

LBA Performance Audit Report Summary:

Department of Education, Bureau of Special Education, Catastrophic Aid Program Performance Audit Report - July 1999

Our report reviews the State's special education catastrophic aid program. The Bureau of Special Education within the Department of Education administers the program, which reimburses school districts for a portion of the expenditures incurred by providing required services to the most costly students with disabilities. Reimbursements to school districts totaled \$57 million during the audit period, fiscal years 1993 through 1998. Each student's Individual Education Program, or IEP, defines the services the student will receive as agreed to by the school and parents. Catastrophic aid covers 80 percent of the costs of implementing a student's IEP after the costs exceed 3½ times the estimated State average expenditure per pupil, and 100 percent of all costs exceeding 10 times the estimated State average expenditure per pupil. Additionally, the Bureau maintains the Special Education Information System (SPEDIS) which is used to track school-reported catastrophic aid costs and student information, as well as calculate catastrophic aid reimbursements.

Insufficient Staffing A Factor In Many Bureau Problems

We found that staffing was a contributing factor in many problems we identified at the Bureau of Special Education. Bureau staff and 90 percent of the schools we surveyed reported that the Bureau is understaffed. We see this affecting the Bureau's management over some of its operations. For example, we found the Bureau's oversight of its special education electronic database to be seriously lacking and its review of catastrophic aid claims to be inadequate. To further aggravate the situation, the Bureau has experienced a significant amount of staff turnover resulting in a loss of institutional knowledge.

We recommend the Department:

- Re-evaluate Bureau staffing to better manage special education activities throughout the State, and to improve its oversight of special education funding;
- Develop policies and procedures detailing its oversight of SPEDIS operations; and
- Develop and implement adequate controls to ensure that catastrophic aid expenditures are paid only for eligible services.

Lack Of Compliance With State Laws Weakens Control Over Resources

We identified a number of instances where the Department has not followed State law or its administrative rules. The Bureau has not adopted administrative rules for the catastrophic aid program as required by statute. Following an undocumented decision 25 years ago, the Department has not submitted a majority of its special education service contracts for Governor and Council approval. In fiscal year 1998 alone, these projects amounted to over \$3 million. In

addition, the Bureau has not followed its own rules when setting reimbursement rates and limiting the number of special education students placed at non-approved facilities.

We recommend the Department:

- Develop and adopt comprehensive administrative rules detailing the catastrophic aid program;
- Submit projects being funded by federal discretionary funds as contracts to the Governor and Council for approval; and
- Set rates and approve individual placements at in-state non-approved facilities according to its rules.

Multiple Factors Increasing Special Education And Catastrophic Aid Expenditures

We concluded the State has very little control over special education expenditures. The federal government sets the rules and teams within schools determine the services that must be provided to students with disabilities. While the State can control how much it contributes for special education through catastrophic aid and a few other programs, local taxpayers have been directly responsible for about 81 percent of special education expenditures. During the audit period the State has provided \$127 million in special education funding, including \$57 million through the catastrophic aid program. Our interviews and survey identified the following factors as increasing special education costs (particularly, catastrophic aid related costs):

- increases in total student populations,
- growing percentage of students with severe disabilities,
- increases in the number of one-on-one aides,
- parental threats of taking schools to expensive due process hearings,
- increases in the use of out-of-district placements, and
- increases in associated costs such as transportation.

Due to inadequate and unavailable cost data, it was problematic to attribute specific cost increases to the above factors.