

I. PROGRAM OBJECTIVES

In 1975, Congress passed P. L. 94-142, the Education for All Handicapped Children Act, which said that all students with disabilities are entitled to a Free Appropriate Public Education (FAPE). The Education for All Handicapped Children Act has been reauthorized six times since its inception, in 1983, 1986, 1990, 1992, 1997 and most recently 2004. However, the responsibility of states to ensure FAPE by monitoring/auditing the provision of special education and related services in local education agencies has not changed. The Exceptional Children Division of the NC Department of Public Instruction (DPI) believes that monitoring contributes to the development of quality programs for students with disabilities in North Carolina, assures appropriate use of categorical funds, and assists school systems in documenting accountability. Most importantly, monitoring protects the rights of children, parents, and the school system. Since February 2000, the focus of monitoring activities conducted by the Exceptional Children Division has been through the Continuous Improvement and Focused Monitoring System. In the North Carolina monitoring system, local education agencies (LEAs) include city, county school districts, charter schools and state-operated programs.

The purposes of the Individuals with Disabilities Education Act as amended in 2004 (IDEA, Part B) are to: (1) ensure that all children with disabilities have available to them a free appropriate public education which emphasizes special education and related services designed to meet their unique needs; (2) ensure that the rights of children with disabilities and their parents are protected; (3) assist States, localities, educational service agencies and Federal agencies to provide for the education of all children with disabilities; and (4) assess and ensure the effectiveness of efforts to educate children with disabilities (Section 601(d) of P. L. 108-446).

IDEA also includes specific provisions for parentally-placed private school children with disabilities. LEAs are required to the extent consistent with the number and location of children with disabilities who are enrolled by their parents in private, including religious, elementary and secondary schools located in the school district served by the LEA, to make available the provision for participation in the Part B program. A proportionate share of IDEA, Part B funds must be reserved each fiscal year for the provision of services. (34 CFR §300.130-144)

In addition, IDEA was amended to allow and sometimes require LEAs, including charter schools and state-operated programs, to use funds provided under Part B for Coordinated Early Intervening Services (CEIS). This provision, which is found in section 613 (f) of the IDEA (20 U.S.C. §1413(f)) and the regulations in 34 CFR §300.226 permits LEAs to use Part B funds to develop and provide CEIS for students who are currently **NOT** identified as needing special education. The IDEA and its implementing regulations permit LEAs to use not more than 15 percent of the amount the LEA receives under Part B of the IDEA, less any amount reduced by the LEA pursuant to 34 CFR §300.205 (adjustments to local fiscal efforts), to develop and implement CEIS. Under 34 CFR §300.646(b)(2), if a State identifies **Significant Disproportionality** based on race or ethnicity in an LEA, with respect to the identification of children as children with disabilities, the identification of children in specific disability categories, the placement of children with disabilities in particular educational settings, or the taking of disciplinary actions, the LEA **MUST** use the maximum amount (15 percent) of funds allowable for CEIS. (34 CFR §300.205, 208, 226 and 646)

The objectives of the IDEA, Part B Special Education Grants to States are as follows:

- Section 611: To provide grants to States, and through the state education agency (SEA) to LEAs, to assist in - (1) providing a free appropriate public education to all children with disabilities through the provision of special education and related services for children ages three through 21. (IDEA, Part B, Section 611(a)(1))

- Section 619: To provide grants to States to assist in making available special education and related services for children with disabilities ages three through five. (IDEA, Part B, Section 619(a))
- Risk Pool: To assist LEAs in addressing the needs of high need children with disabilities ages three through 21. (IDEA, Part B, Section 611(e)(3))
- Coordinated Early Intervening Services: To assist LEAs in developing services to - (a) reduce academic and behavioral problems for students in kindergarten through grade 12 at risk of placement in special education; (b) ensure students are appropriately referred to special education; and (c) comprehensively serve children, particularly, but not exclusively, in those significantly over identified racial or ethnic groups. (IDEA, Part B, Section 613(f); 71 FR 46626-46627)
- Special Needs Targeted Assistance: To assist LEAs in specific areas of local need including the establishment and coordination of reading/writing coordinators and training; math coordinators and training; early literacy activities; Positive Behavior Intervention and Support coordinators and training; Responsiveness to Instruction coordinators and training; related services support; autism and low incidence support and training; and transition training. (IDEA, Part B, Section 611(C))
- Preschool Targeted Assistance: To assist LEAs in specific areas of need including professional development and support around activities to improve Child Find programs, early childhood transitions, early childhood outcomes, and improving preschool least restrictive environment (LRE) opportunities for handicapped preschoolers. (IDEA, Part B, Section 619(e)(f))

II. PROGRAM PROCEDURES

In North Carolina, IDEA, Part B (611) Grant funds are used by LEAs to initiate, expand and continue provisions of special education and related services to children with disabilities ages three through 21. Children with disabilities who reach the age of 22 during the school year can complete that school year. Children with a developmental delay disability are children ages through seven or prior to entering third grade, whichever comes first.

IDEA, Part B (611) Grant funds are also used by LEAs to provide services for eligible parentally-placed private school children with disabilities. The formula for calculating the LEA proportionate share amount is included in the local grant. LEAs must ensure the required amount is reserved and is available as needed for services to eligible children. The proportionate share is calculated each fiscal year and has a carryover period of one additional year.

Additionally, IDEA, Part B (611) Grant funds are used by LEAs to provide CEIS for students in kindergarten through grade 12 currently not identified as needing special education. Annually, data is analyzed by the State Education Agency for all LEAs, including charter schools and state-operated programs, to determine if they have **Significant Disproportionality**. If an LEA has Significant Disproportionality, they are **mandated** to use 15 percent of their IDEA allocation (PRC 049 and 060) for CEIS. LEAs that do not have Significant Disproportionality may choose (permissive users) to use up to and including 15 percent of their IDEA allocation (PRC 049 and 060) for CEIS. For LEAs mandated to provide CEIS, 15 percent of their IDEA allocation is calculated and transferred from PRC 060 to PRC 070. Funds must remain (27 months) in PRC 070 for CEIS. LEAs that are “permissive users”, submit a form designating the amount of funds (not to exceed 15 percent of their IDEA allocation) to be transferred from PRC 060 to PRC 070. Prior to January 14 during that fiscal year, an LEA can request in writing that all or a portion of available funds be transferred back to PRC 060 from PRC 070.

IDEA, Part B (619) Grant funds are used to initiate or expand special education and related services to children with disabilities who are 3, 4, and those 5-year-old children who are not eligible for public kindergarten.

Funds are distributed according to the cash request procedures discussed in the DPI Cross-Cutting Requirements, DPI-0.

The amount of funds that the SEA, the DPI, distributes to each LEA is based upon the following:

IDEA, Part B (611) (PRC 060)

Base payments: Each LEA shall receive a base amount equal to a proportional share of 75% of the FY 1999-2000 IDEA Title VI-B grant. The LEA's portion is calculated based on the December 1998 child count.

Base payment adjustments for any fiscal year after the base year fiscal year are adjusted:

1. If a new LEA or Charter School is created, the LEA's base allocation shall be divided among the new LEA or Charter School and affected LEA based on the relative numbers of children with disabilities ages three through 21 contained in the most current December 1st child count.
2. If one or more LEA is combined into a single new LEA, the base allocations of the merged LEAs shall be combined.
3. If the LEA's geographic boundaries or administrative responsibility for providing services to children with disabilities ages three through 21 is changed, the base allocations of affected LEAs shall be redistributed among affected LEAs. It will then be based on the relative numbers of children with disabilities ages three through 21 contained in the most current December 1st child count.

Funds remaining after distribution of the base shall be allocated as follows:

1. Eighty-five percent (85%) of remaining funds shall be allotted to those agencies on the basis of ADM of children enrolled in public and private elementary and secondary schools within each agency's jurisdiction.
2. Fifteen percent (15%) of remaining funds shall be allotted to those agencies in accordance with their relative numbers of children living in poverty, as determined by the December 1st free lunch count.

Coordinated Early Intervening Services (CEIS) (PRC 070)

The formula for mandated CEIS is 15% of the LEA's total IDEA, Part B annual allocation (611 and 619). The formula for permissive CEIS is up to and including 15% of the LEA's total IDEA, Part B annual allocation (611 and 619).

IDEA, Part B (619) Preschool (PRC 049)

Base payments: Each LEA shall receive a base amount equal to a proportional share of 75% of the FY 1997-98 IDEA Title VI-B Preschool grant. The LEA's portion is calculated based on the December 1996 child count.

Base payment adjustments for any fiscal year after the base year fiscal year:

SPECIAL EDUCATION CLUSTER (PRC 049, 060, 070, 114, 118, 119)

1. If a new LEA or Charter School is created, the LEA's base allocation shall be divided among the new LEA or Charter School and the affected LEA based on the relative numbers of children with disabilities ages three through five contained in the most current December 1st child count.
2. If one or more LEAs are combined into a single new LEA, the base allocations of the merged LEAs shall be combined.
3. If two or more LEAs with geographical boundaries or administrative responsibilities for providing services to children ages three through five change, the base allocations of the affected LEAs shall be redistributed among affected LEAs. This redistribution is based on the relative numbers of children with disabilities ages three through five contained in the most current December 1st child count.

Funds remaining after distribution of the base shall be allocated as follows:

1. Eighty-five percent (85%) of remaining funds shall be allotted to those agencies on the basis of ADM of children enrolled in public and private elementary and secondary schools within each agency's jurisdiction.
2. Fifteen percent (15%) of remaining funds shall be allotted to those agencies in accordance with their relative numbers of children living in poverty, as determined by the December 1st free lunch count.

Risk Pool (PRC 114)

The Risk Pool allocation is based on an approved budget submitted by the LEA. Per child allotments (state aid and federal 611) are subtracted from the costs of special education and related services on an approved application. The remaining funds are allocated to the LEA/Charter School. Funds are child specific and all unused funds must be returned.

Special Needs Targeted Assistance (PRC 118)

The Targeted Assistance allocations are provided to support implementation of research-based initiatives administered by the Exceptional Children Division. The amount allocated varies from LEA and is dependent about which initiatives are implemented. Examples of initiatives include: Positive Behavior Intervention and Support (PBIS), reading, math, autism problem-solving teams, intensive behavior support transition, and related services support.

Preschool Targeted Assistance (PRC 119)

The Targeted Assistance allocations are provided to support implementation of research-based initiatives administered by the Office of Early Learning and are specific to children with disabilities ages three - five years. The amount allocated varies from LEA and is dependent about which initiatives are implemented. Examples of initiatives include: play-based assessment teams, Child Find support, and Center for Social and Emotional Foundations for Early Learning (CSEFEL).

III. COMPLIANCE REQUIREMENTS

The NC Department of Public Instruction (DPI) mandates that all testing in the DPI Cross-Cutting Requirements be performed by the local auditor. Please refer to Cross-Cutting Requirements DPI-0.

Other procedures that pertain to this program can be found in the US Department of Education Cross-Cutting Section and the Federal Compliance Supplement.

A. Activities Allowed or Unallowed

Compliance Requirement – Funds may be used by an LEA only in accordance with State and Federal laws, regulations and policies, and only for those services or activities included in its project application for grant funds. (34 CFR 300.200)

Audit Objective – To determine that expenditures are allowable and are properly recorded.

Suggested Audit Procedures:

- Obtain a copy of the Budget Balance Reconciliation Report (305/705) from the finance officer and compare to local accounting records for conformity.
- Obtain a copy of the 611 and 619 project plans from the local program coordinator and review expenditures to determine that expenditures are in accordance with the project plans.
- Review the 611 and 619 Project/Budget Narrative Section, “Use of Funds”/” Use of Project Funds & Budget”. Compare this section with actual budget to determine funds are used as indicated in approved grant.
- Review salary expenditures to determine that personnel paid from these funds do not exceed budgeted personnel in approved program budget, and CEIS plan budget for services restricted to non-identified students.
- Obtain a copy of the approved Risk Pool application(s) (student name removed) and review expenditures to determine that expenditures are in accordance with the approved application(s).
- Obtain a copy of the approved CEIS plan in the 611 grant application from the local program coordinator to determine if CEIS is addressed. Review expenditures to determine that expenditures are in accordance with the CEIS plan.
- Review expenditures for Targeted Assistance (PRC 118, 119) and related documents to determine that expenditures are recorded for initiatives administered by the Exceptional Children Division.
- Obtain a list of student records, list of professional personnel (i.e. teachers, related service provider) and December 1 child count roster from the Central Office, Exceptional Children Program. Conduct record review test to determine that funds are used in accordance with state policies and federal regulations.
- Review the following records: Parental Permission (Consent) to Place; most recent Individualized Education Program (IEP); and IEP that was in effect on December 1 of the child count year being audited.
- Compare student records to December 1 child count roster. Audit exception (return of funds) occurs if:
 - IEP not in effect on child count date.
 - Missing documentation on child count date: (a) IEP and/or (b) Parental Permission (Consent) for Placement.
 - Inability to document appropriate committee participation at time of initial or reevaluation eligibility/placement determination.
 - Misclassification – incorrect identification of the child count roster (this roster does not match the placement decision and/or the IEP).
 - LEA is unable to locate student record/folder.
- Compare personnel list to teacher/service provider of student record and

related payroll expenditure reports to determine if funds expended are used for personnel found to have expired licenses or are teaching out of field.

Funds will be required to be reimbursed to the appropriate program report code (PRC) if the funds were expended in a manner in conflict with federal and/or state laws, regulations, policies and procedures.

Compliance Requirement - An LEA may use Federal funds only for the excess costs of providing special education and related services to children with disabilities. Special education includes specially designed instruction, at no cost to the parent, to meet the unique needs of children with disabilities, including classroom instruction, instruction in hospitals and institutions, instruction in physical education (special physical education, adapted physical education, movement education, and motor development), home instruction, and instruction in other settings. Special education includes speech-language pathology services, travel training and vocational education if the services otherwise meet the requirements above. Related services include transportation and such other supportive, developmental and corrective services as are required to assist a child with a disability to benefit from special education, including speech-language pathology and audiology services; orientation and mobility services; psychological services; physical and occupational therapy; recreation including therapeutic recreation; school social work services; interpreting services; early identification and assessment of disabilities in children; medical services for diagnostic or evaluation purposes; school health and school nurse services; parent counseling and training; and counseling services, including rehabilitation counseling (34 CFR 300.202(a)(2), 300.39)

In general, an LEA meets the excess cost requirement if it has spent at least the minimum average amount of funds spent on all children for the education of its children with disabilities before funds under IDEA, Part B are used. This amount must be calculated annually to prove that the minimum average amount of funds spent on all children was expended for the fiscal year. (34 CFR 300.202(b)(2), 300.16)

Audit Objective – To determine that Special Education Federal funds are used only for the excess costs of providing special education and related services to children with disabilities.

Suggested Audit Procedures:

- Test expenditures and related records to determine if funds were used for special education costs and related services, as listed above.
- Review the sub-recipient’s calculation of the minimum average amount of funds spent on all children and the amount of funds spent on children with disabilities on the Excess Cost Computation Form. Verify that at least the minimum average amount of funds spent on all children was spent on children with disabilities before IDEA, Part B funds were expended.

Compliance Requirement - LEAs must reserve a required proportionate share amount for parentally-placed private school children and account for expenditures. (34 CFR 300.130-144)

Audit Objective – To determine that required IDEA, Part B (611) federal funds are reserved and expenditures are allowable and recorded.

Suggested Audit Procedures:

- Test expenditures and related records to determine if funds were used for parentally-placed private school children.
- Review and evaluate procedures for recording expenditure of proportionate share funds.
- Obtain copy of IDEA, Part B (611) project plan – Project Participant Chart/Nonprofit Parentally-Placed Private School Children and Project Narrative/Private School Participation/Parentally-Placed. Compare the calculated proportionate share amount with expenditures and the narrative plan to determine funds were used for allowable activities.

B. Allowable Costs/Cost Principles

Addressed in the NC Department of Public Instruction Cross-Cutting Requirements.

C. Cash Management

Addressed in the NC Department of Public Instruction Cross-Cutting Requirements.

E. Eligibility

Compliance Requirement - Only students who have been evaluated and determined as having autism, intellectual disability, hearing impairment, speech or language impairment, visual impairment (including blindness), serious emotional disability, deafness, orthopedic impairment, other health impairment, specific learning disability, deaf-blind, developmental delay (ages three through seven), traumatic brain injury or multiple disabilities, and who, by reason of the disability, need special education and related services are eligible for participation in this program. (34 CFR 300.8, 300.133-134, 300.301, 300.306, 300.311, 300.641, 300.645, 300.646)

Audit Objective – To determine that IDEA, Part B funds were used only for the education of children with disabilities.

Suggested Audit Procedures:

- Review and evaluate procedures for providing an accurate count of eligible participants, including parentally-placed private school children.
- Review records on the number of disabled children served to determine if the number of disabled children reported by the LEA is adequately supported.
- Determine whether IDEA, Part B funds were used to pay for services to children who are ineligible to participate in the program. If IDEA, Part B funds were used for such children, ascertain the amount of those funds so used.
- Review procedures for determining participant eligibility and ascertain if they conform to the preceding criteria.
- Review records and procedures to determine that Preschool Targeted Assistance expenditures are only for students with disabilities ages three - five.

Eligibility for Subrecipients – The Department of Public Instruction program administrators determine if the eligibility requirements are met when the project and budget are approved.

Compliance Requirement - Only students in kindergarten through grade 12 (with a particular emphasis in kindergarten through grade 3) who are **NOT currently identified as needing special education or related services**, but who need additional academic and behavioral support to succeed in a general education environment are permitted to use IDEA, Part B funds for CEIS. Funds for CEIS may be used for professional development activities for the deliverance of

scientifically based academic and behavioral interventions, including scientifically based literacy instruction, and where application, instruction on use of adaptive and instructional software; and activities that provide educational and behavioral evaluations, services, and supports. Also, CEIS funds may be used to carryout services aligned with activities funded by and carried out under the ESEA, but are to supplement, not supplant funds made available under the ESEA for those activities. (34 CFR 300.208, 300.226, 300.646; Section 613(f)(5))

Audit Objective – To determine that IDEA, Part B CEIS (PRC 070) funds were used only for the education of children **not identified as having a disability and enrolled in grades kindergarten through grade 12.**

Suggested Audit Procedures:

- Review CEIS plan (within 611 project application) and evaluate procedures for providing services only for eligible participants (K-12 students' **NOT** currently receiving special education/related services).
- Review documentation of the number of non-disabled children receiving CEIS to determine if the number of children reported by the LEA in the CEIS section of their 611 project application is adequately supported.
- Determine whether IDEA, Part B CEIS (PRC 070) funds were used to pay for services to children who are identified as needing special education/related services. If IDEA, Part B CEIS (PRC 070) funds were used for such children, ascertain the amount of those funds so used.

Eligibility for Subrecipients – The Department of Public Instruction program administrators determine if the eligibility requirements are met when the project and budget are approved.

F. Equipment and Real Property Management

Addressed in the NC Department of Public Instruction Cross-Cutting Requirements.

G. Matching, Level of Effort, Earmarking

1. **Matching** - This compliance requirement does not apply at the local level. No testing is required.
2. **Level of Effort** - Addressed in the Federal Compliance Supplement.

Compliance Requirement – LEAs must not reduce the level of expenditures for the education of children with disabilities made from local or state and local funds below the level of those expenditures for the preceding fiscal year. (34 CFR 300.203) The DPI Maintenance of Fiscal Effort (MOE) Calculation Form must be completed annually and the expenditures reported in the IDEA, Part B (611) Grant by September 30 to document state and local expenditures. If the First Preceding Fiscal Year MOE is less than the Second Preceding Fiscal Year MOE, the LEA must complete the DPI Justification Form for documentation of reduction due to allowable exception (34 CFR §300.204) or adjustment (34 CFR §300.205; Appendix D).

Audit Objective – To determine that the LEA MOE is accurate and that the calculation of state and local funds expended for the education of children with disabilities for both the first and second preceding years are correct.

Suggested Audit Procedures:

- Review the DPI MOE Calculation worksheet and determine accuracy of reported state and local expenditures for FYs 2017-18 and 2016-17.
- For the designated MOE figure, if the First Preceding Fiscal Year amount is less than the Second Preceding Fiscal Year amount as documented on the Calculation worksheet, review the Justification Form (that should accompany the worksheet) and related documents to verify the reduction.
- If “adjustment” to local MOE was used and MOE was reduced, determine if the amount of funds expended by the LEA for CEIS (PRC 070) counted toward the maximum amount of expenditures that the LEA could reduce the local MOE.

3. Earmarking - This compliance requirement does not apply at the local level. No testing is required.

H. Period of Availability of Federal Funds

Addressed in the US Department of Education Cross-Cutting Section.

Compliance Requirement - Expenditures may not be incurred before the project/plan begins on July 1 of each fiscal year. Any expenditure prior to the beginning date is considered unallowable and must be refunded to DPI.

Audit Objective – To determine that no expenditures were incurred prior to the date the project began.

Suggested Audit Procedure:

- Review transactions to verify that no expenditures were incurred prior to the approved application beginning date.

I. Procurement and Suspension and Debarment

Addressed in the NC Department of Public Instruction Cross-Cutting Requirements.

L. Reporting

Addressed in the US Department of Education Cross-Cutting Section, NC Department of Public Instruction Cross-Cutting Requirements and the Federal Compliance Supplement.

M. Subrecipient Monitoring

This compliance requirement does not apply at the local level. No testing is required.

N. Special Tests and Provisions

Addressed in the US Department of Education Cross-Cutting Section, in the Federal Compliance Supplement, and in the NC Department of Public Instruction Cross-Cutting Requirements.