



Office of the District of Columbia Auditor

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**District of Columbia Public Schools Local Schools
and Central Office Budget Process Review
Consulting Report (Report #2)
Fiscal Years 2007-2010**

September 19, 2012

Yolanda Branche, District of Columbia Auditor



Office of the District of Columbia Auditor

020:12:LP:VJ:cm

September 19, 2012

The Honorable Phil Mendelson
Chairman
Council of the District of Columbia
1350 Pennsylvania Avenue NW, Suite 402
Washington, D.C. 20004

RE: Financial and Budgetary Analysis of District of Columbia Public Schools

Dear Chairman Mendelson:

Pursuant to the Fiscal Year (FY) 2011 Committee of the Whole of the Council of the District of Columbia budget recommendations, \$250,000 was transferred from the District of Columbia Public School's (DCPS) general budget to the District of Columbia Auditor for the purpose of an audit of DCPS' budget and expenditures in FY 2010. On June 1, 2011, the Office of the D.C. Auditor (ODCA) entered into a contract with Clifton Gunderson, LLP¹ (Contractor) to perform the audit.

The audit objectives were to determine:

- whether identified expenses were recorded properly and accurately;
- the basis and methodology for specific budget allocations; and
- the effectiveness and efficiency of DCPS officials in the development, management and oversight of specific budgets and related allocations approved by the Council of the District of Columbia.

The Contractor provided ODCA with two reports. The first report included an overall review of the budget process for local schools and the DCPS Central Office. The report identified changes in the DCPS budget process from FY 2007 through FY 2010, detailed weaknesses in the DCPS' budget process, and provided recommendations to improve efficiency and effectiveness. ODCA issued the first report on August 8, 2011.²

¹ Now Clifton Gunderson, LarsonAllen.

² See Auditor's report entitled, "District of Columbia Public Schools Consulting Report Local School and Central Office Budget Process Review (Report #1) (Report num: DCA172012) at www.dcauditor.org

The second report is included for your review. The objective of the second report was to test specific procedures, related to the creation, execution and monitoring of the budget for the District of Columbia Schools. The Contractor obtained budget related documents from DCPS and performed tests using those documents to determine whether the budget was created, executed and monitored in accordance with procedures described by DCPS. In conducting their evaluation, the Contractor tested specific processes and procedures for the Central Office and 15 local schools.

The following is a summary of the Contractor's key findings and recommendations.

Findings:

1. **DCPS did not provide documentation to support the per pupil allocation for FY 2009 and FY 2010 for the 15 selected schools. The Contractor was unable to determine if the local school funding was adequate to support the enrolled students.**

DCPS provided the Contractor with the Comprehensive Staffing Model (CSM) budget worksheets and District's System of Accounting and Reporting (SOAR) budget data for FY 2009 and FY 2010. The Contractor calculated a per-student allocation based on the CSM budget worksheets, and original and revised budget data to identify a correlation and rationale for how local funds were allocated to the local schools (i.e. funds issued pro rata to enrolled students, larger student populations received more funding than smaller populations.)

The Contractor noted that some schools in FY 2010 had higher enrollments but received less per- student local funding per the CSM budget worksheet calculation and revised budgets. The Contractor also noted some schools with lower enrollments received a higher per-student allocation than schools whose enrollments were higher. DCPS could not provide an explanation or documentation to support how the per-student allocation was determined.

2. **The local funds allocation identified on the CSM based worksheets for FY 2009 and FY 2010 did not agree with the original or revised budget entered into SOAR. As a result, the Contractor was unable to determine how the final local funds allocation was determined.**

The Contractor reviewed the CSM based worksheets provided by DCPS for FY 2009 and FY 2010 for the 15 selected schools and identified the local funds allocation for each school. The Contractor then compared the local funds allocation, as stated in the worksheets, to the original and revised budgets reported in SOAR.

In FY 2009 the original local fund allocation was less than the CSM allocation for 7 schools. In FY 2010 the original local fund allocation was less than the CSM allocation for 9 schools.

The Contractor was unable to reconcile the local funds allocation differences between the CSM based worksheets and SOAR for the 15 selected schools. DCPS did not perform a reconciliation between the CSM based worksheet allocations and SOAR to ensure that the actual allocations to the local schools mirrored the CSM worksheet based allocations.

3. The budget for the Central Office and local schools did not accurately reflect all operational costs. The Central Office budget included salaries of positions that support the local schools.

The Contractor was informed by DCPS that the majority of positions located in the Central Office supported local schools and the costs for these positions were part of the Central Office budget. The evaluation found that DCPS' local schools' budget was not transparent as to the actual costs incurred by the schools and Central Office. Additionally, costs not associated with the Central Office were included in the Central Office budget.

The Central Office and local schools' budget did not reflect actual costs required to support operations directly related to the Central Office. The inclusion of local school personnel costs in the Central Office budget could inherently place budgetary limitations on resources used to support "true" Central Office operations (finance, payroll), which indirectly support local schools' operations.

4. DCPS failed to adequately support and explain budgetary changes for the 15 selected local schools and Central Office for FY 2007- FY 2010.

The Contractor reviewed the original and revised budget from DCPS' budget department for FY 2007- FY 2010 for the Central Office, and FY 2009- FY 2010 for the 15 schools selected for testing. In fiscal year 2009, 7 of the 15 schools exceeded their original budget prior to a budget revision and 6 of the 15 schools exceeded their revised budget. In fiscal year 2010, 11 of the 15 schools exceeded their original budget prior to the budget revision and 5 of the 15 schools selected for testing exceeded their revised budget.

The local school budget amendments provided by DCPS were not specific to the 15 selected schools; therefore, DCPS could not support the budgetary changes for those schools. The Contractor found that DCPS' budgetary changes to the original budget were not transparent to external users of DCPS' budget.

5. Based on testing of Central Office and local schools' non payroll transactions, DCPS did not maintain documentation to support all transactions recorded in the general ledger and general ledger posting errors were not detected by the DCPS' review process.

DCPS failed to provide a vendor invoice for 158 (148 local schools and 10 Central Office) non-payroll expenditure transactions, totaling \$1,265,839.10 (\$508,062.38 local school and \$757,776.72 Central Office expenditures). During testing of non-payroll expenditure transactions the Contractor identified several general ledger posting errors.

According to DCPS, they were unable to locate vendor invoices (mainly) due to:

- Invoices for FY 2007 and FY 2008 were stored at Iron Mountain. While in storage the documents within some of the boxes were re-packed due to an accident at Iron Mountain.
- Vendor invoices for FY 2007 and FY 2008 occurred prior to DCPS' implementation of invoice imaging which allows DCPS to maintain copies of vendor invoices electronically. The invoices can now be retrieved and reviewed anytime.

DCPS could not provide an explanation for the missing invoices for FY 2009 and FY 2010.

6. Testing of payroll transactions noted employees working in a location different from the location identified in their personnel file. DCPS was unable to locate payroll documents, time sheets and personnel files.

In FY 2007 the Contractor identified 30 instances in which the employee's location as identified on the personnel record did not agree to the school location from the payroll report. In FY 2008 the Contractor identified 17 instances. In FY 2009 the Contractor identified 8 instances and in FY 2010, 4 instances were identified.

Recommendations:

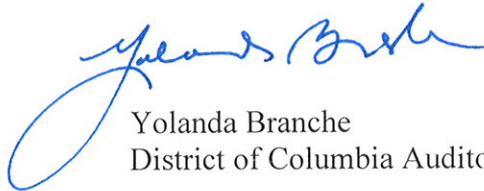
1. Policies and procedures, as they relate to the budget process, should be documented in written form. Continual evaluation of these policies and procedures should occur and all resulting changes should be documented.
2. DCPS should reconcile the differences between CSM (budget worksheet) and SOAR (final budget). This procedure should provide assurance that the final budget, which was vetted within DCPS, was accurately entered into SOAR and that each school actually received the approved allocation.
3. DCPS should allocate and include all local school operational costs to the local schools' budget. Positions that service local schools should be included in the local schools' budget. The local schools' budget should reflect all operational costs associated with the school to ensure that:
 - a) The position is adequately funded,
 - b) The principal is aware of all costs for which the principal is responsible, and
 - c) The local schools' budget is transparent.

4. DCPS should document all changes to the original budget. The documentation should ensure that the changes to the original budget are transparent as to the amount of the change, reason for the change and what department(s), local schools were impacted by the change. The documentation should be maintained in accordance with DCPS' document retention policy.
5. DCPS should maintain all documentation used to support expenditures in accordance with DCPS' document retention policy. Evidence that the invoice was reviewed and approved prior to payment disbursement should be documented.
6. DCPS should update personnel files, at least, once annually to ensure that all information is accurate. The personnel files should be maintained in accordance with DCPS' document retention policy.

ODCA provided the Deputy Mayor for Education, the Office of the State Superintendent of Education, the Chancellor of DCPS, and the Office of the Chief Financial Officer with the draft report for review. Where appropriate, comments of the Deputy Mayor for Education, the Office of the State Superintendent of Education, the Chancellor of DCPS, and the Office of the Chief Financial Officer were included in the report. Additionally, agency comments are presented in their entirety in an Appendix to the report.

Please let me know if you have questions.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Yolanda Branche', with a large, stylized loop at the bottom left.

Yolanda Branche
District of Columbia Auditor

cc: Members of the Council of the District of Columbia
Chancellor Kaya Henderson
Dr. Natwar Gandhi
Superintendent Hosanna Mahaley
Deputy Mayor De'Shawn Wright

DISTRICT OF COLUMBIA PUBLIC SCHOOLS
LOCAL SCHOOLS AND CENTRAL OFFICE BUDGET PROCESS REVIEW
CONSULTING REPORT (REPORT #2)
FISCAL YEAR 2007-2010

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CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

Consultant's Report

District of Columbia Auditor
Washington D.C.

We have concluded our engagement to perform procedures in accordance with the specifications identified in contract #OCDA 2011-02 and OCDA 2011-02 modification 1. The procedures performed were applied solely to assist you in evaluating the budget process for the District of Columbia Public Schools (DCPS). DCPS is responsible for the policies, procedures and internal controls related to the budget for the local schools and central office. We performed this engagement in accordance with Statements on Standards for Consulting Services issued by the American Institute of Certified Public Accountants. We make no representations regarding the sufficiency of the procedures performed.

We have attached observations resulting from the consulting engagement for the consideration of the District of Columbia Auditor. Our engagement to perform these procedures was conducted as a consulting services engagement. We do not express an opinion on the operations of DCPS. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We performed our procedures by obtaining, reviewing and testing budget worksheets, payroll and non payroll transactions and budget amendments for 15 local schools and the central office.

CliftonLarsonAllen LLP

Baltimore, Maryland
August 22, 2012

**DISTRICT OF COLUMBIA PUBLIC SCHOOLS
LOCAL SCHOOLS AND CENTRAL OFFICE BUDGET PROCESS REVIEW
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OBJECTIVES:

The objective of this report is to test specific procedures (actual steps performed) related to the creation, execution and monitoring of the District of Columbia Public Schools' (DCPS) budget. We obtained budget related documents from DCPS and performed tests using these documents to determine if the budget was created, executed and monitored in accordance with procedures described by DCPS.

METHODOLOGY:

To accomplish our objectives we conducted interviews with designated employees from the Office of the State Superintendent of Education (OSSE), DCPS' Office of the Chief Financial Officer (CFO) and DCPS' Office of the Chancellor in an effort to obtain an understanding of the budget methodology (referenced standards/guidance), rationale (reason why the methodology was selected) and procedures (actual steps performed) for the Central Office and local schools. See consultant report #1, dated July 23, 2012.

Based on our understanding of DCPS' budgeting process, we benchmarked their budget process to comparable school systems to determine the comparability of their budget process compared to other school systems. Our work covered the testing of DCPS' budget process for the local schools and Central Office for fiscal years 2007-2010.

The engagement objectives did not require testing the validity of system generated data provided by DCPS. Therefore, the test procedures were not designed to identify IT related controls. However, if during testing, system generated data was deemed unreliable, that conclusion and supporting documentation would be presented in this report.

Specifically, our work covered:

1. Testing specific processes and procedures for the Central Office and local schools to determine if they were implemented as described.
 - a. Test procedures were limited to 15 schools, selected by the District of Columbia Auditor as follows:
 - i. Cardozo High School
 - ii. Bell-Lincoln (Columbia Heights)
 - iii. Hyde-Addison Elementary School
 - iv. Deal Middle School
 - v. Hearst Elementary School
 - vi. Barnard Elementary School
 - vii. Coolidge High School
 - viii. Brookland Education Campus @ Bunker Hill
 - ix. Burroughs Education Campus
 - x. Amidon-Bowen Elementary School
 - xi. Brent Elementary School
 - xii. Beers Elementary School
 - xiii. Burrville Elementary School
 - xiv. Anacostia High School
 - xv. Ballou High School

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2. The following budget process and procedures were tested:

I. Allocations to the local schools:

The concept of a Comprehensive Staffing Model (CSM) was introduced for FY 2009 as the budget model for the local schools. For FYs 2009 and 2010, DCPS developed CSM based on budget worksheets to assist them with the local schools' allocation; however, the model was not fully implemented until FY 2011, as informed by DCPS. We were unable to obtain a complete understanding or documentation as to what methodology was used to determine the local funds allocations. Therefore, we utilized and tested the budget documents provided by DCPS in order to determine if the local funds allocation to the schools was adequate and reasonable.

II. Budget-to-actual expenditures analysis: 15 local schools and Central Office

We compared actual expenditures to the original approved budget and the revised budget to identify:

- a. any over-spending of budgeted resources,
- b. additional resources needed to cover expenditures which exceeded the original budget, and
- c. recording of expenditures to the general ledger without an identified budget source.

III. Budget amendments for 15 local schools and the Central Office

We reviewed changes to the original approved budget for the Central Office and 15 local schools to determine the reason for the change and if the change was supported by an approved budget amendment.

IV. Scheduled payroll and non-payroll testing for the local schools and Central Office expenditures

We selected 25 transactions from each of the 15 local schools and the Central Office. The 25 transactions consisted of payroll and non-payroll expenditures and were selected from the expenditures recorded in DCPS' financial accounting system. The tests were to determine if the transactions were supported, approved and applied to the correct budget code.

Fiscal year	Payroll Tested-Local Schools	Non-Payroll Tested- Local Schools	Non-Payroll Tested- Central Office	Total
2007	203	172	25	400
2008	180 (1)	153	25	358 (1)
2009	211	164	25	400
2010	234	141	25	400
Total	828	630	100	1,558

(1) A combined total of 375 payroll and non-payroll transactions was scheduled to be tested for each school for each fiscal year under review. Due to the lack of available payroll documents we were unable to complete payroll testing for the following schools: Barnard (8 out of 14 sampled), Brent (8 out of 20 sampled), Burroughs (10 out of 16 sampled), Cardoza (8 out of 14 sampled), Bell (8 out of 14 sampled) and Coolidge (8 out of 14 sampled).

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Benchmarking

We selected eleven comparable school districts and researched financial information. The schools were determined to be comparable with DCPS based on the systems' size, number of students, demographics and urban environment.

We were able to obtain selected financial information from the internet for all of the eleven districts and we obtained the Comprehensive Annual Financial Reports (CAFR) for nine of the districts (current CAFRs were not available for the other two districts).

The school districts selected for benchmarking to DCPS were as follows:

- Atlanta, GA
- Baltimore City, MD
- Boston, MA
- Charleston County, SC
- Cleveland, OH
- Columbia City, OH
- Howard County, MD
- Oakland, CA
- San Antonio, TX
- Seattle, WA
- Tucson, AZ

We were unable to obtain the CAFRs for Boston, MA and Charleston County, SC.

BACKGROUND:

The Chancellor is responsible for allocating resources and establishing a budget for DCPS with the assistance of DCPS' budget department. DCPS' budget department is responsible for loading the final budget into the District's System of Accounting and Reporting (SOAR), monitoring the budget-to-actual expenditures, researching and communicating budget concerns to the local schools, department Chiefs and the Chancellor.

We obtained an understanding of DCPS' budget process for local schools and Central Office and documented our understanding in report #1. This report (#2) tests DCPS' budget process as documented in report #1.

DCPS provided CSM based worksheets for FY 2009 and 2010. DCPS' budget department provided a tutorial on the CSM and how DCPS utilized the CSM to determine the local funds allocation for each of the local schools. We received a budget development guide for FY 2011-2012 and a draft budget guide for FY 2009-2010. Based on the tutorial and the budget guides, we reviewed the CSM worksheets for FY 2009 and 2010 to determine if DCPS allocated local funds for the local schools in accordance with the CSM. After we completed our testing, we were informed that while the CSM based worksheets were used, the CSM was not fully implemented for FY's 2009 and 2010.

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Budget-to-Actual (Central Office and 15 Local Schools)

DCPS' budget department is responsible for monitoring the original Congressional approved budget-to-actual expenditures, and communicating the results to local schools, department Chiefs and the Chancellor. During the year, DCPS may receive additional resources that are used to support current year expenditures. A budget amendment is prepared to adjust the original budget and allocate additional resources to DCPS' Central Office and local schools.

In an effort to increase communication with the Chancellor to ensure that budget-to-actual information was readily available, in FY 2010, DCPS began to enhance the budget monitoring process by including the following:

- a. 60 and 90 day alerts when actual expenditures may exceed the budget.
- b. Bi-weekly "Chancellor Check-in" meetings, where the Chancellor is informed about budget, teacher, service and other issues relating to the public schools.
- c. Allowing the Chancellor's office read-only access to the financial system. This allows the Chancellor to obtain financial information as needed.

Central Office Budget

DCPS informed us that the term "Central Office" may have several meanings.

There are several positions or items located in DCPS' Central Office budget that directly support the local schools. DCPS informed us that the positions or items below were part of the Central Office budget for fiscal years 2007-2010 but serviced the local schools.

- a. Self-contained special education teachers and aides
- b. Additional PK classrooms (general education and/or special education) as part of the Chancellor's initiatives or any additional special education classrooms.
- c. General education aides. Schools must submit a request via the Petition Form
- d. Head Start aides
- e. ESL Itinerant teachers
- f. Sign language interpreters
- g. School nurses
- h. Replacement textbooks and consumables for adopted texts

Reprogrammings: Central Office and Local Schools:

A detailed review of budget modifications and changes to the Congressional approved budget for local schools and Central Office is presented in report #1, provided to the District of Columbia Auditor on July 23, 2012.

Transaction Testing

For FY's 2007, 2008, 2009 and 2010, we selected a sample of non-payroll transactions for each of the 15 selected schools and the Central Office general ledger. The objective of our testing was to determine if each cost was supported by a vendor invoice and was coded to the correct budget category and line.

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For FY's 2007, 2008, 2009 and 2010, we selected a sample of employees from the 15 selected schools' payroll reports. The objective of our testing was to determine, (1) whether the employee's position and school location on the payroll report for the selected pay period agreed to the school location noted on the employee's personnel report, and (2) that the employee's timesheet was approved by an authorized approver for the school based on a report of authorized approvers (the Timekeeping Group Directory).

Benchmarking

We selected eleven comparable school districts and researched financial information. We were able to obtain selected financial information from the internet for all of the eleven districts, and we obtained the Comprehensive Annual Financial Reports (CAFR) for nine of the districts (current CAFRs were not available for the other two districts).

The school districts selected for our benchmarking to the DCPS were as follows:

- Atlanta, GA
- Baltimore City, MD
- Boston, MA
- Charleston County, SC
- Cleveland, OH
- Columbia City, OH
- Howard County, MD
- Oakland, CA
- San Antonio, TX
- Seattle, WA
- Tucson, AZ

We were unable to obtain the CAFRs for Boston, MA and Charleston County, SC. Two school jurisdictions within the group, DCPS and the Oakland, CA school district are the only districts that self-identified that they budget by student. All of the other jurisdictions either use zero-based budgeting, an adjustment to the prior year's base budget (increases for inflationary factors, adjustments for overall budget issues), or some combination of the two.

Zero-based budgeting is an approach to planning and decision-making which reverses the working process of traditional budgeting. In traditional incremental budgeting, departmental managers justify only variances versus past years, based on the assumption that the "baseline" is automatically approved. By contrast, in zero-based budgeting, every line item of the budget must be approved, rather than only changes. During the budget review process, no reference is made to the previous level of expenditure. Zero-based budgeting requires the budget request be re-evaluated thoroughly, starting from the zero-base. This process is independent of whether the total budget or specific line items are increasing or decreasing.

The Unified Per-Student Funding Formula (UPSFF) is a local funding (revenue) model that is administered by the Office of the State Superintendent of Education (OSSE), and is calculated on a weighted per-student basis. It was developed by a Technical Working Group (TWG) with the assistance of an outside consultant. This model is used to develop a recommendation of total local funding of DCPS to the Mayor. The model has not been updated, other than for inflationary changes or budget limitations, since 2007. Numerous changes have occurred over the last several years in the number of students, available funding for the schools, inflation, construction, operating costs, teachers' costs, etc. that have not been reflected in the model. As a result, the model may not reflect the true cost of educating a student in DCPS.

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DCPS has developed a costing model, based on a per-student cost to develop an expenditure budget for each school within the system. This is not the same as the OSSE model, as DCPS allocates a portion of the cost to administration and overhead.

Comparison of Expenditures per Pupil

We compared the expenditures per pupil to the selected districts and identified the following:

1. Per-pupil expenditures for 2009 ranged from a low of \$7,963 per pupil to a high of \$18,858 per pupil. DCPS was the second highest at \$16,409. Other than Boston and DCPS, all of the other districts were below \$14,650.
2. The number of students in DCPS decreased by 13,860 students between 2008 and 2009. However, the spending per student increased by \$1,814 during the same period. DCPS was the only district with a significant increase in per-student expenditures between the two years.

Comparison of Expenses

We selected 11 comparable school districts and obtained published financial information and compared the DCPS' financial data. In addition, we obtained the CAFR for nine of the eleven selected (the other two were not available). Benchmarking is difficult in many areas as different districts categorize expenses differently. For example, DCPS charges a significant amount of costs to "central support", while most of the other districts spread these costs to the individual schools. In addition, benchmarking does not reflect student scores, the quality of education, the cost of living in the particular area, etc.

Each of the models - OSSE (local revenue funding) and DCPS (costing) is based on standard cost principles. In order for the standards to be relevant the underlying assumptions must constantly be reviewed and challenged. The variables must be reviewed to determine if they are adequate and will assist in producing a reasonable outcome. The UPSFF, CSM and Central Office budget models did not appear to undergo periodic (annual - at least) review and scrutiny to determine the adequacy of the inputs used to determine the budget. The inputs for the models seemed to be based on the historical application of the model instead of the current operating budgeting environment.

Benchmarking

1. Administration and mid-level administration for the selected school districts (other than DCPS) ranged from a low of 2.20% to a high of 13.71%. DCPS was second highest at 12.39% after Baltimore City, which was at 13.71%, all of the other comparable districts' administration costs were at 8.01% or less.
2. DCPS charged 13.84% of their budget to Central support. The other school systems did not use this category or charged less than 4.5% to this area.

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RESULT OF ANALYSIS

FINDING #1

DCPS did not provide documentation to support the per pupil allocation for FYs 2009 and 2010 for the 15 selected schools. We were unable to determine if the local school funding was adequate to support the enrolled students.

DCPS provided CSM budget worksheets and SOAR budget data for FY 2009 and FY 2010. We calculated a per-student allocation based on the CSM budget worksheets, original and revised budget data in order to identify a correlation and rationale for how local funds were allocated to the local schools. (i.e. funds issued in pro rata to enrolled students, larger student populations received more funding than smaller populations.)

In FY 2010 (Table 1), Schools such as Brookland-Bunker Hill Elementary School had a higher enrollment than Amidon-Bowen Elementary School and Brent Elementary school but received less per student local funding per the CSM budget worksheet calculation, and revised budgets. The allocation for these schools was different for FY 2009 (Table 1a).

We also noted that the changes to the CSM, original per pupil and revised per pupil local funds allocation were not directly correlated to each other. For instance: Anacostia High School, the CSM allocation was less than the original allocation; the original allocation was more than the revised allocation.

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Table 1 – Fiscal Year 2010: CSM Budget Worksheet Comparative Schedule: Local Funds Per-Pupil Allocation

Table 1: Identifies the per-student local funds allocation based on the:

- CSM budget worksheet
- Original and revised budget recorded in SOAR

School Name	Student Enrollment	CSM		October 1st		Revised		Per-Pupil Cost
		Local Funds Allocation	Per-Pupil Cost Local Funds Allocation	Local Funds Allocation	Per-Pupil Cost October 1st Local Funds Allocation	Local Funds Allocation	Per-Pupil Cost Revised Local Funds Allocation	
Amidon-Bowen ES	311	\$ 2,928,613	\$ 9,417	\$ 3,349,073	\$ 10,769	\$ 2,857,499	\$ 9,188	
Barnard ES	336	2,763,510	8,225	2,299,556	6,844	2,047,565	6,094	
Beers ES	318	2,735,606	8,603	2,726,657	8,574	2,714,800	8,537	
Brent ES	255	2,399,893	9,411	1,830,537	7,179	1,803,240	7,072	
Brookland Education Campus @ Bunker Hill	417	3,608,211	8,653	3,293,319	7,898	2,942,848	7,057	
Burroughs Education Campus	307	3,132,892	10,205	2,978,838	9,703	2,942,821	9,586	
Burrville ES	323	2,675,881	8,284	2,177,314	6,741	2,250,482	6,967	
Hearst ES	188	1,777,200	9,453	1,436,368	7,640	1,597,838	8,499	
Hyde- Addison ES	233	1,932,669	8,295	1,913,211	8,211	1,754,118	7,528	
Deal MS	844	5,638,261	6,680	5,210,724	6,174	4,412,460	5,228	
Anacostia HS	940	6,357,920	6,764	6,786,753	7,220	4,844,678	5,154	
Ballou HS	1293	9,178,303	7,098	9,881,704	7,642	6,023,259	4,658	
Bell-Lincoln (Columbia Heights)	1306	8,295,933	6,352	10,271,193	7,865	7,117,356	5,450	
Cardozo HS	751	5,255,015	6,997	6,278,811	8,361	5,432,331	7,233	
Coolidge HS	604	4,485,257	7,426	4,919,683	8,145	4,168,984	6,902	

Source: CSM total allocation and student enrollment data from the - FY 2010 CSM worksheet obtained from DCPS' budget department. Original and revised budget - FM 01 (SOAR initial budget) and FM 13 (SOAR revised budget) raw data obtained from DCPS' budget department.

Table 1 – Columns

1. Student enrollment per the CSM worksheet provided by DCPS.
2. CSM worksheet local funds allocation to the schools per DCPS' budget department via SOAR
3. Per pupil costs based on the CSM worksheet local funds allocation
4. Original local funds allocation to the schools per DCPS' budget department via SOAR
5. Per pupil costs based on actual local funds allocation
6. Revised local funds allocation to the schools per DCPS' budget department via SOAR.
7. Per pupil costs based on revised local funds allocation

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Table 1a – Fiscal Year 2009: CSM Budget Worksheet Comparative Schedule: Per-Pupil Cost to Local Funds Allocation

Table 1a: Identifies the per-student local funds allocation based on the:

- CSM budget worksheet
- Original and revised budget recorded in SOAR

School Name	Student Enrollment	CSM Total Local Funds		Per-Pupil Cost		Per-Pupil Cost		Per-Pupil Cost	
		Funds Allocation	Local Funds Allocation	October 1st Local funds Allocation	October 1st Local Funds Allocation	Revised Local Funds Allocation	Revised Local Funds Allocation	Revised Local Funds Allocation	Revised Local Funds Allocation
Amidon-Bowen ES	337	\$ 3,391,786	\$ 10,065	\$ 4,096,336	\$ 12,155	\$ 2,964,620	\$ 8,797		
Barnard ES	379	3,127,687	8,252	3,316,749	8,751	2,862,234	7,552		
Beers ES	319	2,295,973	7,197	2,514,952	7,884	2,036,070	6,383		
Brent ES (*)	248	-	-	1,883,600	7,595	2,190,517	8,833		
Brookland Education Campus@ Bunkerhill	386	3,915,605	10,144	10,000	26	3,157,385	8,180		
Burroughs Education Campus	277	2,895,325	10,452	2,905,469	10,489	2,320,460	8,377		
Burrville ES	347	2,905,422	8,373	2,999,599	8,644	2,465,620	7,106		
Hearst ES	164	1,696,994	10,348	1,712,157	10,440	1,646,421	10,039		
Hyde-Addison ES	194	1,721,338	8,873	1,721,220	8,872	1,674,674	8,632		
Deal MS	559	4,644,036	8,308	3,603,831	6,447	4,439,191	7,941		
Anacostia HS	953	7,238,036	7,595	6,886,420	7,226	6,690,079	7,020		
Ballou HS	1254	11,327,593	9,033	10,313,293	8,224	10,160,008	8,102		
Bell-Lincoln (Columbia Heights)	1267	11,063,637	8,732	7,583,114	5,985	8,727,095	6,888		
Cardozo HS	817	7,337,579	8,981	6,843,094	8,376	5,660,983	6,929		
Coolidge HS	652	5,216,124	8,000	5,431,756	8,331	4,366,226	6,697		

Source:

CSM total allocation and student enrollment - FY 2009 CSM worksheet obtained from DCPS' budget department. Original and revised budget - FM 01 and FM 13 raw data obtained from DCPS' budget department.

(*) In error DCPS provided the FY 2009 CSM information for Banneker High School instead of Brent Elementary School. Brent ES was one of the 15 schools selected for testing, and was needed in order to perform the CSM analysis. We did not receive the FY 2009 information for Brent High School and was unable to determine the CSM per-pupil allocation.

(*) Brent ES enrollment information was obtained from 2008-2009 enrollment audit, Attachment 9: Summary of Residency Verification by School.

Table 1a – Columns

1. Student enrollment per the CSM worksheet provided by DCPS.
2. CSM worksheet local funds allocation to the schools per DCPS' budget department via SOAR
3. Per pupil costs based on the CSM worksheet local funds allocation
4. Original local funds allocation to the schools per DCPS' budget department via SOAR
5. Per pupil costs based on actual local funds allocation
6. Revised local funds allocation to the schools per DCPS' budget department via SOAR.
7. Per pupil costs based on revised local funds allocation

DCPS should maintain supporting documentation in order to support the validity and reliability of the budget.

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We noted that schools with a lower enrollment (Hearst ES) received a higher per-student allocation than Hyde ES whose enrollment was higher.

DCPS notified us that the CSM was not fully implemented for FY 2009 and 2010 and the per-student allocation was not reflective of the \$8,400 per-pupil minimum identified in DCPS budget development guide for school year 2011-2012.

DCPS did not provide an explanation or documentation to support how the per-student allocation was determined. DCPS was unable to support the adequacy of the local funds allocated to the schools for FY 2009 and 2010.

Recommendation #1:

Policies and procedures, as they relate to the budget process, should be documented in written form. Continual evaluation of these policies and procedures should occur and all resulting changes should be documented.

DME/DCPS' Response:

The annual budget process and accompanying calendar are managed centrally by the Office of Budget and Planning (OBP). Changes to the annual process are reviewed and communicated in writing each year by the District's leadership. Subsequently, DCPS provides written guidance for building the schools' budgets and reviews those policies and procedures annually to ensure accuracy and compliance in accordance to local and federal guidelines, while supporting the programmatic requirements and initiatives set forth by the Chancellor.

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FINDING #2

The local funds allocation identified on the CSM based worksheets for FY 2009 and FY 2010 did not agree to the original or revised budget entered into SOAR. As a result, we were unable to determine how the final local funds allocation was determined.

We reviewed the CSM based worksheets provided by DCPS for FY 2009 and FY 2010 for the 15 selected schools and identified the local funds allocation for each school. We compared the local funds allocation as stated on the worksheets to the original and revised budgets reported in SOAR.

Based on the CSM based worksheets and SOAR budget data provided by DCPS, we computed the per-pupil allocation for the 15 schools selected for testing. The local funds allocation presented in tables 2 and 2a were based on the local funds allocation identified on the FY 2009 and 2010 CSM based worksheets and SOAR budget data provided by DCPS' budget department.

CSM Total Local Funds Allocation Compared to Actual Allocation:

FY 2010 (Table 2):

Original local funds allocation was less than the CSM based worksheet allocations for 9 schools.

The revised Original local funds allocation was less than the CSM allocation for 14 schools.

FY 2009 (Table 2a):

Original local funds allocation was less than the CSM based worksheet allocations for 7 schools.

The revised Original local funds allocation was less than the CSM allocation for 14 schools.

We were unable to reconcile the local funds allocation differences between the CSM based worksheet and SOAR for the 15 selected schools. DCPS did not perform a reconciliation between the CSM based worksheet allocations and SOAR to ensure that the actual allocations to the local schools mirrored the CSM worksheet based allocations.

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Table 2 – Fiscal Year 2010: CSM Budget Worksheet Comparative Schedule: CSM Local Funds Allocation to Original and Revised Allocation

Table 2 (FY 2010): Identifies the per-student local funds allocation based on the:

- CSM budget worksheet
- Original and revised budget recorded in SOAR

School Name	Total CSM Local Funds Allocation	October 1st Local Funds Allocation	Variance - CSM Allocation to October 1st Budget	Revised Local Funds Allocation	Increase (Decrease) Funding via Revised Budget
Amidon-Bowen ES	\$ 2,928,613	\$ 3,349,073	\$ 420,460	\$ 2,857,499	\$ (71,114)
Barnard ES	2,763,510	2,299,556	(463,954)	2,047,565	(715,945)
Beers ES	2,735,606	2,726,657	(8,949)	2,714,800	(20,806)
Brent ES	2,399,893	1,830,537	(569,356)	1,803,240	(596,653)
Brookland Education Campus@ Bunker Hill	3,608,211	3,293,319	(314,892)	2,942,848	(665,363)
Burroughs Education Campus	3,132,892	2,978,838	(154,054)	2,942,821	(190,071)
Burrville ES	2,675,881	2,177,314	(498,567)	2,250,482	(425,399)
Hearst ES	1,777,200	1,436,368	(340,832)	1,597,838	(179,362)
Hyde-Addison ES	1,932,669	1,913,211	(19,458)	1,754,118	(178,551)
Deal MS	5,638,261	5,210,724	(427,537)	4,412,460	(1,225,801)
Anacostia HS	6,357,920	6,786,753	428,833	4,844,678	(1,513,242)
Ballou HS	9,178,303	9,881,704	703,401	6,023,259	(3,155,044)
Bell-Lincoln (Columbia Heights)	8,295,933	10,271,193	1,975,260	7,117,356	(1,178,577)
Cardozo HS	5,255,015	6,278,811	1,023,796	5,432,331	177,316
Coolidge HS	4,485,257	4,919,683	434,426	4,168,984	(316,273)

Source:

CSM total allocation - FY 2010 CSM worksheet obtained from DCPS' budget department. Original and revised budget - FM 01 and FM 13 raw data obtained from DCPS' budget department.

Table 2 – Columns

1. Local funds allocation per the CSM worksheet provided by DCPS.
2. Original local funds allocation to the schools per DCPS' budget department via SOAR.
3. Difference between the CSM worksheet local funds allocation and actual local funds allocation.
4. Revised local funds allocation to the schools per DCPS' budget department via SOAR.
5. Difference between the CSM local funds allocation and actual local funds allocation.

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Table 2a – Fiscal Year 2009: CSM Budget Worksheet Comparative Schedule: CSM Local Funds Allocation to Original and Revised Allocation

Table 2a (FY 2009): Identifies the per-student local funds allocation based on the

- CSM budget worksheet,
- Original and revised budget recorded in SOAR

	Total CSM	October 1st	Variance -	Revised	Increase
	Local Funds	Local Funds	CSM Allocation	Local Funds	(Decrease) Funding
	Allocation	Allocation	to October 1st	Allocation	via Revised Budget
			Budget		
Amidon-Bowen ES	\$ 3,391,786	\$ 4,096,336	\$ 704,550	\$ 2,964,620	\$ (1,131,716)
Barnard ES	3,127,687	3,316,749	189,062	2,862,234	(454,515)
Beers ES	2,295,973	2,514,952	218,979	2,036,070	(478,882)
Brent ES (*)	-	1,883,600	1,883,600	2,190,517	306,917
Brookland Education Campus @					
Bunker Hill	3,915,605	10,000	(3,905,605)	3,157,385	3,147,385
Burroughs Education Campus	2,895,325	2,905,469	10,144	2,320,460	(585,009)
Burrville ES	2,905,422	2,999,599	94,177	2,465,820	(533,779)
Hearst ES	1,696,994	1,712,157	15,163	1,646,421	(65,736)
Hyde-Addison ES	1,721,338	1,721,220	(118)	1,674,674	(46,546)
Deal MS	4,644,036	3,603,831	(1,040,205)	4,439,191	835,360
Anacostia HS	7,238,036	6,886,420	(351,616)	6,690,079	(196,341)
Balfour HS	11,327,593	10,313,293	(1,014,300)	10,160,008	(153,285)
Bell-Lincoln (Columbia Heights)	11,063,637	7,583,114	(3,480,523)	8,727,095	1,143,981
Cardozo HS	7,337,579	6,843,094	(494,485)	5,660,983	(1,182,111)
Coolidge HS	5,216,124	5,431,756	215,632	4,366,226	(1,065,530)

Source:

CSM total allocation - FY 2009 CSM worksheet obtained from DCPS' budget department. Original and revised budget - FM 01 and FM 13 raw data obtained from DCPS' budget department (FM - reflects SOAR reports).

(*) In error, DCPs did not provide the CSM data for Brent Elementary school. DCPS was notified of the error but did not provide the data.

Table 2a – Columns

1. Local funds allocation per the CSM worksheet provided by DCPS.
2. Original local funds allocation to the schools per DCPS' budget department via SOAR.
3. Difference between the CSM worksheet local funds allocation and actual local funds allocation.
4. Revised local funds allocation to the schools per DCPS' budget department via SOAR.
5. Difference between the CSM worksheet local funds allocation and actual local funds allocation.

DCPS should maintain documentation in order to support the validity and reliability of the budget.

DCPS notified us that the CSM is based on estimated staffing costs, whereas SOAR reflects the actual staffing costs. We were also informed that the difference between the CSM and SOAR may be due to the movement of staff from one school to another. DCPS did not provide documentation to reconcile the budget allocation per the worksheet to the actual budget loaded into SOAR.

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DCPS was unable to support the adequacy of the local funds allocated to the schools for FY 2009 and FY 2010.

Recommendation #2:

DCPS should reconcile the differences between CSM (budget worksheet) and SOAR (final budget). This procedure should provide assurance that the final budget, which was vetted within DCPS, was accurately entered into SOAR and that each school actually received the approved allocation.

DME/DCPS' Response:

The financial system of record for the District of Columbia is SOAR. The DCPS budget loaded in SOAR, at any given time, reflects the Council-approved budget as mandated by District law. The CSM budget worksheets are a budget development tool that DCPS uses to identify the funding provided for positions provided to schools. Schools have the opportunity to request budget changes to advance the unique needs of an individual school. Senior management reserves the right to reprogram funds as needed in accordance to District guidelines. Any changes made to the schools' budgets and the CSM budget worksheets are reflected in a consolidated reprogramming effectuated at the beginning of the fiscal year. Since SOAR is the system of record, CSM budget worksheets are no longer used after the beginning of the fiscal year and all budget adjustments are reflected and recorded in SOAR. Any reprogrammings made after the beginning of the fiscal year do not affect the bottom line of a school allocation and are recorded in SOAR.

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FINDING #3

The budget for the Central Office and local schools does not accurately reflect all operational costs. The Central Office budget includes salaries of positions that support the local schools.

We were informed by DCPS that the majority of the positions located in the Central Office supported the local schools and the costs for these positions were part of the Central Office budget.

DCPS' local schools' budget was not transparent as to the actual costs incurred by the schools and Central Office. Costs not associated with the Central Office are included in the Central Office budget.

DCPS informed us that the term "Central Office" may have several meanings, as there are several positions or items located in DCPS' Central Office budget that directly support the local schools. DCPS informed us that the positions or items below were part of the Central Office budget for fiscal years 2007-2010, but serviced the local schools.

- a. Self-contained special education teachers and aides
- b. Additional PK classrooms (general education and/or special education) as part of the Chancellor's initiatives or any additional special education classrooms
- c. General education aides. Schools must submit a request via the Petition Form
- d. Head Start aides
- e. ESL Itinerant teachers
- f. Sign language interpreters
- g. School nurses
- h. Replacement textbooks and consumables for adopted texts

These positions have been a part of DCPS' Central Office budget for years. We were not provided a reason for this budgetary decision by DCPS.

The Central Office and local schools' budget does not reflect actual costs required to support operations directly related to the Central Office. The inclusion of local school personnel costs in the Central Office budget can, inherently, place budgetary limitations on resources used to support "true" Central Office operations (finance, payroll), which indirectly support local schools' operations.

Recommendation #3:

DCPS should allocate and include all local school operational costs to the local schools' budget. Positions that service local schools should be included in the local schools' budget. The local schools' budget should reflect ALL operational costs associated with the school to ensure:

- 1. The position is adequately funded,
- 2. The principal is aware of all costs which he/she is responsible, and
- 3. The local schools budget is transparent of all costs.

DME/DCPS' Response:

DCPS cannot allocate all local school operational costs to the schools budgets. An example is fixed costs. District policy requires that all fixed costs be loaded centrally within agencies' budgets. This allows agencies like the Department of General Services and the Office of the Chief Technology Officer, who manage the District's fixed costs bills, to be able to easily transfer funds from agencies receiving these goods or services so that vendors are paid timely. Paying these vendors on time eliminates any late fees that could be incurred by the District.

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FINDING #4

DCPS failed to adequately support and explain budgetary changes for the 15 selected local schools and Central Office for FYs 2007-2010.

We received the original and revised budget from DCPS' budget department for fiscal years 2007-2010 for the Central Office, and 2009-2010 for the 15 schools selected for testing. We did not obtain budget amendments or explanation for the changes to the Central Office budget for FYs 2007-2010. We made numerous requests for the original and revised budgets for all fiscal years under review, as well as the related budget amendments. DCPS did not provide sufficient documentation to adequately address our request. Due to time constraints, we were unable to wait for the information.

Local Schools

1. For fiscal year 2009, 7 of the 15 schools selected for testing exceeded their Original budget prior to the budget revision. 6 of the 15 schools selected for testing exceeded their revised budget (Table 3).
2. For fiscal year 2010, 11 of the 15 schools selected for testing exceeded their Original budget prior to the budget revision. 5 of the 15 schools selected for testing exceeded their revised budget (Table 3a).

Central Office

1. We did not obtain budget amendments for the Central Office.
2. The Central Office exceeded its budget for FYs 2007-2010 prior to receiving a budget amendment, and FYs 2007-2009 after receiving a budget amendment (Table 3b).

In order to provide transparency of DCPS' operational activities, DCPS should maintain documentation to support the original and revised budget. The documentation should be clear, consistent and provide a cross-walk between the original and revised budget.

For the aggregate local school budget change in FY 2009, DCPS provided the following explanation:

The change in budget authority from the Approved Budget to the Revised Budget was due to the following:

- 1) The final allocation of the Title I funding to each school; and
- 2) Individual school reprogrammings.

During FY 2009 a \$44M Local Funds reprogramming was submitted and approved to support various DCPS programs and activities to include summer school, substitute teachers and school security. In addition, the local funds reprogramming redistributed local funds between schools based on final enrollment numbers. Due to this local funds reprogramming certain school's FY 2009 budgets were increased or decreased from the Original Approved Budget amount. Another major reason for increases to the above listed schools includes the final allocation of the Title I funding which was not included in any of the schools, Original Approved Budgets. Lastly, schools did reprogrammings within their school to address specific program changes during the year.

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The local school budget amendments provided by DCPS were not specific to the 15 selected schools; therefore, they could not support the budgetary changes for those schools. DCPS' explanation did not resolve:

- a. Changes to FY 2009 budget for the 15 individually selected schools,
- b. Changes to FY 2010 budget for the 15 individually selected schools or,
- c. Changes to FY 2007-2010 Central Office budget. DCPS is unable to support deviations from the original budget.

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Table 3: Local Schools – Budget-to-Actual (*) Local s – Fiscal Year 2009

		October 1 st	Revised	September 30 th	Budget-to-Actual		Budget-to-Actual
		Budget	Budget	Expenditures	Pre-Budget	Budget	Post-Budget
					Amendment	Amendment	Amendment
1	Amidon-Bowen Elementary School	\$ 3,580,481	\$ 2,964,620	\$ 2,238,626	\$ 1,341,855	\$ (615,861)	\$ 725,994
2	Anacostia High School	6,886,420	6,690,079	6,931,147	(44,727)	(196,341)	(241,068)
3	Ballou High School	10,313,293	10,130,008	10,880,756	(567,463)	(183,285)	(750,748)
4	Barnard Elementary School	3,316,749	2,862,234	2,604,819	711,930	(454,515)	257,415
5	Beers Elementary School	2,514,952	2,036,070	2,662,320	(147,368)	(478,882)	(626,250)
6	Brent Elementary School	1,883,600	2,190,517	1,990,789	(107,189)	306,917	199,728
7	Brookland Education Campus @ Bunker Hill	10,000	3,157,385	2,889,228	(2,879,228)	3,147,385	268,157
8	Burroughs Education Campus	2,905,469	2,320,460	2,678,617	226,852	(585,009)	(358,157)
9	Burrville Elementary School	2,999,599	2,465,820	2,474,669	524,930	(533,779)	(8,849)
10	Cardozo High School	6,843,094	5,320,649	6,662,047	181,047	(1,522,445)	(1,341,398)
11	Bell-Lincoln (Columbia Heights)	7,583,144	8,727,095	8,287,792	(704,648)	1,143,951	439,303
12	Coolidge High School	5,431,756	4,366,226	4,106,262	1,325,494	(1,065,530)	259,964
13	Deal Middle School	3,603,831	4,439,191	4,193,016	(589,185)	835,360	246,175
14	Hearst Elementary School	1,712,157	1,646,421	1,376,210	335,947	(65,736)	270,211
15	Hyde-Addison Elementary School	1,721,220	1,674,674	1,529,957	191,263	(46,546)	144,717

Source: Original (October 1st) and revised budget - FM 01 and FM 13 raw data obtained from DCPS' budget department (FM - reflects SOAR reports).

DCPS modified the FY 2009 original budget for the 15 selected schools. In several instances the local schools' expenditures exceeded the original budget and would require additional funding to cover the overage. After revising the budgets, 6 schools over spent their allocation of local funds.

Table 3 - Columns

1. October 1st Budget: original Budget.
2. Revised Budget: authoritative budget after changes to the original budget.
3. September 30th Expenditures: actual costs paid for operation activity.
4. Budget-to-Actual Pre-Budget Amendment: identifies budgetary shortfall or overage of the original budget, less actual expenditures.
5. Budget Amendment: the difference between the original and revised budget.
6. Budget-to-Actual Post-Budget Amendment: identifies budgetary shortfall or overage of the revised budget, less actual expenditures.

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Table 3a: Local Schools – Budget-to-Actual (*) Local Funds – Fiscal Year 2010

	October 1 st Budget	Revised Budget	September 30 th Expenditures	Budget-to-Actual Pre-Budget Amendment	Budget Amendment	Budget-to-Actual Post-Budget Amendment
1 Amidon-Bowen Elementary School	\$ 2,857,499	\$ 3,349,073	\$ 2,878,110	\$ (20,611)	\$ 491,574	\$ 470,963
2 Anacostia High School	4,844,678	6,876,753	5,551,013	(706,335)	2,032,075	1,325,740
3 Ballou High School	6,023,259	9,881,704	8,500,546	(2,477,287)	3,858,445	1,381,158
4 Barnard Elementary School	2,047,565	2,299,556	2,341,467	(293,902)	251,991	(41,911)
5 Beers Elementary School	2,714,780	2,726,657	2,802,286	(87,506)	11,877	(75,629)
6 Brent Elementary School	1,803,240	1,830,537	1,460,053	343,187	27,297	370,484
7 Brookland Education Campus @ Bunker Hill	2,924,848	3,293,319	3,177,182	(252,334)	368,471	116,137
8 Burroughs Education Campus	2,942,821	2,978,838	2,917,259	25,562	36,017	61,579
9 Burrville Elementary School	2,250,482	2,177,314	2,333,043	(82,561)	(73,168)	(155,729)
10 Cardozo High School	5,432,331	5,278,811	5,990,874	(558,543)	(153,520)	(712,063)
11 Bell-Lincoln (Columbia Heights)	7,117,356	10,271,193	6,210,540	906,816	3,153,837	4,060,653
12 Coolidge High School	4,168,984	4,919,683	4,261,983	(92,999)	750,699	657,700
13 Deal Middle School	4,412,560	5,210,724	4,636,360	(223,800)	798,164	574,364
14 Hearst Elementary School	1,597,838	1,436,368	1,450,837	147,001	(161,470)	(14,469)
15 Hyde-Addison Elementary School	1,754,118	1,913,211	1,901,111	(146,993)	159,093	12,100

Source: Original and revised budget - FM 01 and FM 13 raw data obtained from DCPS' budget department (FM - reflects SOAR reports).

DCPS modified the FY 2010 original budget for the 15 selected schools. In several instances the local schools' expenditures exceeded the original budget and would require additional funding to cover the overage. After revising the budgets, 5 schools over spent their allocation of local funds.

Table 3a - Columns

1. October 1st Budget: original budget.
2. Revised Budget: authoritative budget after changes to the original budget.
3. September 30th Expenditures: actual costs paid for operations.
4. Budget-to-Actual Pre-Budget Amendment: identifies budgetary shortfall or overage of the original budget, less actual expenditures.
5. Budget Amendment: the difference between the original and revised budget.
6. Budget-to-Actual Post-Budget Amendment: identifies budgetary shortfall or overage of the revised budget, less actual expenditures.

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Table 3b: Central Office Original and Revised Budget-to-Actual: Local Funds (Finding #5)

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
October 1st Budget (*)	\$166,214,227	\$150,572,723	\$383,808,664	\$406,609,869
Revised Budget	186,397,896	184,288,319	454,594,212	423,158,388
September 30th Expenditures	183,597,754	196,420,567	467,326,980	435,295,650
Budget-to-Actual Pre-Budget Amendment	(17,383,527)	(45,847,844)	(83,518,316)	(28,685,781)
Total Budget Amendment	20,183,669	33,715,596	70,785,548	16,548,519
Budget-to-Actual Post-Budget Amendment	2,800,142	(12,132,248)	(12,732,768)	(12,137,262)

Source: Original and revised budget - FM 01 and FM 13 raw data obtained from DCPS' budget department (FM - reflects SOAR reports).

DCPS modified the FYs 2007- 2010 original budget for the Central Office. Each year, the Central Office expenditures exceeded the original budget and would require additional funding to cover the overage. After revising the budgets, the Central Office over spent their allocation of local funds for FYs 2007-2009.

Table 3b - Rows

1. October 1st Budget: original budget.
2. Revised Budget: authoritative budget after changes to the original budget.
3. September 30th Expenditures: actual costs paid for operations.
4. Budget-to-Actual Pre-Budget Amendment: identifies budgetary shortfall or overage of the original budget, less actual expenditures.
5. Budget Amendment: the difference between the original and revised budget.
6. Budget-to-Actual Post-Budget Amendment: identifies budgetary shortfall or overage of the revised budget, less actual expenditures.

DCPS' budgetary changes to the original budget were not transparent to external users of DCPS' budget.

Recommendation #4:

DCPS should document all changes to the original budget. The documentation should ensure that the changes to the original budget are transparent as to the amount of the change, reason for the change and what department(s), local schools, etc. were impacted by the change. The documentation should be maintained in accordance with DCPS' retention policy.

DME/DCPS' Response:

DCPS documents all changes to the original budget in accordance with the District's reprogramming and budget modification policies and laws. These policies and laws address threshold amounts by funding source. These budget changes also follow the citywide policy issued by the Office of Budget and Planning (OBP).

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Along with providing the amount of the reprogramming request, the following questions must be answered:

- Why are the funds needed?
- Is this a reprogramming to restore a budget cut authorized by the Mayor and/or Council?
- How will the funds be reprogrammed?
- Why are the funds available?
- What hardship will the District face if the action is postponed until the subsequent fiscal year?
- What programs, services or other purchases will be delayed as a result of the action, and the impact on the program or agency?

For budget modifications, documentation such as a signed Grant Agreement or MOU must be included in the request before funds can be modified in SOAR.

In addition, DCPS/OCFO maintains an electronic tracking log used to transmit information to the City Council once a year. The log contains the following information:

- Date of Request
- Appropriated Funds Type
- Grant number (if applicable)
- Funds Detail /Description
- Budget Analyst
- Department requesting reprogramming or budget modification
- Date sent to OBP
- Date entered into SOAR
- SOAR Document number
- Amount
- Reason for reprogramming or budget modification

Documents are currently stored per the current DCPS retention policy.

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FINDING #5

Based on our testing of Central Office and local schools' non payroll transactions, we noted that DCPS did not maintain documentation to support transactions recorded in the general ledger and general ledger posting errors were not detected by DCPS' review process.

1. DCPS failed to provide a vendor invoice for 158 (148 local schools and 10 Central Office) non-payroll expenditure transactions, totaling \$1,265,839.10 (\$508,062.38 local school and \$757,776.72 Central Office expenditures).

Included as unsupported non-payroll expenditure transactions were transactions with a government issued American Express credit card which were not supported by a vendor receipt. DCPS provided the American Express credit card reconciliation instead of the actual vendor statement; therefore, we were unable to identify the items purchased with the credit card. DCPS did not provide an explanation related to the location of the invoices used to complete the American Express credit card reconciliation. Refer below for details.

Local Schools:

- a. FY 2007: Our sample size was 172 non-payroll expenditure transactions. We requested but did not obtain supporting documentation for 51 expenditure transactions totaling \$149,766.88.
- b. FY 2008: Our sample size was 153 non-payroll expenditure transactions. We requested but did not obtain supporting documentation for 30 expenditure transactions totaling \$73,940.77.
- c. FY 2009: Our sample size was 164 non-payroll expenditure transactions.
 - I. There were 2 expenditure transactions for payments to American Express credit card in which we noted that there was no description on the voucher or supporting documentation describing what was purchased. The two purchases totaled \$74,860.50.
 - II. We requested, but did not obtain, vendor invoices for 3 transactions totaling \$19,310.32.
- d. FY 2010: Our sample size was 141 non-payroll expenditure transactions.
 - I. We requested, but did not obtain, vendor invoices for 3 transactions, totaling \$17,423.25.
 - II. There were 59 expenditure transactions for American Express credit card in which we noted that there was no description on the voucher or supporting documentation describing what was purchased. The purchases totaled \$192,071.63.

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Central Office:

- a. FY 2007: Our sample size was 25 non-payroll expenditure transactions. No findings noted.
 - b. FY 2008: Our sample size was 25 non-payroll expenditure transactions. No findings noted.
 - c. FY 2009: Our sample size was 25 non-payroll expenditure transactions. We requested, but did not obtain, supporting documentation for 5 transactions totaling \$752,979.43.
 - d. FY 2010: Our sample size was 25 non-payroll expenditure transactions.
 - I. There was 1 transaction for American Express credit card for hardware acquisition. We noted that there was no description on the voucher or supporting documentation describing what was purchased. The purchase totaled \$799.50.
 - II. We obtained an accounting event record inquiry from DCPS but did not obtain the actual vendor invoice for 4 invoices, totaling \$3,997.79.
2. During our testing of non-payroll expenditure transactions we identified several general ledger posting errors.

Local Schools:

FY 2009:

- a. Two transactions appeared to be charged to the wrong accounts totaling \$1,313.75.
 - I. Black printer cartridge was charged to purchases - equipment (\$790).
 - II. Professional development was charged to textbooks (\$523.75).
- b. One invoice amount did not agree to the general ledger detail provided by DCPS. The difference totaled \$657.31. The amount charged to the general ledger was less than the invoice.

FY 2010:

There were 14 invoices that did not agree to the general ledger detail provided by DCPS. The difference totaled \$192,087.44. In all but one instance the amount charged to the general ledger was less than the invoice. In the one instance the general ledger was charged more than the invoice by \$13.57.

Central Office:

FY 2008:

- a. Two AccuCut 30 slot laminate die storage cases were charged to textbooks, (\$154.14).
- b. Four transactions appeared to be charged to the wrong accounts totaling \$7,831.40.
 - i. Two were conference registrations charged to travel (\$1,350);
 - ii. A planner was charged to textbooks (\$481.40), and
 - iii. A site license was charged to supplies (\$6,000).

FY 2009

- a. Two invoices varied from the general ledger by \$2,789.23.
 - i. In one instance the amount charged to the general ledger was less than the invoice by \$2,876.79.
 - ii. The other instance, the amount charged to the general ledger exceeded the invoice by \$87.56.

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DCPS should ensure that all expenditures are supported by adequate documentation (original vendor invoice, credit card receipt, internet payment confirmation, etc.) to provide evidence that the expenditure occurred, was authorized in accordance to the budget and/or program requirements, and ensures the accuracy of general posting.

According to DCPS' Controller, DCPS was unable to locate vendor invoices (mainly) due to:

- a. Vendor invoices for FY 2007 and 2008 were stored at Iron Mountain. While in storage the documents within some of the boxes were re-packed due to an accident at Iron Mountain.
- b. Vendor invoices for FY 2007 and 2008 (partial) occurred prior to DCPS' implementation of invoice imaging which allows DCPS to maintain copies of vendor invoices electronically. The invoices may be retrieved and reviewed anytime.
- c. DCPS did not provide an explanation for the missing invoices for FY 2009 and 2010.

DCPS is unable to support all paid expenditures recorded in the general ledger. DCPS' review process did not identify general ledger posting errors.

Recommendation #5:

DCPS should maintain all documentation used to support expenditures in accordance with DCPS' retention policy. Evidence that the invoice was reviewed and approved prior to payment disbursement should be documented.

DME/DCPS' Response:

DCPS currently maintains documentation in accordance with the District-wide document retention guidelines. Additionally, in 2009 DCPS rolled out an electronic document retention process which streamlined and simplified the document retention policy. By 2010, per the electronic document retention policy, whereby as each voucher is paid all supporting documentation is scanned and stored electronically, DCPS's ability to retrieve documents was vastly improved, and thus reducing audit findings related to document retention.

The issues we noted related to the re-packing of the 2007 and 2008 documents stored off site impacted our ability to locate the invoices and did not translate into a violation on adhering with the document retention guidelines. It should be noted that for the 80 invoices noted as not being provided, the DC Auditor contractor requested DCPS provide the population of re-packed boxes for them to locate the missing invoices, however once these boxes were brought on site DCPS was informed that due to a resource and time limitation, the DC Auditor contractor was unable to complete this task.

Consultant's Additional Clarifying Points:

All payroll and non-payroll transaction testing was completed by March 2012 with the test results communicated to DCPS' controller via email. The testing for FYs 2009 and 2010 was completed by September 2011; the transaction testing for FYs 2007 and 2008 was completed by March 2012. DCPS did not provide additional information or documentation to address the identified concerns resulting from our testing; therefore, a finding was reported.

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FINDING #6

During our testing of payroll transactions we noted that employees were working in a location different from the location identified in their personnel file and DCPS was unable to locate payroll documents, time sheets and personnel files.

FY 2007

Our sample size was 203 payroll transactions for the 15 test schools selected for testing.

1. There were 30 instances in which the employee's location as identified on the personnel record did not agree to the school location from the payroll report.
2. We noted one employee who could not be located in CAPPS.

FY 2008

Our sample size was 180 payroll transactions for the 15 test schools selected for testing.

1. We were informed that the storage boxes containing 2008 payroll documents were returned to storage prior to testing. This resulted in limited payroll information available for 6 of the 15 schools selected for testing.
2. There were 17 instances in which the employee's location as identified on the personnel record did not agree to the school location from the payroll report.
3. DCPS did not provide a CAPPS payroll register and personnel record for 4 employees.
4. The job class and code was different from the data reported on the approved timesheet for 5 employees.

FY 2009

Our sample size was 211 payroll transactions for the 15 test schools selected for testing.

1. During FY 2009, DCPS converted from a paper timesheet reporting system (CAPPS) to a paperless timesheet recordkeeping system (PeopleSoft).
2. One employee's personnel record could not be located.
3. There were 8 instances in which the employee's location as identified on the personnel record did not agree to the school location from the payroll report. We noted 1 employee whose position as identified on the payroll report did not agree to the employee's personnel record.
4. We noted 17 instances in which the approver stated that the employee's timesheet was not on the approvers' employee listing for that school location.
5. For 11 payroll transactions, there was no timesheet located in the PeopleSoft time reporting system. DCPS stated that these timesheets were for summer pay to teachers who elected a 12-month instead of a 10-month pay option. DCPS accrued the teacher's salary over 10-months, but pays the salary based on a 12-month schedule. For these types of payroll transactions no timesheet is needed.

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FY 2010

Our sample size was 234 payroll transactions for the 15 test schools selected for testing.

1. In FY 2010, the DCPS timesheet reporting system was performed using PeopleSoft, a paperless system. This system provides easier access to payroll data.
2. There was 1 employee's personnel record that could not be located.
3. There were 4 instances in which the employee's location as identified on the personnel record did not agree to the school location from the payroll report. In 2 of these cases, the approver of the timesheet was noted to be from the school identified from the employee's personnel records.
4. We noted 43 instances in which there was no approval noted for the employee's timesheet.
5. There were 4 instances in which the approver noted for the timesheet hours was not on the listing of approvers for school locations (the Timekeeping Group Directory).
6. For 29 payroll transactions, there was no timesheet located in the PeopleSoft time reporting system.

Employees' personnel files should be updated to reflect the current status of the employee to prevent payroll, demographics and other reporting errors. DCPS did not provide an explanation for the concerns identified during testing. DCPS' internal controls over monitoring employee statistics, local schools payroll expenditures and other employee data may not be effective if personnel records are not maintained and/or accurate.

Recommendation #6:

DCPS should update personnel files at least annually to ensure that all information is accurate. The personnel files should be maintained in accordance with DCPS' retention policy.

DME/DCPS' Response:

DCPS does not concur with the recommendation. In 2008, the DCPS Human Resources Department conducted a massive cleanup of its employee's personnel files and implemented the FileNet system, which is still used to maintain all employee personnel files. With the implementation of FileNet all employee personnel files were scanned and maintained both electronically as well as in hardcopy form. Maintaining employee personnel files electronically in FileNet allows for increased file storage, easier document retrieval and meets document retention requirements.

At no time during this engagement did the auditors advise DCPS of missing employee personnel documents or request clarity around the multiple personnel action forms maintained in an employee's personnel file. Had they done so, the DCPS Human Resources Department would have taken immediate action to search FileNet to retrieve the needed personnel documents as well as to provide clarity and understanding of the documents for the auditors.

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Consultant's Additional Clarifying Points:

We reported all payroll concerns identified during testing to DCPS' designated engagement liaison, DCPS' controller. We informed DCPS of the payroll test results for FYs 2009 and 2010 on September 22, 2011, and FYs 2007 and 2008 on March 20, 2012. DCPS did not provide additional information or documentation to address the identified concerns; therefore, a finding was reported.

Appendix

Agency comments to Clifton Gunderson, LLP's draft report entitled, "District of Columbia Public Schools Local Schools and Central Office Budget Process Review Consulting Report (Report #2) Fiscal Years 2007-2010."

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Deputy Mayor for Education

De'Shawn Wright
Deputy Mayor for Education



July 19, 2012,

Ms. Yolanda Branche
District of Columbia Auditor
717 14th St, N.W., Suite 900
Washington, DC 20005

Dear Ms. Branche,

Please find combined responses from the Deputy Mayor of Education (DME) and the District of Columbia Public Schools (DCPS) to the draft report entitled, "District of Columbia Public Schools Consulting Report Local School and Central office Budget Process Review (Report #2)."

Recommendation #1:

Policies and procedures, as they relate to the budget process, should be documented in written form. Continual evaluation of these policies and procedures should occur and all resulting changes should be documented.

Response:

The annual budget process and accompanying calendar are managed centrally by the Office of Budget and Planning (OBP). Changes to the annual process are reviewed and communicated in writing each year by the District's leadership. Subsequently, DCPS provides written guidance for building the schools' budgets and reviews those policies and procedures annually to ensure accuracy and compliance in accordance to local and federal guidelines, while supporting the programmatic requirements and initiatives set forth by the Chancellor.

Recommendation #2:

DCPS should reconcile the differences between CSM (budget worksheet) and SOAR (final budget). This procedure should provide assurance that the final budget, which was vetted within DCPS, was accurately entered into SOAR and that each school actually received the approved allocation.

Response:

The financial system of record for the District of Columbia is SOAR. The DCPS budget loaded in SOAR, at any given time, reflects the Council-approved budget as mandated by District law. The CSM

budget worksheets are a budget development tool that DCPS uses to identify the funding provided for positions provided to schools. Schools have the opportunity to request budget changes to advance the unique needs of an individual school. Senior management reserves the right to reprogram funds as needed in accordance to District guidelines. Any changes made to the schools' budgets and the CSM budget worksheets are reflected in a consolidated reprogramming effectuated at the beginning of the fiscal year. Since SOAR is the system of record, CSM budget worksheets are no longer used after the beginning of the fiscal year and all budget adjustments are reflected and recorded in SOAR. Any reprogrammings made after the beginning of the fiscal year do not affect the bottom line of a school allocation and are recorded in SOAR.

Recommendation #3:

DCPS should allocate and include all local school operational costs to the local schools' budget. Positions that service local schools should be included in the local schools' budget. The local schools' budget should reflect ALL operational costs associated with the school to ensure: 1. The position is adequately funded, 2. The principal is aware of all costs which he/she is responsible for, and 3. The local schools budget is transparent of all cost.

Response:

DCPS cannot allocate all local school operational costs to the schools budgets. An example is fixed costs. District policy requires that all fixed costs be loaded centrally within agencies' budgets. This allows agencies like the Department of General Services and the Office of the Chief Technology Officer, who manage the District's fixed costs bills, to be able to easily transfer funds from agencies receiving these goods or services so that vendors are paid timely. Paying these vendors on time eliminates any late fees that could be incurred by the District.

Recommendation #4:

DCPS should document all changes to the original budget. The documentation should ensure that the changes to the original budget are transparent as to the amount of the change, reason for the change and what department(s), local school, etc were impacted by the change. The documentation should be maintained in accordance with DCPS' retention policy.

Response:

DCPS documents all changes to the original budget in accordance with the District's reprogramming and budget modification policies and laws. These policies and laws address threshold amounts by funding source. These budget changes also follow the citywide policy issued by the Office of Budget and Planning (OBP). Along with providing the amount of the reprogramming request, the following questions must be answered:

- Why are the funds needed?
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For budget modifications, documentation such as a signed Grant Agreement or MOU must be included in the request before funds can be modified in SOAR.

In addition, DCPS/OCFO maintains an electronic tracking log used to transmit information to the City Council once a year. The log contains the following information:

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Response:

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Recommendation #6:

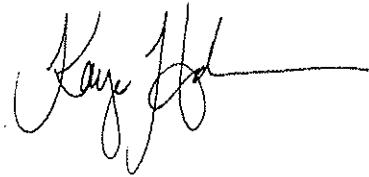
DCPS should update personnel files, at least once annually to ensure that all information is accurate. The personnel files should be maintained in accordance with DCPS' retention policy.

Response:

DCPS does not concur with the recommendation. In 2008, the DCPS Human Resources Department conducted a massive cleanup of its employee's personnel files and implemented the FileNet system, which is still used to maintain all employee personnel files. With the implementation of FileNet all employee personnel files were scanned and maintained both electronically as well as in hardcopy form. Maintaining employee personnel files electronically in FileNet allows for increased file storage, easier document retrieval and meets document retention requirements.

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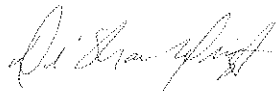
Sincerely,

A handwritten signature in black ink, appearing to read "Kaya Henderson", followed by a horizontal line.

Kaya Henderson

Chancellor, DCPS

Sincerely,

A handwritten signature in black ink, appearing to read "De'Shawn Wright", followed by a horizontal line.

De'Shawn Wright
Deputy Mayor