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# Audit Report

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New York City Department of Education  
EPE Program

For the Period

July 1, 2009 through June 30, 2010

EPE-0907-1

February 22, 2013

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**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

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February 22, 2013

Mr. Dennis Walcott  
Chancellor  
New York City Department of Education  
52 Chambers Street  
New York, NY 10007

Dear Mr. Walcott:

I enclose the final audit report (EPE-0907-01) for the audit of New York City Department of Education's (NYCDOE) Employment Preparation Education (EPE) program for the period July 1, 2009 through June 30, 2010. The audit was conducted pursuant to Section 305 of the 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 actions taken as a result of this review. This required report will be in the 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,

James A. Conway

Enclosure

c: Commissioner King, B. Berlin, S. Cates-Williams, K. Smith, K. Slentz, J. Conroy, C. Szuberla, M. Leinung, A. Timoney (DOB), J. Dougherty (OSC), V. Kellman, B. Fleischer, T. Hernandez (Panel for Educational Policy)

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# Executive Summary

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## Background and Scope of the Audit

In 1984, the New York State Legislature enacted the Employment Preparation Education Program (EPE) 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 the New York City Department of Education's (NYCDOE) Region 5. We examined financial records and documentation to support the \$4,395,130 received by the District in EPE aid for Region 5 for the period of July 1, 2009 through June 30, 2010. Our objectives were to: determine that the aid received was adequately supported with contact hour documentation; verify that reported EPE expenditures agree with amounts in NYCDOE's accounting system and were supported with a reasonable basis for use in the EPE program; and determine if NYCDOE was in compliance with EPE regulations and guidelines.

## Audit Results

NYCDOE's Office of Adult Continuing Education (OACE) oversees the EPE program. Their staff was knowledgeable about EPE program requirements and there are systems and processes in place to collect and report contact hours. However, audit testing resulted in the following exceptions at Region 5:

- The NYCDOE was only able to provide documentation for 72 classes and 224,989 contact hours within those classes. In addition, documentation provided only supported 9,356 contact hours claimed for intake and assessment. In total only \$1,713,062 of the \$4,395,130 claimed could be supported.
- OACE failed to secure student files prior to an asbestos abatement project resulting in missing documentation to support contact hours.

## Comments of District Officials

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

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# Introduction

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## Background

In 1984, the New York State Legislature enacted the Employment Preparation Education Program (EPE) 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 based on student contact hours reported on forms SA-160 generated by the Adult Student Information System and Technical Support (ASISTS) database. The approved EPE rate was \$7.31 per contact hour for our audit scope period. 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.

## Objectives, Scope, and Methodology

The Office of Audit Services conducted an audit to verify the accuracy and appropriateness of EPE aid generated by contact hours claimed at the New York City Department of Education's (NYCDOE) Region 5. We examined financial records and documentation to support the number of contact hours claimed for the period of July 1, 2009 through June 30, 2010. Our objectives were to determine:

- that EPE aid received was adequately supported with contact hour documentation; and
- if the District was in compliance with EPE regulations and guidelines.

To accomplish our objectives, we reviewed applicable laws, regulations, policies and procedures; interviewed NYCDOE and New York State Education Department (Department) management and staff; and examined records and supporting documentation.

The audit was conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States. 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. An audit also includes assessing the estimates, judgments, and decisions made by management. 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 and conclusions were considered in preparing this report. Their response is included as Appendix B.

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# Contact Hours

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EPE program providers report contact hours to the Department on forms SA-160.1/SA-160.2 generated by ASISTS. Contact hours are allowable for classroom instruction as well as for evaluation, intake, and assessment. Commissioner's Regulations (Regulations) and the EPE Manual (Manual) establish strict requirements for documentation in order to determine the allowability of contact hours. The NYCDOE's Region 5 could not support the majority of its claimed contact hours. The lack of support is based on missing primary source documents, unreliable summary information, unsupported hours claimed from the source documents that were available, and lack of documentation to support all intake and assessment. As a result, the NYCDOE was overpaid by \$2,682,067.

## Missing Source Documents

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

In addition to the Regulations and the Manual, NYCDOE's Office of Adult Continuing Education (OACE) has established and documented procedures to track student contact hours for the EPE program in their *Standard Operating Procedures Manual and Data Handbook* (SOPM). It states 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. The SOPM further requires teachers to complete a combined roster that summarizes contact hours from the monthly sign-in sheets. These summaries are submitted to the region's data office for entry into ASISTS.

OACE claimed 577,318 EPE contact hours in ASISTS for the 2009-10 school year at Region 5. We requested attendance records to support the number of contact hours claimed. Monthly sign-in sheets (primary source documents) containing student in/out times were provided

for 72 classes.<sup>1</sup> Staff stated that they were unable to provide us with the monthly sign-in sheets for all classes because they were stored in a building where an asbestos abatement project was being conducted and the records had been lost or destroyed during the project. As a result, NYCDOE could not support attendance for 28 classes.

## **Contact Hours Unsupported by Sign-In Sheets**

As discussed above, we determined the sign-in sheets to be the primary source documentation supporting the EPE contact hours. Our review of the 72 classes' sign-in sheets, for which allowable hours could be generated, showed that contact hours claimed on the sign-in sheets did not always reconcile with what was reported on ASISTS. We found instances where contact hours were claimed on ASISTS, but sign-in sheets showed students did not sign-in or out, and class times logged were over or understated. For example, during certain months some students had hours claimed in ASISTS, but a review of that month's sign-in sheet showed they had either not shown up for class or they had attended for more hours than what was claimed.

OACE claimed 402,566 contact hours in ASISTS for the 72 classes, but our review of the sign-in sheets only supported 224,989 hours. This results in an additional 177,577 of unsupported contact hours, or \$1,298,087 in excess EPE aid.

## **Unreliable Summary Information**

Although a detailed daily attendance record is required, we reviewed all of the summary attendance documentation provided. It consisted not only of sign-in sheets for the 72 classes described above, but also the summary combined rosters for an additional 12 classes. However, we were only able to compare the hours claimed on the sign-in sheets for the 72 classes to their corresponding combined rosters to determine if they reconciled.

If the internal control process is appropriately working, the source document is created (the detailed monthly sign-in sheets), those documents are then summarized (the

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<sup>1</sup> Monthly sign-in sheets were provided by OACE personnel for 76 classes but 4 did not generate allowable contact hours because students did not sign in and/or out, they claimed blocks of time, or other required documentation was not provided.

combined roster), which are then data entered into the ASISTS. The information contained on the sign-in sheet and the combined roster should be the same.

We found the two sources to be materially different and therefore determined that the combined rosters were unreliable for documenting the appropriate provision of contact hours as shown in Table I below.

Table I  
NYCDOE Region 5 EPE  
Comparison of Contact Hour Data for 72 classes

Sign-in Sheets	Combined Roster Summary	Difference
224,989	298,434	73,445

We found that the contact hours claimed on the sign-in sheets were approximately 25 percent less than contact hours documented for the same classes on the combined rosters. Based on this analysis, we concluded that the combined rosters were unreliable so we placed reliance only on the monthly sign-in sheets, which is what OACE's SOPM requires as support for contact hours claimed.

## Undocumented Intake and Assessment Contact Hours

Contact hours can also be generated through intake and assessment activities. Section 206.01 of the Manual requires that teachers perform an intake evaluation and assessment on prospective students to aid in the development of Education and Employment Plans. This activity generates EPE aid provided that each hour spent by the student in the intake evaluation and assessment process is documented. It is not sufficient to identify a block of time as a standard and claim that for contact hours.

All prospective students are tested for placement during intake and assessment using either the Test of Adult Basic Education (TABE) or the Best Plus Literacy test. The TABE test is a battery of tests that determines the reading and math grade level of students that wish to be placed in a General Education Degree program. The Best Plus Literacy test is administered to determine one's level of English proficiency. OACE claimed 23,931 contact hours in ASISTS for intake and assessment activities. Our review of

ASISTS data showed that in most instances eight contact hours were claimed for each student’s intake and assessment.

We requested Individual Student Registration Forms (ISRF) to support the 23,931 intake and assessment hours that were claimed in ASISTS. We found that the majority of the documentation to support intake and assessment did not include the start and end times of the process. Only in a very few cases were start and end times of the intake and assessment process recorded.

We allowed four contact hours for the administration of the TABE test and one hour for the Best Plus Literacy test. Based on our analysis of the ISRFs, and factoring time allowed for the TABE and Best Plus Literacy tests, we allowed 9,356 of the 23,931 contact hours claimed for intake and assessment. This results in a disallowance of 14,575 contact hours, or \$106,543 in excess EPE aid.

## Summary

We found OACE over-reported reimbursable contact hours by including hours that were not properly supported. In addition, OACE could not support a substantial number of the intake and assessment hours claimed. As a result, the NYCDOE received \$2,682,067 in excess EPE aid during the audit period. The NYCDOE will be required to make restitution in such amount to New York State. This report will be used by the Department’s State aid unit to recover ineligible EPE aid.

Table II  
Summary of Audit Results

	Contact Hours Claimed	Contact Hours Disallowed	Amount of EPE Aid Disallowed
Claimed in 72 Classes	402,566	177,577	\$1,298,087
Intake and Assessment	23,931	14,575	\$106,543
Unsupported Hours	174,752	174,752	\$1,277,437
Total	601,249	366,904	\$2,682,067

Source: OAS Analysis of ASISTS Data, Student Records, and Class Attendance Documentation

## **Recommendations**

1. Only claim contact hours supported by adequate attendance documentation.
2. Maintain student records in secure locations.
3. Document all intake and assessment contact hours claimed with the start and end times.

Contributors to the Report  
New York City Board of Education – Region 5  
EPE Program

- T. Stewart Hubbard III, Audit Manager
- Andy Fischler, Auditor-in-Charge
- Edward Lenart, Senior Auditor
- Patrick Orton, Senior Auditor
- James Schelker, Senior Auditor



**Department of  
Education**

Dennis M. Walcott, Chancellor  
Dr. Dorita Gibson  
Deputy Chancellor

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Senior Superintendent

Division of Equity & Access  
52 Chambers Street  
Room 320  
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February 22, 2013

Mr. James A. Conway  
Director  
Office of Audit Services  
The NYS Education Department  
Albany, New York 12234

Re: Audit of New York City Department of Education EPE Program for  
the period July 1, 2009 through June 30, 2010 (EPE-0907-1)

Dear Mr. Conway:

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 5 as the subject of this audit, met NYSED standards for educational gain, post-test rate, follow up outcomes, goal-setting and surveying of students and received a "Proficient" rating.

The Department acknowledges the documentation deficiencies cited and agrees with the recommendations in the New York State Education Department's (SED) Draft Audit Report dated February 6, 2013, regarding the Department's EPE program for the period of July 1, 2009 through June 30, 2010. The Department's specific response to the recommendations is as follows:

***Recommendation 1: Only claim hours supported by adequate 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)



**Department of  
Education**

*Dennis M. Walcott, Chancellor*

provided to staff. We agree that in this case adequate documentation was not provided upon request and we have adopted several measures to ensure compliance with both SED & Department requirements moving forward. This includes, but has not been limited to:

- Staff adjustments and renewed training to better position team members to provide adequate program support. SED staff has been instrumental in providing training to Department staff starting in October 2012.
- With SED's assistance, OACE has established quarterly benchmark periods to verify and ensure that contact hours supported by sign sheets are recorded in ASISTS.

***Recommendation 2: Maintain student records in secure locations.***

The Department concurs with this recommendation. Department, SED, and federal regulations require that student records be maintained in secure locations. Because of an unfortunate incident involving the discovery and abatement of asbestos at this site, student records were relocated and/or destroyed and therefore were not made readily accessible. In order to better prepare for unforeseen incidents like this one, we have developed a new system for handling records.

- We are currently in the process of gathering, quality checking, and centrally storing student records.
- Principals are now required to attest that requisite documents are complete and adequately stored.
- Central OACE staff will also conduct yearly internal audits to ensure compliance with regulations.

***Recommendation 3: Document all intake and assessment contact hours claimed with start and end times.***

The Department concurs with this recommendation. With the aforementioned changes in place including the updated SOPM, re-training of staff, and quality checks by administrators, we will work to ensure that all intake and assessment contact hours claimed reflect start and end times as required. Additionally, staff has received training on the maintenance of supplemental secondary source documentation.

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

Sincerely,

Dr. Dorita Gibson  
Deputy Chancellor