

**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS,
OFFICE OF JUVENILE JUSTICE AND DELINQUENCY
PREVENTION
GRANT AWARDED TO CHICAGO PUBLIC SCHOOLS
CHICAGO, ILLINOIS**

U.S. Department of Justice
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Audit Division

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EXECUTIVE SUMMARY

The U.S. Department of Justice (DOJ), Office of the Inspector General (OIG), Audit Division, completed an audit of a \$1,200,000 grant awarded to the Chicago Public Schools (CPS). DOJ's Office of Justice Programs (OJP), Office of Juvenile Justice and Delinquency Prevention (OJJDP) awarded grant number 2009-JL-FX-0229 to CPS to support the Youth Engaged in Schools Scholars Initiative (YES Initiative). The goal of the YES Initiative was to target 300 high-risk 8th grade students as they transitioned to 3 selected high schools and provide these students with intensive support during their first year to improve their success rate for graduating from high school.

CPS is the third largest school district in the United States with 113,873 high school students during fiscal year 2012, which covered the period from July 1, 2011, to June 30, 2012. According to CPS, nearly half of its high school students fall behind in school and drop out because of violence, poverty, pregnancy, and other "real-life" factors. Graduation Pathways is one of CPS's programs developed to keep all students on-pace to earn a high school diploma and to ensure that every student graduates from high school. According to CPS, it has a diverse student population and, as a result, CPS established the Graduation Pathways program to keep students on-pace to earn a high-school diploma. The Graduation Pathways program also includes early intervention strategies to help high schools quickly respond to the needs of 9th grade students who display early signs of at-risk behavior.

The DOJ grant to CPS specifically targeted incoming 9th grade students at three high schools – Christian Fenger Academy High School, Dyett High School, and Richard T. Crane Technical Preparatory High School. The project included an after school transition program that: (1) addressed students' personal, career, and academic needs; (2) developed individual learning and career plans; (3) provided links to students' teachers and other school and initiative services; (4) provided students the opportunity to participate in career-related activities; and (5) enabled partners to address gang prevention, career development, and dropout prevention. The award also supported dedicated transition specialists to guide, support, and monitor freshmen and their families as they moved from 8th grade into high school and throughout their freshmen year.

The objective of our audit was to review performance in the following areas: (1) program performance and accomplishments; (2) accounting and internal controls; (3) grant drawdowns; (4) budget management and control; (5) grant expenditures, including personnel and indirect costs; and (6) grant reporting,

including federal financial reports and progress reports. We determined that program income, property management, local match, and oversight of sub-grantees and contractors were not applicable to this grant.

As of April 3, 2013, the grantee had drawn down \$1,004,331 and had recorded expenditures of the same amount in its grant accounting records. We examined CPS's accounting records, required financial and progress reports, and operating policies and procedures. We also tested \$79,699 of the CPS's total grant-related expenditures. During this review, we identified several weaknesses in CPS's grant expenditures and grant management, as follows:

- We identified indicators of supplanting related to CPS's use of grant funds for credit recovery, an existing local program. Although CPS had budgeted and used its own funds from as early as 2009 through 2012 for this program, in 2013 it appears that CPS used the DOJ grant funds rather than using its own funds that it had previously budgeted for that purpose.
- The grantee did not receive official OJP approval to change the scope and objectives of the project. Consequently, CPS expended funds for activities different than described in the original grant application without express OJP approval.
- Although the financial activity reports were filed on a timely basis, six of the seven progress reports were filed between 1 and 73 days late.

Our report contains three recommendations to address the preceding issues, which are discussed in detail in the Findings and Recommendations section of the report. Our audit objective, scope, and methodology are discussed in Appendix I of the report.

TABLE OF CONTENTS

INTRODUCTION	1
Background	1
Our Audit Approach	3
FINDINGS AND RECOMMENDATIONS	4
Program Performance and Accomplishments	4
Accounting and Internal Controls.....	8
Grant Drawdowns.....	9
Budget Management and Control	9
Grant Expenditures.....	10
Grant Reporting	14
Views of Responsible Officials	16
Recommendations.....	16
APPENDIX I: OBJECTIVE, SCOPE, AND METHODOLOGY	17
APPENDIX II: SCHEDULE OF DOLLAR-RELATED FINDINGS	19
APPENDIX III: AUDITEE RESPONSE.....	20
APPENDIX IV: OFFICE OF JUSTICE PROGRAMS RESPONSE	22
APPENDIX V: OFFICE OF THE INSPECTOR GENERAL ANALYSIS AND SUMMARY OF ACTIONS NECESSARY TO CLOSE THE REPORT	25

INTRODUCTION

The U.S. Department of Justice (DOJ), Office of the Inspector General (OIG), Audit Division, completed an audit of a \$1,200,000 grant awarded to the Chicago Public Schools (CPS). DOJ's Office of Justice Programs (OJP), Office of Juvenile Justice and Delinquency Prevention (OJJDP) awarded grant number 2009-JL-FX-0229 to CPS to support the Youth Engaged in Schools Scholars Initiative (YES Initiative). The goal of the YES Initiative was to target 300 high-risk 8th grade students as they transitioned to 3 selected high schools and provide these students with intensive support during their first year to improve their success rate for graduating from high school. As shown in Figure 1, OJJDP administered the CPS grant from August 2009 to August 2013.

FIGURE 1. OJJDP GRANT AWARDED TO CPS

AWARD NUMBER	AWARD START DATE	AWARD END DATE ¹	AWARD AMOUNT	OBJECTIVE ²
2009-JL-FX-0229	08/01/2009	08/30/2013	\$1,200,000	To provide a 15-percent improvement in the on-track (graduation) rate among program participants versus non-participants with similar risk factors.

Source: Office of Justice Programs

Background

OJP's mission is to increase public safety and improve the administration of justice across America through innovative leadership and programs. OJP seeks to accomplish its mission by disseminating state-of-the-art knowledge and practices across America by providing grants for the implementation of these crime-fighting strategies. To support this mission, OJJDP assists local community endeavors to avert and react to juvenile delinquency and victimization. OJJDP aims to improve the juvenile justice system and its policies so that the public is better protected, youth and their families are better served, and offenders are held accountable. The office also supports many research, program, and training initiatives; develops priorities and goals and sets policies to guide juvenile justice issues; disseminates

¹ This date includes a no-cost extension approved by OJP.

² CPS officially requested and OJP approved a budget modification for the YES Initiative program during the 2012-2013 school year to use grant funds to provide credit recovery and mentoring services to off-track students that qualified under the existing grant terms. However, CPS also changed the objective and scope of the YES Initiative by reducing the number of participating schools and focusing on services for non-incoming freshmen students. CPS did not request approval for this change in objective and scope in an official Grant Adjustment Notice. These approved and unapproved changes in project budget, scope, and objective are discussed in the Program Performance and Accomplishments section of this report.

information about juvenile justice issues; and awards funding to states to support local programming nationwide.

CPS is the third largest school district in the United States. During fiscal year (FY) 2012, CPS had 404,151 students enrolled, of which 113,873 were high school students.³ According to CPS, nearly half of its high school students fall behind in school and drop out because of violence, poverty, pregnancy, and other “real-life” factors. As a result, CPS established the Graduation Pathways program to keep its diverse student population on-pace to earn a high-school diploma. Graduation Pathways program personnel work with CPS high schools to provide students with an array of academic services to help students stay in school and graduate from high school. These services help CPS high school administrators identify and assist “high-risk” students who need extra support during their freshman year to prevent those students from dropping out of high school. In addition, individuals from the Graduation Pathways program work with CPS high schools to offer students flexible options for credit recovery, including evening and virtual classes. CPS’s credit recovery program is a mechanism to assist students who are off-pace for graduation. This program allows students to gain credits in a variety of settings and times that best fit the needs and schedules of the students.

CPS managed the DOJ-funded YES Initiative grant project through its Graduation Pathways program. As previously mentioned, the goal of the YES Initiative was to identify and assist a total of 300 incoming freshmen students who were at risk for not graduating from high school. As described in the grant application, the YES Initiative was designed to target 50 incoming freshmen students at 3 CPS high schools in 2 school years. The plan included appointing dedicated transition specialists to guide, support, and monitor the freshmen students and their families as they moved from 8th grade into high school and throughout their freshmen year. In addition, the YES Initiative was to provide these students with an after school transition program that: (1) addressed the students’ personal, career, and academic needs; (2) developed individual learning and career plans; (3) provided links to the students’ teachers and other school and initiative services; (4) provided students the opportunity to participate in career-related activities; and (5) enabled partners to address gang prevention, career development, and dropout prevention. The program, as laid out in the grant application, did not include continued support to students after their freshmen year.

Beginning in August 2010, CPS implemented the YES Initiative at three high schools: (1) Christian Fenger Academy High School (Fenger), (2) Dyett High School (Dyett), and (3) Richard T. Crane Technical Preparatory High School (Crane). CPS selected these three high schools because they were among the schools in greatest need in the city, with low on-track and graduation rates, high violence and suspension rates, and large numbers of court-involved students. In addition, these schools were rated as poor performers and placed on probation, and

³ CPS’s fiscal year begins on July 1st and ends on June 30th, while its school year runs from approximately the end of August to the beginning of June.

CPS was working to improve these schools' ability to provide high-quality instruction to students.

In FY 2013, CPS changed the scope of the project by focusing on students from Crane and Dyett high schools that were already in the YES Initiative and providing them with credit recovery instruction. This change in scope occurred because these two schools were slated to be closed and were not accepting incoming freshmen students. However, CPS did not submit to OJP an official request to change the scope and objective of the YES Initiative. The Program Performance and Accomplishments section of the report provides more detail about this unapproved change in scope.

Our Audit Approach

We tested compliance with what we consider to be the most important conditions of the grant. Unless otherwise stated in our report, the criteria we audit against are contained in the OJP Financial Guide, the Code of Federal Regulations, Office of Management and Budget (OMB) Circulars, and the award documents. We tested the grantee's:

- **Accomplishment of Grant Requirements and Objectives** to determine if the grantee met or is capable of meeting the grant's objectives and whether the grantee collected data and developed performance measures to assess accomplishment of the intended objectives.
- **Accounting and Internal Controls** to determine whether the grantee had sufficient accounting and internal controls in place for the processing and payment of funds and controls were adequate to safeguard grant funds and ensure compliance with the terms and conditions of the grant;
- **Grant Drawdowns** to determine whether grant drawdowns were adequately supported in accordance with federal requirements;
- **Grant Expenditures** to determine the accuracy and allowability of costs charged to the grant;
- **Budget Management and Control** to examine the amounts budgeted and the actual costs for each approved cost category and determine if the grantee deviated from the approved budget, and if so, if the grantee received the necessary approval; and
- **Federal Financial Reports (FFR) and Progress Reports** to determine whether the required reports were submitted on time and accurately reflected grant activity.

We also performed limited work and confirmed that CPS did not generate or receive program income, did not purchase accountable property, was not required to contribute any local matching funds, and did not oversee any sub-grantees or contractors. We therefore performed no testing in these areas.

FINDINGS AND RECOMMENDATIONS

We determined that CPS fulfilled the initial goals of the grant program by providing transition support for over 350 at-risk incoming freshmen students from 3 high schools during years 1 and 2 of the grant. However, we found that CPS did not submit its progress reports in a timely manner. In addition, we found that CPS did not have proper authorization to change the scope and objective of the project and expended funds for credit recovery services during year 3 of the grant. Credit recovery was not part of the original grant application, and CPS did not clearly explain the planned change in scope and request an official Grant Adjustment Notice from OJJDP, as required. Instead, CPS reported the changes in its progress reports, and the CPS officials thought that this notification method was sufficient. In addition, the grantee may have violated the non-supplanting requirement because it ceased spending its own budgeted funds for credit recovery and instead used grant funds for this expense. As a result, we question \$17,728.

We performed audit work at CPS's main office in Chicago, Illinois, where we interviewed key CPS personnel to obtain an understanding of the accounting system and tested a sample of grant expenditures. We reviewed the criteria governing grant activities, including the OJP Financial Guide, relevant OMB Circulars, and the Code of Federal Regulations. In addition, we reviewed grant documents, including the application, award, budgets, and financial and progress reports.

Program Performance and Accomplishments

In order to determine if CPS met the goals of the YES Initiative, we reviewed the original grant application and supporting documentation. We also interviewed CPS officials and the OJJDP Grant Manager. In addition, we reviewed the OJP Financial Guide, which states that changes to the scope of the award require the grantee to initiate a Grant Adjustment Notice (GAN). These modifications requiring a GAN include changes in scope, duration, activities, or other significant areas.

In its application for OJJDP grant funding, CPS identified that through the YES Initiative it would target at-risk incoming 9th-grade students to assist them during their transition to high-school and throughout their freshman year to enable these students to stay on-track to graduate. CPS maintained that research and district experience showed that 9th grade was the most critical and influential juncture in high school students' academic success and decision to stay in school. Although CPS provided these services to 9th grade students during the first 2 years of the initiative, during the third year of the YES Initiative CPS changed its focus to offering credit recovery to students who were former YES Initiative participants and beyond the 9th grade. The following sections provide the results of the OIG's

detailed analysis of CPS’s YES Initiative performance and accomplishments and the grantee’s actions related to changing the focus of its DOJ-funded activities.

Original Grant Application Scope and Objectives – Grant Years 1 and 2

Through the YES Initiative, CPS planned to focus on 300 high risk 9th grade students from 3 selected high schools to provide them with intensive 8th to 9th grade transition support to keep them on-track during their freshman year. CPS identified that a key predictor of a student’s ability to graduate is ascertained when a student falls off-track during their first year of high school. According to the CPS grant application, the primary objective of the YES Initiative was to provide a 15-percent improvement in the on-track graduation rate among CPS students in the YES Initiative versus CPS students with similar risk factors that did not participate in the program. The on-track measure indicates what percentage of students achieved the credits necessary during the first semester of their freshmen year to remain on-track for graduation. To accomplish its goal, CPS hired dedicated transition specialists to guide, support, and monitor freshmen and their families as the students moved from 8th grade into high school and throughout their freshmen year.

CPS provided the OIG with statistics for school years 2010-2011 and 2011-2012. The statistics showed improvements made by YES Initiative participants versus the non-participants at the three participating schools. The CPS-generated statistics are shown in Figure 2 below. We obtained all of CPS’s data used to compile these statistics, and we verified that the percentages were correct.

FIGURE 2. YES INITIATIVE OUTCOMES – INCOMING FRESHMEN

	YES INITIATIVE PARTICIPANTS	NON-PARTICIPANTS	IMPROVEMENT PERCENTAGE
2010-2011 SCHOOL YEAR			
All Students On-Track Rate	63%	31%	32%
High Risk On-Track Rate	57%	36%	21%
2011-2012 SCHOOL YEAR⁴			
All Students On-Track Rate	71%	69%	2%
High Risk On-Track Rate	64%	45%	19%

Source: CPS

CPS provided services to 188 incoming freshmen during the 2010-2011 school year.⁵ According to CPS data, of the 188 YES Initiative participants, 63 percent were on track to graduate high school, while only 31 percent of the 364 CPS students with similar circumstances were on track to graduate high school.

⁴ This percentage excludes 25 students for which CPS did not have sufficient data to analyze the on-track rate. Of these 25 students, 12 were identified in the high-risk category; therefore, the high-risk on-track rate excludes these students.

⁵ The grant was awarded in September 2009. Because the CPS begins classes in August, it was too late for CPS to use the grant funding during the 2009-2010 school year.

CPS also compared the rates of 110 and 149 YES Initiative students and non-participating students, respectively, and found that there was a 21 percent on-track improvement for students in the YES Initiative. In its grant application, CPS identified that its goal for the YES Initiative was to improve the on-track graduation rate of the YES Initiative students by 15 percent. Therefore, during the first year of the program, the CPS statistics indicated that CPS reached its goal because it had a 32-percent increase in the on-track rate for all YES Initiative participants and a 21-percent increase in the on-track rate for the high-risk freshmen program participants.

During the second year of the YES Initiative (the 2011-2012 school year), CPS provided services to 207 students. However, of these 207 students, only 168 were incoming freshmen because the YES Initiative services were offered to students who were beyond the freshmen year. According to CPS data, 71 percent of the incoming freshmen in the YES Initiative were on track to graduate in comparison to 69 percent of non-participants. This was only a 2 percent on-track improvement rate, which does not meet CPS's goal of 15 percent. However, CPS identified 59 of the 168 YES Initiative participants as high-risk students. When CPS evaluated the percentage of these students, they found that there was a 19 percent on-track improvement rate as compared to non-participants.

Change in Program Scope and Objectives – Grant Year 3

In April 2012, CPS identified that it had not used all of its grant funds and submitted a GAN to request a no-cost extension and change the project period to end on August 30, 2013, instead of July 31, 2012. CPS also submitted a GAN in April 2012 to modify the budget, and this budget modification GAN indicated that CPS would use grant funds, under the existing terms of the grant, to provide credit recovery and mentoring services to 9th and 10th grade students who were not on-track to graduate on-time. OJP approved these GANs in May 2012 and April 2012, respectively.

However, we found that CPS did not initiate a change in scope GAN for the YES Initiative modifications made during the extended third year of the grant, as required by the OJP Financial Guide.⁶ During the 2012-2013 school year, CPS changed the scope of the project to include only two high schools (Dyett and Crane) instead of three high schools. We asked CPS officials why Fenger was excluded from the YES Initiative program in the third year of the grant, as it was one of the original three high schools participating in the program. CPS officials stated that after receipt of the grant, Dyett and Crane were slated for closure and Fenger was the only original participating high school that would continue to accept freshman students. CPS officials held telephone conversations with the OJJDP project manager about transitioning the program to other CPS schools that were not slated for closure. However, CPS officials explained that based on these conversations, they were under the impression that CPS was not allowed to work with schools

⁶ During the first 2 years of the grant, CPS did follow its plan as outlined in the grant application and implemented the YES Initiative to incoming freshmen at Crane, Dyett, and Fenger high schools.

outside of the original three schools selected to participate in the program. Therefore, instead of keeping the program running at Fenger, CPS decided to continue to work only at Crane and Dyett – the high schools slated for closure – because these schools would have similar structures.

Moreover, CPS began targeting students that were beyond the 10th grade and who were not on-track to graduate on-time by adding credit recovery classes and mentoring services. Although CPS identified in its April 2012 budget modification GAN that through the YES Initiative CPS would provide credit recovery services to students, it specified that it would follow the existing provisions of the grant, which did not include expenses for actual credit recovery classes. Under the existing grant provisions, CPS identified that it would provide mentoring services that might propose credit recovery activities for students. Therefore, the information provided by CPS in the budget modification GAN did not specifically identify the change in scope of providing more than credit recovery mentoring services, namely credit recovery classes.

When the OIG asked CPS officials why they did not submit a GAN to OJP for the change in project scope, they stated that CPS provided the change in scope and objective information to OJP through its progress reports, which they thought was a sufficient method of notification. The OIG reviewed CPS's progress reports and found that in Progress Report Number 6 (submitted August 2012), CPS reported to OJP that it was closing two of the three high schools initially included in the program (Crane and Dyett high schools). As a result, CPS identified in the progress report that it would not be enrolling any more freshmen in these high schools, and CPS could not use the grant funds as originally intended. CPS described how it would instead implement a scaled back version of the YES Initiative and focus on demoted sophomores and putting students in a position to be on track to graduate.

In Progress Report 7 (submitted February 2013), CPS reported its inclusion of providing credit recovery classes to students participating in the YES Initiative. CPS also reported in this document that it had informed OJP through a GAN that two high schools participating in the YES Initiative were to be closed, and CPS was not enrolling incoming freshmen for those high schools. However, our review of the GANs did not find any mention of the two schools being closed and, therefore, not having incoming freshmen.

In our opinion, the information provided in the approved budget modification and no-cost extension GANs was not sufficient for OJJDP to clearly understand the change in objective and scope. The GANs submitted by CPS did not clearly indicate that the program was being modified from providing transition and mentoring services to incoming freshmen at three different schools to providing on-going assistance (including credit recovery classes) to existing program participants beyond their freshman year from only two of the original three participating schools. Although CPS provided more in-depth information to OJP through its Progress Reports, this does not follow the requirement of the OJP Financial Guide to submit a GAN. The OJJDP Grant Manager verified that the information submitted

by CPS in the Progress Reports and budget modification GAN was not sufficient notification for the change in scope and objective of the project.

We also found that CPS's submissions to OJP did not provide any performance goals for the newly offered services or the number of students who CPS expected to aid during the third year of the YES Initiative. The justifications also did not describe the totality of the services that would be provided to the existing students. As a result, we cannot make a determination if CPS's accomplishments were adequate for the third year of the grant.

Therefore, to be in compliance with the OJP Financial Guide, we believe that CPS should have submitted a GAN to request a change in scope and objective for the additional third year. CPS should have also provided OJJDP with new performance measures and formal statistical data on the number of students who received credit recovery and the students' related on-track rates because these were the added services for the third year.

Accounting and Internal Controls

According to the OJP Financial Guide, grant recipients are required to establish and maintain accounting and internal control systems to account accurately for funds awarded to them. Further, the accounting system should ensure, among other things, the identification and accounting for receipt and disposition of all funds, funds applied to each budget category included in the approved award, expenditures governed by any special and general provisions, and non-federal matching contributions.

We reviewed CPS's financial management system and its policies and procedures to assess CPS's risk of non-compliance with laws, regulations, guidelines, and terms and conditions of the grant. To further assess risk, we obtained an understanding of the reporting process, examined various grant accounting records and reports prepared by CPS, and interviewed CPS personnel regarding grant expenditures.

Financial Management System

The OJP Financial Guide requires grantees to establish and maintain a system of accounting and internal controls that adequately identifies and classifies grant costs. The system must include controls to ensure that funds and other resources are used optimally and expenditures of funds are in conformance with the general and special conditions applicable to the recipient. Further, the OJP Financial Guide states that grantees should establish and maintain program accounts that will enable, on an individual basis, the separate identification and accounting of the receipt and disposition of all funds and the application of all funds to each budget category included within the approved award.

We conducted a limited review of CPS's financial management system. Our review included interviewing personnel and observing accounting activities and

processes. The review indicated that the grantee properly classified grant costs by establishing and maintaining a unique grant identifier for all grant-related accounting activities. In addition, the internal operating procedures appeared to adequately identify established controls for separation of duties, system security, and multiple levels of approval for payments.

Prior Audits

According to the special conditions of the agreement, the OJP Financial Guide, and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations (OMB Circular A-133), any organization that expends \$500,000 or more in federal funds in the organization’s fiscal year is required to have a single organization-wide audit conducted. As shown in Figure 3, CPS’s expenditures of federal funds exceeded \$500,000 in FYs 2010, 2011, and 2012.

**FIGURE 3. CPS EXPENDITURES OF FEDERAL FUNDS
FYs 2010 THROUGH 2013**

FISCAL YEAR	2010	2011	2012
Total Federal Expenditures	\$1,859,845,137	\$2,427,120,698	\$1,817,040,308

Source: CPS’s Single Audit Reports

CPS had single audits conducted by an independent accounting firm for each of these fiscal years in accordance with the provisions of OMB Circular A-133. We found that these reports included 17 financial statement and federal award findings. Of the 17 findings, only 1 finding, which was a repeat deficiency that identified that CPS was not submitting required reports on-time, had an impact on our audit. We expanded our testing in this area during the course of our audit work, in part, as a result of this single audit finding. Our discussion of this finding is contained in the Grant Reporting section of this report.

Grant Drawdowns

We reviewed CPS’s process for requesting reimbursement from OJP for its grant-related costs to ensure that the requests were adequately supported by official accounting records and were in accordance with federal requirements. The OJP Financial Guide states that "Recipient organizations should request funds based upon immediate disbursement/reimbursement requirements." CPS’s Grant Accountant stated that drawdowns were based on actual expenditures. In our analysis of total drawdowns and CPS’s accounting records, we determined that as of April 3, 2013, CPS requested drawdowns that equaled total expenditures in the accounting records. Therefore, we concluded that CPS was in compliance with federal drawdown requirements.

Budget Management and Control

According to the OJP Financial Guide, a grantee may transfer funds between approved budget categories without OJP approval if the total transfers are

10 percent or less than the award amount. Requests for transfers of funds between budget categories of over 10 percent must be submitted to OJP for approval. We found that CPS did not exceed the 10-percent threshold.

Grant Expenditures

The OJP Financial Guide requires that expenditures be accounted for and adequately supported. CPS's approved grant budget is detailed in Figure 4.

FIGURE 4. CPS's APPROVED GRANT BUDGET AMOUNTS AND DESCRIPTION OF EXPENDITURES

COST CATEGORY	APPROVED REVISED BUDGET	DESCRIPTION OF PLANNED EXPENDITURES
Personnel	\$865,073	Salary support for 1 YES Initiative Project Coordinator; 3 Student Engagement Specialists; 1 Project Director; and school-based staff including, instructors, counselors, social workers, and psychologists
Fringe Benefits	188,966	Standard fringe benefits
Travel	15,860	Travel reimbursement for the YES Initiative Project Coordinator
Supplies	0	None planned
Contract/Consultant	0	None planned
Other	113,183	Curriculum and trainings, activities and materials, supplies, assessments, professional development, and student stipends
Equipment	0	None planned
Construction	0	None planned
Indirect Costs	16,918	Overall organizational costs not specific to the grant
FEDERAL FUNDS	\$1,200,000	
LOCAL MATCH	\$ 0	
TOTAL PROJECT COSTS	\$1,200,000	

Source: Office of Justice Programs and CPS

Of the \$1.2 million budget, 88 percent was associated with personnel costs, including the full salaries of the YES Initiative Project Coordinator and Student Engagement Specialists, as well as hourly payments to school staff for services related to the YES Initiative. In addition, we found that CPS used the grant funds to pay for travel expenses for the YES Initiative Project Coordinator, life skills training curriculum, student stipends for workforce trainings, activities and student

materials for projects, office supplies, student assessments, and professional development for 25 adults.

Direct Expenditures

We reviewed grant expenditures to determine if costs charged to the award were allowable, supported, and properly allocated in compliance with grant requirements. Of the total \$1,004,331 in expenses billed to the grant as of April 3, 2013, we selected for testing 25 transactions that totaled \$79,699. These transactions were judgmentally selected from CPS's general ledger, and the expenses included 10 payroll transactions, 5 fringe benefit transactions, and 10 transactions from the travel and other categories. We obtained and reviewed the invoices and available supporting documentation for the 25 expenditures charged to the grant. The tested expenditures associated with the YES Initiative were found to be accurate, supported, allowable, and allocable to the grant under federal rules, regulations, and guidelines with one minor exception discussed below.

We found \$493 in unsupported costs associated with travel reimbursements. CPS did not maintain adequate documentation for car fare that was reimbursed to the YES Initiative Project Coordinator under the travel account. During our audit, CPS provided receipts for \$455 of the total \$493 for this expenditure. However, the sample transaction was dated October 6, 2011, and CPS provided us with receipts that were dated: September 2010, October 2010, November 2010, and August 2011. In addition, we found that none of the receipts were signed and dated by the YES Initiative Project Coordinator. Moreover, the receipts were not approved by the Program Director, the Day-to-Day Operations Administrator, or the Chief Officer. CPS could not provide us with any additional supporting documentation for these expenditures because CPS's accounting department only maintains documents for expenses over \$500.

All other sample transactions that the OIG tested were adequately supported. We are not making a recommendation regarding the \$493 in unsupported costs because the amount of the exception was immaterial.

Indirect Cost Rate

We reviewed the CPS indirect cost documents included with the grant application. According to the indirect cost rate included with the grant application, the approved indirect cost rate was 1.43 percent of grant expenditures. We verified that CPS charged the correct indirect cost amount to the grant.

Supplanting

The OJP Financial Guide requires that grantees must use federal funds to supplement existing state and local funds for program activities and must not supplant funds that have been appropriated for the same purpose. During our audit, we reviewed CPS's budgets for the YES Initiative high schools to identify the potential for supplanting.

We found that CPS offered credit recovery to all of its students through the Graduation Pathways program and used grant funds in FY 2013 to provide additional credit recovery options to YES Initiative students at Dyett and Crane high schools. CPS did not expend DOJ grant funds on credit recovery classes at Fenger during the life of this grant.

CPS requires each of its schools to set their own budgets, which could include credit recovery classes. We reviewed the budgets for Dyett and Crane high schools to determine if CPS spent the full amounts planned for credit recovery classes during FYs 2009 through 2013, and this information is detailed in Figure 5.

**FIGURE 5. SUPPLANTING INDICATORS
CREDIT RECOVERY ANALYSIS⁷**

	DYETT	CRANE	TOTAL
FY 2009			
2009 CPS Credit Recovery Budget	\$180,196	\$73,334	\$253,530
Credit Recovery Expenditures – CPS Funds	154,940	76,007	230,948
Unspent CPS Funding for Credit Recovery	25,256	(2,674)	22,582
DOJ Grant Funds Spent for Credit Recovery	0	0	0
FY 2010			
2010 CPS Credit Recovery Budget	\$72,319	\$86,421	\$158,740
Credit Recovery Expenditures – CPS Funds	\$72,319	86,421	158,740
Unspent CPS Funding for Credit Recovery	0	0	0
DOJ Grant Funds Spent for Credit Recovery	0	0	0
FY 2011			
2011 CPS Credit Recovery Budget	\$29,560	\$40,830	\$70,390
Credit Recovery Expenditures – CPS Funds	29,631	40,847	70,478
Unspent CPS Funding for Credit Recovery	(71)	(17)	(88)
DOJ Grant Funds Spent for Credit Recovery	0	0	0
<i>Questioned Costs</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>
FY 2012			
2012 CPS Credit Recovery Budget	\$3,529	\$21,137	\$24,666
Credit Recovery Expenditures – CPS Funds	3,533	21,137	24,670
Unspent CPS Funding for Credit Recovery	(4)	0	(4)
DOJ Grant Funds Spent for Credit Recovery	0	0	0
<i>Questioned Costs</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>
FY 2013			
2013 CPS Credit Recovery Budget	\$38,350	\$15,218	\$53,568
Credit Recovery Expenditures – CPS Funds	35,840	0	35,840
Unspent CPS Funding for Credit Recovery	2,510	15,218	17,728
DOJ Grant Funds Spent for Credit Recovery	15,015	25,554	40,569
<i>Questioned Costs</i>	<i>\$2,510</i>	<i>\$15,218</i>	<i>\$17,728</i>

Source: CPS

Between FYs 2009 and 2012, CPS budgeted between approximately \$24,000 and \$250,000 of its own funds on credit recovery instruction for Dyett and Crane high schools, combined. Expenditures over this time period were between about \$24,000 and \$230,000 in CPS funds. CPS did not spend any DOJ funding on credit recovery during this time period, and CPS gradually reduced the amount spent on credit recovery each year following the award of the grant in 2009.

⁷ The exact amounts may be greater or less than the amounts shown due to rounding.

For FY 2013, CPS budgeted a combined total of \$53,568 at Dyett and Crane high schools for credit recovery instruction and only spent \$35,840, leaving a balance of \$17,728 in available local funds. At the same time, CPS charged the DOJ grant more than \$40,000 for credit recovery instruction. Although CPS increased the schools' budgets for credit recovery costs by over \$28,000 between FYs 2012 and 2013, CPS did not spend the additional budgeted amount and used DOJ grant funds to pay for credit recovery instruction. This use of grant funds for credit recovery classes in 2013 (the third year of the grant and during the extension period) is one of the changes that CPS made to its grant scope and objectives that was not clearly communicated to or approved by OJP. As a result, we question the unspent CPS funds of \$17,728 because it appears that CPS used DOJ funds rather than its own that it had budgeted and were available for this purpose.

We brought this issue to the attention of CPS officials. According to CPS accounting data, Dyett's adjusted FY 2013 budget for credit recovery was \$38,350 and Dyett spent \$35,840, which leaves a balance of \$2,510 of unspent funds. CPS officials explained that the unspent funds represent the difference between the estimated and actual hourly rate for the credit recovery teacher, which was not enough to fund an extra teaching position.

CPS officials also stated that Crane's FY 2013 budget included \$15,218 for summer school. However, these officials explained that the high school was closed for the summer due to construction, and Crane was unable to offer summer school credit recovery classes. As a result, Crane did not spend the budgeted \$15,218 for credit recovery costs. Nevertheless, we believe CPS should have expended its own budgeted funds for credit recovery costs at Crane and Dyett prior to charging the grant for these expenditures.

In conclusion, we question the unspent CPS funds of \$17,728, because CPS instead used its grant funds before exhausting its own funds budgeted for credit recovery purposes. Because CPS funds were available, it appears the grant funds were not used to supplement the CPS budget, as intended by the grant award terms and conditions.

Grant Reporting

The special conditions of the grant require that CPS comply with administrative and financial requirements outlined in the OJP Financial Guide and the requirements of OMB Circular A-133. The OJP Financial Guide requires that grantees submit both financial and program progress reports to inform awarding agencies on the status of each award. Federal Financial Reports (FFRs) should detail the actual expenditures incurred for each quarterly reporting period, while progress reports should be submitted semi-annually and describe the activities, obstacles, and achievements of the project supported by each award.

Federal Financial Reports

The OJP Financial Guide states that FFRs are due within 30 days after the end of the calendar quarter. We reviewed the last four quarters for which a FFR was required and determined that all of these reports were submitted within the required timeframe.

In addition, we tested the last four FFRs submitted by CPS that were submitted at the time of the OIG's on-site work and found that they accurately reflected the grant-funded expenditures recorded in CPS's accounting records.

Progress Reports

According to the OJP Financial Guide, Categorical Assistance Progress Reports are due semi-annually on January 30 and July 30 for the life of the grant. In addition, OJJDP requires the grant award recipient to include its Performance Data Report with the OJP Progress Report.⁸ Included in the Performance Data Report are items such as the numbers and percentages of: (1) programs, (2) youth and/or families served, (3) program staff completing training, (4) youth and/or families completing the program requirements, (5) school attendance, (6) grade point average, (7) youth satisfied with the program, (8) staff satisfied with the program, (9) youth who offend, and (10) youth who are victimized.

We reviewed the last four required progress reports at the time of on-site audit work and found that CPS submitted all of these reports late. As a result, we reviewed all of the progress reports on file at the start of the audit and found that CPS submitted six of the seven progress reports between 1 and 73 days late. Consequently, OJP withheld the grantee's funds six times throughout our review period until the reports had been filed.

FIGURE 6. TIMELINESS OF CPS PROGRESS REPORTS

REPORT No.	REPORT PERIOD	DUE DATE	DATE SUBMITTED	DAYS LATE
1	08/01/2009 to 12/31/2009	01/30/2010	04/13/2010	73
2	01/01/2010 to 06/30/2010	07/30/2010	10/01/2010	63
3	07/01/2010 to 12/31/2010	01/30/2011	01/25/2011	0
4	01/01/2011 to 06/30/2011	07/30/2011	08/14/2011	15
5	07/01/2011 to 12/31/2011	01/30/2012	01/31/2012	1
6	01/01/2012 to 06/30/2012	07/30/2012	08/28/2012	29
7	07/01/2012 to 12/31/2012	01/30/2013	02/22/2013	23

Source: Office of Justice Programs and CPS

⁸ To fulfill its responsibilities under the Government Performance and Results Act (GPRA), P.L. 103-62, OJJDP requires grantees to identify, collect, and submit performance data about their grants utilizing the OJJDP Performance Data Report.

According to CPS officials, the late submissions were caused by difficulties they experienced with submitting information through OJP's electronic system. CPS officials asserted that when submitting the progress reports, the OJJDP Data Performance Report would not always attach properly, and these officials would only find out that their submission was incomplete when OJP withheld funds. We believe that OJP should ensure that CPS implements formal procedures to ensure required reports are submitted in a timely manner.

Reliability of Progress Report Data

To test the reliability of progress report data, we reviewed the two most recent CPS progress reports and OJJDP performance data reports that were available at the time of on-site audit work. We reconciled the data within the performance data and progress reports with explanations from CPS officials. Our review of progress reports dated August 28, 2012, and February 22, 2013, disclosed that CPS provided services to at-risk freshmen students from January 2012 through June 2012 but did not provide services to any new incoming freshmen students from July 2012 through December 2012. This occurred because, as previously mentioned, two of the three schools chosen for the project (Dyett and Crane) were slated to be closed and did not have any incoming freshmen. As previously noted in the Program Performance and Accomplishments section, CPS chose to change the scope of the project in its third year by focusing on students from Crane and Dyett high schools that were already in the YES Initiative and providing them with credit recovery instruction as they progressed through their sophomore and junior years. As previously noted, CPS provided documentation to support the data submitted to OJP, and we were able to reconcile this information to the reports.

Views of Responsible Officials

We discussed the results of our review with grantee officials throughout the audit and at a formal exit conference and have included their comments as appropriate.

Recommendations

We recommend that OJP:

1. Require the CPS to submit a GAN that specifically identifies the change in the scope and objective of the grant for the third year and provide OJP with accomplishments related to the modified activities.
2. Remedy the \$17,728 in questioned costs related to the use of DOJ grant funds, rather than budgeted CPS funds, for credit recovery classes.
3. Ensure that the grantee implements procedures to submit progress reports in a timely manner.

OBJECTIVE, SCOPE, AND METHODOLOGY

The purpose of this audit was to determine whether reimbursements claimed for costs under the grant were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grant, and to determine program performance and accomplishments.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Our audit concentrated on, but was not limited to, the inception of the grant on September 16, 2009, through April 23, 2013. This was an audit of grant number 2009-JL-FX-0229 awarded to the Chicago Public Schools of Chicago, Illinois, (CPS), for \$1,200,000. In conducting our audit, we reviewed Federal Financial Reports and progress reports and performed testing of grant expenditures, including reviewing supporting accounting records. We judgmentally selected a sample of expenditures, along with a review of internal controls and procedures for the grant that we audited. Judgmental sampling design was applied to obtain broad exposure to numerous facets of the grant reviewed, such as dollar amounts, expenditure category, and risk. This non-statistical sample design does not allow for projection of the test results to all grant expenditures or internal controls and procedures. In total, the grantee had drawn down and expended \$1,004,331 as of April 3, 2013. We judgmentally selected 25 transactions, which included 10 payroll transactions, 5 fringe benefit transactions, and 10 transactions from the travel and other categories. These transactions totaled \$79,699.

The objective of our audit was to review performance in the following areas: (1) program performance and accomplishments; (2) accounting and internal control environment; (3) grant drawdowns; (4) budget management and control; (5) grant expenditures, including personnel and indirect costs; and (6) federal financial reports and progress reports. We determined that program income, property management, local matching costs, and the monitoring of sub-grantees and contractors were not applicable to this grant.

We performed limited testing of source documents to assess the timeliness and accuracy of FFRs, reimbursement requests, expenditures, and progress reports; evaluated performance to grant objectives; and reviewed the grant-related internal controls over the financial management system. We tested invoices as of April 18, 2013. However, we did not test the reliability of the financial management system as a whole and reliance on computer-based data was not significant to our objective. We reviewed the grantee's Single Audit Reports, which were prepared under the provisions of Office of Management and Budget Circular A-133. We reviewed the independent auditor's assessments and found one noncompliance issue that was directly related to CPS programs and affected our

audit. As a result, we expanded our testing to 100 percent in the area of reporting to check for timeliness deficiencies.

SCHEDULE OF DOLLAR-RELATED FINDINGS

Description	Amount	Page
Questioned Costs ⁹		
Unspent CPS funds for Credit Recovery Instruction	\$17,728	13-14
NET QUESTIONED COSTS.....	\$17,728	
<hr/>		
TOTAL NET DOLLAR RELATED FINDINGS.....	\$17,728	

⁹ **Questioned Costs** are expenditures that do not comply with legal, regulatory, or contractual requirements; are not supported by adequate documentation at the time of the audit; or are unnecessary or unreasonable.

AUDITEE RESPONSE



Office of the Chief Financial Officer • 125 South Clark, 14th Floor • Chicago, Illinois 60603
 Telephone: 773-553-2700 • Fax: 773-553-2701

April 16, 2014

Carol S. Taraszka
 Regional Audit Manager
 Chicago Regional Audit Office
 Office of the Inspector General
 U.S. Department of Justice
 500 West Madison Street, Suite 1121
 Chicago, Illinois 60661

Dear Mrs. Taraszka,

Chicago Public Schools (CPS) has reviewed the Audit of the Office of Juvenile Justice and Delinquency Grant and agrees with the recommendations regarding the submission of a new GAN and process changes to ensure timely submission of performance reports. We respectfully disagree with the recommendation regarding the questioned costs related to the use of grant funds for credit recovery. Below is the specific response to each Audit Report recommendation.

Recommendation 1: Submit a Revised GAN

CPS will submit a GAN that specifically identifies the change in the scope and objective of the grant and provide OJP with accomplishments related to the modified activities. The original scope of the project included providing supports to incoming Freshmen. However, during year three of the grant, two of the participating schools were being phased out as part of the school closing process. As a result, the schools did not have any incoming Freshmen to serve during year three of the grant. In consultation with the Federal Project Officer, CPS determined to use the grant funds in year 3 of the grant to provide Credit Recovery to upperclassmen because there were no Freshmen to serve. While a revised GAN was not submitted, CPS did discuss the change with the Federal Project Officer and included the progress on the changes in our semi-annual progress reports. The former Federal Project Officer is no longer assigned to the Grant. CPS is working to identify the new OJP contact for the grant and will work with this individual to complete a GAN for the scope of services provided in year three of the grant.

Recommendation 2: Remedy \$17,728 in Questioned Costs

CPS is not in agreement with the questioned costs. As explained in the audit report, there were two factors that contributed to spending grant funds before expending all of CPS's budgeted funds on Credit Recovery. The first is the remaining \$2,510 of

unspent funds at Dyett. The unspent funds are the result of a difference between the projected and actual cost of the Credit Recovery instructor. We could not use the \$2,510 of unspent budget at Dyett because it was not enough funding to pay for a credit recovery teacher for the YES program.

The \$15,218 in unspent budget at Crane was the result of the school not implementing summer school due to construction during the summer. Due to funding restrictions it was not possible to use the unspent budget of \$15,218 at Crane with the same intent as Credit Recovery for the YES program. The unspent funds at Crane were federal credit recovery dollars that can only be used to provide instruction to students who had failed a course. CPS is not allowed to use the funds to allow students taking the course for the first time to recover credits. The intent of the YES program was to provide the credit recovery courses to both students who had failed the course and students taking the course for the first time.

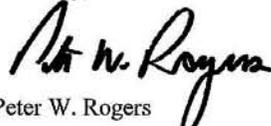
We understand confusion the unspent budget generated. We will ensure in the future that we endeavor to realign budgets and reassign funds when a similar situation arises.

Recommendation 3: Submit Progress Reports in a Timely Manner

The CPS Project Team has implemented process changes to ensure all grant reporting is submitted on-time for future grants. This includes ensuring proper training to all Project Mangers regarding the reporting requirements and deadlines.

If you have any questions regarding this response, please contact Molly Burke at (773) 553-2937 or meburke@cps.edu.

Sincerely,



Peter W. Rogers
Chief Financial Officer

OFFICE OF JUSTICE PROGRAMS RESPONSE



U.S. Department of Justice

Office of Justice Programs

Office of Audit, Assessment, and Management

Washington, D.C. 20531

APR 25 2014

MEMORANDUM TO: Carol S. Taraszka
Regional Audit Manager
Chicago Regional Audit Office
Office of the Inspector General

FROM: 
LeToya A. Johnson
Acting Director

SUBJECT: Response to the Draft Audit Report, *Audit of the Office of Justice Programs, Office of Juvenile Justice and Delinquency Prevention, Grant Awarded to the Chicago Public Schools, Chicago, Illinois*

This memorandum is in reference to your correspondence, dated March 27, 2014, transmitting the above-referenced draft audit report for the Chicago Public Schools (CPS). We consider the subject report resolved and request written acceptance of this action from your office.

The draft report contains **three** recommendations and **\$17,728** in questioned costs. The following is the Office of Justice Programs' (OJP) analysis of the draft audit report recommendations. For ease of review, the recommendations are restated in bold and are followed by our response.

1. **We recommend that OJP require the CPS to submit a GAN that specifically identifies the change in the scope and objective of the grant for the third year and provide OJP with accomplishments related to the modified activities.**

OJP agrees with the recommendation. We will coordinate with the CPS to request that they submit a Grant Adjustment Notice (GAN) for grant number 2009-JL-FX-0229, which specifically identifies the change in project scope and objectives for the third year of the grant period. We will also coordinate with CPS to obtain a list of accomplishments associated with the modified activities.

2. **We recommend that OJP remedy the \$17,728 in questioned costs related to the use of DOJ grant funds, rather than budgeted CPS funds, for credit recovery classes.**

OJP agrees with the recommendation. We will coordinate with the CPS to remedy the \$17,728 in questioned costs related to the use of U.S. Department of Justice grant funds for credit recovery classes.

3. **We recommend that OJP ensure that the grantee implements procedures to submit progress reports in a timely manner.**

OJP agrees with the recommendation. We will coordinate with the CPS to obtain a copy of policies and procedures developed and implemented to ensure that future semi-annual progress reports are submitted in a timely manner.

We appreciate the opportunity to review and comment on the draft audit report. If you have any questions or require additional information, please contact Jeffery A. Haley, Deputy Director, Audit and Review Division, on (202) 616-2936.

cc: Jeffery A. Haley
Deputy Director, Audit and Review Division
Office of Audit, Assessment, and Management

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OJP Executive Secretariat
Control Number IT20140401140828

**OFFICE OF THE INSPECTOR GENERAL
ANALYSIS AND SUMMARY OF ACTIONS
NECESSARY TO CLOSE THE REPORT**

The OIG provided a draft of this audit report to the Chicago Public Schools (CPS) and the Office of Justice Programs (OJP). CPS's response is incorporated as Appendix III of this final report, and OJP's response is incorporated as Appendix IV. The following provides the OIG analysis of the response and summary of actions necessary to close the report.

Recommendation:

- 1. Require CPS to submit a GAN that specifically identifies the change in the scope and objective of the grant for the third year and provide OJP with accomplishments related to the modified activities.**

Resolved. Both CPS and OJP concurred with our recommendation to require CPS to submit a Grant Adjustment Notice (GAN) that specifically identifies the change in the scope and objective of the grant for the third year and provides OJP with accomplishments related to the modified activities. In its response, CPS stated it will submit a GAN that specifically identifies the change in the scope and objective of the grant and provide OJP with accomplishments related to the modified activities.

This recommendation can be closed when OJP provides the OIG with evidence that CPS submitted and OJP approved a GAN and accomplishments reports for the grant project scope changes.

- 2. Remedy the \$17,728 in questioned costs related to the use of DOJ grant funds, rather than budgeted CPS funds, for credit recovery classes.**

Resolved. OJP agreed with the OIG recommendation to remedy the \$17,728 in questioned costs related to the use of DOJ grant funds, rather than budgeted CPS funds, for credit recovery classes. CPS did not agree with the questioned costs related to this recommendation.

In CPS's response, it reiterated what officials stated during the audit - that CPS could not use the \$2,510 in unspent budgeted funds at Dyett because that amount was not enough funding to pay for a credit recovery teacher for the YES Initiative. Moreover, CPS stated that it did not use the \$15,218 in unspent budgeted funds at Crane because the funding was intended for summer school credit recovery that did not occur.

While the OIG understands that specific activities within the general credit recovery area may not have occurred at the two schools, it remains that the

CPS budget for each school allocated dollars for credit recovery activities. Therefore, we believe that these budgeted funds should have been expended prior to expending federal funds for the same purpose. Further, as noted in the report and addressed in recommendation number 1, the audited federal grant was not awarded for the purpose of providing credit recovery courses, but rather for the purpose of offering services to certain high-risk 9th grade students to keep them on track to graduate high school. CPS did not identify the change in scope to offer credit recovery courses until the third year of the grant. Moreover, when CPS identified this change of scope, CPS intended to use DOJ grant funds to offer credit recovery courses for all students at the schools, not only the grant project participants. Even though CPS was unable to offer summer school to students at Crane or pay for an additional credit recovery teacher at Dyett, CPS should have used grant funds only to supplement the original budgeted funds allocated for credit recovery activities.

This recommendation can be closed when OJP provides the OIG with evidence that CPS has remedied the \$17,728 in questioned costs.

3. Ensure that the grantee implements procedures to submit progress reports in a timely manner.

Resolved. OJP and CPS agreed with our recommendation to ensure that CPS implements procedures to submit progress reports in a timely manner.

In its response to the draft report, CPS stated that the CPS Project Team has implemented process changes to ensure all grant reporting is submitted on-time for future grants. This process includes ensuring that all Project Managers are properly trained on reporting requirements and deadlines.

This recommendation can be closed when OJP provides the OIG with written documentation to support CPS's process changes and evidence that training was provided to all Project Managers regarding the reporting requirements and deadlines.