

# Audit Highlights



Highlights of Legislative Auditor report on the Programs for Innovation and the Prevention of Remediation, issued on November 5, 2009. Report # LA10-03.

## Background

Senate Bill 404 of the 2005 Legislative Session created the Commission on Educational Excellence (Commission) and the Account for Programs for Innovation and the Prevention of Remediation (Account). The Commission is responsible for activities related to increasing student achievement.

The 2005 Legislature appropriated \$91.9 million to the Account. Of this amount, \$78 million was for programs at the elementary school level and nearly \$13.9 million for programs at the secondary school level. In fiscal years 2006 and 2007, schools and school districts spent \$81.3 million of these funds.

## Purpose of Audit

This audit is required by NRS 385.3789(4). The purpose of this audit was to determine whether program expenditures at selected schools and school districts with funding from the Account were in compliance with laws, Commission and NDE policies and procedures, and grant awards. We also determined whether grant allocations were distributed, administered, and reported in accordance with laws, Commission and NDE policies and procedures, and the terms of the grant awards.

This audit included grant expenditures funded from the Account at the Carson City, Clark, Elko, Lyon and Washoe County School Districts, and at selected schools within those districts. It also included a review of grant administration activities at the Commission on Educational Excellence and NDE. Our audit covered grants allocated for the periods ended June 30, 2006 and 2007.

## Audit Recommendations

This audit report contains 16 recommendations to help ensure the expenditure of funds from the Account are proper. Specifically, NDE should work with the Commission to develop policies regarding all aspects of the grant allocation and monitoring process including providing authority to NDE to perform certain functions on its behalf. Further, controls can be improved over financial and administrative functions to ensure expenditure, amendment, reporting, and funding distribution activities are proper and equipment is safeguarded. In addition, NDE should revise grant periods and deadlines to allow for a more accurate accounting of grant funds.

The agency accepted the 16 audit recommendations.

## Status of Recommendations

The agency's 60-day plan for corrective action is due on February 5, 2010. In addition, the six-month report on the status of audit recommendations is due on August 5, 2010.

## Programs for Innovation and the Prevention of Remediation

### Results in Brief

Schools and school districts did not always spend grant funds received from the Account in accordance with laws, Commission and Department of Education (NDE) policies and procedures, and the terms of the grant awards. Approximately \$6 million of expenditures made by schools and school districts was not approved by the Commission at all, or at the time the expenditure was incurred. In addition, NDE and the Commission can improve activities related to administering and monitoring program funds. For instance, grant period and reporting deadlines did not coincide with the normal school year and contributed to schools and school districts submitting inaccurate and untimely reports. Additionally, NDE did not always distribute funds timely from the Account in accordance with State law. Finally, policies and procedures are not adequate to ensure equipment purchased with Account funds is properly safeguarded, tracked, reported, and monitored. Most of these issues occurred because the program was new for 2006 and 2007.

### Principal Findings

Expenditures made by schools and school districts were not always authorized by the Commission. Over \$580,000 in expenditures were made on items that were specifically rejected or never presented to the Commission for approval. For instance, Clark County School District purchased an educational software license for \$200,000 in May 2006 from its district-wide grant. However, the Commission had denied funding for this type of expenditure during the grant award process in January 2006.

Grant amendments were not always prepared or properly approved prior to the expenditure of funds. Schools and school districts in our sample spent over \$5.1 million of grant funds prior to receiving Commission approval. We also found NDE approved some amendments even though statute indicates the Commission is responsible for allocating funds. About \$380,000 in expenditures were approved by NDE instead of the Commission.

Documentation used to modify original grant budgets was not sufficient to easily determine the changes being requested by the grantee. As a result, items originally rejected by the Commission were amended back into certain grants. This occurred because the Commission did not have adequate policies regarding the amendment process and relied on NDE to develop documentation.

The Commission used funding designated for elementary schools to approve district-wide grants that included secondary school programs. We identified over \$1 million in elementary funding that was used for secondary schools. This may have resulted in some elementary schools receiving only partial funding on grant requests.

About 16% of annual reports were not submitted by established deadlines. In addition, nearly 31% of the reports submitted timely were not accurate. Because grant periods established by the Commission did not allow for grant activities occurring through the end of the school year, some school districts used estimates which resulted in about \$172,000 in funding not being returned to the Account.

Some annual financial reports were inaccurate because schools and school districts made improper accounting entries and supporting schedules did not reflect all grant activities. Some grantees made improper accounting entries transferring expenditures in excess of budget authorizations to other fiscal years, grants, and budget subcategories.

The Department of Education did not distribute funding in accordance with statute for fiscal year 2007. Even though statute requires the full distribution of funds by August 15, not all amounts were distributed by this date, and some funds were received over a year later.

Schools and school districts did not return unused funds to the Account in a timely manner. In addition, NDE did not deposit funds in accordance with state law. The untimely return of funds and failure to deposit checks timely resulted in the loss of about \$45,000 in interest earnings to the State.

Adequate controls are not in place to ensure equipment purchased with funding from the Account is properly safeguarded. Nearly 6% of the assets included in our sample could not be located.