Audit Report

New York City Department of Education
EPE Program – Region 8

For the Period

July 1, 2012 through June 30, 2013

EPE-0614-01

April 8, 2015

The University of the State of New York
THE STATE EDUCATION DEPARTMENT
Office of Audit Services
Albany, New York 12234

THE STATE EDUCATION DEPARTMENT / THE UNIVERSITY OF THE STATE OF NEW YORK / ALBANY, NY 12234

Maria C. Guzman
Director
Office of Audit Services
Tel. (518) 473-4516
Fax (518) 473-0259
E-mail: maria.guzman@nysed.gov

April 8, 2015

Ms. Carmen Fariña
New York City Schools Chancellor
Tweed Courthouse
52 Chambers St
New York, NY 10007

Dear Ms. Fariña:

I enclose the final report (EPE-0614-01) for the audit of the New York City Department of Education's (NYCDOE) Employment Preparation Education Program, Region 8, for the period July 1, 2012 through June 30, 2013. The audit was conducted pursuant to Section 305 of Education Law in pursuit of Goal #5 of the Board of Regents/State Education Department Strategic Plan: "resources under our care will be used or maintained in the public interest."

Ninety days from the issuance of this report, NYCDOE officials will be asked to submit a report on the actions taken as a result of this review. This required report will be in a format of a recommendation implementation plan and it must specifically address what actions have been taken on each recommendation.

I appreciate the cooperation and courtesies extended to the staff during the audit.

Sincerely,

Maria C. Guzman

Enclosure
c: B. Berlin, S. Cates-Williams, K. Smith, C. Tangorra, D. Juron, C. Szuberla, A. Hyary, J. Conroy (DOB), J. Dougherty (OSC), M. Leinung, R. Mills, V. Leung (Chair, Panel for Educational Policy)

Executive Summary

Background and Scope of the Audit

In 1984, the New York State Legislature enacted the Employment Preparation Education (EPE) program to provide State aid to public schools to support adult education programs. This enabled districts to obtain funding to provide educational programs to adults leading to a high school diploma or equivalency diploma. Eligible students must be 21 years of age or older and without a high school diploma or equivalency. Students that have earned a high school diploma or equivalent, but fail to demonstrate basic educational competencies by testing below a certain grade level are also eligible.

The Office of Audit Services conducted an audit to verify the accuracy and appropriateness of EPE program aid received by Region Eight of the New York City Department of Education (NYCDOE). We examined documentation for a statistical sample of contact hours and financial records to support the $4,162,547 received in EPE aid for the period of July 1, 2012 through June 30, 2013. Our objectives were to determine that the aid received was adequately supported with contact hour documentation and if NYCDOE was in compliance with EPE regulations and guidelines.

Audit Results

NYCDOE's Office of Adult Continuing Education oversees the EPE program. Their staff is knowledgeable about EPE program requirements and have systems and processes in place to collect and report contact hours. This is the second NYCDOE EPE audit that we completed in recent years. The first audit report was of Region Five and was issued February 2, 2013. We observed a marked improvement of the supporting documentation and the overall administration of the EPE program as compared to that of the previous audit. However, audit testing resulted in the following exceptions:

- Contact hours were claimed for classes that were not approved.
- The NYCDOE received $123,676 in excess EPE aid based on the results of statistical sampling and other testing.
- The NYCDOE did not obtain the necessary waivers to correspond with all course offerings.
- Supporting documentation for the EPE staff development requirement was not provided or was inadequate for 18 of the 35 teachers selected.

Comments of NYCDOE Officials

NYCDOE officials' comments about the findings and conclusions were considered in preparing this report. Their response is included as Appendix B.

Table of Contents

INTRODUCTION **1**

BACKGROUND 1
AUDIT SCOPE, OBJECTIVES, AND METHODOLOGY 1
COMMENTS OF NYCDOE OFFICIALS 2

CONTACT HOURS **3**

INELIGIBLE CONTACT HOURS 3
OVER-REPORTED CONTACT HOURS 4
Intake and Assessment *4*
Classroom Instruction *5*
RECOMMENDATIONS 5

OTHER PROGRAM REQUIREMENTS **6**

MISSING WAIVERS 6
STAFF DEVELOPMENT 7
RECOMMENDATIONS 7

Appendix A – Contributors to the Report
Appendix B – NYCDOE Official's Response

Introduction

Background

In 1984, the New York State Legislature enacted the Employment Preparation Education (EPE) program to provide State aid to public schools to support adult education programs. This enabled districts to obtain funding to provide educational programs to adults leading to a high school diploma or equivalency diploma. Eligible students must be 21 years of age or older and without a high school diploma or equivalency. Students that have earned a high school diploma or equivalent, but fail to demonstrate basic educational competencies by testing below a certain grade level are also eligible.

EPE aid is generated based on student contact hours reported in the Adult Student Information System and Technical Support (ASISTS) and the approved EPE rate. A contact hour is defined as 60 minutes of instruction given by a certified teacher for each student. For example, if one teacher has ten students in a class for 1 hour, 10 contact hours would be generated. Contact hours are broken down by student, class, and month in ASISTS.

Audit Scope, Objectives, and Methodology

The Office of Audit Services conducted an audit to verify the accuracy and appropriateness of EPE program aid received by Region Eight of the New York City Department of Education (NYCDOE). We examined documentation for a statistical sample of contact hours and financial records to support the $4,162,547 received in EPE aid for the period of July 1, 2012 through June 30, 2013. Our objectives were to determine that the aid received was adequately supported with contact hour documentation and determine if NYCDOE was in compliance with EPE regulations and guidelines.

The audit was conducted in accordance with Government Auditing Standards. These standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. An audit also includes examining, on a test basis, evidence supporting transactions recorded in the accounting and operational records and applying other audit procedures considered necessary. To

project our audit disallowance from our sample, we used a statistically valid sampling methodology with a 95 percent confidence level. We believe that the audit provides a reasonable basis for our findings, conclusions, and recommendations.

Comments of NYCDOE Officials

NYCDOE officials' comments about the findings were considered in preparing this report. Their response is included as Appendix B.

Contact Hours

Districts generate EPE aid by reporting contact hours and student enrollment to the New York State Education Department (Department) on forms SA-160.1 and SA-160.2. Contact hours are allowable for classroom instruction as well as for evaluation, intake and assessment. The Commissioner's Regulations (Regulations) and the EPE Manual (Manual) establish requirements for documentation in order to establish the allowability of contact hours.

We found contact hours claimed for classes that were not approved and other contact hours that should not have been included in the claim resulting in a disallowance of $24,735. We selected a statistical sample from the remaining contact hours and found the majority were supported with adequate documentation. However, we found unsupported contact hours due to a lack of documentation, miscalculation, or hours claimed for ineligible students. These contact hours resulted in a $98,941 disallowance. In total, the NYCDOE was overpaid $123,676 in EPE aid.

Ineligible Contact Hours

Section 403.03 of the Manual states that only those programs that have received approval in their EPE application are eligible to generate aid. Should an agency decide to offer programs in addition to those initially approved, an amended comprehensive plan may be submitted at any time.

During the 2012-13 school year, Region Eight reported 532,295 contact hours in ASISTS for 144 classes of which 116 were classroom instruction and 28 were intake and assessment. These contact hours were summarized in the SA-160s. Supporting documentation to the SA-160s show contact hours broken down by class, student, and month for each semester.

We reviewed the supporting documentation to the SA-160s and found 2,241 contact hours for Licensed Practical Nursing courses that were not approved in the EPE application. We also found 922 contact hours that were marked for deletion due to duplication in ASISTS, but were never removed prior to the SA-160s being generated. The hours marked for deletion were not an oversight by NYCDOE since the removal of these records was the responsibility of ASISTS' personnel. However,

in both instances these contact hours were not eligible to be included in the claim which resulted in a disallowance of $24,735 based on the approved contact hour rate of $7.82.

Over-Reported Contact Hours

Section 168.2 of the Regulations, defines a contact hour for EPE as 60 minutes of instruction given by a teacher in approved program component areas. The Department requires the number of reported contact hours to be clearly documented to ensure that EPE revenues paid to districts are appropriate. The Manual states that any undocumented or overstated contact hours will be questioned upon audit and revenues will be reduced accordingly.

We selected two separate statistical samples for projection purposes, one for intake and assessment and another for classroom instruction. A 95 percent confidence level and the standard deviation of each population produced a sample size of 30 records for intake and assessment and 87 records for classroom instruction. We randomly selected a sample for each resulting in the 30 intake and assessment records totaling 120.5 contact hours and the 87 classroom instruction records totaling 5,513.5 contact hours.

Intake and Assessment

In addition to the Regulations and the Manual, NYCDOE's Office of Adult Continuing Education has established and documented procedures to track student contact hours for the EPE program. They state that every student must sign the actual time when they enter and leave class each day on a monthly sign-in sheet, which serves as the support for contact hours claimed.

We requested Individual Student Registration Forms (ISRF) and the documented support for the contact hours claimed for the 30 students selected in the intake and assessment sample. We reviewed the documentation provided and found that an ISRF existed for each student and confirmed eligibility in the EPE program. However, no sign in/out times were provided for five students and we found other disallowances due to the miscalculation of contact hours based on sign in/out times for four other students. As a result, the NYCDOE could only support 90.5 of the 120.5 contact hours in the sample for intake and assessment. Our statistical projection of the intake and

assessment contact hours resulted in an audit disallowance of $9,293.

Classroom Instruction

We also requested the ISRFs for the students in the classroom instruction contact hour sample. During our review, we found that two students were not EPE eligible based on the combination of educational background and pretest results. Students who have a high school diploma or a high school equivalency diploma and test below certain levels are EPE eligible. Conversely, students that have a high school diploma or equivalency and test above those same levels are not EPE eligible. There were 51.5 contact hours claimed for the two students that tested above the basic educational competencies that are disallowed from the sample.

In addition, we requested the teacher sign in/out logs, or original attendance documentation, to support the contact hours in our classroom instruction sample. Documentation for all of the classes in the sample was provided and the majority of the records were in full compliance with EPE requirements. However, we found one teacher that did not have any sign in/out times for daily attendance resulting in a disallowance of 18 contact hours from our sample. We also found other contact hours that were miscalculated from the sign in/out times which resulted in a disallowance of an additional 285 classroom instruction contact hours from the sample. In total, the NYCDOE was able to support 5,159 of the 5,513.5 contact hours in the sample for classroom instruction. Our statistical projection of the classroom instruction contact hours resulted in an audit disallowance of $89,648.

Recommendations

1. Repay the $123,676 in unallowable EPE aid. The Department's State Aid unit will use the disallowed amount in the final audit report to recover these funds.

2. Ensure all programs have received approval from the Department.

3. Only claim contact hours that are eligible and supported by adequate attendance documentation.

4. Ensure all students are EPE eligible.

Other Program Requirements

The Regulations and the Manual provide much of the guidance needed to successfully administer an EPE program. It is critical that districts have an understanding of the requirements defined in the Regulations and the Manual and follow them while administering the EPE program.

We found NYCDOE officials to be very knowledgeable of EPE program requirements and guidelines. However, we did find instances where the NYCDOE was not in compliance with all the requirements in the Regulations and the Manual.

Missing Waivers

Section 168 of the Regulations requires that no class register should have more than 20 students, unless otherwise approved by the Commissioner. NYCDOE obtained a waiver for class registers to exceed 20 students but not to exceed 35 students for some classes but not others. During our review of class registers and monthly rosters, we found 4 classes with the waiver where the class register consistently exceeded 35 students.

Section 168 of the Regulations also requires that classes operate at least 6, but not more than 20 hours per week, unless otherwise approved by the Commissioner. The NYCDOE obtained a waiver to offer four-hour classes on Saturdays which permitted classes to be held for less than the required minimum of six hours per week. However, after reviewing the Region Eight Class Directory, which included all course offerings and meeting days/times for the 2012-13 school year as well as the classroom contact hour support including sign in/out sheets, we found 10 classes were offered on Saturday for 3 hours instead of 4 hours as approved in the waiver.

We also found 4 classes that were offered for 30 hours per week although there was no waiver to exceed 20 hours per week for those particular classes. As a result, the NYCDOE did not obtain all of the waivers needed that correspond with the course offerings and exceeded a waiver granted at Region Eight.

Staff Development

Section 401 of the Manual requires that professional staff members serving in the EPE program must annually take at least 12 hours of staff development training related to the development and organization of such programs for adults. We requested supporting documentation for the 12 hours of required training in staff development for a sample of 35 teachers. No support was provided for 16 teachers and an additional 2 teachers did not meet the total hour requirement based on the documentation provided.

Recommendations

5. Obtain the necessary and appropriate waivers for any class that does not meet the Regulations requirements.

6. Ensure that the provisions of any waivers obtained are followed.

7. Ensure all staff receive the correct amount of training as required in the Manual.

Appendix A

Contributors to the Report
New York City Department of Education
EPE Program

- T. Stewart Hubbard III, Audit Manager
- Edward Lenart, Associate Auditor
- Daniel Flynn, Senior Auditor

Department of Education
Carmen Fariña, Chancellor

Dr. Dorita Gibson
Deputy Chancellor

Dr. Laura Feijoo
Senior
Superintendent

Division of Equity
& Access
52 Chambers Street
Room 320
New York, NY
10007

March 27, 2015

Ms. Maria C. Guzman
Director
Office of Audit Services
The NYS Education Department
Albany, New York 12234

Re: Audit of New York City Department of Education's EPE Program in Region 8 for the Period July 1, 2012 through June 30, 2013 (EPE-0614-01)

Dear Ms. Guzman:

The New York City Department of Education's (Department) Office of Adult and Continuing Education (OACE) is the largest provider of adult education services in New York State, servicing approximately 40,000 participants over the age of 21 annually. OACE offers over 900 classes at 175 sites, including English language acquisition, basic education, and Career and Technical Education programs that include nursing, Microsoft Office certification, and building maintenance. OACE consistently strives for excellence and works assiduously to produce positive outcomes that facilitate the growth and advancement of adult New Yorkers. The Employment Preparation and Education (EPE) program is vital to this work. As you may know, according to the Program Evaluation Report filed in the NYSED database ASISTS, OACE as a whole, and Region 8 as the subject of this audit, met New York State Education Department (SED) standards for educational gain, post-test rate, follow up outcomes, goal-setting and surveying of students and received a "Proficient" rating.

The Department agrees with the recommendations in the SED's Draft Audit Report dated February 25, 2015, regarding the EPE program for Region 8 for the period of July 1, 2012 through June 30, 2013. The Department appreciates the audit team's acknowledgements that not only are OACE staff knowledgeable about the EPE program requirements, but also the audit team's observation of marked improvement in the overall administration of the EPE program since the prior EPE audit.

The Department's specific responses to the recommendations are as follows:

Recommendation 1: Repay the $123,676 in unallowable EPE aid.

The Department concurs with the recommendation. The Department's Office of Revenue Operations has already been in communication with SED's State Aid office regarding the disallowance of $123,676, which will be deducted from a future EPE claim payment.

***Recommendation 2:* Ensure all programs have received approval from the Department.**
The Department agrees with this finding and has instituted guidelines to ensure that LPN hours are not assigned EPE funding codes. In addition, prior to the submission of EPE claims, a comprehensive review of all classes will be conducted to ensure that all contact hours claimed are from approved programs.

Recommendation 3: Only claim contact hours that are eligible and supported by adequate attendance documentation.

The Department concurs with this recommendation. It is the Department's policy to only claim hours supported by adequate documentation. OACE has documented these procedures in the Standard Operating Procedures Manual and Data handbook (SOPM) provided to staff. We agree that in this case adequate documentation was not provided upon request. The aforementioned accountability checks above will further ensure full compliance.

Recommendation 4: Ensure all students are EPE eligible.
The Department agrees with this recommendation and will ensure that the requisite data check reports are consistently monitored so that ineligible students are identified. Also, intake staff has been retrained in determining student eligibility.

Recommendation 5: Obtain the necessary and appropriate waivers for any class that does not meet the Regulations requirements.
The Department concurs. A thorough review of all classes offered has been conducted to ensure that all offerings fall within the guidelines. Appropriate waivers are now in place for all classes that did not meet the Regulations requirements.

Recommendation 6: Ensure that the provisions of any waivers obtained are followed.
The Department concurs. A thorough review of all classes offered has been conducted to ensure that all offerings fall within the guidelines. Appropriate waivers are now in place for all classes that did not meet the Regulations requirements and ongoing accountability checks are being conducted to ensure full compliance.

Recommendation 7: Ensure all staff receives the correct amount of training as required in the Manual.
The Department concurs. The majority of the staff identified were part-time employees. An electronic tracking system is now in place to document teacher training for all staff ensuring full compliance with this mandate.

We thank you and your staff for the patience and support provided to us throughout this process.

Sincerely,

Dr. Dorita Gibson
Deputy Chancellor

C: Danya Labban, Auditor General