



**U.S. Department of Education
Office of Inspector General**



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June 10, 2004

ED-OIG/A09E0013

Dr. Terry Bergeson
State Superintendent of Public Instruction
Washington State Office of
Superintendent of Public Instruction
Old Capitol Building
P.O. Box 47200
Olympia, Washington 98504 -7200

Dear Dr. Bergeson:

This letter advises you of the results of our audit of the Washington State Office of Superintendent of Public Instruction's (WA-OSPI) administration of the State Program Improvement Grant No. H323A010012. WA-OSPI uses the grant, for its Connecting IDEAs Project, which it conducts in partnership with Washington PAVE (Parents Are Vital in Education), institutions of higher education, educational service districts, and local education agencies.

The purpose of the grant is to initiate, develop, and maintain a system for improving special education services in the State of Washington. The goals of the grant are to improve the academic and post-school performance of students receiving special education services, enhance the pre-service and in-service preparation activities for all personnel, retain and enhance the skill of existing special education personnel, and insure that eligible special education students receive a free and appropriate public education.

The 5-year grant covers the period from August 1, 2001 through July 31, 2006. Our review covered expenditures charged to the grant from August 1, 2001 through January 31, 2004. WA-OSPI's financial records showed a total of \$1,483,748 in grant expenditures during this period.

Our audit objectives were to determine if WA-OSPI properly (1) accounted for grant funds provided by the U.S. Department of Education, and (2) used grant funds in accordance with the grant terms, and applicable Federal laws, regulations, and Office of Management and Budget (OMB) Circulars. We performed our audit in accordance with generally accepted government auditing standards.

During our review, nothing came to our attention that would lead us to believe that WA-OSPI improperly accounted for the grant funds or incurred expenditures that were not in accordance with the grant terms, and applicable Federal laws, regulations, and OMB Circulars. Consequently, we are terminating our audit.

Our survey work was performed at WA-OSPI's offices in Olympia, Washington during the weeks of February 23, 2004 and March 22, 2004. To accomplish our audit objectives, we gained an understanding of the grant terms, conditions, and goals and applicable Federal laws and regulations. We interviewed WA-OSPI staff involved in the administration of the grant and gained an understanding of the procedures used to record receipts and disbursements in WA-OSPI's financial accounting system. We confirmed that WA-OSPI submitted the required annual performance reports to the U.S. Department of Education program official responsible for monitoring the grant.

For testing purposes, we judgmentally selected a total of \$659,693 in grant expenditures from the total expenditures of \$1,483,748 reported during our audit period. The expenditures tested were:

- \$11,870 for salary and benefits paid to the five WA-OSPI staff whose salaries and benefits were charged to the grant. We reviewed the employee certifications confirming that the staff worked solely on the grant. We also determined that accounting and payroll records supported the expenditures.
- \$26,069 for payments made to contractors that provided services or deliverables under the grant. We selected the three largest payments made to three contractors. We confirmed that the contractor provided the service or deliverable. We noted that WA-OSPI followed established contracting procedures in awarding the contracts.
- \$34,778 for goods and services that included copy center charges, supplies, postage, shipping and telephone. We selected expenditures over \$1,000 and traced them to supporting documentation. We determined that the expenditure amounts were correct and were for approved grant activities.
- \$505,367 for payments made to subgrantees. We reviewed expenditures consisting of the largest payments made to one educational service district and one institution of higher education that performed work under the grant. We also selected five expenditures over \$10,000 for payments made to various local education agencies. We noted that WA-OSPI program staff perform site reviews when subgrants are awarded.
- \$81,609 in indirect costs that were based upon U.S. Department of Education approved indirect cost rate agreements.

We did not test any of the reported grant expenditures for travel and equipment due to the low dollar amount. For the grant expenditures that we tested, we have concluded that they were allowable, reasonable, and properly accounted for in WA-OSPI's accounting system. In addition, we noted that the expenditures were in accordance with the terms of the grant and applicable Federal laws, regulations, and guidelines.

We relied on computer-generated data from WA-OSPI's financial accounting system to identify and test expenditures that were charged to the grant during the audit period. We performed limited tests of the data to verify reliability. We obtained an understanding on how the administrative and apportionment portions of the grant draws are recorded in the grants accounting system. We were provided with an explanation on the process that WA-OSPI budget staff used to generate the grant expenditure report and how the grants accounting system interacts with the Agency Financial Reporting System (statewide accounting system). We also traced the selected expenditure transactions from the grant expenditure report to supporting documents and did not note any exceptions. Based on the results of our tests, we concluded that the data was sufficiently reliable for the purposes of meeting our audit objectives.

On May 25, 2004, we held a telephone conference informing Kathy Bartlett and Gyla Steiner of your staff of the results of our audit work. We have also discussed our results with the U.S. Department of Education program official responsible for monitoring the grant.

Our audit work was conducted for the limited purposes described above and would not necessarily disclose all material weaknesses in WA-OSPI's administration of the grant. Accordingly, the contents of this letter should not be construed as acceptance or approval of WA-OSPI's administration of the grant. The termination of this audit does not preclude further reviews of this or similar areas by the Office of Inspector General in the future, nor is our review to be construed as a substitute for any other reviews required by law. Also, termination of this audit does not preclude the U.S. Department of Education from taking action concerning any aspect of the entities reviewed.

We wish to express appreciation for the cooperation and assistance extended by your staff during the review. No response to this letter is required. Should you have questions regarding this review, please contact me at 916-930-2399.

Sincerely,

/s/

Gloria Pilotti
Regional Inspector General
for Audit

electronic cc: Ruth Ryder, Division Director, Monitoring and State Improvement Planning
Division, OSERS-OSEP, U.S. Department of Education
Larry Wexler, Deputy Division Director, Monitoring and State Improvement
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Greg March, Policy Analyst, OSERS, U.S. Department of Education
Martin Benton, Audit Liaison, OSERS-OSEP, U.S. Department of Education
Kathy Bartlett, Director, Special Education Learning Improvement, WA-OSPI
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