

**OFFICE OF INSPECTOR GENERAL
OFFICE OF AUDIT**

**THE PUERTO RICO DEPARTMENT OF EDUCATION
MUST INSTITUTE A TIME DISTRIBUTION SYSTEM**

OCTOBER 1997

AUDIT CONTROL NO. A0250200

FINAL AUDIT REPORT

Statements that financial and/or managerial practices need improvement or recommendations that costs questioned be refunded or unsupported costs be adequately supported, and recommendations for the better use of funds, as well as other conclusions and recommendations in this report, represent the opinions of the Office of Inspector General. Determinations on these matters will be made by appropriate Education Department officials.

**REGIONAL INSPECTOR GENERAL
FOR AUDIT, NORTHEAST AREA**

**U.S. DEPARTMENT OF EDUCATION
NEW YORK, NEW YORK**



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The Puerto Rico Department of Education must institute a time distribution system

FINDING

PRDE needs to implement a time distribution system

The Puerto Rico Department of Education (PRDE) does not have accounting policies and procedures in place for time distribution of its employees who work on one or more programs. We tested two of the seven PRDE districts and found 50 percent of the non-teaching Chapter 1, currently Title I, employees worked on more than Chapter 1 activities but failed to distribute their time. The problem is especially prevalent in non-teaching positions where there are no comparably funded local positions. As a result, the Chapter 1 program is being overcharged for salaries while other State and Federal programs are being undercharged.

Criteria

Office of Management and Budget (OMB) Circular A-87, is applicable per ED regulation 34 CFR 74.175. OMB Circular A-87 provides the basis for support for salaries and wages. In part, OMB Circular A-87 states that when employees work on multiple activities, a distribution of their salaries must be supported by personnel activity reports or equivalent documentation. Such documentary support is required when employees work on more than one Federal award or a Federal award and a non-Federal award.

Results of employee interviews

We interviewed 91 Chapter 1 employees, consisting of 29 teachers and 62 non-teachers, from the 1993/94 award year payroll roster for two school districts: San Juan and Bayamón. Although some Chapter 1 teachers reported they worked on non-Chapter 1 activities, the amount of time was minor. Therefore, the audit concentrated on the non-teaching positions.

San Juan

We interviewed 26 non-teaching Chapter 1 employees in the San Juan district and found 14 employees worked 100 percent on Chapter 1. While 12 employees reported working 3 percent to 43 percent of their work week on non-Chapter 1 related activities.

Bayamón

We interviewed 36 non-teaching Chapter 1 employees in the Bayamón district and found 16 employees worked 100 percent on Chapter 1 activities. However, 20 employees reported working 5 percent to 35 percent of their work week on non-Chapter 1 activities.

In total, 50 percent of the non-teaching Chapter 1 employees interviewed did not distribute their time despite working on more than Chapter 1 activities. For award year 1993/94, non-teaching positions accounted for \$30,252,845 of the total budget of \$217,223,165 for Chapter 1 funding for the Commonwealth of Puerto Rico. The lack of a time distribution system remained a condition during the 1996/97 award year.

PRDE agrees a time distribution system is required

PRDE lacks a time distribution system through all its districts. PRDE agrees a time distribution system should be implemented and is working with Certified Public Accountants and legal counsel to develop policies and procedures for a time distribution system. PRDE expects to implement a time distribution system during the 1997/98 award year.

Recommendation

We recommend that the Department require PRDE to:

- ' Monitor the development and implementation of a time distribution system for all employees funded by U.S. Department of Education to ensure that it:
 - a. Includes written accounting policies and procedures;
 - b. Distributes costs adequately and accurately; and
 - c. Is in compliance with Federal regulations 34 CFR 74.175 and OMB Circular A-87.

PRDE's response

PRDE agreed with the finding and stated that they are in the process of formalizing and implementing a time distribution system for all employees funded by the U. S. Department of Education in compliance with Federal regulations 34 CFR 74.175 and OMB Circular A-87. PRDE provided a time line for the development and implementation of the time distribution system. PRDE's complete response and time line are attached as an Exhibit.

OIG's reply

Based on the information provided, PRDE's time distribution system should be sufficient to meet the requirements of OMB Circular A-87 and 34 CFR 74.175. However, after the system is in place, PRDE should have an independent assessment conducted to ensure the system is functioning as intended.

APPENDIX

Background

The purpose of the Chapter 1 program is to improve the educational opportunities of educationally deprived children by helping children succeed in regular school programs, attain grade-level proficiency and improve achievement in basic and more advanced skills. The purpose is accomplished through means such as supplemental education programs, schoolwide programs, and the increased involvement of parents in their children's education.

Audit Objective

The primary purpose of our audit was to determine if PRDE had a system in place that properly distributed Chapter 1 personnel charges.

Methodology & Scope

We interviewed officials at PRDE, U.S. Department of Education, and randomly selected teaching and non-teaching Chapter 1 employees from the San Juan and Bayamón school districts. However, we judgmentally selected the two school districts from a total of seven districts located throughout Puerto Rico. In addition, we conducted a reconciliation of Chapter 1 payroll expenditures to PRDE's accounting records for award year ending June 30, 1994. We did not review the economy and efficiency of operations nor did we attempt to assess the results of the Chapter 1 program.

Data Reliability Assessment

We relied on computer processed data for determining the universe of the non-teaching positions for the 1993/94 award year. We conducted a very limited test of the data provided and concluded the data was sufficiently reliable to be used to meet the audit objective.

Audit Period

The audit period was the July 1, 1993 through June 30, 1994. We conducted interviews of Chapter 1 employees during the months of June 1995, July 1995, October 1995 and August 1996. Field work was conducted at PRDE's offices in Hato Rey, Puerto Rico and at the San Juan and Bayamón regional district offices between January 1995 and August 1996. The exit conference was conducted on April 30, 1997.

Our audit was conducted in accordance with generally accepted government auditing standards appropriate to the limited audit scope.

APPENDIX

Internal Controls

As part of our audit we assessed the system of internal controls, policies, procedures and practices applicable to PRDE's processing of payroll for Chapter 1 employees.

For the purposes of this report, we assessed and classified the significant controls into the following categories:

- ' Time distribution,
- ' Hiring Chapter 1 employees,
- ' Processing vacation and sick leave applications,
- ' Processing payroll, and
- ' Processing personnel changes.

APPENDIX

Because of inherent limitations, a study and evaluation made for the limited purpose described above would not necessarily disclose all material weaknesses in the internal controls. However, our assessment disclosed a significant internal control weakness which adversely effects PRDE's ability to identify time and effort for Chapter 1 employees, this weakness and its effects are fully disclosed in the FINDING section of this report.

APPENDIX

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