



UNITED STATES DEPARTMENT OF EDUCATION  
OFFICE OF INSPECTOR GENERAL

THE INSPECTOR GENERAL

Mr. Arthur D. Garnes, Superintendent  
Alliance City Schools  
200 Glamorgan Street  
Alliance, Ohio 44601

Dear Mr. Garnes:

This **Final Audit Report** (Control Number ED-OIG/A05A0021) presents the results of our audit of selected aspects of Alliance City Schools' (Alliance) administration of the 21<sup>st</sup> Century Community Learning Center (Learning Center) program. Because there are no findings that require resolution, you are not required to respond to this audit report

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

### **AUDIT RESULTS**

During the period January 1, 1999, through December 31, 1999, Alliance properly accounted for \$84,359 of Learning Center funds, and used the funds in accordance with Title X, Part I, of the Elementary and Secondary Education Act of 1965, as amended, Title 34 Code of Federal Regulations (CFR) Part 700, and Education Department General Administrative Regulations. Alliance had sufficient documentation to support salary costs, fringe benefits, equipment, supplies, travel, meeting, contracts, and other expenditures it charged to the Learning Center grant.

We obtained a listing of all Learning Center transactions for the period January 1, 1999, through December 31, 1999, and traced them to vouchers, purchase orders, and canceled checks to ensure that totals from these source documents agreed with the accounting records. The table below shows the amounts accepted for the Learning Center expenditures for grant year 1999.

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<b>Expenditure</b>	<b>Budgeted Amount</b>	<b>Actual Expenditures</b>	<b>Questioned Costs</b>	<b>Amounts Accepted</b>
Salaries	\$71,987	\$23,516	\$0	\$23,516
Fringes	\$11,250	\$0	\$0	\$0 <sup>1</sup>
Travel & Meeting	\$5,000	\$1,691	\$0	\$1,691
Equipment	\$31,655	\$51,371	\$0	\$51,371 <sup>2</sup>
Supplies	\$43,915	\$7,307	\$0	\$7,307
Contractual	\$31,192	\$0	\$0	\$0
Other	\$5,000	\$474	\$0	\$474
<b>TOTAL</b>	<b>\$199,999</b>	<b>\$84,359</b>	<b>\$0</b>	<b>\$84,359</b>

Because Alliance did not spend any grant funds prior to hiring the Learning Center Director (Director), it had carryover funds of \$115,642 from grant year 1999. Alliance stated, in its 1999 Grant Performance Report, that it would use the carryover funds to begin family and parent programs, offer a more developed summer program, and expand its after school program to include all students attending Morgan Elementary School and neighborhood students bussed to other district schools. We reviewed the Learning Center's 2000 budget, and found that Alliance has allocated funds for these specific programs.

Our audit did not disclose any material weaknesses in Alliance's system of management controls over accounting for and using grant funds. Alliance (1) had an accounting system that clearly identified sources and uses of Learning Center funds; (2) had written policies and procedures for requesting purchases and contracts; and (3) segregated duties of authorizing, approving, and accounting for expenditures. The Director was the only person at Alliance who could request Federal grant funds. The Director had to obtain supervisory approval before he made any purchases for the program.

## **BACKGROUND**

The Learning Center program, authorized under Title X, Part I, of the Elementary and Secondary Education Act of 1965, as amended (20 U.S.C. 8242-8247), is a three-year grant that provides funds to rural and inner-city public schools, or consortia of such schools, to enable them to provide expanded learning opportunities for participating children in a safe, drug-free, and supervised environment. The Learning Center program, funded at \$40 million for fiscal year

<sup>1</sup> Alliance's Treasurer does not charge fringe benefits costs to the Learning Center until the end of Alliance's fiscal year (6/30/00), except for the retirement benefits. The retirement benefits are charged twice a year. On 1/25/00, the Treasurer charged retirement benefits of \$3,292 to the Learning Center.

<sup>2</sup> According to 34 CFR 75.264, grantees no longer need to seek U.S. Department of Education approval for budget transfers within grant projects. The difference in budgeted equipment expenditures and actual equipment expenditures is allowable.

1998 and \$200 million for fiscal year 1999, enables schools to stay open longer and set up community learning centers.

A community learning center is an entity within a public elementary, middle, or secondary school building that provides educational, recreational, health, and social service programs for residents of all ages within a local community. A local educational agency operates the Learning Center in conjunction with local governmental agencies, businesses, vocational educational programs, institutions of higher education, community colleges, and cultural, recreational, and other community and human service entities. The centers must include no less than 4 of the 13 activities listed in Title X, Part I, Section 10905 of the Elementary and Secondary Education Act of 1965, as amended. They are encouraged to use the funds to accomplish a variety of activities that may benefit students and the community surrounding the school. The centers' programs may include features to support health needs, provide equipment, remodel facilities, and provide transportation to better serve its students and community.

Alliance is one of approximately 2,100 entities participating in the Learning Center program. It set up the Morgan Family Center using \$200,000 of Federal funds received under this program. Alliance uses Morgan Elementary School after regular school hours, on weekends, and during the summer to create a safe, convenient, drug-free, productive environment where children and the adult community can learn. After hiring the Director in June 1999, the Morgan Family Center began operation with a six-week summer program.

The U.S. Department of Education, Office of Inspector General, received a complaint regarding Alliance's Learning Center grant expenditures. The complaint alleged that Alliance was misappropriating Federal grant funds it received under the grant. The complaint included copies of purchase orders, invoices, and canceled checks for Learning Center expenditures, and stated that the checks, purchase orders, and invoices did not match.

### **OBJECTIVE, SCOPE, AND METHODOLOGY**

The primary objective of our audit was to determine whether Alliance properly administered selected aspects of the Learning Center program in accordance with Title X, Part I, of the Elementary and Secondary Education Act of 1965, as amended, 34 CFR Part 700, and Education Department General Administrative Regulations (34 CFR Parts 74, 75, 77, 79, 80, 81, 82, 85, and 86). Specifically, we conducted the audit to determine if Alliance (1) had receipts and other records to show it properly accounted for Learning Center funds, and (2) used the funds in accordance with the requirements for this grant. Our initial audit period was January 1, 1999, through December 31, 1999. Because Alliance did not begin spending grant funds until June 1999, we wanted to review its expenditures of 1999 carryover funds as it proposed in its Grant Performance Report. Therefore, we expanded the audit period through February 29, 2000.

To accomplish our objective, we reviewed Alliance's most recent audit report; written policies and procedures over requesting, accounting for, and using grant funds; payroll records; and vouchers, purchase orders, and canceled checks for all expenses charged to the grant for the period June 1, 1999, through February 29, 2000. We also interviewed various Alliance employees.

We performed on-site fieldwork at Alliance's administrative offices in Alliance, Ohio, between April 4 and April 20, 2000. Our audit was performed in accordance with government auditing standards appropriate to the scope described above.

### **STATEMENT ON MANAGEMENT CONTROLS**

We did not assess Alliance's entire system of management controls because it was not significant to our specific audit objectives. Instead, we reviewed written documentation of the system of controls over Alliance's accounting for and use of Federal funds for the Learning Center program. Our assessment was performed to determine the level of risk exposure (that is, the likelihood that significant noncompliance with the law and regulations occurred), and to determine the extent of testing needed to accomplish the audit objectives.

Because of inherent limitations, a study and evaluation made for the limited purpose described above would not necessarily disclose all material weaknesses in management controls. However, our assessment did not disclose any significant management control weaknesses that could adversely affect Alliance's accounting for and use of Learning Center funds.

### **ADMINISTRATIVE MATTERS**

If you have any questions, please contact Mr. Kenneth Luhring, Acting Regional Inspector General for Audit, Region V, at 312-886-6503. Please refer to the control number in all correspondence related to this report.

Sincerely,

Richard J. Dowd  
Acting Assistant Inspector General  
For Audit Services

cc: Joseph Conaty, OESE  
Robert Stonehill, OESE