



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL

Audit Services
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Dr. Joseph B. Morton
State Superintendent of Education
Alabama State Department of Education
50 North Ripley Street
P.O. Box 302101
Montgomery, Alabama 36104

Dear Dr. Morton:

This **Final Audit Report** presents the results of our audit of the Alabama State Department of Education's (ALSDE) and Mobile County Public School System's (Mobile) compliance with selected Hurricane Education Recovery Act—Immediate Aid to Restart School Operations (Restart) program requirements. The objectives of our audit were to determine if (1) ALSDE established a system of internal control that provided reasonable assurance that Restart funds were appropriately allocated, and (2) Mobile used Restart funds only for expenditures that were allowable under the terms of the grant and applicable laws and regulations. Our audit covered the 2005-2006 school year.

BACKGROUND

In 2005, Hurricanes Katrina and Rita had a devastating and unprecedented impact on students who attended schools in the declared disaster areas—Louisiana, Mississippi, Alabama, and Texas. Because of the devastating effects, a significant number of students enrolled in schools outside the area in which they resided before the hurricanes and approximately 700 schools were damaged or destroyed. In response to these extraordinary conditions, Congress created a one-time only emergency grant for the 2005-2006 school year. On December 30, 2005, the President signed into law the Hurricane Education Recovery Act (HERA).

The legislation authorized three new grant programs to help school districts and schools to reopen quickly and meet the educational needs of displaced students. The HERA programs included (1) Emergency Impact Aid for Displaced Students; (2) Assistance for Homeless Youth; and (3) Restart. The Restart program provided funding to State

Educational Agencies (SEAs) in Louisiana, Mississippi, Texas, and Alabama to provide assistance or services to local educational agencies (LEAs) and non-public schools to help defray expenses related to the restart of operations in, the reopening of, and the re-enrollment of students in elementary and secondary schools that serve an area in which a major disaster had been declared related to Hurricanes Katrina or Rita. Congress appropriated \$750 million for the Restart program, including \$3.75 million to Alabama.

SEAs, LEAs, and non-public schools in the declared disaster areas incurred considerable expenses as they reopened schools and were in urgent need of financial assistance. In determining the Restart amount to be provided to LEAs for services or assistance, SEAs considered the (1) number of school aged children served by the LEA or non-public schools in the 2004-2005 school year, for schools that were closed on September 12, 2005, or October 7, 2005; (2) severity of the impact Hurricane Katrina or Hurricane Rita had on the LEA or non-public school; and (3) extent of the needs in each LEA or non-public school in a declared disaster area.

ALSDE identified the eligible LEAs and non-public schools located within each of the declared eligible counties. ALSDE sent a letter, which included a survey form and Preliminary Guidelines for Restart funds, to each LEA within the declared eligible counties to determine how many LEAs needed Restart assistance. ALSDE instructed each LEA to distribute the survey information to each public school or non-public school within their attendance zone. ALSDE required the LEAs to complete, sign, and return the survey forms. Mobile was the only Alabama LEA that submitted a request for Restart funds.

On January 5, 2006, the U.S. Department of Education (Department) obligated \$3,750,000 in Restart funds for ALSDE. As of January 12, 2007, ALSDE had provided \$1,059,329 to Mobile. ALSDE allocated the Restart funds to Mobile based on reviewing Mobile's public and non-public schools' Restart applications. ALSDE has not drawn down the remaining \$2,690,671 it was awarded.

According to Section 102(e)(1) of the HERA, the authorized uses of Restart funds include the recovery of student and personnel data and other electronic information, replacement of school district information systems, financial operations, reasonable transportation costs, rental of mobile educational units and the lease of neutral sites and spaces, initial replacement of instructional materials and equipment, redevelopment of instructional plans, initiation and maintenance of education and support services, and other activities related to the purpose of the program. According to Section 102(e)(2) of the HERA, an LEA may use such services or assistance in coordination with other Federal, State, or local funds available for the activities described above. However, Restart funds may not be used to supplant any funds the Federal Emergency Management Agency or State provided.

AUDIT RESULTS

ALSDE established a system of internal control that provided reasonable assurance that Restart funds were appropriately allocated to LEAs. We interviewed ALSDE and Mobile LEA officials and reviewed hard copy documents to gain an understanding of ALSDE's system of internal control. Then we reviewed ALSDE's accounting records to compare the Restart amount the Department awarded to ALSDE and the amount ALSDE provided to Mobile. The Restart funding ALSDE received from the Department and the amount (\$1,059,329) provided to Mobile was equal to and supported by Mobile's public and non-public schools' Restart applications.

In addition, Mobile used Restart funds only for expenditures that were allowable under the terms of the grant and applicable laws and regulations. Mobile received \$1,059,329 in Restart funding. We reviewed Mobile's Restart policies and procedures and obtained and reviewed a listing of Mobile's public schools' and non-public schools' Restart expenditures. As recorded, all the expenditures were within the allowable cost categories. We also selected a judgmental sample¹ of expenditures totaling \$672,236 of Mobile's total Restart expenditures of \$1,059,329. The judgmentally selected Restart expenditures all were allowable and adequately supported.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of our audit were to determine if (1) ALSDE established a system of internal control that provided reasonable assurance that Restart funds were appropriately allocated, and (2) Mobile used Restart funds only for expenditures that were allowable under the terms of the grant and applicable laws and regulations. Our audit covered the 2005-2006 school year.

To accomplish our objectives, we

1. Obtained from the Department the amount of Restart funding awarded to ALSDE;
2. Obtained and reviewed ALSDE's organization chart;
3. Obtained and reviewed portions of the HERA, regulations, and guidance relevant to the audit objectives;
4. Reviewed ALSDE's and Mobile's Restart policies and procedures;
5. Interviewed various ALSDE and Mobile officials to obtain an understanding of their systems of internal control over the Restart program;
6. Reviewed ALSDE's accounting records to compare the Restart amount allocated to the amount obligated;

¹ See Objectives, Scope, and Methodology, item number 14.

7. Reviewed Mobile's accounting records to compare the Restart amount received to the amount obligated to the public and non-public schools;
8. Obtained and reviewed Mobile's student listing for the 2004-2005 school year to determine the reliability of the number of students who were enrolled in Mobile's only elementary and secondary school (Grand Bay Middle School) that was closed on September 12, 2005, or on October 7, 2005;
9. Obtained and reviewed Mobile's public and non-public schools' Restart applications to determine the number of public and non-public schools requesting services under the Restart program;
10. Obtained Mobile's additional hurricane relief funding sources;
11. Obtained and reviewed a listing of Mobile's Restart expenditures to determine whether Mobile charged expenditures only to the cost categories allowed by the terms of the grant and applicable laws and regulations;
12. Reviewed supporting documentation for a judgmentally selected sample of \$325,969 (of \$599,467) of Federal Emergency Management Agency payments to Mobile to determine if Mobile received duplicative federal assistance;
13. Reviewed supporting documentation for state insurance and flood insurance payments to Mobile to obtain reasonable assurance that Mobile did not receive duplicate hurricane assistance to carry out the Restart program; and
14. Reviewed supporting documentation, including timesheets and vendor invoices, for a judgmentally selected sample of \$672,236 (of \$1,059,329) in expenditures incurred by Mobile's Central Office and Grand Bay Middle School, and all three non-public schools' claimed Restart expenditures to determine whether the Restart expenditures were allowable per the applicable law and regulations. We selected the Central Office and Grand Bay because they were the only two entities receiving a significant amount of Restart funds.

We also relied, in part, on data in ALSDE's Budgetary Expenditure Control System and Mobile's McAleer Associates, Inc., Budgetary Accounting System. To assess the reliability of the data, we compared the amount of Restart funds ALSDE drew down from the Department and provided to Mobile's public and non-public schools to the Department's Grant Administration and Payment System HERA drawdown activity, Mobile's detailed general ledger report, and Mobile's public and non-public schools' application totals. We also compared Mobile's public and non-public schools' Restart allocations with their application totals. Based on these comparisons, we concluded the data were sufficiently reliable for the purposes of our audit.

We conducted our work at ALSDE's office in Montgomery, Alabama, the Mobile LEA in Mobile, Alabama, and our office in Chicago, Illinois, from April 2006 through May 2007. We discussed the results of our audit with ALSDE officials on May 4, 2007.

Our audit was performed in accordance with generally accepted government auditing standards appropriate to the scope of the audit described above.

ADMINISTRATIVE MATTERS

In accordance with the 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.

We appreciate the cooperation and assistance extended by your staff during the audit. Because our audit did not disclose any instances of non-compliance with the Restart program requirements and our report does not contain any recommended corrective actions, no action on your part is necessary. If you have any questions, please contact Tom Sample at 715-235-3648 or me at 312-730-1620.

Sincerely,

A black rectangular redaction box covers the signature of the sender.

for

Gary D. Whitman
Acting Regional Inspector General
for Audit