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State Auditor

An Audit Report on

**American Recovery and
Reinvestment Act Funds for
Selected Programs at the Texas
Education Agency**

March 2010
Report No. 10-024



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Overall Conclusion

On February 13, 2009, the U.S. Congress passed the American Recovery and Reinvestment Act of 2009 (ARRA) to provide \$787 billion in federal funds, tax cuts, and other benefits for stimulating the economy. This included nearly \$224 billion for increased federal funding of education and health care programs, as well as entitlement programs.

The Texas Education Agency (TEA) had been awarded 8 grants totaling \$4.5 billion in ARRA funds from the U.S. Department of Education as of December 31, 2009 (see Appendix 2 for more information about these grants).

Auditors reviewed two TEA programs that received ARRA-funded grants for compliance with ARRA-related state and federal requirements. These were:

- Title I, Part A, of the Elementary and Secondary Education Act of 1965 (Title I, Part A), which provides funds to help children most at risk of not meeting state academic standards. TEA was awarded \$948,737,780 in ARRA funds for this program.
- Individuals with Disabilities Education Act, Part B (IDEA, Part B), which provides funds to provide an appropriate education to children with disabilities. TEA was awarded \$945,636,328 in ARRA funds for this program.

As of September 30, 2009, TEA reported that it approved 753 ARRA-funded Title I, Part A grants and 1,119 IDEA, Part B grants to local education agencies.

TEA established and documented an adequate process that ensured that required information, including ARRA-related program expenditures and job creation

American Recovery and Reinvestment Act

The stated goals of the American Recovery and Reinvestment Act of 2009 (ARRA) are:

- To preserve and create jobs and promote economic recovery.
- To assist those most impacted by the recession.
- To provide investments needed to increase economic efficiency by spurring technological advances in science and health.
- To invest in transportation, environmental protection, and other infrastructure that will provide long-term economic benefits.
- To stabilize state and local government budgets, in order to minimize and avoid reductions in essential services and counterproductive state and local tax increases.

ARRA, Section 1512, requires fund recipients to report quarterly the amount of ARRA funds spent, the status of ARRA-funded projects, the number of jobs created and/or saved with ARRA funds, and other related details.

The State of Texas mandates that fund recipients must:

- Give priority to expenditures that do not recur beyond the 2010-11 fiscal biennium.
- Obligate funds by September 30, 2011.
- Track ARRA funds separately from other funds.

State agencies that receive ARRA funds are also required by state law to provide information on their Web site's home page on how to report suspected fraud, waste, and abuse involving state resources directly to the State Auditor's Office.

This audit was conducted in accordance with General Appropriations Act (81st Legislature), Rider 6(e), Pages XII-8-9.

For more information regarding this report, please contact Kelly Furgeson Linder, Assistant State Auditor, or John Keel, State Auditor, at (512) 936-9500.

information self-reported by local education agencies, was collected and included in the quarterly report required by ARRA, Section 1512,¹ for the reporting period ending September 30, 2009. In addition, TEA complied with state requirements to track ARRA funds separately from other federal funds and provide a link on its Web site to the State Auditor's Office for the reporting of suspected fraud, waste, and abuse of ARRA funds.

TEA also provided guidance and technical assistance to more than 1,200 local education agencies about tracking and reporting ARRA funds; however, the methodology provided was not consistent among all the ARRA guidance documents TEA made available. TEA faced a challenging timeline in providing this guidance and technical assistance. The U.S. Department of Education released its guidance on or about September 21, 2009. TEA staff had just a few working days to assimilate this information, disseminate it internally, and provide it to more than 1,200 local education agencies so that the guidance could be implemented for the September 30, 2009, quarterly reports.

In addition, TEA should monitor and follow up with local education agencies to facilitate the regular and timely draw down of ARRA funds. If local education agencies do not request timely reimbursements of ARRA-related expenditures, there is an increased risk that the local education agencies will not spend all ARRA funds by September 30, 2011, as required by state and federal law. For example, one of the two local education agencies audited had requested reimbursement for only a small percentage of its ARRA-related expenditures as of September 30, 2009.

Reporting of ARRA Funds by Local Education Agencies

Auditors audited two local education agencies that received ARRA funds: the Pasadena Independent School District (Pasadena ISD) and the Alvin Independent School District (Alvin ISD). Both local education agencies over-reported the number of jobs created and saved by ARRA funds for the quarter ending September 30, 2009.

Pasadena ISD and Alvin ISD should improve their processes for collecting, calculating, and reporting the number of jobs created and saved to ensure that they report accurate information to TEA. Pasadena ISD reported to TEA that 100.00 jobs were created and saved by ARRA funds in Title I, Part A and IDEA, Part B programs; auditors recalculated this number and determined that 69.76 jobs were created and saved, a difference of 45.35 percent. Alvin ISD reported that 3.57 jobs were created and saved; auditors recalculated this number and determined that 3.36 jobs were created and saved, a difference of 6.25 percent.

¹ The American Recovery and Reinvestment Act of 2009, Section 1512, requires fund recipients to file quarterly reports, which is done through a central data collection system at FederalReporting.gov.

Pasadena ISD requested and received reimbursement from TEA for \$104,090 in ARRA-funded expenditures for Title I, Part A programs for the quarter ending September 30, 2009. Alvin ISD requested and received reimbursement from TEA for \$1,000,000 in ARRA-funded expenditures for Title I, Part A and IDEA, Part B programs for the same time period. Both Pasadena ISD and Alvin ISD had adequate processes in place to ensure that they spent ARRA funds in accordance with state and federal requirements for the grants tested.

Summary of Management's Response

TEA and the two local education agencies that auditors visited generally agree with the findings and recommendations in this report. The management responses to the specific recommendations in this report are presented immediately following each set of recommendations in the Detailed Results section of this report.

Summary of Information Technology Review

TEA and the two local education agencies audited had sufficient information technology controls to provide reasonable assurance that the ARRA-related data was reliable for the purposes of the audit objectives. However, Pasadena ISD and Alvin ISD should improve access controls over their accounting and human resources systems to ensure the integrity of the data in those systems. While TEA had adequate controls over physical security and backup procedures for its Expenditure Reporting System, which contains ARRA-related data, it had not tested portions of its disaster recovery plan.

Summary of Objectives, Scope, and Methodology

The audit objectives were to:

- Review and verify the quarterly reports on expenditures and performance data required by Section 1512 of the American Recovery and Reinvestment Act (ARRA) that were prepared by selected state agencies and higher education institutions.
- Review internal controls at selected agencies and higher education institutions that receive ARRA funds.
- Conduct post-payment audits of selected ARRA fund expenditures.
- Respond to allegations of suspected fraud, waste, or abuse at various state agencies or higher education institutions.

The scope of this audit included reviewing and analyzing data at TEA and two local education agencies—Pasadena ISD and Alvin ISD—from February 2009 through September 30, 2009. This included testing expenditures, the number of jobs

reported as created and saved, and *Section 1512 Quarterly Reports* for the period ending September 30, 2009, submitted by the TEA to the federal government.

The audit methodology included collecting information and documentation; performing selected tests and other procedures; analyzing and evaluating the results of the tests; conducting interviews with staff responsible for the ARRA-funded Title I, Part A and IDEA, Part B programs at TEA, Pasadena ISD, and Alvin ISD. Auditors selected TEA and Title I, Part A and IDEA, Part B for audit based on a risk assessment of all state agencies and higher education institutions that were required to submit a *Section 1512 Quarterly Report* to the federal government. Auditors also considered the reporting of total expenditures and number of jobs created and saved.

Auditors communicated other, less significant issues to TEA, Pasadena ISD, and Alvin ISD separately in writing.

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Detailed Results

Chapter 1

TEA Has an Adequate Process to Collect and Report ARRA-required Data, But It Should Ensure That It Provides Consistent Guidance Regarding ARRA Requirements

The Texas Education Agency (TEA) established and documented an adequate process that ensured that required information was collected and included in the quarterly report required by the American Recovery and Reinvestment Act of 2009 (ARRA), Section 1512, for the quarter ending September 30, 2009. The required information included ARRA-related program expenditures and job creation information self-reported by local education agencies. TEA also complied with other requirements, such as tracking ARRA funds separately; providing a link on its Web site to the State Auditor's Office for the reporting of suspected fraud, waste, and abuse of ARRA funds; and providing guidance to local education agencies on how to calculate and report jobs created and saved. However, TEA's guidance was not consistent among all the documents it provided to local education agencies.

Chapter 1-A

TEA Has an Adequate Process to Collect and Report ARRA-required Data in Its Quarterly Reports

TEA has established and documented an adequate process for collecting and reporting information required for its ARRA, Section 1512, quarterly reports for the quarter ending September 30, 2009. This information included ARRA-related expenditures, and jobs created and saved as self-reported by local education agencies for the two programs that auditors reviewed. These were:

Local Education Agencies

Texas has more than 1,200 local education agencies, which consist of independent school and charter school districts.

Source: TEA.

- Title I, Part A, of the Elementary and Secondary Education Act of 1965 (Title I, Part A).
- Individuals with Disabilities Education Act, Part B, (IDEA, Part B).

As a recipient of ARRA funds, TEA is responsible for distributing recovery funds through eight grant programs, including Title I, Part A and IDEA, Part B. TEA also is responsible for reporting the use of ARRA funds on a quarterly basis to FederalReporting.gov.² TEA collects most of the data for the quarterly reports through its normal grant expenditure reporting process; however, local education agencies self-report data about the number of jobs

² FederalReporting.gov is the central government-wide data collection system into which federal agencies, prime recipients, and subrecipients are required to submit data on a quarterly basis for grants, loans, and federally awarded contracts under ARRA.

created and saved by ARRA funds to TEA through its Expenditure Reporting System.

ARRA, Section 1512, Requirements

Not later than 10 days after the end of each calendar quarter, each recipient that received recovery funds from a federal agency shall submit a report to that agency. The report must contain:

- The total amount of ARRA funds received.
- The amount of ARRA funds received that was expended or obligated.
- A detailed list of all projects or activities for which ARRA funds were expended or obligated.
- An estimate of the number of jobs created and the number of jobs saved by the ARRA-funded projects or activities.
- Infrastructure investments made by state and local governments and the purpose, total cost, and rationale of the agency for funding the infrastructure investment with ARRA funds
- Detailed information on any subcontracts or subgrants awarded by the recipient, including data elements required to comply with the Federal Funding Accountability and Transparency Act of 2006.

Source: The American Recovery and Reinvestment Act of 2009.

Auditors did not identify any discrepancies in TEA's quarterly reports for Title I, Part A and IDEA, Part B for the quarter ending September 30, 2009. Auditors reviewed the following selected report fields:

- Award date, number, and amount.
- Recipient DUNS³ number.
- CFDA⁴ number and program title.
- Recipient congressional district.
- Final report.
- Number of jobs.
- Total federal amount of ARRA funds received/invoiced.
- Total federal amount of ARRA expenditures.
- Total amount of payments to vendors less than \$25,000 per award.

- Total amount of subawards less than \$25,000 per award.

In addition, auditors tested selected information from 60 local education agencies whose records were included in TEA's report for the quarter ending September 30, 2009, and did not identify any errors. Auditors reviewed the following report fields:

- Subaward number and corresponding local education agency name, amount, date, and funds disbursed.
- Local education agency congressional district.
- Local education agency city, state, and zip code.

³ The Data Universal Number System (DUNS) is an identifier that allows the federal government to identify entities that receive federal grants. A DUNS identifier must be included in every application for a new award or renewal of an award, including applications or plans under mandatory grant programs, submitted on or after October 1, 2003.

⁴ The Catalog of Federal Domestic Assistance (CFDA) provides a full list of all federal programs, which are identified by a number, available to state and local governments.

For the quarter ending September 30, 2009, local education agencies were required to submit information to TEA by the fifth day following the end of the quarter. TEA then processed and reviewed information from local education agencies for 1,872 Title I, Part A and IDEA, Part B grants, and it completed and submitted its ARRA, Section 1512, reports to FederalReporting.gov by the 10th day following the end of the quarter.

Because of the large number of local education agencies and ARRA grants it oversees, TEA relies primarily on the local education agencies to self-report accurate and complete information related to jobs created and saved with ARRA funds.

Table 1 lists the grant activity that TEA reported for its Title I, Part A and IDEA, Part B ARRA-funded grants for the quarter ending September 30, 2009.

Table 1

Reported ARRA-related Title I, Part A and IDEA, Part B Grants Activity As of September 30, 2009				
Grant Title and Catalog of Federal Domestic Assistance Number	Total Award Amount	Funds Reported Spent	Number of Jobs Reported Created and Saved	Number of Grants Awarded by TEA to Local Education Agencies
Title I, Part A - 84.389	\$ 948,737,780	\$ 13,403,670	1,720.81	753
IDEA, Part B - 84.391	945,636,328	15,695,222	1,733.87	1,119
Totals	\$ 1,894,374,108	\$ 29,098,892	3,454.68	1,872

TEA has also implemented other ARRA-related requirements including:

- Establishing a process to track ARRA funds separately to prevent ARRA funds from being commingled with other federal funds received.
- Complying with the General Appropriations Act (81st Legislature) requirement that it provides a link on its Web site's home page to the State Auditor's Office's fraud, waste, and abuse hot line.

Chapter 1-B

TEA Did Not Ensure That All Reporting Guidance It Provided To Local Education Agencies Regarding ARRA Requirements Was Consistent

In spite of a challenging timeline, TEA provided guidance to more than 1,200 local education agencies on how to calculate and report the number of jobs created and saved with ARRA funds. However, the methodology that TEA

provided was not consistent among all the ARRA guidance documents it made available to local education agencies. Specifically:

- On September 25, 2009, TEA provided guidance that contained a methodology for calculating and reporting the number of jobs created and saved with ARRA funds. This methodology required the conversion of part-time or temporary jobs into full-time equivalent (FTE) positions to avoid overstating the number of jobs. The guidance stated that the number of FTEs should be calculated as the “total hours worked in jobs created or retained, divided by the number of hours in a full-time schedule.”
- On September 28, 2009, TEA updated its jobs calculation guidance to ensure that its guidance included the full instructions that the U.S. Department of Education provided to state agencies on or about September 21, 2009. The September 28, 2009, guidance required recipients, such as local education agencies, to calculate a baseline by identifying the number of hours that would have been worked in the absence of ARRA funds, then subtracting this number from the total number of actual hours worked in the reporting quarter. The result of this calculation should then be divided by the number of hours worked in a full-time schedule.
- On October 1, 2009, TEA released guidance on how to submit required ARRA data via its Expenditure Reporting System that also included a jobs calculation methodology. However, the methodology included in this guidance was the calculation formula from the September 25, 2009, guidance, rather than the updated calculation formula that included the “baseline” from its September 28, 2009 guidance.

As noted above, TEA faced a challenging timeline in providing this guidance and technical assistance. The U.S. Department of Education released its guidance on or about September 21, 2009, on how to calculate and report the number of jobs created and saved with ARRA funds for the quarter ending September 30, 2009. This left TEA staff just a few working days to assimilate this information, disseminate it internally, and provide it to more than 1,200 local education agencies so that the guidance could be implemented for the September 30, 2009, quarterly reports. However, TEA should strive to provide consistent guidance to local education agencies to help ensure that local education agencies are consistent in how they calculate and report the number of jobs created and saved with ARRA funds and that the data reported can be compared and aggregated.

Recommendation

TEA should ensure that all guidance it provides to local education agencies is up to date and consistent to help ensure consistent reporting of ARRA-required information.

Management's Response

TEA's guidance has been timely and consistent to the extent possible. As SAO noted in its report, TEA and Texas Local Education Agencies (LEAs) faced a large challenge in that the US Department of Education (ED) did not release guidance until September 21, 2009. In the interest of getting information out to districts as quickly as possible, on September 25, 2009 TEA sent a letter to school administrators alerting them to updated information related to 1512 based on ED guidance. This document included a basic calculation for converting hours worked in jobs 'created or retained' to full time equivalents (FTEs). On September 28th, TEA released more detailed guidance for LEA's related to jobs calculation. As SAO indicated, this included a step for calculation of a "baseline", which provided a way to determine hours which were "created or retained" and therefore appropriate for inclusion in the FTE calculation. This document was not intended to be a change in guidance, but to provide more assistance to districts handling complex financing strategies.

The third TEA document SAO referenced is TEA's Expenditure Reporting(ER) guidance. Reporting guidance was prepared to inform districts on how to properly enter data into the agency's Expenditure Reporting System. The information did include an example of a jobs calculation formula but this served merely as an example, and again was not intended as detailed guidance for calculating jobs created/retained. In fact, the ER concluded with a link to the TEA website for detailed, updated jobs guidance.

While TEA does not see the differences in these documents as a substantial issue, to avoid any potential confusion, TEA removed the example from the ER as of December 2009. TEA continues to refer districts to guidance documents posted on the TEA, USDE or OMB websites as appropriate. Going forward agency will continue to provide updated guidance as any changes are made in federal jobs calculations and monitor the districts' reporting to ensure accurate jobs data is reported.

Person Responsible

Associate Commissioner of Educator and Student Policy Initiatives

TEA Should Monitor and Follow Up with Local Education Agencies to Facilitate the Regular and Timely Draw Down of ARRA Funds

As of September 30, 2009, TEA was in the process of implementing procedures to monitor the regular and timely draw down of ARRA funds by local education agencies. These procedures included the monthly monitoring by TEA of local education agencies that have a low rate of funds drawn down and contacting these local education agencies to encourage them to submit reimbursement requests as soon as possible after incurring expenditures. However, auditors did not assess the effectiveness of this process because it was not yet fully implemented as of September 30, 2009. The regular and timely drawing down of ARRA funds will help ensure TEA's accurate reporting of expenditures to the federal government and assist TEA and local education agencies in monitoring grant activity to prevent the lapse of ARRA funds at the end of the grant period.

Title I, Part A and IDEA, Part B award funds must be obligated by September 30, 2011, according to state program guidelines and Federal Grant Award Notifications⁵. All unobligated/unexpended funds after that date must be returned to the U.S. Department of the Treasury.

A central principle of federal ARRA-related legislation is that funds should be spent quickly, yet prudently, to save and create jobs. To facilitate this, TEA should monitor local education agencies and encourage them to use and spend ARRA funds as quickly as possible.

For example, one of the two local education agencies that auditors audited requested reimbursement for only a small percentage of its ARRA-related expenditures. The Pasadena Independent School District (Pasadena ISD) reported that it had incurred \$337,806 in ARRA-related Title I, Part A expenditures, but it had only requested and received reimbursement for \$104,090—31 percent of total expenditures incurred—from TEA as of September 30, 2009. In addition, for the same time period, Pasadena ISD reported that it had incurred \$533,575 in ARRA-related IDEA, Part B expenditures, but it had not requested any reimbursements from TEA for these expenditures. Of the \$871,381 of total expenditures incurred for both programs, Pasadena ISD requested and received reimbursement for only \$104,090, or 12 percent.

⁵ Local education agencies that have unexpended carryover funds for Title I will have to apply for these funds in the 2010-2011 Stimulus application, which will have a project beginning date of July 1, 2010, and a project ending date of September 30, 2011.

Table 2 shows the total amount of ARRA-related expenditures and reimbursements for the Pasadena ISD as of September 30, 2009.

Table 2

Title I, Part A and IDEA Part B ARRA-related Activity at Pasadena ISD As of September 30, 2009				
Program Name	Award Amount	Expenditures Incurred	Amount Requested for Reimbursement	Percentage of Expenditures Requested for Reimbursement
Title I, Part A	\$ 10,514,536	\$ 337,806	\$ 104,090	31%
IDEA, Part B	10,757,671	533,575	0	0%
Totals	\$ 21,272,207	\$ 871,381	\$104,090	12%

Source: Pasadena ISD.

The Alvin Independent School District (Alvin ISD) had an adequate process to draw down Title I, Part A and IDEA Part B funds from TEA for the quarter ending September 30, 2009. Alvin ISD reported that it had incurred \$302,075 in ARRA-related Title I, Part A expenditures and it requested and received reimbursement for \$200,000—66 percent of the total expenditures incurred—from TEA. Alvin ISD also reported that it had incurred \$953,640 in ARRA-related IDEA, Part B expenditures and it requested and received \$800,000—84 percent of the total expenditures incurred—from TEA. In total, Alvin ISD reported that it incurred \$1,255,715 in expenditures for both programs and it requested and received reimbursement for \$1,000,000, or 80 percent of its expenditures, from TEA.

Table 3 shows the total amount of ARRA-related expenditures and reimbursements for the Alvin ISD as of September 30, 2009.

Table 3

Title I, Part A and IDEA Part B ARRA-related Activity at Alvin ISD As of September 30, 2009				
Program Name	Award Amount	Expenditures Incurred	Amount Requested for Reimbursement	Percentage of Expenditures Requested for Reimbursement
Title I, Part A	\$ 1,330,078	\$ 302,075	\$ 200,000	66%
IDEA, Part B	3,179,214	953,640	800,000	84%
Totals	\$4,509,292	\$1,255,715	\$1,000,000	80%

Source: Alvin ISD.

Recommendations

TEA should:

- Fully implement its procedures to regularly monitor and follow up with local education agencies to facilitate the timeliness of requests for reimbursement of ARRA funds.
- Consider requesting that local education agencies that exhibit a low draw down rate of ARRA funds submit financial information to support their draw down activity.

Management's Response

TEA should fully implement its procedures to regularly monitor and follow up with local education agencies to facilitate the timeliness of requests for reimbursement of ARRA funds.

TEA agrees that it should fully implement procedures to monitor and follow up with local education agencies (LEAs) to facilitate the timeliness of requests for reimbursements of ARRA funds and has already implemented these processes. TEA first began its development of a process to monitor the timely draw down of funds following an internal planning meeting on July 2, 2009. It was determined at that time that TEA would be proactive, thoughtful, and deliberate in monitoring the draw downs of LEAs in order to support the spirit of timely spending for ARRA funds. The initial draft of that procedure was completed in July 2009. The policy called for publishing a monthly report.

During August and September 2009, staff in the TEA Office of Planning, Grants and Evaluation (OPGE) engaged in extensive collaboration with TEA IT staff on the development of a report framework using the COGNOS system. Development of the procedure and framework came to fruition when TEA published the first report on October 5, 2009 for draw down data as of September 30, 2009.

The ARRA monitoring procedure provides for the following activities to occur monthly:

1. *Generating and disseminating a monthly report of the grantees' ARRA and comparable non-ARRA grant award amounts and cumulative draw downs. The first monthly report was run as of September 30, 2009, and posted on TEA's public ARRA Website. By viewing these reports, all districts, state leaders and other interested parties can review amounts being pulled down by districts. The report has been generated and posted monthly since then on November 6, 2009, December 7, 2009, January 8, 2010, and February 8, 2010, respectively.*

2. *Identifying grantees having one or more ARRA grants with no draw downs or low draw downs based on criteria specified in the procedure.*
3. *Notifying grantees with no or low draw downs of the results via e-mail. These emails refer them to the report and remind them of the central principle of federal ARRA-related legislation that funds should be spent quickly, yet prudently, to save and create jobs. The first communication encouraging grantees to use and spend ARRA funds was on October 26, 2009, and the communication has occurred monthly since then on November 23, 2009, December 21, 2009, January 25, 2010, and February 11, 2010.*
4. *Forwarding the report that lists grantees and the awards that are categorized as having no draw downs or low draw downs to the regional Education Service Center (ESC) core group and the appropriate TEA program divisions in an effort to coordinate support efforts to respective grantees to ensure we meet the overall goals of ARRA-related legislation.*

TEA has also taken the following proactive steps:

1. *Posted on October 6, 2009, a “To The Administrator Addressed” letter on the TEA website announcing the intended monitoring of ARRA grant expenditure reimbursements. This letter was referenced in the monthly e-mail correspondence to grantees with no or low draw downs.*
2. *Publishes a monthly “Summary Analysis of ARRA and Comparable Non-ARRA Grant Reimbursements by Grant Program” to the ARRA TEA Website. This report provides an overview of the rate at which grantees are drawing down expenditure reimbursements for grant programs funded by ARRA. It categorizes reimbursements according to percent reimbursed. Utilizing this report, all districts, school board members, state leaders and other interested parties can easily review amounts being pulled down by districts.*
3. *Internally disseminates, maintains, prepares, reviews and acts upon two different cumulative reports of grantees with no or low draw downs so that patterns of persistent no or low draw downs from month to month can be identified. One report identifies the grantees that have received an e-mail **every** month, while the other report identifies the grantees that received an e-mail in **any** month.*
4. *Publishes a weekly “Report on the Status of ARRA/Stimulus Grants” for review and action by agency management and staff. The first “formal” report was published September 8, 2009 and contains, for each separate ARRA grant, the number of grant applications received from LEAs, the number of Notices of Grant Award (NOGAs) issued, the total amount awarded, and the total amount expended by grantees. Prior to September*

8, 2009, this information was disseminated to management and staff informally via e-mails.

TEA should consider requesting that local education agencies that exhibit a low draw down rate of ARRA funds submit financial information to support their draw down activity.

TEA agrees that it should consider requesting that local education agencies that exhibit a low draw down rate of ARRA funds submit financial information to support their draw down activity and is already obtaining this information for a number of districts. While TEA encourages grantees to draw down funds on a timely basis to ensure that grant activities are ongoing, TEA cannot mandate that a grantee draw down funds as they are expended. In fact, some districts have specific financial policies that require funds to be drawn down only at the end of the grant period. Therefore, TEA developed a proactive approach to reviewing financial information for a sample of grantees, regardless of the draw down rate. This procedure was developed to assist TEA in determining whether ARRA funds are being properly accounted for and being used for allowable purposes under the respective grant programs.

Each month, TEA selects one ARRA grant to review expenditures for a random sampling of grantees and NOGAs. For that one grant program each month, TEA organizes the grant awards from the largest dollar amount to the smallest dollar amount (which is comparable to the size of district) and divides the list into approximately four quartiles. The SAO Statistical Toolbox is used to randomly select an equal number of grantees from each quartile. This ensures that at least one from each size district, including extra large, large, medium, and small, is sampled.

TEA then contacts the grantee to request the General Ledger and Payroll Journal, if applicable, for expenditures through the end of the preceding month. TEA reviews the General Ledger and samples a selected number of transactions to ensure costs are allowable under the grant, are properly coded, and are properly supported with source documentation.

The total expenditures on the General Ledger can be compared to the total drawn down by the grantee. If TEA notes that the grantee had expended a large amount of funds according to their General Ledger but had not drawn down the funds, TEA communicates with the grantee to encourage them to draw down the funds.

TEA is committed to assuring accurate and appropriate monitoring to encourage sub-recipients to draw down fund in a timely manner where possible.

Person Responsible

Associate Commissioner of Office for Planning, Grants and Evaluation

Two Local Education Agencies Have Adequate Processes for Reporting ARRA-related Expenditures; However, They Should Improve Their Reporting of the Number of Jobs Created and Saved

Both Pasadena ISD and Alvin ISD have adequate processes in place to ensure that they spend ARRA funds for Title I, Part A programs in accordance with state and federal requirements. In addition, Alvin ISD has adequate processes in place to ensure that its IDEA, Part B program expenditures comply with state and federal requirements.

However, both Pasadena ISD and Alvin ISD should improve their reporting processes for calculating the number of jobs created and saved with ARRA funds. Specifically, for the quarter ending September 30, 2009:

- Pasadena over-reported the number of jobs created and saved with ARRA funds for Title I, Part A and IDEA, Part B programs by 30.24 FTEs, or 43.35 percent.
- Alvin over-reported the number of jobs created and saved with ARRA funds for Title I, Part A and IDEA, Part B programs by 0.21 FTEs, or 6.25 percent.

For the quarter ending September 30, 2009, Pasadena requested and received reimbursement from TEA for \$104,090 in Title I, Part A expenditures, of which approximately \$98,956 (95.1 percent) was spent on salaries and benefits. Alvin ISD requested and received reimbursement from TEA for \$1,000,000 of Title I, Part A and IDEA, Part B expenditures, of which approximately \$906,100 (90.61 percent) was spent on technology, equipment, and students' instructional materials.

Chapter 3-A

Pasadena ISD Had Adequate Controls Over ARRA-related Expenditures, But It Did Not Follow TEA's Guidance on Calculating the Number of Jobs Created and Saved

Pasadena ISD has adequate controls in place to ensure that its ARRA-related Title I, Part A funds are spent in accordance with state and federal requirements. All 30 Title I, Part A transactions tested totaling \$6,510 were allowable and properly supported. In addition, Pasadena ISD:

- Established written policies and procedures related to the expenditure of ARRA funds, including guidance on professional and contracted services, travel costs, and other items.
- Implemented a review and approval process for purchase requisitions.

- Implemented a process to track ARRA funds separately from other federal funds it receives.

For the quarter ending September 30, 2009, Pasadena ISD spent approximately \$98,956 on salaries and benefits. This represents 95.1 percent of its ARRA-funded Title I, Part A expenditures for the quarter. Because Pasadena ISD did not request any reimbursements from TEA for the \$533,575 of IDEA, Part B expenditures it reported it incurred as of September 30, 2009, auditors did not test any IDEA, Part B expenditures at Pasadena ISD.

Pasadena ISD did not follow TEA’s guidance on how to calculate the number of jobs created or saved with ARRA funds.

Pasadena ISD reported to TEA that it had created or saved 100.00 jobs with ARRA funds awarded for Title I, Part A and IDEA, Part B programs. However, auditors recalculated the number of jobs created and saved using TEA’s guidance issued on October 1, 2009⁶, and determined that Pasadena should have reported that 69.76 FTEs were created and saved with ARRA funds (see Table 4).

Table 4

Pasadena ISD Number of Jobs Created and Saved with ARRA Funds As of September 30, 2009				
Program Name	Total Jobs Pasadena ISD Reported As Created and Saved	Auditors’ Calculation of Number of Jobs Created and Saved ^a	Difference Between Reported Number and Auditors’ Calculation	Percentage Over-reported by Pasadena ISD
Title I, Part A	62.00	36.41	25.59	70.28%
IDEA, Part B	38.00	33.35	4.65	13.94%
Totals	100.00	69.76	30.24	43.35%

^a Auditors calculated this as the number of FTEs.

Source: Pasadena ISD documentation.

Several factors contributed to Pasadena ISD’s over-reporting of the number of jobs created and saved with ARRA funds. Specifically:

- Pasadena ISD did not follow TEA’s guidance requiring that the number of jobs created and saved with ARRA funds be reported as “FTE positions.” According to the guidance that TEA issued on October 1, 2009, the

⁶ As discussed in Chapter 1, TEA issued inconsistent guidance to local education agencies on how to calculate the number of jobs and saved with ARRA funds. Auditors used the methodology in the guidance that TEA issued on October 1, 2009, because it was the latest guidance issued during the reporting period. Neither Pasadena ISD nor Alvin ISD used the “baseline” methodology included in the guidance that TEA issued on September 28, 2009.

number of FTE positions should be determined by dividing the total number of funded hours worked by the total number of hours in a full-time schedule.

- Pasadena ISD reported that it created jobs for positions that were unfilled throughout the reporting period. According to federal guidance from the U.S. Office of Management and Budget dated June 22, 2009, only filled positions should have been included.
- Pasadena ISD included two jobs that would have been created in the absence of ARRA funding and two other positions that already existed but were reclassified. None of these four jobs should have been included.

Inadequate communication and coordination between Pasadena ISD's Human Resources Department, Accounting Department, and program staff may have hindered Pasadena ISD's process to accurately identify and track the number of jobs created and saved with ARRA funds. For example, auditors identified one instance in which Pasadena ISD incorrectly established a position using ARRA funds. The position was originally identified to be funded with ARRA funds, and this was how Pasadena ISD's Human Resources and Accounting departments coded the position. However, the Human Resources Department later determined that the position was not needed, and it created another position in a different area that was to be funded using ARRA funds. However, the Human Resources Department did not update its records to reflect this or notify the Accounting Department staff about this change. In this case, the miscoding did not have an effect on Pasadena ISD's reported expenditures or on the number of jobs created and saved because Pasadena ISD also failed to identify the newly created position that was funded with ARRA funds. If either position had been vacated, this would have resulted in a reporting error. Correctly identifying the personnel that are being paid with ARRA funds is necessary to accurately calculate and report to TEA the number of jobs that have been created and saved with ARRA funds.

Pasadena ISD used Title I, Part A ARRA funds to create and save teachers' positions at its elementary, middle, and intermediate schools. Pasadena ISD used IDEA, Part B funds primarily to (1) retain special education facilitator positions that had been considered for elimination in its reduction-in-force plan and (2) create a new district-wide autism evaluation/programming team.

Recommendations

Pasadena ISD should ensure that:

- It implements TEA guidance for calculating and reporting the number of jobs created and saved with ARRA funds.

- Staff responsible for identifying, tracking, and paying for positions funded with ARRA implement a process that facilitates communication and coordination to accurately report the number of jobs created and saved with ARRA funds.

Management's Response

The District's initial identification of jobs created or saved was based on a calculation formula provided within the application. The district received additional clarification in a letter dated November 19, 2009, after the initial application was submitted and approved. However, the District now understands and agrees that a difficult calculation is required. The associate superintendent for special programs will revise the NCLB application to correct the number of jobs created or saved. That task will be completed by February 26, 2010.

Process and procedures are now in place to coordinate and communicate between the program staff, human resources department, payroll and accounting to ensure that all personnel units are recorded and reported properly. Regular meetings are held to ensure compliance. In addition, the District's financial system provides electronic notification to key personnel of any personnel changes which occur on the campus that may impact the ARRA funds. A monthly report is generated by the system to report all employees being paid from federal funds to allow staff to cross check for errors. The associate superintendent for human resources and the associate superintendent for finance, have coordinated these efforts. All system changes described above were operational by January 31, 2010.

Chapter 3-B

Alvin ISD Had Adequate Controls over ARRA-funded Expenditures; But It Should Improve Its Process for Calculating the Number of Jobs Created and Saved

Alvin ISD had adequate controls in place to ensure that its Title I, Part A and IDEA, Part B ARRA funds were spent in accordance with state and federal requirements. Specifically, Alvin ISD:

- Had adequate written policies and procedures for its purchasing processes.
- Had an adequate review and approval process for purchase requisitions.
- Implemented a process to track ARRA funds separately from other federal funds it receives.

Alvin ISD requested and received reimbursement from TEA for \$1,000,000 of Title I, Part A and IDEA, Part B expenditures, of which approximately

\$906,100 (90.61 percent) was spent on technology, equipment, and students' instructional materials. All 31 Title I, Part A transactions tested totaling \$225,829 and all 30 IDEA, Part B transactions tested totaling \$686,231 were allowable and properly supported.

Alvin ISD should improve its process for calculating the number of jobs created and saved with ARRA funds.

Alvin ISD reported to TEA that it had created or saved 3.57 FTEs with ARRA funds awarded for Title I, Part A and IDEA, Part B programs. Although Alvin ISD followed TEA's guidance issued on October 1, 2009, on how to calculate the number of jobs created and saved, Alvin ISD should have reported that 3.36 FTEs had been created and saved (see Table 5).

Table 5

Alvin ISD Number of Jobs Created and Saved with ARRA Funds As of September 30, 2009				
Program Name	Total Jobs Alvin ISD Reported As Created and Saved ^a	Auditors' Calculation of Number of Jobs Created and Saved ^a	Difference Between Reported Number and Auditors' Calculation	Percentage Over/Under-reported by Alvin ISD
Title I, Part A	1.79	1.55	0.24	15.48
IDEA, Part B	1.78	1.81	(0.03)	(1.66)
Totals	3.57	3.36	0.21	6.25

^a Alvin ISD and auditors calculated this as the number of FTEs.

Source: Alvin ISD documentation.

Alvin ISD used an informal manual process consisting of e-mails and verbal exchanges of information for reporting the number of jobs created and saved, which resulted in errors. Alvin also incorrectly included a holiday in its calculation.

Recommendation

Alvin ISD should implement a formal process to track the number of hours worked for ARRA-funded grants so that it can accurately report the number of jobs created and saved with ARRA funds.

Management's Response

Alvin ISD agrees with the recommendation. The district will implement procedures to track the number of hours worked for ARRA-funded grants.

This will allow the district to accurately report the number of jobs created and saved with ARRA funds. Person responsible for implementing corrective action: the Director of Special Education and the Director of Student Acceleration. Date of implementation: April 13, 2010.

While TEA Had Adequate Controls, the Local Education Agencies Audited Should Strengthen Access Controls Over Their Automated Systems

TEA and the two local education agencies audited had sufficient information technology controls to provide reasonable assurance that the ARRA-related data was reliable for the purposes of the audit objectives. However, auditors identified several information technology weaknesses that could potentially affect Pasadena ISD's and Alvin ISD's ability to ensure the future integrity of the data. In addition, while TEA had adequate controls over physical security and backup procedures, it has not tested portions of its disaster recovery plan.

TEA

TEA had adequate information technology controls over physical security and backup procedures for its Expenditure Reporting System, which contains ARRA-related data, including grant applications and approvals, grant details, and grant expenditures. However, TEA has not tested the portion of its disaster recovery plan pertaining to the servers on which the Integrated Statewide Administrative System (TEA's financial system) and the Expenditure Reporting System reside.

Pasadena ISD

Pasadena ISD had sufficient information technology controls to provide reasonable assurance that the ARRA-related data was reliable for the purposes of the audit objectives. Pasadena ISD also had adequate procedures to ensure that its information technology systems were physically secured and properly backed up. Auditors did not identify any significant discrepancies between Pasadena ISD's accounting and human resources systems' data and the documentation reviewed during expenditure testing (see Chapter 3 for more information). However, auditors identified several information technology control weaknesses that could potentially affect Pasadena ISD's ability to ensure the future integrity of its data. Auditors communicated details regarding identified weaknesses in access and disaster recovery controls to Pasadena ISD management separately in writing.

Alvin ISD

Alvin ISD had sufficient information technology controls to provide reasonable assurance that the ARRA-related data was reliable for the purposes of the audit objectives. Alvin ISD also had adequate procedures to ensure that its information technology systems were physically secured and properly backed up, and that change management was properly implemented. Auditors did not identify any discrepancies between Alvin ISD's accounting and human resources systems' data and the documentation reviewed during testing of expenditures (see Chapter 3 for more information). However, auditors

identified several information technology control weaknesses that increase the risk of involuntary or intentional alteration or deletion of data, which could affect the Alvin ISD's ability to ensure the future integrity of its data. Auditors communicated details regarding identified weaknesses in access and disaster recovery controls to Alvin ISD management separately in writing.

Recommendations

TEA should test all components of its disaster recovery plan to ensure that the plan allows TEA to recover its Expenditure Reporting System data in the event of a natural or man-made disaster.

Pasadena ISD should address identified weaknesses in its access and disaster recovery controls.

Alvin ISD should address identified weaknesses in its access and disaster recovery controls.

Management's Response from the Texas Education Agency

TEA has an extensive plan in place in the case of a disaster that conforms to state policy on business continuity and the standards established by the State Office of Risk Management (SORM). The agency has previously submitted the following documentation to the SAO detailing the agency's disaster recovery plan:

- *TEA Business Continuity Plan*
- *"Texas Education Agency (TEA) Disaster Recovery Plan", document from IBM as part of the Data Center Services (DCS) Contract*
- *Application Priority Document, classifying Integrated Statewide Administrative System (ISAS) as a Priority 1 application, which requires 72 hours restoral under the DCS contract*
- *Snapshots of all tape backups for each ISAS server, showing successful completion of the backups*
- *Backup and restoral procedures used by IBM for TEA servers*

However, TEA does agree with the SAO findings and will schedule a disaster recovery desktop exercise accordingly. The proposed disaster recovery desktop exercise will assess the documentation and processes for TEA and IBM. This exercise will serve as a comprehensive walk-through of all the processes for recovering from a disaster, including, but not limited, to the following:

- *Designation of the disaster recovery site and allocation of space*
- *Review of existing equipment architecture to ensure configurations can be deployed at the existing IBM sites*
- *Retrieval of off-site tapes for the restoral of the environment, databases and applications*
- *Communication escalation to ensure the proper authorities at TEA, DIR and IBM have been notified*
- *Documentation to address any issues discovered during the exercise*

TEA plans to complete this exercise in approximately four months.

Person Responsible

Associate Commissioner of Information Technology and Agency Operations/Chief Information Officer

Management's Response from Pasadena ISD

Many of the specific recommendations regarding employee access to our accounting and payroll system have been streamlined and tightened. While many of the concerns were addressed by standard district protocols, they were not formally documented. The district has created a specific Technology Acceptable Use Policy which must be signed annually. This AUP specifically discusses access to the system, permissions, cautions, and responsibilities each employee has to the district and their job. Other specific procedures are being codified into written regulations and manuals to ensure compliance. The executive director of technology services, has the responsibility of completing these tasks. He expects to be finished with the project by March 30, 2010.

The district has created a complete redundant site to house district data and services, however, due to budget constraints, the site is located in the most environmentally secure site within the district. We will continue to explore options outside the district as the budget allows. The superintendent and the executive director of technology services, will seek a solution to this issue.

Written protocols and documentation are being developed into job specific procedures and manuals to address concerns. Assignment of security cards for access into the operations center are funneled to one person for approval and a new software application tracks entry and exit by identified users into the Network Operations Center. The executive director for technology services is responsible for completion of the documentation project by March 30, 2010. Security access procedures were implemented in January, 2010.

Management's Response from Alvin ISD

Alvin ISD agrees with the recommendation. The district has implemented revised procedures and other controls to address the weaknesses in its access identified by the auditors. The Director of Technology Services is responsible for completing the installation of the new system that will facilitate the new procedures and controls date of completion is prior to September 1, 2010. The District will complete the review of the procedures and other controls to address the weaknesses in disaster recovery controls identified by the auditors. The Director of Technology Services is responsible for implementing corrective action: Date of implementation: June 1, 2010.

Appendices

Appendix 1

Objectives, Scope, and Methodology

Objectives

The objectives of this audit were to:

- Review and verify the quarterly reports on expenditures and performance data required by Section 1512 of the American Recovery and Reinvestment Act (ARRA) that were prepared by selected state agencies and higher education institutions.
- Review internal controls at selected agencies and higher education institutions that receive ARRA funds.
- Conduct post-payment audits of selected ARRA fund expenditures.
- Respond to allegations of suspected fraud, waste, or abuse at various state agencies or higher education institutions.

Scope

The scope of this audit included reviewing and analyzing data at the Texas Education Agency (TEA) and two local education agencies—Pasadena Independent School District and Alvin Independent School District—from February 2009 through September 30, 2009. This included testing expenditures, the number of jobs reported as created and saved, and *Section 1512 Quarterly Reports* for the period ending September 30, 2009, submitted by TEA to the federal government.

Auditors selected two programs at TEA that received ARRA funds for audit:

- Title I, Part A, of the Elementary and Secondary Education Act (Title I, Part A), Catalog of Federal Domestic Assistance program number 84.389.
- Individual with Disabilities Education Act, Part B (IDEA, Part B), Catalog of Federal Domestic Assistance program number 84.391.

These programs at TEA were selected for audit through a risk assessment of all federal programs at state agencies and institutions of higher education that had reported ARRA expenditures and were required to submit a *Section 1512 Quarterly Report* to the federal government. The risk assessment included consideration of the amount of ARRA funds expended through September 30, 2009, and whether the programs had reported jobs created and saved in the *Section 1512 Quarterly Reports* for the period ending September 30, 2009.

Auditors also audited two local education agencies that were subrecipients of ARRA funds awarded to TEA: the Pasadena Independent School District (Pasadena ISD) and the Alvin Independent School District (Alvin ISD).

Methodology

The audit methodology included collecting and reviewing information and documentation; performing selected tests and other procedures; analyzing and evaluating the results of the tests; and conducting interviews with staff responsible for the ARRA-funded Title I, Part A and IDEA, Part B programs at TEA, Pasadena ISD, and Alvin ISD.

Information collected and reviewed included the following:

- The American Recovery and Reinvestment Act of 2009.
- U.S. Office of Management and Budget (OMB) circulars and memoranda providing guidance on ARRA and the A-133 single audit.
- U.S. Department of Education guidance on funds made available under ARRA for the IDEA, Part B and Title I, Part A programs.
- U.S. Department of Education guidance on reporting jobs created and saved with ARRA funds.
- *Executive Order RP-72 - Relating to the American Recovery and Reinvestment Act of 2009 and Federal Funding for Texas* (August 25, 2009).
- *Texas Comptroller of Public Accounts' Fiscal Policies and Procedures J.004 - ARRA of 2009 Federal Stimulus Funding Accounting Policy for the State of Texas.*
- TEA guidance on the use and reporting of ARRA funds.
- Notices of grant awards.
- *Section 1512 Quarterly Reports* submitted by TEA to the federal government for the reporting period ending September 30, 2009.
- Expenditure data from Pasadena ISD and Alvin ISD.
- Pasadena ISD's personnel records.
- Pasadena ISD's and Alvin ISD's expenditure policies, procedures, guidelines, and manuals.

- Supporting documentation for the number of jobs created and saved that Pasadena ISD and Alvin ISD reported to TEA for the reporting period September 30, 2009.
- Information from interviews with management and staff at the TEA, Pasadena ISD, and Alvin ISD.

Procedures and tests conducted included the following:

- Tested two local education agencies' expenditures.
- Verified the accuracy of selected data in TEA's Section 1512 reports for ARRA-funded Title I, Part A and IDEA, Part B grants.
- Verified that the number of jobs reported by all local education agencies was equal to the total number of jobs reported by TEA in its *Section 1512 Quarterly Report* submitted to the FederalReporting.gov Web site.
- Recalculated and tested supporting documentation for the number of jobs created and saved reported by Pasadena ISD and Alvin ISD for the quarter ending September 30, 2009.
- Administered information technology automation questionnaires to selected Pasadena ISD and Alvin ISD employees.
- Interviewed staff at TEA, Pasadena ISD, and Alvin ISD.
- Tested the information technology controls in place for Pasadena ISD's and Alvin ISD's accounting and human resources systems. Areas reviewed included: logical access, physical security, system backups, disaster recovery planning, change management, and application controls.
- Tested selected information technology controls in place over the TEA's accounting and human resources systems. Areas reviewed included physical security, system backups, and disaster recovery planning.

Criteria used included the following:

- The American Recovery and Reinvestment Act of 2009.
- *OMB Circular A-133: Compliance Supplement Addendum #1.*
- *OMB Memoranda M-09-15: Updated Implementing Guidance for the ARRA Act of 2009.*
- *OMB Memoranda M-09-21: Implementing Guidance for the Reports on Use of Funds Pursuant to the American Recovery and Reinvestment Act of 2009.*

- *OMB Memoranda M-09-21: Supplement #2 - Recipient Reporting Data Model.*
- *Texas Comptroller of Public Accounts' Fiscal Policies and Procedures J.004 - ARRA of 2009 Federal Stimulus Funding Accounting Policy for the State of Texas.*
- *U.S. Department of Education Guidance: Funds for Part B of the Individual with Disabilities Education Act Made Available under the ARRA Act of 2009.*
- *U.S. Department of Education- Clarifying Guidance on Reporting on Jobs Creation/Retention Estimates by Recipients.*
- *TEA correspondence - New Quarterly Reporting Requirements for Local Education Authorities (September 25, 2009).*
- *TEA - Guidance for the Implementation of the Title I and IDEA Stimulus Funds.*
- *TEA - Clarifying Guidance on Grant Recipient Section 1512 Quarterly Reporting Requirements under ARRA.*
- *General Appropriations Act (81st Legislature), Article XII, Sections 7 and 5(c), and Article IX, Section 17.05.*
- *Executive Order RP-72 - Relating to the American Recovery and Reinvestment Act of 2009 and federal funding for Texas (August 25, 2009).*

Project Information

Audit fieldwork was conducted from November 2009 through January 2010. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The following members of the State Auditor's staff performed the audit:

- Ileana Barboza, MBA, CGAP, CICA (Project Manager)
- Michael Stiernberg, JD (Assistant Project Manager)
- Jennifer Wiederhold, CGAP (Assistant Project Manager)
- Justin Griffin, CISA

- Brian Jones, CGAP
- Juan Sanchez, CIA, CGAP
- Sherry Sewell, CGAP
- Michael Yokie, CISA (Information Systems Audit Team)
- J. Scott Killingsworth, CIA, CGAP, CGFM (Quality Control Reviewer)
- Kelly Furgeson Linder, CIA, CGAP (Assistant State Auditor)

Status of Eight TEA ARRA Grants as of December 31, 2009

Table 6 shows the status of eight American Recovery and Reinvestment Act (ARRA) grants awarded to the Texas Education Agency (TEA) as of December 31, 2009, as reported by TEA. The total amount awarded to TEA for the eight grants was \$4,538,333,560. This amount may increase because TEA has applied, but has not yet been approved, for an additional \$1,343,506,990 for the School Improvement Grants (\$270,917,186) and the State Fiscal Stabilization Fund, Education State Grants (\$1,072,589,804). As of December 31, 2009, TEA had awarded approximately \$3.5 billion (77 percent of the grants TEA received) to local education agencies and reimbursed these local education agencies \$476 million for grant-related expenditures. Local education agencies must obligate ARRA funds by September 30, 2011.⁷

Table 6

Status of Eight Recovery Act Grants Awarded to TEA As of December 31, 2009				
Program Title	Grant Award Date	Award Amount	Amount Awarded to Local Education Agencies	Amount Reimbursed to Local Education Agencies
Education for Homeless Children and Youth, Recovery Act	February 17, 2009	\$ 5,547,622	\$ 5,547,622	\$ 316,796
Title I, Grants to Local Education Agencies, Recovery Act	February 17, 2009	948,737,780	866,876,825	110,533,636
Special Education Grants to States, Recovery Act	February 17, 2009	945,636,328	941,537,967	122,244,215
Special Education - Preschool Grants, Recovery Act	February 17, 2009	24,328,422	24,092,380	1,692,399
School Improvement Grants, Recovery Act ^a	February 17, 2009	14,292,814	Not Applicable	Not Applicable
Education Technology State Grants, Recovery Act	February 17, 2009	59,515,765	48,201,155	1,296,686
State Fiscal Stabilization Fund, Education State Grants, Recovery Act	July 9, 2009	2,177,682,329	1,594,920,385	240,291,352
State Fiscal Stabilization Fund, Government Services, Recovery Act ^b	July 9, 2009	362,592,500	0	0
Totals		\$4,538,333,560	\$3,481,176,334	\$ 476,375,084
Percentages of the Total Amount Awarded to TEA			76.7%	10.50%
^a The application for the School Improvement Grants was due in February 2010. TEA is applying for \$285,212,000, of which it received \$14,294,814 (or 5 percent of the award) as of December 31, 2009, for administration, evaluation and technical assistance expenses.				
^b The State Fiscal Stabilization Fund-Government Services, Recovery Act grant awarded to Texas totals \$723,165,683. TEA was appropriated \$362,592,500 out of this grant.				

Source: Unaudited data provided by TEA.

⁷ According to TEA guidance, funds are considered "obligated" when (1) the obligation of funds occurs between the beginning and ending date of the grant; (2) all services are rendered between the beginning and ending dates of the grant; and (3) all materials and equipment are delivered before the ending date of the grant and ordered and delivered in time to substantially benefit the current grant period.

Populations Served With Title I, Part A and IDEA, Part B Funds During the 2008-2009 School Year

Title I, Part A, of the Elementary and Secondary Education Act of 1965

Funds from Title I, Part A help local education agencies and schools with high percentages of children who come from low-income families to improve the teaching of children who are failing, or are most at risk of failing, to meet state academic achievement standards.

The U.S. Department of Education allocates Title I, Part A funds to local education agencies through the Texas Education Agency (TEA) using the U.S. Census Bureau's school district estimates of school-age children from low-income families. These estimates are based on the most recent census update and annual updates of the number of neglected and foster home children.

According to TEA, Texas served approximately 4,747,801 students for the 2008-2009 school year. Of this population, Title I, Part A programs served 2,908,398 students, or 61.26 percent.

Individuals with Disabilities Education Act (IDEA), Part B

The purpose of the IDEA, Part B program is to provide funds to state education agencies and local education agencies to assist them in providing an education to children with disabilities. According to TEA, 453,464 students, or approximately 9.55 percent of the total student population, who attended school during the 2008-2009 school year had some type of disability. Table 7 on the next page shows the types of disabilities and the number of children with disabilities attending Texas schools during the 2008-2009 school year.

Table 7

Texas Students with Disabilities Ages 3 through 21 Years 2008-2009 School Year		
Disability Category	Number of Students	Percent of Total Student Population
Auditory Impairment	7,098	1.57
Autism	25,984	5.73
Deaf/Blind	116	0.03
Developmental Delay	0	0.00
Emotional Disturbance	30,734	6.77
Learning Disability	197,749	43.61
Mental Retardation	28,867	6.37
Multiply Disabled	5,286	1.17
Non-categorical Early Childhood	3,296	0.73
Orthopedic Impairment	4,423	0.97
Other Health Impairment	55,338	12.20
Speech Impairment	89,863	19.82
Traumatic Brain Injury	1,325	0.28
Visual Impairment	3,385	0.75
Totals	453,464	100.00
Total Student Population	4,747,801	9.55%

Source: TEA's Web site at
<http://tuna.tea.state.tx.us/Tea.DataBook.Web/Forms/Default.aspx>.

Recent State Auditor's Office Work

Recent SAO Work		
Number	Product Name	Release Date
10-339	State of Texas Federal Portion of the Statewide Single Audit Report for the Fiscal Year Ended August 31, 2009	March 2010

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The Honorable Joe Straus III, Speaker of the House, Joint Chair
The Honorable Steve Ogden, Senate Finance Committee
The Honorable Thomas “Tommy” Williams, Member, Texas Senate
The Honorable Jim Pitts, House Appropriations Committee
The Honorable Rene Oliveira, House Ways and Means Committee

Office of the Governor

The Honorable Rick Perry, Governor

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