

Government of the District of Columbia

Schedule of Findings and Questioned Costs
Year Ended September 30, 2015

Finding Number: 2015-013
 Prior Year Finding Number: N/A
 Compliance Requirement: Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Program:

U.S. Department of Education

Government Department/Agency:Office of the State Superintendent of
Education (OSSE)

Special Education Cluster

CFDA #: 84.027

Award #: H027A140010

Award Year: 07/01/2014 - 09/30/2015

Criteria - OMB Circular A-87 Attachment B section 16. Fines and penalties: "Fines, penalties, damages, and other settlements resulting from violations (or alleged violations) of, or failure of the governmental unit to comply with, Federal, State, local, or Indian tribal laws and regulations are unallowable except when incurred as a result of compliance with specific provisions of the Federal award or written instructions by the awarding agency authorizing in advance such payments."

Condition - During our review of 25 payroll transactions selected for testing (7 payroll transactions at OSSE and 18 payroll transactions at DCPS), we noted that 1 payroll transaction at OSSE pertained to a payment of restitution and compensatory damages to an employee who was wrongfully terminated. This expenditure is not allowable to be charged to the program unless there is written authorization from the federal grantor. OSSE was not able to provide written instructions by the awarding agency authorizing in advance such payment. Thus, the expenditure is unallowable and should have not been charged to the program.

Questioned Costs - Known amount is \$19,576.

Context - This is a condition identified per review of OSSE's compliance with specified requirements.

Effect - OSSE's failure to properly identify a payroll transaction related to restitution and compensatory damages resulted to unallowable expenditures charged to the Federal program.

Cause - OSSE failed to follow existing policies and procedures in place which require full compliance with the OMB's allowable costs/cost principles requirements.

Recommendation - We recommend that OSSE adhere to its internal policies and procedures to ensure that only costs allowed by the provisions of OMB's cost principles are charged to the Federal program.

Related Noncompliance - Noncompliance.

Views of Responsible Officials and Planned Corrective Actions - OSSE understands the nature of this finding. OSSE will implement a control system to ensure that restitution and compensatory damages' expenditures are charged to non-federal funds and are processed through the standard established PeopleSoft payroll system. This will prevent recurrences. OSSE is committed to strengthen its internal controls to ensure that its expenditures are allowable, allocable and reasonable in compliance with all standards.