



**UNITED STATES DEPARTMENT OF EDUCATION**  
OFFICE OF INSPECTOR GENERAL

AUDIT SERVICES  
Chicago/Kansas City Audit Region

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**Control Number**  
**ED-OIG/A05N0009**

Dr. Richard A. Ross  
Superintendent of Public Instruction  
Ohio Department of Education  
25 South Front Street  
Columbus, OH 43215

Dear Dr. Ross:

This final audit report, “The Ohio Department of Education’s Administration of its Race to the Top Grant,” presents the results of our audit of selected aspects of the Ohio Department of Education’s (Ohio) administration of its \$400 million Race to the Top grant. The objectives of our audit were to determine whether Ohio

- accurately and completely reported grant performance data to the U.S. Department of Education (Department),
- ensured that it and each participating local educational agency (LEA) and charter school will have the capacity to deliver and sustain the results described in Ohio’s grant application after all Federal funds have been expended, and
- spent Race to the Top funds and ensured that participating LEAs and charter schools spent Race to the Top funds only on allowable activities and in accordance with program requirements and Ohio’s approved grant application.

Our audit covered the period from September 24, 2010, through June 30, 2013.<sup>1</sup> In addition to Ohio, we reviewed Lorain City Schools (Lorain) and Toledo Public Schools (Toledo).<sup>2</sup> We reviewed two of the six educational topic areas on which Ohio spent Race to the Top funds: area C, “Data Systems to Support Instruction” (Area C), and area D, “Great Teachers and Leaders” (Area D).<sup>3</sup>

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<sup>1</sup> To determine whether Ohio spent grant funds only on allowable activities and in accordance with program requirements and the approved application, our audit covered the period from September 24, 2010, through June 28, 2013.

<sup>2</sup> We selected Lorain and Toledo based on the amount of funds that they received and selected risk factors (see “Sampling Methodology” in the Objectives, Scope, and Methodology section of this report).

<sup>3</sup> See the Background section of this report for a list of all six areas.

We found that Ohio reported to the Department all required grant performance data for Areas C and D. However, although it reported all required data for Areas C and D, the data that Ohio reported in its 2011–2012 annual performance report were not accurate. Ohio did not provide us with documentation supporting the number of teachers (59,774) that it used to calculate the Areas C and D performance measures. Also, Ohio did not accurately report or provide supporting documentation for the results that it reported to the Department in its 2011–2012 annual performance report for 5 of the 11 (45.4 percent) measures for Areas C and D.<sup>4</sup> Ohio could improve the accuracy of its annual performance reports by (1) ensuring that it reports data for the appropriate period, (2) obtaining supporting documentation from LEAs and charter schools for applicable performance data so that Ohio can verify the LEAs’ and charter schools’ progress towards those measures, (3) disclosing in its annual performance report when it has not verified or does not have documentation to support the reported performance data, and (4) retaining documents used to support reported performance data.

We also found that, for a sample of expenditures related to Areas C and D, Ohio spent Race to the Top funds only on allowable activities and in accordance with program requirements and Ohio's approved grant application. In addition, Ohio ensured that it, Lorain, and Toledo will have the capacity to deliver results and have developed plans to sustain results after they have spent all Federal funds. However, Ohio did not ensure that the two LEAs spent Race to the Top funds only on allowable activities and in accordance with program requirements and Ohio’s approved grant application. Ohio did not regularly monitor LEAs’ Race to the Top fiscal activity. As a result, Ohio did not ensure that Toledo minimized the amount of cash on hand or ensure that Lorain and Toledo spent Race to the Top funds only on allowable activities. Ohio could improve the administration of its Race to the Top grant by more closely monitoring the fiscal activity of participating LEAs and charter schools to ensure that they comply with all applicable Federal fiscal requirements.

In its comments on the draft of this report, Ohio neither agreed nor disagreed with our findings and recommendations. However, Ohio stated that it will continue to monitor participating LEAs and charter schools and require participating LEAs and charter schools to submit documentation related to the Areas C and D measures noted in the audit report during the fifth year, no-cost extension of its Race to the Top grant. Ohio also stated that it developed and implemented risk-based financial compliance monitoring in State fiscal year 2012–2013.<sup>5</sup> The risk-based financial compliance monitoring includes a review of accounting records, purchase orders, invoices, cancelled checks, budgets, contracts and cash requests, and other items. Additionally, Ohio’s Office of Grants Management will continue to advise LEAs and charter schools about minimizing the time elapsing between the receipt and use of grant funds. Furthermore, Ohio stated that it will ensure that Lorain and Toledo have implemented corrective actions or provided appropriate documentation to justify the expenses noted in Finding No. 2. Finally, Ohio stated

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<sup>4</sup> The reporting period for the annual performance report was July 1, 2011, through June 30, 2012. Ohio reported on 4 performance measures for Area C and 38 performance measures for Area D. It reported zero percent for four Area D performance measures related to teacher and principal evaluation systems and preparation programs, disclosing in its 2011–2012 annual performance report that all LEAs will be implementing qualifying evaluation systems by school year 2013–2014. Ohio reported “N/A” for 25 other Area D performance measures. Finally, two Area D performance measures reported were similar to measures that we already verified, so we did not verify these additional two measures.

<sup>5</sup> The State of Ohio fiscal year runs from July 1 through June 30.

that it will communicate, via the Ohio Department of Education newsletter and the Race to the Top news and views publication, proper accounting procedures, including the verification of consultant travel and other costs before reimbursing those costs with Federal funds and appropriately and accurately allocating expenditures between Federal grants.

We did not revise our findings based on Ohio's comments. However, we modified three recommendations to allow for alternative corrective actions for LEAs spending Race to the Top funds on unallowable and unsupportable activities. We also added information to the Background section to be more precise about when and to whom the Department awarded Race to the Top funds and to explain the annual performance reporting process. We summarized Ohio's comments after each finding and included the full text of Ohio's comments as Attachment 2.

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## BACKGROUND

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The American Recovery and Reinvestment Act of 2009 provided \$4.35 billion for the Race to the Top fund, a competitive grant program designed to encourage and reward States that are

1. creating the conditions for education innovation and reform;
2. achieving significant improvement in student outcomes, including making substantial gains in student achievement, closing achievement gaps, improving high school graduation rates, and ensuring student preparation for success in college and careers; and
3. implementing ambitious plans in four core education reform areas: (a) adopting standards and assessments that prepare students to succeed in college and the workplace and to compete in the global economy; (b) building data systems that measure student growth and success and inform teachers and principals about how they can improve instruction; (c) recruiting, developing, rewarding, and retaining effective teachers and principals, especially where they are needed most; and (d) turning around the lowest achieving schools.

Through competitions for Race to the Top funds held during calendar years 2010 and 2011, the Department awarded more than \$4.1 billion in grants to 18 States and the District of Columbia. From American Recovery and Reinvestment Act of 2009 funds, the Department awarded about \$3.9 billion to 11 States and the District of Columbia (Phase 1 and Phase 2 awards) in 2010. The Department awarded \$200 million to seven States (Phase 3 awards) in 2011. The Department also awarded \$330 million under the Race to the Top Assessment program to the Partnership for the Assessment of Readiness for College and Careers and the SMARTER Balanced Assessment Consortium in 2010.

Section 14006(c) of the American Recovery and Reinvestment Act requires States receiving Race to the Top funds to award at least 50 percent of the funds to participating LEAs and charter schools according to the LEAs' and charter schools' relative shares of funding under Part A of Title I of the Elementary and Secondary Education Act, as amended, for the most recent year. States have considerable flexibility in awarding or allocating the remaining 50 percent of their Race to the Top funds. The funds may be used for State-level activities, supplemental disbursements to LEAs, and other purposes as the State proposed in its approved application.

Each State receiving Race to the Top funds must validate and certify the accuracy of the data that it submits to the Department in its annual performance report. According to the Department's Implementation and Support Unit, before the end of the annual reporting period (July 1 through June 30), each grantee submits to the Implementation and Support Unit information about outcomes to date, the State's performance against the measures established in the State's application, and other relevant data. The Implementation and Support Unit reviews each State's preliminary data for completeness and reasonableness. A State must address the Implementation and Support Unit's comments, if any, and then resubmit and validate sections of the annual performance report in the Department's annual performance report collection system. The State then must certify the entire annual performance report and submit the final version through the annual performance report collection system.

The Department awarded Ohio \$400 million. Ohio's Race to the Top grant application included the following five application areas and one priority area on which Ohio planned to spend Race to the Top funds:

- Area A, "State Success Factors;"
- Area B, "Standards and Assessments;"
- Area C, "Data Systems to Support Instruction;"
- Area D, "Great Teachers and Leaders;"
- Area E, "Turning Around Ohio's Lowest-Achieving Schools;" and
- Priority area, "Emphasis on Science, Technology, Engineering, and Mathematics."

Ohio's scope of work included five metrics for measuring performance related to its Race to the Top initiatives: (1) increase high school graduation rates by 0.5 percent for each of the 4 years of the grant, (2) reduce graduation rate gaps between underrepresented and majority students by 50 percent, (3) reduce performance gaps between underrepresented and majority students on national and statewide tests by 50 percent, (4) reduce the performance gaps between Ohio and the best performing States on reading and mathematics proficiency by 50 percent, and (5) more than double the number of students aged 19 and under who enroll in college after graduation.

Ohio's Race to the Top team provided technical assistance and monitored LEAs' and charter schools' Race to the Top activities. Ohio's 6 Race to the Top regional coordinators and

16 Race to the Top specialists worked with LEAs and charter schools to help ensure that the LEAs and charter schools were meeting their goals. The coordinators also monitored each participating LEA’s and charter school’s budget. To further monitor performance, Ohio required LEAs and charter schools to submit progress monitoring reports every other month.

As of June 30, 2013, Ohio had 440 participating LEAs and charter schools. Ohio reported that, as of June 28, 2013, it and all participating LEAs and charter schools had spent about \$200 million of Ohio’s \$400 million award.<sup>6</sup> As of June 30, 2013, Ohio, Toledo, and Lorain had spent about \$95.6 million of the \$208 million that Ohio retained for State-level uses or allocated to Lorain and Toledo (see Table 1, Race to the Top Allocations and Expenditures).

**Table 1. Race to the Top Allocations and Expenditures**

Entity	Total Allocation	Total Expenditures— Areas C and D	Total Expenditures— All Areas
Ohio (a)	\$194,000,000	\$43,024,762	\$86,748,451
Lorain (b)	\$2,818,842	\$600,859	\$1,338,940
Toledo (b)	\$11,548,906	\$3,941,480	\$7,482,144
Total	\$208,367,748	\$47,567,101	\$95,569,535

(a) Expenditures from September 24, 2010, through June 28, 2013.

(b) Expenditures from September 24, 2010, through June 30, 2013.

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## AUDIT RESULTS

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The objectives of our audit were to determine whether Ohio (1) accurately and completely reported Race to the Top performance data to the Department, (2) ensured that it and each participating LEA and charter school will have the capacity to deliver and sustain the results described in Ohio’s Race to the Top grant application after all Federal funds have been expended, and (3) spent Race to the Top funds and ensured that participating LEAs and charter schools spent Race to the Top funds only on allowable activities and in accordance with program requirements and Ohio’s approved grant application.

To achieve our objectives, we audited Ohio and two judgmentally selected LEAs (Lorain and Toledo). We reviewed supporting documentation for (a) the measures that Ohio reported in its 2011–2012 annual performance report; (b) Ohio’s progress on selected initiatives and plans for sustaining progress after Ohio, Lorain, and Toledo have expended Federal funds; and (c) a judgmental selection of expenditures made by Ohio, Lorain, and Toledo. Because we did not statistically select the LEAs or expenditures, our results might not be representative of the

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<sup>6</sup> According to a project lead for Area C, Ohio did not spend very much on the instructional improvement system in the first year of the grant because it worked primarily on planning the project during this period. According to a project lead for Area D, Ohio set aggressive milestones for the teacher and principal evaluation systems but did not meet all the milestones during the first 3 years of the grant.

entire universes and, therefore, cannot be projected to the universes (see the Objectives, Scope, and Methodology section of this report).

We found that Ohio reported to the Department all required grant performance data for Areas C and D and ensured that it, Lorain, and Toledo will have the capacity to deliver results and have developed plans to sustain those results after they have spent all Federal funds. For instance, Ohio has worked to keep the price of using its instructional improvement system low so that LEAs and charter schools will be able to afford it even after Federal funds are gone. In addition, Ohio will use State funds to pay for some Race to the Top initiatives. However, we found that Ohio did not accurately report to the Department Areas C and D grant performance data in its 2011–2012 annual performance report and did not ensure that the two LEAs spent Race to the Top funds only on allowable activities and in accordance with program requirements and Ohio's approved grant application.

Ohio did not provide supporting documentation for the number of teachers that it used to calculate its progress against the Areas C and D performance measures. In addition, Ohio did not accurately report on or provide supporting documentation to support the results that it reported to the Department in its 2011–2012 Race to the Top annual performance report for 5 of the 11 (45.4 percent) performance measures for Areas C and D. Ohio could improve the accuracy of its annual performance reports by (1) ensuring that it reports data for the appropriate period, (2) obtaining supporting documentation for applicable performance data from LEAs and charter schools so that Ohio can verify the LEAs' and charter schools' progress towards those measures, (3) disclosing when it has not verified or does not have documentation to support its reported performance data, and (4) retaining documents used to support reported performance data.

We also found that Ohio did not regularly monitor LEAs' Race to the Top fiscal activity for excess cash balances or ensure that Lorain and Toledo spent all grant funds only on allowable activities. Ohio could improve the administration of its Race to the Top grant by more closely monitoring the fiscal activity of participating LEAs and charter schools to ensure that the LEAs and charter schools comply with all applicable Federal fiscal requirements.

#### **FINDING NO. 1 – Ohio Could Improve the Accuracy of Reported Performance Data**

Although Ohio's Race to the Top director attested to the accuracy of the information in Ohio's annual performance report before submitting it to the Department, Ohio did not provide documentation that explained how it determined that 59,744 teachers were working in participating LEAs and charter schools. Ohio reported the number of teachers in its 2011–2012 annual performance report and used 59,744 to calculate the percentages that it reported for two of the Area C performance measures. In addition, Ohio did not accurately report or provide supporting documentation for the results that it reported to the Department in its 2011–2012 annual performance report for 5 of the 11 (45.4 percent) performance measures for Areas C and D.

For Area C, Ohio did not provide documentation supporting the percentages that it reported for the following measures:

- Ohio reported that 25 percent of the teachers in participating LEAs and charter schools had completed at least one component of the online formative instruction to improve teacher performance. In its grant application, Ohio stated that its target for this measure was 25 percent. Although Ohio reported that it met this target, the contractor that provided the online formative instruction to teachers produced a report indicating that only 5,082 teachers (8.5 percent of 59,744 teachers) completed a component of the online formative instruction during the reporting period from July 1, 2011, through June 30, 2012. The Ohio employees responsible for overseeing Area C informed us that they reported the percentage of teachers who completed online formative instruction as of January 2013, rather than the percentage of teachers who completed online formative instruction during the reporting period from July 1, 2011, through June 30, 2012. Ohio provided us with documentation showing that 26 percent of the teachers in participating LEAs and charter schools completed online formative instruction by January 2013. However, Ohio did not disclose in its 2011–2012 annual performance report that the 25 percent completion rate was based on the cumulative number of teachers who completed the formative instruction through January 2013, instead of the number of teachers who completed the formative instruction during the 1-year reporting period that ended June 30, 2012.
- Ohio reported that 15 percent of the teachers in participating LEAs and charter schools completed a formative instruction module that included face-to-face and online components. In its grant application, Ohio stated that its target for this measure was 15 percent. Ohio reported that it met this target but did not provide any documentation showing that teachers completed a face-to-face component. Because LEAs and charter schools participating in formative instruction agreed to provide face-to-face instructional components in conjunction with online instructional components, Ohio assumed that teachers who completed online instruction also received face-to-face instruction. A better method for ensuring the accuracy of the information would be to require LEAs and charter schools to submit documentation indicating the number of teachers who received face-to-face instruction.

For Area D, Ohio did not have documentation supporting the percentages that it reported for the following measures:

- Ohio reported that 100 percent of participating LEAs and charter schools had induction and mentoring programs for new teachers. In its grant application, Ohio stated that its target for this measure was 100 percent. We reviewed Ohio's supporting documentation and found that only 76.6 percent of the LEAs and charter schools offered these programs to new teachers. Because Ohio will not provide LEAs and charter schools with a financial incentive (\$350 per teacher) if the new teachers are not enrolled in the program, and because State law requires LEAs to provide support to new teachers through a 4-year mentoring program, Ohio assumed that the remaining 23.4 percent of LEAs and charter schools offered induction and mentoring

- programs but did not have any new teachers. A better method for ensuring the accuracy of the information would be for Ohio to require LEAs and charter schools to submit documentation indicating that they offered induction and mentoring programs to all new teachers.
- Ohio reported that 100 percent of new teachers participated in induction and mentoring programs. In its grant application, Ohio stated that its target for this measure was 100 percent. We reviewed Ohio's supporting documentation and found that only 76.6 percent of LEAs and charter schools offered induction and mentoring programs. Because teachers are not allowed to obtain professional licenses if they have not participated in such programs, Ohio assumed that all new teachers participated in the program. A better method for ensuring the accuracy of the information would be to require LEAs and charter schools to submit documentation indicating that all new teachers participated in induction and mentoring programs.
  - Ohio reported that 99 percent of participating LEAs' and charter schools' professional development plans met State high quality professional development standards. In its grant application, Ohio stated that its target for this measure was 50 percent. We reviewed Ohio's electronic records and found that Ohio approved professional development plans for only 259 of the 459 (56.4 percent) LEAs and charter schools that were participating in the Race to the Top program as of October 15, 2012. Ohio did not provide supporting documentation that explained the discrepancy between the percentage it reported (99 percent) and the percentage supported by its electronic records (56.4 percent).

According to the Federal Register notice inviting applications for the Race to the Top Fund (74 Federal Register 59846 (November 18, 2009)), a State and LEAs and charter schools receiving Race to the Top funds are accountable for meeting the goals, timelines, budget, and annual targets established in the application. According to 34 Code of Federal Regulations (C.F.R.) § 75.730,<sup>7</sup> grantees must retain records that facilitate an effective audit. According to 34 C.F.R. § 75.732, a grantee is required to keep records of significant project experiences and results in order to determine its progress in accomplishing its project objectives.

Race to the Top is a competitive grant, and the Department awarded Race to the Top funds to Ohio, in part, because of assertions Ohio made in its approved grant application. If Ohio cannot corroborate performance information reported to the Department, the Department cannot be sure that Ohio is accomplishing the goals identified in its approved grant application. In addition, Ohio's other stakeholders, such as parents and taxpayers, do not have an accurate picture of Ohio's performance against its published Race to the Top goals.

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<sup>7</sup> Unless otherwise noted, all regulatory citations are to the July 1, 2012, version.

### **Recommendations:**

We recommend that the Acting Director for Policy and Program Implementation, Implementation and Support Unit, require Ohio to—

- 1.1 Report data for the appropriate period covered by the annual performance report.
- 1.2 Obtain supporting documentation from LEAs and charter schools so that Ohio can verify the performance data that it reports in its annual performance report.
- 1.3 Retain documentation used to support reported performance data and fully disclose in its annual performance report if any data are missing or any data are not supported by adequate documentation.
- 1.4 Submit to the Department a corrected 2011–2012 annual performance report that accurately reflects Ohio’s performance during this reporting period.

We also recommend that the Acting Director for Policy and Program Implementation, Implementation and Support Unit—

- 1.5 Ensure that Ohio’s corrected 2011–2012 annual performance report is posted to the Department’s Race to the Top Web site.

### **Ohio’s Comments**

Ohio did not state whether it agreed or disagreed with Finding No. 1 or the recommendations. However, Ohio stated that its teacher count was accurate based on data that LEAs reported to Ohio through the Education Management Information System. The 59,744 count for school year 2011–2012 provided to the audit team was drawn from the count of participating LEAs as of June 30, 2011. In addition, Ohio stated that it reached the 25-percent goal during the extended reporting period (January 2013), which was the 1-year anniversary for implementation of the modules in the field.

Ohio stated that it will continue to monitor participating LEAs and charter schools and require participating LEAs and charter schools to submit documentation related to the Areas C and D measures during the fifth-year, no-cost extension of its Race to the Top grant.

### **OIG Response**

We did not change Finding No. 1 or our recommendations based on Ohio’s comments. First, although Ohio stated that it obtained a count of 59,744 teachers from the Education Management Information System, it did not provide us with any evidence to support the number. The only evidence that Ohio provided with its comments on the draft of this report was information from Ohio’s annual performance report to the Department, not Ohio’s Education Management Information System. Ohio should provide evidence other than its annual performance report to

support the 59,744 teachers reported to the Department, or it should disclose in a revised 2011-2012 annual performance report that it did not verify the accuracy of that count.

Second, Ohio's proposed corrective actions are not sufficient to fully address our recommendations. Although Ohio proposes to correct its reporting procedures for the fifth year of the grant, Ohio still needs to provide the Department with a revised annual performance report showing the correct information for the 2011–2012 reporting period, and it still needs to disclose in a revised 2011-2012 annual performance report that data were missing or not supported. Without such corrective actions, Ohio's various stakeholders do not have an accurate picture of Ohio's performance against its published Race to the Top goals.

Third, because Ohio did not meet the Area C goal of having 25 percent of teachers from participating LEAs complete formative instruction during the 1-year reporting period that ended June 30, 2012, Ohio, at a minimum, should have disclosed in its annual performance report that the percentage reported was a cumulative percentage as of January 2013. By not doing so, Ohio made it appear that the reported percentage was for teachers who completed formative instruction during the 1-year reporting period and did not present to its various stakeholders an accurate picture of Ohio's performance during the reporting period.

## **FINDING NO. 2 – Ohio Did Not Ensure That LEAs Complied With All Applicable Federal Fiscal Requirements**

Ohio did not regularly monitor the fiscal activity of participating LEAs and charter schools. As a result, Ohio did not prevent Toledo from maintaining excess cash on hand or prevent Lorain and Toledo from spending Race to the Top funds on unallowable items or activities. In addition, Ohio did not detect that Toledo did not adequately document its travel costs and allocated costs to the wrong grant.

### **Maintenance of Excess Cash**

Ohio checked cash on hand balances whenever an LEA or charter school submitted a project cash request. However, Ohio did not monitor whether each LEA and charter school minimized the amount of time elapsing between the transfer of funds from Ohio to the LEA or charter school and when the LEA or charter school used the funds.

We did not request data at a level of detail needed to determine the exact cash on hand balances or the exact number of days that those balances were carried because we did not need it to answer our audit objectives. However, we reviewed all project cash requests and a final expenditure report that Toledo submitted to Ohio for the period October 19, 2012, through September 30, 2013. Table 2, "Toledo's Cash on Hand Balances," shows the lowest and highest possible cash on hand balances that Toledo could have maintained between the date that Ohio provided additional funds and the date that Toledo submitted its next project cash request. For example, Ohio provided funds to Toledo on November 21, 2012. Toledo's next project cash request showed that, as of December 20, 2012, Toledo still had \$164,749 of cash on hand from the November 21, 2012, disbursement from Ohio. Therefore, during the 29-day period from November 21, 2012, through December 20, 2012, Toledo's cash on hand balance was at least \$164,749.

**Table 2. Toledo’s Cash on Hand Balances**

<b>Date Ohio Provided Funds</b>	<b>Date of Toledo’s Next Project Cash Request</b>	<b>Number of Days (a)</b>	<b>Lowest Possible Amount of Cash on Hand</b>	<b>Highest Possible Amount of Cash on Hand</b>
10/26/2012	11/16/2012	21	\$ 0	\$250,000
11/21/2012	12/20/2012	29	\$164,749	\$340,486
01/06/2013	01/17/2013	11	\$288,174	\$552,344
01/25/2013	02/20/2013	26	\$212,734	\$538,174
03/02/2013	03/19/2013	17	\$ 0	\$412,734
03/28/2013	04/19/2013	22	\$ 0	\$350,000
04/25/2013	05/15/2013	20	\$197,374	\$500,000
05/22/2013	06/11/2013	20	\$330,743	\$577,374
06/20/2013	07/19/2013	29	\$ 0	\$350,000
07/27/2013	08/19/2013	23	\$140,164	\$450,000
08/25/2013	09/30/2013(b)	36	\$201,561	\$340,164

- (a) The number of days between the date that Ohio provided funds and the date of Toledo’s next project cash request.
- (b) Date of Toledo’s final expenditure report.

According to 34 C.F.R. § 80.21(b), grantees and subgrantees must use methods and procedures for payment that minimize the time elapsing between the transfer of funds from the U.S. Department of the Treasury and the State’s payout of funds for Federal assistance purposes. The Department defines this requirement as maintaining a level of cash that is not in excess of immediate (usually 3 days) needs (“Recipients of ED Grants and Cooperative Agreements Frequently Asked Questions,” June 2010). Additionally, 34 C.F.R. § 80.37(a)(4) requires that States substantially conform any advances of grant funds to subgrantees to the same standards of timing and amount that apply to cash advanced by Federal agencies.

When a State, LEA, or charter school does not minimize the time elapsing between its receipt and disbursement of Race to the Top funds, the U.S. Department of the Treasury might incur additional borrowing costs, including interest. According to 34 C.F.R. § 80.21(i), grantees and subgrantees must remit interest earned on advances to the Federal agency.

**Funds Used for Unallowable Activities**

Of the expenditures that we reviewed, we found that Lorain and Toledo usually spent funds only on allowable items and activities. However, in some instances, both Lorain and Toledo spent Race to the Top Funds on unallowable items or activities. We judgmentally selected and reviewed available supporting documentation for \$86,672 of \$600,859 (14.4 percent) of Lorain’s and \$1,134,371 of \$4,384,894 (25.9 percent) of Toledo’s Race to the Top expenditures.<sup>8</sup>

We found that, in October 2010, Lorain used \$11,322 of Race to the Top funds to purchase 18 tablet computers for its employees working on Race to the Top initiatives. After Lorain purchased the tablet computers, employees decided that they did not want to use them. The

<sup>8</sup> We selected expenditures for Areas C and D that the two LEAs incurred from September 24, 2010, through June 30, 2013. At Toledo, we also selected expenditures from individual school and project grants, because Toledo did not identify the application areas that these expenditures were related to.

number of unused tablet computers varied from 16 in school year 2010–2011 to 3 in school year 2012–2013.<sup>9</sup> Lorain reassigned 11 of these 16 tablet computers to other Lorain employees who were not working on Race to the Top activities. The number reassigned varied from two in school year 2011–2012 to six in school year 2012–2013. As a result, a portion of the \$11,322 cost of the tablet computers was unallowable. In school year 2013–2014, Lorain reassigned the unused tablet computers and those being used by employees not working on Race to the Top activities to newly hired academic coaches. According to the director of Lorain’s Federal Programs and Grants, Lorain hired the academic coaches to help teachers access and interpret data for instructional purposes, which aligns with the goals of Ohio’s approved Race to the Top grant application.

We found that Toledo used \$15,733 in Race to the Top grant funds for the following unallowable activities or items:

- Toledo used \$11,771 to cover 50 percent of the salary payments to two employees without showing that the Race to the Top program received 50 percent of the benefit of their services. Toledo allocated 50 percent of a network administrator’s salary to the Race to the Top grant and 50 percent to another Federal grant. According to Toledo’s Race to the Top director, the network administrator spent 50 percent of available time working on Race to the Top activities. However, the network administrator told us that assigned duties included only general activities, such as software installation and input on Toledo’s software purchase decisions, rather than activities specific to Race to the Top. Additionally, while a computer repair technician served as acting network administrator, Toledo allocated 50 percent of the salary payments to the Race to the Top grant and 50 percent to another Federal grant.
- Toledo reimbursed an employee who was not working on Race to the Top activities \$165 in mileage costs. After we notified Toledo of the unallowable mileage costs, Toledo told us that it would reimburse the Race to the Top grant.
- Toledo used \$3,797 to purchase shirts with a school’s emblem, restaurant and theater gift cards, and prizes for students. Toledo gave these promotional items to students for a variety of reasons, including recruitment, room setup, and best Halloween costumes. However, these purchases did not align with the goals of Ohio’s Race to the Top grant.

According to Appendix A to 2 C.F.R. Part 225,<sup>10</sup> to be allowable under Federal awards, costs must be necessary and reasonable for proper and efficient performance and administration of Federal awards. A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.

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<sup>9</sup> Ohio has established the school year as running from July 1 through June 30.

<sup>10</sup> January 1, 2012, version.

### Costs Not Adequately Documented

Toledo reimbursed a consultant for travel costs without retaining adequate documentation. According to its contract with the consultant, Toledo would reimburse the consultant up to \$72,000 for consultant travel costs associated with Race to the Top-related professional development and support services. The consultant provided Toledo with a list of \$118,457 in travel costs that the consultant claimed were incurred from July 25, 2012, through June 18, 2013. Toledo paid the consultant \$72,000.

We judgmentally selected 9 of the 397 (2.2 percent) itemized travel expenditures that the consultant submitted and attempted to verify that the charges were adequately documented and only for Race to the Top-related activities. The 9 expenditures totaled \$14,843, or 12.5 percent, of the \$118,457 in travel costs that the consultant submitted. We found that five of the nine (55.5 percent) expenditures, totaling \$13,017 (87.6 percent of \$14,843), were not adequately documented.<sup>11</sup>

- The consultant incurred a cost of \$2,381 for two round-trip flights between Newark, New Jersey, and Detroit, Michigan. Toledo provided us with documentation of the flight times and the scheduled price, but we were not able to tell if the document was an invoice or an itinerary. An itinerary is not sufficient to show that the amounts were what the contractor actually paid for the trips.
- The consultant incurred a cost of \$3,391 for four round-trip flights between Rochester, New York, and Detroit, Michigan. Toledo provided us with itineraries for these trips but no invoices. An itinerary is not sufficient to show that the amounts were what the contractor actually paid for the trips.
- The consultant incurred a cost of \$125 for a rental car. Toledo did not provide us with a receipt for the rental car cost.
- The consultant incurred a cost of \$5,672 for hotel accommodations. While Toledo provided invoices for the hotel costs, Toledo did not provide evidence that the trip associated with this hotel cost was related to Race to the Top activities. Toledo's acting director of Fiscal Compliance stated that all of the consultant's events were listed on a calendar of activities posted on Toledo's Web site. However, we found no activities listed on the calendar of activities for the dates of the hotel stay.<sup>12</sup>
- The consultant incurred a cost of \$1,569 for hotel accommodations for 16 days. Toledo provided an invoice for the hotel cost but Toledo's Web site showed that the consultant had an event on only 1 day. Therefore, only the amount charged to Toledo for that 1 day (\$121) was an allowable cost. The remaining \$1,449 was inadequately documented.

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<sup>11</sup> Except where noted, the trips associated with the expenditures were Race to the Top related.

<sup>12</sup> The consultant also listed an additional \$8,157 for airfare, car rental, meals, and other travel expenses for this trip that we did not include in our sample of \$14,843.

According to Appendix A to 2 C.F.R. Part 225, costs must be adequately documented to be allowable under Federal awards.

Toledo reimbursed the consultant for travel costs at the invoiced amount without verifying that the consultant incurred these costs and without verifying that the costs were associated with Race to the Top-related activities. By not verifying costs, Toledo unintentionally increased the risk that it paid consultants for work that was not performed or work that was performed but not related to Race to the Top activities.

### **Allocation of Costs to Incorrect Grants**

Toledo paid for 25 employees from two different schools to attend a professional development conference. Each school received an individual Race to the Top grant from Ohio.<sup>13</sup> Toledo charged the \$2,000 hotel sales tax for all of the attending employees to one school's Race to the Top grant. However, Toledo should have proportionately allocated the sales tax to each school's grant: \$1,108 to one school's grant and \$892 to the other school's grant. After we notified Toledo of the incorrect allocation of expenses, Toledo told us that it would reimburse the school's Race to the Top grant.

According to 34 C.F.R. § 75.702, subgrantees must use fiscal control and fund accounting procedures that ensure proper disbursement of and accounting for Federal funds.

### **Recommendations:**

We recommend that the Acting Director for Policy and Program Implementation, Implementation and Support Unit, require Ohio to—

- 2.1 More closely monitor the fiscal activity of LEAs and charter schools to ensure that the amount of time elapsing between the transfer of Race to the Top grant funds from Ohio to the LEAs and charter schools and the LEAs' and charter schools' uses of the funds is minimized.
- 2.2 Determine the cost of the tablet computers that Lorain did not use for Race to the Top-related purposes and require Lorain to identify allowable uses of funds consistent with Ohio's approved Race to the Top application or restore the funds used to purchase the tablet computers to the Race to the Top account.
- 2.3 Instruct Toledo to identify allowable uses of funds consistent with Ohio's approved Race to the Top application or return to Ohio the \$15,731 in Race to the Top funds that Toledo used for unallowable activities.
- 2.4 Instruct Toledo to provide documentation supporting the \$13,017 of consultant travel costs that we sampled but could not verify. If Toledo cannot provide sufficient documentation for the \$13,017, then Ohio should instruct Toledo to provide

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<sup>13</sup> Ohio awarded individual Race to the Top grants to 8 of Toledo's schools and programs from the \$194 million allocated for State-level activities, supplemental disbursements to LEAs, and other activities as stated in Ohio's application.

documentation sufficient to support the remaining \$70,174 of the \$72,000 of consultant travel costs, identify allowable uses of funds consistent with Ohio's approved Race to the Top application, or return to Ohio the amount of consultant travel costs that Toledo cannot adequately support.

- 2.5 Verify that Toledo correctly allocated \$2,000 in hotel sales tax for employees attending professional development between the two Race to the Top school grants.
- 2.6 Remind LEAs and charter schools to verify consultant travel costs before reimbursing those costs with Federal funds.
- 2.7 Remind LEAs and charter schools to appropriately and accurately allocate expenditures between Federal grants.

### **Ohio's Comments**

Ohio did not state whether it agreed or disagreed with Finding No. 2 or the recommendations. However, Ohio stated that it

- developed and implemented in State fiscal year 2012–2013 risk-based financial compliance monitoring that includes a review of accounting records, purchase orders, invoices, cancelled checks, budgets, contracts and cash requests, and other items;
- will continue to have its Office of Grants Management advise LEAs and charter schools about minimizing the time elapsing between the receipt and use of grant funds;
- had Lorain, for school year 2013–2014, assign all tablet computers purchased with Race to the Top funds only to employees whose functions align with the original purpose for which the tablet computers were purchased;
- will require Lorain and Toledo to implement corrective actions or provide appropriate documentation to justify the expenses noted in Finding No. 2; and
- will communicate, via the Ohio Department of Education newsletter and the Race to the Top news and views publication, proper accounting procedures, including the verification of consultant travel and other costs before reimbursing those costs with Federal funds and appropriately and accurately allocating expenditures between Federal grants.

### **OIG Response**

We did not change Finding No. 2. However, we modified Recommendations 2.2, 2.3, and 2.4 to allow for alternative corrective actions for LEAs spending Race to the Top funds on unallowable and unsupported activities. Additionally, Ohio's planned corrective actions to address Recommendation 2.1 are not clear on whether Ohio plans to do more than just advise LEAs and

charter schools about minimizing the time elapsing between the receipt and use of grant funds. Although Ohio stated that its Office of Grants Management will continue to review and approve cash requests, the procedures that it used during our audit period were not sufficient to provide reasonable assurance that LEAs and charter schools minimized the time elapsing between the receipt and use of grant funds. Therefore, following the same procedures will not eliminate the problem.

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## OBJECTIVES, SCOPE, AND METHODOLOGY

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The objectives of our audit were to determine whether Ohio

- accurately and completely reported Race to the Top performance data to the Department,
- ensured that it and each participating LEA and charter school will have the capacity to deliver and sustain the results described in Ohio's Race to the Top grant application after all Federal funds have been expended, and
- spent Race to the Top funds and ensured that LEAs and charter schools spent Race to the Top funds only on allowable activities and in accordance with program requirements and Ohio's approved grant application.

Our audit covered the period from September 24, 2010, through June 30, 2013. However, to determine whether Ohio spent grant funds only on allowable activities and in accordance with program requirements and the approved application, our audit covered the period from September 24, 2010, through June 28, 2013. We limited our review to Areas C and D.

To achieve our objectives, we performed the following procedures:

1. Reviewed the (a) American Recovery and Reinvestment Act of 2009, Sections 14005-14006, Title XIV, (Public Law 111-5); (b) regulations at 2 C.F.R. Part 225, 31 C.F.R. § 205.11, and 34 C.F.R. Parts 75 and 80; (c) 70 Federal Register 51910 (August 31, 2005); (d) 74 Federal Register 59836 (November 18, 2009); and (e) 75 Federal Register 19496 (April 14, 2010) to gain an understanding of the requirements that Ohio and participating LEAs and charter schools were required to follow when administering the Race to the Top grant.
2. Judgmentally selected two participating LEAs: Lorain and Toledo (for details on the selection of LEAs, see "Sampling Methodology").
3. Reviewed background information about the program, Ohio, and the two LEAs to gain an understanding of the program requirements that Ohio and the selected LEAs

- were required to follow and the environment in which these entities operated. For example, we reviewed Race to the Top program information posted on the Department's Web site, Ohio's Race to the Top grant application, and Ohio's and the two LEAs' organizational structures.
4. Reviewed prior Office of Management and Budget Circular A-133 compliance audits for Ohio, Lorain, and Toledo to identify areas of potential internal control weaknesses related to our audit objectives.
  5. Interviewed Ohio, Lorain, and Toledo officials and reviewed written policies and procedures to gain an understanding and evaluate the adequacy of (a) how they collected, recorded, and verified the data that Ohio reported in its 2011–2012 annual performance report; (b) their progress on Race to the Top initiatives, procedures for monitoring progress, and plans to sustain the progress after all Race to the Top funds have been expended; and (c) their procedures, including procedures for making purchases, contracting, approving budgets, and monitoring, for ensuring that they spent Race to the Top funds in accordance with Federal requirements.
  6. Reviewed supporting documentation, such as reports from a vendor, budgets for future periods, and invoices, for (a) the measures that Ohio reported in its 2011–2012 annual performance report; (b) Ohio's progress on selected initiatives and plans for sustaining progress after all Race to the Top funds have been expended; and (c) selected expenditures (for details on the selection of expenditures, see "Sampling Methodology").
  7. Reviewed Ohio's comments on the draft of this report and all supporting documentation that Ohio provided with its comments and revised our report, if necessary.

### **Data Reliability**

To achieve our third objective, we relied, in part, on expenditure data that Ohio, Lorain, and Toledo provided from the Ohio Administrative Knowledge System, Uniform School Accounting System, and computerized business system, respectively. We reviewed the data for completeness by comparing Ohio's expenditure totals to the total drawdowns shown in the Department's G5 system and comparing the LEAs' expenditure totals to the total expenditures shown in Ohio's Comprehensive Continuous Improvement Plan system. We also analyzed the records from all three systems, looking for duplicate entries, invalid identifiers, missing data, appropriate relationships to other data, values outside a designated range, or values outside valid periods. Based on the results of our tests, we concluded that the data provided from all three systems were sufficiently reliable for our intended use.

### **Sampling Methodology**

We judgmentally selected LEAs and expenditures to review. Because we selected nonstatistical samples, the sampling results might not be representative of the entire universes and, therefore, cannot be projected to the universes.

### Selection of LEAs

We judgmentally selected 2 of the 449 (0.4 percent) LEAs and charter schools that were participating in Ohio's Race to the Top program as of April 2013. We selected these LEAs based on the amount of Race to the Top funds that they received and various risk factors, such as whether prior audit reports identified findings that we considered significant within the context of our audit objectives.

### Selection of expenditures

#### **Ohio**

For Area C, we selected 6 of 359 (1.7 percent), totaling \$3,765,866 of \$18,123,154 (20.8 percent), nonpersonnel expenditures incurred from September 24, 2010, through June 28, 2013. We limited our selections to nonpersonnel expenditures for contracted and professional services, local assistance subsidies, professional development, and technical support. We did not select nonpersonnel expenditures in other categories. Ohio did not incur any personnel expenditures related to Area C.

For Area D, we selected 12 of 748 (1.6 percent), totaling \$19,967 of \$1,264,988 (1.6 percent), personnel expenditures and 7 of 2,165 (0.3 percent), totaling \$1,704,387 of \$23,636,620 (7.2 percent), nonpersonnel expenditures incurred from September 24, 2010, through June 28, 2013. We limited our selections to nonpersonnel expenditures for assistance to educational institutions, contracted and professional services, stipends, and training. We selected personnel expenditures for individuals who did not have the same amount of salary or fringe benefit payments from one pay period to the next.

#### **Lorain**

For Area C, we selected 15 of 277 (5.4 percent), totaling \$74,179 of \$332,751 (22.3 percent), personnel and nonpersonnel expenditures incurred from September 24, 2010, through June 30, 2013. For Area D, we selected 5 of 294 (1.7 percent), totaling \$12,493 of \$268,108 (4.7 percent), personnel and nonpersonnel expenditures incurred from September 24, 2010, through June 30, 2013. We selected purchases from different vendors. We also limited our selections to expenditures for benefits, professional development purchased services, professional development supplies, salaries, and contracted services. We did not review expenditures in other categories.

#### **Toledo**

We selected a sample of Toledo's expenditures for Areas C and D. We selected 25 of 1,854 (1.3 percent), totaling \$882,955 of \$1,276,997 (69.1 percent), Area C and D nonpersonnel expenditures for testing. We selected nonpersonnel expenditures for classroom supplies, miscellaneous expenses, printing, professional services, purchased services, software, equipment, and travel. We also selected 26 of 16,749 (0.2 percent) items totaling \$135,328 of the \$2,664,483 (5.1 percent) in Areas C and D salary and fringe benefit expenditures for testing. We selected salary and fringe benefit items that were among the highest for the fiscal year.

Additionally, from the 8 individual school and project grants that Ohio awarded to Toledo from Ohio's portion of Race to the Top funds, we selected 10 of 923 (1.1 percent), totaling \$101,245

of \$324,957 (31.2 percent), expenditures incurred from September 6, 2011, through November 30, 2013. Toledo did not identify the Race to the Top areas that these expenditures related to. We chose items, such as charges for advertising and restaurants, that appeared unusual for this type of Federal award. We limited our selections to expenditures for advertising, awards, classroom supplies, salaries, services, technical equipment, transportation, and travel. We did not select expenditures from other categories.

Finally, we selected 9 of 397 (2.3 percent), totaling \$14,843 of \$118,457 (12.5 percent), charges for expenses that a consultant incurred for Race to the Top-related travel. We chose items that were among the highest charges in various categories of travel expenses, such as airfare, hotel, and car rental.

We conducted this audit from July 2013 through March 2014 in Columbus, Lorain, and Toledo, Ohio, and at our offices in Chicago, Illinois, and Kansas City, Missouri.

We discussed the results of our audit with Lorain and Toledo officials on May 15, 2014, and with Ohio officials on May 29, 2014.

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.

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## **ADMINISTRATIVE MATTERS**

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Statements that managerial practices need improvements, as well as other conclusions and recommendations in this report, represent the opinions of the Office of Inspector General. 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 Department of Education official, who will consider them before taking final Departmental action on this audit:

Patrick Rooney  
Acting Director for Policy and Program Implementation,  
Implementation and Support Unit, Office of the Deputy Secretary  
U.S. Department of Education  
Lyndon Baines Johnson  
Department of Education Building  
Room 7E204

400 Maryland Ave, SW  
Washington, DC 20202

It is the policy of the U. S. Department of Education 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 appreciated.

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

Sincerely,

/s/

Gary D. Whitman  
Regional Inspector General for Audit

Attachments

**Attachment 1**

**Acronyms, Abbreviations, and Short Forms Used in this Report**

Area C	Application Area C, “Data Systems to Support Instruction,” of Ohio’s Grant Application
Area D	Application Area D, “Great Teachers and Leaders,” of Ohio’s Grant Application
C.F.R.	Code of Federal Regulations
Department	U.S. Department of Education
LEA	Local Educational Agency
Lorain	Lorain City Schools
Ohio	Ohio Department of Education
Toledo	Toledo Public Schools

**Attachment 2**

**Ohio's Comments on the Draft Report**



John R. Kasich, Governor  
Dr. Richard A. Ross, Superintendent of Public Instruction

*Gary D. Whitman*  
**Regional Inspector General for Audit**  
*U.S. Department of Education*  
*Office of Inspector General*  
Citigroup Center  
500 West Madison Street, Suite 1414  
Chicago, Ill 60661

**Dear Mr. Whitman,**

**RE: Control Number ED-OIG/ A05N0009**

This letter is in response to the draft audit report, "The Ohio Department of Education's Administration of its Race to the Top Grant" forwarded to the Ohio Department of Education on June 18, 2014.

We are pleased that the Inspector General Audit Team found that:

"Ohio reported to the Department all required grant performance data for Areas C and D, that for a sample of expenditures related to Areas C and D, Ohio spent Race to the Top funds only on allowable activities and in accordance with programs requirements and Ohio's approved grant application.

In addition, Ohio ensured that it, Lorain, and Toledo with have the capacity to deliver results and have developed plans to sustain results after they have spent all Federal funds." (Page 2 of the draft audit report)

Below please find the Ohio Race to the Top Office response to the exceptions found in the audit.

25 South Front Street  
Columbus, Ohio 43215  
education.ohio.gov

(877) 644-6338  
For people who are deaf or hard of hearing,  
please call Relay Ohio first at 711.

**Finding No. 1: Ohio Could Improve the Accuracy of Reported Performance Data**

*“Ohio did not provide documentation that explained how it determine that 59,744 teacher were working in participating LEAs and charter school.”* (Bottom of page 5 of the draft audit report)

Response to Area C:

Ohio’s teacher count is based on data reported by districts to the Ohio Department of Education (ODE) through the Education Management Information System (EMIS). The count represents a unique count of staff assigned reported as the teacher of record on a course master record. Staff must hold a valid credential to be able to teach in Ohio. The 59,744 count for 2011-12 reported to the audit team was drawn from the count of participating Local Education Agencies (LEAs) as of June 30, 2011 according to the then-current EMIS report. Please see attached document under the heading Explanation of reported data and source.

*“Ohio did not provide documentation supporting the percentages that it reported for the following measures: (bullet 1) 25 percent of teachers in participating LEAs and charter schools completed at least one component of the online formative instruction to improve teacher performance and (bullet 2) 15 percent of the teachers in participating LEAs and charter schools completed a formative instruction module that included face-to-face and online components.”* (Page 6 of the draft audit report)

Response to Area C:

Ohio did reach the goal of 25% in the extended reporting period to January 2013 which was the one year anniversary for implementation of the modules in the field.

**Corrective Action:**

The auditor stated that “A better method for ensuring the accuracy of the information would be to require LEAs and charter schools to submit documentation indicating the number of teachers who received face-to-face instruction.” As of this date, the four years of the grant have expired. LEAs and community schools are no longer required to implement their approved scopes of work. However, as corrective action, during our Year 5 No Cost Extension we shall continue to track usage and training and require reporting from those LEAs and community schools that have specifically committed to continuing the usage of the modules and face-to-face training.

Response to Area D:

*“Ohio did not have documentation support the percentages that it reported for the following measures:*

- *100% of participating LEAs and charter schools had induction and mentoring programs for new teachers.*
- *100% of new teachers participated in induction and mentoring programs.*
- *99% of participating LEAs’ and charter schools’ professional development plans met State high quality professional development standards.” (pages 6 and 7 of the draft audit report)*

**Corrective Action:**

The auditor stated that “A better method for ensuring the accuracy of the information would be to require LEAs and charter schools to submit documentation indicating the number of teachers who received face-to-face instruction.” As of this date, the four years of the grant have expired. LEAs and community schools are no longer required to implement their approved scopes of work. However, as corrective action, during our Year 5 No Cost Extension we shall continue to track usage and training and require those LEAs and community schools to submit documentation that relates to the standards above.

**Finding No. 2: Ohio did not ensure that LEAs complied with all applicable federal fiscal requirements.**

**Corrective Action:**

Beginning State Fiscal Year 2013, the Ohio Department of Education developed and implemented a risk-based financial compliance monitoring. Annually for each grant, Ohio selects 10% of the state award and 10% of the numbers of LEAs receiving the allocation for review. The external monitor shall review such items that include, but are not limited to, accounting records, purchase orders, invoices, cancelled checks, budgets, contracts and cash requests. Once the review is completed, if necessary, a corrective action plan is completed and technical assistance is provided.

As the Office of Grants Management reviews and approves cash requests, we shall continue to advise LEAs minimizing the time lapsing between receiving grant funds and the use of the funds. The project cash request reviews are based on internal policies which include the percentage cash on hand to be reviewed. Ohio shall continue to look at possible updates to internal policies to ensure compliance with federal guidelines, but still meet the requirement of minimizing burden to our 1200+ entities.

In the case of Lorain, Lorain City Schools recognizes that during the period audited, not all of the iPads were used to support the RttT grant as originally intended. The administration of the district has worked diligently to ensure proper use of grant funds and to thoroughly document all RttT activities. In order to correct this situation, for the 2013-14 fiscal year, all iPads purchased with RttT funds have been assigned to staff whose function aligns to the original purpose for the iPads were purchased – to access data for instructional decision making.

Ohio shall directly follow up with Lorain and Toledo to ensure they have made the corrections or provide appropriate documentation to justify the expenses in response to Findings 2.2, 2.3, 2.4, and 2.5 as indication in their responses to the USDOE IG Audit teams. If Lorain and Toledo have not completed the tasks, we shall continue to work with them until the corrective action is completed.

Ohio shall communicate proper accounting procedures to verify consultant travel costs before reimbursing those costs with Federal funds and to appropriately and accurately allocate expenditures between Federal grants. Ohio shall communicate to the LEAs and charter schools via the Ohio Department of Education Newsletter and the Race to the Top News and Views publication. Ohio shall stress the importance of appropriately and accurately allocating expenditures between multiple Federal grants and remind the LEAs and charter schools to ensure the verification of costs be attained before reimbursement of costs with Federal funds.

Sincerely,

/s/

*Scott A. Spears*  
**Director, Ohio Race to the Top**

**Attachment 1:**

**Explanation of reported data and source:**

Ohio's teacher count is based on data reported by districts to the Ohio Department of Education (ODE) through the Education Management Information System (EMIS). The count represents a unique count of staff assigned reported as the teacher of record on a course master record. Staff must hold a valid credential to be able to teach in Ohio.

**Teacher:** Any individual that is assigned on a course master record to instruct pupils. They must hold a valid credential to be able to teach in Ohio. This person is the teacher of record.

**Principal:** An assignment to a staff member to perform highest-level executive management functions in an individual school, groups of schools, or unit(s) of a school district.

**Mathematics Teacher:** Any individual listed as a teacher of record on a course master record for at least one math course, excluding special education teachers.

**Science Teacher:** Any individual listed as a teacher of record on a course master record for at least one science course, excluding special education teachers.

**Special Education Teacher:** Any individual listed as a teacher of record on a course master record for at least special education course.

**Teachers in language instruction educational programs:** (assuming these are actually ELL/TESOL/ESL teachers) Any individual listed as a teacher of record on a course master record for at least one ELL course.

Notes: Special Education is a course type, not a subject area in Ohio. Each course with a special education type, still has a course subject. Hence the reason for excluding special education from Math and Science. There will be duplicate head counts in Math, Science and ELL for teachers that teach any combination of these subject areas.

**SY2010-11**

Counts:	Statewide	Participating LEAs
Teachers	106,910	59,744
Principals	3,507	1,975

<https://www.rtt-apr.us/state/ohio/2010-2011/lea>

<https://www.rtt-apr.us/state/ohio/2011-2012/lea>

LEAs participating in Ohio's Race to the Top plan					
	Statewide (#) SY 2010 - 2011	Participating LEAs (#) as indicated in the application	Participating LEAs (#) as of June 30, 2011	Involved LEAs (#) as of June 30, 2011	Other LEAs (#) as of June 30, 2011
LEAs	955	536	478	6	471
Schools	3,686	2,586	2,052	44	1,590
K-12 Students	1,724,144	1,069,213	995,655	19,275	709,214
Students in poverty	748,263	470,249	497,330	7,683	243,250
Teachers	106,910	65,233	59,744	1,356	45,810
Principals	3,507	2,179	1,975	42	1,490

LEAs participating in Ohio's Race to the Top plan						
	Statewide (#) SY 2011 - 2012	Participating LEAs (#) as of June 30, 2011	Involved LEAs (#) as of June 30, 2011	Participating LEAs (#) as of June 30, 2012	Involved LEAs (#) as of June 30, 2012	Other LEAs (#) as of June 30, 2012
LEAs	992	478	6	462	124	406
Schools	3,645	2,052	44	1,901	548	1,116
K-12 Students	1,710,523	995,655	19,275	964,952	260,855	484,716
Students in poverty	776,157	497,330	7,683	494,137	113,625	168,395
Teachers	109,000	59,744	1,356	52,623	4,363	42,014
Principals	3,663	1,975	42	1,867	542	1,254