



Seattle Public Schools The Office of Internal Audit

**Internal Audit Report
Special Education**

September 1, 2013 through April 30, 2013

Issue Date: June 19, 2014



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Executive Summary

Background Information

Seattle Public School's Special Education department works collaboratively with school and District leaders, teachers, students, and families to provide the tools, guidance, support, and services needed to ensure access and appropriate progress for the district's approximately 7,400 students with disabilities. The District's special education program is conducted in accordance with the state regulations governing implementation of special education services pursuant to the Individuals with Disabilities Education Act (IDEA) of 2004. The state rules for the provision of special education are addressed in Washington Administration Code Chapter 392-172A. The District's School Board Policy 2161 and Superintendent Procedure 2161SP align to the federal and state laws.

By law the District is required to provide three categories of services to support students' special education service needs as described in their special education evaluation, which establishes eligibility for special education services and supports:

- **Direct:** These students are enrolled within the District and receive direct and related service support at the schools they attend.
- **Private Placement:** These students are enrolled with the District; however, the services required to support the needs of these students cannot be provided at the schools they attend because of resource constraints or a lack of expertise in the service area. These students are placed by the District in the schools or institutions that provide the services that the student requires. The majority of these services are funded by personal services contracts with the institutions providing the special education services.
- **Parentally Placed Students in Private Schools:** These students do not go through the District's enrollment process. A decision is made by the parents to place the student in private schools or institutions. The District is obligated to provide services to these students.

The state funds the special education students in three major categories:

- **0-2 Years: Early Intervention Services.** The district is required to provide services for these students as determined by their special education evaluation. The OSPI (Office of Superintendent of Public Instruction) allocated \$357.57 per student for the 2013-2014 academic year.
- **3-4 Years: Preschool Services.** These services are similar to early intervention. The district is required to provide appropriate educational services for the student as determined by their special education evaluation. The amount allocated per student for the 2013-2014 academic year was \$446.
- **K-21 Years:** School districts are required to ensure an appropriate educational opportunity for children ages five through 21 with disabilities. The amount allocated for this category of



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student for the 2013-2014 academic year was \$6,278.14. This amount is in addition to the general apportionment amount each district receives per general education student.

- School districts also receive federal funding for special education in the form of IDEA. Federal IDEA Part B funds are allocated to districts on a census based formula of eligible children age 3–21 receiving special education and related services on the established count date. There was approximately \$10.4 million allocated to the District In the 2013-2014 academic year.
- In addition to the per-student special education allocation, the special education funding structure includes a safety net for the district if it can show extraordinary special education program costs beyond state and federal resources.

The special education services provided by the district are organized into two groups. The first group is the site-based teaching group that works under the leadership of the school principal. This group consists of special education teachers and instructional assistants. The second group is centralized to support the efforts of the site-based staff, and to ensure adherence to the compliance, regulatory, and monitoring aspects of special education. The central team is also responsible for creating an environment for special education that is consistent throughout the District. Related service providers, and those conducting required Child Find evaluation activities, are also centrally assigned, but also provide school based services. These include Speech Language Pathologists, Psychologists, Occupational Therapists, Physical Therapists, Adaptive PE specialists, Vision Specialists, Audiologists and Deaf/Hard of Hearing services staff. The central team is led by an Executive Director and a Director of Special Education. There are a total of seven supervisors in the Special Education Department. Six are dedicated to the service delivery and support of regional school teams, and one is dedicated to support students whose parents have enrolled them in a private school.

The department uses an Individualized Education Plan (IEP) online system to keep track of student files. The IEP online system provides staff with all the tools needed to perform special education assessments and keep track of student progress in a manner that is compliant with state requirements. Since this system is online, access is provided to the central staff as well as the site staff. Access to the system is restricted and changes can only be made by authorized staff.

In the 2012-2013 academic year, the OSPI reviewed the special education function of the District and identified significant weaknesses during this process. In response to their review, the OSPI temporarily froze the District's special education funding and made a series of recommendations requiring District action. The District implemented a Comprehensive Corrective Action Plan (C-CAP) to address the OSPI's concerns, and it reports its progress to the OSPI on a quarterly basis.

This audit was conducted in accordance with the internal control framework constituted by the Committee of Sponsoring Organizations of the Treadway Commission. The framework consists of five major components (control environment, risk assessment, control activities, information and communication, and monitoring). This framework is a valuable tool for organizations as it provides management and the board of directors with a means to apply internal controls at the function level.



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Roles and Responsibilities

This audit was completed as part of the *Annual Risk Assessment and Audit Plan* approved by the Audit and Finance Committee on September 10, 2013. District management has the primary responsibility to establish, implement, and monitor internal controls. Internal Audit's function is to assess and test those controls in order to provide reasonable assurance that the controls are adequate and operating effectively. We conducted the audit using due professional care, and we believe that the evidence obtained provides a reasonable basis for our findings and conclusions.

Audit Objectives

The primary objectives of this audit were to determine whether the District's special education function:

- Is organized to support the school sites in an effective and efficient manner.
- Has implemented a reporting process that is reliable, timely, and in accordance with the terms set forth by the OSPI.
- Is aware of the applicable laws and regulations pertaining to special education, and if they have a process in place to identify any new requirements that may impact the department.

Scope of the Audit

September 1, 2013 through April 30, 2014

Audit Approach and Methodology

To achieve the audit objectives, we performed the following procedures:

- Planned the audit in cooperation with the Special Education Department to ensure that we had a strong understanding of the District's special education process
- Analyzed available data to corroborate the information obtained during our walkthroughs.
- Reviewed all applicable RCW's, WAC's, and OSPI reference material for state compliance requirements.
- Reviewed the OSPI monitoring reports and associated corrective action plans to ensure that we had a thorough understanding of the state's special education concerns, as well as the Districts ongoing efforts to ensure compliance.



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- Planned the audit in accordance with the Committee of Sponsoring Organizations of the Treadway Commission. The focus of this methodology is to review if a framework of internal controls exists and if these controls are executed in an efficient and effective manner.
- Interviewed special education staff knowledgeable of the various processes that were covered during the course of the audit.
- Performed tests and analysis of the objective areas to support our conclusions.
- Protected student data and identities throughout the course of the audit.

Conclusion

Based on the results of the audit procedures performed, we believe that:

- The District's special education function is a work in progress. The District employs knowledgeable staff; however, their work is based on historical practices and institutional knowledge. There are no written internal procedures or written internal controls to guide the staff or create an effective control environment.
- The special education function has a functioning reporting process in place, but our report identifies opportunities to improve efficiencies that can potentially save time, effort, and resources.
- The special education function is aware of the applicable special education laws and regulations, but we identified an opportunity to ensure that it is aware of any changes to the regulations or best practices necessary to carry out the function's objectives.

We extend our appreciation to the staff within the special education function for their assistance and cooperation during the course of the audit.

Andrew Medina

Andrew Medina, CPA, CFE
Director, Office of Internal Audit



Findings and Recommendations

1. Student Files

The District maintains student files documenting student progress and services received for every special education student in the District. These files are maintained in two ways: hard copy paper files located at the central administration office, and the IEP online system. We reviewed the student files for compliance with signature requirements and approval authorities. We also reviewed the files for compliance with the timelines associated with evaluations, IEPs, and communication with parents.

Compliance

During our review of the student files we noted several instances where all of the required signatures documenting approval of a student evaluation or an IEP were not present in the file. We also noted that the student files did not contain any evidence documenting periodic updates on a student's progress towards annual goals, as required by WAC 392-172A-03110.

Recommendations

We recommend that the District:

- Ensure that all the required signatures are present in the student's file once the evaluation is complete and once the IEP is finalized.
- Devise a procedure to ensure that student files are updated periodically to reflect reviews of student's IEPs and their progress towards their annual goals.

IEP Online System

Special education supervisors do not have authorization in the IEP online system to run reports on a timely basis to ensure compliance with state requirements. The supervisors use hardcopy files that are printed from the IEP online system. The files are sent to the central staff by the special education teachers responsible for maintaining and updating the IEP online system for students at schools. Only one page, which documents the signatures of all parties associated with an evaluation and IEP meeting, is required to be maintained in hardcopy. All other documents may be maintained in the IEP online system, and it is redundant and inefficient to maintain them in hardcopy form.

Our review indicated that CEDARS (The Comprehensive Education Data and Research System managed by the OSPI) and P223h reporting (the District's enrollment reporting for special education students) is done from PowerSchool. In order to achieve this, the IEP online system data is reentered into PowerSchool after verification of information from student files by central staff. This is creating a duplication of efforts and is utilizing unnecessary staff time and effort. The current practice is inefficient and redundant since the IEP online system has the capability to produce CEDARS and P223h data.



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Recommendations

We recommend that

- The special education supervisors be provided with the system capabilities necessary to pull their own reports and review IEPs and evaluations for compliance purposes.
- With the exception of the physical signature page that is required for all evaluations and IEPs, the department eliminate the maintaining of physical student evaluation and IEP files.
- The District prepare the CEDARS and P223h reports directly from data in the IEP online system, rather than reenter the data into the PowerSchool system.



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2. Personal Services Contracts

The District's Special Education department spends approximately \$1.7 million annually on personal services contracts. These contracts are mainly executed to support:

- The special education services that cannot be provided by District staff due to a lack of resources, expertise, or infrastructure.
- The Comprehensive Corrective Action Plan that was mandated by the OSPI in order for the district to be in compliance with state and federal laws.

The Special Education Department is in the process of implementing procedures to improve controls around its personal services contracts. The Accounting Department reviews all personal services contracts before they are approved, and they also review all invoices to ensure that services did not begin prior to the contract approval date, and that the invoices adequately identify the services rendered. The Accounting Department also tracks instances of noncompliance and refers repeat offenders to District management for disciplinary meetings as necessary. During our review we noted certain areas of noncompliance with District personal services contract requirements that require further attention and improvements. Specifically, we noted that:

- Services were rendered before the contract was approved by the Accounting Department.
- Sole-source justifications did not contain adequate documentation to support the sole-source determination.
- The contracts did not contain any form of identification that would tie the need for services to an approved IEP. Without this information it is difficult to verify that that student receiving services actually has an approved plan documenting the need for services.

Recommendations:

We recommend that:

- The Special Education Department ensure that the contract has been approved by the Accounting Department before it allows the contractor to begin providing services.
- The District review its controls surrounding sole-source justifications to ensure that all sole-source determinations are supported by adequate documentation.
- The District implement a procedure that would allow a personal services contract for special education services to be tied to the student receiving the services. This will allow for better accountability and transparency of personal services contracts, but it should not result in the divulgence of any student names or data.

3. Policies and Procedures

During our review of the District's procedures, we noted that the Special Education Department does not have a handbook that clearly states the steps and procedures that should be followed in the department. The department has been working on historical and institutional knowledge that results in inconsistencies, reduced accountability, and increased risk of noncompliance with state and federal requirements. There are insufficient operating procedures throughout the special education function. We specifically noted that:

- The department does not have a clear channel of communication to share important information with centralized support staff or site-based teaching staff.
- There is no handbook for employees that covers all the processes that are necessary for them to perform their normal course of duties.

Recommendations

We recommend that special education management:

- Establish a written framework of policies and procedures for supporting the internal special education processes. (i.e. Special Education Process Handbook)
- Develop a clear channel of communication so that future productivity strains can be avoided.
- Designate a staff member to track and monitor all special education compliance requirements. This person will be responsible for ensuring that any changes to compliance requirements or industry best practices are communicated to the remaining staff.
- Brainstorm and exchange ideas with the site-based teaching staff during the early stages of writing procedures, so that the best practices of each process can be shared and adopted by the department as a whole.



4. Financial Approval Authority

During our review of the department's financial internal controls related to B2B, we noted that administrative staff has approval authority for purchases. This was not a planned event, but rather is the result of frequent turnover within the special education function's leadership.

Upon further review of the system data, we noted that this type of administrative authorization is not limited to the Special Education Department, and that it may be common practice in other District departments as well. Currently the District does not have a policy or procedure that discusses the delegation of B2B authority to administrative staff. This could result in the unauthorized delegation of authority, a lack of financial accountability, and a lack of monitoring over department budgets by the budget owners.

Recommendations

We recommend the District:

- Constitute a written procedure authorizing the delegation of financial authority by department heads to their knowledgeable staff. This will create efficiency in the function and will allow the leaders to focus on the main objectives of the District.
- Implement compensating controls that will ensure accountability over the transactions approved by delegated staff. Some examples of compensating controls include limiting the financial authority of delegated staff to a specific dollar threshold, and requiring period reconciliations of the department's disbursements, which would be signed off by the department manager to ensure that they have full knowledge of the department's spending.



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Management Response

Thank you for your finds. This is a critical time for our Special Education Department. These recommendations will help guide us in delivering excellence and equity for all students with disabilities.

The Special Education Leadership team concurs with the audit findings and we will be taking action to effectively implement the audit recommendations. Specially:

Student Files

- Ensuring that all required signatures are present in the student's file once the evaluation is completed and once the IEP is finalized.*
- Devise a procedure to ensure that student files are updated periodically to reflect reviews of student's IEPs and their progress towards their annual goals.*

IEP online System

- The special education supervisors will be provided with the system capabilities necessary to pull their own reports and review IEP's and evaluations for compliance purposes.*
- With the exception of the physical signature page that is required for all evaluations and IEP's, the department eliminates the maintaining of physical student evaluations and IEP files.*
- The district will prepare the CEDARS and P223h reports directly from data in the IEP online system, rather than reenter the data into the PowerSchool system.*

Personal Service Contracts

- The Special Education Department will ensure that the contract has been approved by the Accounting Department before it allows the contractor to begin providing services.*
- The District will review its controls surrounding sole-source justifications to ensure that all sole-source determinations are supported by adequate documentation.*
- The district will implement a procedure that would allow a personal service contract for special education services to be tied to the student receiving the services. This will allow for better accountability and transparency of personal services contracts, but it will not result in the divulgence of any student names or data.*

Policies and Procedures

- Establish a written framework of policies and procedures for supporting the internal special education processes. (i.e. Special Education Process Handbook)*
- Develop a clear channel of communication so that future productivity strains can be avoided.*
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- *Brainstorm and exchange ideas with the site-based teaching staff during the early stages of writing procedures, so that the best practices of each process can be shared and adopted by the department as a whole.*

Financial Approval Authority

- *Constitute a written procedure authorizing the delegation of financial authority by department heads to their knowledgeable staff. This will create efficiency in the function and will allow the leaders to focus on the main objectives of the District.*
- *Implement compensating controls that will ensure accountability over the transactions approved by delegated staff.*