



**U.S. Department of Education
Office of Inspector General**



American Recovery and Reinvestment Act of 2009

**School Improvement Grants: Selected States
Generally Awarded Funds Only to Eligible Schools**

Final Audit Report



ED-OIG/A05L0002

March 2012

NOTICE

Statements that managerial practices need improvements, as well as other conclusions and recommendations in this report, represent the opinions of the Office of Inspector General. Determinations of corrective action to be taken will be made by the appropriate Department of Education officials.

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.

Abbreviations, Acronyms, and Short Forms Used in this Report

Department	U.S. Department of Education
Final Requirements for School Improvement Grants	Federal Register, Vol. 75, No. 208, Thursday, October 28, 2010, Notices, “Final requirements for School Improvement Grants authorized under section 1003(g) of Title I of the ESEA”
Florida	Florida Department of Education
Georgia	Georgia Department of Education
LEA	Local Educational Agency
New York	New York State Education Department
OESE	Office of Elementary and Secondary Education
Ohio	Ohio Department of Education
Recovery Act	American Recovery and Reinvestment Act of 2009
Rochester	Rochester City School District
SEA	State Educational Agency
Texas	Texas Education Agency
Title I	Title I, Part A of the Elementary and Secondary Education Act of 1965, as Amended



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL

AUDIT SERVICES

March 29, 2012

TO: Michael Yudin
Acting Assistant Secretary
Office of Elementary and Secondary Education

FROM: Patrick J. Howard /s/
Assistant Inspector General for Audit

SUBJECT: Final Audit Report
School Improvement Grants: Selected States Generally Awarded Funds Only to
Eligible Schools
Control Number ED-OIG/A05L0002

This is our final audit report that covers the results of our review of five State educational agencies' monitoring plans and awarding processes for American Recovery and Reinvestment Act of 2009 and regular School Improvement Grants funds that the State educational agencies awarded for fiscal year 2009 (for use during school year 2010–2011). An electronic copy has been provided to your Audit Liaison Officer. We received your comments on the findings and recommendations in our draft report.

Corrective actions proposed (resolution phase) and implemented (closure phase) by your office will be monitored and tracked through the Department's Audit Accountability and Resolution Tracking System (AARTS). Department policy requires that you develop a final corrective action plan and upload it into AARTS for our review within 30 days of the issuance of this final audit 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.

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 the cooperation given us during our audit. If you have any questions, please contact me at 202-245-6949 or Gary D. Whitman at 312-730-1658.

**U.S. Department of Education – Office of Inspector General
School Improvement Grants: Selected States Generally
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RESULTS IN BRIEF

The objectives of our audit were to (1) identify monitoring plans related to School Improvement Grants funds at selected State educational agencies (SEA) and (2) determine whether selected SEAs used award processes that resulted in the appropriate allocations of School Improvement Grants funds only to local educational agencies (LEA) with schools having the greatest need for the funds and to LEAs with the strongest commitment to using the funds to raise student achievement. We conducted the audit at the Florida Department of Education (Florida), Georgia Department of Education (Georgia), New York State Education Department (New York), Ohio Department of Education (Ohio), and Texas Education Agency (Texas). We focused our audit on the five SEAs' monitoring plans and awarding processes for American Recovery and Reinvestment Act of 2009 (Recovery Act) and regular School Improvement Grants funds that the SEAs awarded for fiscal year 2009 (for use during school year 2010–2011). For the first objective, the audit period we reviewed at each SEA varied depending on the dates of our site visits. Our audit period for the second objective was March 29, 2010, through December 31, 2010.

Objective 1

All five SEAs that we reviewed had plans to monitor each LEA's implementation of the selected intervention models and monitor each LEA's progress toward meeting the goals described in the application for each school. To monitor the LEAs' implementation of the selected intervention models, all five SEAs that we reviewed planned to work closely with LEAs that were awarded School Improvement Grants funds for school year 2010–2011. Each SEA had specialists working directly with the LEAs and assisting them with the implementation of the selected intervention models. At a minimum, fiscal monitoring at each SEA will consist of reviews of expenditures for agreement with the LEAs' approved budgets. See pages 20–24 of this report for details on each SEA's monitoring plans (Appendix 1).

Objective 2

All five SEAs that we reviewed appropriately allocated School Improvement Grants funds to LEAs with schools having the greatest need for the funds. Three of the five SEAs (Florida, Georgia, and Texas) also allocated funds to LEAs with the strongest commitment to using the funds to raise student achievement. However, two SEAs (New York and Ohio) did not always award School Improvement Grants funds only to schools with the strongest commitment to using the funds to raise student achievement.

New York had extensive procedures to review applications, including having a team of reviewers analyze each application by using an evaluation form and working with LEAs to submit complete and approvable applications. New York required each LEA to describe its plans to

implement the required elements of its selected intervention model in each school. However, applications for 2 of 12 schools in our sample (both in the Rochester City School District) did not include all required elements of their selected intervention models. In addition, Rochester City School District (Rochester) did not use School Improvement Grants funds awarded for these two schools to benefit students attending those schools. Instead, Rochester is phasing out the eligible schools and using the funds for a new school. We identified four additional Rochester schools that were eligible for School Improvement Grants funds but, like the two Rochester schools in our sample, are being phased out. Students attending these four eligible schools will not benefit from the funds because Rochester is using the funds for two new schools (see Finding No. 1).

Ohio also had extensive procedures to review applications, including having three reviewers analyze each application by using an evaluation form as part of a competitive scoring process. In addition, the Associate Superintendent for the Center for School Improvement reviewed all applications that were recommended for approval. Ohio also required each LEA to provide an assurance stating that it would use its School Improvement Grants funds to fully and effectively implement an intervention model in each school that the LEA committed to serve. However, for 8 of 11 schools in our sample for which LEAs selected the transformation or turnaround model, Ohio did not ensure that the LEAs initially had plans to fully and effectively implement the intervention models (see Finding No. 2).

We recommend that the Assistant Secretary for Elementary and Secondary Education instruct New York to improve its School Improvement Grants application and review process to ensure that all LEAs awarded funds in the future plan to fully and effectively implement the intervention model set forth in each selected school's application and that funds will be used to increase the achievement of students attending those schools (Recommendation 1.1). In addition, we recommend that the Assistant Secretary for Elementary and Secondary Education (a) clarify the Final Requirements for School Improvement Grants and correct and expand its guidance to require that all students and grades at eligible schools benefit from future School Improvement Grants funds (Recommendation 1.2) and (b) expand Department guidance to address the requirements for LEAs when awarding School Improvement Grants funds for schools that LEAs plan to phase out or close (Recommendation 1.3). Finally, we recommend that the Assistant Secretary for Elementary and Secondary Education ensure that Ohio has implemented its new procedure for LEAs to provide an outline of each school's specific plans to implement all of the required elements of the selected intervention model before it provides either renewal funding or new grants to the LEAs (Recommendation 2.1).

We provided the draft of this report to the Department's Office of Elementary and Secondary Education (OESE) for review and comment on January 26, 2012. OESE neither agreed nor disagreed with Recommendation 1.1. In response to Recommendation 1.2 of the draft of this report, OESE did not agree that Rochester violated the requirements for School Improvement Grants or that New York must require Rochester to use School Improvement Grants funds only for the benefit of the students attending the schools being phased out. OESE agreed with Recommendations 1.3 and 2.1. We summarized the comments at the end of each finding and included the comments in their entirety as an enclosure to this report (see Appendix 2).

In response to OESE comments, we deleted Recommendation 1.2 of the draft of this report, which recommended that New York require Rochester to use School Improvement Grant funds awarded based on the eligibility of schools being phased out for the benefit of students attending those schools, and added a new Recommendation 1.2. We did not make any other significant changes to the findings or recommendations based on the comments.

BACKGROUND

The School Improvement Grants program is authorized by Title I, Part A of the Elementary and Secondary Education Act of 1965, as amended (Title I), Section 1003(g), which authorizes formula grants to States to assist LEAs with meeting their school improvement responsibilities under Title I, Section 1116.¹ Title I, Section 1003(g)(6) requires States to give priority to LEAs with the lowest-achieving schools that demonstrate the greatest need for the funds and the strongest commitment to using such funds to meet school improvement goals. Specifically, LEAs should demonstrate the strongest commitment to use the funds to provide adequate resources to substantially raise the achievement of students in their lowest-performing schools.

In conjunction with Title I funds for school improvement, School Improvement Grants funds are to be used to improve student achievement in Title I schools identified for improvement, corrective action, or restructuring to enable those schools to make adequate yearly progress. After States receive their grants, they are required to evaluate grant applications and competitively award subgrants to LEAs. Each State must consider several evaluation criteria, including each school's proposed intervention model, each LEA's budget and implementation plan, and each LEA's capacity to implement the reforms effectively.

The Department is responsible for ensuring that School Improvement Grants funds reach intended recipients and achieve intended results. The Department published Federal Register, Vol. 75, No. 208, Thursday, October 28, 2010, Notices, "Final requirements for School Improvement Grants authorized under section 1003(g) of Title I of the ESEA," (Final Requirements for School Improvement Grants), which defined "greatest need" as those LEAs with Title I eligible schools that are either in the bottom 5 percent of each State's schools in terms of proficiency on State assessments in reading/language arts and mathematics or, in the case of secondary schools, have graduation rates below 60 percent. Eligible schools should be categorized into one of the three following tiers.

- Tier I: Any Title I school in improvement, corrective action, or restructuring that (1) is among the lowest-achieving 5 percent of Title I schools in improvement, corrective action, or restructuring in the State; or (2) is a high school that has had a graduation rate as defined in 34 Code of Federal Regulations § 200.19(b) that is below 60 percent over a number of years.
- Tier II: Any secondary school that is eligible for, but does not receive, Title I funds that (1) is among the lowest-achieving 5 percent of secondary schools in the State that are eligible for, but do not receive, Title I funds; or (2) is a high school that has had a graduation rate as defined in 34 Code of Federal Regulations § 200.19(b) that is below 60 percent over a number of years.
- Tier III: Any Title I school in improvement, corrective action, or restructuring that is not a Tier I school or a Tier II school.

¹ The Recovery Act was signed into law on February 17, 2009. The Recovery Act significantly increased funding for the School Improvement Grants program.

LEAs must demonstrate the “strongest commitment” to turning around such schools by agreeing to implement one of four school intervention models: Transformation, Turnaround, Restart, and School closure. An LEA with the strongest commitment is an LEA that agrees to implement, and demonstrates the capacity to implement fully and effectively, one of the intervention models in each Tier I and Tier II school that the LEA commits to serve. Table 1 lists the key requirements for each intervention model.²

Table 1. School Improvement Grants Intervention Models and Requirements	
Model	Requirements
Transformation	<p>Among other actions, the LEA must:</p> <ul style="list-style-type: none"> • replace the principal who led the school prior to commencement of the transformation model; • use rigorous, transparent, and equitable evaluation systems for teachers and principals that take into account data on student growth as a significant factor as well as other factors and are designed and developed with teacher and principal involvement; • identify and reward school leaders, teachers, and other staff who, in implementing this model, have increased student achievement and high school graduation rates, and remove those who have not done so; • provide staff with ongoing, high-quality, job-embedded professional development that is aligned with the school’s comprehensive instructional program and designed with school staff; and • implement strategies that are designed to recruit, place, and retain staff with skills necessary to meet the needs of students in a transformation school.
Turnaround	<p>Among other actions, the LEA must:</p> <ul style="list-style-type: none"> • replace the principal and grant the new principal sufficient operational flexibility to implement fully a comprehensive approach to substantially improve student achievement outcomes and increase high school graduation rates; • use locally adopted competencies to measure the effectiveness of staff who can work within the turnaround environment to meet the needs of students, screen all existing staff and rehire no more than 50 percent, and select new staff; • implement strategies that are designed to recruit, place, and retain staff with the skills necessary to meet the needs of students in the turnaround school; • provide staff with ongoing, high-quality, job-embedded professional development that is aligned with the school’s comprehensive instructional program and designed with school staff; • use data to identify and implement an instructional program that is research-based and vertically aligned from one grade to the next as well as aligned with State academic standards; and • establish schedules and implement strategies that provide increased learning time.

² LEAs have the flexibility to choose which strategies to implement in Tier III schools, but activities should be research-based and designed to address the particular needs of the school.

Table 1. School Improvement Grants Intervention Models and Requirements (continued)	
Model	Requirements
Restart	An LEA converts a school or closes and reopens a school under a charter school operator, a charter management organization, or an education management organization that has been selected through a rigorous review process.
School closure	An LEA closes a school and enrolls the students who attended that school in other schools in the LEA that are higher achieving.

Federal fiscal year³ 2007 funding for the School Improvement Grants program was \$125 million and increased to \$546 million for fiscal year 2009. The Recovery Act added \$3 billion to the program for fiscal year 2009. The Department estimated that, collectively, States have carried over approximately \$825 million in fiscal year 2009 School Improvement Grants funds. These carryover funds were combined with fiscal year 2010 funds, for a total of nearly \$1.4 billion, that was awarded by States as part of their fiscal year 2010 competitions.

Each State, the District of Columbia, Puerto Rico, the Bureau of Indian Education, and the outlying areas were eligible to apply to receive School Improvement Grants funds. The Department allocated these funds in proportion to the funds received under Title I, Parts A, C, and D. Table 2 identifies the Recovery Act and regular School Improvement Grants awards and total funds received from the Department by each of the five SEAs that we reviewed as part of this audit.

Table 2. School Improvement Grants Funds Awarded and Received				
SEA	Recovery Act Fiscal Year 2009 Award	Regular Fiscal Year 2009 Award	Total Fiscal Year 2009 Award	Total Award Received as of June 21, 2011
Florida	\$144,035,059	\$26,206,426	\$170,241,485	\$28,944,753
Georgia	\$103,911,508	\$18,904,099	\$122,815,607	\$15,050,483
New York	\$261,295,098	\$47,477,710	\$308,772,808	\$31,268,223
Ohio	\$112,015,916	\$20,371,076	\$132,386,992	\$24,373,563
Texas	\$285,896,287	\$52,030,307	\$337,926,594	\$33,312,331
Totals	\$907,153,868	\$164,989,618	\$1,072,143,486	\$132,949,353

SEAs must allocate at least 95 percent of their School Improvement Grants funds directly to LEAs and may retain an amount not to exceed 5 percent for State administration, evaluation, and technical assistance. SEAs may apply for waivers to extend the period of availability of funds for all of their LEAs to make those funds available for up to 3 years. LEAs may award as much as \$2 million per year, for a total of 3 years, to each Tier I, Tier II, and Tier III school that the LEAs commit to serve.

³ The Federal fiscal year runs from October 1 through September 30.

FINDINGS AND RECOMMENDATIONS

All five SEAs that we reviewed had plans to monitor each LEA's implementation of the selected intervention models. To monitor the LEAs' implementation of the selected intervention models, all five SEAs that we reviewed planned to work closely with LEAs that were awarded School Improvement Grants funds for school year 2010–2011. In addition, at a minimum, fiscal monitoring at each SEA will consist of reviews of expenditures for compliance with Federal requirements and agreement with the LEAs' approved budgets. See pages 20–24 of this report for details on each SEA's monitoring plans.

In addition, all five SEAs that we reviewed appropriately allocated fiscal year 2009 School Improvement Grants funds only to LEAs with schools having the greatest need for the funds. All of the SEAs' applications to the Department included the SEA's definition of persistently lowest-achieving schools, which are the schools with the greatest need for the funds. All five SEAs appropriately identified the schools in our samples⁴ as eligible for funds because they each appropriately used these definitions to identify the persistently lowest-achieving schools. Each SEA placed all schools into the correct tiers based on various factors, including their statuses as Title I schools in improvement, corrective action, or restructuring; their achievement levels; and their graduation rates.

The five SEAs that we reviewed each used different methods to identify the LEAs with the strongest commitment to using School Improvement Grants funds during school year 2010–2011 to raise student achievement. All of these methods were thorough.

- Florida: Regional Executive Directors used an evaluation form to guide their review of the LEA applications and worked with LEAs to submit complete and approvable applications. Florida did not score or rank applications because all applications were approved for funding. Florida's Bureau of Federal Educational Programs and Office of Grants Management provided additional review of the applications.
- Georgia: Five School Improvement Specialists reviewed each application. Each reviewer read the application independently and completed an evaluation form. The reviewers then completed a consensus form with recommendations and provided this document to each LEA for possible revisions and an opportunity to resubmit their applications. Georgia did not rank applications based on their reviews because it allocated School Improvement Grants funds to all schools that submitted an approvable application.
- New York: A team reviewed each application by using an evaluation form and worked with LEAs to submit complete and approvable applications. New York did not score or rank the applications. New York's Associate in School Improvement Services and Director of Title I School and Community Services reviewed and consolidated all reviewer questions and findings into requests for information and

⁴ For the five SEAs, we reviewed samples of applications submitted by 66 schools from universes totaling 238 schools. These totals include 15 of 77 Florida schools' applications, 10 of 26 Georgia schools' applications, 12 of 28 New York schools' applications, 13 of 41 Ohio schools' applications, and 16 of 66 Texas schools' applications.

sent them to the LEAs. Once the LEAs submitted any required responses, the reviewers approved the applications if they were acceptable.

- Ohio: Three reviewers reviewed each application by using an evaluation form as part of a competitive scoring process. All reviewers also reviewed an example application that was used to measure each reader's level of leniency or severity. Using scoring data for all school applications and the example application for all reviewers, a consultant used a program to calculate a score and rank order for each application. Ohio then determined the minimum required score for schools to be approved. Ohio's Associate Superintendent for the Center for School Improvement also reviewed all applications that were recommended for approval.
- Texas: Five reviewers reviewed each application by using an evaluation form as part of a competitive scoring process. Texas ranked the averages of the middle three scores for each application, and only those applications with a minimum average score were approved. During the second part of the application process, Texas staff worked with the LEAs to further develop their planned implementation for each element of their selected intervention models.

In addition to awarding funds only to LEAs with the schools having the greatest need for the funds, three of the five SEAs (Florida, Georgia, and Texas) allocated fiscal year 2009 School Improvement Grants funds only to LEAs with the strongest commitment to using the funds to raise student achievement. For these three SEAs, the applications that LEAs provided for each of the schools in our samples included plans to implement all of the requirements of the selected intervention models. However, for two of the five SEAs (New York and Ohio), not all applications provided for each of the schools in our samples included plans to implement all of the requirements of the selected intervention models.

FINDING NO. 1 – New York Awarded School Improvement Grants Funds That Will Not Benefit Students Who Made Rochester Eligible for the Funds

New York awarded fiscal year 2009 School Improvement Grants funds to Rochester even though Rochester did not demonstrate the strongest commitment to raising student achievement. Within our sample of 12 schools among 5 New York LEAs, New York awarded funds to Rochester based on the eligibility of 2 Tier I schools.⁵ However, students attending these two eligible schools will not benefit from the funds because Rochester plans to use the funds for a new school, not the eligible schools. In addition, Rochester does not have plans to implement its chosen model (the turnaround intervention model) in the two eligible schools.

In its application, Rochester outlined its plan to phase out two schools over a 3-year period and replace them with one new school. Rochester planned to open the new school with only a ninth grade during school year 2010–2011. Its plan was to add one additional grade each subsequent year, up to twelfth grade. Rochester will phase out those grades at the existing

⁵ Because we used nonstatistical sampling procedures to select approved applications, our judgmental sample results would not necessarily be representative of all 28 applications that New York approved.

two schools, 1 year at a time, over 3 years. New York identified the two schools that are being phased out as being persistently lowest-achieving and, therefore, eligible to receive funds as Tier I schools. Although the new school has not been identified as persistently lowest-achieving or eligible to receive School Improvement Grants funds, Rochester will use the awarded funds to implement the turnaround model in this new school while using no School Improvement Grants funds in the two schools being phased out. Although New York required Rochester to demonstrate how students in the schools being phased out would benefit from services consistent with the turnaround model, it did not require Rochester to plan to fully implement all required elements of the turnaround model.

According to its application, Rochester also plans to phase out four additional schools and combine them into two new schools. By not using any School Improvement Grants funds or fully implementing an intervention model in the schools being phased out, Rochester did not demonstrate the strongest commitment to raising student achievement.

The Law and Regulations Require Priority for Funds Be Given to the Lowest-Achieving Schools

Title I and the Final Requirements for School Improvement Grants define how an LEA can demonstrate the strongest commitment to increasing student achievement. Title I, Section 1003(g)(6), requires that States give priority to LEAs with the lowest-achieving schools that demonstrate “the strongest commitment to ensuring that such funds are used to provide adequate resources to enable the lowest-achieving schools to meet the goals under school and local educational agency improvement, corrective action, and restructuring plans under section 1116.” Final Requirements for School Improvement Grants, Section I.A.2, states that “An LEA with the strongest commitment is an LEA that agrees to implement, and demonstrates the capacity to implement fully and effectively, one of the . . . rigorous interventions in each Tier I and Tier II school that the LEA commits to serve.”

In addition, “Guidance on School Improvement Grants Under Section 1003(g) of the Elementary and Secondary Education Act of 1965, June 29, 2010,” Question B-2 states the following.

. . . an LEA implementing a turnaround model may also implement other strategies, such as a new school model or . . . replace a comprehensive high school with one that focuses on science, technology, engineering, and mathematics (STEM). The key is that these actions would be taken within the framework of the turnaround model and would be in addition to, not instead of, the actions that are required as part of the turnaround model.

More Than 1,600 Rochester Students Will Not Benefit from School Improvement Grants Funds

Students who currently are enrolled and advancing to the next grade in the Rochester schools that are being phased out will not attend the new schools and, therefore, will receive no benefit from the School Improvement Grants funds that Rochester was awarded. Based on school year 2009–2010 enrollments for grades 9 through 11, we estimate that 1,661 students will not benefit from the nearly \$4.9 million that Rochester is using for three new schools (see Table 3).

Table 3. Number of Students Attending Rochester Schools Being Phased Out and School Improvement Grants Funds Being Provided to Three New Schools			
School Being Phased Out	Students in Grades 10–12 During School Year 2010–2011	New School	Funds Awarded to the New School
School of Engineering and Manufacturing at Edison	315	Rochester Science, Technology, Engineering, and Math High School	\$1,855,794
School of Imaging and Information Technology at Edison	289		
Bioscience and Health Career High School at Franklin	239	Vanguard Collegiate High School	\$1,221,136
International Finance and Economic Development High School at Franklin	229		
Skilled Trades at Edison	327	Robert Brown High School of Construction and Design	\$1,786,854
School for Business, Finance, and Entrepreneurship at Edison	262		
Totals	1,661		\$4,863,784

New York’s Process Was Not Adequate to Ensure Proper Awarding of Funds

New York’s award process did not always result in the appropriate allocation of School Improvement Grants funds to LEAs with the strongest commitment to using the funds to raise student achievement. New York awarded School Improvement Grants funds to Rochester so it could implement the turnaround model. Rochester, instead of planning to implement the turnaround model in persistently lowest-achieving schools, planned to phase out the persistently lowest-achieving schools and replace them with new schools. Although New York required Rochester to demonstrate how students in the schools being phased out would benefit from services consistent with the turnaround model, it did not require Rochester to plan to fully implement all required elements of the turnaround model. New York also did not require Rochester to use the funds in the schools being phased out, even though the phased out schools were the ones eligible for the funds.

Rochester’s “Description of Support for School Turnarounds” described services to be provided to students and instructional plans for school year 2010–2011 for all of the schools being phased out. However, the applications for the schools being phased out and the information in this additional document did not provide New York with evidence that Rochester planned to implement the turnaround model in these schools. In addition, Rochester’s Chief of School Innovation confirmed that Rochester is not using any School Improvement Grants funds in the schools being phased out. Therefore, Rochester received funds even though it did not demonstrate a commitment to fully and effectively implement one of the four intervention models to increase student achievement in each of the six eligible Tier I schools. New York’s award process should have identified the problems with Rochester’s planned implementation of the turnaround model, and New York should not have awarded School Improvement Grants funds for these six schools for implementation of the turnaround model.

RECOMMENDATIONS

We recommend that the Assistant Secretary for Elementary and Secondary Education instruct New York to—

- 1.1 Improve its School Improvement Grants application and review process to ensure that all LEAs awarded funds in the future plan to fully and effectively implement the intervention model set forth in each selected school's application and that funds will be used to increase the achievement of students attending those eligible schools.

We also recommend that the Assistant Secretary for Elementary and Secondary Education—

- 1.2 Clarify the Final Requirements for School Improvement Grants and correct and expand its guidance to require that all students and grades at eligible schools benefit from future School Improvement Grants funds, and
- 1.3 Expand Department guidance to address the requirements for LEAs when awarding School Improvement Grants funds for schools that LEAs plan to phase out or close.

Auditee Comments

For Recommendation 1.1, OESE agreed that it is imperative that all SEAs, including New York, have a sound application review process to ensure that all LEAs that receive School Improvement Grants funds implement a school intervention model that complies with the Final Requirements for School Improvement Grants in each Tier I and Tier II school. OESE stated that it will continue to emphasize the importance of (1) the SEA's oversight responsibilities with regard to the application review and implementation stages; (2) the SEA's exercise of proper oversight of its LEAs, including considering whether they should issue additional guidance in this area; and (3) LEAs' compliance with both the letter and spirit of the School Improvement Grants requirements. OESE also stated that, although it does not believe that New York needs specific instructions, it will provide New York with the appropriate guidance as outlined above.

For Recommendation 1.2 of the draft of this report, OESE disagreed that Rochester violated the Final Requirements for School Improvement Grants. It also disagreed that New York should require Rochester to use School Improvement Grants funds for the benefit of the students attending the schools being phased out. OESE stated that implementation of each intervention model must be reviewed on a case-by-case basis, and Rochester's implementation of its grant was neither inconsistent with nor precluded by the Final Requirements for School Improvement Grants.

OESE also stated that Rochester's implementation of the turnaround intervention model is consistent with the permitted practice of a restart operator taking over a grade at a time and referenced in Section I.A.2(b) of the Final Requirements for School Improvement Grants and "Guidance on Fiscal Year 2010 School Improvement Grants Under Section 1003(g) of the Elementary and Secondary Education Act of 1965, February 23, 2011," Questions C-6 and C-7. OESE stated that although Rochester's phase-out and phase-in practice is not explicitly detailed in the Final Requirements for School Improvement Grants regarding the turnaround model, it is

not expressly prohibited. Given that, in both cases, School Improvement Grants funds were being targeted to benefit the students enrolled in the grades in which the School Improvement Grants intervention model was being implemented, OESE disagreed that Rochester violated the Final Requirements for School Improvement Grants in its implementation of the turnaround model. In addition, OESE gave credit to New York for requiring Rochester to provide services consistent with the turnaround model to students in the grades being phased out and stated that it had no reason to believe that Rochester is not doing so.

OESE agreed with Recommendation 1.3 and stated that it will take our recommendation into consideration in determining whether and how to update its guidance.

OIG Response

We did not make any changes to the finding based on OESE's comments. We disagree that Rochester's implementation of its School Improvement Grants was consistent with the Final Requirements for School Improvement Grants and adequate for students in the grades being phased out. These requirements did not permit LEAs to pick and choose elements of various models. The LEAs were required to select one of four intervention models for each school and then implement it. The students remaining at the Rochester schools being phased out did not receive services required by the turnaround model, such as a new principal, new teachers, and increased learning time.

We also do not agree with OESE's statement that, because Rochester's implementation of the turnaround model was not expressly prohibited, it was permissible. Grantees are always obligated to use funds reasonably and in a manner consistent with stated requirements, but Rochester's use of School Improvement Grants funds was not consistent with the turnaround model. However, we acknowledge that OESE determined that it is constrained from taking corrective action because of the guidance it provided for the restart model. For that model, OESE stated that it was not necessary to use School Improvement Grants funds to improve an entire school, but LEAs could use funds selectively to restart or benefit only one grade at time. Under that guidance, existing students at an eligible school need not benefit from School Improvement Grants funds; benefits would apply only to new, incoming students. Therefore, because of OESE's position on the effect of its guidance, we deleted draft Recommendation 1.2, which recommended that New York require Rochester to use School Improvement Grants funds awarded based on the eligibility of schools being phased out for the benefit of students attending those schools, and added a new Recommendation 1.2.

In its response, OESE also credited New York with requiring Rochester to provide services consistent with the turnaround model to students in the grades being phased out and stated it has no reason to believe Rochester was not doing so. However, as reported in this finding, a Rochester official confirmed that Rochester is not using any School Improvement Grants funds in the schools being phased out.

FINDING NO. 2 – Ohio Awarded Funds to Schools That Did Not Initially Demonstrate Commitment to Fully Implementing One of Four Intervention Models

Ohio awarded School Improvement Grants funds to LEAs that did not initially demonstrate the strongest commitment to using the funds to raise student achievement. In our sample of 11 Ohio schools for which the LEAs selected the transformation or turnaround model, 8 did not indicate in their applications that they would replace the principal, as required by the turnaround and transformation models. Also, for one of eight schools in our sample for which the LEAs selected the transformation model, the LEA did not indicate in its application that it would use a rigorous, transparent, and equitable evaluation system for teachers and principals, as required by the transformation model.⁶

Section 1003(g)(6) requires States to give priority for School Improvement Grants funds to LEAs with the lowest-achieving schools that demonstrate the strongest commitment to raise student achievement. Final Requirements for School Improvement Grants, Section I.A.2, defines strongest commitment. Under the turnaround model, an LEA must replace the principal. Under the transformation model, the LEA must replace the principal and use rigorous, transparent, and equitable evaluation systems for teachers and principals.

Ohio's process for reviewing and approving LEA applications for school year 2010–2011 was not adequate to ensure that each application included plans to fully and effectively implement one of the four intervention models in each school receiving an award. The process for that school year did not require LEAs to include specific plans to implement all required elements of the selected intervention model for each school. Instead, Ohio's application process required only that each LEA provide an assurance stating that the LEA would "use its School Improvement Grant to implement fully and effectively an intervention in each Tier I and Tier II school that the LEA commits to serve consistent with the final requirement." By requiring LEAs to submit this assurance statement rather than requiring LEAs to outline their specific plans to implement each of the required elements of their selected intervention model for each school, Ohio did not have sufficient information to determine which schools demonstrated the strongest commitment to raise student achievement.

After we informed Ohio of this issue, Ohio provided additional information. Specifically, for the eight schools in our sample that did not indicate in their applications that they would replace their principals, Ohio provided evidence that each school replaced its principal within 2 years before the start of school year 2010–2011. For the one school in our sample that did not indicate in its application that it would use a new evaluation system, Ohio provided evidence that the school developed a memorandum of understanding with its unions to create a new evaluation system. Ohio plans to monitor implementation of this evaluation system in school year 2011–2012. On September 15, 2011, the Department granted a waiver that allows Ohio schools that began implementing the transformation model during school year 2010–2011 to develop evaluation systems during school year 2011–2012 and, at a minimum, pilot them for all principals and teachers no later than school year 2012–2013.

⁶ Because we used nonstatistical sampling procedures to select approved applications, our judgmental sample results would not necessarily be representative of all 41 applications that Ohio approved.

Ohio also stated that it provided technical assistance sessions to LEAs to ensure they understood that they must implement all components of the selected intervention model. In addition, Ohio described its plans to implement a new procedure for LEAs awarded School Improvement Grants funds. Before providing LEAs with either renewal funding for year two of grants awarded for school year 2010–2011, or new grants awarded for school year 2011–2012, Ohio will require LEAs to complete an assurance designation form for each school to outline each school’s specific plans to implement all of the required elements of the selected intervention model. Along with this form, LEAs must provide evidence of principal replacement and an evaluation system for teachers. Use of the assurance designation form should be adequate to allow Ohio to identify the LEAs that have the strongest commitment to fully and effectively implement the selected intervention model in each school. Without use of this form, there would be an increased risk of Ohio awarding future School Improvement Grants funds to LEAs that were not planning to fully implement the selected intervention model in each school.

RECOMMENDATION

We recommend that the Assistant Secretary for Elementary and Secondary Education–

- 2.1 Ensure that Ohio has implemented its new procedure for LEAs to provide an outline of each school’s specific plans to implement all of the required elements of the selected intervention model before it provides either renewal funding or new grants to the LEAs.

Auditee Comments

OESE stated that it shares the concern raised in the draft audit report. OESE stated that it will work with Ohio to ensure that Ohio uses an application review procedure that considers each LEA’s capacity, as well as each school’s specific plan to implement all of the required elements of a selected intervention model, before awarding either new or renewal grants.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of our audit were to (1) identify monitoring plans related to School Improvement Grants funds at selected SEAs and (2) determine whether selected SEAs used award processes that resulted in the appropriate allocations of School Improvement Grants funds only to LEAs with schools having the greatest need for the funds and to LEAs with the strongest commitment to using the funds to raise student achievement. We conducted the audit at SEAs in Florida, Georgia, New York, Ohio, and Texas. We focused our audit on the five SEAs' monitoring plans and awarding processes for Recovery Act and regular School Improvement Grants funds that the SEAs awarded for fiscal year 2009 (for use during school year 2010–2011). For the first objective, the audit period we reviewed at each SEA varied, depending on the dates of our site visits. Our audit period for the second objective was March 29, 2010, through December 31, 2010. We conducted site visits at Florida from February 8 through February 11, 2011; New York from March 7 through March 11, 2011; Texas from April 11 through April 20, 2011; Georgia from May 9 through May 13, 2011; and Ohio from June 6 through June 10, 2011.

To accomplish our objectives, we performed the following procedures.

1. Obtained background information about the program and the five SEAs that we reviewed.
2. Reviewed the following prior reports to determine whether these reports identified any issues, findings, or recommendations relevant to our objectives:
 - a. the most recent Single audit, conducted in accordance with Office of Management and Budget Circular A-133, available at the time of our site visits for each SEA reviewed (“State of Florida, Compliance and Internal Controls Over Financial Reporting and Federal Awards, For Fiscal Year Ended June 30, 2009;” “State of Georgia, Single Audit Report, Fiscal Year Ended June 30, 2010;” “State of New York, Comprehensive Annual Financial Report For Fiscal Year Ended March 31, 2010;” “State of Ohio, Single Audit, For the Year Ended June 30, 2010;” and the “Texas Federal Portion of the Statewide Single Audit Report For the Fiscal Year Ended August 31, 2010.”);
 - b. the Department’s Student Achievement and School Accountability Programs monitoring review of Florida Department of Education;
 - c. “Georgia Department of Education’s Controls Over Performance Data Entered in EDFacts” (ED-OIG/A04J0003);
 - d. “Audit of New York State Education Department’s Reading First Program” (ED-OIG/A02G0002);
 - e. “ODE’s Administration of its Migrant Education Program” (ED-OIG/A05G0032); and
 - f. “American Recovery and Reinvestment Act of 2009 Systems of Internal Control over Selected ARRA Funds in the State of Texas” (ED-OIG/A06J0013).
3. Reviewed relevant Federal laws, regulations, and guidance issued by the Department to gain an understanding of the requirements applicable to the audit objectives.

4. Interviewed various officials from all five SEAs to gain an understanding of the monitoring plans and awarding processes related to School Improvement Grants funds.
5. Reviewed each SEA's application for School Improvement Grants funds, each SEA's definition of persistently lowest-achieving schools, and each SEA's process used to develop the list of schools eligible for funds, by tier, to determine whether SEAs awarded funds to schools with the greatest need for the funds.
6. Reviewed a sample of applications for School Improvement Grants funds for all five SEAs that we reviewed (see Sampling Methodology) and reviewed evidence of each SEA's review of each application in our samples, including evaluation forms and correspondence between the SEAs and LEAs, to determine whether the SEAs awarded funds to LEAs with the strongest commitment to using the funds to raise student achievement. This review included a determination of whether the LEAs had plans to fully and effectively implement selected intervention models.
7. Reviewed monitoring documents, such as review templates, provided by each SEA to identify each SEA's programmatic and fiscal monitoring plans. See pages 20–24 of this report for a description of each SEA's monitoring plans.

Sampling Methodology

We judgmentally selected the five SEAs (Florida, Georgia, New York, Ohio, and Texas) based on selected risk factors, including the amount of their allocations and prior audit findings. We did not consider selecting SEAs at which the Department's OESE, Student Achievement and School Accountability team, or the Government Accountability Office reviewed or was planning to review the SEA's School Improvement Grants program.

At each of the five SEAs, we judgmentally selected schools with approved and unapproved applications to determine whether each SEA's award process resulted in the awarding of fiscal year 2009 funds to LEAs with the strongest commitment to using the funds to raise student achievement. Because we used nonstatistical sampling procedures to select approved applications for each SEA, our judgmental sample results would not necessarily be representative of all approved applications for each SEA.

Florida

We judgmentally selected a sample of 15 schools (about 19 percent) from a universe of 77 schools to which Florida awarded fiscal year 2009 funds for use starting in school year 2010–2011. These 15 schools were awarded \$10,638,874, about 23 percent of the \$46,777,812 in School Improvement Grants funds that Florida awarded to all schools for school year 2010–2011. We selected five schools from each of three categories (large, medium, and small LEAs). Based on allocations for implementation during the 3-year period beginning with school year 2010–2011, we considered LEAs with allocations greater than \$10 million as large, LEAs with allocations from \$3 million through \$10 million as medium, and LEAs with allocations less than \$3 million as small. Because Florida separates its LEAs into five regions, we ensured that we selected an equal number of schools from each of these five regions. For

some LEAs, we selected more than one school. We also ensured that we selected at least one school from each tier and each intervention model that was selected within the State. Florida approved all applications that LEAs submitted for Tier I and Tier II schools. Therefore, there were no schools with unapproved applications to test.

Georgia

We judgmentally selected a sample of 10 schools (about 38 percent) from a universe of 26 schools to which Georgia awarded fiscal year 2009 funds for use starting in school year 2010–2011. These 10 schools were awarded \$35,768,013 in funds, about 44 percent of the \$81,672,379 in School Improvement Grants funds that Georgia awarded to all schools for implementation during the 3-year period beginning with school year 2010–2011. We selected one school from each of four large, three medium, and three small LEAs. We considered LEAs with allocations greater than \$5 million as large, LEAs with allocations from \$3.5 million through \$5 million as medium, and LEAs with allocations less than \$3.5 million as small. We selected LEAs with the largest total award amounts in each size designation and generally selected the school with the largest allocation in each selected LEA. We ensured that we selected at least one school from each tier and each intervention model that was selected within the State.

We judgmentally selected the entire universe of three unapproved Tier I and Tier II schools for which LEAs submitted applications for fiscal year 2009 School Improvement Grants funds.⁷

New York

We judgmentally selected a sample of 12 schools (about 43 percent) from a universe of 28 schools to which New York awarded fiscal year 2009 funds for use starting in school year 2010–2011. These 12 schools were awarded \$20,165,402, about 51 percent of the \$39,770,837 in School Improvement Grants funds that New York awarded to all schools for use during school year 2010–2011. We generally selected the two schools with the largest allocations from each of the five LEAs that applied for funds. In two of the five LEAs, we judgmentally selected a third school. We ensured that we selected at least one school from each tier and each intervention model that was selected within the State.

We judgmentally selected the entire universe of six unapproved Tier I and Tier II schools for which LEAs submitted applications for fiscal year 2009 School Improvement Grants funds.

Ohio

We judgmentally selected a sample of 13 schools (about 32 percent) from a universe of 41 schools to which Ohio awarded fiscal year 2009 funds for use starting in school year 2010–2011. These 13 schools were awarded \$36,927,125, about 39 percent of the \$95,089,593 in School Improvement Grants funds that Ohio awarded to all schools for implementation during the 3-year period beginning with school year 2010–2011. We selected seven schools from large LEAs, three schools from medium LEAs, and three schools from small LEAs. We considered LEAs with allocations greater than \$3 million as large, LEAs with allocations from \$1 million through \$3 million as medium, and LEAs with allocations less than

⁷ When selecting unapproved applications, we did not consider the amount of funds that LEAs requested for these schools because we judgmentally selected the entire universe of unapproved applications for each SEA, regardless of amounts requested for each school. In addition, some LEAs did not include a requested amount.

\$1 million as small. We selected LEAs with the largest total award amounts and generally selected the school with the largest allocation in each selected LEA. For some LEAs, we selected more than one school. We ensured that we selected at least one school from each tier and each intervention model that was selected within the State.

We judgmentally selected the entire universe of 14 unapproved Tier I and Tier II schools for which LEAs submitted applications for fiscal year 2009 School Improvement Grants funds.

Texas

We judgmentally selected a sample of 16 schools (about 24 percent) from a universe of 66 schools to which Texas awarded fiscal year 2009 funds for use starting in school year 2010–2011. These 16 schools were awarded \$59,877,194, about 25 percent of the \$240,632,308 in School Improvement Grants funds that Texas awarded to all schools for implementation during the 3-year period beginning with school year 2010–2011. We selected one school from each of six large, five medium, and five small LEAs. We considered LEAs with allocations greater than \$5 million as large, LEAs with allocations from \$3 million through \$5 million as medium, and LEAs with allocations less than \$3 million as small. We ensured that we selected LEAs with the largest total award amounts and generally selected the school with the largest allocation in each selected LEA. We ensured that we selected at least one school from each tier and each intervention model that was selected within the State.

We judgmentally selected the entire universe of eight unapproved Tier I and Tier II schools for which LEAs submitted applications for fiscal year 2009 School Improvement Grants funds.

Table 4 summarizes the universes and samples of approved and unapproved schools for the five SEAs.

Table 4. Summary of Universes and Samples for SEAs Reviewed					
SEA	Schools Included in LEAs' Fiscal Year 2009 Applications¹	Total Approved Schools (Universe)	Total and Percentage of Approved Schools Reviewed (Sample)	Total Unapproved Tier I and Tier II Schools (Universe)	Total and Percentage of Unapproved Tier I and Tier II Schools Reviewed (Sample)
Florida	77	77	15 (19%)	0	0
Georgia	29	26	10 (38%)	3	3 (100%)
New York	34	28 ²	12 (43%)	6	6 (100%)
Ohio	55	41	13 (32%)	14	14 (100%)
Texas	80	66 ³	16 (24%)	8	8 (100%)
Totals	275	238	66 (28%)	31	31 (100%)

¹ The totals for each SEA listed in this column do not include unapproved applications submitted by Tier III schools.

² New York approved 28 schools but made only 25 awards. Because Rochester is phasing out six schools and replacing them with three new schools, with one award being allocated to each of the three new schools on behalf of the six schools being phased out, there are three fewer awards.

³ Texas approved 72 schools and awarded funds to (1) 66 schools for full implementation in school year 2010–2011 and (2) 6 schools for full implementation in school year 2011–2012. Because Texas classified the funds for the six schools as carryover for fiscal year 2010 for implementation in school year 2011–2012, we did not select any of them for review.

Data Reliability

To achieve our second audit objective, we relied, in part, on computer-processed data that the five SEAs provided. For each SEA, the data included lists of schools organized into tiers or lists of persistently lowest-achieving schools. To determine whether this data for each SEA was accurate and complete, we traced samples of data in selected fields, such as proficiency and graduation rates, to source documents and determined that all data were supported by documentation. Based on this comparison to source documents, we concluded that the computer-processed data were sufficiently reliable for the purposes of our audit.

We performed this audit at Tallahassee, Florida; Atlanta, Georgia; Albany, New York; Columbus, Ohio; Austin, Texas; and our offices from February through October 2011. We discussed the results of our audit with Department officials on July 25, 2011; August 17, 2011; September 29, 2011; and October 12, 2011.

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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix 1:

**Monitoring Plans for
Florida, Georgia, New York, Ohio, and Texas**

During each site visit, we identified the School Improvement Grants monitoring plans that each SEA had in place at that time. For each SEA, we identified the planned programmatic and fiscal monitoring activities for funds awarded for use during school year 2010–2011.

All five SEAs that we reviewed planned to work closely with LEAs that were awarded funds for school year 2010–2011. As part of their programmatic monitoring, all five SEAs had plans to monitor each LEA's implementation of the selected intervention models and monitor each LEA's progress toward meeting the goals described in the application for each school. Each SEA had specialists working directly with the LEAs and assisting them with the implementation of the selected intervention models. At a minimum, fiscal monitoring at each SEA will consist of reviews of expenditures for agreement with the LEAs' approved budgets.

Florida

As of February 11, 2011, Florida had the following monitoring plans in place.

Programmatic Monitoring

Florida uses a monitoring document that it developed specifically to monitor the School Improvement Grants program and uses several additional documents developed for all Title I programs. Florida's Director for Administrative Services stated that Florida was modifying its monitoring protocols for school year 2011–2012 to include monitoring for implementation of the selected intervention model at each school.

Florida divided its LEAs into five regions. One Regional Executive Director is assigned to each LEA. Regional Executive Directors provide ongoing support and review of each school's implementation of the selected intervention model. Annually, Florida performs a risk assessment of the five regions to identify the one region with the highest risk for having compliance problems. It then conducts an on-site review of the LEAs in that region and conducts a desktop review of the LEAs in the four remaining regions.

Each school year, each LEA performs a self-evaluation of its performance and progress and determines whether further action is needed to be in full compliance with School Improvement Grants requirements.

Fiscal Monitoring

Florida staff review amounts received and review budgeted and reported expenditures at least quarterly. Florida staff notify LEAs of cash on hand to avoid positive cash balances at the end of the grant year and review final expenditure reports to identify expenditures that might be unallowable.

Georgia

As of May 13, 2011, Georgia had the following monitoring plans in place.

Programmatic Monitoring

Lead School Improvement Specialists perform monitoring at the SEA level and School Improvement Specialists perform monitoring at the school level to ensure that each school

awarded School Improvement Grants funds is implementing the selected intervention model fully and effectively.

Each Lead School Improvement Specialist is assigned a group of schools and works closely with each school's assigned School Improvement Specialist. Lead School Improvement Specialists visit each assigned school at least once per quarter and at the end of the year and issue a report after each site visit. Georgia developed quarterly monitoring report templates that are specific to each school's application and selected intervention model. These templates will include a compliance evaluation and will be followed by feedback and follow-up on recommended improvements for the school to use. The end-of-year report will conclude on each school's progress made or not made and evidence of implementation of the intervention model. It will also include feedback on building capacity and setting goals for the next school year.

School Improvement Specialists work on-site at each school awarded School Improvement Grants funds to monitor and assist with implementation of the selected intervention model and provide technical assistance as needed. School Improvement Specialists submit weekly reports to the Lead School Improvement Specialists to document on-site technical support provided and each school's progress toward implementing its selected intervention model as described in its approved application.

Fiscal Monitoring

During school year 2010–2011, School Improvement Specialists performed on-site fiscal monitoring. Beginning with school year 2011–2012, two Fiscal Analysts (new positions as of June, 2011) will conduct the fiscal monitoring at schools.

Budget Analysts monitor schools' proposed expenditures and can prevent a school from receiving additional School Improvement Grants funds when notified by the Lead School Improvement Specialist that the school has not corrected deficiencies within its corrective action timeline.

New York

As of March 11, 2011, New York had the following monitoring plans in place.

Programmatic Monitoring

New York's Office of Innovative School Models sends a School Improvement Grants review team to each school awarded funds to perform two monitoring visits. The first visit is at the beginning of the school year to assist with implementation of the selected intervention model. The second visit is after January 1st to perform follow-up and obtain data on the progress made at the school. New York developed monitoring tools for the Office of Innovative School Models to use for on-site reviews and follow-up with schools.

A team from New York's Title I School and Community Services performs an annual on-site compliance review of the School Improvement Grants program at a subset of targeted schools. New York's Director for Title I School and Community Services informed us that New York was developing a School Improvement Grants year-end compliance monitoring document and an annual self-assessment document for LEAs in their second year of implementation. New York

will require these schools to complete self-assessments, and, contingent on its review, New York may target them for on-site reviews.

Fiscal Monitoring

A team from New York's Title I School and Community Services reviews documentation related to fiscal compliance, including documentation related to expenditures, budget line items, budget revisions, and drawdowns.

Ohio

As of June 10, 2011, Ohio had the following monitoring plans in place.

Programmatic Monitoring

The Executive Director of Transforming Schools oversees all aspects of monitoring of the School Improvement Grants program, including Transformation Specialists. Transformation Specialists work directly with an assigned group of schools to provide ongoing assistance with implementation of their selected intervention models.

Ohio's Office of Transforming Schools monitors, via internal reviews, external reviews, and telephone surveys, the programmatic activities of recipients. Ohio developed a site visitation form for each intervention model selected by each school. Ohio uses this form to document the date of the visit, time spent at each school, the discussion of goals with school officials, evidence of progress, and assistance provided following the visit.

Fiscal Monitoring

Consultants from Ohio's Office of Federal and State Grants Management review current and cumulative expenditures listed on LEAs' project cash requests and approve payments if the expenditures are allowable, budgeted, and reasonable. A validation code in Ohio's system matches the expenditure's object code to the budgeted amount for that object code. If there is a difference, it will trigger a desk review by the consultant and a request for supporting documentation.

The Director of Transforming Schools reviews monthly micro-strategy reports for schools and discusses any fiscal or budget issues with schools. The micro-strategy reports consist of different fiscal reports previously reviewed by the consultants.

Texas

As of April 20, 2011, Texas had the following monitoring plans in place.

Programmatic Monitoring

Texas' Division of No Child Left Behind Program Coordination monitors implementation and student performance progress by schools that receive School Improvement Grants funds. It has four program specialists who each are assigned to work with a group of schools to monitor implementation of required elements of the selected intervention models included in each LEA's application.

Texas' School Improvement Resource Center trains case managers who work on-site at schools to facilitate implementation of the selected intervention models. Each case manager is assigned a group of schools and works directly with the principal and district shepherd at each school to provide assistance with accomplishing program goals.

Texas has a Monitoring, Investigations, and Interventions Steering Committee with representatives from different departments, including internal audit. This committee meets every week to share information on LEAs and schools.

Each school completes a Quarterly Implementation Report for each of the first three quarters of the school year. Each school submits the completed Quarterly Implementation Report to its assigned program specialist, who reviews the report and compares data on the report to the school's application. The program specialist schedules a conference call with the principal to discuss the report and action items to work on during the next quarter. This call includes the School Improvement Resource Center case manager and district shepherd.

Texas' Senior Director of the Division of No Child Left Behind Program Coordination provides LEA Administrators with end-of-year reporting requirements and instructions for completing the end-of-year report. This report includes performance data, activities implemented during the past school year, activities projected for the upcoming school year, additional comments, and follow-up activities.

Fiscal Monitoring

Texas' Fiscal Accountability and Federal Reporting Department monitors each LEA's School Improvement Grants expenditures on a monthly basis and Texas' Division of Discretionary Grants reviews budgeted versus actual expenditures and reviews costs for allowability.

Appendix 2:

Auditee Comments

Comments from the Office of Elementary and Secondary Education on the Draft Audit Report: “School Improvement Grants: Selected States Generally Awarded Funds Only to Eligible Schools” (A05L0002)

FINDING NO. 1 – New York Awarded School Improvement Grant Funds That Will Not Benefit Students Who Made Rochester Eligible for the Funds.

Recommendations:

OIG recommends that the Assistant Secretary for Elementary and Secondary Education instruct New York to-

1.1 Improve its School Improvement Grants application and review process to ensure that all LEAs awarded funds in the future plan to fully and effectively implement one of the four intervention models in each selected school and that funds will be used to increase the achievement of students attending those schools.

Comments. OESE agrees with the draft audit report that it is imperative that all State educational agencies (SEAs), including the New York State Education Department (NYSED), have a sound application review process to ensure that all local educational agencies (LEAs) that receive School Improvement Grant (SIG) funds implement with fidelity a school intervention model that complies with the SIG final requirements in each Tier I and Tier II school. To help accomplish this goal, OESE’s School Turnaround Office carefully reviews the process each SEA sets out in its SIG application for how it will review LEA applications, assess LEA capacity to fully and effectively implement the selected intervention models, and design and implement interventions that are consistent with the SIG final requirements. In addition, during monitoring visits, the Office of School Turnaround reviews the SEA’s oversight of its LEAs to ensure proper adherence to the SIG requirements as well as the technical assistance the SEA provides to LEAs to ensure effective implementation. We will continue to emphasize the importance of: (a) the SEA’s oversight responsibilities with regard to the application review and implementation stages; (b) the SEA’s exercise of proper oversight of its LEAs generally, including considering whether additional guidance in this area is needed; and (c) LEAs’ compliance with both the letter and spirit of the SIG requirements. Although, with respect to NYSED, in particular, based on our response to Recommendation 1.2 below, we do not believe that NYSED needs specifically different instructions in this regard, we will ensure that we provide NYSED with the appropriate guidance as outlined above.

1.2 Require Rochester to use School Improvement Grant funds awarded based on the eligibility of the schools being phased out for the benefit of students attending those schools.

Comments. We agree with the draft audit report that it is extremely important that each SIG school intervention model be implemented with appropriate fidelity in accordance with the SIG final requirements. We acknowledge that those requirements do not specify each detail for how every implementation should be done. Rather, in situations such as that in Rochester, proper implementation must be reviewed on a case-by-case basis. As described below, with respect to the specifics of Rochester’s implementation of its SIG grant, we do not believe it was inconsistent with or precluded by the SIG final requirements. To avert confusion in the future,

however, consistent with Recommendation 1.3, we will consider whether additional guidance is needed to clarify aspects of model implementation.

The practice that is raised as a concern in the draft audit report with Rochester's implementation of the turnaround model is consistent with the permitted practice of a restart operator taking over a grade at a time. (See I.A.2(b) and items C-6 and C-7 of the *Guidance on Fiscal Year 2010 School Improvement Grants* (Feb. 23, 2011).) Although Rochester's phase-out/phase-in practice is not explicitly detailed in the SIG final requirements regarding the turnaround model, neither is it expressly prohibited. Given that, in both cases, SIG funds are being targeted to benefit the students enrolled in the grades in which the SIG intervention model is being implemented, we do not agree with the draft audit report that Rochester has violated the SIG final requirements in its implementation of the turnaround model. To its credit, NYSED required Rochester to provide services consistent with the turnaround model to students in the grades being phased out, and we have no reason to believe that is not being done. We appreciate the concerns expressed by the OIG with regard to the students in the grades being phased out but, for the reasons noted above, we respectfully disagree with the finding and recommendation in the draft audit report that Rochester has violated the SIG final requirements in its implementation of the turnaround model, and that NYSED must require Rochester to use SIG funds for the benefit of the students attending the schools being phased out.

1.3 Expand Department guidance to address the requirements for LEAs when awarding School Improvement Grant funds for schools that LEAs plan to phase out or close.

Comments. OESE agrees with Recommendation 1.3. We will take the OIG's recommendation into consideration in determining whether and how to update our guidance to ensure that each SIG model is implemented with fidelity while permitting additional flexibility or articulating necessary constraints as warranted.

FINDING NO. 2 – Ohio Awarded Funds to Schools that Did Not Initially Demonstrate Commitment to Fully Implementing One of the Four Intervention Models.

Recommendation:

OIG recommends that the Assistant Secretary for Elementary and Secondary Education-

2.1 Ensure that Ohio has implemented its new procedure for LEAs to provide an outline of each school's specific plans to implement all of the required elements of the selected intervention model before it provides either renewal funding or new grants to the LEAs.

Comments. OESE shares the concern raised in the draft audit report that Ohio did not, before awarding funds to some schools, assess school and LEA commitment to fully implementing one of the four intervention models. Under the current SIG requirements, an LEA must submit to the SEA an application that demonstrates the LEA's capacity to use SIG funds to provide adequate resources and related support to each Tier I and Tier II school it commits to serve and provide evidence of the LEA's strong commitment to use SIG funds to implement all of the required

elements of the selected intervention model. OESE will work with Ohio to ensure that it utilizes an application review procedure that considers each LEA's capacity, as well as each school's specific plan to implement all of the required elements of a selected intervention model, before awarding either new or renewal grants. We are pleased that, as stated in the draft audit report, all eight schools in the sample that did not indicate in their applications that they would replace the principal have provided evidence that they replaced the principal within two years before the start of the 2010–2011 school year. Additionally, the one school that did not indicate in its application that it would use a new teacher evaluation system has provided evidence that it developed a memorandum of understanding with its unions to create a new evaluation system.

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