



**U.S. Department of Education
Office of Inspector General**

501 I Street, Suite 9-200
Sacramento, California 95814
Phone (916) 930-2388 • Fax (916) 930-2390



July 28, 2003

MEMORANDUM

TO: Ronald Tomalis
Acting Assistant Secretary
Office of Elementary and Secondary Education
Lead Action Official

Nina Shokraii Rees
Deputy Under Secretary
Office of Innovation and Improvement

FROM: Gloria Pilotti *Gloria Pilotti*
Regional Inspector General for Audit

SUBJECT: FINAL AUDIT REPORT
Charter Schools Access to Title I Funds in the State of New York
Control Number ED-OIG/A09-D0014

You have been designated as the action officials responsible for the resolution of the findings and recommendations in the attached final report. We have also provided a copy to the auditee and to your Audit Liaison Officers.

The Office of Inspector General is required to review and approve your proposed Program Determination Letter (PDL) and the Audit Clearance Document (ACD) before the PDL is forwarded to the auditee. Please provide these documents for review, electronically if you wish or by mail.

In accordance with the Inspector General Act of 1978, as amended, the Office of Inspector General is required to report to Congress twice a year on the number of audits unresolved. In addition, any report unresolved after 180 days from the date of issuance will be shown as overdue in our reports to Congress.

In accordance with the Freedom of Information Act (5 U.S.C. §552), reports issued by the Office of Inspector General are available, if requested, to members of the press and

general public to the extent information contained therein is not subject to exemptions in the Act.

If you have any questions, please contact me at (916) 930-2399 or gloria.pilotti@ed.gov.

Attachment

Electronic cc: Jacqueline Jackson, (A) Director, Student Achievement and School
Accountability, OESE
Charles Laster, Group Leader, Student Achievement and School
Accountability, OESE
Delores Warner, Audit Liaison Officer, OESE
John Fiegel, Director, Parental Options and Information, OII
Dean Kern, Parental Options and Information, OII
Liza Araujo, Audit Liaison Officer, OII



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July 28, 2003

ED-OIG/A09-D0014

Richard Mills
Commissioner
New York State Education Department
88 Washington Avenue
Albany, New York 12234

Dear Commissioner Mills:

This Final Audit Report, entitled *Charter Schools Access to Title I Funds in the State of New York*, presents the results of our audit of the New York State Education Department (NYSED) and three local educational agencies (LEAs) within the State. The purpose of the audit was to determine whether NYSED and the LEAs (1) provided new or expanding charter schools with timely and meaningful information about the Elementary and Secondary Education Act of 1965 (ESEA), Title I funding for which these schools might have been eligible, and (2) had management controls that ensured charter schools, including new or expanding schools, were allocated the proportionate amount of Title I funds for which these schools were eligible. Our review covered school years 2000-2001 and 2001-2002.

We provided NYSED with a draft of this report. NYSED concurred with the finding and recommendations presented in this final report. NYSED's comments are summarized in the body of the report and included in their entirety as an attachment.

BACKGROUND

The ESEA, Title I, Part A provides financial assistance to improve the teaching and learning of low-achieving children in high-poverty schools. Section 5206 of the ESEA, as amended by the No Child Left Behind Act of 2001 (NCLB), requires the Department and states to take measures to ensure that every charter school receives the Federal funds, including Title I funds, for which it is eligible no later than five months after the school first opens or expands enrollment.¹

¹ This provision was originally enacted by the Charter Schools Expansion Act of 1998.

The New York State Legislature enacted the State charter school law in 1998, and the State's first five charter schools opened in September 1999. In school year 2001-2002, 32 charter schools were located within the boundaries of 10 LEAs. Most charter schools were located in the State's three largest LEAs—the New York City Department of Education, the Buffalo City School District, and the Rochester City School District.

LEA	Number of Public Schools			
	School Year 2000-2001		School Year 2001-2002	
	Total	Charter Schools	Total	Charter Schools
New York City Department of Education	1,208	12	1,220	17
Buffalo City School District	80	2	82	4
Rochester City School District	56	3	57	4

AUDIT RESULTS

In the four years that charter schools have existed in New York, NYSED has taken steps to provide timely and meaningful information and improve the State process for allocating Title I funds to charter schools. The State's LEAs were responsible for allocating Title I funds to charter schools for school year 2000-2001. We found that, while all three LEAs we reviewed allocated Title I funds to eligible charter schools for the school year, one LEA did not allocate the proportionate amount of funds to one charter school, and none of the LEAs provided new or expanding charter schools with timely access to the funds. Beginning with school year 2001-2002, NYSED treated charter schools as LEAs for ESEA programs, including Title I. Thus, NYSED, rather than the LEAs, became responsible for allocating Title I funds to charter schools. We found that NYSED did not allocate a proportionate amount of Title I funds to 8 of the State's 30 eligible charter schools, and did not provide 13 of 23 new or expanding charter schools with timely access to the funds. NYSED met the regulations and non-regulatory guidance on providing timely and meaningful information to charter schools, but we found that charter schools could benefit from additional information on the ESEA consolidated application process.

FINDING – Charter Schools Did Not Receive a Proportionate Amount of Title I Funds or Have Timely Access to the Funds

The Department informed states and LEAs that charter schools are to be treated the same as other public schools or LEAs in nonregulatory guidance entitled, *Allocations to Public Charter Schools Under Title I, Part A of the Elementary and Secondary Education Act*, issued March 1998.

[W]hen allocating Title I, Part A funds, [State educational agencies (SEAs)] and LEAs must treat public charter schools in a manner consistent with the Title I statute and regulations and take all reasonable steps to ensure that public charter schools receive their full allocations. In a State that considers public charter

schools to be LEAs, the SEA must treat those public charter schools like other LEAs in the State when determining Title I LEA eligibility and allocations. . . . If a State considers public charter schools to be public schools within an LEA, an LEA must treat its public charter schools like other public schools in determining eligibility and within-district allocations.

The regulations at 34 C.F.R. § 76.792(a) and 76.793(a) implemented § 5206 of the ESEA requiring states and LEAs to ensure that eligible new or expanding charter schools receive a proportionate amount of Title I funds and that these charter schools have access to the funds within five months of their opening or expansion. The regulations state—

For each eligible charter school LEA that opens or significantly expands its enrollment on or before November 1 of an academic year, the SEA must implement procedures that ensure that the charter school LEA receives the proportionate amount of funds for which the charter school LEA is eligible under each covered program.

34 C.F.R. § 76.792(a)

For each eligible charter school LEA that opens or significantly expands its enrollment on or before November 1 of an academic year, the SEA must allocate funds to the charter school LEA within five months of the date the charter school LEA opens or significantly expands its enrollment . . .

34 C.F.R. § 76.793(a)

The regulation at 34 C.F.R. § 76.799 requires LEAs to also follow the above regulations when the LEAs are responsible for allocating Title I funds to charter schools.

Rochester City School District Did Not Allocate the Correct Amount of Title I Funds to One Charter School For School Year 2000-2001

The Rochester City School District did not allocate a proportionate amount of Title I funds to one of three eligible charter schools within the district boundaries. Based on the District's Title I allocation process, which was used for all public schools, including charter schools, Eugenio Maria de Hostos Charter School should have received \$175 per eligible student. Due to a clerical error, the school only received \$100 per eligible student. As a result, the school received \$8,175 less than the amount that it was eligible to receive for school year 2000-2001.

All Three LEAs Did Not Provide New or Expanding Charter Schools With Timely Access to Title I Funds For School Year 2000-2001

The three LEAs did not allocate Title I funds to new or expanding charter schools within five months of their September 2000 opening or expansion. The eligible charter schools should have had access to the Title I funds by February 2001.

2000-2001 Title I Allocations		
LEA	Number of Eligible Charter Schools	Month Funds Received by Charter Schools
New York City Department of Education	2	March 2002
Buffalo City School District	2	April 2001
Rochester City School District	3	July 2001

LEA staff explanations for the delays included staff turnover, school poverty data required review by District staff, and late notice from NYSED instructing LEAs to allocate Title I funds to charter schools.

NYSED Did Not Allocate a Proportionate Amount of Title I Funds to 8 of the 30 Eligible Charter Schools For School Year 2001-2002

In school year 2001-2002, NYSED was responsible for allocating Title I funds to the charter schools. Of the \$803 million in Title I funds NYSED allocated to LEAs and charter schools in school year 2001-2002, \$3 million was allocated to 29 charter schools. We found that NYSED did not assess the reliability of charter school-provided data used to determine eligibility and allocations. We also found errors in NYSED's calculation of charter school allocations.

To begin the Title I allocation process, NYSED's Title I program office provided each charter school with a form for reporting Free and Reduced Lunch (FRL) program and school enrollment data for October 2001. Title I program staff manually entered the information written on the returned forms into a spreadsheet. Using a printout of the spreadsheet, NYSED's Deputy Chief Information Officer manually entered the information into a database. The database's structure and formulas followed examples provided in the Department's non-regulatory guidance, *Procedures for Adjusting Basic and Concentration Grant Allocations Determined by the U.S. Department of Education*, issued June 1999. The formulas in the database determined each charter school's eligibility and allocation based on the entered data. The allocation amounts were also used to reduce allocations calculated for the LEAs in which charter school students lived (resident LEAs).

Reliability of Charter School-Provided Data. We found that NYSED Title I program staff did not assess the reliability of the FRL and school enrollment information submitted by the charter schools. Therefore, NYSED had no assurance that the allocations were based on complete and accurate information.

NYSED's Nutrition Office routinely collects FRL and school enrollment information on schools, including charter schools, that participate in the FRL program. The NYSED Title I program staff could compare the charter school-reported information with the information collected by the Nutrition Office to identify significant variances that might warrant further review.

Errors in Calculation of Charter School Allocations. We found that, when entering FRL data into the spreadsheet, Title I program staff did not include the full FRL count for one charter school. This recording error resulted in Tapestry Charter School being designated ineligible when it was actually eligible for over \$10,000 in Title I funds. We found multiple errors in the database used to calculate charter school allocations. The errors included incorrect or missing formulas, incorrect cell references, and data entry errors. The database errors resulted in seven charter schools, and the respective resident LEAs, receiving disproportionate amounts of Title I funds.

2001-2002 Title I Allocation Errors			
School Name	Resident LEAs	Under or Over Proportionate Amount	
		Under	Over
Tapestry Charter School	Buffalo City School District	\$10,997	
Charter School for Applied Technologies	Depew Union Free School District	157	
Roosevelt Children's Academy Charter School	Freeport Union Free School District Uniondale Union Free School District East Meadow Union Free School District	396 22	\$368
South Buffalo Charter School	Buffalo City School District		25,265
Merrick Academy	Queens County		22,891
Central New York Charter School for Math and Science	North Syracuse Central School District		1,444
Charter School of Science and Technology	Greece Central School District		1,172
New Covenant Charter School	Troy City School District		9
Total		\$11,572	\$51,149

NYSED did not have staff independently review the database formulas or cell references. Also, there were no independent reviews of the accuracy of data manually entered from the charter schools' forms to the spreadsheet and from the spreadsheet to the database. The absence of independent reviews increased the likelihood of errors in eligibility decisions and allocation amounts. Additionally, NYSED had no written procedures for determining Title I eligibility and allocation amounts and the Deputy Chief Information Officer was the only NYSED staff person familiar with the database and the process.

Charter school representatives informed us that, at present, they do not sufficiently understand the Title I allocation process to confirm the accuracy of their schools' allocations. By providing each charter school with the completed worksheet used by NYSED to derive the individual school's allocation amount, NYSED would improve charter schools' understanding of the Title I allocation process. Also, charter schools could provide an independent confirmation of the calculations if NYSED provided each charter school with the additional details.

**NYSED Did Not Provide 13 New or Expanding Charter Schools
With Access to Title I Funds For School Year 2001-2002
Within the Required Five-Month Period**

NYSED awarded Title I funds to 23 new or expanding charter schools in school year 2001-2002. The eligible new or expanding charter schools should have had access to the Title I funds by February 2002, which was five months after their September 2001 opening or expansion. Thirteen of the 23 charter schools did not receive access to their Title I funds by February 2002. One of the 13 charter schools could not access their funds until June 2002. The delay in providing charter schools access to Title I funds was due to NYSED's misapplication of the five-month requirement and the timing of ESEA consolidated application activities.

NYSED Misapplication of the Five-Month Requirement. NYSED Title I program staff claimed that the State met the five-month requirement by notifying new or expanding charter schools, within the five-month period, of the preliminary allocation of Title I funds for which the schools were eligible to apply. However, in the preamble to the 1999 final regulations, which implemented the regulations at 34 C.F.R. § 76.792(a) and 76.793(a), the Secretary responded to a comment on the five-month timeframe, stating—

[W]hen awarding subgrants under the covered programs, SEAs and LEAs are generally required only to ensure that the appropriate amount of grant funds are made available for draw down by the subgrant recipient—in this case, the charter school. The subgrant recipient, in turn, draws down funds on an as needed basis.
64 FR 71970

Thus, for new or expanding charter schools, SEAs and LEAs were required to provide eligible charter schools with the ability to draw down the allocated Title I funds within five months of the schools' opening or expansion. In the State of New York, a charter school cannot draw down the allocated Federal funds until the school submits an acceptable application and NYSED issues an award letter to the school. Therefore, notifying new or expanding charter schools of their preliminary allocations did not satisfy the five-month requirement.²

Timing of ESEA Consolidated Application Activities. School year 2001-2002 was the first year that charter schools were required to submit an ESEA consolidated application to NYSED. The timeframes, within which consolidated application activities were completed, delayed eligible charter schools' access to Title I funds.

The consolidated application process began in June 2001 when NYSED provided the application forms and instructions to LEAs and charter schools. LEAs and charter schools were to base their applications on their preliminary Title I allocations. The LEAs and charter schools submitted their ESEA consolidated applications to NYSED. NYSED reviewed and approved the applications and issued award letters. We found that—

- NYSED sent preliminary allocation notices to LEAs and charter schools in October 2001.

² We issued an Action Memo (State and Local No. 03-01) regarding the need for the Department to ensure states understand the timeframe to provide new or expanding charter schools with access to Federal program funds.

- The charter schools submitted their applications late. In the October 2001 notice, NYSED instructed charter schools to submit the applications within two weeks (about mid-November). For 12 of the 13 charter schools that received late access to their Title I funds, we were able to identify the date that the schools submitted their applications. Five of these schools did not submit their applications by mid-November. The applications for these 5 schools were an average of 3 months late, and ranged from 2 to 6 months late.
- Charter schools' applications took time to review. For 7 of the 13 charter schools that received access to their Title I funds late, we were able to identify the date that NYSED's Title I program office completed its review of the schools' applications. For these 7 schools, NYSED took an average of 2 months to review and approve the applications. The timeframes ranged from 6 days to 7 months.

NYSED has already taken corrective action to provide charter schools with more timely information on their preliminary allocations. For school year 2002-2003, NYSED notified all charter schools, including the schools identified as new or expanding schools, of their preliminary allocations in June 2002, which was at least three months earlier than in the previous school year.

NYSED Title I program staff informed us that charter schools were generally submitting acceptable consolidated applications more timely for school year 2002-2003. Program staff also said they would continue to provide individual attention to charter schools submitting their first applications. In addition to the steps already taken, NYSED could apply lessons learned from charter schools' experiences to benefit future new or expanding charter schools that apply for Title I funds. For example, NYSED could tailor information to new or expanding charter schools' needs and organizational structures, or seek feedback from charter schools about the usefulness of the provided information or what other assistance might be of help.

Recommendations

The Assistant Secretary for Elementary and Secondary Education should require NYSED to—

- 1.1 Ensure that Eugenio Maria de Hostos Charter School receives the additional \$8,175 in Title I funds that it was eligible to receive for school year 2000-2001.
- 1.2 Ensure that the three charter schools receive the additional \$11,572 in Title I funds for which the schools were eligible in school year 2001-2002, and the six LEAs, for which allocations were improperly reduced, receive the additional \$51,149 in Title I funds for school year 2001-2002.
- 1.3 Perform reliability assessments of FRL and school enrollment information submitted by charter schools to ensure data are accurate and complete.
- 1.4 Develop written procedures for creating and updating the database used to determine charter schools' eligibility and allocations for Title I. These procedures should include independent reviews of database formulas, cell references, and entered data.

- 1.5 Modify its procedures, as needed, to ensure that eligible new or expanding charter schools can draw down allocated Title I funds within five months of their opening or expansion.
- 1.6 Identify additional information needed by new or expanding charter schools to facilitate charter schools' submission of ESEA consolidated applications and NYSED's review and approval of the applications.

NYSED Comments and OIG Response

NYSED concurred with the finding and recommendations. NYSED stated that it has taken steps to ensure that charter schools receive the proportionate amount of Title I funds and have timely access to the funds. NYSED will contact Rochester City School District to resolve the matter involving Eugenio Maria de Hostos Charter School and is taking the necessary steps to ensure that the Title I funds owed to the charter schools and LEAs are paid. Additionally, NYSED will take the necessary steps to perform reliability assessments of charter school-submitted data by using FRL claims data. NYSED is also considering recommendations from an internal work group that had reviewed the State's allocation process. Written procedures for the allocation process are to be a part of the revised process. Lastly, NYSED took steps to assist charter schools in submitting more timely, complete, and substantially approvable consolidated applications to ensure timely payments for school year 2003-2004. NYSED will review these procedures in the future, if delays occur.

In its comments, NYSED advised us of a charter school that should not have been included in the table titled 2001-2002 Title I Allocation Errors, and we removed the charter school from the table. NYSED also provided comments and suggested revisions to the narrative portion of the report. We generally incorporated the suggested revisions, except we did not change the name used for the New York City Department of Education since that is the current name of the District. In response to NYSED's comment about our suggested use of Nutrition Office data, we removed the suggestion. We also clarified in the report the circumstances of the error affecting Tapestry Charter School. NYSED stated that our suggestion to provide each charter school with details on the formulas and data used to derive the school's allocation amount is a practical impossibility. We have modified the report to clarify that our suggestion was to only provide each charter school with the completed worksheet used by NYSED to derive the individual school's allocation amount.

OTHER MATTER

In the State of New York, charter schools are considered LEAs for certain Federal programs and schools within a school district for other Federal programs. This arrangement may become problematic when implementing NCLB accountability requirements.

In a letter dated May 31, 2001, NYSED informed charter school principals that charter schools would continue to be considered schools within a school district for purposes of the Individuals with Disabilities Education Act (IDEA) program, but, beginning with school year 2001-2002, charter schools would be considered LEAs for funding under ESEA programs. The letter states—

New York's Charter School Law provides that federal funds for services for students with disabilities flow from the school district of residence to charter schools, but is silent about LEA status for other federal programs. Based on the provisions of the Charter School Law that establish charter schools as independent, autonomous public schools and the applicable federal LEA definition, [the Commissioner] has determined that, starting with the 2001-2002 school year, charter schools will be deemed to be LEAs for all federal funding programs under the [ESEA]. For purposes of the [IDEA], however, the school district of residence serves as the LEA, with charter schools treated as schools of the school district. Charter school LEA status for any other non-ESEA program or any new ESEA program will be determined on a case-by-case basis, though charter schools will be treated as LEAs unless the federal LEA definition applicable to the particular program indicates that New York charter schools should be treated as schools of the school district.

If a charter school is identified for corrective action, NYSED may experience problems identifying the entity responsible for the corrective action due to separate designations given to charter schools (i.e., LEA versus school within a school district). The ESEA, as amended by the NCLB, specifies actions that must take place when an LEA or school fails to make adequate yearly progress. For example, ESEA § 1116(e) states that an LEA, which has a school that failed to make adequate yearly progress by the end of the first year the school was identified for improvement, must arrange for supplementary educational services for eligible children through an approved provider. Current New York State regulations specify that school districts and charter school LEAs that receive Title I funds may be identified for improvement or corrective action, but NYSED may need to do more to clarify responsibilities. For example, when a charter school is identified for improvement because the students with disabilities did not make adequate yearly progress, is the charter school responsible for the supplementary services, or is the resident school district responsible? NYSED's charter schools program manager informed us that NYSED is in the process of developing additional regulations and information addressing the NCLB and charter schools.

We encourage NYSED to fully address and communicate NCLB requirements for school districts and charter schools, including which entity will be responsible for required corrective action. We also suggest that NYSED seek technical assistance from the Department, when warranted. On March 24, 2003, the Department issued draft nonregulatory guidance, *The Impact of the New Title I Requirement on Charter Schools*, addressing the NCLB accountability requirements, Title I public school choice provisions, supplemental education services provisions, and corrective action.

OBJECTIVES, SCOPE, AND METHODOLOGY

Our audit objectives were to determine whether NYSED and selected LEAs within the State (1) provided new or expanding charter schools with timely and meaningful information about the ESEA, Title I and IDEA funding for which these schools might have been eligible and (2) had management controls that ensured charter schools, including new or expanding schools, were allocated the proportionate amount of Title I and IDEA funds for which these schools were

eligible.³ This report presents the results of our review covering the Title I funds. The results of our review covering IDEA funds are presented in a separate report issued under Control Number ED-OIG/A09C0025. Our review covered Title I allocations for school years 2000-2001 and 2001-2002.

To address these objectives, we interviewed State officials and staff responsible for implementing the Title I and charter schools programs in New York. We evaluated the information that the State provided to charter schools about accessing Title I funds to determine whether the information was timely and meaningful. In addition, we assessed NYSED's procedures to determine whether management controls ensured that charter schools received the proportionate amount of Title I funds for which these schools were eligible. We also interviewed administrators at 31 charter schools about their experiences in accessing Title I funds, including the timeliness and meaningfulness of provided information.⁴

To evaluate LEA procedures, we selected the three LEAs that had more than one charter school located within their boundaries. These LEAs were the New York City Department of Education, Buffalo City School District, and Rochester City School District. At each LEA, we reviewed procedures and interviewed staff responsible for providing information and allocating Title I funds to charter schools in school year 2000-2001. To determine the accuracy and timeliness of charter school allocations, we reviewed the LEA's Title I allocation process and decisions. Since our review was limited to the three LEAs, we did not project our findings to the universe of LEAs across the State.

We assessed the reliability of the database that NYSED used to determine Title I allocations for school year 2001-2002 by verifying data entry to source documents, checking formulas, re-computing the allocations, and verifying reporting of allocations to charter schools. We found multiple errors in the database which led us to believe we could not rely on the information in the database. We reviewed all formulas and data entry and created our own version of the database with corrected formulas and information.

We performed our fieldwork at NYSED and LEA offices in Albany, New York City, Buffalo, and Rochester, New York, from September 2002 to January 2003. We held an exit briefing with NYSED officials on March 5, 2003. Our audit was performed in accordance with generally accepted government auditing standards appropriate to the scope of the review described.

³ Under Section 611 of Part B of the IDEA, the Department provides grants to states for special education and related services for school-aged children with disabilities.

⁴ One of the 32 schools operating in school year 2001-2002 was no longer open at the time of our audit.

STATEMENT ON MANAGEMENT CONTROLS

We assessed the system of management controls, policies, procedures, and practices applicable to NYSED's and the three selected LEAs' processes for allocating Title I funds to charter schools. We performed our assessment to determine whether the processes used by NYSED and the three LEAs provided a reasonable level of assurance that charter schools received needed information and were allocated the proportionate amount of Title I funds for which these schools were eligible.

For the purpose of this report, we assessed and classified significant controls into the following categories—

- Dissemination of information
- Allocation of Title I funds

Because of inherent limitations, a study and evaluation made for the limited purpose described above would not necessarily disclose all material weaknesses in the management controls. However, we identified NYSED and LEA management control weaknesses that adversely affected charter schools' receipt of Title I funds. NYSED's weaknesses included the lack of review of the data in the database, untimely access to Title I funds, and misinterpretation of the five-month requirement. LEA weaknesses included disproportionate and untimely allocation of Title I funds in school year 2000-2001.

ADMINISTRATIVE MATTERS

Statements that managerial practices need improvement, as well as other conclusions and recommendations in this report, represent the opinions of the Office of Inspector General. Determinations of corrective action to be taken will be made by the appropriate Department of Education officials.

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 Departmental official, who will consider them before taking final action on this audit—

Ronald Tomalis
Acting Assistant Secretary
Office of Elementary and Secondary Education
U.S. Department of Education
Federal Building No. 6
400 Maryland Avenue, SW
Washington, DC 20202

Office of Management and Budget Circular A-50 directs Federal agencies to expedite the resolution of audits by initiating timely action on the findings and recommendations contained therein. Therefore, receipt of your comments within 30 days would be greatly appreciated.

In accordance with the Freedom of Information Act (5 U.S.C. § 552), reports issued to the Department's grantees and contractors are made available, if requested, to members of the press and general public to the extent information contained therein is not subject to exemptions under the Act.

Sincerely,

A handwritten signature in cursive script that reads "Gloria Pilotti".

Gloria Pilotti
Regional Inspector General for Audit

Attachment

Electronic cc: Jonathan Gyurko, New York City Department of Education
Marion Cañedo, Buffalo City School District
Manuel J. Rivera, Rochester City School District

ATTACHMENT
NYSED COMMENTS ON THE DRAFT REPORT



THE STATE EDUCATION DEPARTMENT / THE UNIVERSITY OF THE STATE OF NEW YORK / ALBANY, NY 12234

CHIEF OPERATING OFFICER
Tel. (518) 474-2547
Fax (518) 473-2827
E-mail: rcate@mail.nysed.gov

June 20, 2003

Ms. Gloria Pilotti
Regional Inspector General for Audit
U.S. Department of Education
Office of the Inspector General
501 I Street, Suite 9-200
Sacramento, California 95814

Control number: ED-OIG/A09-D0014

Dear Ms. Pilotti:

I am responding to your letter of May 8, 2003 regarding the draft audit report entitled *Charter Schools Access to Title I Funds in the State of New York*. Our comments on the findings and the recommendations are listed below. Comments and suggested revisions to the narrative portion of your draft report are also enclosed.

Finding

Charter Schools Did Not Receive a Proportionate Amount of Title I Funds or Have Timely Access to the Funds

Finding, Subpart 1

Rochester City School District Did Not Allocate the Correct Amount of Title I Funds to One Charter School For School Year 2000-2001

Finding, Subpart 2

All Three LEAs Did Not Provide New or Expanding Charter Schools With Timely Access to Title I Funds For School Year 2000-2001

We agree with the overall finding and subparts 1 and 2.

Finding, Subpart 3

NYSED Did Not Allocate a Proportionate Amount of Title I Funds to 9 of the 30 Eligible Charter Schools For School Year 2001-2002

We disagree, in part, with subpart 3.

The chart on page 5 of the draft audit report contains an error. Riverhead Charter School's underpayment should be deleted from the chart. In replicating the NYSED spreadsheet, the OIG auditor removed a formula and inserted a number in its place.

Finding, Subpart 4

NYSED Did Not Provide 13 New or Expanding Charter Schools With Access to Title I Funds For School Year 2001-2002 Within the Required Five-Month Period

We agree with the overall finding and subpart 4.

The Department has taken the necessary steps to ensure that Charter Schools receive the proportionate amount of Title I funds and have timely access to the funds.

Recommendation 1.1

Ensure that Eugenio (sic) Maria de Hostos Charter School receives the additional \$8,175 in Title I funds that it was eligible to receive for school year 2000-2001.

We agree with the recommendation.

The Department will contact the Rochester City School District to resolve this matter.

Recommendation 1.2

Ensure that the four charter schools receive the additional \$11,925 in Title I funds for which the schools were eligible in school year 2001-2002, and the six LEAs, for which allocations were improperly reduced, receive the additional \$51,149 in Title I funds for school year 2001-2002.

We agree with the recommendation.

The Department is taking the necessary steps to ensure that the Title I funds owed to these charter schools and LEAs are paid.

Recommendation 1.3

Perform reliability assessments of FRL and school enrollment information submitted by charter schools to ensure data are accurate and complete.

We agree with the recommendation.

The Department will take the necessary steps to perform this assessment by using FRL claims data.

Recommendation 1.4

Develop written procedures for creating and updating the database used to determine charter schools' eligibility and allocations for Title I. These procedures should include independent reviews of database formulas, cell references, and entered data.

We agree with the recommendation.

The Department is reviewing recommendations from a NCLB work group that was charged with reviewing the allocation process for all of the NCLB titled programs in the Department's local consolidated application. Written procedures for the allocation process are part of the revised process.

Recommendation 1.5

Modify its procedures, as needed, to ensure that eligible new or expanding charter schools can draw down allocated Title I funds within five months of their opening or expansion.

We agree with this recommendation.

The Department invited the Charter Schools to attend a general workshop on June 11, 2003 that provided technical assistance in completing the Consolidated Application for 2003-04. Additionally, Charter School LEAs were provided with technical assistance sessions in New York City on June 19, 2003. Another session is scheduled in Albany on June 30 to further assist them with questions they have in completing the Consolidated Application.

Beyond these sessions, the Charter Schools may also call or e-mail the Title I office to obtain additional assistance in preparing their consolidated application for 2003-04.

We believe that these steps will assist the Charter Schools in submitting a more timely, complete and substantially approvable application to ensure timely payments. We will review these procedures in the future if delays occur.

Recommendation 1.6

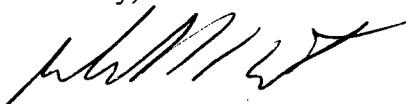
Identify additional information needed by new or expanding charter schools to facilitate charter schools' submission of ESEA consolidated applications and NYSED's review and approval of the applications.

We agree with the recommendation.

See response to **Recommendation 1.5**.

If you have any questions, contact Ira Certner at (518) 486- 2203.

Sincerely,



Richard H. Cate

Enclosure

cc: Ira Certner

**Comments and suggested revisions to the narrative portion of the draft audit report entitled:
*Charter Schools Access to Title I Funds in the State of New York***

Page 1, paragraph 3, line 2:the State's first three charter schools opened in September 1999. This should say five charter schools.

Page 1, paragraph 3, line 4:the New York City Department of Education was not called by that name during the timeframe of the audit report.

Page 2, paragraph 1, line 1: In the three years that charter schools have existed in New York ... September 99 to May 03 is four years.

Pages 4-5, last paragraph continuing on the next page: The conclusion that NYSED could use the information collected by the Nutrition Office for Title I eligibility and allocation determinations is not valid. For Title I purposes, Charter Schools must provide FRLP data for each "sending" school district in order to compute the count and "worth" of poverty eligibles. Child Nutrition data could not provide the necessary detail.

Page 5, paragraph 1, line 3, "These errors resulted in one charter school, Tapestry Charter School," being designated ineligible when it was actually eligible for over \$10,000 in Title I funds," is not correct. This is not a database error, but a reporting error.

Page 5, paragraph 1, line 4: Eight additional charter schools . . . The number eight needs to be revised to seven as the number of additional charter schools, and the respective resident LEAs, that received disproportionate amounts of Title I funds.

Page 6, paragraph 1: The suggestion that the NYSED provide each charter school with details on the formulas and data used to derive the school's allocation amount is a practical impossibility. In order to calculate statewide final allocations, data from every school district must be used to account for set-a-sides and hold-harmless.

Page 7, recommendation 1.2: This recommendation would have to be revised to reflect the deletion of Riverhead Charter School.