

PUBLIC HEARING ON
THE FISCAL YEAR 2007 BUDGET OF THE
DISTRICT OF COLUMBIA PUBLIC SCHOOLS

Before the
Committee on Education, Libraries, and Recreation
Council of the District of Columbia

The Honorable Kathy Patterson, Chairman

March 28, 2006, 9:00 a.m.
John A. Wilson Building
Council Chamber



Testimony of
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Good afternoon, Chairman Patterson and members of the committee. My name is John Musso, and I am the Chief Financial Officer for the D.C. Public Schools (DCPS). I would like to thank you and the members of the committee for the opportunity to appear before you today to offer some brief remarks regarding the FY 2007 budget for DCPS.

On March 1, 2006, the Board of Education approved a local operating budget of \$830,365,099. That budget appropriation consisted of \$555,323,000 in Local Education Agency (LEA) appropriations, \$236,511,617 in State Education Agency (SEA) appropriations and \$9,930,482 in a potential voucher hold harmless appropriation. It also included an estimate of \$28,600,000 of additional appropriation for the potential increase in the Uniform Per Student Funding Formula (UPSFF) level from \$7,307.47 to \$8,002.06. The board also approved \$229,241,710 in other funds for a gross budget of \$1,059,606,809.

The mayor's FY 2007 proposed budget for the local operating budget is \$810,655,971. This budget appropriation consists of \$555,323,000 in LEA appropriations, 225,232,730 in SEA appropriations and \$4,965,241 in the voucher hold harmless appropriation. It also includes \$25,135,000 in the UPSFF level increase, pursuant to the State Education Office (SEO) recommendation. This budget also includes \$223,007,683 in other funds appropriations for a gross budget of \$1,033,663,654.

Based upon Council's final approved recommendation, a reallocation of the board's approved budget may be necessary.

Attached to this testimony are charts that detail the differences between the board approved budgets and the mayor's proposed budget, as well as the differences between the FY 2006 appropriations.

Earlier today, you heard testimony from Ben Lorigo, executive director for the Office of Integrity and Oversight (OIO) in the Office of the Chief Financial Officer. Mr. Lorigo detailed the non-public tuition audit that was commissioned. We worked diligently to rectify the issues that the audit addressed and to implement the recommendations within the audit. The DCPS Office of the Chief Financial Officer (OCFO) viewed the findings and recommendations as an opportunity for continued improvement. It is important to note, relative to all comments and recommendations, that this audit was for the period of fiscal years 2003-2004, ending September 2004. Since that time, the DCPS OCFO has undergone a complete restructuring. As well, numerous internal control policies and procedures have been initiated to alleviate the issues in this audit.

The following are interventions that have been implemented as detailed within the audit:

- Currently, two accounts payable employees are assigned to work with non-public tuition. This is the only duty they have on a day-to-day basis. Extreme care is taken in the custody of these records, including precise filing of those payment records. Non-public tuition payment records, as well as all other payment records that come through accounts payable, are meticulously maintained.
- Accounts payable employees no longer just "process" transactions. They have been trained to analyze invoices and requested payments to ensure accurate payments.

- We have formalized a format for vendor invoices pursuant to the Petties Order and are now requiring all vendors to comply with this format, which requires various necessary information designed to effectuate accurate payments as well as track student placements.
- With the specialized orientation to non-public tuition, accounts payable specialists have been able to start tracking differences between non-public tuition, Child & Family Services and Department of Mental Health payments by creating working documents of special education students and associated placements.
- All non-public tuition payments are being paid pursuant to the court-ordered timelines.
- The DCPS CFO is requiring the Director of Special Education to sign off as approver of every invoice that is presented for payment. Invoices without this higher level of approval are returned to the Office of Special Education for further review.
- Current DCPS OCFO policies and procedures require strict document integrity for all financial documents, including payroll. A new filing system has been developed that accommodates that requirement, as well as training for affected staff. Payments are not effectuated unless the appropriate documentation supports the request.
- The DCPS OCFO has established a comprehensive framework of internal controls that creates and maintains an environment conducive to fiscal control, ensures that the risks from both inside and outside the entity are assessed and managed on an on-going basis, enables the design and implementation of appropriate control-related policies and procedures, provides appropriate communication of information for both inside and

outside customers, and monitors the effectiveness of control-related policy and procedures, as well as the resolution of potential problems identified by controls.

- DCPS is also implementing a digital imaging filing system consistent with OCFO policies and guidelines. This will create a higher level of document integrity not only for non-public tuition, but other areas of the system as well.
- We have identified a cadre of OCFO employees to serve on the task force recommended by the OIO audit.

These interventions, along with other systemic changes in the DCPS OCFO, are ensuring strong fiscal management for DCPS. This concludes my testimony, and I am pleased to answer any questions you or other members of the committee may have.

FY 2007 District of Columbia Public Schools Gross Operating Budget - Mayoral Recommendation-Comparison to FY 2006

| <i>FUND</i> | <i>FY 2007 Mayoral Proposed</i> | <i>FY 2006 Adopted Budget</i> | <i>Variance from FY2006</i> | <i>Percent Variance from FY2006</i> |
|--|---------------------------------|-------------------------------|-----------------------------|-------------------------------------|
| Appropriated LEA | 555,323,000 | 568,650,000 | (13,327,000) | -2.34% |
| Appropriated SEA | 225,232,730 | 225,595,000 | (362,270) | -0.16% |
| Voucher Hold Harmless (1,241 students) @ SEO | 4,965,241 | - | 4,965,241 | |
| Subtotal | 785,520,971 | 794,245,000 | (8,724,029) | -1.10% |
| SEO Recommendation | 25,135,000 | - | 25,135,000 | |
| Unmet Initiatives | - | 21,000,000 | (21,000,000.00) | -100.00% |
| Total Appropriated | 810,655,971 | 815,245,000 | (4,589,029) | -0.56% |
| Federal | 156,059,895 | 173,346,793 | (17,286,898) | -9.97% |
| Private | 4,674,500 | 4,665,602 | 8,898 | 0.19% |
| Other | 10,034,495 | 6,780,000 | 3,254,495 | 48.00% |
| Intra-District | 52,238,793 | 54,156,873 | (1,918,080) | -3.54% |
| Subtotal Non-Appropriated | 223,007,683 | 238,949,268 | (15,941,585) | -6.67% |
| GRAND TOTAL | 1,033,663,654 | 1,054,194,268 | (20,530,614) | -1.95% |

FY 2007 District of Columbia Public Schools Gross Operating Budget -March 1 Board Proposed Comparison to FY 2006

| <i>FUND</i> | <i>FY 2007 Board of Education Proposed Budget</i> | <i>FY 2006 Adopted Budget</i> | <i>Variance from FY2006</i> | <i>Percent Variance from FY2006</i> |
|--|---|-------------------------------|-----------------------------|-------------------------------------|
| Appropriated LEA | 555,323,000 | 568,650,000 | (13,327,000) | -2.34% |
| Appropriated SEA | 236,511,617 | 225,595,000 | 10,916,617 | 4.84% |
| Voucher Hold Harmless (1,241 students) @ SEO | 9,930,482 | - | 9,930,482 | 100.00% |
| Subtotal | 801,765,099 | 794,245,000 | 7,520,099 | 0.95% |
| SEO Recommendation | 28,600,000 | - | 28,600,000 | |
| Unmet Initiatives | - | 21,000,000 | (21,000,000) | -100.00% |
| Total Appropriated | 830,365,099 | 815,245,000 | 15,120,099 | 1.85% |
| Federal | 162,115,515 | 173,346,793 | (11,231,278) | -6.48% |
| Private | 4,680,500 | 4,665,602 | 14,898 | 0.32% |
| Other | 10,034,495 | 6,780,000 | 3,254,495 | 48.00% |
| Intra-District | 52,411,200 | 54,156,873 | (1,745,673) | -3.22% |
| Subtotal Non-Appropriated | 229,241,710 | 238,949,268 | (9,707,558) | -4.06% |
| GRAND TOTAL | 1,059,606,809 | 1,054,194,268 | 5,412,541 | 0.51% |

FY 2007 District of Columbia Public Schools Proposed Gross Operating Budget - Board Proposed to Mayoral Proposed

| <i>FUND</i> | <i>FY 2007 Board of Education Proposed Budget</i> | <i>FY 2007 Mayoral Proposed</i> | <i>Variance of FY2007 BOE Proposed & Mayoral Proposed</i> | <i>Percent Variance</i> |
|--|---|---------------------------------|---|-------------------------|
| Appropriated LEA | 555,323,000 | 555,323,000 | - | 0.00% |
| Appropriated SEA | 236,511,617 | 225,232,730 | 11,278,887 | 5.01% |
| Voucher Hold Harmless (1,241 students) @ SEO | 9,930,482 | 4,965,241 | 4,965,241 | 100.00% |
| Subtotal | 801,765,099 | 785,520,971 | 16,244,128 | 2.07% |
| SEO Recommendation | 28,600,000 | 25,135,000 | 3,465,000 | 13.79% |
| Unmet Initiatives | - | - | - | - |
| Total Appropriated | 830,365,099 | 810,655,971 | 19,709,128 | 2.43% |
| Federal | 162,115,515 | 156,059,895 | 6,055,620 | 3.88% |
| Private | 4,680,500 | 4,674,500 | 6,000 | 0.13% |
| Other | 10,034,495 | 10,034,495 | - | 0.00% |
| Intra-District | 52,411,200 | 52,238,793 | 172,407 | 0.33% |
| Subtotal Non-Appropriated | 229,241,710 | 223,007,683 | 6,234,027 | 2.80% |
| GRAND TOTAL | 1,059,606,809 | 1,033,663,654 | 25,943,155 | 2.51% |