
Saint Paul Public Schools' Teacher Quality Enhancement Grant

FINAL AUDIT REPORT



ED-OIG/A05H0016
May 2008

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U.S. Department of Education
Office of Inspector General

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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.

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UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL

AUDIT SERVICES
Chicago/Kansas City/Dallas Audit Region

May 23, 2008

Dr. Meria Carstarphen
Superintendent of Schools
Saint Paul Public Schools
360 Colborne Street
St. Paul, Minnesota 55102

Dear Dr. Carstarphen:

Enclosed is our final audit report, Control Number ED-OIG/A05H0016, entitled *Saint Paul Public Schools' Teacher Quality Enhancement Grant*. This report incorporates the comments you provided in response to the draft report. 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:

Lawrence A. Warder
Chief Financial Officer
Office of the Chief Financial Officer
U.S. Department of Education
400 Maryland Avenue, SW
Washington, D.C. 20202

Diane Auer Jones
Assistant Secretary
Office of Postsecondary Education
U.S. Department of Education
1990 K Street, N.W.
Washington, D.C. 20006

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,

/s/
Gary D. Whitman
Regional Inspector General
for Audit

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EXECUTIVE SUMMARY

The objectives of the audit were to determine whether Saint Paul Public Schools (District) (1) provided the required share of matching funds, and (2) used Teacher Quality Enhancement (TQE) grant funds only for expenses that were allowable and in compliance with the plan set forth in the grant application. Our audit covered the period October 1, 2005, through May 31, 2007.

For the period October 1, 2005, through September 30, 2006 (2005-2006 grant year), the District provided only \$163,193 of matching funds, \$159,837 less than required. The District had a matching requirement of \$323,030 for the 2005-2006 grant year and claimed match of \$327,166. The District's records showed \$327,166 of matching funds. However, the District maintained documentation to adequately support only \$163,193 of that amount (See FINDING NO. 1).

In addition, during the period October 1, 2005, through May 31, 2007, the District did not always use TQE grant funds for expenses that were allowable and in compliance with the plan set forth in its grant application. Specifically, the District:

- Charged to the TQE grant \$19,232 in unallowable costs and \$4,739 in inadequately documented costs (See FINDING NO. 2);
- Did not maintain adequate property control procedures for TQE equipment, resulting in one TQE laptop purchased for \$853 to be lost (See FINDING NO. 3); and
- Did not use required semi-annual certifications and monthly activity reports correctly (See Other Matters Section).

When we brought these instances of noncompliance totaling \$24,824 to the District's attention, the District credited its TQE grant account for these costs.

We recommend that the Chief Financial Officer (CFO), in conjunction with the Assistant Secretary for Postsecondary Education, require the District to (a) provide adequate documentation for \$159,837 in matching funds or return \$100,675 to the U.S. Department of Education (Department);¹ (b) provide adequate documentation of its matching data to the CFO and work with the Department to ensure any future match requirements are met; (c) develop written policies and procedures to provide reasonable assurance that offices receiving federal grants comply with matching requirements; (d) provide evidence of action taken to train District personnel on the TQE grant program requirements, with an emphasis on OMB Circular A-87; (e) provide evidence of action taken to enhance its fiscal control and accounting procedures for the use of estimated charges and the transfer of funds from one department's budget to another; and (f) provide evidence of action taken to enhance its property control procedures regarding TQE equipment by including specific steps to be completed when TQE equipment issued to grant participants is returned.

¹ See FINDING NO. 1 for an explanation of how we calculated the amount that should be returned to the Department.

In its comments to the draft of this report, the District concurred with our findings and recommendations and stated that it has implemented some of the recommendations. For recommendations implemented, we revised the recommendations as needed. The District's comments are summarized at the end of each finding, and the full text of the comments is included as an enclosure. Because the attachments to the District's comments were voluminous, we have not included them with the enclosure (copies of the attachments are available upon request to the extent information contained therein is not subject to exemptions in the Freedom of Information Act).

BACKGROUND

Saint Paul Public Schools was established in 1856. It is Minnesota’s second largest school district with a student population of 42,139 and 253 schools, programs, and learning sites. The student population hails from countries throughout the world and speaks more than 70 languages and dialects. Approximately 42 percent of the District’s students speak a language other than English at home and approximately 18 percent receive special education services.

The three Teacher Quality Enhancement Grant programs—State Grants, Partnership Grants, and Teacher Recruitment Grants—authorized by Title II, Part A of the Higher Education Act of 1965, as amended (HEA)—are intended to make lasting changes in the ways teachers are recruited, prepared, licensed, and supported. The District, along with its partner, the University of St. Thomas (St. Paul, Minnesota), received a Partnership Grant to address the District’s challenge of teacher shortages. The grant was intended to help the District make significant and lasting systemic changes in the way highly-qualified teachers are recruited, prepared, and supported to teach in the District. In its grant application, the District agreed to recruit 100 grant participants² for participation in its TQE grant program. The TQE grant program falls under the supervision of the District’s Executive Director of Human Resources. The District’s TQE Program Director is responsible for oversight and daily administration of the TQE grant program, reports to the District’s Executive Director of Human Resources, and supervises the TQE Program Manager. The TQE Program Manager supervises 2 TQE Coordinators who oversee the TQE Fellows.

The Department awarded the District its TQE grant for the three-year period October 1, 2005, through September 30, 2008. According to the District’s approved budget, the three-year federal and non-federal contributions toward the District’s TQE grant program were to total \$6,161,538.

Grant Period	Federal Award Amount	Matching Percentage	Non-Federal Matching Amount	Total Amount
10/1/2005 – 9/30/2006	\$ 957,394	58.75	\$ 562,484	\$1,519,878
10/1/2006 – 9/30/2007	\$1,638,508	60.04	\$ 983,771	\$2,622,279
10/1/2007 – 9/30/2008	\$ 705,458	186.25	\$1,313,923	\$2,019,381
Totals	\$3,301,360		\$2,860,178	\$6,161,538

² The District uses the term “Fellow” to describe a participant enrolled in the TQE program.

On January 30, 2007, the Department froze the District's TQE grant funds due to concerns over the program's administration, resulting in the District using its own funds to continue the grant program. Before its funds were frozen, the District had drawn down only \$672,117 of its federal award amount. Of the \$672,117, the District drew down \$549,838 during the 2005-2006 grant year.

AUDIT RESULTS

For the 2005-2006 grant year, the District did not provide its required share of matching funds (See FINDING NO. 1). In addition, during the period October 1, 2005, through May 31, 2007, the District did not always use TQE grant funds for expenses that were allowable and in compliance with the plan set forth in its grant application. Specifically, the District charged to the TQE grant \$19,231 in unallowable costs and \$4,739 in inadequately documented costs (See FINDING NO. 2) and did not maintain adequate property control procedures for TQE equipment, resulting in the loss of one TQE laptop purchased for \$853 (See FINDING NO. 3).

FINDING NO. 1 – The District Did Not Provide the Required Share of Matching Funds for the 2005-2006 Grant Year

The District provided only \$163,193 of matching funds for the 2005-2006 grant year, \$159,837 less than required. The District had a matching requirement of \$323,030 for the 2005-2006 grant year and claimed match of \$327,166.³ The District's records showed \$327,166 of matching funds recorded in the following categories: personnel (\$42,462), space (\$126,551), supplies (\$1,239), and other (\$156,914). However, the District maintained documentation to adequately support only \$163,193 of that amount.

Per its Grant Award Notification for the award period of October 1, 2005, through September 30, 2006, the District's cost share (matching requirement) was 58.75 percent. Pursuant to 34 C.F.R. § 80.24(b)(6),

Costs and third party in-kind contributions counting towards satisfying a cost sharing or matching requirement must be verifiable from the records of grantees and subgrantee or cost-type contractors. These records must show how the value placed on third party in-kind contributions was derived. To the extent feasible, volunteer services will be supported by the same methods that the organization uses to support the allocability of regular personnel costs.

Because the District did not meet the matching requirement, it provided a diminished program which might not fully accomplish the goals the Office of Postsecondary Education (OPE) intended for the TQE programs. When grantees fail to meet the matching requirement, the Department determines the repayment amount by calculating the percentage of the grant properly spent. The amount properly spent is based on the ratio of the total actual project funding (both federal and non-federal) to the total amount required by law (both federal and non-federal). Using the Department's calculation, the District properly spent 81.69 percent (\$549,838 drawn down plus \$163,193 match that was supported divided by the \$549,838 drawn down plus the \$323,030 required match) of the \$549,838 it drew down and, therefore, improperly spent 18.31 percent, or \$100,675.

³ The matching requirement of \$323,030 is based on the District drawing down \$549,838 during the 2005-2006 grant year and a match percentage of 58.75.

In addition, the District might not meet the matching requirement for the remaining two grant years if the Department elects to restore the District's federal funding. After the Department froze the funding, the District elected to continue its TQE grant program with its own funds. If the freeze were lifted, the District could draw down a large amount of funds, creating a large matching requirement. As stated in the Background section, the match percentage is high for the second and third years of the grant.

We discussed the TQE grant's matching requirements with District personnel and learned that the District (1) was not aware that it had agreed to a matching requirement of 58.75 percent for the 2005-2006 grant year, (2) did not have written policies and procedures for tracking and documenting its matching funds, and (3) was unfamiliar with applicable regulations and cost principles regarding allowable and unallowable sources of matching funds. From our testing of the District's claimed matching funds, we also determined that the District was not aware of the types of documentation that was required to adequately support the sources and amounts of matching funds claimed.

Recommendations:

If the Department elects to provide additional federal funds for the District's TQE grant, we recommend that the CFO, in conjunction with the Assistant Secretary, OPE, require the District to

- 1.1 Provide adequate documentation to support the \$159,837 in matching funds or return \$100,675 in TQE grant funds to the Department, as appropriate;
- 1.2 Provide adequate documentation of its match to the CFO for the 2006-2007 award year and work with the Department to ensure all matching requirements are met for any future awards the District receives; and
- 1.3 Develop written policies and procedures to provide reasonable assurance that offices receiving federal grants comply with the grant's matching requirements, including the maintenance of adequate documentation.

District's Comments

The District agreed that it did not provide the matching funds for the 2005-2006 grant year as indicated in the original project proposal. The District stated that it has asked the Department to amend its required matching percentage.

The District further stated that

It is important to note that although the District did not meet the matching requirement, the District has not provided a diminished program to the TQE Fellows. Since the funds were frozen in January 2007, the District has continued to support and fund TQE staff and fund the training of TQE fellows so that they may become licensed teachers prepared to teaching in our high-needs schools. The program has received wonderful feedback about the students who have

completed the program and are now teaching and the District is committed to seeing all of the TQE Fellows through their teacher training program.

OIG Response

We did not make any changes to our finding based on the District's comments. Though the District might not have provided a diminished program to those TQE Fellows it served, the overall program was diminished because the District did not have all the resources necessary to operate the program as originally proposed in the grant application.

FINDING NO. 2 – The District Charged Unallowable Costs to the TQE Grant Program

The District charged unallowable costs totaling \$19,232 to the TQE grant program. In addition, the District charged the grant another \$4,739 for which it lacked adequate documentation to support that the costs were allowable. We selected 84 non-personnel expenses, totaling \$209,844, charged to the TQE grant from the 272 non-personnel expenses totaling \$685,156 recorded during the period October 1, 2005, through May 31, 2007. We selected expenses to ensure adequate coverage of all non-personnel expense categories and high, medium, and low dollar amounts. We also selected expenses appearing unusual in relation to other expenses. To determine whether the non-personnel expenses selected for our sample were allowable and in compliance with the plan set forth in the grant application, we reviewed supporting records such as purchase orders, invoices, canceled checks, and other information on scanned documents maintained by the District. The District charged \$17,964 for purchases of computers, printers, and flash drives in excess of what was necessary for the operation of the grant; \$1,268 for other costs in violation of the cost principles; and \$4,739 for costs lacking adequate documentation.

Costs Were Unnecessary

The District charged \$17,964 for purchases of computers, printers, and flash drives in excess of what was necessary for the Fellows and TQE staff. During the 2005-2006 grant year, the District purchased with TQE grant funds 104 computers and 104 printers for the Fellows and 4 TQE staff. However, the TQE grant program recruited only 87 Fellows. Therefore, only 91 computers and 91 printers were necessary and reasonable. The remaining 13 computers and 13 printers, totaling \$12,440, were unallowable because they were not necessary and reasonable. During the 2006-2007 grant year, the District purchased an additional 5 computers, for \$5,217, that were not necessary for the TQE grant program. We conducted a physical inventory of these 5 computers and found them still in their original packing boxes. In addition, the District purchased 100 flash drives—one for each Fellow. Again, because the District recruited only 87 Fellows, 13 of the flash drives, purchased for \$307, were not necessary to operate the TQE grant program.

Pursuant to OMB Circular A-87, Attachment A(C), *Basic Guidelines*,

(1) *Factors Affecting Allowability of Costs*. To be allowable under Federal awards, costs must meet the following general criteria:

a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.

(2) *Reasonable costs.* A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. ...In determining reasonableness of a given cost, consideration shall be given to:

a. Whether the cost is a type generally recognized as ordinary and necessary for the operation of the governmental unit or the performance of the Federal award.

Costs Charged in Violation of the Cost Principles

In addition to the computers, printers, and flash drives, the District charged \$1,268 in other unallowable costs to the TQE grant. The District charged the grant (1) \$1,060 for food served at TQE grant activities⁴ that did not include the dissemination of technical guidance or information; (2) \$122 in per diem for TQE staff paid at the incorrect rate and for travel days unrelated to the TQE grant program; and (3) \$86 surcharge for publishing that should have already been included in the District's indirect costs.

According to OMB Circular A-87, Attachment B, *Selected Items of Cost*,

(14) *Entertainment.* Costs of entertainment, including amusement, diversion, and social activities and any costs directly associated with such costs (such as tickets to shows or sports events, meals, lodging, rentals, transportation, and gratuities) are unallowable.

(27) *Meetings and conferences.* Costs of meetings and conferences, the primary purpose of which is the dissemination of technical information, are allowable. This includes costs of meals, transportation, rental of facilities, speakers' fees, and other items incidental to such meetings or conferences. But see Attachment B, section 14, Entertainment costs.

(34) *Publication and printing costs (a-b).* Publication costs include the costs of printing...distribution, promotion, mailing, and general handling. Publication costs also include page charges in professional publications. If these costs are not identifiable with a particular cost objective, they should be allocated as indirect costs to all benefiting activities of the governmental unit.

(43)(a) *General.* Travel costs are the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of the governmental unit.

Costs Lacked Adequate Documentation

The District did not provide us with purchase orders, invoices, or other documentation that adequately documented \$4,739 for two expenses charged to the TQE grant for a TQE Fellowship Evaluation (\$752) and TQE Fellows Training (\$3,987).

First, the District could not support \$752 of charges to the TQE grant program for a TQE Fellowship Evaluation. The District charged \$5,000 to the TQE grant program for estimated labor costs and program costs from the Research Evaluation and Assessment Department (REA).

⁴ The TQE grant activities included TQE application screening, Fellow interviews, and a dinner reception for Fellows.

The \$5,000 is supported via email correspondence between a TQE staff member and the Director of REA discussing estimated costs to train, supervise, and support the grant evaluator. When we brought this to the District's attention, the District credited the TQE grant account for the \$5,000 and recharged the program \$2,411. However, the District did not provide adequate documentation to support \$752 of the \$2,411 recharged.

Second, the District could not support \$3,987 charged to the TQE grant program for TQE Fellows Training. The District transferred \$5,387 from the TQE grant program to the Technology Department for computer classes and set-up costs. However, the invoice we received supported only \$1,400 for computer classes for the Fellows. The remaining \$3,987 was for the Technology Department's costs for the set-up and imaging of 104 computers. To support this portion of the charge, the District could provide only an email between a TQE staff member and a Department of Educational Technology staff member. The email did not include specific information about the \$3,987 charge. The District eventually created an invoice for the \$3,987 charge, which included specific information, but the invoice was dated over a year after the expense was recorded. Because the invoice is dated over a year after the charge was incurred, we cannot rely on the accuracy of the invoice. Therefore, the District did not support \$3,987 of the charge for technology services.

Pursuant to 34 C.F.R § 80.20(b)(6) *Source Documentation*, "Accounting records must be supported by such source documentation as canceled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc." Also, pursuant to OMB Circular A-87, Attachment A(C), *Basic Guidelines*, (1) *Factors Affecting Allowability of Costs*, to be allowable under Federal awards, costs, among other requirements, must be adequately documented.

Stronger System of Internal Control over TQE Grant Funds Needed

The District did not have a policy or procedures in place to provide reasonable assurance that only actual costs were charged to the TQE grant. The District has only an informal policy regarding the transfer of funds from one department's budget to another. In some cases, the only documentation for these types of transactions is email correspondence between District personnel.

Unallowable costs charged to a federal grant constitute a debt to the federal government and harm the federal interest. When a grantee uses federal funds for unallowable costs, those funds are not available to pay for items and services that could help advance the program. In addition, without adequate documentation, we cannot determine if TQE grant funds were used to support TQE grant activities and services and do not know if TQE grant funds were used only for allowable purposes.

When we brought these instances of noncompliance totaling \$23,971 to the District's attention, the District credited its TQE grant account for \$19,984. Prior to issuance of the draft report, the District did not credit its TQE grant account for the \$3,987 charge for TQE Fellows Training.

Recommendations:

We recommend that the CFO, in conjunction with the Assistant Secretary, OPE, require the District to

- 2.1 Provide adequate documentation for or return \$3,987 to the Department;
- 2.2 Provide evidence to the Department demonstrating that it trained District personnel on the TQE grant program requirements with an emphasis on OMB's Cost Principles; and
- 2.3 Provide evidence to the Department that it has enhanced its fiscal control and accounting procedures for the (1) use of estimated charges and (2) transfer of TQE grant funds from one department's budget to another.

District's Comments

The District agreed that adequate documentation was not provided for the \$3,987 in expenditures and credited the TQE budget for this amount. In addition, the District stated it has hired a Grant Management Coordinator to assist in training budget administrators on grant program requirements and OMB Cost Principles. Further, the District stated it has implemented a change to its fiscal control and accounting procedures regarding the use of estimated charges and the transfer of funds between district departments.

OIG Response

The \$3,987 is the last amount needed to credit the full amount of \$23,971. The District credited \$19,984 to the TQE grant during our audit, and we confirmed that it credited an additional \$3,987 in response to the draft report. We revised recommendations 2.2 and 2.3 to request evidence of the corrective action taken by the District.

FINDING NO. 3 – The District Did Not Develop and Implement an Adequate Property Control System Over TQE Equipment

The District's property control system over TQE equipment was inadequate. The District's property control system did not incorporate steps to (1) ensure that laptop computers assigned to Fellows were adequately safeguarded, and (2) investigate losses of TQE equipment. The District's property control system does have a form that is to be completed when equipment is lost or stolen.

Pursuant to 34 C.F.R. § 80.20(b)(3), Internal Control, "Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes."

Without an adequate property control system, the District could not account for one laptop computer that it purchased for \$853 in TQE grant funds and provided to one Fellow. The Fellow claimed to have returned the laptop computer because it was defective and received another one. However, the District had no record of the laptop computer being returned and did not provide us with documentation to support that a form was filled out when the laptop computer assigned to the one Fellow was lost. In addition, the District did not provide us with documentation

sufficient to support it took the necessary steps to investigate the loss of the laptop computer. When such losses occur, TQE assets are not available for essential TQE program activities.

When we brought this matter to the District's attention, the District credited its TQE grant account for \$853.

Recommendation:

We recommend that the CFO, in conjunction with the Assistant Secretary, OPE, require the District to

- 3.1 Provide evidence to the Department that it has enhanced its property control procedures for TQE equipment so the procedures include specific steps to be completed when TQE equipment issued to Fellows is returned.

District's Comments

The District agreed that its property control system over TQE equipment was inadequate. The District stated it has implemented a new procedure to be used for all equipment purchased through federal grant funds.

OIG Response

We revised recommendation 3.1 to request evidence of the corrective action taken by the District.

OTHER MATTERS

For the fiscal years ended June 30, 2005 and 2006, the District was cited by its Independent Public Accountant (IPA) in its A-133 Single Audit Reports for not using semi-annual certifications and monthly activity reports, as required by OMB Circular A-87. As part of our review of payroll expenses for the period October 1, 2005, through September 30, 2006, we noted that two TQE staff members were included on the semi-annual certifications, but they did not work 100 percent of their time on the TQE grant program. These two should have been included on monthly activity reports. In addition, one other employee was included on the semi-annual certification, which covered the period July through December 2006, even though the employee was not paid from TQE grant funds during the period July through September 2006. Finally, the District did not complete a semi-annual certification for one employee for the period April through June 2006, and two of the semi-annual certifications covered the same three-month time period (October, November, and December 2005).

To address the deficiencies noted in the A-133 Single Audit Reports, the District enhanced its policies to require applicable employees to complete semi-annual certifications and personal monthly activity reports. Employees began using the forms for the 2006-2007 school year. We suggest that the CFO and OPE review the District's A-133 Single Audit Report for the year ended June 30, 2007, to ensure that its IPA has not cited the District again for these deficiencies.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of the audit were to determine whether the District (1) provided the required share of matching funds, and (2) used TQE grant funds only for expenses that were allowable⁵ and in compliance with the plan set forth in the grant application. Our audit covered the period October 1, 2005, through May 31, 2007.

To achieve our objectives, we performed the following procedures:

1. Reviewed the District's web site and organizational charts to gain an understanding of its history and organization.
2. Obtained the District's accounting records and identified all TQE grant funds received (\$672,117) and expended (\$1,127,153) during the period October 1, 2005, through May 31, 2007.
3. Reviewed the District's A-133 Single Audit Reports, for the years ended June 30, 2005 and 2006.
4. Reviewed the District's written policies and procedures and interviewed District officials to gain an understanding of the internal control system applicable to the administration of its TQE grant program.
5. Compared the amount of matching funds required to the matching funds the TQE grant office recorded in its matching spreadsheet for the period October 1, 2005, through May 31, 2007. We did not select a sample of claimed matching funds but instead traced 100 percent of the recorded matching funds to source documents to test for compliance with the law, regulations, and Cost Principles.⁶
6. Judgmentally selected a sample of 84 of 272 non-personnel expenses for the period October 1, 2005, through May 31, 2007, and reviewed supporting documentation to determine whether the expenses were allowable and adequately supported.
7. Randomly selected 4 of 26 pay periods for the period October 1, 2005, through September 30, 2006, and reviewed supporting documentation to determine whether the payroll expenses were allowable and adequately supported.
8. Judgmentally selected 47 of 113 TQE computers and conducted a physical inventory.⁷ For each computer selected, we compared the system tag and District property tag listed on the TQE asset spreadsheet the District provided to the tags on the laptops. For the laptops issued to Fellows, we checked each Fellow's photo identification to ensure that the Fellow was in possession of the computer assigned to them per the spreadsheet.

⁵ OMB Circular A-87 establishes principles and standards for determining costs for federal awards carried out through grants. Attachment A, *General Principles for Determining Allowable Costs*, discusses factors affecting the allowability of costs. To be allowable under federal awards, costs, among other requirements, must be necessary, reasonable, and adequately documented.

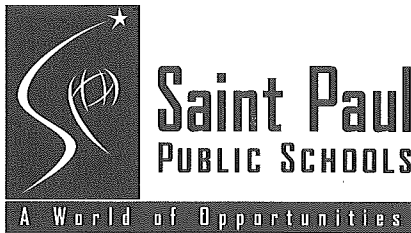
⁶ The District's financial management system did not maintain a record of matching funds. Each district office receiving a grant must track its own matching funds, outside the District's financial management system.

⁷ We used the non-personnel data from the Oracle system to select a sample of TQE assets for inventory testing.

We also relied, in part, on payroll data from the District's PeopleSoft system and expenditure data from its Oracle system. We performed an assessment of the reliability of the payroll and accounting records. We reviewed the data for completeness, accuracy, relevance, and validity by (1) determining if the District could account for all funds drawn down; (2) reviewing the records to ensure they included only personnel and non-personnel expenses for our audit period; (3) reviewing personnel expenses by comparing them to documentation such as offer letters and timesheets; and (4) reviewing non-personnel expenses by tracing them to records such as purchase orders, invoices, canceled checks, and other information on scanned documents maintained by the District. Based on these comparisons, we concluded that the data the District provided for personnel and non-personnel expenses were sufficiently reliable for the purposes of our audit.

We conducted our audit from March through October 2007 at the District's administrative offices in St. Paul, Minnesota, and at our offices. We discussed the results of our audit with District officials on October 18, 2007. We performed our audit in accordance with generally accepted government auditing standards appropriate to the scope of the audit described above.

ENCLOSURE: St. Paul Public School's Comments



Independent School District 625
360 Colborne Street
Saint Paul, MN 55102-3299

Office Of The Superintendent
Meria Joel Carstarphen, Ed. D.
Superintendent of Schools

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February 28, 2008

Mr. Gary D Whitman
Regional Inspector General for Audit
United States Department of Education
Office of Inspector General
500 West Madison Street, Suite 1414
Chicago, IL 60661

Dear Mr. Whitman:

Attached is the response of Saint Paul Public Schools to the audit findings from the audit of the Saint Paul Public Schools Teacher Quality Enhancement Grant. Two attachments have been included to support the district's response.

If you have any questions, please contact Chief Academic Officer Valeria Silva, the current Project Director for the Teacher Quality Enhancement Grant.

Sincerely,

/s/

Meria Joel Carstarphen
Superintendent of Schools

Cc: Valeria Silva, Chief Academic Officer
Melissa Hines, TQE Project Coordinator

Saint Paul Public Schools #625

**Teacher Quality Enhancement Grant
Audit Response**

February 28, 2008

Dr. Meria Carstarphen, Superintendent of Schools
Valeria Silva, Chief Academic Officer

Finding No. 1 - The District did not provide the required share of matching funds for the 2005-06 grant year.

Condition:

The District provided only \$159,056 of the matching funds for the 2005-06 grant year, \$163,973 less than required. The District had a matching requirement of \$323,030 for the 2005-06 grant year. This amount is based on the District drawing down \$549,838 and a matching requirement of 58.75%. When the grant was written, a number of in-kind costs were identified as match costs. The District's failure to provide the originally stated matching funds are the result of a complex series of factors, including:

1. Multiple changes in key personnel:
 - Rick Kreyer, the Human Resources Director involved in the writing of the grant, left the District prior to the grant award.
 - Tom Coffey, Mr. Kreyer's replacement, had a brief tenure with the District and left prior to the grant award.
 - Betty Holz-Bergmann, Assistant Director of Human Resources, was then named the Project Director for the first year of the grant.
 - Ms Holz-Bergmann took a leave of absence at the end of the first grant year and retired from the District in June, 2007.
2. Documentation required for matching funds was different from the understanding of the District at the time the grant was written:
 - The A133 audit of the district by KPMG in 2005-06 cited the District for failure to provide adequate time and effort reporting. The district implemented procedures in fiscal year 2006-07 to correct these deficiencies however it was too late for the first year of the TQE grant.
3. Failure to renegotiate the matching funds portion of the project in the initial award process or in succeeding budget reporting periods.
 - Once the grant was received, the grant budget was renegotiated.
 - The audit process revealed that the TQE in-kind budget was not subsequently renegotiated.
 - This resulted in confusion about what the District committed to in terms of in-kind items and amount.

Recommendations:

If the Department elects to provide additional federal funds for the District's TQE grant, we recommend that the CFO, in conjunction with OPE, require the District to

- 1.1 Provide adequate documentation to support the \$163,973 in matching funds or return \$279,103 in TQE grant funds to the Department, as appropriate;
- 1.2 Provide adequate documentation of its match to OPE on a quarterly basis and work with OPE to ensure all matching requirements are met; and
- 1.3 Develop written policies and procedures to provide reasonable assurance that offices receiving federal grants comply with the grant's matching requirements, including the maintenance of adequate documentation.

Response:

District agrees with the finding that the District did not provide the match funds as indicated in the original funded project proposal for the for the 2005-2006 grant year. This resulted from a failure to renegotiate the matching funds portion of the project even after the grant budget was renegotiated. The District has submitted an amendment to the original proposal as it relates to the matching funds for each year to more closely correlate to the amended budget and the federal match requirements that were stated in the grant application. It is worth noting that based on the draft audit report, the District provided \$159,056 in matching funds for the 2005-2006 grant year. If the district had committed to the federal match requirement of 25% in year one, the District would have exceeded the match requirement (25% of \$549,838 = \$137,459.50). If the amendment is denied the District will provide adequate documentation, or where that is not available, return the \$279,103 in TQE grant funds to the Department.

Finding No. 2 - The District Charged Unallowable Costs to the TQE Grant Program

Condition:

The District charged \$17,964 for purchases of computers, printers, and flash drives in excess of what was necessary for the operation of the grant; \$1,268 for other costs in violation of the cost principles; and \$4,739 for costs lacking adequate documentation.

Recommendations:

We recommend that the CFO, in conjunction with OPE, require the District to

- 2.1 Provide adequate documentation for or return \$3,987 to the Department;
- 2.2 Ensure District personnel are trained on the TQE grant program requirements with an emphasis on OMB's Cost Principles; and
- 2.3 Enhance its fiscal control and accounting procedures regarding the (1) use of estimated charges and (2) transfer of TQE grant funds from one department's budget to another.

Response:

The District agrees that adequate documentation was not provided for the \$3,987 in expenditures and did credit the TQE budget in October 2007 for this expenditure. A copy of the district's activity report for the month of October 2007 is attached to this audit response. The District has hired a Grant Management Coordinator to assist in training budget administrators on all aspects of budget management, including grant program requirements and OMB Cost Principles. Training sessions have begun on a limited basis and materials are being refined to make sure that they encompass all requirements according to OMB Cost Principles.

The District has implemented a change in our fiscal control and accounting procedures regarding the use of estimated charges and the transfer of funds between district departments. We have communicated this change to all accounting personnel and have required them to insist on detailed invoices reflecting actual charges whenever transfers are made.

Finding No. 3 - The District did not develop and implement an adequate property control system over TQE equipment.

Condition:

The District's property control system did not incorporate steps to (1) ensure that laptop computers assigned to Fellows were adequately safeguarded and (2) investigate losses of TQE equipment. The District could not account for one laptop computer that it purchased for \$853 in TQE grant funds and provided to one fellow. The Fellow claimed to have returned it, however the District had no record of it being returned nor any documentation to support the steps to investigate the loss of the laptop computer.

Recommendations:

We recommend that the CFO, in conjunction with OPE, require the District to

3.1 Enhance its property control procedures for TQE equipment to include specific steps to be completed when TQE equipment issued to Fellows is returned.

Response:

The District agrees that the property control system over TQE equipment is inadequate. The district has implemented a new procedure to be used with all equipment purchased through federal grant funds. The process will include tagging the equipment upon purchase and establishing a record that includes location of equipment, person equipment assigned to, use of equipment, condition of equipment and date of return, disposal or sale. These procedures include a physical inventory to be taken every two years by the Property Control Manager. As a part of these new procedures, any loss, damage or theft will be investigated.

Closing Comments

In closing, we would like to respond to the serious allegation that "the District provided a diminished program which might not fulfill the needs of its participants or accomplish the goals OPE intended for TQE programs." It is important to note that although the District did not meet the matching requirement, the District has not provided a diminished program to the TQE Fellows. Since the funds were frozen in January 2007, the District has continued to support and fund TQE staff and fund the training of TQE Fellows so that they may become licensed teachers prepared to teaching in our high-needs schools. The program has received wonderful feedback about the students who have completed the program and are now teaching and the District is committed to seeing all of the TQE Fellows through their teacher training program.