



UNITED STATES DEPARTMENT OF EDUCATION  
OFFICE OF INSPECTOR GENERAL

Audit Services  
Dallas Audit Region

September 18, 2007

Control Number  
ED-OIG/A06G0009

Mr. Robert Scott  
Acting Commissioner of Education  
Texas Education Agency  
1701 N. Congress Avenue  
Austin, TX 78701-1494

Dear Mr. Scott:

This **Final Audit Report** summarizes the results of our audit of the Hurricane Education Recovery Act, Temporary Emergency Impact Aid for Displaced Students (EIA) requirements at the Texas Education Agency (TEA) and applicable Local Education Agencies (LEA). Our objectives were to determine if (1) TEA and selected LEAs established adequate systems of internal control to provide accurate displaced student count data; (2) TEA established an adequate system of internal control to make accurate allocations of EIA funds; and (3) LEAs used EIA funds only for expenditures within the cost categories allowed by the terms of the grant and applicable laws and regulations. In addition, we evaluated TEA's controls over its planned administration of the Assistance for Homeless Youth program. Our audit period was August 22, 2005, through June 30, 2006 (school year 2005-2006).

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## BACKGROUND

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In 2005, Hurricanes Katrina and Rita had a devastating and unprecedented impact on students who attended schools in the declared disaster area – Louisiana, Mississippi, Alabama, and Texas. Because of the devastating effects, a significant number of students enrolled in schools outside of the area in which they resided before the hurricanes struck. Hurricane Katrina alone displaced about 372,000 students, with over 45,000 students displaced to Texas. In response to these extraordinary conditions, Congress created one-time only emergency grants for the 2005-2006 school year.

On December 30, 2005, the Hurricane Education Recovery Act (Division B, Title IV of P.L. 109-148) was signed. The legislation authorized three new grant programs to assist schools, which closed as a result of the hurricanes, to reopen quickly and meet the educational needs of the displaced students. One of the grant programs was the EIA program designed to provide funds to school districts that took in displaced students.

Initially, Congress appropriated \$645 million for the EIA program, and then added \$235 million in a supplemental-spending bill approved June 15, 2006.

To receive the funding, eligible State Education Agencies (SEAs) provided quarterly enrollment counts of displaced students and other application information to the Department of Education (Department). Displaced students were defined as those students who, on August 22, 2005, were enrolled in a school in an area that the Federal government declared a major disaster area related to Hurricanes Katrina or Rita; and as a result of their displacement by the storms, were subsequently enrolled in schools other than their normal school on specific quarterly count dates.

Based on the funding appropriated, the Department agreed to make four quarterly payments to the SEAs of \$1,500 per displaced student without disabilities and \$1,875 per displaced student with disabilities. TEA established four specific count dates for its LEAs—September 29, 2005, December 1, 2005, February 1, 2006, and March 30, 2006. As of January 20, 2007, the Department obligated \$250,890,000 to TEA in EIA funds and TEA drew down \$234,811,901 based on quarterly counts of displaced students. At the time of our review, the seven LEAs reviewed were scheduled to receive the following EIA funds:

Aldine ISD	\$ 9,727,726
Alief ISD	\$16,065,510
Arlington ISD	\$ 6,504,512
Beaumont ISD	\$ 7,132,891
Dallas ISD	\$11,546,823
Houston ISD	\$36,111,543
Richardson ISD	<u>\$ 5,939,299</u>
Total	<u>\$93,028,304</u>

From the time Hurricane Katrina devastated the gulf coast on August 29, 2005, to the first quarter count date on September 29, 2005, Texas school districts enrolled over 45,000 displaced students. Some of the districts, such as Houston and Dallas, enrolled students directly from evacuation centers (i.e., Houston Astro Dome and various convention centers). The districts' goals were to get the students enrolled quickly and pursue eligibility issues later. Often the hurricane evacuees did not have any documentation, and the districts had to rely on oral information provided by the parents. To assist the districts in obtaining academic information for the displaced students, the Louisiana Department of Education (LDE) provided the 2004-2005 public school database to TEA. The Texas districts used the database to verify the students' previous enrollment in public schools; however, students that attended private schools in Louisiana were not included in this database.

The initial enrollment was not the only obstacle the districts had to deal with—the evacuee population also was quite mobile. Evacuees would move from the evacuation centers to temporary housing, causing students to change schools within the district or even change school districts within a short amount of time. It was not uncommon to see displaced students move three to four times within the school year. The large number of displaced students in some districts led to a strain on classroom space, books, teachers, school buses and drivers, and counseling services.

By the time Congress enacted the EIA program, Texas LEAs had been providing education to displaced students for almost five months. The LEAs paid for the cost of educating the displaced students from their general fund and planned on reimbursing themselves with the EIA funds. Based on the cost of education per student at the seven LEAs we reviewed, the EIA funds received or anticipated do not completely cover the actual cost of educating the displaced students. The largest cost of education expenditure was instruction/salary. Other expenditures included but were not limited to, staff development, counseling, social work services, student transportation, facilities maintenance and operations, and general administration.

According to Section 107(e)(1) of the Hurricane Education Recovery Act (HERA), the authorized uses of EIA funds include, compensation of personnel, classroom supplies, mobile educational units and leasing sites, educational services, reasonable transportation costs, health and counseling services, as well as education and support services. The Department guidance to the LEAs stated that while the activities and services must be related to serving displaced students, there is no requirement that they be provided only to those students. In addition, Department officials stated that LEAs are not required to track expenditures for displaced students separately, and they may use EIA funds very flexibly and for pre-award costs.

The Assistance for Homeless Youth (HY) program, which was also authorized under the HERA, is closely related to the EIA program. The program provided funding to SEAs to assist in meeting the needs of students displaced by Hurricanes Katrina and Rita, and for the purposes of carrying out Section 723 of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 1143). TEA received more than \$1.6 million in HY funding and allocated those funds to nine LEAs. TEA allocated HY funding only to LEAs that had more than 1,000 displaced students.

The summary of our work is shown in the Audit Results section and the detailed results of the seven districts are summarized in the Attachment.

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## AUDIT RESULTS

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We found that TEA made accurate allocations of EIA funds to the LEAs, and EIA funds were expended within allowable cost categories. Specifically, TEA allocated the correct amount of funds to the LEAs for students with and without disabilities based on the LEAs' counts, and EIA funds were then used to reimburse the LEAs for salary and benefit costs already incurred. In addition, we determined that TEA had adequate policies, procedures, and controls over its planned administration of the HY Program. At the time of our audit work, TEA had not received any HY funding from the Department. Therefore, we only evaluated the controls over how TEA planned to allocate the HY funding. We did not evaluate the accuracy of the allocations or the expenditures of HY funds.

We found that TEA and the LEAs did not have adequate systems of internal control to provide accurate displaced student count data. TEA submitted incorrect student-count data that included ineligible students, misclassified students, and duplicate students within the State. In

addition, neither TEA nor the LEAs had policies or procedures in place to ensure incoming displaced students were not counted, in the same quarter, in other states. As a result of the inadequate controls over the displaced student counts, TEA received a total estimated overpayment of over \$10 million<sup>1</sup> in EIA funds for the first three quarters. We also found that Texas and Louisiana both counted 533 students in the same quarter, which resulted in TEA and the associated LEAs receiving a possible overpayment of up to \$799,500 in EIA funds.

In its comments to the draft report, TEA concurred with certain aspects of our finding but did not concur with our recommendations. The comments are summarized at the end of each finding. The full text of TEA's comments on the draft report is included as Attachment 2 to the report. TEA also provided additional information in its response that was not presented during the audit fieldwork. TEA's response did not result in changes to the report finding as a whole, however, the error rates and associated information were changed. Because we accepted some of the additional documentation providing enrollment and Individualized Education Plan (IEP) information for displaced students, we modified Recommendation 1.1. The remaining three recommendations were not changed.

### **Finding: TEA and the LEAs Did Not Have Adequate Controls for EIA Counts**

TEA did not have adequate controls to provide accurate EIA displaced student counts. Specifically, TEA did not have a process or mechanism to track displaced students and identify data errors, such as students claimed by multiple LEAs or students that were enrolled prior to August 22, 2005. Additionally, TEA did not ensure the LEAs maintained the required supporting documentation to substantiate the student counts in quarterly reports. Our testing at seven LEAs revealed: (1) 296 of the 2,005 (15 percent) reported displaced students in our sample did not meet eligibility requirements, resulting in an overstated EIA claim of \$400,500,<sup>2</sup> (2) LEAs counted students as students with disabilities but did not have the supporting documentation to justify that classification, and (3) LEAs changed their quarterly counts numerous times with various submissions to TEA.

#### **TEA Counted and Reported Ineligible and Misclassified Displaced Students at Seven LEAs**

To test the adequacy of internal controls over EIA funding, we obtained displaced student count data from seven LEAs. From this data, we reviewed a random sample of 2,005 students (1,050 students without disabilities and 955 students with disabilities), with EIA awards, totaling \$3,365,625.<sup>3</sup> We tested the adequacy of supporting documentation for all students in the sample and for the count dates of September 29, 2005, December 1, 2005, and February 1, 2006. We

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<sup>1</sup> Approximately \$6,871,800 in projected excess EIA funding was claimed by the seven districts based on ineligible and misclassified student counts and \$3,415,500 in ineligible EIA funds was provided to the LEAs for 2,277 duplicate-counted and ineligible students identified in the statewide database (\$6,871,800 + \$3,415,500 = \$10,287,300).

<sup>2</sup> 112 ineligible students without disabilities x \$1,500 per student = \$168,000; 75 misclassified students with disabilities x \$375 per student (\$1,875 - \$1,500 = \$375) = \$28,125; and 109 ineligible students with disabilities x \$1,875 per student = \$204,375.

<sup>3</sup> 1,050 students without disabilities x \$1,500 per student = \$1,575,000 and 955 students with disabilities x \$1,875 per student = \$1,790,625.

determined that 296 of the 2,005 displaced students were either ineligible for EIA funds because they did not meet the definition of a displaced student and/or the definition of a student with disabilities, or they were misclassified as a displaced student with disabilities when they met only the displaced criteria. The sample size and number of students determined to be ineligible or misclassified for each district are shown below:

LEA	Students without Disabilities			Students with Disabilities				
	Sample Size *	Number Determined Ineligible	Error Rate	Sample Size*	Number Determined Mis-classified	Number Determined Ineligible	Total Ineligible and Mis-classified	Percent-age of Errors
Dallas ISD	150	37	25%	150	21	39	60	40%
Arlington ISD	150	11	7%	107	4	5	9	8%
Houston ISD	150	9	6%	150	13	9	22	15%
Alief ISD	150	3	2%	150	1	5	6	4%
Aldine ISD	150	2	1%	137	10	3	13	9%
Richardson ISD	150	10	7%	140	17	3	20	14%
Beaumont ISD	150	40	27%	121	9	45	54	45%
<b>Total</b>	<b>1,050</b>	<b>112</b>	<b>11%</b>	<b>955</b>	<b>75</b>	<b>109</b>	<b>184</b>	<b>19%</b>

\* We selected a random sample, from the count data available during our fieldwork, of at least 50 students or 50 percent of the universe (whichever was lower) for each of the first three quarter counts.

The seven LEAs reviewed had a combined universe of 47,389<sup>4</sup> displaced students in the first three quarters. Based on the error rates found in the seven LEAs we reviewed, we estimate that as many as 4,713<sup>5</sup> displaced students could have been inaccurately counted as eligible for EIA funding. We project that TEA received a total of approximately \$6.87 million<sup>6</sup> in ineligible funding for the seven districts audited based on ineligible and misclassified student counts in the first three quarters.

According to the Hurricane Education Recovery Act, Subtitle A, Section 107(b)(1)—

The term “displaced student” means a student who enrolled in an elementary school or secondary school (other than the school that the student was enrolled in, or was eligible to be enrolled in on August 22, 2005) because such student resides or resided on August 22, 2005 in an area for which a major disaster has been declared . . . .

<sup>4</sup> Universe details are shown in the Attachment: Dallas 7,239; Arlington 3,415; Houston 18,134; Alief 7,768; Aldine 4,684; Richardson 2,872; and Beaumont 3,277.

<sup>5</sup> We are 95% confident that the true frequency of occurrence of the attribute tested is 4,713 units, plus or minus 852 units.

<sup>6</sup> We are 95% confident that the ineligible HERA EIA funding for the seven school districts as a group total, equals approximately \$6,871,700, plus or minus \$1,294,100.

Volume I Revised of the “Frequently Asked Questions - EIA for Displaced Students,” references 34 C.F.R. 80.42 for the requirements regarding recordkeeping. Pursuant to 34 C.F.R. 80.42, grantees are required to maintain, for three years, all financial and programmatic records, supporting documents, statistical records, and other records of grantees or sub-grantees, which are required to be maintained by the terms of program regulations, grant agreements, or otherwise reasonably considered to be pertinent.

Documentation was considered inadequate if we could not determine if the student previously resided in a declared disaster area. Based on the enrollment forms, we tried to verify the disaster area school where the student was previously enrolled, prior residency of the student, and other factors that would identify the student as being from a disaster area. Often the LEA enrollment forms were incomplete, containing no previous address, no previous school, or no previous school address or city location. We are aware of the documentation problems the LEAs faced because the displaced students did not have the usual enrollment documentation (i.e., transfer documents, Social Security cards, immunization records, etc.) with them. We were flexible with the type of documentation/information we accepted to make eligibility determinations and recognized the hardship the districts were under. For example, if the enrollment document only had the name of the previous school with no address, we would use several research tools to determine if the school was in a disaster area. However, in some cases, LEA staff did not obtain enough information to make a displaced determination. For students with disabilities, we considered the documentation to be inadequate if the LEA did not complete the students’ IEP or document the disability determination prior to the quarterly count date or within a reasonable timeframe after the count date.

Although TEA has a comprehensive, statewide, student-specific data collection system, Public Education Information Management System (PEIMS), TEA allowed the individual LEAs to use their own enrollment software to identify and track the displaced students instead of using PEIMS. Consequently, TEA did not have a centralized, statewide database with student-level data or a process for linking student records between districts. TEA said it chose not to use PEIMS because it would have taken too long and been too costly to modify the system to add an additional data field to flag the displaced students.

Instead TEA used a manual, dual entry process for reporting its quarterly counts to the Department. First, the LEAs submitted their quarterly counts to TEA, and TEA would enter the LEA counts into a combined TEA spreadsheet. Second, another TEA official would enter the same count information into a second spreadsheet for comparison with the first spreadsheet. If any differences (typographical errors) were identified between the two spreadsheets, TEA would correct one spreadsheet so that both spreadsheets matched the data submitted by the LEAs. The spreadsheet results were then used to calculate the State’s quarterly count to the Department. However, TEA did not require the LEAs to submit source documentation to substantiate the numbers submitted, nor did it have any other control to ensure the accuracy of the submitted data. Consequently, this process only ensured that the numbers matched between the two spreadsheets, but did not provide any assurance that the numbers submitted by the LEAs and subsequently reported to the Department were accurate and reliable.

### TEA Reported Additional Ineligible and Duplicate Students Statewide

In October 2005, TEA instructed the LEAs to maintain a Katrina/Rita indicator (KRI) file that would support the count figures submitted by the LEAs. In the early stages of the influx of students, the LEAs counted displaced student on a daily basis, and then moved to weekly and eventually monthly counts. The LEAs we visited used their local database systems to track their quarterly counts. When we requested the KRI file, several LEAs indicated that they had never heard of such a file, while others needed further instructions on how to create the file. Because the KRI files were not available at TEA or the LEAs we reviewed, we requested and obtained displaced student enrollment data from all LEAs that served displaced students. We created a comprehensive, statewide database using the LEAs' submitted data. From this database, we identified 1,434 displaced students that were counted in more than one LEA for the same quarter and 843 students who were enrolled in the various districts prior to August 22, 2005. These 2,277 duplicate-counted and ineligible students represented \$3,415,500 (2,277 x \$1,500) in ineligible EIA funds provided to the LEAs. We did not have the detail support from all the LEAs to determine if the displaced students were misclassified.

These conditions occurred because of the magnitude of the disaster, the evacuees' need for immediate assistance, the lack of statewide or LEA-specific disaster guidance and plans, and the lack of procedures to verify the accuracy of LEA displaced student counts reported to the Department. Additionally, the LEAs did not understand how to implement KRI files or had not heard of the requirement. Despite these conditions, the districts did an extraordinary job of enrolling the large influx of displaced students quickly and getting them into the classroom to establish a sense of normalcy by continuing their education.

Based on our review of the seven LEAs and our statewide review for duplicate and non-displaced students, we estimate that TEA and the LEAs claimed over \$11 million in excess EIA funds in the first three quarters. Additionally, based on the inaccuracies in the displaced student counts in the 7 districts, the Department has no assurance that the other 342 TEA districts that we did not review accurately counted displaced students for the 2005-2006 school year. At the time of our review, the remaining LEAs were scheduled to receive approximately \$157<sup>7</sup> million in EIA funding.

### **Recommendations**

We recommend that the Assistant Secretary for the Office of Elementary and Secondary Education instruct TEA to—

- 1.1 Provide support or return approximately \$6.87 million of EIA funds for ineligible students identified at the seven districts we audited.
- 1.2 Provide support or return over \$3.4 million of EIA funds for the statewide duplicate students reported and students enrolled prior to the eligibility date.

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<sup>7</sup> Of the \$250,890,000 in EIA funds the Department obligated to TEA, the seven LEAs reviewed were scheduled to receive \$93,028,304; TEA retained \$700,000 for administrative purposes (\$250,890,000 - \$93,028,304 - \$700,000 = \$157,161,696).

- 1.3 Conduct a statewide count of displaced students for the \$250,890,000 of EIA funds allocated to TEA in school year 2005-2006, and return to the Department any funds expended for ineligible or misclassified students.

We further recommend that the Assistant Secretary for the Office of Elementary and Secondary Education encourage TEA to—

- 1.4 Develop a statewide emergency plan for future disasters, which includes controls to ensure accurate student data, as well as guidance to the LEAs that outlines how to enroll and track a large influx of students.

### **TEA's Comments**

The TEA consents that controls and procedures could always be improved. However, TEA disagrees that there were inadequate internal controls. TEA also concurs with the auditor's comments that TEA made accurate allocations of EIA funds to the LEAs and that EIA funds were expended within allowable cost categories. While TEA agrees that documentation and controls could always be improved, they urge the Inspector General and the Department of Education to attempt to understand the magnitude of the situation in which the LEAs and the State were placed with two hurricanes and over 46,500 homeless displaced students, and not to exacerbate the difficult situation further by requesting funding to be returned when the auditors have already stated that the funding did not cover the actual cost of educating the displaced students.

TEA did not concur with Recommendation 1.1 – stating that since the OIG's audit of these seven LEAs, the TEA has continued to work with them in an ongoing review and reconciliation of the HERA student eligibility documentation. Through this ongoing review process with the LEAs, two substantial outcomes have occurred:

1. Additional documentation regarding student eligibility that lowers the number of ineligible and misclassified students reported by the OIG in the draft audit report has been submitted (information on individual students were submitted by: Aldine, Arlington, Beaumont, Houston, and Richardson ISDs); and,
2. Some LEAs reduced the number of students reported for quarters 1–3 based on information obtained in the verbal exit conference with the OIG at the conclusion of the on-site visit (Dallas and Alief ISDs).

TEA did not concur with Recommendation 1.2 – stating the OIG requested displaced student enrollment information from all the LEAs in Texas that served displaced students. This information was requested by the OIG in the spring of 2006. By USDE request, the LEAs were to downwardly amend their numbers until July 31, 2006. The trend is that final numbers were reduced as LEAs continued to reconcile and confirm eligibility status and enrollments. Thus, TEA believes that the number of duplicate students is much lower than that stated in the Draft Audit Report. TEA is in the process of reviewing this duplicate information and contacting districts to verify with documentation the enrollment and withdrawal dates of these duplicate and



early enrollment students. TEA's review process has begun by analyzing attendance data for these students from its Public Education Information Management System (PEIMS), the State's comprehensive, statewide, student-specific data collection system. This initial review has revealed that some students that the auditors deemed to be duplicate students were, in fact, two or sometimes three separate students with the same name. TEA also stated that it has been able to identify that all duplicate students noted in the auditors' database are not duplicates.

TEA did not concur with Recommendation 1.3 – but submitted an alternative corrective action plan. Through its School Financial Audit Division, the TEA has already included EIA funding within its scope of financial monitoring and accountability. Because of a situation that occurred at one school and the concerns expressed by the Department, the TEA added additional audit procedures to review EIA funds for displaced students at any entity that received an audit during the normal audit cycle and also received EIA funds. There are several LEAs that have undergone this type of review; however, no final audit reports for these LEAs are available at the time of this submission. Appropriate corrective actions will be implemented with any LEA that is found to have incorrectly implemented EIA grant guidelines.

TEA did not concur with Recommendation 1.4 – but submitted comparable corrective action currently in development. In an effort to further increase internal controls, the TEA proposes that should a catastrophic event like Hurricanes Katrina and Rita occur again, which would require the monitoring of a subgroup of students unable to be tracked in PEIMS, TEA will require that the LEAs submit to the Agency a standardized reporting file, such as the KRI file. The TEA will collect these files and create a statewide database in an effort to provide better oversight, monitoring, and reconciliation of student data.

### **OIG's Response**

Although TEA provided additional information in its response that was not presented during the audit fieldwork, some of the additional information provided was incomplete, did not include adjusted allocation information to support the new information, or was not convincing enough to change the original determination. Because we accepted some of the additional documentation providing enrollment and IEP information for displaced students, we modified Recommendation 1.1.

Even though TEA did not concur with Recommendation 1.2, it stated that it is in the process of identifying duplicate counted students. Although TEA stated it has identified that all duplicate students noted in the auditors' database are not duplicates, TEA did not provide any additional substantiating documentation. Therefore, we did not change the recommendation because TEA did not provide any evidence that the process is complete.

TEA did not concur with Recommendation 1.3; however, TEA provided information regarding the audit procedure used by TEA. Although TEA included the EIA funds in the audit process, this action only addresses part of the recommendation. The corrective action lacked information regarding how many districts will be audited and the time frame for completion. Therefore, we did not change the recommendation.

In response to Recommendation 1.4 to develop a statewide emergency plan for future disasters, TEA's proposed corrective action appears to address the recommendation. We did not change the recommendation because the corrective action has not been reviewed.

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## OTHER MATTERS

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### Comparison of Texas and Louisiana Databases Identified Duplicate Counted Students

Neither TEA nor the LEAs had policies or procedures established to ensure the incoming displaced students were not counted, in the same quarter, in both Texas and Louisiana. The LDE provided us with a database of displaced students who attended schools in Louisiana. However, TEA did not have a statewide database. Consequently, we built a statewide database by contacting the 349 LEAs that had displaced students enrolled, and requested their KRI files. As we discussed earlier, several LEAs indicated that they had never heard of a KRI file, while others needed further instructions on how to create the file. From the data submitted, we created a comprehensive, statewide database of all displaced students enrolled in the 349 LEAs. We then compared the Louisiana displaced student database to the Texas displaced student database and identified 533 students that were counted by Texas and Louisiana in the same quarters. The duplicate student counts resulted in a minimum of \$799,500<sup>8</sup> being claimed by Texas and Louisiana for the same students. We did not determine which State should have correctly counted the displaced students. Therefore, TEA and the associated LEAs could have received a possible overpayment of \$799,500 in EIA funds. We are addressing this issue in a memorandum to the Department with a recommendation that the Department coordinate with Texas and Louisiana and determine the amount each state should refund due to the duplicate funding.

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## OBJECTIVES, SCOPE, AND METHODOLOGY

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Our objectives were to determine if (1) TEA and selected LEAs established adequate systems of internal control to provide accurate displaced student count data; (2) TEA established an adequate system of internal control to make accurate allocations of EIA funds; and (3) LEAs used EIA funds only for expenditures within the cost categories allowed by the terms of the grant and applicable laws and regulations. In addition, we evaluated TEA's controls over its planned administration of the Assistance for Homeless Youth program.

We originally selected eight LEAs for review. However, we reduced the number of LEAs to seven when, subsequent to our on-site audit work, Killeen Independent School District withdrew from the EIA program because district officials felt the TEA application process was too cumbersome. We selected six of the seven LEAs (Houston, Dallas, Aldine, Alief, Arlington, and Richardson) based upon the number of displaced students enrolled in those LEAs, and selected

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<sup>8</sup> 533 students x \$1,500 per student = \$799,500. We did not determine if any of the students had disabilities, which would have increased the amount to \$1,875 per student.

Beaumont because it also received Immediate Aid to Restart School Operations funds. The seven LEAs reviewed represented 37 percent of the EIA funding provided to Texas.

To accomplish our objectives, we—

- Obtained and reviewed portions of the HERA, regulations, and guidance relevant to the audit objectives.
- Created a statewide database of displaced students by obtaining student data from the 349 LEAs that had displaced students enrolled.
- Selected a random sample of displaced students with and without disabilities, from the count data available during our fieldwork, of at least 50 students or 50 percent of the universe (whichever was lower) for each of the first three quarter counts at the seven LEAs reviewed.
- Reviewed displaced student files at the seven LEAs.
- Interviewed the LEA officials at the seven LEAs.
- Compared the database we created of Texas displaced students with the Louisiana displaced student database.
- Reviewed TEA organization charts.
- Interviewed State officials at TEA to obtain an understanding of the internal controls over displaced student counts.
- Obtained and reviewed a listing of recorded EIA expenditures and EIA drawdown information for each of the seven selected LEAs to determine whether the LEAs charged expenditures only to the cost categories allowed by the terms of the grant and applicable laws and regulations. We did not test individual expenditure transactions.
- Interviewed TEA personnel responsible for the administration of the HY program, and reviewed the policies and procedures that would be used to determine which LEAs would receive funding, the allocation of the funds, and the administration of the program.

We relied upon the computerized student roster lists provided by school officials for selecting our sample. We tested the student roster lists for accuracy and completeness by comparing selected source records to the student roster lists. Based on this test, we concluded that the student roster lists at all seven LEAs were sufficiently reliable to be used for the sample population.

We conducted an assessment of internal control, policies, procedures, and practices applicable to TEA's administration of EIA funds. Our testing identified weaknesses which adversely affected TEA's ability to adequately verify the count data from the LEAs. These weaknesses are discussed in the AUDIT RESULTS section of this report.

We conducted our fieldwork at the TEA and the seven LEAs between February 2006 and July 2006. Additional work was performed to update count and funding information through December 2006. We held an exit conference with TEA officials on December 15, 2006 to discuss the results of our audit.

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

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## ADMINISTRATIVE MATTERS

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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 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 official, who will consider them before taking final Departmental action on this audit:

Kerri L. Briggs  
Assistant Secretary  
Office of Elementary and Secondary Education  
U.S. Department of Education  
400 Maryland Ave., SW  
Washington, D.C. 20202-6100

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

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.

Sincerely,

/s/  
Sherri L. Demmel  
Regional Inspector General  
for Audit

Attachments

## **Results of the Seven LEA Reviews**

The following is a brief summary of our audit work at the seven LEAs.

### **Dallas Independent School District (ISD)**

Dallas ISD did not adequately document the displaced status for 25 percent of the students without disabilities and 40 percent of the students with disabilities sampled for the first three quarters, which resulted in \$136,500 in additional EIA funds being distributed to the district for the sampled students. Dallas ISD did not provide sufficient documentation to support the eligibility of the displaced students. For example, Dallas ISD staff did not obtain enough information to make a displaced determination (name or location of last school attended); enrollment forms were missing; or the enrollment document indicated the student last attended school in a school outside the disaster area, was enrolled in Dallas ISD prior to August 22, 2005, or was not enrolled in Dallas ISD on the specific count date. For the students with disabilities, Dallas ISD either did not provide sufficient proof of the student's disability prior to the count date, or we determined that the student was not displaced based on the examples above. In addition, during our site visit, some of the non-public schools decided not to provide us with the documentation needed for our review due to privacy concerns. Therefore, the students in our sample that attended those non-public schools were considered ineligible because we could not verify that they were displaced. Dallas ISD had an enrollment of approximately 160,000 students at 217 campuses and an average of over 2,400 displaced students for the first three quarters.

The universe, sample size, and number of students determined to be ineligible for each quarter are shown below:

<b>Quarters</b>	<b>Universe</b>	<b>Sample Size</b>	<b>Number Determined Misclassified</b>	<b>Number Determined Ineligible</b>
Quarter 1 Without Disabilities	2541	50	N/A	15
Quarter 2 Without Disabilities	2324	50	N/A	14
Quarter 3 Without Disabilities	1935	50	N/A	8
Quarter 1 With Disabilities	130	50	13	12
Quarter 2 With Disabilities	161	50	7	19
Quarter 3 With Disabilities	148	50	1	8
Total	7,239	300	21	76

Dallas ISD used the same enrollment policies as they would for any other student. Dallas ISD did not require any additional information from the displaced students. Students mostly enrolled at the local shelters in the area, but some students enrolled at the specific school they would attend. Each individual school would code the students as a displaced student in the district's Delta System (district student data information system). The school would update the information on the students and upload the information to the main system. Student Services, a division with the Dallas ISD administrative offices, could then run queries for the aggregate

number of displaced students. Dallas ISD used the Town and Country field within the PEIMS to code the students as displaced, however, the PEIMS was not used to report the student count information. The audit team obtained enrollment and withdrawal information from Student Services because Dallas ISD did not have the information in a KRI file. We reviewed student files to determine if students met the eligibility requirements of displaced students, regardless of where (school or convention center) the student initially enrolled. The sample students were selected from a universe provided by the district and comprised a statistically valid random sample. At the time of our review, Dallas ISD was scheduled to receive a total of \$11,546,823 in EIA funds.

The audit results of the six random samples selected in Dallas ISD were projected to the universe of displaced students. The projections statistically quantify the monetary value of the EIA funds that are associated with reported displaced students, who did not meet eligibility criteria or were considered to be misclassified.

### **Arlington ISD**

Arlington ISD did not adequately document the displaced status for seven percent of the students without disabilities and eight percent of the students with disabilities sampled for the first three quarters, which resulted in \$27,375 of additional EIA funds being distributed to the district for the sampled students. Arlington ISD did not provide sufficient documentation to support the eligibility of the displaced students. For example, Arlington ISD staff did not obtain enough information to make a displaced determination (name or location of last school attended); enrollment forms were missing; or the enrollment document indicated the student last attended school in a school outside the disaster area, was enrolled in Arlington ISD prior to August 22, 2005, or was not enrolled in Arlington ISD on the specific count date. For the students with disabilities, Arlington ISD either did not provide sufficient proof of the student's disability prior to the count date, or we determined that the student was not displaced based on the examples above. Arlington ISD, located in the heart of the Dallas-Fort Worth Metroplex, had an enrollment of more than 62,000 students at 74 campuses and an average of 1,138 displaced students for the first three quarters.

The universe, sample size, and number of students determined to be ineligible for each quarter are shown below:

<b>Quarters</b>	<b>Universe</b>	<b>Sample Size</b>	<b>Number Determined Misclassified</b>	<b>Number Determined Ineligible</b>
Quarter 1 Without Disabilities	1251	50	N/A	4
Quarter 2 Without Disabilities	1094	50	N/A	5
Quarter 3 Without Disabilities	857	50	N/A	2
Quarter 1 With Disabilities	51	25	0	3
Quarter 2 With Disabilities	79	40	4	0
Quarter 3 With Disabilities	83	42	0	2
Total	3,415	257	4	16

Arlington ISD identified the displaced students by coding (into the district centralized student system) Katrina or Rita into the transfer code field. Each individual campus was responsible for the enrolling and coding of displaced students. The centralized computer system updates PEIMS nightly; however, PEIMS was not used to track displaced students. The district conducted daily displaced student counts and had the schools periodically verify the counts. We reviewed student files to determine if students met the eligibility requirements of displaced students. The sample students were selected from a universe provided by the district and comprised a statistically valid random sample. At the time of our review, Arlington ISD was scheduled to receive a total of \$6,504,512 in EIA funds.

The audit results of the six random samples selected in Arlington ISD were projected to the universe of displaced students. The projections statistically quantify the monetary value of the EIA funds that are associated with reported displaced students, who did not meet eligibility criteria or were considered to be misclassified.

### **Houston ISD**

Houston ISD did not adequately document the displaced status for 6 percent of the students without disabilities and 15 percent of the students with disabilities sampled for the first three quarters, which resulted in \$35,250 in additional EIA funds being distributed to the district for the sampled students. Houston ISD did not provide sufficient documentation to support the eligibility of the displaced students. For example, Houston ISD staff did not obtain enough information to make a displaced determination (name or location of last school attended); enrollment forms were missing; or the enrollment document indicated the student last attended school in a school outside the disaster area, was enrolled in Houston ISD prior to August 22, 2005, or was not enrolled in Houston ISD on the specific count date. For the students with disabilities, Houston ISD either did not provide sufficient proof of the student's disability prior to the count date, or we determined that the student was not displaced based on the examples above. The Houston ISD had an enrollment of more than 210,000 students at 306 campuses, and is the seventh-largest public-school system in the nation and the largest in Texas. Houston ISD had an average of 6,045 displaced students for the first three quarters.

The universe, sample size, and number of students determined to be ineligible for each quarter are shown below:

<b>Quarters</b>	<b>Universe</b>	<b>Sample Size</b>	<b>Number Determined Misclassified</b>	<b>Number Determined Ineligible</b>
Quarter 1 Without Disabilities	5520	50	N/A	5
Quarter 2 Without Disabilities	5995	50	N/A	2
Quarter 3 Without Disabilities	5344	50	N/A	2
Quarter 1 With Disabilities	284	50	11	5
Quarter 2 With Disabilities	487	50	2	2
Quarter 3 With Disabilities	504	50	0	2
<b>Total</b>	<b>18,134</b>	<b>300</b>	<b>13</b>	<b>18</b>

Houston ISD had special enrollment procedures for displaced students that were being enrolled at the two shelter locations (Reliant Center and Brown Convention Center). If the displaced student enrolled at a specific school, the district's regular enrollment procedures were to be followed. The hurricane evacuee students were first coded as homeless students in the district School Administrative Student Information (SASI) system. The district added additional codes to the SASI system to further identify displaced students. The SASI system is uploaded nightly into the AS400 database system. The district ran queries from the AS400 system to identify the number of displaced students at any given time. The AS400 system populates the state PEIMS system.

We reviewed student files to determine if students met the eligibility requirements of displaced students. The sample students were selected from a universe provided by the district and comprised a statistically valid random sample. At the time of our review, Houston ISD was scheduled to receive a total of \$36,111,543 in EIA funds.

The audit results of the six random samples selected in Houston ISD were projected to the universe of displaced students. The projections statistically quantify the monetary value of the EIA funds that are associated with reported displaced students, who did not meet eligibility criteria or were considered to be misclassified.

### **Alief ISD**

Alief ISD did not adequately document the displaced status for two percent of the students without disabilities and four percent of the students with disabilities sampled for the first three quarters, which resulted in \$14,250 in additional EIA funds being distributed to the school district for the sampled students. Alief ISD did not provide sufficient documentation to support the eligibility of the displaced students. For example, Alief ISD staff did not obtain enough information to make a displaced determination (name or location of last school attended); or the enrollment document indicated the student last attended school in a school outside the disaster area, was enrolled in Alief ISD prior to August 22, 2005, or was not enrolled in Alief ISD on the specific count date. For the students with disabilities, Alief ISD either did not provide sufficient proof of the student's disability prior to the count date, or we determined that the student was not displaced based on the examples above. Alief ISD, located in West Houston, had an enrollment of approximately 47,000 students at 43 campuses and an average of over 2,500 displaced students for the first three quarters.

The universe, sample size, and number of students determined to be ineligible for each quarter are shown below:



Quarters	Universe	Sample Size	Number Determined Misclassified	Number Determined Ineligible
Quarter 1 Without Disabilities	1855	50	N/A	0
Quarter 2 Without Disabilities	2620	50	N/A	1
Quarter 3 Without Disabilities	2659	50	N/A	2
Quarter 1 With Disabilities	89	50	1	3
Quarter 2 With Disabilities	256	50	0	0
Quarter 3 With Disabilities	289	50	0	2
Total	7,768	300	1	8

Alief ISD enrolled the displaced students on an individual basis when the students showed up in the school district. A Katrina/Rita indicator in the district's Student Information System (SIS) database identified displaced students. When enrollment for specific count dates was requested, the district could run queries through SIS. We reviewed student files to determine if the student met the requirements of displaced students. The sample students were selected from a universe provided by the districts and comprised a statistically valid random sample. At the time of our review, Alief ISD was scheduled to receive a total of \$16,065,510 in EIA funds.

The audit results of the six random samples selected in Alief ISD were projected to the universe of displaced students. The projections statistically quantify the monetary value of the EIA funds that are associated with reported displaced students, who did not meet eligibility criteria or were considered to be misclassified.

### **Aldine ISD**

Aldine ISD did not adequately document the displaced status for one percent of the students without disabilities and nine percent of the students with disabilities sampled for the first three quarters, which resulted in \$12,375 of additional EIA funds being distributed to the district for the sampled students. Aldine ISD did not provide sufficient documentation to support the eligibility of the displaced students. For example, Aldine ISD staff did not obtain enough information to make a displaced determination (name or location of last school attended); or the enrollment document indicated the student last attended school in a school outside the disaster area, was enrolled in Aldine ISD prior to August 22, 2005, or was not enrolled in Aldine ISD on the specific count date. For the students with disabilities, Aldine ISD either did not provide sufficient proof of the student's disability prior to the count date, or we determined that the student was not displaced based on the examples above. Aldine ISD, located approximately 15 miles north of downtown Houston, had an enrollment of more than 56,000 students for the 2003-2004 school year and an average of over 1,560 displaced students for the first three quarters.

The universe, sample size, and number of students determined to be ineligible for each quarter are shown below:

Quarters	Universe	Sample Size	Number Determined Miscalculated	Number Determined Ineligible
Quarter 1 Without Disabilities	1116	50	N/A	0
Quarter 2 Without Disabilities	1525	50	N/A	1
Quarter 3 Without Disabilities	1626	50	N/A	1
Quarter 1 With Disabilities	74	37	8	1
Quarter 2 With Disabilities	164	50	2	1
Quarter 3 With Disabilities	179	50	0	1
Total	4,684	287	10	5

Aldine ISD enrolled the displaced students on an individual basis when the students showed up in the school district. Displaced students were enrolled under the Homeless Act. The students were coded in the School Administrative Student Information (SASI) system with a different code for Katrina and Rita. Count data was pulled from the SASI and submitted to TEA. We reviewed student files to determine if the students met the requirements of displaced students. The sample students were selected from a universe provided by the districts and comprised a statistically valid random sample. At the time of our review, Aldine ISD was scheduled to receive a total of \$9,727,726 in EIA funds.

The audit results of the six random samples selected in Aldine ISD were projected to the universe of displaced students. The projections statistically quantify the monetary value of the EIA funds that are associated with reported displaced students, who did not meet eligibility criteria or were considered to be misclassified.

### **Richardson ISD**

Richardson ISD did not adequately document the displaced status for 7 percent of the students without disabilities and 14 percent of the students with disabilities sampled for the first three quarters, which resulted in \$27,000 in additional EIA funds being distributed to the school district for the sampled students. Richardson ISD did not provide sufficient documentation to support the eligibility of the displaced students. For example, Richardson ISD staff did not obtain enough information to make a displaced determination (name or location of last school attended); or the enrollment document indicated the student last attended school in a school outside the disaster area, was enrolled in Richardson ISD prior to August 22, 2005, or was not enrolled in Richardson ISD on the specific count date. For the students with disabilities, Richardson ISD either did not provide sufficient proof of the student's disability prior to the count date, or we determined that the student was not displaced based on the examples above. Richardson ISD, located in northern Dallas County, had an enrollment of approximately 35,000 students at 55 campuses and an average of over 900 displaced students for the first three quarters.

The universe, sample size, and number of students determined to be ineligible for each quarter are shown below:

Quarters	Universe	Sample Size	Number Determined Miscalculated	Number Determined Ineligible
Quarter 1 Without Disabilities	954	50	N/A	0
Quarter 2 Without Disabilities	867	50	N/A	4
Quarter 3 Without Disabilities	752	50	N/A	6
Quarter 1 With Disabilities	88	41	11	0
Quarter 2 With Disabilities	107	49	5	0
Quarter 3 With Disabilities	104	50	1	3
Total	2,872	290	17	13

All of the displaced students were required to go through Student Services so the district could code the displaced students into PEIMS under the Title I record and the service was marked as social services. We reviewed student files to determine if the student met the requirements of displaced students. The sample students were selected from a universe provided by the districts and comprised a statistically valid random sample. At the time of our review, Richardson ISD was scheduled to receive a total of \$5,939,299 in EIA funds.

The audit results of the six random samples selected in Richardson ISD were projected to the universe of displaced students. The projections statistically quantify the monetary value of the EIA funds that are associated with reported displaced students, who did not meet eligibility criteria or were considered to be misclassified.

### **Beaumont ISD**

Beaumont ISD did not adequately document the displaced status for 27 percent of the students without disabilities and 45 percent of the students with disabilities sampled for the first three quarters, which resulted in \$147,750 in additional EIA funds being distributed to the school district for the sampled students. Beaumont ISD did not provide sufficient documentation to support the eligibility of the displaced students. For example, Beaumont ISD staff did not obtain enough information to make a displaced determination (name or location of last school attended); enrollment forms were missing; or the enrollment document indicated the student last attended school in a school outside the disaster area, was enrolled in Beaumont ISD prior to August 22, 2005, or was not enrolled in Beaumont ISD on the specific count date. For the students with disabilities, Beaumont ISD either did not provide sufficient proof of the student's disability prior to the count date, or we determined that the student was not displaced based on the examples above. Beaumont ISD, located east of Houston, had an enrollment of approximately 20,800 students at 34 campuses and an average of over 1,090 displaced students for the first three quarters.

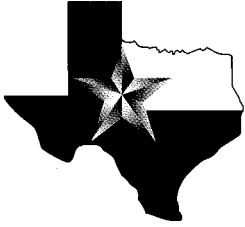
The universe, sample size, and number of students determined to be ineligible for each quarter are shown below:

<b>Quarters</b>	<b>Universe</b>	<b>Sample Size</b>	<b>Number Determined Misclassified</b>	<b>Number Determined Ineligible</b>
Quarter 1 Without Disabilities	1076	50	N/A	9
Quarter 2 Without Disabilities	1026	50	N/A	10
Quarter 3 Without Disabilities	832	50	N/A	21
Quarter 1 With Disabilities	21	21	4	1
Quarter 2 With Disabilities	168	50	4	8
Quarter 3 With Disabilities	154	50	1	36
Total	3,277	271	9	85

Beaumont ISD enrolled the displaced students on an individual basis when the students showed up in the school district. Displaced students were identified differently for Hurricanes Katrina and Rita. For Katrina students, Beaumont ISD coded the students as Katrina students in the student system, CIMS III. Beaumont then ran a query and identified those specific students and determined if they were enrolled in school for the specific count dates. For the Rita students, the district had a difficult time because most of the students were already students within the Beaumont district. If the students changed schools within the district because they had to relocate due to Hurricane Rita, that student was counted as displaced. In addition, Beaumont ISD identified students who attended the Career Center or Pathways schools as displaced students because both of the schools were closed from October 10, 2005, through January 3, 2006, as a result of Hurricane Rita. After January 3, 2006, the Career Center students were able to return to their original school and resume the vocational program they were attending prior to Hurricane Rita. At this time, the students should not have been counted as displaced; Beaumont did not remove the Career Center students from the displaced student counts for quarters three and four.

We reviewed student files to determine if the student met the requirements of displaced students. The sample students were selected from a universe provided by the districts and comprised a statistically valid random sample. At the time of our review, Beaumont ISD was scheduled to receive a total of \$7,132,891 in EIA funds.

The audit results of the six random samples selected in Beaumont ISD were projected to the universe of displaced students. The projections statistically quantify the monetary value of the EIA funds that are associated with reported displaced students, who did not meet eligibility criteria or were considered to be misclassified.



## **TEXAS EDUCATION AGENCY**

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Shirley J. Neeley, Ed.D.  
Commissioner

May 18, 2007

Sherri L. Demmel  
Regional Inspector General for Audit  
U. S. Department of Education  
Office of Inspector General  
1999 Bryan Street, Suite 1440  
Dallas, Texas 75201

Dear Ms. Demmel:

Attached is the official response of the Texas Education Agency (TEA) to the Draft Audit Report of the Office of Inspector General's (OIG's) audit of the Hurricane Education Recovery Act, Temporary Emergency Impact Aid for Displaced Students (EIA) requirements at the Texas Education Agency and applicable Local Education Agencies, Control Number ED-OIG/A06G0009.

We have structured this response in accordance with the format specified in the Administrative Matters section of the Draft Audit Report. For the findings and recommendations with which we do not concur, we have stated our reasons for disagreement, provided data to support our position, and identified the alternative corrective actions we have taken or plan to take.

Thank you for the opportunity to review the Draft Audit Report and to submit our proposals for corrective actions. I believe that this response addresses the concerns cited in the Draft Audit Report, and I hope that our responses will be included in the final audit report. Should you have any questions concerning this response, please contact Mr. Cory Green, Senior Director, Division of NCLB Program Coordination by phone at (512) 475-3553 or by **electronic mail at [cory.green@tea.state.tx.us](mailto:cory.green@tea.state.tx.us)**.

Sincerely,

/s/  
Shirley J. Neeley

SJN/hc

Attachments

*"Good, Better, Best—never let it rest—until your good is better—and your better is BEST!"*

**Texas' Response to the Audit of the Hurricane Education Recovery Act,  
Temporary Emergency Impact Aid for Displaced Students  
Control Number ED-OIG/A06G0009**

## **Introduction**

The Texas Education Agency (the Agency, TEA) appreciates the Office of Inspector General's (OIG) consideration of the traumatic circumstances surrounding Hurricanes Katrina and Rita and the subsequent devastation; however, one cannot comprehend the severity of the damage and the educational interruption to the displaced students without having lived and worked through those events. The local education agencies (LEAs) of Texas and other states receiving displaced students should be commended for their valiant efforts to enroll, assist, and educate these students in the adverse conditions caused by the hurricanes. In addition, although the federal monetary assistance was greatly needed and appreciated by LEAs, the timelines and programmatic requirements of this one-time special grant program caused additional undue burden on the LEAs.

From the time Hurricane Katrina devastated the gulf coast on August 29, 2005, to the first quarter count date on September 29, 2005, Texas public school districts enrolled over 46,500 displaced students in 619 LEAs. This number does not capture the unidentified number of displaced students who enrolled in Texas private schools. The agency required LEAs to collect and to report this data weekly. This requirement began immediately after the first hurricane hit and displaced students began arriving in Texas LEAs—not after federal funding was made available to LEAs. Districts and charter schools went above and beyond normal expectations to enroll, assist, and educate the displaced students. Districts, such as Houston and Dallas, with the assistance of regional education service center (ESC) and state agency staff enrolled students directly from evacuation centers (i.e., Houston Astro Dome and various convention centers) as well as on campus sites. In accordance with USDE guidance, question G-7 on serving students in homeless situations (Attachment 1), districts were advised to enroll the displaced students quickly; to provide any needed assistance—from educational to emotional—to the students; and to pursue eligibility and documentation issues later. As expected with homeless students, most hurricane evacuees did not have any documentation. Therefore, LEAs had to rely on verbal information provided by the parents/guardians and the data made available through the Louisiana Department of Education (LDE) 2004-05 public school database to verify the students' previous enrollment in Louisiana public schools and the services provided to the students in their previous educational settings. Additionally, Louisiana had an extremely high percentage of private school students who were displaced, and the LDE database did not include these students, so there simply was no documentation available for many displaced students. The displaced student population was extremely mobile. Displaced students would move from the evacuation centers to temporary housing, causing students to change schools within the district or even change school districts within a short amount of time. It was not uncommon for displaced students to move three to four times within a matter of weeks.

By the time Congress enacted the Temporary Emergency Impact Aid for Displaced Students (EIA) program, Texas LEAs had been providing educational and related services to displaced students for almost five months. The LEAs had paid for the cost of educating the displaced students from their general fund and with additional funding made available by the state agency. LEAs were initially excited of the possibility of reimbursing themselves with the newly available EIA funds. As stated by the OIG auditors, the actual cost of education far exceeded the proposed EIA funding. Unfortunately, due to the almost impossible timelines and requirements of the EIA program, almost half (47% or 289 of 619) the LEAs in Texas who had served displaced students chose to not apply because they were unable to provide appropriate documentation in order to apply for the EIA funding. Over 4500 displaced students served by Texas public school LEAs, and an unidentified number of students in private schools, were never claimed for EIA funding in Texas. The LEAs provided a great service to the displaced students with little or no expectation of receiving any type of federal reimbursement for the education costs of the LEAs new students.

The Agency appreciates the Department of Education's (USDE, the Department) seemingly earnest attempt to provide flexibility when they could and to assist LEAs and the state in serving the displaced students as the department program staff continually instructed the state to advise LEAs of the flexibility in the use of the funds. The Agency also concurs with the auditor's comments that TEA made accurate allocations of EIA funds to the LEAs and that EIA funds were expended within allowable cost categories. This finding was also supported by the department's program office in their monitoring visit of the program conducted in summer 2006. In addition, the Agency only reserved a minimal amount of the EIA funding for state administration in an effort to provide the most monetary assistance possible to the LEAs. Since the EIA funding ended September 2006, the administrative expense incurred by the audit of this program continues to cost the Agency additional state funding.

While the TEA will agree that documentation and controls could always be improved, we urge the Inspector General and the Department of Education to attempt to understand the magnitude of the situation in which the LEAs and the State were placed with two hurricanes and over 46,500 homeless displaced students, and not to exacerbate the difficult situation further by requesting funding to be returned when the auditors have already stated that the funding did not cover the actual cost of educating the displaced students—without even considering the additional 4500 displaced students who were never counted for EIA funding.

As indicated by the results in the Draft Audit Report, documentation could always have been better but there were no instances of fraud or misuse of EIA funds.

#### **Finding: TEA and the LEAs Did Not Have Adequate Controls for EIA Counts**

*TEA did not have adequate controls to provide accurate EIA displaced student counts. Specifically, TEA did not have a process or mechanism to track displaced students and identify data errors, such as students claimed by multiple LEAs or students that were enrolled prior to August 22, 2005. Additionally, TEA did not ensure the LEAs maintained the required supporting documentation to substantiate the student counts in quarterly reports.*

The TEA consents that controls and procedures could always be improved. However, in light of the auditor statement that "TEA made accurate allocations of EIA funds to the LEAs and that EIA funds were expended within allowable cost categories," the Agency disagrees that there were inadequate internal controls. A profuse amount of work had to be completed in a very short timeframe in order to meet the requirements and expectations of the auditors in this unique situation. There was not time to implement a statewide data collection of individual student data that would have met the FERPA requirements and meet the short turnarounds of the grant timeline. Additionally, the TEA did advise the LEAs who were receiving and serving the displaced students to "document those students who enroll in the next few weeks that have come from Louisiana or Mississippi as a result of the hurricane." This guidance was given to LEAs in a letter dated August 31, 2005, (Attachment 2) just days after Hurricane Katrina shocked the Gulf Coast region in Louisiana and nearly four and one-half months before any type of guidance related to the EIA funding was released. By the time the USDE guidance dated January 12, 2006, was released, many students had moved several times and were no longer in the same district that served the student during the first quarter, making it impossible to collect the additional, specific documentation now required through guidance to substantiate the services provided during the initial aftermath of the hurricanes.

LEAs changed their quarterly counts numerous times with the various USDE required submissions. Review of the amended counts usually indicated a decrease overall as LEAs continued to review their documentation. The majority of increase reported in the various categories was due to the testing and identification of students for special education services, causing the students to be moved from students without disabilities count to the students with disabilities

count. USDE also requested downward adjustments to be reported; therefore, the TEA also requested the same adjustments from the LEAs.

OIG recommends that the Assistant Secretary for the Office of Elementary and Secondary Education instruct TEA to –

**1.1 Provide support or return approximately \$7.96 million of EIA funds for ineligible students identified at the seven districts we audited.**

The TEA does not concur with this recommendation.

Since the OIG's audit of these seven LEAs, the TEA has continued to work with them in an ongoing review and reconciliation of the HERA student eligibility documentation. Through this ongoing review process with the LEAs, two substantial outcomes have occurred:

3. Additional documentation regarding student eligibility that lowers the number of ineligible and misclassified students reported by the OIG in the draft audit report has been submitted; and
4. Some LEAs reduced the number of students reported for quarters 1–3 based on information obtained in the verbal exit conference with the OIG at the conclusion of the on-site visit.

These actions continue to support the fact that the LEAs that received and served the displaced students from Hurricanes Katrina and Rita made every effort to follow the guidelines regarding EIA funding under these unique and unprecedented circumstances. Table 1.1 details the reduced ineligible student counts and error rates for students without disabilities, and Table 1.2 details the reduced ineligible and misclassified student counts and error rates for each of the seven LEAs visited by the OIG.



Table 1.1 Students Without Disabilities

LEA	Sample Size	OIG Determined Ineligible	OIG Determined Error Rate	TEA Determined Ineligible	TEA Determined Error Rate
Aldine ISD	150	4	3%	0	0%
Alief ISD	150	3	2%	0	0%
Arlington ISD	150	12	8%	4	3%
Beaumont ISD	150	44	29%	22	15%
Dallas ISD	150	37	25%	0	0%
Houston ISD	150	13	9%	5	3%
Richardson ISD	150	12	8%	6	4%
<b>Total</b>	<b>1050</b>	<b>125</b>	<b>12%</b>	<b>37</b>	<b>4%</b>

Table 1.2 Students With Disabilities

LEA	Sample Size	OIG Ineligible	OIG Misclassified	OIG Error Rate	TEA Ineligible	TEA Misclassified	TEA Error Rate
Aldine ISD	137	3	27	22%	0	9	7%
Alief ISD	150	5	1	4%	0	0	0%
Arlington ISD	107	9	10	18%	4	5	8%
Beaumont ISD	121	46	9	45%	7	9	13%
Dallas ISD	150	39	21	40%	0	0	0%
Houston ISD	150	10	19	19%	4	12	11%
Richardson ISD	150	5	22	19%	1	12	9%
<b>Total</b>	<b>955</b>	<b>117</b>	<b>109</b>	<b>24%</b>	<b>16</b>	<b>47</b>	<b>7%</b>

A summary of information for each of the seven LEAs is provided below.

#### Aldine ISD

Attachment 3 – Tables 2.1 and 2.2

Attachment 4 – Aldine ISD Student Documentation for Students without Disabilities

Attachment 5 – Aldine ISD Student Documentation for Students with Disabilities

Attachment 6 – Aldine ISD Revised Student Counts

Attachment 3 contains two tables regarding new data derived from TEA's ongoing review process with Aldine ISD. Table 2.1 shows the eligibility status determined during the ongoing review for the individual students questioned by the OIG during its audit. Table 2.2 provides revised numbers of ineligible and misclassified students based on this review process. Additionally, based on the information provided to it by the OIG during the exit conference, Aldine ISD reduced its number of students on its final student count submitted to the TEA for final grant payment. Individual student eligibility documentation for the students that the TEA deems eligible through its ongoing review process is provided in Attachments 4 and 5. Documentation verifying the reduction in student count is also provided in Attachment 6.

**Alief ISD****Attachment 7 – Alief ISD Reduced Student Count**

Based on the information provided to them by the OIG during the exit conference, Alief ISD reduced its number of students on its final student count submitted to TEA for final grant payment. Documentation verifying the reduction in student count is provided in Appendix B – Alief ISD Student Documentation.

**Arlington ISD****Attachment 8 – Tables 3.1 and 3.2****Attachment 9 – Arlington ISD Student Documentation for Students without Disabilities****Attachment 10 – Arlington ISD Student Documentation for Students with Disabilities****Attachment 11 – Arlington ISD Revised Student Counts**

Attachment 8 contains two tables regarding new data derived from TEA's ongoing review process with Arlington ISD. Table 3.1 shows the eligibility status determined for the students questioned by the OIG during its audit. Table 3.2 provides revised numbers of ineligible and misclassified students based on this review process. Additionally, based on the information provided to them by the OIG during the exit conference, Arlington ISD reduced its number of students on its final student count submitted to the TEA for final grant payment. Individual student eligibility documentation for the students that the TEA deems eligible through its ongoing review process is provided in Attachments 9 and 10. Documentation verifying the reduction in student count is also provided in Attachment 11.

**Beaumont ISD****Attachment 12 – Tables 4.1 and 4.2****Attachment 13 – Beaumont ISD Student Documentation for Students without Disabilities****Attachment 14 – Beaumont ISD Student Documentation for Students with Disabilities****Attachment 15 – Beaumont ISD letter and Career Center Course Listing****Attachment 16 – Excerpt from PEIMS Data Standards**

Attachment 12 contains two tables regarding new data derived from TEA's ongoing review process with Beaumont ISD. Table 4.1 shows the eligibility status determined for the students questioned by the OIG during its audit. Table 4.2 provides revised numbers of ineligible and misclassified students based on this review process. Individual student eligibility documentation for the students that the TEA deems eligible through its ongoing review process is provided in Attachments 13 and 14.

**Special Circumstances****Private School Issues**

Located in East Texas, Beaumont ISD served many displaced students as the result of Hurricane Katrina. On September 23, 2005, Beaumont was directly hit by Hurricane Rita. Beaumont ISD was closed to student from September 21, 2005 through October 10, 2005, due to Hurricane Rita. This time frame includes the report date for Quarter 1, September 29, 2005. When Beaumont ISD reopened, many displaced students that had enrolled due to Hurricane Katrina relocated again due to Hurricane Rita. These students did not withdraw from school. They simply never came back, and it took the LEA days and weeks to determine if the students had truly left or were displaced within Beaumont ISD due to Hurricane Rita.

Students that were attending private schools within Beaumont ISD boundaries also left during this time period. When the EIA regulations and guidance regarding students attending private schools were released in late

January 2006, which required LEAs to complete certification forms for these displaced students, they were no longer in Beaumont ISD, even though they had been served through Beaumont ISD during Quarter 1. Additionally, many of the private schools within Beaumont ISD's boundaries closed after Hurricane Rita and reopened later than Beaumont ISD, if at all. Some of these students enrolled in Beaumont ISD, including Pre-Kindergarten students. Since their previous private school was now closed, many of these pre-kindergarten students did not have documentation of their evacuee status from the private school when they enrolled in Beaumont ISD.

The TEA requests the OIG and USDE to note that in Tables 4.1 and 4.2 in Attachment 12, students in these above circumstances are noted as ineligible since documentation for these students is not available. However, the Agency also strongly urges the OIG and the Department to consider these challenging circumstances in obtaining documentation for these displaced students that were served without question by this LEA. Furthermore, this situation was present in LEAs throughout Texas as they worked fervently to meet the needs of these displaced students when they enrolled.

#### Career Center Closure

Due to Hurricane Rita, Beaumont ISD's Taylor Career Center Campus was closed from September 21, 2005, through January 2, 2006. On this campus, high school students take vocational classes for a portion of their school day in areas such as graphic arts and cosmetology. Due to the technical nature of these classes, a lot specialized equipment and supplies are needed to conduct these classes. When Hurricane Rita damaged the Career Center campus, Beaumont ISD took multiple measures in an effort to continue these services to its students including contracting with local business to provide services and moving equipment and establishing classes on another Beaumont ISD campus. Students at Beaumont ISD's Pathways Disciplinary Alternative Education campus were sent back to their home campuses so that the campus could house some of the classes originally taught at the damaged Career Center.

When the Career Center reopened in January 2006, ongoing costs were incurred in moving equipment back to the campus, replacing equipment, and in relocating students once again. When classes were able to resume at the Career Center, Beaumont ISD continued to count the Career Center students as displaced following PEIMS protocols that establish a student's status for economically disadvantaged and homeless for the entire school year. Attachment 15 is a letter from Beaumont ISD documenting this procedure, and Attachment 16 is information for the Texas 2005-2006 PEIMS Data Standards regarding economically disadvantaged and homeless coding protocols.

#### Dallas ISD

##### **Attachment 17 – Dallas ISD Revised Student Counts**

Based on the information provided to them by the OIG during the exit conference, Dallas ISD reduced the number of students on its final student count submitted to TEA for final grant payment.

The LEA reduced its student count for Quarters 1-3 by the ineligibility percentage indicated by the OIG in the exit conference. Therefore, Dallas ISD reduced their Quarter 1 student count by 30%; Quarter 2 by 30%; and Quarter 3 by 18%. Documentation verifying the reduction in student count is provided in Attachment 17.

### **Houston ISD**

**Attachment 18 – Tables 5.1 and 5.2**

**Attachment 19 – Houston ISD Student Documentation for Students without Disabilities**

**Attachment 20 – Houston ISD Student Documentation for Students with Disabilities**

Attachment 18 contains two tables regarding new data derived from TEA's ongoing review process with Houston ISD. Table 5.1 shows the eligibility status determined for the students questioned by the OIG during its audit. Table 5.2 provides revised numbers of ineligible and misclassified students based on this review process. Individual student eligibility documentation for the students that the TEA deems eligible through its ongoing review process is provided in Attachment 19 and 20.

### **Richardson ISD**

**Attachment 21 – Tables 6.1 and 6.2**

**Attachment 22 – Richardson ISD Student Documentation for Students without Disabilities**

**Attachment 23 – Richardson ISD Student Documentation for Students with Disabilities**

Attachment 21 contains two tables regarding new data derived from TEA's ongoing review process with Richardson ISD. Table 6.1 shows the eligibility status determined for the students questioned by the OIG during its audit. Table 6.2 provides revised numbers of ineligible and misclassified students based on this review process. Individual student eligibility documentation for the students that the TEA deems eligible through its ongoing review process is provided in Attachments 22 and 23.

### **Conclusion**

These seven LEAs, along with all Texas LEAs, were instructed in the August 31, 2005, letter (Attachment 2) to enroll and to serve the students displaced by the hurricanes as homeless. Attachment 24 is TEA guidance posted to its website ([www.tea.state.tx.us/hcane/faq\\_edsvcs.html](http://www.tea.state.tx.us/hcane/faq_edsvcs.html)) that states in question 14,

"A school district or charter school should make every effort to ensure that students eligible to participate in special education, gifted and talented, bilingual or ESL services receive those services...Further, any student who is in a homeless situation is covered by the federal McKinney-Vento Act and is eligible to receive free school meals."

This state guidance is based upon Question G-11 on page 18 of the USDE's Non-Regulatory Guidance for Title VII-B of the McKinney-Vento Homeless Assistance Act (Attachment 1) which establishes that,

"When children and their families are displaced from their housing as a result of a natural disaster, there is often a period of instability in which various private organizations and local, State, and Federal agencies provide assistance. SEAs

and LEAs should determine such children's eligibility for McKinney-Vento services on a case-by-case basis."

Question A-1 on page 2 of the USDE's Non-Regulatory Guidance for Title VII-B of the McKinney-Vento Homeless Assistance Act (Attachment 1), establishes the purpose of the Act as,

"designed to address the problems that homeless children and youth have faced in enrolling, attending, and succeeding in school. Under this program, State educational agencies (SEAs) must ensure that each homeless child and youth has equal access to the same free, appropriate public education, including a public preschool education, as other children and youth. Homeless children and youth should have access to the educational and other services that they need to enable them to meet the same challenging State student academic achievement standards to which all students are held..."

In light of this guidance provided by the USDE and the TEA, Texas LEAs began immediately an effort to meet all of the displaced students' needs, including special education. Often times, the LEAs only had the information provided to them orally at the time of enrollment or during subsequent conversation with the parent/guardians during the early days of instruction. Because of the catastrophic conditions noted above, documentation of services provided by previous schools was not available, so LEAs began to serve the students based on parental information and within the guidance of service to homeless students until complete evaluations could be completed, which can take 30-45 days. Thus, when there is any indication that the district received information from a parent or guardian that the student received special education service at the previous school and the LEA immediately began serving the student, the TEA believes that the LEA appropriately received funds for these students as displaced students with disabilities.

Given the following, the TEA reiterates its stance that funding should not be returned:

1. the reduced number of ineligible and misclassified students identified during the TEA's review process;
2. the efforts of the LEAs to serve and to meet the immediate needs of the displaced students in the midst of unparalleled and calamitous circumstances; and
3. the auditors own observations that
  - a. no fraudulent misuse of these funds were noted, and
  - b. the amount of funding received did not fully cover the cost of educating the displaced students.

## **1.2 Provide support or return over \$3.4 million of EIA funds for the statewide duplicate students reported and students enrolled prior to the eligibility date.**

The TEA does not concur with this recommendation.

The OIG requested displaced student enrollment information from all the LEAs in Texas that served displaced students. This information was requested by the OIG in the spring of 2006. By USDE request, the LEAs were to downwardly amend their numbers until July 31, 2006. Information in Attachment 25 provides a sample of enrollment information from LEAs comparing

Quarter 3 enrollment figures to final figures reported through July 31, 2006. The trend is that final numbers were reduced as LEAs continued to reconcile and confirm eligibility status and enrollments. Thus, TEA believes that the number of duplicate students is much lower than that stated in Draft Audit Report.

The TEA is in the process of reviewing this duplicate information and contacting districts to verify with documentation the enrollment and withdrawal dates of these duplicate and early enrollment students. The TEA's review process has begun by analyzing attendance data for these students from its Public Education Information Management System (PEIMS), the State's comprehensive, statewide, student-specific data collection system. This initial review has revealed that some students that the auditors deemed to be duplicate students were, in fact, two or sometimes three separate students with the same name. An example of this is given in Attachment 26. Other instances reveal that some students the auditors identified as duplicate students were actually siblings with names of similar spellings. Again, samples of this instance are provided in Attachment 26.

Because specific enrollment and withdrawal dates are not collected through PEIMS, the TEA will have to contact LEAs individually to collect documentation to support the enrollment and withdrawal dates for each designated duplicate student. Because of the number of students identified by the auditors from the database of preliminary student counts, and the number of LEAs in Texas that served displaced students, this process will take a considerable amount of time to complete. Again, the TEA will note that the State no longer has administrative funds related to this grant, requiring state funds and personnel to complete these audit-related tasks.

Because of the time and staff needed to complete the review of the duplicate and early enrollment students, the TEA has not completed its review of these students. However, the TEA will continue its review of these students and will be prepared to offer a more detailed accounting in subsequent responses regarding this matter if deemed appropriate by the Department.

Given the following, the TEA reiterates its stance that funding should not be returned:

1. the TEA has already been able to identify that all "duplicate" students noted in the auditors database are not duplicates;
2. LEAs were able to amend student data counts until July 31, 2006;
3. the TEA is in the process of an ongoing review of this student data within the Agency and its LEAs; and
4. the unique and challenging circumstances as noted in the introduction and the response to Recommendation 1.1.

**1.3 Conduct a statewide count of displaced students for the \$250,890,000 of EIA funds allocated to TEA in school year 2005-2006, and return to the Department any funds expended for ineligible or misclassified students.**

The TEA does not concur with this recommendation.

Through its School Financial Audit Division, the TEA has already included EIA funding within its scope of financial monitoring and accountability. Because of a situation that occurred at one school and the concerns expressed by the Department, the TEA added additional audit procedures to review EIA funds for displaced students at any entity that received an audit during the normal audit cycle and also received EIA funds.

During the normal course of an Agency investigation/audit, Agency auditors verify whether or not the LEA received EIA funds. If the LEA did receive EIA funds, the auditors immediately expand their audit scope to include procedures to review the displaced student records to assure that the displaced student attendance was reported correctly. Initial procedures are to

1. Identify the students claimed as displaced students;
2. Sample student files to verify they were actual displaced students; and
3. Review attendance records to verify all students claimed were enrolled on the official count days.

There are several LEAs that have undergone this type of review; however, no final audit reports for these LEAs are available at the time of this submission. Appropriate corrective actions will be implemented with any LEA that is found to have incorrectly implemented EIA grant guidelines.

In an effort to further increase internal controls, the TEA proposes that should a catastrophic event like Hurricanes Katrina and Rita that would require the monitoring of a subgroup of students unable to be tracked in PEIMS occur again, the TEA will require that the LEAs submit to the Agency a standardized reporting file, such as the KRI file. The TEA will then collect these files and create a statewide database in an effort to provide better oversight, monitoring, and reconciliation of student data.

Given the following, the TEA concludes a statewide count is not warranted and reiterates its stance that funds should not be returned:

1. the TEA has already implemented a course of review for EIA funds for additional LEAs in Texas;
2. the TEA has self-imposed a corrective action calling for the submission of additional standardized student data files should a catastrophic event occur again;
3. the auditors found no misuse of EIA funds during its review;
4. the auditors noted that the EIA funding per-pupil allocation was not sufficient to cover all cost related to serving displaced students; and
5. the TEA has provided documentation to support that the number of ineligible and misclassified students is significantly lower than originally indicated by the auditors in their Draft Audit Report; and
6. the LEAs moved to serve these students physical, emotional, and educational needs in the most expedient means possible.

- 1.4 **Develop a statewide emergency plan for future disasters, which includes controls to ensure accurate student data, as well as guidance to the LEAs that outlines how to enroll and track a large influx of students.**

The TEA does not concur with this recommendation, but rather submits the following as comparable corrective actions currently in development.

In an effort to further increase internal controls, the TEA proposes that should a catastrophic event like Hurricanes Katrina and Rita that would require the monitoring of a subgroup of students unable to be tracked in PEIMS occur again, the TEA will require that the LEAs submit to the Agency a standardized reporting file, such as the KRI file. The TEA will collect these files and create a statewide database in an effort to provide better oversight, monitoring, and reconciliation of student data.

Additionally, the State is initiating a collaborative effort with other state organizations to develop Statewide Uniform School Safety Standards based around the four phases of the Emergency Management Cycle. All LEAs will be required to adopt these standards, and they will be the basis for the LEA's Emergency Operation Plan and the School Safety Audit, both of which are required by state legislation. These standards will address natural disasters, such as hurricanes. The coordinated group has met twice to formulate the process to be followed for development of the state standards. The first statewide meeting of this coordinated group of stakeholders to begin the development process is scheduled for June 1, 2007. (See Attachment 27.) The state standards can include guidance for accuracy of data reporting and documenting and tracking the enrollment of large numbers of students. The state standards are preliminarily scheduled to be developed by the end of 2007 with training to be disseminated to all LEAs through the network of regional educational service centers.