

MEMORANDUM

April 21, 2006

TO: Alberto M. Carvalho, Associate Superintendent
Office of Intergovernmental Affairs, Grant Administration, and
Community Services

Freddie Woodson, Associate Superintendent
School Operations

FROM: Allen M. Vann, Chief Auditor
Office of Management and Compliance Audits



BY: Maria T. Gonzalez, District Director, School Audits
Tamara Wain, Audit Director, School Grants

**SUBJECT: ALLEGATIONS OF IMPROPER SPENDING AT HUBERT O. SIBLEY
ELEMENTARY SCHOOL UNDER THE FAMILY LITERACY GRANT**

INTRODUCTION

The Office of Intergovernmental Affairs, Grants Administration, and Community Services (OIAGACS) requested a review of a grant program in response to a complaint letter received by that office. The letter alleged that the former principal of Hubert O. Sibley Elementary School, Ms. Bettye L. Woodson, had spent monies from the Adult Education and Family Literacy-Comprehensive Family Grant (otherwise referred to as the Family Literacy Program) for purposes unrelated to the grant. The complaint also alleged that the adult portion of this program was subsidized by North Miami Adult Education Center. The purpose of this \$75,000 grant was to facilitate interactive literacy activities between both parents and their children, train parents to be the primary teachers for their children, and educate parents to be self-sufficient.

Our review concluded that, of the total grant expenditures of \$73,817 reported for fiscal year 2004-05, \$31,445 were deemed questionable because they did not appear to support the purpose of the grant. For fiscal year 2005-06 up to January 2006, a total of \$1,913 in payroll charges had been posted, and of that amount \$463 was from teachers that were not involved in grant-related activities. Refer to the Table on pages 3 and 4 for further details.

For both years, North Miami Adult Education Center paid for the English as a Second Language (ESOL) teachers and custodial staff associated with the ESOL Program as part of their adult satellite operations using district sources that were not related to this grant. Although grant documents were not clear regarding the matter of the ESOL Program expenditures, they did indicate that the adult education classes were to be funded, for the most part, through district sources; and pointed out that the grant funds were to *supplement* an existing program, not *supplant* it.

Our review also disclosed that during fiscal year 2004-05, Hubert O. Sibley Elementary School reported a total of \$88,294 under this grant; however, just before the close of the fiscal year, transfers of expenditures to General Fund accounts of the school were made to reduce the total amount spent to \$73,817. Because limits were exceeded sometime during the life of the grant, it is apparent that controls over the monitoring of grant expenditures were lacking.

BACKGROUND

Under the Adult Education and Family Literacy Act State grant program, Title II of the Workforce Investment Act of 1998, the Florida Department of Education (FLDOE) made Adult Education and Family Literacy-Comprehensive Family Literacy grant funds available to schools through a performance-based grant application process. In fiscal years 2004-05 and 2005-06, seventeen and sixteen schools, respectively, were awarded this grant. In both years, Hubert O. Sibley Elementary School was one of the recipients of this grant. The amount awarded was \$75,000 each fiscal year.

According to the grant application, the focus of the program was to promote literacy among the adult members of school families, as well as to help parents assist their children excel in their school work. The grant application included a Budget Narrative Form which indicated the school's plan for the use of the funds by type of expenditure (i.e., payroll, supplies and materials, travel, etc.). Once the grant was awarded and approved by the School Board, a budget at the district level was created and accounts were set up for the school to have access to the funds. Goods and services related to the grant were procured by the school via purchase orders and processed through the regular procurement channels. Payroll expenditures incurred by staff assigned to the program were charged to the corresponding payroll grant fund structures. While invoices for goods and services were retained at the District, payroll records were retained at the school.

Although the State monitors program performance, the District is responsible for monitoring grant expenditures and related programmatic issues, and attends to the operational aspects of the grant, namely, the implementation and conduct of the program. The staff assigned to the program, and the goods and/or services procured under this program are all under the direction and supervision of the principal at Hubert O. Sibley Elementary School. For the current year, the State has requested supporting documentation from the District and schools for the performance deliverables.

Part of this program included an ESOL Program for adults through classes held at Hubert O. Sibley Elementary School. North Miami Adult Education Center, acting as a collaborating partner conducted the initial testing and placement of adult family members pursuant to State standards. During fiscal years 2004-05 and 2005-06 through January 2006, North Miami Adult Education Center offered Pre-ESOL and ESOL 1, 2, and 3 evening courses at Hubert O. Sibley Elementary School using North Miami Adult Education's teachers. The classes were provided to the parents free of charge, except for the identification badges and textbooks.

SCOPE AND METHODOLOGY

Our review covered the period of July 2004 through January 2006. In order to satisfy our objectives we:

- Reviewed the grant's project application and budget narrative form for fiscal years 2004-05 and 2005-06, as well as other records provided by OIAGACS related to this grant.
- Reviewed the corresponding budget documentation, Year-to-Date Transaction Registers for program accounts' history transactions, payroll documents at Hubert O. Sibley Elementary and North Miami Adult Education Center, and grant-related invoices and supporting documentation.
- Researched vendor websites to obtain additional information regarding goods purchased.
- Met or had discussions with staff and administration of OIAGACS, Contracted Programs Accounting in the M-DCPS General Accounting Office, School Operations - Adult Education and the schools to obtain an understanding of the grant process.
- Obtained written statements from the principals of the corresponding schools corroborating job descriptions of employees paid through the grant or involved with the program and paid through other district sources.

Our review was conducted in accordance with generally accepted government auditing procedures.

FINDINGS AND RECOMMENDATIONS TO OIAGACS AND SCHOOL OPERATIONS

Our findings relative to the propriety of grant expenditures follow:

Table - Schedule of Grant Expenditures

	Per School Records	Allowable Amount Per Audit	Questioned Costs	Notes
FY 2004-2005				
Labor Costs	\$46,954	\$14,960	\$31,994	(1)
Other Costs	37,325	20,885	16,440	(2)
Indirect Costs	4,015	4,015	0	
Gross Expenditures before transfers	\$88,294	\$39,860	\$48,434	
Costs Transferred from Prior Grant Year	3,828	3,828	0	
Costs Transferred to Other School Accounts	-18,305	-1,316	-16,989	(3)
Totals for FY 2004-2005	<u>\$73,817</u>	<u>\$42,372</u>	<u>\$31,445</u>	

Table - Schedule of Grant Expenditures

	Per School Records	Allowable Amount Per Audit	Questioned Costs	Notes
FY 2005-2006				
Labor Costs	\$1,913	\$1,450	\$463	(1)
Totals Through January '06	<u>\$1,913</u>	<u>\$1,450</u>	<u>\$463</u>	

Note 1 – Labor Costs Under The Grant Were Questionable

For fiscal year 2004-05, ten employees were paid from Family Literacy Grant funds a total of \$46,954 in hourly payroll and fringe benefits. Of this total, we determined that payroll expenditures of \$14,960 for certified teachers that worked hours during the evening program were allowable as their work related to the Family Literacy Program. The remaining \$31,994 was questionable, because either the work performed was for tutoring activities of children where there was no parental involvement, or the work performed was done by staff that was not certified as required by the grant (one employee was a skilled clerical and another employee was a paraprofessional).

For fiscal year 2005-06, although the grant funds had been made available to the school on November 4, 2005, payroll expenditures were not charged to this program until January 2006. Hourly payroll charges of \$1,913 were reported for five employees for January 2006. Of the five, three employees were not involved in Family Literacy Program activities but instead worked on FCAT tutoring; and two had some involvement in the program. The total questionable amount of payroll charges was \$463. These last two employees were also paid from June 2005 to December 2005 through North Miami Adult Education Center for overseeing children’s activities during the evening. They were both third-grade teachers at the elementary school. The reason for these teachers receiving payment through the elementary school in January 2006 was because the principal at North Miami Adult Education Center, Mr. Jean Coty Ridore, transferred their hourly payroll back to the elementary school. Also, regarding these two employees, a payroll error was made when they were paid a total of 33 hours by both locations for the same hours worked during the month of January 2006. We informed the schools of these errors, and corrections were made by both North Miami Adult and Hubert O. Sibley Elementary School.

RECOMMENDATION

- 1.1 **Review program requirements to comply with grant staffing and expenditure requirements. Also, monitor program compliance with grant requirements to determine whether program amendment is needed and feasible.**

Responsible Department(s): OIAGACS
 School Operations
 Hubert O. Sibley Elementary School

Management Responses:

Management agrees with the recommendation and provides for the following solution and implementation schedule. Refer to Appendixes A and B (Pages 11 - 16).

Solution Plan:

Response from OIAGACS

All payroll, including grant-funded positions, is approved by the site administrator responsible, the principal, at the work location. In this instance, the site administrator is also the program manager for the Hubert O. Sibley Family Literacy grant. OIAGACS does not have access to approve or review payroll charges to grants. Refer to Appendix A (Pages 11 and 12).

Response from School Operations' Senior Management

- The affected principal will have regional/district mini-audit reviews conducted each semester for compliance with state/federal grant procedures, at the school during the 2005-2006 school year and in the future.
- The Regional Center II Business/Personnel Administrative Director will provide additional support and assistance to the affected school during the 2005-2006 school year and in the future.
- A mentor principal will be assigned by the Regional Center as well as a staff representative of School Operations-Adult Education to offer fiscal management and compliance support through the life of the grant.

Refer to Appendix B (Pages 13 and 14).

Response from the Former Principal at Hubert O. Sibley Elementary

- The principal discussed the findings with the payroll clerk, the assistant principal, and the back-up payroll clerk. The principal also reviewed the grants specifications to determine the appropriate personnel to deliver services in accordance with the grant.
- The payroll clerk was directed to pay particular attention to the proper maintenance of the Daily Payroll Attendance Sheets for all employees hired under the grant, with particular attention to hourly employees and the calculation of hours worked to avoid over expenditures and to remove employees not certified to do the work as required by the grant.

- Payroll corrections were entered and processed and affected employees were notified that adjustments were made in accordance with payroll and grant guidelines.
- The principal will employ only staff to render services that fulfill the requirements of the grant.

Refer to Appendix B (Pages 15 and 16).

URGENCY OF CORRECTIVE ACTION

- Critical
- Important
- Desirable

IMPLEMENTATION SCHEDULE

- Immediately (Short Term)
- By _____
- Contingent upon Funding

Note 2 – Other Costs For Supplies And Materials Were Questionable

During fiscal year 2004-05, non-payroll expenditures posted to the program were mostly for school-related books and materials for children. These consisted of fourteen separate purchases for a total of \$37,325. We questioned the following three purchases totaling \$16,440:

- Three classroom kits in the amount of \$12,585. The classroom kits consisted of books, skill cards, and software. According to Mr. Dale Keith, Instructional Supervisor, School Operations - Adult Education (who is responsible for monitoring programmatic issues related to the Family Literacy grant), due to the high cost of this expenditure, it would be important to determine how these kits were used and what percentage was used by the day school. In fact, a determination as to how these kits were used was not provided by the school and could not be made by us because these kits were accessible to all the children in general. Furthermore, additional kits had been purchased by the school with other funds, and these specific ones could not be identified.
- Teacher training for using the classroom kits in the amount of \$2,000. The vendor of the classroom kits trained the school staff on how to install and use the software. In reviewing the teacher training sign-in list we noted that of the 31 teachers that received training, only four teachers were involved in the Family Literacy Program.
- There was a large purchase of consumable math and reading workbooks in the amount of \$1,855. Documentation disclosed that the purchase was ultimately made with grant funds due to a lack of Title I funds. We verified that these workbooks remained at the school and were not distributed to either the parents or the children.

Even though the remaining eleven purchases were not identified as "questionable", we were unable to physically verify all the corresponding materials purchased because some workbooks had been distributed to the children; however, we were able to

determine that none of these purchases were for the evening ESOL classes but rather were for the children.

During fiscal year 2005-06, there were nine purchase orders for what appeared to be children-related items (i.e., toys, puzzles, learning materials, etc.), and purchases of a computer, computer accessories and office supplies for a total of \$12,899. According to both schools, some of these purchase orders were suggested by North Miami Adult Education Center. At the time of our visit, they had not received and used the items; therefore, we could not verify that their intended use was proper.

RECOMMENDATION

- 2.1** Aside from OIAGACS, purchase orders should also be approved by School Operations - Adult Education to ensure that purchases are in compliance with grant programmatic requirements.

Responsible Department: OIAGACS
School Operations
Hubert O. Sibley Elementary School

Management Responses:

Management agrees with the recommendation and provides for the following solution and implementation schedule. Refer to Appendixes A and B (Pages 11 - 16).

Solution Plan:

Response from OIAGACS

We share the Office of Management and Compliance Audits concerns related to the new process. As a result, OIAGACS worked with Financial Operations to re-insert the Office of Grants Administration into the approval chain. We concur with the auditors finding that grant purchases should be reviewed by my office and we have been reviewing grant purchase orders since October 2005. Refer to Appendix A (Pages 11 and 12).

Response from School Operations' Senior Management

- The principal will process all purchase orders for grant expenditures through the new approval chain to include: School Operations-Adult Education, OIAGACS (Office of Intergovernmental Affairs, Grants Administration, and Community Services); and the principal.

Refer to Appendix B (Pages 13 and 14).

Response from the Former Principal at Hubert O. Sibley Elementary

- All materials ordered under the Family Literacy Grant will be made available to all parents through the school site Parent Resource Center.
- All future purchases for state/federal grants will be filtered through the approval chain that will comprise of the principal, School Operations-Adult Education and the Office of Intergovernmental Affairs, Grants Administration, and Community Services.

Refer to Appendix B (Pages 15 and 16).

URGENCY OF CORRECTIVE ACTION

- Critical
- Important
- Desirable

IMPLEMENTATION SCHEDULE

- Immediately (Short Term)
- By _____
- Contingent upon Funding

Note 3 - Other Fiscal Issues Regarding The Grant That Appear Questionable

Calculation and Breakdown of Amounts Transferred Could Not Be Explained

For fiscal year 2004-05, actual expenditures of \$88,294 exceeded the \$75,000 grant amount by approximately \$13,300. At the end of fiscal year 2004-05, excess expenditures of \$18,305 were transferred to other district accounts from Hubert O. Sibley Elementary with approval from OIAGACS. Of that amount, \$16,989 would serve to reduce our total questioned costs from \$48,434 to \$31,445. Regarding these transfers, however, neither the breakdown of amounts transferred nor how they were calculated could be explained.

Budget Variances Could Not Be Explained

For fiscal year 2004-05, a comparison between the budget proposal from the grant application and the budget created by the district disclosed differences; however, there was no written evidence to document the reason for the differences. We noted that the budget for payroll and supplies approved by the District had changed significantly from the budget approved by the Florida Department of Education. For example, the payroll budget decreased by \$22,286, while the supplies budget increased by \$24,027. We also noted that in the technology accounts (Object 5600), the grant application budget was \$7,085; however, the budget approved by the District was \$5,272. It is our understanding that the budget for technology accounts could not be transferred to other grant line items because these accounts do not affect indirect cost calculations. Our comparison of the grant application budget and the District approved budget for fiscal year 2005-06, however, disclosed no differences.

RECOMMENDATION

- 3.1 **Monitor expenditures monthly to avoid exceeding established budget limits.**

Responsible Department: **OIAGACS**
 School Operations
 Hubert O. Sibley Elementary School

Management Responses:

Management agrees with the recommendation and provides for the following solution and implementation schedule. Refer to Appendixes A and B (Pages 11 - 16).

Solution Plan:

Response from OIAGACS

The position of Executive Director, Financial Reporting for OIAGACS was created October 21, 2004. As a result of the restructuring in the office, a process was implemented to ensure the "Budget Narrative" and the Budget Create form agree, grants are expended in compliance within applicable federal/state requirements, and funds are spent on a timely basis. To achieve this, program managers are provided with numerous tools to assist in the monitoring of grant funds including training, monthly projections and customer service. Monthly financial projections are prepared using actual salaries for each of the District's 251 grants to assist program managers in the monitoring of their grant funds.

In reference to overspending, the OIAGACS has been working with Financial Operations to eliminate the ability for any program to overspend. We have been involved in this project since August 2004 and have made several recommendations for improving the District fiscal control including the development of a process that automatically precludes charges to closed grant programs. We also have attended dozens of meetings with staff from Financial Operations in an attempt to make improvements. These improvements are currently in process. All offices working on the project are hopeful that the improvements will be fully implemented by fiscal year end. Refer to Appendix A (Pages 11 and 12).

Response from School Operations' Senior Management

Refer to senior management's response to **Recommendation 1.1** on page 5 of this report and Appendix B (Pages 13 and 14).

Response from the Former Principal at Hubert O. Sibley Elementary

- The principal will develop a method of tracking expenses related to future grants undertaken, by implementing monthly expenditure mini-audit reviews, to monitor available funds and avoid over spending.

Refer to Appendix B (Pages 15 and 16).

URGENCY OF CORRECTIVE ACTION

- Critical
- Important
- Desirable

IMPLEMENTATION SCHEDULE

- Immediately (Short Term)
- By July 1, 2006
- Contingent upon Funding

CONCLUSION

Based on our review, we concluded that no illegal acts were committed. We were unable to determine the existence of any personal friendships between the principal and staff members involved in the program as alleged; however, significant non-compliance in both fiscal years was evident. Grant funds for programs such as this should be used to supplement rather than supplant otherwise available program services.

The Office of Management and Compliance Audits, as planned, will increase the scope of school audits to include reviews of grant programs as a further detective control.