



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL

AUDIT SERVICES

August 12, 2013

Control Number
ED-OIG/A03M0002

Deborah S. Delisle
Assistant Secretary
Office of Elementary and Secondary Education
400 Maryland Avenue, SW
Washington, DC 20202

Dear Ms. Delisle:

This **final audit report**, “The Office of Elementary and Secondary Education’s Process of Awarding Discretionary Grants,” presents the results of our audit and incorporates the comments you provided in response to the draft report. The objectives of our audit were to determine, for selected programs, whether (1) the Office of Elementary and Secondary Education (OESE) complied with applicable laws, regulations, and guidance for selecting recipients to be awarded discretionary grants and (2) OESE had sufficient internal controls to ensure that its review process resulted in a fair and objective competition.

We judgmentally selected three programs based on the largest grant size for our audit: Striving Readers Comprehensive Literacy, Impact Aid School Construction, Recovery Act, and Grants for Enhanced Assessment Instruments. The total amount (\$254,669,387) of these grant programs selected for review represents 47 percent of the total grant award amount (\$539,727,598) for the adjusted universe¹ of new discretionary grants awarded by OESE in fiscal years 2010 and 2011.

BACKGROUND

The mission of OESE is to promote academic excellence, enhance educational opportunities and equity for all of America's children and families, and improve the quality of teaching and

¹ We adjusted our universe to exclude both Race to the Top and the Teacher Incentive Fund grant programs due to their inclusion in other OIG audits.

learning by providing leadership, technical assistance and financial support. The Assistant Secretary for Elementary and Secondary Education serves as principal adviser to the Secretary of Education on all matters related to elementary and secondary education. OESE is responsible for directing, coordinating, and recommending policy for programs designed to:

- assist State and local educational agencies to improve the achievement of elementary and secondary school students;
- help ensure equal access to services leading to such improvement for all children, particularly children who are educationally disadvantaged, Native American, children of migrant workers, or homeless;
- foster educational improvement at the State and local levels; and
- provide financial assistance to local educational agencies whose local revenues are affected by Federal activities.

OESE currently has eight program offices. During fiscal years 2010 and 2011, six OESE program offices awarded discretionary grants: Student Achievement and School Accountability Programs, Office of Migrant Education, Impact Aid Programs, Office of Indian Education, School Support and Technology Programs, and Academic Improvement and Teacher Quality Programs.

The Department awards most of its discretionary grants based on a competitive review process that the awarding program office administers.² Independent peer reviewers score eligible grant applications based on the legislative and regulatory requirements and on the application requirements and criteria established for a discretionary grant program. The applications are ranked according to peer reviewers' scores. The ranked order of scored applications provides the basis for the funding recommendations; however, the Education Department General Administrative Regulations give the Department discretion to determine which applicants should ultimately receive funding. Program officials formalize funding recommendations in a "slate" that includes justification for any deviations from the ranked order of application scores. The Office of the Deputy Secretary must approve the slate before the program office can commit funds. The Department's grant administration process is detailed in its "Handbook for the Discretionary Grant Process," January 2009 (Handbook).

The Risk Management Service (RMS) in the Office of the Deputy Secretary is responsible for identifying risks that may adversely affect the advancement of the Department's mission and for taking effective action to manage and mitigate those risks. RMS establishes Department-wide grants policy and procedures and coordinates training and technical assistance for the Department's grants management staff and grant recipients. RMS is also responsible for

² The scope of our audit was limited to discretionary grants awarded on the basis of a competitive review and did not include formula grants.

establishing policies that are based on statutes, regulations, and other requirements for grant administration, including maintaining and updating the Handbook.

AUDIT RESULTS

We concluded that for the grant programs in our review, OESE complied with applicable laws, regulations and guidance when selecting recipients to be awarded discretionary grants. We found no significant deviations in the award process from the procedures detailed in the Handbook. However, we noted some discrepancies in the retention of required documentation in the competition files. For one discretionary grant program, OESE could not provide documentation to support that it had informed applicants that it had not evaluated their applications for funding. In addition, OESE's retention of hard copy documentation was not fully compliant with Handbook requirements. We provide suggestions for improvement to address these issues in Other Matters.

We also concluded that OESE's internal controls were sufficient to ensure a fair and objective competition. However, we noted the absence of additional documentation in the competition file that would demonstrate transparency and fully document the required steps of the award process. The Handbook requires documentation of the award process to be maintained in the competition file, including documentation supporting the award decision. During our audit, we requested additional documentation to review evidence of the internal controls intended to ensure a fair and objective competition. Program officials were generally able to provide what we requested. We provide additional suggestions for improvement of file documentation in Other Matters.

We provided a draft of this report to OESE for comment. In response to our draft report, OESE indicated that it took steps to ensure compliance with Handbook requirements for the program offices included in our review. OESE also expressed its belief that one of the grant programs included in our review met the level of transparency intended by our suggestions. The other program offices will consider our suggestions. OESE's comments are summarized at the end of each matter and the full text of the comments is included as an attachment to this report. We have not modified our report in response to OESE's comments.

OTHER MATTERS

Other Matter 1: OESE Could Not Demonstrate That Certain Applicants for Striving Readers Comprehensive Literacy Grants Were Informed That Their Applications Were Ineligible for Review

For ineligible Striving Readers Comprehensive Literacy (SRCL) grant applications, the Director of the Academic Improvement and Teacher Quality (AITQ) program office could not provide documentation that OESE informed applicants that it had not evaluated their applications. Of the 49 SRCL applications received, 14 applications were rejected for the following reasons:

- Ten applications were rejected for technical reasons – six were duplicates and four were mistakenly assigned to the SRCL grant program before being rerouted to the correct grant program.
- Four applications were ineligible to be reviewed – two were uploaded after the 4:30 pm deadline and two were submitted by ineligible applicants (one homeschool group and one nonprofit corporation).

According to the Handbook, if an application is determined to be ineligible, the program official should return the application to the applicant and provides a letter specifying the reasons why the application is ineligible for the competition. The Handbook further advises the program office to retain the documentation for one year in case of a dispute. The AITQ program manager stated that OESE returned the applications and informed the applicants of the reasons for their ineligibility, but the program office could not provide documentation, such as letters or emails, of this communication.

We suggest that the Assistant Secretary for OESE ensure that program office staff maintain documentation to demonstrate they followed proper procedures when processing ineligible applications for discretionary grants, including returning the application to the applicant, informing the applicant that its application was not evaluated, providing the reasons why the application was ineligible, and maintaining a copy of the ineligible application and associated documentation for one year after the grants are awarded.

OESE Response

OESE concurred with the Handbook requirements for screening applications. OESE attributed the lack of documentation to a recent relocation of the AITQ office and a change in key personnel. OESE stated that program staff is expected to adhere to the documentation procedures described in the Handbook and to complete annual training on records management.

OESE has designated an employee in AITQ to provide oversight to ensure compliance in future competitions.

Other Matter 2: Documentation Retained in the Competition File was Incomplete or Insufficient

In all three competition files reviewed, we found required documents were missing from the competition file, or the documentation retained was in draft form. The Handbook requires program officials to maintain documentation related to the grant competition in the grant competition file and recommends that program officials add the required documents to the file as each phase of the award process is completed. In cases where we could not find all documentation in the files, program officials were generally able to provide proper documentation when we requested it, and the provided documentation was compliant with the applicable laws, regulations and guidance.

Although the Handbook does not specifically require it, retaining some additional documentation in the competition file would provide evidence of a fair and objective competition. For example, OESE retains documentation of final scores; however, reviewers generally submit initial individual scores and comments before reviewers convene in onsite review panels to finalize their scores and comments. OESE could improve the transparency of the review process by documenting the changes in reviewers' scores from independent review to the onsite panel discussion. In addition, OESE could enhance documentation of reviewer training. The competition file contained documentation certifying that reviewers had met certain requirements, but its content only partially addressed the Handbook's required training content. And while OESE was able to provide a training agenda, as well as the training presentation, it could not provide direct evidence that the reviewers actually participated in the training.

We suggest that the Assistant Secretary for OESE ensure that program office personnel compile the documentation retained in the competition file at each phase of the award process to ensure the file is complete with required documentation. In addition, program staff should consider retaining documentation to provide additional evidence of a fair and objective competition, such as maintaining initial scores by peer reviewers. Finally, file documentation could be improved by enhancing the acknowledgements signed by the reviewers to include acknowledgement that all of the training requirements were met.

OESE Response

Each of the three program offices in our review contributed to OESE's response. The AITQ office did not state whether it concurred with Other Matter 2. Although AITQ indicated that its current procedures are compliant, it will consider taking steps to improve documentation of the required peer reviewer training.

The office of Student Achievement and School Accountability (SASA) believes that the documentation it provided for the reviewed competition file was stronger than reflected in the report. In its response, SASA stated that the competition file included the documentation required by the Handbook, the reviewer comment sheets completed by each reviewer included both initial and final scores, and reviewer training met requirements.

The Office of Impact Aid Programs concurred with our suggestion and indicated that it has refocused its attention on compliance with Handbook requirements, and that the team leader has been tasked with preparing and maintaining the complete grant file.

OIG Response

We acknowledge that SASA did include documentation required by the Handbook, including reviewer comment sheets and support that reviewers were trained, but some of the documents provided to us as part of the Enhanced Assessment Grant Program (EAG) competition file were in draft form, and not the actual documents reflecting the performed steps of the award process. As indicated in the report, program officials were generally able to provide proper documentation when requested. Based on OESE's response, we have not modified Other Matter 2.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of our audit were to determine, for selected grant programs, whether (1) the Office of Elementary and Secondary Education (OESE) complied with applicable laws, regulations, and guidance for selecting recipients to be awarded discretionary grants and (2) OESE had sufficient internal controls to ensure that its review process resulted in a fair and objective competition.

To accomplish the audit objectives and to formulate the audit program, we reviewed internal controls applicable to OESE's process for awarding discretionary grants for selected program offices. We also reviewed prior audits and management reviews and followed up on prior recommendations related to the award process. In addition, we reviewed departmental policies and procedures applicable to the award process and held discussions with OESE officials to learn the process for awarding grants. To assess internal controls, we compared documentation of the award process against requirements in the authorizing statute and applicable regulations for the program under which the application was submitted, as well as Education Department General Administrative Regulations, the Handbook, and other requirements established in the application packages. The audit program resulted in a comprehensive testing of OESE's compliance with its

selection of discretionary grant awardees, and that its review process resulted in a fair and objective competition.

The universe of our review included new discretionary grant programs awarded during fiscal years 2010 and 2011. We adjusted our universe to exclude both Race to the Top and the Teacher Incentive Fund grant programs due to their inclusion in other OIG audits.³ We judgmentally selected grant programs (shown in the table below) based on the highest grant award amount from three of OESE’s six program offices that awarded grants in the fiscal years we reviewed. The total amount (\$254,669,387) of the grant programs selected for review represents 47 percent of the total grant award amount (\$539,727,598) for the adjusted universe of new discretionary grants awarded by OESE in fiscal years 2010 and 2011.

Selected Program Office	Fiscal Year	CFDA #	Program Name	Award Amount	No. of Awards	Total Award Amount for Selected Program Office
Academic Improvement and Teacher Quality	2011	84.371C-1	Striving Readers Comprehensive Literacy	\$184,354,837	10	\$246,043,279
Impact Aid Programs	2010	84.401A-1	Impact Aid School Construction, Recovery Act	\$59,828,355	24	\$77,208,784
Student Achievement and School Accountability Programs	2011	84.368A-1	Grants for Enhanced Assessment Instruments	\$10,486,195	1	\$10,486,195
Total				\$254,669,387	35	\$333,738,258

Use of computer processed-data for the audit was limited to establishing the universe of new discretionary grants that OESE awarded during fiscal years 2010 and 2011 and obtaining award amounts from the Department’s grants management system (G5). G5 is the official system of record for the Department’s grants data and is widely used and relied on by Department officials. As a result, we considered it to be the best available data for the purpose of our audit. Based on the work conducted, we determined that the G5 computer-processed data were sufficiently accurate and complete for the purpose of this audit.

³ The Race to the Top grant program awarded \$4,302,573,403 in fiscal year 2010, and the Teacher Incentive Fund grant program awarded \$504,406,315 in fiscal year 2010 and \$73,706,434 in fiscal year 2011.

We conducted fieldwork from December 2011 through November 2012. We provided the results of our audit to OESE officials during an exit conference held on February 15, 2013.

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

ADMINISTRATIVE MATTERS

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

We appreciate the cooperation and assistance extended by your staff during the audit.

Sincerely,

/s/

Patrick J. Howard

Assistant Inspector General for Audit



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION
ACADEMIC IMPROVEMENT AND TEACHER QUALITY PROGRAMS

JUL 16 2013

To: Bernard Tadley
Regional Inspector General for Audit

From: Alex Goniprow [REDACTED]
Deputy Assistant Secretary for Management

Subject: Comments on Draft Audit Report of Office of Elementary and Secondary Education
(ED-OIG/A03M0002)

We appreciate the opportunity to respond to the Regional Inspector General of Audit's (RIGA) *Draft Audit Report* of the Office of Elementary and Secondary Education's (OESE), ED-OIG/A03M0002. The report focuses on process of awarding discretionary grants. The three grant program competitions administered by OESE were subjects of the audit review. The Regional Inspector General of Audit (RIGA) identified two objectives of the audit for the selected programs: (1) whether OESE complied with applicable laws, regulations, and guidance for selecting recipients to be awarded discretionary grants; and (2) whether OESE had sufficient internal controls to ensure that its review process resulted in a fair and objective competition.

Comments are attached to the draft audit report. Though RIGA did not identify any compliance findings, we responded to the suggestions made for improvements in OESE's communication with applicants whose grant applications were ineligible for review, for documenting reviewer scores, and for reviewer acknowledgement of training completions.

If you have any other questions, comments, or concerns, please contact me at 202-401-2140; Alex.Goniprow@ed.gov or Sylvia E. Lyles at 202-260-2551; Sylvia.Lyles@ed.gov.

Attachment

cc: Patrick J. Howard, Assistant Inspector General for Audit

**COMMENTS FROM THE OFFICE OF ELEMENTARY AND SECONDARY
EDUCATION IN RESPONSE TO THE OFFICE OF INSPECTOR GENERAL DRAFT
AUDIT REPORT: OFFICE OF ELEMENTARY AND SECONDARY EDUCATION'S
PROCESS OF AWARDING DISCRETIONARY GRANTS (ED-OIG/A03M0002)**

Other Matter 1: OESE Could Not Demonstrate That Certain Applications for Striving Readers Comprehensive Literacy Grants Were Informed That Their Applications Were Ineligible for Review

RIGA Suggestion: That the Assistant Secretary for OESE ensure that program office staff maintain documentation to demonstrate they followed proper procedures when processing ineligible applications for discretionary grants, including returning the application to the applicant, informing the applicant that its application was not evaluated, providing the reasons why the application was ineligible, and maintaining a copy of the ineligible application and associated documentation for one year after the grants are awarded.

Comments: Striving Readers Comprehensive Literacy Program (SRCL). OESE acknowledges that it must screen all applications prior to beginning the application review process. The Handbook, Section 3.3.8, stipulates that if an application is determined to be ineligible, the program official should return the application to the applicant and, if possible, provide a letter specifying the reason(s) why the application is ineligible (see EDGAR §75.218). Section 75.218 of EDGAR stipulates further that the Secretary informs an applicant if its application is not evaluated or selected for funding and the reasons, if the applicant requests an explanation.

At the time of the RIGA audit, there had been a recent office relocation and change in key personnel responsible for the FY 2011 SRCL grant competition review. OESE's Office of Academic Improvement and Teacher Quality (AITQ) did not receive copies of written explanations to ineligible applicants in the transition. Since then, OESE has not conducted a SRCL grant competition.

SRCL program staff is required to store grant files in a secure area including documents that are submitted, processed and maintained electronically by the program office. The staff is also expected to adhere to documentation procedures described in the Handbook and to complete training on records management at least annually. To ensure procedures are followed; AITQ has held discussions with staff and an employee, responsible for quality assurance for AITQ programs, has been designated to provide oversight for the future competition practices in AITQ. Additionally, the new Team Leader for SRCL periodically reviews the official files to reinforce proper controls. With these safeguards, we are better assured that program staff adhere to the procedures for written communication and that documentation for applications that have been deemed *ineligible* are maintained properly as provided for in the Handbook for the Discretionary Grant Process.

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Other Matter 2: Documentation Retained in the Competition File was Incomplete or Insufficient

RIGA Suggestion: That the Assistant Secretary for OESE ensure that program office personnel compile the documentation retained in the competition file at each phase of the award process to ensure the file is complete with required documentation. In addition, (although the Handbook does not specifically require it), program staff should consider retaining documentation to provide additional evidence of a fair and objective competition, such as maintaining initial scores by peer reviewers. Finally, file documentation could be improved by enhancing the acknowledgements signed by the reviewers to include acknowledgement that all of the training requirements were met.

Comments: Striving Readers Comprehensive Literacy Program (SRCL). AITQ management reviewed the procedures and documentation relevant to each phase of the SRCL grant competition (and throughout the life cycle of the grant). We determined that the current procedures are sufficient to ensure that each phase of the grant competition is documented, as described in the Department's Handbook. However, though we do not expect future SRCL grant competitions, AITQ will carefully consider RIGA's suggestion that reviewers' scores for both off-site (preparatory) and on-site competition activities are documented, where appropriate. AITQ will also consider taking steps to improve documentation of peer reviewer completion of required training.

Comments: Enhanced Assessment Grant Program (EAG). OESE's Office of Student Achievement and School Accountability (SASA) reviewed the information and believe the documentation provided for the EAG Program was stronger than what the discussion reflects:

- The grant competition file for the EAG Program included the documentation required by the Handbook on the Discretionary Grant Process. After review of the current and earlier draft of the IG report we did not see anything specific that was not included in the file. SASA maintains other documentation as part of the associated program files however only provided documentation that was requested.
- SASA also believes the EAG Program accomplished what the IG has recommended. The EAG reviewer comment sheets completed by each reviewer include both initial and final scores and rationales for any changes. The template for these is in the TRP, which is in the competition file. The completed reviewer comment sheets are in other program files and grant folders, not in the competition file because the Handbook does not require them in the grant folder. Completed reviewer comment sheets for each application reviewed are also sent to the applicant.
- Regarding reviewer training, SASA believes the EAG Program met requirements. Regarding documentation that reviewers attended training, handwritten evaluations of the review form for each reviewer (which are in the competition file and provided to the IG) show that each of the three reviewers answered yes to the question, "Were the overviews provided during the pre-review call and at the beginning of the review useful to

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you?" Both of these overviews were a training, and for them the Technical Review Plan (TRP) included detailed draft agendas and talking points, and the slate (also in the competition file and provided to the IG) noted that the review was conducted according to the TRP.

Comments: Impact Aid School Construction Program. We concur with the recommendation that OESE ensure that the competition grant file be complete and reflect all final documents for each step of the grant competition as provided for in the Handbook for the Discretionary Grant Process. The Office of Impact Aid Programs has refocused its attention to this requirement for the recent and current Impact Aid School Construction discretionary grant competitions, and the team leader is tasked in her performance plan with preparing and maintaining the complete grant file.

OESE's comments to this Draft Audit Report are provided below. Any subsequent questions, comments, or concerns should be addressed to me at 202-401-2140; Alex.Goniprow@ed.gov and Sylvia E. Lyles at 202-260-2551; Sylvia.Lyles@ed.gov.