue until all staff positions are filled. Training for the current MRU staff has been on the Encounter Tracker Form (EFT) and through 4GL, the OSE' s contractor for both the Encounter Tracker system and the Special Education Tracking System (SETS), training on Medicaid compliant documentation. Three staff members of the MRU will receive training on the Department of Human Services, Income Maintenance Administration's ACEDS program. The ACEDS program allows the MRU staff to determine the Medicaid eligibility by beneficiary. In addition, Maximus as part of their contract for Medicaid recovery will provide training on the claims system.	
The DCPS CFO should develop performance standards, measures and annual performance plans for the MRU and implement the mechanisms necessary to accurately measure the MRU's accomplishments, and timely identify and correct deficiencies that hamper successful achievement of performance goals, standards, and measures.	**Letter dated April 11, 2003 from former Superintendent Vance and Letter dated February 11, 2005 from Superintendent Janey: Corrective action is planned**. After the transfer to the OSE, the MRU will undertake strategic planning to prioritize the activities of the MRU. These will include but not be limited to development of draft State Plan Amend-ments for the MAA to approve to expand Medicaid reimbursable services; establish a policy unit to ensure compliance with all policies and procedures of Medicaid, DCPS, OSE, Individual with Disabilities Education Act (IDEA), Family Educational Rights and Privacy Act (FERP A) and Health Insurance Portability and Accountability Act (HIP AA); designate an outreach, enro11ment and eligibility team to work with MAA, schools, community agencies and others to increase Medicaid enrollment and reenrollment; establish training and monitoring capacity to ensure compliance with all regulations and within the MRU establish comprehensive quality management and assurance capacity. The OSE will provide oversight of the management of the MRU and will ensure adherence to the strategic plan.	

The DCPS CFO and Superintendent should upgrade computer systems and information management technology within the MRU to facilitate management of Medicaid data currently generated by MAA and to facilitate building an infrastructure to bring the Medicaid billing system in-house.	**Letter dated April 11, 2003 from former Superintendent Vance and Letter dated February 11, 2005 from Superintendent Janey: Corrective action is planned.** The current computer systems are inadequate to support the extensive data analysis and storage required to adequately track and manage financial service data. The MRU has requested new hardware from the OSE. The MRU is also working with the MAA's fiscal agent, ACS so that the biHing system can be brought in-house.	
The DCPS CFO should ensure that the MRU's access to the MMIS includes linking DCPS' billing system to the MMIS in order to automate verification of student Medicaid enrollment before claims are submitted for Medicaid reimbursement.	**Letter dated April 11, 2003 from former Superintendent Vance and Letter dated February 11, 2005 from Superintendent Janey: Corrective action in progress.** The MRU has requested that MAA provide an eligibility file to the MRU. MAA has refused stating confidentiality issues. The solution to this situation was to provide MAA with a complete eligibility file for a11 DCPS students and requesting that they match the student information against their eligibility data. The MAA's MMIS only matched against Social Security Numbers (SSN's) and date of birth. This presents a problem for determining eligibility for many students, as many do not have SSN's. DCPS does not require the student's SSN for enrollment. MAA does not match for any other combination of demographic student data such as date of birth and name, name and address and date of birth, etc. As a consequence, eligibility for many students cannot be determined. The MRU will continue to work with MAA to determine if other methods of determining eligibility for Medicaid can be worked out. Individual records can be searched using the IMA's ACEDS system or the Eligibility Verification System. DCPS's Office of Information Technology has indicated that a special communications link needs to be established before access to the MMIS mainframe for claims and remittance information can be accessed. This is in process and will allow the MRU to access current claims and payment information from MMIS. **Letter dated April 11, 2003 from former Superintendent Vance and Letter dated February 11, 2005 from Superintendent Janey: Corrective action is in progress.** The OSE is working with Student Support Services to obtain health insurance information from each student during the yearly enrollment process. The health insurance information will include those currently enrolled in Medicaid, those enrolled in	

The DCPS CFO should obtain support from the Board of Education, Superintendent, and other DCPS officials to assist in providing clear direction to school principals, administrators, and staff in support of the Medicaid outreach and application policies and procedures.	other third party payers and those not insured. MAA's outreach component has been working with the schools for the last four or five years to ensure that there are D.C. Healthy Family applications available in the schools. As part of that effort, this year students with free or reduced lunch certification were targeted by MAA's outreach broker for enrollment in D.C. Healthy Families. As part of the MRU's strategic planning process, outreach and enrollment will be an activity center with dedicated staff and resources. The MRU will also work with community groups who are addressing the issues of reenrollment of Medicaid eligible children and adults.	
DCPS' Board of Education, Superintendent, in conjunction with other accountable DCPS officials, should designate a position in the Office of Special Education as the Medicaid liaison between the Office of Special Education and the MRU to facilitate the timely flow of accurate information between the two offices.	**Letter dated April 11, 2003 from former Superintendent Vance and Letter dated February 11, 2005 from Superintendent Janey: Corrective action is in progress.** DCPS' s OSE is assuming the management and supervision of the Medicaid Unit. The Executive Director of the MRU is already attending OSE Leadership Team meetings, data meetings and other meetings as appropriate. The change in location and structure of the MRU should address all communication and collaboration issues.	
The DCPS CFO and Superintendent should immediately establish the determination of Medicaid eligibility as a required component of the initial special education assessment process and subsequent IEP development, evaluation, and reevaluation processes conducted by the Office of Special Education. Medicaid eligibility determinations could be verified by an MRU employee specifically assigned this responsibility.	**Letter dated April 11, 2003 from former Superintendent Vance and Letter dated February 11, 2005 from Superintendent Janey: Corrective action is in progress**. The MRU, as part of Medicaid compliance training will include a process for ensuring that Medicaid and other third party insurance information will be collected for children at enrollment and during the assessment/reassessment process. As part of the staffing of the MRU, a performance center will be created to collect and verify third party insurance information including Medicaid.	
The Medicaid eligibility application policy, which must be established to accomplish the MRU's stated goals, should require the implementation of outreach efforts by DCPS to inform parents of the availability of Medicaid and the benefits that would accrue to their child. This outreach should be conducted at initial special education assessment meetings and reiterated in the special education handbook for parents. A copy of the Medicaid application and	**Letter dated April 11, 2003 from former Superintendent Vance and Letter dated February 11, 2005 from Superintendent Janey: Corrective action is complete.** Last year, MAA and the District of Columbia Primary Care Association, contracted with the Rand Organization to determine the effectiveness of the current Medicaid outreach efforts to enroll eligible children and adults. The outcome of the research, Principal Investigator, Dr. Nicky Lorie indicated that almost all eligible children to age 21 were currently enrolled in Medicaid. There is an ongoing issue of "churn" when children are not reenrolled in Medicaid for some time and therefore temporarily	

applicable instructions should be included in the handbook.	loose eligibility. MAA along with a Robert Wood Johnson grant funded community organization; D.C. Covering Kids have been very active in informing families about D.C. Healthy Families (DCHF), the Medicaid Program for children and families. MAA's outreach broker, Houston's and Associates has been working with the schools for over four years to distribute DCHF applications and information in the schools. This effort will continue. The MRU will develop materials defining and describing services that are provided to children with special needs and disabilities. Those services are the same services that are provided to all children with Individual Education Plans (IEP's) regardless of their insurance status. Outreach and enrollment activities will continue at multiple contact points between families and DCPS. The MRU will work with community organizations such as AFFIRM to update their handbook on Medicaid for families. This handbook has been widely distributed and includes information for families on Medicaid in the schools.	
The Medicaid application policy should also require each school to obtain and distribute Medicaid information and applications to parents and guardians of special education students registered to attend school. Schools could obtain the student's Medicaid identification number which could then be used to verify Medicaid eligibility of the student as of the date of registration.	**Letter dated April 11, 2003 from former Superintendent Vance and Letter dated February 11, 2005 from Superintendent Janey: Corrective action is in progress.** As stated previously, the Office of Special Education is working the Student Services to ensure that health insurance information is collected from families enrolling children in DCPS. Families will be asked to provide their insurance information, not just Medicaid information so that an accurate record of health related information might be maintained for each child. Medicaid eligibility will be determined both by eligibility matches, as previously described and by querying the ACEDS and EVS systems.	

FINDING NO. 2: IMPROPERLY MAINTAINED RECORDS THROUGHOUT THE SCHOOL SYSTEM MAY CAUSE DCPS TO LOSE FUTURE MEDICAID REVENUE

RECOMMENDATION	STATUS OF IMPLEMENTATION OF RECOMMENDATIONS	EXPLANATION FOR RECOMMENDATIONS THAT HAVE NOT BEEN IMPLEMENTED
The DCPS CFO should provide the MRU with necessary resources such as qualified employees, training, supplies and computer equipment to resume monitoring schools' files to ensure that proper records and documentation are obtained and maintained for Medicaid enrolled special education students.	**Letter dated April 11, 2003 from former Superintendent Vance and Letter dated February 11, 2005 from Superintendent Janey: Corrective action is in progress.** The need for equipment and qualified employees has been addressed in previous responses. When the EFT is automated and on-line, additional equipment will be needed for the schools. DCPS OSE and the MRU will work with MAA to determine if Medicaid funding can be obtained to provide computers for	

	health service providers in the schools. At present, monitoring of student records is taking place. DCPS has contracted with a firm to evaluate Medicaid compliance at 5 public and 5 nonpublic schools. The monitoring includes random identification of students who are attending or have attended those schools from 2001 to present. For students who have graduated, transferred or moved to another DCPS school, reasonable methods will be used to find their records. For all students, their special education record will be reviewed for several factors including but not limited to status of the IEP, services provided in accordance with the IEP, and progress notes in compliance with Medicaid standards. This is an internal review and will be used as the baseline for MRU performance standards and quality improvement activities. Recently, the MRU met with the DCPS staff monitoring federal requirements for IEP's under IDEA. Those monitors will now be completing the Medicaid compliance form and remitting that data back to the MRU for analysis. The monitors on that team are charged with evaluation of every IEP in the system. When fully staffed, the MRU will assist with this project as dedicated staff time will be assigned to the monitoring and evaluation of Medicaid compliance according to written established policies and procedures.	
The DCPS CFO or the Director of the MRU, when one is hired, should establish written policies and procedures for effectively and timely performing periodic, ongoing monitoring of special education students' school records.	**Letter dated April 11, 2003 from former Superintendent Vance and Letter dated February 11, 2005 from Superintendent Janey: Corrective action in progress.** See previous response.	
DCPS' Board of Education, Superintendent, and other accountable managers should develop and implement policies and procedures and effective measures of accountability to ensure that student files are regularly reviewed for completeness and that adequate documentation is retained when students transfer between schools.	**Letter dated April 11, 2003 from former Superintendent Vance and Letter dated February 11, 2005 from Superintendent Janey: Corrective action is planned**. As previously stated, when fully staffed and operational, the MRU will assume the responsibility along with the federal grant monitors to review student records on a systematic and regular basis according to policies and procedures established by the MRU. When the EFT (ETF) is fully electronic, SETS data can be used to evaluate the effectiveness of the service delivery system in the schools, the output of each service provider, the compliance with authorized services on the IEP and the compliance with the Medicaid requirement for progress notes, as those are included on the ETF. In addition, a copy of the ETF form with the providers' signature is placed in each student's	

	folder therefore increasing the documentation of service provision.	
DCPS' Board of Education, Superintendent, and accountable managers should establish and implement written policies and procedures requiring school principals, special education coordinators, special education service providers, and other appropriate school administrative staff to ensure that students' special education files are properly maintained with appropriate IEPs and adequate documentation of services rendered to special education students. Language in agreements with contract providers must include mandatory recordkeeping requirements. The policy should offer incentives to schools and staff to encourage proper, complete documentation and file maintenance, and ensure that all services rendered are fully documented. There should also be established effective accountability measures for any failure to do so.	**Letter dated April 11, 2003 from former Superintendent Vance and Letter dated February 11, 2005 from Superintendent Janey: Corrective action is in progress.** Starting at the beginning of the school year, 2002, the OSE held training for principals and others. During this training, principals were given information on their responsibilities as the building level supervisors for special education students. This included in-formation on compliance and "best practice" service provision. This training will continue and as the MRU develops materials and manuals these will also be distributed to appropriate staff. Contracts with non-public schools, that have been developed and reviewed during the past few months, will now contain Medicaid compliance language. This will include requirements for service provision, service providers, and documentation of a Medicaid claimable service. The OSE, the Office of the Chief Financial Officer (OCFO) and the MRU have entered into preliminary discussion of how incentives could be offered to those schools that perform at or above criterion for Medicaid billing. This discussion will continue until a resolution of this issue is achieved.	

FINDING NO. 3: INSUFFICIENT MEDICAID CLAIM RECONCILIATIONS RESULTED IN $6.6 MILLION IN DENIED CLAIMS THAT MAY YIELD ADDITIONAL REVENUE

RECOMMENDATION	STATUS OF IMPLEMENTATION OF RECOMMENDATIONS	EXPLANATION FOR RECOMMENDATIONS THAT HAVE NOT BEEN IMPLEMENTED
DCPS' Board of Education, Superintendent, and other accountable managers should ensure that a Medicaid recovery incentive program is implemented that offers incentives to providers to submit accurate, complete and timely billing information to the MRU, and imposes penalties or other measures of accountability when they fail to do so.	**Letter dated April 11, 2003 from former Superintendent Vance and Letter dated February 11, 2005 from Superintendent Janey: Corrective action is in progress.** Please see the response to the previous recommendation. The full and electronic implementation of the EFT will enable the Office of Special Education and the MRU to evaluate compliance with service delivery requirements as delineated on the IEP. This will also allow the implementation of an incentive program for entities that meet established criteria for compliance with OSE and Medicaid requirements	
The DCPS CFO and the Assistant Superintendent for Special Education should jointly develop and implement mechanisms necessary to automate submission of Fee For Service billing encounter data by providers to	**Letter dated April 11, 2003 from former Superintendent Vance and Letter dated February 11, 2005 from Superintendent Janey: Corrective action is in progress.** The Assistant Superintendent for Special Education and the Office of Special Education Reform have implemented the SETS	

the MRU, in a manner which strengthens accuracy and imposes consistency in the information received.	system which has automated many functions of the Office of Special Education. In addition, to the SETS system, the OSE has implemented the EFT which will be used by all service providers to document each service, the results of the service provision, the goals and objectives of the IEP that the service addresses and the next steps in service delivery. This form also allows for progress notes. At present, there are some providers using the electronic version of ETF. It is planned that within the next few schools years, all providers will have access to this system on line. The Assistant Superintendent for Special Education has been meeting with MAA for some time to discuss the implementation of an all Fee-for-Service delivery model for DCPS IEP services. This would allow a higher compliance with Medicaid documentation and would allow OSE to accurately track all services provided to a student enrolled in Special Education. At present, MAA has received from the MU a proposed Fee-for Service State Plan Amendment, service description and service types for approval and forwarding to the Centers for Medicaid and Medicare Services for final approval.	
The DCPS CFO should provide the MRU with sufficient resources such as staff, computer equipment, filing and storage space, and supplies necessary to effectively and efficiently perform the following: a) retain copies of Fee For Service billings (until implementation of an automated system) and develop a system to track Fee For Service claims that are submitted to MAA; b) train special education discipline coordinators to screen Fee For Service encounter forms to ensure completeness of pertinent information such as student name, student identification number, service type and reasonableness of progress notes before submitting the forms to the MRU ;c) to develop a formal filing system and electronic database for the MRU to maintain efficient files of all claims submitted to MAA; d) perform periodic reconciliations between all Medicaid claims submitted and reimbursements received; e) immediately research, resolve, and resubmit all existing denied claims; f) develop and	**Letter dated April 11, 2003 from former Superintendent Vance and Letter dated February 11, 2005 from Superintendent Janey: Corrective action is in progress. a**. A system has been developed and is currently in place which monitors and tracks all ETF's submitted by service providers to OSE. **b.** Special education discipline coordinators and their staff log in each form and check for completeness. The quality control of the forms is completed by the MRU before submitting the forms to be scanned and then data entered. **c.** Paper forms are being stored after scanning in the MRU. When all forms are submitted electronically a database will automatically be created. the billing agent maintains all files currently of claims submitted to MAA. The MRU is retrieving those forms and data from the agent at present. **d.** The MRU performs reconciliations of submissions and receipts from the Remittance Advices provided to the MRU by MAA's fiscal agent, ACS. In addition, the MRU has requested that the billing agent electronically submit all claims files to the MRU for examination and storage. **e.** The MRU is engaged with the billing agent and with MAA's fiscal agent, ACS to research all existing denies claims. **f.** The MRU is working with the billing agent to develop a procedure to ensure all denied claims are sufficiently researched. **g.** As part of the development of the MRU policies and procedures and performance measures,	

implement procedures governing timely resolution and re-submission of denied claims; and g) maintain efficient, well-organized, and complete files regarding the outcome of the MRU's monitoring activities.	monitoring protocols, procedures and accountability system will be developed.	
FINDING NO. 4: MEDICAID RECOVERY DECLINED BY $4.3 MILLION IN THE FIRST QUARTER OF FISCAL YEAR 2002 WHEN COMPARED WITH MEDICAID REVENUE RECOVERED DURING THE SAME PERIOD IN FISCAL YEAR 2001		
RECOMMENDATION	**STATUS OF IMPLEMENTATION OF RECOMMENDATIONS**	**EXPLANATION FOR RECOMMENDATIONS THAT HAVE NOT BEEN IMPLEMENTED**
The DCPS Superintendent and DCPS CFO should immediately develop and implement policies, procedures, and a data management system to improve and automate the transportation billing process to maximize the recovery of reimbursable transportation costs from Medicaid.	**Letter dated April 11, 2003 from former Superintendent Vance and Letter dated February 11, 2005 from Superintendent Janey: Corrective action is in progress.** The OSE has initiated a Transportation Scanning Solution that will allow trained transportation staff to scan Trip Tickets into a database system. This will allow accurate records of trips to be maintained and transportation billed to Medicaid in an accurate manner. As part of the activities of the MRU and when outstanding cost reports are completed, the OSE and MRU will negotiate with MAA for an improved reimbursement rate for transportation.	
FINDING NO. 5: DCPS' OCFO FAILED TO TIMELY DEPOSIT $1.5 MILLION IN REIMBURSEMENTS RECEIVED FROM MEDICAID DURING THE FIRST QUARTER OF FISCAL YEAR 2002		
RECOMMENDATION	**STATUS OF IMPLEMENTATION OF RECOMMENDATIONS**	**EXPLANATION FOR RECOMMENDATIONS THAT HAVE NOT BEEN IMPLEMENTED**
The DCPS OCFO should establish and implement policies and procedures that ensure timely deposits of all monies received to safeguard the funds.	**Letter dated April 11, 2003 from former Superintendent Vance and Letter dated February 11, 2005 from Superintendent Janey: Corrective action is complete.** A written procedure has been established that logs in checks on a daily basis and forwards then to the OCFO for deposit.	
The District of Columbia OCFO, in connection with the DCPS OCFO, should establish a lockbox to receive Medicaid reimbursement checks.	**Letter dated April 11, 2003 from former Superintendent Vance and Letter dated February 11, 2005 from Superintendent Janey: Corrective action is planned.** This suggestion will be forwarded to the District of Columbia's Office of Finance and Treasury.	
The DCPS CFO should take the necessary measures to ensure that the District of Columbia's Office of Finance and Treasury voids Medicaid reimbursement checks that DCPS does not receive within 60 days after	**Letter dated April 11, 2003 from former Superintendent Vance and Letter dated February 11, 2005 from Superintendent Janey: Corrective action is planned.** This suggestion will be forwarded to the District of Columbia's Office of Finance and Treasury.	

the date of the remittance advice, and issue replacement checks to DCPS within a timely manner.		

OFFICE OF THE DISTRICT OF COLUMBIA AUDITOR FISCAL YEAR 2002 REPORTS:
"MISMANAGED SPECIAL EDUCATION PAYMENT SYSTEM VULNERABLE TO FRAUD, WASTE, AND ABUSE"
RELEASED: SEPTEMBER 27, 2002

TOTAL RECOMMENDATIONS: 19
RECOMMENDATIONS IMPLEMENTED OR CORRECTIVE ACTIONS TAKEN: 14
RECOMMENDATIONS PARTIALLY IMPLEMENTED OR IN PROGRESS: 5
RECOMMENDATIONS NOT IMPLEMENTED:
NO RESPONSE TO RECOMMENDATION:

FINDING NO. 1: DCPS' INTERNAL CONTROLS GOVERNING THE PAPS PAYMENT PROCESS WERE INADEQUATE AND INEFFECTIVE

RECOMMENDATIONS	CORRECTIVE ACTION/INITIAL STATUS OF IMPLEMENTING RECOMMENDATION	CURRENT STATUS OF IMPLEMENTING RECOMMENDATION JANUARY 2005 UPDATE February 9, 2005 Letter from Dr. Janey
DCPS' OCFO should develop an effective system of internal controls to ensure that PAPS payments are accurate and timely and that employees are held accountable to the fullest extent permitted by applicable personnel rules for deviations from control policies and procedures.	**Letter dated April 11, 2003 from former Superintendent Paul L. Vance: Corrective action is complete.** As of October 29, 2002, the Office of Special Education (OSE) and the OCFO staff have signed a Memorandum of Understanding (MOU) that sets forth a review and payment schedule. The process established in the MOU ensures that all bills related to the delivery of special education and re-lated services undergo a comprehensive review to payment all bills are paid in a timely fashion. The MOU also sets the policy that before the OCFO can make any payments, all bills must be signed and approved by a representative of the OSE. Because a calendar for review and payment is established, staff knows when this review will occur and make adequate time available. **Corrective Action Completed: 29 Oct. '02**	DCPS has been in substantial compliance with the Petties order in each of the last 6 months. 100% of payments were made within timelines in December 2004.
DCPS' Board of Education, Superintendent, and principal manager of the OSE must develop effective policies and procedures to ensure that PAPS invoices are properly reviewed, approved and paid only for authorized services delivered to eligible DCPS special education students and that employees and managers of OSE are held accountable to the fullest extent permitted by	**Letter dated April 11, 2003 from former Superintendent Paul L. Vance: Corrective action is complete.** As of October 29, 2002, all OSE staff and the OCFO staff involved in the review and payments of bills signed a MOU that sets forth the review and payment schedule. The process to establish in the MOU ensures that all bills related to the delivery of special education and related services undergo a comprehensive review prior to payment	New measures include the institution of student cost sheets, a listing of approved students and the IEP-services each student should be receiving at a given school. This list is distributed in the summer and should a school have additional DCPS students enrolled or different types or duration of services for a particular student, ample time will be included to cure any discrepancies. As students are moved, placed or have a change in service, new cost sheets are issued.

applicable personnel rules for deviations from established policies and procedures.	all bills are paid in a timely fashion. The MOU also sets the policy that before the OCFO can make any payments, all bills must be signed as approved by a representative of the OSE. Because the calendar for review and payment is established, staff knows when this review will occur and make adequate time available. **Corrective Action Completed: 29 Oct. '02**	Additionally, DCPS is seeking an amendment to the Board of Education Rules that will allow DCPS to set tuition and related service rates each school year.
The principal managers of DCPS' OSE and OCFO must clearly communicate PAPS policies and procedures to staff through formal written directives.	**Letter dated April 11, 2003 from former Superintendent Paul L. Vance: Corrective Action is complete** As of October 29, 2002, all OSE staff and the OCFO staff involved in the review and payments of bills signed a MOU that sets forth the review and payment schedule. The process to establish in the MOU ensures that all bills related to the delivery of special education and related services undergo a comprehensive review prior to payment all bills are paid in a timely fashion. The MOU also sets the policy that before the OCFO can make any payments, all bills must be signed as approved by a representative of the OSE. Because the calendar for review and payment is established, staff knows when this review will occur and make adequate time available. **Corrective Action Completed: 29 Oct. '02**	A new MOU is under development to align process with new payment order issued in November 2004. All staff involved with bill review and payment have a copy of the new order and payment deadline. Additionally, legal counsel has met with all relevant staff regarding the implementation of the new payment order.
The principal managers of DCPS' OCFO and OSE must develop detailed procedures to be followed by staff in handling PAPS vendor invoices and processing payments. The procedures should describe the actions that must occur during each phase from invoice review through reconciliation.	**Letter dated April 11, 2003 from former Superintendent Paul L. Vance: Corrective Action is complete. Please see previous response.** As of October 29, 2002, all OSE staff and the OCFO staff involved in the review and payments of bills signed a MOU that sets forth the review and payment schedule. The process to establish in the MOU ensures that all bills related to the delivery of special education and related services undergo a comprehensive review prior to payment all bills are paid in a timely fashion. The MOU also sets the policy that before the OCFO can make any payments, all bills must be signed as approved by a representative of the OSE. Because the calendar for review and payment is established, staff knows when this review will occur and make adequate time available. **Corrective Action Completed: 29 Oct. '02**	As of October 2002, special education providers are paid pursuant to actual invoices. Therefore, the reconciliation process that was part of the PAPS system is no longer applicable. A new MOU is under development to align process with new payment order issued in November 2004. All staff involved with bill review and payment have a copy of the new order and payment deadline.

FINDING NO. 2: DCPS OCFO PAID APPROXIMATELY $67 MILLION WITHOU OSE VERIFYING THE ELIGIBILITY OF STUDENTS OR ACCURACY OF VENDOR INVOICES

RECOMMENDATIONS	CORRECTIVE ACTION/INITIAL STATUS OF IMPLEMENTING RECOMMENDATION	CURRENT STATUS OF IMPLEMENTING RECOMMENDATION JANUARY 2005 UPDATE February 9, 2005 Letter from Dr. Janey
The Board of Education and Superintendent ensure that DCPS' CFO and manager of the OSE immediately implement a rigorous data driven process for the review, certification, and payment of PAPS invoices. These managers should also establish a clearly articulated personnel policy that employees who fail to timely and thoroughly review PAPS invoices will be held accountable to the fullest extent permitted, including termination, under applicable DCPS personnel rules.	**Letter dated April 11, 2003 from former Superintendent Paul L. Vance: Corrective Action is complete. Please see previous response.** As of October 29, 2002, all OSE staff and the OCFO staff involved in the review and payments of bills signed a MOU that sets forth the review and payment schedule. The process to establish in the MOU ensures that all bills related to the delivery of special education and related services undergo a comprehensive review prior to payment all bills are paid in a timely fashion. The MOU also sets the policy that before the OCFO can make any payments, all bills must be signed as approved by a representative of the OSE. Because the calendar for review and payment is established, staff knows when this review will occur and make adequate time available. **Corrective Action Completed: 1 Aug. 2004**	Using cost sheets that are generated and update from SETS & confirmed by schools, all billable services and the duration and cost of each service is agreed upon at the beginning of the school year or whenever a change in placement or service occurs.

FINDING NO. 3: DCPS PAID VENDORS $1.2 MILLION FOR SERVICES PROVIDED TO 567 PERSONS INELIGIBLE FOR SPECIAL EDUCATION SERVICES OR WHOSE ELIGIBILITY COULD NOT BE DETERMINED

RECOMMENDATIONS	CORRECTIVE ACTION/INITIAL STATUS OF IMPLEMENTING RECOMMENDATION	CURRENT STATUS OF IMPLEMENTING RECOMMENDATION JANUARY 2005 UPDATE February 9, 2005 Letter from Dr. Janey
DCPS' Superintendent and CFO seek the recovery of the $1.2 million paid to vendors for unauthorized services provided to individuals identified in this report.	**Corrective Action Status: Ongoing**	DCPS continues to negotiate with particular vendors to recoup funds.
The Board of Education and Superintendent ensure that OSE and the DCPS OCFO review PAPS vendor invoices at least for fiscal years 1998 and 1999 to identify and recover additional funds that may have been improperly paid to vendors for unauthorized services.	**Letter dated April 11, 2003 from former Superintendent Paul L. Vance: Corrective action is progress.** Based on the information supplied by the DC Auditor's Office, OSE and the Office of General Counsel are currently pursuing recovery on improper payments to vendors. Currently, all the necessary information is being gathered and reviewed.	Poor record keeping and data integrity for those years made analysis extremely difficult and labor intensive. Current resources and human capital are focused on ensuring that current process eliminates all erroneous and improper payments.

DCPS' Board of Education, Superintendent, and Chief Financial Officer must ensure that effective procedures are developed and implemented that require OSE staff to timely and adequately review vendor invoices for services provided to special education students. The review process must require the use of SETS and SIS and other sources of information to determine the validity of transactions presented on vendors' invoices.	**Letter dated April 11, 2003 from former Superintendent Paul L. Vance: Corrective action complete.** All bills pertaining to services for special education services are forwarded from the OCFO to OSE for distribution and appropriate review. When an invoice is reviewed, Placement Special-ists/Monitors compare the invoices (which should include the student's name and the services provided for the month) to the Individualized Education Plan (IEP), attendance record, Student Information System (SIS) and Special Education Tracking System (SETS) and in some cases, progress reports. **Corrective Action Completed: 1 May 2004**	New measures include the institution of student cost sheets, a listing of approved students and the IEP-services each student should be receiving at a given school. This list is distributed in the summer and should a school have additional DCPS students enrolled or different types or duration of services for a particular student, ample time will be included to cure any discrepancies. As students are moved, placed or have a change in service, new cost sheets are issued. Additionally, DCPS is seeking an amendment to the Board of Education Rules that will allow DCPS to set tuition and related service rates each school year.
The principal managers of the OSE and DCPS OCFO strictly enforce the policy of determining student eligibility during the review and approval of PAPS invoices.	**Letter dated April 11, 2003 from former Superintendent Paul L. Vance: Corrective Action complete.** All bills pertaining to services for special education services are forwarded from the OCFO to OSE for distribution and appropriate review. When an invoice is reviewed, Placement Special-ists/Monitors compare the invoices (which should include the student's name and the services provided for the month) to the Individualized Education Plan (IEP), attendance record, Student Information System (SIS) and Special Education Tracking System (SETS) and in some cases, progress reports. **Corrective Action Completed: 29 Oct. '02**	New measures include the institution of student cost sheets, a listing of approved students and the IEP-services each student should be receiving at a given school. This list is distributed in the summer and should a school have additional DCPS students enrolled or different types or duration of services for a particular student, ample time will be included to cure any discrepancies. As students are moved, placed or have a change in service, new cost sheets are issued.
DCPS' Superintendent and CFO establish formal protocols and procedures for the communication of information and the exchange of demographic and other relevant data with District agencies, such as the Child and Family Services Agency, Department of Mental Health, and Medical Assistance Administration, pertaining to students whose education is the primary responsibility of DCPS.	**Letter dated April 11, 2003 from former Superintendent Paul L. Vance: Corrective action is in progress.** DCPS is working with the City's Special Education Task Force to address these issues. These issues will also be reexamined during re-negotiations of the MOU between DCPS and CFSA. **Corrective Action Status: Ongoing**	DCPS staff meet regularly with staff from other agencies to address information exchanges. Specifically, DCPS receives on a regular basis a listing of DCPS students that are Medicaid eligible.
FINDING NO. 4: DCPS PAID $98,490 WITHOUT RESOLVING INVOICE IRREGULARITIES		
RECOMMENDATIONS	**CORRECTIVE ACTION/INITIAL STATUS OF IMPLEMENTING RECOMMENDATION**	**CURRENT STATUS OF IMPLEMENTING RECOMMENDATION JANUARY 2005 UPDATE February 9, 2005 Letter from Dr. Janey**

The principal managers of the OSE and OCFO must develop an effective method of timely detecting billing irregularities during the PAPS invoice review process.	**Letter dated April 11, 2003 from former Superintendent Paul L. Vance: Corrective action is in progress.** The Office of Special Education (OSE) and the OCFO staff have signed a Memorandum of understanding (MOU) that sets forth a review and payment schedule. The process established in the MOU ensures that all bills related to the delivery of special education and related services undergo a comprehensive review to payment all bills are paid in a timely fashion. The MOU also sets the policy that before the OCFO can make any payments, all bills must be signed and approved by a representative of the OSE. Because a calendar for review and payment is established, staff knows when this review will occur and make adequate time available. **Corrective Action Completed: 29 Oct. '02**	New measures include the institution of student cost sheets, a listing of approved students and the IEP-services each student should be receiving at a given school. This list is distributed in the summer and should a school have additional DCPS students enrolled or different types or duration of services for a particular student, ample time will be included to cure any discrepancies. As students are moved, placed or have a change in service, new cost sheets are issued.
DCPS' OSE and OCFO must develop and implement an appropriate tracking system that will identify students served, dates of service, and amounts paid on students' behalf. The tracking system could be used in the PAPS invoice review process, as well as to monitor and track students' service information for reporting and analytical purposes.	**Letter dated April 11, 2003 from former Superintendent Paul L. Vance: Corrective action in progress.** OCFO maintains a database of payments to vendors that tracks the amount paid in total. Discussions are underway to determine whether this data can be linked with SETS data to track payments for individual students. **Corrective Action Completed: 29 Oct. '02**	System is under development that links with SETS - the OSE system of record - to record all payments for a particular student and school. System is anticipated to deploy for the 05-06 school year.

FINDING NO. 5: DCPS PRESENTLY HAS A BACKLOG OF APPROXIMATELY $4 MILLION IN DISPUTED INVOICES, SOME OF WHICH HAVE ALREADY BEEN PAID

RECOMMENDATIONS	CORRECTIVE ACTION/INITIAL STATUS OF IMPLEMENTING RECOMMENDATION	CURRENT STATUS OF IMPLEMENTING RECOMMENDATION JANUARY 2005 UPDATE February 9, 2005 Letter from Dr. Janey
DCPS Board of Education and Superintendent consider requesting the Court to revise PAPS from a projection-based payment system to one in which vendors are paid based on actual invoices for services rendered, which is in line with standard financial management principles and sound business practices.	**Letter dated April 11, 2003 from former Superintendent Paul L. Vance: Corrective action complete.** Current Petties order revised the PAPS so that DCPS pays actual invoices after the service is rendered. As of October 2002, providers are paid pursuant t actual invoices after services are rendered. **Corrective Action Completed: 29 Oct. '02**	A new payment order was entered in November 2004 which continues structure of payment based on actual invoices after services are rendered.
DCPS Board of Education and Superintendent consider requesting the Court to revise the	**Letter dated April 11, 2003 from former Superintendent Paul L. Vance: Corrective**	The November 2004 Petties payment order requires that all invoices included student name, date of birth,

timetable for requesting additional information from PAPS vendors to allow DCPS adequate time to thoroughly review and validate billing projections and actual invoices.	**action complete.** As of October 2002, providers are paid pursuant to actual invoices after services are rendered. Under the payment order, DCPS has 20 days to dispute an invoice, which can include a request for additional information to substantiate the charges contained on an invoice. **Corrective Action Completed: 29 Oct. '02**	DCPS ID, tuition rate and time period covered by invoice, number of days billed for on an invoice, itemization of the related services provided (including united of service - day, hour, etc), frequency of service, student's Medicaid number when applicable, and dates of student's attendance.
The principal managers of DCPS' OCFO and OSE should consider transferring the authority for disputing vendor invoices from the OCFO to OSE to ensure that the nature of disputes is adequately addressed and clearly articulated before disputed charges are paid.	**Letter dated April 11, 2003 from former Superintendent Paul L. Vance: Corrective Action complete.** Per the recent MOU between OCFO and OSE and other relevant discussions, all disputes are handled by OSE. OCFO acts as a single point of contact for vendors so all vendor disputes are sent to OCFO and forwarded to OSE. OSE drafts a response that is sent to vendors under the OCFO's heading. **Corrective Action Completed: 29 Oct. '02**	All payment disputes are generated and mailed and faxed by the Office of Special Education.

FINDING NO. 6: DCPS LACKS A STANDARD FORMAT FOR PAPS VENDOR INVOICES

RECOMMENDATIONS	CORRECTIVE ACTION/INITIAL STATUS OF IMPLEMENTING RECOMMENDATION	CURRENT STATUS OF IMPLEMENTING RECOMMENDATION JANUARY 2005 UPDATE February 9, 2005 Letter from Dr. Janey
DCPS' CFO, in conjunction with the manager of the OSE, must define the PAPS vendor invoice format and require vendors to include appropriate identifiers and other critical information such as date of birth, address, or social security number on invoices prior to making payments to vendors.	**Letter dated April 11, 2003 from former Superintendent Paul L. Vance:** As part of the contracting process with nonpublic providers to be in place by SY 03-04, vendors will be required to use a standard billing form that captures all relevant and necessary information to accurately track students and confirm services. For related service providers and nonpublic providers without contracts, DCPS will advocate for the use of the standard form to expedite payments.	The November 2004 Petties payment order requires that all invoices included student name, date of birth, DCPS ID, tuition rate and time period covered by invoice, number of days billed for on an invoice, itemization of the related services provided (including united of service - day, hour, etc), frequency of service, student's Medicaid number when applicable, and dates of student's attendance.
DCPS' OCFO must identify Medicaid reimbursable services and require vendors to submit encounter documentation for those services provided to DCPS students.	**Letter dated April 11, 2003 from former Superintendent Paul L. Vance:** Corrective action is in progress. DCPS is requiring in the contracts now being let with non-public schools, that related service providers and others providing health services to children with IEP's will complete the Encounter Tracker Form for each encounter. Those forms will be entered into the SETS database and used for monitoring the appropriate receipt of services. A letter is currently going out to the non-public schools	DCPS makes every effort to collect Encounter Tracker forms from nonpublic schools. Currently, Medicaid reimburses these charges on a per diem basis, not a fee for service basis, so presently all that is needed to collect Medicaid funds is a current IEP and monthly attendance records.

	requesting that they identify health related services provided to students in their schools and report the percentages of time those services are provided to students. **Corrective Action Status: Ongoing**	
FINDING NO. 7: DCPS DID NOT ESTABLISH CONTRACTS WITH NONPUBLIC SCHOOLS AND SOME RELATED SERVICE PROVIDERS PARTICIPATING IN PAPS		
RECOMMENDATIONS	**CORRECTIVE ACTION/INITIAL STATUS OF IMPLEMENTING RECOMMENDATION**	**CURRENT STATUS OF IMPLEMENTING RECOMMENDATION JANUARY 2005 UPDATE February 9, 2005 Letter from Dr. Janey**
The OSE, with the assistance of DCPS' Office of Contracting and Procurement, immediately establish contracts with all nonpublic schools and related service providers participating in PAPS. Executing contracts with vendors should allow DCPS to negotiate competitive rates for services, clearly define the roles and responsibilities of the parties, as well as implement a system of monitoring based on specific performance criteria.	**Letter dated April 11, 2003 from former Superintendent Paul L. Vance:** Corrective action is in progress. Request for Proposals (RFPs) were sent to 16 nonpublic providers that previously expressed an interest in establishing contracts. RFPs were due to DCPS on January 21, 2003 and DCPS is proceeding with the proposal review and contracting process. **Corrective Action Status: January 2005**	DCPS is presently re-evaluating its nonpublic contracting policies to determine the best course of action for creating a binding, fiduciary relationship with these schools.
The Board of Education and Superintendent consider requesting the Court to establish well-defined criteria that special education service providers must meet in order to participate in PAPS, as well as minimum information standards that their invoices must meet in order to justify and support payment by DCPS	**Letter dated April 11, 2003 from former Superintendent Paul L. Vance:** Corrective action is in progress. The OSE and Office of Contracts and Acquisitions are in the process of establishing contracts with nonpublic providers. As part of these contracts, vendors will be required to use standard billing forms. In the meantime, OSE is actively working with providers to begin using the standard forms. **Corrective Action Status: Ongoing**	A State Monitoring Unit is established and is now hiring monitors. These monitors will conduct site visits and determine whether schools are in compliance with local, state and federal rules and regulations. Schools already approved by the Maryland State Department of Education and the Virginia Department of Education will be, at least provisionally, deemed approved by DCPS. Each year the State Monitoring Team will issue a list of fully "approved" schools and a list of those schools that either failed to receive a Certificate of Approval or received some level of provisional approval.

OFFICE OF THE DISTRICT OF COLUMBIA AUDITOR FISCAL YEAR 2003 REPORTS:

Flawed Processes and Ineffective Systems of Accountability Pertaining to DCPS' Special Education Program Have Resulted in Costly Legal Fees and Exorbitant Charges for Related Services and Nonpublic Tuition

RELEASED: MAY 9, 2003

TOTAL RECOMMENDATIONS: 16
RECOMMENDATIONS IMPLEMENTED OR CORRECTIVE ACTIONS TAKEN: 12
RECOMMENDATIONS PARTIALLY IMPLEMENTED OR IN PROGRESS: 3
NON-CONCUR WITH RECOMMENDATION: 1
RECOMMENDATIONS NOT IMPLEMENTED:
NO RESPONSE TO RECOMMENDATION:

FINDING NO. 1: UNCAPPED FISCAL YEAR 2002 LEGAL EXPENDITURES INCREASED APPROXIMATELY 185% FROM $3.972 MILLION TO $11.3 MILLION.

RECOMMENDATIONS	STATUS OF IMPLEMENTING RECOMMENDATION—JULY 8, 2003 DCPS RESPONSE	STATUS OF IMPLEMENTING RECOMMENDATION—SEPTEMBER 24, 2004 DCPS RESPONSE
The Superintendent, General Counsel, and Assistant Superintendent for Special Education consider establishing alternative dispute resolution policies such as scheduling a mediation for every due process hearing request filed in order to avert the need for an administrative hearing.	Taking steps to encourage alternative dispute resolution. Measures include: estab. a state complaint office for handling spec. ed. disputes; estab. a Dispute Resolution Committee to review each hearing request; conduct training to increase awareness of mediation; increase number of mediators.	In July 2004, the DCPS administration presented a plan to the D.C. Board of Education proposing realignment of all enforcement and dispute resolution offices into one State Education Agency (SEA) enforcement and dispute resolution office. Consolidation of the relevant departments under one unified entity was considered essential (1) to improve the overall efficiency and coordination of DCPS state-level enforcement and dispute resolution services, (2) to foster better and more timely communication between the different state-level departments, (3) to provide a single point of contact for parents, citizens and DCPS staff for addressing and resolving special education disputes at the earliest possible opportunity, (4) to develop more effective state-level technical assistance to Local Education Agencies (LEAs) for initiating school-based dispute resolution programs, and (5) to establish greater oversight and accountability for results by centralizing overall responsibility and budget authority in one office with state-level enforcement responsibilities. Under the reorganization, four departments will

		now report to Mr. Kelly Evans, who will serve as the Executive Director for the new office and who will report directly to the Superintendent in his official capacity as the State Education Officer for the DC Public Schools. The departments under Mr. Evans are the State Complaint Office, the State Monitoring and Program Certification Office, the Special Education Student Hearing Office and the Mediation Services and Early Conflict Resolution Office. In addition, the new state enforcement office will perform supervision of the work of the Parents' Special Education Service Center (PSESC). Finally, as a result of recommendations from a study by the DC Appleseed Foundation and the Piper Rudnick law firm, planning is underway for the development and implementation of a pilot mediation project.

FINDING NO. 2: DCPS PAID APPROXIMATELY $39 MILLION TO ATTORNEYS, ASSESSMENT FIRMS, AND PRIVATE SCHOOLS THAT HAVE DIRECT BUSINESS AFFILIATIONS.

Subfinding 1: Relationships Between Las Firms Companies, Private Schools and Advocacy Groups Appear Improper

Subfinding 2: Rates charged by Firms Affiliated With Attorneys Were Significantly Higher Than DCPS' Contract Rates

RECOMMENDATIONS	STATUS OF IMPLEMENTING RECOMMENDATION—JULY 8, 2003 RESPONSE	STATUS OF IMPLEMENTING RECOMMENDATION—SEPTEMBER 24, 2004 DCPS RESPONSE
The Council of the District of Columbia consider requiring attorneys and law firms to disclose their ownership and financial interest in or remuneration from businesses and other organizations providing services to their clients at District expense.	Congress imposed this reqmt. in language included in FY 2003 D.C. Appropriations Act.	This requirement is included within the provisions for the attorney's fee cap set forth in the FY 2004 D.C. Appropriations Act. The requirement is also included in the proposed FY2005 D.C. Appropriations Act. The requirement of disclosure is implemented by the DCPS Office of the General Counsel, through the administrative requirement that attorneys requesting payment for services and costs in special education cases submit a disclosure form with each invoice. That information is shared with the Office of the Chief Financial Officer, which is the responsible implementing entity.
The Superintendent of DCPS should continue to establish contracts at competitive rates with private schools in which DCPS must	Has developed a Project Mgt. Plan to ensure contract awards to 67 contractors providing services without a contract. Phase I was	DCPS has made progress in its efforts to establish contracts at competitive rates with private schools in which DCPS must enroll students with disabilities. We

enroll students with disabilities.	initiated by issuing an RFP which closed on 1/24/03 and affected 13 schools and 671 students. Phase Two was initiated on May 2, 2003 and consists of 13 addit. vendors serving 977 students. Review and award process to be completed w/i 90 days of June 30, 2003.	are implementing this initiative in two phases. Six schools in "phase 1" of this project have contracts in place that have been approved by the D.C. Board of Education (Board) and the Council of the District of Columbia (Council): City Lights, For Love of Children (FLOC), Ideal, Kennedy, Leary, and Sunrise. These contracts have one base year with four option years. Since the services of these schools have been deemed critical and essential to DCPS, we have exercised option year one with the period of contract from September 1, 2004 to August 31, 2005. Proposed contracts with three schools in "phase 1" of this effort, Chelsea, Foundation, and the National Children's Center (NCC), have yet to be approved by the Board and Council. These contracts have one base year for school year 2004-2005 and only three option years. They are being forwarded to the Board and Council for approval. The periods of these contracts, once they are so approved, will be from the date of award to August 21, 2005. Eight schools involved in "phase 2" of this project have received proposed contracts for review: Children's Guild; the Episcopal Center for Children; High Roads; Ivymount; Kingsbury; the Lab School of Washington; Phillips; and the River School. DCPS has received signed contracts from Children's Guild and the River School that are in the process of being forwarded to the Board and Council for final approval. DCPS is engaged in negotiations with the other six schools. The period of these contracts will be from the date of award until August 31, 2005. DCPS has also made progress in ensuring that all special education bills that fall within the scope of the Petties lawsuit are paid within the timelines established by that litigation. DCPS has also improved its bill review process, and, as a result, has avoided unnecessary costs and recouped funds paid in 'error. For example, DCPS collected over $400,000 in duplicate payments from the Hurt Home, a residential facility serving DCPS students.
The Assistant Superintendent for Special Education must ensure that assessments are conducted within time limits specified under 5	Taken many steps to ensure assessments are conducted in timely fashion, incl. implementing evening and weekend	DCPS continues to take steps to ensure that assessments are conducted in a timely fashion and has made great strides in this regard. Since

DCMR 3010.2 to avoid settlement agreements and hearing officer decisions requiring independent assessments by vendors that may be selected by attorneys, thereby increasing the financial burden on the school system.	assessments that will continue in summer months. Plan to hire related services staff, *ie.* occupational therapists as DCPS staff.	November of 2003, DCPS has eliminated more than 4600 assessments from its list of outstanding evaluations and is continuing to perform assessments at a rapid rate. This substantial reduction in outstanding assessments is due in part to our employment of additional related service providers. Since July 2003, we have hired and continue to employ two speech pathologists, one physical therapist, and four occupational therapists. Six psychologists have also been preliminarily approved for hire and are expected to join DCPS in the near future. In addition, in July of this year DCPS opened the Central Assessment Referral Evaluations (CARE) Center at Shaw Junior High School charged with assessing early childhood students and those private or religious school students who are neither enrolled in DCPS nor enrolling in a D.C. public school at the time that a special education evaluation is requested. We believe that the establishment of the CARE Center will greatly enhance DCPS' ability to perform assessments in a timely manner by focusing on students who have, in the past, been the hardest to assess, in that they do not attend D.C. public schools. Finally, in conjunction with professors from the University of Maryland, DCPS is working on revisions to its Special Education Reference Guide. By making DCPS' assessment requirements more in line with those of other jurisdictions and concomitantly reducing the number of assessments that DCPS is required to perform, these revisions should lead to improvements in DCPS' rate of timely implementation of special education evaluations.
FINDING NO. 3: CERTAIN LAW FIRMS HAVE ESTABLISHED RELATIONSHIPS WITH ADVOCACY GROUPS AND INDIVIDUALS THAT APPEAR TO BE UNETHICAL OR ILLEGAL		
RECOMMENDATIONS	**STATUS OF IMPLEMENTING RECOMMENDATION—JULY 8, 2003 DCPS RESPONSE**	**STATUS OF IMPLEMENTING RECOMMENDATION—SEPTEMBER 24, 2004 DCPS RESPONSE**
The Superintendent of DCPS refer this matter to the appropriate law enforcement authority to determine whether federal or District laws have been violated and whether criminal prosecution is warranted.	Does not concur with Auditor's interpretation of law. Appears that Auditor's interpretation means that any former govt. employee is prevented from being involved with matter before previous employer. Has shared report	"As indicated in July 2003, DCPS does not concur with this finding and recommendation."

	with US Attorney's Off.	
The Auditor will refer this matter to the District of Columbia Bar Association to determine whether there has been a violation of the Bar's Code of Professional Responsibility.		

FINDING NO. 4: DURING FISCAL YEARS 2000 THROUGH 2002, DCPS RECEIVED 7,883 DUE PROCESS HEARING REQUESTS WHICH APPEARS TO BE EXCESSIVE.

RECOMMENDATIONS	STATUS OF IMPLEMENTING RECOMMENDATION—JULY 8, 2003 DCPS RESPONSE	STATUS OF IMPLEMENTING RECOMMENDATION—SEPTEMBER 24, 2004 DCPS RESPONSE
DCPS' Superintendent must develop and implement better internal controls to ensure compliance with IDEA and District regulations in order to reduce the number of due process hearing requests resulting from management failures and deficiencies, especially at the local school level.	Using SETS, able to develop and implement better internal controls to ensure compliance with IDEA; Asst. Superintendents are provided actionable reports, based on SETS data, used to monitor spec. ed. activity at schools, on a monthly basis. Monitoring has not led to reduction of due process hearings, but date through May 12, 2003 indicates DCPS prevailed in 26% of hearings.	DCPS continues to use the Special Education Tracking System (SETS) to develop and implement better internal controls to ensure compliance with the Individuals with Disabilities Education Act (IDEA), as well as to provide DCPS Assistant Superintendents with actionable reports, based on SETS data. These reports are used to monitor special education activity at schools on a monthly basis. DCPS has hired five additional compliance specialist$ who are charged with working directly with schools and nonpublic placement specialists to ensure timely implementation of hearing officer determinations (HODs) and settlement agreements (SAs). DCPS has also established and filled (with an individual with many years of DCPS special education experience) the position of Executive Director of Special Education Centers and Citywide Schools. This individual, whose office is co-located with the Office of Assistant Superintendents, is charged with involving the Assistant Superintendents in all facets of IDEA compliance in the schools under their jurisdictions.
DCPS' General Counsel, Director of the Student Hearing Office, and the Assistant Superintendent for Special Education must develop a systematic approach for ensuring that due process hearings are conducted within the 45 day time limit under IDEA using well defined processes and systems of accountability.	OSE and OGC has no role in scheduling process. Scheduling is responsibility of Student Hearing Office. SHO's practice of scheduling hearing requests that are near or beyond the 45-day limit has substantially reduce the number of overdue hearing requests.	As indicated in July 2003, the DCPS Office of Special Education (OSE) and Office of the General Counsel (OGC) have no role in the scheduling of special education due process hearings. Rather, that responsibility rests with the Student Hearing Office (SHO). The Executive Director of the SHO indicates that since release of the auditor's report in May of 2003, the SHO has made significant, measurable strides in ensuring that all hearing requests that are not withdrawn or settled prior to hearing result in the

		issuance of a final HOD within 45 days of the date the hearing request was filed, with the exception of those cases in which the hearing officer has granted a continuance at the request of one of the parties or the parent has waived his or her right to receive a hearing decision within 45 days. The SHO Executive Director further indicates that he plans to obtain software for case management and docketing that would greatly improve the ability of SHO staff to track, monitor, schedule and coordinate hearings in FY 2005. A review of the timeliness of the issuance of decisions is available through the monthly reports filed in the matter of *Blackman, et al. v. D.C., et al*. If such a review is desired, DCPS can make those reports filed during the last twelve months available for review.
DCPS' Superintendent must develop adequate policies and procedures to ensure the timely implementation of settlement agreements and hearing officer decisions by local school staff and to detect issues of noncompliance in order to substantially reduce, if not eliminate, the filing of multiple due process hearing requests.	Hearing officer decisions and settlement decisions are distributed on a daily basis, as well as compliance responsibilities. Office of Mediation and Compliance meets weekly with spec. ed. specialist to distribute and discuss lists of pending HO decision and settlement agreements. OMC goes to schools to assist with implementation of HODs and SAs.	Hearing Officer Determinations (HODs) and settlement agreements (SAs) continue to be provided on a daily basis to the principals responsible for their implementation, along with a cover memorandum regarding actions necessary for compliance. On a weekly basis, the notes from the meeting of the Dispute Resolution Committee (DRC) go to the principals and special education coordinators of the schools of students whose parents/guardians have filed hearing requests on that week's DRC agenda. These notes indicate clearly what actions schools are expected to take in regard to each hearing request. Admittedly, DCPS receives multiple due process hearing requests in about 40% of its caseload, and is continuing to develop systems and resources that will reduce the number of repeat cases.
DCPS' Superintendent must develop an effective system of monitoring and accountability through which principals and local school staff are held responsible to the fullest extent permitted under District and DCPS personnel rules, including termination, for their failure or refusal to timely perform tasks required by hearing officer decisions/settlement agreements.	On May 19, 2003, memo sent by DCPS Chief of Spec. Ed. Reform to all principals instructing them to implement all overdue HODs by last day of school and all pending HODs and Sas in timely manner. Failure could result in disciplinary action.	The Special Education Tracking System (SETS) enables DCPS to monitor each D.C. public school's performance in implementing all actions required by HODs and SAs. Each school's success or failure in this area is communicated to DCPS Assistant Superintendents through monthly reports and more frequent communication from the Executive Director of Special Education Centers and Citywide Schools. Assistant Superintendents are responsible for taking necessary actions with regard to school personnel who fail to timely effect compliance with HODs and SAs.

		Evaluation and related service personnel continue to be added to staff to facilitate compliance through appropriate and adequate human resources.

FINDING NO. 5: DCPS LACKS FORMAL COORDINATED SYSTEMS TO EFFECTIVELY ADDRESS AND DEFEND ITSELF AGAINST LEGAL ACTIONS.

RECOMMENDATIONS	STATUS OF IMPLEMENTING RECOMMENDATION—JULY 8, 2003 DCPS RESPONSE	STATUS OF IMPLEMENTING RECOMMENDATION—SEPTEMBER 24, 2004 DCPS RESPONSE
The Board of Education and the Superintendent must clearly define the roles and responsibilities of the OGC, SHO, OSE and local schools in addressing legal actions pertaining to the special education program.	Role of SHO is to timely schedule hearings under IDEA reqmts. Role of OGC is to represent interests of DCPS during due process as counsel. Role of OSE is to provide oversight and monitor spec. ed. matters. in accordance with IDEA.	As indicated in July 2003, the roles of the SHO, OGC, and OSE in addressing legal actions pertaining to the special education program have been clearly defined and continue to be adhered to. The role of the SHO is to schedule hearings required under IDEA in a timely manner. The role of OGC is to serve as DCPS counsel in matters pertaining to special education hearing requests filed against DCPS. The role of OSE is to assist OGC by providing information necessary to effective legal representation and to take all actions mandated by court orders, HODs and SAs in a timely manner.
Principals must be held accountable to the fullest extent permitted under District and DCPS personnel rules, including termination, for failure to ensure that members of their staff participate in due process hearings, properly and timely implement hearing officer decisions and settlement agreements, and perform any related	Principals have been responsive in ensuring necessary school staff partic. in due process hearings. Principals who fail to do so are subj. to disciplinary action.	DCPS principals continue to be responsive in ensuring that necessary school staff participate in special education due process hearings. Principals and other staff who fail to do so are appropriately addressed through the Assistant Superintendents.

FINDING NO. 6: WEAK INTERNAL CONTROLS AND LIMITED ACCOUNTABILITY OF LOCAL SCHOOL PERSONNEL INCREASES DCPS' EXPOSURE TO COSTLY LEGAL ACTIONS UNDER IDEA AND OTHER APPLICABLE LAWS.
Subfinding 1: Local School Accountability Does Not Exist
Subfinding 2: DCPS Has Failed to Establish In-House Programs and Services to Meet the Needs of Its Special Education Students
Subfinding 3: Ineffective Monitoring of Activities at Local Schools

RECOMMENDATIONS	STATUS OF IMPLEMENTING RECOMMENDATION—JULY 8, 2003 DCPS RESPONSE	STATUS OF IMPLEMENTING RECOMMENDATION—SEPTEMBER 24, 2004 DCPS RESPONSE
The Assistant Superintendent for Special Education, along with the Assistant Superintendents for Elementary, Middle, and High Schools must implement and enforce	Has recommended, and Asst. Superintendents have taken disciplinary action against school staff that have failed to comply with federal and DC special education	The DCPS Associate Superintendent for Special Education Reform and Student Services (formerly the DCPS Assistant Superintendent for Special Education) continues to recommend, and DCPS assistant

policies and procedures designed to hold school level staff accountable for noncompliance with federal and District laws as well as the timely implementation of settlement agreements and hearing officer decisions.	laws; continue to discipline principals who fail to implement HODs and SA.	superintendents continue to implement, disciplinary action where appropriate in regard to school staff who fail to adhere to federal and District special education law and/or to implement HODs and SAs in a timely manner.
The Assistant Superintendent for Special Education, in conjunction with DCPS' CFO, must identify all special education program development needs and develop corresponding cost projections for each program to provide an array of services for all students with disabilities in an effort to limit the number of students requiring nonpublic placement.	OSE has worked collaboratively with offices to develop a five-year plan. DCPS is preparing to implement Phase II to expand internal capacity by over 500 seats for students with disabilities, including autism, hearing or visually impaired. Phase II funding will come from weighted student formula (WSF).	DCPS has created nearly 1800 new seats for high intensity special education students. The varying number of seats created for each disability is the result of date driven decisions stemming from referral rates, feeder pattems, and review of historical disability data. OSE continues to plan for intemal capacity growth and is working with the DCPS Office of Facilities Management to identify usable DCPS space.
The Assistant Superintendent for Special Education, along with the Assistant Superintendents for Elementary, Middle, and High Schools, must develop a data driven system and approach to monitoring central administration	Since 1999, OSE has been using 4GL School Solutions–SETS to manage the spec. ed. process. SETS allows OSE to make informed decisions based on comprehensive data. Asst. Principals are provided actionable reports on monthly basis.	DCPS continues to use SETS, which allows OSE to make informed decisions based on comprehensive data, to manage all aspects of the DCPS special education process, including the monitoring of central administration staff. For example OSE staff is currently developing a report documenting the productivity of DCPS related service providers in regard to student assessments that will be presented at OSE Executive Leadership meetings on a monthly basis and used as a basis for related service staffs reward or sanction as appropriate.
The Assistant Superintendent for Special Education and local school principals hold SETS coordinators accountable to the fullest extent permitted, including termination, under District and DCPS personnel rules for failure to input required data into the SETS system.	Accurate and comprehensive info. in SETS will continually improve DCPS's delivery of service to students with spec. needs. SETS Platinum Standard Audit process is tool OSE employs to ensure accountability of local schools in the data mgt. process. There are 3 components.	OSE continues to use the SETS Platinum Standard Audit process to assess schools' performance in entering necessary special education data into SETS. Schools whose SETS information is exemplary are recognized for their superior efforts. Conversely, staff of schools whose SETS data is found wanting are subjected to disciplinary action, as appropriate.
The Superintendent and Assistant Superintendent for Special Education develop standard reports based on accurate data obtained from SETS and use these reports in the monitoring process.	SETS has over 50 reports that can be accessed by all individuals involved in spec. ed. process. Reports are integral component of overall spec. ed. mgt. and are used on a day-to-day basis.	As indicated in July 2003, SETS has over 50 standard reports that can be accessed by all DCPS staff involved in the special education process. Continuous training is provided to such staff on how to utilize these reports to improve DCPS compliance with IDEA, and SETS data are also used to assess how effectively

		school staff is utilizing SETS to enhance IDEA compliance.

OFFICE OF THE DISTRICT OF COLUMBIA AUDITOR FISCAL YEAR 2003 REPORTS:
"Auditor's Review of the University of the District of Columbia's Land-Grant Endowment Fund"
RELEASED: June 9, 2003

TOTAL RECOMMENDATIONS: 5
RECOMMENDATIONS IMPLEMENTED OR CORRECTIVE ACTIONS TAKEN: 4
RECOMMENDATIONS PARTIALLY IMPLEMENTED OR IN PROGRESS: 1
RECOMMENDATIONS NOT IMPLEMENTED:
NO RESPONSE TO RECOMMENDATION:

FINDING NO. 1: ENDOWMENT FUND REMAINED INTACT AS OF SEPTEMBER 30, 2002: No recommendations.

FINDING NO. 2: ENDOWMENT FUND INVESTED IN NON-RATED BONDS

RECOMMENDATIONS	STATUS OF IMPLEMENTING RECOMMENDATION	EXPLANATION FOR RECOMMENDATIONS THAT HAVE NOT BEEN IMPLEMENTED
The UDC Board of Trustees continue to pursue strategies to increase the rate of return on Endowment Fund investments.	**Letter dated January 31, 2005 from William Pollard, President, UDC: Recommendation has been implemented.** "The University Board of Trustees and its investment committee has met periodically with the investment manager to assess the Fund's performance, to hear a forecast of the investment environment and to consider any new investment strategies. Since the inception of the Fund with the current investment manager, the fund has increased 13.2%. The investment managers have received a copy of the University's Investment Policy and have reported that they are in compliance with its provisions."	
The University ensure that the type of investments made are in full compliance with all applicable laws, agreements, and policies governing Fund investments.	**Letter dated January 31, 2005 from William Pollard, President, UDC: Recommendation has been implemented.** "The University Board of Trustees and its investment committee has met periodically with the investment manager to assess the Fund's performance, to hear a forecast of the investment environment and to consider any new investment strategies. Since the inception of the Fund with the current investment manager, the fund has increased 13.2%. The investment managers have received a copy of the University's Investment Policy and have reported that they are in compliance with its provisions."	

FINDING NO. 3: ENDOWMENT FUND EXPENSES OF MANAGEMENT AND INVESTMENT REMAIN THE RESPONSIBILITY OF UDC IN VIOLATION OF THE FIRST MORRILL ACT

RECOMMENDATIONS	STATUS OF IMPLEMENTING RECOMMENDATION	EXPLANATION FOR RECOMMENDATIONS THAT HAVE NOT BEEN IMPLEMENTED
The Investment Advisory Committee immediately take the necessary action to ensure that all expenses of management related to the Fund are paid in strict compliance with applicable law.	**Letter dated January 31, 2005 from William Pollard, President, UDC:** "The recommendation implies that the University should not pay the investment expenses of the Fund since it is not a "State" as discussed in the First Morrill Act. Currently, the investment management expenses are deducted from the invested assets. This is a sensible practice since the investment management expenses vary with the amount of assets invested. A second alternative would be for the University to request a budget appropriation from the District to pay these expenses. Although this alternative might better conform to the applicable law, over time this expense will increase as the Fund increases and will become burdensome to the University's local fund appropriation. The University desires to continue the current practice of using Fund assets to pay the management fee and rely on its status as a District agency to meet the "State" requirements of the Morrill Act."	

FINDING NO. 4: UDC OFFICIALS CONDUCTED ENDOWMENT FUND RECONCILIATIONS DURING FISCAL YEARS 2001 AND 2002: No recommendations.

FINDING NO. 5: DOCUMENTATION COULD NOT BE FOUND TO JUSTIFY AND SUPPORT THE WITHDRAWAL OF $8,515,801.57 FROM UDC'S ENDOWMENT REINVESTMENT FUND ACCOUNT

RECOMMENDATIONS	STATUS OF IMPLEMENTING RECOMMENDATION	EXPLANATION FOR RECOMMENDATIONS THAT HAVE NOT BEEN IMPLEMENTED
The UDC Office of the Chief Financial Officer must implement and maintain a sound record keeping system to enable UDC to justify and document all withdrawals from any endowment fund or other accounts and the uses and purposes for the withdrawals.	**Letter dated January 31, 2005 from William Pollard, President, UDC:** "As noted in the audit report, no withdrawal has been made from the Fund since October 1998. All future withdrawals will be made only as permitted by the University's investment policy and all withdrawals will be properly documented to indicate its purpose."	

FINDING NO. 6: ENERGY ENDOWMENT GRANT RECEIVED FROM THE U.S. DEPARTMENT OF ENERGY REMAINS INTACT		
RECOMMENDATIONS	**STATUS OF IMPLEMENTING RECOMMENDATION**	**EXPLANATION FOR RECOMMENDATIONS THAT HAVE NOT BEEN IMPLEMENTED**
UDC officials immediately take all steps necessary to fulfill the purpose of the energy endowment grant as specified in the grant proposal and agreement with the U.S. Department of Energy or return the funds.	**Letter dated January 31, 2005 from William Pollard, President, UDC:** "The University is in the process of implementing this recommendation. The University's School of Engineering and Applied Science has been advised that the funds are available and the School has been provided the grant agreement. The School is in the process of determining how best to use the funds in accordance with the grant agreement."	

OFFICE OF THE DISTRICT OF COLUMBIA AUDITOR FISCAL YEAR 2003 REPORTS:
"Mismanagement, Noncompliance, and Ineffective Internal Controls Exposed School System Funds to a Significant Risk of Fraud, Waste, and Abuse"
RELEASED: June 16, 2003

TOTAL RECOMMENDATIONS: 12

RECOMMENDATIONS IMPLEMENTED OR CORRECTIVE ACTIONS TAKEN: The purchase card program was suspended.

RECOMMENDATIONS PARTIALLY IMPLEMENTED OR IN PROGRESS: One recommendation deemed inapplicable to current DCPS operations.

RECOMMENDATIONS NOT IMPLEMENTED:

NO RESPONSE TO RECOMMENDATION:

FINDING NO. 1: DCPS PAID APPROXIMATELY $6.3 MILLION FOR PURCHASE CARD EXPENDITURES AND $112,415 IN LATE PAYMENT PENALTIES DURING FISCAL YEAR 2001: No recommendations.

FINDING NO. 2: DCPS FAILED TO COMPLY WITH THE OFFICE OF CONTRACTING AND PROCUREMENT'S GUIDELINES FOR PURCHASE CARD USE

Subfinding 1: DCPS' OCFO Paid Approximately $684,518 For Purchase Card Transactions That Lacked Proper Supporting Documentation
Subfinding 2: Monthly Transaction Reports Were Recreated
Subfinding 3: Cardholders Purchased Approximately $82,900 In Prohibited Items
Subfinding 4: Cardholders Made $7,125 In Equipment Purchases That Were Not Recorded in DCPS' Fixed Assets System
Subfinding 5: Purchases Were Split to Avoid the $2,500 Single Purchase Limit
Subfinding 6: Approximately $5,355 In Sales Taxes Were Paid on Exempt Purchases
Subfinding 7: Competitive Price Quotes Were Not Obtained

RECOMMENDATION	STATUS OF IMPLEMENTATION OF RECOMMENDATIONS	EXPLANATION FOR RECOMMENDATIONS THAT HAVE NOT BEEN IMPLEMENTED
DCPS' CFO ensure that purchase card invoices are supported by adequate appropriate documentation before making payment, and that all records of purchase card transactions are retained for a minimum of three years and available when needed.		**Letter dated February 10, 2005 from Superintendent Janey:** "DCPS, in compliance with the DC Council's order to suspend the use of all government purchasing cards, suspended the program in 2003. We have not re-established this program and have developed alternative practices that we believe provide many of the same benefits as the procurement card, but provide DCPS with additional oversight and controls for the purchases. Therefore, we believe that, at this time, the recommendations in the report are not applicable to our current operations. We will consider implementing your recommendations should DCPS decide to re-establish the procurement card program at a future date. Our Office of Compliance did implement your recommendation to review the transactions you questioned. However, Interim Superintendent at the time of the audit

		decided not to act on the recommendations contained in the report; to recover those funds that were expended in violation of the procurement card policies."
DCPS' CFO ensure that cardholders adhere to applicable procurement laws and regulations and purchase card policies and procedures established by OCP and immediately suspend the purchase card privileges of noncompliant cardholders.	**Letter dated January 31, 2005 from Herbert R. Tillery, Deputy Mayor for Operations and Interim Chief Procurement Officer:** "In July, 2003, all DCPS purchase cards were retrieved by OCP and associated accounts closed. OCP initiated retraining and purchase card reissuance procedures for all District govt. cardholders and program participants, excl. DCPS personnel. Since July 2003, OCP has never reissued any existing or issued any new purchase cards to any DCPS personnel. If DCPS mgmt. has initiated a separate DCPS purchase card program since July 2003, it is neither related to nor under the auspices of the Office of Contracting and Procurement."	**Letter dated February 10, 2005 from Superintendent Janey:** "DCPS, in compliance with the DC Council's order to suspend the use of all government purchasing cards, suspended the program in 2003. We have not re-established this program and have developed alternative practices that we believe provide many of the same benefits as the procurement card, but provide DCPS with additional oversight and controls for the purchases. Therefore, we believe that, at this time, the recommendations in the report are not applicable to our current operations. We will consider implementing your recommendations should DCPS decide to re-establish the procurement card program at a future date. Our Office of Compliance did implement your recommendation to review the transactions you questioned. However, Interim Superintendent at the time of the audit decided not to act on the recommendations contained in the report; to recover those funds that were expended in violation of the procurement card policies."
DCPS' CFO immediately cease the practice of processing payments based on recreated monthly transaction reports without cardholders and Approving Officials scrutinizing, validating and certifying the transactions.		**Letter dated February 10, 2005 from Superintendent Janey:** "DCPS, in compliance with the DC Council's order to suspend the use of all government purchasing cards, suspended the program in 2003. We have not re-established this program and have developed alternative practices that we believe provide many of the same benefits as the procurement card, but provide DCPS with additional oversight and controls for the purchases. Therefore, we believe that, at this time, the recommendations in the report are not applicable to our current operations. We will consider implementing your recommendations should DCPS decide to re-establish the procurement card program at a future date. Our Office of Compliance did implement your recommendation to review the transactions you questioned. However, Interim Superintendent at the time of the audit decided not to act on the recommendations contained in the report; to recover those funds that were expended in violation of the procurement card policies."
The Chief Procurement Officer and DCPS' CFO develop a methodology that ensures that all purchase cards have the requisite controls in	**Letter dated January 31, 2005 from Herbert R. Tillery, Deputy Mayor for Operations and Interim Chief**	

place to prevent future approval of unauthorized or unallowable purchases.	**Procurement Officer:** "Since all DCPS purchase cards have been retrieved and associated accounts closed in July 2003, and since OCP has not reissued any existing or issued any new purchase cards to DCPS personnel since that time, there has been no need for OCP to develop or implement a methodology to control the use of purchase cards in the DCPS."	
Cardholders making unauthorized purchases must be held personally liable for the payment of such purchases and held accountable to the fullest extent permitted under District and DCPS personnel rules. DCPS' CFO immediately institute an effective procedure that ensures cardholders promptly make reimbursement for all unallowable purchases.		**Letter dated February 10, 2005 from Superintendent Janey:** "DCPS, in compliance with the DC Council's order to suspend the use of all government purchasing cards, suspended the program in 2003. We have not re-established this program and have developed alternative practices that we believe provide many of the same benefits as the procurement card, but provide DCPS with additional oversight and controls for the purchases. Therefore, we believe that, at this time, the recommendations in the report are not applicable to our current operations. We will consider implementing your recommendations should DCPS decide to re-establish the procurement card program at a future date. Our Office of Compliance did implement your recommendation to review the transactions you questioned. However, Interim Superintendent at the time of the audit decided not to act on the recommendations contained in the report; to recover those funds that were expended in violation of the procurement card policies."
The DCPS CFO and Superintendent should immediately take steps necessary to ensure that all information related to fixed assets acquired with purchase cards are promptly recorded in DCPS' fixed assets system.		**Letter dated February 10, 2005 from Superintendent Janey:** "DCPS, in compliance with the DC Council's order to suspend the use of all government purchasing cards, suspended the program in 2003. We have not re-established this program and have developed alternative practices that we believe provide many of the same benefits as the procurement card, but provide DCPS with additional oversight and controls for the purchases. Therefore, we believe that, at this time, the recommendations in the report are not applicable to our current operations. We will consider implementing your recommendations should DCPS decide to re-establish the procurement card program at a future date. Our Office of Compliance did implement your recommendation to review the transactions you questioned. However, Interim Superintendent at the time of the audit

		decided not to act on the recommendations contained in the report; to recover those funds that were expended in violation of the procurement card policies."
OCP and DCPS' CFO should ensure that adequate training is provided to all cardholders and Approving Officials, and ensure that monthly transaction reports are adequately reviewed, including supporting documents such as invoices and receipts, to ensure that taxes are not paid on tax exempt purchases and that the purchase is proper in all other respects.		**Letter dated February 10, 2005 from Superintendent Janey:** "DCPS, in compliance with the DC Council's order to suspend the use of all government purchasing cards, suspended the program in 2003. We have not re-established this program and have developed alternative practices that we believe provide many of the same benefits as the procurement card, but provide DCPS with additional oversight and controls for the purchases. Therefore, we believe that, at this time, the recommendations in the report are not applicable to our current operations. We will consider implementing your recommendations should DCPS decide to re-establish the procurement card program at a future date. Our Office of Compliance did implement your recommendation to review the transactions you questioned. However, Interim Superintendent at the time of the audit decided not to act on the recommendations contained in the report; to recover those funds that were expended in violation of the procurement card policies."
The improper purchases identified by the Auditor in this report must be immediately investigated by DCPS' internal auditor and where appropriate DCPS' Superintendent and Chief Financial Officer must take the appropriate steps to recover payments made for these improper purchases from the cardholder. Further, cardholders who abuse or misuse their purchase cards must be held accountable to the fullest extent permitted under District personnel law and rules.		**Letter dated February 10, 2005 from Superintendent Janey:** "DCPS, in compliance with the DC Council's order to suspend the use of all government purchasing cards, suspended the program in 2003. We have not re-established this program and have developed alternative practices that we believe provide many of the same benefits as the procurement card, but provide DCPS with additional oversight and controls for the purchases. Therefore, we believe that, at this time, the recommendations in the report are not applicable to our current operations. We will consider implementing your recommendations should DCPS decide to re-establish the procurement card program at a future date. Our Office of Compliance did implement your recommendation to review the transactions you questioned. However, Interim Superintendent at the time of the audit decided not to act on the recommendations contained in the report; to recover those funds that were expended in violation of the procurement card policies."
FINDING NO. 2: DCPS LACKED SUFFICIENT CONTROLS OVER PURCHASE CARD USE : No recommendations. **Subfinding 1:** DCPS Did Not Maintain a List of DCPS Employees Issued Cards **Subfinding 2:** DCPS Did Not Maintain Records of Terminated, Deactivated or Suspended Purchase Card Accounts		

FINDING NO. 3: OCP AND DCPS DID NOT PROVIDE ADEQUATE TRAINING TO PURCHASE CARD HOLDERS		
RECOMMENDATION	**STATUS OF IMPLEMENTATION OF RECOMMENDATIONS**	**EXPLANATION FOR RECOMMENDATIONS THAT HAVE NOT BEEN IMPLEMENTED**
DCPS' CFO, Superintendent, and Assistant Superintendents immediately hold cardholders liable and promptly take all actions necessary to retrieve the amount spent on unallowable purchases. Such actions should include, but not be limited to, reimbursement and immediate suspension of cardholder privileges.		**Letter dated February 10, 2005 from Superintendent Janey:** "DCPS, in compliance with the DC Council's order to suspend the use of all government purchasing cards, suspended the program in 2003. We have not re-established this program and have developed alternative practices that we believe provide many of the same benefits as the procurement card, but provide DCPS with additional oversight and controls for the purchases. Therefore, we believe that, at this time, the recommendations in the report are not applicable to our current operations. We will consider implementing your recommendations should DCPS decide to re-establish the procurement card program at a future date. Our Office of Compliance did implement your recommendation to review the transactions you questioned. However, Interim Superintendent at the time of the audit decided not to act on the recommendations contained in the report; to recover those funds that were expended in violation of the procurement card policies."
DCPS must maintain an inventory of all purchase cardholders; periodically update the inventory to include new cards issued, deactivations, terminations, and suspensions; and compare the inventory to purchase cardholder records so as to accurately determine the identity and number of cardholders and prevent any unauthorized use of the cards.		**Letter dated February 10, 2005 from Superintendent Janey:** "DCPS, in compliance with the DC Council's order to suspend the use of all government purchasing cards, suspended the program in 2003. We have not re-established this program and have developed alternative practices that we believe provide many of the same benefits as the procurement card, but provide DCPS with additional oversight and controls for the purchases. Therefore, we believe that, at this time, the recommendations in the report are not applicable to our current operations. We will consider implementing your recommendations should DCPS decide to re-establish the procurement card program at a future date. Our Office of Compliance did implement your recommendation to review the transactions you questioned. However, Interim Superintendent at the time of the audit decided not to act on the recommendations contained in the report; to recover those funds that were expended in violation of the procurement card policies."
The Chief Procurement Officer must institute a comprehensive, mandatory, and continuing training program for all District government	**Letter dated January 31, 2005 from Herbert R. Tillery, Deputy Mayor for Operations and Interim Chief**	

purchase cardholders to ensure their familiarity with and adherence to all policies and procedures governing purchase card usage.	**Procurement Officer:** "In July 2003, OCP initiated a major retraining program for all District government purchase cardholders to ensure their familiarity with and adherence to all policies and procedures governing purchase card usage. As of September 30, 2003, OCP had retrained 378 participants (e.g., agency program coordinators, cardholders, approving officials, and designated billing officials). Since October 1, 2003, OCP has held regular monthly training seminars in which it has trained an additional 111 program participants."	
DCPS must ensure that all DCPS employees designated to use purchase cards are thoroughly trained and knowledgeable of all applicable policies and procedures. Failure to comply with applicable policies and procedures should result in the immediate suspension of purchase card privileges.		**Letter dated February 10, 2005 from Superintendent Janey:** "DCPS, in compliance with the DC Council's order to suspend the use of all government purchasing cards, suspended the program in 2003. We have not re-established this program and have developed alternative practices that we believe provide many of the same benefits as the procurement card, but provide DCPS with additional oversight and controls for the purchases. Therefore, we believe that, at this time, the recommendations in the report are not applicable to our current operations. We will consider implementing your recommendations should DCPS decide to re-establish the procurement card program at a future date. Our Office of Compliance did implement your recommendation to review the transactions you questioned. However, Interim Superintendent at the time of the audit decided not to act on the recommendations contained in the report; to recover those funds that were expended in violation of the procurement card policies."

OFFICE OF THE DISTRICT OF COLUMBIA AUDITOR FISCAL YEAR 2003 REPORTS:
Review of the District of Columbia Public School System's Fiscal Years 2001 and 2002
Cellular Telephone Service Expenditures
RELEASED: September 29, 2003

TOTAL RECOMMENDATIONS: 9
RECOMMENDATIONS IMPLEMENTED OR CORRECTIVE ACTIONS TAKEN: 4
RECOMMENDATIONS PARTIALLY IMPLEMENTED OR IN PROGRESS: 5
RECOMMENDATIONS NOT IMPLEMENTED:
NO RESPONSE TO RECOMMENDATION:

FINDING NO. 1: DCPS PAID $2,960,741 FOR ALL TELEPHONE SERVICES DURING FISCAL YEAR 2001 AND $4,075,009 FOR FISCAL YEAR 2002: No recommendations.

FINDING NO. 2: DCPS COULD NOT PROVIDE SUPPORTING DOCUMENTATION FOR CELLULAR TELEPHONE EXPENDITURES TOTALING $74,836 FOR FISCAL YEAR 2001 AND $276,220 FOR FISCAL YEAR 2002

RECOMMENDATION	STATUS OF IMPLEMENTATION OF RECOMMENDATIONS	UPDATE ON STATUS OF RECOMMENDATIONS AND MAY 16, 2003 CORRECTIVE ACTION PLAN (September 8, 2004 Response)
The Superintendent of DCPS and the DCPS Chief Financial Officer must ensure that vouchers, journal entries, and other transactions have adequate supporting documentation before being processed for payment, and that all records are retained and available for a period of not less than three fiscal years.	**May 16, 2003 Corrective Action Plan states:** DCPS Office of the Chief Financial Officer will take necessary steps to improve both its document filing and retention practices.	**Corrective Action Complete.** DCPS Office of the Chief Financial Officer has taken steps to improve its documents retention practices. These improvements continue to be ongoing."

FINDING NO. 3: DCPS DID NOT ESTABLISH WRITTEN POLICIES AND PROCEDURES GOVERNING THE ACQUISITION, USE, MONITORING, AND CONTROL OF CELLULAR TELEPHONES
Subfinding 1: DCPS Used Seven Different Wireless Telephone Service Providers Not Approved by OCTO and 22 Different Cellular Phone Service Plans During The Review Period

RECOMMENDATION	STATUS OF IMPLEMENTATION OF RECOMMENDATIONS	UPDATE ON STATUS OF RECOMMENDATIONS AND MAY 16, 2003 CORRECTIVE ACTION PLAN (September 8, 2004 Response)
The Superintendent, Chief Financial Officer, and Agency Telecommunications Coordinator (ATC) for DCPS must ensure compliance with OCTO's existing policies and procedures regarding cellular phone acquisition and use, ensure that all DCPS employees are informed of existing rules and restrictions, and ensure	**May 16, 2003 Corrective Action Plan states: By September 30, 2003:** Develop series of policies and procedures for cellular telephone use and acquisition within DCPS that complies with OCTO's current policies. Begin discussions with OCTO and OFRM to determine	**By March 31, 2005: Corrective Action is in progress.** OCTO has the "Tell-Watch" system that tracks the cellular telephone processed through their office, but does not identify the many cellular telephones purchased throughout the school system. We have identified a series of policies that appear to meet our needs. **By March 1, 2005:** DCPS

consistent and thorough monitoring of cell phone use and costs.	feasibility of DCPS receiving monthly detailed usage records for each cell phone **By December 31, 2003:** Receive detailed reports from OCTO and OFRM on all cell phone use and cost. OIT's Telecommunications Unit with Off. of Compliance will develop methodology to monitor	requested that OCTO provide us with "soft-copy" reports on cellular costs and use. We will again request these reports in a soft-copy format."
DCPS should strengthen or supplement OCTO's existing policies and procedures to more accurately reflect the needs of DCPS and ensure adequate oversight and monitoring of cell phone service acquisition and use, and provide clearly defined responsibilities and prohibitions for school managers and employees, including consequences of abuse or inappropriate use of cell phone services and equipment assigned to them.	DCPS has taken action to address acquisition of cell phone services by requiring all purchases of cell equipment and services be reviewed by OIT. **By September 30, 2003**, DCPS will develop written policies and procedures addressing cell telephone use and acquisition.	**Corrective Action complete.** "All requests or cellular telephone services are processed through OIT using the OCTO Request for Telephone Services. OCTO is provided with these requests." **By December 31, 2004: Corrective Action in process.** "Staffing reductions have impacted this process. We expect the policies and procedures in place shortly."
The Superintendent, Chief Financial Officer, and Agency Telecommunications Coordinator should ensure that all policies are adhered to and that any abuse of cellular telephone services and equipment are promptly detected and the appropriate corrective action taken.	**By December 31, 2003:** OIT and Off. of Compliance will develop a monitoring methodology that will both review cell telephone use and identify instances of possible abuse by DCPS managers and employees.	**By December 31, 2004: Corrective Action in process.** "Staffing reductions within OI T have impacted this process. OIT and compliance will work together to develop the necessary policies. We will contact OCTO for use of the Telewatch service for the cellular phones that are billed separately.
DCPS should only use wireless cellular telephone service providers that are approved by OCTO for all District of Columbia government agencies.	OIT's Telecommunications Unit has migrated all DCPS cell tele. users to the three approved service providers.	**Corrective Action in complete.** All DCPS cellular telephone services are provided by the OCTO approved carriers.
DCPS must immediately evaluate the cellular phone needs of each employee that is currently assigned this equipment and determine need based upon the employee's job responsibilities. Underutilized cellular telephones and services should be taken out of use or reassigned to employees whose jobs clearly warrant the need for such equipment.	**By December 31, 2003:** OIT will have all cell tel. users and required services. Number of telephones and services for each will be adjusted accordingly.	**By December 31, 2004: "Corrective Action in process.** Due to staffing issues OIT was not able to complete this process. We will request OCTO's assistance through the use of Telewatch and will reemphasize through the DCPS Chief of Staff that all cellular telephones must be submitted to OIT for approval through the OCTO-RTS process."

FINDING NO. 4: DCPS DID NOT MAINTAIN AN INVENTORY OF CELLULAR TELEPHONES ACQUIRED, ISSUED, AND USED DURING FISCAL YEARS 2001 AND 2002

RECOMMENDATION	STATUS OF IMPLEMENTATION OF RECOMMENDATIONS	UPDATE ON STATUS OF RECOMMENDATIONS AND MAY 16, 2003 CORRECTIVE ACTION PLAN (September 8, 2004 Response)
The DCPS Superintendent must immediately ensure that the DCPS Office of Information Technology conducts an inventory of all cellular telephone equipment and services acquired by the school system over the past three fiscal years. The inventory must indicate the number and location of each phone in use by DCPS.	**By June 30, 2003:** DCPS has developed a database of existing cell phones and is currently verifying the accuracy of the data.	**By September 30, 2005. "Corrective Action in process.** Corrective action has been hampered by staffing reductions within the Telecommunications Unit. We anticipate through the use of Telewatch that we will be able to develop the requested database and be able to provide the Auditor with the requested data."
DCPS should periodically perform a physical inventory of cellular telephones and update the database so as to accurately track and account for DCPS wireless telecommunications equipment.	**DCPS concurs with recommendation. By December 31, 2003.** With OCTO and OFRM will verify its database and conduct physical inventory of desk and cell phones.	**By September 30, 2005. "Corrective Action in process.** Completion of this recommendation is impacted by the available staffing."
The Superintendent hold the manager of DCPS's Office of Information Technology and DCPS employees accountable to the fullest extent permitted under District and DCPS personnel regulations for any failure to comply with the District's Telecommunications Standards and Management Policy; obtain telecommunications equipment and services through the District's Request for Telephone Services Process; and ensure that cellular telephone services and equipment are recorded in the recommended telecommunications inventory system. In addition, existing cell phone service plans should be cancelled and new services plans obtained, when fully justified, through OCTO's Request for Telephone Services Process from OCTO approved vendors.		**By September 30, 2005. "Corrective Action in process.** With the issuance of a DCPS wide use policy and taking the other corrective actions presented above that the conditions noted by the Auditor will be corrected."

FINDING NO. 5: ADVANTAGES AND DISADVANTAGES OF CELL PHONE PLANS PURCHASED BY DCPS COULD NOT BE DETERMINED: No recommendations.

OFFICE OF THE DISTRICT OF COLUMBIA AUDITOR FISCAL YEAR 2004 REPORTS:
Review of the Financial Operations of the Village Learning Center Public Charter School"
RELEASED: May 17, 2004

TOTAL RECOMMENDATIONS: 19
RECOMMENDATIONS IMPLEMENTED OR CORRECTIVE ACTIONS TAKEN: No corrective action taken—VLC Charter revoked.
RECOMMENDATIONS PARTIALLY IMPLEMENTED OR IN PROGRESS:
RECOMMENDATIONS NOT IMPLEMENTED:
NO RESPONSE TO RECOMMENDATION:

FINDING NO. 1: VLC'S ACCUMULATED DEFICIT TOTALED $895,567 AT SEPTEMBER 30, 2003
Subfinding 1: IRS Levied Interest and Penalties Totaling $265,729 for FY 2001
Subfinding 2: VLC Spent Approximately $245,318 for Leased Properties That It Did Not Occupy
Subfinding 3: Lack of Participation in the National School Lunch Program
Subfinding 4: VLC Incurred Interest Expense of Approximately $87,647

RECOMMENDATIONS	STATUS OF IMPLEMENTING RECOMMENDATION	EXPLANATION FOR RECOMMENDATIONS THAT HAVE NOT BEEN IMPLEMENTED
The Board of Trustees, in consultation with VLC management, develop a cash flow plan targeted toward: (A) operating in an economically viable position; (B) curtailing monthly operating expenditures so that they do not exceed realized monthly operating revenues; and (C) eliminating the accumulated deficit within a specified time period.		**Letter from Dr. Brenda Belton, Exec. Dir., Public Charter Schools Oversight Off.:** The Public Charter Schools Oversight Office takes the responsibility of obtaining student files/records and ensures that students are placed in other public schools. In case of revocation of charter, a charter school handles its own dissolution process. The Public Charter Schools Oversight Office assumes no liability for a closed charter school. It is the responsibility of the charter school to satisfy all it's financial obligations.
The Executive Director of VLC develop a system of checks and balances for assuring that tax returns and the payment of withholding taxes are filed timely to avoid the assessment of penalties and interest in the future.		The Public Charter Schools Oversight Office takes the responsibility of obtaining student files/records and ensures that students are placed in other public schools. In case of revocation of charter, a charter school handles its own dissolution process. The Public Charter Schools Oversight Office assumes no liability for a closed charter school. It is the responsibility of the charter school to satisfy all it's financial obligations.
The Board of Trustees and the Executive Director of VLC critically scrutinize, inspect, and examine future lease agreements so that		The Public Charter Schools Oversight Office takes the responsibility of obtaining student files/records and ensures that students are placed in other public schools. In case of revocation

the necessary terms and conditions can be implemented for protections and reimbursements in the event that the properties are not needed or certain specific conditions cannot be met in order to occupy the leased properties. The Board of Trustees and the Executive Director of VLC should have assurances that a certificate of occupancy for any desired space can be obtained before executing a bona fide lease agreement		of charter, a charter school handles its own dissolution process. The Public Charter Schools Oversight Office assumes no liability for a closed charter school. It is the responsibility of the charter school to satisfy all it's financial obligations.
The Executive Director of VLC take immediate steps to operate and manage future funded programs, such as the National School Lunch Program, in a manner to optimize available revenues and resources for operations.		The Public Charter Schools Oversight Office takes the responsibility of obtaining student files/records and ensures that students are placed in other public schools. In case of revocation of charter, a charter school handles its own dissolution process. The Public Charter Schools Oversight Office assumes no liability for a closed charter school.

FINDING NO. 2: $156,424 IN LOAN REPAYMENTS LACKED LOAN AGREEMENTS AND OTHER RELEVANT SUPPORTING DOCUMENTATION

RECOMMENDATIONS	STATUS OF IMPLEMENTING RECOMMENDATION	EXPLANATION FOR RECOMMENDATIONS THAT HAVE NOT BEEN IMPLEMENTED
Executive Director of VLC immediately provide to the District of Columbia Auditor copies of all executed loan agreements with related parties. In the future, VLC management maintain all loan agreements in an orderly and professional manner.		The Public Charter Schools Oversight Office takes the responsibility of obtaining student files/records and ensures that students are placed in other public schools. In case of revocation of charter, a charter school handles its own dissolution process. The Public Charter Schools Oversight Office assumes no liability for a closed charter school.
The Executive Director of VLC and all parties receiving loan repayments in the absence of a valid written loan agreement repay these funds to the Village Learning Center PCS within 90 days of the date of this report. Any failure on the part of the parties to repay these funds as recommended herein will be referred to the District's Office of the Corporation Counsel for the appropriate civil action.		The Public Charter Schools Oversight Office takes the responsibility of obtaining student files/records and ensures that students are placed in other public schools. In case of revocation of charter, a charter school handles its own dissolution process. The Public Charter Schools Oversight Office assumes no liability for a closed charter school. It is the responsibility of the charter school to satisfy all it's financial obligations.
The Office of the Inspector General investigate the legitimacy of loan repayments made to the VLC Executive Director, her family members, and a hired financial consultant.		The Public Charter Schools Oversight Office takes the responsibility of obtaining student files/records and ensures that students are placed in other public schools. In case of revocation of charter, a charter school handles its own dissolution process. The Public Charter Schools Oversight

		Office assumes no liability for a closed charter school.

FINDING NO. 3: VLC PAID APPROXIMATELY $256,849 FOR CREDIT CARD EXPENDITURES THAT COULD NOT BE SUPPORTED BY DOCUMENTATION
Subfinding 1: VLC Management Failed to Adopt Policies and Procedures Governing the Use of Credit Cards
Subfinding 2: VLC Paid Approximately $256,849 for Credit Card Transactions That Lacked Proper Supporting Documentation

RECOMMENDATIONS	STATUS OF IMPLEMENTING RECOMMENDATION	EXPLANATION FOR RECOMMENDATIONS THAT HAVE NOT BEEN IMPLEMENTED
VLC's Executive Director immediately cancel all corporate credit cards issued to VLC employees and provide the Auditor with evidence of the cancellation within 15 days of the date of this report.		The Public Charter Schools Oversight Office takes the responsibility of obtaining student files/records and ensures that students are placed in other public schools. In case of revocation of charter, a charter school handles its own dissolution process. The Public Charter Schools Oversight Office assumes no liability for a closed charter school.
The VLC Board of Trustees establish a specific policy and procedures regarding the criteria that must be used to determine the necessity for corporate credit cards to be issued in VLC's name, in addition to the criteria that will be used to determine: (A) which VLC employees will be assigned credit cards; (B) expenditure limits for each card; (C) the types of purchases that cards my be used to make; (D) regular specific report that must be filed with the Board concerning expenditures made with each credit card issued to VLC employees including the Executive Director; (E) a requirement that the Executive Director develop and implement policies and procedures regarding credit card usage that must be adhered to by VLC employees under his/her management control; and (F) and specific accountability measures that will be applied by the Board for any failure of the Executive Director or VLC employee to comply with the Board's or school's policy and procedures regarding credit card usage and accountability.		The Public Charter Schools Oversight Office takes the responsibility of obtaining student files/records and ensures that students are placed in other public schools. In case of revocation of charter, a charter school handles its own dissolution process. The Public Charter Schools Oversight Office assumes no liability for a closed charter school. It is the responsibility of the charter school to satisfy all it's financial obligations.
VLC's management ensure that credit card invoices are supported by adequate and appropriate documentation before making payments, and that all records of credit card transactions are retained for a minimum of		The Public Charter Schools Oversight Office takes the responsibility of obtaining student files/records and ensures that students are placed in other public schools. In case of revocation of charter, a charter school handles its own dissolution process. The Public Charter Schools Oversight

five years and made available when needed.		Office assumes no liability for a closed charter school.
The Inspector General of the District of Columbia investigate all of VLC's credit card expenditures that are not supported by adequate or any documentation.		
FINDING NO. 4: VLC ISSUED 234 CHECKS MADE PAYABLE TO "CASH" TOTALING $216,572 DURING FISCAL YEARS 1999 THROUGH 2004 AS OF NOVEMBER 30, 2003		
RECOMMENDATIONS	**STATUS OF IMPLEMENTING RECOMMENDATION**	**EXPLANATION FOR RECOMMENDATIONS THAT HAVE NOT BEEN IMPLEMENTED**
Village Learning Center immediately cease issuing checks made payable to cash.		The Public Charter Schools Oversight Office takes the responsibility of obtaining student files/records and ensures that students are placed in other public schools. In case of revocation of charter, a charter school handles its own dissolution process. The Public Charter Schools Oversight Office assumes no liability for a closed charter school. It is the responsibility of the charter school to satisfy all it's financial obligations.
Village Learning Center management be held accountable for reimbursing the District all funds disbursed by checks made payable to "Cash" that lacked supporting documentation		The Public Charter Schools Oversight Office takes the responsibility of obtaining student files/records and ensures that students are placed in other public schools. In case of revocation of charter, a charter school handles its own dissolution process. The Public Charter Schools Oversight Office assumes no liability for a closed charter school. It is the responsibility of the charter school to satisfy all it's financial obligations.
The Inspector General of the District of Columbia investigate all checks issued by VLC that were made payable to "Cash."		
FINDING NO. 5: UNPAID IRS PENALTIES AND INTEREST TOTAL $81,491		
RECOMMENDATIONS	**STATUS OF IMPLEMENTING RECOMMENDATION**	**EXPLANATION FOR RECOMMENDATIONS THAT HAVE NOT BEEN IMPLEMENTED**
The Executive Director of VLC implement a follow-up system of checks and balances to assure that required IRS tax forms are prepared in accordance with applicable rules and regulations and filed timely and corresponding payment of payroll withholding taxes to the IRS be made timely.		The Public Charter Schools Oversight Office takes the responsibility of obtaining student files/records and ensures that students are placed in other public schools. In case of revocation of charter, a charter school handles its own dissolution process. The Public Charter Schools Oversight Office assumes no liability for a closed charter school.
The Executive Director of VLC provide copies of VLC's Form 990, Return of Organization Exempt from Income Tax for fiscal years		The Public Charter Schools Oversight Office takes the responsibility of obtaining student files/records and ensures that students are placed in other public schools. In case of

1999, 2000, and 2003 to the District of Columbia Auditor immediately.		revocation of charter, a charter school handles its own dissolution process. The Public Charter Schools Oversight Office assumes no liability for a closed charter school. It is the responsibility of the charter school to satisfy all it's financial obligations.
FINDING NO. 6: VLC FAILED TO STRUCTURE AND STAFF A SUFFICIENT, EFFICIENT, AND COMPETENT FINANCE OFFICE		
RECOMMENDATIONS	**STATUS OF IMPLEMENTING RECOMMENDATION**	**EXPLANATION FOR RECOMMENDATIONS THAT HAVE NOT BEEN IMPLEMENTED**
The Board of Trustees and management develop a plan to address the infrastructure for the Finance Office and related offices and departments. The infrastructure should provide for an adequate and sufficient segregation of duties and responsibilities.		The Public Charter Schools Oversight Office takes the responsibility of obtaining student files/records and ensures that students are placed in other public schools. In case of revocation of charter, a charter school handles its own dissolution process. The Public Charter Schools Oversight Office assumes no liability for a closed charter school. It is the responsibility of the charter school to satisfy all it's financial obligations.
FINDING NO. 7: BACKGROUND CHECKS WERE NOT CONDUCTED FOR 12 EMPLOYEES		
RECOMMENDATIONS	**STATUS OF IMPLEMENTING RECOMMENDATION**	**EXPLANATION FOR RECOMMENDATIONS THAT HAVE NOT BEEN IMPLEMENTED**
VLC management must insure that complete criminal background checks are conducted on all employees.		The Public Charter Schools Oversight Office takes the responsibility of obtaining student files/records and ensures that students are placed in other public schools. In case of revocation of charter, a charter school handles its own dissolution process. The Public Charter Schools Oversight Office assumes no liability for a closed charter school.
INTERNAL CONTROL DEFICIENCIES		
RECOMMENDATIONS	**STATUS OF IMPLEMENTING RECOMMENDATION**	**EXPLANATION FOR RECOMMENDATIONS THAT HAVE NOT BEEN IMPLEMENTED**
In performing the audit of VLC's financial activities and operations, the Auditor noted several matters that should be addressed to strengthen internal controls and operating efficiency: Discontinue the practice of issuing checks made payable to "Cash" immediately. Develop and implement policies and procedures to govern the use of corporate credit cards. File tax returns and payments to the IRS timely. Maintain invoices, receipts, loan agreements, tax returns, canceled checks and other supporting documents in an orderly and professional manner. Discontinue		The Public Charter Schools Oversight Office takes the responsibility of obtaining student files/records and ensures that students are placed in other public schools. In case of revocation of charter, a charter school handles its own dissolution process. The Public Charter Schools Oversight Office assumes no liability for a closed charter school. It is the responsibility of the charter school to satisfy all it's financial obligations.

paying sales taxes on exempt purchases.		
OFFICE OF THE DC AUDITOR LETTER DATED NOVEMBER 22, 2004 AND FAXED AGAIN ON JANUARY 7, 2005, TO DR. BRENDA L. BELTON REQUESTED THE FOLLOWING INFORMATION:		
REQUESTED ITEMS	**STATUS**	**EXPLANATION FOR INFORMATION NOT PROVIDED**
FUNDS REMAINING IN BANK ACCOUNTS OF VILLAGE LEARNING CENTER		"VLC did not provide this information to our office."
DISSOLUTION PROCESS OF VILLAGE LEARNING CENTER		"A charter school handles their dissolution process entirely. This office takes the responsibility of obtaining student files/records and ensures that students are placed in other public schools. This responsibility places a heavy workload on staff and causes this office to incur expenses."
VILLAGE LEARNING CENTER OUTSTANDING VENDOR INVOICES		"During and after the revocation of a charter school by the Board of Education, the Board of Education does not in anyway assume the liability of a closed charter school. It is the responsibility of the charter school to satisfy all it's financial obligations. Therefore, it is not a policy of this office to request this information, nor was it provided by the Village Learning Center."
DISPOSITION OF VILLAGE LEARNING CENTER ASSETS		"Village Learning Center did not provide this information to our office. However, Village Learning Center communicated to our office that they will liquidate some of their assets in order to make their last payroll."

OFFICE OF THE DISTRICT OF COLUMBIA AUDITOR FISCAL YEAR 2004 REPORTS:
Ineffective Management, Poor Internal Controls, and Inadequate Financial Oversight
Found Within the District's Subsidized Child Care Program
RELEASED: SEPTEMBER 15, 2004

TOTAL RECOMMENDATIONS PERTAINING TO DCPS: 7
RECOMMENDATIONS IMPLEMENTED OR CORRECTIVE ACTIONS TAKEN: 6
RECOMMENDATIONS PARTIALLY IMPLEMENTED OR IN PROGRESS:
RECOMMENDATIONS NOT IMPLEMENTED:
NO RESPONSE TO RECOMMENDATION: 1

FINDING NO. 5: THE DIRECTOR OF DCPS's TANF PROGRAM INTENTIONALLY OVERSPENT THE FY 2002 AFTERCARE PROGRAM BUDGET BY $4.7 MILLION

RECOMMENDATIONS	STATUS OF IMPLEMENTATION OF RECOMMENDATIONS	EXPLANATION FOR RECOMMENDATIONS THAT HAVE NOT BEEN IMPLEMENTED
The DCPS Superintendent thoroughly review the actions taken by the Director of the DCPS TANF Program in managing the AFTERCARE program during FY 2001 and FY 2002. Furthermore, the DCPS Superintendent should consider whether the actions of the Director constituted negligence or willful disregard for applicable laws, rules, regulations, and policies. To the extent that the TANF Director's actions are found to be negligent, intentional or in willful disregard of applicable laws, regulation, and rules, the TANF Director should be held accountable to the fullest extent permitted under District laws and DCPS personnel rules including termination	Letter from Karen R. Jackson, Assoc. Superintendent of Human Resources, DCPS dated October 20, 2004 notifying Mr. Howard Brown that he is terminated effective November 5, 2004, based on inefficiency, grave misconduct in office, incompetence, willful disobedience, willful non performance inexcusable neglect of duty, misuse of DCPS property, and violations of lawful rules and orders of Superintendent.	
The Director of DCPS TANF Programs immediately establish an electronic list of students enrolled in DCPS TANF programs and provide an electronic copy of this list to the Auditor within 45 days of the date of this report.		

The Executive Director of OECD: require that DCPS officials file all overdue financial reports, perform an analysis of the reports for compliance with the MOU and other legal and regulatory requirements, and investigate immediately any unusual charges or costs. A copy of the overdue reports must be provided to the Auditor within 45 days of the date of this report; establish an effective system to monitor and review compliance with MOUs executed with DCPS to ensure that the required financial and program reports are submitted timely, as well as to ensure compliance with all other terms and conditions of the MOU.	**Letter from Barbara Ferguson Kamara, Exec. Dir., OECD, dated January 11, 2005:** Implementation completed for FY 2001 and 2002 and will continue for each year of the MOU.**THE ACTIONS TAKEN BY DHS:** OECD requested and received detailed financial reports from DCPS AfterCare for All for FY 01, 02 and 03. OECD Financial Analyst (on behalf of the CFO) reviewed and analyzed the financial reports for FY 2001 and 2002. OECD forwarded its analysis to DCPS for response to the FY 01 and FY 02 reports for review and response on October 26, 2004. OECD has received the DCPS response. A copy of OECD's report is enclosed.	

FINDING NO. 6: DCPS HEAD START PROGRAM FAILED TO PROVIDE AN ANNUAL REPORT REQUIRED BY MOU

RECOMMENDATIONS	STATUS OF IMPLEMENTATION OF RECOMMENDATIONS	EXPLANATION FOR RECOMMENDATIONS THAT HAVE NOT BEEN IMPLEMENTED
The Executive Director of OECD immediately require DCPSHS to provide an annual report detailing the expenditure of funds provided under the fiscal year 2001 and 2002 MOUs and review these annual reports to determine compliance.	**Letter from Barbara Ferguson Kamara, Exec. Dir., OECD, dated January 11, 2005:** Implementation completed for FY 2001 and 2002 and will continue for each year of the MOU. **THE ACTIONS TAKEN BY DHS**: OECD requested and received detailed financial reports from DCPS HS. DCPS HS has submitted its FY 2001 and FY 2002 annual and expenditure reports. OECD Financial Analyst (on behalf of the CFO) reviewed and analyzed the financial reports for FY 2001 and 2002 for compliance with the MOU and findings were forwarded to DCPS HS for review and response. DCPS HS has provided its response to OECD. A copy of OECD's report is enclosed.	

FINDING NO. 7: DHS CFO FAILED TO CONDUCT REVIEW OF DPR FINANCIAL RECORDS AS REQUIRED BY MOU

RECOMMENDATIONS	STATUS OF IMPLEMENTATION OF RECOMMENDATIONS	EXPLANATION FOR RECOMMENDATIONS THAT HAVE NOT BEEN IMPLEMENTED
The Executive Director of OECD require DPR to submit detailed expenditure reports for FY 2001 and FY 2002 within 45 days of the date	**Letter from Barbara Ferguson Kamara, Exec. Dir., OECD, dated January 11, 2005:** Implementation completed for 2001 and 2002 and will continue for	

of this report. Copies of these reports shall be provided to the Chairperson, Committee on Human Services, Council of the District of Columbia. Further DPR shall to submit detailed enrollment and expenditure reports for FY 2003 and FY 2004, and in future fiscal years.	each year of the MOU. **THE ACTIONS TAKEN BY DHS:** OECD requested and received the FY 2001, 2002 and 2003 reports from DPR. OECD Financial Analyst (on behalf of the CFO) reviewed and analyzed the financial reports for FY 2001 and 2002. The OECD analysis was submitted to DPR for review and response. DPR has submitted its response to OECD's findings and analysis of these reports for compliance with the MOU. A copy of OECD's report is enclosed.	
The DHS CFO provide to the Auditor, FY 2001 and FY 2002 written summaries covering reviews of DPR's financial and program records within 30 days of the date of this report. However, if such required visits have not been performed, the DHS CFO must immediately conduct a visit to review financial and other relevant records for FY 2001, FY 2002, and FY 2003. The corresponding written summaries must be submitted to the Executive Director of OECD and the Auditor within 45 days of the date of this report.	**Implementation has been completed.** OECD in collaboration with Center for Applied Research and Urban Policy at UDC has developed a cost projection model which includes tables that indicate how the model was derived and average cost per child at different levels. The report and tables indicate how the model was derived and the average cost per child at different levels including age group only, by age group and setting and by age, setting and level. It also breaks our average cost for the District of Columbia Public Schools. OECD provided a copy of model.	
The Director of DHS and the Executive Director of OECD immediately prepare a detailed cost analysis report, with justifications, which presents the average cost of providing child care services through DCPS, DCPSHS, and DPR beginning with fiscal year 2001 and provide a copy of this report to the Auditor and Chairperson, Committee on Human Services, Council of the District of Columbia, within 90 days of the date of this report.	**Implementation has been completed.** Same as recommendation 4.	

OFFICE OF THE DISTRICT OF COLUMBIA AUDITOR FISCAL YEAR 2004 REPORTS:
"EFFECTIVENESS OF THE SPECIAL NUTRITION AND COMMODITIES DISTRIBUTION PROGRAM WAS HINDERED BY LAX MANAGEMENT AND INADEQUATE OVERSIGHT BY OTHER AGENCIES"
RELEASED: SEPTEMBER 22, 2004

TOTAL RECOMMENDATIONS: 16
RECOMMENDATIONS IMPLEMENTED OR CORRECTIVE ACTIONS TAKEN: 14
RECOMMENDATIONS PARTIALLY IMPLEMENTED OR IN PROGRESS: 1
RECOMMENDATIONS NOT IMPLEMENTED: 1 (ODCA referral to OIG)

FINDING NO. 1: INEFFECTIVE LEADERSHIP AND POOR MANAGEMENT UNDERMINED THE MISSION, PURPOSE, AND EXECUTION OF SNAC RESPONSIBILITIES AND PROGRAM MANAGEMENT.
Subfinding 1: SNAC Personnel Were Not Utilized Consistent with Their Funding Source
Subfinding 2: SEO Management Failed to Adequately Justify the Actual Personnel Costs Charged to the SNAC Program
Subfinding 3: SNAC Program Was Adversely Affected by Several Factors Including Frequent Turnover, Lack of Management Continuity, and Lack of Effective, Consistent Leadership

RECOMMENDATIONS	STATUS OF IMPLEMENTING RECOMMENDATION FROM SEO	STATUS OF IMPLEMENTING RECOMMENDATION FROM OCP AND OFRM
SEO management immediately take appropriate action to reclassify the personnel costs of the Administrative Assistant and Staff Assistant from the SNAC program to other appropriate funding sources within the SEO.	SEO concurs with recommendation and in Aug. 2004 requested that the CFO reclassify all fiscal year changes associated with 2 employees. Two FTE positions previously associated with these staff have been reestablished as National School Lunch Programs.	
The State Education Officer take action to ensure that, in the future, personnel costs for employees who actually perform work on behalf of the SNAC program are the only personnel costs actually charged to SNAC program funding.	SEO concurs with recommendation. Interim State Education Officer in August 2004, requested financial reclassification of 2 SNAC unit employees. Savings realized from these two positions in FY 2004 were utilized for final marketing efforts for the Summer Feeding program administered by the SNAC unit. In FY 2005, the positions have been reclassified per a restructuring led by the director of the department, and have been posted through the District's personnel system for immediate hire. These	

	two positions, a Manager for School Feeding Programs, and a Program Specialist, will enhance the programmatic staff of the department and will comply with findings from previous USDA Management Evaluations. Furthermore, it is now standard operating procedure that any request to post or fill a position within the SEO originates as an e-mail that either copies or is written by the manager each department. Finally, in the FY2006 budget process, all program managers had the opportunity to review current costs (including personnel) that were being charged to their department, and also to create planned budgets, particularly for the Schedule A and personnel costs, for the upcoming fiscal year, thereby crafting, reviewing and approving all current and planned personnel costs.	
The State Education Officer take immediate action to use the TAMIS cost allocation system or another appropriate cost allocation system to ensure that actual personnel costs are properly allocated and charged to appropriate SNAC programs and other programs within the SEO's authority. Also, a cost allocation system would be a valuable tool to effectively manage staff time usage among the various programs.	Program managers and directors approve bi-weekly TAMIS and time sheets for personnel, thereby reviewing time spent on projects and allocation to grants, where applicable. To the extent to which the agency's realignment and increase of personnel resources minimized the need for employees to share time across programs or fund sources, the need for documentation is reduced, and this task is now less burdensome for managers. Finally, the agency is prepared for the first quarterly reconciliation with OFRM to ensure that staff salaries have been properly charged and manually reclassified where appropriate.	"OFRM fully supports SEO's efforts to begin use of the TAMIS system to document the allocation of time worked by employees among SEO's programs."
The State Education Officer ensure that the SNAC program has continuous effective leadership,	The realignment of the SNAC department that has begun with the reclassification of	**OFRM:** "Of the eight SNAC positions, 2 positions—Grant Budge Analyst and Financial

appropriate resources, such as sufficient staff and appropriate training necessary for an efficient well-run SNAC program operation.	the two above referenced position and addition of a third term employee has increased SNAC programmatic personnel by almost 25%. Furthermore, the FY 2006 budget request for the SEO proposes a necessary realignment of funds to hire a fourth new programmatic position and adjust local contribution to non-personal services and training funds. This increase has been proposed to city leaders through the FY 2006 budget request, and will increase SNAC resources by over $250,000.	Clerk—are OCFO positions on OFRM's Schedule A. These positions are currently filled; however over 2-year period covered by report, they were vacant. During this time OFRM continuously provided financial services to SEO by reallocating resources under our control without compromising the service quality."
The State Education Officer take immediate action to ensure that SEO hiring practices are in compliance with applicable District personnel policies and procedures.	The SEO, along with other District agencies, goes "live" in Peoplesoft, the new Human Resources management system this week. This ensures that appropriate approvals, including agency, EOM operations staff, financial and personnel, are obtained through an automated process that reduces human error. Further, District processes have been reiterated to staff through emails and verbal conversations, and will be elaborated upon and finalized in the SEO's policies and procedures handbook, due to be issued to all employees January and followed by training on the policies and procedures.	

FINDING NO. 2: SEO MANAGEMENT AND CHOICE EXECUTIVES VIOLATED THE BPA AND CONTRACT BETWEEN THE DISTRICT OF COLUMBIA AND CHOICE
Subfinding1: SEO Failed to Procure Temporary Personnel Services in the Labor Categories Stipulated by the BPA and DCSS Contract
Subfinding 2: SEO Circumvented Personnel Hiring Rules and Paid Over $150,000 to Choice for Payroll Processing Charges and Overhead Costs
Subfinding 3: SEO Improperly Charged Contract Personnel Services Costs to Programs in Which Individuals Did Not Work
Subfinding 4: Choice Failed To Include $416,500 In Services Provided To SEO Under the Contract In Quarterly Sales Reports Filed With the District
Subfinding 5: Choice Failed to Remit $4,165 in Sales Discounts To The District For Services Provided to SEO Under the Contract

RECOMMENDATIONS	STATUS OF IMPLEMENTING RECOMMENDATION	STATUS OF IMPLEMENTING RECOMMENDATION FROM OCP AND OFRM
The State Education Officer immediately implement	The State Education Officer implemented a	

procedures to ensure that Choice invoices are adequately reviewed, approved, and charged to the budget of the proper program or division.	process by which program managers approve all charges or invoices associated with their budget through an internal approval form requiring their signature. Purchase orders will not be placed in the system, nor approved by OFRM, without this approval form. This process was instituted on August 4, 2004. Further, the use of the Choice temporary staffing has been discontinued, and the State Education Office has not incurred Choice expenditures during the Interim State Education Officer's tenure.	
The State Education Officer immediately take steps necessary to ensure that, in the future, the contract with Choice is only used to request temporary staff in accordance with the terms of the contract.	The State Education Office has discontinued the use of the Choice temporary staffing services, and has not entered into any agreements for temporary staffing through contractual services. Though the staffing realignment should meet most personnel needs, if the SEO requires additional assistance in the future, the SEO will contract with the appropriate authorities per OCP guidelines through the PASS procurement system.	
The District's Contracting Officer for the Choice, Inc.'s contract must immediately institute effective procedures to ensure that District agencies are purchasing goods and services in accordance with the contract's provisions.		OCP: "As of Dec. 27, 2004, all purchase orders will be issued through automated procurement system (PASS); and OCP will conduct a training session for all OCP employees on the issuance of delivery orders and task orders against DCSS contracts."
The Contracting Officer must investigate Choice's violation of the BPA and the contract terms and determine whether violations warrant further action.		OCP: "Upon review, Contracting Officer has determined that the contracting officers failed to follow DCMR 27, Chapter 18 by not including: a SOW that describes services, general terms, and specified period was not provided; statement that prices to the District shall be as low or lower than those charged to the supplier's most favored customer; a statement that specifies the dollar limitations for each procurement was not

		provided. Also, CO was not an OCP employee and procurements were authorized under Agency Small Purchase Auth., ref. is made to DCMR 27, Chapter 18, Section 1801."
The Contracting Officer must further investigate Choice's failure to accurately report all SEO sales transactions and take the appropriate steps to collect the applicable sales discounts.		OCP: DSCC CO is currently reviewing sales reports submitted by Choice from second quarter of 2003 through the 4th quarter 2004. If Choice failed to report sales discount to SEO, CO will send letter requested corrected submissions of all DCSS contract quarterly sales reports to ensure accurate amt. of sales discounts. On 11/1/04, OCP instituted a centralized contract tracking system which allows OCP to track IDIQ contracts.
The Chief Procurement Officer for the District must develop an effective system to monitor all DCSS contract quarterly sales reports to ensure that the District receives the accurate amount of sales discounts.		OCP: In March of 2004, DCSS met with ASMP team to discuss a system which could monitor the quarterly sales of DCSS contracts; as of 12/27/04, ASMP has advised OCP that they will implement a system in FY 05. In the interim, OCP has instituted a centralized tracking system as described above and this system will enable OCP to track all indefinite delivery/indefinite quantity contracts.
FINDING NO. 3: A SIGNIFICANT AMOUNT OF SEO TRAVEL AND TRAVEL-RELATED COSTS WERE IMPROPERLY CHARGED TO THE DISTRICT **Subfinding 1:** $20,212 In Reimbursements for Employee Travel Expenses Was Not in Compliance With District Travel Policies and Procedures **Subfinding 2:** $24,820 In Prohibited Travel and Travel-Related Services Were Purchased With The District Of Columbia Purchase Card in Direct Violation of District Procedures and Directives **Subfinding 3:** $27,399 In Travel and Travel-Related Costs Were Improperly Charged To Local Funds And To The SNAC, GEAR UP, TAG		
RECOMMENDATION	**STATUS OF IMPLEMENTING RECOMMENDATION**	**STATUS OF IMPLEMENTING RECOMMENDATION FROM OCP AND OFRM**
The State Education Officer must immediately develop and institute effective procedures to monitor the agency's compliance with travel and procurement policies and procedures.	The Interim State Education Officer has drafted revised internal travel and procurement policies and procedures per District-wide policies and best practices, and will be issuing these policies to all employees in January. Until the policies and	

	procedures are finalized, travel remains restricted for SEO employees.	
The OFRM CFO must ensure that a properly authorized "Request and Authorization for Official Travel" form is provided for all SEO travel, and that SEO employees timely submit travel expense reports with proper supporting documentation before processing travel advances and travel expense reimbursements. Additionally, the OFRM CFO must ensure that all other travel policies and procedures are adhered to before making travel expense reimbursements.		OFRM: OFRM processes the reimbursements according to the OCFO guidelines; no payments are processed unless the relevant supporting documents are attached. It should be also noted that there have been numerous inquiries into and examination of SEO travel, hence in a few instances, original receipts have been misplaced, lost, copied before being returned.
The State Education Officer must take steps to immediately cease the practice of paying travel and travel-related expenses with the District of Columbia purchase card and implement procedures to prevent future purchases of prohibited items with the purchase card.	The State Education Office's two purchase cards are centrally controlled, and no purchases can be placed against them without written documentation of such request. Only after approval by either the Interim State Education Officer or the Management Officer for the State Education Office can any charge be placed against the credit card. Travel is not an authorized expense for the purchase cards.	OFRM: OFRM concurs with recommendation.
The State Education Officer must develop and implement adequate and effective internal controls to ensure that all expenses are properly justified, authorized, and accurately recorded in SOAR. Additionally, the improperly charged expenses noted in this report should be corrected immediately.	The State Education Office underwent an internal financial review of FY 2003 and 2004 grant and local spending throughout the agency (between July 26^{th} and August 27^{th}, 2004), involving program managers in each department to appropriately identify charges that we incurred by the program or not incurred. A list of questioned or unknown charges in each department were compiled in coordination with the Office of Finance and Resource Management, and FY 2004 local funds were used to "credit" the appropriate grant accounts for those expenditures from previous fiscal years that cannot be justified as directly supporting each particular grant or program. The SEO	OFRM: OFRM processes the reimbursements according to the OCFO guidelines; no payments are processed unless the relevant supporting documents are attached. It should be also noted that there have been numerous inquiries into and examination of SEO travel, hence in a few instances, original receipts have been misplaced, lost, copied before being returned.

	is confident that discrete financial accounts for FY 2003 and FY 2004 are accurate in terms of true costs and expenditures, including charges noted in this report. Further, all program managers and directors and other interested staff have attended training and received manuals on proper expenditure processes, including District, CFO and SEO particular policies. This manual was transmitted to you as an attachment to the State Education Office's previous response.	
The improper travel and travel-related expenses identified by the Auditor in this report should be investigated by the District's Office of the Inspector General and where appropriate the State Education Officer must take appropriate steps to recover payments made for improper travel and travel-related expenses from the responsible party.	[Office of the District of Columbia Auditor has referred matter to Office of the Inspector General for further investigation.]	