

Audit of the District of Columbia Public Schools' Administration of the Safe Schools Grant

AUDIT REPORT

Control Number: 03-70001
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NOTICE

This draft of a proposed Office of Inspector General report is being made available for review and comment by officials having management responsibility for the matters discussed. This report should not be considered final as it is subject to further review and revision. Please safeguard it against unauthorized use.



U.S. DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL
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ATTACHMENT

EXECUTIVE SUMMARY

The District of Columbia (the District) was designated by the Safe Schools Act of 1994 (The Act) as a National Model City to carry out a comprehensive program to address school and youth violence. To conduct the program the District of Columbia Public Schools (DCPS) was awarded a \$1,000,000 grant, as directed by The Act. The grant period was from November 14, 1994 to October 31, 1996.

The DCPS Safe Schools Initiative (Safe Schools) involved six schools in the District's Marshall Heights neighborhood. The six schools were: Nalle Elementary, Richardson Elementary, Shadd Elementary, Fletcher-Johnson K-9, Evans Junior High, and H. D. Woodson Senior High.

During the grant period DCPS received \$773,443 of the \$1,000,000 and expended approximately \$763,833. Our audit covered the entire grant period.

Our audit disclosed significant management control weaknesses and mismanagement of the grant funds. As a result of the audit, we have determined \$74,337 in unallowable costs, \$4,200 in questioned costs, \$5,480 in unsupported costs, \$117,024 in supplanted grant funds, and unexpended drawdowns of \$9,610. Also, DCPS does not have an accounting policies and procedures manual.

UNALLOWABLE COSTS

- \$17,135 - Stipend payments were paid to the two Community Liaisons in addition to their regular salaries. This was done because DCPS promised the individuals the salary that was included in the Memorandum of Agreement (MOA) between the U. S. Department of Education (ED) and DCPS, which defined the terms and conditions of the grant. The individuals hired for these positions did not qualify for this salary according to the District personnel guidelines.
- \$27,538 - Two individuals were hired as Educational Aides and paid from grant funds, however, the MOA did not include any Educational Aide positions. Also, approval was not requested or given by the U. S. Department of Education\Office of Elementary and Secondary Education\Safe and Drug Free Schools Division (ED\OESE) to hire these individuals as employees under the grant.
- \$14,414 - Grant funds were used for stipend payments to staff members who were working on a project that was not a Safe Schools project. It was noted during our review of stipend payments that DCPS does not have written stipend processing policies and procedures, and no documentation is required to be submitted when a stipend payment is requested.
- \$14,750 - Expenditures that were charged to the grant for a DCPS Project that was not part of the Safe Schools Initiative. The project, entitled Project Daisy, was an

intervention program for students prenatally exposed to drugs. Project Daisy had its' own funding source. The Project Daisy expenditures included \$9,750 for transportation costs and \$5,000 for consulting services.

- ĩ \$500 - Grant funds were used to pay a stipend to an individual performing a graduate school internship. The stipend payment should not have been paid from grant funds, as this was not an approved expenditure.

QUESTIONED COSTS

- ĩ \$4,200 - Grant funds were used to pay for consultant services, which in our opinion, do not appear to be related to the Safe Schools Initiative. We are questioning \$1,500 in stipend payments made to one consultant for services that we could not determine were provided for grant related activities, and \$2,700 in payments made to another consultant for services rendered for observation and evaluation of training offered to DCPS by an outside agency.

UNSUPPORTED COSTS

- ĩ \$5,030 - Expenditures paid from DCPS's Imprest Fund for which adequate supporting documentation was not available. During our review of these expenditures we noted that DCPS does not have written policies and procedures for the processing of Imprest Fund payments.
- ĩ \$450 - Five individuals were paid stipend payments for which we could not determine the purpose for the payments. Supporting documentation for these expenditures was not available.

UNEXPENDED DRAWDOWNS

- ĩ \$9,610 - DCPS drewdown \$773,443 in grant funds and expended \$763,833, thereby having unexpended grant funds. A probable cause for the unexpended funds appears to be that the expenditure records were not accurate.

SUPPLANTING

- ĩ \$117,024 - DCPS used grant funds to pay for conflict management training that was provided to the entire school system and was being provided prior to the Safe Schools grant being awarded. In our opinion, it appears that DCPS needed funds to pay for these services and used the grant funds.

RECOMMENDATIONS:

We recommend that ED\OESE require DCPS to:

- (1) Refund the \$74,337 in unallowable costs;
- (2) Refund the \$4,200 in questioned costs or provide documentation to show that these expenditures are for services provided for grant related activities;
- (3) Refund the \$5,480 in unsupported costs or provide adequate documentation to show that these expenditures are reasonable and allowable grant expenditures;
- (4) Refund the \$9,610 in unexpended funds;
- (5) Refund the \$117,024 used to supplant other DCPS funds, and establish procedures to ensure that funds designated for specific programs or purposes are not used to supplant other funds;
- (6) Develop written stipend processing policies and procedures, perform periodic reviews to assure that employees are being paid stipends for allowable purposes, and maintain adequate supporting documentation with each stipend payment request;
- (7) Develop written Imprest Fund payment policies and procedures; and
- (8) Develop and maintain an accounting policies and procedures manual.

Auditee Response:

In its' response to our draft of this report, DCPS concurred with our findings and recommendations to repay \$500 in unallowable costs relating to the intern stipend payment, \$1,500 in questionable costs relating to a consultant's stipend payment, \$5,480 in unsupported costs relating to stipend and imprest fund payments, and \$9,610 relating to the unexpended drawdown of funds; partially concurred with \$19,414 in unallowable costs relating to Project Daisy and the Safe Start Violence Prevention Project, \$117,024 relating to supplanting, and \$2,700 in questionable costs relating to consultant payments; and did not concur with \$54,423 in unallowable costs relating to the employee stipend payments, the Educational Aides salaries, and the transportation costs relating to the Project Daisy expenditures.

DCPS also did not concur with our finding relating to the accounting policies and procedures manual.

Our findings and recommendations did not substantially change from the draft report. We generally disagreed with DCPS' positions on which they did not concur or partially concurred with our findings

and recommendations.

BACKGROUND

The District of Columbia (the District) was designated by the Safe Schools Act of 1994 as a National Model City to carry out a comprehensive program to address school and youth violence. The Act also directed the U. S. Department of Education (ED) to give the District \$1,000,000 to conduct the program.

The program was conducted by the District of Columbia Public School's (DCPS) Center for Systemic Educational Change (CSEC)¹. A cooperative agreement, titled Memorandum of Agreement (MOA), was established between ED and DCPS. The MOA defined the terms and conditions, including budgetary amounts, under which DCPS was to carry out the program. The period of performance initially was from November 14, 1994 to April 30, 1996, however, DCPS requested and was granted a six month no-cost extension. The period of performance was extended to October 31, 1996.

The DCPS Safe Schools Initiative (Safe Schools) involved six schools in the Marshall Heights neighborhood of the District. These Safe Schools were -- Nalle Elementary, Richardson Elementary, Shadd Elementary, Fletcher-Johnson K-9, Evans Junior High, and H. D. Woodson Senior High.

DCPS received \$773,443 of the \$1,000,000, and obligated and expended approximately \$763,833.

AUDIT SCOPE AND METHODOLOGY

The objective of our audit was to determine whether the expenditures made from the grant funds were reasonable, allowable, and allocable. The audit covered the entire period of the grant, from November, 1994 to October, 1996.

To accomplish our audit objective, we reviewed DCPS's accounting and program records, personnel records, canceled checks, vendor contracts, the Single Audit Report for the period ended September 30, 1995, and DCPS internal audit reports. We also interviewed DCPS officials and vendors. The CSEC provided us with a list of expenditures for the audit period, which included 84 separate expenditures, totaling \$776,439². We judgementally selected 26 of these expenditures for review, totaling \$410,571 [53%]. We also reviewed two expenditures that were charged to Safe Schools

¹ The CSEC is now the Office of the Chief Academic Officer.

² The CSEC expenditure list included some expenditures that were not paid and did not include some that were paid from grant funds, and therefore did not accurately reflect the total Safe Schools grant expenditures. The actual amount expended is detailed above.

grant funding, but were not included on the CSEC expenditure list. The expenditures totaled \$26,370.

We conducted our fieldwork at the auditee's offices in Washington, D.C. from November 19, 1996 to June 4, 1997.

We conducted the audit in accordance with government auditing standards appropriate to the scope of review described above.

S STATEMENT ON MANAGEMENT CONTROLS

As part of our review we assessed the system of management controls, policies, and procedures, and practices applicable to DCPS's administration of the Safe Schools Initiative. Our assessment was performed to determine the level of control risk for determining the nature, timing, and extent of our substantive tests to accomplish the audit objective.

For the purposes of this report, we assessed and classified the significant controls into the following categories:

- , General Control Environment;
- , Record keeping; and
- , Disbursement of Grant Funds.

Because of inherent limitations, a study and evaluation made for the limited purposes described above would not necessarily disclose all material weaknesses in the management controls. However, our assessment disclosed significant management control weaknesses which adversely affected DCPS's ability to administer the Safe Schools program. These weaknesses included deficient file maintenance [Findings No. 4, 5, & 6], outdated and nonexistent written procedures [Findings No. 1, 3, 4, 5, & 9, and Other Matters], and management's circumvention of policies and procedures [Findings No. 1, 2, 3, & 4].

In our opinion, the management controls reviewed were inadequate and were a significant factor in allowing unallowable and questionable expenditures to be made from grant funds. As stated in 34 CFR 80.20(3), "Effective control and accountability **must** be maintained for all grant cash...." [emphasis added]. These weaknesses and their effects are fully discussed in the **AUDIT RESULTS** section of this report.

AUDIT RESULTS

The results of our review of the Safe Schools grant expenditures disclosed that the majority of the expenditures paid from grant funds were not reasonable, allowable, and allocable grant expenditures.

FINDING NO. 1 - EMPLOYEE SALARIES WERE SUBSIDIZED BY STIPEND PAYMENTS

Two employees, who were the Community Liaisons for the Safe Schools Initiative, were paid both a salary and stipend payments. During the grant period the two employees received a total of \$17,135 in stipend payments, in addition to their salaries.

The Safe Schools Initiative Memorandum of Agreement (MOA) included a budgeted salary amount of \$35,000 for each Community Liaison position. When the two individuals were hired, neither met the District's qualifications to be paid a salary of \$35,000. One individual was hired and paid a salary of \$21,060, and the other was hired and paid a salary of \$26,000. DCPS officials informed us that the employees were paid stipends because they were promised the \$35,000 salary by the Safe Schools Project Director, and the stipend payments were used to make up the difference between their "official" salaries and the \$35,000 they were promised. One employee received stipend payments totaling \$14,028, and the other received payments totaling \$3,107.

DCPS should not have paid the two employees stipends to supplement their salaries. Even though the MOA allocated \$35,000 for the positions, if the individuals did not qualify for this salary, they should only have been paid the salary that they qualified for. Federal regulation 34 CFR 80.20 (a) states that "A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds....". DCPS should have followed their own policy and only paid the employees what they were qualified to receive.

Also, DCPS did not request or obtain permission to supplement the Community Liaisons salaries with stipend payments from the U.S. Department of Education\Office of Elementary and Secondary Education\Safe and Drug Free Schools Division (ED\OESE).

During our review of stipend payments we found that DCPS does not have written policies and procedures relating to the payment and processing of stipend payments. Furthermore, when the stipend payment requests are made to the Finance office, no documentation for the reason why the stipend should be made is forwarded with the Stipend Computation Worksheets (SCW). There is no check to determine if the payment is reasonable and allowable.

A total of \$17,135 should not have been expended from grant funds.

RECOMMENDATION:

We recommend that ED\OESE require DCPS to:

- (1) Repay the \$17,135;
- (2) Develop written stipend payment policies and procedures;
- (3) Maintain adequate supporting documentation with the Stipend Computation Worksheets for each stipend payment; and
- (4) Perform periodic reviews to assure that employees are being paid stipends for allowable purposes.

Auditee Response:

- (1) We do not concur with the \$17,135 audit findings and recommendation. The audit report clearly states that the project included a budgeted salary amount of \$35,000 for each Community Liaison position. The individuals hired did meet the project qualifications for the Community Liaison position, however, there is no such job title in the DCPS personnel grade series. This is a very different programmatic focus and skill set that varies greatly from the regular educational series. Therefore, the Community Liaisons were appointed to the nearest equivalent grade series with stipends to support a salary comparable to similar positions in community-based organizations. The salary does not exceed the budgeted amount. We believe that each position should be allowed at \$35,000.
- (2) Written stipend payment policies and procedures are currently being developed in the Office of Categorical Programs and Development for grants administration purposes. This draft was developed after reviewing many other policies and procedures from the Council of Great City Schools.
- (3) The use of the Stipend Computation Worksheet will be incorporated into the new policy and procedures mentioned in Recommendation #1 above.
- (4) Better communication/liaison work and interpretation of regulations will be provided by the Office for Categorical programs and Development.

OIG Response:

- (1) We do not take issue with the fact that the two individuals hired as Community Liaisons were qualified for the position of Community Liaison. According to DCPS officials, the two individuals ***only qualified for salaries*** of approximately \$20,000 based on the District government's rating system. Therefore, their salaries were supplemented with stipends to pay them the \$35,000 salary. We believe this was an inappropriate use of grant funds, for the reasons stated above. Also, it was DCPS policy not to use stipends as a substitute for payroll, which appears to have been done in this case. DCPS' proposed Stipend Policy also agrees with this position. It states that stipends are a payment for *additional services* and are not intended to be used as an alternative to the normal payroll process. We believe the stipends payments were an unallowable grant expenditure. The

finding remains the same as in the draft report.

- (2) The draft Stipend Policy should address this recommendation, however, we recommend that the policy, under the Approval Process, be amended to state that the Authorization Form **should** be used for approval of stipend requests. The policy should also state that the Approval Form, the Stipend Computation Worksheet and the time and attendance sheets be maintained together, as support for the stipend payment.
- (3) The Stipend Computation Worksheet should continue to be used, however, the proposed Worksheet should also include a column for the period of time worked relative to the stipend payment. The supporting documentation for the payment, such as the Approval Form, and time and attendance records should be maintained with the Worksheets.
- (4) Better communication and interpretation of regulations will help to assure that stipends are paid for allowable purposes, however, along with this, the Finance office should also be required to perform periodic reviews of stipend payments to assure that all of the supporting documentation is maintained and that stipend payments are being made for allowable purposes.

FINDING NO. 2 - GRANT FUNDS WERE IMPROPERLY SPENT ON EMPLOYEE SALARIES

Two individuals were hired as Educational Aides to work for the Safe Schools Initiative. The employees were paid a total of \$27,538 from grant funds. The *position* of Educational Aide **was not included** as a position to be funded by the grant **in the MOA**.

From the description of the duties of the two employees, as described to us by DCPS officials, it appears that the two employees performed the same tasks or tasks similar to those that should have been performed by the Community Liaisons. This appears to be a duplication of effort that should not have been necessary. Also, the hiring of the two Educational Aides was not included in the agreement with ED\OESE.

Both employees were hired around the same time [May, 1995 and June, 1995] the Community Liaisons were hired. Although one Community Liaison resigned in August, 1995, these employees were not hired to replace him. Also, DCPS did not obtain approval from ED\OESE to hire the two employees as Educational Aides and use grant funds to pay their salaries, nor did they inform ED\OESE that they did so. The head of the Center for Systemic Educational Change (CSEC) or the Project Director should have obtained approval to modify the terms of the MOA and hire the two employees.

By hiring the two individuals, DCPS was not in compliance with 34 CFR 75.700, which states that a grantee shall use Federal funds in accordance with applicable approved applications, which in this

case was the MOA.

In our opinion, the \$27,538 is an unallowable expenditure based on the above and 34 CFR 80.20(5), which states that allowable costs will be determined by the terms of grant agreements. As stated, DCPS did not follow the terms of the grant agreement, nor did they request an amendment to the terms of the agreement. The individuals should not have been hired and the grant funds should not have been expended for their salaries.

RECOMMENDATION:

We recommend that ED\OESE require DCPS to repay the \$27,538.

Auditee Response:

We do not concur with the audit finding and recommendation to repay \$27,538. Due to the delay in hiring Community Liaisons the scope of the project required additional human resources that were not anticipated from the outset. The two full-time community aides were hired to support the role of community liaisons. These community aides provided a vital resource and link to the community throughout the course of the project. The monies expended for this activity was within the budgeted amount for Community Liaisons.

The Division of Finance is currently developing written policies and procedures regarding charges to appropriate funding sources.

OIG Response:

Although the funds expended for the salaries of the Educational Aides did not exceed the budgeted amount for the Community Liaison positions, the two individuals should not have been hired and paid from grant funds without the approval of ED\OESE and an amendment to the Safe Schools Initiative's governing document, the MOA. We believe the \$27,538 to be an unallowable grant expenditure. The finding remains the same as in the draft report.

We also recommend ED\OESE require DCPS to submit the written policies and procedures for review when developed.

FINDING NO. 3 - STIPEND PAYMENTS WERE MADE FOR AN UNALLOWABLE PROJECT

Grant funds were used for stipend payments to staff members of a DCPS project that was not a Safe Schools project funded under the Act. DCPS expended \$21,621 for the stipend payments.

The project was entitled the Safe Start Violence Prevention Project. Individuals who worked on the Project were paid stipends funded from the Safe Schools grant. The services were provided at three

DCPS schools from August, 1995 and were continuing as of April, 1997. The services provided to DCPS included teacher training on various topics of violence prevention, a violence prevention workshop, tutoring, development of curricula, and an after-school program. The three schools were Nalle Elementary School, Martin Luther King, Jr. Elementary School and Moten Elementary School. Nalle Elementary was the only school that was a Safe School. The service provided at Nalle Elementary was teacher training, whose focus was the development of a in school violence prevention intervention for third graders.

The stipends paid to the individuals to perform these services should not have been paid from grant funds because:

- T Martin Luther King, Jr. Elementary and Moten Elementary were not Safe Schools;
- T this project was not a part of DCPS's Safe Schools programs; and
- T the project was not included as an activity in the MOA.

The terms of the grant agreement [the MOA], which included the types of activities to be performed under the grant, were not followed. According to 34 CFR Part 80.20(5), the allowability of costs will be determined by the terms of grant agreement. The stipend payments were not included in the MOA, therefore, we have determined \$14,414³ to be an unallowable grant expenditure.

The stipend payments were processed through the CSEC. The individual in charge of the project would submit the SCW to the CSEC. The CSEC would process the stipends for payment. The CSEC would contact the responsible individual from the project when the stipend checks were ready to be picked up. The manner, timing, and amount of the stipend payments were authorized by the head of the CSEC.

The unallowable stipend payments occurred because, as stated previously, DCPS did not have any written policies and procedures for stipend payments, and documentation was not submitted or reviewed when a stipend payment was requested. Also, the head of the CSEC appeared to determine what was to be paid from grant funds without concern as to whether or not the services were allowable Safe Schools services.

Also, showing that the project was not Safe School related is the fact that the project was not included as a Safe School activity in DCPS's final report to ED\OESE.

RECOMMENDATION:

³ The \$21,621 prorated between the three schools = \$7,207; the unallowable expenditure amount for the services rendered to Martin Luther King, Jr. and Moten = \$7,207 * 2.

We recommend ED\OESE require DCPS to:

- (1) Repay the \$14,414;
- (2) Develop written stipend payment policies and procedures, which should include policies and procedures that will ensure that stipend payments are not made from inappropriate funding sources.

Auditee Response:

- (1) We partially concur with this finding. The Safe Start Violence Prevention Project training was totally different from the focus of the training funded by the Safe School Grant. Its focus was to provide support for children who had witnessed violence and needed support. Nalle was a school identified as having a high evidence of violence and it was determined that the training would be appropriate. The training provided to Nalle was within the projects scope of training. The two schools that were inadvertently charged to this project are not allowable, therefore, the cost should be prorated across the three schools resulting in a disallowance of \$14,414, rather than \$21,621.
- (2) Written stipend payment policies and procedures are currently being developed in the office of Categorical Programs and Development for grants administration purposes.

OIG Response:

- (1) Based on the auditee's response, we amended our finding and recommendation to have ED\OESE require DCPS to repay \$14,414, rather than \$21,621, for the unallowable stipend payments made from grant funds for the Safe Start Violence Prevention Project.
- (2) See our response to Finding No. 1, Recommendation #2 [page 10].

FINDING NO. 4 - GRANT FUNDS WERE USED TO PAY UNALLOWABLE, QUESTIONABLE & UNSUPPORTED STIPEND PAYMENTS

We reviewed stipend payments made to consultants and others that were paid from grant funds, and determined a total of \$500 to be unallowable, \$1,500 to be questionable and \$450 to be unsupported.

Our review disclosed that one consultant was paid a total of \$3,000 from grant funds, of which we determined that \$1,500 was for services that do not appear to be related to the Safe Schools Initiative. During our review of stipend payments, we also noted stipend payments to an individual who was performing an internship, and payments to five other individuals. The intern was a student

from a local University, who was performing her graduate school internship with DCPS under the Safe Schools Initiative. The intern was paid a stipend payment of \$500. The payment was a “bonus” for the intern’s good performance. We could not determine the purpose of the stipend payments to the five individuals, who received a total of \$450.

████████████████████
CONSULTANT
STIPEND PAYMENTS
████████████████████

Three stipend payments were made to the consultant for services provided. One payment for \$2,000 was included on an December, 1994 Stipend Computation Worksheet (SCW) for services rendered in December, 1994. Another payment for \$1,000 was included on an March, 1995 SCW for services rendered in January, 1995. The last payment for \$1,500 was included on an July, 1995 SCW for services rendered in July, 1995. To determine if the payments were reasonable and allowable, we reviewed the SCW and invoices submitted by the consultant. The SCW did not indicate the purpose of the payments. We reviewed invoices from the consultant, which included a brief description of the services provided. We also telephonically interviewed the consultant.

During our review of the SCWs, we noted that the \$1,500 stipend payment, in July, 1995, was not charged to Safe Schools grant funds. However, from the description of services provided on the related invoice, it appears that the services were for Safe Schools related activities. However, the date of performance on the invoice [January, 1995] and the date on the SCW [July, 1995] do not correspond, but the number of days worked and the hourly rates do correspond.

The invoice for \$1,000 was for services provided in July, 1995. As stated, the SCW is dated March, 1995 for services provided in January, 1995. The description of services does not appear to be related to the grant.

There was no invoice for the \$2,000 payment for services provided in December, 1994. We therefore, could not determine if this stipend payment was reasonable and allowable.

During our interview with the consultant, he stated that he had performed consulting services for the Safe Schools Initiative in approximately 1994. His services included data collection and statistical graphics design for report writing. These services correspond with the services listed as being provided on the invoice for \$1,500 for services rendered in January, 1995. During an interview with DCPS officials, we were told that the consultant provided services to assist the Safe Schools Collaborative [a body of individuals, like a Board of Directors, who provided guidance, information and advice to the Safe Schools Initiative] in selecting the Safe Schools community, by providing demographic data for several Washington, D. C. communities. This work would have had to been performed soon after the grant was awarded, for example, December, 1994 or January, 1995. Based on the above stated information, we believe the stipend payment [\$1,500] for the services provided in January, 1995 appears to be a reasonable and allowable grant expenditure.

However, we are questioning the remaining \$1,500⁴ that was charged to the grant. As required by 34 CFR 75.730, a grantee shall keep records that fully show how the grantee uses the funds. The records available do not fully show how the stipend payments were used. The supporting documentation is not adequate to determine if the funds were for a reasonable and allowable purpose because (1) the invoices and the SCW contain conflicting information, (2) no invoice is available for one payment, and (3) the services performed, as described, do not show a clear relation to the grant.

**INTERN STIPEND
PAYMENT**

A \$500 stipend payment was made to an intern. The individual was performing the internship to fulfill the field instruction requirements for a Masters degree in social work. The Safe Schools Project Director submitted a request for the intern to be awarded a stipend. This request was not approved by ED\OESE prior to the payment, nor was ED\OESE informed that an intern was working for the Safe Schools Initiative. According to DCPS officials, interns are normally not paid when they are performing internships. Since a payment was made to the intern, DCPS did not abide by its' own rules. This is not in accordance with 34 CFR 80.20(a), which states "A State must expend and account for grant funds in accordance with State laws and procedures for spending and accounting for its own funds..."

In our opinion, based on the above, and the fact that the internship was not included in the MOA, we are questioning the \$500 stipend payment. Also, since DCPS did not follow the grant agreement, which according to 34 CFR 80.20(5), following the terms of the agreement determines allowability of costs, the stipend payment is not an allowable expenditure.

**OTHER STIPEND
PAYMENTS**

Our review of stipend payments also disclosed that stipend payments were made to five other individuals. Four of the stipend recipients received payments of \$100 each and one recipient received a \$50 payment. No documentation was available to determine the purpose of the stipend payments. DCPS officials were not able to explain to us the purpose of the payments. As stated above, 34 CFR 75.730 requires that a grantee keep records to show how grant funds are used, and this was not done for these stipend payments. We are questioning the \$450 as unsupported costs.

The \$2,450 in grant funds spent for these stipend payments could have been used to fund additional Safe School violence prevention activities.

RECOMMENDATION:

We recommend ED\OESE require DCPS to:

⁴\$4,500 total stipend payments less \$1,500 not charged to the grant = \$3,000; \$3,000 charged to the grant less \$1,500 allowable charge= the remaining \$1,500.

- (1) Repay the \$1,500 for the stipend payments made to the consultant or provide documentation to show that the services are for grant related activities;
- (2) Repay the \$500 for the unallowable stipend payment to the intern;
- (3) Repay the \$450 for the unsupported stipend payments, or provide ED with adequate supporting documentation to show that the stipend payments were for reasonable and allowable purposes; and
- (4) Develop and adhere to written stipend policies and procedures, which should include submitting and maintaining adequate supporting documentation with the Stipend Computation Worksheets.

Auditee Response:

We concur with the finding and will comply with recommendations 1, 2, 3, 4.

OIG Response:

The finding remains the same as in the draft report. Also see our response on page 10, #2 & #3.

FINDING NO. 5 - ADEQUATE SUPPORTING DOCUMENTATION WAS NOT AVAILABLE FOR EXPENDITURES PAID FROM THE DCPS IMPREST FUND

We were unable to determine whether \$5,030 expended from DCPS's Imprest Fund were reasonable and allowable grant expenditures.

During our review we obtained a report of Safe Schools grant expenditures from the District of Columbia Financial Management System (FMS). The report included expenditures made during DCPS's fiscal years 1995 and 1996 [October through September]. The report included expenditures that were paid from DCPS' Imprest Fund. The report listed the expenditures by payee [vendor], except for those paid from the Imprest Fund. The payee for these expenditures was listed as Imprest Fund Cashier. We, therefore, could not determine the payee or the purpose of the expenditures. Below is a breakdown of the expenditures.

TOTAL EXPENDITURES			
	<u>1995</u>	<u>1996</u>	<u>Total</u>
<i>No. of Expenditures</i>	10	19	29
<i>Amount</i>	\$3,393	\$6,696	\$10,089

We attempted to obtain the supporting documentation and canceled checks for these expenditures to determine if they were reasonable and allowable grant expenditures. DCPS's Finance office provided us with vouchers and canceled checks for 59% of the expenditures. We obtained vendor invoices for the expenditures from the CSEC. The following details the results of the review of the Imprest Fund expenditures:

**REVIEW
RESULTS**

	<u>1995</u>	<u>1996</u>	<u>Total</u>	
<i>All Support Found</i>				
Number	6	11	17	
Amount	\$1,185		\$3,873	\$5,058
<i>No Support Found</i>				
Number	4	5	9	
Amount	\$2,208		\$1,970	\$4,178
<i>No Invoices Found</i>				
Number	0	3	3	
Amount	\$0	\$852	\$852	

Federal regulation for financial administration [34 CFR 80.20(6)] requires that accounting records be supported by source documentation, such as canceled checks, and paid bills. As detailed above, DCPS could not provide us with adequate supporting documentation for all of the Imprest Fund expenditures. Without adequate supporting documentation we could not determine if the expenditures were reasonable and allowable. Therefore, we are questioning \$5,030 as **unsupported costs**; \$4,178 for the nine expenditures that we were unable to obtain **any** supporting documentation and \$852 for the three expenditures for which no supporting invoices could be found. Grant funds may have been expended for unallowable purposes.

DCPS does not have written policies and procedures for Imprest Fund payments. The payments for the expenditures were made from the Fund without the knowledge of the CSEC. The CSEC would send the voucher to the Finance office for payment and the Finance office would determine how the payment was to be made. During the grant period, eight Finance office employees, who were supervisors or managers, were authorized to sign the Imprest Fund checks. Such practices are not considered reasonable business accounting procedures.

Currently, DCPS has revised their policies and procedures for processing Imprest Fund payments.

If an office requires an expense payment from the Imprest Fund, they must complete and submit an ‘*Expedited Check Request*’ form. The form includes pertinent information, such as, the purpose of the payment, and whether or not invoices are attached. The request is approved by the Controller. Only three individuals, the Controller, the Assistant Controller, and the Cash Management Supervisor, are authorized to sign the checks. Two signatures are required. These policies and procedures appear adequate, however, they were not documented in writing.

RECOMMENDATION:

We recommend ED\OESE require DCPS to:

- (1) Provide ED\OESE with adequate documentation to show that the unsupported expenditures are reasonable and allowable grant expenditures or refund any of the \$5,030 for which they cannot provide such documentation;
- (2) Continue to use the ‘Expedited Check Request’ form and ensure that adequate documentation is obtained **before** the expenditure is paid. The documentation submitted should be maintained with the form, to provide for an adequate audit trail; and
- (3) Develop written policies and procedures for the processing of Imprest Fund payments.

Auditee Response:

We concur with the finding and recommendations 1, 2, 3.

OIG Response:

The finding remains the same as in the draft report. We also recommend that ED\OESE require DCPS to submit the completed Imprest Fund policies and procedures for review.

FINDING NO. 6 - DCPS DID NOT EXPEND ALL OF THE GRANT FUNDS DRAWDOWN

Our review disclosed that DCPS did not expend approximately \$9,610 of grant funds that were drawdown during the grant period.

We compared the amount expended to the amount drawdown according to ED’s Payment Management System [PMS]\Expenditures Statement. DCPS drewdown \$773,443 during the grant period. As stated previously, we obtained a report of Safe Schools grant expenditures from the District of Columbia Financial Management System (FMS). From the report we determined that DCPS expended approximately \$716,563, which shows an excess of \$56,880. However, during our

review of a sample of expenditures [Finding No. 8] we determined that DCPS made additional expenditures of \$47,270 that were not included on the FMS report. These expenditures appear to be reasonable and allowable grant expenditures. Therefore, the total expenditures are approximately \$763,833. DCPS did not expend approximately \$9,610.

Since DCPS is on the reimbursement method of payment [funds are drawdown after they are expended], DCPS should not have drawdown the \$9,610. DCPS expenditure data from the various offices differs and shows that they did not know exactly how much was expended and should be drawdown. According to DCPS policy, grant funds are drawn based on expenditures less revenue received, however, this does not appear to be the case for the grant drawdowns. A probable cause was the fact that expenditure records were not accurate. These excess funds should be returned, as they were not used to meet the grant objectives.

RECOMMENDATION:

We recommend ED\OESE require DCPS to:

- (1) Refund the \$9,610; and
- (2) Develop and implement policies and procedures whereby funds are only drawdown when they are **actually** expended and expenditure records are reviewed and reconciled to each other.

Auditee Response:

We concur with the finding and recommendation and will comply with 1 and 2.

OIG Response:

The finding remains the same as in the draft report. We also recommend that ED\OESE require DCPS to submit the policy for review.

FINDING NO. 7 - GRANT FUNDS WERE USED TO SUPPLANT OTHER DCPS FUNDS

DCPS used \$117,024 in grant funds to pay for conflict management training that was provided to the entire school system.

During our review of a sample of grant expenditures we found that DCPS's Multicultural\Values Education Branch had contracted with an agency to provide conflict management\resolution training to the school system. The contract with the agency began in December, 1993, approximately nine

months prior to the start of the Safe Schools Initiative. The cost of the contract was \$230,000. The period of performance was from December, 1993 to September, 1996. The agency submitted monthly invoices for payment, that included the contract number, to DCPS.

In October, 1995 the agency submitted a proposal to perform conflict mediation training for the Safe Schools for the period October, 1995 to May, 1996. The total proposed cost was \$60,996. No contract was executed for this service. The invoices submitted for the Safe School related services clearly indicated that the services were for the Safe Schools Initiative. Also, a memorandum written by the Project Director states that the scope of work to be delivered by the agency is “separate and independent of the current scope of work being delivered system-wide”. It is evident that the agency provided services to the Safe Schools, as well as the rest of the school system under two different agreements.

In April, 1995 a Contract Advisement, for the contract signed in December, 1993, was setup for \$137,327. The accounting codes charged were for the Safe Schools Initiative. The \$137,327 was included on the expenditure list provided to us by the CSEC. In September, 1995 a payment of \$113,409 was made to the agency, and another payment was made in approximately November, 1995 for \$3,615. A total of \$117,024 was charged to the grant, as payment for invoices submitted by the agency for services rendered for the 1993 contract. Separate invoices and payments were made for the Safe Schools related work.

DCPS used Safe Schools grant funds to pay for services that were being provided prior to the grant project being established. Grant funds were used in lieu of other DCPS funds and therefore the grant funds were used to supplant the other funding. DCPS was in violation of the grant terms. The MOA, [which defines the terms and conditions of the grant], under the heading of Responsibilities, states

“DCPS shall ensure that all funds expended under the agreement are used to supplement and enhance training and other violence prevention activities and are not used to supplant any funding that would, in the absence of funds provided under this agreement, be provided for these activities”.

DCPS did not use the grant funds for services which supplemented grant activities. The services were already contracted for and being performed. DCPS should have had funds already obligated to pay for these services. This was not a supplemental activity, as the training was not being performed at the Safe Schools nor was it in addition to the training specifically provided for the Safe Schools.

From our review of DCPS’s contract file on the agency it appears that the CSEC needed funding to pay the agency for its’ services and decided to pay them using grant funds. It appears that adequate controls are not in place to ensure that this does not happen. These funds could have been used to provide other Safe Schools activities\services for the students in the six Safe schools.

RECOMMENDATION:

We recommend ED\OESE require DCPS to:

- (1) Repay the \$117,024; and
- (2) Establish procedures to ensure that funds designated for specific programs or purposes are not used to supplant other funds.

Auditee Response:

We do not concur with the finding concerning “supplanting”, however, there was a mischarge. Based on the auditors review of disbursements it appears that the finance department mischarged an invoice from the vendor to the Safe Schools’ grant. While the Safe Schools project did have an approved training agreement with the vendor for an approved additional scope of work, it was a separate and distinct training activity. The payment in question was transacted between the procurement branch and finance department without the knowledge of the Safe School project director.

- (1) Grant funds were mischarged and need to be repaid.
- (2) This was a problem with mischarging of services provided. A grants management manual for grant directors and managers is being developed.

OIG Response:

- (1) We do not believe that there was a “mischarge”. From the review of the supporting documentation it appears that the funds were supplanted. The CSEC had knowledge that the payment to the vendor was made from the Safe Schools grant, as the expenditure was included on all three of the Safe Schools expenditure lists that were provided to us by CSEC officials. The finding remains the same as in the draft report.
- (2) We also recommend that ED\OESE require DCPS to submit the completed grants management manual for review.

FINDING NO. 8 - UNALLOWABLE AND QUESTIONABLE EXPENDITURES WERE CHARGED TO THE GRANT

The purpose of our review was to determine if expenditures charged to the grant were reasonable, allowable, and allocable. We judgementally selected a sample of 28 Safe Schools expenditures to review.

Our review of the expenditures disclosed that DCPS expended: (A) \$14,750 of Safe Schools grant funds to pay for expenditures of a non-Safe Schools project, and (B) \$2,700 for consulting services that do not appear to be grant related. Other issues noted during our review are detailed in Findings

No. 4 and No. 7.

(A) The \$14,750 was for expenditures relating to a DCPS project entitled Project Daisy. According to DCPS officials, Project Daisy was a three-year intervention program for students prenatally exposed to drugs. This project had its' own funding source and had no relationship with the Safe Schools Initiative.

The expenditures for Project Daisy were charged to the grant as follows:

- o \$9,750 for transporting Project Daisy enrolled students, over the period of February 27, 1995 through April 30, 1995.
- o \$5,000 for consulting services rendered for Project Daisy.

The invoices submitted by the vendors for these expenditures clearly stated that the services were for Project Daisy. Since this was not a Safe Schools project, and had no relation to Safe Schools, these expenditures are unallowable grant expenditures. These expenditures should never have been charged to the grant. Using grant funds for these expenditures was in violation of the terms of the MOA, which specifies the types of activities for which grant funds can be used. DCPS also did not assure that grant funds were used solely for authorized purposes, which is a requirement of 34 CFR 80.20(3). It appears that funds were needed to pay for these expenditures and Safe Schools funds were used because it was available. No controls were in place to prevent unallowable charges to the grant.

(B) Expenditures totaling \$2,700 were paid from grant funds for consulting services that do not appear to be related to the Safe Schools Initiative. The services rendered were observation and evaluation of School Resource Officer training, which was provided by an outside source to DCPS's Security Office. The consultant stated that she evaluated the training to determine if it could be adopted for use by DCPS. Two payments to the consultant for these services were charged to the grant; one for \$1,500 and one for \$1,200.

We believe these expenditures were charged to the grant because funds were available and the training was for the Security Office. Although the MOA did allow for training of the security officers, no funding was budgeted for training evaluation and observation. We are therefore questioning the payments to the consultant.

RECOMMENDATION:

We recommend ED\OESE require DCPS to:

- (1) Repay the \$14,750;
- (2) Repay the \$2,700 or provide ED\OESE with adequate documentation to show that the

- payments to the consultant were grant related; and
- (3) Develop controls [policies and procedures] which would ensure that only allowable expenditures are charged to the appropriate funding source, and that future grant funds are used as delineated in the MOA and the applicable federal regulations.

Auditee Response:

- (1) We do not totally concur with the finding and recommendation. The transportation payment of \$9,750 in question represents 39 days of transportation of disruptive students to a nine week intervention program. The voucher incorrectly refers to activity, Level 2, as a Project DAISY activity when in fact Weatherless was the site for Level 2, nine-week intervention program. We concur with the recommendation regarding repayment of consultant fees. The \$5,000 Project DAISY charges will be repaid from the Project DAISY budget.
- (2) We should repay the \$2,700.
- (3) The Chief Financial Officer is reorganizing the budget, personnel, and financial operations and we are developing a new grant operation and procedures manual.

OIG Response:

- (1) DCPS did not provide adequate supporting documentation to show that the transportation costs were for Safe Schools related activity. The invoice provided does not show the reason for the expenditure. Being that the voucher for this expenditure explicitly states “payment of services rendered to the Daisy Project”, and the fact that Business Manager of the CSEC prepared the voucher and the Director of the CSEC signed the voucher, we can only conclude that the expenditure was not related to Safe Schools. The finding remains the same as in the draft report.
- (2) The finding remains the same as in the draft report.
- (3) We also recommend that ED\OESE require DCPS to submit the grant operations and procedures manual for review.

FINDING NO. 9 - DCPS DOES NOT HAVE AN ACCOUNTING POLICIES AND PROCEDURES MANUAL

During our audit we requested the Finance Office to provide us with a copy of DCPS’s accounting

policies and procedures manual. We made the request several times, however, a manual was not provided.

In our opinion, the lack of written policies and procedures contributed to the findings detailed above. In order to maintain adequate financial management, an entity should have written documentation of its' accounting policies and procedures. This is a normal and prudent accounting practice. Without an accounting manual employees have no reference to determine the correct policies and procedures to follow, and new employees have nothing to follow to facilitate their learning of the policies and procedures of the organization. Also, there is no documentation to show what the appropriate policies and procedures are at any given period of time.

RECOMMENDATION:

We recommend ED\OESE require DCPS to develop and maintain written accounting policies and procedures.

Auditee Response:

DCPS is required to use the City accounting policies and procedures because the DCPS financial policies and procedures have been developed by the City.

OIG Response:

DCPS should have the manual available in the DCPS Finance office for the review and guidance of the financial personnel. The finding remains the same as in the draft report.

OTHER MATTERS

During our review of the procurement process we noted that DCPS's Procurement Manual is dated 1987. It does not appear that the manual has been updated since then. Policies and procedures have changed in 10 years. An up to date manual would help ensure that the correct policies and procedures are being followed. This is especially critical at DCPS since its reorganization and hiring of new employees. We recommend DCPS update its Procurement Manual as appropriate.

DCPS SAFE SCHOOLS GRANT					ATTACHM
ACN: A03-70001					
		SUMMARY OF AUDIT RESULTS			
		UNALLOWABLE	QUESTIONED	UNSUPPORTED	SUPLANT
		COSTS	COSTS	COSTS	COSTS
FINDING #					
1		\$17,135			
2		\$27,538			
3		\$14,414			
4		\$500	\$1,500	\$450	
5				\$5,030	
7					\$11
8		\$14,750	\$2,700		
TOTALS		\$74,337	\$4,200	\$5,480	\$11
SUBTOTAL					\$20
Unexpended grant Funds - Finding 6					\$
GRAND TOTAL					\$21