OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF MINNESOTA

Financial Audit Division Report

Administration of State Funds by the African American Mentor Program, Inc.

JULY 28, 2004 **04-31**

Financial Audit Division

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- Promote Accountability,
- Strengthen Legislative Oversight, and
- Support Good Financial Management.

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OLA
OFFICE OF THE LEGISLATIVE AUDITOR
State of Minnesota • James Nobles, Legislative Auditor

Representative Tim Wilkin, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Ms. Chas Anderson, Acting Commissioner
Department of Education

Mr. Duane Dutrieuille, Former Executive Director
African American Mentor Program, Inc.

Former Members of the African American Mentor Program, Inc., Board of Directors

We have conducted a special review of the African American Mentor Program's financial management of grants from the Department of Education for the period January 1, 2000, through June 30, 2002. The African American Mentor Program, which ceased operations in March 2002, was a nonprofit organization whose primary mission was to provide positive role models for at-risk youth through in-school mentoring. For fiscal years 1998 through 2002, the state awarded nearly $2 million in grants to the organization.

We conducted the review in response to concerns identified by the Department of Education. The department questioned the organization's management practices and was concerned about the support for and the appropriateness of the organization's use of state funds. Based on preliminary information obtained from the organization, we decided to pursue the matter further and issue this special report.

The following Report Summary highlights our objectives and conclusions. We discuss the issues more fully in the individual chapters of the report.

Pursuant to Minn. Stat. Section 3.975, we have referred this report to the offices of the Attorney General and the Ramsey County Attorney. The Office of the Attorney General has the responsibility to ensure the recovery of state funds and, in fulfilling that role, may negotiate the propriety of individual claims. The county attorney shall cause criminal proceedings to be instituted as the evidence may warrant.

This report is intended for the information of the Legislative Audit Commission and the management of the Department of Education. This restriction is not intended to limit the distribution of this report, which was released as a public document on July 28, 2004.

/s/ James R. Nobles	*/s/ Claudia J. Gudvangen*
James R. Nobles Legislative Auditor	Claudia J. Gudvangen Deputy Legislative Auditor

Report Signed On: July 23, 2004

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Audit Participation

The following members of the Office of the Legislative Auditor prepared this report:

Claudia Gudvangen, CPA	Deputy Legislative Auditor
Cecile Ferkul, CPA, CISA	Audit Manager
Marla Conroy, CPA, CISA	Director of Investigations
Sonya Johnson, CPA	Investigative Team Leader
Connie Stein	Auditor

Exit Conference

The following representatives from the Department of Education participated in the exit conference held on July 12, 2004:

Chas Anderson	Acting Commissioner
Tammy McGlone	Director of Administrative Services

Special Review
Administration of State Funds by African American Mentor Program, Inc.

Report Summary

Key Findings and Conclusions:

- The African American Mentor Program did not have a sufficient organizational structure or effective internal controls to properly administer the state grant programs. (Finding 1, page 8)

- The executive director of the African American Mentor Program used organization funds without oversight or accountability, expending nearly $90,000 for unsupported items or items that were not related to the organization's mission. (Finding 2, page 9)

- The Department of Education did not adequately assess or monitor the organization's ability to properly administer the state grants. (Finding 3, page 14)

The report contained a total of 3 findings relating to internal control and legal compliance.

Audit Scope:

Audit Period:
January 2000 through July 2002

Programs Audited:
- Learn and Earn Graduation Achievement Grant
- After School Enrichment Grant

Background:

The African American Mentor Program, Inc. was a nonprofit organization that received the majority of its funding through two grants from the Minnesota Department of Education (formerly the Minnesota Department of Children, Families & Learning). The department received General Fund appropriations for the Learn and Earn and After School Enrichment grant programs.

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Chapter 1. Introduction

We have conducted a special review of the African American Mentor Program, a nonprofit organization that received the majority of its funding through two grants from the Minnesota Department of Education (formerly the Minnesota Department of Children, Families & Learning). The Department of Education received a complaint from a collaborative organization that the African American Mentor Program had not paid the organization for services provided. The Department of Education asked the Office of the Legislative Auditor to review the results of its internal audit of the African American Mentor Program's administration of the After School Enrichment Program. The department had identified various expenditures for which there was no supporting documentation. Based on results of the internal audit and preliminary information obtained from the African American Mentor Program, we pursued the matter further and conducted a special review.

The African American Mentor Program's mission was to provide "positive role models for at-risk youth through in-school mentoring." The organization received about 76 percent of its funding from state grant payments; the rest of its funding was from gifts and grants from foundations or other private sources and bank loans. Duane Dutrieuille incorporated the African American Mentor Program in 1997 and served as its executive director until it ceased operations, due to financial difficulties, on March 9, 2002. Table 1-1 summarizes the African American Mentor Program's sources of funds for fiscal years 2000 through 2002.

Table 1-1
Source of Funds
July 1, 1999, through June 30, 2002

Source of Funds	Fiscal Year 2000	Fiscal Year 2001	Fiscal Year 2002	Total
State of Minnesota:				
Learn and Earn	$106,003	$222,671	(1) $179,751	$ 508,425
After School Enrichment	237,017	230,840	22,290	490,147
Private Grants and Gifts	20,170	121,023	91,921	233,114
Line of Credit	17,000	23,000	0	40,000
Bank Loan	0	0	(2) 23,000	23,000
Refunds and Reimbursements	0	17,784	3,867	21,651
Totals	$380,190	$615,318	$320,829	$1,316,337

Notes:

(1) In December 2001, $250 of the state grant was not deposited into the African American Mentor Program's bank account.

(2) The executive director obtained this bank loan based on funds available through the state grant agreement. The organization was supposed to repay the loan within two months, but no payments were ever made.

Source: Auditor prepared from the African American Mentor Program's bank statements and other supporting documentation.

Learn and Earn Graduation Achievement Program

In fiscal year 1998, the African American Mentor Program received a Learn and Earn Graduation Achievement grant to mentor a group of ninth grade students through their high school years. The program provided funding for individually tailored opportunities to improve academic enrichment, community service, and personal development that would lead to a high school diploma and post-secondary education. For each hour spent in a program component, participating students received a monetary stipend; the student also received a bonus upon completion of each component's requirements. In addition, based on reports prepared by the participating organizations, such as the African American Mentor Program, the state established and contributed to post secondary opportunity accounts for each student with the Higher Education Services Office. After graduation from high school, the participating students could use the funds in these accounts for tuition, books, and fees at a Minnesota post-secondary institution or a career-training program.

Table 1-2 summarizes the state's Learn and Earn grants to the African American Mentor Program and identifies the budget classifications the organization established for its use of the grant funds. The organization's reimbursement requests exactly corresponded with the budgets and were not supported by the accounting records.

Table 1-2
Learn and Earn Grant
Budget Amounts

Description	Fiscal Year 2001	Fiscal Year 2002
Salaries and Fringe	$118,707	$109,300
Contracted Services	35,321	25,000
Student Stipends	25,000	20,000
Program Expenses	21,000	15,000
Student Transportation	12,400	6,300
Supplies/Textbooks	7,240	2,650
Communication/Postage	1,503	1,100
Professional Travel In-state	1,500	650
Total	$222,671	$180,000

Source: The African American Mentor Program's budget documentation.

After School Enrichment Program

The After School Enrichment Program provided grants to collaborative groups of community organizations in designated neighborhoods of Minneapolis, St. Paul, and selected out-state areas. The purpose of the program was to improve school attendance, academic achievement, and participation in after school programs and community service, while reducing the juvenile crime rate and the number of school suspensions.

In January 2000, the African American Mentor Program received a two-year After School Enrichment grant totaling $500,000. The organization acted as the fiscal agent on behalf of collaborative organizations providing support to disadvantaged youth in the Summit-University neighborhood of St. Paul. The African American Mentor Program budgeted nearly 75 percent of its After School Enrichment grant for contracted services, which included funding for the activities of these collaborative organizations. Table 1-3 summarizes the state's After School Enrichment grant to the African American Mentor Program and identifies the budget classifications the organization established for its use of the grant funds.

Table 1-3
After School Enrichment Grant
Budgeted Amounts

Description	Budget
Contracted Services[1]	$372,520
Salaries and Fringe	78,292
Program Expenses	33,010
Office Expenses	7,772
Training	4,410
Travel/Transportation	3,996
Total[2]	$500,000

Notes:

(1) Contracted Services include payments to collaborative members.

(2) The After School Enrichment grant totaling $500,000 was effective from January 1, 2000, through December 31, 2001. Total state disbursements to the African American Mentor Program for the two-year period totaled $490,147, which included a $125,000 advance payment to the organization in February 2000. The African American Mentor Program claimed expenses totaling $481,110. Total disbursements to the organization exceeded the total expenses claimed by $9,037.

Source: The African American Mentor Program's budget documentation and requests for reimbursements.

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Chapter 2. Use of State Grant Funds

Chapter Conclusions

The organization lacked fundamental internal controls, allowing the executive director to use state grant funds without oversight or accountability. The executive director of the African American Mentor Program used nearly $90,000 of state and private grant funds for unsupported items or items that were not related to the purpose of the grant agreements. The Minnesota Department of Education did not adequately review the organization before awarding grant funds and did not adequately monitor the organization's use of grant funds.

Objective and Methodology

Our objective in conducting this special review was to answer the following questions:

- Did the African American Mentor Program have appropriate internal controls to ensure that it expended grant funds in accordance with legal requirements and grant contract provisions and in a reasonable and prudent manner?
- Did the African American Mentor Program use state grant funds in accordance with the terms of the grant agreement?
- Did the Department of Education adequately assess the ability of the African American Mentor Program to properly administer state grant funds or to act as the fiscal agent for the After School Enrichment Program?
- Did the Department of Education adequately monitor whether the African American Mentor Program complied with its grant agreements?

In conducting this special review, we examined the accounting records of the African American Mentor Program. We also obtained sworn testimony from the organization's executive director. In addition, we reviewed relevant documents, including the grant agreements and reports, but did not conduct a full audit of the organization's financial records.

Our review identified significant concerns about the organization's use of state grant funds, as discussed in the following findings. As appropriate, we have made recommendations to the Department of Education to resolve the items in question and improve its grant management practices.

Findings and Recommendations

1. The African American Mentor Program did not have a sufficient organizational structure or effective internal controls to properly administer the state grant programs.

The board of the African American Mentor Program consisted of six people, including the executive director, Duane Dutrieuille, who founded the organization. He stated that the board generally met quarterly to discuss the organization's programs and to plan future operations. However, he was unable to provide us with meeting notices, agendas, handout materials, minutes, or any other evidence that the board actually guided the organization. The board of directors did not establish guidelines to control the organization's financial operation or its expenditure of funds. In addition, the board had not developed an employment policy to outline the parameters of employee salary ranges, benefits, performance bonuses, or business expense reimbursements. The last financial statement audit of the organization was for calendar year 1999.

The organization also did not have any basic internal controls for its financial operations. There was no separation of duties. The executive director performed all basic accounting functions, with the exception of payroll processing, which was performed by an outside company until November 2001. The executive director incurred liabilities, wrote checks, made investments, borrowed funds, entered transactions on the accounting system, prepared reimbursement requests to the state, and made deposits. He received the monthly bank statements, but did not reconcile them to the accounting records. Consequently, the accounting records were incomplete and inaccurate. Some disbursement transactions had no supporting documentation. The executive director did not maintain separate accounting records for the different grant programs; he used whatever funds were available to pay bills, and he indiscriminately transferred funds between bank accounts to cover expenditures, making it nearly impossible to distinguish expenditures by program. As a result, the monthly reimbursement requests he submitted to the Department of Education were not supported by, and at times exceeded, actual expenditures incurred.

By the time it closed its doors in March 2002, the executive director had depleted the financial resources of the African American Mentor Program. The organization had nearly $40,000 outstanding on its line of credit and on an outstanding bank loan of $23,000. It also owed collaborative organizations over $44,000 for After School Enrichment services they had provided. The executive director had requested and received reimbursement from the state for these costs, but he did not pass the funds on to the collaborative organizations. The executive director explained the financial difficulties encountered by the organization as follows:

> I really didn't have the capacity to be a fiscal agent. And what led to our destruction, to be honest and open, is that I was basically "robbin' Peter to pay Paul." After the 9/11 incident, the funding got really, really tight for nonprofits. And - I had, like, all these staff people looking at me - because some of these staff people, they were my - they were full-time employees. I was their livelihood, you know, and that's a lot of power. I don't know if I abused the power or - just

> wasn't able to say, "I gotta let you go because if I don't let you go today, in four months from now, we're gonna be in trouble" - cause then - now I'm taking money out of here to put in here and say, "Oh, I will make sure I have to put this money back." That just put us in a - that put my business in a spiraling slope down."

While the impact of the terrorist attacks on funding to nonprofit organizations may have negatively affected this organization, there clearly were signs of earlier financial difficulties. By February 2001, the organization was nearly at the limit of its $40,000 line of credit cash flow account, just ten months after opening the account. From that point forward, the organization was only able to make minimum monthly payments on the account, but would typically then borrow back to the $40,000 limit. As of March 2003, the organization owed the bank nearly $41,000 (including accumulated interest charges) and had paid nearly $8,000 in interest charges. In addition, bank statements show that the organization overdrew its general bank account in April 2001 and overdrew its After School Enrichment bank account in June 2001. From April 2001 through November 2002, the executive director repeatedly overdrew these accounts and incurred $3,737 in overdraft fees in its general operating account and $444 in overdraft fees in the After School Enrichment bank account.

2. The executive director of the African American Mentor Program used organization funds without oversight or accountability, expending nearly $90,000 for unsupported items or items that were not related to the organization's mission.

The executive director used a significant amount of the organization's funds for costs that were not supported or were not reasonably part of the state grant programs or the organization's mission. Many of these costs provided direct or indirect personal benefit to the executive director. The executive director was responsible to ensure that the organization used its funds for reasonable and necessary expenses of the program. Money that the executive director spent that did not contribute to the mission of the organization resulted in fewer funds being available for direct services to children. The state and other supporters relied on the executive director to manage funds exclusively to further the organization's stated mission and objectives.

Table 2-1 summarizes the questionable payments.

Table 2-1
Unauthorized and Unreasonable Payments
January 2000, through July 2002[1]

	Amount Questioned
Payments to the Executive Director:	
Unsupported Reimbursements	$12,982
Auto Lease, Rentals, Mileage, Gas, and Parking	12,965
Performance Bonus and Additional Hours Worked	10,605
Food	7,294
Miscellaneous	2,266
Out-of-State Travel (nonfood expenses)	1,728
Payments Made to Vendors:	
Payments to Consultant and Nonprofit	24,178
Unsupported Payments after March 9, 2002[1]	15,664
Fraternity-Related Costs	1,813
Payment to Board Chair for Cleaning Supplies	437
Total	$89,932 [2]

Notes:
(1) After the close of the organization on March 9, 2002, the executive director continued to pay outstanding bills and to deplete the funds for unreasonable expenses. By July 2002, the account was fully depleted.
(2) Based on the organization's funding, shown in Table 1-2, approximately 76 percent of these questionable payments were paid with state grant funds.

Source: Auditor prepared schedules based on the African American Mentor Program's bank statements, cancelled checks, and check registers.

The majority of the questioned costs were for reimbursements to the executive director for costs that did not provide value to the state grant programs or the overall mission of the organization. The executive director wrote most of these checks to himself, without board approval.

- **Unsupported Reimbursements:** Of the 79 checks the executive director wrote to himself, he did not provide receipts or otherwise document the purpose of the payment for 22 of them, totaling $12,864; the support for the remaining 57 checks varied from the check amount by $118.

- **Auto Lease, Rentals, Mileage, Gas and Parking:** The executive director reimbursed himself $8,400 for part of the cost of the lease of a Dodge Durango and $4,565 for the cost of operating that vehicle. This type of vehicle, with a five passenger seating capacity, would not be able to transport many of the program's participants. The Dodge Durango seemed to be the executive director's primary vehicle; he rented cars when the leased vehicle was unavailable, due to maintenance, and charged the rental costs to the organization.

- **Performance Bonus and Additional Hours Worked:** The executive director determined the amount of his own performance bonuses, retroactive increases, and compensation for additional hours worked. In his sworn statement, he said that he believed he "should be entitled to" the same level of compensation as other nonprofit executive directors. Thus, he supplemented his compensation with bonuses and performance increases to achieve a compensation that he felt, based on his research, was comparable to executive directors of nonprofit organizations of similar size. However, although he claimed that his role as executive director was a full-time position, Mr. Dutrieuille also taught full-time for the St. Paul School District and took graduate school classes at the University of Minnesota. Also, on one occasion, the additional compensation coincided with a major personal financial transaction. On April 27, 2000, the executive director purchased a new home. On that date, he wrote three checks to himself totaling $5,866, identifying the checks as payments for performance bonuses and for additional hours worked in May 2000, the month after he wrote the checks. The executive director denied that he had used the organization's funds to purchase the property.

- **Food:** The executive director also reimbursed himself for food expenditures. In the accounting system, he identified many of these reimbursements as staff meetings. During his sworn testimony, the executive director stated that he often held staff meetings at restaurants. The receipts supporting the reimbursements were often for upscale restaurants such as Oceanaire, Chino Latino, Figlio, Capital Grille, and Copelands. The grant program budgets included food as program expenses, but a reasonable interpretation would be that the food should benefit program participants, not the program staff. The organization's financial records included restaurant receipts; however, the executive director did not document the purpose for the meeting or who attended. In some cases, the receipts identified reimbursement for alcohol with the food. In one instance, he altered a receipt to increase his reimbursement by $100. As an example, Table 2-2 shows a month's food expenses for which the executive director was reimbursed.

Table 2-2
Food Reimbursements to the Executive Director
September 2001

Day of Week	Date	Time	Place	Amount
Saturday	September 1	Note 1	Embers	$ 13.03
Saturday	September 8	9:50 PM	Figlio	15.58
Saturday	September 8	10:51 PM	Figlio	23.55
Saturday	September 8	11:28 PM	Jazzmines	20.00
Sunday	September 9	12:47 AM	Jazzmines	15.25
Tuesday	September 11	9:52 PM	Applebees	31.05
Wednesday	September 12	9:27 PM	Bennigans	36.19
Friday	September 14	10:19 PM	Big Bowl	32.85
Tuesday	September 18	9:13 PM	Champps	23.80
Wednesday	September 19	7:11 PM	Applebees	22.33
Thursday	September 20	10:27 PM	Fabulous Ferns	12.94
Friday	September 21	10:28 PM	Olive Garden	45.01
Friday	September 21	Note 1	Olive Garden	5.18
Tuesday	September 25	9:51 PM	Chili's	22.54
Wednesday	September 26	7:56 PM	Copeland's of New Orleans	22.97
Thursday	September 27	10:23 PM	Copeland's of New Orleans(2)	408.31
Friday	September 28	11:18 PM	Jazzmines	29.55
Saturday	September 29	7:20 PM	Ground Round	23.42
			Total	$ 803.55

Notes:
(1) The time was not clearly identified on the receipt.
(2) This was a farewell party for one of the staff.

Source: Auditor prepared schedules based on the African American Mentor Program's bank statements, cancelled checks, and check registers.

- **Miscellaneous:** In August 2000, the organization reimbursed the executive director $515 for the custom framing of artwork. The accounting records indicated the expenditure was for program supplies. The executive director also sought reimbursement for tuxedo rental, parking at the University of Minnesota, and the cost of an official transcript. Also included is $250 of a state grant reimbursement that was not deposited into the bank account. The executive director may have taken these funds as cash at the time of the deposit.

- **Out-of-State Travel (nonfood expenses):** The executive director inappropriately charged out-of-state travel expenses totaling $1,728 to the Learn and Earn grant. The grant agreement did not allow for out-of-state travel. The executive director traveled to Pennsylvania, New York, Ohio, Illinois, and Wisconsin charging car rental, hotel, meal, and gas expenses. Included in the questionable amount was a $119 reimbursement to the executive director for a purchase at a jewelry store located in New York City. In the accounting records, the executive director indicated this receipt was for food.

Questioned Payments Made Directly to Vendors

The organization made other vendor payments that did not seem to provide a direct benefit to the state grant programs:

- Between January 2000 and September 2001, the executive director made advance monthly payments to a consultant without establishing a contract. The consultant's monthly billing was for daily, one-hour consulting sessions to "assist Director in addressing individual needs of selected students." The billing statement did not report on the actual services provided, only the services the consultant anticipated would be provided in the upcoming month. The monthly payments, ranging from $350 to $1,125 per month, totaled $14,358. In addition, from September 2001 through June 2002, the executive director paid $9,820 to the consultant's nonprofit organization, which was one of the After School Enrichment collaborative organizations. Although paid from the Learn and Earn program account, these payments may have been intended to offset some of the African American Mentor Program's After School Enrichment debt to the collaborative organization.

- After March 9, 2002, when the organization ceased operations, the executive director paid $15,664 to vendors, staff, and others without any documentation to support the purpose of the payment. These payments included $11,566 paid to staff, $1,712 for cell phone services from April 2002 through July 2002, $859 for repairs to the Dodge Durango, $540 paid on the organization's credit card in May 2002, and $449 paid for gas for April and May 2002.

- The executive director paid $1,813 for costs related to his college fraternity. He used $1,363 for advertising and other costs related to a high school talent show hosted by the fraternity in February 2001. In addition, he paid $450 directly to the fraternity.

- In July 2001, the executive director made a $437 reimbursement to the board chair's company for cleaning supplies it had purchased from another vendor. The support for this payment was a packing slip that did not identify the total amount billed and showed the shipping address as the board chair's company. The organization's bylaws prohibited the board from entering into any contract or transaction with one or more of its directors or an organization in which a director is an officer or legal representative or in some other way has a material financial interest unless that interest is disclosed or known to the board of directors. Without board meeting minutes, there is no evidence that the board was aware of, or approved, the financial transaction involving the board chair's private business.

Although the African American Mentor Program is no longer in existence, it did carry liability insurance that may provide the state with restitution for some of the inappropriate costs. In addition, legal recourse against the executive director and former board members may be possible.

Recommendation

- *The Department of Education should work with the Attorney General's Office to recover the state funded portion of the African American Mentor Program's unsupported and inappropriate expenditures.*

3. The Department of Education did not adequately assess or monitor the organization's ability to properly administer the state grants.

The Department of Education should have assessed the African American Mentor Program's control structure to ensure that the organization could properly administer state grant funds. The department should have determined whether the organization's board met regularly to actively guide and oversee the program operations and whether the organization had established fundamental internal controls for its financial operations. It is the department's responsibility to ensure that the grant recipient can properly administer state grant funds.

In February 2000, the state advanced $125,000 of After School Enrichment grant funds to the organization, even though the organization did not need the funds to meet current obligations. The organization invested $50,000 of the funds in a mutual fund account. The agreement provided that the grantee could request an advance on the grant not to exceed 25 percent of the total state obligation, "as determined necessary for execution of Grantee obligations." The department paid the advance to the organization without determining whether it was necessary.

The department also did not adequately assess the validity of information provided by the African American Mentor Program throughout the term of the grant contracts. The department did not verify the financial and program information submitted by the organization, either by requesting supporting documentation or performing site visits. The program information submitted by the organization was virtually identical from period to period. The organization provided no support for the financial information it reported.

By not verifying that the organization could handle the financial demands of the program and not adequately monitoring the organization's use of funds, the department relied upon the organization to have effective financial controls, which it did not have.

In September 2001, the Department of Administration included a chapter applicable to grant administration by state agencies in its *Professional/Technical Services Contract Manual*. It states that the state agency has the responsibility to monitor its grantees' performance. It provides the following examples of how a state agency may monitor performance:

- Obtain and review third party certifications indicating that the work is satisfactorily completed (by an inspector).
- Perform site visits using a fiscal/program management checklist as a tool to ensure the grantee's contract compliance.

- Engage an independent auditor/public accountant to perform a contract compliance audit of the grantee's activities and subsequently review the auditor's report.
- Obtain and thoroughly examine all payment documentation submitted for reimbursement and the documentation that evidences that the grantee obtained required match funds.

The Department of Education conducted a site visit in September 2002 after receiving a complaint that the African American Mentor Program had not paid one of the After School Enrichment collaborative organizations for services provided. The department identified lack of supporting documentation for various expenditures and asked our office to conduct a special review.

Recommendations

- *The Department of Education should more stringently review potential grant recipients to ensure that they have adequate oversight and appropriate internal controls to properly administer grant funds.*

- *The Department of Education should improve its grant monitoring process by performing periodic site visits and reviewing grantee financial information.*

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Minnesota Department of Education

July15, 2004

James Nobles, Legislative Auditor
Office of the Legislative Auditor
Centennial Building, Room 140
658 Cedar Street
St. Paul, MN 55155

Dear Mr. Nobles:

Thank you for your special report and review of the African American Mentor Program's administration of grants from the Department of Education for the period from January 1, 2000 through June 30, 2002. As you know, the Department of Education received a complaint about the program in September 2002, and conducted a site visit. The Department identified a lack of documentation and asked the Office of the Legislative Auditor to conduct a special audit.

Listed below are the recommendations and the Department's corrective action plan to implement those recommendations.

OLA Recommendation #1:
The Department of Education should work with the Attorney General's Office to recover the state funded portion of the African American Mentor Program's unsupported and inappropriate expenditures.

MDE Response:
The Department of Education will work with the Attorney General and County Attorney to pursue reimbursement of costs that were identified as unsupported and inappropriate expenditures. Tammy McGlone will be responsible for following up on the recommendation on behalf of the Department of Education.

OLA Recommendation #2:
The Department of Education should more stringently review potential grant recipients to ensure that they have adequate oversight and appropriate internal controls to properly administer grant funds.

MDE Response:

Department of Education staff will be required to review grant applications and potential recipients to ensure that they have the capability to provide proper fiscal controls over funds grantees receive. They will be required to identify the fiscal agent that will be responsible for management of funds and stricter controls will be established for fiscal reporting from grantees to the Department. Tammy McGlone and Bob Kasper will be responsible for following up on the recommendation on behalf of the Department of Education.

OLA Recommendation #3:
The Department of Education should improve its grant monitoring process by performing periodic site visits and reviewing grantee financial information.

MDE Response:
The Department of Education will implement this recommendation with increased on site financial reviews using internal audit staff review of grantee financial information and supporting documentation for grant expenditures. Tammy McGlone and Bob Kasper will be responsible for following up on the recommendation on behalf of the Department of Education.

If you should have any questions, please do not hesitate to contact me at 651-582-8207 or Tammy McGlone at 651-582-8835.

Sincerely,

Chas And

Chas Anderson
Deputy Commissioner

C: Tammy McGlone, Director
Bob Kasper, Supervisor