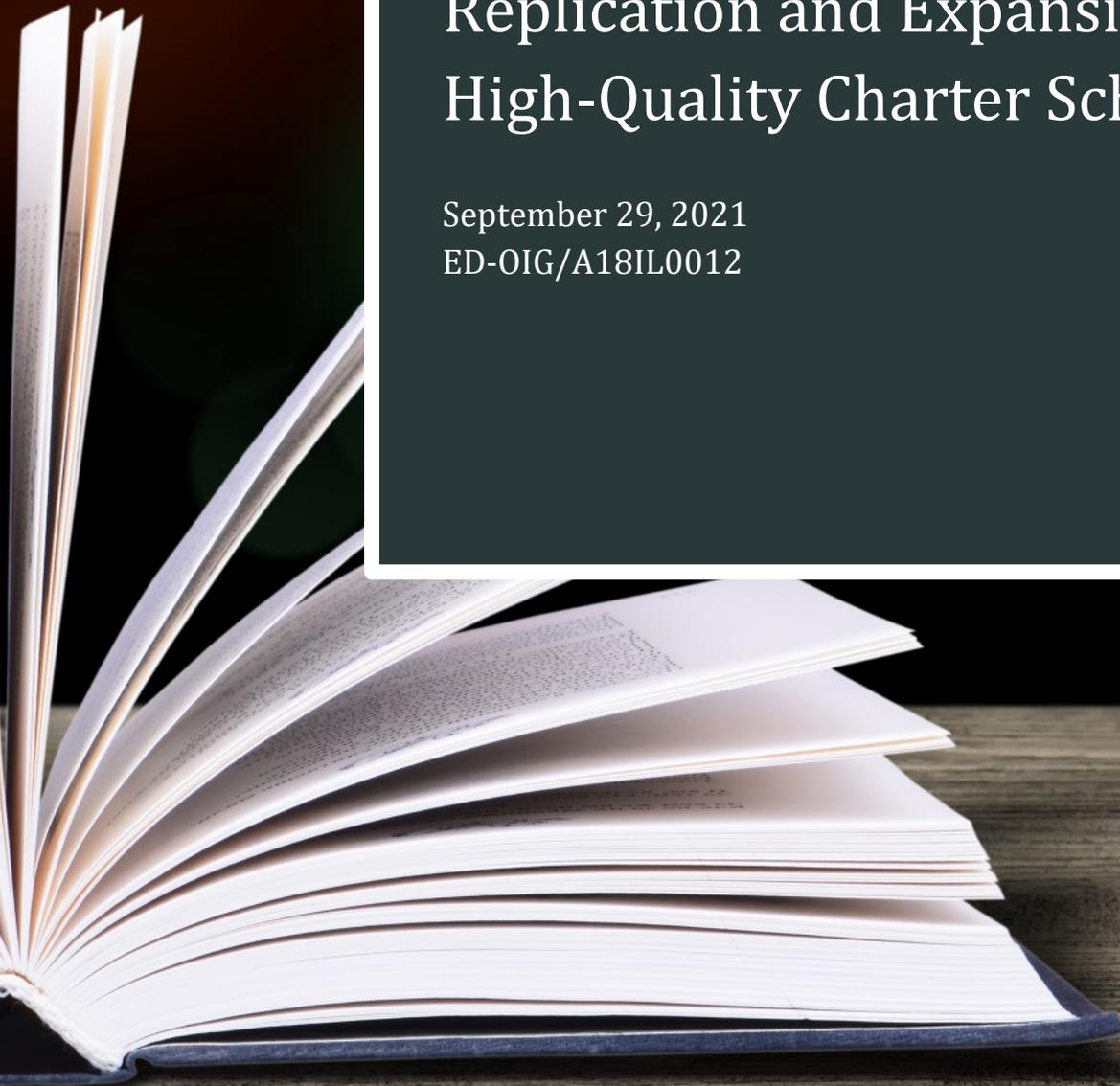




U.S. Department of Education
Office of Inspector General

InspireNOLA Charter Schools' Administration of Grants for the Replication and Expansion of High-Quality Charter Schools

September 29, 2021
ED-OIG/A18IL0012



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. The appropriate Department of Education officials will determine what corrective actions should be taken.

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UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL

Audit Services

September 29, 2021

Jamar McKneely
Chief Executive Officer
InspireNOLA Charter Schools
2401 Westbend Parkway
New Orleans, LA 70114

Dear Mr. McKneely:

Enclosed is our final audit report, "InspireNOLA Charter Schools' Administration of Grants for the Replication and Expansion of High-Quality Charter Schools," Control Number ED-OIG/A18IL0012. This report incorporates the comments you provided in response to the draft report. If you have any additional comments or information that you believe may have a bearing on the resolution of this audit, you should send them directly to the following U.S. Department of Education officials, who will consider them before taking final departmental action on this audit:

Denise L. Carter
Acting Assistant Secretary for Finance and Operations
U.S. Department of Education
400 Maryland Ave., SW
Washington, DC 20202

Ian Rosenblum
Acting Assistant Secretary for Elementary and Secondary Education
U.S. Department of Education
400 Maryland Ave., SW
Washington, DC 20202

The U.S. Department of Education's policy is to expedite audit resolution by timely acting on findings and recommendations. Therefore, if you have additional comments, the officials listed above would appreciate receiving them within 30 days.

Sincerely,

/s/

Gary D. Whitman
Regional Inspector General for Audit
Chicago/Kansas City Audit Region

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Results in Brief

What We Did

The objectives of our audit were to determine whether InspireNOLA Charter Schools (1) reported complete and accurate information on the annual performance reports that it submitted for its 2016 Charter Schools Program Grants to Charter Management Organizations for the Replication and Expansion of High-Quality Charter Schools (Replication and Expansion grant) and (2) spent 2016 Replication and Expansion grant funds in accordance with Federal cost principles and its approved application. The U.S. Department of Education (Department) awarded InspireNOLA Charter Schools a \$4 million, 5-year Replication and Expansion grant on September 27, 2016. Our audit covered the annual performance reports that InspireNOLA Charter Schools submitted to the Department for the period October 1, 2016, through September 30, 2019. Our audit also covered the expenditures that InspireNOLA Charter Schools charged to the grant from October 1, 2016, through September 30, 2019.

To achieve our objectives, we first gained an understanding of InspireNOLA Charter Schools' approved grant application and the laws, regulations, guidance, and policies and procedures relevant to InspireNOLA Charter Schools' Replication and Expansion grant. We then compared the information reported in the 2017, 2018, and 2019 annual performance reports to the approved grant application and records that InspireNOLA Charter Schools provided as support for the information in the annual performance reports. We also reviewed records for statistical random samples of \$467,893 of the \$1,268,278 in personnel and nonpersonnel expenditures that InspireNOLA Charter Schools charged to the grant from October 1, 2016, through September 30, 2019.

What We Found

Despite certifying that annual performance reports were true, complete, and accurate, InspireNOLA Charter Schools did not include complete and accurate information for all performance measures on which it was required to report in its 2017, 2018, and 2019 annual performance reports for the Replication and Expansion grant. InspireNOLA Charter Schools did not report any information for 16 of 31 required performance measures or provide accurate information for 1 of the 15 required performance measures on which it did report because it did not have a process for ensuring that information for all performance measures is included and the annual performance report is accurate. InspireNOLA Charter Schools also did not retain records supporting 3 of the 15 required performance measures that it reported to the Department. As a result of the incomplete and inaccurate reporting, the Department might not have had the information it needed to determine whether InspireNOLA Charter Schools was (1) making substantial progress in achieving the performance goals for the Replication and Expansion grant and (2) eligible for continuation awards (see [Finding 1](#)).

Additionally, from October 1, 2016, through September 30, 2019, InspireNOLA Charter Schools did not charge only adequately documented and allowable expenditures to its Replication and Expansion grant. Of the \$467,893 in personnel and nonpersonnel expenditures included in our statistical random samples, \$223,348 (48 percent) was either inadequately documented or unallowable.¹ Additionally, we could not determine whether another \$101,203 in expenditures (22 percent) included in our statistical random samples was adequately documented and allowable because InspireNOLA Charter Schools did not respond to our requests for assistance in verifying the existence of the items associated with the expenditures (see [Scope Limitation](#)). Based on the results of our statistical random samples, we estimated that about \$427,995 (34 percent) of the \$1,268,278 in expenditures that InspireNOLA Charter Schools charged to its Replication and Expansion grant from October 1, 2016, through September 30, 2019, were either inadequately documented or unallowable. The \$427,995 consists of about \$227,836 in projected inadequately documented personnel expenditures,² \$191,501 in actual inadequately documented nonpersonnel expenditures,³ and about \$8,658 in projected unallowable personnel expenditures (see [Finding 2](#)).⁴

Finally, we found that InspireNOLA Charter Schools did not effectively implement its inventory policies. InspireNOLA Charter Schools used \$101,203 in Replication and Expansion grant funds to purchase 11 charging carts and 372 computing devices. The 383 items were listed on invoices that included 306 items purchased with non-Federal funds. The invoices included serial numbers for 678 of the 689 items.⁵ InspireNOLA Charter Schools' inventory records included serial numbers, asset numbers assigned by

¹The \$223,348 consists of \$28,070 in inadequately documented personnel expenditures, \$191,501 in inadequately documented nonpersonnel expenditures, and \$3,777 in unallowable personnel expenditures.

² We are 90 percent confident that InspireNOLA Charter Schools did not adequately document between \$130,573 (16 percent) and \$359,993 (44 percent) of the \$825,049 in personnel expenditures.

³ If we were to project the results of our review of nonpersonnel expenditures at a 90 percent confidence interval, the precision would be outside the margin of error prescribed by our policy. Therefore, the results of our review should not be projected to the nonpersonnel expenditures that we did not include in our sample.

⁴ We are 95 percent confident that InspireNOLA Charter Schools charged at least \$8,658 in unallowable personnel expenditures to the grant.

⁵ The invoice listing the 11 charging carts did not include serial numbers.

InspireNOLA Charter Schools, and locations of the items. However, we could only trace 164 of the 689 serial numbers shown on the invoices to the inventory records. We could not determine whether any of the 164 serial numbers listed in the inventory records corresponded to any of the 383 items purchased using Replication and Expansion grant funds because InspireNOLA Charter Schools' inventory records did not identify which items were purchased with Federal funds (see [Finding 3](#)).

Scope Limitation

InspireNOLA Charter Schools officials limited our ability to complete all planned audit procedures. Our statistical sample of nonpersonnel expenditures included \$101,203 used for the purchase of 11 charging carts and 372 computing devices. To verify the existence of the items and determine whether they were being used for their intended purposes, we planned to perform a physical inventory. However, because of the pandemic, we could not perform the inventory in person.

On multiple occasions, we attempted to contact InspireNOLA Charter Schools officials to discuss an alternative way to complete a physical inventory. However, they did not reply to our requests to discuss alternative means to verify the existence of the 383 items. We contacted the Department and learned that InspireNOLA Charter Schools officials had contacted them. Therefore, we concluded that they were available and should have been able to help us complete our audit procedures.

This scope limitation represents a violation of the terms of InspireNOLA Charter Schools' Replication and Expansion grant and Title 2 Code of Federal Regulations (C.F.R.) § 200.336, both of which require a grantee to provide us access to all records pertinent to its grant.⁶ According to 2 C.F.R. § 200.338, when a grantee fails to comply with regulations or the terms and conditions of its grant award, the Federal awarding agency may take one or more actions to remedy the noncompliance.

What We Recommend

We recommend that the Assistant Secretary for Finance and Operations, in conjunction with the Assistant Secretary for Elementary and Secondary Education, take appropriate action against InspireNOLA Charter Schools for violating the requirement for providing access to pertinent records (Recommendation 2.1).

⁶ Regulatory citations are to the July 1, 2016, version.

We also recommend that the Assistant Secretary for Finance and Operations, in conjunction with the Assistant Secretary for Elementary and Secondary Education, require InspireNOLA Charter Schools to—

- Provide records supporting the 16 performance measures on which it did not report in the 2017, 2018, and 2019 annual performance reports and amend its 2019 annual performance report to reflect the information in its records for the one inaccurate performance measure it reported (Recommendations 1.1 and 1.2).
- Develop and implement policies and procedures to provide reasonable assurance that it (a) prepares complete and accurate annual performance reports, (b) reviews the reports for completeness and accuracy before submitting them to the Department, and (c) has records supporting all information included in the reports (Recommendation 1.3).
- Provide records supporting the \$28,070 in inadequately documented personnel expenditures or credit the grant for \$227,836 in projected inadequately documented personnel expenditures using a non-Federal source of funds (Recommendation 2.2).
- Credit the grant for \$8,658 in projected unallowable personnel expenditures using a non-Federal source of funds (Recommendation 2.3).
- Provide records supporting the \$191,501 in inadequately documented nonpersonnel expenditures or credit the grant for \$191,501 using a non-Federal source of funds (Recommendation 2.4).
- Conduct a physical inventory and provide the Department with visual evidence of the existence of the 11 charging carts and 372 computing devices or credit \$101,203 to the grant using a non-Federal source of funds (Recommendation 2.5).
- Update its inventory records to clearly identify all items purchased with Federal grant funds as required by its policy and suggested by State guidance (Recommendation 3.1)

InspireNOLA Charter Schools' Comments

We provided a draft of this report to InspireNOLA Charter Schools for comment. We summarize InspireNOLA Charter Schools' written comments and provide our responses at the end of each finding. We include the full text of InspireNOLA Charter Schools' written comments at the end of this report (see [InspireNOLA Charter Schools' Comments](#)). Because of the voluminous number of records InspireNOLA Charter Schools provided with its comments, we have not included them at the end of this report.

However, the records provided with the written comments could be made available upon request unless subject to withholding under a Freedom of Information Act exemption.

InspireNOLA Charter Schools neither agreed nor disagreed with Finding 1. It stated that it was under the impression that all annual performance reports were complete and submitted properly because its grant contact at the Department never said any reports were incomplete and did not ask for additional information. InspireNOLA Charter Schools stated that it will follow Recommendation 1.1 and resubmit any outstanding items from previous years' annual performance reports. It did not comment on Recommendations 1.2 or 1.3.

InspireNOLA Charter Schools neither agreed nor disagreed with Finding 2 but provided additional records relevant to the inadequately documented and unallowable personnel expenditures. It disagreed with Recommendation 2.1, stating that restrictions implemented because of the pandemic prevented its employees from accessing facilities. InspireNOLA Charter Schools also stated that it tried multiple times to arrange for inventory counts via an alternative method, and it is willing to make any records available for review at any time.

InspireNOLA Charter Schools did not state whether it agreed with Finding 3 or Recommendation 3.1. It stated that it previously identified items by funding source in the accounting records but not necessarily in the asset management system. InspireNOLA Charter Schools also stated that it has updated its system to one that categorizes inventory items by funding source in both the asset management software and accounting records.

OIG Response

We did not revise Finding 1 or Recommendations 1.1, 1.2, and 1.3. The actions that InspireNOLA Charter Schools described in its comments, if implemented, are responsive to Recommendation 1.1. However, InspireNOLA Charter Schools did not describe any actions it would take in response to Recommendations 1.2 and 1.3.

Other than reducing the amount of personnel expenditures that we considered inadequately documented or unallowable to reflect our analysis of the additional records that InspireNOLA Charter Schools provided with its comments, we did not revise Finding 2 or any of the five related recommendations. We determined that the additional records adequately supported the allowability of \$53,221 of the \$81,291 in personnel expenditures that the draft of this report described as inadequately documented and \$1,228 of the \$5,005 in personnel expenditures that the draft of this report described as unallowable. Therefore, we revised the finding to show that \$28,070 of the \$112,843 in sampled personnel expenditures was inadequately documented and

that \$3,777 of the \$112,843 was unallowable. Accordingly, we now estimate that InspireNOLA Charter Schools charged about \$227,836 in inadequately documented personnel expenditures and at least \$8,658 in unallowable personnel expenditures to the grant.

We did not revise the scope limitation section described in Finding 2. We understand that the pandemic negatively affected InspireNOLA Charter Schools employees' ability to access facilities. However, we arranged an alternative method to conduct the inventory but InspireNOLA Charter Schools officials did not follow through with the arrangement.

We did not revise Finding 3 or Recommendation 3.1 because InspireNOLA Charter Schools did not provide any records showing that it has updated the asset management system.

Introduction

Background

The Charter Schools Program was originally authorized in October 1994 under Title X, Part C of the Elementary and Secondary Education Act of 1965, as amended. The program statute was amended in October 1998 by the Charter School Expansion Act of 1998 (Public Law 105–278) and in January 2002 by the No Child Left Behind Act of 2001 (Public Law 107–110).

The Consolidated Appropriations Act of 2010, Division D, Title III (Public Law 111–117) authorized the U.S. Department of Education (Department) to competitively award grants from funds made available for the Charter Schools Program to nonprofit charter management organizations and other nonprofit entities for the replication and expansion of successful charter school models. From fiscal year 2010 through fiscal year 2016, annual appropriations acts authorized the Department to use Charter Schools Program funds to award grants for this purpose. In December 2015, Title IV, Part C of the Elementary and Secondary Education Act, as amended by the Every Student Succeeds Act of 2015 (Public Law 114–95), authorized the Department’s continued use of Charter Schools Program funds to competitively award Charter Schools Program Grants to Charter Management Organizations for the Replication and Expansion of High-Quality Charter Schools (Replication and Expansion grant). Under Section 5(c) of the Every Student Succeeds Act of 2015, Charter School Program grants awarded in fiscal year 2016 or earlier and continuation awards applicable to these grants operate in accordance with the Elementary and Secondary Education Act, as amended by the No Child Left Behind Act of 2001.

Replication and Expansion of High-Quality Charter Schools

The purpose of the Replication and Expansion grant competition is to award grants to eligible applicants to enable them to replicate or expand high-quality charter schools with demonstrated records of success. Grantees may use Replication and Expansion grant funds for post-award planning and design of the educational program and the initial implementation of the charter school. Grantees may also use grant funds to disseminate information about the charter school.⁷

From fiscal year 2010 through 2020, the Department awarded 106 Replication and Expansion grants worth more than \$1.18 billion to charter management organizations

⁷ “Application for New Awards; Charter Schools Program (CSP)—Grants for Replication and Expansion of High-Quality Charter Schools,” 81 Federal Register 28837, 28842 (May 10, 2016).

(see [Table 1](#)). In addition to funding for the initial year, grantees are eligible to receive continuation awards for each subsequent year of the grantees’ 3-year, 4-year, or 5-year grant periods, subject to the availability of funds. To receive a continuation award, grantees must submit annual performance reports and demonstrate substantial progress in achieving the goals and objectives of their projects.

Table 1. Replication and Expansion Grants Awarded to Charter Management Organizations (Fiscal Years 2010 through 2020)

Fiscal Year	Number of Awards	Total Amount Awarded for the First Year of the Grants	Total Expected Funding for All Years of the Grants
2010	12	\$19,045,223	\$106,492,274
2011	9	\$12,188,456	\$59,863,381
2012	2	\$5,026,915	\$31,818,475
2013	0	\$0	\$0
2014	11	\$11,885,584	\$111,535,467
2015	12	\$15,033,867	\$85,180,498
2016	15	\$17,717,836	\$127,190,638
2017	17	\$52,412,824	\$126,773,527
2018	0	\$0	\$0
2019	15	\$93,389,867	\$305,960,424
2020	13	\$26,898,253	\$226,259,096
Totals	106	\$253,598,825	\$1,181,073,780

The notice inviting applications for Replication and Expansion grants for fiscal year 2016 required applicants to propose project-specific performance measures and performance targets consistent with the objectives of the proposed project. All recipients of these grants were also required to submit an annual performance report with information that was relevant to these performance measures and performance targets.⁸ According to 34 Code of Federal Regulations (C.F.R.) § 75.253, when making a continuation award, the Department considers, in part, the extent to which a grantee has made substantial progress in achieving the objectives of the project.

⁸ The regulations at 34 C.F.R. § 77.1 define a performance measure as any quantitative indicator, statistic, or metric used to gauge program or project performance. Performance target is defined as a level of performance that an applicant would seek to meet during a project or because of a project.

Grantees also must only spend Replication and Expansion grant funds in accordance with Federal cost principles. According to 2 C.F.R. § 200.403, to be allowable under Federal awards, costs, among other requirements, must be necessary and reasonable for the performance of the Federal award, be consistent with policies and procedures that apply uniformly to both federally financed and other activities of the non-Federal entity, and be adequately documented.

InspireNOLA Charter Schools

InspireNOLA Charter Schools is a nonprofit charter management organization founded in 2013. It is authorized by the Orleans Parish School Board. As of July 2020, InspireNOLA Charter Schools was serving more than 5,500 students enrolled in prekindergarten through 12th grades at 8 charter schools in New Orleans, Louisiana.

The Department awarded InspireNOLA Charter Schools a \$4 million, 5-year Replication and Expansion grant on September 27, 2016. The approved application for the grant stated that InspireNOLA Charter Schools would use the funds for personnel, fringe benefits, travel, supplies, and contractual costs. As of April 30, 2021, InspireNOLA Charter Schools had drawn down \$1,801,237 (45 percent) of the \$4 million.

The approved goals for the Replication and Expansion grant were to (1) provide an additional 2,500 seats in 5 schools and (2) achieve a charter organization model at InspireNOLA Charter Schools that is both financially sustainable and supported by the community. According to the approved application, InspireNOLA Charter Schools received approval from the East Baton Rouge Parish School System to run four charter schools in Baton Rouge over the next 5 years. The application also stated that InspireNOLA Charter Schools planned to replicate its model over a 5-year period by taking over five low-performing elementary schools in New Orleans and Baton Rouge.

InspireNOLA Charter Schools and the Department agreed that InspireNOLA Charter Schools would report on 13 performance measures in its 2017, 2018, and 2019 annual performance reports.⁹ In addition, the Department asked all Replication and Expansion grant recipients to report on performance measures that were not included in their grant applications; two of them (the number of charter schools in operation around the nation and the Federal cost per student in implementing a successful charter school)

⁹ As shown on the 2017, 2018, and 2019 annual performance reports for the Replication and Expansion grant, the periods covered were October 1, 2016, through February 28, 2017; October 1, 2016, through February 28, 2018; and October 1, 2017, through March 1, 2019, respectively.

applied to InspireNOLA Charter Schools.¹⁰ InspireNOLA Charter Schools was not required to report on 8 of the 15 performance measures in its 2017 annual performance report; it was not required to report on 3 of the 15 performance measures in its 2018 and 2019 annual performance reports (see [Table 2](#)). Therefore, InspireNOLA Charter Schools was required to report on 7 performance measures in its 2017 annual performance report, 12 performance measures in its 2018 annual performance report, and 12 performance measures in its 2019 annual performance report.

¹⁰ The Department defined a successful charter school as a school that had been in operation for 3 or more consecutive years.

Finding 1. Annual Performance Reports Were Incomplete and Inaccurate

Despite certifying that annual performance reports were true, complete, and accurate, InspireNOLA Charter Schools did not report complete and accurate information for all performance measures on which it was required to report in its 2017, 2018, and 2019 annual performance reports on the Replication and Expansion grant. Additionally, it did not always retain records to support the performance measures information included in the annual performance reports. As a result, the Department might not have had all the information it needed to determine whether InspireNOLA Charter Schools was (1) making substantial progress in achieving the performance goals for its Replication and Expansion grant and (2) eligible for continuation awards.

Incomplete Annual Performance Reports

InspireNOLA Charter Schools and the Department agreed on 13 performance measures for the Replication and Expansion grant. Five performance measures were not applicable until grant-funded schools were in their first year of operation by InspireNOLA Charter Schools. Another five performance measures were not applicable until grant-funded schools were in their third year of operation by InspireNOLA Charter Schools.¹¹

In school year 2017–2018,¹² InspireNOLA Charter Schools began operating its first grant-funded school. Therefore, it should have reported on 7 performance measures in the 2017 annual performance report and 12 performance measures in both the 2018 and 2019 annual performance reports.¹³ InspireNOLA Charter Schools did not report any information on 3 (43 percent) of the 7 performance measures required in the 2017 report, 8 (67 percent) of the 12 performance measures required in the

¹¹ Although the approved grant application stated that it was not required to report on five performance measures until the third year of its operating schools, InspireNOLA Charter Schools reported on two of these performance measures in the first year of its operating schools because the Department asked Replication and Expansion grant recipients to report on those measures.

¹² July 1, 2017, through June 30, 2018.

¹³ The number of performance measures includes those in InspireNOLA Charter Schools' approved grant application and two performance measures not included in the grant application that the Department asked Replication and Expansion grant recipients to include in their annual performance reports.

2018 report, and 5 (42 percent) of the 12 performance measures required in the 2019 report.

Table 2. Performance Measures from Approved Grant Applications Reported in Annual Performance Reports

Performance Measure	2017	2018	2019	Reportable Performance Measures
1. Increase the number of students served by InspireNOLA Charter Schools to approximately 5,030.	Yes	Yes	Yes	3
2. Increase the number of schools in operation to eight.	Yes	Yes	Yes	3
3. Average fourth grade student proficiency on State English, language arts, and math assessments meets or exceeds 70 percent by the third year of operation by InspireNOLA Charter Schools.	Yes	Yes	Yes	3
4. Average eighth grade student proficiency on State English, language arts, and math assessments meets or exceeds 70 percent by the third year of operation by InspireNOLA Charter Schools.	Yes	Yes	Yes	3
5. Average kindergarten through third grade proficiency on the Dynamic Indicators of Basic Early Literacy Skills (DIBELS) assessments meets or exceeds 70 percent by the third year of operation by InspireNOLA Charter Schools.	N/A	N/A	N/A	0
6. Average daily attendance rate meets or exceeds 95 percent.	N/A	No	No	2
7. Annual student retention rate meets or exceeds 90 percent.	N/A	No	No	2
8. Annual staff retention rate meets or exceeds 80 percent.	N/A	No	Yes	2
9. Semiannual satisfaction survey results indicate that 80 percent or more of staff members agree or strongly agree that they are content working for InspireNOLA Charter Schools.	N/A	No	Yes	2
10. New staff member offer acceptance rate meets or exceeds 85 percent.	N/A	No	Yes	2

Performance Measure	2017	2018	2019	Reportable Performance Measures
11. New student applications will outnumber available seats by at least 50 percent by the third year of operation by InspireNOLA Charter Schools.	N/A	N/A	N/A	0
12. Student population totals meet or exceed target enrollment numbers, as measured by the October 1 enrollment counts, by the third year of operation by InspireNOLA Charter Schools.	N/A	N/A	N/A	0
13. Schools operate within their board of director's approved annual budget.	No	No	No	3
14. The number of charter schools in operation around the nation.	No	No	No	3
15. Federal cost per student in implementing a successful charter school.	No	No	No	3
Number of Performance Measures on Which InspireNOLA Charter Schools Was Required to Report	7	12	12	31
Number of Performance Measures on Which InspireNOLA Charter Schools Reported	4	4	7	15
Number of Performance Measures on Which InspireNOLA Charter Schools Did Not Report	3	8	5	16
Percentage of Performance Measures on Which InspireNOLA Charter Schools Did Not Report	43	67	42	52

The deputy chief of strategy and advancement told us that the Department did not inform InspireNOLA Charter Schools that any additional performance measures needed to be reported in the annual performance reports. Therefore, InspireNOLA Charter Schools did not report on the number of charter schools in operation around the nation and the Federal cost per student in implementing a successful charter school.

The deputy chief of strategy and advancement also told us that the performance measure about operating within the board of director's approved annual budget did not have a numeric reporting component; therefore, InspireNOLA Charter Schools could not report on it through the annual performance report template. However, the annual performance report template includes other sections that allow grantees to provide narrative descriptions of their progress in achieving their objectives; therefore,

InspireNOLA Charter Schools should have reported on this performance measure in the 2017, 2018, and 2019 annual performance reports.

Additionally, the deputy chief of strategy and advancement told us that InspireNOLA Charter Schools thought reporting the rates for student attendance, student retention, staff retention, staff satisfaction, and staff offer acceptance was not required until the third year of InspireNOLA Charter Schools' operating a school. However, the approved grant application did not state that student attendance, student retention, staff retention, staff satisfaction, and staff offer acceptance were not applicable until the third year of InspireNOLA Charter Schools' operating a school. Therefore, InspireNOLA Charter Schools should have reported on these five performance measures in both the 2018 and 2019 annual performance reports.

Inaccurate Annual Performance Reports

InspireNOLA Charter Schools reported on 15 performance measures in its annual performance reports: 4 measures in 2017, 4 measures in 2018, and 7 measures in 2019. We compared the reported information with the records that InspireNOLA Charter Schools provided to us as supporting documentation. InspireNOLA Charter Schools did not retain records adequately documenting the information it reported for 3 of the 15 performance measures. In addition, InspireNOLA Charter Schools did not accurately report on 1 of the 15 performance measures.

In its 2017, 2018, and 2019 annual performance reports, InspireNOLA Charter Schools reported serving 2,472, 3,747, and 4,592 students, respectively. For all three annual performance reports, InspireNOLA Charter Schools did not have records adequately documenting the number of students served.

In its 2019 annual performance report, InspireNOLA Charter Schools reported that 86 percent of new staff applicants accepted employment offers, just above the performance target of 85 percent. However, its records showed that only 83 percent of new staff applicants accepted employment.

Grantees Must Submit Performance Reports to Receive Continuation Funding and Must Certify That the Reports Are Complete and Accurate

A grant recipient wanting a continuation award must submit a performance report providing the most current performance and financial expenditure information that is sufficient to meet the reporting requirements (34 C.F.R. § 75.118). Performance reports must contain, for each grant, a comparison of actual accomplishments to the objectives of the Federal award established for the period (2 C.F.R. § 200.328(b)(2)(i)). A grantee must retain all financial records, supporting documents, statistical records, and all other records considered pertinent to a Federal award for 3 years from the date of submission

of the final report or, for awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual report (2 C.F.R. § 200.333).

In its application for the Replication and Expansion grant, InspireNOLA Charter Schools certified that it would comply with all applicable requirements of all Federal laws, executive orders, regulations, and policies governing the program. By signing its 2017, 2018, and 2019 annual performance reports, InspireNOLA Charter Schools certified that, to the best of its knowledge and belief, its annual performance reports were true, complete, and accurate. Also, by signing its 2017, 2018, and 2019 annual performance reports, InspireNOLA Charter Schools certified that it fully disclosed all known weaknesses concerning the accuracy, reliability, and completeness of the data reported.

InspireNOLA Charter Schools Did Not Design and Implement Processes for Preparing Annual Performance Reports or Retaining Records to Support Reported Information

InspireNOLA Charter Schools did not report complete and accurate information on all required performance measures because it did not design and implement policies and procedures for preparing its annual performance reports. InspireNOLA Charter Schools did not have policies describing processes for ensuring that each annual performance report includes information on all required performance measures, is accurate, and is supported by adequate records before being submitted to the Department.

Recommendations

We recommend that the Assistant Secretary for Finance and Operations, in conjunction with the Assistant Secretary for Elementary and Secondary Education, require InspireNOLA Charter Schools to—

- 1.1 Provide records supporting the 16 performance measures on which it did not report in the 2017, 2018, and 2019 annual performance reports. If the records do not demonstrate that InspireNOLA Charter Schools made substantial progress in achieving the objectives set forth in the approved grant applications, then the Department should take appropriate action.
- 1.2 Amend its 2019 annual performance report to reflect the information in its records for the one inaccurate performance measure.
- 1.3 Develop and implement policies and procedures to provide reasonable assurance that it (a) prepares complete and accurate annual performance reports, (b) reviews the reports for completeness and accuracy before submitting them to the Department, and (c) has records supporting all information included in the reports.

InspireNOLA Charter Schools' Comments

InspireNOLA Charter Schools neither agreed nor disagreed with the finding. It stated that it was under the impression that all annual performance reports were complete and submitted properly because its grant contact at the Department never said any reports were incomplete and did not ask for additional information.

InspireNOLA Charter Schools stated that it will follow Recommendation 1.1 and resubmit any outstanding items from previous years' annual performance reports but did not comment on Recommendations 1.2 and 1.3.

OIG Response

The action InspireNOLA Charter Schools described, if implemented, is responsive to Recommendation 1.1, provided it submits records supporting previously omitted items for all three annual performance reports (2017, 2018, and 2019). To be responsive to Recommendation 1.2, InspireNOLA Charter Schools must amend the 2019 annual performance report for the one inaccurate performance measure.

Regarding Recommendation 1.3, if InspireNOLA Charter Schools does not develop and implement policies and procedures for preparing annual performance reports and reviewing them for accuracy and completeness, the risk remains that future annual performance reports will be inaccurate, incomplete, or both. Additionally, absent written policies and procedures, if the person responsible for preparing and submitting annual performance reports leaves InspireNOLA Charter Schools, the knowledge of how to complete the reports will be lost.

Finding 2. Inadequately Documented and Unallowable Costs Were Charged to the Replication and Expansion Grant

We reviewed records for statistical random samples of \$467,893 (37 percent) of the \$1,268,278 in expenditures that InspireNOLA Charter Schools charged to its Replication and Expansion grant from October 1, 2016, through September 30, 2019. Of the \$467,893, \$223,348 (48 percent) was inadequately documented or unallowable. Additionally, we could not determine whether another \$101,203 (22 percent) in expenditures included in our statistical random samples was adequately documented and allowable because InspireNOLA Charter Schools officials did not respond to our requests for assistance in verifying the existence of the items associated with the expenditures. Based on the results of our statistical random samples, we estimate that about \$427,995 (34 percent) of the \$1,268,278 in expenditures that InspireNOLA Charter Schools charged to its Replication and Expansion grant from October 1, 2016, through September 30, 2019, was inadequately documented or unallowable.

Not All Costs Charged to the Grant Were Adequately Documented and Allowable

From October 1, 2016, through September 30, 2019, InspireNOLA Charter schools charged 732 personnel expenditures totaling \$825,049 and 95 nonpersonnel expenditures totaling \$443,229 to its Replication and Expansion grant. We selected a stratified statistical random sample of 48 personnel expenditures totaling \$112,843 (14 percent of personnel expenditures). We also selected a stratified statistical random sample of 24 nonpersonnel expenditures totaling \$355,050 (80 percent of nonpersonnel expenditures). InspireNOLA Charter Schools did not provide us with records sufficient to show that 21 personnel expenditures totaling \$31,847 (28 percent of the sampled personnel expenditures) and 9 nonpersonnel expenditures totaling \$191,501 (54 percent of the sampled nonpersonnel expenditures) were adequately documented and allowable. Additionally, we could not complete audit procedures to determine the allowability of six additional nonpersonnel expenditures totaling \$101,203. We could not complete the procedures because InspireNOLA Charter Schools officials stopped cooperating with us (see [Scope Limitation](#)).

Personnel Expenditures

To be allowable under Federal awards, costs, among other requirements, must be necessary and reasonable for the performance of the Federal award, be consistent with policies and procedures that apply uniformly to both federally financed and other activities of the non-Federal entity, and be adequately documented (2 C.F.R. § 200.403). According to InspireNOLA Charter Schools' "Financial Policies and Procedures Manual"

(January 2015), employees are paid twice a month based on the salary in their employment offer letters. Employees who are paid with grant funds must sign letters certifying the percentage of their time spent working on grant-related functions. These letters are to be periodically collected by the school operations managers and given to the finance group.

InspireNOLA Charter Schools did not provide us with adequate documentation for \$28,070 (25 percent) of the \$112,843 in personnel expenditures included in our stratified statistical random sample. Its records showed that InspireNOLA Charter Schools paid employees whose

- employment offer letters or contracts were unsigned;
- pay rates specified in employment offer letters or employment contracts did not match pay rates on earnings statements;
- semiannual certifications were not signed by the employee, supervisor, or both;
- employment contract dates did not cover the dates shown on the earnings statements;
- semiannual certification dates did not cover the dates shown on the earnings statements; and
- wages and benefits were not supported by any records.

Its records also showed that InspireNOLA Charter Schools improperly paid one employee \$3,777 (3 percent). The pay rate specified in the employee's contract did not match the pay rate shown on the employee's earnings statements. Additionally, the employee's semiannual certifications showed that the employee spent only 50 percent of the available time during the covered period on grant-related activities; therefore, InspireNOLA Charter Schools should have charged the grant for only half the amount shown on the employee's contract. Instead, InspireNOLA Charter Schools charged 100 percent of the amount shown on the employee's earnings statements to the Replication and Expansion grant.

Based on the results of our statistical random sample, we estimate about \$227,836 (28 percent) of the \$825,049 in personnel expenditures that InspireNOLA Charter Schools charged to its Replication and Expansion grant from October 1, 2016,

through September 30, 2019, was not adequately documented and at least another \$8,658 (1 percent) was unallowable.¹⁴

Nonpersonnel Expenditures

To be allowable under Federal awards, costs, among other requirements, must be necessary and reasonable for the performance of the Federal award, be consistent with policies and procedures that apply uniformly to both federally financed and other activities of the non-Federal entity, and be adequately documented (2 C.F.R. § 200.403). The financial management system of a non-Federal entity must provide effective control over, and accountability for, all funds, property, and other assets. The non-Federal entity also must adequately safeguard all assets and assure that they are used solely for authorized purposes (2 C.F.R. § 200.302(b)(4)).

According to InspireNOLA Charter Schools' "Purchasing Manual" (January 2015), all invoices must be supported by approved purchase orders and delivery confirmations before payments are authorized by the controller. The "Purchasing Manual" also requires requisitions for goods and services. According to InspireNOLA Charter Schools' "Financial Policies and Procedures Manual" (January 2015), invoices or billings submitted by consultants must include sufficient detail about the time expended (if paid based on time worked) and the nature of the services performed. The "Financial Policies and Procedures Manual" also states that a description of the items ordered should be included in the purchase requisitions used for processing the transactions.

InspireNOLA Charter Schools did not provide us with records sufficient to show \$191,501 (54 percent) of the \$355,050 in nonpersonnel expenditures that it charged to the Replication and Expansion grant from October 1, 2016, through September 30, 2019, and we included in our statistical random sample was allowable.

- **Invoices Not Provided.** InspireNOLA Charter Schools charged one expenditure totaling \$53,078 for computer software to the grant. However, it did not provide us with an invoice for this purchase.
- **Statements of Deliverables Not Provided.** InspireNOLA Charter Schools charged two expenditures totaling \$127,621 for consulting services to the grant. It provided us with a statement of work. The statement of work included a line item labeled "C. Specific Services" that said see attached project scope

¹⁴ We are 90 percent confident that InspireNOLA Charter Schools did not adequately document between \$130,573 (16 percent) and \$359,993 (44 percent) of the \$825,049 in personnel expenditures. We are 95 percent confident that InspireNOLA Charter Schools charged at least \$8,658 in unallowable personnel expenditures to the grant.

“InspireNOLA Project Narrative.pdf.” InspireNOLA Charter Schools did not provide us with this project narrative document.

- **Requisitions Not Provided.** InspireNOLA Charter Schools charged one expenditure totaling \$4,253 for reading materials to the grant. However, it did not provide us with a requisition for this purchase.
- **Records Showing Receipt of Goods Not Provided.** InspireNOLA Charter Schools charged four expenditures totaling \$6,381 for wall clocks, bulletin boards, and classroom supplies to the grant. However, it did not provide us with records showing that it received the items.
- **Requisition Did Not Match Invoice Amount.** InspireNOLA Charter Schools charged one expenditure totaling \$168 for a dry erase board to the grant. However, the requisition amount of \$112.50 did not match the invoice amount of \$168.

Additionally, we could not complete audit procedures to determine the allowability of additional expenditures totaling \$101,203 that InspireNOLA Charter Schools charged to the grant for the purchase of 383 items: 11 charging carts and 372 computing devices. We could not complete the procedures because InspireNOLA Charter Schools officials stopped cooperating with us (see [Scope Limitation](#)).

Scope Limitation

To verify the existence of 11 charging carts and 372 computing devices that InspireNOLA Charter Schools purchased with \$101,203 in Replication and Expansion grant funds and determine whether the devices were being used for the purpose intended, we planned to perform a physical inventory. However, because of the pandemic, we could not complete a physical inventory in person. We made multiple attempts to contact InspireNOLA Charter Schools officials to discuss an alternative way to complete a physical inventory. They did not respond to our requests to discuss alternative means to verify the existence of the items.

After InspireNOLA Charter Schools’ officials became unresponsive, we contacted the Office of Elementary and Secondary Education program officer responsible for overseeing Replication and Expansion grants. The program officer confirmed that InspireNOLA Charter Schools officials had since contacted the Department. Because they contacted the program officer, we concluded that InspireNOLA Charter Schools officials were available and should have been able to help us complete our audit procedures.

This scope limitation represents a violation of the terms of InspireNOLA Charter Schools’ Replication and Expansion grant and 2 C.F.R. § 200.336, both of which require a grantee to provide us access to all records pertinent to its grant. According to 2 C.F.R. § 200.338,

when a grantee fails to comply with regulations or the terms and conditions of its grant award, the Federal awarding agency may take one or more actions to remedy the noncompliance.

Recommendations

We recommend that the Assistant Secretary for Finance and Operations, in conjunction with the Assistant Secretary for Elementary and Secondary Education—

- 2.1 Take appropriate action pursuant to 2 C.F.R. § 200.338 against InspireNOLA Charter Schools for its violation of requirements for providing access to records pertinent to our audit.

We also recommend that the Assistant Secretary for Finance and Operations, in conjunction with the Assistant Secretary for Elementary and Secondary Education require InspireNOLA Charter Schools to—

- 2.2 Provide records supporting the \$28,070 in inadequately documented personnel expenditures or credit \$227,836 in projected inadequately documented personnel expenditures to the grant using a non-Federal source of funds.
- 2.3 Credit \$8,658 in projected unallowable personnel expenditures to the grant using a non-Federal source of funds.
- 2.4 Provide records supporting the \$191,501 in inadequately documented nonpersonnel expenditures or credit the grant \$191,501 using a non-Federal source of funds.
- 2.5 Conduct a physical inventory and provide visual evidence of the existence of the 11 charging carts and 372 computing devices or credit \$101,203 to the grant using a non-Federal source of funds.

InspireNOLA Charter Schools' Comments

InspireNOLA Charter Schools neither agreed nor disagreed with the finding but provided additional records relevant to the inadequately documented and unallowable personnel expenditures.

InspireNOLA Charter Schools disagreed with Recommendation 2.1, stating that restrictions implemented because of the pandemic prevented its employees from accessing facilities. InspireNOLA Charter Schools stated that it tried multiple times to arrange for inventory counts via an alternative method, and it is willing to make any records available for review at any time.

OIG Response

Other than reducing the amount of personnel expenditures that we considered inadequately documented or unallowable to reflect our analysis of the additional records that InspireNOLA Charter Schools provided with its comments, we did not revise the finding or any of the five recommendations. We determined that the additional records adequately supported the allowability of \$53,221 of the \$81,291 in personnel expenditures that our draft report described as inadequately documented and \$1,228 of the \$5,005 in personnel expenditures that it described as unallowable. Therefore, we revised the finding to show that \$28,070 of the \$112,843 in sampled personnel expenditures was inadequately documented and that \$3,777 of the \$112,843 in sampled personnel expenditures was unallowable. Accordingly, we now estimate that InspireNOLA Charter Schools charged about \$227,836 in inadequately documented personnel expenditures and at least \$8,658 in unallowable personnel expenditures to its Replication and Expansion grant.

We understand that the pandemic negatively affected InspireNOLA Charter Schools employees' ability to access facilities. However, InspireNOLA Charter Schools officials did not follow through with an arrangement to conduct inventory counts via an alternative method. We first notified InspireNOLA Charter Schools on February 20, 2020, that we would complete our inventory procedures during our site visit originally scheduled for the week of March 16, 2020. Because of pandemic mitigation measures that prevented school officials from accessing their offices and prohibited us from traveling, we canceled the planned site visit. Once InspireNOLA Charter Schools notified us that its employees would again have access to their offices, we attempted to set up a date and time to conduct a virtual inventory and complete our audit procedures. After contacting InspireNOLA Charter Schools officials regarding a virtual inventory on June 2, 2020, we received a phone call from its senior technology manager on June 3, 2020, notifying us that a virtual inventory would now be possible.

After the June 3, 2020, phone call, we sent an email to the senior technology manager for InspireNOLA Charter Schools providing the list of the 383 items that needed to be accounted for. The senior technology manager for InspireNOLA Charter Schools replied that they would review the inventory records and then contact us. We did not receive another call to set up the virtual inventory. Therefore, on June 15, 2020, and again on July 1, 2020, we sent emails to the Chief Executive Officer, Chief Financial Officer, and Deputy Chief of Policy and Advancement for InspireNOLA Charter Schools. The Chief Financial Officer replied to our July 1, 2020, email later that day and stated that InspireNOLA Charter Schools would provide a response. We called the Chief Financial Officer on July 7, 2020, and left a voicemail message. We did not receive any further responses regarding the inventory until receiving InspireNOLA Charter Schools' comments on the draft of this report.

Because we could not complete our inventory procedures, we could not determine whether \$101,203 in grant funds used to purchase the 11 charging carts and 372 computing devices was allowable. We are still reporting a scope limitation and recommending that InspireNOLA Charter Schools be required to conduct a physical inventory and provide visual evidence of the existence of the 11 charging carts and 372 computing devices to the Department.

Finding 3. Inventory Policies Were Not Effectively Implemented

InspireNOLA Charter Schools did not effectively implement its inventory policies and procedures. Contrary to its own policies, InspireNOLA Charter Schools' inventory records did not distinguish between electronic devices purchased with Federal funds and those purchased with other sources of funds.

InspireNOLA Charter Schools used \$101,203 in Replication and Expansion grant funds to purchase 11 charging carts and 372 computing devices. These 383 items were listed on invoices that included 306 items purchased with non-Federal funds. The invoices included serial numbers for 678 of the 689 items,¹⁵ and InspireNOLA Charter Schools' inventory records included serial numbers, asset numbers assigned by InspireNOLA Charter Schools, and locations of purchased items. However, we could only trace 164 of the 678 serial numbers shown on the invoices to the inventory records. We could not determine whether any of the 164 serial numbers listed in the inventory records corresponded to any of the 383 items purchased using Replication and Expansion grant funds because the inventory records did not identify which items were purchased with Federal funds.

According to InspireNOLA Charter Schools' "Financial Policies and Procedures Manual" (January 2015), all property and equipment purchased under a government grant are assigned asset tag numbers and are identified with this number in the fixed asset subsidiary ledger. On an annual basis, the chief financial officer or the chief financial officer's designee conducts an inventory of all property and equipment and ensures that fixed assets are being used for the purpose intended. The manual also states that InspireNOLA Charter Schools complies with "Louisiana Accounting and Uniform Governmental Handbook" guidance. The "Louisiana Accounting and Uniform Governmental Handbook" recommends that school districts maintain inventory records and track items with "street value," such as computing devices.¹⁶

¹⁵ The invoice listing the 11 charging carts did not include serial numbers.

¹⁶ The Louisiana Department of Education issued the guidance (Bulletin 1929) in November 2010.

Recommendations

We recommend that the Assistant Secretary for Finance and Operations, in conjunction with the Assistant Secretary for Elementary and Secondary Education, require InspireNOLA Charter Schools to—

- 3.1 Update its inventory records to clearly identify all items purchased with Federal grant funds as required by its policy and suggested by State guidance.

InspireNOLA Charter Schools' Comments

InspireNOLA Charter Schools did not state whether it agreed or disagreed with the finding or recommendation. It stated that it previously identified items by funding source in the accounting records but not necessarily in the asset management system. InspireNOLA Charter Schools stated that it has updated its system to one that categorizes inventory items by funding source in both the asset management software and accounting records.

OIG Response

InspireNOLA Charter Schools did not provide any records showing that it updated its system to one that categorizes items by funding source in both the asset management software and the accounting records or that its inventory records now identify all items purchased with Federal grant funds.

Appendix A. Scope and Methodology

We evaluated the completeness and accuracy of InspireNOLA Charter Schools' 2017, 2018, and 2019 annual performance reports on its 2016 Replication and Expansion grant by reviewing performance measures-related records covering October 1, 2016, through September 30, 2019. We assessed whether InspireNOLA Charter Schools spent 2016 Replication and Expansion grant funds in accordance with Federal cost principles and its approved grant applications by reviewing records covering expenditures from October 1, 2016, through September 30, 2019.

To achieve our objectives, we first gained an understanding of InspireNOLA Charter Schools' approved grant application and the laws, regulations, and guidance relevant to InspireNOLA Charter Schools' Replication and Expansion grant.

- Title V, Part B, Subpart 1, Sections 5201–5211 of the Elementary and Secondary Education Act of 1965, as amended by the No Child Left Behind Act of 2001
- Education Department General Administrative Regulations
- 2 C.F.R. Part 200, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards"
- "Charter School Program Title V, Part B of the ESEA Nonregulatory Guidance (January 2014)"
- 2011 Notice of "Final Priorities, Requirements, Definitions, and Selection Criteria; Charter Schools Program Grants for Replication and Expansion of High-Quality Charter Schools"
- Office of Innovation and Improvement dear project director letter offering flexibilities to current Charter Schools Program grant recipients that received awards in fiscal year 2016 under the Elementary and Secondary Education Act of 1965, as amended (November 15, 2017)

We then reviewed InspireNOLA Charter Schools' written policies and procedures for authorizing expenditures of grant funds and ensuring grant funds are spent only on allowable activities. Next, we interviewed InspireNOLA Charter Schools employees to obtain an understanding of how they implemented those written policies and procedures. Additionally, we interviewed InspireNOLA Charter Schools employees to obtain an understanding of the procedures they took for compiling information included in annual performance reports.

To determine whether InspireNOLA Charter Schools reported complete and accurate information in the annual performance reports it submitted for its Replication and Expansion grant, we gained an understanding of the performance measures on which it

was required to report and what those performance measures represented. We then compared the approved grant application to the information reported in the 2017, 2018, and 2019 annual performance reports. Additionally, we compared charter authorization records, State assessment results, human resource system data, staffing reports, and staff satisfaction survey results that InspireNOLA Charter Schools provided as support for 15 performance measures to the annual performance reports information submitted to the Department.

To determine whether InspireNOLA Charter Schools spent grant funds in accordance with Federal cost principles and its approved grant application, we obtained and reviewed lists of all expenditures that InspireNOLA Charter Schools charged to its Replication and Expansion grant from October 1, 2016, through September 30, 2019. We then obtained and reviewed records, such as employment offer letters, employment contracts, earnings statements, purchase orders, and invoices, for statistical random samples of personnel and nonpersonnel expenditures charged to the grant from October 1, 2016, through September 30, 2019 (see [Sampling Methodology](#)).

Internal Control¹⁷

We obtained an understanding of the processes that InspireNOLA Charter Schools designed to provide reasonable assurance of the reliability of reporting for external uses and expending Federal grant funds in compliance with applicable laws and regulations. We then assessed the adequacy of InspireNOLA Charter Schools' design and implementation of the processes relevant to (1) preparing annual performance reports; (2) authorizing, obligating, and recording expenditures of Replication and Expansion grant funds; and (3) retaining records to support the information reported in annual performance reports and substantiate the allowability of expenditures charged to its Replication and Expansion grant.

We identified deficiencies in InspireNOLA Charter Schools' system of internal control. Specifically, InspireNOLA Charter Schools did not have written policies and procedures for preparing annual performance reports (see [Finding 1](#)). It also did not effectively implement the policies and procedures it designed to provide reasonable assurance that it complies with Federal cost principles (see [Finding 2](#)). Finally, InspireNOLA Charter Schools did not effectively implement its inventory policies (see [Finding 3](#)).

¹⁷ According to 2 C.F.R. § 200.61, internal control means a process designed to provide reasonable assurance regarding the achievement of objectives relevant to the (a) effectiveness and efficiency of operations, (b) reliability of reporting for internal and external use, and (c) compliance with applicable laws and regulations.

Sampling Methodology

To achieve our audit objectives, we selected statistical random samples of personnel and nonpersonnel expenditures. From October 1, 2016, through September 30, 2019, InspireNOLA Charter Schools charged 732 personnel expenditures with a value of \$825,049 to its Replication and Expansion grant. As shown in Table 3 below, we separated the 732 personnel expenditures into four strata—regular earnings, salary payout, Teachers Retirement System of Louisiana, and medical premiums and employer Medicare tax expenditures. We then selected a stratified statistical random sample of 48 (7 percent) personnel expenditures. The 48 personnel expenditures amounted to 14 percent (\$112,843) of the personnel expenditures charged to the Replication and Expansion grant.

Table 3. Number and Dollar Value of Personnel Expenditures Sampled by Stratum

Stratum	Items Sampled	Dollar Value of Sample	Dollar Value of Universe
Regular Earnings	20	\$65,700	\$593,588
Salary Payout	3	\$23,091	\$23,091
Teachers Retirement System of Louisiana	23	\$23,680	\$164,507
Medical Premiums and Employer Medicare Tax Expenditures	2	\$372	\$43,862

From October 1, 2016, through September 30, 2019, InspireNOLA Charter Schools charged 95 nonpersonnel expenditures with a value of \$443,229 to its Replication and Expansion grant. As shown in Table 4 on the following page, we separated the 95 nonpersonnel expenditures into three strata—more than \$8,000; more than \$500 to \$8,000; and \$500 or less. We then selected a stratified statistical random sample of 24 (25 percent) nonpersonnel expenditures. The 24 expenditures amounted to 80 percent (\$355,050) of the nonpersonnel expenditures that InspireNOLA Charter Schools charged to the Replication and Expansion grant.

Table 4. Number and Dollar Value of Nonpersonnel Expenditures Sampled by Stratum

Stratum	Items Sampled	Dollar Value of Sample	Dollar Value of Universe
More than \$8,000	14	\$340,874	\$340,874
More than \$500 to \$8,000	8	\$13,674	\$97,661
\$500 or less	2	\$502	\$4,695

Use and Reliability of Computer-Processed Data

To achieve our objectives, we relied, in part, on computer-processed performance measure and expenditure data that InspireNOLA Charter Schools provided. We assessed the reliability of the data by looking for incomplete or illogical data, such as numerical values in fields that should have contained only nonnumerical values, nonnumerical values in fields that should have contained only numerical values, missing or blank fields where not expected, duplicate data, values outside a designated range, and values outside valid periods. We also reviewed revenue and expense reports from InspireNOLA Charter Schools' financial system for completeness, missing or blank fields, and values outside of valid ranges. Lastly, we compared the drawdown totals recorded in the Department's grant management system (G5) to the expenditure report totals recorded in InspireNOLA Charter Schools' information system to ensure that the universe of expenditures was complete.

Based on these analyses and comparisons, we concluded that the computer-processed performance measure and expenditure data that InspireNOLA Charter Schools provided were sufficiently reliable for the purposes of our audit.

Compliance with Standards

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

We could not obtain sufficient appropriate evidence to support the existence of electronic devices purchased, in part, with Replication and Expansion grant funds. Because of this [scope limitation](#), we could not determine whether \$101,203 of the expenditures in our sample of nonpersonnel expenditures was allowable.

We conducted this audit at InspireNOLA Charter Schools' offices in New Orleans, Louisiana, and our offices from October 2019 through November 2020. We discussed the results of our audit with InspireNOLA Charter Schools officials on November 12, 2020, and provided them the draft of this report on May 6, 2021.

Appendix B. Acronyms and Abbreviations

C.F.R.	Code of Federal Regulations
Department	U.S. Department of Education
Replication and Expansion grant	Charter Schools Program Grants to Charter Management Organizations for the Replication and Expansion of High- Quality Charter Schools

InspireNOLA Charter Schools' Comments



June 7, 2021

Gary D. Whitman
Regional Inspector General for Audit
Chicago/Kansas City and Sacramento Audit Regions

Mr. Whitman:

Please see InspireNOLA's response to the draft audit report "InspireNOLA Charter Schools' Administration of Grants for the Replication and Expansion of High-Quality Charter Schools" (Control Number ED-OIG/A18IL0012) dated May 6th, 2021.

We would like it to be noted that challenges did arise due to the COVID 19 pandemic in regards to response and timeliness on our end. We did encounter various challenges with supporting our staff while also trying to complete this engagement.

Finding 1 – Annual Performance Reports Were Incomplete and Inaccurate

As referenced on page 12 of the draft report, InspireNOLA was under the impression from the US Department of Education that all APRs were complete and submitted properly. Our grant contact at the department never informed us of an incomplete report or followed up for any additional information. We will follow the recommendation and resubmit any outstanding items from the previous year's APRs.

Finding 2 – Inadequately Documented and Unallowable Costs Were Charged to the Replication and Expansion Grant

We have reviewed the draft audit and have provided additional documentation (attached) to support salary items that were questioned. The excel file "Inadequately Documented Personnel Cost" column P have responses from InspireNOLA.

In regards to offer letter signatures, we have moved to an electronic signature process to alleviate signature consent by email or hand written signatures. This will allow us to better follow the flow of offer letter documentation from year to year.

We strongly disagree with the recommendation 2.1 on page 19 of the draft audit. As you are well aware, during this audit we were under global pandemic restrictions due to COVID-19. As such, we had restrictions on both the local and state level as it pertains to accessibility to our own school buildings. We tried multiple times to arrange for inventory counts via Facebook or an alternative method. We also had various staff members on the IT team quarantined or impacted by the pandemic. This was also a very trying time to get our entire network of students prepared to learn virtually for the 20-21 school year. Any records are always available for review at any time.

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Finding 3 – Inventory Policies Were Not Effectively Implemented

As it pertains to Finding 3, InspireNOLA previously differentiated items purchased by funding sources in the accounting records and not necessarily in our inventory tracking spreadsheets. We have since updated inventory management to a new online system that categorizes inventory items by funding source in the asset management software as well as the accounting records.

A handwritten signature in black ink, appearing to read "Charlie Maekles".

Charlie Maekles
Chief Financial Officer

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