

THOMAS P. DINAPOLI
COMPTROLLER



110 STATE STREET
ALBANY, NEW YORK 12236

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

June 27, 2013

Dr. John B. King, Jr.
Commissioner
State Education Department
89 Washington Avenue- Room 125
Albany, NY 12234

Re: Rainbow Rhymes Learning Center
Report 2012-F-31

Dear Dr. King:

According to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution; and Article II, Section 8 of the State Finance Law, we have followed up on the actions taken by officials of the State Education Department (Department) to implement the recommendations contained in our audit report, *State Education Department: Rainbow Rhymes Learning Center* (Report 2009-S-84).

Background, Scope and Objective

The Department, whose mission is to raise the knowledge, skill and opportunity for New York State residents, uses various contractors to assist in these endeavors. One such contractor, Rainbow Rhymes Learning Center (Rainbow), was awarded a \$988,110 contract to provide certain education-related services on behalf of the Department under its 21st Century Community Learning Centers program (Program).

The objective of our initial audit was to determine whether selected grant payments that the Department made to Rainbow were appropriate and adequately supported for the period September 2, 2004 through October 19, 2007. Our initial report, issued August 6, 2010, found \$473,815 in reported expenses either were not adequately supported, were not Program appropriate or were claimed for a period for which Rainbow was not entitled to reimbursement. In total, we determined that the Department contracted with Rainbow to provide after school services to 300 children and literacy service to 75 families, but that on average Rainbow only provided services to 27 children and no families. We attributed the deficiencies noted to ineffective oversight by Department officials.

The objective of our follow-up review was to assess, as of March 28, 2013, the implementation status of the three recommendations in our initial report.

Summary Conclusion and Status of Audit Recommendations

We found that Department officials have made progress in addressing the matters in our initial report, as one of the three prior audit recommendations was implemented and two were partially implemented.

Follow-up Observations

Recommendation 1

Recover the \$473,815 in unsupported and inappropriate Rainbow claims identified in this report.

Status - Partially Implemented

Agency Action - Department officials stated Rainbow provided them with additional support for \$30,390 in claims that we had identified as unsupported. They therefore reduced the amount to be recovered to \$443,425. In October 2010 and again in April 2011, the Department directed Rainbow to remit \$443,425 to repay unsupported and inappropriate claims that had been identified. Rainbow instead proposed a 14-year repayment plan, which the Department rejected. In July 2011, Rainbow provided the Department with financial statements and copies of income tax returns covering the two most current years. Almost two years later, Department officials indicate they are still considering what options are available to enable them to recover the full amount owed. To date no funds have been recovered.

Recommendation 2

Review the \$166,665 in payments to Rainbow (\$785,267-\$618,602) that we did not include in our audit. Recover those payments that are neither supported nor appropriate.

Status - Implemented

Agency Action - The Department examined the expenses claimed by Rainbow that were not covered in our original audit and disallowed a total of \$10,022 of inappropriate expenses. In February 2011, the Department recovered these funds by reducing Rainbow's final payment for the year.

Recommendation 3

Develop and implement a monitoring system that would help ensure that contract-related payments are supported and appropriate, and that all contract-related services are provided. If significant contracted services are not being provided, revise contract dollars to address the

actual number of children and families served.

Status - Partially Implemented

Agency Action - Department officials responded to the original audit by affirming their desire to improve oversight and monitoring of these programs. They established a standardized monitoring protocol, provided training, and instituted procedures that required the filing of annual electronic performance reports as well as semi-annual program reports. However, soon after and in response to budget constraints, officials opted to reduce Program staffing by 75 percent, leaving just one person to handle all aspects of the Program. As a result, we found the Department conducted only five site visits and no telephone interviews during the 2011-2012 year. In May 2012, the Department added another half-time individual. For the 2012-2013 year, the unit conducted 14 site reviews and contracted with outside parties for another 13 site visits.

Department officials indicate all 185 current Program contracts will be expiring on June 30, 2013 and that new grant contracts will include more restrictive terms, including administrative caps for certain cost categories and a maximum annual budgeted cost per student not to exceed \$1,500. Further, grant recipients will be required to furnish a roster of participants as of June 1st of each program year. The Department plans to compare the number of students listed in the roster against the number of students that were proposed to be served in the composite budget. If the current roster is less than 95 percent of expected students to be served, the Department plans to reduce the grantee's budget accordingly.

Major contributors to this report were Todd Seeberger and Dick Gerard.

We would appreciate your response to this report within 30 days indicating actions planned to address the unresolved issues discussed in this report. In addition, please extend our thanks to your management and staff for the courtesies and cooperation extended to our auditors during this process.

Very truly yours,

John F. Buyce, CPA
Audit Director

cc: James Conway, Department Liaison
Thomas Lukacs, Division of the Budget