
Combining Funds in Schoolwide Programs

FINAL AUDIT REPORT



Control Number ED-OIG/A04-90008
March 2000

Our mission is to promote the efficient and effective use of taxpayer dollars in support of American education.



U.S. Department of Education
Office of Inspector General
Atlanta, Georgia

NOTICE

Statements that management practices need improvement, as well as other conclusions and recommendations in this report, represent the opinions of the Office of Inspector General. Determination of corrective action to be taken will be made by 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, if requested, to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act.



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF INSPECTOR GENERAL

THE INSPECTOR GENERAL

MEMORANDUM

DATE: **MAR 29 2000**

TO: Mike Cohen
Assistant Secretary of Elementary and Secondary Education

FROM: Lorraine Lewis (*Signed*)

SUBJECT: FINAL AUDIT REPORT
"Combining Funds in Schoolwide Programs"
Control Number: ED-OIG/A04-90008

Attached is our subject final report that covers the results of our review of Combining Funds in Schoolwide Programs at various locations. We received your comments concurring with the findings and recommendations in our draft audit report.

You have been designated as the primary action official for this report. The Assistant Secretary of Special Education and Rehabilitation Services; the Assistant Secretary of Vocational and Adult Education; and, the Acting Director of Bilingual Education and Minority Languages Affairs are collateral officials. Please coordinate with them regarding any actions in connection with the recommendations.

Please provide the Supervisor, Post Audit Group, Financial Improvement, Receivables and Post Audit Operations, Office of Chief Financial Officer and the Office of Inspector General, Acting Assistant Inspector General for Analysis and Inspection Services, with semiannual status reports on promised corrective actions until all correctives actions have been completed or continued follow-up is unnecessary.

In accordance with the Freedom of Information Act (Public Law 90-23), reports by the Office of Inspector General are available, if requested, to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act. Copies of this audit report have been provided to the offices shown on the distribution list enclosed in the report.

We appreciate the cooperation given us in the review. Should you have any questions concerning this report, please call Carol Lynch, Regional Inspector General for Audit, at (404) 562-6462.

Attachment



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF INSPECTOR GENERAL

THE INSPECTOR GENERAL

MEMORANDUM

DATE: **MAR 29 2000**

TO: Patricia McNeil
Assistant Secretary of Vocational and Adult Education

FROM: Lorraine Lewis (*Signed*)

SUBJECT: FINAL AUDIT REPORT
“Combining Funds in Schoolwide Programs”
Control Number: ED-OIG/A04-90008

Attached is our subject final report that covers the results of our review of Combining Funds in Schoolwide Programs at various locations. We received your comments and made some changes to the report as a result. Other comments were outside the scope of the audit. However, Office of Inspector General staff will meet with you at your convenience to discuss those comments.

You have been designated as a collateral action official for this report. The Assistant Secretary of Elementary and Secondary Education has been assigned as the primary action official. Please coordinate with him regarding any actions in connection with the recommendations as the recommendations pertain to programs administered by your office.

In accordance with the Freedom of Information Act (Public Law 90-23), reports by the Office of Inspector General are available, if requested, to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act. Copies of this audit report have been provided to the offices shown on the distribution list enclosed in the report.

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UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF INSPECTOR GENERAL

THE INSPECTOR GENERAL

MEMORANDUM

DATE: **MAR 29 2000**

TO: Judith Heumann
Assistant Secretary of Special Education and Rehabilitative Services

FROM: Lorraine Lewis (*Signed*)

SUBJECT: FINAL AUDIT REPORT
“Combining Funds in Schoolwide Programs”
Control Number: ED-OIG/A04-90008

Attached is our subject final report that covers the results of our review of Combining Funds in Schoolwide Programs at various locations.

You have been designated as a collateral action official for this report. The Assistant Secretary of Elementary and Secondary Education has been assigned as the primary action official. Please coordinate with him regarding any actions in connection with the recommendations as the recommendations pertain to programs administered by your office.

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Attachment



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF INSPECTOR GENERAL

THE INSPECTOR GENERAL

MEMORANDUM

DATE: **MAR 29 2000**

TO: Arthur Love
Acting Director of Bilingual Education and Minority Languages Affairs

FROM: Lorraine Lewis (*Signed*)

SUBJECT: FINAL AUDIT REPORT
“Combining Funds in Schoolwide Programs”
Control Number: ED-OIG/A04-90008

Attached is our subject final report that covers the results of our review of Combining Funds in Schoolwide Programs at various locations.

You have been designated as a collateral action official for this report. The Assistant Secretary of Elementary and Secondary Education has been assigned as the primary action official. Please coordinate with him regarding any actions in connection with the recommendations as the recommendations pertain to programs administered by your office.

In accordance with the Freedom of Information Act (Public Law 90-23), reports by the Office of Inspector General are available, if requested, to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act. Copies of this audit report have been provided to the offices shown on the distribution list enclosed in the report.

We appreciate the cooperation given us in the review. Should you have any questions concerning this report, please call Carol Lynch, Regional Inspector General for Audit, at (404) 562-6462.

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EXECUTIVE SUMMARY

Eligible schools participating in schoolwide programs are not taking advantage of the flexible accounting provisions of the Improving America's Schools Act. Our audit identified a need for improving the flow of information, guidance and technical assistance from the U.S. Department of Education (Department) to the state and local education agencies and to state and independent auditors.

Congress gave states, school districts and schools more flexibility in using Federal education dollars and other resources with the enactment of the Improving America's Schools Act (the Act) in October 1994, Public Law 103-382. Title I of the Act is entitled "Helping Disadvantaged Children Meet High Standards." Section 1114 of Subpart 1, allows a local education agency to use funds, in combination with other Federal, state and local funds to upgrade the entire educational program in an eligible school.

The Department has issued regulations and general guidance to state and local education agencies. *Policy Guidance for Title I, Part A – Improving Basic Programs Operated by Local Education Agencies*, issued on April 11, 1996, with later revisions, states that Federal education funds, included in a schoolwide plan, do not have to be accounted for separately. These funds may also be combined with state and local funds to implement a schoolwide program plan. In addition, the Department has made efforts to promote the flexibility provisions through the Internet, publications, presentations, speeches and national and regional conferences.

The Office of Management and Budget's Compliance Supplement on Elementary and Secondary Education Act (ESEA) programs contains guidance on schoolwide programs. The Compliance Supplement is used by state and independent auditors who audit the expenditure of Federal program funds by schools and local education agencies in accordance with the Single Audit Act.

Despite these efforts, we found that:

1. Some state accounting policies and procedures and some state laws do not allow funds to be combined.
2. Federal laws and program requirements designed to maintain accountability may be barriers to combining funds.
3. Local education agencies did not always know about or have sufficient guidance to combine funds in schoolwide programs.
4. State and independent auditors may not always be aware of how to audit Federal funds that are combined in schoolwide programs.

The Assistant Secretary for Elementary and Secondary Education should work with other appropriate Assistant Secretaries to consider whether it would be useful to:

1. Provide additional guidance in publications to help state and local education agencies address concerns that may prohibit them from allowing schools to combine funds in schoolwide programs. Guidance could include what information is required when reporting on schoolwide programs, and what is no longer required when Federal programs are a part of a schoolwide program. For example, a fiscal companion guide to the “Idea Book” on combining funds in schoolwide programs could be issued. This guide could include illustrations and examples of how local education agencies and schools could account for and report funds in a combined setting.
2. Work with Federal and state education officials to focus on the principles of the schoolwide program, and assist state education agencies in their efforts to understand how combining funds would work in a schoolwide setting. Also, the Department should work with state education agencies and assist them in working with local education agencies to take full advantage of the flexibility provisions contained in the Improving America’s Schools Act.
3. Work with state education agencies to help state and independent auditors better understand the relationship between the Single Audit Act and the flexibility provisions of the Improving America’s Schools Act.

We held an exit conference with Department officials and discussed our findings and recommendations. Department officials generally agreed with the issues reported.

U.S. Department of Education officials’ response to the draft report generally agreed that the Department should continue to assist state education agencies in their efforts to understand how combining funds would work in a schoolwide setting. Department officials also agreed that the Department should provide whatever assistance necessary to help state and independent auditors better understand the Single Audit Act and the flexibility provisions of the Improving America’s Schools Act.

The Office of Inspector General agreed with the responses and made minor changes to the report as suggested.

AUDIT RESULTS

The results of this audit suggest that, despite the intentions of Congress and efforts by the Department, eligible schools participating in schoolwide programs were not taking advantage of the provision to combine separate program resources into a single accounting fund in schoolwide programs. Some state education officials reported that state laws, accounting procedures and policies require strict accountability and reporting by program and do not allow combining of funds from various sources. Local education agencies were reluctant to allow schools to combine funds into a single accounting fund even where states do not have such restrictions. Local officials are concerned about audit and individual program requirements. In some local education agencies, officials were not aware that program funds could be combined into a single accounting fund in a schoolwide program. Other officials did not believe that they had the information they needed to decide whether combining funds would be useful to them or did not know how to implement the provisions.

Congressional Intent

Congress intended that the schoolwide program provisions be available to state and local education agencies.

The use of the schoolwide combining funds provisions is voluntary. However, the intent of Congress was to make these provisions available to state and local education agencies to assist in using Federal education funds to upgrade the entire educational program in a schoolwide program.

Section 1114 of Title I of the Elementary and Secondary Education Act of 1965 (ESEA), as amended by the Improving America's Schools Act of 1994, authorizes the establishment of schoolwide programs. It states that a local education agency may use Title I funds in combination with other Federal, state and local funds in order to upgrade the entire educational program in an eligible school.

The House Report that accompanied the passage of the ESEA puts Title I in the center of school reform by making it easier for high-poverty schools to operate schoolwide programs. Schools could combine all the funds they receive except for Individuals with Disabilities Education Act (IDEA) funds, to support their schoolwide program without separate accountability requirements and without requesting waivers.

Congress also showed its intent by stating in Section 1111, *State Plans*, of the Act that:

- The state education agency will provide the least restrictive and burdensome regulations for local education agencies and individual schools participating in assisted programs.
- The state education agency will encourage the use of funds from other Federal, state and local sources for schoolwide reform in schoolwide programs.

U.S. Department of Education Efforts

The U.S. Department of Education issued regulations, general guidance and presented other information to state and local education agencies on schoolwide programs.

The U.S. Department of Education has issued regulations and general guidance to state and local education agencies on schoolwide programs. In addition, the Department has made an effort to promote the flexibility provisions through the Internet, publications, presentations and speeches at national and regional conferences.

The Department issued *Policy Guidance for Title I, Part A – Improving Basic Programs Operated by Local Education Agencies* in April 1996, with later revisions. The guidance was issued to assist state and local education agencies in using funds to support strong coordination with other programs, in ongoing reform efforts for the improvement of teaching and learning.

Several sections of the Policy Guidance made it clear that Federal, state and local funds can be combined and need not be accounted for separately in schoolwide programs. In the introduction, the guidance states that a school may use Title I funds with other Federal education funds to upgrade a school's entire educational program. These words are used throughout the document to emphasize the intent of a schoolwide program. Further, the guidance states specifically that "Federal education funds that are included in the schoolwide plan do not have to be accounted for separately and may be combined with state and local funds in the schoolwide program."

The Department has made the provisions of the ESEA, including the schoolwide provisions, available to state and local education agencies through the Department's Internet web site. In addition, the Department has made presentations at various conferences that focused on the provisions of the Improving America's Schools Act, including combining funds in schoolwide programs.

Further, the Office of Management and Budget's Compliance Supplement on Elementary and Secondary Education Act programs contains guidance on schoolwide programs and highlights the flexibility available to grantees. State and independent auditors use the Compliance Supplement to audit Federal program expenditures in accordance with the Single Audit Act.

Despite these efforts, eligible schools participating in schoolwide programs are not taking advantage of the provision to combine separate program resources into a single accounting fund in schoolwide programs.

Title 34, section 200.8 of the Code of Federal Regulations sets out the regulatory provisions of the schoolwide program. Much is written about the programmatic provisions of the schoolwide program. However, nothing in the regulations addresses the financial aspects of combining funds.

The Department also published an "Idea Book" on planning and implementing schoolwide programs. However, the book does not address financial and accounting issues that arise when Federal funds are combined with other funds in schoolwide programs.

While the Compliance Supplement to OMB Circular A-133, addresses schoolwide programs, state and local officials are concerned that auditors do not understand how individual programs are affected when included in schoolwide programs.

State Education Agencies

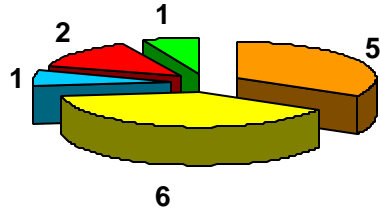
Ten of the 15 state education agencies reviewed do not allow schools participating in the schoolwide program to combine all funds.

We interviewed state education agency officials in 15 states. Officials in five states reported that nothing in their state laws or accounting systems prevented local education agencies from allowing schools that participate in a schoolwide program to combine funds. In the remaining ten states, officials reported that they have various laws and accounting procedures and policies that do not allow schools to combine all funds into a single accounting fund in schoolwide programs.

Of those ten states:

- Six states do not permit any combining of funds.
- Two states allow combining of Federal funds only.
- One state allows combining of state and local funds only.
- One state allows combining of all Federal funds and the combining of all state and local funds, but not together.

The chart below shows where states stand on the issue of combining funds.



- Allow Combining of All Funds
- Allow Combining of No Funds
- Allow Combining of State Funds Only
- Allow Combining of Federal Funds Only
- Allow Combining of Each, But Not Together

Several states reported that combining funds would be difficult because they have complex accounting systems that were implemented as an accountability measure. State officials stated it would be difficult to combine funds under such a system because of a requirement for specific accounting codes to track individual program expenditures. For example, one state reported that it had a uniform chart of accounts that requires a ten-digit code for each expenditure. The first digit of the code is the funding source (Federal, state and local). The next four digits are reserved for the activity code, the next two are the program report code, and the last three digits represent the object code. State officials reported that the state legislature mandates this kind of system as an accountability measure.

In addition to accounting regulations and procedures, state officials reported that there are state laws that would prohibit state education agencies from combining funds. Some state and some local funding are based on certain criteria, and the dollars must be accounted for by source. One state reported that each state program has its own legislation, and cannot be combined with Federal funds unless the laws are changed. State legislators also make requests to track program dollars. State education officials claimed that combining funds would render them and local education officials incapable of providing such information.

One state reported that some Federal education programs still require detailed reports by program activity. Therefore, the state education officials believed that combining these funds would not be possible in a schoolwide setting. For example, the vocational education program was cited as one of the programs that required a detailed expenditure report. Another state official cited exceptional children program funds as also being difficult to combine. State officials were adamant about

Local Education Agencies

Of the 16 local education agencies contacted, none reported that schools participating in schoolwide programs were combining funds.

As cited by state education agencies. State officials told us that it would make it difficult to determine whether combined funds were used for the intended purpose and beneficiaries, as there would be no way of knowing if the services were actually provided to the children. Some states' officials reported being reluctant to combine funds in schoolwide programs because a combined fund would be difficult to audit by funding source.

Two state education agencies have issued guidance on combining funds. However, because of state laws, the guidance covers the combining of Federal funds only.

We interviewed officials from 16 local education agencies. All said schools in their district were using, and were extremely satisfied with, the programmatic aspects of the schoolwide program. However, none reported that any school participating in the schoolwide program was combining funds into one accounting fund, despite reports from some state education agencies that schools can combine funds.

Officials from one local education agency reported that they were not aware of the provisions in the Amendments to the Elementary and Secondary Education Act of 1965 that allowed funds to be combined in a schoolwide program. Other concerns cited by local education agencies were similar to those cited by state education agencies. These concerns included:

- State accounting systems.
- Other state laws and requirements.
- Federal laws and program requirements.
- Accountability issues.
- Audit requirements.

Some local education agencies also expressed concerns over district and local government requirements. Requests from local school boards prompt many local education agencies to require individual schools to report expenditures by funding source. In addition to state accounting systems, some school districts reported having accounting systems that track expenditures by funding source. Other districts are reluctant to combine all Federal, state and local funds because the state requires expenditures to be reported by source.

Some local education agencies are concerned that funds would lose their identity in a combined setting. One district official stated it would be difficult to picture how the source of funds would not be identified at the school level. Others did not see a combined fund as a desirable option. One official thought it would be difficult to track expenditures at specific groups or local education agency officials felt that combining funds into one account might lead to a generalization of funds and loss of effectiveness of funds.

Schools

Although most of the school administrators contacted favored the concept of combining funds, none were combining funds in schoolwide programs.

Some local education officials stated that some program officials may find it difficult to adjust to the flexibility of combining funds. These officials stated that, traditionally, program officials have been protective and say their program funds cannot be combined. Some are concerned that too much flexibility would take away from much-needed programs, and the program focus would be lost. Local officials were also concerned that Federal and state monitors would review individual program activities rather than the combined activities of a schoolwide program.

Schools

Although schools are using the programmatic flexibility provisions of Title I to upgrade the entire educational system, none of the schoolwide participants interviewed are combining funds from a fiscal standpoint. School officials raised issues and concerns such as accounting systems, program requirements, and tracking funds by source. For example, one school administrator stated that codes needed to be assigned to expenditures for accounting purposes. Another school administrator said it would be difficult to combine vocational education funds because of Federal program requirements.

However, most school officials interviewed agreed that combining funds at the school level in a schoolwide program would simplify the budget and accounting process. One school administrator stated that he had eight budgets to maintain. A consolidated fund would eliminate the problem of having a small amount of funds in each account, but not enough to do anything with each fund separately. One school administrator pointed out that a consolidated fund would make planning easier and provide a more efficient delivery of services. This administrator also said that all funds should be included in the schoolwide program, including IDEA funds.

A few school administrators did not think combining funds would make a difference. One official stated that the current accounting system works well because there is leeway in budgeting funds with schoolwide programs. Another stated that a single accounting source would be a good administrative tool, but the use of the funds to serve the needs of all children is the most important consideration. Another official stated that the benefits of combining funds would have to far outweigh the risk of abuse that might occur. Another administrator pointed out that combining funds would not change what the school is doing now or will be doing in the future. However, one school official pointed out that training would be necessary if combining funds was allowed.

Effects of Not Combining Funds

We determined that eligible schools participating in the schoolwide program are not taking advantage of the flexible accounting provisions of the Amendments to the Elementary and

Secondary Education Act of 1965. We concluded that not combining funds may cause additional administrative burdens. These burdens include:

- Accounting for funds separately by source may cause additional work for school administrators.
- A single purchase may have funding codes from more than one program source.
- Funds may go unspent or needed purchases not made because of budget constraints.
- School administrators must budget and account for expenditures by source of funds.

Recommendations

The Assistant Secretary for Elementary and Secondary Education should work with other appropriate Assistant Secretaries to consider whether it would be useful to:

1. Provide additional guidance in publications to help state and local education agencies address concerns that may prohibit them from allowing schools to combine funds in schoolwide programs. Guidance could include what information is required when reporting on schoolwide programs, and what is no longer required when Federal programs are a part of a schoolwide program. For example, a fiscal companion guide to the “Idea Book” on combining funds in schoolwide programs could be issued. This guide could include illustrations and examples of how local education agencies and schools could account for and report funds in a combined setting.
2. Work with Federal and state education officials to focus on the principles of the schoolwide program, and assist state education agencies in their efforts to understand how combining funds would work in a schoolwide setting. Also, the Department should work with state education agencies and assist them in working with local education agencies to take full advantage of the flexibility provisions contained in the Amendments to the Elementary and Secondary Education Act of 1965.
3. Work with state education agencies to help state and independent auditors better understand the relationship between the Single Audit Act and the flexibility provisions of the Amendments to the Elementary and Secondary Education Act of 1965.

We received responses to the draft report from the Office of Elementary and Secondary Education and Office of Vocational and Adult Education. The responses generally agreed that the Department should continue to assist state education agencies in their efforts to understand how combining funds would work in a schoolwide setting. Department officials also agreed that the Department should provide whatever assistance necessary to help state and independent auditors better understand the Single Audit Act and the flexibility provisions of the Improving America's Schools Act. The Office of Inspector General did not receive responses from the Office of Bilingual Education and Minority Languages Affairs and the Office of Special Education and Rehabilitative Services. The full written responses are attached to the report as an appendix.

The Office of Inspector General agreed with the responses and made minor changes to the report as suggested.

APPENDIX A

Background

Congress provided states, school districts and schools with more flexibility in using Federal education dollars and other resources with the reauthorization of the Elementary and Secondary Education Act of 1965, as amended by the Improving America's Schools Act in October 1994. Title I of the Elementary and Secondary Education Act of 1965 is entitled "Helping Disadvantaged Children Meet High Standards." Section 1114 of Title I allows a local education agency to use funds, in combination with other Federal, state and local funds, in order to upgrade the entire educational program in an eligible school. In addition, the reauthorization of the Individuals with Disabilities Education Act (IDEA), allows IDEA funds to be combined in schoolwide programs with certain limitations.

The Department has issued regulations and general guidance to state and local education agencies. *Policy Guidance for Title I, Part A – Improving Basic Programs Operated by Local Education Agencies*, issued on April 11, 1996, with later revisions, states that Federal education funds, included in a schoolwide plan, do not have to be accounted for separately. These funds may also be combined with state and local funds to implement the plan in a schoolwide program. In addition, the Department has made efforts to promote the flexibility provisions through the Internet, publications, presentations, speeches and national and regional conferences.

The Compliance Supplement on Elementary and Secondary Education Act (ESEA) programs contains guidance on schoolwide programs. The Compliance Supplement is used by state and independent auditors who audit the expenditure of Federal program funds by schools and local education agencies in accordance with the Single Audit Act.

Scope and Methodology

The objective of this audit was to determine to what extent eligible schools participating in schoolwide programs were combining funds. To meet our objectives, we interviewed education and finance officials from 15 state education agencies. We selected the states based on the number of schoolwide programs and the percentage of Title I schools in each state that have schoolwide programs. We visited three of the state education agencies selected and interviewed the remaining agencies in telephone conferences.

We interviewed officials from 16 local education agencies. Six of the agencies were in the states we visited. The other 10 were contacted by telephone. We selected the local education agencies based on information obtained from the state education agencies. Except for the states that we visited, we did not contact local education agencies where we were advised by state officials that

state laws, accounting rules or policies did not allow schools participating in schoolwide programs to combine funds.

We interviewed 13 school administrators, all in the states we visited. All the administrators were principals or advisors at Title I schools. We included two high schools that received Title I funds and other Federal funds, including Vocational Education, in the review. Except for the states we visited, we did not contact school administrators where state officials advised us that the state or local education agency did not allow schools participating in a schoolwide program to combine funds.

We conducted the interviews between March 1999 and July 1999. A list of state and local education agencies where officials were interviewed is in Appendix B.

Our audit was conducted according to government auditing standards appropriate to the scope of the audit described above. Due to the limited scope of our review, and the audit objective, we did not review the management control structures of the Department or of the entities where we conducted interviews.

APPENDIX B:
*State Education Agencies, Local Education Agencies and Schools
 Contacted*

<i>State Education Agencies</i>	<i>Local Education Agencies</i>	<i>Schools</i>
Texas	New Braunfels Independent School District	Lone Star Primary Memorial Elementary
	San Antonio Independent School District	Barkley/Ruiz Elementary Fox Tech High School
Kentucky	Jefferson County Schools	Iroquois High School Hazelwood Elementary
	Henry County Schools	New Castle Elementary Campbellsburg Elementary
North Carolina	Cumberland County Schools	Ben Martin Elementary MacWilliams Middle School
	Halifax County Schools	Bakers Elementary Brawley Middle School Southeast High School
Michigan	Flint City Schools	
	Detroit City Schools	
Illinois	Chicago School District 299	
	Cairo School District	
Maryland	Baltimore City Schools	
	Garret County Board of Education	
Massachusetts	Boston Public Schools	
	Lowell Public Schools	
New York	New York City District 22	
	Yonkers Public Schools	
California		
Oklahoma		
Louisiana		
Missouri		
Florida		
Mississippi		
Alabama		

MEMORANDUM

WASHINGTON, D.C. 20202- ____

Mar 15 2000

TO: Carol Lynch, Area Manager
Office of Inspector General

FROM: Michael Cohen (*Signed*)
Assistant Secretary
Office of Elementary and Secondary Education

SUBJECT: Draft Audit Report: "Combining Funds in Schoolwide Programs"
CAN: ED-OIG/A04-90008

In general, OESE agrees that a continued effort should be put forth in assisting State education agencies in their efforts to understand how combining funds would work in a schoolwide setting. We agree that we should provide whatever assistance is necessary to aid State education agencies in helping State and independent auditors better understand the relationship between the Single Audit Act and the flexibility provisions of the Improving America's Schools Act. We plan to ask State and local educators what kinds of assistance or additional guidance would be of use to them. In particular, we will be interested in their perceptions of barriers to further implementation of schoolwide programs.

One additional technical comment: We request that the phrase "combining funds" be used consistently throughout the report rather than the word "commingle".

OFFICE OF VOCATIONAL AND ADULT UNITED STATES
DEPARTMENT OF EDUCATION

THE ASSISTANT SECRETARY

MEMORANDUM

To: Carol Lynch, Area Manager, OIG
Richard Rasa, Director, State and Local Advisory and Assistance

From: Patricia W. McNeil

Subject: DRAFT AUDIT REPORT: "**Combining Funds in Schoolwide Programs**" Audit
Control Number: ED-OIG/A04-90008

On February 8, 2000, Lorraine Lewis, Inspector General, requested comments on the DRAFT AUDIT REPORT "Combining Funds in Schoolwide Programs." Our comments on this draft report are presented below

Part of Title I legislation addresses Schoolwide Programs, which permit, under certain conditions, the flexibility of combining Federal education funds at the local school to more easily address issues centering on student performance. Funds allocated under the Carl D. Perkins Vocational and Technical Education Act are covered by the Schoolwide Programs initiative, and therefore can be combined with other fluids at the local school level.

Based on the current draft report it is difficult to determine whether or not the auditors actually found instances of Perkins funds available for Schoolwide Programs in the various sites visited. Many of the schools cited in the draft report were elementary schools, which are by definition ineligible for Perkins funding; hence, there are no Perkins funds available for Schoolwide Programs at these sites.

Secondly, there is no indication that the secondary institutions (or middle schools) reviewed for this audit had Title I funds available for use. It has been our understanding that most school districts restrict Title I funding to elementary' sites.

We recommend that the draft audit report be revised to reflect whether middle and secondary schools reviewed for this report had not only Perkins funding available to them, but more importantly, also bad Title I funds available. It is only when both streams of funds are available that the establishment of a Schoolwide Program using Perkins funding can be developed. If the desire is to ascertain the degree to which Perkins funds are used in Schoolwide Programs, the sample of reviewed sites will probably have to be increased.

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Our mission is to ensure equal access to education and to promote educational excellence throughout the nation .

While the draft audit report is correct in noting that the formation of Schoolwide Programs is voluntary in nature, the tone of the report seem to indicate that the Department should be doing more to promote Schoolwide Programs. It should be noted that there are well-defined legislative criteria for establishing a Schoolwide Program. Failure to adequately address these criteria precludes the combining of Federal funds, and opens schools to adverse audit findings. Perhaps the audit report should focus on exploring the nature of the requirements for a Schoolwjde Program, and whether these requirements work to impede the widespread development of Schoolwide Programs.

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