



## Department of Education Straight A Program Audit

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**Audit Period: July 2014 through April 2015**

### Results Summary:

Objective	Conclusion
Administration and Monitoring	Improvement Needed
Grantee Reporting	Improvement Needed

**Report number: 2016-ODE-01**

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## **Executive Summary**

### **Background**

The Ohio Department of Education (ODE) oversees education of public school districts, joint vocational school districts, and public community schools. ODE administers the school funding system, collects school data, develops academic standards and model curricula, administers the state achievement tests, issues district and school report cards, administers Ohio's school choice programs, and licenses education personnel. ODE awards several competitive grants to schools.

Straight A funding provides grants to school buildings and districts, JVSDs, ESCs, community schools, STEM schools, college-preparatory boarding schools, institutions of higher education, and private or governmental entities that aim to achieve significant advancement in one or more of the following goals: (1) increased student achievement, (2) spending reductions or positive performance on other fiscal measures, (3) utilization of a greater share of resources in the classroom, and (4) use of a shared services delivery model. The grants are awarded by an appointed nine-member board. The board is also required to issue an annual report related to the types of grants awarded, the grant recipients, and the effectiveness of the program.

Ohio's biennial education budget dedicated \$100 million in FY14 and \$150 million in FY15 to the Straight A program, and was then reduced to \$15 million for both FY16 and FY17. The Straight A Grant provides funding to target, but not limited to; low wealth, low density, distressed, and urban communities.

During the audit, OIA identified opportunities for ODE to strengthen internal controls and improve business operations. A summary, along with detailed observations, have been provided. OIA would like to thank ODE staff and management for their cooperation and time in support of this audit.

This report is solely intended for the information and use of agency management and the State Audit Committee. It is not intended for anyone other than these specified parties.

### **Scope and Objectives**

OIA staff was engaged to perform an assurance audit related to the controls over the ODE's Straight A program. This work was completed April through June 2015. The scope of this audit included a review of the key processes over the Straight A program from grantee award to final reporting.

The following summarizes the objectives of the review:

- Evaluate the design and effectiveness of controls over the administration and monitoring process.



- Evaluate the design and effectiveness of controls over grantee reporting.

## **Detailed Observations and Recommendations**

The Observations and Recommendations include only those risks which were deemed high or moderate. Low risk observations were discussed with individual agency management and are not part of this report. However, the low risk observations were considered as part of the audit objective conclusions.

### **Observation 1 – Assessment Reviews / Compliance Tracking System**

According to the FY15 Straight A grant rules created by ODE and provided to the grantees, ODE field services will perform the following five assessments for each grantee: (1) mid-year review, (2) year-end reporting self-assessment, (3) year-end reporting onsite questions, (4) year-end sustainability self-assessments, and (5) year-end sustainability onsite questions. Both sustainability reviews occur each year after grant end for a total of five years. These reviews and questions are completed by ODE area coordinators and fiscal agents and documented within the Compliance Tracking System (CTS). Prior to onsite reviews, grantees are required to review the mid-year questions in the CTS and upload supporting documents in the CTS to aid in completion of the onsite review.

OIA noted the following through observations and interviews with Straight A field services staff:

- The completion status of the mid-year reviews are not consistently being labeled as “completed” in the CTS when the questions and onsite visits are completed; instead the completion status shows “in progress”. Additionally, by not consistently labeling reviews as “completed” once they are complete allows the grantees the ability to edit information that they provided after ODE has already performed the review. Field Services indicated that they do not mark reviews complete in case there are changes that need to be made; however, if the information has been reviewed, no changes should be required after that point.
- When using the issue or comment function within CTS, automatic emails are generated to the grantee. When the grantee responds to issues or comments, field services is automatically notified. Field services indicated that they were not aware of the automatic notice that ODE receives. This is likely due to the automatic notice going to the individual who manages the project which is not always the person who created the issue. This creates additional steps for field services staff since they would periodically go through



CTS to see if a response had been received from the grantee.

- The start and end dates listed within the CTS for all reviews performed are not reflective of when they occurred; the dates listed only reflect the grant period.
- OIA reviewed CTS and noted that grantees complete year-end reporting self-assessment which includes questions to track annual data for a total of six years (grant year plus the next five years). This information is to be entered every year by the grantee and subsequently reviewed by ODE field services. OIA noted that prior year information is not locked/secured so that grantees do not have the ability to alter previously entered and reviewed data.
- Once a self-assessment is reviewed, the grantee will be marked as compliant or noncompliant. It was noted that field services does not monitor the grantees that are deemed noncompliant to ensure that they become compliant in a timely manner.

Failure to timely indicate the completion of the mid-year reviews as complete and not appropriately securing data increases the risk the integrity of the data in the system is compromised. Additionally, inaccurate data/information in the system and insufficient grantee monitoring impacts timely reviews, increasing the risk the funding isn't being spent according to grant agreements.

### Recommendation

Management should consider the following:

- Ensure area coordinators and fiscal consultants receive proper instruction to mark the mid-year reviews as “completed” in the CTS upon completion. This will allow management the ability to easily determine if reviews were completed for each grantee and will also help ensure the integrity of the data being entered by grantees.
- Working with IT to update CTS to send notifications to all appropriate field services staff or put items in a queue for field services staff to review once grantees have addressed issues and uploaded all required information for assessments. In the meantime, ensure field services staff are properly trained on system functionality to ensure they are not completing unnecessary steps during their reviews.
- ODE should also consider recording pertinent dates such as “due dates”, “date submitted”, “date reviewed”, etc. that are indicative of when reviews are performed in order to monitor grantees assessment status progress. Once these dates are being accurately recorded, explore the possibility of generating reports periodically so management can ensure reviews are being performed timely.
- Management should consider working with IT to create a function in the CTS that locks/secures all reviewed data so that previously entered data cannot be altered when



entering current information. If available, consider periodically reviewing audit logs to ensure inappropriate changes to data were not made.

- There should also be a process implemented to ensure field services is closely monitoring grantees that are marked as noncompliant. If the grantee goes a specified time period (i.e. 30 days, 60 days, etc.) without making the necessary corrections to be compliant, ODE should consider imposing a penalty on the grantee (i.e. hold future funding requests) Monitoring noncompliant grantees would also help ODE when completing a risk assessment to assist in the review of grantee project cash requests.

The Straight A Training Manual for Fiscal and Programmatic Monitoring should be updated to include all changes made to the process. Details should include the mid-year review process, the year-end self-assessment, and onsite review processes. Policy should indicate the appropriate party to be completing the review along with the appropriate way to provide sufficient evidence that a review was performed. The tasks should be sufficient that individuals not familiar with the process can assist and perform the tasks effectively and efficiently. The policies and procedures should be formally documented, approved by management, and periodically reviewed for updates.

**Management Response**

The External Monitoring Advisory Committee will discuss the need for additional system notifications, and adding start and end review dates in the system. Discussions on locking down each year’s review results will also be held. Any changes to the CTS will be affected by availability of IT resources, impact on system functionality, and monitoring priorities.

Also, Compliance Monitoring Site Visits training was held on September 17, 2015. The Straight A program staff will be working with districts to ensure that all documents are properly uploaded into the system. Procedures to review noncompliance will be developed and implemented during the next review cycle.

Finally, revisions to the Straight A Manual will be made as processes change.

Risk*	Remediation Owner	Estimated Completion Date
Moderate	Fiscal Services	June 30, 2016



## Observation 2 – Project Cash Request (PCR) Reviews

Per H.B. 59 of the 130<sup>th</sup> General Assembly, the Straight A Fund Program provides grants for projects that aim to realize significant achievement in one or more of the program goals: student achievement, cost savings, shifting more resources to the classroom, or shared services. Grantees request their awarded funds through the Comprehensive Continuous Improvement Plan (CCIP) system by means of Project Cash Requests (PCR) to the Ohio Department of Education (ODE). ODE ensures that districts request funds on an immediate cash need basis, expenses reported are budgeted, and justification is provided for advances of more than ten percent.

OIA noted that within the CCIP there is a “history log” section that records the changes in the status of PCRs by showing the PCR as “approved”, who approved it, and when it was approved. Within the “request” section of the CCIP there is an “attach PCR supporting documentation” section where grantees can upload a detailed budgetary expenditure ledger (BUDLED) and purchase order (if needed) to justify the amount requested and support the expenditures recorded in their PCR prior to ODE approving and paying their request. When a PCR is selected to be reviewed by ODE and the grantee has already attached support to the request, ODE indicated they will make a note within the history log to notify the treasurer that it was selected for review. For PCRs that are selected for review with no support attached to the request, ODE would record the request for support within the history log. Currently there is no quick and efficient way for ODE to determine at total population of all PCRs reviewed during a given time period. ODE tracks PCR reviews initiated by ODE within an Access database; however, those not initiated by ODE but are still reviewed, are not centrally tracked. OIA also noted the following during our review:

- Grants management only requires grantees to submit their BUDLED or additional documentation if their PCR is an advance that exceeds ten percent of their grant allocation, or if grants management randomly selects their PCR for review;
- There is no requirement in place that each Straight A grantee have a specific number of PCRs reviewed during the grant period; and,
- There is no written policy in place to provide guidance or a methodology for selecting which grantees’ PCRs that grants management will review.

Not providing evidence of how supporting documentation was reviewed and not tracking reviews completed increases the risk that unallowable expenditures are overlooked or excessive advance amounts being erroneously approved. In addition, not utilizing a risk-based PCR review selection, methodology, and sampling approach increases the risk of an inefficient, ineffective PCR review process and an increased risk of grantee noncompliance.

### Recommendation



Management should consider:

- Requiring all grantees to submit a BUDLED for every PCR for ODE to review at random based on ODE's risk assessment. If a request is not selected for review, ODE should not be required to review attached support. This would then allow ODE to review requests without the grantee being aware of which request is to be reviewed.
- Creating a risk assessment process to ensure higher risk grantees and/or requests are being appropriately reviewed. It was indicated that the system will automatically approve some PCRs based on a set list of criteria. These criteria should be reviewed to ensure it is capturing only those grantees and/or requests that are truly low risk to the program. Items to consider include: a dollar amount threshold, time period from last PCR review, findings or questioned costs in most recent audits/reviews, results or feedback from program monitor reviews, and the grantee's program results. Low risk grantees would require less frequent and less detailed reviews than moderate or high risk grantees. There should also be a report generated of the requests approved automatically through the system which can be reviewed periodically to ensure the system is operating accurately.
- Creating a tracking tool or log within CCIP or on ODE's shared drive to keep track of grantees that have had PCRs reviewed and ones that have not. It was indicated that it is possible for a grantee to not have any requests reviewed during the grant period, while others at ODE were under the impression that each grantee had at least one request reviewed each grant period. A tracking tool will help ensure that all grantees are being reviewed at least once each grant period and will assist in the risk assessment process.
- Develop formalized policies and procedures for the entire PCR process. These policies and procedures should define individuals' roles and responsibilities of the tasks performed. The tasks should be sufficient that individuals not familiar with the process can assist and perform the tasks effectively and efficiently. Policies and procedures should be reviewed periodically for accuracy with actual work being performed and approved by management.

## Management Response

Grants Management will continue the practice of only requesting BUDLEDs if a PCR has been selected for review for the Straight A grant. However, it should be noted that many of the grantees are proactive and submit documentation when the PCR is initially submitted. When documentation is already attached, this allows Grants Management to verify expenses and most of the time the office is able to approve the PCR without additional questions. Also, Grants Management personnel communicate with the program offices and the external monitoring team. When there is a concern in regards to a specific grantee being high risk, personnel are able to "disallow auto approval" for that grantee and enter notes in the system on specific issues with the



grantee. The office will continue to evaluate ways to enhance PCR risk assessment processes.

The CCIP is being updated so a report can be run directly from the system on the PCRs that have been reviewed. Once implemented, the office will continue the practice of only tracking the PCRs that have been selected for review. This enhancement is scheduled to be completed by 12/30/15. Additional CCIP system enhancements are being discussed for 2016. In cases when the grantee is proactive and submits documentation that was not requested with the PCR, the system will acknowledge that the attachment was opened and reviewed by Grants Management. A message will automatically be entered into the history log noting that the attachment was reviewed. The enhancements will allow the office to distinguish between PCRs that were "selected" for review while also verifying the office reviewed attachments that were not requested prior to approving the PCR. The enhancement must be scheduled for completion, and is projected for a September 2016 completion date once scheduled.

Finally, written guidance used by staff on reviewing PCRs will be formalized and available for reference.

Risk*	Remediation Owner	Estimated Completion Date
<b>Moderate</b>	<b>Fiscal Services</b>	<b>March 31, 2016</b>

Due to the limited nature of our audit, we have not fully assessed the cost-benefit relationship of implementing the observations and recommendations suggested above. However, these observations reflect our continuing desire to assist your department in achieving improvements in internal controls, compliance, and operational efficiencies.

\* Refer to Appendix A for classification of audit observations.



## Appendix A – Classification of Conclusions and Observations

### Classification of Audit Objective Conclusions

Conclusion	Description of Factors
<b>Well-Controlled</b>	The processes are appropriately designed and/or are operating effectively to manage risks. Control issues may exist, but are minor.
<b>Well-Controlled with Improvement Needed</b>	The processes have design or operating effectiveness deficiencies but do not compromise achievement of important control objectives.
<b>Improvement Needed</b>	Weaknesses are present that compromise achievement of one or more control objectives but do not prevent the process from achieving its overall purpose. While important weaknesses exist, their impact is not widespread.
<b>Major Improvement Needed</b>	Weaknesses are present that could potentially compromise achievement of its overall purpose. The impact of weaknesses on management of risks is widespread due to the number or nature of the weaknesses.

### Classification of Audit Observations

Rating	Description of Factors	Reporting Level
<b>Low</b>	Observation poses relatively minor exposure to an agency under review. Represents a process improvement opportunity.	Agency Management; State Audit Committee (Not reported)
<b>Moderate</b>	Observation has moderate impact to the agency. Exposure may be significant to unit within an agency, but not to the agency as a whole. Compensating controls may exist but are not operating as designed. Requires near-term agency attention.	Agency Management and State Audit Committee
<b>High</b>	Observation has broad (state or agency wide) impact and possible or existing material exposure requiring immediate agency attention and remediation.	Agency Management and State Audit Committee