This Final Audit Report presents the results of our audit of the Louisiana Department of Education’s (LDE) compliance with selected Hurricane Education Recovery Act–Immediate Aid to Restart School Operations (Restart) program requirements. The objectives of our audit were to determine if (1) LDE established an adequate system of internal control to make accurate allocations of Restart funds to the local educational agencies (LEAs) and non-public schools, and (2) LDE and selected LEAs and non-public schools used Restart funds only for expenditures that were allowable under the terms of the grant and applicable laws and regulations. Our audit covered the period September 1, 2005, through June 30, 2007.

BACKGROUND

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

The legislation authorized three new grant programs to help school districts and schools to reopen quickly and meet the educational needs of displaced students. The HERA programs included (1) Emergency Impact Aid for Displaced Students; (2) Assistance for Homeless Youth; and (3) Restart. The Restart program provided funding to State Educational Agencies (SEAs) in
Louisiana, Mississippi, Texas, and Alabama to provide assistance or services to LEAs and non-public schools to help defray expenses related to the restart of operations in, the reopening of, and the re-enrollment of students in elementary and secondary schools that serve an area in which a major disaster had been declared related to Hurricanes Katrina or Rita. Congress appropriated $750 million for the Restart program.

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

The disaster declaration for Louisiana included 34 parishes in which both public and non-public schools could be eligible for Restart funds. LDE identified the LEAs and non-public schools located in the disaster areas, and sent each a Restart application packet, which included guidance on the use of Restart funds. LDE contacted these LEAs and non-public schools to obtain the names of schools that were closed due to the hurricanes, along with the date each school had reopened or planned to reopen. LDE required the LEAs and non-public schools to complete and return the Restart applications, including a signed “Application for Project Funds.”

Of the $750 million Congress appropriated for the Restart program, $445,604,439 went to Louisiana. LDE allocated the Restart funds based on reviewing Restart applications from the LEAs and non-public schools. LDE allocated funds to LEAs and non-public schools in three separate phases. During our audit period, over $218 million of the more than $445 million grant was expended.

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

LDE established a system of internal control that provided reasonable assurance that Restart funds were appropriately allocated to LEAs and non-public schools. We interviewed LDE officials and reviewed hard-copy documents to gain an understanding of LDE’s system of internal control. Then we compared LDE’s accounting records to the amount of Restart funds the Department awarded to LDE and the amount of Restart funds LDE provided to the LEAs and non-public schools. As of June 30, 2007, the total amount of Restart funds drawn and distributed was about $218 million.

LDE used Restart funds only for expenditures that were allowable under the terms of the grant and applicable laws and regulations. We reviewed LDE’s Restart policies and procedures and obtained and reviewed a listing of Restart expenditures made by LDE’s public and non-public schools. As recorded, all the expenditures were within the allowable cost categories. We also selected a judgmental sample\(^1\) of expenditures totaling $56,528,244 of the $218 million Restart funds that had been drawn down and distributed to the LEAs and non-public schools. The judgmentally-selected Restart expenditures all were allowable and adequately supported.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of our audit were to determine if (1) LDE established an adequate system of internal control to make accurate allocations of Restart funds to the LEAs and non-public schools and (2) LDE and selected LEAs and non-public schools used Restart funds only for expenditures that were allowable under the terms of the grant and applicable laws and regulations. Our audit covered the period September 1, 2005, through June 30, 2007.

To accomplish our objectives, we

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

\(^1\) See Objectives, Scope, and Methodology, item number 9.
7. Obtained and reviewed LDE’s Restart allocation plan for public and non-public schools to determine the number of public and non-public schools requesting services under the Restart program;
8. Obtained and reviewed a listing of LDE’s Restart expenditures to determine whether LDE charged expenditures only to the cost categories allowed by the terms of the grant and applicable laws and regulations;
9. Reviewed supporting documentation, including timesheets and vendor invoices, for a judgmental sample of expenditures incurred by the two LEAs that received the most funding (Recovery School District and St. Bernard Parish) and a non-public school office that oversaw the operation of 86 non-public schools (Archdiocese of New Orleans); those three entities received about $152 million (70 percent) of the $218 million total expenditure amount ($112,785,331 for Recovery School District, $16,833,929 for St. Bernard Parish, and $22,214,174 for Archdiocese of New Orleans); we reviewed records for $56,528,244 (37 percent) of the $152 million ($45,980,369 for Recovery School District, $1,905,239 for St. Bernard Parish, and $8,642,636 for Archdiocese of New Orleans);
10. Reviewed supporting documentation of employee payroll transactions to determine whether the Restart expenditures were allowable per the applicable law and regulations; and
11. Reviewed supporting documentation and located the physical presence of 77 equipment items that were purchased with Restart funds.

We also relied, in part, on data in LDE’s Integrated Statewide Information System. To assess the reliability of the data, we tested the completeness, accuracy, and reasonableness of computer-processed data by tracing our expenditure samples to supporting source documents. Based on these comparisons, we concluded the data were sufficiently reliable for the purposes of our audit.

We conducted our work at the LDE office in Baton Rouge, Louisiana, and our office in Dallas, Texas, from August 2007 through November 2007. During the same period, we also visited the Recovery School District and the Archdiocese of New Orleans in New Orleans, Louisiana, along with the St. Bernard Parish Schools in Chalmette, Louisiana. We discussed the results of our audit with LDE officials on November 15, 2007.

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

**ADMINISTRATIVE MATTERS**

In accordance with the Freedom of Information Act (5 U.S.C. § 552), reports issued by the Office of Inspector General are available to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act.
We appreciate the cooperation and assistance extended by your staff during the audit. Because our audit did not disclose any instances of non-compliance with the Restart program requirements and our report does not contain any recommended corrective actions, no action on your part is necessary. If you have any questions, please contact Jon Kucholtz at 214-661-9527 or me at 312-730-1620.

Sincerely,

Jon E. Kucholtz /s/ for
Gary D. Whitman
Regional Inspector General for Audit