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July 20, 2004

ED-OIG/A09-E0010

Mr. David W. Gordon
Superintendent
Elk Grove Unified School District
9510 Elk Grove-Florin Road
Elk Grove, CA 95624-1801

Dear Superintendent Gordon:

This Final Audit Report, entitled *Elk Grove Unified School District's Administration of the 21st Century Community Learning Centers Grant No. S287B010656*, presents the results for our audit. The purpose of our audit was to determine whether the Elk Grove Unified School District (1) served the number of students projected in its 21st Century Community Learning Centers (CCLC) grant application, and (2) properly obtained, accounted for, and used CCLC grant funds in accordance with the grant terms, applicable Federal laws, and regulations. Our review of grant funds covered the period from July 1, 2001 to December 31, 2003. For the number of students served, we reviewed the months from September 2001 through May 2003.

In its response to the draft report, the Elk Grove Unified School District (District) concurred with our findings and generally agreed with our recommendations concerning excessive drawdowns of Federal funds, personnel costs unrelated to the grant, and cell phone service costs that should have been covered by District funds. The District disagreed with our finding that the District did not have required documentation for personnel costs charged to the grant for salaried employees working on multiple activities. However, the District stated it would work with the U.S. Department of Education (Department) on acceptable alternatives for adequately supporting the costs. The District's comments are summarized in the AUDIT RESULTS section of the report at the end of each finding and the full text of the comments is included as Attachment 1.

BACKGROUND

The CCLC program, which was authorized by Title X, Part I of the Elementary and Secondary Education Act (ESEA), as amended, provides grants to local educational agencies for the planning, implementation, or expansion of projects that benefit the educational, health, social service, cultural, and recreational needs of the community. Local educational agencies were to operate community learning centers in conjunction with other local governmental agencies, businesses, vocational educational programs, institutions of higher education, community colleges, and cultural, recreational, and other community and human service entities. The centers were required to provide no less than 4 of the 13 activities listed in the ESEA § 10905.

The District received a Federal grant to operate the CCLC program at 5 of the District's 34 elementary schools for the period from June 1, 2001 through May 31, 2004. The District planned to serve 1,000 students per year at the five centers: Florin, Prairie, Samuel Kennedy, David Reese and Charles Mack Elementary Schools. The District's program goal was to improve students' test scores and academic performance. The Department awarded \$3,341,573 for the three-year grant. The following table shows the grant funds expended during our audit period and the number of students served during the related grant years.

Period	Reported Funds Expended	Reported Number of Students Served During Related Program Year^a
July 1, 2001 through June 30, 2002	\$890,213	391 students ^b
July 1, 2002 through June 30, 2003	\$1,024,276	907 students
July 1, 2003 through December 31, 2003	\$433,934	1,388 students ^c
Total	\$2,348,423	

^a The Department-provided form for the annual performance report defines a "regular attendee" as any student who attended 30 days or more during the program year.

^b One center, which opened late, did not report any students who attended 30 days or more.

^c This number is provided for information purposes and was not verified as part of our audit.

AUDIT RESULTS

We concluded that the District had basically met the projected number of students to be served by the CCLC grant. The District served less than the targeted 1,000 students in the first year of the grant due to problems starting the CCLC program at one school site. However, the District substantially increased the number of students served in the second year of the grant and, based on the information provided by the District, will significantly exceed the target in the third year.

We concluded that the District did not properly obtain, account for, and use CCLC grant funds in accordance with applicable Federal regulations and Office of Management and Budget (OMB) Circulars. The District drew down approximately \$1.3 million of Federal funds in excess of the immediate needs of the CCLC program, resulting in the Federal Government incurring \$6,262 of unnecessary interest costs. Our review found that the District's documentation for \$745,671 of personnel costs charged to the grant did not meet the requirements specified in OMB Circular A-87. As a result, we were not able to determine whether \$643,199 of the \$745,671 was properly charged to the grant. The District used \$7,601 of grant funds for time expended by a District employee on activities unrelated to the CCLC program and \$7,455 for cell phone service costs that the District stated in its grant proposal would be provided with District funds.

FINDING NO. 1 – The District Made An Excessive Drawdown of Federal Funds

On October 3, 2003, the District initiated three requests for Federal funds through the Department's Grant Administration and Payment System (GAPS). The requests totaled \$1,585,789, which was the entire amount of funds remaining on the grant award. The District drew \$306,539 to reimburse the District for costs incurred and \$1,279,250 as advance payments. The District made the decision to request advance payments since it anticipated expending all of the funds over the last year of the grant. The funds were deposited with the Sacramento County Treasury on October 9, 2003. Most of the advanced funds were unexpended at the time we initiated our review in January 2004.

Title 34 Code of Federal Regulations, Part 80 establishes uniform administrative requirements for grants to State and local governments. The regulations at 34 C.F.R. § 80.20(b)(7) require that the grantee's financial management systems meet the following standard:

Procedures for minimizing the time elapsing between the transfer of funds from the U.S Treasury . . . 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....

OMB Circular A-102, Grants and Cooperative Agreements with State and Local Governments, regarding transfers to grant recipients, states that “[s]uch transfers shall be made consistent with program purposes, applicable law and Treasury regulations contained in 31 CFR Part 205, Federal Funds Transfer Procedures.” The regulations at 31 C.F.R. § 205.12(b)(4) require that the grantee requests funds not more than three business days prior to the day that it initiates the disbursements.

To remind grantees of the above requirements, GAPS asks grantees to respond to the following statement when initiating a request for Federal funds:

I certify, by processing this payment request and/or reallocation, that the funds are being expended within three business days of receipt for the purpose and condition of the grant or agreement. Are you sure you want to submit the request?

The District Accounting Manager acknowledged that the District was aware of the GAPS procedure requiring a response to the above statement and had responded “yes” to the question when initiating the three GAPS requests. The District did not have written procedures for requesting advance payments. Previously, the District had not requested Federal funds prior to incurring grant expenditures. As a result of the District requesting funds in excess of its immediate needs, the Federal Government incurred unnecessary interest costs.

After we informed the District that it could not retain Federal funds in excess of its immediate needs, the District returned \$858,918 to the Department, which was the excessive amount on hand on February 6, 2004. Using the Federal Current Value of Funds Rate, the estimated interest costs incurred by the Federal Government on excessive cash balances held by the District from October 9, 2003 to February 27, 2004 (date the Department received the \$858,918) was \$6,262.

Recommendations

We recommend that the Chief Financial Officer in collaboration with the Assistant Secretary for Elementary and Secondary Education require the District to—

- 1.1 Reimburse the Department for the estimated interest costs of \$6,262 incurred as a result of the excessive draws of Federal funds.
- 1.2 Implement procedures for minimizing the elapsed time between the request for Federal funds and the expenditure of the funds.
- 1.3 Ensure that District staff complies with GAPS procedures when requesting draws of Federal funds, including entering appropriate responses to questions posed by GAPS.

District Comments

In its response to the draft report, the District agreed to reimburse the Department for the estimated incurred interest costs of \$6,262. The District stated that its procedures were revised to ensure that the District staff comply with GAPS procedures.

OIG Response

The District's response did not address Recommendation 1.2. The District should review the revised procedures mentioned in its response to ensure the procedures are sufficient to minimize the elapsed time between the request for Federal funds and expenditure of the funds.

FINDING NO. 2 – The District Did Not Have Required Documentation for Personnel Costs Charged to the CCLC Grant

The District's documentation for \$745,671 of personnel costs did not meet OMB Circular A-87 requirements. The factors affecting allowability of costs listed in OMB Circular A-87, Attachment A, Paragraph C.1 include the requirement that "costs must . . . [b]e adequately documented." For employees working solely on a single Federal award, OMB Circular A-87, Attachment B.11.h (3) states—

[C]harges 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.

For employees working on multiple activities, OMB Circular A-87, Attachment B.11.h (4) states—

[A] distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system . . . or other substitute system has been approved by the cognizant Federal agency.

Subsection (5) lists the required elements for personnel activity reports and the provisions for using budget estimates for interim accounting.

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,
- (b) They must account for the total activity for which each employee is compensated,
- (c) They must be prepared at least monthly and must coincide with one or more pay periods, and
- (d) They must be signed by the employee.
- (e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:
 - (i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed;
 - (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. . .; and
 - (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.

During the period of our review (July 1, 2001 through December 31, 2003), the District charged \$763,994 of personnel costs to the grant for 14 salaried employees: one program specialist who provided oversight for the five centers, six program coordinators, five program clerks, and two program educators.¹ District officials maintained that the District's Monthly Personnel Absence Report and Personnel Activity Report (Federally funded – Time accounting), taken together, satisfied the above documentation requirements of OMB Circular A-87. However, we found that the documentation for 13 of the salaried employees, who accounted for \$745,671 of the personnel costs, did not meet the requirements.

¹ The District also charged the CCLC grant for payments to teachers and others who were paid on an hourly basis. We concluded that the documentation provided for these employees met the specifications listed in OMB Circular A-87.

- Monthly Personnel Absence Report. The District used the Monthly Personnel Absence Report to record the days and hours not worked by the employees during a month for payroll purposes (i.e., vacation and sick leave). The Absence Report, which listed multiple employees, was pre-printed with the FTE (full-time equivalent corresponding to the percentage specified in employee contracts) applicable to each funding source. Employees whose salaries were charged to more than one funding source had separate lines for each funding source. At the end of the month, regardless of whether the employees have taken leave or not, they initialed and a supervisor signed the report. While the Monthly Personnel Absence Report also documented that the employees worked for the District during the month, the report did not provide information on the actual time worked on each activity (i.e., CCLC program or other program activities).

The Program Specialist's salary costs for the first year (July 1, 2001 through June 30, 2002) were charged entirely to the CCLC grant. Initially, the Program Specialist's salary was paid with the District's unrestricted funds. Later, on June 14, 2002, the District processed an adjustment to transfer the salary costs to the CCLC grant account. The Program Specialist did not prepare periodic certifications to support her salary charge. While the certification requirement may be met through certain payroll codings and time and attendance certifications pursuant to payroll authorizations, such documentation (i.e., Monthly Personnel Absence Report) would not be applicable in this situation. The charge to the grant was made as a result of a year-end transfer rather than the regular payroll process.

- Personnel Activity Report. The Program Specialist (July 1, 2003 and later²) and the other 12 salaried employees were contracted to work on activities related to the CCLC program and other program activities. The District's salaried employees, who worked on the CCLC program and other activities, prepared and signed a monthly Personnel Activity Report accounting for their total hours worked in the month and identifying the hours worked on a specific activity. However, the employees informed us that they used the percentage specified in their personnel action form to calculate the number of hours recorded for the CCLC grant activities and other unrelated activities. The employees stated that they planned their work hours in accordance with how much time they were contracted to work on the CCLC program, but employees acknowledged that the hours worked on the CCLC program sometimes varied and they did not record the variances on their personnel activity reports.

OMB Circular A-87, Attachment B.11.h (5)(e) specifically prohibits the use of percentages that are determined before the services are performed as support for charges to Federal grants. Also, a monthly certification would not be acceptable since the activities of the employees varied throughout the day and varied on a day-to-day basis depending on whether students were in attendance.

² During the period July 1, 2002 through June 30, 2003, the District did not charge the Program Specialist's salary costs to the CCLC grant.

Nothing came to our attention during the audit that would indicate that the employees whose salaries were charged to the CCLC grant did not work on the CCLC program. The Program Specialist and the other salaried employees verbally confirmed during interviews that they worked on the CCLC program during applicable grant years and had signed the Personnel Activity Report each month. The Program Specialist also provided us with documentation from the first grant year confirming she worked on the CCLC program during that year.

While the District did not have the required documentation, we were able to conclude from available documentation that at least 10 percent of certain employees' time was expended on the CCLC program. Based on the activity schedules for the five centers, we identified one hour each day that the centers were opened to students participating in the CCLC program when no other program activities were scheduled. Thus, it would be reasonable to conclude that at least 10 percent (1 hour times 4 days divided by 40 hour week) of the salary costs of the program coordinators and program clerks were properly charged to the CCLC grant. Ten percent of the total salary costs of the program coordinators and program clerks were \$102,472. Without adequate documentation, we were unable to determine whether the remaining \$643,199 of salary costs were properly charged to the CCLC grant.

Recommendations

We recommend that the Chief Financial Officer in collaboration with the Assistant Secretary for Elementary and Secondary Education require the District to—

- 2.1 Provide documentation supporting the charges for the 13 salaried employees or return the \$643,199 plus related staff benefits and indirect costs.
- 2.2 Implement procedures that require salaried employees to complete documentation that complies with the requirements of OMB Circular A-87 and ensure that salary costs are allocated to Federal grants in accordance with actual time worked on grant activities.

District Comments and OIG Response

The District disagreed with the finding, but stated that it would work with the Department on acceptable alternatives for adequately supporting the personnel costs. The District's comments on the finding did not change our conclusion or recommendations.

District Comment. In its response to the draft report, the District stated that its documentation exceeded the criteria established by OMB Circular A-87. The District stated that the Circular does not require documentation for hours worked daily and that the District met the criteria by recording actual hours worked monthly. The District stated that its personnel activity reports had been approved and accepted for use in another Federal program. The District also cited language from an August 28, 1997 memorandum issued by the California Department of Education (CDE) that addressed the Circular requirements for personnel activity reports or equivalent documentation.

OIG Response. The District is correct that OMB Circular A-87 does not state that a daily record of activity must be kept and allows for personnel activity reports prepared on a monthly basis.³ However, in certain situations, a monthly personnel activity report may not be adequate. The cited CDE memorandum states—

The personnel activity report may be as detailed as a time sheet that identifies the employee's activity on a daily basis by hours, or it may be as simple as a report of the total hours or percentage of hours spent in each categorical program or costs objective for the month. The level of detail can generally be determined by the variation of the employee's work activities." [Emphasis added.]

The U.S. Department of Health and Human Services issued "A Guide for State, Local and Indian Tribal Governments" (ASMB C-10), dated April 8, 1997, to assist governments in applying OMB Circular A-87. Question 3-15 of the Guide states—

Caution must be exercised when using time certifications. Their use is only suitable where few activities are involved and the effort involved covers long periods without diversions to other efforts. Where effort is expended on a number of activities with constant variations throughout the day as well as from day to day, a month-end certification would be unacceptable. It would be at best a rough estimate of time expended and would not meet the requirement of an after-the-fact reporting of actual effort.

Question 3-24 of the Guide states that "[i]f activities or programs worked on vary constantly throughout the work day, then [personnel activity reports] must be completed as each event begins and ends."

As we noted earlier in the report, activity schedules for the five centers showed only one hour each day that the centers were opened to students participating in the CCLC program when no other program activities were scheduled. Thus, it is unlikely that a monthly personnel activity report would be considered adequate documentation for the CCLC program. Nevertheless, whether the documentation is prepared daily or monthly, the Circular requires that the personnel activity report reflect "an after-the-fact distribution of the actual activity" of the employee. The District's salaried employees used "pre-determined" percentages to prepare their personnel activity reports.

District Comment. The District claimed that the OIG stated during a preliminary meeting that "We interviewed all of the salaried employees and based on the interviews, the conclusion was drawn that they did not work the full 60% on the [CCLC] grant every day."

OIG Response. The OIG's position is inaccurately portrayed in the quoted statement. The OIG concluded that the percentages recorded on the personnel activity report could not be used as

³ The District's response stated that the Draft Audit Report included a statement that the District's personnel activity report form did not provide space for employees to record hours worked daily on each activity. While the statement regarding the monthly activity form is correct, we did not make such a statement in the Draft Audit Report.

support for the salary costs charged to the CCLC program since the salaried employees had used “pre-determined” percentages when preparing the reports. Based on other available information, the OIG concluded that at least 10 percent of certain employees’ salaries was properly charged to the CCLC program. The OIG was unable to draw a conclusion about the remaining portion.

District Comment. The District stated that basing such a finding primarily on brief interviews of employees is both subjective and unfair. The District stated that allowing the District’s program administrators to be present at the interviews or review the results of such interviews for accuracy would have produced a more balanced and accurate finding.

OIG Response. The reliance on District employees’ confirmations that the “pre-determined” percentages shown on their personnel action forms were used to prepare the monthly personnel activity reports is neither subjective nor unfair; and the confirmations do provide sufficient evidence to support the OIG finding that the District’s documentation did not meet the requirements specified in OMB Circular A-87. We intentionally did not include District’s program administrators in interviews with the employees in order to receive candid responses and avoid the possibility of employees being intimidated by the presence of administrators.

District Comment. The District stated that the OIG would have obtained more evidence regarding the daily schedules of the employees if more time had been spent observing the employees at the sites. The District claimed that the OIG disregarded District documentation showing daily, weekly, and monthly schedules. The District stated that employees regularly followed the schedules and that “[t]here was little if any deviation, pre-determined or not.” The District stated that the OIG did not understand that employees also spent time on grant-related activities during hours or days when the CCLC centers were not opened.

OIG Response. We disagree that further on-site observations of employees would have provided us with sufficient evidence to determine the reasonableness of the remaining charges. The OIG did review other available documents to assess the reasonableness of the salary costs charged to the CCLC program, including the daily schedules for the five centers and the daily logs kept by one employee for one week.⁴ As previously mentioned, based on the review, we were able to conclude that the alternative documentation was sufficient to support a portion of the salary charges. While the employee interviews confirmed that employees tried to adhere to the pre-determined percentages, the employees did not record variances from the pre-determined percentages on their personnel activity reports. Thus, there is no contemporaneous evidence that there were little, if any, variances from the pre-determined percentages. The OIG is well aware that District employees may be involved in grant-related activities outside CCLC hours. However, the District’s personal activity reports and other documentation provided no information on the actual time spent on such activities.

District Comment. The District stated that while the OIG concluded that documentation from the District’s salaried employees’ time accounting system (i.e., Monthly Personnel Activity Report) was not sufficient support for the charges, it accepted the documentation from the District’s parallel system used for “time-sheeted” employees (i.e., employees paid on an hourly

⁴ The District provided the daily logs for the OIG review on April 15, 2004 rather than the date of April 4, 2004 as stated in the District’s response.

basis). The District claimed that both systems provide for accurate accounting for the daily work completed in each program, which is regularly monitored by the CCLC Grant Program Specialist.

OIG Response. As we explained in the audit report, the District's salaried employees' time accounting system did not provide information on the actual time worked on each activity. We concluded that the District's time accounting system for hourly employees met OMB Circular A-87 requirements since employees reported hours worked each day by activity under that system.

FINDING NO. 3 – The District Charged the Grant for Employee Time Worked Unrelated to the CCLC Program

The District contracted with a resource teacher to work solely on the CCLC grant as a short-term coordinator for the center at Florin Elementary School effective February 1, 2002. When the teacher returned to his previous position on May 6, 2002, the District's payroll department continued to charge the CCLC grant account for his salary and related staff benefits. The error occurred due to a delay in processing the personnel action form that changed the funding source for the employee's position.

As a result of the late processing of the personnel action form, the District used \$7,601 of grant funds for time expended by the employee on activities unrelated to the CCLC program. (The \$7,601 includes the employee's salary and the related staff benefits and indirect costs.) OMB Circular A-87, Attachment A, Paragraph C.3.a states that 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.

After we informed the District of the error, the District provided documentation showing that it had processed a credit of \$7,601 to the CCLC grant account on March 15, 2004.

Recommendation

- 3.1 We recommend that the Chief Financial Officer in collaboration with the Assistant Secretary for Elementary and Secondary Education require the District to ensure that its procedures provide for timely processing of personnel action forms and, when necessary, adjustments to payroll charges are made for forms processed late.

District Comments

The District agreed with the finding and recommendation. The District stated that it has met with appropriate departments to review and revise procedures for timely processing of personnel action forms.

FINDING NO. 4 – The District Charged the CCLC Grant for Cell Phone Services That Should Have Been Covered by District Funds

Starting on August 30, 2002, the District began charging the CCLC grant for cell phone services for the program coordinators. The District Associate Superintendent for Finance and School Support stated that cell phone service was necessary for communication and safety purposes. Previously, the District had provided each coordinator with a walkie-talkie and access to a desk phone for these purposes.

The District should not have used grant funds for the cell phone services because the approved budget for the CCLC grant showed that the District would cover the cost of telephone and security devices, such as walkie-talkies, with District funds. The District Associate Superintendent for Finance and School Support stated that the District had intended to revise the original budget to include the cell phone service costs and had received verbal approval for the change during a phone conversation with the U.S. Department of Education employee who was the program officer at the time. The District was unable to provide us with documentation of the conversation. We identified \$7,455 of cell phone service costs that were improperly charged to the CCLC grant during the period from July 1, 2002 through December 31, 2003.

Also, we found that the cell phone services may not have been necessary or reasonable for the grant purpose. The individual coordinators' cell phone service costs ranged from about \$27 to \$340 per month. The Program Specialist informed us that the District's Purchasing/Warehouse Director had previously expressed concern about the program coordinators' cell phone charges. OMB Circular A-87, Attachment A, Paragraph C.1.a states that to be allowable under Federal awards, costs must be necessary and reasonable for proper and efficient performance and administration of Federal awards.

After we informed the District of the improper use of grant funds, the District provided documentation showing that it had processed a credit of \$7,841 to the CCLC grant account on March 8, 2004 for the cell phone service charges. District staff stated that the amount reflected the cell phone service charges made to the CCLC grant account during the period from July 1, 2002 through December 31, 2003. The District did not provide us with the documentation needed to reconcile the difference between the \$7,455 of charges identified in our review and the \$7,841 credit adjustment. Since the District had processed a credit for the cell phone service costs, we did not review all monthly billings to assess the necessity or reasonableness of the charges.

Recommendations

We recommend that the Chief Financial Officer in collaboration with the Assistant Secretary for Elementary and Secondary Education require the District to—

- 4.1 Cease using CCLC grant funds for cell phone service costs.
- 4.2 Confirm that its CCLC grant account was credited for the full amount of cell phone service charges and related indirect costs charged to the account since August 30, 2002.

District Comments

The District agreed with the finding, but stated that its decision to purchase cell phone services was a prudent and responsible use of the CCLC grant. The District stated that it stopped using the CCLC grant for the cell phone service costs after we informed the District of the improper use of grant funds.

OIG Response

The District's response did not address Recommendation 4.2. Although the District processed a credit of \$7,841 for the cell phone service charges, the District needs to provide the Department with documentation showing its CCLC grant account was credited for the full amount of cell phone service charges and related indirect costs charged to the account since August 30, 2002.

OBJECTIVES, SCOPE, AND METHODOLOGY

Our audit objectives were to determine whether the District (1) served the number of students projected in its CCLC grant application, and (2) properly obtained, accounted for, and used CCLC grant funds in accordance with the grant terms and applicable Federal laws and regulations. Our review of grant funds covered the period from July 1, 2001 to December 31, 2003. For the number of students served, we reviewed the months from September 2001 through May 2003.

To accomplish our objectives, we reviewed the District's CCLC grant application, budget narrative, performance reports, and OMB Circular A-133 audit reports for the years ended June 30, 2002 and 2003. We also reviewed the District's written policies and procedures applicable for administering the CCLC grant funds. We interviewed various District employees responsible for the administration of the CCLC program.

For our review of students served, we obtained a list of dates that the CCLC locations were in operation and the student attendance records that supported the number of students reported in the Performance Report. We compared the reported number of students served at each location to the number of students that the District planned to serve.

To determine whether the District properly obtained grant funds, we reviewed the GAPS Award History Report and District receipt and expenditure records. We also reviewed the District's Cash in County Treasury report to ensure that the District had properly secured the excess funds until their return to the Department. We also reviewed the District's calculation of estimated interest costs incurred by the Federal Government.

For our review of the District's accounting and use of grant funds, we relied on a report of CCLC grant expenditures for the period July 1, 2001 to December 31, 2003, which District staff generated from the District's financial accounting system. We verified the completeness of the data by comparing total expenditures on the District-generated report to total expenditures reported in the District's financial statements for the CCLC grant. We also compared information in the District-generated report to source documents for sampled transactions.

Based on these tests, we concluded that the data was sufficiently reliable to be used in meeting the audit's objectives. The District-generated report listed 5,928 transactions.

- For the 4,385 staff benefits transactions, we reviewed the 15 transactions over \$1,000 and scanned the remaining transactions to ensure that the benefits were for District staff working on the CCLC program.
- For the 199 transactions for salaried employees, we interviewed 13 of the 14 employees to confirm the procedures used to prepare monthly personnel activity reports and assessed whether the reports reflected actual hours worked on the CCLC program.
- For the 84 cell phone service transactions, we reviewed the invoices for the highest cell phone charges to evaluate the reasonableness of the charges.
- For the 30 equipment transactions, we reviewed supporting documentation for the expenditures.
- For the remaining 1,230 transactions, we reviewed supporting documentation for a sample of 135 transactions. We selected 55 transactions based on their high expenditure amounts and randomly selected the other 80 transactions.

We performed our fieldwork at the District's administrative offices in Elk Grove, California, on various dates between January 12 and March 11, 2004. An exit conference was held with District officials on April 15, 2004. We performed our audit in accordance with generally accepted government auditing standards appropriate to the scope of audit described.

STATEMENT ON MANAGEMENT CONTROLS

Our assessment of the District's management control structure was limited to those areas of control weaknesses identified while conducting substantive tests of grant expenditures. Based on our review, we concluded that the District needs to establish procedures that ensure the District limits requests for Federal funds to its immediate needs, documentation for employees paid on a salary basis complies with OMB Circular A-87 requirements, and personnel action forms used to change funding sources are processed timely. These control weaknesses are discussed in the AUDIT RESULTS section of this report.

ADMINISTRATIVE MATTERS

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

Jack Martin
Chief Financial Officer
Office of the Chief Financial Officer
U.S. Department of Education
Federal Building No. 6, Room 4E313
400 Maryland Avenue, SW
Washington, DC 20202

Raymond J. Simon
Assistant Secretary
Office of Elementary and Secondary Education
U.S. Department of Education
Federal Building No. 6, Room 3W315
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 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 to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act.

Sincerely,

/s/
Gloria Pilotti
Regional Inspector General for Audit

Attachment

Attachment 1

**ELK GROVE UNIFIED SCHOOL DISTRICT
COMMENTS ON THE DRAFT REPORT**



Members of the Board
Jeanette J. Amavisca
Pollyanna Cooper-LeVangie
Priscilla S. Cox
Pamela A. Irely
William H. Lugg, Jr.
Chet Madison, Sr.
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Robert L. Trigg Education Center
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June 18, 2004

ED-OIG/A09-E0010

Ms. Gloria Pilotti
Regional Inspector General for Audit
Office of Inspector General
501 I Street, Suite 9-200
Sacramento, California 95814

Dear Ms. Pilotti:

The purpose of this letter is to provide the Elk Grove Unified School District's (District) response to the Inspector General's Draft Audit Report regarding the District's 21st Century Community Learning Center Grant ("CCLC Grant"). The District has made every effort to implement the grant in accordance with the grant terms and federal regulations. The District has also complied with all requests by [REDACTED] for records and documentation during the 21st Century Community Learning Center program audit.

AUDIT RESULT RESPONSE

FINDING NO. 1 – The District Made An Excessive Drawdown of Federal Funds

The estimated interest costs of \$6,262 incurred as a result of the excessive draw of federal funds will be reimbursed to the Department of Education. Procedures have been reviewed and revised to ensure that the district staff comply with Grant Administration and Payment System (GAPS) procedures when requesting draws of federal funds, including entering appropriate responses to questioned posed by GAPS.

FINDING NO. 2 – The District Did Not Have Required Documentation for Personnel Costs Charged to the CCLC Grant

Interviews with 14 salaried employees provided the evidence for the auditor's determination that the personnel costs were based on pre-determined percentages.

During the preliminary audit report findings meeting, the auditor stated, "We interviewed all of the salaried employees and based on the interviews, the conclusion was drawn that they did not work the full 60% on the 21st Century Community Learning Center Grant every day." She was not convinced the percentages provided were standard and accurate.

Although the auditor was repeatedly invited to visit the programs, she only made two visits of 30 minutes each. Had the auditor shadowed these employees, spending time with them in their work place, she would have been able to obtain more specific evidence regarding the daily schedules of these employees before making a finding of this magnitude. We believe that basing such a finding primarily on brief interviews of employees is both subjective and unfair. Allowing program administrators to be present at the interviews, or to review the results of such interviews for accuracy, would have produced a more balanced and accurate finding. Based on the emphasis placed on interviews

in the Auditor's Draft Report, it is the District's position that the auditor should have spent a considerably longer period of time in visits to the 21st Century Twilight programs.

The District believes it has followed the stated criteria of Office of Management and Budget Circular A-87 ("A-87"). In an August 28, 1997, California Department of Education memorandum from Robert Agee, Director, School Business Services Division, Director Agee stated:

"A-87 requires Personnel Activity Reports or Equivalent Documentation to support the costs of salaries and wages charged to federal programs. [A-87, Section 11 (h) (4)]

"The intent of a personnel activity report is to document the employee's certification of work actually performed in each categorical program or cost objective during the month. The personnel activity report may be as detailed as a time sheet that identifies the employee's activity on a daily basis by hours, or it may be as simple as a report of the total hours or percentage of hours spent in each categorical program or cost objective for the month. The level of detail can generally be determined by the variation of the employee's work activities. A-87 requires that personnel activity reports or equivalent documentation meet the following standards:

- Reflect an after-the-fact distribution of the actual activity of each employee,
- Account for the total activity for which each employee was compensated,
- Be prepared at least monthly and coincide with one or more pay periods,
- Be signed by the employee."

The District believes that it has complied with the requirements of A-87, section 11(h) (4) and that its documentation exceeds the criteria established.

According to the Draft Audit Report, the monthly activity form did not provide space for employees to record hours worked daily on each activity. A-87 does not require documentation for hours worked daily. The District followed the guidelines by recording actual hours worked monthly. The Personnel Activity Report used to report actual hours worked monthly has been approved and accepted for use in another federal program.

The District's documentation showing daily, weekly and monthly schedules was disregarded as evidenced by the fact that the auditor relied on interviews to prove that employees used the percentages stated in their personnel action form to calculate the number of hours recorded for the CCLC Grant. The District has very strict standardized time accounting. Just as teachers during the regular school day must adhere to a very specific schedule, so must grant employees. These employees regularly

followed the schedule that was shared with the auditor. There was little if any deviation, pre-determined or not. Additional documentation, including daily logs were submitted to the auditor on April 4, 2004.

The auditor approved the District's time accounting for "time-sheeted" employees. Yet, the District's salaried employees' time accounting system was not allowed even though the time accounting system for salaried employees parallels the time accounting system for "time-sheeted" employees. Both systems provide for very accurate accounting for the daily work completed in each program, which is regularly monitored by the CCLC Grant program specialist.

The auditor appeared to lack background knowledge of Title I school-based programs. For example, she questioned how a coordinator could be a .6 full-time equivalent coordinator if the center is only open 2.5 hours 4 days a week. Unfortunately, the auditor did not understand the time involved in preparing lessons, providing instructional materials, developing assessment data protocols, and communicating with parents, teachers, and students. In addition, providing professional learning to teachers each Friday is a District bold goal and top priority in the District.

The District believes it has provided appropriate documentation and affirms that the work of these employees for their specific contracted time was solely related to the CCLC Grant and that the time accounting for their salary expenses was and is consistent with the A-87 criteria.

In the event that the Office of Inspector General is unwilling to change its recommendation, the District requests that it have the opportunity to work with the Department of Education on acceptable alternatives for adequately supporting the personnel costs charged to the CCLC Grant.

FINDING NO. 3 – The District Charged the Grant for Employee Time Worked Unrelated to the CCLC Program.

The district unintentionally charged the salary of a short-term CCLC coordinator to the grant after the teacher returned to his previous position. This was the result of the late processing of the personnel action form. The district has provided documentation showing that it has processed a credit of \$7,601 to the CCLC grant account on March 15, 2004. The district has met with appropriate departments to review and revise procedures for timely processing of personnel action forms.

FINDING NO. 4- The District Charged the CCLC Grant for Cell Phone Services That Should Have Been Covered by District Funds

The 21st Century Community Learning Center grant was charged for cell phones costs that were originally intended to be paid for by the district. The district believes the decision to purchase cell phones was a prudent and responsible utilization of 21st Century Community Learning Center funds.

After being informed that the district should not have used grant funds for the cell phones because the approved grant budget did not include this expenditure, the district immediately stopped using CCLC grant funds for cell phone service costs and processed a credit of \$7,841 for the cell phone service charges.

CONCLUSION

For more than 13 years, the Twilight After School program currently funded by the 21st Century Community Learning Center grant has provided students in south Sacramento with a safe and enriching learning environment where students and their families work together at the end of the day. The program has proven to increase the academic achievement of students, involve parents in their child's education and support working parents.

The district respectfully requests the U.S. Department of Education accept the documentation that has been provided and dismiss the assessed penalties. If you have any questions or you wish to discuss this response, please contact [REDACTED], Director of Learning Support Services at (916) 686-7712.

Sincerely,

/s/

David W. Gordon
Superintendent

DWG/NL/sb