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# Follow-Up 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. 98-18  
October 1998



**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.
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# OVERVIEW

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

Report No. 98-18, October 1998

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### Summary

The Department of Education provides after-school care services to public school latchkey students in grades kindergarten through six through its After-School Plus (A+) Program. During School Year (SY) 1997-98 the program served about 22,500 students at 177 public school sites at an approximate cost of \$11 million. Parents paid the State about \$5 million in fees that year.

The Office of the Auditor conducted a follow-up audit of the A+ Program for SY1997-98. The audit examined the extent to which the findings and recommendations contained in our *Audit of the After-School Plus (A+) Program of the Department of Education*, Report No. 96-20, are being addressed.

In our follow-up audit, we found that the department has made improvements in the management controls of the A+ program. However, the department continues to experience difficulties in limiting the program to eligible students, efficiently staffing the A+ program, and enforcing fiscal controls.

We found the screening practices for program eligibility and reduced program fees remain deficient. We estimated 2,700 ineligible students may have been enrolled in A+ during SY1997-98 at a cost of about \$364,000. We also found parents provided the department with inconsistent employment and income information when applying for A+ and reduced school lunch fees, indicating a strong possibility of intentional misrepresentation to obtain benefits from both programs.

Staffing problems continue to plague the department and result in higher student to staff ratios, the employment of unqualified staff, the appearance of nepotism, and the practice of not openly recruiting for the highest paid A+ positions. Furthermore, the department has not ensured that additional staff for special needs students are hired only as needed, thereby draining A+ resources unnecessarily.

We also found that the department has established additional controls to ensure proper program collections and reimbursements; however, staff ignore these controls resulting in uncollected program fees, the tolerance of extremely late fees, the arbitrary assessment of program fines, and overpayments to private providers. Furthermore, fiscal controls over cash receipts are inadequate and do not ensure all collections are deposited into the state general fund. Specifically, cash is not safeguarded against theft and the segregation of duties over cash receipts, deposits, and reconciliation is not enforced. The failure to enforce the segregation of duties resulted in the misuse of personnel funds at two sites. At the time of our audit only one site coordinator had taken any action to recoup overpayments made to herself, her daughter and other staff.

We found many of the non-compliance issues identified in our follow-up audit were also identified in our previous audit, by the department's own internal auditor, and by an independent accounting firm. The department's failure to establish clear lines of authority in the A+ Program and the lack of formal disciplinary procedures have contributed to the department's inability to hold staff accountable for non-compliance with established policies.

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## Recommendations and Response

We recommended that the superintendent of education ensure all staff are trained in program procedures, clarify the chain of authority for the A+ Program, and formalize disciplinary procedures to ensure accountability. We also recommended that the department improve procedures to identify student eligibility for A+ and reduced program fees; staff sites based on attendance patterns; develop criteria for allocating special needs staff; and implement fiscal controls to ensure proper fee collections, timely deposits, and the safeguarding of cash.

The Board of Education and the Department of Education agree that problems remain with the implementation and enforcement of program guidelines. The board and department responded that they are committed to providing quality and affordable after-school care for latchkey children and that they will take appropriate action where non-compliance occurs, including removing district and site coordinators and replacing A+ site coordinators with private providers. The superintendent also plans to issue a directive that identifies specific expectations for A+ program fiscal accountability, and that adopts our recommendations.

The board and department do not agree that criteria should be established for allocating special needs staff; however, they do agree that special needs staffing requests should be annually reevaluated. The department also does not agree that A+ should be staffed on the basis of attendance patterns rather than enrollment. The department believes staffing to attendance would be difficult to implement and would affect student health and safety.

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Submitted by

**THE AUDITOR**  
STATE OF HAWAII

Report No. 98-18  
October 1998



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## Foreword

This report of our follow-up audit of the After-School Plus (A+) Program of the Department of Education was prepared to identify and assess the department's initiatives during school year 1997-98 that address the findings and recommendations contained in our December 1996 *Audit of the After-School Plus (A+) Program of the Department of Education*, Report No. 96-20. Our follow-up 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 to us by officials and staff of the Department of Education.

Marion M. Higa  
State Auditor



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# Chapter 1

## Introduction

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The purpose of this audit is to follow up on actions taken by the Department of Education with respect to the findings and recommendations in our December 1996 *Audit of the After-School Plus (A+) Program of the Department of Education*, Report No. 96-20. Both audits were initiated pursuant to Section 23-4, Hawaii Revised Statutes (HRS), that 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. Chapter 400 of the Hawaii Administrative Rules defines latchkey children as public school children in grades kindergarten through six whose parents work or attend school themselves and cannot be at home at the end of the instructional school day to supervise their children.

Acts 1 and 334, Session Laws of Hawaii (SLH) 1990, authorized the implementation of the statewide after-school pilot child care program at 170 school sites. Although the program was never permanently established in state statute, the program continues to operate under Section 302A-408, HRS, which authorizes the department to establish and regulate after-school programs. The program currently serves about 22,500 children at 177 public school sites. The department expended \$11 million during FY 1996-97 to operate the A+ Program.

### ***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 that office is designated as the state A+ coordinator. The state A+ coordinator is responsible for maintaining and updating the A+ Program's manual, facilitating the implementation of appropriate guidelines, and collecting statewide data. However, the position does not have a direct line of authority over staff at district levels and program sites. An organizational chart illustrating the lines of authority is shown in Exhibit 1.1.

At the district level, part-time district coordinators are responsible for complying with program staffing ratios, coordinating staff training, and monitoring the programs. At the school level, school principals are

responsible for daily operations. Principals also determine whether their program will be operated by the school directly or by a privately contracted provider.

The department operated 123 of the 177 program sites during school year (SY) 1997-98. The remaining 54 program sites are operated by private child-care providers under contract with school principals who are still responsible for the programs. The number of sites operated by private providers increased from 49 during SY1995-96 to the 54 sites during SY1997-98. Appendix A identifies the A+ Program sites operated by the department and private providers during SY1997-98.

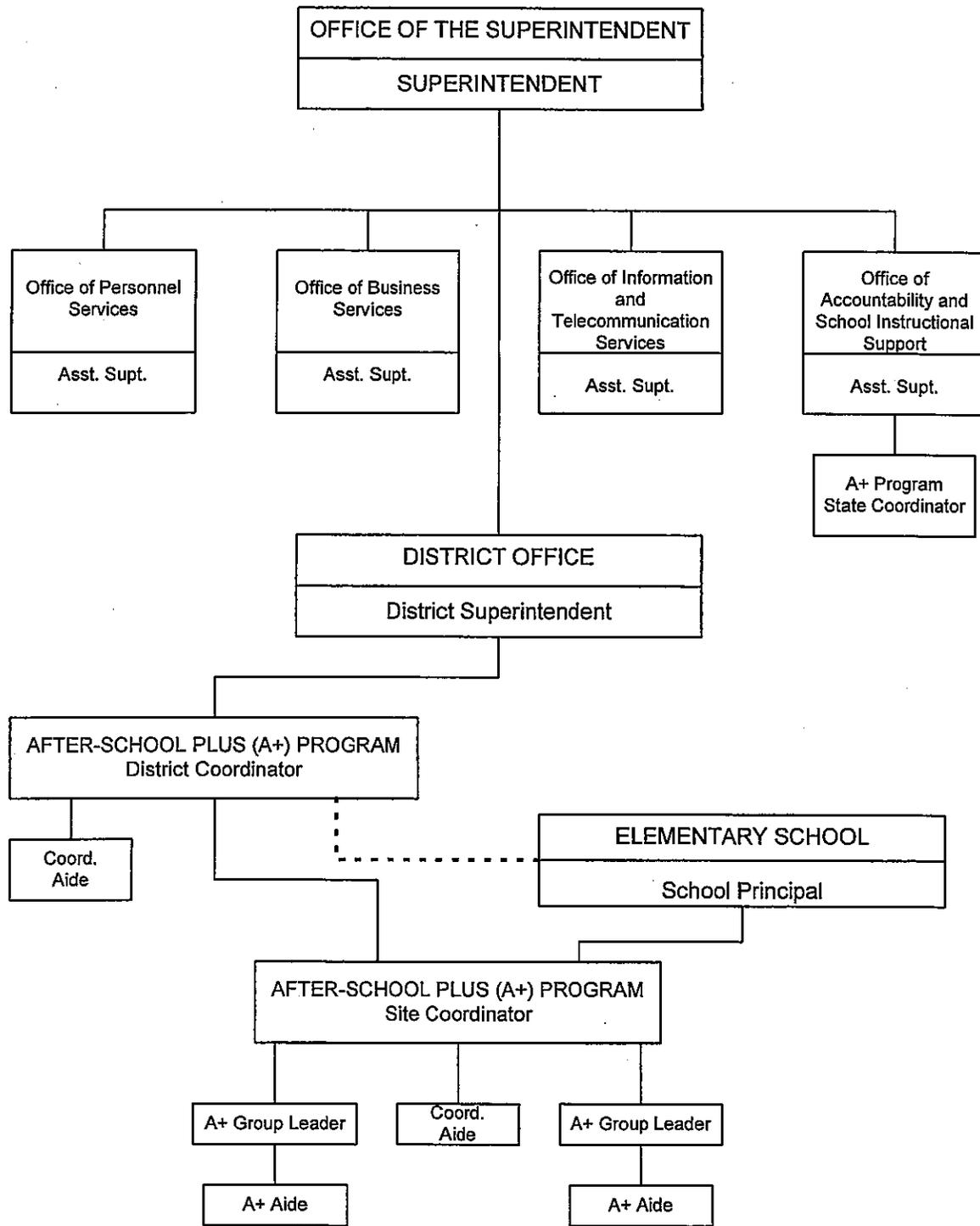
Under the supervision of a site coordinator, group leaders and program aides generally plan and implement daily program activities and supervise A+ children. Program coordinator aides assist site coordinators with clerical and administrative responsibilities including billings, collections, and deposits.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

***A+ continues to be substantially general funded***

Recognized as the nation's first subsidized after-school program, A+ is funded by general fund appropriations and fees paid by parents. Although the state subsidy has decreased from two-thirds to about one-half of the program cost, it continues to be substantial at a cost of \$6.1 million during FY1996-97. Parents paid about \$5 million in fees that year, or about \$1 million more than fees paid during FY1995-96. A new fee schedule implemented on April 1, 1996 raised program fees and contributed to the increased collections.

Fees are currently based on a sliding scale that factors in the number of children enrolled per family and family income level. Monthly program fees during SY1997-98 ranged from \$6 to \$55 per student. Fees are reduced for students with siblings enrolled and for students who qualify for the federally funded free and reduced school lunch program. Fees for students qualifying for free or reduced school lunches ranged from \$6 to \$9 per month. The program fee for all other students ranged from \$40 to \$55 per month. Exhibit 1.2 reflects the SY1997-98 fee schedule.

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



Source: Hawaii, Department of Education, Office of Accountability and School Instructional Support, Systems Group, *After-School Plus (A+) Operations Manual*, July 1997, page A-12.

**Exhibit 1.2  
After-School Plus (A+) Program Fee Schedule for  
SY1997-98**

<b>Student's Lunch Fee Status</b>	<b>Number of Children Enrolled Per Family</b>	<b>Monthly Fee Per Student</b>
Full Pay	1	\$55
	2	\$50
	3	\$45
	4 or more	\$40
Reduced Lunch	1	\$9
	2	\$8
	3	\$7
	4 or more	\$6
Free Lunch	1 or more	\$6

(effective April 1, 1996)

About 37 percent of the students attending A+ during SY1996-97 paid \$55 per month. Another 25 percent paid \$6 per month. Exhibit 1.3 presents the average number of students in each fee category during that school year.

**Exhibit 1.3  
Average Number of Students in Each A+ Fee Category  
for SY1996-97**

<b>Monthly Fee Paid</b>	<b>No. of Students Enrolled</b>	<b>Percent of A+ Population</b>
\$55	8,368	37.2
\$50	4,997	22.2
\$45	701	3.1
\$40	27	.1
\$9	1,234	5.5
\$8	1,107	4.9
\$7	349	1.6
\$6	5,727	25.4
Total	22,510	100

**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 or two parents who worked during the program hours. Act 334, SLH 1990, expanded eligibility to include students whose parents attended 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. Chapter 400, Hawaii Administrative Rules, also limits program eligibility to latchkey children who have no adult present in the home to provide after-school care and to students who are identified as being at risk of failing to make satisfactory progress in school.

**Prior audit findings and recommendations**

The State Auditor initiated the 1996 audit to assess the adequacy of the Department of Education's management controls over the program's services, enrollment, revenues, and collections. We found that the department poorly managed the program's resources, resulting in unnecessary program costs and uncaptured revenues due the State.

Specifically, we found that the department did not adequately screen students for program eligibility, thereby increasing program costs and compromising legislative intent that the program serve only latchkey children. In addition, the department had not ensured proper staffing of program sites resulting in overstaffing, unqualified program staff, and widespread nepotism. We also found that students enrolled in the program did not have equal access to school facilities and program services.

Our review of the department's fiscal management found that program staff did not follow established management controls to ensure the proper collection and deposit of program fees and proper reimbursement to private providers. Moreover, we found the department had not used cost information to properly manage the program and may have prematurely terminated the snack services formerly provided by the program.

Our report recommended that the department eliminate unnecessary program costs and capture revenues due the State by ensuring eligibility for program enrollment and by following collection practices as outlined in the department's business services handbook and the *A+ Operations Manual*. We also recommended that district coordinators verify the enrollment and attendance data reported by schools and that the department assign staff to program sites according to attendance patterns. Finally, we recommended the department develop policies on nepotism, the provision of snacks, payments for enrichment classes, and access to school facilities.

**Agency response**

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

department did not agree with our recommendation that the program be staffed in proportion to program attendance. The department indicated that staffing can be adjusted to accommodate significant enrollment changes.

On October 22, 1997, as part of our follow-up program, the Auditor requested the Department of Education to provide information on actions taken on our recommendations. In its November 6, 1997 response, the department indicated it had revised its *A+ Operations Manual* and developed new fiscal forms and procedures to address each audit recommendation. The department reported that the new fiscal forms and procedures were piloted during April and May 1997 and became effective statewide during SY1997-98.

### **Recent developments**

The department has taken steps to improve program staff's accountability for compliance with A+ Program procedures. In response to our previous audit findings and an internal audit conducted by the department, the superintendent now requires district coordinators to visit each school site a least once a semester to monitor compliance with program requirements. The *A+ Operations Manual* was also revised to explicitly require A+ site coordinators to review each A+ application for eligibility and to indicate their review by signing and dating the application forms. Moreover, to ensure that private providers are properly reimbursed, the revised operation manual requires school principals to also verify by signature, the private provider's list of A+ students and their correct fee categories.

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### **Objectives of the Audit**

1. Review the extent to which findings and recommendations contained in our prior audit are being addressed.
2. Make recommendations as appropriate.

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### **Scope and Methodology**

Our work focused on the A+ Program during SY1997-98, the year the department first implemented statewide procedures to address our prior audit recommendations. We reviewed pertinent state laws and rules and interviewed program staff. We also reviewed pertinent files and documents at the department's Office of Accountability and School Instructional Support (OASIS), at all seven school district offices, and at ten A+ Program sites selected judgmentally. Seven of the sites were

operated by the Department of Education and three were operated by contracted providers. Two of the seven department operated sites were the same sites reviewed during our previous audit.

Our work was performed from February 1998 through May 1998 in accordance with generally accepted government auditing standards.



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# Chapter 2

## Management of the After-School Plus (A+) Program Has Improved But Significant Challenges Remain

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This chapter presents the findings and recommendations of our follow-up audit of the Department of Education's management of the After-School Plus (A+) Program.

Despite improvements in the management controls of the A+ program, the department continues to experience difficulties in administering the program. Screening for program eligibility remains deficient, resulting in increased program costs. We also found a strong indication that some parents may have intentionally misrepresented facts to obtain A+ services and fee reductions at a cost to taxpayers. We found that program costs were further increased by the inefficient use of special needs staff, overpayments to program staff, and poor collection and deposit practices that do not guard against theft and loss. Moreover, the continued appearance of nepotism in the department's hiring practices has not been adequately addressed. Staff are not held accountable for their persistent disregard of established management controls and program policies. Instead, blurred lines of authority and a lack of disciplinary procedures contribute to the department's inability to manage the program efficiently.

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### Summary of Findings

1. The Department of Education has improved its efforts to ensure that the After School Plus (A+) Program serves latchkey students as intended by the Legislature. However, the department's screening practices for program eligibility and reduced program fees remain deficient, resulting in possible intentional misrepresentation and increased program costs.
2. District coordinators have begun to periodically adjust staffing allocations to address the fluctuation in program enrollment. However, the lack of guidance in staffing for students with special needs and the practice of providing staff to meet enrollment rather than attendance numbers continue to unnecessarily increase program costs. Furthermore, the department operated sites disregard the A+ staffing structure, resulting in overpayments to staff and questionable expenditures.

3. The department has not aggressively ensured that qualified staff are hired for A+. Unqualified staff continue to be hired and the widespread employment of relatives appears to be nepotism. Moreover, the recruitment of the highest paid A+ positions is generally limited to former and current school principals.
4. The department has established additional controls to ensure proper program collections and reimbursement of private providers; however, these controls have been ignored by program staff resulting in uncollected program fees, the tolerance of extremely late fees, the arbitrary assessment of program fines, and overpayments to private providers.
5. Fiscal controls over cash receipts are not adequate to ensure that all program collections are properly deposited into the state general fund. Specifically, cash is not properly safeguarded and the segregation of duties over cash receipts, deposits, and reconciliation is not enforced.
6. The department has not established clear lines of authority and disciplinary procedures to effectively manage the A+ Program. Consequently, disregard for established program policies is fostered rather than discouraged.

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## **The Department's Screening Practices For Eligibility and Reduced Fees Are Deficient**

Act 334, SLH 1990, and Chapter 400, Hawaii Administrative Rules, restrict A+ program eligibility to public school latchkey students who would otherwise be unsupervised at the end of the instructional school day. A+ site coordinators are required to screen student registration forms to ensure that only eligible students receive services and that limited state resources are not wasted by serving ineligible participants.

In order to identify whether a student is eligible for program services, the site coordinator must verify that the student's parent(s) or guardian(s) are either working or enrolled in school or a job training program during A+ hours. The site coordinator uses a completed A+ registration form with the work or school schedule of the parent(s) or guardian(s) and a contact number to verify the information. Self-employed parents and guardians must provide the site coordinator with additional information including a copy of their general excise tax license. Despite the establishment of these management controls, site coordinators continue to allow ineligible students as well as those who are not properly screened to participate in the A+ Program.

The A+ site coordinator is also responsible for properly identifying each student's monthly program fee. However, the process by which students qualify for lower program rates is insufficient resulting in improper fee assessments. Furthermore, students qualifying for reduced A+ Program

fees may be ineligible to participate in the program. The state subsidizes the participation of these ineligible students in A+ at an annual cost to taxpayers ranging from \$549 to \$576.

***Ineligible students' continued participation in the A+ Program increases costs to the State***

The department has continued to allow ineligible students to participate in the A+ Program. We randomly selected 250 students and found that 12 percent should not have been allowed to participate in the A+ Program because they either did not meet the latchkey criteria, did not provide sufficient information to prove their eligibility, or did not have a completed registration form on file. Student eligibility cannot be determined without a completed registration form.

Our student sample represented one percent of the total students participating in the program during SY1997-98. Based on our sample's 12 percent rate of ineligibility, we estimate that a total of 2,700 students may have been improperly participating in the program during SY1997-98. We calculated this by projecting the sample's 12 percent ineligible rate to the entire 22,500 enrolled A+ population. The estimated minimum cost to Hawaii's taxpayers for improperly enrolling 2,700 students would be about \$364,500 annually.

***Site coordinators do not verify information necessary for eligibility***

Site coordinators at nine of the ten sites we visited did not provide evidence that they verified the employment and school information reported by parents on the A+ registration forms. Only Kapiolani Elementary's A+ site coordinator required parents and guardians to submit copies of their school schedules each semester. However, she did not document verification of the employment information provided by parents.

The information provided by parents on the A+ registration form is generally accepted without question even when the information clearly raises questions regarding a student's eligibility. In one case, a student was allowed to participate in the program because his mother claimed self-employment as a "spiritual artist." The student's registration form indicated the mother worked out of her own home on a rotating shift. The site coordinator should have questioned whether the student truly met the criteria for latchkey. At a minimum, the coordinator should have required that the mother provide evidence of her self-employment.

We also found several cases where the student's registration form did not identify either the school or work schedule of the parent(s) or guardian(s). The absence of this information means the site coordinator can neither determine nor verify the latchkey status of the student.

### **Eligibility screening by private providers presents a conflict of interest**

The *A+ Operations Manual* also assigns the responsibility for screening student registration forms at sites operated by private providers to the school principal. However, we found that the principals at the three private provider sites we visited did not screen the applications for program eligibility as required. Instead, the staff for two of the private providers were allowed to screen these applications. There was no evidence that anyone had screened for eligibility at the third site.

Allowing the private providers to screen for program eligibility poses a conflict of interest. Since providers are paid according to the number of students served, it is in the providers' financial interest to enroll as many students as possible into the program. We found several cases where private providers included students who appeared to be ineligible for the program.

### **Screening student eligibility for reduced fees is inadequate**

Site coordinators review the school's list of students receiving free or reduced price school lunches to identify students eligible for reduced A+ program fees. Reduced program fees are also extended to students who have siblings attending the program. The A+ registration form identifies all siblings of each applicant attending A+ at the same school.

The practice of automatically qualifying students for lower program fees based on their free or reduced lunch eligibility is deficient. It has resulted in increasing the general fund subsidy for those students who are either ineligible for A+ or may be ineligible for the reduced monthly fee. Schools also need additional guidance to ensure uniformity in providing reduced fees to those families with more than one child enrolled in A+.

### **Possible intentional misrepresentation is undetected**

In the course of sampling student files to determine the accuracy of program fee assessments, we found cases in which information regarding income and employment as provided by parents on the A+ application did not correlate with the information these parents provided on their applications for free and reduced school lunches. Discrepancies in the information provided by parents indicate students paying lower A+ fees were either ineligible for the A+ Program, or may have been ineligible for reduced A+ Program fees. The discrepancies also indicate that students receiving free and reduced price school lunches may be ineligible for that program.

Specifically, we found many applicants qualified for the A+ Program by indicating on the A+ form that both parents were employed; however, these parents claimed only one income on the application forms for free

and reduced price meals. Eligibility for free and reduced price school lunches is based on family size and income level. Underreporting of family income increases the likelihood that the application will be approved. This inconsistency in employment and income information submitted by some parents indicates a strong possibility of intentional misrepresentation to obtain benefits from both subsidized programs.

These possible misrepresentations are not aggressively pursued by the department, even though a May 1997 internal audit of the A+ Program revealed similar discrepancies. The department's internal auditor raised questions regarding students' proper fee categories and program eligibility after finding inconsistent parent related information on the A+ and free and reduced lunch applications. Despite the strong indication that parents may be misrepresenting facts to obtain A+ services and reduced program fees, the department did not establish management controls to address this concern during SY1997-98. Instead, schools continued to qualify students for reduced A+ Program fees based on their lunch fee status.

Cross-checking information provided on the two program application forms would assist the department in identifying inconsistent eligibility information submitted by parents. However, the Food and Nutrition Services of the United States Department of Agriculture, which administers the federally subsidized school lunch program, believes the use of information for purposes other than that for which it was collected is prohibited by the federal privacy law unless parental consent is first obtained.

The department recently developed a multi-use form that requests parental consent for departmental use of information that qualifies their children for reduced program services such as school lunches, A+, and summer school. The form was approved by federal agriculture officials and the department is using it during SY1998-99. Although the multi-use form can be used to identify possible misrepresentations through cross-matching information, it should not be the only management control. The department will be unable to cross-check eligibility information when parents do not consent or when parents have not applied for free or reduced school lunches. Furthermore, there is no assurance that the information provided on the school lunch applications is accurate because the department only verifies three percent of the applications or at least five applications per school. Staff at two schools informed us that even when verifying random samples, parents are not always able to provide supportive evidence for information reported on the application. The department should require all parents requesting reduced A+ fees to submit evidence of their family income to verify that eligibility requirements have been met.

### **Guidelines for reduced sibling fees needs clarification**

Families with more than one child enrolled in A+ receive monthly fee reductions between \$1 and \$15 per child, depending on the total number of children enrolled. Although the A+ fee schedule is based on the number of students enrolled per family, it does not specify whether or not siblings must live together or attend the same school. Furthermore, the A+ registration form only requires families to identify all siblings enrolled in A+ at the site of application. Consequently, site coordinators are not provided with clear guidance to uniformly grant fee reductions for siblings. Rather, site coordinators must establish their own parameters for determining when siblings are eligible for reduced program fees.

In one case, we found that a student at Kula Elementary was assessed the full program fee because his sibling was enrolled at a different A+ site. In another case, a student attending A+ at the same site as his siblings was assessed the full fee amount because his grandmother paid his tuition separately from the tuition paid by his parents for his two brothers.

The department should provide site coordinators with additional guidance to ensure all sites consistently identify students eligible for reduced fees. This would increase uniformity and fairness in the A+ fee structure.

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### **Despite Improvements in Staffing Patterns, Program Costs are Unnecessarily Increased By Special Needs Staff and Inappropriate Expenditures**

The A+ program has taken steps to address the overstaffing of program sites as identified in our 1996 audit. A+ district coordinators are now periodically adjusting staffing allocations to address the fluctuations in program enrollment. However, we found some of the adjustments were made later than the department indicated they would be. Furthermore, most staffing allocations made by the district offices did not comply with the established A+ staffing structure.

We also found that schools have not always complied with the staffing structure, resulting in higher student to staff ratios. Furthermore, program costs are increased due to inappropriate expenditures and the inefficient use of staff hired to work with students who have special needs.

For FY1996-97, personnel costs account for about 90 percent of all A+ expenditures. Therefore, the efficient use of personnel should be a management priority. To aid the department in controlling personnel costs, we repeat the recommendation in our prior report that the department consider staffing to attendance rather than to enrollment numbers.

**Sites continue to ignore the A+ staffing structure**

The *A+ Operations Manual* establishes the staffing structure for program sites. The structure ensures a maximum student to staff ratio of 20 to 1. This staffing ratio complies with Department of Human Services guidelines for licensing private after-school child care providers.

To avoid overstaffing as a result of enrollment changes, the A+ district coordinators adjust funding and positions during October and February. However, we found that the A+ sites do not always follow the revised district staffing allocations. For example, Kaneohe Elementary pays all of its staff at a rate of \$33 per day, or about seventy percent of the group leader's pay, so that all staff are paid more equitably for similar work. The Windward district office approved this with the understanding that the school would not exceed the 20 to 1 ratio. However, the average student to staff ratio was 29 to 1 during October 1997 and 27 to 1 during February 1998.

We also noted that other schools trade program aide positions for group leader positions, resulting in a higher student to staff ratio. The student to staff ratio is increased because the pay is higher for a group leader (\$45.60) and equivalent to two program aide staff, thus the loss of one position increases the student to staff ratio.

One Maui district school staffed its program with two additional group leaders and three fewer program aides on a daily basis during November 1997. The Maui district A+ coordinator advised the school to cease this practice and warned the A+ site coordinator that substituting two program aides for one group leader position would result in the site exceeding its staffing allocation before the program's closing date. Despite this warning, we found that the school continued to exceed its staffing allocation during February 1998.

The *A+ Operations Manual* allows only for the adjustments of group leaders to program aides, not the reverse. This ensures the program will not be understaffed and that A+ funds will not be depleted prior to the end of the school year.

**Staffing to attendance would increase cost-savings**

The A+ program continues to hire staff based on the number of students enrolled at each site. Because of normal student absences, a more cost-effective practice would be to employ staff on the basis of projected attendance. We reviewed the attendance records of 6 DOE operated A+ sites and found that in 5 cases the sites could save from 6 to 25 percent if they had staffed to average attendance rather than to reported enrollment. For example, at Kula Elementary, the reported A+ enrollment for September 1997 was 146 which translated into a total of 8 group leaders and program aide positions at \$273.60 per day. If the Kula

site had been staffed instead to its average attendance of 116, the program would have required only 6 positions at a daily cost of \$205.20, or a 25 percent cost savings.

**Criteria are unclear for staffing for students with special needs**

The *A+ Operations Manual* stipulates that the program shall be made available to all children on a nondiscriminatory basis. For students with special needs, the district will provide such reasonable modifications as necessary to afford the student an opportunity to participate in the program. However, we found that the department lacks clear criteria for providing staff to students with special needs.

District special education specialists are required to review the A+ site's request for special needs staffing and to make a recommendation for approval or disapproval to the A+ district coordinator. However, there are no clear criteria in place to determine the number of staff needed for special needs students. We found widespread inconsistencies in the student to staff ratios for these students.

When a special needs student is declared eligible for A+, district educational specialists do not consider existing special needs staff when deciding whether the A+ Program needs additional staff. We found that even when a district special education specialist recommended that the special needs student to teacher ratio need not be limited to a one to one, a district A+ coordinator continued to allocate one special need staff to one special needs student. This practice does not ensure that additional staff are hired only as needed. Consequently, the department's reported increase in special needs staffing costs is not reasonably justified.

Without proper guidance, special need staffing will continue to add unnecessary costs to the program.

**Most districts do not evaluate the continual need for special needs staffing**

A majority of school districts do not annually reassess the requirements for A+ program students with special needs. Once a student receives special needs staffing, the student will continue to receive that staffing for the duration of A+ enrollment. The automatic allocation of staff based on the student's past certification is questionable. Many of the A+ students who receive special needs staffing are evaluated as having emotional impairments that are not necessarily life-long. Therefore, the department should assess the progress and needs of students, especially those with emotional impairments, to ensure proper identification and use of staffing.

The failure to reassess a student's continuing need for special needs A+ staff labels the student unfairly, and drains A+ resources unnecessarily.

**Site coordinators  
misuse personnel  
funds**

Sound management practices ensure that staff are paid for the position for which they are hired. In addition, staff should not be paid for services not rendered or for work days when the A+ program is not in session. The only exception would be to pay staff for their training conducted when A+ is not in session. However, we found that A+ sites have misused personnel funds by making inappropriate payments to staff.

On several occasions the site coordinator at one Honolulu district school, who is also principal of the school, paid her daughter, a coordinator aide, the site coordinator salary rate. The site coordinator reasoned that her daughter was performing the administrative responsibilities of the site coordinator on those days and should be paid accordingly. However, the daughter was not hired as the site coordinator and did not have an application on file indicating whether she met the minimum qualifications for the site coordinator position. More importantly, after the daughter left the program in January 1998, the new coordinator aide was not periodically paid the site coordinator salary rate although she performed similar administrative functions as those of her predecessor.

We also found that the site coordinator at a Kauai district school paid several staff, including her daughter, a group leader salary and a program aide salary for the same day. However, it is impossible to fulfill the duties and responsibilities of both positions in one day. The site coordinator at that school also paid herself for work done on several days that the A+ program was not in session. The site coordinator dismissed these discrepancies as accidental errors and asserted that she will adjust the future pay for these employees and herself to cover the overpayments. However, the frequency with which these errors occurred is questionable. In one case, we noted that the site coordinator's daughter must repay the department a total of 21 days' wages for inappropriate payments made to her.

**Insufficient controls to prevent overpayment of staff**

The misuse of personnel funds resulted from ineffective management controls. The principal at the Kauai district school approved the A+ payroll reports prepared by the site coordinator without thoroughly reviewing their accuracy. Payroll reports should be scrutinized to avoid overpayments. We also found insufficient segregation of duties at the Honolulu district school to guard against overpayments. As a result, A+ funds are wasted and program costs are inflated. The department must hold principals accountable for ensuring accurate payroll reports to prevent overpayments and unearned pay.

Furthermore, the department has not followed the State's policy for salary and wage overpayment recovery. These procedures require the department to provide written notification of the overpayment to the

employee and to recoup the overpayments through immediate full repayment or payroll deductions. However, the department has not properly informed the employees we identified as being overpaid. Furthermore, many of the overpaid employees did not make full repayment and the department did not complete the forms that authorize payroll deductions. Only one site coordinator has taken any action to recoup the overpayments but is using an unauthorized procedure. The department must ensure that overpayments are recovered through proper procedures. If an employee is no longer working for A+ and refuses to reimburse the State, the case should be referred to the attorney general's civil recovery unit for further action.

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## **Recruitment Efforts of the Department Are Limited**

Hiring unqualified A+ staff was a problem for the department in our previous audit. The department continues to struggle with this issue because of its limited recruitment efforts and hiring practices. A+ site coordinators do not always evaluate and rank applicants for available positions. Furthermore, the widespread employment of relatives at program sites appears to be nepotism and favoritism because not all relatives employed by the program are qualified for their positions. We believe the department should reassess the A+ staffing needs and actively and openly recruit for all positions.

### ***Unqualified staff continue to be hired***

The A+ vacancy announcement for SY1997-98 for group leader and program aide positions establishes minimum qualifications for these positions. Group leaders should have two years of college education or be high school graduates with two years of experience working with children. Many group leaders did not meet the minimum education and/or work requirements.

We also found that some A+ employees did not have applications on file for their positions.

### ***Recruitment of highest paid A+ positions is not open to competition***

The department, which annually announces its recruiting for group leader and program aide positions, does not openly recruit for site coordinators and district coordinators who earn between \$55 and \$72 per day. Recruitment for these positions is done informally within the department and does not afford equal opportunity for all interested applicants to compete for these positions. Principals who serve as site coordinators can increase their annual income by about \$10,000. Current and retired school personnel can supplement their salaries and pensions by about \$13,000 when serving as district coordinators.

***Widespread employment of relatives continues to give the appearance of nepotism***

The widespread employment of relatives by the A+ Program appears to be nepotism and favoritism because some of the relatives hired did not meet the minimum qualifications for their positions or did not even have an application form on file to justify their employment. We were able to identify relatives who were employed by A+ sites by matching surnames and addresses and by verifying the employment of relatives with A+ staff.

***Department should reassess the staffing needs of A+***

The department has made little effort to recruit individuals who possess the desired qualifications for the A+ Program. This is evidenced by the large number of unqualified staff we found working in the A+ Program. A+ staff contend that they have a limited pool of applicants from which to select qualified candidates and that they are forced to hire whomever applies for the position. One district coordinator even informed us that no one else wanted the position that he currently occupies. The department should do more to promote and seek qualified applicants for these positions. Instead, staff at sites informed us positions are often filled through an informal “word of mouth” process.

The department should strengthen its efforts to actively recruit for all A+ positions throughout the school year. The department could work with the community colleges and universities to attract students in child care and teacher training programs.

The department should also reassess the need for existing administrative, child care, and special needs positions. It should also reassess the minimum qualifications for these positions and determine appropriate pay rates for them.

The department should also reconsider hiring school principals as site and district coordinators. We found some school principals often delegated the administrative recordkeeping responsibilities to the A+ clerical staff. At one school we visited the principal serving as the A+ site coordinator was not even on site during the A+ program hours for two of the three days we were at the school. This is of concern because the site coordinator is responsible for the daily operation of A+ and should be on site to fulfill this responsibility. The *A+ Operations Manual* recommends that principals serving as site coordinators job share their A+ position to ensure that the A+ Program and school are adequately supervised.

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## **Controls Over Program Collections Have Improved, But Problems Remain**

The department has established policies and procedures to ensure program fees are properly assessed and collected. To improve the deficient collection of program fees due the State, the department recently formalized procedures to track program collections. Despite these efforts, program fees continue to remain uncollected and site coordinators persist in tolerating extremely late payments. Late program fees continue to be arbitrarily assessed despite the superintendent of education's effort to strengthen controls over late fees.

Furthermore, the department's initiatives to ensure that private providers are paid properly are ineffective. Private providers continue to be reimbursed for incorrect invoices.

### ***The department implemented controls to ensure A+ fees are collected***

The department's internal auditor together with the Office of Accountability and Instructional School Support (OASIS) revised the A+ monthly collection report forms in order to ensure that every department operated site reconciled enrollment to collections on a monthly basis. The use of the revised collection log was implemented during SY1997-98. The log assists the program staff in reconciling collection amounts with the fee amount to be collected by identifying the following: (1) fees to be paid by each student enrolled in the program, (2) amount and date of payment, and (3) receipt of late payment fees, late pick-up fees, returned check fees, and fee pre-payments. The log also assists staff in easily identifying uncollected program fees. Information from the monthly collection log is used to compile a school monthly summary report that reconciles the fees to actual collections. The school monthly summary report is sent to the district office for review.

The superintendent of education also strengthened management controls to ensure equity in the implementation of late payment and late pick-up fees. During our previous audit, program sites were authorized to terminate students from the program if their monthly payment fees were not received by the third day following the program fee due date. The superintendent now *requires* each program site to terminate students who do not pay their program fees by the seventh calendar day of each month. The superintendent informed parents of this new policy in a March 17, 1997 memorandum. Parents were also told that fees will be assessed for all late payments and for students who are picked up after program hours.

The department also requires principals who contract with private providers to verify the accuracy of the private provider's supporting documentation form. This form identifies the number of students enrolled by fee category and the amount the department must reimburse the private provider.

**Program fees remain uncollected**

Despite the department's efforts to assist sites in identifying outstanding program fees, 43 percent of the department operated sites we sampled allowed students to participate in the program although their program fees were unpaid. One school allowed two brothers to participate in the program for four months without payment. Another site did not collect program fees from one student for five months.

The site coordinator at one school allowed several students to participate without proper payment. Although checks were received from their parents on September 2 and October 1, 1997, they were for incorrect amounts and were not deposited. These checks were still being held by the site coordinator at the time of our site visit in March 1998. The site coordinator informed us she had not deposited the checks because the students qualified for a lower program fee than the amounts submitted by the parents and had requested the parents submit new checks to cover the lower program fees. The site coordinator should have deposited the two checks and credited the fees in subsequent months when the parents failed to resubmit payment for the lower fee amount. This would have ensured that the services received were paid for.

**Bad checks are not pursued in a timely fashion**

The *A+ Operations Manual* requires program staff to immediately contact parents and guardians who write bad checks and to collect the outstanding program fees. An October 24, 1997 memorandum from the superintendent required parents to resubmit payment for bad checks within three school days from the date they were notified that their checks were returned due to insufficient funds. Students of parents who did not make payment by this date would be terminated from the A+ Program. This policy ensures that A+ sites aggressively pursue uncollected amounts in a timely fashion. However, A+ site coordinators have not aggressively pursued bad checks, and have not terminated students when parents did not resubmit payments for bad checks.

One school allowed a student to participate in the program without paying when the check submitted by her parents for December 1997 was returned due to insufficient funds. The site did not aggressively pursue repayment and the December fee was still outstanding three months later.

Other sites have also allowed students to participate in the program for about a month without receiving repayment for checks returned due to insufficient funds. This violates the superintendent's directive and does not ensure that the program is supported by students who pay their fees as required.

***Extremely late payments continue to be tolerated***

The *A+ Operations Manual* requires that monthly program fees be paid by the first school day of each month. A late payment charge must be imposed each school day a payment is overdue up to the seventh calendar day. Site coordinators are required to identify the delinquent fees and to notify parents that their children will be terminated on the eighth calendar day of the month if payment is not received. Exceptions to this policy must be approved by the district coordinator.

Our previous audit reported that one school allowed several students to participate in the A+ Program for about four months before their fees were paid. Our current review found the department continues to be lenient in enforcing its late payment policy.

Six of the seven department operated sites we reviewed did not terminate students who failed to pay their program fee by the seventh calendar day. Payments for these students were received between 9 and 19 days after the monthly due date. None of the schools had obtained a district exception to allow these students to remain in the program. Allowing students to pay late without penalty is unfair to those parents who pay on time. It also deprives the state treasury of accruing interest on collections and providing revenues for other general funded programs.

***Late fines 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. Fees are assessed as follows: \$1 per family for each day that the monthly program fee is paid late and \$5 for each 15 minutes a child is picked up past the program closing time.

In our 1996 report, we found the enforcement of the late fees was arbitrary and that late fee assessments were sometimes incorrect. Our current review found most sites continue to arbitrarily and incorrectly assess the late fees. One school did not enforce the late pick-up fee at all while others enforced it inconsistently. Furthermore, parents who were assessed both late pick-up and late payment fees at many of the sites we visited were not as delinquent as others who were not assessed a late fee at all.

***Late payments are not adequately tracked***

The *A+ Operations Manual* requires site coordinators to prepare monthly collection logs in advance in order to track program prepayments. Using and updating logs as receipts are collected would assist sites to identify late payments prior to a student's termination date. Program staff could then inform parents of their outstanding fees and warn them of an impending termination from the program. However, some schools in our sample prepare the collection logs at the end of the month and logs are not effectively used to identify and pursue outstanding fees in a timely fashion.

Kaneohe Elementary was the only department operated site we visited that tracked late payments in its monthly collection log. We found Kaneohe was more effective in implementing the late payment fee policy as a result of the staff's efforts to track late payments. As a result, Kaneohe collected late payment fees in 84 percent of the late payment cases we reviewed. Three other sites did not track their late payments and collected late payment fees for only 32, 50 and 64 percent of the late payment cases that we reviewed.

**School principals do not identify inaccuracies in private provider invoices**

Our previous audit found that payments to private providers were approved by the department without reviewing the accuracy of their invoices. To address this deficiency, the *A+ Operations Manual* now requires school principals to review the private providers' lists of students by fee category, and supporting documentation forms that contain a summary report of students enrolled, and the monthly amount owed to the provider. Principals indicate their review of the forms with their signature. District staff must match the supporting documentation forms to the invoices before approving payment.

Although principals are signing the private providers' supporting documentation forms indicating their review, we found that they did not identify discrepancies on the forms, which resulted in the district approving invoices that underbilled and overcharged the department. In some cases, the private provider's list of students by fee category did not even correlate with the numbers reported on the supporting documentation form. Furthermore, the principal at one school attested to the accuracy of the private provider's summary form although the provider did not submit a list of enrolled students. Principals at several Leeward district schools did not detect that a private provider counted several students twice for several months. This error was later identified by the district office which required the private provider to correct the discrepancy and submit a reimbursement for the overpayments.

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**Controls Over Cash Receipts Are Inadequate and Fail to Deter Theft and Loss**

The department has established procedures to ensure proper safeguards over cash receipts. All collections and deposits are to be handled according to guidelines set forth in the *A+ Operations Manual* and in the *Accounting for Collections Policies, Chapter 7, Financial Management System User Policy and Process Flow Guide, December 1995*. The procedures established in these manuals reduce the risks for fraud, theft, and loss of public funds by requiring adequate segregation of duties, timely deposit of cash, and reconciliation between fee collections and deposits.

Our 1996 audit concluded that the department's failure to reconcile enrollment to collections resulted in the inability to identify outstanding program collections. The department has made considerable improvement in reconciliation, however, inaccuracies in the monthly collection logs and school summary reports need to be addressed. Furthermore, adherence to established cash management controls has not sufficiently improved. Poor controls over the safekeeping of A+ collections coupled with the failure to reconcile collections with deposits do not ensure that fees are properly deposited into the state's general fund.

***Segregation of duties over cash is insufficient***

Proper controls over the safekeeping of cash require that the authorization, custody, and recordkeeping functions are segregated to prevent opportunities for an individual to perpetrate and conceal errors and irregularities while performing cash related duties. Segregation of duties provides a system of checks and balances because functions performed by one individual are subject to review by another. We noted a lack of segregation of duties over cash receipts and the related reconciliation at all department operated sites we visited.

The department's accounting for collection policies acknowledges that any internal control system should ensure that employees handling cash do not have access to accounting records. However, the site coordinator or the program coordinator aide at the sites we visited was responsible for both collecting cash and maintaining the accounting records.

***Deposits continue to be untimely***

Our previous report explained that a "Request for Change in Deposit of School/Office Moneys" must be submitted and approved for any deviation from the department's daily deposit requirement. The assistant superintendent of business services approved a change in the daily deposit schedule for those A+ sites that do not have daily clerical help. These sites must make deposits at least twice weekly; all other schools must follow the daily deposit policy.

Although the department has reduced the frequency of deposits to accommodate part-time staffing at program sites, we generally found non-compliance with the required deposit schedule at the sites we visited. One site, required to make twice weekly deposits, made deposits in only three of the first six program months. This site collected and accumulated over \$7,000 in program fees between October and December 1997 before its next deposit in December.

***Cash is not adequately secured***

Internal accounting controls such as securing cash in a locked safe provide reasonable assurance to safeguard assets against loss and theft. We found many of the department operated sites we visited did not

secure A+ fee collections in the school safe. Instead, collections were kept in unlocked payment boxes, desks, and office drawers that were sometimes accessible to the public. Furthermore, two schools did not lock their safes and failed to prevent unauthorized access to them. One site coordinator took A+ collections home overnight because she did not have access to the safe after the school office closed. This put the site coordinator and school at risk of loss and liability.

***Receipts are not always issued***

Receipts are issued in numerical sequence to document the receipt of moneys and to ensure that collections are properly accounted for and deposited. Several of the schools we visited did not issue receipts for all collections. Two schools did not issue receipts for all late fees and many did not issue receipts for bad check fees collected. The failure to issue receipts reflects a poor control over cash accounting. Program staff who collect fees without issuing receipts can take the cash without being detected. One school was unable to account for \$100 in program fees received by a school clerk who did not issue a receipt to the parent. The potential for staff to keep cash without being detected is increased because outstanding fees for late payment and late pick-up are generally not tracked and identified by schools.

***Employee at one site inappropriately used program fees***

At a school we reviewed, a group leader improperly kept the late fee paid by a parent during September 1997. The site coordinator informed us the group leader used the money to purchase snacks for his A+ group. This alleged use of the funds was unauthorized because the *A+ Operational Manual* requires that late fees be deposited into the school's A+ bank account. The site coordinator informed us she was not aware of the impropriety until the parent who paid the fee questioned the late fee assessment several months later. The site coordinator informed us the group leader reimbursed the school's A+ account following our site visit and inquiries.

***Discrepancies between bank statements and collection reports are not reconciled***

The reconciliation of collections to deposits is a fundamental control to ensure that cash is deposited into the appropriate accounts and not subjected to fraud and theft. Our previous audit reported that the department had not reconciled collections and deposits to reported enrollment. We also reported that most of the school sites did not reconcile enrollment to collections. The department has since developed a school monthly summary report form which assists school level staff in reconciling collections to enrollment.

Although the department operated sites that we visited have made considerable improvements in their efforts to reconcile collections and enrollment, we noted several discrepancies in their collection reports. We

also found large discrepancies between collection reports and deposits when cross checked against official bank statements for individual school A+ accounts. Discrepancies between collection reports and deposits occurred in all seven school districts. Furthermore, schools and district offices generally made little or no effort to reconcile the collection reports to deposits.

### **Monthly collection reports are inaccurate**

We noted several discrepancies in the monthly collection logs and summary reports prepared by the schools. The most common error in the monthly collection reports was the accounting of prepayments under incorrect months. One school improperly accounted for about \$2,000 under a later month than the actual month in which the fees were collected. Another school's records for payments received were inaccurate because the site coordinator incorrectly deducted from receipts the amounts students had prepaid for future months. Other accounting discrepancies included double counting A+ fees received from some students and incorrectly calculating the total monthly fees to be collected and actually received.

The inability of schools to properly identify and account for monthly program collections hinders the department's ability to reconcile deposits with collections.

### **Sites need further guidance and training on reconciling collections with deposits**

The *A+ Operations Manual* specifies that the total deposits indicated on the school monthly summary report form should match all A+ deposit slips for the month. Schools are required to submit a copy of their monthly A+ bank statements to the district coordinators for the purpose of verifying that the school deposits match the deposit amounts on their monthly summary reports. However, we found many schools do not submit copies of their monthly bank statements to the district as required. Furthermore, although district coordinators are required to seek explanations for any discrepancy, none of the seven districts have been able to consistently reconcile discrepancies between collections and deposits.

The North Central (Central District) and Kona (Hawaii District) staff have attempted to seek explanations for discrepancies; however, schools have not provided adequate documentation to substantiate their explanations. Other district staff informed us they would be able to identify whether all collections are deposited at the end of the school year. This does not ensure that cash overages or shortages are being investigated in a timely manner.

As indicated earlier, the inability of both school and district staff to reconcile collections with deposits is partly the result of inaccuracies in school monthly summary reports. Providing schools and district offices with additional training in properly completing the monthly collection forms should help improve the accuracy of the schools' collection reports.

The department should also consider revising its school monthly summary form to assist schools in reconciling collections and deposits. The current form reconciles collections received to what should be collected; however, it does not provide sufficient information to ensure that A+ collections are properly deposited. As a result, there is no assurance that the discrepancies between deposits as indicated on the monthly summary reports and the actual bank statements can be reconciled. We documented many cash overages ranging from \$1 to \$6,095 and cash shortages ranging from \$1 to \$4,084.

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### **Staff Are Not Held Accountable for Disregarding Program Policies**

Many of the non-compliance issues we found were also identified in our previous audit, in the department's own internal audit, and by an independent public accounting firm. A+ staff who consistently fail to follow established program guidelines and procedures have not been held accountable for their inattention to established procedures. As a result, staff continue to disregard the established A+ staffing structure, procedures for evaluating and rating candidates for employment, and policies regarding collections, late fees, and student termination. The department's failure to establish clear lines of authority in the A+ Program and the lack of formal disciplinary procedures have contributed to the department's inability to hold staff accountable for non-compliance with established policies.

### **Lines of authority are unclear**

The A+ state coordinator is responsible for facilitating the implementation of program guidelines, however, the position does not have direct authority over the district and school site staff to ensure compliance with program policies. Similarly, district coordinators are required to monitor program sites and conduct on site visits at least twice annually; however, their line of authority is blurred. The A+ program's organizational chart indicates that the district coordinators have a direct line of authority over the site coordinators. However, some district coordinators informed us that they can only make recommendations to school program staff and that they lack any authority to enforce program guidelines.

Furthermore, the district coordinator's authority as indicated on the program's organizational chart appears to be undermined by a separate chain of command that flows directly from the district superintendent to the school principal. The role of the district coordinator is circumvented due to this alternate chain of authority.

The failure to clearly establish the authoritative role necessary to carry out the functions of both the state and district program coordinators contributes to the department's inability to hold staff accountable for failing to follow program policies.

**Department lacks formalized disciplinary procedures**

Despite a May 1997 internal audit report recommending that program employees who fail to collect program fees be warned and eventually terminated, the department lacks any formalized disciplinary procedures to enforce its oversight of the A+ Program. Failure to follow management's directive through established program policies is insubordination and should be subject to disciplinary procedures including termination as necessary.

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**Conclusion**

The superintendent of education has made considerable effort to improve the management of the After School Plus (A+) Program. Many of the necessary controls are in place, but improvements are still necessary. Many of the problems we identified have also been pointed out earlier by both internal and external auditors. Program staff do not always follow the fiscal and management guidelines necessary to ensure the program is operated efficiently. The superintendent of education needs to ensure staff are trained in all program areas, and held accountable for following program guidelines. The superintendent should clarify the chain of authority, empower state and district A+ coordinators, and formalize disciplinary procedures to ensure accountability.

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**Recommendations**

1. A+ site coordinators should review each student's application to ensure that the student is eligible for A+ services. Site coordinators should verify and document the eligibility of any student whose participation is questionable. Any student found to be ineligible for the program should be immediately terminated.
2. School principals who contract with private providers should review all A+ participant registration forms for eligibility as required by the *A+ Operations Manual*.
3. The Department of Education should improve its procedures for identifying students eligible for reduced A+ Program fees. Specifically, the department should:
  - Require parents requesting reduced A+ fees to provide documentation of their income in order to determine whether they meet eligibility requirements; and

- Clarify the parameters under which families with more than one child enrolled in A+ qualify for reduced program fees. The program's guidelines should specify whether the students must live together, attend the same school, and be related by blood and/or marriage.
4. The department should ensure all department operated program sites comply with the A+ staffing structure. The department should consider staffing to average attendance patterns as a cost control.
  5. The department should develop criteria for allocating special needs staff to A+ sites. The department should require that a maximum student to staff ratio be identified and followed for each student, and that each student be reevaluated annually to identify whether the student continues to need a special staffing arrangement.
  6. Principals should be held accountable for ensuring the accuracy of timesheets to prevent A+ staff from receiving income that they are not entitled to.
  7. Staff who were paid inappropriately for positions they were not hired for, positions they did not serve in, and for days A+ was not in session, should be notified in writing by the department of any overpayment. The department should pursue reimbursements in accordance with established procedures for recovery of wage and salary overpayments.
  8. The department should reassess the staffing needs of the A+ Program, and actively recruit qualified individuals for these positions.
  9. The department should provide A+ staff with additional training in completing the monthly collection logs and summary reports. Such training should include procedures on reconciling collections and deposits. The department should also consider revising the A+ monthly school summary report to assist staff in the reconciliation of collections and deposits.
  10. Site coordinators should prepare monthly collection logs in advance to identify late payments. Parents should be given a written warning of late payments, and notified of the effective date of their child's termination if payment is not received by the due date.
  11. A+ site coordinators should ensure the timely deposit of program fees. Parents should be given written notification of any check returned due to insufficient funds and required to resubmit payment within the required three school days. Students whose parents who do not resubmit payment should be terminated from A+.

12. A+ staff should immediately cease the practice of arbitrarily assessing program late fees.
13. Principals who continue to sign off on inaccurate private provider invoices and supporting documents should be held accountable for their lax review.
14. The department should ensure adequate segregation between cash related duties. Specifically, staff responsible for cash collections should not have access to A+ accounting records.
15. The department should properly safeguard all A+ collections by providing designated program staff with access to the school safe during the program hours.
16. The department should remind A+ staff to issue receipts for all program collections, including bad check fees.
17. The department should clarify the A+ Program chain of authority. The department should establish formal disciplinary procedures for A+ staff who disregard the program's policies. These procedures should include written warnings and termination of staff by state and district coordinators.

## 1997-98 After-School Plus (A+) Program Sites

Honolulu	Central	Leeward	Windward	Hawaii	Maui	Kauai
Aina Haina	Haleiwa	August Ahrens	'Aikahi	DeSilva	Ha'iku	Eleele
Ala Wai	Helemano	Ewa Beach	Hau'ula	Ha'aheo	Hana	Hanalei
Ali'iolani	Iliahi	Kaimiloa	Ka'a'awa	Hilo Union	Kahului	Kalaheo
Anuenue	Kaala	Kamaile	Kahuku	Holualoa	Kaunakakai	Kapaa
Fern	Mililani Mauka	Leihoku	Kane'ohe	Honaunau	Kihei	Kekaha
Haha'ione	Mililani Uka	Ma'ili	Keolu	Honoka'a	Kilohana	Kilauea
Hokulani	Mililani Waena	Makaha	La'ie	Ho'okena	Kamehameha	King Kaumualii
Ka'ewai	Solomon	Mauka Lani	Maunawili	Kalaniana'ole	Kualapu'u	Koloa
Kahala	Wahiawa	Momilani	Sunset Beach	Kapiolani	Kula	Waimea Canyon
Kaiulani	Wai'alua	Nanaikapono	Waiahole	Ka'u/Pahala	Lanai	Wilcox
Kalihi-Kai	Aiea	Nanakuli	<i>'Ahuimanu</i>	Kaumana	Lihikai	
Kalihi-Uka	Aliamanu	Waianae	<i>Enchanted Lake</i>	Kea'au	Pa'ia	
Kalihi-Waena	Hickam	Waiau	<i>Kahaluu</i>	Kealakehe	Princess	
Kamiloiki	Makalapa	<i>Barbers Point</i>	<i>Kainalu</i>	Keaukaha	Nahienaena	
Kapalama	Moanalua	<i>Ewa</i>	<i>Kapunahala</i>	Kohala	Pukalani	
Koko Head	Pearl Harbor Kai	<i>Holomua</i>	<i>Lanikai</i>	Konawaena	Waihe'e	
Lanakila	Pearlridge	<i>Honowai</i>	<i>Mokapu</i>	Laupahoehoe	Wailuku	
Liholiho	Red Hill	<i>Iriquois Point</i>	<i>Parker</i>	Mountain View	<i>Kamalii</i>	
Likelike	Salt Lake	<i>Kapolei</i>	<i>Pope</i>	Na'alehu	<i>Makawao</i>	
Lili'uokalani	Alvah Scott	<i>Pohakea</i>	<i>Pu'ohala</i>	Pa'auilo		
Linapuni	Shafter	<i>Waipahu</i>	<i>Heeia</i>	Pahoa		
Lunalilo	Waimalu	<i>Makakilo</i>	<i>Ka'elepulu</i>	Waiakea		
Manoa	Webbing	<i>Kanoelani</i>	<i>Waimanalo</i>	Waiakeawaena		
Noelani	<i>Hale Kula</i>	<i>Lehua</i>	<i>Kailua</i>	Keonepoko		
Nu'uuanu	<i>Kipapa</i>	<i>Manana</i>		Waikoloa		
Palolo	<i>Wheeler</i>	<i>Palisades</i>		Waimea		
Pu'uhale	<i>Pearl Harbor</i>	<i>Pearl City</i>		Kahakai		
Wailupe	<i>Mokulele</i>	<i>P.C. Highlands</i>				
<i>Wai'alae</i>	<i>Nimitz</i>	<i>Kaleiopuu</i>				
<i>Wilson</i>						
<i>Kuhio</i>						
<i>Waikiki</i>						
<i>Ka'ahumanu</i>						
<i>Kauluwela</i>						
<i>Lincoln</i>						
<i>Ma'ema'e</i>						
<i>Royal</i>						
<i>Kalihi</i>						
<i>Pauoa</i>						
<i>Jefferson</i>						

Note: A+ sites in italics are operated by private providers.



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## Responses of the Affected Agencies

### Comments on Agency Responses

We transmitted drafts of this report to the Board of Education and Department of Education on October 13, 1998. A copy of the transmittal letter to the Department of Education is included as Attachment 1. A similar letter was sent to the Board of Education. The Board of Education and the Department of Education submitted a joint response which is included as Attachment 2.

The board and the department responded that many of the recommendations made in our previous 1996 audit have been addressed. However, they recognize that problems remain with the implementation and enforcement of the A+ Program's guidelines and will take corrective action where non-compliance continues to occur, including terminating staff.

The board and department responded that they expect site coordinators to review all applications for eligibility, and are concerned that parents may be misrepresenting facts to obtain A+ services and reduced program fees. They report that procedures to remedy this situation are being reviewed. In addition, the board and department do not agree with our recommendation to staff A+ sites on the basis of attendance patterns because they believe it would be difficult to implement and significantly detrimental to student health and safety. The board and department also do not agree with our recommendation that criteria be developed for allocating special needs staff to A+ sites. However, they do agree that requests for special needs staffing should be reevaluated annually to ensure that the need still exists.

The department is concerned by school principals' lax review of private provider invoices and reported it will work with district coordinators and district superintendents to address specific occurrences. The department also plans to examine the possibility of withholding payments to private providers until corrections are made.

The board and department agree that A+ sites need to improve their fiscal accountability. The superintendent plans to issue a directive to all district superintendents, district coordinators, program site coordinators, and elementary school principal that requires all procedures specified in the *A+ Operations Manual* be followed. The directive will also identify specific expectations for A+ program fiscal accountability, and will adopt many of the specific recommendations we make in our report.



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

October 13, 1998

*COPY*

The Honorable Paul LaMehieu  
Superintendent of Education  
Department of Education  
Queen Liliuokalani Building  
1390 Miller Street  
Honolulu, Hawaii 96813

Dear Dr. LaMehieu:

Enclosed for your information are three copies, numbered 6 to 8 of our draft report, *Follow-Up Audit of the After-School Plus (A+) Program of the Department of Education*. We ask that you telephone us by Thursday, October 15, 1998, 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 Thursday, October 22, 1998.

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,

A handwritten signature in cursive script, appearing to read 'marion m. higa'.

Marion M. Higa  
State Auditor

Enclosures



STATE OF HAWAII  
DEPARTMENT OF EDUCATION  
P.O. BOX 2360  
HONOLULU, HAWAII 96804

OFFICE OF THE SUPERINTENDENT

October 27, 1998

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OFFICE OF THE AUDITOR  
STATE OF HAWAII

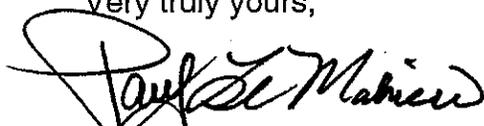
The Honorable Marion Higa  
State Auditor  
Office of the Auditor  
465 S. King Street, Room 500  
Honolulu, Hawaii 96813-2917

Dear Ms. Higa:

Attached is the Department's response to your draft report, *Follow-Up Audit of the After-School Plus (A+) Program of the Department of Education*. Thank you for the opportunity to review and comment on the report. As described in your report, the After-School Plus (A+) Program provides services to 22,500 children at 177 public school sites. The Department recognizes the importance of the A+ Program to our working community because it is well known that due in part to the high cost of living in our State, many families consist of both parents either working or attending school. Others are single working parents. Surveys of parents have shown that there has been overwhelming satisfaction with and public support for the A+ Program, which provides such valuable services as student homework supervision; socialization in group settings; and physical development through outdoor activities.

Please feel free to contact Ms. Francine Grudzias, Director, Office of Accountability and School Instructional Support (OASIS), Systems Group, at 733-9143 if you have any questions about our response.

Very truly yours,

  
Paul G. LeMahieu, Ph.D.  
Superintendent

  
Karen Knudsen, Chairperson  
Board of Education

KK/PLeM;jks

Attachment

## RESPONSE TO THE FOLLOW-UP AUDIT OF THE AFTER-SCHOOL PLUS (A+) PROGRAM OF THE DEPARTMENT OF EDUCATION

We are pleased that the Report has concluded on page 28 that "*the (former) superintendent of education has made considerable effort to improve the management of the After-School Plus (A+) Program. Many of the necessary controls are in place....*". As pointed out on page 6 of the Report, the department has addressed the recommendations in the previous 1996 audit. We initiated a comprehensive audit of the 112 DOE sites that had not been visited by the state auditor's office in the 1996 audit. Areas of improvement were identified on a school-by-school basis with plans for corrective action required for any findings of non-compliance. The department's other improvement efforts include:

- major revision of the *A+ Program Operations Manual* used by schools and district offices;
- issuance of a Superintendent's directive dated August 8, 1997 which requires all A+ staff to follow procedures in the revised *A+ Program Operations Manual*;
- requirement for site coordinators to review and sign off on each registration form for eligibility;
- establishment of policies and procedures to ensure program fees are properly assessed and collected;
- revision of fiscal reporting procedures and A+ monthly collection forms to ensure that every DOE A+ site reconciles enrollment to collections on a monthly basis;
- implementation of revised collection logs that help staff identify the following (1) fees to be paid by each student enrolled in the program; (2) amount and date of payment; and (3) receipt of late payment fees, late pick-up fees, returned check fees, and fee pre-payments;
- review of monthly summary reports by the district office;
- strengthened management controls to require equity in the implementation of late payment and late pick-up fees;
- requirement that each program terminate students who do not pay their program fees by the seventh calendar day of each month;
- requirement for principals who contract with private providers to verify the accuracy of the private provider's supporting documentation form which identifies the number of students enrolled by fee category and the amount the department must reimburse the private provider; and

- requirement that district A+ coordinators visit A+ sites at least once each semester, using a checklist designed expressly for this purpose.

We would be remiss if, at the onset, we did not acknowledge and express our heartfelt appreciation to the hundreds of Department A+ employees who are dedicated, hard-working, and focused on providing the highest quality after-school care for youngsters who otherwise would be in unfortunate latchkey or "at-risk" situations. The most recent (School Year 1997-98) parent satisfaction survey shows that 99.1% of respondents are satisfied with the A+ program and 99.4% would recommend the A+ program to their friends.

While A+ program guidelines have been established, we recognize that problems remain with their implementation and enforcement. Therefore, our comments relative to the report's recommendations are discussed in categories of implementation/enforcement of eligibility, staffing/personnel, private providers, and fiscal accountability. We will take appropriate action where non-compliance continues to occur.

**Eligibility.** It is already an expectation for site coordinators to review all applications for eligibility. We are concerned about the auditor's finding (page 13) that "parents may be misrepresenting facts to obtain A+ services and reduced program fees..." We are reviewing our procedures to see how we can best remedy this situation without incurring additional costs. Please note that the schools are already randomly verifying applications for free/reduced lunch in accordance with U.S. Department of Agriculture regulations.

**Staffing/Personnel.** The department currently makes A+ staffing adjustments based on enrollment two times per year---October and February. The department, along with the district coordinators, has also explored the feasibility of staffing A+ program sites based on average attendance patterns. After much consideration, it was determined that staffing to average attendance patterns would not only be difficult to implement but would more significantly be detrimental to student health and safety. For example:

- national staffing standards (The National School-Age Care Alliance accreditation standards) recommend a ratio of 1 (adult) to 10-15 children;
- it is unsafe to group youngsters who are larger and physically stronger with younger children, e.g., sixth graders should not be grouped with kindergartners in playground activities. Such grouping may be required if staffing is based on average attendance instead of actual enrollment;
- it is already difficult to recruit staff and by placing additional uncertainty of work hours it will be increasingly difficult to recruit and retain staff;

- fees are based on number of staff needed to provide a safe A+ program. To charge parents and not provide the staff is contrary to ethical business practices since the parents are not “getting what they paid for.”
- each site has unique needs related to student safety at “pick-up times,” i.e., some sites may have traffic patterns that require very careful monitoring or there may be a high number of students picked up by those who are not their parents, thus requiring checking/verifying the person’s identity and authority to take the child.

Regarding criteria for allocating special needs aides, each child’s need for a special needs aide must be evaluated on a case-by-case basis as determined by his/her Individualized Educational Program (IEP ). Therefore, it is not feasible to develop criteria that can be applied to every student. Each child who is certified as a special education student has his/her IEP reviewed annually. We will also remind district and site coordinators to review each special needs aide request annually to confirm that the need for the aide still exists.

Regarding recruitment for A+ staff positions, the department actively recruits for Program Aides and Group Leaders annually. Paid advertisements appear in the Sunday edition of The Honolulu Advertiser. Copies of the recruitment announcement and application forms are sent annually to all public schools (K-12), all community colleges, University of Hawaii at Manoa, University of Hawaii at Hilo, University of Hawaii-West Oahu, Brigham Young University-Hawaii Campus, Chaminade University, Hawaii Pacific University, University of Hawaii-Employment Training Center, and Hawaii State Teachers Association.

Although the *A+ Operations Manual* addresses chain of authority, we agree that the organizational chart on page A-12 of the manual needs to be revised to clarify line authority to the sites. The district superintendent and principal have authority over the site coordinators. A+ district coordinators assist the district superintendents by providing training and monitoring oversight. Termination procedures are described on page B-11 of the *A+ Operations Manual*. However, the department will more specifically describe the steps involved in terminating staff. These changes will be made accordingly and shared with all appropriate staff.

**Private Providers.** The department shares the concern about lax review of private provider invoices by principals and will work with district coordinators and district superintendents to address specific occurrences. We will also examine ways to withhold payments to private providers until corrections are made.

**Fiscal Accountability.** We agree that the A+ sites need to continue to improve their fiscal accountability. To reinforce the expectations that sites

will be in compliance with all procedures identified in the *A+ Program Manual*, and other department fiscal documents/procedures, the superintendent will issue a directive identifying specific expectations for A+ program fiscal accountability (see attached). His directive references recommendations 2, 6, 7, 9, 10, 11, 12,13,14,15,16 of the auditor's report. We will ensure that additional training is provided on fiscal procedures. We will also consider revising the reporting forms to assist staff in the reconciliation of collections and deposits.

## **CONCLUSION**

We appreciate the recognition by the Auditor of the steps the Department has taken to improve the A+ Program since the initial audit in 1996. The department agrees that further improvements can and should be made to the A+ program. We will take appropriate action where non-compliance continues to occur, including removing district and site coordinators and replacing A+ site coordinators with private providers. We are committed to providing quality, affordable after-school care for latchkey children. Our efforts will continue to focus on improving the Program, particularly in the specific areas identified in this report.



STATE OF HAWAII  
DEPARTMENT OF EDUCATION

P.O. BOX 2360  
HONOLULU, HAWAII 96804

OFFICE OF THE SUPERINTENDENT

October 28, 1998

TO: District Superintendents, District After-Schools Plus (A+) Program Coordinators, A+ Program Site Coordinators, and Elementary Principals

FROM: Paul G. LeMahieu, Ph.D.   
Superintendent

SUBJECT: AFTER-SCHOOL PLUS (A+) PROGRAM RESPONSIBILITIES

As you are aware, the Office of the Auditor conducted a follow-up audit of the After-School Plus (A+) Program from February through May 1998. While the report of the findings recognized that the department has made considerable efforts to improve the management of the A+ Program, there are still areas for improvement.

Of particular concern is the fact that some A+ Program sites continue to fail to adhere to procedures specified in the *A+ Operations Manual*, including use of forms developed in response to the findings of the initial audit. Effective immediately, all DOE A+ sites are to follow all procedures specified in the *A+ Operations Manual*. Principals must ensure that they or their designated site coordinators are in compliance with all related Department fiscal and personnel policies and procedures:

1. Site coordinators are to prepare monthly collection logs **in advance** to identify late payments. Parents should be given **written** warning of late payments and **notified of the effective date of their child's termination** if payment is not received by the due date.
2. Site coordinators **must ensure timely deposit of program fees, i.e. daily unless a special waiver has been received to allow for less frequent deposits.**
3. Parents must be given **written notification** of any check returned due to insufficient funds and be required to resubmit payment within the mandated three school days. Students whose parents do not resubmit payment should be terminated from A+.
4. A+ staff will be consistent in the assessment of late fees. The practice of arbitrary assessment will not be tolerated.

District Superintendents  
Page 2  
October 28, 1998

5. Principals who contract with private providers **must ensure that all students who register for the A+ program are eligible** as required by the private provider contract (Exhibit A).
6. Principals **must ensure** that private provider invoices accurately reflect the names/numbers of students served.
7. A+ sites **must ensure** adequate separation between those charged with various cash-related duties. That is, staff responsible for cash collections should not have access to A+ accounting records.
8. Schools need to provide designated A+ staff with access to a safe place to safeguard all A+ collections.
9. A+ staff **must issue receipts** for all program collections, including bad check fees.

As part of our commitment to continue to improve A+ program fiscal and personnel accountability, we will be conducting periodic audits of select A+ sites.

District A+ coordinators are available to assist sites needing additional training and/or clarification regarding procedures. You may call on these individuals for assistance for coordinators' training regarding the guidelines or for monitoring of the implementation of guidelines. Sites which continue to have difficulty in adhering to A+ procedures will be expected to contract private providers or replace site coordinators.

PLeM:FMG:jks

c: Assistant Superintendents  
Superintendent's Branch Directors  
Office of Accountability and  
School Instructional Support

