



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL

THE INSPECTOR GENERAL

INFORMATION MEMORANDUM
STATE AND LOCAL NO. 02-01

MAR 21 2002

To: Robert Pasternack
Assistant Secretary for Special Education and Rehabilitative Services

From: Lorraine Lewis *Lorraine Lewis*

Subject: Summary of Carryover and Supplanting Information from OIG Audits of the Individuals with Disabilities Education Act, Part B

This memorandum compiles various audit results to provide you information for use during reauthorization of the Individuals with Disabilities Education Act (IDEA), Part B. We conducted audits at five state education agencies (SEAs) in Indiana, Illinois, Connecticut, Mississippi, and California. As part of the audits, we visited sub-recipients (local education agencies and planning districts/areas, hereinafter referred to as LEAs) in each of the states. Our audit objectives, as related to reauthorization, were to determine (1) the extent of and reasons for carryovers, and (2) how many LEAs implemented the 20 percent supplanting provision and, where implemented, how the supplanted funds were used and accounted for.

Carryovers

Under the Tydings Amendment, 20 U.S.C. § 1225, IDEA funds not obligated by the end of the fiscal year for which they were appropriated can be carried over to the following fiscal year. SEAs and LEAs have up to 27 months to obligate IDEA funds. LEAs in four of the five states visited had significant carryover. IDEA does not place a limit on the amount recipients can carryover from one award period to the next. The following table shows the extent of carryovers in the five states.

State	No. of LEAs Visited	No. With Carryover	Range of Carryovers	Average Carryover	Audit Control Number ¹
Indiana	6	6	1 to 40 %	16 %	A05-B0001
Illinois	4	4	17 to 59 %	33 %	A05-B0023
Connecticut	3	3	23 to 45 %	32 %	A05-B0020
Mississippi	3	3	23 to 73 %	44 %	A05B0021
California	3	0	0 % ²	0 %	A05-B0022
Totals	19	16			

¹ These reports are available on the OIG web site.

² The California Department of Education requires all sub-grantees to spend all IDEA funds within the initial grant year.

We identified two reasons for carryovers. First, although seven LEAs planned to expend their entire IDEA allocation, expenses were less than expected resulting in carryover. Second, nine LEAs planned to have a carryover. According to officials at the nine LEAs, they historically used carryover and current year funds to meet expenses. Therefore, the nine LEAs did not intend to use all current year IDEA funds to meet current year expenses.

Supplanting

IDEA contains a supplanting provision that states:

[F]or any fiscal year for which amounts appropriated to carry out section 611 of the Act exceed \$4.1 billion, an LEA may treat as local funds up to 20 percent of the amount of funds it is eligible to receive under Sec. 300.712 from that appropriation that exceeds the amount from funds appropriated for the previous fiscal year that the LEA was eligible to receive under Sec. 300.712. (34 C.F.R. § 300.233)

Our work disclosed minimal implementation of the provision. We identified only two LEAs (see discussion regarding Indiana below) in the five states we visited that used the 20 percent supplanting provision.

The Connecticut SEA did not monitor LEAs to determine if they used the 20 percent supplanting provision. The SEA assumed that some LEAs used the provision because data in their audited financial statements indicated they had not met the federal maintenance of effort requirement. The SEA required the LEAs in question to submit documentation related to the federal maintenance of effort. We reviewed the documentation for three LEAs and concluded that they had met the maintenance of effort requirements and did not use the supplanting provision. Although we did not review documentation from the remaining LEAs, nothing came to our attention to indicate that any of them used the supplanting provision.

Three SEAs—Illinois, Mississippi, and California—did not monitor to determine if LEAs took advantage of the 20 percent supplanting provision and had no record that any LEA did. None of the LEAs we visited in those states had implemented the provision.

The Indiana SEA's records indicated one LEA had used the 20 percent supplanting provision. In addition, another LEA that we visited had used the provision but had not informed the SEA. The first LEA used the supplanting provision to shift IDEA salary cost from the local budget to the federal budget and the second LEA used the supplanted funds to hire a social worker for the IDEA program.

LEA officials gave three reasons for not using the provision. They were not aware of the provision, were not familiar with the provision, or considered the amount immaterial.

Subsequent to the start of our field work, the Department sent out guidance on the provision.

Purpose and Methodology

In October 2000, the OIG initiated a series of audits of IDEA, Part B. The purpose of this memorandum is to notify the Office of Special Education and Rehabilitative Services (OSERS) that we have completed the audits and provide information to assist OSERS in determining if carryover and supplanting provisions contained in IDEA should be revised as part of reauthorization.

To accomplish this purpose, we summarized information from OIG audit reports for our work in Indiana (carryover), Illinois, Connecticut, Mississippi, and California. Also, we developed the Indiana supplanting information in a survey that did not result in a report. During these audits, we performed work at five SEAs. We also performed work at 19 LEAs consisting of small, medium, and large LEAs in each state.

This memorandum was prepared in accordance with generally accepted government auditing standards applicable to alternative services as prescribed by the OIG in Inspector General Bulletin No. 91-4, dated March 28, 1991.

No response from your office is necessary regarding the information contained herein. If you would like to discuss the information presented in this memorandum or obtain additional information, contact Richard J. Dowd, Regional Inspector General for Audit at 312-886-6503.

Electronic cc:

William D. Hansen, Deputy Secretary
Eugene W. Hickok, Under Secretary
John Danielson, Chief of Staff
Becky Campoverde, Assistant Secretary, Legislation and Congressional Affairs
Laurie M. Rich, Assistant Secretary, Intergovernmental and Interagency Affairs
Susan Craig, Assistant General Counsel
Barbara Bauman, Audit Liaison Officer, Office of Special Education and Rehabilitation Services