

State of Nevada
Department of Administration
Division of Internal Audits

Audit Report

Department of Education

Report No. 14-03
September 2013

EXECUTIVE SUMMARY

Department of Education

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Objective: Can the Department More Effectively Comply with Federal Compliance Monitoring Requirements of the Title I, Part A Program?

Policies and Procedures Will Ensure Compliance Requirements are Met Effectively..... page 5

The Department of Education (Department) should develop, document, and implement standardized policies and procedures to improve transparency of administration of monitoring grant programs. This will provide employees with the information needed to effectively make decisions at the most appropriate level, streamline administrative processes, and provide the basis for individual and Departmental accountability. We found the Department performs on-site compliance monitoring of Title I scheduled in four-year cycles for each local educational agency (LEA). This is complemented by an annual desktop monitoring program where documentation is stored in the Department’s databases for compliance monitoring.

Update Website to Provide Transparency of Title I Monitoring..... page 6

The Department should update its website to provide transparency of Title I monitoring. This will promote accountability and provide information about monitoring efforts. The website does not provide transparency because it lacks practical information, such as monitoring schedules, criteria for supporting evidence, monitoring protocols, forms, tools, and other relevant information for LEAs and the public to access and review.

Codify Procedures to Include Oversight Authority for Monitoring Approved Providers..... page 7

The Department should codify procedures to include oversight authority for monitoring approved providers. This will assure providers are held to reasonable standards, such as a balance between administrative and instructional expenses, providing credentialed instruction, and reviewing achievement of performance goals. The Department may have authority over Title I monitoring but does not have policies and procedures in place to direct oversight activities. Codifying policies and procedures, to include oversight authority of monitoring provides, will ensure standards specified in the contract are met.

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Department of Education’s Response and Implementation Plan

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Timetable for Implementing Audit Recommendations

INTRODUCTION

At the direction of the Executive Branch Audit Committee, we conducted an audit of the Department of Education (Department). Our audit addressed the following four questions:

- ✓ What is the Department's role?
- ✓ What services must the Department provide?
- ✓ Is the State the proper level of government to provide these services?
- ✓ If State government is the appropriate level of government, is the Department carrying out its duties efficiently and effectively?

Our audit evaluated the Department's compliance monitoring of Title I, Part A of the Elementary and Secondary Education Act of 1965 to ensure the most efficient and effective use of resources.

Department's Role and Public Purpose

The Department is responsible for elevating academic achievement, ensuring educational opportunity, and facilitating school and professional excellence. Additionally, the Department is responsible for enhancing parental engagement, providing opportunities for family and student choice, and promoting productive use of resources for all students in schools in the State.

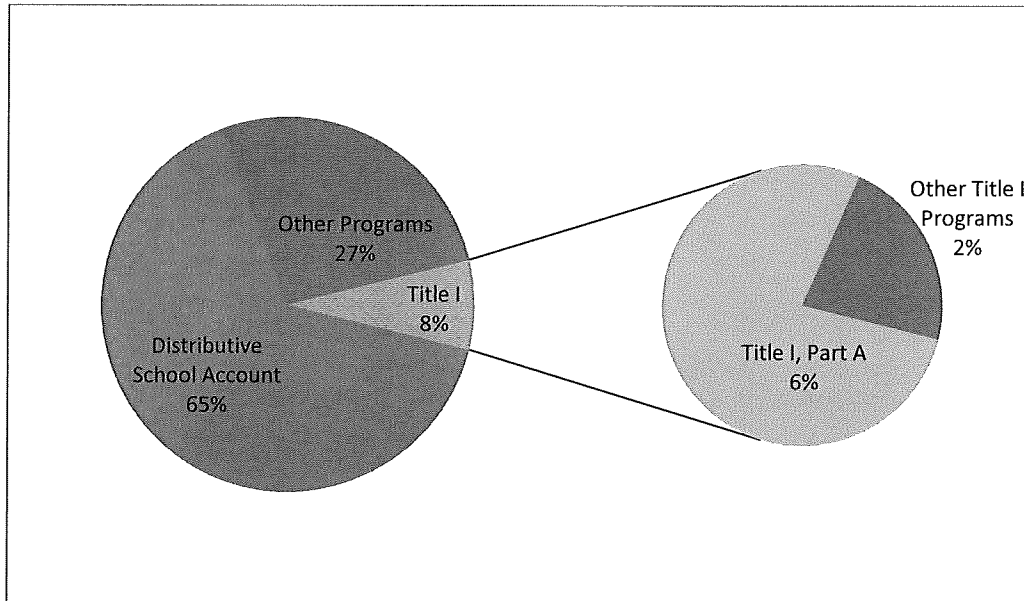
The Office of Educational Opportunity administers the Title I of the Elementary and Secondary Education Act of 1965 (Title I) program for the Department. Title I provides financial assistance to local educational agencies (LEAs) and schools with high numbers or percentages of children from low-income families. The federally funded assistance helps meet the special educational needs of disadvantaged children at preschool, elementary, and secondary school levels. The purpose of Title I is to help all children achieve the state's academic standards and is accomplished through supplemental programs that consist of instructional services, resources to support instructional services, school wide reform efforts, and increased involvement of parents in their children's education.

The U.S. Department of Education allocates Title I, Part A funds to state educational agencies (SEAs) through statutory formulas based primarily on census poverty estimates adjusted for the cost of education in each state.

The Title I, Part A budget for fiscal years 2012 through 2013 was \$255 million. See Exhibit I for Title I budget allocations.

Exhibit I

Nevada Department of Education Budget for Fiscal Years 2012-2013¹



SEAs distribute Title I, Part A funds to their LEAs in accordance with Title I requirements. LEAs target Title I, Part A funds to schools with the highest percentages of children from low-income families. Unless a participating school is operating a school-wide program, the school must focus Title I, Part A services on children who are failing, or most at risk of failing, to meet state academic standards included in Nevada's Consolidated State Plan.²

Title I, Part A includes the Supplemental Educational Services (SES) program, which is designed to aid children of low-income families obtain free extra academic services such as tutoring or remedial help.

LEAs contract with providers who administer tutoring and remedial help to the children. Providers must be approved by the SEA before they can contract with LEAs. The Department was approved by the U.S. Department of Education for a

¹ This graph represents state and federal monies that come to or through the Nevada Department of Education. It does not include other education revenues such as local school support tax (LLST), public schools operating property tax (PSOPT), governmental services tax, other local revenues, etc.

² Nevada's Consolidated State Plan is an overview of the State's implementation of the critical elements required for approval of its accountability systems. It includes defined academic indicators that are consistent with nationally recognized standards.

waiver from participating in the SES program in August 2012 and all LEAs had opted out of the program.

The Department is Nevada's SEA and is the proper level of government to provide these services. The Department provides oversight, monitoring, and administrative services as required by Title I and as necessary to meet State law and guidelines.

Scope and Objectives

We began the audit in December 2012. The purpose of this audit is to provide an assessment of the Nevada Department of Education's compliance with the monitoring requirements of Title I of the Elementary and Secondary Education Act of 1965.

The Department conducts annual monitoring to ensure compliance with the requirements in Title I. We examined the Department's compliance monitoring of three LEAs (Clark, Lyon, and Storey Counties) for 2010 and 2011 monitoring activities. We also surveyed other states to determine best practices. In addition, we interviewed management and staff of the State's Department of Education. We concluded field work and testing in June 2013.

Our audit focused on the following objective:

- ✓ Can the Department more effectively comply with federal compliance monitoring requirements of the Title I, Part A program?

We performed our audit in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

The Division of Internal Audits expresses appreciation to the management and staff of the Nevada Department of Education for their cooperation and assistance.

Contributors to this report included:

Warren Lowman
Executive Branch Audit Manager

Ashwini Prasad, CPA, CIA
Executive Branch Auditor III

Department of Education Response and Implementation Plan

We provided draft copies of this report to Department officials for their review and comments. Their comments have been considered in the preparation of this report and are included in Appendix A. In its response, the Department accepted each of the recommendations we made. Appendix B includes a timetable to implement our recommendations.

NRS 353A.090 specifies that within six months after the Executive Branch Audit Committee releases the final audit report, the Administrator of the Division of Internal Audits shall evaluate the steps the Department has taken to implement the recommendations and shall determine whether the steps are achieving the desired results. The Administrator shall report the six-month follow-up results to the Committee and Commission officials.

The following report contains our findings, conclusions, and recommendations.

Can the Department More Effectively Comply with Federal Compliance Monitoring Requirements of the Title I, Part A Program?

The Department can more effectively comply with the Title I, Part A federal monitoring compliance requirements in three ways:

- developing and documenting policies and procedures,
- providing transparency of monitoring requirements, and
- codifying oversight authority for approved contractors.

Effectively complying with Title I, Part A federal compliance monitoring requirements will ensure management's directives are accomplished, provide transparency for program participants and the general public, and ensure proper oversight over approved contractors.

Policies and Procedures Will Ensure Compliance Requirements are Met Effectively

Developing, documenting, and implementing policies and procedures for Title I, Part A compliance monitoring is necessary to ensure that management directives are distributed and understood by applicable personnel. Written policies and procedures will provide the basis for the Department to determine accountability, measure results, and enforce compliance with federal monitoring requirements.

We attempted to review the Department's LEA monitoring policies and procedures but the Department could not provide written policies or procedures for Title I grant compliance monitoring. We surveyed other states³ and noted they utilize written policies and procedures for grant compliance monitoring.

We found the Department performs on-site compliance monitoring of Title I of the LEAs. On-Site compliance monitoring is based on a careful review of all federal requirements. On-site compliance monitoring, scheduled in four-year cycles for each LEA, is complemented by an annual desktop monitoring program where documentation is stored in eNote and ePage, the Department's databases for compliance monitoring. The eNote database encompasses all requirements per Title I in a user friendly interface LEAs can access and review items required to meet compliance. Examples of documentation uploaded into eNote are memos, spreadsheets of analyzed data, and reports prepared by the LEAs. The ePage database contains fiscal data provided by the Department.

³ Arizona, Florida, Idaho, and Colorado.

Compliance monitoring is performed by an Education Program Professional (EPP) in the Department. The EPP monitors compliance via routine correspondence with the LEA in addition to related supplemental data submitted by the LEA stored on eNote.

We examined the Department's compliance monitoring of three LEAs (Clark, Lyon, and Storey Counties) for 2010 and 2011 monitoring activities. Examples of content reviewed included monitoring of program performance, review of LEA annual report card, ensuring that SES were made available to students, parent involvement, teacher qualification letters, etc. Although it appears the Department is meeting its compliance monitoring requirements per Title I, Part A there were no written policies or procedures in place for compliance monitoring activities.

Written policies and procedures can be used to provide orientation and training for new employees and to refresh the skills of current employees. Policies and procedures should be widely accessible. This will provide employees with the information needed to effectively make decisions at the most appropriate level, streamline administrative processes, and provide the basis for individual and Departmental accountability. In addition, they can reduce the risk of confusion, potential litigation, and provide documentation for federal auditors and program reviewers.

The Department should develop, document, and implement written policies and procedures to ensure that management's directives are accomplished.

Update Website to Provide Transparency of Title I Monitoring

Updating the Department's website to provide transparency of Title I monitoring will promote accountability and provide information for Nevadans about the Department's efforts. Additionally, it will provide information for LEAs and providers related to the Department's expectations for Title I monitoring.

The Department's website does not provide transparency of Title I compliance monitoring. We reviewed other states' websites⁴ and noted Title I compliance monitoring information and resources for LEAs, teachers, parents, and the general public. For example, information available on other states' websites included monitoring schedules, criteria for supporting evidence, and links to resources for Title I programming.

The Department's website offers links to the basic Title I guidance, links to the eNote and ePage databases, and contact information to Department staff; however, it lacks more practical information, such as monitoring schedules,

⁴ Arizona, Florida, Idaho, and Colorado.

criteria for supporting evidence, monitoring protocols, forms, tools, and other relevant information for LEAs and the public to access and review.

The Department should update their website to include information about compliance monitoring and other Title I program information to achieve transparency for program participants and the general public.

Codify Procedures to Include Oversight Authority for Monitoring Approved Providers

Codifying procedures to include oversight authority for monitoring approved providers helps ensure the services received meet the standards specified by the contract. Without adequate oversight, the Department cannot ensure services received meet state and federal standards, guidelines, and expectations.

We reviewed Title I, Part A SES monitoring requirements. Our review shows the Department did not monitor SES providers to ensure standards specified in the provider contract were met. Although the Department had oversight responsibility, it stated it did not have authority under Title I, Part A SES to monitor providers subcontracted by the LEAs as stated in the SES Non-Regulatory Guidance.⁵

The Department could not ensure that providers were held to reasonable standards, such as ensuring a balance between administrative and instructional expenses, providing credentialed instruction, and reviewing achievement of performance goals. We found that the Department could not review providers' contracts, providers' financial records, or credentials of those providing instruction.

We reviewed the application template providers submit to the Department for approval. The application specifies parameters the applicant must provide "to ensure that the provider's charges for services are appropriate." For example, the "Hourly Fee Parameters for Providers" specified:

- a range of \$750-\$1,328 per pupil,
- a pupil/tutor ratio,
- the number of instructional hours, and
- the qualifications of the tutoring staff.

⁵ Supplementary Educational Services Non-Regulatory Guidance J-6 states, "The funds that an SES provider receives for providing SES are essentially income for the provider in exchange for its providing services to public school students. The funds may be used at the discretion of the provider for any allowable costs."

Once the application was approved, monitoring of the providers was limited to LEA's Title I compliance reporting. LEA reporting did not include monitoring information to provide assurance that providers were meeting the parameters agreed upon in the application with the Department. Monitoring providers is necessary to ensure contract requirements are being met.

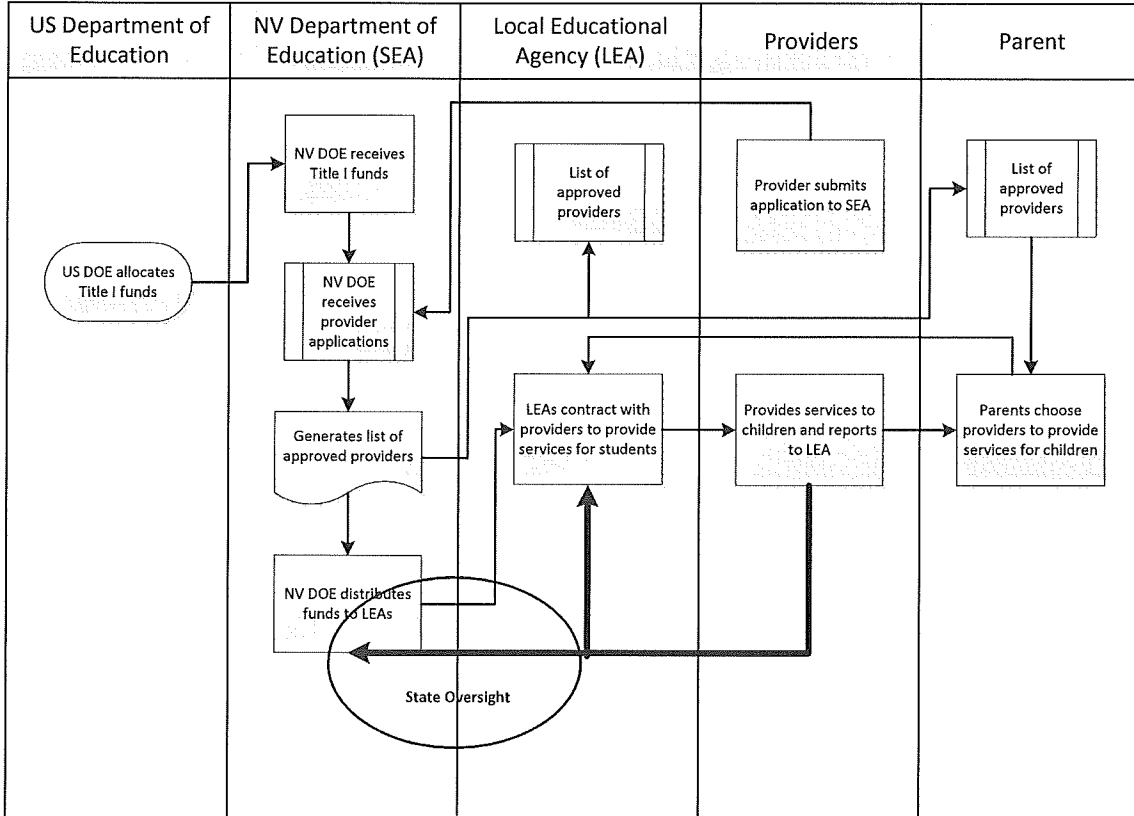
The Department may have authority over other Title I monitoring but does not have policies and procedures in place to direct oversight activities. Developing policies and procedures to include oversight authority of monitoring providers will ensure standards specified in the contract are met.

Other agencies have included review and approval authority over providers subcontracted by its divisions within its grant procurement policies and procedures. The Department stated SES non-regulatory guidance precluded the Department from monitoring the providers subcontracted by the LEAs. Consequently, the Department could not be assured that providers were held to reasonable standards to ensure a balance between administrative and instructional expenses, credentialed instruction, and achievement of performance goals.

The Department's monitoring process should ensure that proper oversight responsibility is accompanied by oversight authority as described in Exhibit II.

Exhibit II

Supplemental Educational Services Process – With State Oversight Authority



The Department should codify procedures to include oversight authority for monitoring approved providers.

Recommendations

1. Develop, document, and implement standardized policies and procedures to improve transparency of administration of monitoring grant programs.
2. Update website to provide transparency of Title I monitoring.
3. Codify procedures to include oversight authority for monitoring approved providers.

Appendix A

Department of Education Response and Implementation Plan

DALE A.R. ERQUIAGA
Superintendent of Public Instruction

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Deputy Superintendent

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September 12, 2013

Steve Weinberger, Administrator
Department of Administration
Division of Internal Audits
209 East Musser Street, Room 302
Carson City, Nevada 89701

Dear Mr. Weinberger,

The Department of Education has reviewed the draft audit report received August 28, 2013 related to compliance monitoring and grants administration. The Department appreciates the opportunity to review the report, the research performed by audit staff and the recommendations presented. The following contains the Department's responses to the findings and recommendations included in the report.

Recommendation #1 - Develop, document, and implement standardized policies and procedures to improve transparency of administration of monitoring grant programs.

Response: The Department accepts this recommendation and is beginning work on developing policies and procedures for compliance monitoring for the Title I grant. These policies and procedures will serve as the basic template for other grant programs with grant specific requirements added as necessary to comply with individual statutory and regulatory requirements. The Department anticipates the policies and procedures for monitoring Title I programs will be complete by March, 2014, with full implementation for all grant programs to follow before the end of fiscal year 2015.

Recommendation #2 - Update website to provide transparency of Title I monitoring.

Response: The Department accepts this recommendation. As the policies procedures for each grant program are completed and approved, they will be posted on the Department's website beginning with the Title I program by March of 2014 and the remaining programs as completed before the end of fiscal year 2015.

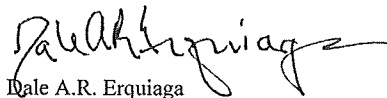
Recommendation #3 - Codify procedures to include oversight authority for monitoring approved providers.

Response: The Department accepts this recommendation and will be submitting a bill draft request for the 2015 Legislative Session to grant the Department authority to monitor approved

providers and subcontractors supported with funds granted by the Department of Education in addition to monitoring the grantees themselves.

The Department would again like to express our appreciation for the contributions from the Internal Audit staff and the opportunity to improve our Department performance in this important area. If you have any questions feel free to contact me at (775) 687-9224 or the Department's Deputy Superintendent for Business and Support Services, Julia Teska at (775) 687-9175 or jteska@doe.nv.gov.

Respectfully,

A handwritten signature in black ink, appearing to read "Dale A.R. Erquiaga", with a long horizontal flourish extending to the right.

Dale A.R. Erquiaga
Superintendent of Public Instruction

Appendix B

Timetable for Implementing Audit Recommendations

In consultation with the Department, the Division of Internal Audits assigned the three recommendations contained within this report into implementation time frames. The Commission should begin taking steps to implement all recommendations as soon as possible. The Commission's target completion dates are incorporated from Appendix A.

Recommendations with an anticipated implementation period exceeding six months.

<u>Recommendations</u>	<u>Time Frame</u>
1. Develop, document, and implement standardized policies and procedures to improve transparency of administration of monitoring grant programs. (Page 9)	May 2015
2. Update website to provide transparency of Title I monitoring. (Page 9)	May 2015
3. Codify procedures to include oversight authority for monitoring approved providers. (Page 9)	May 2015

The Division of Internal Audits shall evaluate the action taken by the Commission concerning report recommendations within six months from the issuance of this report. The Division of Internal Audits must report the results of its evaluation to the Committee and the Commission.