Puerto Rico Department of Education's Reliability of Program Performance Data and Use of Adult Education Program Funds

FINAL AUDIT REPORT

ED-OIG/A04O0004
February 22, 2018

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U.S. Department of Education
Office of Inspector General
Atlanta, GA

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UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL

AUDIT SERVICES
Atlanta Audit Region

February 22, 2018

The Honorable Julia B. Keleher
Secretary of Education
Puerto Rico Department of Education
P.O. Box 190759
San Juan, PR 00919

Dear Secretary Keleher:

Enclosed is our final audit report, "Puerto Rico Department of Education's Reliability of Program Performance Data and Use of Adult Education Program Funds," Control Number ED-OIG/A04O0004. This report incorporates the comments you provided in response to the draft report. If you have any additional comments or information that you believe may have a bearing on the resolution of this audit, you should send them directly to the following U.S. Department of Education official, who will consider them before taking final Departmental action on this audit:

Dr. Michael Wooten
Acting Assistant Secretary
Office of Career, Technical, and Adult Education
U.S. Department of Education
400 Maryland Avenue, SW
Washington, D.C. 20202

The U.S. Department of Education's policy is to expedite audit resolution by timely acting on findings. Therefore, receipt of any comments within 30 days would be appreciated.

Sincerely,

/s/
Christopher A. Gamble
Regional Inspector General for Audit

Enclosure

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Acronyms, Abbreviations, and Short Forms Used in This Report

AEFLA	Adult Education and Family Literacy Act, Title II of the Workforce Investment Act of 1998, as amended by the Workforce Innovation and Opportunity Act of 2014
C.F.R.	Code of Federal Regulations
Department	U.S. Department of Education
FFR	Federal Financial Report
NRS	National Reporting System for Adult Education
NRS Guidelines	NRS Implementation Guidelines, June 2013 Revision
OCTAE	Office of Career, Technical and Adult Education
OIG	Office of Inspector General
OMB	Office of Management and Budget
PRDCR	Puerto Rico Department of Correction and Rehabilitation
Puerto Rico	Puerto Rico Department of Education
PSC	Personal Services Contract
PY	Program Year
SEPI	Sistema de Empleados Parciales e Irregulares (Part-Time and Irregular Employees' System)
SIFDE	Sistema de Información Financiera del Departamento de Educación (Financial Information System of the Department of Education)
WIOA	Workforce Innovation and Opportunity Act of 2014

EXECUTIVE SUMMARY

The objectives of the audit were to determine whether the Puerto Rico Department of Education (Puerto Rico) (1) submitted complete, accurate, and reliable Adult Education program performance data to the U.S. Department of Education (Department), (2) ensured that Adult Education program funds were used in accordance with applicable Federal and State laws and regulations, and (3) awarded subgrants competitively to eligible local service providers in accordance with applicable Federal and State laws and regulations. Our audit covered program year (PY) 2012–2013, July 1, 2012, through June 30, 2013.

Puerto Rico can improve its oversight of the Adult Education program to ensure that it (1) submits complete, supported, and accurate performance data to the Department, (2) uses funds in compliance with applicable laws and regulations, and (3) obtains and reviews single audit reports of subgrantees. Specifically, we found the following.

- Puerto Rico did not always submit complete, supported, and accurate program performance data to the Department. Puerto Rico used incomplete data obtained from two educational regions, two adult education centers, and a subgrantee to prepare and submit to the Department its program performance report for PY 2012–2013. In addition, Puerto Rico did not maintain adequate support for non-Federal matching contributions. As a result, the Department does not have reasonable assurance that all the performance data Puerto Rico submitted to the Department for PY 2012–2013 were reliable for decision making and the Department's ability to effectively monitor Puerto Rico's performance is limited.

- Puerto Rico did not provide sufficient documentation to demonstrate compliance with the approval process for 8 (27 percent) of 29 personal services contracts (PSC) we judgmentally selected for review with related payments totaling $75,767 of the $329,030 reviewed; did not provide semiannual certifications for employees who worked full time on the Adult Education program; and did not provide sufficient documentation to support nonpayroll payments of $21,714. Without sufficient supporting documentation, Puerto Rico cannot provide assurance that it used all Adult Education program funds in accordance with applicable laws and regulations.

- Puerto Rico did not always obtain and review Office of Management and Budget (OMB) Circular A-133 single audit reports for at least 6 of 12 Adult Education program subgrantees that required a single audit. A review of the subgrantees' single audit reports is key to assisting Puerto Rico in assessing the risk related to subgrantees' use of Adult Education program funds.

We did not identify any concerns with Puerto Rico's processes for awarding subgrants competitively to eligible local service providers.

We recommend that the Assistant Secretary for the Office of Career, Technical, and Adult Education require Puerto Rico to—

- Establish monitoring procedures that provide assurance that all the required performance data that are collected and reported by all adult education centers, subgrantees, and educational regions are assessed for completeness and accuracy, and that supporting documentation is maintained for the reported data.

- Maintain adequate support for reported non-Federal matching contributions to evidence compliance with State matching contribution requirements.

- Return to the Department $75,767 in PSC payments made for 8 PSCs without required approval.

- Maintain all required documentation for payroll payments and related costs charged to Adult Education program grants to support that the employees worked full time on the Adult Education program.

- Return to the Department $21,714 inadequately documented nonpayroll payments charged to Adult Education program grants.

- Revise existing monitoring checklists to include steps to determine whether Adult Education program subgrantees exceeded the threshold for obtaining an OMB Circular A-133 single audit, and obtain and review the required single audit reports for all subgrantees that exceeded the threshold.

We provided a draft of this report to Puerto Rico for review and comment. Puerto Rico did not agree with our findings and recommendations. We made some changes to Finding 3 to clarify that Puerto Rico's monitoring checklists were not aligned with Puerto Rico's monitoring manual and did not include steps to review subgrantees' single audit reports. However, we did not substantially change our findings and we were not provided any support to change our recommendations.

We summarize the comments at the end of each finding and include the full text of Puerto Rico's response at the end of this report. Because of the voluminous size of the exhibits Puerto Rico included in its comments on the draft report, we have not included them as an attachment to this report. Copies of the exhibits are available on request.

BACKGROUND

The Adult Education program was authorized by the Adult Education and Family Literacy Act (AEFLA), Title II of the Workforce Investment Act of 1998, as amended by the Workforce Innovation and Opportunity Act of 2014 (WIOA).[1] Using a formula established by Congress, the U.S. Department of Education (Department) awards grants to States to fund local programs of adult education and literacy services, including workplace literacy services, family literacy services, English literacy programs, and integrated English language/civics education programs. Participation in these programs is limited to adults and out-of-school youth 16 years of age or older who are not enrolled or required to be enrolled in secondary school under State law. AEFLA requires States to set aside and award at least 82.5 percent of their Federal grant funds to eligible local service providers through a competitive process that must take into account certain considerations, including past effectiveness, commitment to service individuals who are most in need, quality of instruction, and capacity to monitor and report on performance measures. States are also required to use no more than 10 percent of the 82.5 percent for the cost of educational programs for institutionalized individuals, including criminal offenders in correctional institutions.[2] States are allowed to set aside up to 12.5 percent of the grant for State leadership activities, such as professional development for instructors and 5 percent for administrative expenses.

The Department awarded $584.5 million in Adult Education program funds to 57 States and territories for program year (PY) 2012–2013, of which the Puerto Rico Department of Education (Puerto Rico) received $12.5 million. Puerto Rico awarded $11.6 million[3] in program funds to 91 local service providers[4]—$8.7 million to 79 adult education centers administered by Puerto Rico's 7 educational regions and $2.9 million in 13 subgrants to 12 private and governmental entities (one entity received two subgrants). The 79 adult education center awards ranged from $62,440 to $221,273 and the 13 subgrant awards ranged from $44,490 to $864,970. During PY 2012–2013, the 79 adult education centers and 7 subgrantees[5] continued educational programs that had been implemented during the prior year, and 6 subgrantees implemented new workplace literacy programs.

Puerto Rico administered the 79 adult education centers through its 7 educational regions.[6] Specifically, individuals interested in operating an adult education center submitted a proposal to Puerto Rico. Puerto Rico evaluated the individual's proposals in the same grant award competition as the proposals for subgrants from private and governmental entities. Puerto Rico awarded personal services contracts (PSC) to individuals whose proposals for operating adult education centers had been approved and to teachers and

[1] The scope of this audit was program year 2012–2013, from July 1, 2012, through June 30, 2013. Unless otherwise noted, the AEFLA requirements cited in this report were in effect during program year 2012–2013, before the WIOA amendments.
[2] WIOA increased the percentage of funding a State may use for educational programs at correctional institutions to not more that 20 percent of the 82.5 percent set-aside.
[3] The $11.6 million funds Puerto Rico awarded in subgrants included funds carried over from prior year grants, which Puerto Rico had available. According to Puerto Rico's initial Federal Financial Report, as of September 2013, Puerto Rico had available $6.7 million from the $12.5 million received.
[4] Local service providers are both adult education centers and subgrantees that provided adult education services in Puerto Rico during PY 2012–2013.
[5] Subgrantees are the 12 private and governmental entities receiving funding through 13 contracts establishing the terms of the awards from Puerto Rico.
[6] Puerto Rico is both a State educational agency and a local educational agency for the purposes of administering Federal education programs.

additional personnel needed to provide the proposed services at the centers. It also acquired all the needed equipment, supplies, and services for the adult education centers. Puerto Rico used a system named "Sistema de Empleados Parciales e Irregulares" (SEPI)[7] to manage PSCs and keep electronic records of all awarded PSCs. According to data from SEPI, Puerto Rico awarded 1,219 Adult Education program PSCs for PY 2012–2013, with payments totaling $5,632,981. Individuals with PSCs recorded their time and attendance in Puerto Rico's Time, Attendance, and Licenses system by scanning their fingerprints in biometric terminals located at their worksites. PSC employees also prepared hardcopy attendance sheets when biometric terminals were not available to record their time and attendance.

The Division of Adult Education and Literacy, under the Department's Office of Career, Technical, and Adult Education (OCTAE), oversees the Adult Education program. AEFLA requires a performance accountability system to assess the effectiveness of States in achieving continuous improvement of funded adult education and literacy activities. During PY 2012–2013, the performance measures established by AEFLA consisted of core indicators of performance, any additional indicators established by the State, and adjusted levels of performance for the core indicators that each State negotiated with OCTAE annually. The core indicators of performance included educational gain measures and follow-up measures. Educational gain is defined as participant literacy gains resulting from instruction. A participant is an adult who receives at least 12 hours of instruction. There were 12 educational functioning levels—4 levels for adult basic education, 2 levels for adult secondary education, and 6 levels for English literacy. To measure educational gain, local service providers assessed participants' educational functioning level with a standardized test (pretest) and measured progress through follow-up assessments (posttest), which determined the advancement of participants through the 12 educational functioning levels. Follow-up measures included obtaining a secondary school credential, entering into postsecondary education or training, obtaining employment, and retaining employment. WIOA requires a revised performance accountability system that consolidates the performance measures of the Adult Education program with the performance measures of three additional core programs.[8] In general, WIOA took effect on July 1, 2015, but the performance accountability requirements took effect on July 1, 2016.

OCTAE administers the National Reporting System for Adult Education (NRS) and oversees the Adult Education program financial and performance data States submit through this system. The system collects data on the performance measures established by AEFLA. States report annually all performance measures to OCTAE using 14 reporting tables that include aggregated participant data from local service providers. States must also complete an NRS Data Quality Checklist and submit the checklist with their annual NRS data submission by December 31 each year. The checklist describes State NRS policies and the data collection procedures that local service providers follow to collect the required performance data, which assists OCTAE in assessing the quality of the data. OCTAE uses the NRS-reported data to report Adult Education program performance to Congress and the public and to negotiate State performance levels. States that did not meet their negotiated State performance levels were ineligible for incentive grants, awarded under Section 503 of the Workforce Investment Act of 1998.

[7] The translated name of the system is the Part-Time and Irregular Employees' System.

[8] Under section 116(b)(2)(A) of WIOA, there are six primary indicators of performance: (1) percentage of participants who during a program year achieve a measurable skill gain, (2) percentage of participants who obtain a postsecondary credential or high school diploma, (3) percentage of program participants employed during the second quarter after exit, (4) percentage of program participants employed during the fourth quarter after exit, (5) median earnings of program participants, and (6) effectiveness in serving employers.

In its NRS submission for PY 2012–2013, Puerto Rico collected performance data from its 79 adult education centers through its 7 educational regions. Adult Education program staff at each of Puerto Rico's seven educational regions consolidated the adult education center's performance reports into regional reports and submitted them to Puerto Rico's State-level office. Puerto Rico's 12 subgrantees also submitted annual performance reports to Puerto Rico's State-level office. Puerto Rico used the performance data from the 7 regional reports and the subgrantee reports to compile and submit State-level performance to the Department. In addition to performance data, all States, including Puerto Rico, submit Federal Financial Reports (FFR) annually by December 31 through NRS. The FFR includes the distribution and use of grant funds for the required set-asides and the non-Federal matching contributions. An initial FFR covers the first 15 months of the grant period (July 1, 2012, through September 30, 2013, for the PY 2012–2013 grant), and a final FFR covers the entire 27 months that States have to obligate the Adult Education program funds (July 1, 2012, through September 30, 2014, for the PY 2012–2013 grant). According to OCTAE's Fiscal Year 2014 Monitoring and Technical Assistance Visits Plan, OCTAE conducts ongoing routine desk monitoring of States throughout the year. Desk monitoring involves reviewing required reports from States, including NRS annual reports and initial and final FFRs. OCTAE uses the data included in NRS annual reports and initial and final FFRs as part of a risk assessment of States' compliance with AEFLA requirements, to develop its annual on-site monitoring plan.[9]

AUDIT RESULTS

Puerto Rico can improve its oversight of the Adult Education program to ensure that it (1) submits complete, supported, and accurate performance data to the Department, (2) uses funds in compliance with applicable laws and regulations, and (3) obtains and reviews single audit reports of subgrantees. Specifically, we found that Puerto Rico used incomplete data obtained from two educational regions, two adult education centers, and a subgrantee to prepare and submit to the Department its program performance report for PY 2012–2013 and did not maintain adequate support for non-Federal matching contributions. In addition, Puerto Rico did not provide sufficient documentation to demonstrate compliance with the approval process for 8 (27 percent) of 29 PSCs we judgmentally selected for review with related payments totaling $75,767 of the $329,030 reviewed; did not provide semiannual certifications for employees who worked full time on the Adult Education program; and did not provide sufficient documentation to support nonpayroll payments of $21,714. We also found that Puerto Rico had policies and procedures to monitor local service providers' uses of Adult Education program funds and conducted monitoring site visits to three of the six local service providers we reviewed. However, Puerto Rico did not always obtain and review Office of Management and Budget (OMB) Circular A-133 single audit reports for at least 6 of 12 Adult Education program subgrantees that required a single audit.[10]

We did not identify any concerns with Puerto Rico's processes for awarding subgrants competitively to eligible local service providers.

[9] We reviewed OCTAE's Fiscal Year 2014 Monitoring and Technical Assistance Visits Plan but as part of this audit, we did not verify OCTAE's implementation of the plan or verify that OCTAE actually used NRS annual reports as part of its risk assessment.
[10] For fiscal years beginning on, or after December 26, 2014, the threshold was increased to $750,000 for non-Federal entities to be required to obtain a single audit.

FINDING NO. 1 – Puerto Rico Did Not Always Report Complete, Supported, and Accurate Adult Education Program Performance Data to the Department

Puerto Rico did not always submit complete, supported, and accurate program performance data to the Department. Puerto Rico used incomplete data from two educational regions, two adult education centers, and a subgrantee to prepare and submit to the Department its program performance data for PY 2012–2013. In addition, Puerto Rico did not maintain adequate support for non-Federal matching contributions. As a result, the Department does not have reasonable assurance that all the performance data Puerto Rico submitted to the Department for PY 2012–2013 were reliable for decision making and the Department's ability to effectively monitor Puerto Rico's performance is limited.

Puerto Rico Reported Incomplete, Unsupported, and Inaccurate Performance Data

Puerto Rico submitted to the Department an annual report using incomplete performance reports from two educational regions, two adult education centers, and a subgrantee. We found that 2 of the 7 educational regions' reports (over 28 percent) consolidating data from 24 of 79 adult education centers' reports were missing NRS Table 4b. Two of the four educational centers' reports that we reviewed were also missing Table 4b. Table 4b is used to report educational gain and attendance per educational functioning levels for pretested and posttested participants. One of the 7 educational regions' performance reports consolidating data from 13 adult education centers' reports, and 1 of the 4 educational centers' reports that we reviewed were also missing NRS Table 5. Table 5 is used to report participants' outcomes for the core follow-up performance measures—obtaining employment, retaining employment, obtaining a secondary school credential, and entering into postsecondary education or training.

We also found that the performance report from 1 of the 2 subgrantee reports that we reviewed from a universe of 13 subgrantee reports—the Puerto Rico Department of Correction and Rehabilitation (PRDCR)—was missing NRS Tables 5 and 10. Table 10 is a subset of Table 5 and is used to report correctional program participants' outcomes for the core follow-up performance measures. PRDCR was the only local service provider that implemented an adult education correctional program during PY 2012–2013. Table 1 shows the incomplete performance reports Puerto Rico used to prepare its annual performance report.[11]

[11] Out of the 14 NRS tables, we reviewed NRS Tables 4, 4b, and 5 for the seven educational regions, the four educational centers and the two subgrantees we reviewed. For one of the two subgrantees, we also reviewed Table 10. See the "Objective, Scope and Methodology" section for further detail.

Table 1. Incomplete Performance Reports

Performance Reports	Universe	Reviewed	Reports With Missing Tables
Educational Regions	7	7	2[a]
Adult Education Centers	79	4	2[b]
Subgrantees	13[c]	2	1[d]

[a] Two educational regions were missing NRS Table 4b and one of those regions was also missing NRS Table 5.
[b] Two adult education centers were missing NRS Table 4b and one of those centers was also missing Table 5.
[c] The universe of annual performance reports is 13 because, as previously stated, 1 of the 12 subgrantees received 2 subgrant awards. Each of the 13 subgrant agreements between Puerto Rico and the 12 subgrantees required submission of an annual performance report.
[d] One subgrantee was missing NRS Tables 5 and 10.

Although PRDCR's performance report was missing NRS Table 10, the State-level performance report that Puerto Rico submitted to the Department included NRS Table 10 and reported outcomes for adult education correctional program participants that obtained a secondary school credential. Specifically, Puerto Rico reported that 412 program participants obtained a secondary school credential. Puerto Rico reported in the NRS Data Quality Checklist that it used the survey method to collect data on all four follow-up performance measures. According to OCTAE's NRS Implementation Guidelines, June 2013 revision (NRS Guidelines), States are allowed to collect the NRS follow-up measures by using either follow-up surveys or data matching—a procedure where two or more data sets on a common group of participants are combined using a unique identifier, such as Social Security numbers—or a combination of both methods. However, PRDCR's former superintendent for educational programs stated that PRDCR staff did not conduct the surveys to collect the data for the follow-up performance measures. Puerto Rico could not provide evidence that it conducted the surveys to collect the data reported to the Department in NRS Table 10, or support for the source of the reported data. As a result, the outcomes Puerto Rico reported in NRS Table 10 for adult education correctional program participants that obtained a secondary school credential were unsupported.

Another subgrantee report that we reviewed—The Metropolitan New School of America—reported incorrect data in NRS Table 4. According to NRS Guidelines' instructions for completing Table 4, the total number of participants enrolled should equal the sum of (a) the number of participants that completed an educational functioning level, (b) the number of participants that separated from the program before completing an educational functioning level, and (c) the number of participants that remained on the same educational functioning level. The subgrantee reported a total of 495 enrolled participants, however the underlying data within the same table showed a total of 580 enrolled participants—455 participants who completed a level, 40 participants who separated from the program, and 85 participants who remained at the same level. Table 2 illustrates the reporting error.

Table 2. Errors Reported by a Subgrantee in NRS Table 4

Total Reported Participants Enrolled	Completed a Level (a)	Separated from the Program (b)	Remained on the Same Level (c)	OIG Calculation of Total Participants Enrolled (a + b + c)
495	455	40	85	580

The same subgrantee reported incorrect data for pretested and posttested participants in NRS Table 4b. According to NRS Guidelines' instructions for completing Table 4b, the total number of pretested and posttested participants enrolled should equal the sum of (a) the number of participants that completed an educational functioning level, (b) the number of participants that separated from the program before completing an educational functioning level, and (c) the number of participants that remained on the same educational functioning level. The subgrantee reported that 455 participants were pretested and posttested; however, the underlying data within the same table showed a total of 580 participants—455 participants who completed a level, 40 participants who separated from the program, and 85 participants who remained at the same level. Table 3 illustrates the reporting error.

Table 3. Errors Reported by a Subgrantee in NRS Table 4b

Total Reported Pre and Posttested Participants Enrolled	Completed a Level (a)	Separated From The Program (b)	Remained On The Same Level (c)	OIG Calculation for Total Pre and Posttested Participants Enrolled (a + b + c)
455	455	40	85	580

While the total numbers reported in Tables 4 and 4b do not equal the sum of the subtotals, we could not determine the cause. The supporting documentation indicated there was a total of 495 participants, but the list of 495 participants did not identify which ones completed a level, which ones separated from the program, which ones remained at the same level, and which ones were pretested and posttested. Also, the total of 455 participants reported in Table 4b was not consistent with the list of 495 participants the subgrantee provided to us. As such, we were unable to determine which of the totals or subtotals in Tables 4 and 4b had the correct information.

AEFLA Section 212(c) requires States to annually prepare and submit to the Department a report on the State's progress in achieving the established performance measures, including information on the levels of performance the State achieved with respect to the core indicators of performance. According to NRS Guidelines, States must have software that is capable of aggregating NRS data from all local programs and producing the required data tables for Federal reporting. All software should have the ability to produce "edit reports" and also possess error-checking capabilities to identify missing and inconsistent data.

Puerto Rico's management information system used by Puerto Rico and its local service providers to collect, assess, and report the performance data lacked required edit checks. For PY 2012–2013, Puerto Rico provided all local service providers with Excel spreadsheets with templates for all 14 NRS data tables to collect and report the performance data. However, the spreadsheets did not have the error checking capabilities required by NRS Guidelines that could have helped Puerto Rico and its local service providers

identify the missing and inconsistent data Puerto Rico used to prepare its State-level Adult Education program report that it submitted to the Department.

Puerto Rico also did not effectively assess local service providers' data because the process for assessing the performance reports from the 7 educational regions and from all 12 subgrantees and consolidating those reports was limited to verifying that the data were consistent across the different tables that composed the performance reports. According to the Executive Director at Puerto Rico's Adult Education program central level office responsible for consolidating the educational region and subgrantee reports, if any errors or inconsistencies were detected, the Executive Director would contact the Executive Directors at the educational regions or the director of the subgrantee project for clarification and revision of the reported data. However, Puerto Rico's process for verifying the educational region reports and subgrantee reports failed to identify and correct the incomplete, unsupported, and inaccurate performance data we found.
We also noted that although Puerto Rico certified the accuracy of the information in the NRS Data Quality Checklist that it completed for the NRS performance data reported to the Department, the performance reports we reviewed from adult education centers, educational regions, and subgrantees did not include a certification attesting to the accuracy, completeness, and reliability of the data. NRS Guidelines require the State director of the Adult Education program to certify the accuracy of the information in the NRS Data Quality Checklist that each State completes for the NRS performance data reported to the Department each year. Requiring adult education centers, educational regions, and subgrantees to transmit data with a certification that the data are accurate, complete, and reliable, and to disclose known data limitations, can provide greater accountability over the quality of the data.

Puerto Rico Did Not Maintain Adequate Support for Reported Non-Federal Matching Contributions

We found that Puerto Rico did not maintain adequate support for non-Federal matching contributions reported to the Department for PY 2012–2013. In February 2015, Puerto Rico reported total non-Federal matching contributions of $5,907,117 in the final FFR—$730,029 in salaries and benefits paid to 17 Puerto Rico employees using State funds and $5,177,088 in estimated in-kind contributions from adult education centers and subgrantees.[12] Puerto Rico provided sufficient supporting documentation for a sample of the salaries paid with State funds to the 17 employees but did not provide adequate support for the estimated value of the in-kind contributions from the adult education centers and subgrantees.
To support the adult education centers' in-kind contributions, Puerto Rico provided an estimate of $3,953,664, the monetary value it attributed to 79 adult education centers' use of 572 classrooms. However, Puerto Rico did not require its adult education centers to report the number of classrooms actually used. The number of classrooms Puerto Rico used in its calculation was obtained from the proposals submitted by the centers; and Puerto Rico's monitoring checklists did not include steps to assess that information.
Puerto Rico also did not obtain supporting documentation for 12 subgrantees' actual in-kind contributions of $1,223,424. Instead, Puerto Rico used information included in the subgrantees' proposals to estimate the monetary value attributed to the subgrantees' use of their own facilities. Without supporting documentation, Puerto Rico cannot provide assurance that adult education centers contributed $3,953,664 and subgrantees contributed $1,223,424. As a result, the actual value of the non-Federal matching contributions Puerto Rico reported was unsupported and limited the Department's ability to determine whether Puerto Rico fully complied with State matching requirements.

[12] The non-Federal contribution of $5.9 million represents 34 percent of $17.2 million in Federal and non-Federal expenditures in adult education and literacy activities that Puerto Rico reported in the final FFR.

AEFLA Section 222(b)(1)(B) and (2) requires that States provide a non-Federal contribution in an amount equal to 25 percent of the total amount of Federal and non-Federal funds spent for adult education and literacy activities in the State. The non-Federal contribution may be provided in cash or in-kind, fairly evaluated, and must include only non-Federal funds that are used for adult education and literacy activities in a manner that is consistent with the purpose of the law. Additionally, according to 34 Code of Federal Regulations (C.F.R.) § 74.23(a)(1), and 2 C.F.R. § 200.306(b), all contributions, including cash and third party in-kind, are accepted as part of the recipient's cost sharing or matching when contributions are verifiable from the recipient's records.

Recommendations

We recommend that the Assistant Secretary for the Office of Career, Technical, and Adult Education require Puerto Rico to—

1.1 Establish monitoring procedures to provide assurance that all the required performance data that are collected and reported by all adult education centers, subgrantees, and educational regions are effectively assessed for completeness and accuracy, and that supporting documentation is maintained for the reported data.

1.2 Increase accountability for the performance data transmitted by requiring its adult education centers, subgrantees, and educational regions to certify that the data are accurate, complete, and reliable, and fully disclose any data limitations.

1.3 Maintain adequate support for reported non-Federal matching contributions to evidence compliance with State matching contribution requirements.

Puerto Rico Comments

Puerto Rico disagreed with our finding and recommendations. Puerto Rico stated that it currently has systems in place to ensure that performance data are collected and maintained in a manner consistent with Federal and local law. Puerto Rico provided a copy of its most recent Adult Education program monitoring guide, which contains instructions for program monitors. Puerto Rico believes that its consistent implementation of the monitoring guide adequately addresses the performance data issues we reported in Finding 1.

Puerto Rico also stated that it has and continues to maintain support for non-Federal matching contributions. Puerto Rico provided a certification from its former Adult Education program director, responsible for supervising the reporting of non-Federal matching contributions, attesting to the fact that non-Federal matching contributions were conducted in an appropriate manner. According to the former director, proposals for Adult Education program subgrants included a matching contribution budget specifying the number of classrooms needed to fulfill the proposed services during the year. He also stated that Puerto Rico had a monitoring unit responsible for monitoring compliance with the matching requirement and validating the number of classrooms used during the period of services. He further stated that to document compliance with matching contributions, Puerto Rico conducted two monitoring visits to each local service provider per year and verified compliance with non-Federal matching contributions. Puerto Rico also provided a copy of a presentation delivered to subgrantees that outlined the process for documenting non-Federal matching contributions.

OIG Response

We considered Puerto Rico's response and the documentation provided, but did not change our finding and recommendations. Puerto Rico did not provide any support for the missing data discussed in our finding; any evidence to sustain that subgrantees certify that the data are accurate, complete, and reliable, and fully disclose any data limitations; or any additional support for reported non-Federal matching contributions. In addition, Puerto Rico did not provide any evidence showing that it followed the procedures described by the former Adult Education program director to document non-Federal matching contributions and monitor local service providers' compliance with matching contributions. The proposals from the six local service providers we reviewed had budgets describing non-Federal matching contributions. However, as we reported in our finding, Puerto Rico did not maintain adequate support for local service providers' matching contributions. Also, the monitoring checklists Puerto Rico used during the monitoring visits conducted during our audit period did not include steps to verify the providers' compliance with matching contributions or the number of classrooms they actually used.

Puerto Rico provided its most recent monitoring guide as part of its response to the draft report. The guide includes steps to verify whether local service providers reported the required performance data and a step to verify local service providers' compliance with non-Federal matching contributions. We appreciate Puerto Rico's commitment to developing a new monitoring guide to address Recommendations 1.1 and 1.3. We encourage Puerto Rico to continue its efforts to improve its oversight of the Adult Education program to ensure that complete, supported, and accurate performance data are submitted to the Department

FINDING NO. 2 – Puerto Rico Did Not Maintain Sufficient Documentation to Support That It Used All Adult Education Program Funds Appropriately

Puerto Rico did not maintain sufficient documentation to support that it used all Adult Education program funds in accordance with applicable Federal and State laws, regulations, and guidance. Specifically, we found that Puerto Rico did not have—sufficient documentation to demonstrate compliance with the approval process for PSCs with related payments of $75,767; did not maintain semiannual certifications for employees who worked full time on the Adult Education program; and, adequate support for nonpayroll payments of $21,714.[13]

PSC Payments

Puerto Rico did not provide sufficient documentation to demonstrate compliance with the approval process for 8 (27 percent) of 29 PSCs that we judgmentally selected for review with related payments totaling $75,767. Puerto Rico's Manual for PSCs, approved in August 2012, states that PSCs must be registered and approved in the SEPI system; printed; and signed by the employee, the immediate supervisor, and an official with authority to approve PSCs. All eight PSCs were generated at educational regions, which required approval from a regional director.[14] However, Puerto Rico did not provide evidence that a regional director approved the eight PSCs in SEPI and did not provide the signed printed copies. For all eight PSCs, Puerto Rico provided data from the SEPI system showing the date each PSC was approved in the system but

[13] We used judgmental samples and selected payments based on selected risk factors as described in the "Objectives, Scope, and Methodology" section of this report.
[14] According to a memorandum from Puerto Rico's Secretary of Education issued on June 24, 2010, the approval of PSCs generated at educational regions was delegated to the directors of the educational regions. This memorandum was in effect during PY 2012–2013.

did not show who approved the contract and whether the approver was a regional director. In addition, for seven of the eight PSCs, Puerto Rico provided printed copies of the PSCs signed by the contracted person and the immediate supervisor but not signed by a regional director. For the remaining PSC, Puerto Rico provided an unsigned printed copy of the contract. Puerto Rico officials could not provide an explanation for the missing signed contracts.

According to OMB Circular A-87, Attachment A, Paragraph C.1.c and j (currently at 2 C.F.R. § 200.403), to be allowable under Federal awards, costs must be authorized or not prohibited under State or local laws or regulations, and they must be adequately documented.[15] Further, Attachment B, Paragraph 8.a.(2) and 2 C.F.R. § 200.430(a)(2), states that the costs of compensation for personnel services are allowable to the extent the total compensation for individual employees follows an appointment made in accordance with a governmental unit's laws and rules.

Under various State laws, Puerto Rico is authorized to award PSCs to any individual, including its employees, former employees, and employees from other agencies and public corporations of the government of Puerto Rico. Puerto Rico enacted Regulation Number 6820 to establish the criteria for awarding PSCs that provide needed services not provided through regular work programs.[16] Puerto Rico's Manual for PSCs establish the requirements and procedures for the award of PSCs. According to Puerto Rico's Manual for PSCs, the contracting person must ensure compliance with the requirements and processes before services can be rendered. In addition, the manual requires PSCs to be registered and approved in the SEPI system; printed; and signed by the employee, the immediate supervisor, and approving official. Puerto Rico did not always adhere to the requirements for maintaining and archiving sufficient documentation to demonstrate compliance with the approval process for 8 of the 29 PSCs that we reviewed. Without sufficient PSC documentation supporting compliance with all steps of the approval process for PSCs, Puerto Rico did not provide assurance that the use of Adult Education program funds was authorized.

Payroll Payments

Puerto Rico did not maintain semiannual certifications for full-time employees of the Adult Education program, who received $53,913 or 80 percent of the $67,439 in our judgmental sample of payroll payments. Specifically, Puerto Rico did not provide semiannual certifications for employees who received $34,744 payroll payments and worked full time on the Adult Education program. In addition, Puerto Rico provided a document certifying employees who received $19,169 payroll payments; however, the certification did not meet the OMB Circular A-87 requirement that certifications be prepared at least semiannually. The certification provided covered a 7-month period and was prepared nearly 19 months after the end date of the period covered by the certification.

OMB Circular A-87, Attachment B, Paragraph 8.h.(3) and 2 C.F.R. § 200.430(i)(1)(iii), requires charges for the salaries and wages of employees who work solely on a single Federal award or cost objective to be supported by periodic certifications that the employees worked solely on that program for the period covered

[15] All citations to 2 C.F.R. are to the January 1, 2014, edition, revised after OMB issued the Uniform Grant Guidance on December 2013, consolidating the guidance contained in previously issued OMB Circulars. Although 2 C.F.R. was not in effect during the scope of our audit, the requirements we reference in this report previously existed in the OMB Circulars we are citing in this report.

[16] Regulation 6820, "Regulation for the Contracting of Personal Services of the Department of Education," June 3, 2004.

by the certification. The circular requires these certifications to be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee at least semiannually.[17]

Nonpayroll Payments

Puerto Rico did not provide sufficient documentation to support $21,714, of the total $1,282,140 in our judgmental sample of nonpayroll payments charged to Adult Education program grants. Puerto Rico paid the $21,714 to a contractor for professional and consulting services. Table 4 details the results of our review of the nonpayroll payments in our sample.

Table 4. Results of Review of Nonpayroll Payments

Category	Payment Amount
Inadequately supported professional and consulting services	$21,714
Adequately supported	$1,260,426
Total sampled nonpayroll payments	$1,282,140

Puerto Rico provided an invoice for $338,551 paid to a contractor for professional and consulting services provided from November 8, 2012, through March 16, 2013. The contract required that the contractor's invoices include (1) a report of the work performed indicating the dates when the services were provided and evidence of the services provided and (2) the documentation required by a memorandum titled "Documents Required in Support of Payments for Federally Funded Services Administered by the Office of Federal Affairs."[18] According to Section I of Puerto Rico's memorandum, for invoices from vendors with a budget that includes various cost items, the following documentation is required:

- Printing and Binding Costs—invoice from an external company indicating the services rendered.
- Purchase of Goods—invoices and receiving reports signed by the person who received the goods.

The invoice did not include the complete documentation required for processing payments and, as such, does not sufficiently support $21,714 of the costs billed.[19]

According to 34 C.F.R. § 76.730(a)-(c) and (e), a State must keep records that fully show the amount of funds under the grant, how the State uses the funds; the total cost of the project, and other records to facilitate an effective audit. Further, 34 C.F.R. § 80.20(b)(6) requires that grantees' and subgrantees' accounting records be supported by source documentation such as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents. Without sufficient documentation supporting nonpayroll costs paid with Adult Education program funds, Puerto Rico cannot provide assurance that $21,714 in nonpayroll payments were allowable.

[17] The regulations at 2 C.F.R. § 200.430(i)(1)(iii) do not specifically require the semiannual certifications required by OMB Circular A-87. However, the regulations do require that charges to Federal awards for salaries and wages be based on records that reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100 percent of compensated activities.
[18] Puerto Rico issued the document on January 24, 2007, and amended it on June 18, 2012.
[19] The $21,471 in unsupported costs included $14,364 in printing and binding costs ($9,632 outside of the contract period + $558 after the invoice period + $4,174 unsupported) and $7,350 in unsupported purchases of goods and office supplies.

Recommendations

We recommend that the Assistant Secretary for the Office of Career, Technical, and Adult Education require Puerto Rico to—

2.1 Return to the Department $75,767 in PSC payments made for 8 PSCs without required approval.

2.2 Adhere to the processes outlined in Puerto Rico's Manual for PSCs for filing and retrieval of sufficient PSC documentation supporting compliance with the approval process, including evidence that an official with documented authority approved the contracts.

2.3 Maintain all required documentation for payroll payments and related costs charged to Adult Education program grants to support that those employees worked full time on the Adult Education program.

2.4 Return to the Department $21,714 inadequately documented nonpayroll payments charged to Adult Education program grants.

2.5 Review sufficient supporting documentation for contractors' and vendors' invoices before approving nonpayroll payments to ensure that goods and services received correspond to the goods and services billed.

Puerto Rico Comments

Puerto Rico disagreed with our finding and recommendations. Puerto Rico stated that it implemented controls to ensure that adequate documentation is collected and maintained to support costs charged to its Adult Education program grants. According to Puerto Rico, we did not provide sufficient information to enable it to trace questioned payments back to their sources and discern an explanation for the unavailability of documentation. Regarding payroll payments, Puerto Rico provided a certification signed by the former Adult Education program director attesting to procedures Puerto Rico staff followed to maintain the required semiannual certifications. Puerto Rico also provided copies of two memoranda, dated January 2013 and August 2013, outlining procedures for maintaining semiannual certifications. In addition, Puerto Rico provided a copy of a semimanual certification for three full-time employees of the Adult Education program for the period ending December 31, 2012.

OIG Response

Puerto Rico did not provide any additional support for PSC payments, payroll payments, and nonpayroll payments that would warrant a change to our finding and recommendations. Throughout the audit, we had multiple discussions with key Puerto Rico officials, including the Assistant Secretary for Educational Services to the Community, the Assistant Secretary for the Office of Federal Affairs, the director of Adult Education Program, and the director of Puerto Rico's Time Distribution Office. We thoroughly discussed our findings during these meetings and provided sufficient information to identify the PSCs and payroll and nonpayroll payments we questioned in Finding 2. This included (1) the names and Social Security numbers of the individuals who received the eight PSCs, with missing approvals and related payment amounts for each PSC; (2) the names and Social Security numbers of the Adult Education program employees, payment dates, and amounts not covered by the semiannual certifications Puerto Rico provided; and (3) the name of

the contractor for professional and consulting services, invoice amount, and the specific inadequately documented services.

Regarding payroll payments, the memoranda Puerto Rico provided included procedures for maintaining the required semiannual certifications for full-time employees. However, as stated in the finding, Puerto Rico did not maintain semiannual certifications supporting $53,913 in payroll payments for full-time employees of the Adult Education program. Also, we reviewed the semimanual certification that Puerto Rico provided with its response during the course of our audit and found it sufficient to support $4,642 in payroll payments to 3 full-time employees. As a result, we did not question these payments in this finding.

FINDING NO. 3 – Puerto Rico Did Not Always Obtain and Review Single Audits of Its Subgrantees

Puerto Rico had policies and procedures to monitor local service providers' uses of Adult Education program funds. Puerto Rico also conducted monitoring site visits to three of the six local service providers we reviewed and reported the monitoring results to those three providers. However, Puerto Rico did not always obtain and review OMB Circular A-133 single audit reports of its Adult Education program subgrantees. Puerto Rico's monitoring procedures required Puerto Rico's Adult Education program central level office to review an OMB Circular A-133 single audit report for all Adult Education subgrantees that required a single audit. We found that at least 6 of 12 subgrantees that provided services during PY 2012–2013 exceeded the $500,000 threshold requiring an audit and received a single audit. However, Puerto Rico did not obtain and review the single audits from those six subgrantees to assess whether the audit reports included any findings related to the Adult Education program. In addition, Puerto Rico did not obtain additional information from the remaining six subgrantees to determine whether they exceeded the threshold. Puerto Rico's monitoring checklists for conducting financial and compliance monitoring visits to subgrantees did not include steps to determine whether Adult Education program subgrantees exceeded the threshold for obtaining an OMB Circular A-133 single audit and to obtain and review the single audit reports for subgrantees exceeding the threshold. A review of the subgrantees' single audit reports is a key tool assisting Puerto Rico in assessing the risk related to subgrantees' use of Adult Education program funds.

According to 34 C.F.R. § 80.26(a), all State and local governments and non-profit entities that spend $500,000 or more of Federal awards in a year are required to obtain an annual audit in accordance with the Single Audit Act of 1984, as amended in 1996, and OMB Circular A-133 and 2 C.F.R. § 200.501(a).[20] Further, 34 C.F.R. § 80.26(b)(1) and (3) requires grantees to determine whether subgrantees met the audit requirements of the Single Audit Act and ensure that subgrantees took appropriate corrective action within 6 months after receipt of the subgrantee audit report in instances of subgrantee noncompliance with Federal laws and regulations.

Puerto Rico's monitoring manual, dated December 5, 2012, required that Puerto Rico staff obtain and review single audit reports for all subgrantees exceeding the $500,000 OMB Circular A-133 single audit threshold. However, when monitoring subgrantees, Puerto Rico staff used monitoring checklists that were not aligned with the monitoring manual. Specifically, Puerto Rico's monitoring checklists did not include steps to determine whether Adult Education program subgrantees exceeded the threshold for obtaining an

[20] For fiscal years beginning on or after December 26, 2014, the threshold of Federal award expenditures was increased from $500,000 to $750,000 for non-Federal entities to be required to obtain a single audit (2 C.F.R. § 200.110(b) and § 200.501, January 1, 2014, edition).

OMB Circular A-133 single audit and, if so, to obtain and review the single audit reports for these subgrantees.

Recommendation

We recommend that the Assistant Secretary for the Office of Career, Technical, and Adult Education require Puerto Rico to—

3.1 Revise existing monitoring checklists to include steps to determine whether Adult Education program subgrantees exceeded the threshold for obtaining an OMB Circular A-133 single audit, and obtain and review the required single audit reports for all subgrantees exceeding the threshold.

Puerto Rico Comments

Puerto Rico disagreed with our finding and recommendation. According to Puerto Rico, the majority of its subgrantees received less than $500,000 in Adult Education program funds and, therefore, single audits were not required. Puerto Rico provided a list of institutions to which it awarded Adult Education program funds. Regarding our recommendation, Puerto Rico stated that it had procedures to ensure single audits were conducted for all subgrantees exceeding the single audit threshold. Puerto Rico also provided a copy of a manual dated December 14, 2012, that it used to monitor local service providers. According to Puerto Rico, the manual contained procedures to ensure single audits were conducted for all grantees exceeding the single audit threshold.

OIG Response

Puerto Rico's comments were not responsive to the recommendations. As we reported in the finding, the single audit requirement was applicable to subgrantees that spent $500,000 or more in Federal awards during the year, regardless of the size of their Adult Education program award. It is correct that Puerto Rico awarded more than $500,000 in Adult Education program funds to just one of its 12 subgrantees for PY 2012–2013. However, as stated in the finding, at least 6 of these 12 subgrantees spent more than $500,000 in Federal awards and exceeded the threshold requiring a single audit.

The monitoring manual Puerto Rico provided required that its staff obtain and review the required single audit reports for all subgrantees exceeding the OMB Circular A-133 single audit threshold. However, the monitoring checklists used by Adult Education program staff did not include steps to obtain and review the required single audit reports for all subgrantees exceeding the threshold. As a result, we did not change our recommendation. We modified our finding to clarify that Puerto Rico's monitoring manual required that its staff obtain and review the required single audit reports, but its monitoring checklists were not aligned with the monitoring manual.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objectives of the audit were to determine whether Puerto Rico (1) submitted complete, accurate, and reliable Adult Education program performance data to the Department, (2) ensured that Adult Education program funds were used in accordance with applicable Federal and State laws and regulations, and (3) awarded subgrants competitively to eligible local service providers in accordance with applicable Federal and State laws and regulations. Our audit covered PY 2012–2013, July 1, 2012, through June 30, 2013.

To achieve our audit objectives, we conducted audit work on three main areas: (1) evaluating the completeness, accuracy, and reliability of Adult Education program performance data, (2) testing expenditures by evaluating judgmental samples of payments that Puerto Rico charged to Adult Education program funds and assessing the processes for monitoring the uses of Adult Education program funds, and (3) evaluating subgrant award processes. For each of the three areas of work, we performed audit steps at a selection of local service providers.

Selection of Local Service Providers

We selected a judgmental sample of 6 local service providers from a universe of 91 that received Adult Education program funds for PY 2012–2013 based on a risk assessment, with selections spanning the three different types of service providers awarded $1,742,298 in program funds. Specifically, we selected 1 of the 7 subgrantees that implemented continuation educational programs, 1 of the 6 subgrantees that implemented a new workplace literacy program, and 4 of 79 adult education centers that Puerto Rico administered. Within each provider category, we used a risk-based selection that considered higher risk for local service providers with larger grant awards, concerns Puerto Rico expressed regarding past performance, and presence of delinquent Federal debt.[21] For adult education centers, we also considered higher risk for centers with large nonpayroll transactions and patterns found with PSCs. PSC patterns we considered as high-risk were centers with (1) a total PSC payment amount higher than the average total PSC payment amount for all adult education centers and (2) the highest percentage of PSCs with contract schedules within workweek hours awarded to Puerto Rico employees. In addition, we selected the only center that provided English language/civics education during PY 2012–2013. Table 5 shows the local service providers we reviewed.

[21] A delinquent Federal debt is an overdue tax or non-tax debt to a Federal agency and can be indicative of unhealthy financial management practices and/or excessive indebtedness that may lead to a poor administration of Federal funds.

Table 5. Local Service Providers Reviewed

Local Service Provider Category	Name	Award Amount
Continuation Subgrantee	PRDCR (24 institutions throughout Puerto Rico)	$864,970
Workplace Literacy Subgrantee	The Metropolitan New School of America (48 employers throughout Puerto Rico)	$333,188
Adult Education Centers Administered by Puerto Rico	Emilio R. Delgado in Corozal, Puerto Rico Trina Padilla in Arecibo, Puerto Rico Centro de Servicios Educativos in Caguas, Puerto Rico[22] Gabriela Mistral in San Juan, Puerto Rico	$122,580 $153,250 $174,638 $93,672

Evaluation of Puerto Rico's Performance Data

To evaluate the completeness, accuracy, and reliability of Puerto Rico performance data submitted to the Department, we reviewed the PY 2012–2013 performance reports for Puerto Rico's 7 educational regions, which consolidated the performance reports for the universe of 79 adult education centers. We also evaluated the performance reports submitted by the two subgrantees and four adult education centers we reviewed and the State-level performance report Puerto Rico submitted to the Department with its NRS Data Quality Checklist. We selected for review performance data for 3 of the 14 NRS tables. The three NRS tables we reviewed were NRS Table 4, "Educational Gains and Attendance by Educational Functioning Level;" Table 4b, "Educational Gains and Attendance for Pre- and Post-Tested Participants;" and Table 5, "Core Follow-up Outcome Achievement." For PRDCR, we also reviewed Table 10, "Outcomes for Adult Correctional Education Programs.[23]"

To determine whether Puerto Rico complied with the 25 percent non-Federal matching contribution, we—

- Reviewed the final FFR covering July 1, 2012, through September 30, 2014, to determine whether Puerto Rico reported compliance with the 25 percent non-Federal matching requirement.
- Assessed the accuracy of Puerto Rico's reported financial data in the final FFR through the review of documentation to support the total recipient share of expenditures.
- Reviewed payroll data and time and attendance reports for a judgmental sample of 109 payroll payments totaling $55,954 from a universe of 2,353 payments totaling $730,020 that Puerto Rico claimed as part of the total non-Federal matching contributions. We selected the largest transactions made on the payroll date. The 109 transactions are not representative of the universe of all payroll transactions Puerto Rico claimed as matching contributions; therefore, the results of our review of the sampled transactions cannot be projected to the universe.

[22] The translation to English is "Caguas Educational Services Center."
[23] Both NRS Tables 5 and 10 are used to report participants' outcomes for follow-up performance measures, but Table 10 is a subset of Table 5 and applies only to participants of adult education correctional programs, which was the population served by PRDCR.

Sampling Methodology for Expenditure Testing

To evaluate whether Puerto Rico ensured that it and its local service providers used Adult Education program funds in accordance with applicable Federal and State laws and regulations, we reviewed judgmental samples of (1) PSCs and related payments, (2) payroll payments, and (3) nonpayroll payments.

Selection and Evaluation of PSCs and Related Payments

Puerto Rico provided data from SEPI documenting 1,219 Adult Education program PSCs awarded for PY 2012–2013. The data showed PSC payments totaling $5,632,981. We categorized the PSCs we determined to be high risk by (1) the highest paid PSCs, (2) the highest paid PSCs with schedules allowing 30 or more hours of services per week, and (3) the highest paid PSCs awarded to Puerto Rico employees with contract schedules within workweek hours. To test PSC payments at the State level, we identified the PSCs in those three categories that Puerto Rico awarded using funds set aside for Administration of Adult Secondary Education Programs, State Administration, and State Leadership activities which resulted in a universe of 41 PSCs. To test PSC payments at the local service provider level, we identified a universe of 59 PSCs that Puerto Rico awarded for the four adult education centers we selected for review and a universe of 83 PSCs that Puerto Rico awarded for services at PRDCR. In total, we considered a universe of 183 PSCs with payments totaling $1,228,809 and selected a judgmental sample of 29 PSCs and related payments of $329,030 using a variety of approaches described in Table 10. The 29 PSCs were judgmentally selected for review and as such, the results cannot be projected. Table 6 shows the universe for each category, the number selected for sampling, and the methodology we used for selecting the PSC samples.

We examined the PSCs and the time and attendance records for the PSCs to determine whether payments (1) were made for services provided under contracts approved by an official with authority to approve PSCs, (2) did not exceed the total payment amount approved by the contracts, and (3) were adequately supported.

Table 6. Selection Methodology For PSCs

Selection Category	Item	Universe	Sample	Selection Methodology
Grant Set-Aside	Administration of Adult Secondary Education Programs	9	2	2 judgmental selections based on the highest paid PSCs with 30 or more workweek hours.
Grant Set-Aside	State Administration	16	2	2 judgmental selections based on the highest paid PSCs with 30 or more work hours per week.
Grant Set-Aside	State Leadership	16	2	1 judgmental selection based on the PSC containing workweek hours. 1 judgmental selection based on the highest paid State leadership PSC.
-	**Grant Set-Aside Subtotal**	**41 $678,527**	**6 $146,980**	-
Adult Education	Centro de Servicios Educativos de Caguas	14	4	4 judgmental selections based on the highest paid amounts.

Selection Category	Item	Universe	Sample	Selection Methodology
Center				
Adult Education Center	Emilio R Delgado	16	5	4 judgmental selections based on the highest paid amounts. 1 judgmental selection added to include a teacher.
Adult Education Center	Gabriela Mistral	13	5	4 judgmental selections based on the highest paid amounts.
Adult Education Center	Trina Padilla de Sanz	16	4	4 judgmental selections based on the highest paid amounts.
-	**Adult Education Center Subtotal**	**59 $240,365**	**17 $154,978**	-
PRDCR	Administrative Assistant	9	1	1 judgmental selection based on the employee also receiving pay as a director.
PRDCR	Clerk/Typist Clerk	13	1	1 judgmental selection based on the fact that the employee was the only employee other than the director of the program working at PRDCR's central level.
PRDCR	School Director	4	2	1 judgmental selection based on the highest amount paid. 1 judgmental selection based on the employee also receiving pay as an administrative assistant.
PRDCR	Teachers	57	2	2 judgmental selections based on the highest paid amounts to teachers who were also Puerto Rico employees.
-	**PRDCR Subtotal**	**83 $309,917**	**6 $27,072**	-
-	**PSCs Total**	**183 $1,228,809**	**29 $329,030**	-

We examined the PSCs and the time and attendance records for the PSCs to determine whether payments (1) were made for services provided under contracts approved by an official with authority to approve PSCs, (2) did not exceed the total payment amount approved by the contracts, and (3) were adequately supported.

Selection and Evaluation of Payroll Payments

Puerto Rico provided data from its accounting system known as "Sistema de Información Financiera del Departamento de Educación" (SIFDE)[24] showing Puerto Rico made 137 salary payments in PY 2012–2013 to employees totaling $357,122 that Puerto Rico charged to funds set aside for State administration activities

[24] The translated name of the system is the Financial Information System of the Department of Education.

and for the administration of adult secondary programs of instruction. We selected a judgmental sample of 10 salary payments totaling $67,439 from recent payments on 3 payroll dates—September 28, 2012; November 30, 2012; and May 30, 2013. We did not review related costs of fringe benefits. Because we judgmentally selected, the results of our testing of the sampled payments cannot be projected.

To determine whether the payments were allowable and adequately supported, we reviewed a detailed report showing the names of 28 employees who received payments, the amount paid to each employee, and the dates the payments were made. In addition, we reviewed Puerto Rico's certifications of time and effort provided for the employees who worked solely on Adult Education program activities.

Selection and Evaluation of Nonpayroll Payments

Puerto Rico provided data from its account system showing $7,598,123 in nonpayroll costs charged to Adult Education program grants during PY 2012–2013. We excluded $2,069,057 in nonpayroll payments at the local service providers' level. After the exclusion, we identified a universe of $5,529,067 in nonpayroll payments Puerto Rico made using funds set aside for the administration of adult basic education programs, administration of adult secondary education programs, corrections education, English language/civics education, State administration, and State leadership activities. To select nonpayroll payments at the local service providers' level and focus our testing on payments related to the local services providers we selected for review, we identified a universe of $345,193 in nonpayroll payments for goods and services Puerto Rico acquired in support of educational services provided by the four adult education centers we reviewed and to The Metropolitan New School of America. In total, we considered a universe of 1,146 nonpayroll payments totaling $5,874,260 and selected a nonstatistical sample of 20 nonpayroll payments totaling $1,282,140. The 20 judgmentally selected nonpayroll payments were selected based on the amount and the date of the payment or purchase order and are not representative of the universe of nonpayroll payments Puerto Rico made during PY 2012–2013; therefore, the results of our review of the sampled payments cannot be projected. Table 7 shows our sampling methodology for the nonstatistical sample of nonpayroll payments reviewed.

Table 7. Selection Methodology for Nonpayroll Payments

Selection Category	Item	Universe	Sample	Selection Methodology
Grant Set-Aside	Administration of Adult Basic Education Programs	365	2	2 judgmental selections based on the largest payments.
Grant Set-Aside	Administration of Adult Secondary Education Programs	186	2	2 judgmental selections based on the largest payments.
Grant Set-Aside	Corrections (PRDCR)[25]	19	2	2 judgmental selections based on the largest payments with the most recent purchase order dates.
Grant Set-	English	96	2	2 judgmental selections based on the

[25] Of the universe of 19 nonpayroll payments Puerto Rico made using funds set aside for corrections education, 18 were related to goods and services Puerto Rico acquired in support of educational services provided by PRDCR. Puerto Rico made the remaining payment in August 2013 to a subgrantee that provided services during PY 2011–2012.

Selection Category	Item	Universe	Sample	Selection Methodology
Aside	Language/Civics			largest payments with the most recent purchase order dates.
Grant Set-Aside	State Administration	360	2	2 judgmental selections based on the largest payments from different vendors.
Grant Set-Aside	State Leadership	234	3	2 judgmental selections based on the largest payments from different vendors. 1 judgmental selection based on the most recent paid invoice from a particular vendor.[26]
-	**Grant Set-Aside Subtotal**	**1,026 $5,529,067**	**13 $1,065,467**	-
Local Service Provider	Centro de Servicios Educativos de Caguas	60	2	2 judgmental selections based on the largest payments.
Local Service Provider	Emilio R. Delgado	1	1	Universe.
Local Service Provider	Gabriela Mistral	0	0	No transactions identified for this center.
Local Service Provider	Trina Padilla de Sanz	56	2	2 judgmental selections based on the largest payments
Local Service Provider	The Metropolitan New School of America	3	2	Judgmentally selected the most recent two payments.
-	**Local Service Provider Subtotal**	**120 $345,193**	**7 $216,673**	-
-	**Nonpayroll Total**	**1,146 $5,874,260**	**20 $1,282,140**	-

To determine whether the nonpayroll payments charged to the Adult Education program were allowable and adequately supported, we reviewed supporting documentation for a judgmental sample of 20 nonpayroll payments totaling $1,282,140. We reviewed invoices submitted by contractors, vendors, and subgrantees; purchase orders and Puerto Rico contracts with contractors, vendors, and subgrantees; and cancelled checks. In addition, we reviewed supporting documentation for the invoices such as receiving reports, payrolls, and time and attendance documentation supporting payroll, and third-party vendor invoices.

[26] To follow-up on Puerto Rico's implementation of corrective actions to address findings from the Department's monitoring visit report, we selected a payment Puerto Rico made to a vendor that Puerto Rico contracted in 2012 to develop a new management information system to collect and report Adult Education program performance data.

Additional Evaluation of Puerto Rico's Uses of Adult Education Program Funds

To assess Puerto Rico's processes for monitoring the uses of Adult Education program funds, we—

- Gained an understanding of the processes Puerto Rico used to monitor subgrantees' and adult education centers' uses of Adult Education program funds and the processes Puerto Rico used to obtain and review single audit reports from the 12 subgrantees through interviews with Puerto Rico officials; reviews of monitoring policies, procedures, and monitoring checklists; and reviews of reports of monitoring activities Puerto Rico completed for the four adult education centers and two subgrantees we reviewed.
- Verified whether all 12 subgrantees submitted a single audit report data collection form to the Federal Audit Clearinghouse and requested Puerto Rico to provide us the single audit reports from two subgrantees.

Evaluation of Puerto Rico's Grant Award Competition

To evaluate Puerto Rico's grant award competition, we—

- Gained an understanding of the PY 2012–2013 grant award processes Puerto Rico used for evaluating proposals for the continuation programs that had been implemented during PY 2011–2012, and proposals for the implementation of new workplace literacy programs.
- Evaluated official communications of grant award competition results identifying the entities that applied for Adult Education program funds, the proposals' scores, and the proposals that were recommended for an award.
- Identified the proposals that actually received an award and the award amounts by reviewing the budgets approved to 79 adult education centers, and the contracts approved to 12 subgrantees.
- Verified the proposals submitted by the four adult education centers and two subgrantees we selected for review, including the proposal PRDCR's secretary submitted for services at the Juvenile Institutions Administration.
- Evaluated whether reviewers of those proposals accurately calculated the scores they gave and whether the scores were consistent with the scores identified in the official communications of grant award competition results.
- Reviewed documentation supporting the grant award competition processes including request for proposal announcements, and proposal evaluation guidelines.

Use of Computer-Processed Data

As part of our testing to determine whether Puerto Rico submitted complete, accurate, and reliable Adult Education program performance data, we reviewed the PY 2012–2013 performance reports for Puerto Rico's seven educational regions and a judgmental selection of four adult education centers and two subgrantees. Those reports were prepared by using Excel spreadsheets with templates for all 14 NRS data tables. We verified whether the reports included all the data required for 3 of the 14 NRS tables, the data were consistent within the tables, and calculations within the tables were mathematically correct. We found incomplete data from two of the seven educational regions' reports, two of the four adult education centers' reports, and one of the two subgrantees' reports we reviewed. We also found mathematical errors in one of the two subgrantee reports we reviewed. The incomplete and inaccurate data are discussed in Finding No. 1. We relied on a list of PSCs Puerto Rico prepared using computer-processed data contained in its SEPI and Time, Attendance, and Licenses systems and a report of PSC payments Puerto Rico prepared using computer-processed expenditure data from its accounting system SIFDE.

To assess the reasonableness of the PSC computerized data, we cross-matched the list of PSCs with the report of PSC payments and assessed whether the PSCs had corresponding payments for the same period. We verified the accuracy of the PSCs and payment data by comparing the data related to the $329,030 in PSC payments reviewed to paycheck data contained in a human resources and payroll system from the Puerto Rico Department of Treasury. We recalculated the payment amounts based on hours of services provided according to hardcopy attendance sheets and electronic reports of hours worked produced by SEPI and the hourly rate established in the 29 PSCs we reviewed. Based on our assessments, we concluded that the computer-processed data for PSCs and related payments were sufficiently reliable for the purposes of this review.

To validate the payroll and nonpayroll computerized expenditures charged to Adult Education program grants, we compared the data for 29 nonpayroll payments totaling $1,600,718 to cancelled checks. In addition, for the 20 sampled nonpayroll payments selected for our review, we traced the payments to supporting documentation totaling $1,282,140. Based on our assessment, we concluded that the computer-processed expenditure data were sufficiently reliable for the purposes of this review.

Internal Controls

We gained an understanding of the internal controls significant to our audit objectives. We also conducted a limited assessment of significant Puerto Rico controls for the processes of Federal reporting of program performance data, reviewing and approving payments and monitoring the uses of funds, and reviewing and approving applications for subgrants. We identified weaknesses in Puerto Rico's internal controls. Specifically, Puerto Rico did not always report accurate, complete, and reliable performance data to the Department (as discussed in Finding 1); did not maintain sufficient documentation to support that it used all Adult Education program funds appropriately (as discussed in Finding 2); and did not obtain and review single audit reports of all subgrantess that required a single audit (as discussed in Finding 3).

As part of the audit, we visited the Department's OCTAE offices located in Washington, D.C., on April 1, 2014. We performed site visits at Puerto Rico's Adult Education program office in San Juan, Puerto Rico, from April 15, 2014, through March 5, 2015, and site visits at two of Puerto Rico's seven educational regions and at four of the six local service providers we selected for review. We conducted an exit conference with Puerto Rico officials on July 31, 2017.

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.

ENCLOSURE 1: Puerto Rico Comments

GOVERNMENT OF PUERTO RICO

DEPARTMENT OF EDUCATION
OFFICE OF THE SECRETARY

November 22, 2017

Christopher A. Gamble
Regional Inspector General for Audit
U.S. Department of Education, Office of Inspector General
61 Forsyth SW, Room 19T30
Atlanta, GA 30303

Dear Mr. Gamble,

The Puerto Rico Department of Education (PRDE) received a Draft Audit Report, Control Number ED-OIG/A04O0004, issued by the Office of the Inspector General (OIG) on August 24, 2017. The draft report summarized the results of the audit, "Puerto Rico Department of Education's Reliability of Program Performance Data and Use of Audit Program Funds" (Draft Audit Report). The Draft Audit Report addresses PRDE's administration of its Adult Education Program during program year 2012-2013, throughout 79 adult educational centers. Since receiving the Draft Audit Report, PRDE was hit by Hurricanes Irma and Maria, which caused serious damages to PRDE infrastructure and impeded PRDE's efforts to obtain the supporting documentation required to prepare this response. In recognition of these extenuating circumstances, OIG extended the deadline for the audit response to November 22, 2017.

Despite the significant challenges, including serious physical damage to PRDE facilities and real property storing relevant information, among other infrastructure issues, PRDE has worked diligently to prepare the response that follows. Considering the forward-looking nature of the audit process, both its underlying purpose and governing regulations, we trust that in reviewing our response, the focus will be on measures taken by PRDE to implement and the systems designed to ensure current and future compliance with federal regulations.

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FINDING NO. 1 – Puerto Rico Did Not Always Report Complete, Supported, and Accurate Adult Education Program Performance Data to the Department

1a) Puerto Rico Reported Incomplete, Unsupported, and Inaccurate Performance Data

The Draft Audit Report states that PRDE reported incomplete, unsupported, and inaccurate performance data. We disagree with this finding and note that PRDE has systems in place to ensure that performance data is collected and maintained in a manner consistent with federal and local law.

OIG recommended that PRDE address this finding by (1) establishing monitoring procedures to provide assurance that all the required performance data that are collected and reported by all adult education centers, subgrantees and educational regions are effectively assessed for completeness and accuracy, and that supporting documentation is maintained for the reported data; and (2) increasing accountability for the performance data transmitted by requiring its adult education centers, subgrantees, and educational regions to certify that the data are accurate, complete, and reliable, and fully disclose any data limitations.

To demonstrate that PRDE currently has these systems in place, we included Exhibit 1: Guía de Monitría Programática y Fiscal del Programa de Educación Para Adultos. This is our most recent monitoring guide, used during the 2016-2017 school year. The monitoring guide contains detailed instructions for monitors and demands that monitors address all evaluation criteria in their reviews. We believe that our development and consistent implementation of this comprehensive and detailed monitoring tool adequately addresses the issues noted in Finding 1a.

1b) Puerto Rico Did Not Maintain Adequate Support for Reported Non-Federal Matching Contributions

We strongly disagree with this finding. PRDE has and continues to maintain support for non-federal matching contributions. Although we regret that auditors were unable to obtain this information during their visit, we are providing alternative documentation to support our position. We are presenting the attached certification from Eligio Hernández, Associate Secretary for the Puerto Rico Department of Education, responsible for supervising the reporting of non-federal matching contributions. Exhibit 2: Certification- Matching. Mr. Hernández had personal knowledge of non-federal matching records during the audit period and attests to the fact that they were conducted in an appropriate manner. Mr. Hernández describes these procedures in detail in Exhibit 2- Certification- Matching. Mr. Hernández is available for further questions about systems in place to ensure maintenance of appropriate non-federal matching contribution records upon request. We are also providing a copy of a presentation delivered to subgrantees outlining the process for documenting non-federal matching contributions Exhibit 3- Orientación Propuestas de Continuación Programa de Educación para Adultos.

OIG recommended that PRDE address this finding by maintaining adequate support for reported non-Federal matching contributions to evidence compliance with State matching contribution requirements.

We agree that the integrity of the program depends on grant recipients maintaining adequate supporting documentation. We will continue to abide by all federal and local requirements. Although we are confident in our current state of operations, we are willing to revisit our existing policies and procedures to ensure that we timely identify and address all areas for improvement.

FINDING NO. 2 – Puerto Rico Did Not Maintain Sufficient Documentation to Support That It Used All Adult Education Program Funds Appropriately

The second finding in the Draft Audit Report pertains to PRDE's maintenance of documentation to support the appropriate use of adult funds. Specifically, OIG claims that PRDE did not maintain sufficient documentation to demonstrate compliance with the approval process for PSCs with related payments of $75,767; did not maintain semiannual certifications for employees who worked full time on the adult education program; and did not provide adequate support for nonpayroll payments of $21,714.

We disagree with Finding No. 2. PRDE has controls in place to ensure that adequate documentation is collected and maintained. However, we are unable to address the specific dollar amounts at issue because we have not received sufficient information from OIG to trace these payments back to their sources to discern an explanation for the unavailability of documentation. In order to explain these particular funds, we will need more information from OIG regarding the names of the identification of the payments. Upon receipt of this information, we will gladly investigate further.

In support of our position that PRDE followed local and federal procedures, we are providing an additional certification from Eligio Hernández. Mr. Hernández has personal knowledge of steps taken by PRDE staff to maintain proper documentation for payroll payments. He has signed the attached certification to demonstrate his confidence that proper procedures were in place and implemented. Exhibit 4- Certification- Payroll. Further, we are providing memoranda issued to PRDE staff outlining procedures for semiannual certifications. Exhibit 5- Solicitud de Información de Esfuerzo Anticipado para el Año Fiscal 2013-2014. These memoranda were issued with the expectation that all procedures be implemented regularly by staff and staff were held accountable for proper implementation. Additionally, we have attached a properly issued semiannual certification form Exhibit 6- Certificación Semiannual. We believe that these memoranda and the affidavits provide sufficient evidence to establish that PRDE did in fact maintain adequate documentation to demonstrate that it used all adult education funds appropriately.

To address this finding, OIG recommended that PRDE (1) return to the Department $75,767 in PSC payments made for 8 PSCs without required approval; (2) adhere to the processes outlined in Puerto Rico's Manual for PSCs for filing and retrieval of sufficient PSC documentation supporting compliance with the approval process, including evidence that an official with documented authority approve the contracts; (3) maintain all required documentation for payroll payments and related costs charged to Adult Education program grants to support that those employees worked full time on the Adult Education program; (4) return to the Department $21,714 inadequately documented nonpayroll payments charged to Adult Education program grants, and (5) review sufficient supporting documentation for contractors' and vendors' invoices before approving nonpayroll payments to ensure that goods and services received correspond to the goods and services billed.

We agree with the recommendations regarding PRDE's continued adherence to local and federal requirements for creating and maintaining documentation going forward. PRDE has controls in place and will continue to ensure those are implemented throughout all educational regions. However, we strongly disagree with OIG's recommendation that PRDE return the PSC payments and nonpayroll payments for which OIG was unable to find documentation. We do not believe that this documentation was ever missing, but rather believe that OIG failed to connect with the appropriate individuals to obtain the documentation at issue. Further, we believe that the attached affidavits adequately demonstrate that procedures were followed and all payments properly verified.

FINDING NO. 3– Puerto Rico Did Not Always Obtain and Review Single Audits of Its Subgrantees

The audit report states that PRDE did not always obtain and review single audits of its subgrantees. PRDE disagrees with this finding. At the time of the audit, the single audit threshold was $500,000. Single audits were only required for programs receiving more than $500,000. The majority of grantees received less than $500,000, and therefore single audits were not required. To support this statement, we refer you to the attached list of subgrantees Exhibit 7-List of Institutions and Award Amounts. Because the majority of grantees received dollar amounts below the single audit threshold, no single audits were required.

OIG recommends that PRDE revise existing monitoring checklists to include steps to determine whether Adult Education program subgrantees exceeded the threshold for obtaining an OMB Circular A-133 single audit, and obtain and review the required single audit reports for all subgrantees exceeding the threshold. We agree that PRDE must have procedures in place to ensure single audits are conducted for all grantees exceeding the single audit threshold and refer you to Exhibit 8- Manual de Procedimientos de Monitoría. The manual outlines procedures for single audits and clearly indicates

that single audits are required for subrecipients receiving more than $500,000. We welcome the opportunity to speak with you about how to further improve these procedures.

Please do not hesitate to contact me if you have questions or would like any additional information.

Sincerely,

Julia B. Keleher
Secretary of Education