



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL
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DEC 7 2004

Mr. Cecil J. Picard
State Superintendent of Education
Louisiana Department of Education
P.O. Box 94064
Baton Rouge, LA 70804-9064

Dear Mr. Picard:

This **Final Audit Report** (ED-OIG/A06-E0012) presents the results of our audit of the Title I funds administered by the Caddo Parish School District (Caddo Parish), for the period July 1, 2001, through December 31, 2003. Our overall objective was to determine whether Caddo Parish properly accounted for and used Elementary and Secondary Education Act of 1965, as amended¹ (ESEA), Title I, Part A (Title I), funds in accordance with applicable laws and regulations. Specifically, we determined: (1) whether Title I expenditures were allowable, approved, properly documented, and only used for Title I schools, and (2) whether semi-annual certifications supporting charges for salaries and wages were obtained and retained for Title I employees.

We provided a copy of this report to the Louisiana Department of Education (LDE). In its response to our draft report the LDE disagreed with our finding. We have summarized their comments after the recommendation section of the report and have included the response as an Attachment.

BACKGROUND

The Title I program is authorized under the ESEA, as amended by Improving America's Schools Act of 1994, Public Law 103-382 and the No Child Left Behind Act of 2001, Public Law 107-110. Title I is the largest elementary and secondary education program, which supplements State and local funding for low-achieving children, especially in high-poverty schools. Part A of Title I provides financial assistance through State education agencies to local educational agencies (LEAs) to ensure that all children have a fair, equal, and significant opportunity to obtain a high-quality education and reach, at a minimum, proficiency on challenging State academic achievement standards and state academic assessments.

¹ The No Child Left Behind Act of 2001 reauthorized the ESEA on January 8, 2002 and Improving America's Schools Act of 1994 reauthorized the ESEA on October 20, 1994.

Title I funds may be used by LEAs for schoolwide or for targeted assistance programs. Under a schoolwide program, an LEA may consolidate and use Title I funds with other Federal, State, and local funds in order to upgrade the entire educational program of a school if not less than 40 percent of the children enrolled in the school are from low-income families. Federal funds consolidated in a schoolwide program lose their specific program identity and may be used for any costs of a schoolwide program. A school that is ineligible for a schoolwide program, or chooses not to operate as a schoolwide school, must use the Title I funds only for the eligible children having the greatest need for special assistance.

In distributing funds to schools, an LEA must allocate to each participating school an amount for each low-income child. However, LEAs must initially reserve funds for homeless, neglected, and delinquent children, for qualified teachers, choice-related transportation, professional development, parental involvement, and capital expenses for private school children. LEAs also must report expenditures that were actually disbursed for goods and services and maintain adequate documentation of those disbursements.

In fiscal year 2003, the U. S. Department of Education allocated \$256 million in Title I funds to Louisiana's LEAs. The LDE requires districts to submit reimbursement claims for funds already expended for approval. During our audit period, Caddo Parish disbursed \$26.4 million to its 30 schoolwide and 6 targeted assistance schools. The amounts disbursed, by program fiscal year, were—

2001 - 2002	\$11,324,545
2002 - 2003	\$12,500,815
2003 - 2004 (partial)	<u>\$ 2,647,469</u>
Total	\$26,472,829

AUDIT RESULTS

Caddo Parish generally accounted for and used Title I, Part A funds in accordance with applicable laws and regulations. Specifically, most Title I expenditures were allowable, approved, and properly documented, and funds were properly allocated to Title I schools. However, Caddo Parish did not properly account for \$488,314 of Title I funds expended by all of its six targeted assistance schools. Specifically, Caddo Parish did not have the semi-annual certifications for the targeted assistance Title I employees for the fall term of the 2001-2002 school year.² The unsupported amount consisted of \$385,379 for payroll costs and an estimated \$102,935 for fringe benefits costs. This condition occurred because Caddo Parish did not follow its policies and procedures for maintaining supporting documentation for all expenditures. As a result, the Department of Education could not ensure that all expenditures were for Title I employees.

Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments, Attachment B, Paragraph 11.h(3)* (1997) provides that—

²Schoolwide programs are exempt from certification procedures.

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. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

RECOMMENDATION

We recommend that the Assistant Secretary for Elementary and Secondary Education instruct the LDE to—

1. Require Caddo Parish to provide sufficient documentation to support \$488,314 or refund that amount to the Department of Education.

LOUISIANA DEPARTMENT OF EDUCATION'S COMMENTS

The LDE disagreed with our finding and recommendation although they acknowledged that Caddo Parish did not obtain semi-annual certifications as required for the targeted assistance Title I employees. The LDE stated, “The District employees at issue in this finding have reviewed their records, including calendars, e-mails, notes, correspondence, time records, task surveys, reports, and other grant-related documents. Based on these records they have verified that they spent 100% of their time on Title I activities and have signed affidavits to that effect.”

OIG'S RESPONSE

After reviewing the LDE's response, we did not change our finding or recommendation. The LDE provided after-the-fact certifications. However, the documents provided were made after our audit period and fieldwork had ended; and, these documents need to be evaluated by the Office of Elementary and Secondary Education to determine their acceptability.

OBJECTIVE, SCOPE, AND METHODOLOGY

Our overall objective was to determine whether Caddo Parish properly accounted for and used Elementary and Secondary Education Act of 1965, as amended (ESEA), Title I, Part A (Title I), funds in accordance with applicable laws and regulations. Specifically, we determined: (1) whether Title I expenditures were allowable, approved, properly documented, and only used for Title I schools, and (2) whether semi-annual certifications supporting charges for salaries and wages were obtained and retained for Title I employees. Our audit period covered July 1, 2001, through December 31, 2003.

To accomplish our objective, we reviewed Caddo Parish's financial statements, OMB Circular A-133 single audit reports for years ended June 30, 2001, 2002, and 2003, Title I grant applications, Project Completion Reports, and the District's procurement policies and procedures applicable to purchases paid with Title I funds. We interviewed various Caddo Parish employees responsible for the administration of the Title I program, and LDE officials.

For testing purposes, we judgmentally selected a total of \$3,684,785 in expenditures from a total of \$26,472,829 reported during our audit period. The expenditures tested were:

- \$2,548,336 for payroll paid to 75 of 1,324 employees whose salaries was charged to Title I. We judgmentally selected 25 of the higher paid employees for each of the three award years. We reviewed the employee certifications confirming that the staff worked solely on the grant except for the first six-month period of our audit period, which the District could not provide. We also determined that accounting and payroll records supported the expenditures.
- \$241,590 for payments made for equipment. We selected 27 of the largest transactions from 737 non-duplicated vendors and traced them to supporting documentation. We determined that the expenditures were allowable and allocable to Title I.
- \$294,480 for payments made for contract services. We selected 25 of the largest transactions from 198 non-duplicated vendors and traced them to supporting documentation. We determined that the expenditures were allowable and allocable to Title I.
- \$482,961 for payments made for supplies. We selected 27 of the largest transactions from 4,344 non-duplicated vendors and traced them to supporting documentation. We determined that the expenditures were allowable and allocable to Title I.
- \$117,418 for payments made for travel. We selected 30 of the largest transactions from 1,493 non-duplicated vendors and traced them to supporting documentation. We determined that the expenditures were allowable and allocable to Title I.

Based on our testing, we concluded the grant expenditures were reasonable, properly accounted for in Caddo Parish's accounting system, and were in accordance with applicable laws and regulations, except as discussed in the AUDIT RESULTS section of this report.

To achieve our audit objective, we relied, in part, on computer-processed data related to the Title I program contained in Caddo Parish's accounting system. We verified the completeness of the data by comparing source records to computer-generated data, and verified the authenticity by comparing computer-generated data to source documents. Based on these tests, we concluded that the data were sufficiently reliable to be used in meeting the audit's objective.

We conducted our fieldwork at Caddo Parish School District's office between April 19, 2004, and April 29, 2004. We discussed the results of our audit with Caddo Parish officials on April 29, 2004. An exit conference was held with LDE officials on August 31, 2004.

Our audit was performed in accordance with generally accepted government auditing standards appropriate to the scope of audit described above.

STATEMENT ON INTERNAL CONTROLS

As part of our review, we relied on testing of costs charged to the Title I grant to test internal controls. Our testing disclosed an instance of non-compliance with Federal regulations, grant terms, and cost principles that led us to conclude that a weakness existed in Caddo Parish's controls over the Title I grant. This weakness and its effect are 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 official, who will consider them before taking final Departmental action on the audit:

Raymond J. Simon
Assistant Secretary
Office of Elementary and Secondary Education
U.S. Department of Education
400 Maryland Avenue, SW
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 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,

Jon E. Kucholtz /s/ (for)
Sherri L. Demmel
Regional Inspector General
for Audit

Attachment



STATE OF LOUISIANA
DEPARTMENT OF EDUCATION
POST OFFICE BOX 94064, BATON ROUGE, LOUISIANA 70804-9064
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<http://www.louisianaschools.net>

November 22, 2004

Sherri L. Demmel
Regional Inspector General for Audit
U.S. Department of Education
Office of Inspector General
1999 Bryan Street, Suite 2630
Dallas, Texas 75201-6817

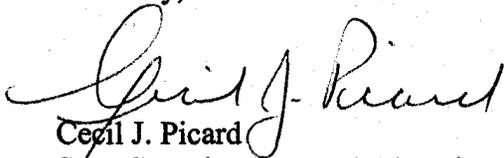
Dear Ms. Demmel:

On October 8, 2004, the Louisiana Department of Education (LDE) received Draft Audit Reports, ED-OIG/A06-E0012 and ED-OIG/A06-E0017. The Louisiana Department of Education appreciates the opportunity to respond to the Office of Inspector General's (OIG) findings outlined in its draft audit report. This response was originally due thirty days after the date of the letter. On October 29, 2004, the LDE requested an extension to respond to the findings. The OIG granted the extension and required that this response be submitted no later than November 22, 2004.

Attached is a copy of the Louisiana Department of Education's response to the findings. If you have questions, please contact Dr. Robin G. Jarvis, Assistant Superintendent of the Office of Student and School Performance, at 225-342-3355 or use the toll-free number listed above.

Thank you for your cooperation.

Sincerely,


Cecil J. Picard
State Superintendent of Education

CJP:yyw

Enclosures

c: Robin G. Jarvis, Ph.D.
Beth Scioneaux

**Louisiana Department of Education
Response to Draft Audit Report: ED-OIG/A06-E0012**

Submitted to:
Sherri L. Demmel
Regional Inspector General for Audit
U.S. Department of Education
Office of Inspector General
1999 Bryan Street, Suite 2630
Dallas, Texas 75201-6817

The Louisiana Department of Education appreciates the opportunity to respond to the Office of Inspector General's (OIG) findings outlined in its October 7, 2004, draft audit report about the use of Title I funds administered by the Caddo Parish School District. This response was originally due thirty days after the date of the letter.

The Louisiana Department of Education submits the following response to the findings contained in the audit report relative to Caddo Parish School District.

I. Response to Finding 1: Certifications Were Not Completed for the Fall Term of the 2001-2002 School Year

The finding concludes the District could not substantiate \$488,314 in payroll expenditures because it did not obtain semi-annual certifications for targeted assistance Title I employees for the fall term of the 2001-2002 school year. OIG recommends the Louisiana Department of Education provide sufficient documentation to support the expenditures, or refund the amount to the U.S. Department of Education.

The Louisiana Department of Education disagrees with this finding. The employees whose salaries are the subject of this finding were Title I employees who spent 100% of their time on Title I activities.

Even though the District did not obtain semi-annual certifications, the U.S. Department of Education routinely accepts after-the-fact documentation to substantiate employees' time and attendance. The District employees at issue in this finding have reviewed their records, including calendars, e-mails, notes, correspondence, time records, task surveys, reports, and other grant-related documents. Based on these records they have verified that they spent 100% of their time on Title I activities and have signed affidavits to that effect.

Both the General Education Provisions Act (GEPA) and the Education Department General Administrative Regulations (EDGAR) require the U.S. Department

of Education to use proportionality when requiring funds be returned to the federal government. In determining proportionality, the USDE must follow the principle that:

A recipient that made an unallowable expenditure or otherwise failed to account properly for funds shall return an amount that is proportional to the extent of the harm its violation caused to an identifiable Federal interest associated with the program under which it received the grant or cooperative agreement. 34 C.F.R. § 81.32(a)(1).

Since the employee affidavits establish that the District properly allocated and expended the questioned payroll charges, the Louisiana Department of Education should not be required to make any refunds.

Copies of the employee affidavits are attached.