



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL

Audit Services
Dallas Audit Region

September 21, 2007

Control Number
ED-OIG/A06G0010

Mr. Paul Pastorek
State Superintendent of Education
Louisiana Department of Education
Baton Rouge, LA 70804-9064

Dear Mr. Pastorek:

This **Final Audit Report**, entitled *Louisiana Department of Education's (LDE) Compliance with Hurricane Education Recovery Act (HERA), Temporary Emergency Impact Aid for Displaced Students (EIA) Requirements*, presents the results of our audit. Our objectives were to determine if (1) the LDE and selected Local Education Agencies (LEA) established adequate systems of internal control to provide accurate displaced student count data; (2) the LDE 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 LDE's systems of control over the administration of the Assistance for Homeless Youth Program. Our audit period was August 22, 2005, through June 30, 2006 (school year 2005-2006).

BACKGROUND

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 was the costliest and one of the five deadliest hurricanes to ever strike the United States. It displaced about 372,000 students, with over 175,000 students displaced from schools within Louisiana. In addition, Katrina destroyed 40 Kindergarten through 12th grade schools and damaged an additional 835 schools. 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. The LDE established four specific count dates for its LEAs—October 3, 2005, December 1, 2005, February 1, 2006, and April 3, 2006. The LDE allocated the quarterly payments to the LEAs based on their individual displaced student counts. The LDE accepted applications for displaced students who enrolled in non-public schools; however, the respective LEAs disbursed the funds to the non-public schools within its district. As of December 8, 2006, the Department obligated \$291.7 million to LDE in EIA funds, and LDE drew down \$260.4 million based on quarterly counts of displaced students. The four LEAs reviewed were scheduled to receive the following EIA funds:

East Baton Rouge Parish	\$ 31,172,627
St. Tammany Parish	\$ 26,034,631
Orleans Parish	\$ 21,392,268
Jefferson Parish	<u>\$ 61,441,978</u>
Total	<u>\$140,041,504</u>

Due to the overwhelming burden caused by the storms, the LDE immediately contacted the Department detailing the widespread damage and requesting specific waivers, financial assistance, and timeline extensions. The State Superintendent expressed the enormity of the situation by stating “the needs are critical for all Louisiana districts – not only where the hurricane struck but also those districts where the evacuated students are being enrolled.” The U.S. Secretary of Education responded to the LDE on September 21, 2005, acknowledging the challenges that Louisiana was facing and permitting the requested flexibility.¹

The LDE provided districts with a memorandum containing procedures for enrolling displaced students. The memorandum advised districts to suspend any procedures that would hinder the enrollment of students such as requiring academic or health records, Social Security numbers, uniforms, etc. The LDE performed this function under the authority of Section 723 of the

¹ The flexibility included waivers of obligation deadlines for funds awarded under the Elementary and Secondary Education Act of 1965, maintenance-of-effort requirements, Title I carryover limitation, and Individuals with Disabilities Education Act and No Child Left Behind timelines, reporting, and monitoring.

McKinney-Vento Homeless Assistance Act (42 U.S.C. 1433), which requires homeless students to be enrolled in schools immediately. Louisiana submitted the Consolidated Application to the Department, which contained the districts' assurances that addressed the Homeless Enrollment Related Requirements under the McKinney-Vento Act. The Assistance for Homeless Youth (HY) program, which was also authorized under the HERA, is closely related to the EIA program, and provided funding to SEAs to assist in meeting the needs of the students displaced by Hurricanes Katrina and Rita.

More than 100,000 students were displaced within the state of Louisiana, which led to a strain on classroom space, books, teachers, school buses, drivers, and counseling services. To process students expeditiously, school staff set up enrollment centers in large parking lots to obtain from parents any documents available and necessary for enrollment that were not lost in the storm. The LDE maintains student information in the statewide Student Information System (SIS). This system contains information about a student's demographic characteristics, attendance record, and school enrollment. The districts were able to access the SIS and the statewide Special Education Reporting (SER) system to obtain general information.

According to Section 107(e)(1) of the Hurricane Education Recovery Act, 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.

When Congress enacted the EIA program in December 2005, the LEAs had been providing educational services 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 EIA funds. Based on the cost of education per student at the four LEAs we reviewed, the EIA funds received or anticipated did not completely cover the actual cost of educating the displaced students.

The summary of our work is shown in the Audit Results section and the detailed results of the four districts are summarized in Attachment 1.

AUDIT RESULTS

We found that the LDE made accurate allocations of EIA funds to the LEAs and EIA funds were expended within allowable cost categories. Specifically, the LDE allocated the correct amount of funds per disabled and non-disabled students to the LEAs 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 LDE had adequate policies, procedures, and controls over its planned administration of the HY program. At the time of our audit work, LDE had not received any HY funding from the Department. Therefore, we only evaluated the controls over how LDE

planned to allocate the HY funding. We did not evaluate the accuracy of the allocations or the expenditures of HY funds.

However, we found that the LDE and the LEAs did not have adequate systems of internal control to provide accurate EIA displaced student counts. LDE submitted incorrect student-count data that included ineligible students, misclassified students, and duplicate students within the State. As a result of the inadequate controls over the displaced student counts, LDE received a total estimated overpayment of over \$6.3 million² in EIA funds for the first three quarters. In addition, neither the LDE nor the LEAs had policies or procedures in place to ensure incoming displaced students were not counted, in the same quarter, in other states. We also found that Texas and Louisiana both counted 533 students in the same quarter, which resulted in the LDE and the associated LEAs receiving a possible overpayment of up to \$799,500 in EIA funds.

In its comments to the draft report, LDE disagreed with our finding and recommendations, stating that, “OIG’s projection methodology is flawed” and “errors were misidentified.” However, the LDE recognized that it may have made some errors and would work with the U. S. Department of Education to resolve any issues. LDE also provided additional documentation in its response that was not presented during audit fieldwork which supported the categorization of students as displaced students and displaced students with disabilities. LDE’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 provided, we modified Recommendation 1.1. The remaining recommendations were not changed. The comments are summarized at the end of the finding. The full text of LDE’s comments on the draft report is included as Attachment 2 to the report.

Finding: LDE and the LEAs Did Not Have Adequate Controls for EIA Counts

The LDE did not have an adequate system of internal control to provide accurate EIA displaced student counts. Specifically, LDE did not have a process or mechanism to track displaced nonpublic students and to identify data errors, such as students claimed by multiple LEAs. Additionally, LDE did not ensure the LEAs maintained the required supporting documentation to substantiate the student counts in quarterly reports. According to the Department’s announcement of available funds under HERA, Federal Register, Volume 71, No. 8, page 2028, January 12, 2006—

If the Secretary determines that an SEA has received an initial payment that is less than or in excess of what it should have received under the Emergency Impact Aid program for any quarter, the Secretary will make appropriate upward or downward revisions to subsequent payments that the SEA is eligible to receive this year. If the SEA is not eligible for subsequent payments, the SEA must promptly refund the amount of any overpayment to the Secretary. SEAs must submit any application amendments affecting allocations under the Emergency Impact Aid program to the Department no later than April 30, 2006.

² Approximately \$5,892,000 in projected excess EIA funding was claimed by the four districts based on ineligible and misclassified student counts, and \$411,000 in ineligible EIA funds was provided to the LEAs for 274 duplicate counted students identified in the statewide database (\$5,892,000+ \$411,000 = \$6,303,000).

Testing at four LEAs revealed: (1) 127 of the 1,225 (10.4 percent) reported displaced students did not meet eligibility requirements, resulting in an overstated EIA claim of \$208,125,³ (2) LEAs counted students as students with disabilities but did not have the supporting documentation to justify that classification, and (3) the LDE continued to make adjustments to the public student counts after the April 30, 2006 deadline.

LDE Counted and Reported Ineligible and Misclassified Displaced Students at Four LEAs

To test the adequacy of internal controls over EIA funding, we obtained displaced student count data from four LEAs. From this data, we reviewed a random sample of 1,225 students (618 students without disabilities and 607 students with disabilities), with EIA awards totaling \$2,065,125.⁴ We tested the adequacy of supporting documentation for all students in the sample and for the count dates of October 3, 2005, December 1, 2005, and February 1, 2006. We determined that 127 of the 1,225 displaced students were either ineligible for EIA funds because they did not meet the definition of displaced and/or the definition for students 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 Ineligible	Number Determined Misclassified	Total Ineligible and Misclassified	Error Rate
East Baton Rouge	168	0	0%	154	4	4	8	5%
St. Tammany	150	4	3%	164	14	2	16	10%
Orleans	150	9	6%	127	22	5	27	21%
Jefferson	150	15	10%	162	46	2	48	30%
Total	618	28	5%	607	86	13	99	16%

* We selected a random sample of at least 50 students (except for Orleans which had no public schools open in the first quarter) for each of the first three quarter counts.

The four LEAs reviewed had a combined universe of 69,743⁵ displaced students in the first three quarters. Based on the error rates found in the four LEAs we reviewed, we estimate that as many as 6,086⁶ displaced students could have been inaccurately counted as eligible for EIA funding.

³ 28 ineligible students without disabilities x \$1,500 per student = \$42,000; 13 misclassified students with disabilities x \$375 per student (\$1,875 - \$1,500 = \$375) = \$4,875; and 86 ineligible students with disabilities x \$1,875 per student = \$161,250.

⁴ 618 students without disabilities x \$1,500 per student = \$927,000 and 607 students with disabilities x \$1,875 per student = \$1,138,125.

⁵ Universe details are shown in the Attachment: East Baton Rouge 17,298; St. Tammany 12,958; Orleans 7,352; and Jefferson 32,135.

⁶ We are 90 percent confident that the true frequency of occurrence of the attribute tested is 4,796 students, plus or minus 1,290 students.

We project that over \$5.89 million,⁷ in excess EIA funding, was claimed by the four districts 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

Volume I Revised of the “Frequently Asked Questions - Emergency Impact Aid for Displaced Students,” dated February 2, 2006, 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’ Individualized Education Program (IEP) or document the disability determination prior to the quarterly count date or within a reasonable timeframe after the count date.

Although LDE implemented policies to collect data through the SIS system for displaced public school students, the LDE did not have a reliable statewide database of displaced nonpublic school students. Consequently, the nonpublic students were compiled in a separate non-relational database that was updated regularly with no control measures to ensure data was not overwritten.

LDE Reported Duplicate Students Statewide

The LDE maintained a centralized statewide database of displaced public students, but in an effort to identify duplicate students it reported “half students.” For students who were suspected of being counted in more than one district, the LDE assigned a value of .5, 1, or 0 to the displaced students in a “holding account.” The LDE reported that it was handled this way to

⁷ We are 90 percent confident that the estimated ineligible funding for the four school districts as a group totals at least \$5,892,000.

prevent or minimize overstating displaced student counts. From this database, we identified 274 displaced students that were counted in more than one LEA for the same quarter. Those 274 duplicate-counted and ineligible students represented \$411,000 (274 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 through LDE to the Department. 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 four LEAs and our statewide review for duplicate and non-displaced students, we estimate that the LDE and the LEAs claimed over \$6.3 million⁸ in excess EIA funds in the first three quarters. Additionally, based on the inaccuracies in the displaced student counts in the four districts, the Department has no assurance that the other 82 Louisiana LEAs not reviewed accurately counted displaced students for the 2005-2006 school year. The remaining LEAs were scheduled to receive approximately \$151.7⁹ million in EIA funding.

Recommendations

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

- 1.1 Provide support for or return approximately \$5.89 million of EIA funds for ineligible students identified at the four districts we audited.
- 1.2 Provide support for or return over \$411,000 for the statewide duplicate students reported.
- 1.3 Provide the Department with information to verify LDE's contention that controls in other districts were sufficient to accurately count displaced students to support the \$291.7 million of EIA funds allocated to LDE in school year 2005-2006. Otherwise, conduct a statewide count of displaced students 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 LDE to—

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

⁸ \$5,892,000 projected ineligible EIA funds + \$411,000 EIA excess funds for duplicate students = \$6,303,000.

⁹ Of the \$291,716,760 in EIA funds the Department obligated to LDE, the four LEAs reviewed were scheduled to receive \$140,041,504 (\$291,716,760 - \$140,041,504 = \$151,675,256).

LDE Comments

In its comments to the draft report, LDE disagreed with our finding and recommendations. LDE acknowledges that “some errors may have been made, and we look forward to working with the U. S. Department of Education to resolve any issues that resulted in harm to the federal interest.” However, LDE stated, “At no time were the students that were included in the ‘holding account’ [a placeholder used by LDE] submitted in the numbers of displaced students submitted for funds.” Furthermore, LDE added that “given the magnitude of the situation, the challenges involved in tracking a mobile population, and the circumstances under which LDE and its school districts were operating, the LDE implemented strong controls that provided reasonable assurance over federal funds.” LDE also provided additional documentation supporting the categorization of students as displaced students and displaced students with disabilities.

LDE questioned our methodology for selecting a random sample of students in four LEAs with the largest claims under the EIA Program, stating “these LEAs are atypical because the hurricanes caused extensive destruction of records and facilities and caused the displacement of staff.” Additionally, LDE stated, “the sample sizes were not sufficient to accurately predict error rates in the EIA program because they were not proportionate to the specific subgroup of students OIG examined.”

LDE also provided comments regarding the duplicate counted students between Louisiana and Texas identified in the Other Matters section of the report. LDE stated they found instances of twins who were counted as duplicates and students who withdrew from Texas and reenrolled in Louisiana or vice versa being counted as duplicates.

OIG Comments

We accepted most of the additional documentation providing enrollment and IEP information for displaced students. We accepted the additional documentation for 35 of the 44 students that LDE said were properly characterized as students with a disability. LDE did not provide any additional documentation to substantiate its comments regarding the duplicate counted students between Louisiana and Texas. As a result of the accepted documentation, we modified our report to reflect the changes and modified Recommendation 1.1. However, LDE’s response did not change our basic report finding and three of the four recommendations.

The LDE did include the number of displaced students in the “holding account” in the total number submitted to the Department for EIA funds. LDE provided us with the “Total Adjusted Federal Displaced – Emergency Impact Aid Student Counts” forms for the first three quarters to explain how the possible duplicate students (half students) were subtracted from the totals. Although they were subtracted and replaced in the proper LEA, the numbers submitted to the Department still contained the duplicate counts. For example, in the third quarter, LDE showed 38,492 public school displaced students without disabilities on the above mentioned form. It showed 180 suspected multiple/duplicate students were subtracted from this number which resulted in 38,312. Then, after LDE determined which students would be counted as half students, whole students or no students, 108 students were added from the “holding account” for a total of 38,420. That number was sent to the Department in May 2006, and was included in the number of displaced students submitted for funds.

We selected the four LEAs with the largest number of displaced students so we could review the

most data in the time allotted. The displaced students within each LEA were selected randomly, and the process was approved by the National Center for Education Statistics. We selected sample sizes from the subgroups that were acceptable under our time constraints and were in accordance with our audit procedures. Projections were made only for the four districts reviewed and not to the state as a whole.

OTHER MATTERS

Comparison of Louisiana and Texas Databases Identified Duplicate Counted Students

Neither the LDE nor the LEAs had policies or procedures established to ensure the incoming displaced students were not counted, in the same quarter, in both Louisiana and Texas. During our hurricane related audit in Texas, we compiled a database of all displaced students enrolled in 347 Texas LEAs. We then compared the Louisiana displaced student database to the Texas displaced student database and identified 533 students that were counted by both Louisiana and Texas in the same quarters. The duplicate student counts resulted in a minimum of \$799,500¹⁰ being claimed by Louisiana and Texas for the same students. We did not determine which State should have correctly counted the displaced students. Therefore, the LDE and the associated LEAs could have received a possible overpayment of \$799,500 in EIA funds. We addressed this issue in a memorandum to the Department with a recommendation that the Department coordinate with Louisiana and Texas and determine the amount each State should refund due to the duplicate funding.

OBJECTIVES, SCOPE, AND METHODOLOGY

Our objectives were to determine if: (1) the LDE and selected Louisiana LEAs established adequate systems of internal control to provide accurate displaced student count data; (2) the LDE established an adequate system of internal control to make accurate allocations of 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 LDE's controls over its planned administration of the Assistance for Homeless Youth Program.

We selected four LEAs for review based on the largest counts of displaced students enrolled at the districts. The four LEAs reviewed represented 48 percent¹¹ of the EIA funding provided to Louisiana.

¹⁰ 533 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.

¹¹ \$140,041,504 in EIA funds for four LEAs reviewed ÷ \$291,716,760 in EIA funds the Department obligated to LDE = 48 percent.

To accomplish our objectives, we—

- Obtained and reviewed portions of the HERA, regulations, and guidance relevant to the audit objectives.
- Obtained displaced student enrollment data from the LDE.
- Selected a random sample of at least 50 students for each of the first three quarter counts for displaced students without disabilities and students with disabilities at the four LEAs reviewed.
- Reviewed displaced student files at the four LEAs.
- Interviewed the LEA officials at the four LEAs.
- Compared the Louisiana displaced student database with the database we created of Texas displaced students.
- Reviewed LDE organization charts.
- Interviewed various State officials at LDE to obtain an understanding of the internal control over displaced student counts.
- Interviewed SEA and LEA officials for EIA expenditure and drawdown information of the four 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 reviewed listings of expenditures, but we did not test individual expenditure transactions.
- Interviewed LDE personnel responsible for the administration of the Homeless Youth 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 LDE 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 four LEAs were sufficiently reliable to be used for the sample population.

We conducted an assessment of internal control, policies, procedures, and practices applicable to LDE's administration of EIA funds. Our testing identified weaknesses which adversely affected LDE'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 LDE and the four LEAs between March 2006 and June 2006. Additional work was performed to update count and funding information through December 2006. We held an exit conference with LDE officials on January 25, 2007, to discuss the results of those audits.

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

ADMINISTRATIVE MATTERS

Statements that managerial practices need improvements, as well as other conclusions and recommendations in this report, represent 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 Avenue, SW
Room 3W315
Washington, D.C. 20202

It is the policy of the U.S. Department of Education to expedite the resolution of audits by initiating timely action on the 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 Four LEA Reviews

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

East Baton Rouge Parish School System (EBR)

EBR did not adequately document the displaced status for 8 of the 154 students with disabilities sampled for the first three quarters, which resulted in \$9,000 in additional EIA funds being distributed to the district for the sampled students. EBR did not provide sufficient documentation to support the eligibility of the displaced students. For the students with disabilities, EBR did not provide sufficient proof of the student’s disability prior to the count date. EBR is the third largest district in Louisiana and among the top 75 nationally in student enrollment. EBR has an enrollment of approximately 45,000 public school students and had an average of over 5,766 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	6626	65	N/A	0
Quarter 2 Without Disabilities	5392	50	N/A	0
Quarter 3 Without Disabilities	3992	53	N/A	0
Quarter 1 With Disabilities	441	53	2	1
Quarter 2 With Disabilities	445	50	2	1
Quarter 3 With Disabilities	402	51	0	2
Total	17,298	322	4	4

EBR conducted centralized enrollment of displaced students after Hurricane Katrina. EBR requested as much traditional enrollment documentation as the parents could provide. Scotlandville Middle School, a campus closed in the prior school year (2004-2005), was reopened and populated exclusively with displaced students. Some existing campuses absorbed displaced students as well. All enrollment information was input into the LEA’s local enrollment system, and the school would update the system as necessary. The LEA would upload the data to the statewide SIS 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 LDE and comprised of a statistically valid random sample. At the time of our review, EBR was scheduled to receive a total of \$24.7 million in EIA funds.

The audit results of the six random samples selected in EBR 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 misclassified.

St. Tammany Parish School System (STP)

STP did not adequately document the displaced status for 4 of the 150 students without disabilities and 16 of the 164 students with disabilities sampled for the first three quarters, which resulted in \$33,000 of additional EIA funds being distributed to the district for the sampled students. STP did not provide sufficient documentation to support the eligibility of the displaced students. For the students with disabilities, STP did not provide sufficient proof of the student’s disability prior to the count date. STP has an enrollment of approximately 36,000 public school students and had an average of over 4,319 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	3228	50	N/A	0
Quarter 2 Without Disabilities	4245	50	N/A	3
Quarter 3 Without Disabilities	3966	50	N/A	1
Quarter 1 With Disabilities	373	51	0	3
Quarter 2 With Disabilities	586	56	1	5
Quarter 3 With Disabilities	560	57	1	6
Total	12,958	314	2	18

Using the LDE guidance, STP coded the Hurricane Katrina and Rita displaced students into the LEA centralized student system. Each individual campus was responsible for the enrolling and coding of displaced students. The LEA centralized computer system updated the SIS system nightly. 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 LDE and comprised a statistically valid random sample. At the time of our review, STP was scheduled to receive a total of \$19.2 million in EIA funds.

The audit results of the six random samples selected in STP 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 misclassified.

Orleans Parish School System (Orleans)

Orleans did not adequately document the displaced status for 9 of the 150 students without disabilities and 27 of the 127 students with disabilities sampled for the first three quarters, which resulted in \$56,625 in additional EIA funds being distributed to the district for the sampled students. Orleans did not provide sufficient documentation to support the eligibility of the displaced students. For the students with disabilities, Orleans did not provide sufficient proof of the student’s disability prior to the count date. Orleans has an enrollment of approximately 65,000 public school students and had an average of 2,450 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	244	50	N/A	3
Quarter 2 Without Disabilities	1552	50	N/A	4
Quarter 3 Without Disabilities	5009	50	N/A	2
Quarter 1 With Disabilities	0	0	0	0
Quarter 2 With Disabilities	78	50	2	1
Quarter 3 With Disabilities	469	77	3	21
Total	7,352	277	5	31

Due to the intense devastation in New Orleans and the surrounding area, Orleans had no public schools open in Quarter 1. The entire universe of students in Quarter 1 was comprised solely of nonpublic school students. When campuses were able to reopen, students were enrolled at the individual schools. The displaced students were coded according to LDE procedures into the local student information system and uploaded to the statewide SIS 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 LDE and comprised a statistically valid random sample. At the time of our review, Orleans was scheduled to receive a total of \$11.1 million in EIA funds.

The audit results of the five random samples selected in Orleans 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 misclassified.

Jefferson Parish School System (Jefferson)

Jefferson did not adequately document the displaced status for 15 of the 150 students without disabilities and 48 of the 162 students with disabilities sampled for the first three quarters, which resulted in \$109,500 of additional EIA funds being distributed to the district for the sampled students. Jefferson did not provide sufficient documentation to support the eligibility of the displaced students. For the students with disabilities, Jefferson did not provide sufficient proof of the student’s disability prior to the count date. Jefferson had an enrollment of approximately 52,000 public school students prior to the hurricane and had an average of over 10,711 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	7490	50	N/A	4
Quarter 2 Without Disabilities	12461	50	N/A	5
Quarter 3 Without Disabilities	9639	50	N/A	6
Quarter 1 With Disabilities	484	53	0	17
Quarter 2 With Disabilities	1028	55	1	17
Quarter 3 With Disabilities	1033	54	1	12
Total	32,135	312	2	61

For the first five weeks after Hurricane Katrina, Jefferson sent displaced students to other open schools. By October 3, 2005, most schools reopened in Jefferson and students were immediately enrolled under the LDE’s directive to do so without necessarily requiring all information from the parents. Jefferson agreed with the procedures because it shared the LDE’s objective that it was key to the entire community’s recovery. In addition to enrolling its returning students, Jefferson faced the enormous task of enrolling thousands of displaced students from Orleans Parish. Jefferson coded the displaced students according to the LDE procedures into the local student information system and uploaded to the statewide SIS system. 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 LDE and was a statistically valid random sample. At the time of our review, Jefferson was scheduled to receive a total of \$45.3 million in EIA funds.

The audit results of the six random samples selected in Jefferson 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 misclassified.

STATE OF LOUISIANA
DEPARTMENT OF EDUCATION
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May 17, 2007

Ms. Sherri L. Demmel
Regional Inspector General for Audit
U. S. Department of Education
Office of Inspector General
1999 Bryan Street, Suite 1440
Dallas, Texas 75201-6817

Dear Ms. Demmel:

Enclosed is the response from the Louisiana Department of Education (LDE) to the Office of the Regional Inspector General for Audit regarding Audit Number EDOIG/A06G0010.

The LDE appreciates the extension of the submission deadline for this information. If you have any questions regarding this matter, contact Beth Scioneaux at 225/342-3617 or via email at beth.scioneaux@la.gov. You may also use the department's toll-free number, 877/453-2721.

Sincerely,

/s/

Paul G. Pastorek
State Superintendent of Education

PGP:BS;jh

Enclosures

c: Beth Scioneaux
Charlotte Stevens
Judy Hurry

Louisiana Department of Education
Response to Draft Audit Report: ED-OIG/A06G0010

Submitted to:
Sherri L. Demmel
Regional Inspector General for Audit
U.S. Department of Education
Office of Inspector General
1999 Bryan Street, Suite 1440
Dallas, Texas 75201-6817

The Louisiana Department of Education (LDE) appreciates the opportunity to respond to the Office of Inspector General's (OIG) findings outlined in its April 4, 2007 draft audit report regarding the LDE's compliance with the requirements for the Emergency Impact Aid (EIA) program under the Hurricane Education Recovery Act (HERA). This response was originally due thirty days after the date of the letter; however, OIG granted an extension and required that this response be submitted by May 18, 2007.

As OIG has acknowledged, Hurricanes Katrina and Rita had a devastating and unprecedented impact on Louisiana, its local education agencies, and its entire population. The hurricanes caused tremendous damage, leading the President of the United States to declare all parishes within the State to be major disaster areas. Even now, almost two years since Hurricane Katrina first struck, Louisiana is coping with substantial challenges as it works to rebuild. Yet, despite these challenges, LDE and its colleagues at the state and local levels have worked hard to ensure all students are enrolled in school and are receiving safe, secure and high-quality educational services. From the beginning, ensuring the open access to schools has been a top priority for policymakers and administrators. We are proud of the work we have accomplished and remain vigilant in our efforts.

While we appreciate OIG's acknowledgement of the challenges LDE faced, we are disappointed that OIG's analysis did not consider the critical need for immediate action by LDE to ensure that the over 100,000 students displaced by these hurricanes were not subjected to a significant additional interruption in their education. OIG's conclusion that LDE did not have an adequate system of internal control to provide accurate counts of displaced students appears to make no recognition of the context in Louisiana during this critical time. In any event, LDE had a variety of control systems in place before the hurricanes that allowed us to access vital information in a time of extreme crisis. For example, the LDE Student Information System (SIS) contains detailed enrollment, demographic, discipline and attendance level data on all public students enrolled in the state since 1993. Information was submitted from the state's LEAs monthly after the storms and verified by them with SIS system-generated reports against their own

information systems. While SIS information had never been collected and verified on a monthly basis before, our system was more than capable of handling the task. Additionally, while we did not envision the necessity of tracking tens of thousands of displaced students in a constant state of flux when SIS was designed, the scalability and flexibility of the system was such that, with a few entry and exit code additions, we were able to track what we perceived would be potentially useful information about displaced students, their origins and their movements.

These changes were put in place shortly after Katrina happened in August and before any funding was promised or requirements were defined. It was not until after January that legislation was written outlining specific funding for "displaced students," or defining what was to be considered a "displaced" student. This was at least 4 months and 4 collections after the storm as well as after data had already been collected and reported.

SIS did contain the information needed to document students who were displaced by the storms. SIS also was able to provide historical information on displaced students, such as previous enrollments, to other LEAs and states. This information enabled other LEAs and states to document displaced students from Louisiana and enroll students in school. Because many LEAs lost their local systems, they also had to use LDE's data initially to recreate their systems.

After the hurricanes struck, LDE and school district personnel worked hard, often around the clock and in temporary office space, to implement controls over its post-hurricane operations. For example, in order to ensure that duplicate students were not counted twice in the numbers of students submitted *for* the Temporary Emergency Impact Aid funds, LDE first identified all possible duplicate students within our SIS database. Next, LDE subtracted all identified possible duplicate students from the displaced student counts. Then corresponding adjustments were made to a "holding account" - a placeholder, so to speak - based on the following criteria:

(1) If both students in a duplicate set were included in the displaced student roster but in different LEAs, the holding account was increased by a total of 1; that is, 0.5 was added to each of the claiming LEAs. If both students in the displaced set were in the same LEA, the holding account for that LEA was increased by 1.

(2) If only one record of the flagged set was in the displaced student roster, the holding account for the LEA reporting the displaced student was increased by 1. At no time were the students that were included in the "holding account" submitted in the numbers of displaced students submitted *for funds*.

(3) Only after positive resolution was made to determine which LEA should report the student was that student added to the numbers submitted to claim EIA funds.

We acknowledge that, as in any large grant program, some errors may have been made, and we look forward to working with the U.S. Department of Education to resolve any issues that resulted in harm to the federal interest. However, given the magnitude of the situation, the challenges involved in tracking a mobile population, and the circumstances under which LDE and its school districts were operating, the LDE implemented strong

controls that provided reasonable assurance over federal funds. Thus, we respectfully disagree with the draft audit report.

In addition, we have the following specific comments:

OIG's Projection Methodology is Flawed

The methodology used by OIG to project an estimated overpayment is flawed. OIG selected a random sample of students in four specific local education agencies (LEAs), East Baton Rouge Parish, St. Tammany Parish, Orleans Parish, and Jefferson Parish. These LEAs were the most severely damaged parishes in Louisiana. Based on its review of these *four* LEAs, OIG determined that 14.5 percent of the students sampled were either ineligible for EIA funds or were misclassified as a displaced student with disabilities. OIG then proceeded to use those results to project an error rate across the state.

The OIG's methodology is not statistically valid. LDE consulted with James P. Geaghan, the Interim Head of the Department of Experimental Statistics at Louisiana State University, who confirmed OIG's methodology is flawed on at least two bases.

First, OIG presumably selected the four LEAs because they had the largest claims under the EIA program. That does not mean, however, that these LEAs are representative of other LEAs in the state. In fact, these LEAs are atypical because the hurricanes caused extensive destruction of records and facilities and caused the displacement of staff. They also had the highest concentrations of displaced students, especially students who were highly mobile. Other LEAs were less affected, and thus would be better equipped to provide supporting documentation about student status. Furthermore, the displaced students moving into these LEAs were less likely to move, and, therefore, represented a more stable population. It is not appropriate to project a rate derived from these atypical LEAs across the entire state.

Second, the sample sizes were not sufficient to accurately predict error rates in the EIA program because they were not proportionate to the specific subgroup of students OIG examined. OIG examined six subgroups (three quarters of counts of students without disabilities and three quarters of counts of students with disabilities). The sample sizes for each of these subgroups were roughly 50 students, regardless of the size of the particular subgroup. A representative sample size would have to account for the population size within each group and would be a better predictor of error rates within the groups.

Errors were Misidentified

The draft audit report concluded that misidentified students fell into one of two categories, (1) students who were misidentified as displaced students, or (2) students who were misidentified as displaced students with disabilities.

Displaced Students

We have located additional documentation supporting the categorization of students as *displaced* students.

We are providing enrollment and IEP information for 16 students, categorizing them as *displaced* and *disabled*. We are providing enrollment information for 4 other students, categorizing them as *displaced*. Additionally, 10 other students were enrolled in "nomadic sites," categorizing them as *displaced*.

These students meet the definition of a *displaced student* as set in section 107 of the Hurricane Education Recovery Act and as clarified in the U.S. Department of Education's Frequently Asked Questions (FAQs), Emergency Impact Aid for Displaced Students, Volumes I and II. The Department's FAQs make clear the Department intended to provide flexible methods for LEAs to demonstrate a student's *displaced* status. For example, students may be considered *displaced if* the school they were enrolled in had to operate on one of the quarterly count dates in different facilities after the hurricanes (designated as "nomadic sites" in Louisiana). See Volume II, Frequently Asked Questions, Emergency Impact Aid for Displaced Students (March 29, 2006). This includes schools that moved to other buildings as well as schools that operated on the same site using portables or other temporary structures.

Students with Disabilities

We have located additional documentation supporting the categorization of students as *displaced students with disabilities*. The OIG concluded a student was mis-categorized if an LEA did not complete an Individualized Education Plan (IEP) or document a disability determination prior to the quarterly count date or within a reasonable timeframe after the count date. This is an overly restrictive interpretation of the HERA. The U.S. Department of Education's FAQs makes clear LEAs may

- o Conduct their own evaluation of students; OR
- o Obtain other evidence of a student's disability such as the most recent IDEA eligibility determination or the student's last IEP.

See Volume I Revised, Frequently Asked Questions, Emergency Impact Aid for Displaced Students (February 2, 2006). LEAs are not required to conduct new eligibility determinations or to create new IEPs. The LDE maintains records of all eligibility determinations and/or IEPs in its statewide SER system. Based on this evidence, it can verify that 44 students were properly characterized as *students with a disability*, including the 16 students for whom enrollment and IEP information are being provided. Documentation for all students listed above is being provided as part of this response. In addition, 2 students identified as *not displaced* were excluded from the counts submitted; one other student identified as *displaced* but not *disabled* was corrected in the 4th request for funds for Temporary Emergency Impact Aid.

Other Matters

The draft audit noted that a comparison of Louisiana and Texas' databases identified duplicate-counted students. The OIG provided LDE with a summary of duplicate claims. LDE reviewed the summary and found numerous errors in the first nine pages of the first quarter summary. For example, LDE found instances of twins *who* were counted as "duplicates," although each twin is an individual student with a separate social security number, even though they may have the same birthdates and similar names. Further, a number of students who were categorized as *duplicates* clearly withdrew from Texas (e.g., at the end of September) and re-enrolled in Louisiana (e.g., at the beginning of October) or vice-versa. Neither Louisiana nor Texas claimed these students were enrolled in the respective states at the same time; therefore, it is unclear *why* these students were identified as *duplicates*. Given the high rate of errors in the summary report, it is not clear OIG applied the correct methodology for identifying duplicates.

LDE has identified approximately 76 sets of students identified as *duplicates* who were either twins or two different students. Approximately 55 sets of students identified as *duplicates* reported exit dates on September 30, 2005, from Texas and corresponding entry dates in Louisiana on October 3, 2005. Another 75 or so sets of identified *duplicate* students reported exit dates from Texas on October 3, 2005, and entry dates in Louisiana on the same date. An additional 14 sets of *duplicate* students had entry dates in Louisiana but no evidence on either entry or exit dates in Texas.

LDE takes its responsibility to safeguard federal funds very seriously. Indeed, the emergency aid provided to Louisiana after the hurricanes was critical to our recovery efforts and will continue to assist children in receiving the best education possible while allowing communities to rebuild and move forward. We are proud of the work we have done and are even prouder of the work we will continue to do as Louisiana moves forward.