



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF INSPECTOR GENERAL

THE INSPECTOR GENERAL

MEMORANDUM

SEP 24 2001

**TO:** William D. Hansen  
Deputy Secretary of Education

**FROM:** Lorraine Lewis *Lorraine Lewis*

**SUBJECT:** **FINAL AUDIT REPORT**  
*Audit of IDEA Part B at the California Department of  
Education, Sacramento, California*  
Control Number ED-OIG/A05-B0022

Attached is a copy of the final audit report referenced above. We are furnishing this report to you because it may contain information of interest to you.

If you have any questions, please call Richard Dowd, Regional Inspector General for Audit, at 312-886-6503.

Attachment



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF INSPECTOR GENERAL

THE INSPECTOR GENERAL

MEMORANDUM

SEP 24 2001

**TO:** Terry Abbott  
Chief of Staff  
Office of the Secretary

**FROM:** Lorraine Lewis *Lorraine Lewis*

**SUBJECT:** **FINAL AUDIT REPORT**  
*Audit of IDEA Part B at the California Department of Education, Sacramento, California*  
Control Number ED-OIG/A05-B0022

Attached is a copy of the final audit report referenced above. We are furnishing this report to you because it may contain information of interest to you.

If you have any questions, please call Richard Dowd, Regional Inspector General for Audit, at 312-886-6503.

Attachment



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF INSPECTOR GENERAL

THE INSPECTOR GENERAL

MEMORANDUM

SEP 24 2001

**TO:** Eugene W. Hickok  
Under Secretary  
Department of Education

**FROM:** Lorraine Lewis *Lorraine Lewis*

**SUBJECT:** **FINAL AUDIT REPORT**  
*Audit of IDEA Part B at the California Department of  
Education, Sacramento, California*  
Control Number ED-OIG/A05-B0022

Attached is a copy of the final audit report referenced above. We are furnishing this report to you because it may contain information of interest to you.

If you have any questions, please call Richard Dowd, Regional Inspector General for Audit, at 312-886-6503.

Attachment



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF INSPECTOR GENERAL

THE INSPECTOR GENERAL

MEMORANDUM

SEP 24 2001

**TO:** Laurie M. Rich  
Assistant Secretary  
Office of Intergovernmental and Interagency Affairs

**FROM:** Lorraine Lewis *Lorraine Lewis*

**SUBJECT:** **FINAL AUDIT REPORT**  
*Audit of IDEA Part B at the California Department of  
Education, Sacramento, California*  
Control Number ED-OIG/A05-B0022

Attached is a copy of the final audit report referenced above. We are furnishing this report to you because it may contain information of interest to you.

If you have any questions, please call Richard Dowd, Regional Inspector General for Audit, at 312-886-6503.

Attachment



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF INSPECTOR GENERAL

THE INSPECTOR GENERAL

SEP 24 2001

MEMORANDUM

**TO:** Robert Pasternack  
Assistant Secretary  
Office of Special Education and  
Rehabilitative Services

**FROM:** Lorraine Lewis *Lorraine Lewis*

**SUBJECT:** **FINAL AUDIT REPORT**  
*Audit of IDEA Part B at the California Department of  
Education, Sacramento, California*  
Control Number ED-OIG/A05-B0022

Attached is the subject report resulting from our audit of IDEA Part B at the California Department of Education.

If you have any questions or wish to discuss the contents of this report, please contact Richard Dowd, Regional Inspector General for Audit, Region V, at 312-886-6503.

Please refer to the above audit control number in all correspondence relating to this report.

Attachment



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF INSPECTOR GENERAL

THE INSPECTOR GENERAL

**ED-OIG/A05-B0022**

**SEP 24 2001**

Ms. Delaine Eastin  
Superintendent of Public Instruction  
California Department of Education  
721 Capitol Mall  
Room 524  
Sacramento, California 95814

Dear Ms. Eastin:

This **Final Audit Report** presents the results of our audit of the Individuals with Disabilities Education Act Part B (IDEA) funds at the California Department of Education (CDE) and three selected Special Education Local Plan Areas (SELPA). The objectives of our audit were to determine (1) the extent of and reasons for carryovers at three selected SELPAs; (2) how many SELPAs implemented the 20 percent supplanting provision and, where implemented, how the supplanted funds were used and accounted for; and (3) if the CDE developed and implemented cash management controls to minimize excess cash.

## **AUDIT RESULTS**

None of the three SELPAs had carryovers for the 1997, 1998, and 1999 grant years because the CDE requires SELPAs to spend all IDEA funds within the initial grant year. IDEA has no limit on the amount a SELPA can carryover but all funds must be obligated within 27 months. IDEA contains a supplanting provision that allows LEAs to use 20 percent of the federal funding increase in place of non-federal funds. The CDE had no record that any SELPA implemented the supplanting provision, and none of the three selected SELPAs had implemented the provision. The CDE's cash management controls appeared to be adequate, as we found no evidence that the CDE or the three SELPAs maintained excess cash. We make no recommendations in this report.

## **BACKGROUND**

The purpose of IDEA is to (1) ensure that children with disabilities have available to them a free appropriate public education that emphasizes special education and related services designed to meet their unique needs and prepare them for employment and independent living; (2) ensure that the rights of children with disabilities and parents of such children are protected; and (3) assist states, localities, educational service agencies, and federal agencies to provide for the education of all children with disabilities. IDEA was enacted in 1975 and is scheduled for reauthorization in 2002.

The IDEA programs are governed by regulations contained in 34 C.F.R. Part 300, *Assistance to States for the Education of Children with Disabilities*. In addition, IDEA is subject to the provisions contained in the *State-Administered Programs* (34 C.F.R. Part 76), *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments* (34 C.F.R. Part 80), and *General Education Provisions Act-Enforcement* (34 C.F.R. Part 81) regulations.

CDE disburses and tracks special education funds through 116 SELPAs, which can be comprised of one or more individual school districts. For grant year 1999, the Department allocated \$430.4 million to the CDE for IDEA. Of that amount, the CDE planned to keep \$63.4 million for administration and state level activities and provided \$367.0 million to the 116 SELPAs based on an annual child count of special education students. The CDE provided \$6.3 million to the North Coastal SELPA, \$1.5 million to the Tri-Cities SELPA, and \$0.9 million to the Santa Clara VII SELPA.

## **OBJECTIVES, SCOPE, AND METHODOLOGY**

The objectives of our audit were to determine (1) the extent of and reasons for carryovers at three selected SELPAs; (2) how many SELPAs implemented the 20 percent supplanting provision and, where implemented, how the supplanted funds were used and accounted for; and (3) if the CDE developed and implemented cash management controls to minimize excess cash.

To meet our objectives, we reviewed: (1) CDE policies and procedures for cash management, monitoring, and reporting on SELPA carryovers; (2) CDE accounting documents including IDEA fund requests, IDEA distribution listings, claim schedules, and remittance advices; and (3) the Cash Management Improvement Act agreement between the State of California and the U.S. Treasury.

We randomly selected three SELPAs for site visits: (1) the North Coastal, which is comprised of 14 school districts, (2) the Tri-Cities, which is comprised of three school districts, and (3) the Santa Clara VII, which is comprised of one school district. At SELPAs, we reviewed grant award documents, final expenditure reports, certification of funds expended documents, IDEA distribution listings, financial transaction reports, journal entry postings, budget reports, affidavit and record of deposits, and cumulative detail reports. To corroborate that the SELPAs' implemented adequate cash management procedures, we reviewed school district accounting records at the SELPAs for the Oceanside Unified School District (North Coastal SELPA), the Beverly Hills Unified School District (Tri-Cities SELPA), and the Santa Clara Unified School District (Santa Clara VII SELPA).

We reviewed findings from the 1998 and 1999 single audit reports for the State of California, and researched the Office of Special Education Program's web page for recent monitoring reports. In addition, we interviewed officials from the CDE, three SELPAs, and the California Bureau of State Audits.

To achieve the assignment's objectives, we relied on data contained in the CDE's and the three SELPAs' databases. We obtained IDEA disbursement data using the Department's Central Automated Processing System/Grant Administration and Payment System (EDCAPS/GAPS). We then verified that disbursement information in the CDE's database agreed with EDCAPS/GAPS

information and with receipt information in the three SELPAs' databases. We did not verify the reliability of SELPA expenditure data because the data were not critical to meeting the objectives of the audit. However, during our audit, nothing came to our attention that caused us to doubt the acceptability of the data.

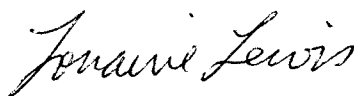
Our audit covered the 1997, 1998, and 1999 grant award years. We performed field work at the CDE in Sacramento, California, from May 14-15, 2001. We also performed field work at three SELPAs from May 16-24, 2001. We conducted our audit in accordance with government auditing standards appropriate to the scope of review.

### **STATEMENT ON MANAGEMENT CONTROLS**

As part of our review, we gained an understanding of the CDE's management control structure, as well as its policies, procedures, and practices applicable to the scope of the audit. We identified applicable significant controls at the CDE related to carryovers, supplanting, and cash management. We gained an understanding of the policies, procedures, and practices related to carryovers, supplanting, and cash management at the three SELPAs, but not for the three local school districts. Due to inherent limitations, gaining an understanding of management controls would not necessarily disclose material weaknesses.

We appreciate the cooperation and assistance extended by your staff during the audit. You are not required to respond to this report. However, if you desire to discuss it, please call Richard Dowd, the Regional Inspector General for Audit in Chicago, Illinois, at 312-886-6503.

Sincerely,



Lorraine Lewis  
Inspector General



## REPORT DISTRIBUTION LIST

No. of  
Copies

Auditee .....Original

### ED Offices

Deputy Secretary..... 1

Chief of Staff..... 1

Office of the Under Secretary..... 1

Office of Intergovernmental and Interagency Affairs..... 1

### Assistant Secretary

Office of Special Education and Rehabilitative Services..... 1

Office of the General Counsel..... 1

### Office of the Chief Financial Officer

Financial Improvement and Post Audit Operations..... 1

Office of Public Affairs..... 1

Secretary's Regional Representative..... 1

### ED-OIG

Inspector General..... 1

Deputy Inspector General..... 1

Assistant Inspector General for Investigations..... 1

Assistant Inspector General for Audit..... 1

Deputy Assistant Inspector General for Audit..... 1

Audit Services..... 1

Director, State and Local Advisory and Assistance..... 1

Area Managers..... 6

Region V Audit Office..... 6