UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL
REGION V
111 NORTH CANAL, SUITE 940
CHICAGO, ILLINOIS 60606

FAX: (312) 353-0244

Audit
(312) 886-6503

Investigation
(312) 353-7891

FEB 1 8 2005

**Control Number ED-OIG/A05-E0014**

Dr. Suellen Reed
Superintendent of Public Instruction
Indiana Department of Education
Room 229, State House
Indianapolis, IN 46204-2798

Dear Dr. Reed:

This **Final Audit Report** presents the results of our audit of the Indiana Department of Education's (IDE) compliance with Title I, Part A, of the Elementary and Secondary Education Act of 1965 (ESEA), as amended by the No Child Left Behind Act of 2001, Public School Choice and Supplemental Educational Services (SES) provisions for the 2003-2004 school year that began July 1, 2003. The objectives of our audit were to determine if (1) IDE had an adequate process in place to review local educational agency (LEA) and school compliance with the Adequate Yearly Progress (AYP), Public School Choice, and SES provisions of the ESEA and the implementing regulations; (2) LEAs provided to students attending schools identified for improvement (failed AYP two consecutive years), corrective action, or restructuring the option of attending another public school; and (3) LEAs provided SES to students attending schools that failed to make AYP while identified for improvement, corrective action, or restructuring.[1] To achieve these objectives, we reviewed IDE and six judgmentally selected LEAs with schools identified for improvement, corrective action, or restructuring.[2]

Our audit disclosed that, for the 2003-2004 school year, each of the LEAs reviewed provided the option of school choice if it had another school for the student to attend and generally provided SES to eligible students. However, we determined that IDE did not have an adequate process in place to determine whether all LEAs actually offered, timely and properly, school choice and SES to all students who were eligible for these services. In part as a result of IDE's inadequate process, five of six LEAs reviewed did not comply fully with the Public School Choice and SES provisions of the ESEA and the implementing regulations.

[1] To accomplish our objectives, we reviewed compliance with selected provisions of ESEA and the implementing regulations. See **Objectives, Scope, and Methodology** section of this report for more detail.
[2] We reviewed Gary Community School Corporation (Gary), School City of Whiting (Whiting), Indianapolis Public Schools, East Allen County Schools (East Allen), Muncie Community Schools (Muncie), and Marion Community Schools (Marion).

We provided a draft of this report to IDE. In its response dated December 22, 2004, IDE did not dispute our finding or provide any additional information that caused us to change our finding and recommendations. IDE agreed with our recommendation to revise the sample letters it provides to LEAs and instruct the LEAs to discontinue using any previously provided sample letters. We summarized IDE's comments after the finding and included the comments in their entirety as an attachment.

## AUDIT RESULTS

While IDE did not have an adequate process to review LEAs' compliance with Public School Choice and SES provisions of the ESEA and the implementing regulations for the 2003-2004 school year, it has developed policies and procedures that could improve its process for reviewing LEAs beyond the 2003-2004 school year. We also determined that IDE (1) provided AYP determinations to LEAs before the beginning of the school year, (2) had an adequate process to identify persistently dangerous schools, (3) identified and provided an approved list of SES providers to the LEAs, and (4) monitored the SES providers' services. In addition, we determined that each of the LEAs reviewed provided the option of school choice (if it had another school for the student to attend) and generally provided SES to eligible students.

### Finding Number 1 – IDE Did Not Adequately Review LEAs for Compliance with the ESEA Public School Choice and SES Provisions

IDE officials indicated that before approving each LEA's Title I, Part A (Title I) application, IDE personnel reviewed sections that listed (1) schools required to offer school choice and SES and (2) funds budgeted for SES. However, for the 2003-2004 school year, the process was not adequate to determine whether all LEAs actually offered, timely and properly, school choice and SES to all eligible students. As a result, five of the six Indiana LEAs[3] we reviewed did not comply fully with requirements for providing parental notification letters of both the school choice and SES options, one LEA did not budget sufficient funds to meet the federal spending requirement for SES, and one LEA transferred students from schools identified for improvement to other schools identified for improvement.

Section 1116 (c)(1)(A) of the ESEA requires a state to annually review the progress of each LEA receiving Title I funds to determine if each LEA is carrying out its responsibilities under Section 1116 of the ESEA.[4]

Had IDE reviewed LEAs as required by the ESEA, it could have reduced the risk of the following occurring at Indiana LEAs.

[3] We did not identify any issues at Indianapolis Public Schools.
[4] LEA responsibilities under Section 1116 of ESEA are discussed in detail later in this finding and the **BACKGROUND** section of this report.

**Five LEAs Had School Choice Notification Letter Deficiencies**
Five of six LEAs reviewed did not comply fully with the Public School Choice provisions of the ESEA and the implementing regulations. One LEA did not send any school choice parental notification letters (Whiting) and four LEAs sent timely but deficient letters.

- Three LEAs (Muncie, East Allen, Marion) did not identify schools to which a student may transfer.
- Four LEAs (Muncie, East Allen, Gary, Marion) provided no information on the academic achievement of the schools to which a student may transfer or a comparison of the student's current school to other schools served by the LEA and by IDE. All three schools reviewed for school choice in Gary (Ivanhoe Elementary School, Horace Mann High School, and David O. Duncan Elementary School) did not provide this information.
- Three LEAs (East Allen, Gary, Marion), including all three schools we reviewed for school choice in Gary, provided transportation for students exercising school choice but did not state in their letters that they would provide this transportation.

By not including this information in school choice parental notification letters, the four LEAs did not comply with Section 1116 (b)(6) of the ESEA and 34 C.F.R. § 200.37, which list the required minimum information for school choice notification letters.[5]

Whiting also did not comply with these requirements. Whiting's only elementary school was required to offer both school choice and SES. Because Whiting did not have another elementary school to which students could transfer and could not enter into a cooperative agreement with another LEA to accept its students, Whiting only offered SES. However, Whiting did not provide a school choice parental notification letter to (1) inform parents that their child was eligible to attend another public school due to the identification of the current school as in need of improvement, and (2) explain that there were no schools to which their child could transfer.

Because the five LEAs did not provide sufficient parental notification of school choice, parents were not fully informed about the status of their child's school and could not make a fully informed decision whether to transfer their children from a school identified for improvement. Two LEAs (East Allen and Gary) believed it was sufficient to only provide information to parents through other methods such as meetings. The other three LEAs were not aware of their responsibility for providing this information to parents, possibly because IDE did not provide adequate guidance to LEAs regarding parental notification of school choice.

**Five LEAs Had SES Notification Letter Deficiencies**
Five of six LEAs reviewed did not comply fully with the SES provisions of the ESEA and the implementing regulations.

- Two LEAs (Whiting and Gary) did not provide parental notification of SES for all eligible students as required by Section 1116 (e)(2)(A) of the ESEA and 34 C.F.R. § 200.37.

[5] For a detailed description of criteria related to school choice and SES parental notification letters, see the **BACKGROUND** section of this report. All regulatory citations are as of July 1, 2003.

Whiting only provided SES parental notification letters for 14 of approximately 30 eligible students. One of 3 schools reviewed for SES in Gary (Horace Mann High School) only provided SES parental notification letters for 88 of 222 eligible students at the school.

- One LEA (Gary) did not provide SES information directly to parents through such means as regular mail as required by 34 C.F.R. § 200.36 (c). All 3 schools reviewed for SES in Gary (Horace Mann High School, David O. Duncan Elementary School, and Tolleston Middle School) required parents to attend a conference to select an SES provider.
- Four LEAs (Muncie, East Allen, Gary, and Marion) did not include the minimum information required by Section 1116 (e)(2)(A) of the ESEA and 34 C.F.R. § 200.37 in their SES parental notification letters. Muncie, East Allen, Marion, and all three schools reviewed for SES in Gary did not describe the qualifications and evidence of effectiveness for each provider from which a parent could select.

Because the LEAs did not provide SES parental notification for all eligible students, did not provide information directly to parents, and/or did not include the minimum required information, some parents did not have all the information needed to make a fully informed decision regarding SES. Two LEAs (East Allen and Gary) believed it was sufficient to only provide information to parents through other methods such as meetings. The other three LEAs (Muncie, Marion, and Whiting) were not aware of their responsibility for providing this information to parents, possibly because IDE did not provide adequate guidance to LEAs regarding parental notification of SES.

**One LEA Did Not Budget Sufficient Funds for SES**

For the 2003-2004 school year, Whiting did not budget sufficient funds to allow it to meet the federal spending requirement for SES. Whiting was unable to provide school choice, so it did not budget any funds for school choice transportation. Whiting budgeted 10 percent of its Title I allocation for SES, which would allow it to serve only 14 of the approximately 30 students eligible for SES.

Section 1116 (b)(10)(A) of the ESEA requires that, unless a lesser amount is needed to provide choice-related transportation and to satisfy all requests for SES, an LEA must spend an amount equal to 20 percent of its Title I allocation for those purposes. Whiting was not aware of this federal spending requirement but could have provided SES to additional eligible students had it budgeted additional funds from its Title I allocation for SES.

**One LEA Transferred Students to Other Schools Identified for Improvement**

Five of 46 students who exercised school choice under the ESEA in Marion transferred from schools identified for improvement to other schools identified for improvement. Marion transferred two students from Frances Slocum Elementary School to Southeast Elementary School, and three students from Southeast Elementary School to Frances Slocum Elementary School. In both cases, Marion transferred students from a school identified for improvement to another school identified for improvement.

Section 1116 (b)(1)(E) of the ESEA and 34 C.F.R. § 200.44 (a) require that, in the case of a school identified for school improvement, the LEA shall provide all students enrolled in the

school with the option to transfer to another public school served by the LEA and not identified for improvement, corrective action, or restructuring, unless such an option is prohibited by state law.

By allowing students to transfer to other schools identified for improvement and not notifying parents of each new school's improvement status, Marion did not provide complete information to parents regarding school choice. Parents may have had the false impression that they were transferring their child to a school that met AYP standards. Marion was not aware of its responsibilities for providing students with school choice options that only included schools not identified for improvement.

**Revised Policies and Procedures Beyond the 2003-2004 School Year**

IDE believed its lack of implementation of the necessary ESEA review procedures for the 2003-2004 school year resulted from the time and labor required to implement and provide oversight of the ESEA at the state and LEA levels. For the 2004-2005 school year and beyond, IDE has developed and plans to implement policies and procedures that could improve its LEA review process. IDE stated it plans to improve its review procedures by expanding LEAs' Title I applications and by visiting LEAs once every three years. IDE developed the *Title I Program Review Packet (Desktop and Onsite)* that includes procedures to review each Title I application for (1) school choice and SES budget information, (2) identification of schools in improvement, and (3) copies of school choice and SES parental notification letters. IDE also developed the *Supplemental Services Toolkit* for LEAs. The *Toolkit* includes information to assist LEAs with administering SES and samples of school choice and SES parental notification letters.

We reviewed the sample school choice and SES letters and found them insufficient. The sample school choice letter does not identify the schools to which a child may transfer or provide an explanation of how the school compares in terms of academic achievement to other schools served by the LEA and by IDE. The sample SES letter does not describe the qualifications and evidence of effectiveness for each provider.

**Recommendations**

We recommend that the Assistant Secretary for Elementary and Secondary Education, in conjunction with the Assistant Deputy Secretary for Innovation and Improvement:

1.1 Require IDE to revise the sample letters it provides to LEAs and instruct the LEAs to discontinue using any previously provided sample letters. The sample school choice letter should be enhanced so it identifies the schools to which a child may transfer and provide an explanation of how the school compares in terms of academic achievement to other schools served by the LEA and by IDE. The sample SES letter should be enhanced so it describes the qualifications and evidence of effectiveness for each provider.

1.2 Monitor IDE's implementation of the planned corrective action during the 2005 school year to ensure it reviews the progress of each LEA to determine if each LEA is carrying out its responsibilities under the provisions of the ESEA and the implementing regulations related to

(1) school choice and SES parental notification letters; (2) budgeting federal funds for choice-related transportation and SES; and (3) offering school choice options that include schools not identified for school improvement, corrective action, or restructuring.

**Auditee Comments**

In its response to our draft audit report, IDE did not dispute our finding. IDE stated that, to ensure full compliance with the school choice and SES provisions, it has taken or will take numerous actions. IDE stated it will revise its sample school choice and SES letters and submit them, along with a Choice Request Form and SES (Free Tutoring) Provider Selection Form, to the U.S. Department of Education, Office of Innovation and Improvement for review and approval.

In addition, IDE stated it will improve guidance to LEAs by (1) reminding LEAs of school choice and SES requirements via the 2005-2006 Title I Application for Grant and at Title I Administrative Workshops offered in December 2004 and April 2005; (2) providing to LEAs revised sample letters, Choice Request Forms, and SES (Free Tutoring) Provider Selection Forms; and (3) instructing Title I program administrators to discontinue using previously provided sample letters. IDE indicated it will improve monitoring of LEAs by (1) reviewing reports LEAs submit each fall regarding compliance with school choice and SES requirements; (2) reviewing copies of each LEA's school choice and SES letters submitted with their Title I Application for Grant; and (3) conducting on-site monitoring of LEAs, including meeting with parents to ascertain their level of understanding of school choice and SES requirements.

IDE stated that these actions are underway or in place and ensure that IDE currently has an adequate process in place to determine whether all LEAs actually offered, timely and properly, school choice and SES to all students who were eligible for these services.

**OIG Response**

IDE did not dispute the finding and concurred with Recommendation 1.1. If fully implemented, the corrective actions IDE described in its response should help it determine whether LEAs offer, timely and properly, school choice and SES to all students who are eligible for these services.

## BACKGROUND

Title I, Part A of the ESEA, as amended by the No Child Left Behind Act of 2001 (P.L.107-110), significantly increased the choices available to the parents of students attending Title I schools that fail to meet state standards, including immediate relief, beginning with the 2002-2003 school year, for students in schools that were previously identified for improvement or corrective action under the 1994 reauthorization of the ESEA. LEAs must offer all students attending schools identified for improvement, corrective action, or restructuring the choice to attend a public school not identified for improvement, corrective action, or restructuring, which may include a public charter school within the LEA.[6] The LEA must provide students transportation to the new school and spend, at a minimum, an amount equal to five percent (up to as much as 20 percent) of its Title I funds for this purpose, if needed.

[6] A school is identified for improvement after failing AYP two consecutive years.

A school that fails to make AYP while being identified for improvement, corrective action, or restructuring must offer SES to low-income students. SES providers must be approved by the state and offer services tailored to help participating students meet challenging state academic standards. To help ensure that LEAs offer meaningful choices, the ESEA requires an LEA to spend an amount equal to 20 percent of its Title I allocation to provide choice-related transportation and SES to eligible students, unless a lesser amount is needed to satisfy all demand.

Section 1116 (c)(1)(A) of the ESEA requires states to review LEAs for compliance with the school choice and SES provisions of the ESEA. Section 1116 (b) and (e) of the ESEA and 34 C.F.R. § 200.37 outline requirements for school choice and SES parental notification letters. For school choice parental notification, Section 1116 (b)(6) of the ESEA and 34 C.F.R. § 200.37 require that an LEA promptly provide parents of each student enrolled in a school identified for improvement with notice that includes, among other things, (1) an explanation of how the school compares in terms of academic achievement to other schools served by the LEA and state educational agency; (2) an explanation of the parents' option to transfer their child to another public school, which may include charter schools, or obtain SES; (3) identification of the schools to which a child may transfer and information on the academic achievement of those schools; and (4) notice that the LEA will provide or pay for transportation for the student to another public school.

For SES parental notification, Section 1116 (e)(2)(A) of the ESEA and 34 C.F.R. § 200.37 require the LEA to provide, at a minimum, annual notice to parents of (1) the availability of services and how parents can obtain the services for their child; (2) the identity of approved providers within or near the LEA; and (3) a brief description of the services, qualifications, and demonstrated effectiveness of each provider. According to 34 C.F.R. § 200.36(c), the state, LEA, or school is required to provide information to parents directly, through such means as regular mail. Section 1116 (e)(2)(C) of the ESEA requires the LEA to apply fair and equitable procedures for serving students if the number of spaces at approved providers is not sufficient to serve all eligible students. Section 1116 (b)(10)(C) of the ESEA requires the LEA to give priority to the lowest achieving eligible students.

The U.S. Department of Education allocated $116,161,633 in Title I funds to IDE for the 2003-2004 school year. IDE allocated Title I funds during this period to 285 of its 292 LEAs. For the 2003-2004 school year, 97 schools in 50 LEAs were identified as needing improvement—46 schools were in the first year of improvement, 32 schools were in the second year of improvement, and 19 schools were in the third year of improvement. For the 6 LEAs we visited during our audit, 509 of 18,753 (2.7 percent) eligible students at 38 schools exercised their right to school choice, and 1,608 of 8,220 (19.6 percent) eligible students at 29 schools enrolled in SES.

IDE administered the Indiana Statewide Testing for Educational Progress-Plus (ISTEP) in the fall of 2002. Based on the results of the ISTEP, IDE provided the preliminary and final AYP determinations to the LEAs on May 5, 2003, and August 1, 2003, respectively.

## OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of our audit were to determine if, for the 2003-2004 school year, (1) IDE had an adequate process in place to review LEA and school compliance with AYP, Public School Choice, and SES provisions of the ESEA and the implementing regulations; (2) LEAs provided to students attending schools identified for improvement (failed AYP two consecutive years), corrective action, or restructuring the option of attending another public school; and (3) LEAs provided SES to students attending schools that failed to make AYP while identified for improvement, corrective action, or restructuring. Our examination of IDE's process for reviewing LEA and school compliance with the AYP provisions focused solely on the timeliness of providing AYP determinations to LEAs.

To achieve our objectives, we reviewed selected provisions of ESEA and the implementing regulations. We also interviewed officials from IDE and the six LEAs reviewed. We reviewed documents provided by IDE, including (1) the IDE Organization Chart; (2) documents related to compliance with the ESEA provisions related to AYP, the identification of persistently dangerous schools, school choice, and SES; (3) the *IDE Application for Grant, Public Law 107-110, Title I: Helping Disadvantaged Children Meet High Standards* (2003-2004, 2004-2005); (4) the *Title I Program Review Packet (Desktop and Onsite)*; (5) the *Supplemental Services Toolkit*; and (6) the *State of Indiana Single Audit Report, July 1, 2001 to June 30, 2002*, performed by the Indiana State Board of Accounts.

We also reviewed, for compliance with Public School Choice and SES provisions of the ESEA and the implementing regulations, 6 judgmentally selected LEAs from a universe of the 50 Indiana LEAs that had schools identified for improvement, corrective action, or restructuring for the 2003-2004 school year. We judgmentally selected 6 LEAs based on total student enrollment—2 large (Gary and Indianapolis Public Schools), 3 medium (Muncie, Marion, and East Allen), and 1 small (Whiting). We defined a large LEA as one with a student enrollment of 10,000 or more, a medium LEA as one with an enrollment of 1,000 through 9,999, and a small LEA as one with an enrollment of 999 or less.

In addition, we reviewed documents from the six selected LEAs. The documentation related to the LEAs' compliance with the Public School Choice and SES provisions of the ESEA and the implementing regulations and included (1) excerpts from each LEA's *IDE 2003-2004 Application for Grant, Public Law 107-110, Title I: Helping Disadvantaged Children Meet High Standards*; (2) school choice and SES parental notification letters sent by five LEAs and selected schools at another LEA;[7] (3) documentation related to the number of students eligible for and participating in school choice and SES; and (4) documentation related to school choice transportation expenditures. Our review of the school choice and SES parental notification

[7]Because Gary relied on its schools to develop and provide school choice and SES notification letters to parents, we selected a sample of schools in Gary to test the letters for compliance with requirements. For school choice, we randomly selected 3 of 23 schools required to offer school choice. We selected 1 of 3 schools in the first year of improvement, 1 of 11 schools in the second year of improvement, and 1 of 9 schools in the third year of improvement. For SES, we selected 3 of 20 Gary schools required to offer SES. We randomly selected 1 of 11 schools in the second year of improvement and 1 of 9 schools in the third year of improvement. Because 1 of the schools we randomly selected for school choice was also required to offer SES, we also reviewed that school.

letters focused on selected provisions of ESEA and the implementing regulations. Specifically, for the school choice parental notification letter, we determined (1) whether parents were notified in a timely manner; and (2) whether the notice, at a minimum, (a) informed parents that their child was eligible to attend another public school due to the identification of the current school as in need of improvement; (b) identified each public school, which may include charter schools, that the parent can select; (c) explained how the school compares in terms of academic achievement to other schools served by the LEA and IDE; (d) included information on the academic achievement of the schools that the parent may select; and (e) clearly stated that the LEA will provide, or pay for, transportation for the student.

For the SES parental notification letter, we determined (1) whether parents were notified of SES and given comprehensive, easy-to-understand information about SES; and (2) whether the notice, at a minimum, (a) identified each approved service provider within the LEA, in its general geographic location, or accessible through technology such as distance learning; (b) described the services, qualifications and evidence of effectiveness for each provider; (c) described the procedures and timelines that parents must follow in selecting a provider to serve their child; and (d) was easily understandable, in a uniform format, and, to the extent practicable, in a language the parents can understand. If the LEA had insufficient funds to serve all students eligible to receive services, we also determined whether the SES parental notification letter included information on how the LEA will set priorities in order to determine which eligible students receive services.

We performed our audit work at IDE's administrative offices, the administrative offices of the six LEAs reviewed, and our Chicago office from March 2004 through September 2004. We discussed the results of our audit with IDE officials on August 26, 2004. We performed our audit in accordance with generally accepted government auditing standards appropriate to the scope of the review described above.

## STATEMENT ON INTERNAL CONTROLS

As part of our audit, we gained an understanding of IDE's internal controls for monitoring LEA compliance with school choice and SES requirements. We also gained a general understanding of IDE's policies and procedures related to AYP provisions of the ESEA. Though we did not assess the adequacy of IDE's internal controls, our compliance testing at six LEAs disclosed instances of non-compliance that might have been caused, in part, by weaknesses in IDE's system of internal controls over reviewing LEAs. These weaknesses are related to IDE's insufficient review of LEAs to determine whether (1) school choice and SES parental notification letters included all required information, (2) each LEA budgeted a sufficient amount of its Title I allocation to meet the federal spending requirement for SES, and (3) each LEA only transferred students to schools that had not been identified for school improvement. These weaknesses are discussed in the **AUDIT RESULTS** section of this report.

## ADMINISTRATIVE MATTERS

Statements that managerial practices need improvements, as well as other conclusions and recommendations in this report, represent the opinions of the Office of Inspector General. Determinations of corrective action to be taken will be made by the appropriate U.S. Department of Education officials.

If you have any additional comments or information that you believe may have a bearing on the resolution of this audit, you should send them directly to the following Education Department officials, who will consider them before taking final Departmental action on the audit:

Raymond J. Simon, Assistant Secretary
Office of Elementary and Secondary Education
U.S. Department of Education
Room 3W315
Federal Building No. 6
400 Maryland Avenue, S.W.
Washington, D.C. 20202

Nina S. Rees, Assistant Deputy Secretary
Office of Innovation and Improvement
U.S. Department of Education
Room 4W317
Federal Building No. 6
400 Maryland Avenue, S.W.
Washington, D.C. 20202

It is the policy of the U.S. Department of Education to expedite the resolution of audits by initiating timely action on the finding and recommendations contained in audit reports. Therefore, receipt of your comments within 30 days would be appreciated.

In accordance with Freedom of Information Act (5 U.S.C. §552), reports issued by the Office of Inspector General are available to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act.

Sincerely,

Gary D. Whitman
for Richard J. Dowd
Regional Inspector General for Audit

Attachment

# Indiana Department of Education

**Center for Community Relations and Special Populations**
**Room 229, State House - Indianapolis, IN 46204-2798**

December 22, 2004

Richard J. Dowd
U.S. Department of Education
Office of Inspector General
111 N. Canal Street, Suite 940
Chicago, Illinois 60606-7204

Dear Mr. Dowd:

This letter is written in response to the Office of Inspector General (OIG) draft report sent on November 17, 2004 to the Indiana Department of Education (IDOE) regarding its compliance with the *No Child Left Behind Act of 2001* as it relates to Indiana's implementation of the public school choice and Supplemental Educational Services (SES) requirements of that Act.

As stated in the OIG's draft report, IDOE met its compliance requirements by (1) providing adequate yearly progress (AYP) determinations to LEAs before the beginning of the school year; (2) having an adequate process to identify persistently dangerous schools; (3) identifying and providing an approved list of SES providers to the LEAs; and (4) monitoring the SES providers' services. In addition, it was noted that IDOE has developed policies and procedures that could improve its process for reviewing LEAs beyond those available for the audited 2003-2004 school year.

The OIG audit disclosed that, for the 2003-2004 school year, the IDOE did not have an adequate process in place to determine whether all local educational agencies (LEAs) actually offered, timely and properly, school choice and SES to all students who were eligible for these services. Specific areas, noted in the draft report, requiring additional oversight by the IDOE included:

- Increase the rigor of SEA oversight of relevant LEAs' compliance with public school choice provisions. Ensure that the required LEA choice parental notification letters indicate what the identification of a school in improvement means and the reasons for it; identify schools to which a student may transfer; provide information on the academic achievement of the schools to which a student may transfer and a comparison to the student's current school; and specify that choice transportation will be provided by the LEA.

Office Location - 151 West Ohio Street

December 22, 2004
Mr. Richard J. Dowd, OIG

Page 2

- The SEA must ensure that relevant LEAs comply with SES provisions by providing parental notification of SES for all eligible students; sending notification letters directly to parents through such means as regular mail; describing the qualifications and evidence of effectiveness for each provider from which a parent may select; and budgeting/expending sufficient funds to meet the federal spending requirement for SES.

To ensure full compliance with the NCLB public school choice and SES provisions, the IDOE has taken or will take the following actions:

- All LEAs will be reminded of the public school choice and SES requirements under NCLB through presentations at the December 15 and 16, 2004 Title I Administrative Workshops. The SEA will reiterate the requirements that:
  (a) Schools of choice must only be those that are not identified for school improvement;
  (b) LEAs must understand that notification regarding choice and SES must be sent directly to parents through regular mail;
  (c) Parents must not be required to attend a meeting to receive information about SES or to select an SES provider; and
  (d) Unless a lesser amount is needed to comply with school choice transportation and to satisfy all requests for SES, LEAs will expend an amount equal to 20 percent of their Title I allocation for those purposes.
- Sample school choice letters and SES letters will be revised by the IDOE and submitted to USDOE's Office of Innovation and Improvement (OII) for its review and approval. In addition, we will submit a Choice Request Form and a SES (Free Tutoring) Provider Selection Form to OII for review and approval.
- Sample choice and SES letters, a Choice Request Form, and an SES Provider Selection Form -- all approved by OII -- will be posted on the Division of Compensatory Education (Title I) web site for use by LEAs. Title I program administrators will be instructed to discontinue using any previously provided sample letters.
- Additional information regarding the SES providers' qualifications and evidence of effectiveness will be provided to LEAs for their use with parents.
- A new *Preliminary Data Collection Report* will be used each fall to collect school improvement data relevant to choice, SES, corrective action, and restructuring requirements under NCLB. Embedded in this report will be information to inform the IDOE of an LEA's compliance with choice and SES provisions (e.g., schools of choice will be listed to ensure that only schools not identified for improvement are available for public school choice).

December 22, 2004
Mr. Richard J. Dowd, OIG

Page 3

- The requirements of choice and SES and the availability of sample parent notification letters will be reviewed, again, at the April 2005 Title I Administrative Workshops.
- The *2005-06 Title I Application for Grant* will specify choice and SES requirements. All relevant LEAs will be required to submit copies of their parent notification choice and SES letters with their Grant Applications for SEA review and approval.
- The SEA's upcoming on-site compliance monitoring visits to LEAs will include meetings with parents to ascertain their level of awareness and understanding of choice and SES options under NCLB.

All of the aforementioned actions already are in place or underway thus ensuring that the Indiana Department of Education currently has an adequate process to determine whether all LEAs actually offered, timely and properly, school choice and SES to all students who are eligible for these services.

Hopefully, this response addresses those concerns raised in the draft audit report issued by your office. Please contact me directly should additional information be required.

Sincerely,

Linda Miller
Assistant Superintendent
Indiana Department of Education
(317) 232-0520

cc: Division of Compensatory Education, IDOE
Kevin McDowell, General Counsel, IDOE