



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL

Audit Services
New York Audit Region

June 5, 2008

Control Number
ED-OIG/A02H0003

Wendy Kopp
Chief Executive Officer
Teach for America, Inc.
315 West 36th Street, 6th Floor
New York, NY 10018

Dear Ms. Kopp:

This **Final Audit Report**, entitled *Teach for America, Inc., Review of the U.S. Department of Education Discretionary Grant Awards*, presents the results of our audit. Our objective was to determine whether Teach for America, Inc.'s (TFA's) discretionary grant expenditures were allowable and spent in accordance with Federal laws and regulations for the period, October 1, 2003, through September 30, 2005.

BACKGROUND

On October 6, 1989, TFA was incorporated as a non-profit corporation with its headquarters located in New York City. TFA's mission is to help eliminate educational inequity by enlisting the nation's most promising future leaders in the effort. TFA focuses its efforts on building a corps of outstanding recent college graduates of all academic majors who commit two years to teach in urban and rural public schools and become lifelong leaders in ensuring educational equity and excellence for all children. Most TFA recruits do not have education-related majors in college, and, therefore, have not received the same training as traditional teachers.

TFA had 3,500 teachers (corps members) who provided services to 22 regions throughout the United States in school year 2005-2006. During our October 1, 2003, through September 30, 2005 audit period, TFA received grant awards from both the U.S. Department of Education (ED) and the Corporation for National and Community Service (CNCS). Specifically, ED's Office of Innovation and Improvement (OII) awarded TFA six grants (see Attachment A) under the Programs of National Significance, Funds For the Improvement of Education (FIE), of which three grants were discretionary.¹

¹ The FIE authorizes the Secretary of Education to support nationally significant programs to improve the quality of elementary and secondary education at the state and local level and to help all students meet challenging state academic content and student achievement standards.

AUDIT RESULTS

TFA did not fully comply with applicable laws and regulations regarding its discretionary grant expenditures. We found that \$774,944 (about 50 percent) of the total \$1,534,290 in expenditures sampled was unsupported. TFA could not provide adequate supporting documentation because it lacked sound fiscal accountability controls. As a result, we could not determine whether \$774,944 was spent for the intended grant purposes.

We provided a draft of this report to TFA for review and comment on January 24, 2008. We reviewed TFA's response, including five attachments received on March 7, 2008. TFA did not specifically concur or disagree with the finding and recommendations, but it did generally agree that its office supply charges lacked proper documentation. In addition, the response to three of the five recommendations indicated general concurrence. We summarized TFA's comments and our response following the finding. Based on our analysis of TFA's comments and its additional documentation, our finding and three of the five recommendations remain unchanged. We revised recommendations 1.3 and 1.4 based on TFA's comments.

The entire narrative of TFA's comments is included as Attachment B. Because of the voluminous nature of the attachments to TFA's comments, we have not included them in Attachment B. Copies of TFA's attachments are available on request.

FINDING – TFA Was Unable to Provide Adequate Support for \$774,944 of its Discretionary Grant Expenditures

TFA could not adequately support about 50 percent of its discretionary grant expenditures that we sampled. We randomly and judgmentally sampled \$1,534,290 out of the total \$6,000,000 expended for the 3 discretionary grants awarded during our audit period. The sample consisted of 26 expenditures for salary and non-salary expenditures. TFA was not able to provide adequate support for 17 of these expenditures, totaling \$774,944. TFA could not provide adequate supporting documentation for its charges to these grants because of significant deficiencies in its fiscal accountability controls.

During our audit period, TFA did not use a professional accounting software package, and instead made use of manual input forms with hand-written notes to account for and support its charges to the grant. In addition, TFA lacked project identification numbers to track expenditures for two of the three discretionary grants. Without project numbers, the expenditures could not be properly identified and monitored. Although TFA had a project number for one discretionary grant, the general ledger reports did not show the total amount of expenditures. Table 1 identifies the \$774,944 in unsupported expenditures with detailed explanations provided below.

Table 1: Unsupported Costs		
<u>Grant Number</u>	<u>Amount Sampled</u>	<u>Unsupported Amount</u>
U215U040025	\$705,360	\$405,704
U215U030034	802,118	342,428
U215U030014	26,812	26,812
Total	\$1,534,290	\$774,944

According to 34 C.F.R. § 75.730 (July 1, 2003), “A grantee shall keep records that fully show: (a) The amount of funds under the grant; (b) How the grantee uses the funds; . . . and (e) Other Records to facilitate an effective audit.”

Section 1232f(a) of 20 U.S.C. (January 24, 2002) states, “Each recipient of Federal Funds under any applicable program through any grant . . . shall keep records which fully disclose the amount and disposition by the recipient of those funds, the total cost of the activity for which the funds are used, the share of that cost provided from other sources and such other records as will facilitate an effective financial or programmatic audit. The recipient shall maintain such records for three years after the completion of the activity for which the funds are used.”

OMB Circular A-122, “Cost Principles for Non-Profit Organizations,” revised May 10, 2004, states that to be allowable under an award, costs must meet the following general criteria:

- a. Be reasonable for the performance of the award and be allocable thereto under these principles.
- b. Conform to any limitations or exclusions set forth in these principles or in the award as to types or amount of cost items.
- c. Be consistent with policies and procedures that apply uniformly to both federally financed and other activities of the organization.
- d. Be accorded consistent treatment.
- e. Be determined in accordance with generally accepted accounting principles (GAAP).
- f. Not be included as a cost or used to meet cost sharing or matching requirements of any other federally financed program in either the current or a prior period.
- g. Be adequately documented.

According to OMB Circular A-133 § 300(b) (June 24, 1997), “The auditee shall . . . [m]aintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.”

TFA was unable to produce adequate documentation to support \$774,944 of its discretionary grant expenditures shown in the following examples.

Unsupported costs for grant number U215U040025

TFA could not provide adequate supporting documentation for \$405,704 of the \$705,360 in expenditures we sampled that were charged to grant number U215U040025. The purpose of this grant was to enhance the recruitment and professional training for TFA teachers. TFA used a portion of this grant to pay for food and lodging costs, TFA corps members salaries, and office supplies during the period December 2004 to September 2005.

Unsupported Costs for California State University

We judgmentally sampled TFA's expenditure of \$277,262 in institute food and lodging costs for California State University. In response to our request for all supporting documentation for this expenditure, TFA provided a copy of California State University's "Institute Pay Schedule Worksheet." This document indicated that the grant was to provide 49 percent of \$565,841, or a net amount of \$277,262. However, TFA did not provide any source documentation showing the attendees, teachers, content, or any other details. Therefore, the claimed expenditure of \$277,262 was not adequately supported.

Unsupported Costs for Temple University

We judgmentally sampled TFA's expenditure of \$287,940 for food and lodging at Temple University. However, TFA did not provide adequate support for \$123,878. TFA provided only a one-page Microsoft Excel spreadsheet that listed this expenditure as a "10% Down Payment." TFA provided no other explanation or documentation, such as attendance sheets or lists of participants. Based on this limited documentation, we were unable to determine the validity of, or the reason for, the claimed costs of \$123,878.

Unsupported expenditures for Office Supplies

TFA also charged ED grant number U215U040025 to pay for office supply charges. During December 15, 2004 through June 28, 2005, TFA charged \$20,368 for several office supply purchases. We randomly sampled four expenditures totaling \$4,564 for office supplies charged to this grant.

TFA could not provide specific invoices or documentation for the \$4,564 in supply charges. In addition, TFA's Vice President of Accounting and Controls acknowledged that this charge was not adequately supported, and because of the amount of the unsupported costs and time it would take to research the documentation, it would not be beneficial to go any further to support the expenditure. Therefore, this expenditure of \$4,564 is unsupported.

Unsupported costs for grant number U215U030034

TFA could not provide adequate supporting documentation for \$342,428 of the \$802,118 in expenditures we sampled that were charged to grant number U215U030034. The purpose of this grant was to enhance pre-service training of teachers. TFA used a portion of this grant to pay for food and lodging costs from June 2004 to September 2004, for corps members attending the University of Houston.

Included in our sampling, was a judgmental sample of the largest expenditure for this grant, \$342,428. We found that TFA could not support this expenditure because it could not provide documentation for the students and staff who attended this training. TFA provided a one-page summary that listed 93 staff members, but only 85 had actually confirmed their training attendance by signing the attendance list. Furthermore, there was no documentation identifying the staff members or that they were eligible to receive food and lodging costs.

Similarly, TFA provided and relied on copies of Microsoft Excel spreadsheets, and in some cases, on hand-written notes, to document and support ED discretionary grant expenditures. For example, TFA claimed 672 students attended this course, but this claim was not supported by a hand-written sign-in list. TFA provided no documentation or attendance list that these students were actually enrolled in the program. On several occasions, TFA claimed more than 800 staff and students received lunch or dinner. The documentation indicated that on June 28, 2004, 811 participants received lunch, and on June 15, 2004, 899 participants received lunch. However, the documentation did not support the claimed number of participants. There was no agenda, no description of the meals, and no list of attendees.

On several occasions, we requested additional documentation from TFA's Vice President of Accounting and Controls, but she did not provide us with adequate supporting documentation or an explanation of the expenditures. The documentation provided was primarily copies (not original documents) and there was no effective way to verify the validity of the staff and students actually participating in the program or the food and lodging costs claimed.

In addition to the regular meal reimbursements, we noted that a single meal charge was claimed on invoices without proper documentation. On July 10, 2004, \$858 was charged for one meal at Moody Towers, and on June 23, 2004, a one-time meal charge was submitted for \$471 with no documentation of who participated or the reason for the charge.

Unsupported Costs for grant number U215U030014

TFA could not provide adequate supporting documentation for the \$26,812 in expenditures we sampled that were charged to grant number U215U030014. The purpose of this grant was to expand TFA impact by increasing the number of highly qualified teachers in our nation's highest-need schools. TFA used this grant to pay for the alternate certification of TFA corps members.

TFA provided payment requests for the total amount disbursed of \$26,812, along with checks for this amount and certification cost reimbursement forms signed by the students. However, this documentation was insufficient because it did not indicate that the students actually attended and satisfactorily completed the classes. There were no official transcripts or evidence that the courses occurred. Therefore, \$26,812 of claimed certificate reimbursement expenditures was not adequately supported.

The unsupported expenditures occurred primarily because TFA did not have an adequate accounting system in place to support, properly document, and monitor its ED grant expenditures. We generally were not provided with original source documentation, but instead

were provided hand-written notes and other materials that were duplicates. TFA also did not have written policies and procedures² for its accounting and specific fiscal internal control processes within its organization. Due to the lack of proper fiscal accountability controls, such as use of a professional accounting software package, and lack of proper supporting documentation, there was no effective way to verify the validity of the costs claimed. As a result, we found that TFA charged unsupported expenditures of \$774,944 to ED discretionary grants during the October 1, 2003 through September 30, 2005 period. Consequently, there is no assurance that these grant funds were properly expended in accordance with the grant objectives to train and support teachers who teach disadvantaged students at the nation's neediest schools.

Recommendations

We recommend that the Assistant Deputy Secretary for the Office of Innovation and Improvement require TFA to:

- 1.1 Provide support for the \$774,944 in non-salary ED discretionary grant expenditures, or return the funds, with applicable interest, to ED.
- 1.2 Provide support for the remaining \$4,465,710 in salary and non-salary ED discretionary grant expenditures, or return the funds, with applicable interest, to ED.
- 1.3 Provide evidence that TFA implemented a professional accounting system that would enable TFA to support, properly document, and monitor its ED grant expenditures as required by Federal laws and regulations.
- 1.4 Provide evidence that TFA established and implemented adequate written policies and procedures for its accounting and specific fiscal internal control processes within its organization.
- 1.5 Maintain required supporting documentation for costs charged to ED's discretionary grants.

TFA's Comments

In its response to the draft report, TFA did not specifically concur or disagree with the finding and recommendations, but it did generally agree that its office supply charges lacked proper documentation. Regarding the finding, TFA stated the ED grant funds were spent as directed by the terms of the grants. TFA also stated that the questioned costs outlined in the draft report were the result of tracking systems that differ from the systems utilized by TFA in the past which have, according to TFA, been updated with new personnel and procedures to effectively monitor existing and future grants. Further, TFA indicated that it could demonstrate that its corps and staff members attended the institutes and it could also demonstrate with full confidence that the questioned food costs were incurred and that the funds were spent appropriately. TFA stated that all costs related to its summer training institutes came from its contracts with universities that provided food and lodging for corps and staff members during fully residential summer training. TFA also provided statements indicating five corps members had completed their required course work.

² The policies and procedures provided to OIG for review were not signed or initialed and were from 2007 forward.

In response to recommendations 1.1 and 1.2, TFA stated it provided additional documentation which indicated ED funds were utilized in accordance with required provisions and regulations. TFA provided extensive spreadsheets with lists of corps members and institute staff, by location, that TFA contended participated in various institutes from 2003 through 2005. For grant number U215U030034, TFA provided spreadsheets that showed there were 111 staff members and 725 corps members, including 26 resignations, who attended the University of Houston's summer training from June through September 2004. Regarding the unsupported supply costs, TFA stated that the lack of supporting documentation was the result of turnover of prior grants and contracts staff coupled with the limitations of the legacy document storage systems in place during the time under question.

For recommendation 1.3, TFA stated that beginning in March 2006, the new grants and contracts team at TFA designed and implemented a comprehensive accounting system to properly budget, document, report, and monitor its ED grant expenditures.

For recommendation 1.4, TFA stated it introduced formal updated fiscal policies on October 1, 2006. In addition, TFA said it published a finance guide to communicate formal, operational processes to its budget managers and end-users.

For recommendation 1.5, TFA stated it had an ongoing commitment to build proper infrastructure and processes for maintaining appropriate source documentation, including vendor invoices, and corps and staff member data. In addition, TFA said it had enhanced its chart of accounts to incorporate funding source codes in place of its old Excel spreadsheets. This enhancement took effect during the 2005-2006 funding year.

OIG Response

We considered TFA's response; however, our finding and three of the five recommendations remain unchanged. We revised recommendations 1.3 and 1.4 based on TFA's comments. TFA did not specifically concur or disagree with the finding and recommendations, but it did generally agree that its office supply charges lacked proper documentation.

For recommendations 1.1 and 1.2, the spreadsheets that TFA provided in its response for its corps and staff members have significant discrepancies from previously provided documentation. Furthermore, these spreadsheets were not provided during the audit. TFA's response did not provide sufficient documentation that its corps members actually attended and completed the classes or that the staff members attended the University of Houston summer training institute from June through September 2004.

In its response, TFA provided a spreadsheet for 725 corps members, including 26 corps members who reportedly resigned, who attended the University of Houston summer institute during this time period. However, TFA did not indicate when the resignations occurred. During our audit, TFA provided OIG with a hard copy list indicating 672 corps members, with no resignations, who attended the program at that time, for a difference from the response spreadsheet of 53. We also noted other discrepancies between the original list and the response spreadsheet.

Specifically, the original list had 51 students who were not on the response spreadsheet, and the response spreadsheet had 104 students who were not on the original list.

In its response, TFA provided a spreadsheet which listed 111 staff members at TFA's University of Houston summer institute from June through September 2004. In contrast, during the audit fieldwork, TFA provided OIG a manually prepared sign-in list that showed a total of 93 staff at the University of Houston during this time period. The list had 93 hand-written names and spaces for signatures, but only 85 had confirmed their attendance by signing the list. We compared the response spreadsheet to the manual list and noted 86 staff were on both lists, but the response list also indicated 25 additional staff members.

The discrepancies between the original hand-written lists provided during the audit and the spreadsheets provided in response to the draft report raised more questions regarding the validity of the source, accuracy, and reliability of the documentation TFA provided for its corps and staff members. Furthermore, TFA indicated in its response, it was not able to provide data for the individual meals and that it did not maintain corps member sign in sheets.

TFA stated that all costs related to its summer training institutes came from its contracts with universities that provided food and lodging for corps and staff members during fully residential summer training. However, TFA did not provide any documentation of these contracts or specific cost documentation for the claimed costs. TFA also provided statements indicating five corps members had completed their required course work. However, this documentation did not prove that these corps members had a license, certificate, or permit to teach students in a public classroom as required by city and state laws in each of the districts in which they operated. TFA attributed its lack of supporting documentation for office supply costs to its turnover of prior grants and contracts staff coupled with the limitations of its document storage systems in place at that time. TFA's response did not provide sufficient additional information to what it provided previously, and is therefore, insufficient support for the \$774,944 of expenditures charged to ED's discretionary grants.

TFA's response to recommendations 1.3 and 1.4 indicated that it had implemented a comprehensive accounting system, and updated fiscal policies and procedures, to address these recommendations. However, we did not review the new accounting system or the updated fiscal policies and procedures as stated in TFA's response because this was not in the scope of our review. We consider the actions taken to address recommendation 1.5 as TFA's general concurrence to this recommendation.

OBJECTIVE, SCOPE, AND METHODOLOGY

Our audit objective was to determine whether TFA's discretionary grant expenditures were allowable and spent in accordance with Federal laws and regulations for the period, October 1 2003 through September 30, 2005.

To ensure the completeness and accuracy of the data provided by TFA, we obtained and extracted from TFA's accounting system, all expenditures related to the discretionary grants for the period, October 1, 2003 through September 30, 2005. Expenditures for the three discretionary grants awarded during the audit period, grant numbers U215U030014, U215U030034, and U215U040025, totaled \$6,000,000. This constituted our discretionary grant expenditure universe.

We used different sampling methodologies on each of the three grants reviewed due to the varying type and nature of the expenditures charged to each grant. We randomly sampled and reviewed a total of \$166,970 in salary and non-salary expenditures charged to two grants. Of this amount, \$26,812 in student alternate certifications was expended in grant U215U030014, \$135,594 was expended for salaries in grant U215U040025, and \$4,564 was expended for supplies.

In addition, we judgmentally selected \$1,367,320 in expenditures for non-salary charges in two of the three grants. Grant U215U030034 had 14 expenditures where we selected the largest dollar expenditures from the University of Houston, Fordham University, and California State University, totalling \$781,178, and the smallest expenditure, \$20,940, charged to this grant. We also judgmentally sampled the two largest expenditures for Temple University and California State University, totalling \$565,202, charged to grant U215U040025 for food and lodging costs.

To accomplish our objective we:

- a. Reviewed TFA approved grant applications and related budgets;
- b. Policies and procedures;
- c. Interviewed the TFA's Vice President of Accounting and Controls;
- d. Reviewed TFA's written policy manual and organizational charts to gain an understanding of the accounting process;
- e. Reviewed the Independent Public Accountant reports for TFA for the periods ending September 30, 2003, 2004, and 2005; and
- f. Reviewed the General Ledger Report for one grant.

We concluded that the data was sufficiently reliable to support the finding, conclusions, and recommendations, and that using the data would not lead to an incorrect or inaccurate conclusion.

We performed our fieldwork at TFA's Headquarters at 315 West 36th Street, New York, New York, from December 4, 2006, through March 9, 2007. We conducted the audit in accordance with generally accepted government auditing standards appropriate to the limited scope of the audit described above.

ADMINISTRATIVE MATTERS

Statements that managerial practices need improvements, as well as other conclusions and recommendations in this report, represent the opinions of the Office of Inspector General. Determinations of corrective action to be taken, including the recovery of funds, will be made by the appropriate Department of Education officials in accordance with the General Education Provision Act.

If you have any additional comments or information that you believe may have a bearing on the resolution of this audit, you should send them directly to the following Department of Education official, who will consider them before taking final Departmental action on this audit:

Doug Mesecar
Assistant Deputy Secretary for Innovation and Improvement
Office of Innovation and Improvement
U.S. Department of Education
400 Maryland Avenue, SW
Washington, DC 20202

It is the policy of the U. S. Department of Education to expedite the resolution of audits by initiating timely action on the finding and recommendations contained therein. Therefore, receipt of your comments within 30 days would be appreciated.

In accordance with the Freedom of Information Act (5 U.S.C. § 552), reports issued by the Office of Inspector General are available to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act.

If you have any further questions, please call me at (646) 428-3888.

Sincerely,

/s/
Daniel P. Schultz
Regional Inspector General
for Audit

Attachments

Attachment A

**ED Grants Received by TFA
October 1, 2003 through September 30 2005**

Grant Number	TFA Project No. If Existed³	Award Period	Grant Award	TFA Proposed Use of Funds
Discretionary Grants				
U215U030014	No Project Number	10/01/03-9/30/04	\$2,000,000	Expanding TFA impact: increasing the number of highly qualified teachers in our nation's highest-need schools
U215U030034	No Project Number	10/01/03-9/30/04	2,000,000	Enhancing the pre-service professional training for TFA teachers in our nation's highest-need schools
U215U040025	Project No. 38-900-04-006	10/01/04-9/30/05	2,000,000	Enhancing the recruitment and professional training for TFA teachers
Discretionary Total			\$6,000,000	
Earmarks				
U215K040231	No Project Number	08/03/04-08/02/05	\$1,988,200	Building TFA's capacity
U215K050481	Project No. 38-900-05-002	08/22/05-08/21/06	992,000	Building capacity to maximize effectiveness for TFA teachers
U215K050483	Project No. 38-138-05-003	08/22/05-08/21/06	248,000	Expanding TFA's impact in the Clark County School District in Las Vegas, NV
Earmarks Total			\$3,228,200	
Total			\$9,228,200	

³ These project numbers were assigned by TFA to track and monitor Federal expenditures in the TFA accounting system and general ledger. Out of the three discretionary grants reviewed, only one had a project number assigned for the purpose outlined above.

Attachment B

TFA Comments on the Draft Report

One day, all children in this nation will have the opportunity to attain an excellent education.

TEACHFORAMERICA

March 6, 2008

Control Number: ED-OIG/A02H0003

Mr. Daniel P. Schultz
U.S. Department of Education
Office of Inspector General
Financial Square
32 Old Slip, 26th Floor
New York, NY 10005

Dear Mr. Schultz,

In response to your Draft Audit Report, we would like to provide our commentary on your findings and recommendations. Teach For America has full confidence and evidence that the Department of Education funds were spent as directed by the terms of the grants. The questioned costs outlined in the Draft Audit Report result from the audit of tracking systems that differ from the systems utilized by Teach For America in the past (e.g. auditing individual meal sign-in sheets, when the costs were incurred and tracked not through individual meals but through a larger university contract for room and board). Teach For America has provided documentation demonstrating that we expended the funds appropriately on these grants. We have also demonstrated that new personnel and procedures are in place to effectively monitor existing and future grants. We have included below the relevant excerpt from the report for each finding, followed by our response.

Unsupported costs for grant number U215U040025

TFA could not provide adequate supporting documentation for \$405,704 of the \$705,360 in expenditures we sampled that were charged to grant number U215U040025. TFA used a portion of this grant to pay for food and lodging costs, TFA corps members salaries, and office supplies during the period December 2004 to September 2005.

Unsupported Costs for California State University

We judgmentally sampled TFA's expenditure of \$277,262 in institute food and lodging costs for California State University. In response to our request for all supporting documentation for this expenditure, TFA provided a copy of California State University's "Institute Pay Schedule Worksheet." This document indicated that the grant was to provide 49 percent of \$565,841, or a net amount of \$277,262. However, TFA did not provide any source documentation showing the attendees, teachers, content, or any other details. Therefore, the claimed expenditure of \$277,262 was not adequately supported.

Unsupported Costs for Temple University

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We judgmentally sampled TFA's expenditure of \$287,940 for food and lodging at Temple University. However, TFA did not provide adequate support for \$123,878. TFA provided only a one-page Microsoft Excel spreadsheet that listed this expenditure as a "10% Down Payment." TFA provided no other explanation or documentation, such as attendance sheets or lists of participants. Based on this limited documentation, we were unable to determine the validity of, or the reason for, the claimed costs of \$123,878.

Teach For America Response:

All costs related to Teach For America's summer training institutes come from contracts with university partners who provide room and lodging for corps members and staff during our fully residential summer training. Teach For America has multiple internal tracking systems that track our corps members, including individual assessments of each corps member's performance and professional development during the summer training. We have included for your reference a comprehensive assortment of corps member tracking files and systems for those who attended the 2005-06 Los Angeles Institute as an example to indicate the significant level of tracking that occurs when corps members attend Teach For America institutes. Please refer to the "Los_Angeles_Institute" attached zip file. Because we track each individual teacher and staff member's performance and attendance, and because all food and lodging costs are on a larger university contract, we can demonstrate with full confidence that the questioned food costs were incurred. The auditors sought sign-in data for individual meals during the course of the summer institute, which we were unable to provide. However, we can demonstrate that the corps members and staff members attended the institutes, and that we incurred the food costs as part of our university contracts. By demonstrating that our corps members and staff members attended the institute (and indeed were closely monitored on a performance basis) we can demonstrate with full confidence that the funds were spent appropriately and in accordance with the grant.

In response to the remaining questions on documentation pertaining to corps members and institute staff that participated and worked at the Los Angeles and Philadelphia institutes, Teach For America has obtained and reconciled additional documentation which accompanies this draft report. While TFA did not maintain corps member sign in sheets, we have documentation indicating corps member assignments across each institute. And although TFA did not have a robust time and attendance system in place during the years under this audit, TFA is able to provide employee lists indicating institute staffing assignments.

The first document is called the "CM Roster from InfoView.xls," which documents TFA corps members listed by region, and corresponding institute attended. InfoView is a report writer program from a larger database system that tracks corps members' progress through each institute. The "CM Roster" is divided into three tabs, and each tab lists total enrolled corps members per year, in 2003, 2004, and 2005. The summary at the top of the list summarizes total corps members that enrolled in and completed each institute, net of corps members that resigned.

The second document, called the "Institute Staff Lists 01 Thru 06.xls," lists the TFA staff that worked at each institute from 2001 to 2006. The report is divided by tabs, each tab indicating staff that worked at a particular institute by year. For those institutes in question, the number of total staff is summed at the top right of each spreadsheet.

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AN AMERICORPS PROGRAM

Teach For America Inc.
Management Response to U.S Department of Education Review of Discretionary Grant Awards

ED-OIG/A02H000

One day, all children in this nation will have the opportunity to attain an excellent education.

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Please refer to the "LA 2005" tab on the "Institute Staff Lists...xls" file for a list of TFA Los Angeles institute staff and a list of positions applicable to the Los Angeles Institute, including operations coordinators and site directors. Please refer to the "2005" tab on the "CM Roster from InfoView.xls" file for a list of all corps members that attended the 2005 Los Angeles Institute.

Please refer to the "Philly 05" tab on the "Institute Staff Lists...xls" file for a list of all TFA Philadelphia institute staff. Please refer to the "2005" tab on the "CM Roster InfoView.xls" document for a list of all corps members that attended the 2005 Philadelphia Institute. The 10 percent costs referred to above was a down payment for the entire university contact, which was presented during audit fieldwork. The corps member and institute staff lists referred to above provide documentation for the total staff and corps members that worked at and participated in the 2005 Philadelphia Institute.

Unsupported expenditures for Office Supplies

TFA also charged ED grant number U215U040025 to pay for office supply charges. During December 15, 2004 through June 28, 2005, TFA charged \$20,368 for several office supply purchases. We randomly sampled four expenditures totaling \$4,564 for office supplies charged to this grant.

TFA could not provide specific invoices or documentation for the \$4,564 in supply charges. In addition, TFA's Vice President of Accounting and Controls acknowledged that this charge was not adequately supported, and because of the amount of the unsupported costs and time it would take to research the documentation, it would not be beneficial to go any further to support the expenditure. Therefore, this expenditure of \$4,564 is unsupported.

Teach For America Response:

As discussed at the exit conference, the lack of supporting documentation for the office supply charge is the result the turnover of the prior grants and contracts staff coupled with the limitations of the legacy document storage systems that were in place during the time under question. It is important to note that the aforementioned turnover of the prior grants and contracts staff was the direct result of new management's initiative to re-structure and re-engineer legacy processes, systems, and policies.

Unsupported costs for grant number U215U030034

TFA could not provide adequate supporting documentation for \$342,428 of the \$802,118 in expenditures we sampled that were charged to grant number U215U030034. The purpose of this grant was to enhance pre-service training of teachers. TFA used a portion of this grant to pay for food and lodging costs from June 2004 to September 2004, for corps members attending the University of Houston.

Included in our sampling, was a judgmental sample of the largest expenditure for this grant, \$342,428. We found that TFA could not support this expenditure because it could not provide documentation for the students and staff who attended this training. TFA provided a one-page summary that listed 93 staff members, but only 85 had actually confirmed their training attendance by signing the attendance

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list. Furthermore, there was no documentation identifying the staff members or that they were eligible to receive food and lodging costs.

Similarly, TFA provided and relied on copies of Microsoft Excel spreadsheets, and in some cases, on handwritten notes, to document and support ED discretionary grant expenditures. For example, TFA claimed 672 students attended this course, but this claim was not supported by a hand-written sign-in list. TFA provided no documentation or attendance list that these students were actually enrolled in the program. On several occasions, TFA claimed more than 800 staff and students received lunch or dinner. The documentation indicated that on June 28, 2004, 811 participants received lunch, and on June 15, 2004, 899 participants received lunch. However, the documentation did not support the claimed number of participants. There was no agenda, no description of the meals, and no list of attendees.

On several occasions, we requested additional documentation from TFA's Vice President of Accounting and Controls, but she did not provide us with adequate supporting documentation or an explanation of the expenditures. The documentation provided was primarily copies (not original documents) and there was no effective way to verify the validity of the staff and students actually participating in the program or the food and lodging costs claimed.

In addition to the regular meal reimbursements, we noted that a single meal charge was claimed on invoices without proper documentation. On July 10, 2004, \$858 was charged for one meal at Moody Towers, and on June 23, 2004, a one-time meal charge was submitted for \$471 with no documentation of who participated or the reason for the charge.

Teach For America Response:

As we mentioned above, all costs related to Teach For America's summer training institutes come from contracts with university partners who provide room and lodging for corps members and staff during our fully residential summer training. Teach For America has multiple internal tracking systems that track our corps members during the summer training, including individual assessments of each corps member's performance and professional development during the training. Because we track each individual teacher and staff member's performance and attendance, and because all food and lodging costs are on a larger university contract, we can demonstrate with full confidence that the questioned food costs were incurred. The auditors sought sign-in data for individual meals during the course of the summer institute, which we were unable to provide. However, we can demonstrate that the corps members and staff members attended the institutes, and that we incurred the food costs as part of our university contracts. By demonstrating that our corps members and staff members attended the institute (and indeed were closely monitored on a performance basis) we can demonstrate with full confidence that the funds were spent appropriately and in accordance with the grant.

In response to the remaining questions on documentation pertaining to corps members and institute staff that participated in and worked at the Houston institute, TFA has obtained and reconciled additional documentation which accompanies this draft report. While TFA did not maintain sign in sheets, we have documentation indicating corps member assignments across each institute and TFA staff that worked at

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each institute.

We have described these documents ("CM Roster from InfoView.xls" and "Institute Staff Lists 01 Thru 06.xls") in our prior response related to the Los Angeles and Philadelphia institutes. Please refer to the "Hou 2004" tab on the "Institute Staff Lists...xls" file for a listing of the 111 TFA employees that staffed the 2004 Houston Institute. Please refer to the "2004" tab on the "CM Roster from InfoView.xls" file for a listing of the corps members that attended the 2004 Houston Institute. This number excludes corps members that resigned.

As discussed at the exit conference and in our response to the office supplies findings, turnover on the grants and contracts team coupled with legacy accounting and tracking systems that were in place during the time under question proved problematic to our ability to provide invoices related to the \$471 charge referenced above to the DOE field auditors.

Unsupported Costs for grant number U215U030014

TFA could not provide adequate supporting documentation for the \$26,812 in expenditures we sampled that were charged to grant number U215U030014. TFA used this grant to pay for the alternate certification of TFA corps members.

TFA provided payment requests for the total amount disbursed of \$26,812, along with checks for this amount and certification cost reimbursement forms signed by the students. However, this documentation was insufficient because it did not indicate that the students actually attended and satisfactorily completed the classes. There were no official transcripts or evidence that the courses occurred. Therefore, \$26,812 of claimed certificate reimbursement expenditures was not adequately supported.

The unsupported expenditures occurred primarily because TFA did not have an adequate accounting system in place to support, properly document, and monitor its ED grant expenditures. We generally were not provided with original source documentation, but instead were provided hand-written notes and other materials that were duplicates. TFA also did not have written policies and procedures² for its accounting and specific fiscal internal control processes within its organization. Due to the lack of proper fiscal accountability controls, such as use of a professional accounting software package, and lack of proper supporting documentation, there was no effective way to verify the validity of the costs claimed. As a result, we found that TFA charged unsupported expenditures of \$774,944 to ED discretionary grants during the October 1, 2003 through September 30, 2005 period. Consequently, there is no assurance that these grant funds were properly expended in accordance with the grant objectives to train and support teachers who teach disadvantaged students at the nation's neediest schools.

Teach For America Response:

In accordance with city and state laws in each of the districts in which we operate, all corps members are required to hold a license, certificate, or permit (terminology depends upon the regional school districts) in

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order to teach students in a public school classroom. We have procured further documentation from the university and/or district partners in order to fulfill this request for additional documentation. We believe that this sample documentation satisfies the requirements set forth by the Department of Education on proof of alternate certification for Teach For America corps members. Please refer to the attached files: "matthew mugnon.pdf"; "roilyn graves.pdf"; "DOC071101fordham.pdf"; and "pace.pdf".

Recommendations

We recommend that the Assistant Deputy Secretary for the Office of Innovation and Improvement require TFA to:

- 1.1 Provide support for the \$774,944 in non-salary ED discretionary grant expenditures, or return the funds, with applicable interest, to ED.
- 1.2 Provide support for the remaining \$4,465,710 in salary and non-salary ED discretionary grant expenditures, or return the funds, with applicable interest, to ED.

Teach For America Response:

Our responses to the commentary presented for each finding support our position that Teach For America has supplied additional documentation which indicates that the Department of Education funds were utilized in accordance with funder provisions and regulations. This documentation includes two file attachments. The "CM Roster from InfoView.xls" file is a report from Teach For America's larger corps member tracking database that lists Corps Members that attended each institute, by first and last name, placement region, and institute attended by year. The second file, the "Institute Staff Lists 01-06.xls" lists all Teach For America staff that worked at each institute by year. At the exit conference, Department of Education staff indicated that this data would be acceptable to support requests for corps members and Teach For America staff documentation.

- 1.3 Implement a professional accounting system that would enable TFA to support, properly document, and monitor its ED grant expenditures as required by Federal laws and regulations.

Teach For America Response:

Beginning in March 2006, the new grants and contracts team at Teach For America designed and implemented a comprehensive accounting system to properly budget, document, report, and monitor its ED grant expenditures. The system includes major systems work, including the implementation of an online Time and Attendance tracking system; org-wide policies and procedures; and regional trainings on expenditure coding and restricted revenue classifications. This new infrastructure is further detailed in the attached file entitled "Teach For America Infrastructure Project Plan.pdf"

- 1.4 Establish and implement adequate written policies and procedures for its accounting and specific fiscal internal control processes within its organization.

Teach For America Response:

Formal fiscal policies and procedures were reviewed and updated in 2006 and were introduced to the organization at large on October 1, 2006. In addition, a finance guide was published to communicate

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formal, operational processes to budget managers and end-users across Teach For America. These documents are also attached to this report; please refer to files "Finance_Team_Policies_and_Procedures.FY08.pdf" and "2008_Finance_Guide.pdf". These documents are reviewed and updated on a quarterly basis. In addition, these materials are communicated to staff members on an ongoing basis in order to ensure that entering staff are immediately exposed to these formal policies and procedures. Finally, training sessions are regularly scheduled throughout the year for all Teach For America employees that require an intimate understanding of these policies and procedures.

1.5 Maintain required supporting documentation for costs charged to ED's discretionary grants.

Teach For America Response:

As a part of our ongoing commitment to building the proper infrastructure, the grants and contracts team as well as the larger accounting team further refined its processes for maintaining appropriate source documentation, including vendor invoices and CM corps member and staff data. In addition to the systems implemented above, the new grants and contracts team enhanced the chart of accounts to incorporate funding source codes so that old system of maintaining costs in Excel spreadsheets could be replaced with appropriate tagging of restricted grant and contract expenses within the general ledger. This enhancement took effect during the 05-06 funding year.

Sincerely,



E. Miguel Rossy

EVP, Chief Finance and Infrastructure Officer

Attachments

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