U.S. Department of Education
Office of Inspector General

Puerto Rico Department of Education's Internal Controls Over the Immediate Aid to Restart School Operations Program

July 17, 2019
ED-OIG/A04S0013

NOTICE

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UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL

Audit Services

July 17, 2019

The Honorable Eligio Hernández-Pérez
Secretary of Education
Puerto Rico Department of Education
P.O. Box 190759
San Juan, P.R. 00919-0759

Dear Secretary Hernández-Pérez:

Enclosed is our final audit report, "Puerto Rico Department of Education's Internal Controls Over the Immediate Aid to Restart Schools Operations Program," Control Number ED-OIG/A04S0013. 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 Department of Education official, who will consider them before taking final Departmental action on this audit:

Frank Brogan
Assistant Secretary
Office of Elementary and Secondary Education
U.S. Department of Education
400 Maryland Ave., SW
Washington, D.C. 20202

The U.S. Department of Education's policy is to expedite audit resolution by timely acting on findings and recommendations. Therefore, if you have additional comments, we would appreciate receiving them within 30 days.

Sincerely,

/s/

Christopher A. Gamble
Regional Inspector General for Audit

Enclosure

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Results in Brief

What We Did

Our audit objective was to determine whether the Puerto Rico Department of Education (Puerto Rico DOE) has effectively designed internal controls for the administration of Immediate Aid to Restart School Operations (Restart) program funds. Our audit covered April 30, 2018, the date the U.S. Department of Education (Department) awarded a Restart grant to the Puerto Rico DOE, through January 10, 2019.[1]

To answer our audit objective, we assessed the design of the Puerto Rico DOE's system of internal controls for monitoring the Restart program and for procuring goods and services using Restart program funds. We reviewed the Puerto Rico DOE's organizational structure for monitoring Department grants, including the Restart program; the Puerto Rico DOE's policies and procedures for monitoring Department grants; and the Restart program monitoring and internal control plan. In addition, we reviewed the Puerto Rico DOE's organizational structure and policies and procedures for procuring goods and services using Federal grant funds, including the Restart program. We also conducted limited testing of the Puerto Rico DOE's compliance with its procurement regulations and policies and procedures. Specifically, we reviewed a judgmentally selected sample of six transactions[2] totaling $12.2 million: two transactions related to the procurement of goods, two related to the procurement of services, and two related to the award of contracts for professional services not subject to competition. The Puerto Rico DOE uses the same procurement process for all transactions funded with Department grants and plans to use the same process for transactions funded with Restart program funds.

Because our review was limited to assessing the design of the Puerto Rico DOE's internal controls over procurement and monitoring for the Restart program and included testing for only a small sample of procurement transactions, our results cannot be projected to internal controls in areas our audit did not cover.

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[1] Our audit period covered April 30, 2018, through January 10, 2019. We continued to monitor the Puerto Rico DOE's drawdowns of Restart program funds through March 1, 2019.

[2] The Puerto Rico DOE had made only two transactions for the Restart program at the time of our sample selection in September 2018. We selected those two Restart transactions and four transactions funded with Title I, Part A, Improving Basic Programs Operated by Local Educational Agencies program funds for testing.

What We Found

We found that the Puerto Rico DOE needs to enhance its system of internal controls to ensure that Restart program funds will be properly administered. Specifically, we found that the Puerto Rico DOE's procurement and monitoring processes did not provide reasonable assurance that the Puerto Rico DOE will properly administer or adequately monitor Restart program funds. We found deficiencies in five of the six procurement transactions we reviewed.

Without effective controls to ensure that staff from responsible offices complete all required documents and obtain all required approvals before purchasing any good or service, and without timely implementation of an effective monitoring plan, the Puerto Rico DOE lacks critical mechanisms for safeguarding Restart and other Federal program funds from fraud, waste, and abuse and for administering Restart program funds as Congress intended. Previous audits and investigations have also found deficiencies in the Puerto Rico DOE's procurement process. For example, in 2011, Puerto Rico DOE officials were indicted by a Federal grand jury on multiple charges related to their procurement activities. Additionally, numerous audits identified instances in which the Puerto Rico DOE did not comply with procurement laws and regulations.[3]

What We Recommend

We recommend that the Assistant Secretary for the Office of Elementary and Secondary Education require the Puerto Rico DOE to—

- Provide to the Department documentation for purchases and contracts reviewed in this report that is consistent with "Regulation 7040 for the Acquisition, Sales, and Auctions of Goods, Works, and Nonpersonal Services of the Puerto Rico DOE" (Regulation 7040) and the "Non-Regulatory Guidelines for the Selection of Federally Funded Professional Services" (Guide) for expenditures charged to the Restart and Title I grants, including adequate justification of the procurement of professional services not subject to competition, or return to the Department funds charged to the grants.

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[3] OIG audit reports, "Systems of Internal Controls over Selected Recovery Act Funds in Puerto Rico," A04K0001, and "Puerto Rico: Final Recovery Act Expenditures Supplemental Report" A04M0014, issued in 2010 and 2013, and Commonwealth of Puerto Rico Comptroller's Office audit reports, "Audit of Puerto Rico's Central Procurement Office Fiscal Operations," DA-17-22; "Audit of Puerto Rico's Evaluation and Award of Federal funds under Work Plans," DA-17-39; and "Audit of Puerto Rico's Purchases with Federal funds under Work Plans," DA-19-02; issued in 2017 and 2018.

- Establish controls to ensure that staff involved in the procurement of goods and nonpersonal services follow the requirements established in Regulation 7040, including any updates made in response to Puerto Rico Law 85, and provide training as applicable.
- Establish controls to ensure that staff involved in the procurement of professional services follow the requirements established in the Guide, and provide training as applicable.
- Timely implement its monitoring plan to properly monitor the Restart program to ensure appropriate use of funds and compliance with applicable laws and regulations.
- Segregate monitoring and program coordination duties to eliminate conflicts of interest and reduce the risk of fraud, waste, and abuse.
- Implement the procedures created to report fraud, waste, and abuse.

Puerto Rico DOE Comments

We provided a draft of this report to the Puerto Rico DOE for comment. The Puerto Rico DOE did not explicitly agree or disagree with the findings and recommendations. The Puerto Rico DOE described some of the actions it has taken or plans to take to address some of our recommendations. These actions include enhancing its internal control system by updating its procurement regulation, adding new system controls to the financial information system, and providing training as appropriate to ensure compliance with procurement regulations, policies, and procedures. In addition, the Puerto Rico DOE has begun implementing its Restart monitoring plan and fraud reporting procedures by developing a monitoring protocol, conducting monitoring visits, and posting fraud-related posters. It has also begun establishing proper segregation of duties by segregating conflicting roles and responsibilities.

Office of Inspector General Response

We did not revise the findings and recommendations based on the Puerto Rico DOE's comments, except for a minor technical correction to more accurately reflect the type of professional services contracts we selected for review.

We summarize the Puerto Rico DOE's comments at the end of each finding and have included the full text of the comments at the end of this report.

Introduction

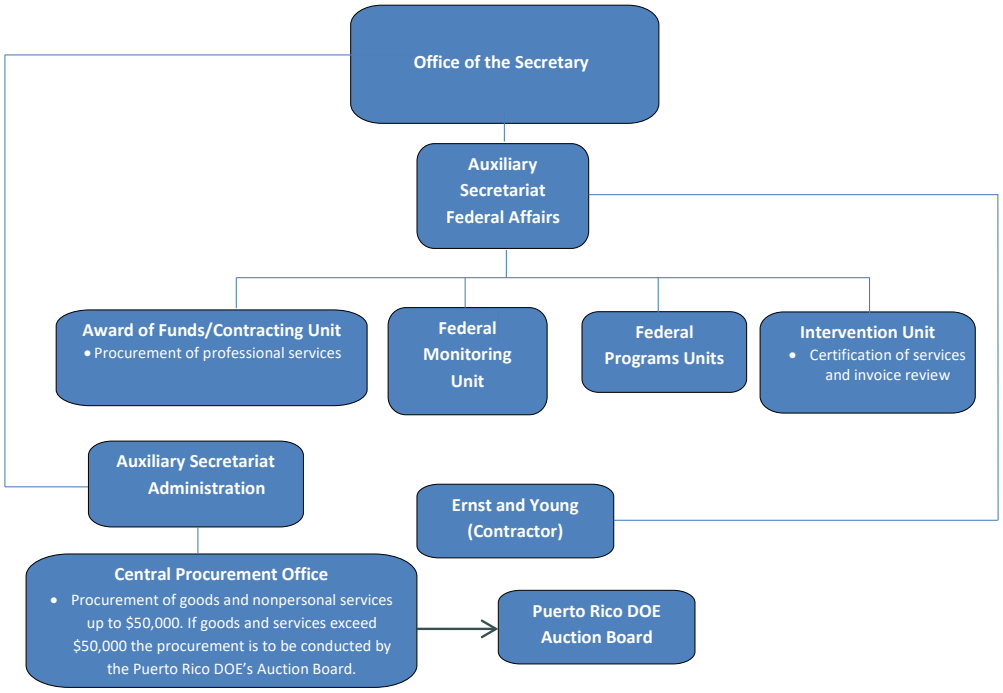
The Puerto Rico DOE was organized under Article IV, Section 6 of the Constitution of the Commonwealth of Puerto Rico and is responsible for the planning and administration of all public elementary, secondary, and some postsecondary education throughout Puerto Rico. The Secretary of Education is appointed by the Governor of the Commonwealth of Puerto Rico with the advice and consent of the Puerto Rico Senate. The Puerto Rico DOE is considered a State educational agency and local educational agency for purposes of administering Federal financial assistance programs.

In the fall of 2017, Puerto Rico was impacted by two consecutive hurricanes (Irma and María). These hurricanes led to an island-wide crisis that interrupted the provision of all services, including educational ones. Close to 1,500 schools, including 324 nonpublic schools, which enrolled more than 442,000 students at the time of the hurricanes, temporarily or permanently ceased operations. Schools closed for a variety of reasons, including property damage, island-wide power outages, and inoperable communication and data systems.

The Bipartisan Budget Act of 2018 authorized the Restart program to make awards to States and territories affected by a major disaster or emergency. The purpose of this program is to assist local educational agencies and nonpublic schools with expenses related to the restart of elementary schools and secondary schools in areas where a major disaster or emergency was declared under sections 401 and 501 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act related to the consequences of Hurricanes Harvey, Irma, and María or the California wildfires in 2017. Recipients must use funds to assist school administrators and personnel in restarting school operations, reopening schools, and reenrolling students. The Department plans to award the funds under a multiphase process intended to provide prompt initial funding while offering subsequent opportunities for additional assistance through future applications.

On April 30, 2018, the Department awarded $589.2 million in Restart program funds to the Puerto Rico DOE and according to the officials responsible for administering the Restart program, the Puerto Rico DOE will use the same procurement and monitoring processes for Restart as those in place for other Federal programs. The Puerto Rico DOE also contracted the services of Ernst and Young, Puerto Rico, LLC (Ernst and Young) to assist in the administration and monitoring of the Restart program. See Figure 1 for the Puerto Rico DOE's organizational chart for the administration of the Restart program.

Figure 1. The Puerto Rico DOE Organizational Chart for the Administration of the Restart Program[4]



The grant award conditions required the Puerto Rico DOE to submit a written monitoring and internal control plan to the Department within 60 days of receipt of the Restart grant award. The monitoring portion of the plan needed to include how the Puerto Rico DOE would (1) manage its Restart grant and supported activities and (2) develop and implement monitoring protocols and a schedule for monitoring subrecipients for programmatic and fiscal issues. The internal control portion of the plan needed to include the names of key personnel responsible for administration and monitoring and a description of (1) the application and award process to provide services to eligible local educational agencies and nonpublic schools, (2) how funds

[4] The organizational chart does not include all Puerto Rico DOE divisions and regional offices. It shows only key divisions responsible for the administration and oversight of Federal education program funds, including the procurement of goods and services. The chart excludes the Puerto Rico General Services Administration because it does not have oversight responsibility for Restart program funds. Although the Puerto Rico General Services Administration procures goods and services for government agencies in Puerto Rico and the Puerto Rico DOE can benefit from its services, the Puerto Rico DOE's procurement regulations, policies, and procedures allow it to conduct its own procurement processes.

would be used for administration and oversight, and (3) how the Puerto Rico DOE would ensure the existence of necessary documentation to substantiate payments in review for purposes of conducting assessments of improper payments.

The Puerto Rico DOE submitted the first version of its monitoring and internal control plan to the Department on June 29, 2018, within the 60 days required to submit the plan. Three other versions were submitted between September and December 2018. The Restart grant award conditions also required the Puerto Rico DOE to spend Restart grant funds within 24 months of the grant award date, by April 30, 2020. As of March 1, 2019, the Puerto Rico DOE had drawn down $24.1 million, or 4 percent of the award. The Puerto Rico DOE's preliminary funding plan for the use of Restart program funds included (1) books and instructional materials; (2) the deployment of technology to promote personalized learning and 21st century learning; (3) hiring of psychologists, social workers, counselors, and nurses; (4) professional development; (5) information systems upgrades; (6) security cameras; (7) allocations to private schools; (8) painting program; and (9) administrative costs. Although the grant award conditions did not require the Department's approval of the plans mentioned above, the Puerto Rico DOE and the Department continued to work on refining these plans to ensure compliance with the Restart program. At the time of our exit conference in January 2019, the Department was reviewing the latest version of the plans submitted by the Puerto Rico DOE for monitoring and internal control and use of funds.

Finding 1. The Puerto Rico DOE's Internal Controls Over Procurement Do Not Provide Reasonable Assurance that Restart Program Funds Will be Properly Administered

We found that the Puerto Rico DOE's internal controls over procurement do not provide reasonable assurance that Restart and other Federal funds will be properly administered. The Puerto Rico DOE uses two distinct processes when procuring goods and services, and two distinct offices conduct and oversee these processes: one process for procuring goods and nonpersonal services that is the responsibility of the Central Procurement Office, and another process for procuring professional services[5] that is the responsibility of the Award of Funds/Contracting Unit. The acquisition of goods and nonpersonal services is conducted and documented in the Puerto Rico DOE's financial information system following the procedures established in "Regulation 7040 for the Acquisition, Sales, and Auctions of Goods, Works, and Nonpersonal Services of the Puerto Rico DOE" (Regulation 7040), September 30, 2005. The acquisition of professional services is conducted and documented manually using a series of professional services forms in accordance with the Puerto Rico DOE's "Non-Regulatory Guidelines for the Selection of Federally Funded Professional Services" (Guide), 2007[6] and its related manual. Although the Puerto Rico DOE has two distinct processes to govern the procurement of goods and services with Federal funds and two distinct offices to oversee these processes, its controls do not provide reasonable assurance that the Puerto Rico DOE will perform the activities required under those processes. Specifically, the Puerto Rico DOE lacks controls to ensure that staff from responsible offices complete all required documents and obtain all required approvals before purchasing any good or service. By not following proper procurement regulations, policies, and procedures, the Puerto Rico DOE does not provide the transparency

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[5] Nonpersonal services are those that do not fall under the professional services category and do not require the specialized knowledge or skills that professional services do. Examples of nonpersonal services include payroll, transportation, and equipment. Professional services include legal, accounting, and medical services, among other specialized services.

[6] Regulation 7040 and the Guide were issued by the Puerto Rico Secretary of Education under the authorities established in the Puerto Rico Department of Public Education's Law 149 of June 30, 1999. Law 149 was repealed on March 29, 2018, by Law 85, which also authorized the Puerto Rico Secretary of Education to establish procurement regulations for the Puerto Rico DOE.

required for these processes and increases the likelihood of fraud, waste, and abuse and costly delays with bid protests.

To test the Puerto Rico DOE's compliance with procurement regulations, policies, and procedures, we judgmentally selected based on each procurement dollar threshold category a sample of six transactions for review: two transactions related to the acquisition of goods up to and above $50,000, two related to the acquisition of professional services up to and above $100,000, and two related to the award of contracts for professional services that did not have an applicable dollar threshold and were not subject to competition. We found deficiencies in five of the six transactions reviewed.

Acquisition of Goods

The Puerto Rico DOE is required to follow the procedures and requirements established in Regulation 7040 when it acquires goods or nonpersonal services. Our review of two transactions related to the acquisition of goods included 2,480 textbooks purchased with Restart program funds for $207,700; and 100 projectors purchased with Title I funds for $32,600. The transaction related to the 2,480 textbooks is part of a purchase of 1.2 million textbooks from 10 different vendors at a cost of about $36.3 million. We found that the Puerto Rico DOE did not follow the procurement procedures and requirements established in Regulation 7040 for either of these transactions. Specifically, the Puerto Rico DOE did not (1) timely review the requisition for the acquisition of textbooks to determine the type of procurement process to follow, (2) document the reason for not following the formal procurement process[7] through the Auction Board for the acquisition of textbooks whose cost exceeded the $50,000 threshold, and (3) document the required approvals for the acquisition of projectors whose cost was between $25,000 and $50,000.

Restart Program Funds—Acquisition of Textbooks

The Puerto Rico DOE acquired the textbooks to support its curriculum and instruction focused on science, technology, engineering, mathematics, and other related courses. We found that the Puerto Rico DOE lacked controls to ensure that before it made the purchase, the purchasing agent reviewed required documentation needed to support

[7] When the cost of goods or nonpersonal services exceeds the $50,000 threshold, the Puerto Rico DOE's Auction Board conducts a formal procurement process. The purchasing agent reviews the requisition and gathers all required documentation in accordance with Regulation 7040 before forwarding that information to the Auction Board for the appropriate action.

the use of an alternative procedure to purchase textbooks. The Puerto Rico DOE used an alternative procedure to purchase textbooks with Restart program funds and did not timely review the requisition necessary to determine the type of procedure to use. The requisition is the first document the Central Procurement Office's supervisor must review to determine the type of procurement procedure to follow. However, the Undersecretary of Academic Affairs did not submit the requisition to the Central Procurement Office[8] until July 12, 2018, a month after the alternative process had been completed and 6 days after signing the contract with the first vendor. In addition, the Puerto Rico DOE did not document the reasons for using the alternative procedure.

Rather than follow the procedures established in Regulation 7040 for purchases exceeding the $50,000 threshold, the Puerto Rico DOE followed a directive that the Undersecretary of Academic Affairs issued on April 6, 2018. The directive contained instructions on how the Puerto Rico DOE would conduct the procurement procedure, including the evaluation, selection, and awarding process. In general, the Puerto Rico DOE followed the requirements found in the directive. However, the Puerto Rico DOE did not comply with certain requirements of Regulation 7040 when it used the alternative procedure.

Regulation 7040 states that units should use alternative procedures only for goods that are so specialized that a competitive bid[9] is difficult or nearly impossible and only after the purchasing agent reviews the requisition and recommends its use to units. Alternative procedures are allowed in cases when there are several sources that can make offers of specialized products that can serve to satisfy the same need; textbook purchases addressing curricular requirements is one example of such a need. However, the reason for using them must be documented in the purchase file. According to the Undersecretary of Academic Affairs, the director and supervisor of the Central Procurement Office advised her that the textbooks should be purchased using a directive previously issued by the Undersecretary of Academic Affairs in 2009 for a similar purchase conducted in accordance with the procedures established in

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[8] The Central Procurement Office is responsible for providing direction and guidance to all the Puerto Rico DOE components and to maintain consistency in the development of procurement processes, auctions, and contracts of goods and works of nonpersonal services.

[9] A competitive process allows all available and interested vendors to submit proposals and participate in the procurement processes.

Regulation 7040 for direct purchases of specialized goods, works, and services.[10] The Undersecretary of Academic Affairs subsequently amended the 2009 directive and issued the new directive in April 2018 to update the procedures and conduct a competitive process through the request for proposals. The director and supervisor of the Central Procurement Office verbally communicated to the Undersecretary of Academic Affairs that the directive should be followed but did not request a requisition for timely review and did not document this in the purchase file before making the purchase as required. The Central Procurement Office director acknowledged that the process followed was not in accordance with Regulation 7040. Because the Puerto Rico DOE did not timely review the requisition and used an alternative procedure to purchase textbooks without documenting the reason for doing so, it did not comply with Regulation 7040.

Title I Funds—Acquisition of Projectors

On June 11, 2018, the Puerto Rico DOE acquired 100 projectors at a cost of $32,600 for the social studies program. However, the Puerto Rico DOE lacked system controls to ensure that the evaluation and award of the purchase was conducted and approved by the appropriate officials before making the purchase as required in Regulation 7040. Specifically, the evaluation and award were conducted by only the purchasing agent and approved in the system by the Central Procurement Office supervisor. There was no evidence in the procurement file or the Puerto Rico DOE's financial information system that the evaluation and award had been conducted and signed by the purchasing agent and two other officials designated by the Undersecretary of Administration as required for purchases from $25,000 to $50,000.

According to the Central Procurement Office supervisor, the purchasing agent and the supervisor perform the evaluation and award informally and do not document it in any form. The Central Procurement Office director confirmed that although the director and the supervisor are the two designated officials authorized to review and approve purchases, the Puerto Rico DOE needed to update Regulation 7040 because the financial information system was set up for the supervisor to electronically review and approve

[10] Per Article 13, Section 13.3 of Regulation 7040, a direct purchase is conducted when there are extraordinary or exceptional circumstances that do not allow for formal or informal procurement processes to take place. Direct purchases are divided into five categories, each with a different process, that include purchases (1) from open contracts (either from the agency or government-wide); (2) from sole-source vendors; (3) for specialized goods, works and services; (4) from local or Federal government; and (5) for emergencies.

purchases up to $50,000 and for the director to review and approve the ones in excess of $50,000.

Although Regulation 7040 allows for an informal process for purchases up to $50,000, it specifies that for purchases from $25,000 to $50,000, the purchasing agent and two other officials designated by the Undersecretary of Administration must evaluate and award the purchase. The regulation also requires the award and evaluation to be documented in the contract file.

Requiring three approvals for a purchase is one control mechanism that can help prevent fraud, waste, and abuse. Because the financial system did not include a control to ensure there were three approvals in compliance with Regulation 7040 and the Puerto Rico DOE did not document the evaluation process in the procurement file, the Puerto Rico DOE, is at greater risk for spending funds in unapproved ways.

According to the 2 Code of Federal Regulations (C.F.R.) §200.317, when a State is procuring property and services under a Federal award, a State must follow the same policies and procedures it uses for procurement from its non-Federal funds.

Acquisition of Professional Services

The Puerto Rico DOE has a manual process to procure and document professional services funded with Federal funds and to ensure that all professional services contracts paid with Federal funds comply with Federal requirements by (1) promoting maximum competition, (2) promoting equal and fair selection of vendors, and (3) obtaining the best price. This process includes a series of steps that are documented in professional services forms that designated officials from the requesting units[11] and the Award of Funds/Contracting Unit must complete and approve following the requirements in the Guide before a contract is awarded. The Award of Funds/Contracting Unit, which is a unit in the Puerto Rico DOE's Auxiliary Secretariat of Federal Affairs, administers the procurement process established in the Guide, including determining what type of procurement process the Puerto Rico DOE should follow.

In our review of two transactions related to the acquisition of professional services, we found that the Award of Funds/Contracting Unit did not always follow the requirements

[11] Different components within the Puerto Rico DOE requesting goods and/or services.

established in the Guide.[12] Specifically, it does not have a control, such as a checklist or other form, to ensure that staff properly complete all required procurement steps and forms before the Puerto Rico DOE awards and signs the contract. Without a proper control to ensure compliance, there is no reasonable assurance that all staff will follow the procedures and funds may be at greater risk of misuse.

Title I Funds—Acquisition of Professional Services to Develop Activities Integrating Mathematics

We found that the designated process official[13] from the Award of Funds/Contracting Unit did not document the preliminary cost estimate to determine the type of procurement process to follow when it contracted the services of Youth Entrepreneurship Education System to develop activities integrating mathematics and the use of technology to improve students' academic achievements. The services were to be provided during the summer of 2017 for $100,000. The Guide requires the Puerto Rico DOE to use professional services form no. 2 (Preliminary Estimate) to estimate the cost of the services and determine the type of procurement process to be followed based on the estimated cost. However, the process official in charge of procuring the services conducted the procurement process and submitted the documentation for the approval of the Auxiliary Secretary of Federal Affairs and the signature of the contract by the Puerto Rico DOE's Secretary without preparing and submitting the required form.

According to a process official from the Award of Funds/Contracting Unit, this form is required only when staff outside the Award of Funds/Contracting Unit request quotes for services. Because the staff from the Award of Funds/Contracting Unit requested the quotes, completing the form was not applicable. However, the Guide establishes that professional services form no. 2 is required for each of the four dollar threshold categories included in the Guide without any exemptions for internal quote requests.

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[12] The Guide establishes the steps and documentation to be completed based on the cost of the services. The Puerto Rico DOE established four dollar thresholds that included services with a cost of up to $6,000; $6,000.01 to $50,000; $50,000.01 to $100,000; and $100,000.01 and up. A competitive process in which there is a request for proposals and a structured evaluation process is used only for services equal to or exceeding the $100,000.01 threshold and that do not fall within 1 of the 11 exceptions in the Guide.

[13] The process official reviews and processes documentation needed to procure professional services in accordance with the Guide. This includes requesting vendors' proposals, submitting proposals received to the requesting unit for evaluation, reviewing the results of the evaluation, and preparing the required forms in accordance with the Guide.

The Puerto Rico DOE did not have adequate controls to ensure staff completed and approved all forms required as part of this manual process before awarding a contract.

The Auxiliary Secretary of Federal Affairs indicated that the Puerto Rico DOE was in the process of customizing its financial information system to ensure that all procurement steps, forms, and required approvals are completed before awarding a contract. This automated control would ensure that officials responsible for completing the documentation would not be able to move the process forward until previous steps are completed.

Because staff did not complete the professional services form no. 2 to document the rationale for the preliminary cost estimate, the Puerto Rico DOE had no assurance that the purchase was made following an appropriate procurement process or that it was reasonable in terms of cost. Using the appropriate process ensures a fair and open competition (when appropriate) and protects against fraud, waste, and mismanagement of funds.

Title I Funds—Acquisition of Professional Services to Provide Equitable Services to Teachers, Parents, and Students from Private Schools

We found that a contract modification[14] was awarded without the appropriate documentation and approvals. Staff from the Award of Funds/Contracting Unit and staff from the requesting unit did not complete the required professional services form no. 10 (Contract Modification Justification) form to justify the need for a contract modification. On May 11, 2017, the Puerto Rico DOE's Coordinator of the Equitable Services for Private Schools Unit requested a contract modification to extend the contract with Institución Educativa Nets at a cost of $15.5 million to provide equitable services in accordance with Section 1117 of the Elementary and Secondary Education Act of 1965, as amended by the Every Student Succeeds Act, which requires that a third party provide such services to private schools. The Guide requires the Puerto Rico DOE to use form no. 10 to justify contract modifications and costs when procuring professional services. However, the Puerto Rico DOE did not properly document the specific reasons for extending the contract with Institución Educativa Nets and whether the amount being paid was fair and reasonable in accordance with market value.

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[14] Per Article 5, Section 5(d) of the Guide, a contract modification includes contract extensions and changes in scope.

According to a process official from the Award of Funds/Contracting Unit, the unit did not complete form no. 10 because the Equitable Services program had not received the grant award for 2017–2018 and the program needed that information to estimate how much the Puerto Rico DOE would award to the contractor. The coordinator of the Award of Funds/Contracting Unit also stated that the coordinator of the Equitable Services program submitted to the Auxiliary Secretary of Federal Affairs a request for the approval of the contract modification without the unit's knowledge and that it did not have control over this. By not having adequate controls to ensure that appropriate officials complete and approved required procurement steps and forms before awarding a contract, the Puerto Rico DOE increases the risk for fraud, waste, and abuse.

According to 2 C.F.R. §200.317, when a State procures property and services under a Federal award, the State must follow the same policies and procedures it uses for procurement from its non-Federal funds.

The Guide established such policies and procedures to ensure that the procurement of professional services complies with Federal requirements by (1) promoting maximum competition, (2) promoting equal and fair selection of vendors, and (3) obtaining the best price. To help facilitate the implementation and documentation of the requirements found in the Guide, the Puerto Rico DOE developed different forms for each price category found in the Guide and requires staff from the requesting unit and the Award of Funds/Contracting Unit to fill out these forms as appropriate when procuring professional services.

Acquisition of Professional Services Not Subject to Competition

We found that the Puerto Rico DOE did not follow the requirements established in the Guide for one of the two transactions that we reviewed related to the acquisition of professional services not subject to competition. Specifically, the Puerto Rico DOE awarded a contract without the appropriate documentation, justification, and approvals required to award a contract to a particular vendor when it contracted with Ernst and Young for administration and monitoring services of Restart program funds. For the other transaction, related to a contract with the University of Puerto Rico, Cayey Campus, we found that the Puerto Rico DOE completed all forms and documentation the Guide required.

Restart Program Funds—Contracting of Ernst and Young for Administration and Monitoring of Restart Program Funds

We found that the Puerto Rico DOE's Secretary awarded a contract without the appropriate documentation and approvals. Staff from the Award of Funds/Contracting Unit and staff from the requesting unit did not complete professional services form

no. 9 (Justification Professional Services Not Subject to Competition) for a contract with Ernst and Young.

On August 13, 2018, the Puerto Rico DOE awarded a contract to Ernst and Young in the amount of $3.9 million for administration and monitoring services related to the Puerto Rico DOE's Restart program funds. The Puerto Rico DOE's Secretary made the decision to award the contract without competition based on 1 of the 11 exceptions[15] granted under the Guide; specifically, the Auxiliary Secretary of Federal Affairs requested the services and the Secretary made the award based on the exception that allows the Puerto Rico DOE to contract for accounting, attestation, and financial services without following a competitive process as long as the cost is fair and reasonable and the request is properly documented in the professional services form no. 9. The Guide requires staff from the Award of Funds/Contracting Unit and the designated official from the requesting unit to use form no. 9 to justify the need for the services, the reasons for using an external contractor, the reasons for not conducting a competitive process, and the cost of the services, including the methodology used to ensure that the cost is fair based on the market. The form includes a certification that the designated official from the requesting unit and the official from the Award of Funds/Contracting Unit reviewing the form must sign to certify that the services being procured are not subject to competition and that information provided in the form is complete and accurate. By not completing the required form, the Puerto Rico DOE has no assurance that the $3.9 million contract was necessary and priced fairly.

The Guide has policies and procedures to ensure that the process is carried out in accordance with Federal requirements. However, the Puerto Rico DOE does not have a control to ensure that all the required forms are properly filled out before it awards and signs the contract. Without a proper control to ensure compliance, there is no reasonable assurance that all staff will follow the procedures. By not following proper procurement regulations, and policies and procedures, the Puerto Rico DOE does not provide the transparency required for these processes and increases the likelihood of fraud, waste, and abuse and costly delays with bid protests.

During our exit conference on January 10, 2019, the Auxiliary Secretary of Federal Affairs stated that the Puerto Rico DOE was in the process of activating a module within the Puerto Rico DOE's financial information system that would establish automated controls over the procurement and award of professional services contracts funded with

[15] According to Article 5, Section 5(c) of the Guide, there are 11 exceptions that do not require the use of a competitive procurement process.

Federal funds. This control would prevent the Puerto Rico DOE's Secretary or designated officials from signing contracts without the proper documentation and approvals as everything would be approved in the system. The Auxiliary Secretary of Federal Affairs will also be revising the Guide to include these new system controls. These controls, if properly implemented, increase accountability and provide additional assurance that contracts awarded by the Puerto Rico DOE using Federal funds are reasonable and necessary.

Recommendations

We recommend that the Assistant Secretary for the Office of Elementary and Secondary Education require the Puerto Rico DOE to—

1.1 Provide to the Department documentation for purchases and contracts reviewed in this report that is consistent with Regulation 7040 and the Guide for expenditures charged to the Restart and Title I grants, including adequate justification of the procurement of professional services not subject to competition, or return to the Department funds charged to the grants.

1.2 Establish controls to ensure that staff involved in the procurement of goods and nonpersonal services follow the requirements established in Regulation 7040, including any updates made in response to Puerto Rico Law 85, and provide training as applicable.

1.3 Establish controls to ensure that staff involved in the procurement of professional services follow the requirements established in the Guide, and provide training as applicable.

Puerto Rico DOE Comments

In its response to the draft report, the Puerto Rico DOE did not explicitly agree or disagree with this finding and recommendations. The Puerto Rico DOE provided comments for each section of the finding, but it did not explicitly address the recommendations. The following summarizes the Puerto Rico DOE's comments on the sections of the findings.

- "Restart Program Funds—Acquisition of Textbooks." The Puerto Rico DOE explained that it conducted the purchase in accordance with Regulation 7040, which allowed the unit acquiring the goods to develop a written procedure establishing the guidelines to obtain the desired product through competitive proposals. Based on this provision, it developed the procedures to purchase the textbooks with Restart program funds. The Puerto Rico DOE stated that the purchase of textbooks was an unusual purchase and submitting a requisition through the system involved separating predetermined funds from available

accounts. As such, the requisition was submitted after the requests for quotes. In addition, the Puerto Rico DOE stated that the recommendation of the director and supervisor of the Central Procurement Office to use these procedures was discussed but not established in writing.

- "Title I Funds—Acquisition of Projectors." The Puerto Rico DOE stated that Regulation 7040 establishes that purchases between $25,000 and $50,000 must receive the approval of the purchasing agent and two additional signatures. The Puerto Rico DOE also stated that any requisition submitted through the financial information system receives a minimum of two sets of approvals before it is approved in the Central Procurement Office. However, the Puerto Rico DOE acknowledged that it did not obtain all of the required approvals for this transaction.

  The Puerto Rico DOE provided a screenshot from its financial information system showing the purchase award with a handwritten statement from the director of the Central Procurement Office indicating that as part of the corrective actions and to comply with Regulation 7040, the second authorized representative approved the transaction on June 13, 2019.

  In addition, the Puerto Rico DOE stated that the Central Procurement Office is in the process of repealing Regulation 7040, replacing it with a new regulation that will include procedures for procurement processes that had been paper-based but are now being processed in the financial information system.

- "Title I Funds—Acquisition of Professional Services to Develop Activities Integrating Mathematics." The Puerto Rico DOE stated that although completion of professional services form no. 2 is required to determine the type of procurement process to follow, staff can estimate the costs based on their experience and information included in the initial form used to request the services. However, as a corrective action, the Puerto Rico DOE stated that its financial information system was being customized to establish controls to prevent the exceptions noted in this audit report from happening again and stated that the development of the preaward process and the first round of training had been completed.

  The Puerto Rico DOE also stated that as part of the corrective actions, the required professional services form no. 2 had been prepared and signed after the fact on June 13, 2019.

- "Title I Funds—Acquisition of Professional Services to Provide Equitable Services to Teachers, Parents, and Students from Private Schools." The Puerto Rico DOE stated that the missing professional services form no. 10 was found in draft but

was never signed by the appropriate staff. The Puerto Rico DOE added that the controls being added to its financial system for the preaward process mentioned in the section "Title I Funds—Acquisition of Professional Services to Develop Activities Integrating Mathematics" will prevent issues like this from happening again. The required form was completed after the fact on June 13, 2019, and provided as part of the corrective action taken to address the issue.

- "Restart Program Funds—Contracting of Ernst and Young for Administration and Monitoring of Restart Funds." The Puerto Rico DOE stated that even though it did not have the appropriate professional services form no. 9 for the Ernst and Young contract, copies of the various proposals exchanged between the Puerto Rico DOE and Ernst and Young described the services, costs, and justifications that should be in professional services form no. 9.

  The Puerto Rico DOE added that the controls being added to its financial information system for the preaward process mentioned in the section "Title I Funds—Acquisition of Professional Services to Develop Activities Integrating Mathematics" will prevent issues like this from happening again.

  The required form was completed after the fact on June 13, 2019, and provided as part of the corrective action taken to address the issue. The Puerto Rico DOE also clarified that the contracts awarded to the University of Puerto Rico, Cayey Campus and Ernst and Young were selected based on 2 of the 11 exceptions included in the Guide that do not require a competitive process and not under the sole-source category.

See "Puerto Rico DOE Comments" for the full text of the comments.

OIG Response

We did not revise the finding or the recommendations based on the Puerto Rico DOE comments, except for a minor technical correction to more accurately reflect the type of professional services contracts we selected for review.

The additional documentation provided and some of the corrective actions taken to address Recommendation 1.1, such as obtaining approvals and completing the required forms after the fact, do not alter the underlying basis for our conclusions or warrant any changes to our finding and recommendations. Regarding its acquisition of textbooks, the Puerto Rico DOE acknowledged that the reason for using an alternative procedure to purchase the textbooks with Restart program funds was discussed but not established in writing, as required. For the other four issues (acquisition of projectors; acquisition of professional services to develop activities integrating mathematics;

acquisition of professional services to provide equitable services to teachers, parents, and students from private schools; and contracting of Ernst and Young for administration and monitoring of Restart program funds), the Puerto Rico DOE acknowledged that, based on Regulation 7040 and the Guide, the approvals and forms were not completed as required before awarding a purchase or a contract.

Regarding the contracting of Ernst and Young for administration and monitoring of Restart program funds, in particular, the Puerto Rico DOE provided various proposals to us for review during the audit, but these documents were generated by the contractor and did not demonstrate evidence of the review that the Puerto Rico DOE needed to conduct according to the Guide. As stated in our finding, this review—which should have been documented in form no. 9—is required to justify the need for the services, the reasons for using an external contractor, the reasons for not conducting a competitive process, and the cost of the services, including the methodology used to ensure that the cost being offered is fair and based on the market. By not completing the required form, the Puerto Rico DOE had no assurance that the $3.9 million contract was necessary and priced fairly.

The Department will need to work with the Puerto Rico DOE during the audit resolution process to determine whether the documentation provided, as well as any other information relevant to these purchases, is both sufficient and consistent with the requirements in Regulation 7040 and the Guide. If not, then further corrective actions should be required, including the possible return of funds.

We acknowledge the Puerto Rico DOE's efforts in implementing new controls in its financial information system and providing training to its employees to help ensure compliance with procurement regulations, policies, and procedures governing the acquisition of goods and the contracting of professional services going forward. These controls, if properly designed and implemented, would address Recommendations 1.2 and 1.3. However, the Department will have to confirm the adequacy of these controls during the audit resolution process.

Finding 2. The Puerto Rico DOE Needs to Implement its Restart Monitoring Plan and Fraud Reporting Procedures, and Establish Proper Segregation of Duties

We found that the Puerto Rico DOE developed a monitoring plan and related procedures intended to help it adequately oversee the $589.2 million in Restart program funds that it was awarded on April 30, 2018. However, as of January 2019, 9 months after receiving the award, the Puerto Rico DOE had not yet begun to implement its monitoring plan and related fraud reporting procedures and had not established proper segregation of monitoring and program coordination duties. As a result, the Puerto Rico DOE faces the risk of missed opportunities for detecting noncompliance, including reports of potential fraud, waste, and abuse by its staff and members of the public, and increased instances of conflicts of interest.

The Puerto Rico DOE Had Not Implemented its Plan to Monitor the Restart Program

The Puerto Rico DOE submitted to the Department a Restart monitoring and internal control plan to oversee the use and physical control of goods and services procured using Restart program funding. The first version of its monitoring and internal control plan was submitted on June 29, 2018, within the Department's 60-day requirement. Three other versions were submitted between September and December 2018 to address the Department's suggested revisions, which included outlining the risk factors taken into consideration to identify the schools selected for monitoring and describing other risk areas such as fiscal compliance. The last version was submitted on December 6, 2018, and as of our exit conference on January 10, 2019, the Department was still reviewing the plan.

The monitoring and internal control plan that the Department requested required the Puerto Rico DOE to include, among other things, (1) a description of how the Puerto Rico DOE will develop and implement monitoring protocols and a schedule for monitoring subrecipients for programmatic and fiscal issues, (2) a description of how the Puerto Rico DOE will manage its Restart grant and supported activities to ensure compliance with all applicable Federal requirements, and (3) identification of key personnel who will be responsible for managing and monitoring the Restart grant. In our review of the plan, we found that the Puerto Rico DOE generally included the information required per the Restart grant award conditions.

The Puerto Rico DOE stated in its monitoring and internal control plan that it procured the services of Ernst and Young for $3.9 million in Restart program funds to assist in the

implementation of a targeted monitoring plan to ensure schools are receiving the materials and support they need and are being good stewards of the Restart program funds received. According to the plan, Ernst and Young was required to assist the Puerto Rico DOE in (1) performing assessments and providing observations regarding procurement policies and procedures, (2) developing monitoring tools, (3) supporting the implementation of the monitoring program, (4) attending a sample of monitoring visits, (5) gathering and reviewing monitoring reports, and (6) summarizing data to be reported to the Department.

The activities mentioned above were to be completed in two concurrent stages. Stage 1 consisted of providing strategic and financial planning for the use of Restart program funds, and stage 2 consisted of recommending fiscal and monitoring controls to administer the grant funds. Each stage had a planning and implementation phase that would be completed during the contract's duration from August 13, 2018, through June 30, 2019. The planning phase for both stages would be conducted during the first 3 months of the contract, or from August 13, 2018, through November 13, 2018, and the implementation phase for both stages would be conducted during the remainder of the contract, or from November 14, 2018, through June 30, 2019.

In January 2019, the Puerto Rico DOE provided us with evidence of work Ernst and Young performed during the planning phases for each of the two stages and its progress in developing its monitoring plan. However, as of the date of our exit conference on January 10, 2019, 9 months after receiving the award and with 5 months left of its contract with Ernst and Young, the Puerto Rico DOE had not yet begun to implement its monitoring plan. The contract established that the monitoring phase would begin in November 2018 and as part of the deliverables, Ernst and Young needed to provide the Puerto Rico DOE with recommendations to establish fiscal and monitoring controls to administer the Restart program funds and work closely with the Puerto Rico DOE to design a process to oversee the use of Restart program funds. The design included tracking, reporting, updating, and evaluating expenditures of Restart program funds and the allowability of those purchases.

According to the Auxiliary Secretary of Federal Affairs, this work is ongoing; as of January 2019, the Puerto Rico DOE was still in the process of coordinating the monitoring approach with the support of Ernst and Young. The Auxiliary Secretary of Federal Affairs also stated that Ernst and Young had supported the Puerto Rico DOE with

multiple submissions to the Department of both the Restart program funding plan[16] and the monitoring and internal control plan, including conducting financial analysis of Restart expenditures that may need to continue after the end of the grant period.

The regulations at 2 C.F.R. § 200.303 (a) and (c) require that the non-Federal entity establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Further, the non-Federal entity must also evaluate and monitor the non-Federal entity's compliance with statutes, regulations, and the terms and conditions of Federal awards.

According to 2 C.F.R. § 200.328 (a), the non-Federal entity is responsible for oversight of the operations of the Federal award supported activities. The non-Federal entity must monitor its activities under Federal awards to assure compliance with applicable Federal requirements and that performance expectations are being achieved. Monitoring by the non-Federal entity must cover each program, function, or activity.

Although this type of work is ongoing, the Puerto Rico DOE must ensure that a monitoring plan is timely implemented before the Puerto Rico DOE spends large amounts of Restart program funds without proper oversight, and before the Puerto Rico DOE's contract with Ernst and Young expires on June 30, 2019. By not implementing a timely plan to monitor the use and physical control of goods and services procured using Restart program funding, the Puerto Rico DOE faces the risk of not detecting instances of noncompliance in the early stages of implementation of the Restart program, increasing the risk of fraud, waste, and abuse.

Lack of Segregation of Duties

In our review of the Puerto Rico DOE's monitoring structure, we identified two instances of lack of segregation of duties. Specifically, we found that the coordinators of the Puerto Rico DOE's Federal Programs in two of its regional offices (Bayamón and San Juan) were simultaneously performing the functions of acting lead monitor of their respective regions. This is a conflict because as lead monitors they would be responsible for monitoring the same Federal programs they were coordinating and performing work for. The Auxiliary Secretary of Federal Affairs stated that the Puerto Rico DOE regularly

[16] The Puerto Rico DOE's plan for using the Restart program funds. Although it was not required to do so as a condition of receiving and spending Restart program funds, the Puerto Rico DOE presented a funding plan to the Department for review.

assigned officials to multiple roles within the agency. However, this official indicated that the Puerto Rico DOE was in the process of establishing proper segregation of duties in these two regions.

The regulation at 2 C.F.R. § 200.303 (a) and (c) requires that the non-Federal entity establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should comply with guidance in "Standards for Internal Control in the Federal Government," issued by the Comptroller General of the United States, or the "Internal Control Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commission. Further, the non-Federal entity must also evaluate and monitor the non-Federal entity's compliance with statute, regulations, and the terms and conditions of Federal awards.

According to the "Standards for Internal Control in the Federal Government," (September 2014), one of the five components of an effective internal control system is control activities. Under this component, management designs control activities in response to the entity's objectives and risks to achieve an effective internal control system. Control activities are the policies, procedures, techniques, and mechanisms that enforce management's directives to achieve the entity's objectives and address related risks. As part of the control environment component, management defines responsibilities, assigns them to key roles, and delegates authority to achieve the entity's objectives. This includes the segregation of duties in which management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.

The lack of segregation of duties could disrupt the Puerto Rico DOE's ability to achieve the agency's objective and increases the risk for fraud, waste, and abuse. Having program coordinators monitoring work possibly performed by them is a conflict of interest. As such, the Puerto Rico DOE should segregate duties and responsibilities among different people to reduce risk of fraud, waste, and abuse.

The Puerto Rico DOE Has Not Implemented Procedures to Report Fraud, Waste, and Abuse

The Puerto Rico DOE has not implemented procedures to report fraud, waste, and abuse. In its Restart application and monitoring plan, the Puerto Rico DOE indicated that

it would create an email address to report fraud, waste, and abuse. This email address would provide a mechanism for the staff and the general public to report to the Puerto Rico DOE activities that concern them. According to the Auxiliary Secretary of Federal Affairs, two email addresses were created for the staff to report suspected fraud: one related to Restart program funds and another related to other Federal funds. In addition, the Puerto Rico DOE prepared posters to display in a public place. These posters include the hotline contact information of the U.S. Department of Education Office of Inspector General so that anyone who observes, detects, or suspects improper use of taxpayer funds can easily report such improper use.[17] However, as of January 2019, the Puerto Rico DOE was still in the process of implementing these controls. The two email addresses had not been posted to its website, and the poster needed some minor corrections before it could be displayed.

The regulation at 2 C.F.R. § 200.303 (a) requires that the non-Federal entity establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should comply with guidance in "Standards for Internal Control in the Federal Government," issued by the Comptroller General of the United States, or the "Internal Control Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commission.

According to Section 9203 of the Every Student Succeeds Act, the Secretary of Education must require that each recipient of a grant or subgrant under the Elementary and Secondary Education Act of 1965 display, in a public place, the hotline contact information of the U.S. Department of Education Office of Inspector General so that anyone who observes, detects, or suspects improper use of taxpayer funds can easily report such improper use.

Although the Puerto Rico DOE has been proactive in developing procedures to report fraud, waste, and abuse, if they are not timely implemented, there is an increased risk that noncompliance with provisions of laws, regulations, contracts, or grant agreements could occur and go unreported.

The Restart program provided significant funding to assist school administrators and personnel in restarting school operations, reopening schools, and reenrolling students following Hurricanes Harvey, Irma, and María and the California wildfires in 2017.

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[17] The U.S. Department of Education Office of Inspector General hotline can be reached by telephone at 1-800-MIS-USED (1-800-647-8733) and online at http://oighotline.ed.gov.

Hurricanes Irma and Maria led to an island-wide crisis in Puerto Rico that interrupted the provision of all services, including educational services. The Puerto Rico DOE has taken a number of positive steps related to oversight of its $589.2 million Restart grant. However, the Puerto Rico DOE must begin to implement its monitoring plan and related fraud reporting procedures. It must also establish proper segregation of monitoring and program coordination duties, so that it can detect noncompliance, including fraud, waste, and abuse, and eliminate conflicts of interest.

Recommendations

We recommend that the Assistant Secretary for Elementary and Secondary Education require the Puerto Rico DOE to—

2.1 Timely implement its monitoring plan to properly monitor the Restart program to ensure appropriate use of funds and compliance with applicable laws and regulations.

2.2 Segregate monitoring and program coordination duties to eliminate conflicts of interest and reduce the risk of fraud, waste, and abuse.

2.3 Implement the procedures created to report fraud, waste, and abuse.

Puerto Rico DOE Comments

In its response to the draft report, the Puerto Rico DOE did not explicitly agree or disagree with this finding and recommendations. The Puerto Rico DOE provided comments for each section of the finding, but it did not explicitly address the recommendations. The following summarizes the Puerto Rico DOE's comments on the sections of the finding.

- "The Puerto Rico DOE Had Not Implemented its Plan to Monitor the Restart Program." The Puerto Rico DOE stated that after fulfilling all modifications requested by the Department to its Restart Monitoring Plan, the Federal Affairs Monitoring Unit began the monitoring process. As of June 13, 2019, the unit had visited 714 public schools receiving Restart program funds. Of the 714 public schools visited, 707 had submitted requisitions totaling more than 50 percent of the Restart program funds allocated to them. In addition, the Puerto Rico DOE stated that a monitoring protocol had been developed by Ernst and Young and the Federal Affairs Monitoring Unit. It stated that Ernst and Young was overseeing these monitoring activities, and together with the Federal Affairs Monitoring Unit, was in the process of conducting additional visits to monitor implementation of the activities being funded with Restart program funds.
- "Lack of Segregation of Duties." The Puerto Rico DOE acknowledged that at the time of the site visits by the OIG auditors, two regional Federal program

coordinators were also performing monitoring-related tasks. As a corrective action, the Auxiliary Secretary of Federal Affairs segregated monitoring and program coordination duties in the two regions (Bayamón and San Juan) to reduce the risk of fraud, waste, and abuse.

- "The Puerto Rico DOE Has Not Implemented Procedures to Report Fraud, Waste, and Abuse." The Puerto Rico DOE stated that it created two email addresses for its staff and the general public to report unusual activities related to Restart program funds (frauderestart@de.pr.gov) and other Federal program funds (fraudefondosfed@de.pr.gov). In addition, the Puerto Rico DOE stated that these email addresses were included in the fraud-related posters that it created and posted at central level, along with the OIG contact information, and that it will also be disseminating fraud-related information in an official memorandum and through its webpage.

See "Puerto Rico DOE Comments" for the full text of the comments.

OIG Response

We acknowledge the Puerto Rico DOE's efforts and planned actions to implement its Restart monitoring plan, to establish proper segregation of duties, and to implement procedures to report fraud, waste, and abuse. The planned actions signify progress and, if properly implemented, would address our recommendations. However, the response did not warrant any changes to our finding and recommendations.

Appendix A. Scope and Methodology

We assessed the Puerto Rico DOE's designed systems of internal controls for the administration of Restart program funds. Specifically, we assessed the designed internal controls over (1) the procurement of goods and services acquired using Federal funds, and (2) Federal grants oversight. Our review covered April 30, 2018, the date the Department awarded a Restart grant to the Puerto Rico DOE, through the end of our fieldwork on January 10, 2019.[18]

To achieve our audit objective, we assessed internal controls over the procurement of goods and services, which included the following.

- Interviewed the Puerto Rico DOE officials responsible for carrying out and overseeing procurement processes to gain an understanding of the design of internal controls over the procurement of goods and services acquired using Federal funds, including funds awarded under the Restart program.
- Evaluated the Puerto Rico DOE's procurement policies and procedures, workflows of procurement processes, and the Central Procurement Office organizational chart to determine whether the Puerto Rico DOE had an organizational structure and process in place for procuring and acquiring goods and services with Restart program funds.
- Conducted limited testing for a judgmental sample of six procurement transactions to determine whether the Puerto Rico DOE complied with applicable procurement regulations, policies, and procedures. For details on our judgmental selection criteria, refer to the section "Sampling Methodology" below. Our testing also consisted of reviewing documentation supporting whether the Puerto Rico DOE carried out the required procurement process in accordance with established procurement thresholds and maintained the appropriate justifications and approvals. Because the Puerto Rico DOE had made only two procurement transactions using Restart program funds at the time of our review, we selected those two transactions and an additional four transactions made using Title I program funds. The Puerto Rico DOE will use the same procurement process for goods and services using Restart program funds.

[18] As stated in the "Results in Brief" section of this audit report, our audit period covered April 30, 2018, through January 10, 2019. We continued to monitor the Puerto Rico DOE's drawdowns of Restart program funds in G5, the official system of record for the Department's grants data, through March 1, 2019.

- Gained an understanding of Federal and State laws, regulations, and guidance relevant to the audit objective, including the Bipartisan Budget Act of 2018; Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Part 200, subparts D and E (Title 2 of the C.F.R.), U.S. Government Accountability Office's "Standards for Internal Control in the Federal Government" (September 2014) and "A Framework for Managing Fraud Risks in Federal Programs (July 2015); Section 9203 of the Every Student Succeeds Act; Restart Grant Award Notification and its related conditions (April 2018); and Special Conditions the Department imposed on all Department grants awarded to the Puerto Rico DOE for fiscal year 2018.

We also assessed internal controls over Federal grants oversight, which included the following.

- Interviewed the Puerto Rico DOE officials responsible for the oversight of Department grants to gain an understanding of the design of internal controls for monitoring Federal grants, including the Restart program.
- Evaluated the Puerto Rico DOE's written policies and procedures for the monitoring of Federal grants, monitoring protocols, risk assessment tools, and the organizational charts for the Federal Affairs Monitoring Unit and the offices responsible for monitoring Federal programs, including the Restart program to determine whether the Puerto Rico DOE had an organizational structure and processes in place for fiscal and programmatic monitoring of Federal grants, including the Restart program.
- Reviewed the monitoring and internal control plan the Puerto Rico DOE submitted to the Department to gain an understanding of the internal controls and monitoring activities the Puerto Rico DOE planned to implement to ensure Restart program funds are used for allowable purposes and that the purposes of the program are met.
- Reviewed the Puerto Rico DOE's first Restart quarterly report submitted to the Department in October 2018, preliminary budgets, and allocations of Restart program funds to determine the status of the Puerto Rico DOE's oversight of its use of Restart program funds.

We conducted site visits to the Puerto Rico DOE from August 13, 2018, through August 17, 2018, and September 24, 2018, through September 28, 2018. We held an exit conference with the Puerto Rico DOE on January 10, 2019, to discuss the results of the audit.

Sampling Methodology

To test compliance with the Puerto Rico DOE's procurement regulations, policies, and procedures,[19] we judgmentally selected a sample of six transactions from April 30, 2018, through September 20, 2018. These included two transactions related to the procurement of goods, two related to the procurement of professional services, and two related to the award of contracts for professional services not subject to competition[20]. We selected the only two Restart transactions from a budget status report dated September 17, 2018, that included one transaction in the amount of about $3.9 million and one for $207,700. The four Title I transactions totaled $8.1 million and were selected from a Title I expenditure report that, as of September 20, 2018, included 917 purchase orders for goods and services totaling $32.3 million. For each transaction selected, we conducted limited testing to determine whether the Puerto Rico DOE had conducted the proper procurement process in accordance with the dollar thresholds established in the Puerto Rico DOE's procurement regulations and policies and procedures for formal and informal procurement processes.

We used a judgmental sampling approach to ensure we reviewed procurement transactions within each procurement dollar threshold category, including transactions for goods up to and above the Puerto Rico DOE's procurement dollar threshold of $50,000 as established in Regulation 7040, transactions up to and above the Puerto Rico DOE's procurement dollar threshold of $100,000 for professional services as established in the Guide, and transactions not subject to competition related to professional services based on the Puerto Rico DOE's exceptions for professional services paid with Federal funds found in the Guide.[21]

Because we used the Puerto Rico DOE's dollar threshold categories to judgmentally select a sample of six transactions to test compliance with procurement regulations, policies, and procedures, the results presented in this report cannot be projected to the universe of procurement transactions completed during our audit period. See Tables 1 and 2 for the universe and sample of procurement transactions.

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[19] Procurement regulations, policies, and procedures refer to Regulation 7040 and the Guide.

[20] Selected based on exceptions established in the Guide.

[21] There is no established dollar threshold for the exceptions included in the Guide.

Table 1. Universe and Sample of Procurement Transactions for Restart Program

Category (as Determined by Transaction Type and Dollar Threshold)	Universe Count and Dollar Amount	Sample Count and Dollar Amount	Judgmental Selection Method
Goods above $50,000	1 purchase order $207,700	1 purchase order $207,700	Only Restart transaction available above $50,000
Professional Services Not Subject to Competition (no dollar threshold)	1 contract $3,925,000	1 contract $3,925,000	Only Restart transaction available
Total	2 transactions $4,132,700	2 transactions $4,132,700	-

Table 2. Universe and Sample of Procurement Transactions for Title I Program

Category (as Determined by Transaction Type and Threshold)	Universe Count and Dollar Amount	Sample Count and Dollar Amount	Judgmental Selection Method
Goods up to $50,000, Non-Capital Equipment	90 purchase orders $174,202	1 purchase order $32,600	Largest transaction up to $50,000
Services above $100,000	25 purchase orders $29,611,263	1 purchase order $7,950,961	Largest transaction above $100,000
Services up to $100,000	34 purchase orders $494,820	1 purchase order $51,039	Largest transaction up to $100,000
Professional Services Not Subject to Competition (no threshold)	1 purchase order $67,320	1 purchase order $67,320	Only transaction identified
Total	150 transactions $30,347,605 [22]	4 transactions $8,101,920	-

[22] This total only includes expenditures related to the professional services and non-capital equipment accounts as these expense categories included the largest purchase orders above and below the dollar threshold categories selected for review. The total does not include about $2 million in other small expenditures or expenditures related to payroll.

Use of Computer-Processed Data

We relied, in part, on computer-processed data from the Puerto Rico DOE's financial information system for purposes of determining Restart and Title I expenditures. We used the data to select our sample of procurement transactions for testing. To assess the accuracy and completeness of the data in the Puerto Rico DOE's financial information system, we compared and reviewed data elements of the sampled transactions, such as vendors' names, account codes, dates, purchase order numbers, and amounts with supporting documentation including requisitions, vendors' quotes, approved purchase orders, and contract information. We also relied on computer-processed data obtained from G5. We used G5 for the purpose of identifying the amount of Restart program funds the Puerto Rico DOE had drawn down and remaining balances as of March 1, 2019. G5 is the official system of record for the Department's grants data. As a result, we considered it to be the best available data for the purpose of our audit. Based on the work performed, we determined that the information was sufficiently complete and reliable to be used in meeting the audit objective.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Appendix B. Acronyms and Abbreviations

C.F.R.	Code of Federal Regulations
Department	U.S. Department of Education
Ernst and Young	Ernst and Young Puerto Rico, LLC
Guide	Non-Regulatory Guidelines for the Selection of Federally Funded Professional Services
Puerto Rico DOE	Puerto Rico Department of Education
Regulation 7040	Regulation 7040 for the Acquisition, Sales, and Auctions of Goods, Works, and Nonpersonal Services of the Puerto Rico Department of Education
Restart	Immediate Aid to Restart School Operations

Puerto Rico DOE Comments

GOBIERNO DE PUERTO RICO
DEPARTAMENTO DE EDUCACIÓN
OFICINA DEL SECRETARIO

June 13, 2019

Christopher A. Gamble
Regional Inspector General for Audit
Office of Inspector General
400 Maryland Avenue, S.W.,
Washington, DC 20202-1510
Sent via Email: christopher.gamble@ed.gov

[redacted]
Dr. Eligio Hernández Pérez
PRDE Secretary

Re: Draft Audit Report, Puerto Rico Department of Education's Internal Controls Over the Immediate Aid to Restart School Operations Program
Control Number: ED-OIG/A04S0013

On May 13, 2019, the Office of Inspector General (OIG), provided the Puerto Rico Department of Education (PRDE) with a draft report enclosing the information of the field work performed by the OIG staff to determine whether the PRDE has effectively designed internal controls for the administration of the Immediate Aid to Restart School Operations Program. As a result of the assessment completed, the drafted report issued included two (2) findings and the corresponding recommendations. Appropriately, PRDE hereby submits the response for the referenced report, incorporating comments, corrective measures taken and corrective action plans for the OIG consideration.

Response to Finding No. 1: The Puerto Rico DOE's Internal Controls Over Procurement Do Not Provide Reasonable Assurance that Restart Program Funds Will be Properly Administered

1.1 Acquisition of Textbooks (Restart): PRDE submitted the requisition a month after the alternative process was used, and did not document the reasons for using the alternative process

Submitting a requisition through the system involves separating the already predetermined funds from the available accounts. In this case, the purchase of textbooks, is an atypical purchase that does not occur even

P.O. Box 190759, San Juan, PR 00919-0759 • Tel.: (787)773-5800 DEPARTAMENTO DE EDUCACIÓN GOBIERNO DE PUERTO RICO

El Departamento de Educación no discrimina de ninguna manera por razón de edad, raza, color, sexo, nacimiento, condición de veterano, ideología política o religiosa, origen o condición social, orientación sexual o identidad de género, discapacidad o impedimento físico o mental; ni por ser víctima de violencia doméstica, agresión sexual o acecho.

annually and of unpredictable cost, which represented after the process of solicitation of quotes about thirty-six million dollars, distributed among the different regional educational offices of the PRDE.

In Regulation 7040 "Regulation for the Acquisition, Sales, Auctions of Goods, Works and Non-personal Services of the Department of Education", section §Sec. 13.3.3 Purchases of goods, works or services of a specialized nature or that require to be of a certain brand or model, specifically §Sec. 13.3.3.1.1.4 establish the norms to follow for the purchase of books:

When there are several sources that can offer specialized products that, while being different, can serve to satisfy the same need (as could happen in the case of books that are required to respond to curricular requirements), the Acquirer Unit will develop a written procedure to acquire the desired product through competitive proposals. The procedure that should be developed will require the approval and signature of the Secretary or his authorized representative.

This means that the mentioned regulation directly expresses the process to follow when talking about the purchase of books as one of a specialized nature. To this end, the PRDE has developed letters that outline the process to follow for the purchase of textbooks. The first letter entitled "Guidelines to follow for the application for authorization of purchase or replacement of books and other teaching materials" was published on September 22, 2009 and subsequently updated and published on April 5, 2018. These detail a coordinated process, transparent and fair that promotes free competition and guarantees broad access to the best resources according to the needs of the PRDE.

For the purchase of books of the 2017-2018 fiscal year, the competitive process "Request for Proposals Textbooks/Instructional Material Adoption Process and Acquisition" was carried out following the guidelines established in the letter. It was published in the web portal of the Department of Education and the newspaper "El Nuevo Día" on April 7, 2018, allowing public access and open invitation to interested participants. For the evaluation of these books, an evaluation committee was set up at the Central Level composed of teachers, parents, curriculum specialists, program directors, facilitators, school directors, among others, appointed by the Secretariat of Academic Affairs. The proposals were evaluated, in a first phase, by this committee who selected eleven (11) providers whose scores were the highest according to the needs established by subject in the evaluation rubrics. Then, this list of providers was referred to each region to re-evaluate their offerings and to select the books they needed for their schools.

On January 24, 2018, the first meeting was held to discuss the scope of the book purchase project. The Central Office of Purchasing and Obligations, represented by the Procurement Supervisor and Purchasing Director, recommended carrying out this process according to the guidelines established in the published letter of September 22, 2009. During the meeting, the current letter was provided to the Undersecretary of Academic Affairs and there was an agreement to continue update it and continue with the process after the publication of the new letter. By involuntary error, it was not established in writing, but the guidelines and procedures to be followed for the purchase of books were discussed. After, as stated above, the directive was updated.

Please see Attachment #1 and 2 as supporting documentation of the letters (2009 and 2018) that stated the alternate procedure established by PRDE for the purchase of books following Regulation 7040.

1.2 Acquisition of Projectors (Title I): No evidence that the evaluation and award had been conducted and signed by the purchasing agent and two other officials designated by the Undersecretary of Administration as required for purchases from $25,000 to $50,000

Since the PRDE financial system (SIFDE) was implemented in 2008, the Department has worked hard to integrate internal controls to ensure effective processing of the agency's purchases and to be up to date with the technological aspects that modernization requires. The quotation process is one that is completely mechanized in the system from the moment the quotation requests are sent to the different bidders by email, until the awarding of the purchases. It includes an annex section within the system screens that include the quotation process with the suppliers that competed, and which was the winner. In this case, the buyer requested quotations from six suppliers, complying with the minimum required according to the Regulation 7040 and was awarded appropriately using the best price criterion, granting the purchase to the supplier Scanner Overseas of PR.

Moreover, the Central Office of Purchasing and Obligations has been working to repeal the present regulation, creating a new updated one. The draft of this new version integrates the amendments of the current one and changes to processes that used to be paper-based to electronic in order to harmonize with new procedures happening within PRDE. Currently, the regulation draft is under the review of the PRDE, in order to compile comments from different areas and integrate changes correspondingly. Once that procedures conclude, the regulation will undergo the process established by the State Department, according to local law in turn to be approved. PRDE projects that if there are no major issues, we will have the new regulation approved for the next year.

Regarding approvals, Regulation 7040 establishes that purchases between $25,000 and $50,000 must undergo the buyer and two additional approvals. About this process, PRDE wants to clarify that any requisition that is submitted through the system, undergo a minimum of two sets of approval previous to the ones that are carried out in the Central Office of Purchasing and Obligations. This means that any acquisition must comply with a minimum of 4 sets of approvals previous to the emission of the purchase order (PO). Furthermore, the supervisor and the director of the said office are always in open communication and discussions, regarding procedures to be implemented and considering the necessary approvals to be executed. That said, PRDE wants to share that we understand that the system complies with more sets of approvals (since the acquisition phase) than the ones required under the said Regulation. Even though we have improved our internal controls and systematized a lot of procedures for a better documentation of the process and easy audit trail, among other benefits, in this case, since the purchase was in the previously mentioned threshold, the two additional approvals were required. While, it was given but in an informal way, PRDE worked to document the approval of the Office Director (second

approval required), to be in compliance. Please see Attachment #3 as evidence of the approval provided by the Director, after the fact, as a corrective measure taken.

Additionally, PRDE will work to include more internal controls so that orders that between $25,000 and $50,000, are not dispatched until the order obtains the two levels of approval required, while the updated Regulation is completed and approved.

1.3 Acquisition of Professional Services to Develop Activities Integrating Mathematics (Title I): The designated process official from the contracting unit did not document the preliminary cost estimate to determine the type of procurement process to follow by completing and submitting professional services form No. 2 (Preliminary Estimate)

The Guidance for the selection of professional services to be paid with federal funds, states that the Professional Services Form (PSF) 2 form (cost estimate) should be completed in order to know under which category ($ threshold) the professional services requested falls. Once the Pre-Award Unit has that information, the category is identified, and they can know which procedure to apply. Appropriately, the contracting unit can be in the position to know the next steps to follow and to carry out standard process developed in compliance with applicable regulations.

In this situation, and others where the services are requested by staff/programs that are under/ascribed to the Auxiliary Secretariat of Federal Affairs (ASFA), the Pre- Award Unit can estimate the cost per services as requested and described in the PSF 1 due to the experience they have of all the adjudications that are made as part of daily activities.

However, prior to the OIG report, the ASFA identified areas of improvement within the Secretariat that needed special attention. Properly, the need to implement additional controls to make sure that the procedures established in the procurement guides are followed and the appropriate staff complete the required documents under each and every circumstance, was identified. PRDE is engaged to carry out corrective actions in a very transparent way to ensure compliance with all applicable regulations. PRDE acknowledges the importance of every step of the procurement procedure established, as it has been designed (and updates that are needed too) and will continue working towards a fair and compliance driven system. Accordingly, the ASFA developed a module within the Financial System (SIFDE) that will automatize the pre-award process (and in another phase it will include up to the contracting process).

This online process will prevent this kind of exceptions noted, since the forms and required steps are completed within the system mandatorily. In addition, each and every level of approval is required in order to be able to continue the process (step-by-step) until the end. This will prevent the services contracts to be approved without the pre-award required forms, supporting documents and approvals. Moreover, the module allows PRDE to have an easy audit trail and accessible archives.

PRDE is convinced that these corrective actions taken will protect public funds against fraud, waste and abuse, will eradicate the instances noted and will speed up the processes.

In addition to this corrective action, PRDE has included the the PSF 2 completed with the corresponding signatures after the fact as Attachment #4, as evidence of part of the corrective measures taken. Also, PRDE has integrated evidence of the module developed where the cost estimate is a requirement before moving on with any kind of pre-award transaction needed for a contract, as Attachment #5.

Summary of the Timeline to complete corrective action: Phase 1 of the software development of the module (pre-award process) is completed. The first training was provided on May 16, 2019 and the second one was offered on June 5, 2019. (Please refer to Attachments #6 and #7 which enclose the signing sheets of the staff that has been trained for each of the dates included). Trainings and system enhancements/updates will continue on an on-going manner.

1.4 Acquisition of Professional Services for Equitable Services (Title I): PRDE contracting unit staff did not complete form no. 10 (Contract Modification Justification).

After careful review of this transaction and communicating with the former Coordinator of the Equitable Services Unit, we found that the missing PSF 10 was completed (drafted). However, the document was not signed by the appropriate staff.

PRDE understands the importance of following the procedures and establishing measures and internal controls to better use and administer federal funds. That's why the response for finding 1.3, covers a corrective measure taken that will require documents, fields, estimates and forms to be completed within the system mandatorily. Therefore, PRDE understands that instances like this case will be eliminated. Further, the Pre-Award Unit was relocated under the supervision of the Director of the Central Office of Purchasing and Obligations, as PRDE understands that it will help to make sure that all procurement transactions that must be carried out are performed under fair, transparent and uniform circumstances.

PRDE wants to emphasize that the original contract for Institución NETS, was the result of a competitive process (RFP), allowing PRDE to have a fair and transparent pre-award process, as it is required. In addition, the extension of the contract occurred to comply with the Equitable Services provisions as non-public participant schools freely chose the provider and requested their services for the eligible population. Correspondingly, PRDE comprehends that the maximum competition was promoted, the equal and fair selection of vendors was promoted, and we obtained the best price, regardless of the missing form.

Nevertheless, PRDE has included the PSF 10 completed with the corresponding signatures after the fact as Attachment #8, as part of the corrective measures taken.

1.5 EY Contract (Restart): Contracting unit did not complete form no. 9 (Justification for Professional Services Not Subject to Competition).

PRDE has a Guide for the selection of federally funded professional services. Within the said guide, PRDE establishes eleven (11) exceptions, where no competitive process is required. Two of the exceptions are: (1) to contract for accounting, attestation, and financial services and (2) services provided by governmental agencies, corporations and other government institutions or created by law. These and the other exceptions are established in the guide and following a competitive process is not required as long as the cost is fair and reasonable, and the request is properly documented in the professional services forms. The transactions discussed for this finding (contracts with UPR de Cayey and Ernst and Young), are both procedures under the exceptions previously stated, and the vendors were not selected under sole sourcing category.

For the Erns and Young case, even though PRDE didn't have the appropriate PSF 9 completed, PRDE provided the OIG auditors with the various proposals exchanged between PRDE and the contractor (as the negotiations took place), where the services, costs and justifications are described. Thus, the information that should be covered in PSF 9 can be appreciated in those various proposals.

However, PRDE will prevent future occurrences like this one by applying the abovementioned corrective actions as explained for the response of finding 1.3. PRDE hopes to attain full compliance and continue improving procedures in the procurement area.

Nonetheless, PRDE has included the PSF 9 completed with the corresponding signatures, after the fact, as Attachment #9, as a part of the corrective measures taken.

Response to Finding No. 2: The Puerto Rico DOE Needs to Implement its Restart Monitoring Plan and Fraud Reporting Procedures, and Establish Proper Segregation of Duties

2.2 PRDE has not implemented its plan to monitor the Restart program

At the time of the OIG's visit, the PRDE was in open communications with the United States Department of Education (USDE) and integrating modifications to the Restart Monitoring Plan as requested by them. Accordingly, PRDE was complying with the deadlines for the amendments required to the said plan, as established by the USDE. Later on, PRDE fulfilled all modifications petitioned and currently has a monitoring process (and the attachments) for the Restart program approved by the USDE. Please see Attachments #10, #11 and #12 that enclose the mentioned documents.

As of today, the Federal Affairs Monitoring Unit completed the first round of visits to 714 schools in the system (public) receiving Restart funds and that are implementing activities through the School Funding

Plan. The first report showed that out of 714 schools visited, 707 have requisitions that sum to more than 50% of the funds that were distributed to them.

Furthermore, the Ernst and Young team was hired to complete the oversight of the use of Restart funds. Appropriately, they have been meeting with all parties in charge of the different initiatives to follow up on the works related to the execution, as approved by USDE in the Funding Plan. As of today, together with the Federal Affairs Monitoring Unit staff, they have developed a thorough monitoring protocol and are selecting schools to begin with the visits to supervise the activities concerning the other Restart initiatives that are being implemented. Please see Attachments #13, #14, #15 and #16 that include the mentioned documents. Additionally, PRDE has incorporated to this document a letter signed by the PRDE Secretary authorizing the contractor hired to assist with the oversight of the Restart funds to perform school monitoring and informing schools of the upcoming visits, that will be sent to the selected ones to continue with the monitoring procedures, as Attachment #20.

In addition, PRDE is working to upload all Restart documentation to a one drive cloud, to make sure there is an easy audit trail for this federal program, and that activities are well justified and supported by appropriate forms. Moreover, PRDE consults areas of concern with the program officer, to make sure that the implementation of the initiatives is done properly. Thus, PRDE reports the status of the program directly to the USDE on a monthly basis through scheduled conference calls and quarterly reports.

2.3 Lack of segregation of duties

When the OIG visited the PRDE to audit the Restart federal program, the Coordinator of the Monitoring Unit (María del C. Martínez), had several roles including the direction of other programs. In addition, two of the regional coordinators of the federal programs, were also performing tasks related to overseeing the regional monitors.

Subsequently, the Auxiliary Secretary of Federal Affairs (Ms. Yanín M. Dieppa Perea), segregated the tasks assigned to Ms. Martínez, leaving her with those only related to monitoring and the coordination of the Title III federal program. In the case of Title III, the monitoring tasks will be completed by Ms. Carmen Palacios, ASFA Compliance Officer (in order to eliminate conflicts between roles/duties). As for the other programs that Ms. Martínez was directing they have new directors. The Equitable Services Unit has a new coordinator, Ms. Denise Mattei. Properly, the Restart Program has also a new appointed Coordinator, Mr. Francisco Martínez Oronoz. Both, Ms. Mattei and Mr. Martínez are working together with Ms. Martínez to make transition to their new roles.

In the case of the regions, communications were sent to them requesting the segregation of tasks and the immediate cease of conflicting roles and assignments. In the regions, the federal program coordinators are in charge of technical assistance and are not permitted to monitor schools or oversee the Monitoring Unit.

PRDE wants to make sure there is no disrupt in PRDE's ability to achieve the Agency's goals and objectives, and identify areas of concern that need attention, in order to reduce the risk of fraud, waste and abuse.

2.4 PRDE has not implemented procedures to report fraud, waste, and abuse

PRDE created two e-mail address for all people to notify of any unusual activity: fraudefondosfed@de.pr.gov and frauderestart@de.pr.gov. When people write to that e-mail there is an automatic reply with the following information:

Thank you for your email. Please note that the Auxiliary Secretary of Federal Affairs (ASFA) of the Puerto Rico Department of Education (PRDE) takes this matter seriously. ASFA maintains this email to facilitate reporting of allegations of fraud, waste, abuse, or mismanagement of federal funds. In all cases, please provide as much detail as possible concerning who, when, where, what, how and how much. You do not need to provide your name. Individuals who provide information on allegations of fraud, waste, abuse, or mismanagement of federal funds may: 1) Provide information anonymously; 2) Provide information, provide your identity and contact information, and request that your identity be protected throughout the investigative process; or 3) Provide information and provide your identity and contact information with no restrictions.

The following are examples of information you may be able to provide: Type of federal funds or programs involved and any specific restrictions, rules, or regulations that relate to them. What the individual(s) did. Include anything the individual may have done to avoid detection. Names, positions, organizations involved in the activity, as well as the names of individuals involved. Include the name, address, and telephone numbers, if possible. Date(s) of the misconduct or wrongdoing. When providing information concerning contractor and/or grantee fraud, it is helpful to provide the: name and address of the sub- and primary contractors; nature of the wrongdoing (e.g., intentional misuse of funds for other purposes, cost mischarging, defective pricing, or conflict of interest); type of contract (e.g., fixed-fee or cost-plus);bid, contract, or grant numbers; date of the contract or grant award; name of the agency official responsible for the contract or grant; and cost and terms of the contract.

If the misconduct has been reported to another federal office, provide as much information as possible on when it was reported and who received the report.

ASFA prefers that you provide a way for our analysts to contact you in case we need more information about your submission. ASFA's policy is to honor requests for confidentiality and not to release information that would identify such individuals unless required to do so by subpoena.

Additionally, Ms. Dieppa posted signs at the PRDE Central Offices with the e-mail addresses created and the OIG information in order to disseminate both. Also, she will issue an official memorandum and post

it within the PRDE webpage, to make sure everyone is notified of the resources available to report fraud, waste and abuse. We understand that for July 1st, the mentioned publications will be completed. Furthermore, PRDE will continue working towards the implementation of a set of instructions to funnel the communications, if received, and provide orientations to PRDE staff on an on-going manner.