



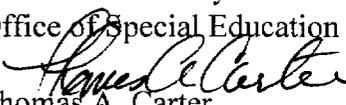
UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF INSPECTOR GENERAL

JUL 10 2002

MEMORANDUM

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

FROM : 
Thomas A. Carter

SUBJECT: **FINAL AUDIT REPORT**
Audit of IDEA Part B Section 611 at the Texas Education Agency
Control Number ED-OIG/A06-C0001

You are being provided an electronic copy of the referenced final report presenting findings resulting from our audit of IDEA, Part B, Section 611 at the Texas Education Agency. This report is furnished to you for informational purposes.

If you have any questions or wish to discuss the contents of this report, please contact Sherri Demmel, Regional Inspector General for Audit, Dallas, Texas at 214-880-3031.

Attachment



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF INSPECTOR GENERAL

JUL 10 2002

Mr. Gene Lenz
Senior Director
Division of Special Education
Texas Education Agency
W.B. Travis Building
1701 North Congress Ave.
Austin, TX 78701-1494

Dear Mr. Lenz:

This **Final Audit Report** (A06-C0001) presents the results of our audit of the Individuals with Disabilities Act (IDEA), Part B, § 611, at the Texas Education Agency (Texas). The objective of our audit was to determine if Texas complied with the IDEA, Part B, § 611 requirements. Our audit focused on federal fiscal year (FY) 2000.

BACKGROUND

The IDEA Grants to States program provides formula grants to assist the 50 States, the District of Columbia, Puerto Rico, and the outlying areas of the Pacific Basin and Freely Associated States in meeting the excess costs of providing special education and related services to children with disabilities. IDEA Part B requires the U.S. Department of Education (the Department) to allocate funds to the States who are required to allocate a portion of the funding to each Local Education Agency (LEA). Prior to 1997, the formula for calculating the funds that each State and LEA would receive was based on the total number of children with disabilities. The IDEA Amendments of 1997 changed the formula to require States to allocate funds to the LEAs based on total student population and the number of students living in poverty. The new formula was slated to take effect when the Grants to States program exceeded \$4.925 billion. This trigger figure was reached in FY 2000 making it the first year of the new formula; thus, making FY 1999 the base.

The new funding formula has several components, some of which are funds the States may use at the state level. Although the new formula has several components, our audit focused on the funds designated for allocation to the LEAs. These funds are known as the "minimum flow-through funds." The minimum flow-through funds are comprised of three components – a fixed base amount, an amount based on total student population, and an amount based on the number of students living at poverty level. The base figure for each LEA is the amount the LEA would have received for the base year (FY 1999), if the State had distributed 75 percent of its grant for that year. Each State is required to distribute 85 percent of the population and poverty funds on a pro rata basis according to

the LEAs' public and private elementary and secondary school enrollment. The remaining 15 percent is distributed to each LEA on a pro rata basis according to the number of children living in poverty.

Each year in July, the Department provides a Grant Notification Letter to each State that identifies the funding level for the flow-through components. Texas allocates IDEA, Part B, § 611 funds to 1206 LEAs.

AUDIT RESULTS

We determined that Texas complied with the new IDEA, Part B, § 611 funding formula for FY 2000.

The following table represents the amounts Texas was required to allocate for FY 2000, according to the Department's Grant Notification Letter and the actual amounts that Texas allocated.

Funding Component	Grant Notification Letter Required Funding Amounts	Texas Actual Funding Amounts
Total Minimum Flow Through to LEAs	\$319,724,950	\$319,724,950
LEA Base Allocation	\$252,423,854	\$252,423,854
LEA Population/Poverty	\$67,310,096	\$67,301,096
85% Population Allocation	\$57,205,932*	\$57,205,931
15% Poverty Allocation	\$10,095,164*	\$10,095,164

* OIG calculations from the Population/Poverty figure in the Grant Notification Letter.

OBJECTIVE, SCOPE AND METHODOLOGY

The objective of our audit was to determine if Texas complied with the new IDEA, Part B, § 611 funding requirements for FY 2000.

To accomplish our objective, we –

- Obtained Texas's formula allocation to all the LEAs, including the allocation breakdown of the base, population and poverty amounts for FY 2000.
- Interviewed state officials regarding the data used in the allocation formula, the methodology used in the formula, and other applicable procedures.
- Recalculated the allocation for all Texas LEAs.
- Performed limited data reliability tests on the data used in the allocation formula and found the data to be reliable for our purposes.

Our audit of Texas's formula allocation covered FY 2000. We performed fieldwork from November 5 through November 9, 2001, at the State offices in Austin, Texas. A pre-exit conference was held on November 9, 2001 and a final exit conference was held on March 28, 2002. Our work was performed in accordance with generally accepted government auditing standards appropriate to the scope of the audit described above.

STATEMENT OF MANAGEMENT CONTROLS

As part of our review, we assessed the management control system of policies, procedures, and practices applicable to Texas's compliance with IDEA, Part B, § 611. Our assessment was performed to determine the level of control risk for determining the nature, extent, and timing of our substantive tests to accomplish the audit objective.

Because of inherent limitations, a study and evaluation made for the limited purpose described above would not necessarily disclose all material weaknesses in the management controls.

ADMINISTRATIVE MATTERS

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 contact Sherri Demmel, Regional Inspector General for Audit, in Dallas, Texas, at 214-880-3031. Please refer to the control number in all correspondence related to this report.

Sincerely,



Thomas A. Carter

Assistant Inspector General for Audit Services

**REPORT DISTRIBUTION LIST
CONTROL NO. ED-OIG/A06-C0001**

Auditee

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