
Rhode Island
Department of Elementary and
Secondary Education

Performance Audit

April 2003

Ernest A. Almonte, CPA, CFE
Auditor General

State of Rhode Island and Providence Plantations
General Assembly
Office of the Auditor General



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OFFICE of the AUDITOR GENERAL

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April 24, 2003

JOINT COMMITTEE ON LEGISLATIVE SERVICES:

SPEAKER William J. Murphy

Senator William V. Irons
Senator Dennis L. Algieri
Representative Gordon D. Fox
Representative Robert A. Watson

We have completed a performance audit of the Rhode Island Department of Elementary and Secondary Education. Our report is included herein as outlined in the Table of Contents.

Sincerely,

Ernest A. Almonte, CPA, CFE
Auditor General

**RHODE ISLAND
DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION**

PERFORMANCE AUDIT

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EXECUTIVE SUMMARY

Performance Audit –

Rhode Island Department of Elementary and Secondary Education

We conducted a performance audit of the Rhode Island Department of Elementary and Secondary Education (RIDE) which has the responsibility to perform various financial, technical, and instructional support functions to Rhode Island school districts. An eleven member Board of Regents governs the Department. The department's fiscal 2002 operating budget was \$843 million of which most is spent in direct financial support to local school districts. Our audit focused on evaluating the practices and procedures employed by RIDE in administering its operations and financial matters.

RIDE collects information on student achievement by grade level on state tests, but the current system does not allow RIDE to collect certain types of information on the performance of *individual students*. As a result, RIDE cannot identify students who move from district to district or from school to school, and cannot track individual student achievement over time. RIDE should adopt a statewide student identifier. This can assist in building a database that provides information about student growth over time. This can be linked with the teachers, programs and schools that have served these students.

Through RIDE, the state provides significant operating aid to local school districts. The total amount of this assistance has increased from nearly \$382 million in fiscal 1995 to over \$609 million in fiscal 2002. The responsibility for calculating and processing payments to the local school districts is assigned to a single employee at RIDE. There are no written policies and procedures to guide this effort, nor is there any internal review of the accuracy of the work.

Charter schools are public schools authorized by the state to operate independently from many state and local rules and regulations, thereby providing the ability to pursue innovative educational programs and meet specific student achievement goals. The Board of Regents can grant charters for up to five years, renewable for additional five-year periods. The funding formula for operating charter schools is based on the per pupil cost of the district sending the student to the school, and the percentage of state reimbursement for that district. The State should determine whether it should continue to fund charter schools under the present methodology, which results in funding students attending charter schools while maintaining the funding level of the local district sending the students to the charter schools.

Locating a suitable facility to house the charter school is a critical and often the most difficult requirement for applicants to meet. In addition, the cost of a facility is a significant component of a charter school's operations. RIDE should withhold approval of a charter school application until the applicant identifies a suitable facility.

In addition to its full-time employees, RIDE also hires temporary employees. During fiscal 2002, RIDE engaged 61 temporary employees at hourly rates ranging from \$9.00 for clerical positions to \$165 for administering a professional examination. RIDE should process these hirings through the state Division of Personnel to ensure that the wages paid are consistent with what other state agencies are offering. Also, 26 of the 61 temporary employees had been at the department for longer than one year; 17 of these were professional employees. This could place the state at risk if these individuals were to claim parity with full time state employees for

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receiving benefits such as longevity pay, medical coverage, and pension credits. The collective bargaining agreement between RIDE and the union representing professional employees already provides temporary professional personnel employed for more than six months with one sick day for each month worked.

RIDE paid compensation in excess of \$20,000 annually to 16 temporary employees in both fiscal 2001 and 2002. State law requires public solicitations for consultant services reasonably expected to exceed \$20,000. RIDE should comply with the law by referring to the Division of Purchases those consultant positions that are long-term in nature so that the division can publicly request letters of interest from qualified vendors, or competitive bids as appropriate.

The General Laws require that all personnel in an educational position be properly certified. Our review of 48 teacher files disclosed one exception involving a teacher who taught preschool special needs students for a period of 4 years without the required early childhood teaching certificate. We found two additional exceptions involving teachers who did not take the required National Teaching Examination.

Individuals seeking employment with a local school district or private school are required, with certain exceptions, to undergo a national and state criminal background check. The statute currently requires a background check only when an applicant first applies for a teaching position. The statute should be revised to allow for more frequent background checks over the span of the teacher's career to ensure that RIDE and the local district are aware of any criminal activity which may disqualify a person from being employed as a teacher.

RIDE is responsible for supporting the infrastructure of state-owned educational facilities that house locally operated career and technical schools. We noted that some projects take several years to complete, sometimes due to changes in the scope of the activity. However, we believe that some of these delays are due to the lengthy process required to conduct these projects and the lack of sufficient resources at RIDE available to accomplish this work on a steady and deliberative basis. The department should consider transferring this function to its Office of Finance, since some of the procedures required are already routed through that office. Long-term, the department should also consider transferring responsibility for this entire area to local districts, which could utilize bond funds or capital reserve funds to finance these projects. The state would reimburse these costs through the housing aid program.

Other recommendations address the organization of the department, procurement of goods and services, asset protection, expenditures for food, the internal duplication service, and the audit guide for local school districts.

The report cites various achievements of the department, including its strategy for system-wide restructuring of the state's public schools, public information on the finances and educational performance of each school district, and peer educator visits to schools as part of the school improvement process.

II. INTRODUCTION

OBJECTIVES, SCOPE AND METHODOLOGY

We conducted a performance audit of the Rhode Island Department of Elementary and Secondary Education (RIDE). Our audit was conducted in accordance with *Government Auditing Standards*. The period covered by our audit was primarily the fiscal year ended June 30, 2002. Where relevant, we extended our audit procedures to prior fiscal years.

Our audit focused on evaluating the practices and procedures employed by RIDE in administering its operations and financial matters. Our objective was to identify practices and procedures that could be improved or made more efficient. To achieve our audit objectives, we reviewed relevant policies and procedures, interviewed responsible personnel, observed key operations, and performed tests and other audit procedures as considered necessary in the circumstances for the following areas:

- administration of operational aid,
- procurement,
- information systems,
- personnel,
- charter schools,
- asset protection,
- teacher certification, and
- school assessments.

The scope of our audit did not include assessment of the effectiveness of various educational initiatives undertaken by RIDE.

BACKGROUND

The Rhode Island Department of Elementary and Secondary Education (RIDE) was established under Chapter 16-60 of the General Laws to perform the research, administrative, and instructional functions and duties, including technical assistance and statewide educational information services for local school districts. An eleven member Board of Regents governs the department; the Governor appoints eight members, one member is a member of the Board of Governors for Higher Education, one is the chair of the Senate Finance Committee or designee, and one is the chair of the House Finance Committee or designee.

The department's operations are funded through a combination of state general revenue and federal funds. The fiscal 2002 budget includes total expenditures of \$842.5 million; of this, \$707.2 million is funded from state general revenue and \$133.6 million is from federal sources. The remaining \$1.7 million is from restricted and other sources.

Summary of Fiscal 2002 Appropriations

	<u>General Revenue</u>	<u>Federal Funds</u>	<u>Restricted Funds</u>	<u>Other Funds</u>	<u>Total</u>
State Support of					
Local School Operations	\$ 576.4	\$ 2.5	\$	\$	\$ 578.9
School Housing Aid	33.2				33.2
Teacher's Retirement –					
State share	31.2				31.2
School for the Deaf	5.4	1.2			6.6
Central Falls School District	33.3				33.3
Davies Career and					
Technical School	10.3	1.0	.2		11.5
Metropolitan Career and					
Technical School	2.2				2.2
Program Operations	<u>15.2</u>	<u>128.9</u>	<u>1.0</u>	<u>.5</u>	<u>145.6</u>
 Total	 \$ 707.2	 \$ 133.6	 \$ 1.2	 \$.5	 \$ 842.5

Source – 2002 Public Law 65 - Revised Appropriations for Fiscal 2002

School operating aid includes payments to cities and towns for operating public and charter schools. Program operations include personnel expenditures, such as salaries and benefits for full-time RIDE employees, as well as payments for part-time and seasonal employees and employee benefits, educational consultants, and other purchased services. Program operations also include the Department's operation of multiple federal programs such as Child Nutrition, Title I, Special Education, and Vocational Education. Approximately 90% of the total amount of federal funds is provided to local school districts and other eligible recipients through allocations and reimbursements. RIDE uses the remainder for program and administrative purposes.

The Board of Regents appoints the Commissioner of Elementary and Secondary Education; the Commissioner's current term is for the three-year period ending December 31, 2004. The Commissioner has a staff of sixteen employees, including a chief of staff/chief legal counsel, deputy commissioner, assistant commissioner, staff assistants, special assistants for board and legislative support, media and public information officers, policy support and planning officers, and clerical staff.

RIDE also has an Office of Human Resource Development, five support service offices (with oversight by the assistant commissioner), and six program and field service offices (with oversight by the deputy commissioner). Each office has a designated director.

Support services include the following offices:

Legal: consists of three legal counsels who serve as hearing officers, and one staff assistant.

School Improvement and Accountability: primarily responsible for the School Accountability for Learning and Teaching (SALT) survey, for assisting school districts with strategic planning for school improvement, and for charter schools.

Equity and Access: primarily handles affirmative action, review of civil rights complaints by staff and students statewide and access compliance for public education buildings.

Teacher Preparation, Certification and Professional Development: primarily responsible for developing and monitoring systems that prepare, certify and recertify teachers.

Network and Information Systems: provides network support, web-site maintenance, and photocopying services.

Program and field offices include the following:

Instruction: involved with professional development for teachers; works closely with local districts and the Office of Assessment to identify low performing schools and develop strategies for improvement.

Integrated Social Services: works with private organizations as well as other state agencies to develop early childhood programs, school health programs, and safe & drug free school programs.

Special Needs: works with private organizations and other state agencies to develop outreach programs, improve service delivery and monitor ongoing special needs programs.

Assessment: oversees the state assessment program for students. Tests used are developed and administered by independent contractors.

Middle and High School Reform and Adult Education: responsible for career and technical education, driver's education, and support to the Information Works project.

Finance and Accounting: responsible for all of the accounting and related functions for the department; also participates in formulating the budget, monitors budget to actual during the fiscal year, processes bills, and provides fiscal oversight to federal programs.

The department is authorized 126 full time employees in fiscal 2003; it reported 130 during fiscal 2002. In addition, the department utilizes temporary employees, outside

consultants, and fellows to carry out its responsibilities. An organization chart for RIDE is on page 7.

The administrative offices of RIDE are located in the state-owned Shepard Building in Providence.

POSITIVE ACHIEVEMENTS

RIDE has developed a Comprehensive Education Strategy (CES) for system-wide restructuring of the state's public schools. There are two main themes within CES, and each has three main policy directions:

Improving Teaching and Learning includes high standards, accountability and assessment, and accountability and school improvement.

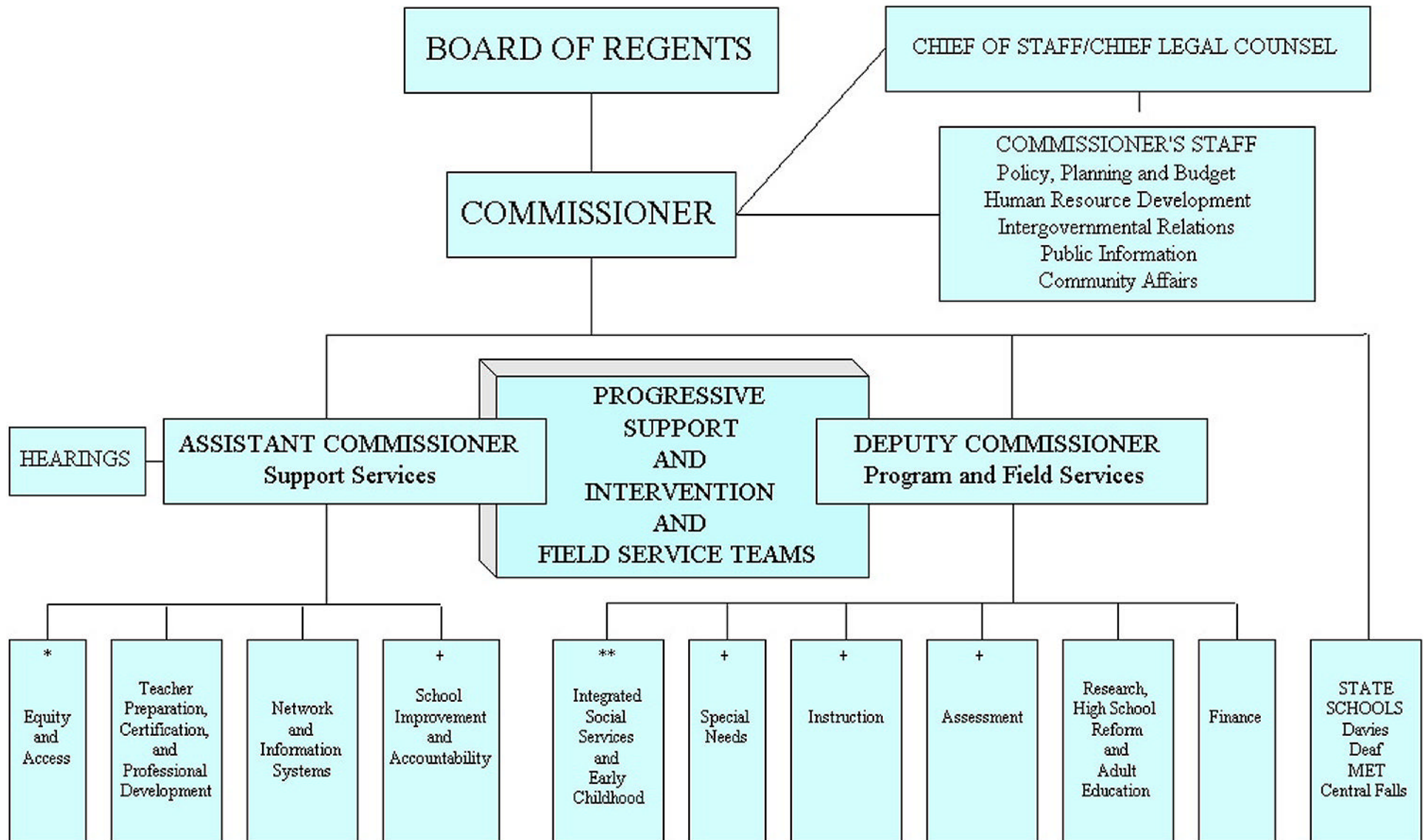
Creating Responsive and Supportive Systems includes opportunities for all to achieve high standards, community and family involvement, and broad policy and political support.

The department has successfully implemented INSITE, a computer-based electronic technology for presenting school district expenditures for analytical purposes. INSITE is designed to provide decision-makers with relevant, timely and user-friendly information to improve the productivity and efficiency of schools.

The department has successfully developed a project known as InfoWorks, which provides a detailed report on every local district and public school in the state. The reports include the results of state assessments, socioeconomic data (poverty rates, racial and ethnic characteristics); basic attendance data (attendance rates, suspension rates, student, teacher and parental perception of the schools); and financial data on school spending extracted from the INSITE data.

The department has developed and implemented a system of peer educator visits to schools (SALT visits) as part of the school improvement process.

RHODE ISLAND DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION



* The Affirmative Action Officer has direct access to the Commissioner.
 ** Central Falls Administrator reports to the Commissioner.
 + Field Service Team Facilitators.

III. FINDINGS AND RECOMMENDATIONS

STATEWIDE STUDENT IDENTIFIER

A well-designed student record system provides the ability to report information for decision-making about individual students, schools, programs and school districts. In a report issued in October 2000, the federal Department of Education stated:

“A well-designed automated student record system allows for the easy and efficient movement of student records among levels of the education system using standard formats. For instance, when a student moves from one school to another within the same district, or to another district, the information can be extracted, prepared, and transferred electronically. The school receiving the electronic record can download the student record, thus eliminating the need for re-entering the information.”

The report goes on to state that the system “can be used to transmit student records to a state education agency that collects student records.” RIDE collects information concerning student achievement by grade level on state tests, but the current system does not allow RIDE to collect certain types of information on the performance of *individual students*. As a result, RIDE cannot identify students who move from district to district or from school to school, and cannot track individual student achievement over time.

There are three recognized ways of measuring school or student performance:

- ❑ Comparing the same grade over time (cohort comparisons). This method compares how students in selected grades perform in the current year with how students in that same grade performed in previous years. For instance, the reading performance of 4th grade students in 2001 is compared with the reading performance of 4th grade students in 2000, 1999 and 1998 to get an approximate trend analysis. This is only approximate because *different students* are in each of the 4th grades that are compared.
- ❑ Tracking grades over time (quasi-longitudinal comparisons). This approach also uses cohorts of students, but the comparisons are of the same general cohort of students over time, rather than different groups of students. This approach requires regular testing. A quasi-longitudinal comparison might compare the reading scores of 4th grade students in 1998 with the 5th grade reading scores of students in 1999 and the 6th grade reading scores of students in 2000.
- ❑ Tracking individual students over time (longitudinal comparisons). A true longitudinal comparison tracks the progress of *individual students*--rather than groups of students--over time. This type of comparison also requires regular testing. A longitudinal comparison of students might compare each student’s growth over a year with the state’s average growth. These types of comparisons require databases that can track student enrollment and achievement over time.

Longitudinal databases can provide information about student growth over time that can be linked with the teachers, programs and schools that have served those students. They can provide fairer comparisons of schools than cohort comparisons because they ensure school performance is based only on students who have continuously enrolled in that school. Because they can match individual student records over time, they offer a way to track student progress statewide and to verify the accuracy of district information--particularly about student transfers and dropouts.

In addition, cohort comparisons use “snapshot” data, which can change radically from year to year--especially in districts that are changing rapidly. Longitudinal data can take student mobility into account. Test scores, which can rise and fall from year to year, based on differences in groups of children, are not a fair measure of school productivity. Only comparisons that track student learning over time--and take into account student mobility--can offer objective measurements.

Student records traditionally have been kept only at the school or district level. In recent years, however, many state education agencies have begun to collect individual student records. State-level records typically consist of data about student characteristics, program participation and assessment results—a subset of the data usually maintained at the school and district levels. The purposes of state-level databases are to promote continuous improvement in schools, plan for program changes to help students achieve high standards, distribute funds, and hold schools and districts accountable for student achievement. Most of the information included in state-level databases comes directly from schools and districts, and the information may be transmitted electronically among levels of the school system.

Information on students that is maintained in a longitudinal database requires a unique student identification number. Unique identification numbers help to distinguish between students with similar or identical names and other characteristics. Each number is associated with one student, and is utilized in all information files concerning that student. This enables information to be linked from different files for analytical or reporting purposes. A unique statewide student identifier allows student records to be transmitted from schools to districts to the state education agency. At the state level, a student record system will be able to merge student files from year to year, locate students who have moved to other districts in the state, and identify students who may have been previously reported as dropouts.

The federal Department of Education has identified four factors to consider in selecting the most appropriate student identifier:

- ❑ The level at which the identifier must be unique.
- ❑ The burden of assigning numbers to existing students.
- ❑ The need for verification.
- ❑ The need for confidentiality.

There are four possible methods of assigning unique statewide student identification numbers:

Methods of Assigning Student Identification Numbers		
<u>Method</u>	<u>Advantages</u>	<u>Disadvantages</u>
Social Security Number	<ul style="list-style-type: none"> ▪ Unique nationwide ▪ Assigned at birth ▪ Exchange data across agencies 	<ul style="list-style-type: none"> ▪ May be prohibited by law ▪ Parents may object ▪ May not be universal
Algorithm to assign identifier	<ul style="list-style-type: none"> ▪ Unique and confidential 	<ul style="list-style-type: none"> ▪ Excessive length
State-assigned identifier	<ul style="list-style-type: none"> ▪ Controlled by state agency ▪ Unique statewide 	<ul style="list-style-type: none"> ▪ Districts must rely on state for identifiers
Locally-assigned identifier	<ul style="list-style-type: none"> ▪ Local control is maintained ▪ Can be assigned at time of registration 	<ul style="list-style-type: none"> ▪ Not unique statewide

We believe that RIDE should begin to adopt a statewide student identifier. Since the state-assigned identifier is unique statewide and does not have the disadvantages of other methods, it seems to be the most advantageous. In order for this system to work properly, an online locator system protected by passwords may be needed. In this system, all student names are kept along with key identification information so that matches between students and identifiers can be made. This system should be designed to easily allow educational staff to locate a student identifier for an enrolling student if one has been previously assigned or to assign a new identifier if one is needed.

We recognize that this initiative will be costly. One estimate from a national educational periodical indicates that the cost of creating the necessary databases is typically less than 1/10th of one percent of the state education budget. This would be about \$800,000 in Rhode Island. Of course, annual operating costs would also be incurred after the system is established. RIDE should determine the likely costs in Rhode Island, and seek legislative approval for funding to implement this program.

RECOMMENDATIONS

1. Determine the optimal method of implementing a student identifier system in Rhode Island.
2. Determine the likely cost of creating and operating such a system.
3. Seek legislative approval for funding to implement the system.

Auditee Views:

The department concurs with these recommendations and notes it has pursued funding for this initiative in past fiscal years. However, resources have not been appropriated for this purpose.

STATE AID CALCULATIONS

The state provides significant operating aid to the local school districts, and the total amount of this aid has been steadily growing in recent years, as the table below illustrates:

Aid to Local Schools – Fiscal Years 1995 – 2002	
<u>Year</u>	<u>Amount</u>
1995	\$ 381,761,856
1996	400,749,768
1997	411,534,595
1998	437,757,367
1999	479,507,364
2000	514,933,451
2001	559,719,173
2002	609,700,000

Source: 1995 –2001 – Department of Education, 2002 – Revised Appropriations for Fiscal 2002

The funds are intended for general operating aid, as well as for specific categories of aid such as literacy set-aside, student equity, early childhood, technology, professional development, language assistance, instructional equity, targeted aid, vocational equity, group home aid, charter school indirect aid, and full day kindergarten. Operating aid is provided to most school districts monthly. In July and August, payments are 2.5% of the annual amount; the payment for all other months is 9.5% of the annual amount. The exceptions to this process are Central Falls, which receives 1/12th each month, East Providence, which is paid twice annually, and charter schools, which are paid quarterly.

Operating aid to local school districts is approved by the General Assembly as part of the annual budgetary approval process. An Educational Finance Officer within the Office of Finance at RIDE is responsible for processing the periodic payments to each district throughout the fiscal year. RIDE has not prepared a written policy and procedure manual to guide this effort, nor is there any internal review of the accuracy of these disbursements that are substantial in dollar amount.

The state also provides housing aid to local school districts. This is designed to guarantee adequate school housing for all public school children and to prevent the cost of school housing from interfering with the effective operation of the schools. Projects financed by specific funding mechanisms are eligible for reimbursement under this program. These funding mechanisms are general obligation bonds, lease revenue bonds, capital leases, and capital reserve funds.

Payments by RIDE to the eligible school districts are made twice annually in October and April and have also increased in recent years:

State School Housing Aid Payments – Fiscal Years 1995 – 2002	
<u>Year</u>	<u>Amount</u>
1995	\$16,153,807
1996	17,002,906
1997	18,104,513
1998	19,726,217
1999	22,568,946
2000	25,540,280
2001	30,775,774
2002	33,200,000

Source: 1995 –2001 – Department of Education,
2002 – Revised Appropriations for Fiscal 2002

The same Educational Finance Officer responsible for operating aid is also responsible for monitoring, reviewing, and calculating data, and preparing reports for the determination of housing aid. A fiscal 2000 audit of this program by the state Bureau of Audits found “a lack of written procedures to document the steps followed” in this effort, and “no required review performed to validate the data compiled or the calculations by anyone other than the employee who is primarily responsible for them.” These deficiencies remained in fiscal 2002.

RECOMMENDATIONS

4. Prepare a written policy and procedures manual for both Operating and Housing aid.
5. Segregate the duties currently performed by the Educational Finance Officer by assigning approval responsibility to another individual in the Office of Finance.
6. Assign back-up responsibility for performing the calculation of aid and preparation of invoice vouchers to an individual in the Office of Finance capable of performing these duties in the absence of the Educational Finance Officer.

Auditee Views:

The department concurs with these recommendations.

CHARTER SCHOOLS

Charter schools are public schools authorized by the state to operate independently from many state and local rules and regulations, thereby having the ability to pursue innovative educational programs and meet specific student achievement goals in accordance with their charter. In Rhode Island, charter schools were established in 1995 pursuant to Section 16-77 of the General Laws (amended in 1998).

Only the Board of Regents can grant charters based on the recommendation of the Commissioner of Elementary and Secondary Education or the local school committee where the charter school is to be located. Charters are awarded for up to five years and are subject to renewal for additional five-year periods. By law, applicants for charters are limited to the following groups:

- ❑ Existing public schools,
- ❑ Groups of public school personnel
- ❑ Public school districts,
- ❑ Rhode Island based non-profit institutions,
- ❑ Groups of public school districts,
- ❑ Rhode Island based colleges and universities.

The schools are funded with state and local assistance in accordance with the General Laws. The state retains 5% of the local district's per pupil cost for each student from the local district that is attending a charter school. This amount is paid to the local district to assist in covering indirect costs.

Funds are paid by the state on a quarterly basis in July, October, January and April. The July and October payments are based on the reported student enrollment of the charter schools as of the prior October 1 (or October 1 of the current school year for a charter school in its first year of operation). If the October 1 data discloses a 10% or greater increase or decrease in student enrollment from the preceding October 1, the third and fourth quarter payments will be adjusted to reflect actual student enrollment in the charter school.

Charter schools are self-governing and designed to be innovative and creative in their educational philosophies, but can be held more accountable for meeting student goals than district schools. Since the charter schools are publicly funded, they cannot charge tuition. Charter schools must be non-sectarian in their operations, and comply with all applicable federal and state laws and regulations prohibiting discrimination. The schools must be open to all students within the district who seek admission and must reflect the demographics of the district in which it is located. When the number of student applications exceeds the capacity of the school, admission is determined by lottery.

There are nine charter schools currently operating in the state:

Providence

Times 2 Academy
Textron/Chamber Academy
CVS Highlander Charter School
Paul Cuffee Charter School

Pawtucket

International Charter School
Blackstone Academy

South Kingstown

Kingston Hill Academy
Compass School

Cranston

New England Laborers/Cranston Public Schools Career Academy

RIDE coordinates the application and review process; applications must be submitted at least 10 months prior to the beginning of the school year. Applications must address certain specified issues, including a plan for governance, administration and operation of the school; identification of a building to house the school; a description of needed support services; and a description of enrollment services.

The approval process begins with an external review by a team consisting of teachers, parents and educators. Non-profit entities must submit financial data, also. Once a completed application is received, a 60-day comment period is provided during which time two public hearings are held in the district where the charter school is proposed to be located. After the public comment period, RIDE conducts an internal review. The Commissioner of Elementary and Secondary Education is required to make a recommendation to the Board of Regents within 90 days of the public hearing. If granted, the charter becomes effective on September 1.

Financing of Charter Schools

A federal program provides for start-up funding to charter schools. This funding had been capped at \$150,000; the limit was removed by the General Assembly in its 2002 session. During the application process, RIDE provides each applicant with \$20,000 of this funding. Once the applicant has been approved, the remaining funding becomes available. The funds are provided on a reimbursement basis to cover costs associated with the approved planning and implementation activities.

The amount of financial assistance provided to local districts is no longer determined by a formula involving the number of students in the district. Thus, sending districts are not penalized for those students attending charter schools; charter school students do not affect the amount of financial aid provided by the state. *In effect, the state pays the charter school on a per*

student basis, but maintains the local district at the same level even though the number of students attending charter schools reduces the local district's total enrollment. Unless a local school is completely converted to a charter school, local districts continue to operate the same number of public schools as before the charter school was established and incur the same costs. Obviously, local districts would be opposed to a reduction in their financial assistance resulting from charter school enrollments.

To determine the state's total costs for charter schools, we reviewed the actual payments for fiscal years 2000-2002, and the estimated costs for fiscal years 2003-2004. There were 2 charter schools in fiscal 2000, 3 in 2001, and 6 in 2002. RIDE expects 9 charter schools in both 2003 and 2004. Based on the data provided to us, we estimate the state will incur costs of over \$37 million during the five fiscal years from 2000-2004:

Fiscal Year	Total Amount
2000	\$ 2,940,341
2001	4,019,249
2002	6,400,719
2003	10,031,194
2004	<u>13,716,899</u>
Total	37,108,402

State law currently allows for 20 charter schools serving up to approximately 7,000 students. State costs would increase far beyond current expenditures if the maximum were to be reached. Before this occurs, we believe RIDE should confer with executive and legislative budget officials to determine whether the state can continue to fund charter schools under the current circumstances.

RECOMMENDATION

7. Determine whether the state should continue to fund charter schools under the present methodology, which results in funding students attending charter schools while maintaining the funding level of the local district sending the students to the charter schools.

Auditee Views:

The department believes that a policy decision will need to be made concerning whether to continue to count charter school students as part of their sending district census should a student enrollment based state aid funding formula be reinstated in the future.

Charter School Applications

RIDE coordinates the application and review process, and typically receives 3-5 applications annually. Applications must be submitted at least 10 months prior to the September 1 school year start date and must address certain requirements of the state statute. These include a plan for governance, administration and operation of the school; identification of a facility to house the school; description of support services; and description of enrollment services.

To determine whether the applications submitted for existing and proposed charter schools met the significant requirements of the statute, we interviewed the coordinator of charter schools at RIDE, determined that all applications had been submitted, and reviewed these applications.

First, we reviewed the applications for the six charter schools that were in operation in fiscal 2002. We found the following exceptions:

- ❑ 3 did not mention providing an annual report to the Commissioner, the local school committee, and the parents of the students.
- ❑ 3 did not identify the building to house the school
- ❑ 2 did not provide a copy of the approved bylaws.
- ❑ 3 received only preliminary approval for their financial plan from the Office of the Auditor General; one was not approved due to uncertainty regarding operating costs.

Next, we reviewed applications for 18 proposed charter schools. None of these were in operation as of June 2002. We found the following exceptions:

- ❑ 3 did not clearly define the education plan.
- ❑ 7 did not agree to provide an annual report.
- ❑ 13 did not identify a building to house the school.
- ❑ 3 did not describe the necessary support services to be provided by the district, such as transportation.
- ❑ 8 did not provide a copy of the approved bylaws, and 1 indicated the bylaws were yet to be determined.
- ❑ 5 needed to provide additional financial information, and 2 may not have provided necessary financial information.

These exceptions indicate that RIDE needs to strengthen its procedures to ensure that all significant requirements are met during the application process. We are especially concerned that financial information is not always provided timely (and is frequently incomplete), and that buildings to house the schools are not always identified. Financial information is critical to establishing the viability of the charter school, and building costs are a major component of operating expenses. Section 16-77-3 (i) of the General Laws requires the submission “not later than June 1 prior to the opening of the public charter school of the existence of an agreement, option for lease or purchase, lease agreement or purchase agreement ... for a facility in which the public charter school will operate in its first year of operation.” Despite this requirement, 2 of the 3 charter schools that opened in September 2002 did not submit this documentation by the required deadline and in fact were uncertain as to location until just before school opening.

Charter School Facilities

Our review of applications for charter schools determined that locating a facility to house the school was the most difficult requirement for applicants to meet. Three of the six existing charter schools did not identify a facility in their application, and 13 of the 18 applicants to establish charter schools in the future had not met this requirement.

We visited three charter schools during our audit and found that two (both in Providence) are in suitable facilities. One is in a new building constructed to meet the school’s requirements; a sponsor of the school guarantees the building loan. The second is in a leased facility that has been renovated to the school’s specifications. The third school is occupying three rooms in a former religious convent; it is not suitable for continued growth of the school. The school’s plans to add a grade each year are now in doubt due to the lack of a suitable site.

New applicants frequently stated that they would use temporary sites until permanent facilities were established. However, these temporary facilities were not always identified in the applications. One applicant stated it was considering two temporary locations, another mentioned a temporary building at an unknown site. One applicant indicated it expected to use an existing high school in the district; another mentioned a building to be leased by the local district for its use.

Identification of a permanent site in the application is critical to insuring that a suitable location that meets building and fire code specifications is to be used for housing the charter school. In addition, the cost of a facility is a significant component of a charter school’s operations; the financial aid received from state and local sources is frequently sufficient to cover personnel costs and instructional supplies and materials, only. For example, one charter school now in operation expects to incur a deficit of \$671,000 in fiscal 2003. This school expects to receive about \$8,900 per student in state and local aid; it estimates its costs-including its building lease-at about \$12,000 per student, for an expected enrollment of 215 students.

RIDE should withhold approval of a charter school application until the applicant identifies a suitable facility. If a building is to be leased, a signed lease document should be submitted. Evidence of ownership, such as a deed, should be made available for those facilities owned by the applicant or a sponsor of the applicant.

RIDE should require the submission of complete financial information and the identification of a building that meets all state and local requirements within the time frames specified within the general laws.

RECOMMENDATIONS

8. Strengthen procedures to ensure that all significant information required in the application process is submitted by entities proposing to establish charter schools.
9. Enforce the timeframes specified within the general laws regarding identification of a suitable location for the charter school.

Auditee Views:

The department disagrees with recommendation #8. The department believes that all statutorily required information is gathered during the application review process. The Department concurs with recommendation #9.

Section 16-77-3 (h) requires charter schools to “adhere to financial record keeping, reporting, auditing requirements, and procedures in the same manner as required of local public school districts”. Further, section 16-7-3 (i) requires charter schools “to have an annual certified audit in accordance with the same federal and state standards that are applicable to local public school districts.” While the statute provides for review of audit reports submitted by charter schools to be performed by the Office of the Auditor General, we note that the Office of Finance at RIDE now has a qualified person on staff who is capable of performing these reviews, also. We believe it would be efficient for this person to conduct these reviews as part of RIDE’s annual review of charter school performance. The results of this review should be provided to our office for any necessary action required by law.

RECOMMENDATION

10. Assign responsibility for reviewing audited financial statements of charter schools to the Office of Finance at RIDE.

Auditee Views:

The department believes it does not have sufficient personnel to take over the responsibility for reviewing audited financial statements of the charter schools.

Authorized Number of Charter Schools

State law limits the number of charter schools to no more than 20, serving no more than 4% of the state’s school age population. At least 10 of the 20 shall be reserved for charter schools designed to increase the educational opportunities for at-risk pupils. No more than 2

charters may be granted in a single school district, except that 4 charters may be granted in a school district with more than 20,000 students. Currently, only Providence meets this exception.

Providence has already reached the maximum number of charter schools it is allowed under the statute. As discussed previously, charter schools may be more viable in districts in which the state share is above 50%. The state share ratio in Providence is the highest in the state with the exception of the state-administered Central Falls district. Opportunities to establish charter schools may be greater in urban districts such as Providence than in other districts where the state share is less than 50% and a greater financial burden will be placed on the local district.

The goal of increasing the educational opportunities for at-risk students is also more likely to be achieved in an urban setting such as Providence. The fact that Providence reached its maximum number relatively quickly indicates that the potential may exist for additional charter schools to be established if the restriction is removed. We believe this should be pursued by the department as a means of furthering the charter school movement in the state.

RECOMMENDATION

11. Seek legislation to permit school districts with more than 20,000 public school students to have more than the 4 charter schools currently allowed.

Auditee Views:

The Department concurs with this recommendation.

ORGANIZATION OF RIDE

Three key support service functions at RIDE are each assigned differently in the current organizational structure dated October 16, 2001. Network and Information Systems is part of Support Services reporting to an Assistant Commissioner, Finance is assigned to Program and Field Services reporting to the Deputy Commissioner, and Human Resource Development reports directly to the Commissioner as part of the Commissioner's Staff. In addition, we noted that the Office of Equity and Access, while part of Support Services, has direct access to the Commissioner. The Chief of Staff at RIDE informed us that Finance is regarded as a field-support unit to the local school districts, and is grouped accordingly.

We believe a more efficient and effective structure would group these functions as part of the Commissioner's group, rather than spreading them throughout the organization. This would provide these functions with greater prominence in the department, and underscore their important and department-wide responsibilities.

Recent retirements in the department afford an opportunity to assign new responsibilities to existing personnel. This would also be an appropriate time to move the Office of Equity and Access into Human Resource Development, as two full time employees in the Office of Equity and Access have either recently retired or are scheduled to retire shortly. The combined staff of

six full time employees would be able to handle the existing workload as well as take on additional responsibilities. For example, we believe they could be assigned oversight for professional development, professional behavior and ethics, and the collection of time and effort data. This would also be an opportunity for RIDE to enhance its time reporting policy by developing standard timesheets using spreadsheet technology.

We previously discussed the need to assign back-up responsibility for performing the calculations of operating and housing aid to responsible personnel in the Office of Finance. There currently exists a vacancy in the Office of Finance for a specialist to conduct the INSITE program. This responsibility could be assigned to an existing employee of the Office of Finance, who has the professional certification and experience necessary to perform this function, in addition to her other duties. RIDE should assign back-up responsibility for this position, also.

Grouping the administrative functions together would also provide an opportunity to shift personnel as needed to meet existing needs. For example, there is a long-standing need for a Controller in the Office of Finance. Reassigning responsibilities among these administrative units could enable this position to be filled using existing resources. Similarly, as other retirements or personnel actions occur in the future, positions could be allocated as needed. For example, full time positions could move from Finance to Network and Information Systems to meet new responsibilities and requirements.

Our review found that the Office of Network and Information Systems lacks adequate staff resources with the required skills to support the types of systems used at RIDE. We note that the department is currently supporting 21 major applications, the majority of which will need to be replaced in the near future.

An outside consultant retained by RIDE reported in April 2002 that “a combination of lack of staff, outmoded applications, and non-integrated applications have made it difficult for RIDE IT to meet the ...information technology needs of the Department.” Furthermore, “the regular RIDE budget has limited funds for hiring technology support personnel, and it is difficult to retain qualified technical staff, so the technical support department is understaffed. However, there is an identified need for additional staff in targeted key skills.” The outside consultant identifies the needed staff as a database administrator, a webmaster/programmer, technical support personnel, and a junior Windows NT administrator. We concur with these comments concerning the lack of adequate technical support staff. We believe that RIDE management should perform a formal review of short and long term information technology staffing requirements.

RECOMMENDATIONS

12. Include the Offices of Finance, and Network and Information Systems as part of the Commissioner’s Group to increase efficiency and effectiveness within the department. Transfer the Office of Equity and Access to Human Resource Development.

13. Assign backup responsibility for performing the financial responsibilities of the INSITE program to responsible personnel within the Office of Finance. Reassign responsibilities to allow the position of Controller to be filled with existing resources.
14. Conduct a formal review of short and long-term information technology staffing requirements.

Auditee Views:

The Department does not believe the reorganization recommended in #12 would be effective. The department concurs with assigning backup responsibility for performing the financial responsibilities of the INSITE program but does not believe that the Controller's position can be filled with existing resources. The department concurs with conducting a formal review of information technology requirements and reports that the review is underway.

TEMPORARY PERSONNEL

In addition to full time employees, RIDE also hires temporary employees (known as PF-12s for the form used in the hiring process). The department has three categories of temporary employees:

- ❑ Positions that require uniquely skilled work for a specific task that is not permanent or long-term in nature;
- ❑ Short-term positions providing professional services in the summer, or working as interns;
- ❑ Positions that are longer term—at least six months and working at least 20 hours per week.

We requested and received a listing of temporary employees from the Office of Human Resources at RIDE. We matched this listing to the files maintained for temporary employees to ensure that the listing was complete; no exceptions were noted. Also, we selected one pay period during fiscal 2002 for each temporary employee and tested timesheets and payroll documents to determine whether these were properly authorized; again, no exceptions were disclosed. However, we did note that the PF-12 form did not indicate the number of hours per pay period the temporary employee was expected to work. This information should be part of the approval process to ensure the number of hours is appropriate and within budgetary limits.

During fiscal 2002, RIDE engaged 61 temporary employees. Of these, we found that 9 were performing uniquely skilled work for a specific task (the first category above), 10 were providing professional services during the summer (category 2 above), and 22 were longer term, at least six months (category 3).

Of the remainder, 7 were vocational education instructors administering a professional examination because no full time employee at RIDE had sufficient experience to perform the task, and 13 were performing clerical duties. Our review of the files for these 20 employees determined that the positions were requested due to a lack of staff to perform the work required. We believe that RIDE should review its job assignments for clerical personnel to determine whether hiring this many temporary clerical personnel is absolutely necessary, or whether reassignment of existing personnel could reduce the need for temporary personnel.

Also, we found that 26 of the 61 temporary employees had been at the department for longer than one year, and 17 of these 26 were professional (category 3) employees. This practice could place the state at risk if these employees were to claim parity with state employees for receiving benefits such as longevity pay, medical coverage, and pension credits. We note that the collective bargaining agreement between RIDE and the union representing professional employees already provides that category 3 personnel employed for more than six months receive one sick day for each month worked.

We reviewed temporary employee requests for fiscal 2001 to determine whether the Office of Finance at RIDE approved these requests on a timely basis. We found that 25 of the 52 requests were not approved by the Office of Finance prior to the employee's start date. This approval should always be secured early in the hiring process to ensure there are adequate funds available to support the position, and to review the necessity of the hiring.

We reviewed rates of pay for temporary employees to determine whether these are reasonable in relation to their assigned duties. We found the range of pay to be from \$9.00 per hour for clerical workers to \$165 per hour for persons administering a professional examination. Other rates of pay within the range included the following:

<u>Job Title</u>	<u>Hourly Rate</u>
Programmer	\$110
Communications Consultant	\$100
Systems Consultant	\$ 95
Educational Consultant	\$ 50

The Director of Human Resources informed us that she occasionally uses an outside consultant to advise on appropriate wage levels. We believe that RIDE should process these hirings through the state Division of Personnel to ensure that the wage levels paid are consistent with what other state agencies are offering. Positions that are long-term in nature—at least six months and at least 20 hours per week—should be referred to the state Division of Purchases to publicly request letters of interest from qualified vendors.

The State's procurement law (Section 37-2-59) requires public solicitations for consultant services reasonably expected to exceed \$20,000, and the awarding of contracts for such services

in accordance with the requirements for competitive sealed bids or through a selection committee, as appropriate.

We reviewed the hiring of temporary employees by the department to determine whether it could have reasonably expected that these individuals would have received in excess of \$20,000. We found that 16 individuals received compensation ranging from \$24,915 to \$96,900 in fiscal 2001. In fiscal 2002 these same 16 individuals received compensation ranging from \$34,665 to \$148,912.

We believe the department should comply with the state procurement law by referring to the Division of Purchases those consultant positions that are long-term in nature - at least six months and at least 20 hours per week - to publicly request letters of interest from qualified vendors or competitive bids as appropriate.

RECOMMENDATIONS

15. Indicate number of hours per pay period to be worked by temporary employees on Form PF-12.
16. Review the need for temporary clerical personnel. Determine whether job responsibilities of full time clerical employees can be revised to provide greater coverage.
17. Limit the period of time a temporary employee can be retained to eliminate any risk to the state.
18. Ensure the Office of Finance reviews all requests for temporary employees prior to the starting date of such personnel.
19. Process the hiring of short-term temporary personnel through the Division of Personnel to ensure wage levels are consistent with other state agencies.
20. Refer requests for those long-term temporary positions with compensation reasonably expected to exceed \$20,000 to the Division of Purchases to ensure public procurement procedures are followed.

Auditee Views:

The department considers recommendations #15,17,18 and 20 to be moot due to recent changes in the method of obtaining the services of temporary workers in State government. The department asserts that it has chosen to discontinue the use of Form PF-12 to hire temporary staff as a result of these changes.

Auditor Response:

We believe the department should institute these recommendations as part of its policies and procedures in the event that the Form PF-12 process is re-instituted in the future.

Auditee Views:

The department does not concur with recommendation #16 because it believes existing support staff are fully committed.

The department agrees with recommendation #19 as it applies to classified employees, but does not concur with respect to professional employees.

PROCUREMENT OF GOODS AND SERVICES

State departments are required by state purchasing regulations to request written approval from the state purchasing office for sole source procurements. The request must include an explanation of the type of procurement and the need for a particular supplier. Only the Division of Purchasing may approve sole source requests. After public notice and the bidding process/sole source approval take place, the agency must submit a purchase requisition to the state purchasing division. The state purchasing division issues a purchase order after ensuring that all requirements have been met (public notice, bidding or sole source documentation, vendor contract, etc.)

RIDE provided us with a listing of 16 purchase orders and cooperative agreements for amounts greater than \$100,000. We found two additional documents as we searched the files. The listing was extracted as of February 2002; some documents spanned more than one fiscal year.

The revised listing of 18 vendors included 13 vendors for which purchase orders were issued and five vendors for which cooperative agreements were issued. The listing included one purchase order processed by the Davies Vocational School. Since RIDE is not involved in either the administrative or fiscal process for Davies vendors, we did not examine documentation for this vendor.

We examined purchase orders for 12 vendors as well as supporting documents from the inception of the contract. Eleven of the documents we examined were executed in accordance with state purchasing requirements. These documents contained the appropriate signatures and evidence of a bid or documentation for sole source procurements.

Seven of the 12 purchase orders were sole source procurements. The types of services included a special education research project; a food safety program; financial analysis; teacher quality assessment; technology assistance; and materials, scoring and reporting for the statewide student assessment program. We question the prudence of sole source procurements, specifically the procurements for data analysis and technology assistance, as these services do not appear unique in nature.

One of the seven was a \$600,000 award for life-skills training mandated by the General Assembly. Although a bid is not required for legislative grants, the requisition and purchase order procedures should be followed. Furthermore, RIDE did not monitor this grant for compliance with grant guidelines once the funds were awarded.

With respect to the five vendors with cooperative agreements, we examined each cooperative agreement as well as supporting documents. We expected to find requisitions and purchase orders in addition to the cooperative agreements with state higher education agencies. We also expected to find either evidence of a public bidding process or documentation for sole source procurements.

Three of the five cooperative agreements were executed in accordance with state purchasing regulations. We found exceptions with two cooperative agreements that were undertaken with state higher education institutions: the National Center for Public Education (located at the University of Rhode Island) which provides data collection and analysis; and Rhode Island College, which provides educational services to special needs children. RIDE did not request approval from the state division of purchasing to procure these services on a sole source basis. RIDE neglected to follow state purchasing procedures for requisitions and purchase orders, also. According to section 9.3 of the purchasing regulations, “purchases of services from state higher educational institutions are subject to competitive review and require the submission of requisitions.”

RECOMMENDATIONS

21. Comply with state purchasing regulations with respect to the purchase of goods and services from state higher educational institutions.
22. Implement monitoring procedures for grants mandated by the General Assembly.

Auditee Views:

The department concurs with recommendation #21, and partially agrees with recommendation #22. The department proposes to monitor only those legislative grants in excess of \$300,000.

Once the purchase order is in place, RIDE may process vendor invoices for payment requests. We queried the state accounting system by vendor identification number for aggregate payments to vendors in excess of \$95,000 made during fiscal 2001. We examined selected payments made to 14 vendors for purchased goods and services and the legislative grant and found the following exceptions:

- ❑ Inconsistency in supporting documentation accepted by RIDE as sufficient. While some vendor invoices were very detailed, others simply contained a vendor invoice for “services rendered” with no itemized list of the services performed. Vendor invoices should contain a detailed description of the work performed along with an itemization of

the hours that are being billed. Furthermore, RIDE should request receipts for goods and services purchased by the vendor and charged to RIDE.

- ❑ No indication of a clerical check performed on vendor invoices. None of the vendor invoices we examined contained evidence of a clerical review. We examined all of the invoices submitted for one vendor during fiscal 2001. Of 12 invoices submitted, 5 were not itemized, and 5 of the remaining 7 contained errors amounting to a net overcharge of 68.75 hours. At the invoiced rate of \$85 per hour, the overcharge amounts to \$5,588.75.
- ❑ We question the necessity for RIDE to purchase certain supplemental services, especially in the absence of a supplemental service utilization plan. These include payments to the Coventry school department to act as a clearinghouse for professional development, and payments to the Rhode Island Skills Commission for professional development. In both instances, the funds are distributed back to the participating districts. This type of transaction should be evaluated to determine whether a RIDE employee could oversee these functions.
- ❑ We question the appropriateness of RIDE subsidizing a fund raising event to benefit a non-profit entity. While the underlying intention appears genuine, the commitment of state funds is questionable.
- ❑ We question the reasonableness of certain payments to vendors for charges such as:
 - ❑ including fringe benefits in addition to an hourly consulting fee;
 - ❑ \$85 per hour for copying and collating;
 - ❑ \$100 per hour for sorting and data processing.

RECOMMENDATIONS

23. Develop consistent standards for all vendors to follow with respect to the submission of invoices. The standards should include requirements for a detailed description of the work performed, itemization of the hours billed, and receipts for goods and services purchased by the vendor and charged to RIDE.
24. Verify the clerical accuracy of all vendor invoices prior to payment. Examine the overcharge identified above and request a refund from the vendor.
25. Identify those purchased services that may be performed by department staff.
26. Comply with state purchasing guidelines, which require state user agencies to submit a supplemental service utilization plan to the chief purchasing officer annually, at a date that coincides with the development of the state budget.
27. Discontinue the practice of sponsoring fund raising events.

Auditee Views:

The Department concurs with recommendations # 23, 24, and 26, but does not agree with recommendation #25 because it believes that FTE constraints placed upon the department make it necessary to contract for professional services with outside agencies. The department does not agree with recommendation #27 because it believes state policy allow for such events. The department also states it does not anticipate sponsoring this event in the next several years due to budget constraints.

Auditor Response:

We note that the department's response is directed toward state policy regarding state sponsored non-profit community service programs, such as the State Employees Combined Charitable Campaign, not for specific charitable organizations.

We examined selected payments (all payments greater than \$95,000) made to the University of Rhode Island during fiscal 2001. RIDE and URI have a cooperative agreement for data collection and analysis. As part of this agreement, URI is required to submit an annual progress report. Instead, URI submits copies of its accounting statements as documentation along with the request for payment. We were unsuccessful in locating progress reports. The Office of Finance at RIDE does not maintain the progress reports and referred us to the project coordinator. Our inquiry to the project coordinator did not result in a response.

We reviewed RIDE's agreement with URI/NCPE from the inception of the project in 1998 through 2002 in order to determine to what extent the specifications of the agreement have been achieved. The total amount budgeted for the five-year period totaled \$6.4 million. Project deliverables include the following:

- ❑ A system of data collection, analysis and reporting
- ❑ The development of an internal management information system
- ❑ A statewide student identification system
- ❑ An improved website
- ❑ Workshops and ongoing technical assistance

Since the internal transfer documentation does not include an itemization of the services rendered/goods provided, we were not able to identify the extent of the deliverables at any given point in time. However, as of the time of our fieldwork, we did not find evidence of the development of an internal management information system, a statewide student identification system, or an improved website.

RECOMMENDATION

28. Require monthly progress reports from vendors; monitor the progress of work performed on a more frequent basis; and track the progress against the expenditure of funds.

Auditee Views:

The department concurs with this recommendation.

The Director of Finance requests a work plan from each of the directors for support services, and program and field services. The directors are requested to provide a list of the activities performed, the projected cost and corresponding funding for each activity (federal and state) and the surplus or deficit (cost vs. funding) for a fiscal year period. The work plans are fairly general and do not include specific line items such as travel, supplies and capital equipment.

There is no centralized plan for the purchase of supplies and equipment. Each director is responsible for purchasing goods and services for their respective office.

RECOMMENDATIONS

29. Prepare detailed budgets, which include specific line items for personnel, operating, travel and capital equipment. Review adherence with the budgeted amounts periodically with each director.
30. Develop a centralized plan for the purchase of supplies, equipment and purchased services.

Auditee Views:

The department concurs with recommendation #29, but does not agree with recommendation #30 because it expects each director to exercise oversight for office spending.

CAPITAL PROJECTS

RIDE is responsible for supporting the infrastructure of state-owned educational facilities that house locally operated career and technical schools. The department is also responsible for all operating costs over \$300. Career and technical schools are located in the following districts: Charliho, Newport, East Providence, Providence, Woonsocket, Warwick, and Cranston. Each school serves neighboring districts. The sending districts reimburse the district in which the school is located.

According to documents furnished to us by the Department, on-going projects in fiscal 2002 include roof repairs; fire alarms and security systems; heating, ventilation and air conditioning upgrades; asbestos abatements; elevator upgrades; window and door repairs and replacements; additional program and office space; upgrading electrical systems; etc. RIDE estimates that these projects, which will be completed over a number of years, will cost in excess of \$16.8 million.

We selected four projects for review:

- ❑ Hazardous Material and Dust Collection Systems,
- ❑ Woonsocket Heating, Ventilation, and Air Conditioning replacement,
- ❑ Chariho Roof, Brick Veneer, and Window Replacement, and
- ❑ East Providence Heating, Ventilation, and Air Conditioning replacement.

Total expenditures for these four projects were \$427,514 in fiscal 2000, and \$544,488 in fiscal 2001. We reviewed the supporting documentation for these expenditures, and noted no exceptions.

The basic process for conducting these projects include determining project priorities, determining the scope of the project, preparing a capital budget, designing the project, the construction process, and project close-out. We noted that some projects take several years to complete, sometimes due to changes in the scope of the activity. For example, the Woonsocket HVAC project began in 1993 and was not completed until April 2001. The nature of the projects also can require that work be accomplished when school is not in session, during weekly school vacation periods or in the summer.

However, we believe that some of these delays are also attributable to the lengthy process required to conduct these projects and the lack of sufficient resources at RIDE available to accomplish this work on a steady and deliberate basis. Responsibility for these activities has also been frequently shifted to various units within the department. For example, in fiscal 2002 this responsibility was assigned to the Research, High School Reform and Adult Education unit. Following the recent resignation of the director of that unit, the responsibility was transferred to School Improvement and Accountability. Since this activity is more closely related to Finance and Administration, we believe the department should consider transferring the function (and related personnel) to the Office of Finance. Some of the procedures required during the process are routed through the Office of Finance, and transferring the responsibility will serve to tighten the process and reduce some of the time delays. The Office of Finance also routinely works with the Division of Purchasing and the Division of Accounts and Control at the state Department of Administration, both of which play a role in the development and conduct of capital projects.

We note that the regulations issued by the Board of Regents to govern Career and Technical Schools have not been revised since July 1990, although the document calls for a review of the policy and its implementation every five years. This would be an appropriate time to review this document and consider making necessary changes.

Long-term, we believe that RIDE should also consider transferring responsibility for this entire area to local districts, which may be better able to handle this type of work without confronting the delays sometimes inherent in the state system. Local districts would utilize bond funds or capital reserve funds to finance these capital projects. The state would subsequently reimburse the districts through the housing aid program. In recent years, the West Bay Career and Technical School in Coventry was transferred to the Town of Coventry. RIDE should use this experience as a guide in determining whether similar transfers would be effective in other local districts.

RECOMMENDATIONS

31. Consider transferring responsibility for capital projects within RIDE to the Office of Finance.
32. Revise the regulations governing the management and operation of Career and Technical Schools
33. Determine whether responsibility for capital projects at these facilities should be transferred to the local districts where the schools are located. These districts would be reimbursed by the State for capital expenditures through the Housing Aid program.

Auditee Views:

The department concurs with recommendations #32 and 33, but does not agree with recommendation #31 because it believes that plans for capital projects should be integrated with plans for curriculum and high school reform. Further, the Office of Finance does not have the resources to assume the program functions of capital projects.

ASSET PROTECTION

Government entities need to establish a properly functioning system of internal controls to insure that assets are safeguarded from loss or misuse. In order to test the internal controls over property and equipment at the department, we obtained a copy of the most recent listing of equipment. From this listing, we selected laptop computers for testing because of their value and mobility. With the assistance of RIDE personnel, we attempted to locate each of the laptop computers on the equipment listing.

The department's equipment listing contained 88 laptop computers. The results of our search for this equipment are summarized below:

Located	65
Unlocated	2
Duplicate listing	5
Surplus	9
Stolen	3
Listed without identification	2
Assigned to RIDE employee on Long-term sick leave	1
Property of other state agency	<u>1</u>
TOTAL	<u>88</u>

Each laptop should have a state property label containing a bar code affixed to it. However, two of the laptops we located did not have such a label, while another laptop had a different bar code number than that indicated on the department's equipment listing.

As indicated in the summary, five laptops were listed twice, and two were listed without any identifying information such as serial number and bar code number. Three laptops were reported as stolen, but the department was able to provide only one police report related to the theft of one laptop.

One laptop was included on the department's inventory listing but is actually assigned to another state agency. Our search also found one laptop in use that was not included in the equipment listing provided to us. The two missing laptops were assigned to a RIDE activity at a local district. Three were considered surplus but without documentation.

These results indicate that the department should improve its procedures for controlling equipment. Currently, a RIDE employee with other responsibilities maintains the equipment listing on an informal basis. We believe RIDE management should formally assign responsibility for maintaining this listing to its Office of Network and Information Systems. Responsibility for conducting a periodic physical inventory of equipment should be assigned to the Office of Finance.

We found there are no procedures to control the return of equipment when employees terminate from the department. RIDE should establish procedures to ensure all equipment assigned to an employee is returned before the employee departs.

We note that even after eliminating duplicate listings and other errors, the department has over 70 laptops. In addition, the equipment listing provided to us indicated the department has well over 100 personal computers. This equipment is assigned to the department's permanent employees, temporary employees, consultants and fellows. Some personnel have both a personal computer and a laptop assigned to them. We believe this is an appropriate time for the department to review the number and type of computers assigned to its personnel and others, and determine whether these assignments can be reduced. In the future, both the Office of Network

and Information Systems and the Office of Finance should approve requests for computers before such equipment is acquired.

RECOMMENDATIONS

34. Maintain an inventory of computers and other equipment.
35. Conduct periodic physical inventories of equipment.
36. Review the need for personal and laptop computers.
37. Require appropriate approvals before acquiring computer equipment.
38. Implement policies and procedures to ensure all equipment assigned to an employee is returned before the employee departs the department.

Auditee Views:

The Department concurs with these recommendations.

EXPENDITURES FOR FOOD

RIDE conducts a variety of meetings, conferences and training workshops (usually at various hotels in the area), and typically expends funds for food provided to attendees. During fiscal 2001, these expenditures totaled approximately \$208,000. We selected all vouchers in the amount of \$1,000 or more for testing; this yielded 47 vouchers totaling \$126,382 (60.6% of the total).

Of the 47 vouchers tested, 20 vouchers totaling \$59,946 represented instances in which RIDE paid for more meals than the number of attendees at the event. For example, the department paid \$7,305 for breakfast, lunch, beverages and snacks for 55 persons at a 4-day mentor conference; only 41 actually attended according to documentation supporting the payment voucher. On another occasion, the department paid \$3,966 for breakfast and lunch for 135 individuals at a teacher forum; only 84 attended. In addition, 12 vouchers totaling \$22,554 did not have adequate supporting documentation for the number of attendees.

We were informed that RIDE includes meals and refreshments in these events as an inducement to encourage attendance. However, the instances we noted in our audit seem to indicate that this policy is not effective and is costly. We believe RIDE should discontinue its policy of providing meals and refreshments at these events, and should utilize the facilities at the Shepard Building as the primary site for programs rather than hotels in the area. The Shepard Building has a snack bar on-site, and is centrally located to many restaurants in the downtown Providence area within easy walking distance.

RECOMMENDATIONS

39. Discontinue providing meals and refreshments at meetings, conferences, and training workshops.
40. Utilize the facilities at the Shepard Building rather than local hotels as a site for these events.

Auditee Views:

The department disagrees with recommendation #39 because it believes state policy allows for the purchase of light refreshments for volunteers, board and commission members and employees from other agencies providing assistance to the department.

Auditor Response:

Our concern centers on the significant amounts expended for food purchases, and the numerous instances cited in which the department paid for more meals than the number of attendees at the event.

The department partially agrees with recommendation # 40, but believes there will be instances in the future which will require the use of off-site locations.

INTERNAL DUPLICATION SERVICE

The department maintains an internal duplication service staffed by three full time employees. Duplication of more than 100 copies is performed by this service; less than 100 copies can be done on the various photocopiers located within the department. The service does black-and-white printing only as well as binding services. An outside contractor does color printing under a Master Price Agreement with RIDE. Other work done by outside contractors includes letterhead, envelopes, and business cards.

The Office of Finance annually allocates expenditures of this function to using divisions within RIDE. We tested this procedure and found no exceptions. However, we believe internal control over this process would be strengthened by processing these allocations monthly.

We noted that total expenditures for printing and binding to outside contractors totaled \$59,776 in fiscal 2001. We were informed that the decision to request color printing of documents is left to divisional directors at RIDE. These requests should be approved by the Director of Network and Information Systems and the Director of Finance at RIDE before the work is assigned to an outside contractor as a means of ensuring that color printing is essential and that funding is available.

RECOMMENDATIONS

41. Prepare adjustment vouchers on a monthly basis to allocate duplication service expenditures to those divisions within RIDE using the service.
42. Secure the approval of the Director of Network and Information Systems and the Director of Finance before assigning printing work to outside contractors.

Auditee Views:

The department concurs and proposes to allocate duplication costs quarterly and develop a justification and approval process for outside printing jobs.

AUDIT GUIDE FOR LOCAL SCHOOL DISTRICTS

The General Laws [section 16-60-4 (9) (x)] directs the Board of Regents “to adopt and require standard accounting procedures for local school districts.” We found that the most recent audit and accounting guide for local school districts was issued in July 1982. A letter sent to local school districts and their auditing firms in August 2001 indicated that RIDE was “planning a major review of the entire audit guide over the next few months.”

The multiplicity of accounting and auditing pronouncements and requirements that have been issued since 1982 by the Government Accounting Standards Board, the General Accounting Office, the Office of Management and Budget, and the American Institute of Certified Public Accountants, render the current guide significantly outdated.

Most local school districts are included as part of a city or town government for financial reporting purposes. Rhode Island municipalities are required to present their financial statements in accordance with generally accepted accounting principles as appropriate for governmental entities, have the audits performed in accordance with *Government Auditing Standards*, and also follow audit requirements of the federal government (OMB Circular A-133) when federal funds are involved. These accounting and audit requirements are known and are generally being followed by local governments, including local school districts. As such there is little practical need for all these accounting and auditing requirements to be reiterated in a guide for local school districts. Instead, RIDE should repeal the existing guide and issue a requirement that all local school districts prepare financial statements in accordance with generally accepted accounting principles appropriate for governmental entities and have audits performed in accordance with *Government Auditing Standards* and OMB Circular A-133 when federal funds are involved.

Specific accounting or auditing guidance for local school districts may be required for financial data collection that is specific to RIDE. For example, RIDE has implemented a computer-based system known as INSITE to present school district expenditures for analytical purposes. Since this data becomes a key component in the distribution of school aid to local districts, we believe RIDE should consider requiring local school districts to provide some level

of audit assurance on the INSITE data as part of their annual audit. This data is used for a variety of purposes including the formulas for the distribution of state and federal funds to local school districts. The previous data collection form used by RIDE (Form 31) was audited as part of the audit of the local school district. No similar audit assurance is provided on the INSITE data submitted by local school districts.

RECOMMENDATION

43. Update accounting and auditing guidance to local school districts by making reference to existing standards already followed in practice. Consider requiring local school districts to provide an appropriate level of audit assurance on the INSITE data as part of their annual audit.

Auditee Views:

The department concurs with this recommendation.

TEACHER CERTIFICATION

Chapter 16-11-1 of the General Laws requires that all educational personnel be properly certified prior to being employed in an educational position. The certification process at RIDE begins with a review of the applicant's college transcript as well as examination scores from either the National Teacher's Examination (effective from 1986 through 2000) or the Principles of Learning and Teaching Test (effective in 2000). If the applicant has not passed the required examination, RIDE issues a provisional one-year certificate. One exception is that individuals holding a valid certificate from a state included in the Interstate Certification Compact are not required to take an examination.

Individuals who do not pass the examination undergo a job performance review annually for 3 years during which time they receive annual *provisional certificates*. After this period, these individuals must apply for a professional five-year certificate. There is a \$25 fee for initial certification and renewal of a provisional certificate.

In order to receive a *professional certificate*, an individual must have completed six credits (six college credits or three college credits and three approved professional development credits) and three years of teaching in Rhode Island while holding a provisional certificate. Professional certificates may be renewed every five years upon completion of 9 credits (of which at least 6 must be graduate level course work in an area related to the certification), and verification of continued teaching experience in the area of certification. Teaching experience must be documented by the Superintendent of Schools and course work must be documented by official transcripts. The renewal fee is \$100.

Prior to 1984, an individual could apply for a *life certificate* with three years of teaching experience in Rhode Island and a master's degree or 36 graduate level credits. Subsequent to 1984, the individual must have six years of teaching experience and a master's degree. RIDE will no longer issue life certificates after 2004.

Other certificates issued by RIDE include the following, for which the fees range from \$10 to \$50:

Temporary Provisional: Issued only to vocational education teachers and school nurses who have satisfied minimum requirements. May be renewed upon completion of 6 semester hours of appropriate college credit toward the provisional certificate.

Special Provisional 1 year: Issued to individuals who have satisfied all requirements for the provisional 3-year certificate but have not passed the required examination. Such individuals will undergo a job performance review annually for 3 years during which time they will receive annual provisional certificates. After this period, these individuals must apply for a professional 5-year certificate.

Special Provisional 2 year: Issued to individuals who do not meet certification requirements but who need a certificate to hold or maintain a teaching position. For example, this certificate could be issued to an individual who has not satisfied the continuing educational requirement. This certificate does not apply to vocational education teachers and cannot be renewed.

Emergency: Issued only at the written request of the local appointing authority when the services of a certified candidate cannot be secured. Service is limited to the requesting school district. The individual must have a bachelor's degree. May be renewed annually upon completion of 6 semester hours of appropriate college credit.

Substitute: Issued to individuals who are interested in day-to-day assignments. May be renewed annually.

Emergency Substitute: Issued only at the written request of the local appointing authority when the services of a certified candidate cannot be secured. Service is limited to the requesting school district. The individual must have a bachelor's degree. May be renewed annually upon written request of the local appointing authority.

RIDE maintains a database of all active certified teachers, which numbered 13,155 at the time of our review. We randomly selected 50 teachers from this database to determine RIDE's compliance with the applicable requirements for teacher certification. We received 48 of the 50 files selected. The private storage facility responsible for these files could not locate two files. However, we did review the electronic file within the database, and found that both teachers hold life certifications according to the electronic file.

Our review of the remaining 48 files disclosed one exception involving a teacher who taught preschool special needs students for a period of 4 years without the required early childhood teaching certificate. We found two additional exceptions involving teachers who did not take the required National Teaching Examination.

We noted that although individuals have been required to take teaching examinations since 1986, RIDE would issue a teaching certificate whether or not the individual achieves a passing grade. One teacher in our sample did not pass the examination.

We noted also certain exceptions to stated policy regarding certification. One teacher was granted an extension of a provisional certificate for three years in order to complete the requirements for life certification. Another teacher was granted emergency certificates for four years while completing the requirements for professional certification.

The cost of professional certification is \$100 for a five-year period. This is not comparable to other professions, which typically require annual renewal of licenses or certificates, as well as higher fees. For example, the annual licensing fee for nurses is \$45. Fee increases would also make additional funds available for educational programs. The current fee, which averages \$20 annually, yielded \$219,949 in fiscal 2002 for the 13,155 currently active teachers. Modest increases would result in the following annual totals, using the same number of active professional certificates:

<u>FEE</u>	<u>AMOUNT</u>
\$ 50	\$ 549,850
\$100	\$1,099,700
\$150	\$1,649,550

We believe that RIDE should evaluate its recertification policy and implement a licensure policy and fee structure that is comparable to other professions.

RECOMMENDATIONS

44. Strengthen teacher certification procedures to ensure that all requirements are met.
45. Evaluate the policy regarding teacher recertification and implement a licensure policy and fee structure that is comparable to other professions.

Auditee Views:

The department disagrees with these recommendations. It believes that its current system is satisfactory to ensure that all requirements are met, and that the implementation of an online database will ensure that all requirements are met for certificate holders.

The department believes that alterations to the fee structure are unproductive unless the additional revenues are used to fund teacher recertification and professional development. The department is also actively engaged in a review of alternative routes to certification.

BACKGROUND INVESTIGATIONS

Individuals seeking employment with a local district or private school are required by Section 16-2-18.1 of the General Laws to undergo a national and state criminal background check, unless the applicant has been continuously employed by a local district during the past twelve months. Employees hired prior to August 1, 2001 are also exempt from the requirement.

Individuals apply to the Bureau of Criminal Identification (BCI) at the Department of the Attorney General. Fingerprinting is required as part of the process. The BCI will inform the applicant in writing of any disqualifying information discovered during the investigation. The BCI will also inform the local district that disqualifying information has been discovered, without disclosing the nature of such information. The BCI will also notify the applicant and the district when no disqualifying information has been found.

The local district is required to maintain evidence that criminal records checks have been initiated on all persons seeking employment subsequent to July 13, 1998, and the results of those checks. This information is subject to inspection by RIDE.

The statute currently requires a background check only when an applicant first applies for a teaching position. This would not disclose any criminal record of those hired prior to August 1, 2001, or those continuously employed by a local district over the past 12 months. We believe the statute should be revised to allow for more frequent background checks over the span of the teacher's career to ensure that RIDE and the local district are aware of any criminal activity which may disqualify a person from being employed as a teacher.

RECOMMENDATION

46. Seek changes to the appropriate statutes to allow for more frequent background checks of school personnel.

Auditee Views:

The department concurs with this recommendation.