



U.S. Department of Education  
Office of Inspector General

# The U.S. Department of Education's Processes for Overseeing Charter Schools Program Grants to Charter Management Organizations for the Replication and Expansion of High-Quality Charter Schools

August 3, 2023



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UNITED STATES DEPARTMENT OF EDUCATION  
OFFICE OF INSPECTOR GENERAL

Audit Services

August 3, 2023

TO: James Lane  
Delegated the Authority to Perform the Functions  
and Duties of the Assistant Secretary  
Office of Elementary and Secondary Education

FROM: Bryon S. Gordon /s/  
Assistant Inspector General for Audit

SUBJECT: Final Audit Report, "The U.S. Department of Education's Processes for Overseeing Charter Schools Program Grants to Charter Management Organizations for the Replication and Expansion of High-Quality Charter Schools," Control Number ED-OIG/A18IL0009

This final audit report presents the results of our audit of the U.S. Department of Education's processes for overseeing charter schools program grants to charter management organizations for the replication and expansion of high-quality charter schools. We received your comments on the draft report and considered them as we prepared this final report.

U.S. Department of Education policy requires that you develop a final corrective action plan within 30 days of the issuance of this report. The corrective action plan should set forth the specific action items and targeted completion dates necessary to implement final corrective actions on the findings and recommendations contained in this final audit report. Corrective actions that your office proposes and implements will be monitored and tracked through the Department's Audit Accountability and Resolution Tracking System.

In accordance with the Inspector General Act of 1978, as amended, the Office of Inspector General is required to report to Congress twice a year on the audits that remain unresolved after 6 months from the date of issuance.

We appreciate your cooperation during this audit. If you have any questions, please contact me at (202) 245-6900 or [Bryon.Gordon@ed.gov](mailto:Bryon.Gordon@ed.gov) or Gary D. Whitman, Regional Inspector General for Audit, Chicago/Kansas City Audit Region, at (312) 730-1620 or [Gary.Whitman@ed.gov](mailto:Gary.Whitman@ed.gov).

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# Results in Brief

## What We Did

The objective of our audit was to determine whether the U.S. Department of Education (Department) designed and implemented processes that provided reasonable assurance that Charter Schools Program Grants to Charter Management Organizations for the Replication and Expansion of High-Quality Charter Schools (Replication and Expansion) grantees reported complete and accurate information in their annual performance reports (APR) and spent grant funds only on allowable activities and in accordance with program requirements. Our audit covered the Department and the Charter School Programs (CSP) office's processes relevant to overseeing grantees' reporting of information in their APRs and spending grant funds as of June 30, 2021. It also covered the CSP office's implementation of the processes from October 1, 2017, through June 30, 2021.<sup>1</sup>

To determine whether the processes provided reasonable assurance that grantees reported complete and accurate information in their APRs, we selected 31 of the 112 APR review forms that program officers in the CSP office completed from October 1, 2017, through June 30, 2021, and the CSP office could find (see [Sampling Methodology](#)). We also requested the CSP office's written correspondence with grantees describing issues with or concerns about APRs and records demonstrating that the grantee took corrective actions to address those issues or concerns.

To determine whether the processes provided reasonable assurance that grantees spent Replication and Expansion grant funds only in accordance with requirements, we reviewed monitoring reports associated with grantees whose APR review forms we selected for review. We reviewed sections of the reports relevant to the grantees' uses of Replication and Expansion grant funds, fiscal control, and fund accounting. Finally, we reviewed the CSP office's written correspondence with grantees about issues or concerns noted in the monitoring reports and records demonstrating that the grantees took corrective actions to address the issues or concerns (see [Appendix A](#)).

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<sup>1</sup> After starting work on this audit in March 2018, we placed it on hold in July 2018, pending completion of two audits of Replication and Expansion grant recipients. We remotely resumed work on this audit in May 2021.

## What We Found

The Department and the CSP office designed processes that should have provided reasonable assurance that recipients of Replication and Expansion grants reported complete and accurate information in their APRs. We concluded that the CSP office generally implemented these processes as designed. However, it did not always ensure that CSP program officers accurately and completely filled out APR review templates and notified grantees of issues or concerns identified during their reviews of APRs. As a result, the CSP office might not have had reliable information needed to make informed decisions about continuation funding. Additionally, the CSP office might not have provided timely assistance to grantees that needed assistance to meet their approved goals (see [Finding 1](#)).

The Department and the CSP office also designed processes that should have provided reasonable assurance that Replication and Expansion grantees spent grant funds only on allowable activities and in accordance with program requirements. We concluded that the CSP office generally implemented these processes as designed. However, it did not always ensure that grantees implemented corrective actions to address significant compliance issues relevant to their uses of Replication and Expansion grant funds, fiscal control, and fund accounting (see [Finding 2](#)).

Lastly, the CSP office did not always retain records in official grant files. As a result, the CSP office could not find about 52 percent of the APR review forms that we concluded CSP program officers should have completed from October 1, 2015, through June 30, 2021. Additionally, the CSP office could not find written correspondence with the grantees associated with about 10 percent of the APR review forms that we requested for review (see [Finding 3](#)).

## What We Recommend

We recommend that the Assistant Secretary for Elementary and Secondary Education direct the CSP office to—

- regularly review the work of CSP program officers to ensure that they are implementing the processes for completing APR review templates and communicating with grantees about issues with or concerns about their APRs as designed,
- implement procedures to ensure that it completes the portions of corrective action plans identifying recommended corrective actions and describing how or whether the grantee corrected the significant compliance issues relevant to grant expenditures, and

- retain records demonstrating that grantees implement corrective actions to address significant compliance issues relevant to grant expenditures.

### **Office of Elementary and Secondary Education Comments and Our Response**

We provided a draft of this report to the Office of Elementary and Secondary Education (OESE) for comment on April 7, 2023, and received their comments on May 22, 2023. We summarized OESE’s comments at the end of each finding and provide the full text of the comments at the end of this report.

OESE agreed with Finding 2 but disagreed with Findings 1 and 3, suggesting that the Office of Inspector General (OIG) combine them because Finding 1 should be an example of a deficiency under Finding 3. Additionally, OESE expressed concern about the lack of information and context provided in the “Results in Brief” and “Introduction” sections of the draft report. Although the draft report indicated that the audit covered the CSP office’s implementation of grants management processes and procedures from October 1, 2017, through June 30, 2021, it does not state when the audit was paused.

Based on OESE’s comments, we removed a recommendation regarding maintenance of records made under Finding 3 of the draft report. We also added a footnote to the “Results in Brief” explaining that we paused this audit from July 2018 through May 2021.

# Introduction

## Background

The Federal charter school grant program was first authorized in October 1994 under Title X, Part C of the Elementary and Secondary Education Act of 1965, as amended (ESEA) (Public Law 103-382). This statute was amended in October 1998 by the Charter School Expansion Act of 1998 (Public Law 105-278), in January 2002 by the No Child Left Behind Act of 2001 (Public Law 107-110), and in December 2015 by the Every Student Succeeds Act of 2015 (Public Law 114-95). The Consolidated Appropriations Act of 2010, Division D, Title III (Public Law 111-117) authorized the U.S. Department of Education (Department) to competitively award Charter Schools Program Grants to Charter Management Organizations for the Replication and Expansion of High-Quality Charter Schools (Replication and Expansion) grants from funds made available for the charter school grant program. From fiscal year 2010 through fiscal year 2020, Federal annual appropriations acts authorized the Department to use charter school grant program funds to award Replication and Expansion grants. In December 2015, Title IV, Part C of the ESEA authorized the Department's continued use of charter school grant program funds to competitively award Replication and Expansion grants. The purpose of Replication and Expansion grants is to expand enrollment in existing high-quality charter schools or to create new charter schools that are based on an existing high-quality charter school model.

The Charter School Programs (CSP) office administers the Replication and Expansion grant program. Until 2019, the CSP office was part of the Department's Office of Innovation and Improvement. In response to Executive Order 13781, "Comprehensive Plan for Reorganizing the Executive Branch," the Department eliminated the Office of Innovation and Improvement and moved the CSP office to the Office of Elementary and Secondary Education (OESE), Office of Discretionary Grants and Support Services. The CSP office's move resulted in significant personnel turnover and revisions of policies and procedures.

## Replication and Expansion Grant Funding

The CSP office competitively awarded discretionary Replication and Expansion grants to nonprofit charter management organizations (CMO). From fiscal year 2010 through fiscal year 2020, the CSP office awarded 106 new Replication and Expansion grants. If all 106 of the Replication and Expansion grant recipients were fully funded, total Replication and Expansion grant funding would amount to nearly \$1.2 billion (see [Table 1](#)).

**Table 1. Replication and Expansion Grants Awarded to CMOs from Fiscal Year 2010 through Fiscal Year 2020**

Fiscal Year	Number of Replication and Expansion Grants Awarded	Total Amount of Grant Funds Expected to Be Awarded
2010	12	\$106,492,274
2011	9	\$59,863,381
2012	2	\$31,818,475
2014	11	\$111,535,467
2015	12	\$85,180,498
2016	15	\$127,190,638
2017	17	\$126,773,527
2019	15	\$305,960,424
2020	13	\$226,259,096
<b>Total</b>	<b>106</b>	<b>\$1,181,073,780</b>

**The CSP Office’s Processes for Monitoring Replication and Expansion Grant Recipients**

The Department designed processes to provide reasonable assurance that discretionary grant recipients reported complete and accurate information in annual performance reports (APR) and spent grant funds only on allowable activities and in accordance with program requirements. These processes were described in Departmental Directives ODS-01 (September 11, 2015) and OFO-01 (July 23, 2020), “Handbook for the Discretionary Grant Process” (Handbook).<sup>2</sup> The Handbook established the internal policies and procedures that Department program offices should follow. The chapter on

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<sup>2</sup> After starting work on this audit in March 2018, we placed it on hold in July 2018 pending completion of two audits of Replication and Expansion grant recipients. We remotely resumed work on this audit in May 2021.

post-award activities addressed a program office’s responsibilities to monitor grantees for both performance and compliance. The CSP office implemented the post-award monitoring processes described in the Handbook by, among other things, directly monitoring grantees.

The CSP office’s direct monitoring included reviewing grantees’ APRs, budgets, and expenditures. The purpose of the review was to ensure that the APRs were clear, complete, and included all necessary documentation. CSP program officers used a standardized APR review template to record their determinations of whether the information in APRs was accurate and complete.<sup>3</sup> CSP program officers also compared budgets and expenditures to grant applications to ensure that grantees were spending grant funds in accordance with their approved grant applications. To ensure that grantees spent grant funds only on allowable activities and in accordance with requirements, the CSP office relied on a contractor’s reviews of grantees.

### **The Contractor’s Processes Relevant to Monitoring CSP Grant Recipients and the CSP Office’s Assessment of Contractor Performance**

The Department hired a contractor to supplement the CSP office’s monitoring of charter school grant recipients. According to the contract, the contractor was to provide grantee monitoring and data collection support services, including monitoring and collecting data on CSP grant recipients. The contractor annually developed and the CSP office approved a monitoring and data collection framework. This framework described the contractor’s monitoring processes, which consisted of four parts.

- **Pre-visit Preparations.** Included a pre-site visit call with the grantee, questions regarding specific indicator content, and reviews of key documents, such as grant applications, previous monitoring reports, and APRs.
- **Onsite Observations.** Included interviews of grantee employees and visits to a subset of grant-funded school sites.
- **Post-visit Synthesis and Analysis.** Included reviews of all relevant grantee data (such as documents, interview notes, and onsite observations) to assess the grantee’s compliance with grant requirements and performance against selected monitoring indicators (using a five-point scale). Criteria against which the contractor assessed the grantee’s performance and compliance included the

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<sup>3</sup> Throughout this report, we use APR review form when referring to a completed APR review template.

ESEA; Title 2 Code of Federal Regulations (C.F.R.) sections 200.302 (Financial management), 313 (Equipment), and 501 (Audit requirements); and 34 C.F.R. sections 75.700 (Compliance with the U.S. Constitution, statutes, regulations, stated institutional policies, and applications) and 702 (Fiscal control and fund accounting procedures).

- **Report Production and Review.** Consisted of writing a monitoring report that included implementation details for each applicable indicator and sharing the report content with the CSP office and grantee for review and comment before finalization.

In addition to conducting onsite monitoring of Replication and Expansion grantees, the contractor produced the “Monitoring Handbook for CMO Grantees” (November 2017). According to the contract, this document described the process of monitoring and served to provide descriptive information and technical assistance to facilitate grantees’ understanding of how to respond to the monitoring and data collection protocol. It provided details on criteria against which the contractor will evaluate the grantee’s performance. Additionally, the “Monitoring Handbook for CMO Grantees” described the evidence that the contractor considered acceptable for evaluating the quality of the implementation of the grantee’s project. For example, it stated that acceptable evidence of grant funds being spent only for allowable activities included invoices, other information submitted for reimbursement, and inventory lists of items purchased with grant funds. Acceptable evidence of grant funds being used in accordance with program requirements included lists of CMO grant-funded assets, their locations, and receipts; inventory lists; and tracking lists for purchases made with grant funds. The “Monitoring Handbook for CMO Grantees” also served as a reference for the contractor’s evaluators.

The Department’s September 2015 contract included 1 base year and 4 option years. Factors that the CSP office considered when deciding whether to exercise option years included the availability of funding, needs of the program office, the current administration’s priorities, and the contractor’s performance. When assessing the contractor’s performance, the CSP office considered, among other factors, (1) the contractor’s ability to hire qualified reviewers in numbers sufficient to deliver timely reports, (2) the contractor’s ability to implement a system to evaluate the reviewers’ performance, (3) the status of deliverables, and (4) its review of the contractor’s deliverables.

Additionally, the CSP office considered the quality of the contractor’s work. In assessing the quality of the contractor’s work, the CSP office reviewed contract deliverables, including grantee monitoring reports, and shared draft monitoring reports with significant findings with the Office of the General Counsel for its input. The CSP office

then provided the contractor with feedback about the review of the deliverables. CSP office employees told us that they also held biweekly meetings with all contractor staff. During these meetings, they discussed the status of deliverables, the CSP office's review of deliverables, and upcoming tasks. CSP office employees also provided the contractor guidance on specific tasks.

## **Finding 1. The Department and the CSP Office Designed Processes to Provide Reasonable Assurance That Grantees Reported Reliable Information in Their APRs but the CSP Office Did Not Always Implement Those Processes as Designed**

The Department and the CSP office designed processes that, if implemented as designed, should have provided reasonable assurance that grantees reported complete and accurate performance information in their APRs. Those processes are set forth in the Handbook, APR review templates, and the monitoring and data collection framework.

The CSP office generally implemented the processes described in the Handbook for providing reasonable assurance that grantees reported reliable information in their APRs as designed. However, it did not always accurately and completely fill out APR review templates and did not always notify grantees of issues or concerns that CSP program officers identified during their reviews of APRs. As a result, the CSP office might not have had reliable information needed to make informed decisions about continuation funding. It also might not have provided timely assistance to grantees that needed the assistance to meet their project goals.

### **Processes for Providing Reasonable Assurance That Grantees Reported Reliable Information in Their APRs**

The Handbook established the internal policies and procedures that Department program offices should follow to carry out discretionary grant functions. The chapter on post-award activities addressed a program office's responsibilities to provide training and technical assistance to help grantees achieve project outcomes and to monitor grantees for both performance and compliance with grant requirements. Among other responsibilities, the Handbook required program offices to monitor grantees to ensure that the grantees make progress against established performance measures and project measures; provide reliable data that demonstrate the effectiveness and quality of the project; adhere to all applicable laws, regulations, conditions of the grant, certifications, and assurances; and follow their approved applications and any approved revisions.

The CSP office implemented the post-award monitoring processes described in the Handbook by providing training and technical assistance to grantees, directly monitoring grantees, and employing a contractor to assist with monitoring grantees.

## **Training and Technical Assistance**

The CSP office provided training to grantees through semiannual webinars. The webinars covered topics such as the purpose of the APR and instructions for completing and submitting APRs, replication and expansion spreadsheets,<sup>4</sup> and data collection forms.

The CSP office also offered technical assistance to grantees. It held question and answer sessions in which all grantees could participate. The CSP office also contacted grantees with high numbers of outstanding corrective action plan items and referred them to the National Charter School Resource Center. The National Charter School Resource Center is an initiative of the CSP office; it provides technical assistance to charter school grant program recipients.

## **Direct Monitoring of Grantees**

The CSP office's direct monitoring of grantees included CSP program officers' reviews of Replication and Expansion grant recipients' APRs. According to CSP officials, the purpose of the reviews was to ensure that the APRs were clear, complete, and included all necessary information. A CSP official also told us that program officers should have compared enrollment and financial information in the grantee's APRs to the information in their data collection forms to verify the accuracy and completeness of the APR.

To record their determinations of whether information in APRs was accurate and complete, CSP program officers should have used the CSP office's standardized APR review template. Information that they should have entered on the template included a recommendation on whether the grantee required additional technical support, a recommendation about continued funding, and explanations about whether the APR

- was submitted by the due date;
- included all required content;
- provided an update on the numbers of schools the grantee planned to open, replicate, or expand;

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<sup>4</sup> Replication and expansion spreadsheets are to include all charter schools proposed in grantees' approved applications, regardless of the school's operating status.

- included complete data relevant to required Government Performance and Results Act metrics, program performance measures, and project performance measures; and
- provided Federal budget expenditures, grantees' estimation of carryover funds, administrative cost caps, and indirect cost rate agreements.

If a CSP program officer noted issues with or concerns about the APR or the grantee's implementation of the project, they were required to communicate the issues or concerns to the grantee.

### **Contractor's Monitoring of Performance Measure Data**

As part of its reviews of grantees, the Department's contractor reviewed performance measure data. The purpose of this review was to determine whether grantees demonstrated appropriate data collection and interpretation strategies. To meet this requirement, Replication and Expansion grantees had to demonstrate that they were collecting and reporting reliable, valid, and meaningful data to assess the progress that they made toward their grant objectives.

### **The CSP Office Did Not Always Complete APR Review Templates as Designed and Did Not Always Communicate Issues with or Concerns about APRs to Grantees**

We selected 31 of the 112 APR review forms that CSP program officers completed from October 1, 2017, through June 30, 2021. Because the CSP office could not find 2 of them, we only reviewed 29 APR review forms (see [Sampling Methodology](#)). We found deficiencies with 24 (82.8 percent) of the 29 APR review forms:

- 16 (55.2 percent) were incomplete (missing pages or did not include all questions from the template),
- 12 (41.4 percent) had unanswered questions (no evidence that the CSP program officers reviewed the information relevant to the questions from the template),
- 14 (48.3 percent) included information in the notes section that was inconsistent with other information on the form,
- 12 (41.4 percent) did not include the CSP program officers' determinations of the grantees' progress, and
- 8 (27.6 percent) were not signed by the CSP program officers who completed them.

In the spring of 2021, the CSP office revised its APR review process and APR review template. The revised APR review template included 31 fields requiring “yes,” “no,” or “not applicable” answers. It also included 30 comments sections that CSP program officers could use if explanations for their answers were necessary. Of the 29 APR review forms that we reviewed, CSP program officers completed 11 using the revised processes and template. To assess whether CSP program officers completed the revised processes and template as designed, we selected 5 of these 11 APR review forms. We then reviewed the five APRs associated with the APR review forms, compared the information in the APRs to the information that the grantees reported in their data collection forms, completed APR review templates following the CSP office’s revised policy, and compared our results to those of the CSP program officers. We identified issues with all five of the APR review forms that we reviewed.

Based on the information in grantees’ APRs and data collection forms and our comparisons,<sup>5</sup> we concluded that the CSP program officers did not correctly fill in 53 (36.6 percent) of the 145 fields<sup>6</sup> requiring “yes,” “no,” or “not applicable” answers. We identified 33 fields for which the information in the APR or data collection form differed from the APR review form, 5 fields for which the data collection form or APR did not provide the CSP program officer with enough information to fill in the field,<sup>7</sup> and 15 fields that the CSP program officer did not fill in (left unanswered).

Additionally, we concluded that the CSP program officers should have provided explanations for their answers but did not fill in 58 (41.4 percent) of the 140 notes sections.<sup>8</sup> For example, if the CSP program officer marked “yes” in the APR review form indicating that the grantee provided acceptable data for the Federal cost per student in implementing a successful school field, the instructions directed the program officer to provide the number. The notes section for this item included a placeholder for the program officer to add the number. Therefore, we expected to see a dollar amount for the Federal cost per student in the notes section.

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<sup>5</sup> According to the supervisor for CMO and Developer Programs, the CSP office used APRs and data collection forms to complete the APR review template.

<sup>6</sup> We did not review 2 of the 31 fields because we did not have the records necessary to answer them.

<sup>7</sup> In some instances, the data provided in the APR and data collection forms would not have provided sufficient information to enter an answer in the field.

<sup>8</sup> We did not review 2 of the 30 fields because we did not have the records necessary to answer them.

To determine whether the CSP office notified grantees about CSP program officers' issues with or concerns about the grantees' APRs, we asked for written correspondence that the CSP office had with grantees associated with the APR review forms. The CSP office's records demonstrated that the grantees associated with 21 (72.4 percent) of the 29 APR review forms received written correspondence describing the CSP program officers' issues or concerns. However, the CSP office could not find written correspondence with the grantees associated with 3 (10.3 percent) of the 29 APR review forms. Additionally, the written correspondence with the grantees associated with four (13.8 percent) other APR review forms did not include information showing that the CSP office shared the issues or concerns identified by CSP program officers during their reviews of APRs. One (3.4 percent) APR review form did not include issues or concerns that required correspondence.

### **Department Policy Required Program Offices Overseeing Discretionary Grants to Implement Uniform Monitoring Procedures**

Section 5.3.4 of the September 2015 Handbook required program offices overseeing discretionary grant programs to establish and adhere to uniform monitoring procedures and to document post-award monitoring by developing and using performance measurement systems. Similarly, section 6.3.3 of the July 2020 Handbook required program offices to ensure that monitoring data and results were used to improve the program office's monitoring processes.

Principle 15.03 of "Standards for Internal Control in the Federal Government" (September 2014) states: "Management communicates quality information externally through reporting lines so that external parties can help the entity achieve its objectives and address related risks. Management includes in these communications information relating to the entity's events and activities that impact the internal control system."

CSP program officers did not correctly complete APR review templates and the CSP office did not communicate with grantees about CSP program officers' issues or concerns because of the absence of a control, such as a supervisory review, to ensure that APR review forms were accurate and complete.

Because it did not always implement the processes designed to provide reasonable assurance that discretionary grant recipients reported accurate and complete information in their APRs as designed, the CSP office might not have had reliable information needed to make informed decisions about continuation funding. Additionally, the CSP office might not have timely identified grantees that needed assistance to meet their approved goals.

## **Recommendation**

We recommend that the Assistant Secretary for Elementary and Secondary Education require the CSP office to—

- 1.1 Regularly review the work of CSP program officers to ensure that they are correctly implementing the processes designed for completing APR review templates and communicating issues with and concerns about APRs to grantees.

## **OESE Comments**

OESE disagreed with Finding 1, stating that it should be an example of a deficiency under Finding 3. OESE also disagreed with the recommendation, stating that it is out of date and the CSP office is already implementing procedures that align with the recommendation.

OESE stated that it did not agree with the OIG's assertions that CSP program officers did not always accurately complete APR review forms and communicate with grantees about issues or concerns with the APRs, did not have access to the most reliable information needed to make informed noncompeting continuation award funding decisions, and might not have identified grantees that needed assistance in meeting their approved goals in a timely manner. Finding 1 does not reflect a clear understanding of the processes and procedures for making noncompeting continuation award funding decisions. Before making the decisions, CSP program officers review and confirm the accuracy and completeness of data submitted via the APRs. The CSP office's data collection and compliance monitoring contractor cleans and validates data in the data collection forms. Additionally, CSP program officers use multiple data sources to make noncompeting continuation award funding decisions and must get approval from OESE leadership and other Department offices.

OESE also stated that the draft report failed to consider the cumulative effect of the Department's reorganization and staff turnover. These factors had a major impact on the ability of CSP program officers to properly update grant files. Therefore, the APR review forms that the CSP office provided to the OIG might not represent all the APR review forms that CSP program officers completed.

Additionally, OESE stated that the draft report failed to address improvements that the CSP office made before and after the OIG paused its audit. The CSP office revised its oversight processes since this audit began but Finding 1 is based on prior processes. It does not describe the differences between the original and revised APR review template, which reflect a major shift in the design and use of the template.

Finally, OESE stated that the CSP office has implemented new grants management processes and practices to provide reasonable assurance that grantees report complete and reliable information in their APRs and that CSP program officers implement the processes as designed. These new processes and practices include establishing and reinforcing for CSP program officers to document APR- and final performance report-related communications with grantees and to store these communications in official grant files. The CSP office also is creating a charter online management and performance system that is intended to improve its processes.

## **OIG Response**

We did not change the finding or recommendation. Also, we did not combine Findings 1 and 3 because they are different issues. OESE's comments on the draft report describe the processes that the Department and CSP office designed. Finding 1 explains that the Department had well-designed processes. However, we found that CSP program officers did not always implement those processes as intended. OESE did not provide any additional records to show that CSP program officers always followed those processes during our audit period or that the CSP office is now ensuring that program officers follow the processes.

The APR review process is a critical component of the noncompeting continuation award funding decision-making process. Without CSP program officers completely and accurately filling out APR review templates, OESE leadership might not have access to the most reliable information needed to make decisions about whether to approve the CSP office's noncompeting continuation award funding decisions. Without CSP program officers timely communicating issues or concerns about the APRs to grantees, the CSP office might miss an opportunity to help grantees get back on track toward meeting their approved goals.

Before sending the draft of this report to OESE for comment, we considered the potential effect of the Department's reorganization and the turnover in CSP office personnel on this finding. The deficiencies in the CSP office's implementation of the procedures described in Finding 1 existed throughout our audit period, including when the original procedures were being used and when the revised procedures were being used. However, as noted in the draft report, there were significantly fewer deficiencies in the implementation of the procedures toward the end of our audit period (June 2021). Therefore, while they might have contributed to the deficiencies, the reorganization and personnel turnover were not the sole cause of the issues described in this finding.

Pausing this audit in July 2018 did not affect our conclusions. We conducted all our analyses after resuming the audit in May 2021. Additionally, the draft report noted that the CSP office revised its procedures after new CSP office leadership was in place. It also noted that part of revising those procedures included updating the APR review template. We are not questioning the sufficiency of the revised procedures or updated template. Rather, Finding 1 concerns the CSP office not always implementing the Department's procedures and its own as designed.

As for the CSP office implementing new grants management processes and procedures that align with the recommendation, we assessed the implementation of the Department's processes that were in place as of June 2021, including many of those discussed in OESE's comments. However, we have not assessed the design or implementation of any processes and procedures put in place after June 2021. We also have not confirmed whether any new processes include supervisory reviews of CSP program officers' work.

## **Finding 2. The Department Designed Processes to Provide Reasonable Assurance That Grantees Spent Grant Funds Only on Allowable Activities and in Accordance with Program Requirements but the CSP Office Did Not Always Effectively Implement Them**

Through the Handbook and its contract, the Department designed processes that should have provided reasonable assurance that grantees spent discretionary grant funds on allowable activities and in accordance with program requirements. The Handbook required that program offices monitor the financial activities of their grantees to ensure compliance with financial requirements and review grantees' expenditure information no less than quarterly. The Handbook also specified that a grantee's noncompeting continuation funding is contingent upon, among other requirements, the program office determining whether the grantee had maintained financial and administrative management systems that met the requirements in 2 C.F.R. sections 200.302 (Financial management) and 200.303 (Internal controls). In addition to the processes set forth in the Handbook, the Department employed a contractor to, in part, assist the CSP office in implementing its post-award monitoring processes.

We concluded that the CSP office generally implemented these monitoring processes as designed. However, it did not always ensure that grantees implemented corrective actions designed to address significant compliance issues relevant to their spending of Replication and Expansion grant funds that the contractor noted during its monitoring reviews.

### **The CSP Office's Processes for Providing Reasonable Assurance That Grantees Spent Grant Funds Only on Allowable Activities and in Accordance with Program Requirements**

The CSP office told us that it monitored grantees' budgets to ensure that they were in accordance with approved grant applications. It did not perform onsite reviews of grantees' uses of Replication and Expansion grant funds to ensure that the funds were spent in accordance with requirements. Instead, the Department hired a contractor to assist the CSP office with, among other things, post-award grant monitoring, including reviews of grantees' uses of Replication and Expansion grant funds. In fulfilling its post-award monitoring responsibilities, the contractor would make at least one site visit to each Replication and Expansion grant recipient during the life cycle of each grant.

To identify the grantees that it wanted subjected to a monitoring visit, the CSP office annually completed a risk rubric. The risk rubric included risk factors, such as the last period subjected to monitoring, total award amount, percentage of the award spent, total number of schools opened or expanded, and percentage of schools closed. Completion of the risk rubric resulted in a numerical risk score for each grantee. Based on the numerical risk score, the CSP office designated the grantee as high risk, medium risk, or low risk. It then sent to the contractor a list of the grantees it wanted subjected to a monitoring visit. (The fiscal year 2021 list of grantees to be monitored included grantees from all three risk levels.) A CSP office official told us that the CSP office also notified the grantees of the dates for the monitoring visit.

The contractor assessed each grantee's compliance with requirements against selected monitoring indicators. These monitoring indicators were based on the authorizing statute, nonregulatory guidance, notices inviting applications, and regulations. The monitoring indicators relevant to our audit objective consisted of the use of grant funds and selected aspects of fiscal control and fund accounting. The contractor assessed whether the grantee spent Replication and Expansion grant funds in accordance with approved budget categories, such as salary and fringe benefits, professional development, equipment, accounting records, and associated supporting documentation. If a monitoring indicator was partially met or not met, the contractor could recommend that the grantee be referred for technical assistance.

After completing its site visit and post-visit synthesis and analysis, the contractor prepared a report on the results of its monitoring and provided it to the CSP office for review and comment. After obtaining comments from the CSP office and revising its report (if necessary), the contractor provided the report to the grantee for review and comment. If the contractor's report identified significant compliance issues, the CSP office required the grantee to implement a corrective action plan.

### **The CSP Office Did Not Always Ensure That Grantees Implemented Corrective Actions to Address Significant Compliance Issues Relevant to Spending Grant Funds**

We reviewed monitoring reports on the contractor's reviews of 19 grantees. Of the 19 monitoring reports, 8 (42.1 percent) identified significant compliance issues relevant to the use of and accounting for grant funds. To determine whether the CSP office ensured that the grantees implemented corrective actions to address the significant compliance issues, we reviewed the eight corrective action plans developed by the CSP office. We found that the CSP office did not complete the portion of the plans that identified its recommended corrective actions and the grantees' proposed actions for seven (87.5 percent) of the eight monitoring reports. The CSP office also did not

complete the portion of the corrective action plans that described how or whether each of the grantees corrected the significant compliance issues relevant to their Replication and Expansion grant expenditures.

Section 5.3.6 of the September 2015 Handbook required program officers to provide grantees with timely reports of monitoring activities, including actions needed in instances of noncompliance. Section 5.3.12 required program officers to document the corrective actions for each finding or specific recommendations for project improvements that have been communicated to the grantee in writing; it also required program officers to document the grantee's responses to the recommended corrective actions. Section 5.7 of the July 2020 Handbook required official grant files to include monitoring documentation, including corrective action plans.

Section III, part B, of the 2017–2018 “Monitoring Handbook for CMO Grantees” stated that Replication and Expansion grant recipients with significant compliance issues might have conditions attached to their grant awards. The grantees must resolve the significant compliance issues by implementing the corrective action plans. The CSP office was responsible for the oversight of the grantee's corrective actions and might resolve the conditions or take additional administrative actions based on evidence that the grantee provided to demonstrate that they were implementing the corrective action plans.

## **Recommendations**

We recommend that the Assistant Secretary for Elementary and Secondary Education require the CSP office to—

- 2.1 Implement procedures to ensure that it completes the portion of corrective action plans identifying its recommended corrective actions and the grantee's proposed actions and the portion describing how or whether the grantee corrected the significant compliance issues relevant to grant expenditures.
- 2.2 Retain records demonstrating that grantees took the required corrective actions.

## **OESE Comments**

OESE agreed with Finding 2 but suggested clarifications of several statements. It disagreed with the recommendations. OESE stated that the CSP office is already implementing new processes and procedures to streamline the corrective action plan development process, eliminate the backlog of corrective action plans that have not yet been closed, and keep grantees on track to ensure their corrective action plans are resolved in a timely manner. These new processes and procedures involve the CSP office

using the services of the National Charter School Resource Center. The National Charter School Resource Center is tasked with creating corrective action plan spreadsheets for each grantee based on monitoring report findings. Each spreadsheet tracks the grantee's progress toward resolving all findings and involves the creation of a timeline for the types of documents, policies, or practices that the grantee will create or activities that the grantee will perform as part of the corrective action. Throughout the corrective action plan process, the National Charter School Resource Center regularly meets with grantees to discuss progress. CSP office employees participate in the kickoff and final meetings with the grantee and recurring meetings as needed. CSP office employees also review, provide feedback, and approve documentation, including resolution plans, throughout the corrective action process.

### **OIG Response**

We did not change the finding or recommendations. We identified deficiencies in the CSP office's implementation of the Department's processes and its own throughout our audit period, both the processes in effect before we paused the audit in July 2018 and the processes in effect as of June 2021. We did not evaluate any processes and procedures put in place after June 2021. However, as described, the CSP office's new processes would be responsive to Recommendation 2.1. They also would be responsive to Recommendation 2.2, provided all records of the corrective action plan processes and results are retained in official grant files.

### Finding 3. The CSP Office Did Not Maintain All Official Replication and Expansion Grant Records in Official Grant Files but Has Made Significant Improvement in Its Recordkeeping

Before the CSP office’s 2019 move from the Office of Innovation and Improvement to OESE, CSP program officers did not always retain official Replication and Expansion grant records in official grant files as required by the Department’s Handbook. If CSP program officers did electronically maintain official grant records during the life cycle of the grant, those official grant records were not always printed or copied to another form of electronic storage and included in the official grant file when the program officer left the CSP office and the grant was closed out. Since its 2019 move to OESE, the CSP office has significantly improved its recordkeeping (see [Table 2](#)).

Additionally, the CSP office experienced significant personnel turnover during and after its move to OESE. The director of the CSP office, all three supervisors, and more than half of the CSP program officers transitioned to the CSP office during or after September 2020. This significant turnover, in part, resulted in the CSP office’s inability to find all official Replication and Expansion grant records, including APR review forms, corrective action plans, and written correspondence with grantees.

The CSP office’s policy requires program officers to complete an APR review form for each APR submitted by Replication and Expansion grant recipients. Given that a CSP program officer should have completed 1 APR review form for each APR for each grant year, excluding the final grant year, we estimated that CSP program officers should have completed 257 APR review forms from October 1, 2015, through June 30, 2021. When we asked the CSP office for a list of APR review forms that it could make available for our review, the CSP office provided us with lists that included only 123 APR review forms—47.9 percent of the 257 APR review forms that we estimated should have been completed from October 1, 2015, through June 30, 2021 (see [Table 2](#)).

**Table 2. Number and Percentage of APR Review Forms That the CSP Office Could Find**

Fiscal Year	Number of APR Review Forms That Should Have Been Available for Review	Number of APR Review Forms That CSP Officials Could Find	Percentage of APR Review Forms That CSP Officials Could Find
2016	23	2	9
2017	36	21	58

Fiscal Year	Number of APR Review Forms That Should Have Been Available for Review	Number of APR Review Forms That CSP Officials Could Find	Percentage of APR Review Forms That CSP Officials Could Find
2018	52	2	4
2019	60	24	40
2020	67	55	82
2021 <sup>9</sup>	19	19	100
<b>Total</b>	<b>257</b>	<b>123</b>	<b>47.9</b>

Additionally, we asked the CSP office for records of written correspondence with the Replication and Expansion grantees associated with the 31 APR review forms that we selected for review (see [Sampling Methodology](#)). The CSP office could provide evidence of written correspondence with 27 (87.1 percent) of the grantees associated with the 31 APR review forms. However, it could not provide records of written correspondence with 3 (9.7 percent) of the grantees associated with the 31 APR review forms (1 APR review form did not include issues or concerns that would require correspondence).

### **Department Policy Required Program Offices to Create an Official Grant File for Each Discretionary Grant and to Maintain Any Records Relevant to the Grant in the Official Grant File**

For Replication and Expansion grants awarded from September 11, 2015, through July 22, 2020, section 4.11 of the Handbook required program offices to create and maintain an official grant file for each application awarded a grant. The official grant file should have included any documentation relevant to the grant throughout its life cycle, including but not limited to the recipient’s grant application and reviewer comments, grant award notifications, APRs, correspondence, and decisions. The Handbook also required the official grant file to include records submitted, processed, and maintained electronically. Additionally, the Handbook required program offices to establish a secure area in their respective offices to store the official grant files; records maintained

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<sup>9</sup> Through June 30, 2021.

electronically during the life of the grant should have been printed or copied to a diskette and included in the official file when the grant is closed out.

For Replication and Expansion grants awarded after July 22, 2020, section 5.7 of the Handbook required program offices to create, maintain, and dispose of official grant files in compliance with Departmental Directive OM: 06-103, "Records and Information Management Program." According to Departmental Directive OFO-F-01, official grant files should be maintained in either G5, Office 365 OneDrive, or any succeeding system. G5 is the preferred location because of limited document storage and because official grant file-related processes are automated. If a program official determines that a program office cannot use G5, then the program office's records liaison officer is obligated to annually inform the Department's records officer in writing of the program official's determination and the exact location of their official grant files.

Without maintaining all relevant records in official grant files, the CSP office might not have had reasonable assurance that it had all the information needed to effectively administer Replication and Expansion grants. It also might not have had sufficient quality information to assess whether grantees were meeting performance targets and should have received continuation funding.

### **Recommendation**

Because the CSP office has significantly improved its recordkeeping since its 2019 move from the Office of Innovation and Improvement to OESE, we are not recommending any corrective actions.

### **OESE Comments**

OESE disagreed with the finding, stating that it is out of date and did not provide specific examples of areas of noncompliance for the CMO program beyond repeated references to grant files not being maintained with relevant communications. OESE also disagreed with the recommendation, stating that the CSP office currently adheres to all the policies and procedures for creating, maintaining, and disposing of official grant files in compliance with Departmental Directive OM: 06-103, "Records and Information Management Program," and the Department's Handbook.

### **OIG Response**

We did not change the finding. Throughout our audit period (October 2017 through June 2021), the CSP office was not retaining all Replication and Expansion grant-related records in official grant files. Had it been doing so, current CSP office employees would have been able to quickly fulfill our requests for records. Instead, the records that we

requested often took current CSP office employees weeks to locate, even though those records should have been readily available and easily accessible.

The finding acknowledges that the CSP office significantly improved its recordkeeping after new leadership took over in September 2020, and we commend them for the improvement. Accordingly, we deleted the recommendation about the Assistant Secretary for Elementary and Secondary Education reminding the CSP office that it is required to maintain all grant records in official grant files.

## Appendix A. Scope and Methodology

We assessed the design and implementation of the Department and the CSP office’s processes for providing reasonable assurance that grantees reported complete and accurate information in their APRs and spent Replication and Expansion grant funds only on allowable activities and in accordance with program requirements. Our audit covered the design of the processes that the Department and the CSP office established as of June 30, 2021. It also covered the CSP office’s implementation of the processes from October 1, 2017, through June 30, 2021.<sup>10</sup>

To assess the design of the processes, we reviewed the following:

- Title IV, Part C of the ESEA, as amended;
- “Standards for Internal Control in the Federal Government” (September 2014);
- Office of Innovation and Improvement Dear Colleague Letter on ESEA Flexibility to Current CSP Grant Recipients (November 15, 2017);
- Departmental Directive ODS 01 “Handbook for the Discretionary Grant Process” (September 11, 2015);
- Departmental Directive OFO-F-01, “Handbook for the Discretionary Grant Process” (July 23, 2020);
- The CSP office’s APR review templates;
- The contractor’s “Expanding Opportunity through Quality Charter Schools Program: Monitoring, Evaluation, Data Collection, and Dissemination of Best Practices” (2017–2018 and 2018–2019 versions); and
- The contractor’s “Expanding Opportunity through Quality Charter School Programs: Monitoring, Evaluation, Data Collection, and Dissemination of Best Practices” (2019–2020).

To determine whether the CSP office implemented established processes for providing reasonable assurance that grantees reported complete and accurate information in their APRs, we selected 31 APR review forms for review (see [Sampling Methodology](#)).<sup>11</sup>

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<sup>10</sup> As part of a series of projects, we audited two CMOs’ administration of their Replication and Expansion grants.

<sup>11</sup> These 31 APR review forms were associated with 26 grantees.

When an APR review form indicated that the CSP program officer noted issues with or concerns about an APR, we asked for written correspondence with the grantee demonstrating that the CSP office communicated the CSP program officer's issues with or concerns about the APR; we also asked for records demonstrating that the grantee took corrective actions to address those issues or concerns. Finally, we reperfomed the APR review process for a judgmental selection of five APR review forms that CSP program officers completed following the CSP office's revised processes and compared our results to theirs.

To determine whether the CSP office implemented established processes for providing reasonable assurance that grantees spent discretionary grant funds only on allowable activities and in accordance with program requirements, we reviewed the contractor's monitoring reports on 19 of the 26 grantees whose APR review forms we had selected for review. (As of June 30, 2021, 7 of the 26 grantees whose APR review forms we selected for review had not been subjected to a monitoring visit.) We reviewed the sections of the contractor's monitoring reports relevant to the grantees' uses of Replication and Expansion grant funds, fiscal control, and fund accounting. Finally, we reviewed the CSP office's written correspondence with grantees describing issues or concerns that the contractor identified and records demonstrating that the CSP office ensured the grantees took corrective actions to sufficiently address the contractor's issues or concerns.

## **Internal Control**

We assessed the design and implementation of the Department and the CSP office's processes for providing reasonable assurance that discretionary grantees reported complete and accurate information in their APRs and spent grant funds only on allowable activities and in accordance with program requirements. These processes were described in the Department's Handbook, the CSP office's APR review templates, and the contractor's "Expanding Opportunity through Quality Charter School Programs: Monitoring, Evaluation, Data Collection, and Dissemination of Best Practices" (approved by the CSP office).

We identified deficiencies in the CSP office's system of internal control. Specifically, the CSP office did not always implement its APR review processes as designed (see [Finding 1](#)). Also, the CSP office did not always effectively implement the processes designed to provide reasonable assurance that grantees spend grant funds only on allowable activities and in accordance with program requirements (see [Finding 2](#)). Finally, CSP program officers did not always maintain records in official grant files (see [Finding 3](#)).

## **Sampling Methodology**

To assess whether the CSP office implemented its APR review processes as designed, we selected two samples of APR review forms. We randomly selected 30 (27 percent) APR review forms from a list of 111 APR review forms completed by CSP program officers from October 1, 2017, through June 30, 2021, that CSP officials told us that they could find. After we randomly selected our sample of 30 APR review forms, CSP officials found 1 more. We added this additional APR review form to our sample, bringing the total of APR review forms that we selected for review to 31.<sup>12</sup> CSP program officers completed 11 of the APR review forms under the CSP office’s revised APR review process. We judgmentally selected 5 (45.5 percent) of these 11 APR review forms for review. We selected these five to ensure that we reviewed at least one APR review form completed by each of the three CSP program officers who completed an APR review form under the revised policy.

## **Compliance with Standards**

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

We conducted this audit at the Department’s offices in Washington, DC, and our offices from March 2018 through October 2022.<sup>13</sup> We discussed the results of our audit with OESE officials on January 13, 2023.

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<sup>12</sup> While we asked for these 31 APR review forms, the CSP office could not find 2 (6.5 percent) of them; therefore, we only reviewed 29 APR review forms.

<sup>13</sup> After starting work in March 2018, we placed this audit on hold in July 2018, pending completion of two audits of Replication and Expansion grant recipients. We remotely resumed work on this audit in May 2021.

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## Appendix B. Acronyms and Abbreviations

APR	Annual performance report
C.F.R.	Code of Federal Regulations
CMO	Charter management organization
CSP	Charter School Programs
Department	U.S. Department of Education
ESEA	Elementary and Secondary Education Act of 1965, as amended
Handbook	“Handbook for the Discretionary Grant Process”
OESE	Office of Elementary and Secondary Education
OIG	Office of Inspector General
Replication and Expansion	Charter Schools Program Grants to Charter Management Organizations for the Replication and Expansion of High-Quality Charter Schools

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## Department Comments



UNITED STATES DEPARTMENT OF EDUCATION  
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION

May 22, 2023

Byron S. Gordon  
Assistant Inspector General for Audit  
[Byron.S.Gordon@ed.gov](mailto:Byron.S.Gordon@ed.gov)

Dear Mr. Gordon:

I am writing on behalf of the U.S. Department of Education (Department) in response to the findings and recommendations made in the Office of Inspector General's (OIG) draft report *The U.S. Department of Education's Processes for Overseeing Charter Schools Program Grants to Charter Management Organizations for the Replication and Expansion of High-Quality Charter Schools* (ED-OIG/A18IL0009). We appreciate the opportunity to respond.

Of the three findings identified and the accompanying recommendations, the Department concurs with Finding 2 and is already implementing new processes and procedures that align with the recommendations. The Department also recommends clarifications of certain statements under Finding 2. As discussed in more detail below, the Department does not concur with Finding 1 or Finding 3, and contends that these findings should be combined, as Finding 1 is an example of a deficiency under Finding 3. Therefore, we believe Finding 1 should not be included as an independent finding in the final report, and request your consideration in consolidating the recommendations, accordingly.

We appreciate the OIG providing contextual information in the Background section of the report concerning implications of the Department's reorganization in response to Executive Order (EO) 13781, including significant staff turnover during the audit period, but urge the OIG make this critical context that should be reiterated for each finding in the report. While descriptions of the scale and impact of the CSP Office's move from the Office of Innovation and Improvement (OII) to the Office of Elementary and Secondary Education (OESE) in 2019, and the specific management, supervisory, and staff level positions that were filled in 2020, are included as context for Finding 3 near the end of the report, we believe this information should be provided in the "Introduction" of the report. Understanding the cumulative effects of the Department's reorganization and the significant staff turnover in the CSP Office as early as possible in the report will provide important context and insight into the underlying causes of the deficiencies and findings identified by the OIG.

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We are also concerned about the lack of information and context provided in the “Results in Brief” and “Introduction” sections of the report regarding the unique timeline governing this audit. A footnote in the “Introduction” of the report states, “After starting work on this audit in March 2018, we placed it on hold pending completion of two audits of Replication and Expansion grant recipients: IDEA Public Schools (control number ED-OIG/A05S0013) and InspireNOLA Charter Schools (control number ED-OIG/A18IL0012). We remotely resumed work on this audit in May 2021.”

Although the report indicates that the audit covered the implementation of grants management processes and procedures from October 1, 2017, through June 30, 2021, it does not state when the audit was placed on hold before it was resumed in May 2021. Knowing the time lag for when the audit was paused and restarted is critical information to consider and acknowledge, as not only were there significant changes in CSP leadership and staff, but also, the CSP office revised its grants management processes and procedures governing the review of Annual Performance Reports (APRs) between March 2018 and May 2021. The auditors acknowledge on page 16 of the draft report that the CSP office has significantly improved its recordkeeping since relocating to OESE in 2019; however, the draft report does not address these improvements in the CSP office’s grants management processes and procedures pre- and post the “audit pause” nor the effect, if any, of such improvements on the findings in the draft report.

We provide additional responses to the findings and recommendations in the draft report below, along with the corrective actions we have already taken or plan to take and the targeted completion dates.

**Finding 1: The Department Designed Processes to Provide Reasonable Assurance That Grantees Reported Reliable Information in Their APRs but the CSP Office Did Not Always Implement Those Processes as Designed**

**OESE Response:** We do not concur with this finding, and as stated above, we believe this finding should be rewritten to be more complete as noted below, and included as an example under Finding 3. We appreciate the auditors’ acknowledgement that the CSP Office has implemented processes to ensure that grantees report valid and reliable performance and expenditure data; established post-award procedures to monitor grantee compliance and performance; and provided training and technical assistance to grantees to ensure grant compliance and successful grant implementation. However, we do not concur with the assertions that CSP program officers did not always accurately complete APR review forms and communicate with grantees about issues or concerns with the APRs; did not have access to the most reliable information needed to make informed non-competing continuation (NCC) funding decisions; and might not have identified grantees that needed assistance in meeting their approved goals in a timely manner.

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We are concerned that this finding does not reflect a clear understanding of the processes and procedures for making NCC funding decisions, including that APRs are one of multiple data sources used to inform such funding decisions. Annually, CMO grantees are required to submit to the CSP Office quantitative and qualitative data via APRs; and bi-annually, they are required to report additional school level performance and expenditure data via the CSP data collection forms (DCFs). The completeness and accuracy of the data submitted via the APRs are reviewed and confirmed by CSP program officers. Once APRs are submitted to the CSP, CSP program officers utilize the APR review form to document their review of the grantee's APR. The main purpose of the APR review form is for CSP program officers to indicate whether the grantee has addressed all the required components of the APR and, more importantly, to document their analysis of grantee progress by comparing it to the data submitted in the DCF. The comparison of the data in the APR to that in the DCF is one way the CSP ensures that the qualitative data submitted in the APR is reliable. Once CSP program officers complete their initial review of a grantee's APR, they typically schedule a call or multiple calls, as needed, with grantees to ask clarification questions about the performance and expenditure data contained in the APR. These conversations often result in changes (e.g., corrections or clarifications) to a grantee's APR, which the CSP program officer documents by updating the APR review form. Phone calls between CSP program officers and grantees is another way the CSP seeks to ensure that the data submitted via the APR is reliable.

The data contained in the DCFs are cleaned and validated by the CSP data collection and compliance monitoring contractor, WestEd. The DCFs are submitted twice a year, once with the APRs to support the qualitative data presented in the APR and again six months following the submission of the APR to offer year-end updates. In addition to the APRs and DCFs, all CMO grantees are required to undergo at least one comprehensive compliance monitoring site visit per grant period. These visits are also facilitated by WestEd and, depending on the date of the site visit, the data collected during these monitoring reviews are used to validate APR and DCF data. This is also another source of data used to inform NCC funding decisions.

Additionally, CSP program officers review and consider data from multiple sources to inform substantial progress determinations and, ultimately, NCC funding decisions. The sources include data and information contained in the APRs, DCFs, compliance monitoring site visit reports, and financial data maintained in the Department's web-based grants management system (i.e., G5). G5 is one of the most reliable data sources for determining grantee progress and making NCC funding decisions. The draft report fails to acknowledge the importance of G5 financial information to validate data submitted in the APR and the role of the NCC slate memorandum to document NCC funding decisions. For example, two key indicators of progress tracked in G5 are drawdown data (e.g., frequency and amounts) found in the Department's G5 system and other financial

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markers, such as large carryover balances. These financial data points, along with the APR and DCF data discussed above, serve as the basis for NCC funding recommendations and are addressed in the NCC award slate memoranda. Also, during the development of the NCC award slate memorandum, CSP staff conduct a risk assessment of each grantee, including pulling the Entity Risk Review (ERR) report for each grantee. The ERR report rates a grantee's risk level in three areas, *Administrative Risk* (e.g., past substantial progress determinations, official high-risk status, etc.), *Financial Risk* (e.g., payment flags, excessive drawdowns, funds reverted to the U.S. Department of the Treasury, etc.), and *Internal Controls Risk* (e.g., concerns with program audits and financial statements, questioned costs, procurement suspension/debarment findings, etc.). CSP staff conduct research and address these risks, in detail, in the slate memorandum. Before final NCC funding decisions are made, CSP program officers must present their written funding recommendations, along with a justification, in a slate memorandum for approval by OESE leadership as well as the Office of General Counsel, Budget Services, and the Office of Planning, Evaluation, and Policy Development.

We also do not concur with Finding 1 because, as stated above, the draft report fails to address improvements in grants management processes and procedures implemented by the CSP Office before and after the audit pause. Although the auditors acknowledge that the CSP Office made significant improvements in its recordkeeping after relocating from OII to OESE in 2019 (page 16), this finding in the draft report appears to be based entirely on the auditors' observations before the audit pause and does not address the impact of the improved grants management processes and procedures on the finding. Similarly, the auditors acknowledge on page 9 of the draft report that in the spring of 2021, the CSP Office revised the APR review form; however, the draft report does not describe the differences between the original and revised APR review forms. The revised APR review form was developed and implemented by current CSP leadership (new staff onboarded during the audit pause) and reflects a major shift in the design and utilization of the APR review form. The revised form built on a review of the previous APR review form used by CSP staff and was designed for continuous improvement. The revised APR review form requires CSP program officers to confirm and document, among other things, their review of the data submitted by grantees in the APR, along with evidence to support their substantial progress determination and recommendation for NCC award funding. Currently, the APR review form is updated annually, as needed, to reflect changes in program policies or processes.

Finally, we do not concur with Finding 1 because it fails to take into account the cumulative effects of the Department's reorganization in response to EO 13781, and the significant staff turnover noted above. These events had a major impact on the CSP Office's ability to ensure that CSP program officers properly updated grant files with information regarding APR communications prior to their departure from the Department, as several supervisory and staff level positions

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were vacant at the time the former CSP staff left the program office. We also disagree with the assertion that because some APR review forms did not appear to be completed properly and the CSP Office could not provide all the requested APRs to the auditors, the CSP office did not always have access to complete and accurate information necessary to make informed NCC funding decisions or to provide timely assistance to grantees. The APR review forms provided to the auditors were not necessarily the only APR review forms completed, as some APR review forms were likely maintained in the electronic files of the former CSP program officers, which may not have always been readily accessible to CSP staff.

Although we do not concur with Finding 1, the CSP has implemented new grants management processes and procedures to provide a reasonable assurance that grantees report complete and reliable information in their APRs and that the CSP implements the processes as designed. These new processes and practices include but are not limited to the following:

1. Created robust APR and Final Performance Report (FPR) instructional webinars to provide clear guidance to grantees on the APR and FPR requirements and submission processes. First implemented in October 2020 and updated annually as needed.
2. Created a budget expenditure form to assist grantees in determining their expenses, encumbrances, carryover, and projections for both the APR and FPR. First implemented in October 2020 and updated annually as needed.
3. Created CSP customer service standards outlining CSP program officer response times for grantee inquiries and questions associated with completing the APR and FPR. First implemented in December 2020 and updated as needed.
2. Established and reinforced standards for CSP program officers to document APR- and FPR-related communications with grantees and to store these communications in grantees' files. First implemented in December 2020 and updated as needed.
3. Offer "Office Hours" to meet with each grantee on a one-on-one basis with their program officer to assist them in completing their APR and FPR and answer grant-related questions. First implemented in November 2020 and updated as needed.
4. Directing and meeting with CSP's data collection and monitoring contractor, WestEd, during each APR and FPR submission period to ensure each grantee's DCF is accurate before distribution and after collection, as well as following up with grantees' who fail to respond to WestEd's questions or to submit a completed DCF by the due date. First implemented in November of 2020 and still in use.
5. Creating a process for CSP program officers to analyze all APR data and information to include making substantial progress determinations. First implemented in November 2021 and updated as needed.

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In addition to these actions, in January 2021, the CSP modified its data collection contract with WestEd to create a performance management framework that will house and link all CSP data collected from grantees as part of the following initiatives: compliance monitoring; the APR, FPR, and DCF collections; and the provision of technical assistance to grantees. This new system is called the Charter Online Management and Performance System (COMPS) and is intended to inform decision-making and drive program and process improvements for the CSP, its grantees, and stakeholders. As a result of COMPS, the CSP will have access to all CSP performance data, including the number of charter schools opened, expanded, and closed and the accompanying financial data in one place. Establishing this performance management framework also includes establishing standard timelines for CSP program officers to review APRs and to perform any necessary follow-up with grantees. In addition, the CSP is developing new, program-specific APRs aligned with the priorities, requirements, definitions, and selection criteria established in the Notice of Final Priorities, Requirements, Definitions, and Selection Criteria that published was in the *Federal Register* on July 6, 2023 (87 *FR* 40406). In April 2023, the CSP conducted a series of webinar focus groups with grantees to preview and obtain feedback on the new APR, and we anticipate previewing the COMPS platform for grantees during the program's upcoming Annual Project Directors' Meeting in July 2023. We expect to obtain Paperwork Reduction Act (PRA) clearance through the Office of Management and Budget by Fall 2023, in order to utilize the new forms in 2024.

*Recommendation 1.1: That the Assistant Secretary for Elementary and Secondary Education require the CSP office to [r]egularly review the work of CSP program officers to ensure that they are correctly implementing the processes designed for completing APR review forms and communicating issues with and concerns about APRs to grantees.*

**OESE Response:** We believe that this recommendation is out of date and that we are already doing what this recommends. Since relocation of the CSP Office from OII to OESE in 2019, the CSP Office has hired a new director and several new supervisors and staff, as well as established new and improved grants management and recordkeeping procedures, as acknowledged by the auditors in the draft report. The new supervisors are responsible for ensuring that program officers follow established grants management procedures and processes, including completing APR review forms properly and following up with grantees regarding any concerns and issues with the APRs. The Department is confident that these actions and implementation of COMPS will help ensure that CSP program officers adhere to all established processes and procedures for completing APR review forms and making informed NCC funding decisions.

**Finding 2: The Department Designed Processes to Provide Reasonable Assurance That Grantees Spend Grant Funds Only on Allowable Activities and in Accordance with Program Requirements but the CSP Office Did Not Always Effectively Implement Them**

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**OESE Response:** The Department concurs with Finding 2, but recommends clarifications of several statements under this finding. First, while CSP staff do not conduct onsite monitoring reviews for the CMO grant program, CSP staff work very closely with the contractor hired to perform such onsite monitoring reviews. In addition, the program office establishes regular monitoring schedules for grantees, although grantees that present elevated or significant risks may be targeted for monitoring ahead of the established schedule. Further, the CSP Office requires grantees to implement appropriate corrective actions for any monitoring indicator that is not fully met, not only for “significant instances of noncompliance,” as stated on page 14 of the draft report. Finally, also on page 14, the draft report states that 8 of the 19 monitoring reports reviewed by the auditors identified significant instances of noncompliance with requirements governing the use of and accounting for grant funds. We recommend including an explanation of the meaning of “significant instances of noncompliance”.

*Recommendation 2.1: That the Assistant Secretary for Elementary and Secondary Education require the CSP office to [i]mplement procedures to ensure that it completes the portion of corrective action plans identifying its recommended corrective actions and the grantee’s proposed actions and the portion describing how or whether the grantee corrected the significant instances of noncompliance relevant to grant expenditures.*

*Recommendation 2.2: That the Assistant Secretary for Elementary and Secondary Education require the CSP office to [r]etain records demonstrating that grantees took the required corrective actions.*

**OESE Response:** We believe that these recommendations are out of date and that we are already doing what this recommends. The Department is already implementing new procedures and practices to streamline the previously established corrective action plan (CAP) development process; eliminate the backlog of CAPs that have not yet been closed; and keep grantees on track to ensure their CAPs are resolved in a timely manner. New CAP creation and resolution procedures involve the CSP utilizing the services of its technical assistance provider, the National Charter School Resource Center (NCSRC).

The NCSRC is tasked with creating CAP spreadsheets for each grantee based on the monitoring report findings. The spreadsheet is utilized to track grantee progress in resolving all findings and involves the creation of a timeline for the types of documents, policies, or practices the grantee will create, or activities the grantee will perform as part of the corrective action. The three phases of the CAP process are as follows:

- Phase 1: The NCSRC extracts compliance monitoring information from the monitoring report and pre-populates the CAP spreadsheet, to include the specific findings. The CSP sends the CAP spreadsheet to the grantee to begin the CAP process.

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- Phase 2: Grantees upload their resolution plan and timeline for completion in the spreadsheet. The CSP reviews the CAP for approval, providing feedback as needed.
- Phase 3: Grantees describes how they have completed their CAP and provide documentation for each action and associated finding on the approved plan. The NCSRC adds notes to the spreadsheet concerning technical assistance offered the grantee to resolve findings. CSP staff review the documentation offered in response to the corrective action performed associated with each finding, indicating if the documentation is sufficient for resolving the finding based on what was approved in the plan.

Grantees have one year to resolve the findings in their CAP, and the NCSRC works with each grantee until their CAP is closed. Throughout the CAP process, the NCSRC meets regularly with grantees, weekly during the first month and monthly thereafter, to discuss progress and add notes to the CAP spreadsheet as grantees upload documentation. CSP staff participate in the kickoff and final meetings with the grantee and NCSRC and participate in the recurring meetings as needed. These processes ensure continuous communication with the grantee and allows the CSP to review documents as they are revised or drafted to ensure timely and adequate resolution of all CAPs. All CAPs are retained as part of the official grant file in accordance with standard records management policies and procedures.

### **Finding 3: The CSP Office Did Not Maintain All Official Replication and Expansion Grant Records in Official Grant Files but Has Made Significant Improvement in Its Recordkeeping**

**OESE Response:** As stated above, we believe Finding 1 should be included as an example under this finding, since Finding 1 deals primarily with grantees reporting accurate and complete information in their APRs and the CSP Office's maintenance of APR and related records. Finding 3 is based on missing grant files, including APR review forms and related communications with grantees. We believe these Findings 1 and 3 should be combined and that Finding 1 is insufficient to serve as an independent finding. We also believe that this finding and the accompanying recommendations are out of date and that we are already doing what this recommends.

Additionally, the Department is concerned about references in the draft report, on pages 17 – 18, to the Department's *Handbook for the Discretionary Grant Process* and other authorities, such as Departmental Directive OM: 06-103, "Records and Information Management Program." The draft report notes that these documents require program offices to create and maintain official grant files and establish a secure area to store the official grant files, but fails to provide specific examples of areas of non-compliance for the CMO program beyond repeated references to grant files not being maintained with relevant

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communications. The draft report also claims that the CSP Office lacked sufficient quality information to assess whether grantees were meeting performance targets without providing any evidence to support this claim.

*Recommendation 3.1: That the Assistant Secretary for Elementary and Secondary Education remind the CSP office that it is required to—Maintain all grant records, including but not limited to APR review forms, corrective action plans, and written correspondence between the CSP office and grantees, in official grant files.*

**OESE Response:** The Department currently adheres to all the policies and procedures for maintaining relevant records in official grant files, including the creation, maintenance, and disposition of official grant files in compliance with Departmental Directive OM: 06-103, “Records and Information Management Program,” and the Department’s *Handbook for the Discretionary Grant Process*.

Thank you for the opportunity to respond to the information and the recommendations outlined in this OIG draft report. We appreciate OIG’s work on this issue.

Sincerely,

MARK  
WASHINGTON

Digitally signed by MARK  
WASHINGTON  
Date: 2023.05.22  
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