



U.S. Department of Education  
Office of Inspector General

# Puerto Rico Department of Education's Administration of the Temporary Emergency Impact Aid for Displaced Students Program

July 11, 2022  
ED-OIG/A19GA0003

## 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

July 11, 2022

Eliezer Ramos-Parés  
Secretary of Education  
Puerto Rico Department of Education  
P.O. Box 190759  
San Juan, PR 00919

Dear Secretary Ramos-Parés:

Enclosed is our final audit report, "Puerto Rico Department of Education's Administration of the Temporary Emergency Impact Aid for Displaced Students Program," Control Number ED-OIG/A19GA0003. 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 Department of Education official, who will consider them before taking final Departmental action on this audit:

James Lane  
Delegated the Duties of the Assistant Secretary of Elementary and Secondary Education  
U.S. Department of Education  
400 Maryland Avenue, SW  
Washington, D.C. 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, we would appreciate receiving them within 30 days.

Sincerely,

/s/

Selina Boyd  
Regional Inspector General for Audit  
Atlanta/Puerto Rico Audit Region

Enclosure

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## Results in Brief

### What We Did

The objectives of our audit were to determine whether the Puerto Rico Department of Education (Puerto Rico DOE) provided accurate and complete displaced student count data to the U.S. Department of Education (Department) and appropriately accounted for Temporary Emergency Impact Aid for Displaced Students (Emergency Impact Aid) program funds in accordance with Federal guidelines.<sup>1</sup> Our review covered the Puerto Rico DOE's processes for collecting and reporting displaced student count data to the Department and accounting for Emergency Impact Aid program funds from May 15, 2018, through January 19, 2021.

To accomplish our audit objectives, we performed testing of displaced student count data that the Puerto Rico DOE reported to the Department for school year 2017–2018. We also reviewed obligation and expenditure data, including journal entries, that the Puerto Rico DOE used to expense \$69.2 million of the \$70.1 million in Emergency Impact Aid program funds that it was awarded by the Department for services provided to displaced students enrolled in public and nonpublic schools.

### What We Found

In our displaced student count testing, we determined that the Puerto Rico DOE reported inaccurate and unsupported displaced student count data to the Department for school year 2017–2018. As a result, we are projecting that the Puerto Rico DOE should not have received and expensed an estimated \$6.5 million<sup>2</sup> in Emergency Impact Aid program funds based on inaccurate and unsupported displaced student counts.<sup>3</sup> The reporting of inaccurate and unsupported displaced student counts occurred because the Puerto Rico DOE incorrectly interpreted the Federal definition of a displaced student for the Emergency Impact Aid program and lacked effective written procedures and

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<sup>1</sup> The funds received under this program were required to be used for expenses incurred for school year 2017–2018. States and local educational agencies were further required to obligate funds by December 31, 2018, and liquidate funds within 90 days of this date.

<sup>2</sup> We are 95 percent confident that the amount is between \$3.6 million and \$11.3 million.

<sup>3</sup> Please refer to the Scope and Methodology section for information on our assessment of the reliability of data used in our analyses.

sufficient information system controls to ensure that accurate student enrollment and withdrawal data were entered in its student information system.

We also determined that the Puerto Rico DOE generally accounted for Emergency Impact Aid program funds in accordance with Federal guidelines. Specifically, we found that the Puerto Rico DOE generally expensed the funds for allowable activities, obligated and liquidated its Emergency Impact Aid program funds by the required dates, and recorded and tracked Emergency Impact Aid program funds provided for displaced students with disabilities separately from Emergency Impact Aid program funds provided for students without disabilities. However, as noted in a June 2021 report that we issued to the Department, we identified a potential \$1.3 million in unallowable payroll costs that the Puerto Rico DOE charged to its Emergency Impact Aid grant for employees who may not have been employed by the Puerto Rico DOE during the payroll accrual period applicable to the January 2018 payments.<sup>4</sup>

### **What We Recommend**

We made several recommendations to improve the Puerto Rico DOE's processes for gathering and reporting accurate and supported displaced student count data to the Department. Specifically, we recommend that the Assistant Secretary for the Office of Elementary and Secondary Education require the Puerto Rico DOE to (1) develop and implement internal controls to ensure that officials and staff responsible for gathering data used for Federal reporting requirements obtain an understanding of the rules and regulations surrounding the grant programs they are tasked with overseeing, and (2) develop and implement effective written procedures and sufficient information system controls to ensure that accurate student enrollment and withdrawal data are entered in its student information system in a consistent manner.

We also recommend that the Puerto Rico DOE provide support for the inaccurate and unsupported displaced student counts or return \$6.5 million in Emergency Impact Aid

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<sup>4</sup> We issued a flash report to the Department on June 24, 2021, to inform it about this finding. See the Final Flash Report, *Puerto Rico Department of Education's Unallowable Use of Temporary Emergency Impact Aid for Displaced Students Program Funds for Payroll Activities* (Control Number [ED-OIG/F19GA0027](#)) for additional details and recommendations. The issues identified in the flash report are discussed briefly in Finding 2.

program funds received based on estimated inaccurate and unsupported displaced student counts.<sup>5</sup>

## **Puerto Rico DOE's Comments and Our Response**

We provided a draft of this report to the Puerto Rico DOE for comment. We summarize the Puerto Rico DOE's comments at the end of each finding and provide the full text of the comments at the end of the report.

### **Puerto Rico DOE's Comments**

The Puerto Rico DOE did not state whether it agreed or disagreed with Finding 1 and the related recommendations. However, it described the corrective actions it has implemented or plans to implement to ensure the accuracy of the data it shares with the Department. The Puerto Rico DOE also did not state whether it agreed or disagreed with Finding 2 (no recommendations were made for this finding).

For Finding 1, the Puerto Rico DOE acknowledged that it misunderstood the Federal definition of a displaced student and related eligibility requirements. However, for the majority of the students we reported as not having met the Federal definition of displaced, the Puerto Rico DOE believes those students, particularly the revised student counts reported in the March 4, 2020, letter, did meet the definition. According to the Puerto Rico DOE, the majority of these students resided in the covered area 1 week prior to the disaster and moved to a different school during the relevant reporting quarters as defined by the Department.

Regarding the displaced student counts reported in the final performance report, the Puerto Rico DOE stated that although 9 of the 10 students we reported as not meeting the Federal definition of displaced did not meet the definition and were erroneously counted as displaced, 1 of the 10 students did meet the definition. Also, for the majority of the students we reported as not having adequate documentation to determine whether the students met the Federal definition of displaced, the Puerto Rico DOE believes it provided the required supporting documentation. In addition, although the Puerto Rico DOE did not state whether it agreed with the recommendations for Finding 1, it stated that it has already automated the student enrollment process,

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<sup>5</sup> The estimate of inaccurate and unsupported displaced student counts was computed from a statistical sample of students we tested, in which we determined that the supporting documentation (1) proved the students either did not meet the definition of displaced or was not displaced for the quarter specified, or (2) was not sufficient for us to determine whether the students met the definition of displaced.

thereby eliminating the need for hardcopy documents; published a new data governance policy; and classified as permanent the Planning Office's lead position. In addition, it plans to digitize all critical records, maintain updated contingency plans for data collection and communication protocols during emergencies, and revamp the protocols and handbooks for entering data into the student information system with clear responsibilities and deadlines.

For Finding 2, which did not contain any recommendations, the Puerto Rico DOE nevertheless described the corrective actions it has implemented to eliminate the risk of payroll-related overpayments in the future. The Puerto Rico DOE also stated that it plans to hire a contractor to perform a forensic audit on its Emergency Impact Aid program payroll disbursements.

### **OIG Response**

Regarding the Puerto Rico DOE's belief that the majority of the students we identified in Finding 1 of the report as not having met the Federal definition of displaced actually did meet the definition, we maintain that because those students either (1) enrolled in another school for a brief period of time after the disaster, but had returned to the same school they were enrolled in before the disaster as of the applicable quarter count date, (2) withdrew from the school more than 1 week prior to the disaster, or (3) did not have an active enrollment in a Puerto Rico DOE school for the quarter in which the student was reported as displaced, they did not meet the Federal definition of displaced. Also, regarding the Puerto Rico DOE's belief that it provided the required supporting documentation for the majority of the 7 students that we had reported in our draft report as not having adequate documentation to determine whether the students met the Federal definition of displaced, we maintain that the documentation provided for 5 of the 7 students was not adequate because the data were inconsistent and contained overlapping enrollment and withdrawal dates that did not support these students' status as displaced. Based on the Puerto Rico DOE's comments to our draft report, we revised the student counts reported in Tables 1 and 2 and removed one student from each table. As such, we recalculated the projected amount of \$7.1 million that the Puerto Rico DOE received and spent based on inaccurate and unsupported displaced student counts to \$6.5 million.

The Puerto Rico DOE's proposed actions for Finding 1, if implemented as described, are responsive to Recommendations 1.1 and 1.2. However, they do not address Recommendation 1.3 because the Puerto Rico DOE did not state if and how it plans to provide support for the inaccurate and unsupported displaced student counts or return \$6.5 million in Emergency Impact Aid program funds received based on estimated inaccurate and unsupported displaced student counts.

For Finding 2, although we did not make any recommendations, the Puerto Rico DOE's proposed actions, if implemented as described, address the payroll issues we briefly mentioned in the finding and that were previously reported in a flash report that we issued to the Puerto Rico DOE in June 2021.

We made a technical edit that was unrelated to the Puerto Rico DOE's response, to clarify the information we reported regarding Puerto Rico DOE's English language learner participants. In addition, we added more detailed information to better describe the electronic and hardcopy records that we reviewed to verify the students' displaced status.

# Introduction

## Background

On December 30, 2005, the Hurricane Education Recovery Act (HERA) authorized three grant programs<sup>6</sup> to assist schools affected directly or indirectly by Hurricanes Katrina and Rita with reopening quickly and meeting the educational needs of displaced students. The Temporary Emergency Impact Aid for Displaced Students (Emergency Impact Aid) program, authorized under section 107 of the HERA, was designed to provide funds to local educational agencies (LEA) that enrolled displaced students in their schools.

In 2017, several areas of the United States and its territories were devastated by the California wildfires and Hurricanes Harvey, Irma, and Maria. The extraordinary conditions resulting from these major disasters had a devastating and unprecedented impact on students who attended schools in the declared disaster areas of Alabama, California, Florida, Georgia, Louisiana, Puerto Rico, South Carolina, Texas, and the U.S. Virgin Islands. Because of the devastating effects, a significant number of students had to enroll in schools other than the school they were enrolled in before these major disasters.

On February 9, 2018, in response to the 2017 disasters, Congress authorized the Emergency Impact Aid program in the Bipartisan Budget Act of 2018. The statute instructed the U.S. Department of Education (Department) to dispense aid under section 107 of the HERA for school year 2017–2018. This statute did not amend the HERA; rather, it provided for the statutory terms and conditions from the HERA to be applied, with specified updates, for the California wildfires of 2017 and Hurricanes Harvey, Irma, and Maria. Congress appropriated a combined amount of approximately \$2.5 billion for both the Emergency Impact Aid and Immediate Aid to Restart School Operations programs. The purpose of the Immediate Aid to Restart School Operations program was to assist school administrators and personnel of such agencies or nonpublic schools with expenses related to the restarting of operations in, reopening of, and reenrolling of students in elementary schools and secondary schools in such areas.

On April 25, 2018, Federal Register Notice Volume 83 No. 80 announced the availability of funds for the Emergency Impact Aid program. It also included a May 15, 2018,

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<sup>6</sup> The HERA authorized the Emergency Impact Aid program, Immediate Aid to Restart School Operations program, and the Assistance for Homeless Youth program.



deadline for LEAs to submit applications for the Emergency Impact Aid program to State educational agencies (SEA) and a May 25, 2018, deadline for SEAs to submit applications to the Department. On May 24, 2018, Federal Register Notice Volume 83 No. 101 extended these deadlines to May 25, 2018, and June 4, 2018, respectively. After receiving and reviewing applications, the Department awarded about \$438.8 million to 24 States, Puerto Rico, and the U.S. Virgin Islands for the Emergency Impact Aid program.<sup>7</sup>

### **Emergency Impact Aid Program—Eligibility and Application Process**

Through SEAs, the Emergency Impact Aid program provided funds to LEAs that enrolled displaced students in their schools. Displaced students were defined as those students who resided in an area of a covered disaster or emergency 1 week before the date that the Federal government declared a major disaster or emergency for that area. Further, because of the covered disaster or emergency, those students subsequently enrolled in a school other than the school that they were enrolled in 1 week before the date that the major disaster or emergency was declared for the area.

To receive Emergency Impact Aid program funding, eligible SEAs provided to the Department displaced student counts for four quarters for school year 2017–2018, disaggregated by students who are reported as children with disabilities, English language learners who are not reported as children with disabilities, and all other displaced students. The Department identified four suggested quarterly count dates for SEAs and LEAs to identify numbers of displaced students: October 1, 2017; December 1, 2017; February 1, 2018; and April 1, 2018. SEAs could select these dates or dates that fell within a 21-day range for each of the quarters (that is, within 10 calendar days before or after these dates). Each SEA had to select four specific dates and require that each LEA applying for Emergency Impact Aid program funds use those dates.

In their application, SEAs had to certify that the data were true, complete, and correct. SEAs also had to certify that they would comply with all Emergency Impact Aid program requirements and other Federal requirements, including reporting requirements.<sup>8</sup> SEAs,

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<sup>7</sup> The amounts awarded under the Emergency Impact Aid and Immediate Aid to Restart School Operations programs were based on demand and specific data received from eligible applicants.

<sup>8</sup> Reporting requirements are included in the Improper Payments Information Act of 2002; the Education Department General Administrative Regulations; and the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards in 2 Code of Federal Regulations Part 200.

LEAs, and the Bureau of Indian Education schools had to obligate funds received under this program by December 31, 2018, and liquidate any obligations within 90 days of this deadline. Emergency Impact Aid program funds could only be used for expenses incurred during school year 2017–2018, and the SEA had to return to the Department any funds not obligated by these entities by December 31, 2018.

### **Payments and Authorized Uses of Emergency Impact Aid Program Funds**

Based on the quarterly displaced student counts, the Department allocated to each SEA \$2,500 per displaced student reported as a child with a disability, \$2,250 per displaced English language learner student not reported as a child with a disability, and \$2,125 per displaced student who was not reported as a child with a disability or an English language learner.<sup>9</sup> SEAs could retain up to 1 percent of their allocations to pay for the costs of administering the program.

On November 8, 2018, the Department awarded the Puerto Rico Department of Education (Puerto Rico DOE) nearly \$70.1 million in Emergency Impact Aid program funds, calculated based on the displaced student counts that the Puerto Rico DOE reported to the Department in its June 2018 grant award application for the Emergency Impact Aid program. This was the third largest amount awarded to any SEA and about 16 percent of the total amount of Emergency Impact Aid program funds awarded. The Puerto Rico DOE drew down \$69.2 million, or about 99 percent, of its award, as this was the maximum amount it was entitled to receive based on the revised displaced student counts it reported to the Department in its August 2019 Final Performance Report for

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<sup>9</sup> For the purposes of this report, we refer to the displaced students who were not reported as children with disabilities or English language learners as “Other.” Also, the displaced students who were reported as English language learners are participants in the Puerto Rico DOE’s limited Spanish proficiency program. According to section 3127 of the Every Student Succeeds Act of 2015, programs authorized under the English Language Acquisition, Language Enhancement, and Academic Achievement Act that serve children in the Commonwealth of Puerto Rico may include programs of instruction, teacher training, curriculum development, evaluation, and assessment designed for children of limited Spanish proficiency.

the fiscal year 2018 Emergency Impact Aid Program (final performance report).<sup>10</sup> We tested the displaced student counts that the Puerto Rico DOE certified as its final count of displaced students in its final performance report, which was the basis for the final grant amount the Puerto Rico DOE received. The final count of displaced students was different from the displaced student counts that the Puerto Rico DOE reported in its June 2018 grant award application for the Emergency Impact Aid program.

The HERA-authorized uses of Emergency Impact Aid program funds included, among other things, compensation of personnel; classroom supplies; mobile educational units and leasing sites; educational services; reasonable transportation costs; and health, counseling, and support services. The Department's 2018 Frequently Asked Questions (FAQ) for the Emergency Impact Aid program stated that while the activities and services must be related to serving displaced students, there is no requirement that they be provided only to those students.

### **Puerto Rico DOE's Emergency Impact Aid Program**

The Puerto Rico DOE is a unitary system, serving as both the SEA and an LEA for the purpose of administering Federal education programs. In its June 2018 application to the Department, the Puerto Rico DOE reported displaced student counts based on school year 2017–2018 public school student enrollment and withdrawal data stored in its student information system, and nonpublic school enrollment data that participating nonpublic schools submitted to the Puerto Rico DOE. The Puerto Rico DOE's Auxiliary Secretariat of Federal Affairs (Federal Affairs Office)<sup>11</sup> gathered the reported displaced student count data with assistance from the Puerto Rico DOE's Auxiliary Secretariat for Transformation, Planning, and Educational Performance (Planning Office).<sup>12</sup>

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<sup>10</sup> The final performance report for the Emergency Impact Aid program consisted of the final displaced student counts collected and descriptions of how the grantee ensured compliance with applicable Federal requirements, how the program was monitored, and the outreach activities and processes carried out to notify nonpublic school parents and students of the availability of the assistance under the program.

<sup>11</sup> The Federal Affairs Office is responsible for administering Federal grants authorized by the Elementary and Secondary Education Act of 1965, as amended, that the Puerto Rico DOE receives.

<sup>12</sup> The Planning Office is responsible for generating and providing graduation rates and student enrollment status reports to the schools. In addition, it supports program offices by generating data or reports needed to comply with Federal reporting requirements.

The Puerto Rico DOE reported final displaced student counts to the Department in its final performance report. However, on March 4, 2020, the Puerto Rico DOE's Auxiliary Secretary of Federal Affairs sent a letter to the Department stating that the displaced student counts the Puerto Rico DOE reported in its final performance report were underreported and the grant amount it was initially awarded should have been higher. The letter was the result of a subsequent analysis that the Puerto Rico DOE performed on its displaced student counts after the external auditor who conducted the Puerto Rico DOE's single audit for fiscal year 2019 notified the Federal Affairs Office that its final displaced student counts were inaccurate.

In a desk review monitoring report of the Puerto Rico DOE's Emergency Impact Aid program that the Department issued to the Puerto Rico DOE in February 2021,<sup>13</sup> the Department acknowledged the results of the displaced student counts that the Puerto Rico DOE included in its March 4, 2020, letter. However, the Department determined that no additional grant funds would be awarded because the revised student counts were reported 1 year after the grant project period ended. Instead, the Department stated that it would recover the \$859,809 in program funds that the Puerto Rico DOE did not spend and that this recovered amount would be in addition to any funds recovered by the Puerto Rico DOE as a result of its monitoring program implementation or this audit.

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<sup>13</sup> The monitoring report contains the results of a desk review of the Puerto Rico DOE's 2018 Emergency Impact Aid award. The Department conducted this review during the week of August 3, 2020.

## **Finding 1. The Puerto Rico DOE Reported Inaccurate and Unsupported Displaced Student Count Data to the Department**

The Puerto Rico DOE reported inaccurate and unsupported displaced student count data to the Department in its final performance report.<sup>14</sup> As a result, we are projecting that the Puerto Rico DOE should not have received and expensed an estimated \$6.5 million in Emergency Impact Aid program funds that we identified in our displaced student count testing. We also found that the Puerto Rico DOE reported inaccurate and unsupported displaced student counts in the letter it sent to the Department on March 4, 2020, wherein it asserted that the student counts it reported in its final performance report were underreported and the grant amount the Department initially awarded to it should have been higher. Because our displaced student count testing found inaccurate and unsupported displaced student counts reported in the letter there is no assurance that the Puerto Rico DOE was entitled to receive an Emergency Impact Aid grant amount higher than the amount it received.<sup>15</sup>

### **Inaccurate and Unsupported Displaced Student Counts Reported in Final Performance Report**

We found that the Puerto Rico DOE reported inaccurate and unsupported displaced student counts to the Department in its final performance report. We performed displaced student count testing on a statistical sample of 116 students<sup>16</sup> from the universe of 30,805 displaced students that the Puerto Rico DOE reported to the

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<sup>14</sup> The Puerto Rico DOE submitted its final performance report to the Department on August 2, 2019.

<sup>15</sup> As discussed further in the Scope and Methodology section, the Puerto Rico DOE was unable to provide adequate supporting documentation for us to determine the reliability of the student enrollment history reports. This resulted in our assessment of the data as being of undetermined reliability. However, we decided to use the information contained in these reports to answer our audit objectives because it was the basis for the Puerto Rico DOE's reported displaced student counts and Emergency Impact Aid program award. While the undetermined reliability of the student enrollment history reports could possibly affect our estimates and the precision of the projections, there is sufficient and appropriate evidence to support the findings and conclusions.

<sup>16</sup> The Puerto Rico DOE received \$259,875 in Emergency Impact Aid program funds for the 116 students in our sample. Of the 116 students, 35 were categorized and reported as students with disabilities, 2 as English language learner students, and 79 as other displaced students.

Department in its final performance report and found that 11 of the 116 students either did not meet the definition of displaced in the quarter tested (10 students) or there was not adequate data to determine whether the student met the definition of displaced (1 student). The Puerto Rico DOE received \$24,125 for these 11 students. We used electronic student enrollment history reports from the Puerto Rico DOE's student information system to make the determinations because these reports contained the information needed to establish whether the student met the definition of displaced.<sup>17</sup> Table 1 shows a breakdown of the 11 students in question.

**Table 1. Results of Testing: Inaccurate and Unsupported Displaced Student Counts Reported in Final Performance Report**

Description of Error	Number of Students
Student did not meet the definition of displaced because the student returned to the same school that the student was enrolled in before the disaster for the quarter in which the student was reported as displaced.	9
Student did not meet the definition of displaced because the student withdrew from the school more than 1 week prior to the disaster and, therefore, was not displaced as a result of the disaster.	1
Data in the electronic student enrollment history reports was inadequate to support the student's status as displaced because of overlapping enrollment and withdrawal dates. <sup>18</sup>	1
<b>Total Number of Students in Question</b>	<b>11</b>

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<sup>17</sup> The electronic student enrollment history reports displayed information such as the names of schools the student attended and the enrollment and withdrawal dates from each school, among other information. We performed a data reliability assessment of these reports, and concluded that, overall, these reports were of undetermined reliability because of a lack of access to all of the documents we needed in order to determine the reliability of the data in the reports. Please refer to the Scope and Methodology section for information on our assessment of the reliability of data used in our analyses.

<sup>18</sup> For this student, the enrollment date in the school the student transferred to after the disaster preceded the withdrawal date from the school the student attended before the disaster, which indicated that some of these data could be inaccurate. The dates overlapped 249 days. The Puerto Rico DOE was unable to provide a copy of the enrollment and withdrawal forms that would support the enrollment and withdrawal dates for this student.



In addition, from our sample of 116 students reported as displaced, the Puerto Rico DOE categorized and reported 2 of them as English language learner students. However, we found that one of the two students did not meet the definition of an English language learner student because the student was no longer participating in the Puerto Rico DOE's limited Spanish proficiency program during school year 2017–2018.<sup>19</sup> As a result, the Puerto Rico DOE received \$125 more in Emergency Impact Aid program funds for this student than it should have.

Lastly, from our sample of 116 students reported as displaced, the Puerto Rico DOE categorized and reported 35 of them as students with disabilities. We reviewed copies of the students' individualized education programs and confirmed that all 35 students were correctly categorized.

### **Inaccurate and Unsupported Displaced Student Counts Reported in Letter to the Department**

We found that the displaced student counts that the Puerto Rico DOE reported in the letter it sent to the Department on March 4, 2020, were inaccurate and unsupported. The letter was the result of a subsequent analysis that the Puerto Rico DOE performed on its displaced student counts after the external auditor who conducted the Puerto Rico DOE's single audit for fiscal year 2019, notified the Puerto Rico DOE that its final displaced student counts were inaccurate. In the letter, the former Auxiliary Secretary of Federal Affairs stated that based on an analysis that the Puerto Rico DOE conducted on the displaced student counts in its final performance report, it should have reported displaced student counts totaling 31,275, instead of the 30,805 that it reported in its final performance report. In the letter, the former Auxiliary Secretary of Federal Affairs also stated that based on the revised student counts, the Puerto Rico DOE should have received an Emergency Impact Aid program award amount that was \$1,135,250 higher than the award it received.

In reviewing the names of the students (reported for each quarter) that comprised the 31,275 displaced student counts (the counts in the March 2020 letter), we identified 3,323 student names that did not appear in the list of names (and applicable quarters)

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<sup>19</sup> Although the Federal definition of an English language learner does not consider Spanish learners, and participation in the program is not required, the Puerto Rico DOE reported as English language learners the students participating in the Puerto Rico DOE's limited Spanish proficiency program, as authorized under section 3127 of the Every Student Succeeds Act of 2015.

supporting the counts in the final performance report.<sup>20</sup> The Puerto Rico DOE did not receive Emergency Impact Aid program funds for the 3,323 displaced student counts. We performed testing on a statistical sample of 114 of the 3,323 previously unreported students to determine if they were, in fact, displaced, and if the Puerto Rico DOE’s assertion that the grant amount initially awarded should have been higher was accurate. We found that 34 of the 114 students we reviewed either did not meet the definition of displaced in the quarter tested (30 students) or there was not adequate data to support that the students met the definition of displaced (4 students). For all 114 students in our sample, we used electronic student enrollment history reports from the Puerto Rico DOE’s student information system to make the determinations.<sup>21</sup> Table 2 shows a breakdown of the 34 students in question.

**Table 2. Results of Testing: Inaccurate and Unsupported Displaced Student Counts Reported in Letter to the Department**

Description of Error	Number of Students
Student did not meet the definition of displaced because the student did not have an active enrollment in a Puerto Rico DOE school for the quarter in which the student was reported as displaced.	19
Student did not meet the definition of displaced because the student returned to the same school that the student was enrolled in before the disaster for the quarter in which the student was reported as displaced.	11

<sup>20</sup> The revised student counts reported in the letter included 27,952 student counts that the Puerto Rico DOE had reported in the final performance report, and 3,323 additional student counts that had not been reported in the final performance report.

<sup>21</sup> We performed a data reliability assessment of these student enrollment history reports, and concluded that, overall, these reports were of undetermined reliability because of a lack of access to all of the documents we needed in order to determine the reliability of the data in the reports. Please refer to the Scope and Methodology section for information on our assessment of the reliability of data used in our analyses.

Description of Error	Number of Students
Data in the electronic student enrollment history reports was inadequate to support the student’s status as displaced because of overlapping enrollment and withdrawal dates. <sup>22</sup>	4
<b>Total Number of Students in Question</b>	<b>34</b>

In addition, from our sample of 114 students reported as displaced, the Puerto Rico DOE categorized and reported 2 of them as English language learner students. However, we found that one of the two students did not meet the definition of an English language learner student because the student was not participating in the Puerto Rico DOE’s limited Spanish proficiency program during school year 2017–2018.

Lastly, from our sample of 114 students reported as displaced, the Puerto Rico DOE categorized and reported 40 of them as students with disabilities. We reviewed copies of the students’ individualized education programs and confirmed that all 40 students were correctly categorized.

### **Federal Requirements for the Emergency Impact Aid Program**

Division B, Subdivision 1, Title VIII, “Hurricane Education Recovery,” of Public Law 115-123, the Bipartisan Budget Act of 2018., enacted February 9, 2018, states that

[t]he term “displaced student” means a student who enrolled in an elementary school or secondary school (other than the school that the student was enrolled in, or was eligible to be enrolled in, on the date that is one week prior to the date that the major disaster or emergency was declared for the area) because such student resides or resided on the date that is one week prior to the date that the major disaster or emergency was declared for the area, in an area for which a major disaster or emergency has been declared by the President.

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<sup>22</sup> For these students, the enrollment date in the school the student transferred to after the disaster preceded the withdrawal date from the school the student attended before the disaster, which indicated that some of these data could be inaccurate. The dates overlapped between 74 and 80 days. The Puerto Rico DOE was unable to provide a copy of the enrollment and withdrawal forms that would support the enrollment and withdrawal dates for these four students.

According to section 8101(20) of the Elementary and Secondary Education Act of 1965, as amended by the Every Student Succeeds Act of 2015,<sup>23</sup>

[t]he term “English learner”, when used with respect to an individual, means an individual—(A) who is aged 3 through 21; (B) who is enrolled or preparing to enroll in an elementary school or secondary school; (C)(i) who was not born in the United States or whose native language is a language other than English; (ii)(I) who is a Native American or Alaska Native, or a native resident of the outlying areas; and (II) who comes from an environment where a language other than English has had a significant impact on the individual’s level of English language proficiency; or (iii) who is migratory, whose native language is a language other than English, and who comes from an environment where a language other than English is dominant; and (D) whose difficulties in speaking, reading, writing, or understanding the English language may be sufficient to deny the individual—(i) the ability to meet the challenging State academic standards; (ii) the ability to successfully achieve in classrooms where the language of instruction is English; or (iii) the opportunity to participate fully in society.<sup>[24]</sup>

In addition, 34 Code of Federal Regulations (C.F.R.) section 76.731 states that a State and a subgrantee must keep records to show its compliance with program requirements.

According to 2 C.F.R. section 200.303(a), a non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that it is managing the award in compliance with applicable Federal statutes, regulations, terms, and conditions.

The U.S. Government Accountability Office’s *Standards for Internal Control in the Federal Government* (Green Book) may be used by SEAs to develop a system that

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<sup>23</sup> This definition of an English learner is also included in Question B-8 of the Department’s 2018 FAQ for the Emergency Impact Aid program.

<sup>24</sup> According to Section 3127 of the Every Student Succeeds Act of 2015, programs authorized under the English Language Acquisition, Language Enhancement, and Academic Achievement Act that serve children in the Commonwealth of Puerto Rico may include programs of instruction, teacher training, curriculum development, evaluation, and assessment designed for children of limited Spanish proficiency.

produces accurate and complete data. The Green Book specifically states that management should design appropriate types of control activities.

### **The Puerto Rico DOE Did Not Have Adequate Controls in Place to Ensure Its Displaced Student Counts Were Accurate and Supported**

The Puerto Rico DOE reported inaccurate and unsupported displaced student count data to the Department because its staff incorrectly interpreted the Federal definition of a displaced student for the Emergency Impact Aid program, and it lacked effective written procedures and sufficient information system controls to ensure that accurate student enrollment and withdrawal data were entered in its student information system.

#### **Incorrect Interpretation of the Federal Definition of a Displaced Student**

The Puerto Rico DOE reported students who did not meet the Federal definition of a displaced student for the Emergency Impact Aid program because the Federal Affairs Office incorrectly interpreted the definition of a displaced student. In a letter sent to the Department on March 4, 2020, the former Auxiliary Secretary of Federal Affairs acknowledged that the Puerto Rico DOE incorrectly reported students who had enrolled in the same school they had been enrolled in prior to the disaster as displaced during the reported quarter.

#### **Lack of Effective Written Procedures and Sufficient Information System Controls Surrounding the Puerto Rico DOE's Student Information System**

The Puerto Rico DOE reported unsupported displaced student counts to the Department because it did not have effective written policies and procedures and sufficient student information system controls to prevent school staff<sup>25</sup> from enrolling students simultaneously in two schools that provide regular classroom schedules.<sup>26</sup> The Acting Director of the Puerto Rico DOE's Student Information Systems Office stated that there was an expectation that school staff would immediately process students' withdrawals

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<sup>25</sup> School directors are usually the staff at schools authorized to register enrollment and withdrawals in the student information system, or an employee designated by the school director.

<sup>26</sup> Schools that provide regular classroom schedules are schools that offer core classes such as social studies, mathematics, science, Spanish, and English during regular school hours.

in the student information system before staff from the school where the student was transferring could register the student as a new student. However, this was not being done consistently in all cases, and the Puerto Rico DOE did not have written policies and procedures communicating this expectation.

According to the Acting Director, if school staff attempt to enter enrollment data in the student information system for a student who has an active enrollment in another school, the system will alert the user that the student cannot be registered in two regular schools simultaneously. However, the information system allows school staff to bypass the alert if they identify the new school (the school the student is transferring to) as a shared school<sup>27</sup> without a system check to ensure that the new school identified is actually a shared school. At the end of the semester, a withdrawal date is automatically entered into the system showing that the student withdrew from the original school, thereby causing the student's enrollment history report to display overlapping enrollment and withdrawal dates.

After the hurricane disaster, some school staff inappropriately bypassed the system's alert to enroll students into a new school (that was not a shared school) because the student had not yet withdrawn from their original school. This resulted in the student enrollment history reports and student enrollment history data in the student information system displaying overlapping enrollment and withdrawal dates, which are the same data that the Puerto Rico DOE used to identify displaced students. Although the Puerto Rico DOE had in place a quick reference guide for student information system users ("Director's Guide for Student Enrollment and Data Quality," dated June 2016, with steps on how to enroll a student in the system), the guide did not provide information regarding the difference between regular schools and shared schools, the appropriate time to use the shared school code, and the prohibition of enrolling a student in two schools at the same time unless the student was officially enrolled in a shared school.

### **Incorrect and Unsupported Displaced Student Counts Resulted in Questioned Costs and Unsupported Assertions**

Based on our displaced student count test results, in which we used a statistical sample of displaced student counts that the Puerto Rico DOE included in its final performance report, we estimate that the Puerto Rico DOE should not have received and expensed

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<sup>27</sup> According to the Acting Director of the Student Information Systems Office, "shared schools" are schools that provide students with additional after-school classes in subjects such as art, sports, and music are not the same school where the student is officially enrolled.



\$6.5 million in Emergency Impact Aid program funds based on inaccurate and unsupported displaced student counts.<sup>28</sup> In addition, based on our displaced student count test results, in which we used a statistical sample of displaced student counts that the Puerto Rico DOE reported in its May 2020 letter to the Department, we estimate that 1,005 students counted as displaced are inaccurate and unsupported (the Puerto Rico DOE did not receive funds for these students).

### **Results of Sample Testing of Student Counts Reported in Final Performance Report**

The Puerto Rico DOE should not have received and expensed \$24,125 in Emergency Impact Aid program funds for 11 students (from a sample of 116) who either did not meet the definition of displaced (10 students accounting for \$22,000) or for whom there was not adequate data to support that the student met the definition of displaced (1 student accounting for \$2,125). Based on the results of this statistical sample, we are projecting that the Puerto Rico DOE should not have received and expensed an estimated \$6.5million<sup>29</sup> in Emergency Impact Aid program funds as follows:

- an estimated \$5.9 million in Emergency Impact Aid program funds for students who did not meet the definition of displaced but were included in the Puerto Rico DOE's displaced student counts; in which we are 95 percent confident that the total amount is between \$3.2 million and \$10.6 million; and
- an estimated \$600,000 in Emergency Impact Aid program funds for students included in the Puerto Rico DOE's displaced student counts for which there is not adequate documentation to determine whether the students met the definition of displaced; in which we are 95 percent confident that the total amount is between \$77,173 and \$4 million.

Table 3 provides a breakdown of the figures by displaced category (English Language Learner Students, Students with Disabilities, and Other Students).

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<sup>28</sup> We are 95 percent confident that the total amount is between \$3.6 million and \$11.3 million.

<sup>29</sup> This amount includes the \$24,125 in Emergency Impact Aid program funds the Puerto Rico DOE should not have received and expensed for students who either did not meet the definition of displaced or for whom there was not adequate data to support that the student met the definition of displaced.

**Table 3. Results of Sample Student Testing**

Displaced Category	Displaced Students	Sample Size	Students Did Not Meet Definition of Displaced in Tested Quarter	Adequate Documentation Was Not Provided to Confirm Student was Displaced	Amount of Questioned Funds in Sample
Other Students	21,224	79	8	1	\$19,125
Students with Disabilities	9,542	35	2	0	\$5,000
English Language Learner Students	39	2	0	0	\$0
<b>Total</b>	<b>30,805</b>	<b>116</b>	<b>10</b>	<b>1</b>	<b>\$24,125</b>

### **Results of Sample Testing of Student Counts Reported in Letter to the Department**

Although the Puerto Rico DOE did not receive Emergency Impact Aid program funds for the additional student counts identified in its March 4, 2020, letter to the Department, the 34 students (from a sample of 114) we identified as either not meeting the definition of displaced or without adequate data for us to determine whether the student met the definition of displaced, renders the counts in the letter as unreliable. Based on the results of this statistical sample, we are projecting that an estimated 887 students (27 percent) who did not meet the definition of displaced were inaccurately included in the displaced student counts reported in the March 4, 2020, letter to the Department. We are 95 percent confident that the total number of students incorrectly reported as displaced in the letter to the Department is between 639 (19 percent) and 1,188 (36 percent). In addition, we are projecting that an estimated 118 students (4 percent) were included in the displaced student counts for which there is not adequate documentation to determine whether the students met the definition of displaced. We are 95 percent confident that the total number of students reported as displaced in the Puerto Rico DOE's letter to the Department for which there was not adequate data to support the student's displaced status is between 44 (1 percent) and 307 (9 percent). As such, there is no assurance that the Puerto Rico DOE was entitled to receive a grant amount higher than the amount it received.

## **Recommendations**

We recommend that the Assistant Secretary for the Office of Elementary and Secondary Education require the Puerto Rico DOE to—

- 1.1 Develop and implement internal controls to ensure that officials and staff responsible for gathering data used for Federal reporting requirements obtain an understanding of the rules and regulations surrounding the grant programs they are tasked with overseeing.
- 1.2 Develop and implement effective written policies and procedures and sufficient information system controls to ensure that accurate student enrollment and withdrawal data are entered in its student information system in a consistent manner.
- 1.3 Provide support for the inaccurate and unsupported displaced student counts or return \$6.5 million in Emergency Impact Aid program funds received based on estimated inaccurate and unsupported displaced student counts.

## **Puerto Rico DOE's Comments**

The Puerto Rico DOE did not state whether it agreed or disagreed with Finding 1 and the related recommendations. However, it described the corrective actions it has implemented or plans to implement to ensure the accuracy of all the data that it shares with the Department.

The Puerto Rico DOE acknowledged that it misunderstood the Federal definition of a displaced student and related eligibility requirements, which led to inaccurate student counts reported in the final performance report submitted to the Department. However, for the majority of the students we reported as not having met the Federal definition of displaced, the Puerto Rico DOE believes those students did meet the definition, particularly the revised student counts reported to the Department in the March 4, 2020, letter. According to the Puerto Rico DOE, these students resided in the covered area 1 week prior to the disaster and moved to a different school during the relevant reporting quarters as defined by the Department. Regarding the displaced student counts reported in the final performance report, the Puerto Rico DOE stated that although 9 of the 10 students we reported as not meeting the Federal definition of displaced did not meet the definition and were erroneously counted as displaced, 1 of the 10 students did meet the definition according to an official school enrollment certification. Also, for the majority of the students we reported as not having adequate documentation to determine whether the students met the Federal definition of displaced, the Puerto Rico DOE believes it provided the required supporting documentation. The Puerto Rico DOE also stated that even though it misunderstood the

Federal definition of a displaced student and related eligibility requirements, its error resulted in undercounting eligible displaced students representing about \$270,000 in Emergency Impact Aid program funds that the Puerto Rico DOE did not receive, and not the \$7.1 million<sup>30</sup> reported in the draft version of this report as the amount it received and spent based on inaccurate and unsupported displaced student counts.

Although the Puerto Rico DOE did not state whether it agreed or disagreed with the recommendations for Finding 1, it stated that it has already automated the student enrollment process to eliminate the need for hardcopy records, published new data governance policy, and classified as permanent the Planning Office's lead position. In addition, it explained that it plans to digitize all critical records, maintain updated contingency plans for data collection and communication protocols during emergencies, and revamp the protocols and handbooks for entering data into the student information system with clear responsibilities and deadlines.

### **OIG Response**

Regarding the Puerto Rico DOE's belief that the majority of the students we identified in the report as not having met the Federal definition of displaced actually did meet the definition, we maintain that because those students either (1) enrolled in another school for a brief period of time after the disaster, but had returned to the same school they were enrolled in before the disaster as of the applicable quarter count date, (2) withdrew from the school more than 1 week prior to the disaster, or (3) did not have an active enrollment in a Puerto Rico DOE school for the quarter in which the student was reported as displaced, they did not meet the Federal definition of displaced.

Also, regarding the Puerto Rico DOE's belief that it provided the required supporting documentation for the majority of the students we reported as not having adequate documentation to determine whether the students met the Federal definition of displaced, we maintain that the documentation provided for 5 of the 7 students that we had reported in our draft report was not adequate because the data in the digital transfer sheets and electronic history student enrollment history reports either did not show a withdrawal date or contained overlapping enrollment and withdrawal dates that did not support these students' status as displaced. However, based on the Puerto Rico DOE's comments to our draft report, we revised the student counts reported in Tables 1 and 2 and removed one student from each table. As such, we recalculated the projected

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<sup>30</sup> We recalculated the projected amount of \$7.1 million that the Puerto Rico DOE received and spent based on inaccurate and unsupported displaced student counts to \$6.5 million based on the Puerto Rico DOE's comments to our draft report.

amount of \$7.1 million that the Puerto Rico DOE received and spent based on inaccurate and unsupported displaced student counts to \$6.5 million.

In addition, we disagree with the Puerto Rico DOE's statement that its error in identifying displaced students resulted in its underreporting of eligible students that represented \$270,000 in Emergency Impact Aid program funds that it did not receive. As stated in the finding, we tested 114 students who the Puerto Rico DOE presented as having met the Federal definition of displaced but who were not included in the counts reported to the Department, and we found that 34 of them either did not meet the Federal definition of displaced or there was not adequate data to support that they met the definition. Given the errors that we identified in the counts reported in the letter, there is no assurance that the Puerto Rico DOE was entitled to receive an Emergency Impact Aid grant amount higher than the amount it received.

The Puerto Rico DOE's proposed actions, if implemented as described, are responsive to Recommendations 1.1 and 1.2 but do not address recommendation 1.3. Specifically, the Puerto Rico DOE did not state if and how it plans to provide support for the inaccurate and unsupported displaced student counts or return the recalculated amount of \$6.5 million in Emergency Impact Aid program funds received based on estimated inaccurate and unsupported displaced student counts.

We made a technical edit that was unrelated to the Puerto Rico DOE's response, to clarify the information we reported regarding the Puerto Rico DOE's English language learner participants.

## Finding 2. The Puerto Rico DOE Generally Accounted for Emergency Impact Aid Program Funds in Accordance with Federal Guidelines

The Puerto Rico DOE generally accounted for Emergency Impact Aid program funds in accordance with Federal guidelines. Specifically, we found that the Puerto Rico DOE (1) generally expensed the funds for allowable activities, (2) obligated and liquidated the funds by the required dates, and (3) recorded and tracked funds provided for displaced students with disabilities separately from funds provided for displaced students without disabilities.

The Puerto Rico DOE charged nearly \$69.1 million to the Emergency Impact Aid grant for January 2018 payroll payments (for the payroll accrual period of January 5 through January 31, 2018) made to public school employees who served displaced students. Of the \$69.1 million charged to the grant, \$45.2 million was expensed for non-special education employees and \$23.9 million was expensed for special education employees. The Puerto Rico DOE also charged \$187,441 to the Emergency Impact Aid grant for payments it made to nonpublic schools to reimburse tuition and fees (applicable to the 2017–2018 school year) paid by parents or guardians of displaced students in nonpublic schools. The expenses for these activities are allowable under the grant. However, as noted in a June 2021 report that we issued to the Department, we identified a potential \$1.3 million in unallowable payroll costs that the Puerto Rico DOE charged to its Emergency Impact Aid grant for employees who may not have been employed by the Puerto Rico DOE during the payroll accrual period applicable to the January 2018 payments.<sup>31</sup>

The Puerto Rico DOE obligated the \$69.1 million in public school payroll expenses by December 31, 2018, and liquidated the funds by March 31, 2019, as required for the Emergency Impact Aid program. The Department granted an extension to the Puerto Rico DOE to obligate and liquidate the program’s funds received for services to displaced students who enrolled in nonpublic schools until September 18, 2019. The Puerto Rico DOE obligated and liquidated the \$187,441 by the revised approved deadline of September 18, 2019.

Section 107(e)(1) of the HERA lists the authorized uses of Emergency Impact Aid program funds, including “Paying the compensation of personnel, including teacher

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<sup>31</sup> Final Flash Report, *Puerto Rico Department of Education’s Unallowable Use of Temporary Emergency Impact Aid for Displaced Students Program Funds for Payroll Activities*, issued on June 24, 2021.



aides, in schools enrolling displaced students.” Question E-1 of the Department’s 2018 FAQ for Emergency Impact Aid, states that “[t]he recipients may use these funds for pre-award costs, including the reimbursement of expenditures incurred prior to the receipt of a grant.”

In addition, according to section 107(d)(3) of the HERA, an eligible LEA that receives Emergency Impact Aid program funds and serves an area with an eligible nonpublic school must, at the request of the parent or guardian of a displaced student who enrolled in a nonpublic school in an area served by the agency, use the funds to provide payment to an account on behalf of such displaced student. Further, according to section 107(d)(2)(C) of the HERA, a nonpublic school must also waive some or all of a displaced student’s tuition or reimburse some or all of the tuition paid in order to receive funds under the Emergency Impact Aid program.

We also found that the Puerto Rico DOE tracked the \$23.9 million it expended for services provided to displaced students with disabilities separately from the \$45.2 million it expended for services provided to displaced students without disabilities.

Question F-5 of the Department’s 2018 FAQ for the Emergency Impact Aid program states that “[Emergency Impact Aid] funds provided for displaced students reported as children with disabilities must be recorded and tracked separately from [Emergency Impact Aid] funds provided for students without disabilities.”

### **Puerto DOE’s Comments**

The Puerto Rico DOE did not state whether it agreed or disagreed with Finding 2. Although we did not make a recommendation for this finding, the Puerto Rico DOE described the corrective actions it has implemented to eliminate the risk of payroll-related overpayments in the future. Specifically, it stated that it has implemented an integrated payroll process that uses time stamped biometric data to validate the employee’s attendance before making any payroll payments and updated its related policy. In addition, it established more rigorous guidelines for authorized paid and unpaid leaves, and formal processes and controls to remove employees that no longer provide services to the Puerto Rico DOE. Further, the Puerto Rico DOE also stated that it plans to hire a contractor to perform a forensic audit on its Emergency Impact Aid program payroll disbursements.

### **OIG Response**

Although we did not make any recommendations for this finding, the Puerto Rico DOE’s proposed corrective actions, if implemented as described, address the payroll issues we

briefly mentioned in the finding and that were previously reported in a flash report that we issued to the Department in June 2021.

## Other Matter. The Puerto Rico DOE Could Have Better Documented Expenses Charged to the Emergency Impact Aid Program Grant

The Puerto Rico DOE provided us documentation showing that in January 2019 it charged \$69.1 million in payroll expenses to its Emergency Impact Aid program grant to reimburse itself (through two journal entries) for payroll expenses that it had originally charged to State funds from January 2018 through April 2018. The documentation included the two journal entries,<sup>32</sup> two payroll expense reports showing the January 2018 through April 2018 payroll expenses that were to be used to support the journal entries,<sup>33</sup> and a memorandum instructing the Auxiliary Secretariat of Finances to charge a total of \$69.1 million in payroll expenses to the Emergency Impact Aid program.<sup>34</sup> However, the payroll expense reports did not contain the names of the employees whose pay was charged to the Emergency Impact Aid program; therefore, we could not determine whether the payroll expenses related only to those employees who worked at schools that served displaced students.

We requested that the Puerto Rico DOE provide the names of the employees associated with the January 2018 through April 2018 payroll payments. However, in response to this request, the Puerto Rico DOE instead provided different documentation to support the payroll payments that it charged to the Emergency Impact Aid program. The journal entries did not change, but the Puerto Rico DOE provided us with two different payroll payment reports covering only January 2018 to support the journal entries. The Puerto Rico DOE stated that these payroll payments were sufficient to cover the amount that was charged to the Emergency Impact Aid grant. The 2 reports listed the names of 27,772 employees whose January 2018 payroll payments totaled \$73.7 million.<sup>35</sup> One

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<sup>32</sup> One journal entry was for \$23.9 million in special education related expenses and the other was for \$45.2 million in non-special education expenses.

<sup>33</sup> One report showed \$51.8 million in special education related expenses and the other report showed \$45.2 million in non-special education expenses.

<sup>34</sup> Although the two payroll reports showed a total of \$97 million in expenses, the memorandum authorized a total of only \$69.1 million to be charged to the Emergency Impact Aid program.

<sup>35</sup> The reports included the employee's name, employee identification number, social security number, payroll journal identification number, payroll period, payment amount, and payment date, among other information.

of the payroll payment reports included payments totaling \$49.8 million for 21,319 non-special education employees who were working in schools that had at least one displaced student with no disabilities who was reported to the Department. Only \$45.2 million of payroll expenses from this report were charged to the Emergency Impact Aid grant. The other report included payments totaling \$23.9 million for 6,453 employees who provided services to students with disabilities. All \$23.9 million of payroll expenses from this report were charged to the grant.

We performed an analysis on the names of the 27,772 employees to confirm that they were assigned to work at schools that reported displaced students for the 2017–2018 school year and found that 27,721 of them did. An immaterial amount was paid to employees who worked at schools with no displaced students.<sup>36</sup>

According to 2 C.F.R. section 200.302(a), the State's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award.

Although the Puerto Rico DOE ultimately provided documentation that permitted the tracing of the payroll expenses to those employees assigned to work at schools that served displaced students, the documentation initially made available did not permit for such tracing. Therefore, the Puerto Rico DOE could have better documented expenses charged to the Emergency Impact Aid program grant.

### **Suggestion**

We suggest that in the future, when accounting for Federal education program funds, the Puerto Rico DOE should always maintain records sufficient to permit the tracing of funds to a level of expense adequate to establish that such funds have been used

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<sup>36</sup> The Other Matter presented here is in addition to the issue we described in Finding 2 of this report, regarding potentially \$1.3 million in unallowable payroll costs that the Puerto Rico DOE charged to its Emergency Impact Aid grant for employees who may not have been employed by the Puerto Rico DOE during the applicable payroll accrual period. As we stated in Finding 2 of this report, we issued a flash report to the Department on June 24, 2021, to inform the Department about the potential \$1.3 million in unallowable payroll costs.

according to the Federal statutes, regulations, and the terms and conditions of the Federal award.

### **Puerto Rico DOE's Comments**

The Puerto Rico DOE disagreed with the tracing of funds issue that we discussed in the Other Matter and also the related suggestion. Specifically, the Puerto Rico DOE stated that it provided us with all the information and evidence required to trace every expense in compliance with applicable Federal regulations. However, the Puerto Rico DOE described the corrective actions it has implemented to improve its recordkeeping systems and processes, including digitizing records and documents supporting compliance with 2 C.F.R. section 200 and other Federal and State requirements.

### **OIG Response**

As stated in the Other Matter, although the Puerto Rico DOE ultimately provided documentation that permitted the tracing of the payroll expenses to those employees assigned to work at schools that served displaced students, the documentation initially made available in support of the \$69.1 million in payroll expenses charged to the Emergency Impact Aid program grant did not permit for such tracing. Therefore, we maintain that the Puerto Rico DOE could have better documented the expenses charged to the Emergency Impact Aid program grant. The Puerto Rico DOE's proposed corrective actions, if implemented as described, are responsive to our suggestion.

## Appendix A. Scope and Methodology

We reviewed the Puerto Rico DOE's processes to report accurate and complete displaced student count data to the Department and its accounting of Emergency Impact Aid program funds. Our review covered the period of May 15, 2018, through January 19, 2021. Our original audit period covered June 4, 2018, when the Puerto Rico DOE submitted its grant application, through September 3, 2019, the last date the Puerto Rico DOE drew down program funds. However, the audit period was expanded to May 15, 2018, when the Puerto Rico DOE initiated the process of gathering the displaced student count data, until January 19, 2021, to review two payroll payment reports prepared by the Puerto Rico DOE after the March 31, 2019, liquidation deadline.<sup>37</sup> The two payroll payment reports included information pertaining to employees whose January 2018 payroll payments were charged to the Emergency Impact Aid grant, for services provided to displaced students that were enrolled in public schools.

To achieve our audit objectives, we performed the following procedures:

- Gained an understanding of and evaluated the Puerto Rico DOE's processes related to the reporting of displaced student count data and its accounting of funds.
- Reviewed the Puerto Rico DOE's application to the Department for the Emergency Impact Aid program to understand its eligibility and displaced student count data.
- Gained an understanding of Federal laws, regulations, and guidance relevant to our audit objectives, including
  - the Bipartisan Budget Act of 2018,
  - 2 C.F.R. sections 200.302 Financial Management and 200.303 Internal Controls,
  - 34 C.F.R. section 76.731 Records Related to Compliance, and

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<sup>37</sup> The Department granted an extension to the Puerto Rico DOE to obligate and liquidate the program's funds received for services to displaced students who enrolled in nonpublic schools until September 18, 2019.

- the Department’s 2018 FAQ for the Emergency Impact Aid program.
- Interviewed Puerto Rico DOE officials responsible for collecting displaced student counts, determining English language learner and children with disabilities status, and ensuring the reliability of the displaced student count data reported.
- Determined if the Puerto Rico DOE accurately identified displaced students. To accomplish this, through sampling, we determined if student records supported displaced student count data.<sup>38</sup> To make this determination, we reviewed records for each student for evidence of student enrollment in a school other than the school they were enrolled in prior to the date of the disaster or emergency and whether the student was coming from an area of a covered disaster or emergency. For all 230 students<sup>39</sup> we sampled, we reviewed their electronic student enrollment history reports. When available, we also reviewed digital transfer sheets from the Puerto Rico DOE’s student information system (provided for 50 of the 230 students), written certifications from school directors regarding the availability of enrollment and withdrawal documentation supporting the students’ enrollment status (provided for 33 of the 230 students),<sup>40</sup> and hardcopy enrollment and withdrawal forms (provided for 36 of the 96 students in the sample we selected for data reliability). The digital transfer sheets contained the same data included in the students’ enrollment history reports (the names of schools the student attended and the enrollment and withdrawal dates), plus additional data showing the name of the school that promoted the student to the next grade at the end of the 2017–2018 school year after the student was displaced, and the students’

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<sup>38</sup> We reviewed if displaced students attended public schools on the applicable count dates and were correctly categorized as being displaced students with or without disabilities or English language learners.

<sup>39</sup> The 230 students consist of the 116 students reported in the final performance report and the 114 students reported in the March 2020 letter.

<sup>40</sup> The information included in these written certifications varied. In some instances, the written certifications attested to the students’ enrollment status in either the school that the student attended before the disaster, or the school that the student transferred to after the disaster. In other instances, the school directors attested that they could not find hardcopy enrollment and withdrawal documentation.

grades for the different school year periods. See “Sampling Methodology” section below for details on sample sizes and universes for the displaced student count testing and the student enrollment history report data reliability testing.

- Interviewed Puerto Rico DOE officials responsible for administering the Emergency Impact Aid program to understand the processes followed to ensure funds were expended and accounted for in accordance with Federal guidelines.
- Reviewed obligation and expenditure data, including journal entries, to ensure the funds were properly accounted for as required by Federal guidelines.
- Ensured the Puerto Rico DOE obligated all funds received by December 31, 2018, and liquidated the funds within 90 days of the December 31, 2018, deadline. In addition, we ensured that the Puerto Rico DOE obligated and liquidated the program’s funds received for services to displaced students who enrolled in nonpublic schools by the revised approved deadline of September 18, 2019.
- Verified that the Emergency Impact Aid program funds provided for displaced students reported as children with disabilities were recorded and tracked separately from the Emergency Impact Aid program funds provided for students without disabilities.

## **Sampling Methodology**

### **Displaced Student Count Testing Samples**

To determine whether the Puerto Rico DOE reported accurate and complete displaced student count data to the Department, we tested students’ eligibility for being categorized as displaced students as of the quarterly dates specified by the Puerto Rico DOE for school year 2017–2018. To conduct this testing, we selected two statistical samples of displaced students stratified by each of the displaced student categories: students with disabilities, English language learner students, and other students. We selected the following two samples of displaced students:

1. A stratified random sample of the displaced students that the Puerto Rico DOE reported in its final performance report, for whom the Puerto Rico DOE received



Emergency Impact Aid program funds.<sup>41</sup> Any students who appeared in all four quarters could have been selected up to four times for the statistical sample.

2. A stratified random sample of the displaced students that the Puerto Rico DOE reported in a March 2020 letter to the Department, for whom the Puerto Rico DOE did not receive Emergency Impact Aid program funds.<sup>42</sup> Any students who appeared in all four quarters could have been selected up to four times for the statistical sample.

Tables 4 and 5 show the two universes and sample sizes. We determined these sample sizes based on the universe sizes<sup>43</sup> and our assessment of risk. The sample results are projectable to their respective universes.

**Table 4. Final Performance Report—Displaced Students Sample Size for Testing**

Displaced Student Category	Universe of Displaced Students (Sum of all Four Quarters)	Sample Size
Other Students	21,224	79
Students with Disabilities	9,542	35
English Language Learner Students	39	2
<b>Total</b>	<b>30,805</b>	<b>116</b>

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<sup>41</sup> The sample size was computed using a worst-case scenario error rate (50 percent) precision of plus or minus 10 percent for a 95 percent confidence level.

<sup>42</sup> The sample size was computed using a worst-case scenario error rate (50 percent) at a precision of plus or minus 10 percent given for a 95 percent confidence level.

<sup>43</sup> The universe sizes were determined based on the sum of displaced students in all four quarters. The Emergency Impact Aid program requires eligible students to be reported in multiple quarters, and therefore can be counted more than once.

**Table 5. March 2020 Letter—Displaced Students Sample Size for Testing**

Displaced Student Category	Universe of Displaced Students (Sum of all Four Quarters)	Sample Size
Other Students	2,122	72
Students with Disabilities	1,191	40
English Language Learner Students	10	2
<b>Total</b>	<b>3,323</b>	<b>114</b>

For the selected students, we reviewed electronic student enrollment history reports<sup>44</sup> and, when available, we also reviewed digital transfer sheets, written certifications from school directors, and hardcopy enrollment and withdrawal forms to determine whether the Puerto Rico DOE

- accurately reported each student’s displacement status as of the quarterly dates specified by the Puerto Rico DOE;
- accurately determined that reported displaced students resided in a covered disaster or emergency area 1 week prior to the date that the major disaster or emergency was declared for the area; and, as a result of the covered disaster or emergency, enrolled in an elementary school or secondary school other than the school that the student was previously enrolled in, or was eligible to be enrolled in; and
- correctly reported each displaced student’s disability or English language learner status.

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<sup>44</sup> Of the 230 students (114+116) we sampled, 96 were also included in our sample for testing the reliability of electronic student enrollment history reports. As part of our data reliability testing, we reviewed hardcopy student enrollment and withdrawal forms, digital transfer sheets, and written certifications from school directors, if the Puerto Rico DOE was able to provide them. However, after reviewing the supporting documentation provided, we determined that none of it was sufficient for us to determine the reliability of the data in the student enrollment history reports. As such, we relied on the electronic student enrollment history reports to determine whether the sampled students met the Federal definition of displaced.

## **Electronic Student Enrollment History Reports Data Reliability Assessment Samples**

To assess the reliability of the data in the electronic student enrollment history reports that we and the Puerto Rico DOE used to determine whether a student met the definition of displaced, we selected 6 samples totaling 96 students from the 230 students we sampled for displaced student count testing (as described in the section above). We initially used a two-step process to select 2 judgmental and 2 nonstatistical random samples that resulted in the selection of 84 students. After performing additional work as part of our displaced student count testing, we decided to select 2 more samples, totaling 12 students (Step 3). This brought the total number of students sampled for data reliability testing to 96. The samples selected in this three-step process are not projectable to their respective universes. The three-step process was as follows:

1. Of the 230 students we sampled for displaced student count testing, we judgmentally selected 2 samples, totaling 68 students. We judgmentally selected all the students who, according to the documentation provided at the time the samples were selected (August 4, 2021), either did not meet the definition of displaced or for whom sufficient documentation was not provided for us to determine whether the students met the definition of displaced.<sup>45</sup> Table 6 shows the universes and sample sizes for this first step.

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<sup>45</sup> Finding 1 of this report will not show the same figures discussed here (number of students who did not meet the definition of displaced or sufficient documentation was not provided for us to determine whether the students met the definition of displaced) because we updated our displaced student count testing results after the Puerto Rico DOE provided additional support prior to our exit conference on December 22, 2021.

**Table 6. Data Reliability Step 1 Samples: Students Incorrectly Counted as Displaced or Insufficient Documentation to Determine the Students' Displaced Status**

Source of Displaced Student Counts	Students Sampled for Displaced Student Count Testing ( <i>see Tables 4 and 5</i> )	Judgmental Sample of Students Selected From the Displaced Student Count Testing Sample	Judgement Used to Select the Sample
Final Performance Report	116	27	Students who did not meet the definition of displaced or sufficient documentation was not provided for us to determine whether the students met the definition of displaced
March 2020 Letter	114	41	Students who did not meet the definition of displaced or sufficient documentation was not provided for us to determine whether the students met the definition of displaced
<b>Total</b>	<b>230</b>	<b>68</b>	

- Of the remaining 162 students from the 230 who were not selected in the first step, we selected two nonstatistical random samples totaling 16 students, which represents 10 percent of students who, according to the documentation provided at the time the samples were selected (August 4, 2021), met the definition of displaced for the quarter in which they were reported. Table 7 shows the universes and sample sizes for this second step.

**Table 7. Data Reliability Step 2 Samples: Students Who Met the Definition of Displaced for the Quarter in Which They Were Reported**

Source for Displaced Student Counts	Students in the Displaced Student Count Testing Sample Who Were Not Selected for the Data Reliability Step 1 Sample <i>(these are the students we determined met the definition of displaced)</i>	Nonstatistical Random Sample of Students Who We Determined Met the Definition of Displaced (10% Sample)
Final Performance Report	89	9
March 2020 Letter	73	7
<b>Total</b>	<b>162</b>	<b>16</b>

- As mentioned before, after performing additional work on students in our displaced student count testing, we decided to select 2 more samples to test for data reliability purposes, totaling 12 students. Of the remaining 146 students from the 230 who were not selected in the Data Reliability Step 1 Sample and the Data Reliability Step 2 Sample, we judgmentally selected all 12 students who we confirmed (during our displaced student count testing) had electronic enrollment history reports that contained overlapping enrollment and withdrawal dates. Table 8 shows the universes and sample sizes for this step.

**Table 8. Samples for Third Step: Students with Overlapping Enrollment and Withdrawal Dates**

Displaced Student Count Testing Student Sample	Remaining Students in Sample Not Selected in Steps 1 and 2	Judgmental Samples of All Students with Overlapping Enrollment and Withdrawal Dates
Final Performance Report	80	2
March 2020 Letter	66	10
<b>Total</b>	<b>146</b>	<b>12</b>

## Internal Controls

We gained an understanding of the Puerto Rico DOE's internal controls over the collection and reporting of displaced student count data and its accounting of

Emergency Impact Aid program funds. As stated in Finding 1, we found that the Puerto Rico DOE lacked effective written procedures and sufficient information system controls to ensure that accurate student enrollment and withdrawal data used to report displaced student counts were entered in its student information system. Specifically, the Puerto Rico DOE's student information system did not contain a system check to prevent school staff from inappropriately using a shared school code to enroll students simultaneously in two schools that provide regular classroom schedules. This caused the associated electronic student enrollment history reports to display overlapping enrollment and withdrawal dates.

In addition, the Puerto Rico DOE lacked adequate policies and procedures to ensure that students' withdrawals were processed in the student information system before staff from the school where the student was transferring to, could register the new student. We did not find internal control issues related to the Puerto Rico DOE's accounting of Emergency Impact Aid program funds, except what we had previously reported to the Department in a flash report regarding the potential \$1.3 million in unallowable payroll costs that the Puerto Rico DOE charged to its Emergency Impact Aid grant for employees that may not have been employed by the Puerto Rico DOE during the applicable payroll accrual period. However, we did note in the Other Matter section of this report that the Puerto Rico DOE could have better documented the payroll expenses that were charged to the Emergency Impact Aid program.

### **Use of Computer-Processed Data**

We relied, in part, on computer-processed student enrollment and withdrawal data in the form of electronic student enrollment history reports from the Puerto Rico DOE's student information system. These reports displayed information such as the names of schools the student attended and the enrollment and withdrawal dates from each school. We used the reports to evaluate the accuracy and completeness of the displaced student counts that the Puerto Rico DOE reported to the Department. We attempted to assess the reliability of the electronic student enrollment history reports for a sample of 96 of the 230 students<sup>46</sup> that we reviewed for our displaced student count testing, by requesting the Puerto Rico DOE to provide the actual student enrollment and withdrawal forms that it used to populate the electronic student enrollment history reports, so that we could verify that data elements such as withdrawal dates,

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<sup>46</sup> The 230 students are comprised of the 116 sampled students from the displaced student counts the Puerto Rico DOE reported in its final performance report, and 114 sampled students from the displaced student counts it reported in a March 2020 letter to the Department.

enrollment dates, and school names were correctly populated on the electronic student enrollment history reports. However, the Puerto Rico DOE was unable to provide any withdrawal and enrollment forms for 60 of the 96 students we sampled and was only able to provide partial documentation for the remaining 36 students, which was not sufficient for us to determine the reliability of the student enrollment history reports.

Some of the reasons the Puerto Rico DOE staff<sup>47</sup> gave for not being able to provide the documentation were that hardcopy enrollment and withdrawal forms were maintained at schools that had closed and the documents were subsequently transferred to other schools or a storage facility. Such documentation was not readily available for our review before we held our exit conference for this audit. Other documentation was damaged because of the disaster. As a result, we concluded that overall, the data in electronic student enrollment history reports are of undetermined reliability, as defined by the U.S. Government Accountability Office's guide for Assessing Data Reliability (GAO-20-283G, December 2019). Because the electronic student enrollment history reports included data from the Puerto Rico DOE's student information system that it used to identify displaced students and there were no alternate means available, we used the reports to answer our audit objective. However, the undetermined reliability of the student enrollment history reports could possibly affect the estimate and the precision of the projections we present in this audit report.

We also used computer-processed data in the form of two journal entries that the Puerto Rico DOE recorded in its financial information system in January 2019 to charge \$69.1 million in January 2018 payroll payments to its Emergency Impact Aid program. We used the two journal entries as evidence to determine whether the Puerto Rico DOE appropriately accounted for Emergency Impact Aid program funds. We assessed the reliability of the journal entries to ensure they were properly supported. To confirm the sufficiency and appropriateness of the journal entries, we reviewed two payroll payment reports listing January 2018 payroll payments that were used to support the journal entries. We verified that the two payroll payment reports supported the dates and amounts of the journal entries, and that the expenses charged to the program were for payroll activities corresponding to school year 2017–2018.

We also compared the school identification codes for those schools where the 27,772 employees included in the payroll reports were assigned to work against the school identification codes from those schools where displaced students transferred to

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<sup>47</sup> The staff included school directors and Federal program coordinators from the Puerto Rico DOE's Educational Regional Offices.

after the disaster to confirm that they were assigned to work at schools that reported displaced students for the 2017–2018 school year. We found that 27,721 of the employees were assigned to work at schools that reported displaced students. An immaterial amount was paid to employees who worked at schools with no displaced students. Therefore, based on the work performed, we determined that the data of the two journal entries were sufficiently reliable for the intended use in our audit.

Due to the coronavirus pandemic, we conducted our audit virtually from November 2020 through December 2021. We held an exit conference and discussed the results of our audit with Puerto Rico DOE officials on December 22, 2021.

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



## Appendix B. Acronyms and Abbreviations

C.F.R.	Code of Federal Regulations
Department	U.S. Department of Education
Emergency Impact Aid	Temporary Emergency Impact Aid for Displaced Students
FAQ	Frequently Asked Questions
Federal Affairs Office	Auxiliary Secretariat of Federal Affairs
Green Book	U.S. Government Accountability Office's <i>Standards for Internal Control in the Federal Government</i>
HERA	Hurricane Education Recovery Act
LEA	Local Educational Agency
final performance report	August 2019 Final Performance Report for the fiscal year 2018 Emergency Impact Aid Program
Planning Office	Auxiliary Secretariat for Transformation, Planning, and Performance
Puerto Rico DOE	Puerto Rico Department of Education
SEA	State Educational Agency

## Appendix C. Puerto Rico DOE's Comments



### GOVERNMENT OF PUERTO RICO DEPARTMENT OF EDUCATION

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May 25th, 2022

Selina Boyd  
Keith Cummins  
Office of Inspector General  
US Department of Education  
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Puerto Rico Department of Education (PRDE) response to the Office of Inspector General (OIG) Audit Report ED-OIG/A19GA0003

Dear Mrs. Boyd, Mr. Keith, and OIG Team:

On April 22, 2022, the Office of the Inspector General of the US Department of Education (OIG) sent a draft report (Draft Report) of the audit it conducted of Puerto Rico's Department of Education's (PRDE) Temporary Emergency Impact Aid for Displaced Students Program (EIA). The Control Number for said report is ED-OIG/A19GA0003. As allowed, PRDE has reviewed it and it is now presenting its comments and reactions.

#### Executive Summary

The Draft Report makes the following findings:

- 1) Finding Number 1: The PRDE reported inaccurate and unsupported displaced student count data to the USDE for FY 2017-2018.
- 2) Finding Number 2: The PRDE generally accounted for Emergency Impact Aid Program funds in accordance with federal guidelines. However, \$1.3 million, out of \$ 70.1 million (or 1.8%) were identified as potentially unallowable payroll costs that should not have been charged to the EIA because the pertinent employees were not employed by PRDE during the corresponding period.

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The Department of Education does not discriminate under any circumstance on the grounds of age, race, color, gender, birth, religion, veteran status, political ideals, sexual orientation, gender identity, social condition, or background, physical or mental incapacity; or for being victim of aggression, harassment, or domestic violence.

- 3) Other Matter: PRDE could have better documented expenses charged to the Emergency Impact Aid Program grant.

Very detailed responses are provided on the pages that follow for each of these findings. In summary, the essence of our responses is as follows:

- 1) With respect to the inaccurate student counts, we readily acknowledge that, like other states in similar situations (Florida, Texas, and Massachusetts, for example), we unwittingly misinterpreted the eligibility requirements within the quarterly cutoff dates. However, as our detailed analysis shows, many of the students in the sample who were cited in the audit as ineligible were actually eligible most of the time (particularly those in the OIG's second sample).

But most importantly, because our misinterpretation was inadvertent, it worked in both directions (to PRDE's advantage (overcounting) and to PRDE's disadvantage (undercounting)). The net effect being about \$270,000 in favor of PRDE (net under-counting), and not the \$7 million against PRDE in net overcounting claimed by the OIG.

With respect to the unsupported counts, first we respectfully submit that it is practically impossible to consistently maintain paper records after two major natural disasters that turned the entire island into a disaster area for months<sup>1</sup>. Accordingly, we justified our student counts with digital records we believe are accurate and reliable. Second, and more importantly, during 2021 we gathered paper justifications (from the pertinent authoritative sources) to justify the vast majority (45 out of 61) of the student counts that were challenged on this basis.

- 2) With respect to the potentially unallowable payroll costs (1.8% of the grant's total), we have taken major steps to practically eliminate the risk of paying employees that were absent from work. We have recently implemented an integrated payroll system that uses time stamped biometric data (fingerprints) to validate an employee's presence before paying them.

<sup>1</sup> Delays in the transfer of education records after a crisis can impact enrollment and educational service eligibility decisions. After a major crisis, there are many questions regarding federal, state, and local rules and policies that govern the transfer of student data during an emergency. Crises that are massive in scale can have a significant impact on education operations, making it impossible for sending agencies to share student data with receiving agencies in a timely manner. As a result, new students may be enrolled in a receiving district without appropriate school records. Without incoming students' official records, enrollment and educational service decisions made by the receiving agency are more likely to be incorrect. National Forum on Education Statistics. (2019). Forum Guide to Planning for, Collecting, and Managing Data About Students Displaced by a Crisis (NFES 2019-163). U.S. Department of Education. Washington, DC: National Center for Education Statistics.



- 3) With respect to the thoroughness of the documentation of expenses charged to the EIA, we believe we provided all the information required to trace every expense in compliance with the applicable federal regulations. Notwithstanding this, we are currently working on various projects to systematically digitize the records used to justify these types of expenses.

Finding #1 and Our Response

Finding: PRDE reported inaccurate and unsupported displaced student count data to the USDE for FY 2017-2018. To address this, PRDE should:

- Develop and implement internal controls to ensure that officials and staff responsible for gathering data used for Federal reporting requirements obtain an understanding of the rules and regulations surrounding the grant programs they are tasked with overseeing.
- Develop and implement effective written policies and procedures and sufficient information system controls to ensure that accurate student enrollment and withdrawal data are entered in its student information system in a consistent manner.
- Provide support for the inaccurate and unsupported displaced student counts or return \$7.1 million in Emergency Impact Aid program funds received based on estimated inaccurate and unsupported displaced student counts..."

Our Response:

Relevant Background

During September of 2017 Puerto Rico was totally devastated by two of the worst hurricanes the island has seen in decades (Irma and Maria). It is extremely hard to overstate the level of devastation. The entire island was declared a disaster zone and all major infrastructure (electricity, water, communications, transportation) was either completely down or severely impaired for months. Most of PRDE's schools were closed or were working for months under highly irregular conditions. As a result, all paper-based record-keeping was severely impaired. Some records and files were simply lost, and any new record that required the signatures of parents and teachers that were simply not present could not be generated<sup>2</sup>.

<sup>2</sup> Two of the costliest Atlantic hurricanes, Hurricanes Irma and Maria, hit the Caribbean islands in September 2017 and displaced thousands of families from the region. Hurricane Maria had a particularly severe impact on Puerto Rico, including its students and schools. School-age children between 5 to 17 years old missed an average of 78 days of school in the year after Maria struck, and more than five in six students with special needs experienced an interruption in special education services (Youth Development Institute of Puerto Rico 2018). Within one year of the hurricane, student enrollment in Puerto Rico's public schools dropped by 12 percent, one in ten students with special needs had not yet received services, and nearly 25 percent of the island's public schools were permanently closed at the end of





In response to this, the federal government authorized a variety of emergency assistance funding streams. EIA was one of these. Its purpose was to assist with the education of displaced students.

To receive these EIA funds, agencies like PRDE had to provide counts of the number of displaced students (per the applicable definitions). These were provided between June and September of 2018. PRDE assembled these counts using enrollment and withdrawal data extracted from its Student Information System (SIS). The data that feeds this system is sourced from school level personnel who are trained on how to input the pertinent data and the importance of doing so accurately.

While making the pertinent student counts for the EIA application, PRDE had total confidence in our understanding of the relevant definitions (displaced students), and in the accuracy of the data. If any interpretation mistakes were made, they were made unwittingly and innocently.

After PRDE spent these EIA funds in compliance with the applicable guidelines and regulations, a Single Audit was conducted for 2018-2019 funds on June 30, 2019. The external auditors detected some incorrect counts and we quickly realized that we had inadvertently misunderstood the eligibility criteria (for displaced students). As similar OIG audits show, Texas, Florida and Massachusetts made similar interpretation mistakes. This seems to suggest that the pertinent guidelines could be misunderstood.

PRDE immediately proceeded to re-count the number of displaced students based on its new understanding of the eligibility criteria. In the spirit of total transparency, on March 4, 2020, PRDE notified USDE of its error and how we were working to correct it. This was happening while we were submitting the program's Final Performance Report (FPR) by the required deadline. Accordingly, although USDE was made aware of the problem on a timely basis (and before the FPR was submitted), the relevant corrections were not reflected in the FPR. It is important to note that we would have delayed the FPR and amended it had we been asked to do so.

USDE subsequently referred the matter to the OIG for further investigation. The OIG conducted its audit, and as a result of the aforementioned circumstances (lost paper

the 2017-18 school year due to falling enrollment and financial concerns (Ujifusa 2018, Youth Development Institute of Puerto Rico 2018). The impact of Hurricane Maria was not limited to students who resided within the path of the hurricane. According to evacuee data collected by the Federal Emergency Management Agency (FEMA), Puerto Ricans who were displaced by the hurricane had settled in almost every state and major region in the United States (Hinojosa, Román, and Meléndez 2018).



records and records that could not be put together because the relevant people were not there during the crisis and its aftermath), PRDE could not provide all the paper-based evidence requested from the schools to justify some of its displaced student counts. It could however provide digital records from the SIS for almost all of those cases.

#### Our Detailed Analysis of the OIG's findings

Although we certainly acknowledged that we misunderstood the definition of displaced students and that our ability to generate and safeguard paper-based records was severely impaired while the island as a whole was practically inoperant, we believe our inadvertent interpretation mistakes were relatively small in the context of the program as a whole (\$70.1 million grant), and that they worked to our disadvantage (undercounting). The following analysis should shed light on this.

The OIG analyzed two data sets with two different samples. The first one relates to our original submission and the second relates to our amended submission, where we sought to describe that our mistakes worked both to PRDE's advantage and also to PRDE's disadvantage (with a very small net effect).

Finding	Our Response
<div style="background-color: black; width: 50px; height: 50px; margin-bottom: 10px;"></div> <p><u>Original Submission September 7, 2018</u> In a sample of 116 students (from 30,805) that PRDE originally reported as displaced:</p> <ul style="list-style-type: none"> <li>10 students did not meet the definition of displaced.</li> <li>another 11 students did not have sufficient data to justify such designation.</li> </ul>	<p><u>10 students who did not meet the definition of displaced</u> 9 of these 10 students were displaced from their original school (most left to the US for months) but ended up returning to it, after attending other school(s) or not attending any school during this period.</p> <p>Since these students were actually displaced per the traditional definition, PRDE mistakenly counted them as displaced per USDE's definition (that precludes such designation for students that returned to the original school).</p> <p>1 of these 10 students met the displaced definition according to the</p>



Finding	Our Response
	<p>official school enrollment certification, but the auditors refused to accept the evidence due to an error in the SIS that flagged the record as inactive. We respectfully believe the student met the criteria and the issue was discussed in several meetings.</p> <p><u>11 students who lacked data</u></p> <ul style="list-style-type: none"> <li>Although the devastating natural disasters that turned the entire island into a disaster area for months, and that provoked these displacements, hindered the generation of the traditional paper-based records that evince enrollment, for all of these 11 students, there are digital records in the Student Information System demonstrating that the student was displaced per USDE's definition.</li> <li>For all of these students there is a record of the student enrolling and receiving grades at another school after the disaster. Because of controls inherent in the creation of these digital records, they are arguably more reliable than any paper-based record.</li> <li>Nevertheless, a subsequent effort was made to contact the schools and request any available physical evidence. For 9 out of these 11 students, a transfer sheet or a school director certification was obtained.</li> <li>In the Draft Report dated April 22, 2022, after reviewing the evidence we presented, the OIG has acknowledged that 9 out of the 11</li> </ul>





Finding	Our Response																																																
	students they initially claimed lacked sufficient supporting documentation actually had it.																																																
<p><u>Revised counts submitted to USDE March 4, 2020</u></p> <p>In a sample of 114 students (from 3,223) that PRDE reported in a subsequent submission after it was alerted of the potential inaccuracies in its original submission:</p> <ul style="list-style-type: none"><li>30 of the students did not meet the definition of displaced</li><li>another 10 students did not have sufficient data to justify such designation.</li></ul>	<p><u>30 students did not meet the definition of displaced</u></p> <p>Based on USDE's definition of displaced students, LEAs (Local Educational Agencies) had to take quarterly counts to determine how many students were actually displaced at each of the pertinent points in time. Accordingly, during each of the relevant quarters, PRDE had to evaluate whether a student that resided in the covered area one week prior to the disaster had moved to another school.</p> <p>For example, for the following 4 students, the quarterly displaced counts should be as follows:</p> <table><tr><th></th><th>Q1</th><th>Q2</th><th>Q3</th><th>Q4</th><th>Q1</th><th>Displaced Count</th><th>% Displaced</th></tr><tr><td>Student 1</td><td>A</td><td>A</td><td>B</td><td>B</td><td>A</td><td>2</td><td>40%</td></tr><tr><td>Student 2</td><td>A</td><td>B</td><td>B</td><td>B</td><td>B</td><td>4</td><td>80%</td></tr><tr><td>Student 3</td><td>A</td><td>A</td><td>B</td><td>B</td><td>A</td><td>2</td><td>40%</td></tr><tr><td>Student 4</td><td>A</td><td>B</td><td>B</td><td>B</td><td>B</td><td>3</td><td>80%</td></tr><tr><td></td><td></td><td></td><td></td><td></td><td></td><td>Avg</td><td>60%</td></tr></table> <p>We conducted this type of analysis for these 30 students and found that ALL of them were displaced during some of the relevant quarters (per USDE's definition). In fact, they were collectively displaced 61% of the time during the relevant period.</p> <p>In the Draft Report dated April 22, 2022, although we presented evidence and corrections (based on the Observation Report findings), they refused to accept</p>		Q1	Q2	Q3	Q4	Q1	Displaced Count	% Displaced	Student 1	A	A	B	B	A	2	40%	Student 2	A	B	B	B	B	4	80%	Student 3	A	A	B	B	A	2	40%	Student 4	A	B	B	B	B	3	80%							Avg	60%
	Q1	Q2	Q3	Q4	Q1	Displaced Count	% Displaced																																										
Student 1	A	A	B	B	A	2	40%																																										
Student 2	A	B	B	B	B	4	80%																																										
Student 3	A	A	B	B	A	2	40%																																										
Student 4	A	B	B	B	B	3	80%																																										
						Avg	60%																																										





Finding	Our Response
	<p>any of them without further explanation.</p> <p><u>10 students did not have sufficient data</u></p> <ul style="list-style-type: none"> <li>Once again, although the natural disasters rendered the standard paper-based process inoperant, for 8 out of these 10 students, there are digital records the SIS demonstrating that the student was displaced per USDE's definition (enrollment records in the original school prior to the disaster and enrollment records &amp; grades in another school subsequently).</li> <li>Nevertheless, an effort was made to contact the schools and request any available physical evidence. For 8 out of these 10 students, a transfer sheet or a school director certification was obtained.</li> <li>In the Draft Report dated April 22, 2022, after reviewing the evidence we presented, the OIG has acknowledged that 5 out of the 10 students they initially claimed lacked sufficient supporting documentation actually had it. We have not been told why they believe the other 3 students lack the required supporting documents. We respectfully believe they do based on the evidence we presented.</li> </ul>

In a nutshell:



- In its first submission, PRDE simply made an innocent mistake in its interpretation of what constitutes a displaced student. PRDE thought it simply meant a student not attending his original school after a natural disaster, when in fact it also requires that the student not return his original school after the disaster.
- Generating and storing paper-based records during a natural disaster is extremely challenging, and in many cases impossible. Fortunately, there are time-stamped digital records (enrollment & grades) that convincingly demonstrate when a student was actually displaced from his original school to another school. These records justify PRDE's designation of the pertinent students as displaced (per USDE's standards). But more importantly, we have subsequently found the paper-based records that justify our designation.
- In its second submission PRDE wanted to make the point that although it had inadvertently overcounted some displaced students, it had also unwittingly undercounted others. In its response the OIG argued that these ostensibly undercounted students were not displaced per USDE's definition. As we have shown above, we have evidence that all of these students were displaced and that they were in fact collectively displaced 61% of the relevant time.
- Accordingly, and most importantly, when one compares the overcounted students with the undercounted students the net effect is \$271,250 in favor of PRDE (and not the \$7.1 million against PRDE being claimed).

Corrective Actions being taken

As the aforementioned analysis shows, our mistakes were inadvertent, and their net effect was to our disadvantage. However, we strive for perfection in the administration of federal funds and have sought to turn this incident into a teachable moment to redouble our efforts to ensure the accuracy of all the data we share with USDE. We are working hard to digitize all critical records and to automate the pertinent quality/accuracy validation and review processes.

Among the process improvement initiatives related to the matters discussed in this report, the following are particularly noteworthy:

- Online Pre-Enrollment – Parents and guardians are able to enroll students online for the next school year without the need for paper-based records.
- PRDE statistical staff are working to maintain updated contingency plans for data collection and communication protocols during emergencies.



- Data management personnel will include, in the annual Compliance Calendar for Reports in the SIS, instructions regarding the data entry process in the platform when facing an emergency for the next school year 2022-2023.
- Student attendance tracking processes are being revamped (because of COVID) to accommodate remote learning (as might be required during another natural disaster).
- The protocols for entering data into the SIS are also being revamped with clear responsibilities and deadlines and with data integrity prominently in mind. For example, the DOE developed and frequently updated the SIS handbooks with specific topics for correctness and compliance assurance.
- On Academic Year 2020-2021, the lead of the Planning Office was appointed as a permanent position. This administrative improvement allows PRDE to identify needs and areas of improvement in the Planning Area, and plan strategically to attend them utilizing the best information technology practices. It also provides stability and continuity to all corrective actions and internal controls that are executed regarding data quality and related matters, including the implementation of new policies of data governance. Additionally, it provides the opportunity to follow up and implement routine data quality activities cleverly and on time, since the personnel involved in the different processes are being supervised by a lead that is well prepared and experienced in managing the Student Information System. A permanent lead can also enrich its team to be knowledgeable of the data requirements, reports and deadlines when they must be performed; to ascertain that the entirety of the projects is well executed. Finally, it also gives the opportunity to the management of the area to implement complex projects that could take several years and integrate on-going training for all appropriate staff.
- On March 7, 2022, PRDE published a new Data Governance Policy. A manual was subsequently published and presented in May of 2022. Data accuracy and quality control are top priorities. The policy includes a Maturity Measurement Framework developed by Stanford University. In line with this, PRDE has also requested various programming changes from its SIS vendor.

Additionally, when other emergency grants have arisen, PRDE has implemented rigorous processes to train the pertinent personnel on the relevant guidelines and eligibility requirements. This was the case for all ESSER funds.





### Finding #2 and Our Response

Finding: PRDE response to Finding Number 2: PRDE generally accounted for Emergency Impact Aid Program funds in accordance with federal guidelines.

- It generally expensed the funds for allowable activities, obligated and liquidated the funds by the required dates, and recorded and tracked funds provided for displaced students with disabilities separately from funds provided for displaced students without disabilities.
- However, as noted in a June 2021 report that we issued to the Department, we identified a potential \$1.3 million in unallowable payroll costs that the Puerto Rico DOE charged to its Emergency Impact Aid grant for employees who may not have been employed by the Puerto Rico DOE during the payroll accrual period applicable to the January 2018 payments...”.

#### Our Response:

PRDE has taken various actions to practically eliminate the possibility of paying employees that were absent from work (or that are no longer with PRDE). An integrated payroll process and system has been implemented; it uses time stamped biometric data to validate an employee's presence before paying them.

As part of PRDE's fiscal plan for 2020-21, we have completely integrated the time and attendance system (TAL) with the payroll system (RHUM). The TAL system captures attendance with time stamped biometric sensors (fingerprints) and subsequently relays this information to the RHUM payroll system to ensure that only employees with valid attendance records are paid. This project was executed with the support of a) consultants from the Puerto Rico Fiscal Oversight and Management Board (MS Consulting); b) PRDE subject matter experts, and advisors from Puerto Rico's Treasury and Tax Authority (Hacienda).

Among other things, the project developed more rigorous guidelines for authorized paid and unpaid leaves and how these relate to the aforementioned time keeping processes to ensure compliance with the pertinent guidelines. It also developed formal processes and controls to remove employees that no longer provide services to the Agency. The Time and Attendance Policy was updated as recently as April 2022, to continue the improvements in this area. PRDE is also working to contract a firm that will perform a forensic audit to evaluate all payroll disbursements made with the EIA federal program, as required by the Flash Report issued by the OIG.

We are confident that these actions will practically eliminate the risk of payroll related overpayments.



Other Matter and Our Response

Finding: The PRDE could have better documented expenses charged to the Emergency Impact Aid Program grant.

Response:

PRDE respectfully disagrees with this finding. We provided the auditors with all the information and evidence required to trace every expense in compliance with the applicable federal regulations. Nonetheless, PRDE continues to work on improving its record-keeping systems and processes as part of its SEA (State Educational Agencies) administrative best practices initiatives. One of these initiatives entails digitizing all important records including the supporting documents pertaining to compliance with the 2 CFR 200 and other state and federal norms.

Special notes:

All of the claims made in our response are supported by detailed analyses and the relevant supporting documentation. Both are available upon request.

PRDE clarification:

In regard to the interpretation of the auditors of how the shared school's enrollment work in the SIS, the PRDE wants to clarify that no user in the SIS can change the school status to a Shared category, in fact, there's no such thing in the SIS. The system only allows a student to have multiple enrollments when the student is attending courses in the main school (regular courses) and occupational courses in another school (shared). The main school will have a value of yes in the ADA indicator in the SIS and the second school (shared), in which the student is enrolled in the occupational courses, will have a value of no in the ADA indicator in the SIS.

We appreciate the opportunity you give us to submit our comments. Should you have any question, do not hesitate to contact us.

Cordially,



Eliezer Ramos Parés  
Secretary

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