



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL

Audit Services
Chicago/Kansas City Audit Region

June 20, 2007

Control Number
ED-OIG/A05G0031

Susan Tave Zelman
Superintendent of Public Instruction
Office of Superintendency
Ohio Department of Education
25 South Front Street
Columbus, OH 43215

Dear Dr. Zelman:

This **Final Audit Report**, entitled *Columbus City School District's Compliance with Financial Accountability Requirements for Its Expenditures Under Selected No Child Left Behind Act Programs*, presents the results of our audit. The objective for this audit was to determine whether the funds Columbus City School District (CCSD) expended for the year ended June 30, 2006, for selected Elementary and Secondary Education Act of 1965, as amended by the No Child Left Behind Act of 2001 (NCLB), programs were allocable, allowable, reasonable, and in accordance with approved budgets. We did not examine CCSD's compliance with NCLB program requirements.

BACKGROUND

NCLB is a federal education act that increases accountability for states and school districts, school choice for parents and students, flexibility for states' and school districts' use of federal education funds, and emphasis on reading. The selected NCLB programs audited at CCSD were (1) Title I, Part A – Grants to Local Educational Agencies; (2) Title II, Part A – Improving Teacher Quality State Grants; (3) Title II, Part D, Subparts 1 and 2, as amended – Education Technology State Grants; and (4) Title V, Part A – State Grants for Innovative Programs. The Title I, Part A, program helps improve the teaching and learning of children who are failing, or most at-risk of failing, to meet state academic standards. The Title II, Part A, program seeks to improve the quality and quantity of teachers and principals in schools. The Title II, Part D, Subparts 1 and 2, as amended, program seeks to improve student academic achievement through the use of technology in schools. The Title V, Part A, program assists state and local educational agencies in providing innovative education reform.

CCSD is a public school district located in Columbus, Ohio, that provides kindergarten through high school education services. For the 2005-06 school year, it operated 146 schools and career centers. Of these schools and career centers, 112 were Title I, Schoolwide program schools or career centers. In October 2005, 59,101 students were enrolled in CCSD. Records show that CCSD received \$48,562,610 of federal funds for the selected NCLB programs during the period July 1, 2005, through June 30, 2006.

AUDIT RESULTS

Generally, CCSD's expenditure of funds for the fiscal year ended June 30, 2006, for the selected NCLB programs were allocable, allowable, reasonable, and in accordance with approved budgets. However, CCSD did not always (1) comply with federal requirements for employee timekeeping and (2) record capital assets in the equipment inventory system. The estimated total amount of questioned costs is \$210,000, and the estimated total amount of unsupported costs is \$2,360,000.

In its comments to the draft report, the Ohio Department of Education (ODE) did not specifically state whether it concurred with our findings. However, it concurred with most of our recommendations. In addition, ODE stated that it would discuss the findings, recommendations, and implications from the audit with all districts during the 2007-08 fall statewide training conference. ODE's comments are summarized at the end of each finding. The full text of its comments on the draft report is included as an Attachment to the report. We did not modify our recommendations based on ODE's comments.

Finding No. 1 – CCSD Charged NCLB Funds for an Employee Not Working on NCLB and Did Not Always Adequately Document Times Claimed by Other Employees

CCSD's 2005 *Office of Management and Budget (OMB) Circular A-133 (A-133)* audit identified that CCSD charged NCLB programs for salaries of employees (1) without supporting time and effort documentation, (2) for time in excess of the amount supported by time and effort documentation, and (3) who did not work on NCLB activities. In August 2005, CCSD implemented a new employee time and effort system as a corrective action. The system generated Time and Effort Certification (TEC) forms at the end of the month for all contract salary employees regularly paid with NCLB funds. The employee and supervisor signed the TEC form and made any necessary changes. CCSD staff reviewed the TEC form and made any necessary adjustments. The TEC form served both as a certification for those employees working on a single federal award and a personnel activity report (PAR) for those working on multiple activities. The new policy required individual timesheets to serve as PARs for part-time hourly personnel, extended service, in-service, and stipend pay.

Our random samples of 40 of 3,793 employees totaling 384 employee payroll transactions revealed that the new time and effort system provided support for most salaries charged to NCLB programs for contract salary employees. However, CCSD did not always reverse all charges for employees who did not work on NCLB programs, and the new system did not work correctly at the beginning and end of the year. CCSD also was unable to provide all individual

timesheets for substitute and supplemental employees.¹ We found one transaction for an employee who had not worked on NCLB programs that was not corrected, and CCSD was unable to provide appropriate time and effort documentation for an additional 85 transactions.

CCSD is required to follow *OMB Circular A-87 (Revised 5/10/04)*, which establishes the principles and standards for state, local, and Indian tribal governments' determining costs for federal grant awards. Attachment B, Section 8.h. *Support of salaries and wages* states:

(3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification.

(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation

(5) Personnel activity reports or equivalent documentation must meet the following standards:

(a) They must reflect an after-the-fact distribution of the actual activity of each employee,

. . . .

(d) They must be signed by the employee.

CCSD did not reverse all charges for a regular employee who had not worked on NCLB programs. We determined from a random sample of 10 employees that CCSD charged NCLB programs \$3,005 for one employee who had not worked on NCLB programs. NCLB programs were originally charged for the three pay periods ending in September 2005. The September TEC form noted that the employee had not worked on the program and CCSD corrected the general ledger for two of the three pay periods but not for the third pay period.

CCSD did not provide appropriate time and effort documentation for all salaries charged NCLB programs. CCSD was unable to provide time and effort documentation for some regular full-time employees' pay transactions. In addition, documentation provided for substitute and supplemental employees' pay transactions were not always after-the-fact distributions documenting time worked and/or signed by the employee.

Table 1 – Unsupported Salary and Wages from Random Sampling

Employee Classification	Transactions in Samples	Missing Documentation	Not After-the-Fact Documentation	Not Signed by Employee	Total Unsupported
Regular Full-Time	241	7	0	0	7
Substitute	59	0	43	6	49
Supplemental	56	0	6	23	29
Regular Part-Time	28	0	0	0	0
Total Transactions	384	7	49	29	85
NCLB Salary Costs	\$325,904	\$7,376	\$6,340	\$11,532	\$25,248

¹ Supplemental employees are regular employees of CCSD who receive money for work performed on supplemental contract agreements that are in addition to their regular basic contracts.

Using a judgmental sample, we identified \$19,905 in salary transactions with missing June TEC forms in addition to the randomly selected sample totaling \$25,248 shown in Table 1. The combination of these two figures amounts to a total of \$45,153 of NCLB unsupported salary costs.

Missing certification. The new time and effort system did not always work correctly for pay periods at the beginning and end of the year. CCSD did not have TEC forms covering 7 of 241 pay transactions for regular full-time employees in September 2005, October 2005, and June 2006.

CCSD employees did not have time and effort documentation for four selected pay transactions in September 2005 and two transactions in October 2005, because employees signed incomplete TEC forms. During September and October 2005, the new computer system occasionally printed TEC forms that did not include all pay periods ending during the month. The error was corrected in November 2005.

CCSD did not have a signed June 2006 TEC form for one sampled full-time employee. Employees were paid for one pay period in June. Because monthly TEC forms were only generated at the end of the month, employees did not sign June TEC forms before they left work for the summer break. Full-time employees who returned to work in September 2006 signed their June TEC form upon their return to work. Employees who did not return to work in September did not sign their June TEC form. We expanded our review and judgmentally selected an additional 53 full-time employees regularly paid with NCLB funds who were paid during June 2006 and were not paid with NCLB funds in the 2007 fiscal year to determine whether the sampled individual was an isolated incident. CCSD did not have signed June TEC forms for 22 of these employees.

Our samples identified \$27,281² of unsupported salaries for full-time regular employees at the beginning and end of the year.

PARs were not always after-the-fact distributions of time worked. CCSD did not always have PARs or equivalent documentation that were after-the-fact representations of the time it claimed employees spent working on NCLB activities. In place of individual timesheets, CCSD provided sign-in sheets with no sign-out time record for 48³ of 115 sampled pay transactions for substitute and supplemental employees charged to NCLB programs. Additionally, the PAR for 1 supplemental employee specified the hours but not the date worked and was not dated by the employee when signed.

PARs were not always signed by the employee. We found that 29 of 110 selected pay transactions charged to NCLB programs for substitute and supplemental employees who worked on multiple cost activities were not supported by PARs signed by the employees. CCSD had unsigned master timesheets for the substitute employee pay transactions and master timesheets signed only by the employees' supervisors for the supplemental employee pay transactions.

² This is \$7,376 from the random sample and \$19,905 from the judgmental sample.

³ Sign-in sheets were provided for 5 supplemental employees who attended a summer training conference and 43 substitute employees.

CCSD's time and effort policy implemented in August 2005 did not cover substitute employees. The policy required supplemental employees to sign individual timesheets. However, according to this CCSD policy, the building administrator was supposed to have filed the timesheets for audit purposes. CCSD was unable to locate all the individual timesheets for the sampled supplemental employees. The alternate documentation provided to support the substitute and supplemental employee expenses charged to NCLB programs did not meet the OMB standard that the employee must sign all such documentation.

We estimate the errors in the new time and effort system and inadequate documentation of substitute and supplemental employee personnel charges resulted in charges to NCLB programs for approximately \$210,000 for non-NCLB employees and approximately \$2,360,000 for unsupported NCLB salaries and wages during the year ended June 30, 2006.⁴

Table 2 - Estimated Total Non-NCLB and Unsupported Salaries

	Salaries Paid Non-NCLB Staff	Missing Documentation	Not After-the- Fact Documentation	Not Signed by Employee	Total
Non-NCLB Costs	\$210,000				\$210,000
Unsupported Costs		\$510,000	\$290,000	\$1,560,000	\$2,360,000

Recommendations:

We recommend that the Assistant Secretary for Elementary and Secondary Education instruct the ODE to require CCSD to—

- 1.1 Return to the U.S. Department of Education (Department) \$3,005 in Title I Grants to Local Educational Agencies funds for an employee who did not work on the project;
- 1.2 Provide all requested after-the-fact time and effort documentation signed by the employee or return to the Department \$45,153 of unsupported expenditures:
 - \$32,542 for Title I Grants to Local Educational Agencies,
 - \$2,258 for State Grants for Innovative Programs,
 - \$10,228 for Improving Teacher Quality State Grants,
 - \$125 for Education Technology State Grants;
- 1.3 Determine the extent of the NCLB funds paid for non-NCLB personnel and unsupported pay transactions and related funds for the year ended June 30, 2006, and returns these funds to the Department;
- 1.4 Require all regular employees to sign June TEC forms prior to leaving work for the summer break;
- 1.5 Develop and implement a policy requiring substitute employees to sign after-the-fact individual PARs; and

⁴ We statistically projected the results of our 384 sampled transactions detailed in Table 1 to the 28,699 transactions totaling \$22.5 million in the payroll sub-ledger (see footnote 5) allocated by sub-finding. We did not question the projected total because the sample was not large enough to achieve a desirable precision. We are 90 percent confident that the actual questioned and unsupported salaries and wages are between \$1,730,000 and \$3,400,000.

- 1.6 Adhere to its policy requiring supplemental employees to sign after-the-fact individual PARs and ensure retention of those documents.

ODE Comments

ODE concurred with most of the recommendations.

- ODE concurred with Recommendation 1.1.
- ODE did not concur with Recommendation 1.2. It stated that it has been using a theoretical model for purposes of compliance for administering schoolwide programs. Under the theoretical model, funds lose their identity and no expenditures can be traced back to a funding source. ODE stated that it has been using the theoretical model for several years and is introducing an automated pooling process into its systems. ODE believes that over time, its process will eliminate the confusion caused by using the theoretical model when actual program expenditure data are available. ODE cites the Department's non-regulatory guidance on *Designing Schoolwide Programs*, March 2006, at page six, which states:

Schoolwide programs schools use Title I funds to meet the needs of all students in the school, as determined through a comprehensive needs assessment. Individual students are not identified as eligible to participate. No distinctions are made between staff paid with Title I funds and staff who are not.

ODE stated that if no distinction is made between staff paid with Title I funds and staff who are not paid with Title I funds, maintaining time and effort logs is unnecessary. Also, ODE stated that there seems to be no real need for even the semi-annual certification since no proof is needed other than a demonstration that staff are working in a schoolwide program. Lastly, ODE stated that requiring any documentation would amount to imposing a questionable federal paperwork requirement on all staff since all staff are Title I and non-Title I simultaneously. ODE stated that this recommendation should be removed.

- ODE concurred with Recommendation 1.3. It agreed that it should assume responsibility for helping the district determine the extent of the NCLB funds paid for non-NCLB personnel and unsupported pay transactions and related funds for the year ending June 30, 2006, including the methodology to be used in making the determination. However, to facilitate this process, ODE recommends that the OIG, if it agrees with ODE's understanding of schoolwide administration, remove all costs in its tables associated with schoolwide time and effort. If the OIG does not agree with ODE's understanding of schoolwide administration, ODE requests that the OIG clearly identify on its tables all costs associated with its schoolwide programs. ODE stated that it will provide to the Department its basis for determining the amount of funds at risk and the suggested resolution prior to finalizing the process.
- ODE concurred in part with Recommendation 1.4. It agreed that TEC forms should be signed by non-schoolwide building employees before leaving for the summer. ODE did

not agree that time and effort documentation or semi-annual certifications are necessary in schoolwide programs. It believes such documentation serves no useful purpose. On that basis, ODE agreed to assist CCSD to identify a process to accomplish the required certifications for non-schoolwide building employees but not for schoolwide employees.

- ODE concurred with Recommendation 1.5. It stated that it will discuss with CCSD what compliance should look like, what types of district oversight is necessary to ensure compliance, and what reporting requirement ODE might exercise for CCSD for the next year or two. ODE stated that it will also ensure this topic is reviewed during its next scheduled on-site monitoring to take place during the 2007-08 school year.
- ODE concurred with Recommendation 1.6. It stated that it will discuss with CCSD what compliance should look like, what types of district oversight are necessary to ensure compliance is occurring, and what reporting requirement ODE might exercise for CCSD for the next year or two. ODE stated that it will also ensure this topic is reviewed during its next scheduled on-site monitoring to take place during the 2007-08 school year.

OIG Response

Regarding ODE's nonconcurrency with Recommendation 1.2, we point out that our testing of personnel certifications showed that funds were accounted for in the same way whether or not the individual was employed by a schoolwide or non-schoolwide school. ODE did not provide any evidence to show that during the period we reviewed (the year ending June 30, 2006) CCSD used an accounting method to consolidate schoolwide program funds at its schoolwide schools. CCSD's accounting records provided no indication that any of its schoolwide schools chose to consolidate funds. The non-regulatory guidance ODE cited addresses schoolwide coordination of services, not a consolidated accounting system.

Regarding ODE's request for additional information from OIG in its response to Recommendation 1.3 and its nonconcurrency with Recommendation 1.4, we again point out that ODE did not provide any evidence to show that CCSD used an accounting method to consolidate schoolwide program funds at its schoolwide schools. It would serve no purpose then for us to provide a breakdown of schoolwide and non-schoolwide costs.

We did not modify our recommendations based on ODE's comments.

Finding No. 2 – CCSD Did Not Always Record Capital Assets in the Equipment Inventory System

Laptop computers purchased with federal funds were not always recorded in CCSD's equipment inventory tracking system, which is used to generate annual school inventory lists. Installation records show that some of these computers were, in fact, received by CCSD as early as June 22, 2005. CCSD did not enter four of eight sampled public school computer purchase transactions into the system.

According to 34 C.F.R. § 76.702, "A State and a subgrantee shall use fiscal control and fund accounting procedures that insure proper disbursement of and accounting for Federal funds."

According to the current CCSD Treasurer's Department Handbook (February 2004), building administrators must tag fixed assets, conduct an annual physical inventory and comply with other CCSD policies. The definition of a fixed asset is furniture or equipment if over \$300 in value and purchased with grant funds. The acquisition tagging process includes the following steps: (1) the CCSD Treasurer's Office is notified of the asset purchase; (2) the Treasurer's Office assigned account clerk forwards the tag and a Fixed Asset Inventory form to the building (or department budget) administrator; (3) the tag is to be put on the asset when received; and (4) the Fixed Asset Inventory form is to be completed, signed by the building administrator, and turned in to the building (or department) treasurer. Every transfer or disposal of a fixed asset is to be reported in a timely fashion to the CCSD Treasurer's Office. The building (or department) administrator must assure that an annual inventory of fixed assets is performed.

Recommendations:

We recommend that the Assistant Secretary for Elementary and Secondary Education instruct ODE to require CCSD to—

- 2.1 Perform a thorough inventory of capital assets purchased with NCLB funds during the year ended June 30, 2006, report to ODE and the Assistant Secretary for Elementary and Secondary Education all of these assets that it cannot locate or for which it cannot provide evidence that the assets have been properly disposed of, and return to the Department funds equaling the present value of the lost assets; and
- 2.2 Maintain an up-to-date inventory list of capital assets purchased with federal funds and otherwise comply with the requirements in 34 C.F.R. § 76.702 and those in the CCSD Treasurer's Department Handbook.

ODE Comments

ODE stated that CCSD found and inventoried the missing items and that ODE will request to see the completed inventory for the period ending June 30, 2006. ODE stated that it will discuss with CCSD what compliance should look like, what types of district oversight are necessary to ensure compliance, and what reporting requirement might be placed on CCSD for the next year or two. ODE also stated that it would ensure that inventory control is reviewed during its next scheduled on-site monitoring to take place during the 2007-08 school year.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective for this audit was to determine whether the funds CCSD expended for the fiscal year ending June 30, 2006, for selected NCLB programs were allocable, allowable, reasonable, and in accordance with approved budgets. The audit was limited to an examination of CCSD's compliance with general federal financial accountability requirements and did not examine compliance with NCLB program requirements.

To achieve our objective, we reviewed the provisions of Public Law 107-110, The No Child Left Behind Act of 2001, Title I – Part A, Title II – Part A, Title II – Part D, Subparts 1 and 2, and

Title V – Part A; 34 C.F.R. Part 76; OMB Circular A-87; and the *Catalog of Federal Domestic Assistance*, Sections 84.010, 84.298, 84.318, and 84.367. We interviewed officials from CCSD, the ODE, and the Ohio Auditor of State. We reviewed CCSD’s NCLB disbursement records and the 2005 NCLB program review from ODE. We also reviewed CCSD’s 2004 A-133 audit report and management letter, 2005 A-133 audit report and management letter, and 2005 performance audit report from the Ohio Auditor of State.

We reviewed CCSD’s general ledger, budget and expenditure summary financial documents, and employee payroll sub-ledger for the period July 1, 2005, through June 30, 2006. To review personnel expenditures, we randomly selected 30 of 3,793 employees paid with funds from the selected NCLB programs and another 10 employees from a sub-universe of 615 full-time employees regularly paid with NCLB funds from September 2005 through June 2006. We traced their NCLB-funded pay to supporting payroll records.⁵ From the universe of 3,793 employees, we identified 53 regular full time employees who were paid with NCLB program funds in June 2006 but not in the 2007 fiscal year. We judgmentally selected these 53 employees to determine whether CCSD had June 2006 timesheets for employees who worked on activities of these selected programs in fiscal year 2006, but not in fiscal year 2007.

The following table shows the number of pay transactions for the 40 randomly selected employees:

Table 3 – Number of Pay Transactions for 40 Randomly Selected Employees

Employee Classification	Number of Pay Transactions
Full-Time, Regularly Paid With Funds from Selected NCLB Programs	241
Part-Time, Regularly Paid With Funds from Selected NCLB Programs	28
Temporary and Substitute Employees	59
Employees Supplementally Paid With Funds from Selected NCLB Programs	56
Total	384

To review non-personnel direct expenditures, we selected from a universe of 13,691 direct non-personnel expenditure transactions a stratified random sample of 88 general ledger transactions, as shown on the table below, and a judgmental sample of 32 transactions that we were uncertain that the vendor was appropriate for NCLB program expenditures. We examined checks, invoices, and contract agreements (where applicable) for all 120 of the transactions we selected. Additionally, for 13 of the 88 randomly selected transactions that were equipment transactions, we judgmentally selected 5 transactions at 4 schools and 1 administrative office for inventory. We also reviewed CCSD’s capital assets tracking system to see if the 9 capitalized asset

⁵ Each employee had one or more payment transaction lines in the sub-ledger. The universe of 3,793 employees had a total of 28,721 pay transactions. We did not sample 22 transactions for intern and overtime pay. From the remaining 28,699 salary and wage transactions totaling \$22,542,528, we reviewed a total of 384 pay transactions for 40 employees. We also reviewed 60 pay transactions for the 53 judgmentally selected employees outside the random sample.

transactions from the 13 equipment transactions were listed. In addition, we reviewed the budget and expenditure summaries for indirect costs charged to the selected NCLB programs.

Table 4 – Stratified Random Sample of Non-Personnel Direct Expenditures

Category by Expenditure Amount	Transactions in Each Category	Amount Expended in Each Category	Percent of Total Expenditures in Each Category	Number of Transactions Selected in Each Category
Less than \$300	8,545	\$757,467	5 %	0
\$300 – \$9,999.99	4,890	\$6,008,117	41 %	40
\$10,000 – \$99,999.99	248	\$5,550,343	37 %	40
\$100,000 and up	8	\$2,473, 616	17 %	8
Total	13,691	\$14,789,543	100 %	88

We relied on computer-processed data originally obtained from CCSD's general ledger software to select CCSD NCLB grant expenditures made during the 2005-06 fiscal year. We verified the completeness and accuracy of the data by reviewing supporting documentation to validate expenditure amounts recorded in CCSD's general ledger. Based on our testing, we concluded that the computer-processed data was sufficiently reliable for the purpose of our audit.

We evaluated CCSD's internal control over its expenditures of personnel and non-personnel funds and determined that it was adequate for the purpose of our audit.

We performed our audit work at CCSD's schools and administrative offices and ODE and OAS offices in Columbus, Ohio, and our Chicago and Kansas City offices from August 2006 through February 2007. We held an exit conference with CCSD officials on February 5, 2007. We performed our audit in accordance with generally accepted government auditing standards appropriate to the scope of the review described above.

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, including the recovery of funds, will be made by the appropriate Department of Education officials, in accordance with the General Education Provisions Act.

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 official, who will consider them before taking final Departmental action on this audit:

Kerri L. Briggs
Acting Assistant Secretary
Office of Elementary and Secondary Education
U.S. Department of Education
400 Maryland Avenue, SW
Washington, D.C. 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 appreciated.

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

Sincerely,



Gary D. Whitman
Acting Regional Inspector General
for Audit

Attachment

ATTACHMENT: ODE Comments to the Draft Report



Center for
School Improvement

Susan Tave Zelman

Superintendent of Public Instruction

Stephen Barr
Associate Superintendent

May 3, 2007

Richard J. Dowd
Regional Inspector General for Audit
U.S. Department of Education
Office of the Inspector General
500 West Madison Street, Ste. 1414
Chicago, Illinois 60661

Dear Mr. Dowd:

This letter and the attachments provide the Ohio Department of Education response to the Draft Audit Report entitled *Columbus City School district's Compliance with financial Accountability Requirements for Its Expenditures Under Selected No Child Left Behind Act Programs* (Control Number ED-OIG/A05G0031). We appreciate the opportunity to be involved at critical points in the audit process and to be allowed to respond to the draft audit report. Your staff conducted themselves in a very professional manner and provided some useful recommendations for the district and the state.

Please let us know if you have any questions or concerns related to our response. We look forward to your final report.

Sincerely,

/s/

Stephen Barr, Ed.D
Associate Superintendent

Attachments:

cc: Susan Zelman
Marilyn Troyer
Stephanie Gerber
Rosie Doughty
Terry Addison
Marvenia Bosley



25 South Front Street, Mail Stop 401

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www.ode.state.oh.us/school_improvement

Columbus, Ohio 43215-4183

Attachment

Response to the Draft Audit Report entitled the *Columbus City School District's Compliance with Financial Accountability Requirements Under Selected No Child Left Behind Act Programs***Issued by the United States Department of Education Office of Inspector General****April 9, 2007****Control Number ED-OIG/A05G0031**

Background: This was a review of selected No child Left Behind (NCLB) Act programs administered by the Columbus City Public School District (CCSD) during the 2005-2006 school year.

FINDING NO. 1 – CCSD charged NCLB funds for an employee not working on NCLB and did not always adequately document the time claimed

- CCSD did not reverse all charges for a regular employee who had not worked on NCLB programs
- CCSD did not provide appropriate time and effort documentation for all salaries charged NCLB programs
- Missing certification
- PARs were not always after-the-fact distributions of time worked
- PARs were not always signed by the employee

Recommendation 1.1: That the Assistant Secretary for Elementary and Secondary require the Ohio Department of Education (ODE) to ensure that CCSD returns to the U.S. Department of Education \$3,005 in title I Grants to Local Educational Agencies funds for an employee who did not work on the project

ODE Response: ODE supports this recommendation.

Recommendation 1.2: That the Assistant Secretary for Elementary and Secondary Education require the ODE to ensure that CCSD provides all requested after-the-fact time and effort documentation signed by the employee or returns to the U.S. Department of Education \$45,153 of unsupported expenditures:

- \$32,542 for title I Grants to Local Educational Agencies
- \$2,258 for State Grants for Innovative Programs
- \$10, 228 for Improving Teacher Quality State Grants
- \$125 for Education Technology State Grants

ODE Response: ODE does not agree with this recommendation. The personnel for whom time and effort documents are requested worked in schoolwide programs. The US Department of Education on several occasions reiterated its agreement that an SEA, for purposes of compliance, may administer schoolwide programs under the theoretical model in which all funds lose their identity and no expenditure can be traced back to a funding source. Ohio has been using the theoretical model for several years and is introducing an automated pooling process into its systems. We believe that over time, this process will eliminate the confusion caused by a theoretical model when actual program expenditure data are available. On page six (6) of its March, 2006 non-regulatory guidance on *Designing Schoolwide Programs*, the U.S. Department reinforces the loss of funding identity when it states:

Schoolwide programs schools use Title I funds to meet the needs of all students in the school, as determined through a comprehensive needs assessment. Individual students

Attachment

are not identified as eligible to participate. No distinctions are made between staff paid with Title I funds and staff who are not.

If no distinctions are made between staff paid with Title I funds and staff who are not, there seems to be no reason to maintain time and effort logs. Similarly, there seems to be no real need for even the semi-annual certification since no proof is needed other than a demonstration that staff are working in a schoolwide program. Requiring any documentation would amount to imposing a questionable federal paperwork requirement on all staff since all staff are Title I and non-Title I simultaneously. We believe this recommendation should be removed.

Recommendation 1.3: That the Assistant Secretary for Elementary and Secondary Education require the ODE to ensure that CCSD determines the extent of the NCLB funds paid for non-NCLB personnel and unsupported pay transactions and related funds for the year ended June 30, 2006, and returns these funds to the U.S. Department of Education.

ODE Response: ODE agrees that it should assume responsibility for helping the district determine the extent of the NCLB funds paid for non-NCLB personnel and unsupported pay transactions and related funds for the year ended June 30, 2006, including the methodology to be used in making the determination. To facilitate this process, we recommend that the OIG, if they agree with our understanding of schoolwide administration, remove all costs in their tables associated with schoolwide time and effort. If the OIG does not agree with our understanding of schoolwide administration, we request that they clearly identify on their tables all costs associated with schoolwide. ODE will provide to USDOE its basis for determining the amount of funds at risk and the suggested resolution prior to finalizing the process.

Recommendation 1.4: That the Assistant Secretary for Elementary and Secondary Education require the ODE to ensure that CCSD requires all regular employees sign June TEC forms prior to leaving work for the summer break.

ODE Response: We agree in part with this recommendation. We would agree that TEC forms should be signed by non-schoolwide building employees before leaving for the summer. We do not agree that time and effort documentation or semi-annual certifications are necessary in schoolwide programs—the documentation serves no useful purpose. On that basis, we agree to assist CCSD to identify a process to accomplish this task. Since all obligations are complete by the end of the last day of school, the district should be able to describe a process for this to occur in non-schoolwide instances.

Recommendation 1.5: That the Assistant Secretary for Elementary and Secondary Education require the ODE to ensure that CCSD develops and implements a policy requiring substitute employees to sign after-the-fact individual PARs.

ODE Response: ODE agrees with the recommendation. We will discuss with CCSD what compliance should look like, what types of district oversight is necessary to ensure compliance, and what reporting requirement we might exercise for CCSD for the next year or two. We will also ensure this topic is reviewed during their next scheduled on-site monitoring to take place during the 2007-08 school-year.

Attachment

Recommendation 1.6: That the Assistant Secretary for Elementary and Secondary Education require the ODE to ensure that CCSD adheres to its policy requiring supplemental employees to sign after-the-fact individual PARs and ensures retention of those documents.

ODE Response: ODE agrees with the recommendation. We will discuss with CCSD what compliance should look like, what types of district oversights are necessary to ensure compliance is occurring, and what reporting requirement we might exercise for CCSD for the next year or two. We will also ensure this topic is reviewed during their next scheduled on-site monitoring to take place during the 2007-08 school year.

FINDING NO. 2 – CCSD did not always record capital assets in the equipment inventory system.

Recommendation 2.1: That the Assistant Secretary for Elementary and Secondary Education require the ODE to ensure that CCSD performs a thorough inventory of capital assets purchased with NCLB funds during the year ended June 30, 2006, report to ODE and the Assistant Secretary for Elementary and Secondary Education all of these assets that it cannot locate, and return to the Department funds equaling the present value of the lost assets.

ODE Response: The district found and inventoried the missing items. CCSD informed us that, through their fixed assets manager, schools and departments perform annual physical inventories. These assets include ones purchased with NCLB funds. Middle and elementary schools begin their inventories in the fall and conclude in the winter. High schools begin their inventories in January and February and conclude in early April. We will request to see the completed inventory for the period ending June 30, 2006.

Recommendation 2.2: That the Assistant Secretary for Elementary and Secondary Education require the ODE to ensure that CCSD maintains an up-to-date inventory list of capital assets paid for with federal funds.

ODE Response: ODE agrees with the recommendation. We will discuss with CCSD what compliance should look like, what types of district oversight are necessary to ensure compliance, and what reporting requirement we might exercise for CCSD for the next year or two. We will also ensure that inventory control is reviewed during the scheduled 2007-08 on-site monitoring visit.

Overarching ODE Response: ODE will have a discussion with key leadership in the district regarding the findings and recommendations in this OIG review and will provide necessary technical assistance. We will also make it a point to review all items covered in this report during the next scheduled on-site visit to occur during the 2007-08 school-year. Additionally, the findings, recommendations and implications from this review will be discussed with all districts during the 2007-08 fall statewide training conference.