

Audit Highlights



Highlights of Legislative Auditor report on the Programs for Innovation and the Prevention of Remediation, issued on September 29, 2010
Report # LA10-20.

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 consists of nine members serving two-year terms, eight of which are appointed by the Governor with the remaining member being the Superintendent of Public Instruction. The Commission is responsible for activities related to increasing student achievement including: establishing grant requirements, reviewing and approving grant fund requests, and allocating money from the Account to the various schools and consortiums of schools. The Nevada Department of Education (NDE) provides administrative support, equipment, and office space to the Commission.

The 2007 Legislature appropriated \$79.3 million to the Account. Of this amount, \$73.6 million was awarded to schools and consortiums of schools. In fiscal years 2008 and 2009, schools and consortiums of schools spent \$38.4 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 consortiums of schools 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 Clark, Elko, Lyon, Washoe, and White Pine 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, 2008 and 2009.

Audit Recommendations

This audit report contains five recommendations to help ensure the allocation and expenditure of funds from the Account are in compliance with laws, policies and procedures, and the terms of the grant awards.

The agency accepted the five recommendations.

Status of Recommendations

The agency's 60-day plan for corrective action is due on December 29, 2010. In addition, the six-month report on the status of audit recommendations is due on June 29, 2011.

Programs for Innovation and the Prevention of Remediation

Results in Brief

Although administration of the Account for Programs for Innovation and the Prevention of Remediation has improved, additional efforts can be made to provide greater assurance that funding is allocated and controlled as the Legislature intended. Our review of funding allocations revealed some lower scoring grantees received more of the amount requested than grantees with significantly higher scores. In addition, NDE made adjustments to the amount of funding available for some grants without Commission approval. Furthermore, the Commission lacked adequate procedures to ensure an Account reconciliation was completed and all unused funds were reverted to the State General Fund. Even with improvements to oversight processes, amendments were not always approved by the Commission when they should have been, required annual financial reports did not include all required supplementary schedules, and expenditures were not always approved by the Commission. While additional strengthening of controls is needed, we identified fewer errors and weaknesses than our prior audit of fiscal years 2006 and 2007 funds indicating the Commission has improved its oversight of the Account.

Principal Findings

Grants with higher application scores did not always receive more funding, compared to amounts requested, than grants receiving lower scores. For example, two Clark County School District elementary schools requested approximately the same amount of funding (\$104,000). The higher scoring grant of 70 received 92% of requested funding (\$95,387), while the lower scoring grant of 53 received 100% of requested funding (\$104,475). While some review teams' awards of funding correlated with application scores, other teams' awards had weak or no apparent relationship. These inconsistencies occurred because Commission procedures and guidelines regarding funding allocations were not sufficient to ensure the highest quality applications received appropriate funding.

The Commission did not always approve necessary changes to grant allocations. NDE reduced all Commission approved consortium grants by 50% in November 2007, without proper approval from the Commission. The reduction in funding to consortium grants resulted in some grants not being implemented. In addition, revised grant budgets approved by NDE did not always comply with Commission approvals. Of 47 revised grant budgets included in our sample, 6 (13%) did not remove or reduce funding as detailed by the Commission.

Grant amendments were not always approved by the proper authority. Of 26 grant budget amendments included in our sample, 9 (35%) received NDE approval when they should have been reviewed and approved by the Commission.

Of 59 amendments included in our sample, 22 (37%) included incomplete or partial documentation. Amendment forms developed by NDE were not adequate to ensure sufficient information was requested and provided.

NDE did not conduct a complete reconciliation of the Account at the conclusion of the grant cycle. Of 16 school districts receiving funds, 6 (38%) had significant variances between amounts distributed, expended, and reverted. This included about \$77,000 that should have been reverted to the State General Fund. In addition, other districts may have reverted more than they should have. The Commission lacks controls to ensure the Account is properly reconciled at the conclusion of the grant cycle.

About 71% of annual financial reports were not submitted by established deadlines. In addition, 13% were not accurate. Furthermore, supplemental schedules were not always submitted. Out of 48 reports included in our sample, 4 (8%) did not include the required supplemental financial schedule. In addition, six (86%) of seven items of value inventory lists were not submitted as required.

Our testing of expenditures found nearly 7% of expenditures tested, totaling over \$51,000 were for items and services that were not properly reviewed or approved by the Commission. Furthermore, the Department of Education did not distribute funding timely in accordance with statute for fiscal years 2008 and 2009.