



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL

Audit Services
Chicago/Kansas City Audit Region

June 22, 2007

Control Number
ED-OIG/A05H0008

Christopher A. Koch, Ed.D.
State Superintendent of Education
Illinois State Board of Education
100 N. 1st Street
Springfield, IL 62777

Dear Dr. Koch:

This **Final Audit Report**, entitled *Indian Springs District 109's Use of Individuals with Disabilities Education Improvement Act Funds*, presents the results of our audit. The objectives of our audit were to determine whether Indian Springs District 109 (Indian Springs) (1) used Individuals with Disabilities Education Act (IDEA) funds only for expenses directly related to IDEA, Part B, and (2) accurately reported home visitation records to the Illinois State Board of Education (ISBE). Our audit covered the period July 1, 2004, through June 30, 2006 (2004-05 and 2005-06 school years).

BACKGROUND

IDEA, reauthorized by the Individuals with Disabilities Education Improvement Act of 2004, was enacted to ensure that all children with disabilities have available to them a free and appropriate public education and to ensure that the rights of children with disabilities and their parents are protected. IDEA, Part B, specifically provides services for children ages 3 through 21. IDEA funds can be used for a variety of services in accordance with each eligible student's Individualized Education Program, which is created by a team that includes a parent as well as district and school representatives.

Indian Springs received a combined total of approximately \$936,000 in IDEA funds for the 2004-05 and 2005-06 school years. Indian Springs' IDEA funds flow through both the state and the A.E.R.O. Special Education Cooperative, of which Indian Springs is a member. A.E.R.O. Special Education Cooperative helps its member districts by providing comprehensive services for special education students that districts could not necessarily provide individually.

AUDIT RESULTS

Our audit found that Indian Springs used IDEA funds only for IDEA-related activities during the regular school year, but used IDEA funds for non-IDEA related and, therefore, unallowable costs for its summer school program. We also determined that Indian Springs did not provide home visitations with IDEA funds and, therefore, did not need to report any home visitations to ISBE.

ISBE concurred with our finding and recommendations. The text of its response is provided in full as an Attachment to this report.

FINDING – Indian Springs Used IDEA Funds for Unallowable Summer School Costs

Indian Springs charged \$29,472 in unallowable personnel and non-personnel costs to the IDEA grant for its 2004-05 and 2005-06 summer school programs.¹ During the 2004-05 and 2005-06 school years, Indian Springs used funds from its IDEA grant to pay for approximately one-third of the district's summer school when less than one-third of its summer school attendees for both years were IDEA eligible students. Specifically, 7 percent and 13 percent of summer school attendees were IDEA eligible students for the 2004-05 and 2005-06 school years, respectively. Indian Springs should have charged the IDEA grant in proportion to the number of IDEA eligible students who attended its summer school.

According to Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments (revised 5/10/04)* (A-87), Attachment A, Section C-1, costs must be allowable and allocable to federal awards.

Indian Springs has charged one-third of its summer school personnel costs to the IDEA grant for several years. The current administration does not know the reason the district originally started charging this proportion of summer school costs to the IDEA grant, but it continued to do so.

We estimated that Indian Springs overcharged its IDEA grant a total of \$29,472. We considered personnel and non-personnel costs differently. For personnel costs, we estimated the total amount of summer school costs for the 2004-05 and 2005-06 summer school programs by multiplying each year's IDEA summer school personnel costs by three.² We then calculated how much of the total summer school personnel costs should have been charged to IDEA based on the proportion of IDEA eligible attendees for each year. We also identified a number of supply purchases for the summer school programs. The supplies purchased were general

¹ Most special education students receive extended school year services at their regular placement site paid with district funds. Indian Springs also has another short summer school program that is targeted to students with fluency issues. Any reference to "summer school" is to the fluency program. Summer school attendees do not have to qualify for special education services, though many are special education students.

² Indian Springs' accounting system was unable to provide a report of state and local summer school costs. However, we estimated total salaries based on officials' statements that IDEA salaries represented approximately one-third of total summer school salaries.

summer school costs, and only that proportion attributable to IDEA enrollment was allowable. The determination of allowable and unallowable costs is detailed in the Table below.

Table: Calculation of Unallowable Summer School Costs

Period	IDEA Costs	Allocable Costs	IDEA Enrolled Percentage	Allowable Costs	Unallowable Costs
		(Estimated)*		(Allocable costs times the percentage of IDEA students enrolled.)	(IDEA costs minus allowable costs)
Personnel Costs					
2004-05	\$ 15,943	\$ 47,829	7 %	\$ 3,348	\$ 12,595
2005-06	\$ 18,857	\$ 56,572	13 %	\$ 7,354	\$ 11,503
Non-Personnel Costs		Not Multiplied			
2004-05	\$ 656	\$ 656	7 %	\$ 46	\$ 610
2005-06	\$ 5,476	\$ 5,476	13 %	\$ 712	\$ 4,764
All IDEA	\$ 40,932			\$11,460	\$ 29,472

* As stated in footnote 2, Indian Springs' accounting system was unable to provide a report of state and local summer school costs. For this reason, we estimated total salaries based on officials' statements that IDEA salaries represented approximately one-third of total summer school salaries. Thus, the figures in the second column of personnel costs are three times the figures in the first column of personnel costs.

Indian Springs could have used the unallowable costs to provide additional services to IDEA eligible students. Indian Springs volunteered to refund the unallowable costs to the U.S. Department of Education (Department).

Recommendations

We recommend that the Assistant Secretary for Special Education and Rehabilitative Services require ISBE to

- 1.1 Recover unallowable costs from Indian Springs in the amount of \$29,472 and return any lapsed funds to the Department; and
- 1.2 Ensure that Indian Springs charges IDEA funds for its summer school program only in proportion to the number of IDEA eligible summer school attendees.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of our audit were to determine whether Indian Springs (1) used IDEA funds only for expenses directly related to IDEA, Part B, and (2) accurately reported home visitation records to ISBE. The audit covered the period July 1, 2004, through June 30, 2006 (2004-05 and 2005-06 school years).

To accomplish our objectives, we reviewed IDEA of 1997, IDEA of 2004, 34 C.F.R. Parts 300 and 301, and OMB Circular A-87. We reviewed Indian Springs' OMB Circular A-133 (A-133) audit reports for our audit period, Illinois District Report Cards for 2005 and 2006, and the 2004-

05 Illinois Special Education Profile. We also reviewed A.E.R.O. Special Education Cooperative A-133 audit reports for our audit period. In addition, we interviewed officials from the A.E.R.O. Special Education Cooperative, ISBE, and the Department's Office of Special Education Programs.

We gained an understanding of Indian Springs' policies and procedures for collecting and reporting data to the State and for accounting for IDEA funds by reviewing written documents and interviewing Indian Springs' officials. The documents we reviewed included Indian Springs' IDEA grant applications for 2004-05 and 2005-06 and IDEA reimbursement requests for 2005-06. In addition, we reviewed Indian Springs' joint agreement with A.E.R.O. Special Education Cooperative, as well as A.E.R.O. Special Education Cooperative's policies and procedures related to reimbursement of IDEA funds and reporting IDEA data.

We tested all 339 IDEA 2005-06 school year transactions to determine compliance with IDEA, implementing regulations, and OMB Circular A-87. We reviewed original supporting documentation, such as invoices, purchase orders, and check stubs, as applicable. We reviewed attendance records and determined the total IDEA costs for Indian Springs' 2004-05 and 2005-06 summer school programs. We reviewed costs and reporting documents for evidence of home visitations and discussed home visitations with Indian Springs' officials.

We used computer-processed data from Indian Springs' accounting software to define the universe of transactions and for background purposes. We tested the reliability of this data by such procedures as checking for dates outside the audit period, errors such as dates in a dollar field or vice versa, and miscoded transactions such as supplies recorded as travel expenses. Then we determined that non-computer generated, original source documents, such as invoices, check stubs, and purchase orders, supported the transactions on the computer lists. Finally, we compared non-computer generated information from the A.E.R.O. Special Education Cooperative with the computer-processed data we received from Indian Springs. The information from the A.E.R.O. Special Education Cooperative matched Indian Springs' data. Based on these tests and comparison, we concluded that the computer-processed data were sufficiently reliable for the purposes of this audit.

We conducted our audit work at Indian Springs' administrative office building in Justice, Illinois, and at our Chicago and Kansas City offices from February through April 2007. Indian Springs' officials declined an exit conference. Our audit was performed in accordance with generally accepted government auditing standards appropriate to the scope of the review described above.

ADMINISTRATIVE MATTERS

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, including the recovery of funds, will be made by

the appropriate Department of Education officials, in accordance with the General Education Provisions Act.

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 Education Department official, who will consider them before taking final Departmental action on this audit:

John H. Hager
Assistant Secretary
Office of Special Education and Rehabilitative Services
U.S. Department of Education
400 Maryland Avenue, SW
Washington, D.C. 20202-7100

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,



Gary D. Whitman
Acting Regional Inspector General
for Audit

cc: Dr. Jon Nebor, Superintendent, Indian Springs

Attachment

ATTACHMENT: ISBE Comments to the Draft Report

May 23, 2007

Ms. Jan Keeney
Assistant Regional Inspector General for Audit
U.S. Department of Education
Office of Inspector General
8930 Ward Parkway, Suite 2401
Kansas City, MO 62114-3302

RE: Control Number ED-OIG/A05H0008

Dear Ms. Keeney:

I have received the Office of Inspector General's Draft Audit Report, titled *Indian Springs District 109's Use of Individuals with Disabilities Education Improvement Act Funds*, dated May 4, 2007.

The draft report has been reviewed by the Illinois State Board of Education's Special Education and Support Services Center. Enclosed is our response to the Report finding and recommendations.

Thank you for the opportunity to respond to this Draft Audit Report and your consideration as you prepare the Final Audit Report. If you require further information or clarification, please contact Elizabeth Hanselman, Assistant Superintendent of Special Education (Acting), at 217/782-2703 or by email at ehanselm@isbe.net.

Sincerely,

/s/

Christopher A. Koch, Ed.D.
State Superintendent of Education

Illinois State Board of Education

Response to:

Indian Springs District 109's Use of Individuals with Disabilities Education Improvement Act
Control Number ED-OIG/A05H0008

FINDING

Indian Springs Used IDEA Funds for Unallowable Summer School Costs.

ISBE Response

The Illinois State Board of Education concurs that Indian Springs District 109 charged unallowable personnel and non-personnel costs to the IDEA grant for its 2004-05 and 2005-06 summer school programs.

Recommendation 1.1

Recover unallowable costs from Indian Springs in the amount of \$29,472 and return any lapsed funds to the Department.

ISBE Response

- Prior to September 30, 2007, the Illinois State Board of Education will adjust the IDEA FY 2005 and 2006 expenditure reports for Indian Springs District 109 to remove unallowable summer school expenses and will recover unallowable costs, totaling \$29,472, as required by the United States Department of Education.

Recommendation 1.2

Ensure that Indian Springs charges IDEA funds for its summer school program only in proportion to the number of IDEA eligible summer school attendees.

ISBE Response

- The Illinois State Board of Education (ISBE) will work with the A.E.R.O. Special Education Cooperative to ensure that its member district, Indian Springs, charges IDEA funds for its summer school program only in proportion to the number of IDEA eligible summer school attendees through a review of the District's 2007-2008 IDEA budget which is due to the ISBE on or before June 30, 2007.