
Audit Report

Niagara Falls City School District
EPE Program

For the School Years
July 1, 2004 through June 30, 2008

EPE-0808-1

October 28, 2009

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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October 28, 2009

Mr. Russell Petrozzi
Board President
Niagara Falls City School District
630 66th Street
Niagara Falls, NY 14304

Dear Mr. Petrozzi:

I enclose the final report (EPE-0808-1) for the audit of the Niagara Falls City School District's Employment Preparation Education for the school years July 1, 2004 through June 30, 2008. 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, District 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: T. Savo, J. King, J. Delaney, B. Porter, C. Szuberla, T. Orsini, A. Timoney (DOB), J. Dougherty (OSC), C. Bianco (Superintendent), C. Godshall (District Superintendent)

Executive Summary

Background

The Niagara Falls City School District (District), located in Niagara County in the western part of New York State, is the academic home to almost 8,000 students. The District's 2007-08 adopted budget called for spending in excess of \$121 million. The State Education Department (Department) has identified the District as being in fiscal stress. The 2007-08 year end fund balance was negative \$1.3 million and its unreserved undesignated fund balance exceeded a negative \$4 million. The District operates a Community Education Center that serves the community with adult education programs including Employment Preparation Education (EPE). The District received almost \$6 million in EPE funds for the school years from July 1, 2004 to June 30, 2008.

The Office of Audit Services conducted an audit to verify the accuracy and appropriateness of the reported revenues and expenditures generated by the EPE Program. We examined financial records and documentation to support the number of contact hours claimed for the school years July 1, 2004 through June 30, 2008. This was a financial audit and our objectives were to: determine that the revenues received were adequately supported with contact hour documentation; ensure that expenditures claimed were actually incurred and allowable; and determine if the District was in compliance with guidelines associated with the administration of an EPE Program.

Audit Results

The District lacked adequate controls over the EPE Program, particularly in the 2004-05, 2005-06 and 2006-07 school years. A summary of findings follows:

- The District inappropriately claimed \$4,167,602 in EPE Aid. This amount, which should be returned to the Department, represents 70 percent of the District's EPE Aid during the audit period. The disallowance is based on contact hours claimed for ineligible programs, undocumented attendance, and ineligible students. (page 3)
 - EPE guidelines were not always followed such as: operating unapproved programs, claiming contact hours for ineligible students, student folders lacking fundamental information, contact hours not supported by class attendance documentation, inadequate or missing teachers' logs, claiming blocks of time for intake and assessment and not noting start and end times, students not tested and testing anomalies, and teachers not certified. (pages 4-8)
 - Inappropriate expenditures were claimed such as salaries for substitute teachers for the District and those who worked in daycare, salaries for teachers of unapproved programs, budgeted rather than actual costs, costs associated with ineligible students, costs not adequately supported or EPE related, rent for District owned space, and some expenditures twice. (page 10)
 - Not all eligible expenditures were claimed such as utilities, cleaning supplies, and indirect costs. (page 11)
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Comments of District Officials

Niagara Falls City School District officials' comments about the findings and conclusions were considered in preparing this report. Their response is included as Appendix B.

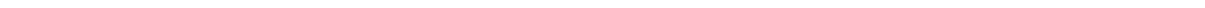


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Introduction

Background

The Niagara Falls City School District (District), located in Niagara County, is the academic home to almost 8,000 students. The District's 2007-08 adopted budget was in excess of \$121 million. The State Education Department (Department) has identified the District as being in fiscal stress. The 2007-08 year end fund balance was a negative \$1.3 million and its unreserved undesignated fund balance exceeded negative \$4 million. The District operates a Community Education Center that serves the community with adult education programs including Employment Preparation Education (EPE). The Department provided the District's EPE Program with an annual average of \$1.5 million for the 2004-05, 2005-06, 2006-07, and 2007-08 school years.

In 1984, the New York State Legislature enacted the 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 diploma or equivalency. Some provisions are made to allow students who have a high school diploma but test below a certain grade level.

EPE Aid is based on the number of contact hours provided by a certified teacher in approved programs to eligible students. A contact hour for EPE means 60 minutes of instruction given by a teacher in approved program component areas. For example, if a teacher gives instruction to ten students for one hour, ten contact hours would be generated.

EPE Aid generated by the district cannot exceed the amount of expenses incurred in operating the EPE program. Thus the aid cannot be used to fund other district costs.

Objectives, Scope, and Methodology

The Department's Office of Audit Services audited the financial records and documentation to support the number of contact hours claimed related to the EPE Program for the

school years July 1, 2004 through June 30, 2008. This was a financial audit and our objectives were to:

- determine that the EPE Aid received was adequately supported with contact hour documentation;
- ensure that expenditures claimed were actually incurred and allowable; and
- determine if the District was in compliance with EPE regulations and guidelines.

To accomplish our objectives, we reviewed applicable laws, regulations, policies and procedures; interviewed District and Department management and staff; examined records and supporting documentation and transactions.

The audit was conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States. An audit 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 District Officials

Niagara Falls City School District officials' comments about the findings were considered in preparing this report. Their response is included as Appendix B.

Contact Hours

Districts are eligible to receive aid for approved EPE programs that provide instruction that leads to a high school or equivalency diploma for students 21 years of age or older, or for students over the age of 21 with a high school diploma that score below a certain grade level in math or reading.

EPE Aid is based on the number of contact hours provided to eligible students. Aid is then generated by multiplying the number of contact hours by an approved EPE rate. We found the District had vastly over-reported allowable contact hours. The District did not have control systems to provide assurance that only allowable hours were reported to the Department. As a result, the District received \$4,167,602 in excess EPE Aid during the audit period.

Unallowed Contact Hours

Districts generate EPE Aid by reporting contact hours and student enrollment to the Department on form SA-160. To support an aid claim, the Department requires that reported contact hours be clearly documented to ensure that amounts paid to districts are appropriate. Department guidance clearly states that any undocumented or overstated contact hours will be questioned upon audit and aid will be reduced accordingly.

We examined all of the reported student population for EPE eligibility and found that many of the reported student contact hours were not allowable because they were generated by providing ineligible programs or provided to ineligible students. We also found in many cases the contact hours were not documented. The specific reasons for determining the ineligibility of contact hours are described in detail later in this section. Table I below identifies the number of contact hours that were determined to be allowable. We used allowable contact hours and applied the approved EPE rates to arrive at the appropriate EPE Aid. We compared the allowable aid to what the District received to determine the disallowance. As shown in the table, the District received \$4,167,602 in excess EPE Aid.

Table I
Niagara Falls City School District
EPE Aid Received Compared to Allowable
For the School Year 2004 -2008

Program Year	Allowable Contact Hours	EPE Rate	Allowable Aid per Audit	Aid Received	Disallowance
2004-05	65,493	\$6.94	\$454,521	\$1,623,292	\$1,168,771
2005-06	60,337	7.32	441,667	1,753,197	1,311,530
2006-07	57,798	8.07	466,430	1,855,985	1,389,555
2007-08	44,741	8.72	390,142	687,888	297,746
Total	228,369		\$1,752,760	\$5,920,362	\$4,167,602

Source: District documents.

There were a number of reasons contact hours were determined to be unallowable. In some cases a contact hour was not allowed for more than one reason. For example, contact hours claimed for providing an unapproved program to ineligible students could be unallowable for several reasons. We disallowed contact hours that were claimed for unapproved programs, ineligible students, missing student folders, undocumented attendance including non-traditional programs, undocumented intake/assessment hours, and hours generated by uncertified teachers.

Unapproved Programs

Section 403 of the EPE Manual (Manual) states that every school district seeking to operate an EPE program must obtain Department approval of a comprehensive plan of service that includes information regarding major programs that will be offered. The District did not have prior Department approval to offer some of the programs that were used to generate EPE contact hours. Some of those programs were not allowable. One example of an ineligible program was where a District staff member read to elderly people in convalescent homes. In another instance the District claimed EPE contact hours for a program where staff went into homes to teach how to care for newborns. In addition, a computer learning program was held in all four audit years. We disallowed contact hours generated by this program in the 2007-08 school year because a new requirement established in that year required eligible programs to contain at least 50 percent academic content. This program did not contain the necessary amount of academic content.

Student Eligibility

Districts have to document eligibility by ensuring students are 21 years of age or older and do not have a high school or equivalency diploma. Students over the age of 21 with a high school diploma have to score below a certain grade level in math or reading.

We found numerous instances where contact hours were claimed for students who were under twenty-one or had at least a high school diploma. In some instances, the entire class was under 21. For example, 1,024 contact hours were claimed for such a class. In these cases, we disallowed the entire class. There were also many instances where date of birth or diploma status was undocumented. We disallowed those student contact hours as well.

Student Folders

Section 401 of the Manual requires that every student in an EPE program have an individual student folder that is easily accessible to the student and the teacher, and includes information concerning registration, attendance, testing, and individual program needs. At minimum, registration information must include the student's name, class attendance, date of birth, and diploma status. The folder must also contain academic goals and any test results.

We reviewed all available student folders for the four-year audit period. We found that student folders were not maintained in a manner consistent with the Manual. Many student folders were incomplete because they did not always contain required information such as dates of birth, diploma status, copies of tests, and goals which resulted in disallowed contact hours. In many other cases student folders could not be located which also resulted in disallowed contact hours.

Undocumented Attendance

Districts must maintain attendance of all students who attend EPE programs. We found that attendance was missing for some classes, such as:

- weeks missing in October and November in 2007 for an adult basic education class;

- months missing for July through October in 2006 for an adult basic education class; and
- the entire Adult Basic Education class in 2006-07 where 3,613 contact hours were claimed.

We also found that detailed attendance records did not always support what was claimed on an individual student basis. In most cases contact hours were overstated; however, we found some instances of contact hours being underreported. We added contact hours when the attendance records supported more than the District claimed.

We also disallowed contact hours related to undocumented distance learning activities. Distance learning programs are those that are not conducted in a traditional classroom. While distance learning programs provide the flexibility for students to participate who may not otherwise be able to, the administration of these programs requires scrupulous recordkeeping. All distance learning programs must have a homework or home study component and a procedure for reviewing the student work and progress.

In all distance learning programs, ongoing records of work assigned to and completed by the student must be kept. These records or logs should show each time a contact is made with the student and should include, at a minimum, the topic discussed such as the lesson completed and/or the module the student is currently working on, student performance on the assigned work, and the date of the contact. According to Section 408.07 of the Manual, teachers' logs showing the completion of packets and the assignment of new packets including detailed information regarding the contents of the packets, the student's work on the packet, and information in the new packet should be kept for six years.

We selected a sample of students and requested copies of the teacher logs for those students in distance learning programs. However, not all copies of teacher logs requested were provided.

In some cases we disallowed the entire class when logs were not provided for any students selected for those classes. In other cases we disallowed a percent of the class based on the ratio of logs received and those not received. Distance learning programs were held at a sheltered workshop where students would work on packets in their spare time. We were told that

teacher logs were maintained at the sheltered workshop but were discarded when the programs at that site were closed. We disallowed the contact hours for these classes since the records were unavailable to document the hours claimed.

Intake and Assessment

Section 206.01 of the Manual requires an evaluation and intake assessment be given to students by a teacher that leads towards the development of Education and Employment Plans (EEP). This activity can generate EPE aid provided that each hour spent by the student in evaluation, and intake assessment is documented. It is not sufficient to identify a block of time as a standard and claim that for contact hours.

Teachers kept daily attendance rosters showing the students that were in class on any given day. We noticed that in some instances teachers would claim 15 hours for the first day a student entered their class even though the class was only for three hours. We believe they were attempting to claim an additional 12 hours for evaluation and intake assessment, but there was no documentation to support the extra hours. Therefore, we allowed the three hours that the student was in class and disallowed the extra hours not supported.

Testing

The Manual states that EPE programs must pretest students within the first 12 hours and test at intervals necessary to determine status and progress. The Statement of General Assurances, signed annually by someone officially empowered to act on behalf of the district, also states that students will be tested at intervals.

- Many student folders did not have copies of any testing. Rather than disallow all of the contact hours for these students, staff at the Office of Adult Education and Workforce Development (OAEWD), which oversees and approves EPE programs throughout the State, stated that the first twelve contact hours can be allowed because students should be tested within the first twelve hours of entering the EPE program.
- We observed many instances where tests were missing information such as who administered the test or even the date the test was given.

- We also noticed some testing anomalies. In one case, a student's Individual Student Registration Form (ISRF) indicated that they had a bachelor's degree. However, this was crossed out and "eleven" was put in for the highest grade completed. This individual was given a reading level of 6.2 based on a test that was administered on December 4, 2008 by an administrator who hadn't worked at the District for several months. Therefore, the test could not have been given on that date. We documented other instances where students had post high school degrees and tested at fifth and sixth grade reading levels. One instance was noted where the student was given a reading level of 5.4 but had tested at a much higher level.

Teacher Certification

Section 406 of the Manual states that EPE aid can only be generated by a certified teacher. It further states that EPE aid can be claimed for teachers whose applications for adult education certificates are pending approval.

We found that some teachers were not certified. We then asked the OAEWD if the contact hours generated by these uncertified teachers could be allowed retroactively providing that the District made sure they were certified and they agreed.

There were two teachers who generated contact hours who were not certified. One of those teachers generated 16,292 contact hours. We were told that the District would not seek to have him certified since he is no longer employed by the District. These hours were disallowed.

We contacted the District and asked if they could provide documentation that the last remaining teacher has applied for the appropriate certification to be able to allow the contact hours that she generated. The District has responded that she will not apply for or receive certification. The District claimed 1,009 contact hours for her for all four years according to attendance documentation. These hours were disallowed.

Recommendations

1. Repay the \$4,167,602 million in unallowable EPE Aid.
2. Only claim eligible contact hours that are fully supported by documentation.

3. Ensure that all EPE programs are approved by the OAEWD.
4. Ensure that the contact hours claimed are for students who are EPE eligible.
5. Ensure that each student has a folder which contains all of the necessary information such as date of birth, diploma status, copies of tests, and goals.
6. Ensure that the contact hours claimed are supported by adequate attendance documentation.
7. Ensure that adequate teachers' logs are maintained for all students in distance learning programs.
8. Ensure that the process of intake and assessment note start and end times and that actual time spent is claimed rather than blocks of time.
9. Ensure that all students are tested within the first twelve contact hours and that they are tested at the intervals noted in the Manual.
10. Ensure that tests have all of the needed information such as the date and who administered the test.
11. Ensure that all teachers are certified.

Comments of District Officials

District officials agree with these recommendations.

Expenditures

Section 168.4 of the Commissioner's Regulations (Regulations) states EPE Program funds may be spent only for personal services, employee benefits, equipment, supplies and materials, contractual services, travel expenses, staff development, training, and other expenses approved by the Commissioner. Such expenditures shall be made only for EPE Program purposes. The aid must be spent on allowable expenses for EPE-related services. The total amount of EPE Aid awarded cannot exceed total EPE expenditures.

The audit found that the District used EPE Aid to subsidize other District activities. We also found some instances of EPE allowable expenditures not being claimed.

Inappropriate Expenditures

We reviewed expenditures claimed for the audit period and found that unallowable expenditures were claimed in the EPE Program. Some expenditures were for District functions that had nothing to do with EPE. Expenditures such as salaries for substitute teachers for the District and those who worked in the day care center were claimed in EPE.

We disallowed certain individual's salaries that were claimed in EPE for ineligible programs as described previously. Personal service expenditures were adjusted for these reasons and to reallocate some salaries between other programs.

The District also claimed some budgeted fringe benefits rather than actual costs in the 2006-07 and 2007-08 school years. We recalculated fringe benefits based on allowable staff and according to how their salaries were allocated.

We also reviewed Other Than Personal Service (OTPS) expenditures and made further adjustments for travel costs for teachers who provided services for ineligible programs, for certified nursing assistant exams for students who were ineligible for EPE, and for various other costs that were not adequately supported or were not EPE related.

The District also claimed two expenditures twice. It claimed \$119,556 for personal service costs in the Final Expenditure Report in 2005-06 and then claimed the same amount again in

2006-07. The District also claimed \$72,000 for rent for the use of a District building and again for agency administration in 2007-08. Officials were informed that rental expense for a District building cannot be claimed. The same amount claimed in agency administration was recalculated as shown below. Table II below shows what was claimed in the Final Expenditure Reports and what was allowed by audit.

Table II
Comparison of Amounts Claimed in Final Expenditure Reports to Amounts Allowed by Audit

	2004-05		2005-06		2006-07		2007-08	
	Claimed	Allowed	Claimed	Allowed	Claimed	Allowed	Claimed	Allowed
Personal Service	\$1,281,080	\$659,700	\$1,287,521	\$640,500	\$1,268,108	\$804,555	\$1,167,378	\$710,993
Fringe Benefits	336,407	220,010	452,637	248,788	589,728	305,976	354,721	307,675
OTPS	6,337	3,385	13,053	9,327	22,804	19,682	163,709	18,249
Total	\$1,623,824	\$883,095	\$1,753,211	\$898,615	\$1,880,640	\$1,130,213	\$1,685,808	\$1,036,917

Source: District documents and audit work papers.

Unclaimed Expenditures

Section 168.4 of the Regulations states that EPE program funds may be spent only for personal services, employee benefits, equipment, supplies and materials, contractual services, travel expenses, staff development, training, and other expenses approved by the Commissioner.

Included in those approved expenses are indirect costs. Indirect costs are broadly defined as central administrative costs and other organization-wide costs that are incurred in connection with a project but that cannot readily be identified with the project. The total indirect costs generated for a project are calculated by applying the indirect cost rate to the allowable direct cost base.

The Regulations also allow other costs directly attributable to an EPE program such as building maintenance supplies, janitorial costs, and utilities.

We found that the District did not claim all of the expenditures that are allowable to the EPE program such as utilities, cleaning supplies, and indirect costs. The EPE program was housed at the District owned Community Education Center

building (CEC). We asked the business official of the District for a list of building costs. He gave us the utilities and cleaning supply costs as well as the personal service and benefit costs for janitorial services. We also asked for a floor plan of the CEC and an indication of the space that was used by the EPE Program. We took the ratio of the space used by the EPE program in the CEC and applied that to the total costs for the CEC building.

We took the total allowable building costs and added that to the allowable personal service and OTPS costs. This gave us the Direct Cost Base (DCB). Every year the Department calculates the restricted indirect cost rate for each district. We applied this rate to the DCB to calculate the allowable indirect cost. The indirect cost was added to the other allowable costs to calculate the grand total of allowable costs that should have been submitted to the Department on the Final Expenditure Report. Table III below shows this calculation.

Table III
Expenditures not Claimed by the District

	2004-05	2005-06	2006-07	2007-08	Total
Expenditures Allowed	\$883,095	\$898,615	\$1,130,213	\$1,036,917	
Custodial Costs	55,912	54,706	55,957	90,106	
Utilities	17,984	22,577	27,169	24,368	
Cleaning Supplies	47	48	48	0	
Direct Cost Base	957,038	975,946	1,213,387	1,151,391	
Indirect Rate	.043	.041	.037	.04	
Allowable Indirect Cost	41,153	40,014	44,895	46,056	
Grand Total Expenses Allowed	\$998,191	\$1,015,960	\$1,258,282	\$1,197,447	\$4,469,880
Total Claimed from Table II	\$1,623,824	\$1,753,211	\$1,880,640	\$1,685,808	\$6,943,483
Total Expenditures Disallowed					\$2,473,603

Note: The District did claim some custodial costs. We recalculated this expense to ensure the allocation coincided with the ratio of EPE space used in the CEC building.

Auditor's Note

Education Law governing EPE does not allow agencies to receive more EPE Aid in a fiscal year than expended. The Department is required to reduce the following year's EPE Aid by the amount the revenues from all sources exceed the expenditures in a given year. Table I in this report showed that the district was only entitled to \$1.752 million of \$5.920 million it received in EPE Aid, and Table III showed that total disallowed expenditures were \$2.474 million. Since more aid was disallowed than expenditures, the actual aid amount allowed by audit is the maximum the district may receive. Therefore, the amount of EPE Aid to be returned by the District is the \$4.167 million stated in recommendation one. The Department will use this audit report as the basis for the recovery of the amount disallowed.

Recommendations

12. Claim expenditures that are actually incurred rather than budgeted.
13. Do not claim salaries for teachers of non-EPE approved programs.
14. Do not claim: costs associated with students who are not EPE eligible, costs that are not fully supported, or costs that are not EPE related.
15. Do not claim expenditures twice or rent for District owned buildings.
16. Claim all EPE eligible costs such as an equitable portion of utilities, janitorial salaries, cleaning supplies, and shared space for buildings that are shared with other programs.
17. Claim indirect costs using the restricted indirect rate by applying that to the direct cost base.

Comments of District Officials

District officials agree with these recommendations.

Other Observations

In July 2002 the Department released its first version of the Manual. It provides much of the guidance needed to successfully administer an EPE program. We relied upon the Manual for the criteria to audit the District's EPE Program. It is critical that Districts have a method of collecting information on eligible contact hours.

We found that the District has opportunities to improve the control systems for collecting data related to student contact hours.

ASISTS Computer Program

The District uses the Adult Student Information System and Technical Support (ASISTS) computer program to track students and accumulate contact hours for those who are EPE eligible. During our audit, we obtained reports generated by the program and noticed that contact hours were claimed through the ASISTS computer program for students who were not EPE eligible according to the ISRF. The ISRF for many students showed that they were under the age of twenty-one.

We selected a small number of students whose ISRFs showed them to be under the age of twenty-one and asked to see their profile in the ASISTS computer program. We found that the year of birth in the computer program was an earlier year than that on the ISRF; therefore, allowing the student contact hours to be claimed through the computer program. We came to the conclusion that information in the ASISTS computer program could not be relied upon and that we had to rely entirely on the ISRFs to determine student eligibility.

Contact Hour Summary

The District used the Adult Literacy Information and Evaluation System (ALIES) computer program to accumulate and report EPE contact hours for the 2004-05 and 2005-06 school years and used the ASISTS computer program for the 2006-07 and 2007-08 school years.

We obtained summary and detail reports from the ASISTS computer program for the 2006-07 and 2007-08 school years. However, we were unable to get any reports from the ALIES computer program. Summary reports from the ALIES program that show the number of hours associated with the various teachers was available because they were printed out when that program was still functional. However, these reports as well as the summary reports for the 2006-07 and 2007-08 school years were not in agreement with what was claimed. Table IV below shows the contact hours claimed by the District in the SA-160s, what is included in the summary records, and the differences.

Table IV
Comparison of Revenues Received to Revenues Supported by Summary Sheets

Program Year	Contact Hours Claimed by District	Contact Hours Support in the Summary Sheets	Difference
2004-05	233,904	259,379	(25,475)
2005-06	239,508	236,025	3,483
2006-07	229,986	228,943	1,043
2007-08	78,887	122,709	(43,822)
Total	782,285	847,056	(64,771)

Note: The contact hours supported in the summary sheets are not the total allowable contact hours. The total allowable contact hours are the result of many adjustments as shown in Table 1.

Recommendations

18. Ensure that the computer systems in use have accurate and up-to-date information to support the contact hours claimed.

Comments of District Officials

District officials agree with these recommendations.

Contributors to the Report
Niagara Falls City School District
EPE Program

- Calvin Spring, Audit Manager
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 - Patrick Orton, Senior Auditor
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-



School District of the City of Niagara Falls, New York

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October 20, 2009

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

Re: Employment Preparation Program (EPE)
Draft Audit Report

Dear Mr. Conway:

The Niagara Falls City School District would like to express its appreciation to the N.Y. State Department of Education, Office of Audit Services, for its professional performance in the preparation of the Audit and examination report of the Niagara Falls City School District's Employment Preparation Education program (EPE). The thoroughness of the Audit report and the willingness of the Office of Audit Services to share, not only its findings, but also the basis and reasoning for the findings and recommendations for future improvement, have assisted the District in understanding the deficiencies that existed with the administration of the EPE program. The substantial time afforded District representatives in explaining the findings has enabled the District to more effectively respond to the findings in this letter and implement appropriate recommendations.

The District will respond to the findings in the order detailed in the report under Contact Hours, Expenditures and other Observations.

Contact Hours

The Office of Audit Services asserts that upon its examination of all of the reported population for EPE eligibility, it found that many of the reported student contact hours were not allowable because they were generated by ineligible programs or provided to ineligible students. Within the report, the Office of Audit Services described in detail the specific reasons for determining ineligibility of contact hours. Contact hours were disallowed for unapproved programs, ineligible students, missing student folders, undocumented attendance, including non traditional programs, undocumented intake/assessment hours, and hours generated by uncertified teachers.

Again, although the District will respond to the findings in the Report in the order detailed, it is imperative that it be recognized that the Niagara Falls City School District provides education services to individuals in a high poverty region as is evidenced by such indicators as the amount of aid for free and reduced lunch. The District utilized the EPE grant aid as a source of funding to support programs based upon the needs of the population it services. The Office

of Audit Services has now determined that certain District programs and expenditures did not meet the exact parameters of the grant.

Unapproved Programs/Student Eligibility

The Office of Audit Services asserts that District programs i.e. reading to elderly people in convalescent homes, teaching how to care for newborns, and computer learning programs, were not allowable. Further, Auditors note that contact hours were claimed for students who were under 21 or had at least a high school diploma.

The District acknowledges that services may have been delivered outside of funding parameters, yet the District maintains that such services were provided based upon the needs of the population. EPE dollars were used to provide programming and learning experiences for members of the community including adult learners with developmental disabilities, adults with literacy needs, and adults lacking needed technology skills as well as a growing population of pregnant teens and unwed mothers caring for children who lack basic literacy skills. Dollars were expended to fund programs which improved the skills of the learners in the community. The District notes that regulations pertaining to EPE changed in 2004 and oversight responsibility has changed. Further, the District is committed to ensuring that all future programs are EPE eligible.

Student Folders/Undocumented Attendance

The Office of Audit Services recommended that adequate teacher logs be maintained for distance learning, and that registration information be completed appropriately, together with the ability to track and locate student files.

The District acknowledges that all appropriate documentation was not in place. Notwithstanding, the District notes that in the past ten (10) years there have been eight (8) different coordinators for the Community Education Center who were responsible for the oversight of the program administration. Additionally, during that time period, while training was provided, the lack of consistency in coordination resulted in fragmented training for those who were responsible for overseeing administration of the program. Moreover, during that same time period, the program had physically been housed in three (3) separate locations throughout the City of Niagara Falls as the District attempted to downsize and consolidate its facilities. This factor accounts for the inability to locate files, not having folders for a particular community site, and not providing a consistent level of documentation when providing services to a community site. Finally,

during the same time period there were three different Central Office grant oversight administrators who oversaw the entire District's special aid process.

In acknowledging the above, the District further notes that the following remedial steps have been taken:

The District has assigned a certified licensed administrator to oversee the implementation of the EPE program. The administrator, together with a team of District staff that includes the Chief Information Officer, GED Counselor and Pupil Service Assistant, has attended, and will continue to attend, all required training seminars. This team is required to report back to the Superintendent and/or Deputy Superintendent at the conclusion of all the trainings.

Currently, the program is physically housed in a District building that is suitable for GED programming and has been renovated and remodeled so as to be the permanent home for the program within the School District. Space within that building has been designated solely for the purpose of maintaining EPE records and the delivery of EPE instruction. Equipment and systems for housing and maintaining records have been purchased and put into place.

A checklist of all pertinent information for each student folder is completed upon the intake of an EPE eligible participant. Logs and documentation are reviewed by the EPE administrator and the team on a monthly basis.

Technical assistance conferences and visits have been planned and will continue to be attended by appropriate staff.

A status report of allowable EPE hours is reviewed quarterly by staff and the finance office of the District.

The ASSISTS program is fully implemented and all necessary training in this program has been taken by District staff. This program is used to monitor, certify, and generate all necessary reports and financial requests for EPE funds.

Intake and Assessment/Testing

Auditors noted that intake and assessment were not being logged properly, and that student pretest and testing documentation were, at times, missing necessary information. Auditors also noticed testing anomalies.

The District notes that in addition to the remedial steps listed above, additional remedial steps have been implemented with respect to these two areas.

Intake and Assessment

The District is committed to following all EPE protocols and requirements in terms of testing students upon intake and at all appropriate intervals as noted in the EPE manual. All students will be tested upon intake. This activity will be coordinated by the EPE counselor and reviewed by the EPE administrator.

Intake procedures have been streamlined. There are step-by-step procedures in place to be followed when a student attempts to access the program. The student must present himself/herself with documented proof that he/she is over 21 and does not have a high school diploma. This is immediately verified by the counselor through a complete review of District records that are housed centrally and on the CIMS computer system. Upon meeting that requirement, a prospective candidate is required to complete a data sheet that includes all necessary information. The student is then tested within the first 12 hours of programming and subsequently tested at mandated intervals. The EPE team and administrator make certain that all of this documentation is placed in individual student folders and logged on the ASSISTS system.

Testing Anomalies

The Office of Audit Services indicates that an administrator who had not worked for the District for a number of months administered a test. The individual referred to by the Auditors was, in fact, not an administrator for the District, but a Pupil Services Assistant who no longer works for the District. It appears that when employed, this individual may have inadvertently recorded this information with the wrong date.

Teacher Certification

The Office of Audit Services found that some teachers providing instruction in the EPE program were not certified.

The District acknowledges that it learned that prior to review, EPE hours were claimed for instruction given by uncertified instructors.

The District notes in nearly all cases, those instructors were required to submit paperwork to the appropriate agency so as to obtain their certification. In the future, the District will ensure that all EPE instructors will have the appropriate certification by taking the following steps:

The EPE administrator is required to submit the names of all persons delivering EPE instruction to the Administrator for Human Resources who will verify that each instructor has appropriate and current certification. Written approval for instructors will then be given to the EPE administrator before the instruction begins.

Inappropriate Expenditures

The Office of Audit Services reviewed expenditures and found that some unallowable expenditures were claimed in the EPE program

The District acknowledges that certain expenses were inaccurately allocated to the EPE program budget. The District is committed to ensuring that further budgetary allocations be appropriate, and has implemented safeguards to ensure same.

All expenses claimed for the EPE instruction will be documented on the State approved form that will be administered by the Deputy Superintendent. These will include: program costs, personal services, teacher salaries, employee fringe benefits, salaries for administration, equipment, supplies and materials, contracted services, travel, staff development, and other expenditures approved by the Commissioner. All expenditures will be submitted semi-annually.

Unclaimed Expenditures

The Office of Audit Services pointed out that the District did not claim all of the expenditures that are allowable under the EPE program.

The District acknowledges and thanks the auditors for pointing out and crediting it for expenses that were unclaimed. The District has the oversight mechanisms in place to ensure that all allowable expenditures will be claimed in the future. Staff has been trained in making appropriate claims. The District will make sure that the grant is reviewed quarterly and receive reports regarding energy usage, wages, and salaries through a spreadsheet that will be updated monthly. Additionally, by following this process, the District will continue to follow the regulations with respect to ensuring that earned EPE dollars are claimed.

Other Observations

The Office of Audit Services found that the District has opportunities to improve the control systems for collecting data related to student contact hours.

As previously noted herein, the District is committed to ensuring that data pertaining to student contact hours is accurately collected and maintained. The District has identified individuals who will be responsible for consistently inputting data. These individuals are trained in the system. The EPE administrator, together with the District's Chief Information Officer, will internally audit the process on at least a quarterly basis to ensure it is correct.

Conclusion

In conclusion, the District acknowledges the recommendations provided by the Office of Audit Services and will comply with them as indicated in this response. The District further acknowledges the recommendation of the Office of Audit Services for it to repay unearned EPE aid as identified. The District proposes that it be permitted to repay the obligation over a three year period of time and is prepared to work with the State Office of Finance so as to make these arrangements in a timely fashion. As indicated, the District has already promptly addressed many of the recommendations, having been advised of them during the audit process, and it will continue to address, correct, and implement them.

The Board and the Administration again thank the Office of Audit Services for its comprehensive report and for the insights given to assist the District to provide EPE services to adult learners in an efficient and effective manner.

Respectfully submitted,



Cynthia A. Bianco
Superintendent of Schools