



**U.S. DEPARTMENT OF EDUCATION  
OFFICE OF INSPECTOR GENERAL**

**75 Park Place, 12<sup>th</sup> Floor  
New York, New York 10007**  
Telephone (212) 264-8442 Fax (212) 264-5228



November 24, 2003

**Control Number ED-OIG/A02-D0007**

Joel I. Klein, Chancellor  
The New York City Department of Education  
52 Chambers Street, Room 320, B4  
New York, NY 10007

Dear Chancellor Klein:

This **Final Audit Report** presents the results of our Audit of the New York City Department of Education (NYCDOE), Manhattan High Schools Superintendent's District's (District) Administration of the 21<sup>st</sup> Century Community Learning Centers (21<sup>st</sup> CCLC) Program. Our audit objective was to determine whether the District properly accounted for and used 21<sup>st</sup> CCLC funds in accordance with the Elementary and Secondary Education Act of 1965 (ESEA), as amended, Education Department General Administration Regulations, the cost principles in Office of Management and Budget (OMB) Circular A-87, Title 20 of the United States Code (USC), OMB Circular A-133, and grant terms for the period June 1, 2000, through May 31, 2001.

We provided a draft of this report to NYCDOE. In its response dated November 3, 2003, NYCDOE agreed with our findings and recommendations. NYCDOE also agreed with the Other Matters section of our report. We have summarized NYCDOE's comments after each finding and have included the response as Attachment 1.

### **AUDIT RESULTS**

NYCDOE and the District generally accounted for and used 21<sup>st</sup> CCLC funds properly with the following exceptions:<sup>1</sup> (1) NYCDOE did not comply with the regulations for cash management when it drew down and disbursed 21<sup>st</sup> CCLC grant funds for the District, (2) NYCDOE and the District charged unsupported costs of \$61,776 to the 21<sup>st</sup> CCLC grant, and (3) NYCDOE and the District did not implement adequate internal controls over imprest fund and encumbrances.

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<sup>1</sup> NYCDOE acted as a conduit to draw and disburse 21<sup>st</sup> CCLC grant funds for the District.

**Finding 1 – NYCDOE Did Not Comply With the Regulations for Cash Management.**

NYCDOE maintained excess cash up to 202 days beyond the allowable three-business day period that funds had to be used or returned.

Per 34 CFR § 80.20 (b) (7),<sup>2</sup>

Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees . . . must be followed whenever advance payment procedures are used. . . . When advances are made by . . . electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. . . .

Pursuant to 34 CFR § 80.21(b), the grantee shall minimize the time elapsing between the transfer of funds and disbursement of the funds in accordance with Treasury regulations at 31 CFR § 205.

The regulations at 31 CFR § 205.7(c)(4) state the grantee shall request funds not more than three business days prior to the day on which it makes a disbursement.

According to 31 CFR § 205.12(a), a State will incur an interest liability to the Federal Government from the day Federal funds are credited to a State account to the day the State pays out the funds for program purposes.

NYCDOE made two drawdowns for the 21<sup>st</sup> CCLC grant funds for the 2000-2001 year, totaling \$1,019,074. The first drawdown was requested on May 7, 2001, in the amount of \$727,084, of which \$516,630 was disbursed in accordance with the regulations for cash management. Of the balance, \$137,111 was for encumbrances, and \$73,343 was a projection amount. The \$137,111 for encumbrances was disbursed from 13 to 202 days after May 10, 2001, the third business day after the drawdown date.<sup>3</sup> The \$73,343 projection amount was expended by May 21, 2001.

On June 13, 2001, NYCDOE requested the second drawdown in the amount of \$291,990. According to NYCDOE, this drawdown was based on the remaining balance of the 2000-2001 grant. NYCDOE officials stated that they believed they would have sufficient expenses to cover this drawdown. We found that \$273,891 was disbursed from 1 to 143 days after June 18, 2001, the third business day after the second drawdown date.<sup>4</sup>

According to NYCDOE officials, its practice was to draw down Federal funds in the same manner as it drew down State funds, which included drawing down funds for encumbrances. NYCDOE claimed it had no knowledge of the requirements for

<sup>2</sup> Unless otherwise specified, all regulatory citations are to the 2000 volume.

<sup>3</sup> As of 30 days after the funds were drawn, NYCDOE had not disbursed \$134,175 of the first drawdown.

<sup>4</sup> As of 30 days after the funds were drawn, NYCDOE had not disbursed \$35,738 of the second drawdown.

drawing down Federal funds during the first grant year. In addition, the drawdowns for 21<sup>st</sup> CCLC grant funds were not monitored to ensure the time between drawing down funds and paying for grant activities was minimized. Specifically, there were no procedures in place to ensure 21<sup>st</sup> CCLC funds were not requested more than three business days prior to disbursement.

Since NYCDOE maintained excess cash, it incurred an imputed interest liability to the U.S. Department of Education (ED).

### **Recommendations**

We recommend that the Office of the Chief Financial Officer (OCFO), in conjunction with the Assistant Secretary for Elementary and Secondary Education, instruct NYCDOE to:

- 1.1 Establish procedures to ensure that it minimizes the time between drawing down 21<sup>st</sup> CCLC grant funds and paying for grant activities, and
- 1.2 Calculate and return the interest liability to ED incurred from maintaining excess cash.

### **Auditee Comments**

In its response, NYCDOE agreed with our finding and recommendations. NYCDOE stated that it had discontinued the practice of drawing down funds for non-personnel transactions in 2001, and that it only requests the transfer of funds once actual payments are made. NYCDOE also agreed to pay ED the interest incurred from maintaining excess cash and is awaiting further information in order to perform the interest calculation.

### **OIG Response**

NYDOE did not provide documentation to support the corrective actions stated in their response, therefore, we were unable to review these procedures. When implemented, the corrective actions NYCDOE outlined in its response should rectify NYCDOE's failure to comply with the cash management regulations. ED will contact NYCDOE to provide necessary information for computing the interest liability.

### **Finding 2 – Unsupported Costs Were Charged to the 21<sup>st</sup> CCLC Grant.**

NYCDOE did not provide adequate documentation to support \$57,349 of Other Than Personal Service (OTPS) costs and \$4,427 of Personal Service (PS) costs charged to the 21<sup>st</sup> CCLC grant.

Per 34 CFR § 75.730, "A grantee shall keep records that fully show . . . (b) How the grantee uses the funds; (c) The total cost of the project . . . (e) Other records to facilitate an effective audit."

Pursuant to 20 USC § 1232f(a),

Each recipient of Federal funds under any applicable program through any grant, subgrant, cooperative agreement, loan, or other arrangement shall keep records which fully disclose the amount and disposition by the recipient of those funds, the total cost of the activity for which the funds are used, the share of that cost provided from other sources, and such other records as will facilitate an effective financial or programmatic audit. The recipient shall maintain such records for three years after the completion of the activity for which the funds are used.

Per 34 CFR § 80.20(b)(6), accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents.

According to OMB Circular A-87 § C.1.j, to be allowable under Federal awards, costs must be adequately documented.

Per OMB Circular A-87 § C.1.b, to be allowable under Federal awards, costs must be allocable to Federal awards under the provisions of this Circular and per § C.3.a, "A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received."

#### Other Than Personal Service

Of the 25 contracted professional services expenditures in OTPS costs, NYCDOE could not locate original supporting documents for six expenditures totaling \$56,993. During the course of the audit, NYCDOE provided copies of the purchase orders and had these copies re-certified from an authorizer and the goods/services receiver. NYCDOE could not provide additional documentation, such as participant sign-in attendance records, for the re-certified purchase orders as requested. Further, we found that the receiver erroneously re-certified one of the six expenditures for 21<sup>st</sup> CCLC that was actually an expense of \$19,939 for Federal Vocational and Technical Education Act (VATEA) program, therefore, we did not accept these copies. NYCDOE officials claimed that a journal entry was made to reverse the charge out of 21<sup>st</sup> CCLC program and into the correct program, but they did not provide any documentation for that adjustment. Subsequently, NYCDOE officials provided additional computer printouts from its Financial Accounting Management Information System (FAMIS), which indicated that the \$19,939 expense was paid to the vendor with 21<sup>st</sup> CCLC grant funds.<sup>5</sup> However, the documentation provided did not contain evidence to show that the \$19,939 expense was paid for services rendered for the 21<sup>st</sup> CCLC program.

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<sup>5</sup> This vendor performed services for both the VATEA program and the 21<sup>st</sup> CCLC program.

In addition, from our statistical sample of 30 non-contracted-professional-services expenditures in OTPS costs, we noticed three instances of unallocable expenses, totaling \$356, charged to the 21<sup>st</sup> CCLC grant by the District. Although small in nature, these improper charges demonstrated the need to establish adequate cost allocation procedures and maintain adequate supporting documentation.

NYCDOE could not provide supporting documents for six OTPS expenditures, totaling \$56,993, because deficiencies existed in NYCDOE's records retention system. Specifically, NYCDOE did not ensure that the locator numbers, which were used by NYCDOE's records retention center to identify the location of the records, were assigned to the archived records.

### Personal Service

For our statistical sample of 30 PS expenditures, we found improper charges for:

- Three teachers without time cards and time sheets to document payroll charges totaling \$1,852;
- Six other teachers with incomplete documentation. Three had time cards available, but no time sheets; and three had time sheets available, but no time cards. These charges totaled \$2,310; and
- A teacher who was regularly scheduled to work during the week recorded hours for a Saturday and a Sunday. However, there was no supporting documentation showing that the teacher worked on the scheduled weekend days. The associated payroll charges totaled \$265.

NYCDOE did not ensure the original detailed time cards and time sheets were readily available as required. According to the 21<sup>st</sup> CCLC Project Director, all original detailed time cards and sheets were sent from his district to NYCDOE's central office for processing. However, according to NYCDOE's Payroll Administrator, the 2000-2001 original detailed time cards and sheets were not readily available. She explained that these records were boxed up and difficult to locate due to a major re-organization that NYCDOE was undergoing.

The District improperly charged expenses to 21<sup>st</sup> CCLC grant because it did not have procedures in place to ensure that (1) costs were properly allocated to the 21<sup>st</sup> CCLC grant and (2) adequate supporting documentation was maintained.

### **Recommendations**

We recommend that OCFO, in conjunction with the Assistant Secretary for Elementary and Secondary Education, instruct NYCDOE to:

- 2.1 Provide sufficient documentation to support \$61,776 or return the amount to ED,

- 2.2 Establish procedures to effectively monitor the records retention system in order to ensure that records are readily available,
- 2.3 Ensure the District establishes procedures to ensure that costs are properly allocated relative to the benefits received, and
- 2.4 Establish effective controls for maintaining original detailed time cards and time sheets in order to ensure that the records are readily available during the required retention period.

### **Auditee Comments**

NYCDOE agreed with our finding and recommendations. NYCDOE agreed to return \$61,776 of unsupported costs to ED. NYCDOE stated that while they could not provide original documentation to support expenditures, they had obtained mitigating evidence in lieu of the original records.

Regarding recommendations 2.2 and 2.4, NYCDOE stated that they have a newly contracted vender charged with transporting, storing, and retrieving archived NYCDOE documentation off-site in order to improve the timeliness for retrieving documentation. This practice is to be implemented by September 2004.

In its response to recommendation 2.3, NYCDOE stated that technical and high level support, which includes educating schools and central offices on the procedures for the effective management of federal grants, would be provided during the 2004-05 school year. This high level support would ensure prudent management of grants-based awards.

### **OIG Response**

Although NYCDOE provided mitigating evidence in lieu of the original records, the evidence provided was not sufficient evidentiary matter to support the expenditures charged to the 21<sup>st</sup> CCLC grant. Also, NYCDOE did not provide documentation to support the corrective actions stated in their response. Therefore, we were unable to review these procedures. However, the planned corrective actions should address NYCDOE's failure to adequately document grant costs.

### **Finding 3 – Inadequate Internal Controls Over Imprest Fund and Encumbrances.**

The internal controls over the imprest fund expenditures in the District's Operations unit were weak. During our audit period, the District processed \$40,232 of imprest fund expenditures.<sup>6</sup> The District did not always maintain segregation of duties when processing the imprest fund expenditures. Also, NYCDOE did not always review and verify purchase orders/encumbrances and invoice extensions before issuing payments.

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<sup>6</sup> Purchase orders of \$500 or less were processed at the District using the imprest fund through NYCDOE's FAMIS, any amount over \$500 was processed at NYCDOE's Centralized School Payments and Support office through FAMIS.

According to OMB Circular A-133 §\_\_\_.300, "The auditee shall . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

Further, OMB Circular A-133 Compliance Supplement, Part 6 (March 2000), provides a description of the components of internal control and examples of characteristics common to compliance requirements:

Control Activities are the policies and procedures that help ensure that management's directives are carried out. . . .

- Adequate segregation of duties provided between performance, review, and recordkeeping of a task.
- Computer and program controls should include: . . .
  - Access controls.
  - Review of input and output data . . . .

We found that there was inadequate segregation of duties in the District for:

- One employee, who entered imprest fund expenditures into NYCDOE's FAMIS, also approved the same expenditures in FAMIS by using the user name and password of another employee who was the only authorized person to approve expenditures in FAMIS; and
- Another employee, who approved one of the imprest fund expenditures, also signed as a receiver of goods/services of that particular expenditure.

At NYCDOE, purchase orders/encumbrances and invoices paid against encumbrances were not always reviewed and verified by the Centralized School Payments and Support office. From our review of the 55 OTPS expenditures, we found mathematical errors on 2 purchase orders and 10 invoices. The Centralized School Payments and Support office did not verify extensions on the purchase orders or invoices before issuing payments.

According to the Director of Operations in the District, there was a shortage of staff in the Operations unit. Therefore, the part-time employee entered and approved imprest fund expenditures through FAMIS.

The Director of the Centralized School Payments and Support office in NYCDOE acknowledged mathematical errors existed and stated that, given the limited number of staff, extensions on purchase orders and invoices were not reviewed. In addition, there was a threshold limit of 10 percent over and above encumbered amounts in FAMIS for payments against purchase orders/encumbrances. The 10 percent threshold was applicable to final payments of completed purchase orders/encumbrances, partial payments for incomplete services could be overpriced and therefore overpaid. Although we did not find any overpayments to any vendors from our sample, there is no assurance that Federal funds were properly expended for 21<sup>st</sup> CCLC grant purposes.

## **Recommendations**

We recommend that OCFO, in conjunction with the Assistant Secretary for Elementary and Secondary Education, instruct NYCDOE to:

- 3.1 Implement internal control policies and procedures that provide adequate separation of duties and verification of purchase orders and invoices.

## **Auditee Comments**

NYCDOE agreed with our finding and recommendation. NYCDOE stated that in September 2003, the schools and central offices began generating imprest and purchase orders through NYCDOE's new portal to FAMIS. The portal provides a secure, economical, and streamlined means for initiating and completing financial transactions at the user level. It also has built-in approval paths that electronically forward imprest and purchase orders through different levels of authorization. Further, FAMIS's electronic process eliminates the need for manual purchase orders that are subject to mathematical errors. In addition, NYCDOE stated, due to its ease of use and established approval paths, the portal allows for improved segregation of duties for imprest and purchase orders.

## **OIG Response**

NYDOE did not provide documentation to support the corrective actions stated in their response, therefore, we were unable to review these procedures. Although NYCDOE stated that the new web portal would provide a streamlined means of initiating and completing financial transactions, the new portal may not address the segregation of duties and protection of passwords that would allow unauthorized shared password access to the new electronic process. Since NYCDOE did mention the ease of use, unauthorized sharing of passwords could still be a problem in the FAMIS system.

## **OTHER MATTERS**

The in-kind contribution amount reported on ED's 2000-2001 Grant Performance Report was overstated by \$41,756. The District reported non-federal contributions of \$215,860 on the Grant Performance Report, but we could verify only \$174,104. After a discussion with the Project Director, a letter addressed to the Project Director from the vendor, which indicated the actual reduced amount of non-federal funding, was provided to OIG. However, the 2000-2001 Grant Performance Report submitted to ED had not been revised.

## **Auditee Comments**

NYCDOE agreed with the information presented in the Other Matters section of our report. NYCDOE stated that Senior Grants Officers, through ongoing professional training, would emphasize to the schools and Regional Operating Centers the requirements for accurate, documented cost sharing for federal programs.

## OIG Response

We concur.

## BACKGROUND

Title X, Part I, of the ESEA, as amended, authorizes the 21<sup>st</sup> CCLC grants that fund rural and inner-city public elementary or secondary schools, or consortia of such schools, to enable the implementation, or expansion of projects that benefit the educational, health, social service, cultural, and recreational needs of a rural or inner-city community.

A community learning center (center) is an entity within a public elementary or secondary school building that provides educational, recreational, health, and social service programs for residents of all ages within a local community. The center should be operated by a local educational agency in conjunction with local governmental agencies, businesses, vocational education programs, institutions of higher education, community colleges, and cultural, recreational, and other community and health service entities. The centers must include no less than 4 of the 13 activities listed in Title X, Part I, Section 10905, of the ESEA, as amended.

On July 1, 2003, NYCDOE reorganized its existing community school districts into 10 Instructional Leadership Divisions. Under the previous organizational structure, there were 58 federal 21<sup>st</sup> CCLC grant recipients, usually a school or a district, in New York City. The 58 grants totaled \$91,778,979 for the period June 1, 1998 through May 21, 2003, and were distributed through NYCDOE. NYCDOE drew down 21<sup>st</sup> CCLC grant funds from ED and disbursed the funds directly to the vendors for grant recipients. Purchase orders of \$500 or more were processed by NYCDOE through its FAMIS, and any amount under \$500 was processed in the school or the district using the imprest fund through FAMIS.

The District was awarded \$3,097,918 over a period of three years from June 1, 2000, through May 31, 2003, for five centers within the District:

<u>Period</u>	<u>Award Amount</u>
06/01/2000-05/31/2001	\$1,019,074
06/01/2001-05/31/2002	\$1,030,435
06/01/2002-05/31/2003	<u>\$1,048,409</u>
Total	<u>\$3,097,918</u>

## OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of our audit was to determine whether the District properly accounted for and used 21<sup>st</sup> CCLC funds according to applicable laws and regulations for the period from June 1, 2000 through May 31, 2001.

To accomplish our objective, we:

- Reviewed Single Audit reports of the City of New York, which included NYCDOE, for the years ended June 30, 2000, and June 30, 2001.
- Reviewed the District's 21st CCLC grant application and budget narrative.
- Reviewed NYCDOE's Standard Operating Procedures for accounting, procurement, payroll, and fringe benefits, where applicable, to 21st CCLC.
- Reviewed GAPS drawdown reports and the NYCDOE's drawdown and disbursement records for the District's 21st CCLC funds.
- Randomly selected and reviewed a sample of 30 non-contracted-professional-services expenditures in OTPS.
- Reviewed all 25 contracted-professional-services expenditures in OTPS.
- Randomly selected and reviewed a sample of 30 PS expenditures.
- Reviewed supporting documentation for the non-federal contribution.
- Reviewed supporting documentation for the indirect costs rate.
- Interviewed officials from ED's Office of Elementary and Secondary Education, NYCDOE, the District, and four of its centers.

To achieve our audit objective, we relied in part on computer-processed data contained in NYCDOE's accounting and payroll systems. We assessed the reliability of this data including the relevant general control and application controls and found them to be adequate. We tested the accuracy, authenticity, and completeness of the data by comparing source records to computer data and comparing computer data to source records. Based on these tests and assessments we conclude that the data are sufficiently reliable to be used in meeting the audit's objective.

We conducted the fieldwork at NYCDOE's central office in Brooklyn, New York, the District's office, and its four centers in Manhattan, New York, during the period February 13, 2003, to July 7, 2003. We held an Exit Conference with NYCDOE and the District's officials on August 13, 2003.

We conducted the audit in accordance with generally accepted government auditing standards appropriate to the scope of review described above.

### **STATEMENT ON MANAGEMENT CONTROLS**

As part of our review we assessed the system of management controls, policies, procedures, and practices applicable to NYCDOE's and the District's administration of the 21<sup>st</sup> CCLC grant. Our assessment was performed to determine the level of control risk for determining the nature, extent, and timing of our substantive tests to accomplish the audit objectives.

Because of inherent limitations, a study and evaluation made for the limited purpose described above would not necessarily disclose all material weaknesses in the management controls. However, our assessment disclosed management control weaknesses that existed in the District's administration of the 21<sup>st</sup> CCLC grant. These

weaknesses included maintaining excess cash, unsupported costs, and weak internal controls over imprest fund and encumbrances. These weaknesses and their effects are fully discussed in the AUDIT RESULTS section of this report.

### ADMINISTRATIVE MATTERS

Statements that managerial practices need improvements, as well as other conclusions and recommendations in this report represent the opinions of the Office of Inspector General. Determinations of corrective action to be taken will be made by the appropriate Department of Education officials.

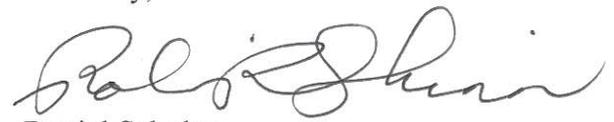
If you have any additional comments or information that you believe may have a bearing on the resolution of this audit, you should send them directly to the following Education Department officials, who will consider them before taking final Departmental action on the audit:

Jack Martin  
Chief Financial Officer  
Office of the Chief Financial Officer  
400 Maryland Avenue, SW, Room 4E313  
Washington, DC 20202

It is the policy of the U.S. Department of Education to expedite the resolution of audits by initiating timely action on the findings and recommendations contained therein. Therefore, receipt of your comments within 30 days would be greatly appreciated.

In accordance with the Freedom of Information Act (5 U.S.C. § 552), reports issued by the Office of Inspector General are available, if requested, to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act.

Sincerely,

*for*   
Daniel Schultz  
Regional Inspector General  
for Audit



**THE NEW YORK CITY DEPARTMENT OF EDUCATION**

JOEL I. KLEIN, *Chancellor*

OFFICE OF THE DEPUTY CHANCELLOR

**Kathleen Grimm, Deputy Chancellor for Finance and Administration**

52 Chambers Street, Room 320 • New York, New York 10007

(212) 374-0209 (Voice) (212) 374-5588 (Facsimile)

November 3, 2003

Daniel Schultz  
Regional Inspector General for Audit  
U.S. Department of Education  
Office of Inspector General  
75 Park Place, 12<sup>th</sup> Floor  
New York, NY 10007

Re: USDOE-OIG Draft Audit Report on the  
New York City Department of Education's  
Manhattan High Schools Superintendent's  
Administration of the 21<sup>st</sup> Century  
Community Learning Centers (CCLC)  
Program

Dear Mr. Schultz:

This letter, with attachments, reflects the New York City Department of Education's ("Department") response to the findings and recommendations made in the U.S Department of Education, Office of Inspector General ("USDOE-OIG") Draft Audit Report on the Manhattan High Schools Superintendent's District's Administration of the 21<sup>st</sup> Century Community Learning Centers (21<sup>st</sup> CCLC) Program.

We are pleased with the USDOE-OIG's conclusion that the Department in general accounted for and used the 21<sup>st</sup> CCLC funds properly. The 21<sup>st</sup> Century Program supports the Department's Office of Youth Development and School Community Services' goal to expand opportunities for student achievement and youth development in concert with community-based organizations. Towards that end, the Department's Division of Financial Operations (DFO) is committed to support the 21<sup>st</sup> CCLC programmatic requirements, as well as meeting its financial requirements.

We are also pleased to inform you that the instances of the non-compliance with the federal funds transfer guidelines and the internal controls over imprest funds encumbrances identified in the report, have been rectified. DFO also intends to improve the on and off-site records retention systems.

Sincerely,

A handwritten signature in black ink that reads "Kathleen Grimm".

Kathleen Grimm

Deputy Chancellor for Finance and  
Administration

Audit Implementation Plan Form A

NEW YORK CITY DEPARTMENT OF EDUCATION  
OFFICE OF AUDITOR GENERAL  
External Audit Services

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RESPONSE DATE: November 3, 2003

**AUDIT TITLE:** Audit of the NYC Dept. of Education (NYCDOE) Manhattan High Schools' Superintendent's District's Administration of the 21<sup>st</sup> Century Community Learning Centers (21<sup>st</sup> CCLC) Program

**AUDITING AGENCY:** U.S. Dept. of Education

**DIVISION:** Office of Inspector General

**DRAFT REPORT DATE:** 9/23/03

**AUDIT NUMBER:** ED-OIG/A02-D0007

**A. RECOMMENDATION WHICH THE AGENCY  
HAS IMPLEMENTED**

1.1 Establish procedures to ensure that it minimizes the time between drawing down 21<sup>st</sup> CCLC grant funds and paying for grant activities.

**RESPONSE TO RECOMMENDATION - IMPLEMENTATION PLAN**

As noted in the audit, the NYCDOE included in its requests for the transfer of 21<sup>st</sup> CCLC funds ("draw downs") amounts recorded as encumbrances, or non-personnel obligations incurred for grant activities, rather than actual expenditures. Actual expenditures for non-personnel items are made only after certification that the goods or services for the program has been provided. This certification may take several days or weeks after the encumbrance. Consequently, the practice of initiating 21<sup>st</sup> CCLC funds transfers based on encumbrances (rather than expenditures) contributed to much of the time delay between the fund draw downs and the actual payments related to the program, which federal cash management guidelines state should not exceed three business days.

The NYCDOE had discontinued this draw down practice for its non-personnel transactions when it was initially brought to our attention by a 21<sup>st</sup> CCLC program officer in 2001. Since then, the NYCDOE only requests the transfer of 21<sup>st</sup> CCLC funds once actual payments are made. Therefore, funds will no longer be requested more than the allowable 3-day period.

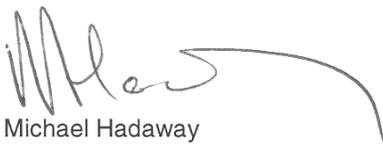
**IMPLEMENTATION DATE**

Implemented 1/1/2002

**RESPONSIBILITY CENTER**

Division of Financial Operations

Signature:



Print Name: Michael Hadaway

Print Title: Director, Receivables Accounting

11/3/03  
Date

Audit Implementation Plan **Form C**

**NEW YORK CITY DEPARTMENT OF EDUCATION  
OFFICE OF AUDITOR GENERAL  
External Audit Services**

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**RESPONSE DATE: November 3, 2003**

**AUDIT TITLE:** Audit of the NYC Dept. of Education (NYCDOE) Manhattan High Schools' Superintendent's District's Administration of the 21<sup>st</sup> Century Community Learning Centers (21<sup>st</sup> CCLC) Program

**AUDITING AGENCY:** U.S. Dept. of Education

**DIVISION:** Office of Inspector General

**DRAFT REPORT DATE:** 9/23/03

**AUDIT NUMBER:** ED-OIG/A02-D0007

**C. RECOMMENDATION WHICH THE AGENCY  
AGREES WITH BUT IS PENDING IMPLEMENTATION**

1.2 Calculate and return the interest liability to ED incurred from maintaining excess cash.

**RESPONSE TO RECOMMENDATION**

The NYCDOE agrees to pay interest for the time for the period between the day 21<sup>st</sup> CCLC funds were drawn down and the day funds were actually paid, which had exceeded the allowable 3-day period. We are awaiting information from ED regarding the interest rate to be used in this calculation.

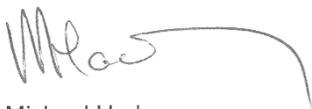
**TARGET IMPLEMENTATION DATE**

12/1/03

**RESPONSIBILITY CENTER**

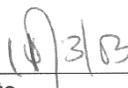
Division of Financial Operations

**Signature:**



**Print Name:** Michael Hadaway

**Date**



**Print Title:** Director, Receivables Accounting

Audit Implementation Plan **Form D**

**NEW YORK CITY DEPARTMENT OF EDUCATION  
OFFICE OF AUDITOR GENERAL  
External Audit Services**

**PAGE 3 OF 7**

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**C. RECOMMENDATION WHICH THE AGENCY  
AGREES WITH BUT IS PENDING IMPLEMENTATION**

2.1 Provide sufficient documentation to support \$61,776 or return the amount to ED.

**RESPONSE TO RECOMMENDATION**

Starting with the 2002/2003 school year, the NYCDOE is undergoing the largest organizational transformation in its history to support the Mayor's Children First Reform initiative. This organizational change included the elimination of the High School Superintendencies and their office space. Consequently, original documentation that was maintained in the Manhattan Superintendent's office to support expenditures related to the 21<sup>st</sup> CCLC program had been relocated off-site and could not be retrieved during the audit.

In addition, original supporting documentation maintained and archived centrally could not be located. Although the NYCDOE obtained mitigating evidence in lieu of the original records the auditors were not satisfied with the documentation provided.

We agree that \$61,776 should be returned to the U.S. Department of Education.

**TARGET IMPLEMENTATION DATE**

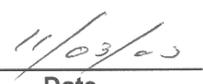
12/1/03

**RESPONSIBILITY CENTER**

Division of Financial Operations

**Signature:**

  
\_\_\_\_\_  
**Print Name:** John Wall

  
\_\_\_\_\_  
**Date**

**Print Title:** Administrator, Office of Fiscal Affairs

Audit Implementation Plan **Form C**

**NEW YORK CITY DEPARTMENT OF EDUCATION  
OFFICE OF AUDITOR GENERAL  
External Audit Services**

**PAGE 4 OF 7**

**RESPONSE DATE: November 3, 2003**

**AUDIT TITLE:** Audit of the NYC Dept. of Education (NYCDOE) Manhattan High Schools' Superintendent's District's Administration of the 21<sup>st</sup> Century Community Learning Centers (21<sup>st</sup> CCLC) Program

**AUDITING AGENCY:** U.S. Dept. of Education

**DIVISION:** Office of Inspector General

**DRAFT REPORT DATE:** 9/23/03

**AUDIT NUMBER:** ED-OIG/A02-D0007

**C. RECOMMENDATION WHICH THE AGENCY  
AGREES WITH BUT IS PENDING IMPLEMENTATION**

2.2 Establish procedures to effectively monitor the records retention system in order to ensure that records are readily available.

**RESPONSE TO RECOMMENDATION**

The NYCDOE's on and off-site records retention systems are designed to allow for the accurate identification and retrieval of documentation required for audit. However, steps can be taken to improve the timeliness for retrieving documentation.

When feasible, we will request that additional resources be directed to backlogs in labeling and obtaining archived records from storage. In addition, we will evaluate the effectiveness of the services of a newly contracted vendor charged with transporting, storing and retrieving archived NYCDOE documentation off-site.

**TARGET IMPLEMENTATION DATE**

9/1/04

**RESPONSIBILITY CENTER**

Division of Financial Operations

**Signature:**

  
\_\_\_\_\_  
**Print Name:** John Wall

  
\_\_\_\_\_  
**Date**

**Print Title:** Administrator, Office of Fiscal Affairs

Audit Implementation Plan Form B

NEW YORK CITY DEPARTMENT OF EDUCATION  
OFFICE OF AUDITOR GENERAL  
External Audit Services

PAGE 5 OF 7

RESPONSE DATE: November 3, 2003

AUDIT TITLE: Audit of the NYC Dept. of Education (NYCDOE) Manhattan High Schools' Superintendent's District's Administration of the 21<sup>st</sup> Century Community Learning Centers (21<sup>st</sup> CCLC) Program

AUDITING AGENCY: U.S. Dept. of Education

DIVISION: Office of Inspector General

DRAFT REPORT DATE: 9/23/03

AUDIT NUMBER: ED-OIG/A02-D0007

**C. RECOMMENDATION WHICH THE AGENCY AGREES WITH BUT IS PENDING IMPLEMENTATION**

2.3 Ensure the District establishes procedures to ensure that costs are properly allocated relative to the benefits received.

**RESPONSE TO RECOMMENDATION**

NYCDOE Senior Grants Officers, in conjunction with the Office of Government and Grants Programs and the Regional Operating Centers to which they jointly report, provide technical and high level support to ensure prudent management of grants-based awards. This support includes preparing and educating schools and central offices on procedures for effective, compliant grants management of federal competitive grants, such as the 21<sup>st</sup> CCLC program.

Future training efforts on these procedures will reiterate the program's cost allocation requirements.

(As noted in the "Other Matters" section of the audit report, the in-kind contribution amount reported on the ED's federal Grant Performance Report was not adequately documented and later determined to be erroneous. As part of their ongoing professional development training, Senior Grants Officers will emphasize to the schools and Regional Operating Centers the requirements for accurate, documented cost sharing for federal programs.)

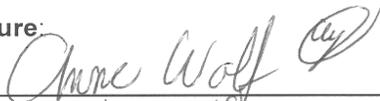
**TARGET IMPLEMENTATION DATE**

Pursuant to training programs calendar for the 2004/2005 school year

**RESPONSIBILITY CENTER**

Office for Government and Grants Programs

Signature:



Print Name:

Anne Wolf

Print Title:

Deputy Senior Instructional Manager  
Gov't & Grants Program

11/5/03

Date

Audit Implementation Plan **Form C**

**NEW YORK CITY DEPARTMENT OF EDUCATION  
OFFICE OF AUDITOR GENERAL  
External Audit Services**

**PAGE 6 OF 7**

**RESPONSE DATE: November 3, 2003**

**AUDIT TITLE:** Audit of the NYC Dept. of Education (NYCDOE) Manhattan High Schools' Superintendent's District's Administration of the 21<sup>st</sup> Century Community Learning Centers (21<sup>st</sup> CCLC) Program

**AUDITING AGENCY:** U.S. Dept. of Education

**DIVISION:** Office of Inspector General

**DRAFT REPORT DATE:** 9/23/03

**AUDIT NUMBER:** ED-OIG/A02-D0007

**C. RECOMMENDATION WHICH THE AGENCY  
AGREES WITH BUT IS PENDING IMPLEMENTATION**

2.4 Establish effective controls for maintaining original detailed time cards and time sheets in order to ensure that the records are readily available during the required retention period.

**RESPONSE TO RECOMMENDATION**

The NYCDOE's on and off-site records retention systems are designed to allow for the accurate identification and retrieval of documentation required for audit. However, steps can be taken to improve the timeliness for retrieving documentation.

When feasible, we will request that additional resources be directed to backlogs in labeling and obtaining archived records from storage. In addition, we will evaluate the effectiveness of the services of a newly contracted vendor charged with transporting, storing and retrieving archived NYCDOE documentation off-site.

**TARGET IMPLEMENTATION DATE**

9/1/04

**RESPONSIBILITY CENTER**

Division of Financial Operations

**Signature:**

  
\_\_\_\_\_

**Print Name:** John Wall

  
\_\_\_\_\_

**Date**

**Print Title:** Administrator, Office of Fiscal Affairs

Audit Implementation Plan Form A

NEW YORK CITY DEPARTMENT OF EDUCATION  
OFFICE OF AUDITOR GENERAL  
External Audit Services

PAGE 7 OF 7

RESPONSE DATE: November 3, 2003

**AUDIT TITLE:** Audit of the NYC Dept. of Education (NYCDOE) Manhattan High Schools' Superintendent's District's Administration of the 21<sup>st</sup> Century Community Learning Centers (21<sup>st</sup> CCLC) Program

**AUDITING AGENCY:** U.S. Dept. of Education

**DIVISION:** Office of Inspector General

**DRAFT REPORT DATE:** 9/23/03

**AUDIT NUMBER:** ED-OIG/A02-D0007

**A. RECOMMENDATION WHICH THE AGENCY  
HAS IMPLEMENTED**

3.1 Implement internal control policies and procedures that provide adequate separation of duties and verification of purchase orders and invoices.

**RESPONSE TO RECOMMENDATION - IMPLEMENTATION PLAN**

In September 2003, schools and central offices began generating imprest and purchase orders through the NYCDOE's new portal to its accounting system, FAMIS. The FAMIS portal provides a secure, economical and streamlined means for initiating and completing financial transactions at the user level.

The web-based portal is designed with built-in approval paths that electronically forward imprest and purchase orders through different levels of authorization according to prescribed monetary thresholds. Depending on the order's origination and dollar value, the approval paths direct the transactions to electronic mailboxes of the school principal, Regional Operations Center and/or central office. At this point, the approver reviews the details of the transaction on-line before the order can be forwarded to the vendor.

In addition, this electronic process eliminates the need for manual purchase orders that are subject to the kind of mathematical errors that were identified in the audit.

Because of its ease of use and established approval paths, the portal allows for improved segregation of duties for imprest and purchase orders.

**IMPLEMENTATION DATE**

September 2003

**RESPONSIBILITY CENTER**

Division of Financial Operations

Signature:

  
\_\_\_\_\_

Print Name: John Wall

Print Title: Administrator, Office of Fiscal Affairs



\_\_\_\_\_ Date