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# **Audit of the After-School Plus (A + ) Program of the Department of Education**

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A Report to the  
Governor  
and the  
Legislature of  
the State of  
Hawaii

Report No. 96-20  
December 1996



**THE AUDITOR**  
STATE OF HAWAII

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## The Office of the Auditor

The missions of the Office of the Auditor are assigned by the Hawaii State Constitution (Article VII, Section 10). The primary mission is to conduct post audits of the transactions, accounts, programs, and performance of public agencies. A supplemental mission is to conduct such other investigations and prepare such additional reports as may be directed by the Legislature.

Under its assigned missions, the office conducts the following types of examinations:

1. *Financial audits* attest to the fairness of the financial statements of agencies. They examine the adequacy of the financial records and accounting and internal controls, and they determine the legality and propriety of expenditures.
2. *Management audits*, which are also referred to as *performance audits*, examine the effectiveness of programs or the efficiency of agencies or both. These audits are also called *program audits*, when they focus on whether programs are attaining the objectives and results expected of them, and *operations audits*, when they examine how well agencies are organized and managed and how efficiently they acquire and utilize resources.
3. *Sunset evaluations* evaluate new professional and occupational licensing programs to determine whether the programs should be terminated, continued, or modified. These evaluations are conducted in accordance with criteria established by statute.
4. *Sunrise analyses* are similar to sunset evaluations, but they apply to proposed rather than existing regulatory programs. Before a new professional and occupational licensing program can be enacted, the statutes require that the measure be analyzed by the Office of the Auditor as to its probable effects.
5. *Health insurance analyses* examine bills that propose to mandate certain health insurance benefits. Such bills cannot be enacted unless they are referred to the Office of the Auditor for an assessment of the social and financial impact of the proposed measure.
6. *Analyses of proposed special funds* and existing *trust and revolving funds* determine if proposals to establish these funds and existing funds meet legislative criteria.
7. *Procurement compliance audits* and other *procurement-related monitoring* assist the Legislature in overseeing government procurement practices.
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9. *Special studies* respond to requests from both houses of the Legislature. The studies usually address specific problems for which the Legislature is seeking solutions.

Hawaii's laws provide the Auditor with broad powers to examine all books, records, files, papers, and documents and all financial affairs of every agency. The Auditor also has the authority to summon persons to produce records and to question persons under oath. However, the Office of the Auditor exercises no control function, and its authority is limited to reviewing, evaluating, and reporting on its findings and recommendations to the Legislature and the Governor.



## THE AUDITOR STATE OF HAWAII

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# OVERVIEW

THE AUDITOR  
STATE OF HAWAII

## Audit of the After-School Plus (A + ) Program of the Department of Education

### Summary

The Office of the Auditor conducted an audit of the Department of Education's After-School Plus (A+) Program. The A+ Program was implemented in Spring 1990 to increase the availability of quality after-school care for latchkey children. As the first state subsidized after-school care program in the nation, A+ is funded by general fund appropriations and fees paid by parents.

The program now operates at 175 school sites and served more than 25,000 children attending public schools during the 1995-96 school year (SY). The program cost the State approximately \$13 million during SY1995-96. Parents paid the State about \$4.1 million in fees that year.

We found that the Department of Education has not managed program resources properly. It has not adequately screened A+ Program participants for eligibility, thereby increasing program costs and compromising the intent of the Legislature that the A+ Program serve latchkey public school students. It has not ensured that A+ Program sites operated by the department are staffed appropriately. A+ sites are overstaffed, staff do not have desired qualifications, and nepotism is common.

We also found a variety of programmatic and financial shortcomings. Children enrolled in A+ do not have equal access to school facilities and program services. A+ sites do not follow established management controls to ensure proper program collections and deposits. The department cannot be sure that all program fees are collected and deposited into the state treasury. And the department does not use A+ Program cost information to properly manage the program. Better use of cost information might have enabled the department to continue providing snacks to children.

### Recommendations and Response

We recommend the department eliminate unnecessary program costs and capture revenues the State is due by ensuring program enrollment is limited to eligible students and by following department collection practices outlined in its business services handbook and in the *A+ Operations Manual*. We also recommend district coordinators verify the enrollment and attendance data reported by schools. The department should staff A+ sites according to attendance patterns. We recommend the department adopt a policy on nepotism.

The department concurred with our findings and stated that it will take corrective action to improve screening for program eligibility, staffing, hiring procedures, collection procedures, fiscal controls, and program monitoring.

The department did not agree with our recommendation that A+ be staffed to program attendance. The department states that it has changed enrollment reports to include children's names and fees collected. It believes this new report will result in better enrollment information to properly staff A+ sites. The department also indicated that staffing can be adjusted to accommodate significant enrollment changes.

The department commented that district coordinators verify enrollment and attendance by reviewing monthly enrollment and collections reports and by making periodic visits to A+ sites. Because these are time-consuming tasks, the department is evaluating the allocation of resources to support the monitoring functions, including involvement of its Internal Audit office.

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Submitted by

**THE AUDITOR**  
STATE OF HAWAII

Report No. 96-20  
December 1996



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## Foreword

This is a report of our audit of the After-School Plus Program of the Department of Education. The audit was conducted pursuant to Section 23-4, Hawaii Revised Statutes, which requires the Auditor to conduct postaudits of the transactions, accounts, programs, and performance of all departments, offices, and agencies of the State and its political subdivisions.

We wish to express our appreciation for the cooperation and assistance extended by officials and staff of the Department of Education.

Marion M. Higa  
State Auditor



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# Chapter 1

## Introduction and Background

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This is a report of our audit of the Department of Education's After-School Plus (A+) Program. The audit was conducted pursuant to Section 23-4, Hawaii Revised Statutes (HRS), which requires the Auditor to conduct postaudits of the transactions, accounts, programs, and performance of all departments, offices, and agencies of the State and its political subdivisions.

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### Background

The Department of Education began the A+ Program in Spring 1990 to increase quality, affordable after-school care for latchkey children. Hawaii Administrative Rules Chapter 400 defines latchkey children as public school children in grades kindergarten through six whose parents are working or at school and cannot be at home at the end of the instructional school day.

A+ began as a pilot after-school child care program at 170 school sites and currently operates at 175 school sites. The program cost approximately \$13 million during the 1995-96 school year (SY) and served more than 25,000 children attending public schools.

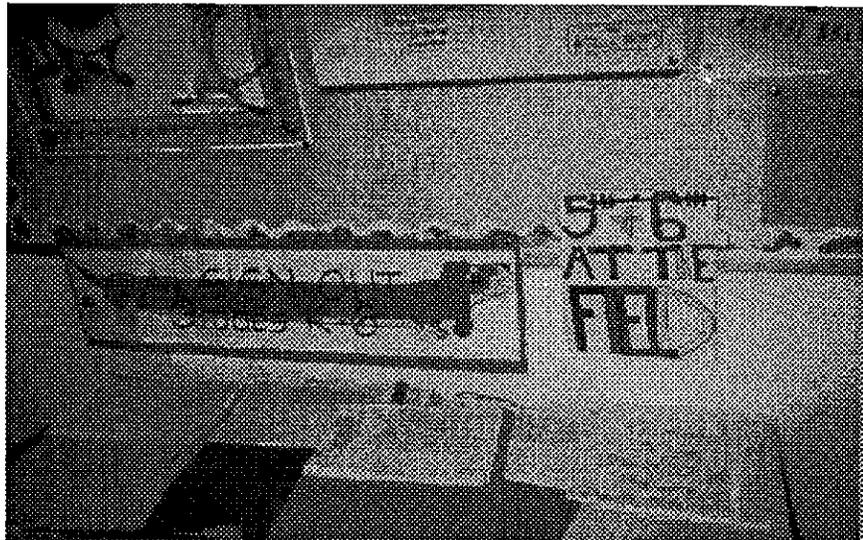
The beginning of this program was controversial because the administration sought to start the program without legislative review and approval. The Legislature believed that the program's statewide implementation would require the commitment of additional state funds and should be subject to legislative review. The department did not immediately seek legislative approval, but rather began to enroll students and to recruit program staff in 1989 to participate in the program beginning February 1990. The department argued that the Legislature had already provided it with the authority to establish and regulate after-school programs under Section 296-49, HRS. That section states, "The state department of education ... may establish and regulate programs of after-school ... activities." However, the governor acknowledged that the ultimate fate of the program *was* contingent upon legislative funding past 1990.

The Legislature appropriated \$5.7 million to operate the A+ Program in Spring 1990 and an additional \$16 million to operate the program for SY1990-91. Noting concern that the pilot program was being implemented on a statewide level, the Legislature indicated that the A+ Program would need to prove cost efficiency and effectiveness prior to operating as a permanent state program. Although the Legislature has continued to provide funding for the A+ Program, it has not permanently

established the program in state statute. The department continues to operate the statewide program under Section 296-49, HRS.

### ***Program organization***

The superintendent of education administers the A+ Program through the Office of Accountability and School Instructional Support (OASIS). An educational specialist in the Systems Group within the office is assigned specifically to community education programs, including A+. At the district level, part-time district coordinators guide and monitor program activities. Daily program operations are the responsibility of school principals who determine whether the program will be operated by the school directly or by a private provider under contract.

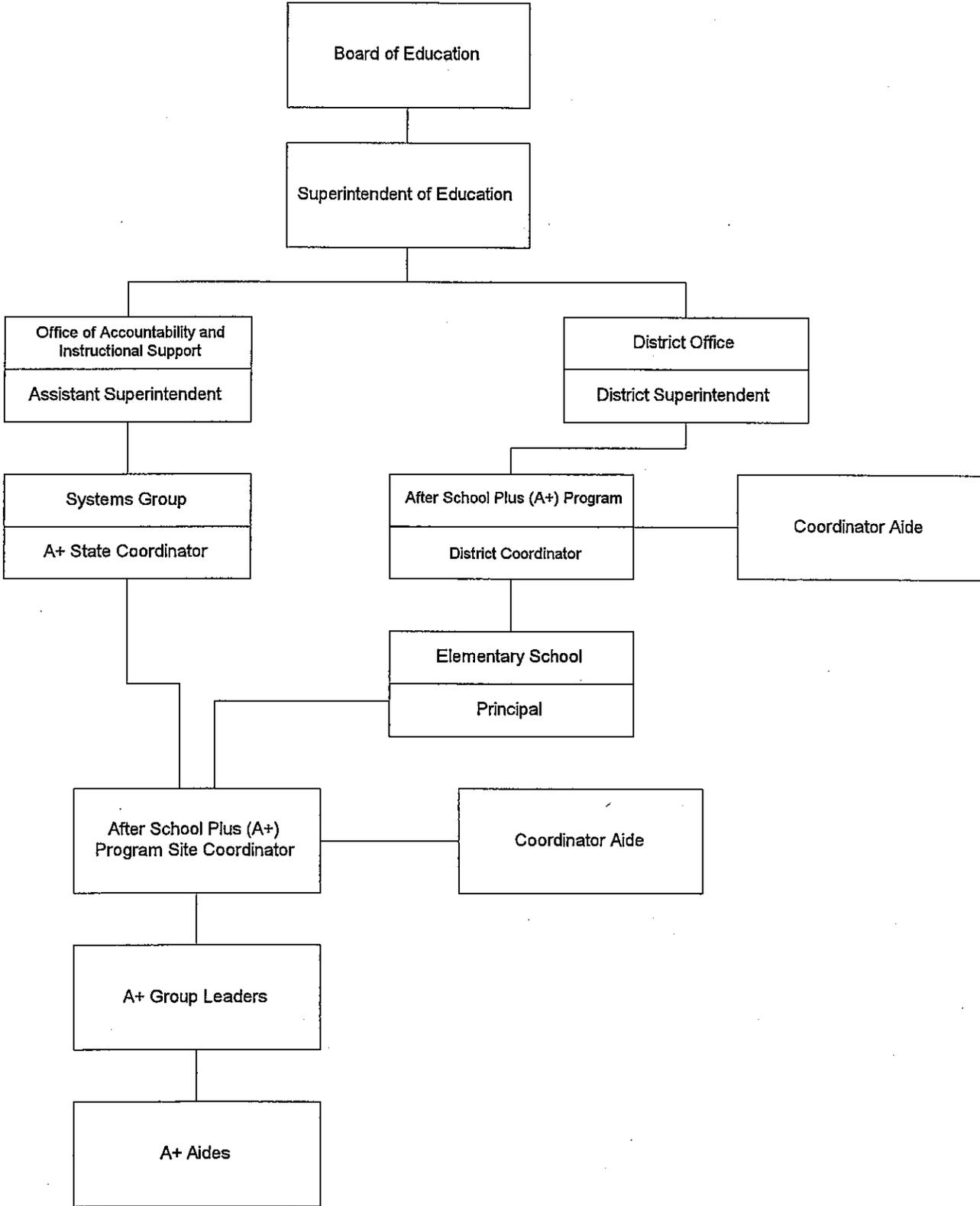


As an after-school care program, parents must sign for their children when they pick them up. This is the sign-out table at Red Hill Elementary School.

The department operated 126 of the 175 program sites during SY1995-96. Principals at the remaining 49 program sites contracted with private child-care providers to operate the program at the school site. When a school contracts the service of a private provider, responsibility for program implementation remains with the school principal. The appendix to this report identifies all A+ Program sites operated by the department and private providers during SY1995-96.

Under the supervision of a site coordinator, group leaders and program aides generally plan and implement the daily activities as well as supervise A+ children. Program coordinator aides assist the site coordinators with clerical responsibilities including billings, collections, and deposits. An organizational chart is shown in Exhibit 1.1

**Exhibit 1.1**  
**After-School Plus (A+) Program Organizational Chart**



***A + is substantially general funded***

Recognized as the first state-subsidized after-school program in the nation, A+ is funded by appropriations from the general fund and fees paid by parents. The state subsidy accounted for two-thirds of the program cost, or \$9.3 million in SY1995-96. Parents paid the State about \$4.1 million in A+ fees that year.

A+ program fees are based on a sliding scale that factors in income and the number of children per family enrolled in the program. The current fee schedule is presented in Exhibit 1.2. Students eligible for the federally funded free and reduced price school lunches were eligible for A+ fee waivers until a new fee schedule was implemented on April 1, 1996. Currently, the parents of students qualifying for free and reduced price school lunches pay between \$6 and \$9 per student per month. Program fees for all other students range from \$40 to \$55 per student per month. The maximum monthly fee has gradually increased from \$23 per child per month at the program's inception to the current \$55 per child per month.

**Exhibit 1.2  
After-School Plus (A + ) Program Fee Schedule**

	Number of Children From Family	Monthly Fee Per Child
<b>Regular Students</b>		
	1	\$55
	2	\$50
	3	\$45
	4	\$40
<b>Students qualifying for reduced price school lunch</b>		
	1	\$9
	2	\$8
	3	\$7
	4	\$6

**Students qualifying for free price school lunch**

\$6 per child, regardless of the number of children from the same family

(effective April 1, 1996)

***Program eligibility is limited to latchkey students***

Act 1, SLH 1990 limited A+ program eligibility to public elementary school students living in households headed by a single parent who worked during program hours or two parents who worked during program hours. Act 334, SLH 1990 expanded eligibility to include

students of parents who attend school or job training programs. It also allowed schools to recommend students to the program on the basis of educational need, provided resources were available.

***A + offers a spectrum of activities***

In addition to providing affordable after-school supervision, both the Legislature and superintendent of education intended that A+ reinforce and expand student learning experiences. Act 334, SLH 1990 required that this be done by increasing the utilization of school facilities and providing a range of educational activities and opportunities to students. This spectrum of activities was to include access to school libraries and classrooms, homework assistance, recreational sports, and a variety of arts and crafts.

The department also provided all A+ Program participants with USDA Child Care and Adult Food Program-approved snacks from the program's inception in 1990 through SY1994-95. During SY1995-96, however, the department terminated the federally subsidized snack program as a cost saving measure. The provision of snacks is generally now a parental responsibility.

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**Objectives of the Audit**

1. Determine whether the Department of Education's management controls over the services and enrollment of the After-School Plus Program are adequate.
2. Determine whether the department's management controls over program revenues and collections are adequate.
3. Make recommendations as appropriate.

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**Scope and Methodology**

Our work focused on the A+ Program during school years 1995-96 and 1996-97. We reviewed pertinent state laws and rules, interviewed program staff, and reviewed pertinent files and documents at the department's Office of Accountability and School Instructional Support (OASIS), all seven school district offices, and at 21 A+ Program sites. Fifteen of the 21 A+ Program sites were operated by the Department of Education, and six were operated by contracted providers.

We visited 18 program sites on the afternoon of October 3, 1996 to observe program services.

Our work was performed from June 1996 through October 1996 in accordance with generally accepted government auditing standards.



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# Chapter 2

## The A + Program Should Be Better Managed

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This chapter presents the findings and recommendations of our audit of the Department of Education's management of the After-School Plus (A+) Program. We found the department has not managed program resources properly. Poor program eligibility screening and widespread overstaffing practices cause inefficient use of state funds. Deficient fee collection and deposit practices coupled with weak contract administration of private providers increase program costs to Hawaii's taxpayers. These flaws contributed to unequal program services, caused the elimination of snacks, and produced higher than necessary program costs.

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### Summary of Findings

1. The Department of Education has not adequately screened A+ Program participants for eligibility, thereby increasing program costs and compromising the intent of the Legislature that the A+ Program serve latchkey public school students.
2. The Department of Education has not ensured that A+ Program sites operated by the department are staffed appropriately. A+ sites are overstaffed, staff do not have desired qualifications, and nepotism is common.
3. Children enrolled in A+ do not have equal access to school facilities and program services.
4. A+ sites do not follow established management controls to ensure proper program collections and deposits. The department cannot be sure that all program fees are collected and deposited into the state General Fund.
5. The department does not use A+ Program cost information to properly manage the program.

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### The Department Has Not Ensured that the A + Program is Limited to Latchkey Students

Act 334, SLH 1990 and Hawaii Administrative Rules Chapter 400 restrict A+ Program eligibility to public school students in grades kindergarten through six whose parents or guardians are working or at school during the after-school operation hours of A+. These children are commonly referred to as "latchkey children." The determination of program eligibility requires a thorough screening process. Proper program screening ensures that only eligible program participants

receive services and that limited state resources are not wasted by serving ineligible participants.

To screen properly for program eligibility, staff must obtain relevant information, then verify that information. The department developed the *Intent to Register Form* for this purpose. The *Intent to Register Form* requires parents to disclose their work or school schedules to ensure that they cannot be at home when school lets out.

We found school sites did not consistently screen students. The *Intent to Register Form* was not always completed by parents or was not used by the school sites. Failure to obtain and verify necessary information can result in increased program costs and compromise the purpose for the program as intended by the Legislature.

***Students are improperly screened for program eligibility***

Although the *Intent to Register Form* required the information necessary for proper screening, we found school sites did not consistently use the form to ensure A+ enrollment was limited to eligible students.

Five of the 21 schools sampled did not use the *Intent to Register Form* at all. Other schools using the form did not always have the information necessary for proper screening because the forms were sometimes missing or incomplete. Schools have also stopped using the form because they were instructed to do so. As a result, the schools failed to provide assurance that program expenditures were limited to the intended target population.

**Intent to Register Form is no longer used**

In response to the department's informal inquiry of the Department of the Attorney General about the appropriateness of requesting parental income information on the *Intent to Register Form*, the superintendent of education directed schools to cease using the form as of January 29, 1996. Requesting parental income information is unnecessary for eligibility screening; however, the remaining information sought by the *Intent to Register Form* is necessary to determine eligibility. The superintendent's directive to cease using this form in its entirety was improper.

The superintendent's directive has resulted in confusion as to what information schools may request to determine program eligibility. Schools have either discontinued using the form altogether, or have opted to revise it. However, some revised forms do not request the information necessary for proper screening. We found only two of seven schools contacted during October 1996 requested the parent/guardian work and school schedules necessary for proper screening for SY1996-97.

### **Site coordinators do not verify information necessary for proper screening**

In addition to not requiring information necessary to screen students for program eligibility, A+ personnel do not verify the information they do receive from parents. Verification can be done by confirming working hours with employers or confirming classroom schedules with schools.

### **Participation of ineligible students increases program costs**

Schools have allowed ineligible students to participate in the A+ Program at a cost to taxpayers ranging between \$275 and \$618 per student annually. We found examples of enrollment in the program even though one parent was available for after-school care. This compromises legislative intent that the program serve only latchkey children. These students did not meet the program eligibility requirements and should not have been enrolled in A+.

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## **The A+ Program Is Not Staffed Appropriately**

Staffing is the major cost of the A+ Program. During SY1995-96, staffing expenditures accounted for 92 percent (\$12.3 million) of total A+ program costs. Sound staffing practices ensure the efficiency of program operations and control program costs.

The A+ program operations manual prescribes program staffing structure and applicant screening procedures. The staffing structure—types of staff and staff-to-student ratios—and screening procedures are management controls designed to ensure that A+ personnel costs are controlled and that the most qualified applicants are hired. We found that 12 of the 15 department operated program sites in our sample were overstaffed, causing an unnecessary expenditure of approximately \$76,000 in SY1995-96. In addition, schools have ignored sound personnel selection procedures, engaged in nepotism, and hired staff who do not have desired position qualifications.

### ***A+ sites are over-staffed***

The *A+ Operations Manual* specifies the number of site coordinators, coordinator aides, group leaders, and program aides each school site should employ, based upon the site's enrollment. Staff size and composition must be appropriate to ensure that a child to staff ratio of 20 to 1 is maintained and that children with special needs are accommodated. Site coordinator and coordinator aides are not included in calculating the child to staff ratio.

Some A+ sites do not always comply with the mandated staffing structure. Some schools have reported inflated enrollment counts. This has allowed them to hire more staff than necessary. We also found that,

because of normal student absences, staffing levels sometimes are higher than necessary. Also, some A+ sites did not always hire and pay staff in accordance with the *A+ Operations Manual*.

### **Inaccurate enrollment reports result in unnecessary staffing**

A+ sites are required to report monthly enrollment counts to the district offices. District coordinators use these reported enrollment counts to calculate funding for school site staff. We reviewed the reported enrollment counts and found some sites significantly overstated their monthly enrollment, resulting in unnecessary staffing.

The most over-staffed school's reported enrollment count of 264 included 77 students the school identified as "inactive." The inactive students were not attending A+ and never should have been reported as enrolled. Staff were hired on the basis of reported enrollment but no appropriate adjustment was made when actual enrollment was 77 students lower than reported. This site had at least four more employees than warranted and a staff to child ratio well under 20 to 1. The cost for two additional group leaders and two program aides was about \$24,000 for SY1995-96.

### **Staffing exceeds attendance patterns**

The department hires A+ staff based on the number of students enrolled. Because of normal student absences, a more cost-effective practice is to employ staff based on the projected attendance. We reviewed A+ attendance records at the 15 department-operated sites sampled. For the months tested, we found attendance ranged from 3 percent more to 27 percent less than reported enrollment. At most sites, we found staffing was higher than required by actual attendance.

We found 87 percent of the department-operated sites sampled over-staffed in the positions of group leader, program aide, or both during SY1995-1996. The number of these positions are dictated by reported enrollment. We reviewed the staffing at 11 department operated sites during SY1996-97 and found the department continues to over-staff A+.

### **Staff paid at higher pay rates inappropriately**

Several sites disregarded the mandated staffing structure and inappropriately hired more group leaders than authorized, by "trading" two program aide positions for one group leader position. Group leaders are paid at twice the rate of program aides. This practice allows a school to pay staff on duty at the higher group leader rate without exceeding total authorized expenditures. However, the practice results in having fewer staff than required. For example, at one school engaging in this practice, the total number of A+ staff required by the A+ staffing structure was 11. But only 9 staff actually were on duty.

### ***Sites ignored personnel selection procedures***

Hiring qualified A+ staff is fundamental to program success. The *A+ Operations Manual* requires site coordinators to develop a rating and ranking system for A+ staff applicants. The *Manual* also provides site coordinators with a general guide to develop an interview and selection process. Selection criteria should include the following factors: (1)experience, (2)education, (3)professional certificates, (4)talents, (5)skills, (6)employment suitability, and (7)applicant's grade level if applicable.

Only one of the 15 department operated sites we reviewed used a standardized form for interviewing and evaluating candidates. None of them ranked the candidates as required by the A+ manual. Failure to follow applicant selection procedures has contributed to nepotism practices and hiring of staff who do not have the desired qualifications.

### **There is nepotism at A+ sites**

We found nepotism at department-operated sites. Although the department does not have a nepotism policy, it requires one of its private A+ providers. The A+ contractors must have "bylaws or policies ... that relate to nepotism and management of potential conflict of interest situations." The department should hold itself to the same standard.

At five of the 15 sites we visited, the site coordinator and principals were either the parent, in-law, or spouse of group leaders and program aides. At two other sites the site coordinator position was split between spouses. Several schools employed group leaders and program aides who were related. One school hired two family members as group leaders although both failed to meet the desired experience requirements.

### **Staff do not have desired qualifications**

The *A+ Operations Manual* lists desired qualifications for A+ staff positions. Group leaders should have two years of college education or be high school graduates and have two years of experience working with children. Program aides should have completed two years of high school. At least 60 percent of the department-operated sites sampled hired A+ staff who did not have these desired qualifications.

At one site, 47 percent of the staff did not have the desired qualifications.

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### **Students Have Unequal Access to Program Services**

Access to school facilities and the range of activities and experiences students are offered are uneven among program sites. Not all school principals have provided A+ students with access to school libraries and classrooms as intended. Furthermore, parents are sometimes assessed

additional charges for enrichment activities or program services that other sites provide free.

***Access to school facilities is uneven***

Act 334, SLH 1990 specified that one objective of the A+ Program is to provide students with access to school libraries and classrooms to reinforce the learning experiences of latchkey children. The *A+ Operations Manual* also indicates a program goal is to “better use school facilities.” The manual requires school principals to coordinate the use, care and maintenance of school facilities. However, 20 percent of A+ sites we reviewed did not maximize the use of school facilities because they limited facility access to the school cafeteria and playground.



Organized outdoor A+ activities - Pearl City Highlands

Principals at all A+ sites we sampled provided the program with adequate space for children to sit and play. However, only 3 of 17 schools with computer labs allowed the A+ Program access to the labs and only 5 of 20 provided access to the school library. We do note, however, that not all A+ staff feel lack of access to the library is detrimental to the program.

***Services among schools are uneven***

Activities of the A+ Program will reasonably vary by program site in order to meet the interests and needs of each site’s population. However, a minimum of five A+ components must be provided at each site. The required components are: (1) free play, (2) enrichment, (3) coordination and physical development, (4) character development, and (5) study/interaction. We could not verify that all students experienced all five program components. We also found that students at some sites were assessed fees for program services that were provided at no additional cost at other program sites.

### Not all sites post activity schedules

The *A+ Operations Manual* requires that the site coordinators post monthly activity schedules. This policy helps ensure that required program activities are carefully planned and implemented. Posting activity schedules also informs parents of program activities. However, activity schedules were posted at only 6 of the 18 sites we visited during our program site visits.



Posted activity schedule - Aikahi Elementary School

### Private providers have lesson plans

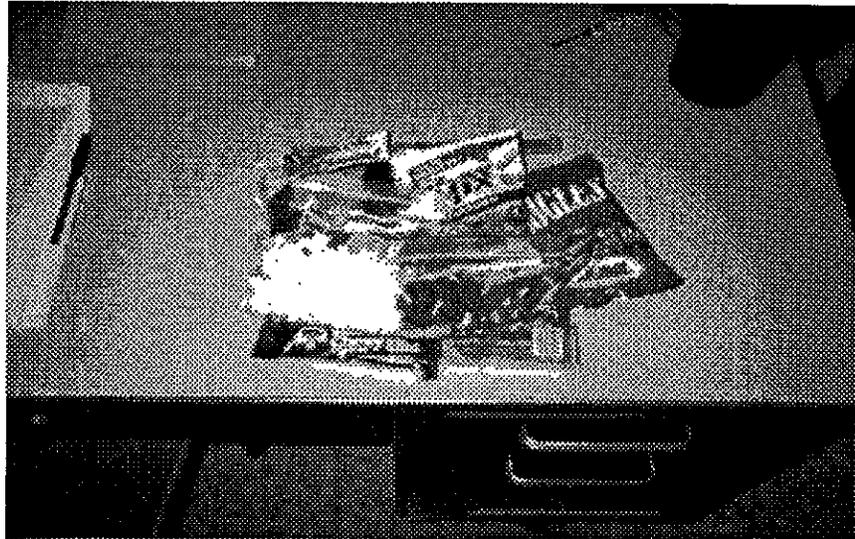
We found a correlation between program planning and whether or not the site provided all required A+ components. Private providers sampled were more consistent in completing lesson plans and providing all five A+ Program components. A smaller percent of the department-operated sites had written lesson plans and provided the required program components.

### Additional fees are sometimes assessed

Students at some sites were assessed fees for program services that were provided at no cost at other sites. One private provider assessed students additional fees for swimming while one department-operated site provided this activity at no additional charge. Similarly, one private site offered Japanese language instruction at an additional monthly charge of \$35 although Spanish language instruction was offered at a department-operated site at no additional cost to students.

### Some sites provide snacks

The discontinuation of the A+ snack program has resulted in inequities in snack services. Most sites we visited do not provide snacks. Some of the sites that do provide snacks distribute them at no charge while other sites providing snacks allow students to purchase them.



Snacks available for purchase at Red Hill Elementary School

One school selling snacks informed us the snacks are sold at a profit and that the site coordinators are unsure what the profits could be used for. Another school selling snacks did not have cost records or records of amounts collected from students. The site coordinator stated the snacks were sold at a loss and were partially paid for with the site coordinator's personal funds.

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### Program Fees Are Not Properly Collected and Deposited

Controls over receipt books are weak, deposits are untimely and late fees are assessed arbitrarily. These deficiencies coupled with the failure to reconcile enrollment with collections and deposits have been pointed out by outside auditors as problems in program revenues.

The department has established procedures to ensure proper collections and deposits of program fees. All collections and deposits are to be handled according to guidelines set forth in *Accounting for Collections Policies, Chapter 7, Financial Management System User Policy & Process Flow Guide, December 1995*. Additionally, Hawaii Administrative Rules, Chapter 400, and the *A+ Operations Manual* require that late payment and pick-up fees be assessed.

***Deficient collection practices identified in previous audit***

Our 1996 Report No. 96-8, *Financial Audit of the Public School System*, found that A+ program collection and enrollment procedures were deficient. To ensure proper A+ staffing and collection procedures, we recommended that the department take steps to strengthen the accuracy of enrollment counts and its enforcement of collection procedures.

The department indicated that, beginning with SY1995-96, district coordinators would review collection reports and bank deposit slips and compare them with each site's monthly enrollment logs. We determined the amount of receipts that schools should have collected based on their reported enrollment statistics. We found that there are still discrepancies between actual deposits and calculated receipts.

***Enrollment is not reconciled with collections and deposits***

Receipts need to be properly collected and deposited. Accurate enrollment counts should be used to determine the amount each A+ site should collect monthly. Once amounts due are determined, they must be reconciled with the actual collections and deposits in order to ensure the proper collection and deposit of all program revenues. We found the department has not reconciled collections and deposits to reported enrollment at both the school and district levels.

***Enrollment is not reconciled with collections***

A+ site coordinators do not reconcile collections to enrollment. Although site coordinators compile and report enrollment and collection data, there is no requirement that the schools reconcile the two. In 15 out of 20 school sites, there was no such reconciliation. At the district level, only Maui, West Hawaii, and Kauai reconciled enrollment to collections. Because there is only limited reconciliation throughout the state, the department does not properly identify outstanding collections and therefore, is unable to pursue collections as required.

***Controls over receipt books are weak***

An internal control device basic to cash accounting is the use of pre-numbered receipts. The department requires schools to issue pre-numbered receipts to acknowledge the receipt of all money. Generally accepted internal control procedures require that adequate safekeeping and numerical control be maintained at all times for pre-numbered receipts. This would provide assurance that all cash received is properly accounted for and deposited into the appropriate bank accounts.

Districts and schools issuing receipts do not take adequate steps to ensure all receipts issued to A+ are accounted for. Only Windward Oahu, Maui, and West Hawaii districts maintained an inventory record of pre-numbered receipts issued to the A+ site coordinators. School business offices providing A+ site coordinators with receipt books did not maintain an inventory of receipts issued. We found receipts were missing from two schools we visited.

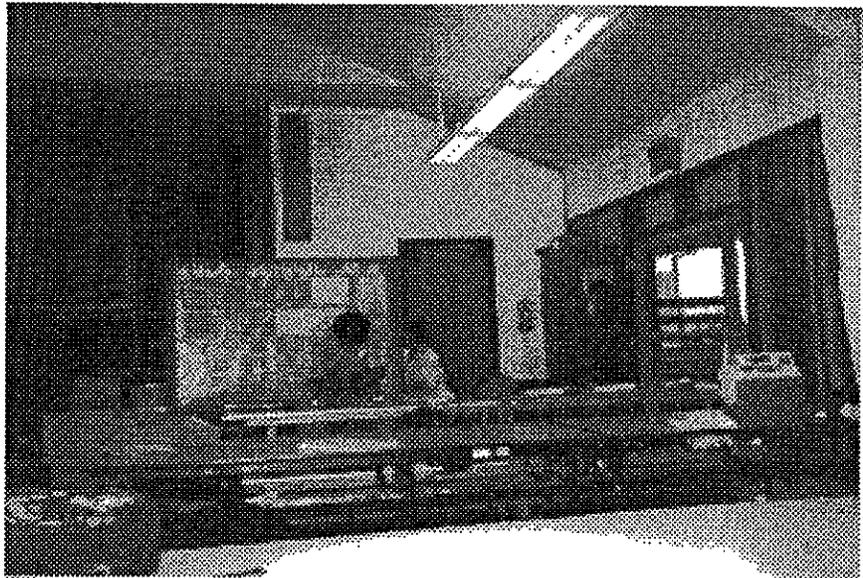
***Deposits are untimely***

The department's policies require that moneys collected by schools be deposited daily via armored car service. A "Request for Change in Deposit of School/Office Moneys" must be submitted and approved for any deviation from the daily deposit procedure. Failure to make daily deposits increases the risks of theft, loss, fraud, and embezzlement.

Our audit found that 92 percent of the department-operated school sites tested did not make daily deposits, and did not request approval to deviate from the daily deposit policy. One school site did not even deposit monthly fee collections on a monthly basis. Deposits at this school site included fees that were collected about four months earlier. The site coordinator at another site held public funds for lengthy periods of time in a safe at the coordinator's home.

***Late fees are assessed arbitrarily***

The *A+ Operations Manual* and Hawaii Administrative Rules require that fees be assessed for late payments and for students who are picked up late. Students may be dropped from the program if payment is not received by the third day following the program fee due date. Fees are to be assessed as follows: \$5 for each day that the monthly program fee payment is late and \$5 for each 15 minutes a child is picked up past program closing time.



Parent signing for child - Kula Elementary School

The enforcement of late fees is arbitrary. Some schools do not enforce late fees at all, while other schools do not enforce the late fee policy consistently. One school assessed only one of eight parents a late fee for

late child pick up although the other seven parents were just as late or later than the penalized parent. In addition, other schools assessed some parents the proper fee amount but charged other parents amounts that were less than the policy required.

### **Extremely late payments tolerated**

Site coordinators have also allowed students to participate in the program although their program fees were unpaid. One school allowed several students to participate in the program for about four months before their fees were paid. The failure to enforce the timely payment of fees may result in children attending A+ without ever paying the required fees. This is unfair to those who do pay and the taxpaying public. Late fees should be enforced and parents who do not pay within the required timeframe should not be allowed to enroll their children in A+.

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## **The Department Does Not Use Program Cost Information to Properly Manage the A+ Program**

Using information on the cost of operating the A+ Program would enable the department to maximize its resources and minimize any adverse effects. The department was faced with spending restrictions in FY1995-96. It hastily decided to stop providing healthy snacks to children in the A+ Program to reduce costs. It could have analyzed A+ Program expenditure reports instead. It could have reduced overstaffing. It could have reviewed existing financial data to identify additional cost savings.

One commonly used management tool is the review of periodic program cost reports. Programmatic decisions should be based upon all information available, including program cost information. That information is available in the Department of Education's Financial Management System. The system details A+ Program expenditures by site as well as by total program. This information can be used to detect anomalies in program expenditures and to manage program costs.

### ***School site costs reports can be used to identify questionable program expenditures***

Per pupil cost data by school site provides program managers with a control to monitor school level expenditures. The department's Financial Management Report *DAFR 385B* details A+ Program allocations and expenditures by school and district sites. This information, together with the average attendance at each school, can be used to determine per pupil cost by school site. Exhibit 2.1 indicates per pupil cost varied considerably by school site during SY1995-96.

Without school level cost information, the department is unable to identify questionable costs and take corrective action. Our review of costs at the department-operated programs that we examined correlates

with our finding relating to unnecessary staffing practices. As shown in Exhibit 2.1, both Red Hill's and Solomon's per pupil costs are higher than the average per pupil cost of the department-run sites. Both sites engaged in over-staffing practices.

Ho'okena and Lanai school sites had the highest per pupil costs. Both schools have very small enrollments. As a result, the fixed administrative costs for maintaining a site coordinator at each site contribute to the higher per pupil operational costs. Other factors, including staffing for special needs students, also contribute to higher per pupil costs.

Analysis of per pupil cost by program site provides decision makers with important data. For example, the department could use the cost data to assign site coordinator positions more cost effectively. When geographically feasible, having one site coordinator responsible for two or more sites with low enrollment would save the department over \$9,500 annually for every site coordinator position eliminated.

The Honolulu District has developed a monthly staffing expenditure report to identify schools that exceed staffing allocations. This is a start toward controlling program cost; however, the department should develop site level cost information relative to enrollment, attendance, and actual staff positions to better plan and budget for the A+ Program.

***District administration of private providers is inadequate***

Private providers are guaranteed \$70 a month per child. Providers collect applicable enrollment fees from parents or guardians and bill the department for the balance of the \$70 per child. The department requires that monthly payments to private providers be based upon the enrollment at the site for the first day of each month. District coordinators are responsible for verifying enrollment reported by private providers in order to ensure payments to private providers are correct.

We found district coordinators did not review any A+ records from the six private providers we sampled. Furthermore, one district paid a private provider's improper invoice of \$39,769 without even verifying the calculations on the invoice. The private provider subsequently recognized the discrepancy in the invoice calculations and submitted a revised invoice for the difference due it. This example demonstrates the lack of a most basic management control—verification of billing amounts.

We reviewed attendance records at A+ sites operated by private providers to identify whether state payments were proper. At some sites the attendance records were not consistently available, and we could not assess whether billings were accurate. In addition, one private provider

operating numerous sites billed the department on the basis of projected enrollments. This is contrary to the department's reimbursement policy, which requires that monthly reimbursements be based on the actual enrollment of the first day of each month. Neglecting this policy means there is no assurance that accurate invoices are being submitted by private providers.

### Exhibit 2.1

#### A+ Program Per Pupil Cost at the 15 DOE Operated Sites Sampled for SY1995-96

<u>Schools</u>	<u>Enrollment</u>	<u>Total Expenditures</u>	<u>Annual Per Pupil Cost</u>
Central District			
Solomon	234	\$140,406	\$600
Kipapa	242	\$109,436	\$452
Red Hill	143	\$82,456	\$577
Honolulu District			
Kahala	258	\$107,085	\$416
Kalihi Kai	178	\$61,055	\$343
Leeward District			
Leihoku	69	\$41,491	\$606
Waiau	167	\$75,296	\$455
Windward District			
Aikahi	216	\$82,595	\$382
Kaneohe	204	\$85,892	\$422
Hawaii District			
Kealakehe	274	\$132,279	\$484
Ho'okena	23	\$23,022	\$1,003
Kauai District			
Kapa'a	150	\$85,684	\$573
Maui District			
Kula	161	\$71,116	\$443
Kaunakakai	58	\$48,773	\$848
Lanai	20	\$22,972	\$1,178
Statewide Average			\$519

Note: The statewide average per pupil cost was calculated by dividing the total FY1995-96 expenditures by average reported enrollment.

***Elimination of snacks  
may not be warranted***

Believing that it would realize an immediate cost savings, the department decided to stop providing snacks during SY1995-96. The decision was made in response to the governor's \$25.4 million restriction on the Department of Education during Fiscal Year (FY) 1995-96.

Our review of A+ Program expenditures during FY1995-96 indicates that \$1.3 million would have been available for the provision of snacks; however the department chose to transfer these funds to cover teacher salary shortages and utility shortages. An additional \$274,000 allocated for A+ remained unexpended at the end of the fiscal year and also could have been used for snacks.

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**Conclusion**

The Legislature, in approving a statewide pilot program and continuing to fund it, recognized that the After-School Plus Program was a potentially useful program for working parents. Our review of the program reveals it should be more tightly managed. The Department of Education needs to eliminate unnecessary program costs and capture the revenues the State is due. Ineligible children are enrolled and the program is overstaffed. Services are unevenly distributed. Better management of costs could have allowed the department to provide snacks to over 25,000 children. The heavily subsidized A+ Program is in need of fundamental management controls, including ordinary financial controls.

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**Recommendations**

1. The Department of Education should ensure that only children eligible for the A+ Program are enrolled in the program.
2. The department should staff the A+ Program according to program attendance patterns and its established staffing formulas.
3. The department should develop a policy on nepotism. In addition, A+ site coordinators should follow the program's policies on applicant screening to ensure the most qualified candidates are hired for A+ vacancies.
4. The department should adopt a uniform policy for the provision of services including snacks, payment for enrichment classes, and access to school facilities. The district coordinators should monitor all A+ sites to ensure compliance with such a policy.

5. A+ Program sites should follow required collection procedures outlined in *Accounting for Collections, Section VII, Collections of Monies, OBS Handbook* and the *A+ Operations Manual*. Specifically, the department should:
  - a. Reconcile enrollment to collections and terminate students with outstanding program fees within a reasonable time period;
  - b. Assess all late program fees as set forth in Hawaii Administrative Rules, Chapter 400; and
  - c. Reconcile all deposits to collection receipts and deposit all collections in a timely manner.
6. District coordinators should verify the enrollment and attendance data reported by schools.
7. District coordinators should verify the accuracy of private providers' invoices prior to approving payment.



**Appendix**  
**After School Plus (A+) Program**  
**1995-1996 A+ Sites**

**Honolulu (40)**

Aina Haina  
 Ala Wai  
 Aliiolani  
 Anuenue  
 Fern  
 Hahaione  
 Hokulani  
 Jefferson\*  
 Kaahumanu\*  
 Kaewai  
 Kahala  
 Kaiulani  
 Kalihi  
 Kalihi Kai  
 Kalihi Uka  
 Kalihi Waena  
 Kamiloiki  
 Kapalama  
 Kauluwela\*  
 Koko Head  
 Kuhio\*  
 Lanakila  
 Liholiho  
 Likelike  
 Liliuokalani  
 Linapuni  
 Lincoln\*  
 Lunalilo  
 Maemae\*  
 Manoa  
 Noelani  
 Nuuanu  
 Palolo  
 Pauoa  
 Puuhale  
 Royal\*  
 Waialae\*  
 Waikiki\*  
 Wailupe  
 Wilson\*

**Central (29)**

Hale Kula\*  
 Haleiwa  
 Helemano  
 Iliahi  
 Kaala  
 Kipapa  
 Mililani Mauka  
 Mililani Uka  
 Mililani Waena  
 Solomon  
 Wahiawa  
 Waialua  
 Wheeler\*  
 South (16)  
 Aiea  
 Aliamanu  
 Hickam  
 Makalapa  
 Moanalua  
 Mokulele\*  
 Nimitz\*  
 Pearl Harbor\*  
 Pearl Harbor Kai  
 Pearl Ridge  
 Red Hill  
 Salt Lake  
 Scott  
 Shafter  
 Waimalu  
 Webling

**Leeward (28)**

August Ahrens  
 Barbers Point\*  
 Ewa\*  
 Ewa Beach  
 Honowai\*  
 Iroquois Point\*  
 Kaimiloa  
 Kaleiopuu\*  
 Kamaile  
 Kanoelani\*  
 Kapolei\*  
 Lehua\*  
 Leihoku  
 Maili  
 Makaha  
 Makakilo  
 Manana\*  
 Mauka Lani  
 Momilani\*  
 Nanaikapono  
 Nanakuli  
 Palisades  
 Pearl City\*  
 PC Highlands\*  
 Pohakea\*  
 Waianae  
 Waiau  
 Waipahu\*

**Windward (24)**

Ahuimanu\*  
 Aikahi  
 Enchanted Lake\*  
 Hauula  
 Heeia\*  
 Kaaawa  
 Kaeleputu\*  
 Kahaluu\*  
 Kahuku  
 Kailua\*  
 Kainalu\*  
 Kaneohe  
 Kapunahala\*  
 Keolu  
 Laie  
 Lanikai\*  
 Maunawili  
 Mokapu\*  
 Parker\*  
 Pope\*  
 Puohala\*  
 Sunset Beach\*  
 Waiahole  
 Waimanalo\*

**Hawaii (27)**

DeSilva  
 Haaheo  
 Hilo Union  
 Kalaniana'ole\*  
 Kapiolani  
 Pahala  
 Kaumana  
 Keaau  
 Keaukaha  
 Keonepoko\*  
 Laupahoehoe  
 Mountain View  
 Naalehu  
 Pahoa  
 Waiakea  
 Waiakea Waena

**Kona(11)**

Holualoa  
 Honaunau  
 Honokaa  
 Hookena  
 Kahakai  
 Kealakehe  
 Kohala  
 Kona Waena  
 Paauilo  
 Waikoloa\*  
 Waimea\*

**Maui (17)**

Haiku  
 Hana  
 Kahului  
 Kamehameha III  
 Kaunakakai  
 Kihei  
 Kilohana  
 Kualapuu  
 Kula  
 Lanai  
 Lihikai  
 Makawao  
 Nahienaena\*  
 Paia  
 Pukalani  
 Waihee  
 Wailuku

**Kauai (10)**

Eleele  
 Hanalei  
 Kalaheo  
 Kapaa  
 Kekaha  
 Kilauea  
 King Kaumualii  
 Koloa  
 Waimea Canyon  
 Wilcox

\* Private Providers

Total Sites:	175
DOE:	126
Private Providers:	49

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## Responses of the Affected Agencies

### Comments on Agency Responses

We transmitted drafts of this report to the superintendent of education and Board of Education on November 26, 1996. A copy of the transmittal letter to the superintendent of education is included as Attachment 1. A similar letter was sent to the board. The superintendent of education's response for the department is included as Attachment 2. The Board of Education did not respond to the draft report.

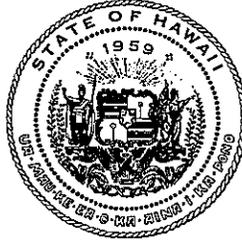
The department concurred with our findings and stated that the department will take corrective action to improve screening for program eligibility, staffing, hiring procedures, collection procedures, fiscal controls, and program monitoring.

The department did not agree with our recommendation that A+ be staffed to program attendance. The department states that it has changed enrollment reports to include children's names and fees collected. It believes this new report will result in better enrollment information to properly staff A+ sites. The department also indicated that staffing can be adjusted to accommodate significant enrollment changes.

The department commented that district coordinators verify enrollment and attendance by reviewing monthly enrollment and collections reports and by making periodic visits to A+ sites. Because these are time-consuming tasks, the department is evaluating the allocation of resources to support the monitoring functions, including involvement of its Internal Audit office.

ATTACHMENT 1

STATE OF HAWAII  
OFFICE OF THE AUDITOR  
465 S. King Street, Room 500  
Honolulu, Hawaii 96813-2917



MARION M. HIGA  
State Auditor

(808) 587-0800  
FAX: (808) 587-0830

November 26, 1996

*COPY*

The Honorable Herman M. Aizawa  
Superintendent of Education  
Department of Education  
Queen Liliuokalani Building  
1390 Miller Street, Room 309  
Honolulu, Hawaii 96813

Dear Dr. Aizawa:

Enclosed for your information are three copies, numbered 6 to 8 of our draft report, *Audit of the After-School Plus (A+) Program of the Department of Education*. We ask that you telephone us by Tuesday, December 3, 1996, on whether or not you intend to comment on our recommendations. If you wish your comments to be included in the report, please submit them no later than Monday, December 9, 1996.

The Board of Education, Governor, and presiding officers of the two houses of the Legislature have also been provided copies of this draft report.

Since this report is not in final form and changes may be made to it, access to the report should be restricted to those assisting you in preparing your response. Public release of the report will be made solely by our office and only after the report is published in its final form.

Sincerely,

Marion M. Higa  
State Auditor

Enclosures



STATE OF HAWAII  
DEPARTMENT OF EDUCATION

P. O. BOX 2380  
HONOLULU, HAWAII 96804

OFFICE OF THE SUPERINTENDENT

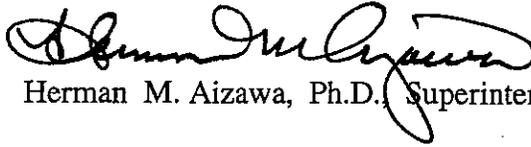
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OFFICE OF THE AUDITOR  
STATE OF HAWAII

DATE: December 9, 1996

MEMO TO: Ms. Marion M. Higa, State Auditor

FROM:   
Herman M. Aizawa, Ph.D., Superintendent

SUBJECT: **RESPONSE TO AUDITOR'S REPORT:**  
**Audit of the After-School Plus (A+) Program  
of the Department of Education**

Thank you for the opportunity to review and comment on the above-named audit report. Our comments on the seven audit recommendations are as follows:

**Recommendation #1:**

*The Department of Education should ensure that only children eligible for the A+ Program are enrolled in the program.*

**DOE Response:**

Eligibility to participate in the A+ Program is determined by the information parents/guardians provide on the Intent To Register or Application Forms. Information on employment or college/job training classes is requested on these forms. However, there was some confusion at sites when a directive to discontinue the use of the Intent To Register form was issued in January 1996, due to questions raised about the propriety of obtaining parental income information. Subsequently, instructions were given to the districts that they could create and use a modified Intent To Register form until a revised form would become available that did not request parental income information, but did request eligibility information on employment or college/job training. The Department is developing a revised form, and will make it available to all sites.

Most A+ sites depend on the honesty of parents and do not verify each application for eligibility, since sufficient manpower is not available for this task. However, when there is a question as to the eligibility of participants, the A+ Coordinator may call a parent's employer listed on the application form to verify employment. If parents are claiming that they are attending college or a job training program, a copy of the class schedule, tuition receipt, or some other kind of proof that they are attending such a program is requested by the site coordinators.

The Department will remind sites that eligibility information must be available and reviewed on all A+ participants. A system will be established to verify and monitor A+ eligibility. We are evaluating the allocation of resources to support this monitoring function, including the involvement of the DOE Internal Audit office.

**Recommendation #2:**

*The department should staff the A+ Program according to program attendance patterns and its established staffing formulas.*

**DOE Response:**

Districts are allocated funds for personnel based on projected enrollment, rather than attendance patterns. Districts then allocate funds for staffing to sites based on the projected site enrollment, with adjustments made after the actual enrollment data is reported. Accuracy of enrollment reports from sites to the districts have improved after implementation of the revised monthly reporting forms, which give children's names and the fees collected. Since all children must pay a fee, there is better accounting of the enrollment at sites. Sites must account for discrepancies in the comparison between enrollment and fees collected.

The allocation of staffing by attendance patterns would be too difficult, since attendance may be unpredictable, and fees are collected according to enrollment. As significant enrollment changes occur, staffing can be adjusted to maintain a 1:20 staff-to-children ratio.

The staffing structure has been revised to allow for a combined site coordinator/group leader position for very small sites, and to staff with more program aides rather than group leader positions. These changes allow for lower personnel costs without compromising the 1:20 staff-to-children ratio.

The Department will monitor staffing practices for compliance to staffing formulas. We are evaluating the allocation of resources to support this monitoring function, including involvement of the DOE Internal Audit office.

**Recommendation #3:**

*The department should develop a policy on nepotism. In addition, A+ site coordinators should follow the program's policies on applicant screening to ensure the most qualified candidates are hired for A+ vacancies.*

**DOE Response:**

The Department expects all employees to adhere to the DOE School Code, Policy No. 5511, which states:

*Department personnel shall be guided by the Code of Ethics for public employees of the State as prescribed in Chapter 84 of the Hawaii Revised Statutes.*

Chapter 84 of the Hawaii Revised Statutes is quoted, in part:

*Section 84-13 Fair treatment. "No...employee shall use or attempt to use the...employee's official position to secure or grant unwarranted privileges...advantages...or treatment, for oneself or others..."*

*Section 84-14 Conflicts of interest. "No employee shall take any official action directly affecting...a business or other undertaking in which he has a substantial financial interest.."*

*Section 84-3 Definitions. "'Financial interest' means an interest held by an individual, the individual's spouse, or dependent children which is...an employment, or prospective employment for which negotiations have begun..."*

The Department will follow-up with the sites identified by the audit, to determine appropriate corrective actions in the hiring procedures.

There are comprehensive guidelines for hiring A+ staff in the A+ Operations Manual. Site coordinators will be reminded to follow these guidelines. Training workshops for site coordinators by districts will be used to review and train site coordinators on these personnel hiring procedures for all A+ workers.

The Department will monitor sites for compliance with proper hiring procedures, and for compliance with the DOE School Code policy. We are evaluating the allocation of resources to support this monitoring function, including involvement of the DOE Internal Audit office.

**Recommendation #4:**

*The department should adopt a uniform policy for the provision of services including snacks, payment for enrichment classes, and access to school facilities. The district coordinators should monitor all A+ sites to ensure compliance with such a policy.*

**DOE Response:**

To maintain A+ as a quality child-care program, the Department developed a video training program, "Within Our Reach--Quality School-Age Child Care in the A+ Program," with funds from a Dependent Care Planning and Development Grant from the U.S. Department of Health and Human Services. The video emphasizes developmentally appropriate practices for K-6 children, quality indicators for the five A+ Program Components, and staff roles and responsibilities. The video and accompanying written materials were completed in July 1996, and all district A+ staff received training with the video prior to the beginning of the current school year.

Further assessment of the program components -- snack provisions, enrichment classes and access to school facilities -- will need to be conducted to clarify the specific issues. Based on the quality child-care indicators, the Department will explore the possibilities of uniform policies as cited in the recommendations. Perhaps guidelines can be developed to ensure more consistency in areas such as snacks and enrichment classes.

Communication of these guidelines and monitoring would follow.

**Recommendation #5:**

*A+ Program sites should follow required collection procedures outlined in Accounting for Collections, Section VII, Collections of Monies, OBS Handbook and the A+ Operations Manual. Specifically, the department should:*

- a. Reconcile enrollment to collections and terminate students with outstanding program fees within a reasonable time period;*
- b. Assess all late program fees as set forth in Hawaii Administrative Rules, Chapter 400; and*
- c. Reconcile all deposits to collection receipts and deposit all collections in a timely manner.*

**DOE Response:**

The Department is presently revising the A+ Operations Manual to clarify collection procedures for the A+ staff. Sites have been instructed to reconcile enrollment and monthly fees collected via a monthly enrollment and collection log, and to explain discrepancies. These logs are sent to the districts each month; they are reviewed by the A+ District Coordinators; and follow-up is made where needed. The sites are reminded to make daily deposits as required. Sites are monitored for compliance.

Sites have been reminded to assess late program fees as set forth in Chapter 400 of the Hawaii Administrative Rules. Procedures for following up on delinquent payments have been developed and incorporated in the A+ Operations Manual as it is being revised. The Department is also reviewing Chapter 400 for possible revisions in response to changes, i.e. year-round schools, and concerns raised by A+ staff and parents on collection procedures and late fees.

**Recommendation #6:**

*District coordinators should verify the enrollment and attendance data reported by schools.*

**DOE Response:**

District Coordinators verify enrollment and attendance in two ways. One is by checking the monthly enrollment and collection reports; the other is by making periodic visits to sites in their districts. Since these are time-consuming tasks, this type of monitoring cannot be conducted as frequently as desired. The Department is evaluating the allocation of resources to support the monitoring function, including involvement of the DOE Internal Audit office.

**Recommendation #7:**

*District coordinators should verify the accuracy of private providers' invoices prior to approving payment.*

**DOE Response:**

Some districts verify private provider invoices through site logs submitted with invoices. However, not all districts have sufficient information from private providers to verify invoices. Procedures for submittal of private provider invoices will be developed to provide districts with the ability to properly verify the accuracy of invoices prior to approving payments.

**Comments on Auditor's Conclusion:**

The Department agrees that there are improvements that can and should be made to the A+ Program. We will take action to correct the areas pointed out in the recommendations, relating to eligibility, staffing, hiring procedures, collection procedures, fiscal controls, and monitoring.

The elimination of the snack program took into consideration many factors, such as student dissatisfaction with the snack items limited by Federal regulations; the resultant waste and spoilage; significant compliance and reporting requirements due to Federal regulations of the provision of subsidized snacks; the additional staffing of food service personnel to prepare the snacks; and the supervision required in the distribution of the snacks. Currently, A+ sites are working cooperatively with parents in this area.

The Department firmly believes in the objectives of the A+ Program. We are committed to providing quality, affordable after-school care for latchkey children. Our efforts will be focused on improving the Program in the specific areas identified in this report.

HMA:LC:EK

bc: Kenneth K. Yamamoto, Assistant Superintendent, OASIS  
Evangeline Barney, Educational Administrative Services Director, OASIS  
Linda Chung, Educational Specialist III, Community Education Section, OASIS  
Greg Knudsen, Communications Officer, Communications Office  
Alfred K. Suga, Assistant Superintendent, Office of Business Services  
Edwin Koyama, DOE Internal Auditor

