

**Idaho Part B 2008 Verification Visit Letter**  
**Enclosure**

**I. General Supervision**

*Critical Element 1: Identification of Noncompliance*

*Does the State have a general supervision system that is reasonably designed to identify noncompliance in a timely manner using its different components?*

**Verification Visit Details and Analysis**

The Idaho State Department of Education (IDSDE or State or SEA) uses two primary methods to identify noncompliance with the requirements of Part B of the Individuals with Disabilities Education Act (IDEA) – Self Assessment Monitoring and General and Focused Monitoring – as well as other methods that complement these processes.

The State reported that it uses a 5-year Self Assessment Monitoring (SAM) process to identify and track noncompliance. Each local educational agency (LEA) is assigned to 1 of the years of the 5 year cycle. The LEAs must complete defined activities for each of the 5 years, which are designed to permit the LEA to identify and correct noncompliance on its own. The SEA provides technical support as needed. The LEA is responsible for analyzing its own data, identifying any needs, and any required actions it must take to correct noncompliance. The LEA initiates corrective actions prior to the formal submission of the self-assessment to the State. After reviewing the self-assessment, the State issues findings if the noncompliance has not been uncorrected.

In addition to the SAM, the State conducts general and focused monitoring visits. The State works in conjunction with its State Advisory Panel (SAP) to identify statewide monitoring priorities. The SAP works in subgroups to review data collected and reported by the SEA. The SEA selects LEAs for general monitoring visits based on the data in the State's data system, the monitoring priorities as identified by the SAP, and the compliance history of the LEA. The SEA chooses LEAs for focused monitoring visits based on the State's determination process and monitoring priorities and the LEA's performance. Focused monitoring visits include interviews of central office staff, building administrators, teachers, school psychologists, paraprofessionals, parents, and students, classroom observations, and record reviews. The primary difference between the focused and general monitoring processes is the scope of requirements monitored. The SEA issues monitoring reports to the LEAs immediately at the end of the on-site visit.

An additional component of the State's monitoring procedures is the annual child count verification process. During the child count verification process, the SEA randomly selects 1% of files of children with disabilities from elementary, middle, high, charter, and State schools and reviews them for accuracy and compliance with the requirements of Part B of IDEA. During this process, the State also interviews administrative staff regarding performance on the compliance indicators, data collection, and fiscal procedures.

### **OSEP Conclusions**

Based on the review of documents, analysis of data, and interviews with State and local personnel, OSEP believes the State has a general supervision system that is reasonably designed to identify noncompliance in a timely manner using its different components. OSEP cannot, however, without collecting data at the local level, determine whether the State's procedures are fully effective in identifying noncompliance in a timely manner.

### **Required Actions/Next Steps**

No action is required.

### ***Critical Element 2: Correction of Noncompliance***

*Does the State have a general supervision system that is reasonably designed to ensure correction of identified noncompliance in a timely manner?*

### **Verification Visit Details and Analysis**

The Part B regulations in 34 CFR §300.600 require that the State, in exercising its monitoring responsibilities under 34 CFR §300.600(d), ensure that when it identifies noncompliance with the requirements of Part B of the IDEA by its LEAs, the noncompliance is corrected as soon as possible, and in no case, later than 1 year after the State's identification of the noncompliance. The State reported that it ensures the correction of noncompliance in a timely manner through a variety of mechanisms. When an on-site visit to an LEA is complete – and while the State is still on-site – the State issues a report to the LEA notifying the LEA of any noncompliance and informing the LEA of any required corrective action. The LEA must submit a corrective action plan to the SEA, and must complete the required corrective action within one year of the date of the report which identified the noncompliance. The State also reported that it verifies correction within this one year period, and generally requires LEAs to implement corrective actions within nine months of the actual finding to ensure sufficient time for SEA verification of those corrective actions.

The State conducted 10 on-site monitoring visits and reviewed 26 LEA SAM reports for the school year 2007 – 2008. The State identified noncompliance in each of the 10 on-site monitoring visits and verified timely correction in 9 of the 10 districts. For the remaining district, the SEA contacted the local superintendent, which then led to correction of the identified noncompliance. The State verified timely correction of all noncompliance identified in the 26 SAM reports.

The SEA's primary method of tracking noncompliance is the Compliance Tracking Tool (CTT). Implemented in November 2007, and pre-populated with 3 years' worth of data, this system tracks the identification of noncompliance and implementation of corrective action. LEAs document and report corrective actions on a real time basis, so that the State is able to check the status of corrective actions throughout the year.

The IISDE also reported that it sponsors and supports a network of regional technical assistance providers to provide technical assistance as needed, and verify the implementation of corrective actions.

In addition, the State reported that it utilizes its annual child count verification process, which entails record reviews and interviews, to monitor for sustained compliance. The SEA also uses its SAM process to monitor for sustained correction.

The State reported that sanctions, as authorized by State law, include the provision of targeted technical assistance, the issuance of a letter to the local superintendent that specifies actions that must occur to correct the uncorrected noncompliance, the direction of expenditures of funds, and the withholding of State funds. The State imposes sanctions if an LEA fails to start correction within six months of notification, or if an LEA fails to achieve compliance within 1 year of identification. The first level of sanctions includes targeted technical assistance and notification of the local superintendent. The State reported that if an LEA does not achieve compliance within the one-year timeframe, the State may direct the LEA to use a portion of its Part B funds for activities designed to correct the noncompliance.

In its FFY 2006 APR, the State reported timely correction of 86.8% of FFY 2005 findings of noncompliance. However, based on information OSEP learned during the verification visit, the State ensured the timely correction of all but one finding of noncompliance identified through monitoring visits during the school year 2007 – 2008, and all noncompliance identified through the SAM process during that same time period.

#### **OSEP Conclusions**

Based on the review of documents, analysis of data, and interviews with State personnel, OSEP found that the State has a general supervision system that is reasonably designed to ensure the correction of identified noncompliance in a timely manner.

#### **Required Actions/Next Steps**

No action is required.

#### ***Critical Element 3: Dispute Resolution***

*Does the State have procedures and practices that are reasonably designed to implement the dispute resolution requirements of IDEA?*

#### **Verification Visit Details and Analysis**

The State provided a detailed description of its dispute resolution systems, and samples of the forms and parent information notices for all complaint resolution options, i.e., facilitated IEP meetings, procedural safeguards notices, mediation, and due process hearings. The State utilizes facilitated IEP meetings as a mechanism to resolve disputes. The SEA supports trained facilitators to implement facilitated IEP meetings. The SEA tracks the number of facilitated IEP meetings requested by either the LEA or the parents, and in which LEAs they occur. The State reported that it relies on a system of contracts and contractors to ensure proper training of its hearing officers and complaint investigators.

#### **State Complaints**

IDSDE reported that it has tracking systems to monitor the timeliness of complaint decisions and of correction of noncompliance identified in complaint decisions. State staff also discussed and

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provided examples of the procedures the State uses toward early complaint resolution (ECR) and demonstrated that this process including the ECR is completed within the 60-day timeline.

OSEP reviewed the State's complaints log. The State received 9 complaints in 2007 and fifteen in 2008. Upon receipt, the State date stamped and reviewed each complaint to ensure that they met all complaint requirements. In the event a complaint did not meet the requirements of 34 CFR §300.153(b), the State returned the complaint with guidance to the complainant. The State issued written decisions within the required timeline contained in 34 CFR §300.152, except for 1 complaint that was 1 day overdue due to staffing issues. The SEA drafted corrective actions as appropriate, entered the dates of decisions into the database, and tracked implementation of any required correction of noncompliance.

### Due Process Hearings

The IDSDE is responsible for managing and conducting due process hearings; special education attorneys act as hearing officers. The State provides training for, and technical support to, hearing officers via a retainer with an external attorney specializing in special education. In the past 2 years there have been 2 fully adjudicated due process hearings in the State of Idaho. OSEP reviewed the files of the 2 most recent fully adjudicated due process hearings and determined that all Part B requirements were met.

### **OSEP Conclusions**

Based on the review of documents, analysis of data, and interviews with State and local personnel, OSEP believes the State has procedures and practices that are reasonably designed to implement the dispute resolution requirements of IDEA.

### **Required Actions/Next Steps**

No action is required.

### ***Critical Element 4: Improving Educational Results***

*Does the State have procedures and practices that are reasonably designed to improve educational results and functional outcomes for all children with disabilities?*

### **Verification Visit Details and Analysis**

The IDSDE described a variety of procedures and practices used to improve educational results and functional outcomes for students with disabilities throughout the State. These procedures and practices included partnerships across programs and agencies, monitoring reviews, technical assistance networks, school improvement and other discretionary grants, and professional development. The State reported that its procedures and practices include virtual schools within the State.

### Graduation/Dropout

The State reported that increasing graduation rates and decreasing dropout rates for all students are high priorities for the State, as is increasing the number of students who successfully transition to post secondary activities. The State also reported that it ensures that special education plays a role in the development of policies and requirements for graduation on the State level. The State has implemented initiatives to address these priorities. These initiatives include, but are not limited to,

a National Governors Association grant to develop an Adolescent Literacy plan, which is working in conjunction with the State's Middle School Task Force to identify barriers earlier in students' educational careers.

Least Restrictive Environment

The State reported that it monitors to ensure that least restrictive environment requirements are properly implemented. The State considers a high placement of students with disabilities outside the general education class and low assessment scores as a red flag when choosing districts for on-site monitoring. Identified districts receive an on-site monitoring visit and a review of their data submissions. The IDSEF reports that the State does not have compulsory kindergarten, and State law prohibits districts from using State funds or facilities toward the provision of preschool. Accordingly, students with IEPs have limited opportunities to attend preschool with typically developing peers, as there are very few preschools. Almost all preschool aged children with disabilities who have IEPs are served in special education classrooms. Despite the lack of options for preschool children with disabilities to attend preschool with typically developing peers, the State has begun to integrate the preschool students with IEPs with other Federally funded programs, such as Head-Start. Additionally, some LEAs permit typically developing peers to participate in the special education preschool environment, using a sliding fee scale to facilitate the attendance of typically developing peers in these preschools.

**OSEP Conclusions**

Based on the review of documents, analysis of data, and interviews with State and local personnel, OSEP believes the State has procedures and practices that are reasonably designed to improve educational results and functional outcomes for all children with disabilities. OSEP cannot, however, without also collecting data at the local level, determine whether the system is fully effective at improving educational results and functional outcomes for all children with disabilities.

**Required Actions/Next Steps**

No action is required.

***Critical Element 5: Implementation of Grant Assurances***

*Does the State have procedures and practices that are reasonably designed to implement selected grant assurances (i.e., monitoring and enforcement, significant disproportionality, private schools, CEIS, NIMAS and assessment)?*

**Verification Visit Details and Analysis**

Public Reporting and Determinations

As a part of its monitoring and enforcement responsibilities under section 616 of the IDEA and 34 CFR §§300.600(a) and 300.602, each State must: (1) annually report to the public on the performance of each LEA against the State's SPP targets; and (2) make an annual determination for each LEA.

With respect to the annual public reporting requirement, 34 CFR §300.602(b)(1)(i)(A) requires States to report annually to the public on the performance of each LEA in the State on the targets in the SPP. The State meets this reporting requirement by publishing a district profile for each

LEA on the SEA's website, in which the State reports the LEA's performance against targets in the State's SPP.

With respect to the State's annual determination process for LEAs, States have some discretion in how to make annual determinations on the performance of LEAs. As a part of its monitoring and enforcement responsibilities under section 616 of the IDEA, the State must annually report to the public on the performance of each LEA against the State's SPP/APR targets and must make an annual determination for each LEA. (See Determinations Frequently Asked Questions dated 10/19/2006 and 12/4/2007 and OSEP Guidance on Determinations of the Status of Local Programs by State Agencies under Parts B and C of IDEA dated March 7, 2007.) The State reported that it made LEA determinations based on an analysis of LEA's data on Compliance Indicators 9, 10, 15 and 20 in the APR as well as Performance Indicators 2, 3C, and 6. In addition, as required, the State made determinations annually about the performance of each LEA using the categories in 34 CFR §300.603(b)(1) -- meets requirements, needs assistance, needs intervention, and needs substantial intervention.

*Private Schools and Proportionate Share Calculation*

The State monitors to ensure that LEAs are spending a proportionate amount of Federal Part B funds on providing special education and related services for parentally-placed private school children with disabilities in accordance with 34 CFR §300.133(a). LEAs submit an annual budget and consolidated application to the SEA, which includes the number of parentally-placed private school children with disabilities. Pursuant to 34 CFR §300.135, the State requires LEAs to maintain documentation of timely and meaningful consultation between the LEA and private school representatives and representatives of parents of parentally-placed private school children with disabilities during the design and development of special education and related services for parentally-placed private school children with disabilities. The State provides a form for LEAs to attach to their application for Part B funds that private schools must sign to demonstrate the private schools' participation in the discussion of the equitable distribution of funds.

*Significant Disproportionality and Coordinated Early Intervening Services*

In its FFY 2006 APR, the State provided its definition of significant disproportionality. Because the State's definition included a review of the LEA's policies, procedures, and practices to verify inappropriate identification, OSEP determined in its June 2008 response to the State's FFY 2006 APR that this definition represented noncompliance with 34 CFR §300.646(b)(2). Section 300.646(b)(2) clarifies that the review of an LEA's policies, procedures, and practices is a consequence of a determination of significant disproportionality and not part of the definition. During the verification visit, the State provided documentation to OSEP demonstrating that it has changed its definition of significant disproportionality to ensure that the definition does not require a review of policies, practices and procedures. In addition, the State demonstrated how it has begun the examination of the data for each LEA to determine if significant disproportionality based on race and ethnicity is occurring in the State and in the LEAs of the State with respect to the identification of children as children with disabilities, including in specific disability categories, the placement of these children in particular educational settings, and the incidence, duration, and type of disciplinary actions in accordance with 34 CFR §300.646(a). The State reported that it has policies in place that require that, if the State makes a determination of significant disproportionality based on its examination of an LEA's data, the State requires the

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LEA to conduct a review, and if appropriate, revision of policies, procedures, and practices used in identification, placement, or discipline of children with disabilities to ensure compliance with Part B; to reserve 15% of Part B funds for CEIS; and to report publicly on the revision of policies, procedures, and practices, consistent with 34 CFR §300.646(b). However, the State did not describe to OSEP the results of its review of data to determine whether significant disproportionality based on race and ethnicity is occurring.

The State reported that 4 districts elected to use 15% of their Part B funds for CEIS. The State reported that these LEAs were required to complete forms outlining their plan and budget to implement the CEIS requirements as part of the LEA's application. The form provides a plan for use of funds and includes a calculator for how to budget.

### Assessments

The State monitors to ensure that LEAs comply with Part B requirements for statewide assessments in accordance with 34 CFR §300.160. The State uses results from the assessment process to inform the selection of LEAs for focused monitoring and for the purpose of improving performance within selected LEAs. Further, the State requires LEAs to use assessment data to focus on improved performance. The State's public reporting on the participation of children with disabilities in statewide assessments occurs consistent with 34 CFR §300.160(f).

In FFY 2006, the State made significant changes to its assessment tool. The State revised the assessment standards and developed a new assessment in order to improve the validity and reliability of the test. While the assessment tool and standards have changed, the State's implementation procedures, as written, are the same and are consistent with the Part B requirements.

### NIMAS

The State has adopted the National Instructional Materials Accessibility Standard (NIMAS) and coordinates with the National Instructional Materials Access Center in accordance with 34 CFR §300.172. The State contracts with textbook companies to ensure that the NIMAS requirements are met. The Idaho School for the Deaf and Blind produces Braille materials as needed.

### **OSEP Conclusions**

Based on the review of documents, analysis of data and interviews with State personnel, OSEP believes that, with the exception of the annual determinations process and assurances related to significant disproportionality, the State has procedures and practices that are reasonably designed to implement selected grant assurances (i.e., monitoring and enforcement, private schools, CEIS, NIMAS and assessment). OSEP cannot, however, without also collecting data at the State and local levels, determine whether these procedures and practices are sufficient to ensure that LEAs in the State effectively implement these selected grant assurances.

OSEP finds that when making annual determinations on the performance of their LEAs, the State does not consider an LEA's performance on all SPP compliance indicators, whether an LEA submitted valid and reliable data for each indicator, LEA-specific audit findings, and any uncorrected noncompliance from any source. OSEP will address the issue of significant disproportionality in its response to the State's FFY 2007 APR.

### **Required Actions/Next Steps**

Within 60 days of the date of this letter, the State must provide documentation that, consistent with section 616(a) and section 616(e) of IDEA, its procedures for making future annual determinations on the performance of their LEAs includes consideration of an LEA's performance on all SPP compliance indicators, whether an LEA submitted valid and reliable data for each indicator, LEA-specific audit findings, and any uncorrected noncompliance from any source.

## **II. Data**

### ***Critical Element 1: Collecting and Reporting Valid and Reliable Data***

*Does the State have a data system that is reasonably designed to collect and report valid and reliable data and information to the Department and the public in a timely manner?*

### **Verification Visit Details and Analysis**

LEAs submit data to the State electronically. Each data collection has business rules and edits that are based on State and Federal requirements. All users have definitions, standards, and layouts. The State provides all directors with annual training and other support, such as workshops and monthly conference calls, to ensure that all LEAs are receiving required information and assistance.

The State uses an audit system to review accuracy of data. LEA personnel input data at the local level, where there is a first level of edit checks. LEAs then upload data into the State system where there is another level of edit checks in the file layout. LEAs may not submit data if edit checks built into the software indicate that there are errors. The State conducts year-to-year comparisons to identify any potential data anomalies.

To ensure the validity and reliability of data collected for APR indicators and section 618 of the Act, the State provides guidance and edit checks at both the State and local levels. The State also verifies data through record reviews, focused monitoring, and through a web-based application for compliance tracking. The State ensures that data collected during on-site monitoring are consistent across reviewers by providing ongoing training each fall and throughout the school year.

As a part of the verification visit, OSEP specifically inquired into the State's guidance and data collection methodology for SPP/APR Indicators 4, 8, 9, 10, 11, 12, 13, and 14. The State provided information demonstrating that the data it collected for these indicators were consistent with the required measurements.

**OSEP Conclusions**

Based on the review of documents, analysis of data, and interviews with State personnel, OSEP believes the State has procedures and practices that are reasonably designed to collect and report valid and reliable data and information to the Department and the public in a timely manner. OSEP cannot, however, without also collecting data at the State and local levels, determine whether all public agencies within the State implement the State's data collection and reporting procedures in a manner that is consistent with Part B.

**Required Actions/Next Steps**

No action is required.

***Critical Element 2: Data Reflect Actual Practice and Performance***

*Does the State have procedures that are reasonably designed to verify that the data collected and reported reflect actual practice and performance?*

**Verification Visit Details and Analysis**

The State reported that it ensures that data it collects and reports reflect actual practice by using its various on-site monitoring practices as well as a system of checks and balances and by training personnel at all levels. Data collectors at the school level receive training each fall and throughout the year. At the local level, data are reviewed by local personnel and approved by local superintendents. The State then examines data by using a detailed data analysis.

The State reviews each set of data elements before on-site visits. The State also uses the child count data verification process to select a sample of records for students with disabilities and compare those data with the data in the data system for those students.

**OSEP Conclusions**

Based on the review of documents, analysis of data, and interviews with State and local personnel, OSEP believes the State has procedures that are reasonably designed to verify that the data collected and reported reflect actual practice and performance. OSEP cannot, however, without conducting a review of data collection and reporting policies at the local level, determine whether all public agencies in the State implement the State's data collection and reporting procedures in a manner that reflects actual practice and performance.

**Required Actions/Next Steps**

No action is required.

***Critical Element 3: Integrating Data Across Systems to Improve Compliance and Results***

*Does the State compile and integrate data across systems and use the data to inform and focus its improvement activities?*

### **Verification Visit Details and Analysis**

The State uses its data systems for continuous improvement, monitoring, technical assistance, and ongoing support for LEAs. LEAs use data to develop local improvement plans and to direct professional development activities. The State's data system provides functions that allow users to disaggregate, compile and compare data to be used to analyze and present data to parents, teachers, principals and other stakeholders to ensure the investment of stakeholders in improvement activities.

### **OSEP Conclusions**

Based on the review of documents, analysis of data, and interviews with State and local personnel, OSEP believes the State compiles and integrates data across systems and uses the data to inform and focus its improvement activities.

### **Required Actions/Next Steps**

No action is required.

## **III. Fiscal System**

### ***Critical Element 1: Timely Obligation and Liquidation of Funds***

*Does the State have procedures that are reasonably designed to ensure the timely obligation and liquidation of IDEA funds?*

### **Verification Visit Details and Analysis**

Each LEA is required to submit to the IDSED, each summer prior to the beginning of the school year, a board approved budget that includes its plan for obligating special education State and local funds. These budget amounts are compared to the prior year's actual expenditures to ensure that the district is continuing to budget for expenditures for special education and related services at a level that is equal to or greater than the previous year, except as allowed in 34 CFR §§300.204 and 300.205. LEA budgets must reflect program goals, MOE, reservation of Part B funds for CEIS, if applicable, and proportionate share of Part B funds to be used for children with disabilities who are parentally-placed in private schools.

All contracts and agreements for services from State set-aside funds are written within the 15 month grant period, with specific end dates of the agreements that fall within the Tydings period. All agreements have specific language requiring final billings to be presented within the 90-day liquidation period, with at least a 30-day processing period for payments.

Other major obligations of State set-aside funds, such as personnel costs, are budgeted so that by the final month of the Tydings period, any work that will be charged to the award has been completed and charged to the appropriate account. OSEP confirmed through the U.S. Department of Education's Grants Administration and Payment System (GAPS) that the State expended all of its FFY 2004 and FFY 2005 Part B funds in a timely manner.

The State reported that it uses the LEA Flowthrough Payment System to track individual LEA allocations and the payments against them through the life of the grant. Annually, at the end of the first 12 months of the grant and then finally, at the end of the Tydings period, the payments and

obligations of each LEA's allocation are reconciled to its Part B budget and expenditures report that is submitted with the LEA's Part B application. If, at the end of the first year of the grant and then periodically throughout the Tydings period, a district appears to be at risk of not obligating all of the funds on time, the State notifies the LEA of the importance of obligating the funds by September 30<sup>th</sup> and subsequently liquidating those obligations within the following 90 days. As a result, almost all funds have been obligated and liquidated in a timely manner. Finally, the State reported that it reconciles on a monthly basis the LEA Flowthrough Payment System with the Idaho State Accounting and Reporting System (STARS) to ensure that throughout the life of each grant all draw downs of funds, both at the LEA level and the State level are timely and in compliance with EDGAR's cash management regulations.

#### **OSEP Conclusions**

Based on the review of documents, analysis of data, and interviews with State and local personnel, OSEP believes the State has procedures that are reasonably designed to ensure the timely obligation and liquidation of IDEA funds. OSEP cannot, however, without collecting data at the State and local levels, determine whether all public agencies in the State implement fiscal procedures that ensure the timely obligation and liquidation of IDEA funds.

#### **Required Actions/Next Steps**

No action is required.

#### ***Critical Element 2: Appropriate Distribution of IDEA Funds***

*Does the State have procedures that are reasonably designed to ensure appropriate distribution of IDEA funds within the State?*

#### **Verification Visit Details and Analysis**

The State complies with Federal requirements in calculating subgrant allocations to LEAs and other State agencies. All entities that receive funds, including charter and State-operated schools, must give assurances regarding maintenance of effort (MOE), supplement not supplant, and other appropriate accounting procedures. LEAs with students with disabilities who are parentally-placed in private schools must complete a proportionate share form, which is included as part of the LEA application. The State has not established an LEA Risk Pool.

#### **OSEP Conclusions**

Based on the review of documents, analysis of data, and interviews with State and local personnel, OSEP believes the State has procedures that are reasonably designed to ensure appropriate distribution of IDEA funds within the State. OSEP cannot, however, without collecting data at the State and local levels, determine whether all public agencies in the State implement fiscal procedures that ensure appropriate distribution of IDEA funds.

#### **Required Actions/Next Steps**

No action is required.

***Critical Element 3: Appropriate Use of IDEA Funds***

*Does the State have procedures that are reasonably designed to ensure appropriate use of IDEA funds?*

**Verification Visit Details and Analysis**

State auditors review State and LEA financial systems and budgets to ensure the appropriate expenditure of Part B funds. The IDSDE ensures that LEAs use Part B funds to supplement and not supplant State, local, and other Federal funds through review of the required LEA application assurances, monitoring, State audits and MOE reports. The State compares the State and local expenditure information that each LEA provides in its MOE report with the expenditure information for the prior fiscal year to ensure that the LEA has expended at least as much as it spent in the prior fiscal year. In the limited circumstances where the LEA has proposed to reduce effort, and the allocation received by the LEA exceeds the amount that the LEA received for the previous fiscal year, the State reviews the budget information to ensure that the LEA reduces effort by no more than 50% of the amount of any excess. The State also reviews that LEA's application to verify whether the LEA uses an amount of local funds equal to the reduction in expenditures to carry out activities that could be supported with funds under the Elementary and Secondary Education Act (ESEA), regardless of whether the LEA is using funds under the ESEA for those activities, in accordance with 34 CFR §300.205(b). At the end of each fiscal year the State reviews the budget that the LEA submitted prior to the start of the school year and compares it to the actual expenses. The State's finance office reconciles the budgeted vs. actual expenses.

When an LEA uses funds for CEIS, the LEA assures that it will submit to the SDE, in subsequent years, the following information: (1) A detailed description of how these funds were actually expended, with amounts used for each allowable activity; (2) The number of children who receive CEIS in the current school year; and (3) The number of those children who subsequently receive special education and related services within the first year and within the second year. These plans must be approved by the SEA.

The LEA further assures that it will submit, or have available for review, as required by the SDE, all documents and information required to demonstrate compliance with Federal regulations regarding the implementation of CEIS using IDEA Part B funds and that IDEA Part B funds will be used to supplement and not supplant other funds used for these purposes, including funds made available under the ESEA for these purposes.

As part of the OSEP verification review, a representative from the State's finance office worked with OSEP to resolve an audit finding issued in 2007 related to the use of funds. The State's finance office provided documentation to resolve an issue regarding the appropriate use of funds for staff salaries.

The State reported that it uses the STARS system to track State expenditures of Part B funds. STARS uses grant codes and index codes. These codes are clearly defined to indicate: 1) the source of the Federal funds; 2) the FFY in which the funds were awarded; and 3) the cost category breakdowns within each award, i.e., administrative and State set-aside. The administrative and fiscal officer of the special education division of the SDE must be thoroughly familiar with this index code system so that when Part B set-aside budgets are developed; all items of cost within

those budgets are properly classified using the correct grant and index codes. The State reported that it reviews these systems on a regular basis to ensure that the funds budgeted and used are for compliant expenditures.

**OSEP Conclusions**

Based on the review of documents, analysis of data, and interviews with State and local personnel, OSEP believes the State has procedures that are reasonably designed to ensure appropriate use of IDEA funds. OSEP cannot, however, without collecting data at the State and local levels, determine whether all public agencies in the State implement fiscal procedures that ensure appropriate use of IDEA funds.

**Required Actions/Next Steps**

No action is required.