



Deborah K. Nichols
District of Columbia Auditor
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Letter Report: Implementation Status of Auditor Recommendations Pertaining to Audits of Agencies Under the Purview of the Committee on Finance and Revenue (FR)

February 28, 2005



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March 1, 2005

Honorable Jack Evans
Chairperson, Committee on Finance and Revenue
Council of the District of Columbia
The John A. Wilson Building
1350 Pennsylvania Avenue, NW, Suite 114
Washington, DC 20004

Letter Report: **Implementation Status of Auditor Recommendations Pertaining to Audits of Agencies Under the Purview of the Committee on Finance and Revenue (FR)**

Dear Councilmember Evans:

Attached for your review is a summary of the implementation status of District of Columbia Auditor recommendations pertaining to audits of agencies under the purview of the Committee on Finance and Revenue. This report reflects the implementation status of recommendations contained in seven audits involving the Office of the Chief Financial Officer ("OCFO"), the OCFO's Office of Tax and Revenue, and the OCFO's Office of Finance and Resource Management. Additional efforts will be undertaken by my office to verify the accuracy and validity of the information reported by this agency.

Submitted with this letter report is a matrix for each audit. Each matrix sets forth the findings, recommendations, and the agency's status of implementing each recommendation. This report covers the following audits under your Committee's purview that were issued by the District of Columbia Auditor during fiscal years 2002 through 2005 to date:

FY 2002:

- DCA1402: City Charges District of Columbia Public Schools Nearly \$1 Million in Utility Expenses that Should Have Been Charged to Other Entities, RELEASED: April 23, 2002 (**Office of the Chief Financial Officer**)
- DCA2502: Mismanaged Special Education Payment System Vulnerable to Fraud, Waste, and Abuse, RELEASED: September 27, 2002 (**Office of the Chief Financial Officer**)

FY 2003:

- DCA0403: \$1 Million Lease and Proposed \$12.5 Million Purchase of 4800 Addison Road: An Example of Misfeasance and Malfeasance, RELEASED: May 15, 2003 (**Office of the Chief Financial Officer**)
- DCA0603: Auditor's Review of the University of the District of Columbia's Land-Grant Endowment Fund, RELEASED: June 9, 2003 (**Office of the Chief Financial Officer**)
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- DCA0803: Mismanagement, Noncompliance, and Ineffective Internal Controls Exposed School System Funds to a Significant Risk of Fraud, Waste, and Abuse, RELEASED: June 16, 2003 (**Office of the Chief Financial Officer**)

FY 2004:

- DCA2204: Effectiveness of the Special Nutrition and Commodities Distribution Program was Hindered by Lax Management and Inadequate Oversight by Other Agencies RELEASED: September 22, 2004 (**Office of Finance and Resource Management**)
- Letter Report: Analysis of the Office of the Chief Financial Officer's Exceptions Account for Fiscal Years 2003 and 2004, as of June 30, 2004, RELEASED: September 30, 2004 (**Office of Tax and Revenue**)

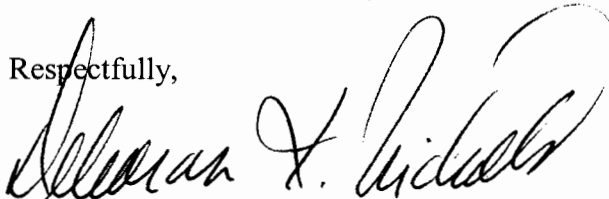
Our review procedures consisted of staff inquiries as well as a review of the status of recommendations provided by agency management. Our follow-up work is being conducted in accordance with government audit standards established by the Comptroller General of the United States, United States Government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

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

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Councilmember Jack Evans
March 1, 2005

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

Respectfully,

A handwritten signature in black ink, appearing to read "Deborah K. Nichols". The signature is fluid and cursive, with a large loop at the end.

Deborah K. Nichols
District of Columbia Auditor

Attachments as stated

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

OFFICE OF THE DISTRICT OF COLUMBIA AUDITOR FISCAL YEAR 2002 REPORTS:

"City Charges District of Columbia Public Schools Nearly \$1 Million in Utility Expenses
That Should Have Been Charged to Other Entities"

RELEASED: April 23, 2002

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

FINDING NO. 1: OPM FAILED TO PROPERLY MANAGE THE UTILITY BILL REVIEW AND CERTIFICATION PROCESS WITH REGARD TO DCPS DURING FISCAL YEAR 2001

Subfinding 1: OPM Certified and OFRM Used DCPS Funds to Pay At Least \$848,309 in Utility Costs During Fiscal Year 2001 and \$44,560 for the First Quarter of Fiscal Year 2002 for Facilities That Were Not Occupied or Controlled by DCPS

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

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

		<p>Letter dated February 17, 2005 from Carol Mitten, Director, OPM: "As indicated in response to #2 recommendation, OPM has been working closely with DCPS to ensure that it is not charged for facilities that are not under their responsibility and control. In addition, OPM has made the list of DCPS facilities available to all DCPS Chief Financial Officers. Since the issuance of the DC Auditor's report, OPM has worked closely with OFRRM to ensure that certification of payment for all District facilities, including DCPS, accurately reflects the District agencies' facilities."</p>
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FINDING NO. 2: SUBSTANTIAL IMPROVEMENTS ARE NEEDED IN MONITORING COMPLIANCE WITH USE AND LEASE AGREEMENTS TO ENSURE THAT UTILITY COSTS ARE PAID IN ACCORDANCE WITH SUCH AGREEMENTS
Subfinding 1: OPM Erroneously Certified and OFRM Paid Utility Expenses from DCPS Funds for Facilities Occupied and Controlled by Other District Agencies
Subfinding 2: OPM Erroneously Certified and OFRM Paid Utility Expenses From DCPS Funds for At Least 11 Charter Schools

RECOMMENDATION	STATUS OF IMPLEMENTATION OF RECOMMENDATIONS	STATUS OF IMPLEMENTATION OF RECOMMENDATIONS RESPONSE FROM OCFO DATED 2/10/05, OAG dated 2/16/05, and OPM dated 2/17/05
<p>The District of Columbia Board of Education and the Chief Property Management Officer must immediately establish a valid lease or use agreement with the D.C. Fire and Emergency Medical Services Department and the D.C. Department of Corrections which provides that these two agencies pay, at minimum, all utility expenses for Grimke School.</p>	<p>Letter dated April 11, 2003 from Paul L. Vance, Superintendent: Corrective action is in progress. OPM's Energy Manager has put in place a tracking system to ensure that all agencies are being charged appropriately for their specific energy expenditures. In this regard, the costs associated with Grimke School have been allocated to both D.C. Fire and Emergency Medical Services Department and the D.C. Department of Corrections. The Chief Property Management's Office along with the District's Office of the Corporation Counsel is in the process of negotiating lease/use agreements for the Fire and Corrections Departments who are currently occupy Grimke.</p> <p>Letter dated February 11, 2005 from Dr. Janey: This is handled by the DCPS CFO's office.</p>	<p>Letter dated February 17, 2005 from Carol Mitten, Director, OPM: "Since the receipt of the DC Auditor's report, OPM has charged all utility expenses for the Grimke School to DCFEMS and the Department of Corrections."</p>
<p>The Chief Property Management Officer and the Deputy Chief Financial Officer for OFRM must immediately determine the amount of DCPS intra-District funds that</p>	<p>Letter dated April 11, 2003 from Paul L. Vance, Superintendent: Corrective action is complete. The Grimke School was included in the DCPS inventory between fiscal years 1999 through 2002. While the facility's</p>	<p>Letter dated February 10, 2005 from Dr. Gandhi, OCFO: "OPM's Energy Manager has put in place a tracking system to ensure that all agencies are being charged appropriately for their specific energy expenditures. In this regard, the costs associated with Grimke School have been allocated to both DC Fire/EMS and DC Dept. of Corrections."</p>

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

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

<p>manager of DCPS' Realty Office must take the appropriate administrative and/or legal steps necessary to recover \$602,151 from charter schools identified in this report and credit this amount to DCPS for fiscal year 2003. The Office of the Corporation Counsel should provide assistance, where necessary, in recovering these payments from charter schools.</p>	<p>intensified in order to collect the outstanding sums. It is anticipated that the recovery of funds will be finalized by the end of the fourth quarter of fiscal year 2003.</p> <p>Letter dated February 11, 2005 from Dr. Janey: OPM in conjunction with manager of DCPS Realty Office and Office of the Attorney General are working together to renegotiate lease agreements. The DCPS Realty Office collected \$147,363.50 to cover utility expenses in FY 2003.</p>	<p>Letter dated February 17, 2005 from Carol Mitten, Director, OPM: "OPM, in cooperation with the DCPS Realty Office, continues to monitor lease and use agreements to ensure that all provisions of the agreements are met. DCPS leases are constantly monitored for adherence to the provisions contained therein, particularly with respect to the payment of utility expenditures. In this regard, OPM, in conjunction with the DCPS Realty Office, has been able to recover on excess of \$300,000 from the charter schools identified in the DC Auditor's report for utility expenses paid in error. The recovery of outstanding charges from charter schools is ongoing."</p>
<p>DCPS' Superintendent and CFO should seek the recovery of the \$1.2 million paid to vendors for unauthorized services provided to individuals identified in this report.</p>	<p>Letter dated April 11, 2003 from Paul L. Vance, Superintendent: Corrective action is in progress. As previously indicated, a collaborative effort by the Office of Property Management, the DCPS Realty Office, and the Office of the Corporation Counsel is ongoing to collect the outstanding sum of \$602, 151 due to DCPS from Charter Schools. The remaining sum of approximately \$0.6 million, while correctly identified in the DC auditor's report as being misappropriated under the wrong agency code, was nevertheless provided with the budget authority and required funding attributes under DCPS fixed costs allocation for the fiscal periods under consideration. Efforts to collect this sum from District agencies would constitute double jeopardy and undue hardship on these agencies since the fixed costs were properly allocated to the facilities identified in the DC Auditor's report. It should be noted that while the facilities in question were misallocated, payment made under the wrong agency do not mitigate against the fact that the fixed costs associated with these facilities were properly placed. In light of the foregoing, the paramount objective is the collection of the outstanding sums due from the surplus schools that either were leased or sold to non-DC agencies.</p> <p>Letter dated February 11, 2005 from Dr. Janey: No further action required by DCPS Realty Office. This matter is handled by the OPM's Energy Manager.</p>	

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

TOTAL RECOMMENDATIONS: 19 RECOMMENDATIONS IMPLEMENTED OR CORRECTIVE ACTIONS TAKEN: 14 RECOMMENDATIONS PARTIALLY IMPLEMENTED OR IN PROGRESS: 5 RECOMMENDATIONS NOT IMPLEMENTED: NO RESPONSE TO RECOMMENDATION:		
FINDING NO. 1: DCPS' INTERNAL CONTROLS GOVERNING THE PAPS PAYMENT PROCESS WERE INADEQUATE AND INEFFECTIVE		
RECOMMENDATIONS	CORRECTIVE ACTION/INITIAL STATUS OF IMPLEMENTING RECOMMENDATION	CURRENT STATUS OF IMPLEMENTING RECOMMENDATION JANUARY 2005 UPDATE February 9, 2005 Letter from Dr. Janey
DCPS' OCFO should develop an effective system of internal controls to ensure that PAPS payments are accurate and timely and that employees are held accountable to the fullest extent permitted by applicable personnel rules for deviations from control policies and procedures.	Letter dated April 11, 2003 from former Superintendent Paul L. Vance: Corrective action is complete. As of October 29, 2002, the Office of Special Education (OSE) and the OCFO staff have signed a Memorandum of Understanding (MOU) that sets forth a review and payment schedule. The process established in the MOU ensures that all bills related to the delivery of special education and related services undergo a comprehensive review to payment all bills are paid in a timely fashion. The MOU also sets the policy that before the OCFO can make any payments, all bills must be signed and approved by a representative of the OSE. Because a calendar for review and payment is established, staff knows when this review will occur and make adequate time available. Corrective Action Completed: 29 Oct. '02	DCPS has been in substantial compliance with the Petties order in each of the last 6 months. 100% of payments were made within timelines in December 2004.
DCPS' Board of Education, Superintendent, and principal manager of the OSE must develop effective policies and procedures to ensure that PAPS invoices are properly reviewed, approved and paid only for authorized services delivered to eligible DCPS special education students and that employees and managers of OSE are held accountable to the fullest extent permitted by	Letter dated April 11, 2003 from former Superintendent Paul L. Vance: Corrective action is complete. As of October 29, 2002, all OSE staff and the OCFO staff involved in the review and payments of bills signed a MOU that sets forth the review and payment schedule. The process to establish in the MOU ensures that all bills related to the delivery of special education and related services undergo a comprehensive review prior to payment	New measures include the institution of student cost sheets, a listing of approved students and the IEP-services each student should be receiving at a given school. This list is distributed in the summer and should a school have additional DCPS students enrolled or different types or duration of services for a particular student, ample time will be included to cure any discrepancies. As students are moved, placed or have a change in service, new cost sheets are issued.

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

FINDING NO. 2: DCPS OCFO PAID APPROXIMATELY \$67 MILLION WITHOUT OSE VERIFYING THE ELIGIBILITY OF STUDENTS OR ACCURACY OF VENDOR INVOICES

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

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

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

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

<p>The principal managers of the OSE and OCFO must develop an effective method of timely detecting billing irregularities during the PAPS invoice review process.</p>	<p>Letter dated April 11, 2003 from former Superintendent Paul L. Vance: Corrective action is in progress. The Office of Special Education (OSE) and the OCFO staff have signed a Memorandum of understanding (MOU) that sets forth a review and payment schedule. The process established in the MOU ensures that all bills related to the delivery of special education and related services undergo a comprehensive review to payment all bills are paid in a timely fashion. The MOU also sets the policy that before the OCFO can make any payments, all bills must be signed and approved by a representative of the OSE. Because a calendar for review and payment is established, staff knows when this review will occur and make adequate time available. Corrective Action Completed: 29 Oct. '02</p>	<p>New measures include the institution of student cost sheets, a listing of approved students and the IEP-services each student should be receiving at a given school. This list is distributed in the summer and should a school have additional DCPS students enrolled or different types or duration of services for a particular student, ample time will be included to cure any discrepancies. As students are moved, placed or have a change in service, new cost sheets are issued.</p>
<p>DCPS' OSE and OCFO must develop and implement an appropriate tracking system that will identify students served, dates of service, and amounts paid on students' behalf. The tracking system could be used in the PAPS invoice review process, as well as to monitor and track students' service information for reporting and analytical purposes.</p>	<p>Letter dated April 11, 2003 from former Superintendent Paul L. Vance: Corrective action in progress. OCFO maintains a database of payments to vendors that tracks the amount paid in total. Discussions are underway to determine whether this data can be linked with SETS data to track payments for individual students. Corrective Action Completed: 29 Oct. '02</p>	<p>System is under development that links with SETS - the OSE system of record - to record all payments for a particular student and school. System is anticipated to deploy for the 05-06 school year.</p>
<p>FINDING NO. 5: DCPS PRESENTLY HAS A BACKLOG OF APPROXIMATELY \$4 MILLION IN DISPUTED INVOICES, SOME OF WHICH HAVE ALREADY BEEN PAID</p>		
<p>RECOMMENDATIONS</p>	<p>CORRECTIVE ACTION/INITIAL STATUS OF IMPLEMENTING RECOMMENDATION</p>	<p>CURRENT STATUS OF IMPLEMENTING RECOMMENDATION JANUARY 2005 UPDATE February 9, 2005 Letter from Dr. Janey</p>
<p>DCPS Board of Education and Superintendent consider requesting the Court to revise PAPS from a projection-based payment system to one in which vendors are paid based on actual invoices for services rendered, which is in line with standard financial management principles and sound business practices.</p>	<p>Letter dated April 11, 2003 from former Superintendent Paul L. Vance: Corrective action complete. Current Petties order revised the PAPS so that DCPS pays actual invoices after the service is rendered. As of October 2002, providers are paid pursuant t actual invoices after services are rendered. Corrective Action Completed: 29 Oct. '02</p>	<p>A new payment order was entered in November 2004 which continues structure of payment based on actual invoices after services are rendered.</p>
<p>DCPS Board of Education and Superintendent consider requesting the Court to revise the</p>	<p>Letter dated April 11, 2003 from former Superintendent Paul L. Vance: Corrective</p>	<p>The November 2004 Petties payment order requires that all invoices included student name, date of birth,</p>

<p>timetable for requesting additional information from PAPS vendors to allow DCPS adequate time to thoroughly review and validate billing projections and actual invoices.</p>	<p>action complete. As of October 2002, providers are paid pursuant to actual invoices after services are rendered. Under the payment order, DCPS has 20 days to dispute an invoice, which can include a request for additional information to substantiate the charges contained on an invoice. Corrective Action Completed: 29 Oct. '02</p>	<p>DCPS ID, tuition rate and time period covered by invoice, number of days billed for on an invoice, itemization of the related services provided (including united of service - day, hour, etc), frequency of service, student's Medicaid number when applicable, and dates of student's attendance.</p>
<p>The principal managers of DCPS' OCFO and OSE should consider transferring the authority for disputing vendor invoices from the OCFO to OSE to ensure that the nature of disputes is adequately addressed and clearly articulated before disputed charges are paid.</p>	<p>Letter dated April 11, 2003 from former Superintendent Paul L. Vance: Corrective Action complete. Per the recent MOU between OCFO and OSE and other relevant discussions, all disputes are handled by OSE. OCFO acts as a single point of contact for vendors so all vendor disputes are sent to OCFO and forwarded to OSE. OSE drafts a response that is sent to vendors under the OCFO's heading. Corrective Action Completed: 29 Oct. '02</p>	<p>All payment disputes are generated and mailed and faxed by the Office of Special Education.</p>
<p>FINDING NO. 6: DCPS LACKS A STANDARD FORMAT FOR PAPS VENDOR INVOICES</p>		
<p>RECOMMENDATIONS</p>	<p>CORRECTIVE ACTION/INITIAL STATUS OF IMPLEMENTING RECOMMENDATION</p>	<p>CURRENT STATUS OF IMPLEMENTING RECOMMENDATION JANUARY 2005 UPDATE February 9, 2005 Letter from Dr. Janey</p>
<p>DCPS' CFO, in conjunction with the manager of the OSE, must define the PAPS vendor invoice format and require vendors to include appropriate identifiers and other critical information such as date of birth, address, or social security number on invoices prior to making payments to vendors.</p>	<p>Letter dated April 11, 2003 from former Superintendent Paul L. Vance: As part of the contracting process with nonpublic providers to be in place by SY 03-04, vendors will be required to use a standard billing form that captures all relevant and necessary information to accurately track students and confirm services. For related service providers and nonpublic providers without contracts, DCPS will advocate for the use of the standard form to expedite payments.</p>	<p>The November 2004 Petties payment order requires that all invoices included student name, date of birth, DCPS ID, tuition rate and time period covered by invoice, number of days billed for on an invoice, itemization of the related services provided (including united of service - day, hour, etc), frequency of service, student's Medicaid number when applicable, and dates of student's attendance.</p>
<p>DCPS' OCFO must identify Medicaid reimbursable services and require vendors to submit encounter documentation for those services provided to DCPS students.</p>	<p>Letter dated April 11, 2003 from former Superintendent Paul L. Vance: Corrective action is in progress. DCPS is requiring in the contracts now being let with non-public schools, that related service providers and others providing health services to children with IEP's will complete the Encounter Tracker Form for each encounter. Those forms will be entered into the SETS database and used for monitoring the appropriate receipt of services. A letter is currently going out to the non-public schools</p>	<p>DCPS makes every effort to collect Encounter Tracker forms from nonpublic schools. Currently, Medicaid reimburses these charges on a per diem basis, not a fee for service basis, so presently all that is needed to collect Medicaid funds is a current IEP and monthly attendance records.</p>

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

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

**"\$1 Million Lease and Proposed \$12.5 Million Purchase of 4800 Addison Road:
An Example of Misfeasance and Malfeasance"**

RELEASED: May 15, 2003

TOTAL RECOMMENDATIONS: 12

RECOMMENDATIONS IMPLEMENTED OR CORRECTIVE ACTIONS TAKEN: 9

RECOMMENDATIONS PARTIALLY IMPLEMENTED OR IN PROGRESS: 2

RECOMMENDATIONS NOT IMPLEMENTED:

NO RESPONSE TO RECOMMENDATION: 1

FINDING NO. 1: SOLE SOURCE, NONCOMPETITIVE \$998,250 ANNUAL LEASE OF 4800 ADDISON ROAD CIRCUMVENTED COUNCIL REVIEW, LACKED COORDINATION, AND WAS PRINCIPALLY DRIVEN BY NEGATIVE PRESS REPORTS: No Recommendations

Subfinding 1: District Was Forced to Reprogram Funds to Pay Lease and Renovation Costs for 4800 Addison Road

Subfinding 2: District Paid \$ 260,919 For the Cost of Renovation Performed by the Owner of 4800 Addison Road Pursuant to a Sole Source

Subfinding 3: Arrangement with OPM's Former Deputy Director

Subfinding 4: District Decides to Purchase 4800 Addison Road for \$12.5 Million

Subfinding 5: OPM Attempted to Purchase 4800 Addison Road Without Funding Having Been Appropriated

FINDING NO. 2: OFFICE OF THE CHIEF FINANCIAL OFFICER PROVIDED A DEFECTIVE AND INADEQUATE FISCAL IMPACT STATEMENT FOR THE PURCHASE OF 4800 ADDISON ROAD: No recommendations.

FINDING NO. 3: OPM OFFICIALS FAILED TO EXERCISE DUE DILIGENCE IN ATTEMPTING TO ENTER INTO AN AGREEMENT TO PURCHASE 4800 ADDISON ROAD: No recommendations.

Subfinding 1: Competitive Procedures Were Not Used In Acquiring Initial Appraisals of 4800 Addison Road or 438 Massachusetts Avenue, NW

Subfinding 2: Former Deputy Director of OPM Provided False and Misleading Information to Appraisers to Inflate Appraised Value for 4800 Addison Road

Subfinding 3: Agreement of Purchase and Sale Indicated Properties to be Transferred "AS IS" Notwithstanding Extraordinary Assumption

Subfinding 4: Contained in Appraisal Regarding Fire Damage

Subfinding 5: Addison Road Property May Not Be Available for the District's Use as Intended

Subfinding 2: Former Deputy Director of OPM Provided False and Misleading Information to Appraisers to Inflate Appraised Value for 4800 Addison Road

Subfinding 3: Agreement of Purchase and Sale Indicated Properties to be Transferred "AS IS" Notwithstanding Extraordinary Assumption

Subfinding 4: Contained in Appraisal Regarding Fire Damage

Subfinding 5: Addison Road Property May Not Be Available for the District's Use as Intended

FINDING NO. 4: PROPOSED STRUCTURED TRANSACTION WAS NOT IN THE DISTRICT'S BEST FINANCIAL INTEREST DUE TO INADEQUATE PLANNING, COORDINATION AND OVERSIGHT: No recommendations.

Subfinding 1: District Lost Almost \$1 Million In Revenue During FY02 Due to Inability to Tow Vehicles to Addison Road

Subfinding 2: New Appraisals for 4800 Addison Road and the Firehouse Found Substantially Lower Value for 4800 Addison Road and

Subfinding 3: Substantially Higher Value for 438 Massachusetts Avenue, NW

Subfinding 4: District Did Not Use Competitive Procedures to Determine the Firehouse's Highest and Best Use

FINDING NO. 5: OPM’S INEPT MANAGEMENT AND LACK OF ADEQUATE OVERSIGHT CREATED POOR INTERNAL CONTROL ENVIRONMENT OVER REAL PROPERTY DISPOSAL AND ACQUISITION PROCESSES

Subfinding 1: Director of OPM Failed to Exercise Command and Control of Subordinate

Subfinding 2: Deputy Director of OPM May Have Been Subject to Improper Influence and Conducted a Private Business With an Off-Shore

Subfinding 3: Bank Using District Equipment and Facilities

Subfinding 4: Purchase and Sale Agreement May Have Authorized Broker’s Fees to be Paid to the Same Firm That Performed the Appraisals

RECOMMENDATIONS	STATUS OF IMPLEMENTING RECOMMENDATION FROM OAG, DPW, AND OCFO	STATUS OF IMPLEMENTING RECOMMENDATION FROM OPM LETTER DATED 2/17/05
<p>The Director of OPM’s claimed lack of knowledge and management oversight of the former Deputy Director’s leasing and purchase activities, among other deficiencies noted throughout this report that were the direct responsibility of the OPM Director necessitate his immediate termination as the District’s Chief Property Management Officer and Director of the Office of Property Management for misfeasance and malfeasance in those positions.</p>		
<p>The responsibility for obtaining and overseeing the performance of appraisal services for the acquisition of real property by lease and purchase as well as the disposal of surplus District real property should be reassigned to a qualified entity within the District government other than the Office of Property Management and Office of the Deputy Mayor for Planning and Economic Development in order to remove the potential for conflict of interest and to ensure the integrity of appraisal results.</p>		<p>“OPM currently follows all procurement regulations in obtaining the services of Appraisers; and follows all District regulations in the disposing of surplus property. We strongly feel that these functions are a part of the whole real estate transaction process, and should remain under the purview of the District’s Chief Property Management Officer. As these responsibilities are outlined in OPM’s charter, it would require an amendment to the legislation creating and guiding the operations of OPM.”</p>
<p>The Mayor and Chief Property Management Officer must develop and implement a multi-year facilities need, use and maintenance plan and strategy</p>		<p>“This plan is being created under the direction of the City Administrator’s Office. A Facilities Assessment Team was created in the fall of 2003 to develop a needs and use plan for all District facilities. OPM</p>

<p>within 90 days of the date of this report. This plan should project the real property needs, both leases and purchases, of the District government, including the projected benefits and costs and appropriations necessary for acquiring the needed interests in real property. The Auditor will assess the compliance status of this recommendation at the end of the 90-day period.</p>		<p>plays a lead role on this team and in the creation of the District's Master Facilities Plan."</p>
<p>All appraisals for real property needed by the District government should be procured in strict compliance with the Procurement Practices Act of 1985, as amended, and Title 27 of the District of Columbia Municipal Regulations.</p>		<p>"OPM currently follows the PPA for appraisal procurements."</p>
<p>All planned relocations of District government facilities and operations must be accompanied by a thorough cost-benefit analysis taking into consideration all material, operational, and other direct costs as well as indirect costs such as anticipated lost revenues likely to be incurred in relocating District government facilities and operations.</p>	<p>Letter dated February 10, 2005 from Herbert Tillery, Deputy Mayor for Operations: "All current appraisals procured by OPM are procured in compliance with the Procurement Practices Act and Title 27 of the DCMR. OPM utilizes several mechanisms to procure appraisal services. For single property appraisals, OPM obtains a minimum of three bids from qualified individuals. This procurement parallels a typical small purchase under \$25,000. For multi-property appraisals (such as the land acquisitions for the new baseball stadium), OPM is utilizing the Brooks Act procedures outlined in Title 27, whereby a panel interviews qualified firms and the contracting officer negotiates a price with the firm deemed most qualified. Both of these methods are consistent with Title 27."</p>	<p>"This is done as a requirement of the Real Estate Review Committee ("RERC"). The RERC was established under Mayoral Order in the fall of 2003 to review all real estate transactions, including agency relocations. OPM submits these analyses to the RERC, as required under the rules."</p>

<p>The Director of the Office of Property Management, with the assistance of the Office of Contracting and Procurement, must competitively procure all construction renovation, or rehabilitation services to be performed on District government owned or leased facilities after a formal solicitation. Alternative methods of procurement should only be utilized where fully and adequately justified in writing and where such method of procurement is demonstrably in the best interest of the District government. Further, all payments for such services must be processed through the District's System of Accounting and Reporting (SOAR).</p>	<p>Letter dated February 10, 2005 from Herbert Tillery, Deputy Mayor for Operations: Construction services in the District of Columbia are procured using two methods. Larger construction projects are competed using an RFP process; smaller projects make use of IDIQ (Indefinite Delivery/Indefinite Quantity) contracts. IDIQ contracts themselves are competed in the same way as RFPs, but the individual tasks that are assigned under the contract are not competed. Both of these methods of procurement are managed by the Office of Contracting and Procurement and are consistent with the requirements of DCMR Title 27.</p>	<p>"OPM currently follows all procurement regulations in obtaining construction contracts, and all vendors are paid via SOAR. Commission pool accounts are no longer created on behalf of OPM and managed outside of the District's system of financial record."</p>
<p>Prior to attempting to purchase an interest in real property, the Mayor, Deputy Mayor for Operations, City Administrator, Chief Property Management Officer, and the Corporation Counsel should certify that they have reviewed all assessments, evaluations, opinions, fiscal impact statements, appraisals, and all agreements or other documents relating to or effecting such purchase, and specifically state in a writing signed by all parties and supported by written findings that the proposed purchase is in the best interests of the District government.</p>	<p>Letter dated February 10, 2005 from Herbert Tillery, Deputy Mayor for Operations: The District's Real Estate Review Committee was established by mayoral order and is tasked with reviewing and approving all proposed real estate transactions whereby the District procures real property, disposes of real property, or enters into a lease agreement with a private landlord. The Committee is comprised of representatives from the Office of the Deputy Mayor for Operations, the Office of the Deputy Mayor for Planning and Economic Development, the Office of Property Management, the Office of the Chief Financial Officer, the Office of Finance and Resource Management,</p>	<p>"OPM submits these documents to the RERC. This is done as a requirement of the Mayoral [Order] established Real Estate Review Committee."</p>

the Office of Contracting and Procurement, and the Office of the Attorney General. Among other tasks, in conducting its review of proposed real estate transactions the Committee is responsible for reviewing all relevant appraisals, reviewing proposed disposition and lease agreements, and ensuring funding certifications are in place to cover all costs related to proposed transactions. The Committee, which meets twice monthly, maintains minutes and under the Chair's signature advises parties on the Committee's decision regarding proposed transactions. The overarching goal of the Committee is to ensure that proposed real estate transactions comply with District law and are in the best interest of the District government and its citizens.

Letter dated February 16, 2005 from Robert J. Spagnoletti, Attorney General, OAG:

Pursuant to Mayor's Order 2003-161 a Real Estate Review Committee has been established comprised of the following representatives (or their delegees) *sic.* the Office of the Office of the Deputy Mayor for Operations, the Office of the Dep. Mayor for Planning and Economic Development, the Office of Property Management, the Office of the Chief Financial Officer, the Office of Finance and Resource Management, the Office of Contracting and Procurement, and OAG.

	<p>That Committee reviews all real estate acquisitions in excess of \$500,000.00 and all real estate dispositions for a term in excess of 1 year. The Committee is responsible for reviewing the relevant documents concerning the transaction. OAG continues to review such transactions for legal sufficiency. It has recently prepared proposed regulations to be published for public comment. The Committee makes a written determination of whether to approve or disapprove the transaction, considering, <i>inter alia</i>, the interests of the District government.</p>	
<p>The Mayor, City Administrator, Deputy Mayor for Operations, Deputy Mayor for Planning and Economic Development, and Chief Property Management Officer should develop and adopt for the District government written procedures and guidelines mandating and prescribing detailed processes and benchmarks to ensure an adequate degree of planning and coordination whenever economic development initiatives will displace or substantially impact any aspect of District government facilities or operations.</p>	<p>Letter dated February 10, 2005 from Herbert Tillery, Deputy Mayor for Operations: As indicated in the response to Recommendation #3, the Real Estate Review Committee is tasked with reviewing and approving all proposed real estate transactions. This includes ensuring that a proper level of coordination occurs when a real estate transaction - whether for operational, economic development, or other purposes - is proposed.</p>	<p>"OPM is in the process of preparing and updating these documents. The Administrator of our Facility Management Division is tasked with drafting such documents by fiscal year end."</p>
<p>The former Deputy Director of OPM repay the District government \$20,000 paid from the Commission Pool for appraisal services that were improperly authorized and appraisal results that were based on false and misleading information provided by him. If the former Deputy Director fails or refuses to voluntarily repay these funds, the Office of the Corporation Counsel should initiate the appropriate legal measures to obtain these funds.</p>	<p>Letter dated February 10, 2005 from Herbert Tillery, Deputy Mayor for Operations: As has been reported separately by the OAG in their response to you, the former Deputy Director has not yet voluntarily made restitution to the District. The OAG has, however, initiated a number of actions against parties involved in the transactions that were the subject of the Auditor's review.</p>	<p>"As this is an active criminal case, OPM plays no part in retrieving these funds. A court date has been scheduled."</p>

	<p>Letter dated February 16, 2005 from Robert J. Spagnoletti, Attorney General, OAG: "The former Deputy Director has not yet made voluntary restitution. OAG has initiated a number of actions against the various parties involved in the transactions that were the subject of this request, including the former Deputy Director. In addition the U.S. Attorney has brought several criminal charges against him to which he has pled guilty but awaits sentencing. Restitution remains an element of recovery in all these pending actions."</p>	
<p>The executive branch establish a credible process under which a suitable site for the District's vehicle impoundment operation can be located.</p>	<p>Letter dated February 10, 2005 from Herbert Tillery, Deputy Mayor for Operations: The District has successfully relocated its impoundment operation from 4800 Addison Road to District-owned property at Blue Plains. The transfer of this function from a leased site to a District-owned site has <i>resulted</i> in significant lease cost savings to the District. Not only was the District able to eliminate a \$1 million annual lease payment, but the Department of Public Works is now enjoying certain synergies by locating both short-term and long-term impoundment in the same location.</p> <p>Letter dated January 28, 2005 and rec'd on February 8, 2005 from Wm. O. Howland, Jr. Director, DPW: "Beginning in 2003, the Executive established a multi-agency team charged with identifying an in-town alternative to the Addison Road impoundment lot. Selection criteria included location, size, condition of the property, and cost. Several properties were identified, but all were either claimed by another DC agency or bought by the private sector for development. In September 2004, DPW</p>	<p>"OPM assisted the Department of Public Works in relocating from the Addison Road location to Blue Plains."</p>

	<p>vacated the Addison Road lot and consolidated its impoundment operations at the Blue Plains Impoundment and Storage lot, resolving the immediate need for additional vehicle impoundment capacity."</p>	
<p>The Director of the Department of Public Works perform an analysis of the costs incurred by DPW in operating a vehicle impoundment lot at 4800 Addison Road in comparison with conducting the same operation at the Brentwood site. The analysis should be detailed and take into consideration the lowest level of costs, including the costs of towing each impounded vehicle to Addison Road and to Brentwood, the length of time to tow impounded vehicles to Addison Road and Brentwood from different parts of the City. The analysis should also include labor, equipment, fuel, and maintenance costs, at a minimum, for a one-year period.</p>	<p>Letter dated January 28, 2005 and rec'd on February 8, 2005 from Wm. O. Howland, Jr. Director, DPW: "DPW conducted the requested analysis in August 2003. Briefly, the analysis reveals that the difference between the operating costs of Addison Road and Brentwood Road was less than \$135,000, except for the cost of rent. The analysis also discussed at length that a centrally located vehicle impoundment lot was key to the success of the District's rush hour enforcement service. DPW is still seeking one or more impoundment facilities near to the central business district and major commuter arterials. I [Mr. Howland] have attached a copy of the analysis for your review. I trust that this information meets all your outstanding issues with regard to the subject audit report."</p>	
<p>The Office of the Chief Financial Officer adhere to Council Rule 443 in preparing fiscal impact statements. Fiscal impact statements should be sufficiently detailed financial analyses of the impact of legislation on the revenues and budget of the District government rather than vague perfunctory missives that serve no legitimate use.</p>	<p>Letter dated February 11, 2005 from Dr. Natwar M. Gandhi, CFO: "Fiscal impact statements convey the effect a measure would have on current and subsequent year fiscal year budgets. As referenced in your report, Council Rule 443 requires fiscal impact statements to include a general statement of the effects the legislation will have on operating and capital budgets as well as a quantitative estimate of the expenditures needed to implement the measure. It also requires an identification of the revenues and funds available from existing revenue sources if the measure is to be implemented in the current year, a statement on the extent to which current appropriations are available, and an identification of specific funding</p>	

sources for future years. As a matter of procedure this Office has developed standard language for all fiscal impact statements to indicate our conclusions. Accordingly, all fiscal impact statements begin with a general statement that "Funds are sufficient in the FY (appropriate fiscal year) budget and financial plan", or where funds are not available, "Funds are not sufficient in the FY (appropriate fiscal year) budget and financial plan". In the latter case, the impact statement provides an estimate of the needed expenditures or revenue costs. Our fiscal impact statements also include a section which discusses funding sources and costs and includes a table of future year budget impacts where appropriate. This has been the procedure this Office has followed for the past several years. I believe this approach complies with the requirements of Council Rule 443. Your audit report specifically took issue with the language in the "Conclusion" paragraph of the impact statement, stating that the language used was "vague" and not sufficiently detailed enough to inform the Council of the resolution's fiscal impact.

Albeit brief, the July 1, 2002, fiscal impact statement identified the cost to the District of purchasing the property and the source of funds. The statements in the "Financial Plan Impact" section were based on information available to the OCFO that proceeds were available from the sale of District property at New York Avenue to the federal Bureau of Alcohol, Tobacco and Firearms for the purchase of 4800 Addison Road, and that the Office of Property Management was seeking budget authority for that purpose. In cases where the OCFO determines that funds are available in the District budget and that

	<p>authority is being requested to use the funds, such information is indicated in fiscal impact statements as was done in this case. The fiscal impact statement stated that the funds had "not yet been allocated to the Office of Property Management" and that a request was being made to fund the purchase. Since your audit report was issued, the OCFO has submitted over 400 fiscal impact statements to the Council; some are fairly simple while others are more detailed, depending on the complexity of the legislation. In my judgment, these statements have met the requirements of the Home Rule Act and Council Rule 443. In the future, should draft reports reference the operations of the Office of the Chief Financial Officer, we would appreciate an opportunity to comment on the draft report."</p>	
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OFFICE OF THE DISTRICT OF COLUMBIA AUDITOR FISCAL YEAR 2003 REPORTS:
 "Auditor's Review of the University of the District of Columbia's Land-Grant Endowment Fund"
RELEASED: June 9, 2003

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

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

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

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

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

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

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

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

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

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

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

RELEASED: June 16, 2003

TOTAL RECOMMENDATIONS: 12

RECOMMENDATIONS IMPLEMENTED OR CORRECTIVE ACTIONS TAKEN: The purchase card program was suspended.
RECOMMENDATIONS PARTIALLY IMPLEMENTED OR IN PROGRESS: One recommendation deemed inapplicable to current DCPS operations.

**RECOMMENDATIONS NOT IMPLEMENTED:
 NO RESPONSE TO RECOMMENDATION:**

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

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

Subfinding 1: DCPS' OCFO Paid Approximately \$684,518 For Purchase Card Transactions That Lacked Proper Supporting Documentation

Subfinding 2: Monthly Transaction Reports Were Recreated

Subfinding 3: Cardholders Purchased Approximately \$82,900 In Prohibited Items

Subfinding 4: Cardholders Made \$7,125 In Equipment Purchases That Were Not Recorded in DCPS' Fixed Assets System

Subfinding 5: Purchases Were Split to Avoid the \$2,500 Single Purchase Limit

Subfinding 6: Approximately \$5,355 In Sales Taxes Were Paid on Exempt Purchases

Subfinding 7: Competitive Price Quotes Were Not Obtained

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

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

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

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

FINDING NO. 3: OCP AND DCPS DID NOT PROVIDE ADEQUATE TRAINING TO PURCHASE CARD HOLDERS

RECOMMENDATION	STATUS OF IMPLEMENTATION OF RECOMMENDATIONS	EXPLANATION FOR RECOMMENDATIONS THAT HAVE NOT BEEN IMPLEMENTED
<p>DCPS' CFO, Superintendent, and Assistant Superintendents immediately hold cardholders liable and promptly take all actions necessary to retrieve the amount spent on unallowable purchases. Such actions should include, but not be limited to, reimbursement and immediate suspension of cardholder privileges.</p>		<p>Letter dated February 10, 2005 from Superintendent Janey: "DCPS, in compliance with the DC Council's order to suspend the use of all government purchasing cards, suspended the program in 2003. We have not re-established this program and have developed alternative practices that we believe provide many of the same benefits as the procurement card, but provide DCPS with additional oversight and controls for the purchases. Therefore, we believe that, at this time, the recommendations in the report are not applicable to our current operations. We will consider implementing your recommendations should DCPS decide to re-establish the procurement card program at a future date. Our Office of Compliance did implement your recommendation to review the transactions you questioned. However, Interim Superintendent at the time of the audit decided not to act on the recommendations contained in the report; to recover those funds that were expended in violation of the procurement card policies."</p>
<p>DCPS must maintain an inventory of all purchase cardholders; periodically update the inventory to include new cards issued, deactivations, terminations, and suspensions; and compare the inventory to purchase cardholder records so as to accurately determine the identity and number of cardholders and prevent any unauthorized use of the cards.</p>		<p>Letter dated February 10, 2005 from Superintendent Janey: "DCPS, in compliance with the DC Council's order to suspend the use of all government purchasing cards, suspended the program in 2003. We have not re-established this program and have developed alternative practices that we believe provide many of the same benefits as the procurement card, but provide DCPS with additional oversight and controls for the purchases. Therefore, we believe that, at this time, the recommendations in the report are not applicable to our current operations. We will consider implementing your recommendations should DCPS decide to re-establish the procurement card program at a future date. Our Office of Compliance did implement your recommendation to review the transactions you questioned. However, Interim Superintendent at the time of the audit decided not to act on the recommendations contained in the report; to recover those funds that were expended in violation of the procurement card policies."</p>
<p>The Chief Procurement Officer must institute a comprehensive, mandatory, and continuing training program for all District government</p>	<p>Letter dated January 31, 2005 from Herbert R. Tillery, Deputy Mayor for Operations and Interim Chief</p>	

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

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

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

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

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

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

<p>appropriate training necessary for an efficient well-run SNAC program operation.</p>	<p>addition of a third term employee has increased SNAC programmatic personnel by almost 25%. Furthermore, the FY 2006 budget request for the SEO proposes a necessary realignment of funds to hire a fourth new programmatic position and adjust local contribution to non-personal services and training funds. This increase has been proposed to city leaders through the FY 2006 budget request, and will increase SNAC resources by over \$250,000.</p>	<p>A. These positions are currently filled; however over 2-year period covered by report, they were vacant. During this time OFRM continuously provided financial services to SEO by reallocating resources under our control without compromising the service quality."</p>
<p>The State Education Officer take immediate action to ensure that SEO hiring practices are in compliance with applicable District personnel policies and procedures.</p>	<p>The SEO, along with other District agencies, goes "live" in Peoplesoft, the new Human Resources management system this week. This ensures that appropriate approvals, including agency, EOM operations staff, financial and personnel, are obtained through an automated process that reduces human error. Further, District processes have been reiterated to staff through emails and verbal conversations, and will be elaborated upon and finalized in the SEO's policies and procedures handbook, due to be issued to all employees January and followed by training on the policies and procedures.</p>	
<p>FINDING NO. 2: SEO MANAGEMENT AND CHOICE EXECUTIVES VIOLATED THE BPA AND CONTRACT BETWEEN THE DISTRICT OF COLUMBIA AND CHOICE Subfinding 1: SEO Failed to Procure Temporary Personnel Services in the Labor Categories Stipulated by the BPA and DCSS Contract Subfinding 2: SEO Circumvented Personnel Hiring Rules and Paid Over \$150,000 to Choice for Payroll Processing Charges and Overhead Costs Subfinding 3: SEO Improperly Charged Contract Personnel Services Costs to Programs in Which Individuals Did Not Work Subfinding 4: Choice Failed To Include \$416,500 In Services Provided To SEO Under the Contract In Quarterly Sales Reports Filed With the District Subfinding 5: Choice Failed to Remit \$4,165 in Sales Discounts To The District For Services Provided to SEO Under the Contract</p>		
<p>RECOMMENDATIONS</p>	<p>STATUS OF IMPLEMENTING RECOMMENDATION</p>	<p>STATUS OF IMPLEMENTING RECOMMENDATION FROM OCP AND OFRM</p>
<p>The State Education Officer immediately implement procedures to ensure that Choice invoices are</p>	<p>The State Education Officer implemented a process by which program managers</p>	

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

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

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

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

OFFICE OF THE DISTRICT OF COLUMBIA AUDITOR FISCAL YEAR 2004 REPORTS:

"LETTER REPORT: ANALYSIS OF THE OFFICE OF THE CHIEF FINANCIAL OFFICER'S EXCEPTIONS ACCOUNT FOR FISCAL YEARS 2003 AND 2004, AS OF JUNE 30, 2004"

RELEASED: SEPTEMBER 30, 2004

<p>TOTAL RECOMMENDATIONS: 3 RECOMMENDATIONS IMPLEMENTED OR CORRECTIVE ACTIONS TAKEN: 2 RECOMMENDATIONS PARTIALLY IMPLEMENTED OR IN PROGRESS: RECOMMENDATIONS NOT IMPLEMENTED: 1 NO RESPONSE TO RECOMMENDATION:</p>		
<p>FINDING NO. 1: OFFICE OF TAX AND REVENUE OFFICIALS DID NOT CONSISTENTLY RECONCILE DEPOSITS MADE TO THE EXCEPTIONS ACCOUNT TIMELY</p>		
<p>Subfinding 1: WCCA Received a Small Amount of Interest Income During Fiscal Years 2002 2003 and None in Fiscal Year 2004 Through June 30, 2004 But Were Assessed Bank Fees Totaling \$416,666</p>		
RECOMMENDATIONS	STATUS OF IMPLEMENTING RECOMMENDATION	EXPLANATION FOR RECOMMENDATIONS THAT HAVE NOT BEEN IMPLEMENTED
<p>OTR must reconcile the Exceptions Account no less than monthly and establish and enforce procedures for clearing the Exceptions Account every 30 days as required by the Collection Agreement.</p>	<p>Letter dated October 26, 2004 from Natwar M. Gandhi states: OTR essentially agrees with the finding associated with this recommendation. "According to your report [audit] the scope of your analysis was fiscal years 2003 and 2004 (through June 30, 2004). During this period, the DC Auditor noted only 2 exceptions (Nov. 2002 and Nov. 2003) during the 21 months reviewed. The delay in transfers was due to the unavailability of ITS reports used to reconcile and initiate transfers. Effective Dec. 2003, to improve compliance with the Collection Agreement, OTR began disbursing funds to the WCCA and District on a biweekly basis to minimize the impact of these problems."</p>	
<p>OFT should immediately begin investing funds in the Exceptions Account and paying WCCA its proportionate share of interest earned.</p>	<p>Letter dated October 26, 2004 from Natwar M. Gandhi states: "It is the Office of Finance and Treasury (OFT) policy and practice to always have funds well-invested. Due to the low interest rate environment in FY 2003 and 2004, the funds associated with the Sales and Use Exception account were switched from a "Sweep" Investment vehicle to a vehicle called the Wachovia Government Advantage Interest (WGA) Account, whereby interest earned is maximized. During this period of time, the WGA account earned above market rate short-term earnings on its balances. The objective was for the account to automatically net bank fees against interest income and credit</p>	

	<p>the residual to the account. However, in all cases, the interest was not credited to the Sales & Use Exception account on a monthly basis. Conversely, if interest earned were insufficient to cover the service fees, then the account would be debited for the fees. OFT resumed "Sweep" Investment in July 2004, which will revert back to the initial methodology used to record the interest and fees. OFT will work with WCCA to identify any interest earnings that should have been transferred from the Sales and Use Exception account to WCCA."</p>	
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FINDING NO. 2: DEPOSITS OF TAX COLLECTIONS OTHER THAN SALES AND USE TAXES TO THE EXCEPTIONS ACCOUNT APPEAR TO VIOLATE THE COLLECTION AGREEMENT.

RECOMMENDATIONS	STATUS OF IMPLEMENTING RECOMMENDATION	EXPLANATION FOR RECOMMENDATIONS THAT HAVE NOT BEEN IMPLEMENTED
<p>District officials within OTR immediately discontinue the practice of depositing tax revenue receipts other than sales and use taxes to the Exceptions Account since the commingling of funds is prohibited by the Collection Agreement.</p>	<p>OTR agrees with finding associated with recommendation, but disagrees with Auditor's recommendation. Letter dated October 26, 2004 from Natwar M. Gandhi states: "Regularly, the Sales and Use lockbox receives payments for taxes other than sales and use. There are two primary reasons for this situation: 1) Taxpayers send payments to the incorrect address, and 2) Taxpayers send one check in payment for multiple tax types (combination payments). The Exceptions Account was established so that the bank could receive and immediately deposit payments that are not "clean." "Clean" is defined in the MOU as payments that match the amount of sales tax reported as due on the return. The lockbox contractor is able to process "clean" transactions and immediately disburse to WCCA and District. If a taxpayer sends a combination payment. The payment is treated as an exception by the lockbox and deposited in the Except. Acct. Also if a TP sends a check with no return, lockbox can't identify nature of payment and must deposit into Except. Acct for OTR to research and post. If payments are for tax type other than sales and use, OTR requests transfer of funds from Except. Acct. to appropriate bank acct. Unwise to discontinue practice since depositing questionable combination payments would be in violation of Collection Agreement.</p>	<p>OTR has opted for the most conservative option. By depositing questionable and combination payments into the Except. Acct. first, the bondholders are assured that all sales and use payments are segregated from the general fund until properly allocated to the WCCA and District bank accounts.</p>