



**UNITED STATES DEPARTMENT OF EDUCATION**  
**OFFICE OF INSPECTOR GENERAL**

Audit Services

**FINAL MANAGEMENT INFORMATION REPORT**  
**State and Local No. 08-01**

OCT 31 2007

**TO:** Kerri L. Briggs  
Assistant Secretary  
Office of Elementary and Secondary Education

**FROM:** Keith West *Keith West*  
Assistant Inspector General for Audit

**SUBJECT:** Monitoring of the Title I, Part A, Comparability of Services Requirement  
**Control Number** ED-OIG/X05H0017

The purpose of this **Final Management Information Report** is to provide the U.S. Department of Education, Office of Elementary and Secondary Education (OESE) with information that may be beneficial in helping OESE improve its oversight of the Title I, Part A, Comparability of Services (Comparability) requirement. The objectives of our review were to determine whether OESE could improve its monitoring of state educational agencies (SEA) receiving Title I, Part A, funding and enhance its non-regulatory guidance to provide additional clarity to the SEAs.

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**BACKGROUND**

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The Title I, Part A, program of the Elementary and Secondary Education Act of 1965, as amended by the No Child Left Behind Act of 2001 (Act), provides financial assistance through SEAs to local educational agencies (LEA) and those elementary and secondary schools with the highest concentrations of children from low-income families. Title I, Part A, was enacted to ensure that all children have a fair, equal, and significant opportunity to obtain a high-quality education and reach, at a minimum, proficiency on challenging state academic achievement standards and state academic assessments. To be eligible to receive Title I, Part A, funds, an LEA must meet the fiscal requirements for Comparability set forth in Section 1120A of the Act. Specifically, an LEA may receive funds only if it will use state and local funds to provide services in Title I schools that, taken as a whole, are at least comparable to services provided in non-Title I schools.

OESE is responsible for conducting monitoring reviews of the SEAs' administration and implementation of federal education grants, contracts, or cooperative agreements. Monitoring

assesses the extent to which SEAs provide leadership and guidance for LEAs and schools in implementing policies and procedures that comply with Title I, Part A, requirements.

According to OESE, it uses clear and consistent criteria—monitoring indicators—to determine the degree of implementation of SEA programs and activities. The use of such criteria ensures a consistent application across the monitoring teams and across the SEAs. OESE’s monitoring plan consists of two major components: the desk review monitoring process and the on-site review, including a pre-site visit phase.<sup>1</sup> Each SEA receives an on-site visit at least once during OESE’s three-year monitoring cycle.

OESE’s *Non-Regulatory Guidance, Title I Fiscal Issues (Guidance) for Comparability* was updated in May 2006 and contains acceptable guidelines and standards concerning Comparability. Although the Guidance does not impose requirements beyond those in the Act and other applicable federal statutes and regulations, SEAs may consider the Guidance when developing their own guidelines and standards. Compliance with the Guidance will be deemed by U.S. Department of Education officials as compliance with the applicable federal statutes and regulations.

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## OBSERVATIONS AND SUGGESTIONS

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The Office of Inspector General conducted Title I, Part A, Comparability requirement audits at three SEAs: Ohio Department of Education (Ohio), Arizona Department of Education (Arizona), and Illinois State Board of Education (Illinois). The audits’ objectives were to determine whether the SEAs (1) monitored LEAs’ compliance with the Title I, Part A, Comparability requirement and (2) ensured that the LEAs were reporting complete and accurate Comparability information to its SEAs.<sup>2</sup> All three audits identified problems with the SEAs’ monitoring of LEAs’ compliance with the Comparability requirement and with the LEAs’ Comparability information. Most of the issues with the LEAs’ Comparability information were not found during the SEA’s monitoring of the LEAs. Some of the problems were previously identified by OESE through its monitoring efforts.

All three audits disclosed that the SEAs and LEAs were inconsistent in their policies and procedures for collecting, reviewing and reporting data. All three audits also disclosed that LEAs were not always reporting complete and accurate Comparability information to the SEAs. As a result, some LEAs improperly classified some schools as comparable when they were not, resulting in non-compliant schools receiving Title I, Part A, funds in violation of the law. Based on the results of the audits, we concluded that there are areas in which OESE could improve the

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<sup>1</sup> The *Student Achievement and School Accountability Programs Monitoring Plan for Formula Grant Programs* that we reviewed was dated October 1, 2006, to September 30, 2007.

<sup>2</sup> Ohio (A05-G0015), the first audit to be conducted, covered the period July 1, 2003, through June 30, 2004 (2003-2004 program year). We also obtained information covering the period July 1, 2004, through June 30, 2005 (2004-2005 program year) to ensure annual compliance with Comparability requirements. The Arizona (A09-G0020) and Illinois (A05-G0033) audits covered the 2004-2005 program year. We also obtained information from the period July 1, 2005, through June 30, 2006, to ensure annual compliance with the Comparability requirement.

effectiveness and efficiency of its monitoring and Guidance concerning the Title I, Part A, Comparability requirement.

In its comments to the first suggestion, to consider adding a step in its monitoring plan to verify the SEAs validated Comparability data that all LEAs in the state reported, OESE acknowledged that the current monitoring protocol does not include that level of detail needed to validate the Comparability data. However, while OESE agreed with the second suggestion's areas as appropriate to be included in OESE's Guidance, it stated that the recommended areas are already addressed in the Guidance. The OIG concurs that the recommended areas are mentioned in the Guidance but still believes that SEAs and LEAs will benefit if the Guidance included additional language to clarify the suggested Comparability areas. We added excerpts from the Guidance in Section 2 to demonstrate that the current Guidance only refers to the suggested areas, and made minor modifications to the first suggestion. OESE's response is attached at the end of this report.

### **Section 1: OESE's Monitoring Plan for Formula Grants Can be Improved**

OESE's current monitoring plan does not include a step to validate the Comparability data LEAs report to the SEAs. Our audit reports for all three of the SEAs included the following findings in which one or more LEAs reported inaccurate or unsupported Comparability data to its SEA.

- Two of three Ohio LEAs reported inaccurate or unsupported Comparability data to the SEA. One LEA did not maintain adequate documentation to support the data on its Comparability reports for the 2003-2004 and 2004-2005 program years. Another LEA used incorrect instructional staff data when completing its Comparability reports. The same two Ohio LEAs might not have extracted the data from their systems used to populate the Comparability reports on the same date. One LEA's instructional staff and student data resided on separate systems and were not being updated on the same date. The other LEA obtained its instructional staff and student data for Comparability purposes in the same month but not the same date.
- All three Arizona LEAs reported incomplete and/or inaccurate Comparability data to the SEA. One LEA incorrectly included preschool enrollment figures and federally funded staff in its elementary school calculations, which resulted in some schools being non-comparable. That same LEA also used budgeted staffing data to complete Comparability for the 2005-2006 program year. Another LEA did not extract staffing data used to populate the Comparability reports on the same date and did not maintain adequate documentation to support some data used in its 2005-2006 Comparability determination. A third LEA certified that it was comparable under all three of the SEA's allowable Comparability methods. However, it made incorrect assertions that all schools were comparable under two methods and incorrectly calculated the ratio under the third method by including preschool data in the calculation.
- Two of three Illinois LEAs reported inaccurate or unsupported Comparability data to the SEA. One LEA included inaccurate data on its Comparability reports for 5 of 20 schools tested in the 2005-2006 program year. In addition, that same LEA did not include charter schools in its Comparability determinations for the 2004-2005 program year and then reported data for numerous charter schools more than once in separate Comparability

determinations for the following program year. Another LEA erroneously used prior year's budgeted data to calculate Comparability, resulting in an overstatement of full-time equivalency (FTE) on its 2005-2006 Comparability report.

If OESE added a step to its monitoring plan to (1) validate the Comparability data the LEAs report to the SEAs or (2) verify that the SEAs validated the Comparability data the LEAs reported, it could have identified the inaccurate or unsupported data issues at Ohio, Arizona, and Illinois.

**Suggestion:**

We suggest that the Assistant Secretary for OESE consider adding a step in its monitoring plan to either (1) validate the Comparability data the LEAs report to the SEAs or (2) verify that the SEAs validated the Comparability data that all LEAs in the state reported.

**Section 2. Title I, Part A, Comparability of Services Non-Regulatory Guidance Can be Improved**

There also are areas in which OESE could improve its Guidance. Our audit reports for all three SEAs included similar findings that might have been prevented if the Guidance included additional language to clarify areas such as (1) the SEA's monitoring of LEAs, (2) budgeted resources used to determine Comparability, (3) maintenance of source documentation by LEAs, and (4) deadlines when Comparability should be determined.

**Minimal Monitoring Suggestions for SEAs**

The Guidance does not include minimal monitoring steps the SEA should perform during reviews of the LEAs. The Guidance only states that "an SEA is ultimately responsible for ensuring that its LEAs remain in compliance with the comparability requirement. The SEA should review LEA comparability calculations at least once every two years." The Guidance does not explicitly state that the SEAs should have procedures in place to determine the validity of the data the LEAs report to them.

Our audit reports for Arizona and Illinois included findings that the SEAs did not adequately monitor their LEAs' compliance with the Comparability requirement. The SEAs' failure to adequately monitor its LEAs resulted in the SEAs not identifying the reporting of inaccurate or unsupported Comparability data. Arizona did not routinely verify the LEAs' exempt status and did not ensure LEAs submitted assurances at least every other year to document compliance with the Comparability requirement. Arizona did not have a process in place to regularly verify that the LEAs claiming to be exempt made the correct assessment. It also did not have procedures in place to routinely confirm that LEAs were submitting the required Assurance of Comparability and could not ensure that LEAs were documenting compliance with the Comparability requirement every other year. Illinois did not follow up with one LEA to ensure it made necessary adjustments to its Comparability information, which allowed non-comparable schools within that LEA to remain non-compliant. In addition, Illinois did not cite the LEA for not complying with the Comparability requirements by either determining the amount of state and local funding to be repaid or withheld for the non-compliant schools.

If OESE were to include in its Guidance a requirement that SEAs must have policies and procedures in place to validate the accuracy of the Comparability data reported by all LEAs in

the state and some minimal monitoring suggestions that SEAs should complete while at the LEAs, the SEAs' ability to identify whether an LEA reports inaccurate or unsupported Comparability data would be increased.

#### Budgeted Resources Used to Determine Comparability

The Guidance does not include language to clarify the expenditures per pupil and the staff per pupil methods. It does not explain to SEAs and LEAs that, while schools are allowed to use the expenditures per pupil method in calculating Comparability, the final expenditures must reflect the allotted expenditures, within a reasonable tolerance permitted by the SEA. In other words, allotted expenditures cannot be inflated simply to meet the Comparability requirement. In addition, the Guidance does not specify that budgeted staffing data, which includes vacant positions within the FTE computations, cannot be used to demonstrate Comparability.

In our Arizona and Illinois audit reports, LEAs in both SEAs used budgeted staffing data or vacant FTEs in an attempt to demonstrate Comparability. One Arizona LEA used budgeted staffing data to complete its Comparability calculations for the 2005-2006 program year. We could not determine whether the use of the staffing projections caused schools to be non-comparable because the LEA's accounting system was not capable of generating the actual staffing data needed to demonstrate Comparability. In an attempt to demonstrate Comparability in the 2004-2005 and 2005-2006 program years, one Illinois LEA opened numerous staff positions in its non-comparable schools. We reviewed the vacancies for the 2005-2006 program year and determined that the LEA filled only approximately 18 percent of those positions, resulting in 32 schools remaining non-comparable. The LEA's procedures stated that, if schools failed to demonstrate Comparability, the LEA was to inform the schools that they should hire a certain number of positions to meet Comparability. However, the LEA left hiring to the discretion of the school principals.

Adding clarification in the Guidance that actual, rather than budgeted, staffing data must be used to calculate Comparability will result in more accurate Comparability determinations. The calculations will not include inflated expenditures or vacant FTE positions if the expenditure per pupil and the staff per pupil methods are used.

#### LEA Maintenance of Source Documentation

The Guidance does not state that LEAs should maintain source documentation to support the data used in the Comparability calculations. The Guidance only states that "if the LEA establishes and implements other measures for determining compliance with Comparability, such as student/instructional staff ratios, it must maintain source documentation to support the calculations and documentation to demonstrate that any needed adjustments to staff assignments are made."

In our Ohio and Arizona audit reports, LEAs in both SEAs only maintained documentation to support the calculations themselves. They did not maintain a snapshot of the database information or maintain other documentation to support the data used to generate the numbers used in the calculations. One LEA in Ohio did not maintain adequate documentation to support its instructional staff or student data in its Comparability reports. The LEA relied on the schools to maintain supporting documentation for data used in the Comparability reports. One LEA in Arizona did not maintain documentation to support the staffing data it used to prepare its 2005-2006 Comparability reports.

Maintenance of supporting documentation for data used in Comparability calculations is critical. Much of the data is extracted from databases that are constantly updated, making it impossible to recreate the extraction at a later date. Making certain that LEAs have a clear understanding that they should maintain the source documentation to support the data used in the Comparability calculations will enable the SEAs to more effectively monitor whether the LEAs reported accurate and complete Comparability data.

Specific Deadline When Comparability Should be Determined

The Guidance does not include language that instructs SEAs to establish a specific deadline for when Comparability should be determined and when the corrective actions should be completed. The Guidance only states that an LEA must develop procedures that should, at a minimum, include the LEA's timeline for demonstrating Comparability. The Guidance also states that the SEA may establish deadlines for Comparability determinations and for implementing any required corrective actions. The Guidance goes on to state that an early determination of comparability would allow an LEA to make adjustments with the least amount of disruption. An example timeline within the Guidance states that the Comparability calculations and the corrections to non-comparable schools should be completed by October.

We reported that one Arizona LEA was allowed to make adjustments to its non-comparable schools as late as the beginning of the second semester. The SEA's lack of monitoring led the LEAs to believe that certifying corrected imbalances in non-comparable schools was optional. One Illinois LEA was including staffing positions hired as late as June 2006 in its non-comparable schools in the 2005-2006 program year determinations in an attempt to demonstrate Comparability.

The Act requires that the schools be comparable the entire school year. Requiring the SEAs to establish specific deadlines in their policies for completing Comparability calculations and for implementing any required corrective actions would help LEAs properly demonstrate compliance with the Comparability requirement.

**Suggestions:**

We suggest that the Assistant Secretary for OESE consider revising the Guidance to include:

- minimal monitoring suggestions the SEA should complete while at the LEAs;
- language that prohibits LEAs from using inflated, budgeted resources, such as vacant FTE positions, in its Comparability calculations;
- a statement that LEAs should maintain source documentation that supports the data used to complete the Comparability calculations; and
- language that requires SEAs to establish specific deadlines for when LEAs must determine their Comparability calculations and complete the necessary corrective actions.

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## OBJECTIVES, SCOPE, AND METHODOLOGY

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The objectives of our review were to determine whether OESE could improve its monitoring of SEAs receiving Title I, Part A, funding and enhance its Guidance to provide additional clarity to the SEAs. To achieve our objectives, we obtained information on OESE's current SEA monitoring procedures, any planned changes to the current Guidance, and any planned changes to the regulations based on reauthorization of the Act. We also reviewed the *Student Achievement and School Accountability Program, Monitoring Plan for Formula Grant Programs*, dated October 2005 and 2006, and Guidance dated May 2006. We reviewed our Ohio, Arizona, and Illinois audit reports and identified the issues that were identified in more than one state. Next, we determined whether the issues could have been avoided with enhanced monitoring or Guidance. We then developed suggestions that OESE could implement to mitigate the risk that future non-comparable schools might exist but not be identified.

We discussed our planned review with OESE on May 29, 2007, and discussed the results of our review with OESE on July 23, 2007.

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## ADMINISTRATIVE MATTERS

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Statements that managerial practices need improvements, as well as other conclusions and suggestions in this report, represent the opinions of the Office of Inspector General.

In accordance with the Freedom of Information Act (5 U.S.C. § 552), reports issued by the Office of Inspector General are available to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act.

We appreciate the cooperation given us during this review. If you have any questions, please contact Jan Keeney, Acting Regional Inspector General for Audit, U.S. Department of Education, at (816) 268-0500.

Attachment

TO : George A. Rippey  
Acting Assistant Inspector General for Audit

FROM : Kerri L. Briggs  
Assistant Secretary  
Office of Elementary and Secondary Education (OESE)

SUBJECT : Response to Draft Management Information Report (MIR)  
ED-OIG/X05H0017

Thank you for the opportunity to respond to the Draft MIR cited above. The MIR states that the Office of the Inspector General (OIG) conducted audits of the comparability requirements under the No Child Left Behind Act (NCLB) in three State educational agencies (SEA): the Ohio Department of Education, the Arizona Department of Education and the Illinois State Board of Education. All three audits identified problems with the SEAs' monitoring of these requirements, and of the local educational agencies' (LEA) compliance with comparability. In addition to providing information as to the results of these audits, the MIR offers suggestions to improve OESE's oversight of the comparability requirement under NCLB, as follows:

**Section 1: OESE's Monitoring Plan for Formula Grants Can Be Improved**

Suggestion: The MIR suggests that the Assistant Secretary for the Office of Elementary and Secondary Education (OESE) consider adding a step in its monitoring plan to either (1) validate the comparability data the LEAs report to the SEAs or (2) verify that the SEAs validated the comparability data the LEAs reported.

OESE Response: OESE appreciates the suggestion, and acknowledges that the current monitoring protocol does not include that level of detail. While validating comparability data that LEAs submit to the SEAs during an onsite review would ensure that the two individual LEAs typically included in such reviews provided accurate data in a specific year, requiring the SEAs to provide OESE with additional information as to how it validates comparability data for all LEAs is a more effective (systemic) and appropriate modification to our procedures as the SEAs are responsible for ensuring compliance with these requirements statewide. OESE will therefore ensure that its current monitoring protocol be revised to include expanded procedures which require SEAs to demonstrate how comparability data are validated for all LEAs in a State. This modification will be implemented for the 2007-2008 school year.



Page 2 - George A. Rippey

**Section 2: Title I, Part A Comparability of Services Non-Regulatory Guidance Can Be Improved**

Suggestion: The MIR provides a number of suggestions, based on the findings from the three audit reports, that the OIG believes would improve the guidance provided to SEAs regarding the implementation and oversight of the comparability requirements, including clarification of areas such as (1) the SEA's monitoring of LEAs, (2) budgeted resources used to determine comparability, (3) maintenance of source documentation by the LEAs, and (4) deadlines when comparability should be determined.

OESE Response: While we agree with OIG's comparability areas as appropriate to include in NCLB fiscal guidance, we point out that the suggested areas are already addressed in the Non-Regulatory Guidance, Title I Fiscal Issues. The areas are thoroughly addressed by way of examples outlined in pages 17-28 and through specific questions and answers in pages 30-34. This guidance can be accessed at <http://www.ed.gov/programs/titleiparta/fiscalguid.pdf>. In addition OESE will address these issues through our monitoring protocols.

We concur with the Department's Office of General Counsel separate comments on the MIR addressing certain legal comparability requirements.

Again, we appreciate the opportunity to provide this response to the MIR and we look forward to receiving the final report.