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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

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The Honorable Birch Bayh, Chairman
Subcommittee on the District of Columbia
Committee on Appropriations
United States Senate

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Dear Mr. Chairman:

As requested by a joint letter dated February 7, 1972, from your predecessor; the Chairman, Senate Committee on the District of Columbia; and Senator Charles McC. Mathias, Jr., we have monitored the audit by the District of Columbia's Office of Municipal Audit and Inspection (OMAI) of the expenditure of funds by the District of Columbia public schools (DCPS) during fiscal years 1970 and 1971. 5900
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In a letter to your Committee dated February 11, 1972, the Commissioner of the District of Columbia stated that the work to be done by OMAI would include statements of

- appropriation allotments and expenditures for fiscal years 1970 and 1971,
- all Federal and private grants awarded and the amounts received in fiscal years 1970 and 1971, and
- the amount of unobligated Federal grant funds as of June 30, 1971.

The Commissioner stated that OMAI would test a sufficient number of transactions to determine, with a reasonable degree of reliability, the extent of errors and whether the Anti-Deficiency Act (31 U.S.C. 665) had been violated at the end of fiscal years 1970 and 1971.

OMAI completed its audit in October 1972 and expects to issue a report on the audit findings early in 1973. We understand that the District of Columbia Government will make a copy of that report available to you when it is issued.

OMAI's audit indicated that the extent of errors in the accounting records was significant. However, OMAI has concluded that it will not be able to assign a total dollar

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value to these errors, prepare certified statements of appropriation and grant account expenditures or balances, or determine the extent to which the Anti-Deficiency Act was violated, primarily because necessary documentation was not available.

OMAI identified numerous adjustments which should be made in the accounts and which will result in the accounts' showing an overobligation of DCPS apportionments for both fiscal years 1970 and 1971. OMAI officials have advised us that their report will discuss the overobligations and certain of the adjustments in relation to the Anti-Deficiency Act.

A summary of the principal areas included in the OMAI audit, the problems encountered, and the audit results follows. We believe that, under the circumstances described above, OMAI took all reasonable steps to determine the status of the DCPS accounts for fiscal years 1970 and 1971.

PERSONNEL COSTS

OMAI has concluded that it is not possible to determine the correct charges to the appropriation and Federal grant accounts for personnel costs in fiscal years 1970 and 1971. This was a major factor affecting the extent to which OMAI could ascertain the status of the DCPS accounts. Personnel compensation and benefits--\$134 million in fiscal year 1971--constitute about 85 percent of DCPS' annual operating expenses.

In February of 1972 the Superintendent of DCPS appointed a 22-man task force, one purpose of which was to correct accounting codes. The task force found that the salary costs of about 20 percent of the DCPS employees were being charged to incorrect codes.

On October 31, 1972, we reported¹ that our tests of salary charges for DCPS employees in September 1971 showed

¹Report to the Committee on the District of Columbia and the Subcommittee on the District of Columbia, Committee on Appropriations, United States Senate, entitled "Controls over funds available to the District of Columbia Public Schools" (B-118638, Oct. 31, 1972).

that incorrect accounting codes had been assigned to 9 percent of the 1,627 employees included in our tests. Most of the incorrect codes were caused by (1) failures to change the assigned accounting codes for reassigned employees, (2) errors in preparing the forms used to establish or change accounting codes, or (3) timelags between reassigning employees and adjusting the payroll records. The failure to change the assigned accounting codes for reassigned employees was the predominant cause.

OMAI attempted to determine the extent of erroneous charges for personnel costs in fiscal years 1970 and 1971. However, it found that the necessary documentation of personnel assignments was not available. The errors disclosed by us and by the task force were found by comparing assigned accounting codes with actual personnel assignments at the time of the reviews. OMAI could not use this technique because its audit covered periods prior to its review.

According to OMAI, its report will discuss the weaknesses in documentation of personnel assignments and certain actions that DCPS has taken, or plans to take, to correct such weaknesses. DCPS has, for example, taken steps to (1) require regular reviews of personnel costs charged to the various accounts and (2) revise the flow of personnel forms to insure that changes in assignments are promptly and accurately documented. These steps, if properly implemented, should substantially improve the accuracy of DCPS financial information and should provide adequate documentation for subsequent audits.

GOODS AND SERVICES

On October 31, 1972, we reported also that DCPS obligations, totaling about \$169,000 for goods and services received in fiscal year 1971, had been charged to, and paid with, fiscal year 1972 appropriated funds. In our opinion, these actions not only violated the Anti-Deficiency Act but also were contrary to section 1 of the act of July 6, 1949 (31 U.S.C. 712a). We brought these violations to the attention of OMAI during its audit.

OMAI examined vouchers processed in fiscal years 1969 through 1972 to identify the extent to which payments were charged to the accounts for 1 fiscal year when they should have been charged to the accounts for the prior or subsequent fiscal year.

OMAI's review identified about \$700,000 which had been charged to accounts of the wrong fiscal year. OMAI did not determine the total amount of erroneous charges, however, because procurement documents often did not show accurate dates of order or receipt of goods and services and because it was not practicable, in many cases, to determine the correct year's accounts to which the cost of such purchases should have been charged.

OMAI advised us that its report would discuss (1) the erroneous charges it found in relation to the provisions of the Anti-Deficiency Act, (2) the documentation deficiencies which made it impractical to determine the total erroneous charges, (3) recommended adjustments to the accounts, and (4) recommendations for strengthening accounting controls for insuring that costs for goods and services are charged to the proper accounts.

TRANSFERS BETWEEN ACCOUNTS

Each year DCPS initially charges various costs to its accounts on an interim basis, pending a determination of the accounts to which such costs should be charged. This procedure results in numerous transfers of costs within the appropriation accounts and between the appropriation and the Federal grant accounts. It was not feasible for OMAI to review all such transactions. Therefore it selected for review all transactions for November 1969, June 1970, and February and June 1971.

OMAI's review disclosed that sufficient support was not available to determine whether transfers of costs, totaling about \$2 million, were proper. For some of these transfers, no support was available; for others, the only available support consisted of memorandums from school officials to the accounting section requesting that costs be transferred. The memorandums, however, did not include any justifications for the requested transfers. OMAI advised us that its report would include a discussion of the significance of the deficiencies in accounting transfers and a recommendation that appropriate documentation be assembled, reviewed, and retained for all transfers to insure their propriety.

GRANT ACCOUNTS

A significant portion of DCPS' activities is financed from Federal grants. For example, its records indicate that

Federal grants awarded for fiscal year 1971 totaled about \$27 million.

OMAI found that in many cases information from which the amount of the grant award, the period of the grant, and other grant conditions could be verified was not available within DCPS. Without such information it was not possible to determine whether grant funds were expended (1) for the purposes for which intended or (2) in excess of the amounts awarded and/or beyond the period for which the funds were available.

In view of the previously discussed problems, such as insufficient documentation to determine the correct accounts to which personnel costs should have been charged, OMAI concluded that taking additional steps to verify grant awards and conditions would serve little purpose, because it still would not be able to certify grant account expenditures or balances.

According to OMAI, it plans to recommend that DCPS request copies of grant contracts from the grantors in those cases for which information on grants could not be located by DCPS. It plans also to recommend that DCPS establish a central file of all grant contracts and that this information be made available to, and be used by, the departments responsible for the administration and control of grant programs.

APPROPRIATIONS ACCOUNTS

Although OMAI, for the reasons previously discussed, will not be able to prepare statements of the actual balances of the DCPS apportionments of appropriated operating funds for fiscal years 1970 and 1971, it did identify several adjustments which should be made to more accurately show the status of the accounts. The adjustments identified include

- amounts which had been charged to accounts of the wrong fiscal year,
- an increase in obligations for each fiscal year to include accounts payable which had not been recorded,
- a decrease in the fiscal year 1970 apportionment and an increase in the fiscal year 1971 apportionment as a result of OMAI's analysis of estimated and actual reimbursements, and

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--cancellation of invalid obligations for both fiscal years.

The various adjustments will result in overobligated balances in the fiscal years 1970 and 1971 accounts of about \$1.9 million and \$0.9 million, respectively. OMAI advised us that its report would discuss these matters in relation to the Anti-Deficiency Act.

We have not obtained written comments from the District of Columbia on this report; however, its contents have been discussed with, and concurred in by, OMAI.

We are also sending this report today to the Chairman, Senate Committee on the District of Columbia, and to Senator Charles McC. Mathias, Jr. We do not plan to distribute this report further unless you agree or publicly announce its contents.

Sincerely yours,



Comptroller General
of the United States