



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF INSPECTOR GENERAL

JUL 18 2002

MEMORANDUM

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

FROM : [REDACTED] Thomas A. Carter
Assistant Inspector General for Audit Services

SUBJECT: FINAL AUDIT REPORT
Audit of IDEA, Part B, Section 611 at the Florida Department of Education
Control Number ED-OIG/A06-C0004

Attached is our subject report presenting the finding and recommendation resulting from our audit at the Florida Department of Education.

In accordance with the Department's Audit Resolution Directive, you have been designated as the action official responsible for resolution of the finding and recommendation in this report.

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

Attachment



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF INSPECTOR GENERAL

JUL 18 2002

Ms. Shan Goff
Bureau Chief of Instructional
Support and Community Services
Florida Department of Education
325 West Gaines Street, Suite 614
Tallahassee, Florida 32399-0400

Dear Ms. Goff:

This **Final Audit Report** (A06-C0004) presents the results of our audit of the Individuals with Disabilities Education Act (IDEA), Part B, § 611, at the Florida Department of Education (Florida). The objective of our audit was to determine if Florida complied with the IDEA, Part B, § 611 requirements. Our audit focused on federal fiscal years (FY) 2000 and 2001.

A draft of this report was provided to the Florida Department of Education. In its response, Florida concurred with our recommendation to recalculate the grant allocations for FY 2000 and FY 2001. However, they believe that this recalculation of the base amount disproportionately allocates funds to districts with declining child counts. Florida's comments are summarized in the section that follows the Recommendation. A copy of the complete response is enclosed with this report.

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 and 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 composed 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. According to § 611(g)(2)(B)(ii), 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. Florida allocates IDEA, Part B, § 611 funds to 72 LEAs.

AUDIT RESULTS

We determined that Florida did not comply with the new IDEA, Part B, § 611 funding formula for FY 2000 and FY 2001. While the total base allocation of \$179,007,131 remained the same for both years, Florida redistributed the base allocation for each LEA to correspond with the change in each year’s children with disabilities child count. According to Enclosure A of the FY 2000 and FY 2001 Grant Notification Letters, “[L]ocal awards, like state awards, are no longer based on [children with disabilities] child count.” In addition, federal regulations [34 C.F.R. § 300.712(b)(2)] allow for adjustments to the base figure only under very specific conditions--when a new LEA is created, LEAs are combined, or the administrative responsibility or geographic boundary of an LEA is changed.

For FY 2000, the first year the funding formula was in effect, Florida applied the children with disabilities child count (356,296) that was in effect when the allocation was received from the Department, instead of the initial children with disabilities child count (345,171) that should have been used to establish the base amount. Consequently, Florida incorrectly calculated the initial base figure to each LEA. As a result, 38 LEAs were under funded and the remaining 34 LEAs were over funded. For example, the Duval school district was under funded by \$432,338 while the Broward school district was over funded by \$501,061.

For FY 2001, Florida redistributed the base allocation for each LEA to correspond with the change in the current children with disabilities child count. As a result, 31 LEAs were under funded and 41 LEAs were over funded. For example, the Duval school district was under funded by \$599,797 while the Broward school district was over funded by \$396,506.

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

FY 2000		
Funding Component	Grant Notification Letter Required Funding Amounts	Florida Actual Funding Amounts
Total Minimum Flow Through to LEAs	\$223,668,878	*\$223,668,887
LEA Base Allocation	\$179,007,131	*\$179,007,133
LEA Population/Poverty	\$ 44,661,747	\$ 44,661,756
85% Population Allocation	**\$ 37,962,485	\$ 37,962,485
15% Poverty Allocation	**\$ 6,699,262	*\$ 6,699,271

* Difference due to rounding.

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

The Department's final FY 2001 Grant Notification Letter awarded Florida \$287,672,377 in minimum flow-through funds. However, Florida allocated \$289,488,126 based on an earlier estimate provided by the Department. To fund the additional \$1,815,749, Florida used part of the State's administrative funds. The following table represents the amounts Florida was required to allocate for FY 2001, according to the Department's Grant Notification Letter, and the actual amounts that Florida allocated.

FY 2001		
Funding Component	Grant Notification Letter Required Funding Amounts	Florida Actual Funding Amounts
Total Minimum Flow Through to LEAs	\$287,672,377	\$289,488,126
LEA Base Allocation	\$179,007,131	*\$179,007,133
LEA Population/Poverty	\$108,665,246	\$110,480,993
85% Population Allocation	**\$ 92,365,459	*\$ 93,908,846
15% Poverty Allocation	**\$ 16,299,787	*\$ 16,572,149

* Difference due to rounding.

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

RECOMMENDATION

We recommend that the Assistant Secretary for the Office of Special Education and Rehabilitative Services, require Florida officials to recompute the FY 2000 and FY 2001 flow-through funds using the correct base, population and poverty figures, and reallocate the correct funding to the appropriate LEAs.

FLORIDA'S COMMENTS TO THE DRAFT REPORT

Florida officials agreed that during the past two years, they have incorrectly redistributed the base allocation for each district to correspond with each year's change in the disabled child count. They concurred with our recommendation to recalculate the two fiscal years, FY 2000 and FY 2001. However, they believe that this recalculation of the base amount disproportionately allocates funds to districts with declining child counts. Florida officials believe this creates an inequitable advantage to some of the districts; however, they are prepared to comply with the findings of the audit. Florida has already taken steps to adjust funds for under- and over-funded districts for both FY 2000 and FY 2001. They expect the corrective measures to be completed no later than July 1, 2003.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of our audit was to determine if Florida complied with the new IDEA, Part B, § 611 funding requirements for FYs 2000 and 2001. To accomplish our objective, we:

- Obtained Florida's formula allocation to all the LEAs, including the allocation breakdown of the base, population and poverty amounts for FYs 2000 and 2001.
- Reviewed the Florida State Auditor report for 2000.
- Interviewed state officials regarding the data used in the allocation formula, the methodology used in the formula, and other applicable policies and procedures.
- Recalculated the allocation for all Florida 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 Florida's formula allocation covered FYs 2000 and 2001. We performed fieldwork from December 3 through December 6, 2001, at the State offices in Tallahassee, Florida. An exit conference was held on April 4, 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 Florida'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. However, our assessment disclosed a management control weakness that adversely affected the allocation of flow-through funds to the 72 Florida LEAs. That weakness is discussed in the Audit Results section of this report.

ADMINISTRATIVE MATTERS

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 U.S. Department of Education official, who will consider them before taking final Departmental action on the audit:

Dr. Robert H. Pasternack, Assistant Secretary
U.S. Department of Education
Office of Special Education & Rehabilitative Services
330 C Street, SW
Room 3006, MES Building
Washington, DC 20202-2500

Office of Management and Budget Circular A-50 directs Federal agencies to expedite the resolution of audits by initiating timely action on the findings and recommendations contained therein. Therefore, we request receipt of your comments within 30 days.

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

If you have any questions or wish to discuss the contents of this report, please contact Sherri L. Demmel, Regional Inspector General for Audit, Dallas, Texas, at 214-880-3031. Please refer to the control number in all correspondence related to this report.

Sincerely,

A large black rectangular redaction box covering the signature of Thomas A. Carter.A small black rectangular redaction mark, possibly a stamp or initials, located to the left of the name.

Thomas A. Carter
Assistant Inspector General for Audit Services

Enclosure



FLORIDA DEPARTMENT OF EDUCATION

CHARLIE CRIST

COMMISSIONER

May 29, 2002

SHAN GOFF, CHIEF

BUREAU OF INSTRUCTIONAL SUPPORT AND
COMMUNITY SERVICES

Ms. Sherri L. Demmel
Regional Inspector General for Audit
U.S. Department of Education
Office of Inspector General
1999 Bryan Street
Suite 2630
Dallas, Texas 75201-6817

Dear Ms. Demmel:

SUBJECT: Draft Audit Report A06-C004

This is in response to the aforementioned audit report that the Florida Department of Education recently received concerning the formula used to allocate Individuals with Disabilities Education Act (IDEA), Part B funds for federal fiscal years 2000 and 2001.

It is our understanding that, as part of the formula, the "base amount" remains a fixed amount and that this base figure is the amount that districts (LEAs) would have received for the base year (FFY 1999) if Florida had distributed 75 percent of its grant for that year. However, during the past two years that this formula has been implemented, our Department has been incorrectly redistributing the base allocation for each district to correspond with the change in the disabled child count each year. As a result, we were found "out-of-compliance" with this portion of the funding formula.

While we concur with your office's recommendation to recalculate the two fiscal years, FFY 2000 and FFY 2001, it is our belief that this recalculation of the base amount disproportionately allocates funds to districts with declining child counts. Although we believe this creates an inequitable advantage to some of our districts, the Department is prepared to comply with the findings of this audit and recalculate FFY 2000 and FFY 2001.

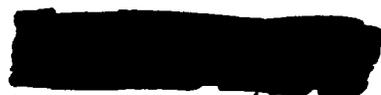
Steps are already underway to adjust funds for under- and over-funded districts for both FFY 2000 and FFY 2001. These corrective measures will be completed no later than July 1, 2003.

ENCLOSURE

Ms. Sherri L. Demmel
Regional Inspector General for Audit
May 29, 2002
Page Two

We understand that this audit report is still in draft form and further recommendations will be forthcoming from the Office of Special Education Programs. Please feel free to call me at 850/488-1570 if you have any questions or concerns regarding our response.

Sincerely,

A large black rectangular redaction box covers the signature of Shan Goff.

Shan Goff, Chief
Bureau of Instructional Support and Community Services

cc: Larry Wood
Wayne Pierson
Betty Cox
Martha Asbury
Virginia Sasser

REPORT DISTRIBUTION LIST
CONTROL NO. ED-OIG/A06-C0004

Auditee

Ms. Shan Goff
Bureau Chief of Instructional
Support and Community Services
Florida Department of Education
325 West Gaines Street, Suite 614
Tallahassee, Florida 32399-0400

ED Action Official

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

Other ED Officials/Staff (electronic copy)

Audit Liaison Officer
Office of Special Education and
Rehabilitative Services

Press Secretary
Office of Public Affairs

Correspondence Control
Office of General Counsel

Assistant General Counsel
Office of the General Counsel

Assistant Secretary
Office of Legislation and
Congressional Affairs

Deputy Secretary
Office of the Deputy Secretary

Assistant Secretary
Office of Intergovernmental
and Interagency Affairs

Chief of Staff
Office of the Secretary

Director
Financial Improvement and
Post Audit Operations
Office of the Chief Financial Officer

Under Secretary
Office of the Under Secretary

Post Audit Group Supervisor
Financial Improvement and
Post Audit Operations
Office of the Chief Financial Officer

Director
Office of Public Affairs

Indirect Cost Group Supervisor
Financial Improvement and
Post Audit Operations
Office of the Chief Financial Officer

Regional Commissioner Rehabilitation Services
Administration, Region VI