PERFORMANCE AUDIT

The State Department of Education’s Approval and Monitoring of Contracts or Other Arrangements between Local and Regional Boards of Education and Private Providers of Special Education

AUDITORS OF PUBLIC ACCOUNTS

JOHN C. GERAGOSIAN  ROBERT J. KANE
# Table of Contents

INTRODUCTION ................................................................................................................... 1

AUDITORS’ REPORT ........................................................................................................... 1

SCOPE OF AUDIT .............................................................................................................. 1
  Methodology .................................................................................................................... 2

OVERVIEW ............................................................................................................................ 4
  Funding of Special Education .......................................................................................... 4
  School Districts Apply to the State Department of Education for Excess Cost Grants for High-Cost Special Education Students ...................................................................... 4
  Regulations Reflect Variability in Arrangements between School Districts and Private Providers .......................................................................................................................... 4

STATE AUDITORS’ FINDINGS AND RECOMMENDATIONS ....................................... 6
  Role of the State Department of Education in Approving Contracts or Other Arrangements between School Districts and Private Providers of Special Education .... 6
  Excess Cost Grant Approval Process – Contracts Required .......................................... 10
  Electronic Oversight System .......................................................................................... 13
  Role of the State Department of Education in Monitoring Contracts or Other Arrangements between School Districts and Private Providers of Special Education .. 13

RECOMMENDATIONS ................................................................................................... 15

CONCLUSION...................................................................................................................... 16

---

*State Oversight of School District Contracts with Private Providers of Special Education*
## Acronyms

<table>
<thead>
<tr>
<th>Acronyms</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>APA</td>
<td>Auditors of Public Accounts</td>
</tr>
<tr>
<td>BESB</td>
<td>Connecticut Bureau of Education and Services for the Blind</td>
</tr>
<tr>
<td>BRS</td>
<td>Connecticut Bureau of Rehabilitation Services</td>
</tr>
<tr>
<td>DDS</td>
<td>Connecticut Department of Developmental Services</td>
</tr>
<tr>
<td>DORS</td>
<td>Connecticut Department of Rehabilitation Services</td>
</tr>
<tr>
<td>ECS</td>
<td>State Education Cost Sharing</td>
</tr>
<tr>
<td>ED001</td>
<td>End of Year School District Report</td>
</tr>
<tr>
<td>IEP</td>
<td>Individualized Education Program</td>
</tr>
<tr>
<td>LEA</td>
<td>Local Education Agency</td>
</tr>
<tr>
<td>PPT</td>
<td>Planning and Placement Team</td>
</tr>
<tr>
<td>PSIS</td>
<td>Public School Information System</td>
</tr>
<tr>
<td>SASID</td>
<td>State Assigned Student Identifier</td>
</tr>
<tr>
<td>SDE</td>
<td>Connecticut State Department of Education</td>
</tr>
<tr>
<td>SEDAC</td>
<td>Special Education Data Application and Collection (SEDAC) system</td>
</tr>
<tr>
<td>SEDAC-G</td>
<td>Special Education Data Application and Collection Grants system</td>
</tr>
<tr>
<td>SEECG</td>
<td>Special Education Excess Cost Grant data application and collection system</td>
</tr>
<tr>
<td>TVSP</td>
<td>Transition/Vocational Service Provider</td>
</tr>
</tbody>
</table>
State Oversight of School District Contracts with Private Providers of Special Education

Audit Objectives and Overview

The purpose of the audit was to determine how the State Department of Education (SDE) approves and monitors contracts and other arrangements between school districts (referred to as local education agencies, or LEAs) and private providers of special education.

These audit findings and recommendations will be used to inform the larger audit being conducted by the Auditors of Public Accounts (APA) of all SDE-approved and non-approved private providers of special education that receive local or state funds.

We reviewed relevant statutes and regulations, and interviewed staff from SDE and other state agencies. We also analyzed the electronic information contained in various SDE databases. We describe the current approval and monitoring process and make recommendations that we believe would strengthen state oversight of contracts between school districts and private providers of special education.

Findings

1. The State Department of Education approved excess cost grants in 2 instances in which the transition/vocational service provider was not a vendor of a state agency as required by the State Department of Education.

2. All school districts reported contract start and end dates in their excess cost grant applications, although there were instances in which our office found no contract between the school district and private special education provider.

3. The State Department of Education did not review contracts for certain statutorily required information for approval of excess cost grants.

4. The State Department of Education relied on automated warning messages in the excess cost grant application database that are out of date, creating inefficiencies.

5. The State Department of Education failed to monitor contracts between school districts and private providers of special education.

Recommendations

1. The State Department of Education should require college-based transition/vocational service providers not currently vendors of state agencies to provide evidence of external oversight.

2. The State Department of Education should inform school districts that contracts are required for excess cost grant applications, and that individualized education programs are not considered contracts.

3. The State Department of Education should only approve excess cost grants when school districts provide proof of contracts.

4. The State Department of Education should only approve excess cost grants when proof of all statutorily required information is contained in contracts.

5. The State Department of Education should update the automated Special Education Excess Cost Grant system (SEECG) warning messages displayed to school districts when they enter application data for excess cost grants.

6. The State Department of Education should provide the Auditors of Public Accounts access to the required annual audits of school districts requesting excess cost grants.

7. The State Department of Education should comply with Section 10-76d (g)(2) of the General Statutes regarding excess cost grant applications for students placed in private special education programs for at least 3 years, and should annually review student progress prior to approving or denying such applications.
AUDITORS’ REPORT
THE STATE DEPARTMENT OF EDUCATION APPROVAL AND MONITORING OF CONTRACTS OR OTHER ARRANGEMENTS BETWEEN LOCAL AND REGIONAL BOARDS OF EDUCATION AND PRIVATE PROVIDERS OF SPECIAL EDUCATION

SCOPE OF AUDIT

We have audited certain aspects of the State Department of Education (SDE) in fulfillment of our duties under Section 10-91g of the General Statutes, which requires the Auditors of Public Accounts (APA) to conduct audits of all SDE-approved and non-approved private providers of special education that receive local or state funds. Sections 2-90 (i) and Section 10-91g of the General Statutes specify our duties related to these audits. During the course of the initial private provider audits, it became clear that we needed additional information regarding SDE’s role in the approval and monitoring of contracts (or other arrangements) between school districts (LEA) and private providers when those school districts receive excess cost grants. The scope of our audit included, but was not necessarily limited to the fiscal year ended June 30, 2017.

The objectives of our audit were to:

1. Determine the elements of the contract approval process;
2. Determine the level of contract monitoring; and
3. Make recommendations to improve state oversight.
Methodology

Our methodology included reviewing relevant statutes and regulations, written policies and procedures pertaining to excess cost grant applications, and SDE qualification of transition/vocational service providers. We interviewed SDE staff from multiple offices, including the Performance Office Data Analysis, Research and Accountability Unit, Bureau of Special Education, and Finance Internal Operations Office Bureau of Grants Management. We also conducted telephone interviews with staff from the Department of Developmental Disabilities and the Department of Rehabilitation Services. We obtained an understanding of internal controls that we deemed significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives. We consulted with the SDE Division of Legal and Governmental Affairs and the Legislative Commissioners’ Office to gain insight into interpretation of contract requirements as well as other areas. We assessed the risk that illegal acts, including fraud, and violations of contracts, grant agreements, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

Lastly, we analyzed electronic data from 2 types of files provided by SDE: 1) The Special Education Data Application and Collection (SEDAC) system, which contains all students aged 3-21 identified as receiving special education services; and 2) The Special Education Excess Cost Grant (SEECG) system, which has information on students receiving high-expense special education services.

We conducted our audit in accordance with standards applicable to performance audits contained in Government Auditing Standards issued by the Comptroller General of the United States. These standards require that we plan and perform our audit to obtain sufficient evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying overview is presented for informational purposes. Our office obtained the information from SDE management, and it was not subject to the procedures applied in our audit of the department. For the areas audited, we identified the following:

1. The State Department of Education approved excess cost grants in 2 instances in which the transition/vocational service provider was not a vendor of a state agency as required by the State Department of Education;

2. All school districts reported contract start and end dates in their excess cost grant applications, although there were instances in which our office found no contract between the school district and private special education provider.;

3. The State Department of Education did not review contracts for certain statutorily required information for approval of excess cost grants;
4. The State Department of Education relied on automated warning messages in the excess cost grant application database that are out of date, creating inefficiencies; and

5. The State Department of Education failed to monitor contracts between school districts and private providers of special education.

The State Auditors’ Findings and Recommendations section in the accompanying report presents any findings arising from our performance audit of the State Department of Education approval and monitoring of contracts between school districts and private providers of special education.
OVERVIEW

Funding of Special Education

Public and private special education programs used by school districts (LEA) are funded by a combination of local, state (Education Cost Sharing – ECS formula and excess cost grants), and federal dollars. In the 2015-2016 school year, approximately 63% of special education funding came from local dollars, 7% from federal dollars, and 30% from state dollars. Some parents or guardians who reject the school districts’ individualized education program (IEP) unilaterally place students in private special education facilities. In those cases, the school district is no longer responsible for the student’s education through the development and implementation of an IEP, and the parents or guardians pay for the private provider.

School Districts Apply to the State Department of Education for Excess Cost Grants for High-Cost Special Education Students

The school districts may apply to SDE for state grants to help pay for special education costs of high-expense students (e.g., tuition and transportation). The state refers to this funding source as state excess cost grants. According to the Special Education Excess Cost Grant User Guide, a student with disabilities qualifies for a grant if the costs exceed the school district’s basic contribution threshold by 4.5 times the net current expenditures per pupil and basic contributions. The State of Connecticut budgeted $139,805,731 for excess cost grants in the 2015-2016 school year for students receiving their education in public or private settings. Slightly more than half of excess cost grants went to high-cost students attending private special education and transition/vocational service provider programs.

The application for excess cost grants occurs electronically. Section 10-76g (a)(2) of the General Statutes allows school districts to apply for these grants twice each year, on December 1st for the first estimated costs, and on March 1st for the revised and additional estimated costs. SDE must register potentially eligible students in its Public School Information System (PSIS). We describe the application process for excess cost grants later in this report.

Regulations Reflect Variability in Arrangements between School Districts and Private Providers

In 2013, there were amendments to the regulations pertaining to arrangements between school districts and private providers. A key change was the elimination of the word contracts and the substitution of the phrase, arrangements for service. The language was changed from a board of education may enter into a contract or contracts to provide special education and related services to a board may make arrangements to provide such services. The heading was also changed from Contracts for Service to Arrangements for Service.

The State Department of Education Analysis of Comments to the Proposed Special Education Regulations (September 2011) discusses the removal of the contract language and the role of the individualized education program developed during a meeting of the planning and placement team (PPT). The analysis states:
“The IEP developed at the placement PPT should outline necessary program, supports and services. When the private facility accepts the student, per the standard, the facility is saying they are able to implement the program in full. The removal of the contract language allows a school district to determine its own need for defining the provision of services and the contents of any contract it may need to have with a private facility for the provision of services.”

According to the State Department of Education, the change from contracts to arrangements occurred “to allow school districts some flexibility to arrange for instruction and related services needed to implement an individualized education program (IEP) whether such services have a financial cost or are obtained through some other arrangements (e.g., in conjunction with another school district, etcetera). SDE understands this to mean that school districts may make arrangements of different types for services as needed: arrangements include both agreements and contracts, with contracts being more formal documents which may permit reimbursement.”
STATE AUDITORS’ FINDINGS AND RECOMMENDATIONS

Role of the State Department of Education in Approving Contracts or Other Arrangements between School Districts and Private Providers of Special Education

The State Department of Education has no role in approving non-contractual arrangements between school districts and private providers of special education, and has a limited role in approving contracts between school districts and private providers when the district is applying for an excess cost grant to cover a portion of the private provider expenses (Figure 1). The Connecticut General Statutes require that a contract be in place for approval of an excess cost grant application. If the parties reach a non-contractual agreement, SDE is not required to review the arrangement because it is not eligible for an excess cost grant.

On a basic level, SDE restricts which private providers a school district may contract with through its rules on approving district applications for excess cost grants, because if the provider does not meet the requirements, SDE will not approve the contract for an excess cost grant. The statutes detail restrictions for contracts between school districts and private providers for preschool, primary/secondary school, and transition/vocational programs.

---

**Figure 1. Role of SDE in Approval of Contracts or Other Arrangements Between School Districts and Private Providers of Special Education**

Arrangements Between Local School District – Private Providers of Special Education

- **Contractual Arrangement**
  - Ellegible to apply to SDE for excess cost grant
  - Role for SDE? **Yes**

- **NON-Contractual Arrangement**
  - Ineligible to apply to SDE for excess cost grant
  - Role for SDE? **No**

- **Contractual Arrangement**
  - Ineligible to apply to SDE for excess cost grant

- **NON-Contractual Arrangement**
  - Ineligible to apply to SDE for excess cost grant

---

Some local school districts may apply to SDE for excess cost grant despite being ineligible.
Pre-schools

The State Department of Education may consider contracts between school districts and private special education pre-schools for an excess cost grant in accordance with Section 10-76d (b) of the General Statutes. The private facility generally must meet standards established by SDE unless it meets one of the following exceptions to this requirement:

- The pre-school is private and has been approved by SDE as an independent school;
- The pre-school is private and licensed by the Office of Early Childhood as a child care center group child care home or family child care home; or
- The school district does not have an existing program that would meet the student’s needs.

Primary and Secondary Schools

The State Department of Education may consider contracts between school districts and private special education primary and secondary programs or schools for an excess cost grant if the programs meet one of the following requirements in accordance with Section 10-76d (d) of the General Statutes:

- The private provider is located in Connecticut and was approved for special education by SDE;
- The private provider is located in Connecticut and, although not approved by SDE, was selected as part of a mediated settlement, formal hearing, or planning and placement team; or
- The private special education program is located out-of-state and is approved by that state’s SDE counterpart. Furthermore, SDE must determine the following:
  - No appropriate services can be provided by an in-state public or approved private provider
  - The out-of-state placement will last no more than 2 years, during which time an appropriate in-state program is being developed
  - An out-of-state placement is less expensive than an existing or developing comparable in-state program
  - Also, SDE will only consider payment for out-of-state private providers when the provider agrees to give SDE financial program and student progress reports necessary to determine annual economic feasibility and program adequacy
Transitional and Vocational Schools

The State Department of Education may consider contracts between school districts and private special education transition/vocational service provider programs for an excess cost grant if qualified by SDE in accordance with Section 10-76d (d) of the General Statutes. To qualify, the program must meet the following criteria:

- Serve students 18-21 years old who have completed academic credits toward a regular high school diploma, or serve students younger than 18 years of age as a related service on an individualized education program;
- Offer transition/vocational services, which may include functional academics. (Note that these providers are not approved to provide academic credit toward a regular high school diploma);
- Hold a current and valid contract as a vendor for the Bureau of Education and Services for the Blind (BESB) or the Bureau of Rehabilitation Services (BRS) or the Department of Developmental Services (DDS); and
- Serve as a private vendor or contractor to a public school district for transition/vocational services.

Figure 2 describes the approval process and periodic reviews by a state agency for private providers.

---

**Figure 2. Process to Become a Vendor of DDS and DORS**

**DDS** – Applicant policies and procedures must be submitted and found acceptable by DDS, background checks and verification of credentials approved, and interviews of the potential vendor’s administrator and agency representatives conducted by the DDS Qualified Provider Committee. Once the application to become a vendor has been approved, there is a mandatory orientation. DDS regional resource managers conduct annual site visits of vendors as part of quality performance reviews.

**DORS** – Potential providers apply to the Department of Rehabilitation Services (DORS) to become vendors of the BRS and/or BESB. An applicant must provide: at least 3 written professional references; written job descriptions; attestation that the Administrative/Executive Director, Director of Vocational Services, or individuals providing direct services to consumers have not lost a professional license or certification, been found guilty of fraud, abuse or ethics violations, or are/have been under investigation for such violations; audit and management letters from the organization’s auditors within the past 3 years, where applicable; copies of reports that document provisions of specific services for which a vendor is seeking approval to provide to the agency; names of BRS staff/offices with whom the applicant has worked in the past, for contact purposes, if applicable; and any other requirements as requested by the agency. The Community Rehabilitation Program Committee reviews and approves or denies applications. SDE may approve excess cost grants for expenditures made to out-of-state private providers in certain instances.
Finding 1 – The State Department of Education approved excess cost grants in 2 instances in which the transition/vocational service provider was not a vendor of a state agency as required by the State Department of Education.

Many of the programs were vendors of DDS, or both DDS and BRS (Figure 3). In addition to the BESB vendor (Oak Hill Day Transition Program-Hartford), there were 2 programs operated by colleges: 1) The Step Forward Program, located at and operated by Gateway Community College, a public two-year college under the auspices of the Board of Regents for Higher Education; and 2) Thames Academy, part of Mitchell College, a private, nonprofit institution licensed by the State Office of Higher Education, and accredited by the New England Association of Schools and Colleges. The college-operated programs are not vendors of state agencies; however, there were 2 school districts that received over $100,000 in excess cost grants to cover expenses for 4 students attending Thames Academy and Step Forward TVSP programs.

Recommendation: The State Department of Education should require college-based transition/vocational service providers not currently vendors of state agencies to provide evidence of external oversight. (See Recommendation 1.)

Agency Response: “The Department agrees that payment should be made to approved providers in accordance with subsection (d) of section 10-76d of the Connecticut General Statutes. APA’s provision to our Grants Office of the SASIDs of the two students in question allowed us to research their concern. At the time the Department authorized payment for students in the transitional programs at Gateway Community College and Mitchell
College, both programs were approved transitional programs making the payment appropriate."

**Auditors’ Concluding Comment:**

The agency’s response is inaccurate, since there was no authorization for SDE to issue payments in such a manner. Neither Gateway Community College nor Mitchell College transitional programs were vendors of state agencies; therefore, they are in violation of SDE requirements.

### Excess Cost Grant Approval Process – Contracts Required

Section 10-76d (d) of the General Statutes requires contracts between school districts and private providers for the districts to receive excess cost grant reimbursement. We sought clarification from SDE regarding whether it could consider an IEP as a contract between the school district and provider to fulfill the statutory requirement. During the course of the audit, the State Department of Education reported that an agreement may incorporate the IEP in the terms of the contract, but an IEP itself is not considered a contract.

SDE maintains a data system to process excess cost grant applications called Special Education Excess Cost Grant system or (SEECG, formerly SEDAC-G). By December 1st, each school district must electronically submit certain information into the SEECG system. By the following March 1st, the district must submit any revised and additional estimated costs. This data system requires districts to enter contract start and end dates. If there are no dates entered into these mandatory fields, SDE rejects the application for an excess cost grant.

Once SDE reviews and adjusts the reports as needed, the school districts are required to sign off on the content of the data. Only a school district employee with the SEECG system certifier role can complete the sign-off.

Of the 5,635 excess cost grant applications submitted in the 2015-2016 school year, 4,314 (77%) were approved. The depth of reviews are limited because there is one SDE staff person currently assigned to the excess cost grant approval function.

**Finding 2** – All school districts reported contract start and end dates in their excess cost grant applications, although there were instances in which our office found no contract between the school district and private special education provider.

The SEECG system for March 2016 shows that 100% of school districts applying for excess cost grants reported contract start and end dates. In our audit of 7 SDE-approved private providers ([Click here to read report](#)), contracts did not appear to be executed for 24 of 46 students (52%) for whom the district applied for excess cost grants from SDE. SDE has the authority to require school districts to supply any information necessary to document certain requirements, including excess cost grant applications.
**Recommendation:** The State Department of Education should inform school districts that contracts are required for excess cost grant applications, and that individualized education programs are not considered contracts. *(See Recommendation 2.)*

**Agency Response:** "This recommendation will be given careful review. However, the SDE believes that it is proper to consider an individualized educational program (IEP) which contains the information required by statute, and which is accepted by a provider when it agrees to provide services required by the IEP to a student, as a contract for purposes of the excess cost grant. The finding notes that SDE reported that an IEP itself is not considered a contract. An SDE attorney did express that view in response to the specific question of whether an IEP, standing alone, constitutes a contract. That was an entirely appropriate – and unremarkable – response to an abstract legal question posed without context. It does not resolve the issue here, however. The issue here is not whether an IEP by itself is a contract, but rather whether a private special education provider, in agreeing with an LEA to provide services to one of the LEA’s students in accordance with the student’s IEP in exchange for payment has taken on a contractual commitment to provide those services in the sense contemplated by the excess cost statute. While the IEP standing alone may not be a contract in a technical legal sense, the IEP describes what the provider must do for the student. By accepting the student, the provider agrees to implement the IEP. In SDE’s view, this acceptance creates a contractual commitment on the part of the provider. Notably, counsel also explained to the auditor that the SDE has characterized an IEP as a contract in the particular context at issue here. Counsel provided the auditor with a portion of the Department’s Special Education Excess Cost Grant User’s Guide noting that the Guide provides that a school district would be eligible for the excess cost grant if it assumes responsibility for providing special education instruction, "and provides for such services through a contract with the facility in the form of an IEP . . . SDE’s Excess Cost Guide for LEAs thus gives the IEP, which is accepted by the provider, the status of a contract for the purposes of eligibility of the excess cost grant. Therefore, a school district has complied with the prerequisite for payment where the terms of the IEP met the requirements for payment stated in the statute. The SDE will consider suggesting that school districts review the documents they currently use in outplacing students with providers pursuant to IEPs in order to determine whether it may be appropriate to utilize a more formal document in the future, giving due consideration to not imposing a requirement which may result in school districts incurring significant legal fees. The Department’s position is that a school district has complied with the prerequisite for payment where the terms of the IEP met the requirements for payment stated in the statute.”
Auditors’ Concluding Comment: The IEP does not contain all of the elements that constitute a complete contract, including cost, frequency and duration of services, and other provisions to ensure a complete understanding of what services the provider is performing, and how much they cost. Having a contract in place with clear provisions helps ensure the state and school districts receive the services they are paying for and the student receives the services they need.

Recommendation: The State Department of Education should only approve excess cost grants when school districts provide proof of contracts. (See Recommendation 3.)

Agency Response: “See Response #2.”

Auditors’ Concluding Comment: The IEP does not contain all of the elements that constitute a complete contract, including cost, frequency and duration of services, and other provisions to ensure a complete understanding of what services the provider is performing, and how much they cost. Having a contract in place with clear provisions helps ensure the state and school districts receive the services they are paying for and the student receives the services they need.

Finding 3 – The State Department of Education did not review contracts for certain statutorily required information for approval of excess cost grants.

Beyond specifying which private providers the school district may engage, additional SDE requirements for excess cost grant approval provide some measure of oversight of arrangements between school districts and private providers. Section 10-76d (d) of the General Statutes specifies that school district arrangements with private providers are only acceptable for possible application to SDE for excess cost grant when the contract contains the following information:

- Description of the educational program and other treatment the child is to receive
- Statement of minimal goals and objectives to anticipate what the child will achieve
- Estimated time schedule for returning the child to the community or to another appropriate facility

When a school district certifies the data submitted to SDE, the department assumes that the district has followed all required steps. However, since there are instances in which there is no contract between school district and private provider, this assumption is questionable.
**Recommendation:** The State Department of Education should only approve excess cost grants when proof of all statutorily required information is contained in contracts. *(See Recommendation 4.)*

**Agency Response:** “See Response #2.”

**Electronic Oversight System**

**Finding 4** – The State Department of Education relied on automated warning messages in the excess cost grant application database that are out of date, creating inefficiencies.

SDE provides oversight electronically through warning messages displayed to school district personnel as they enter data into the SEECG system. The school system can correct data or SDE can administratively override the data before considering the application for an excess cost grant. Warning messages notify the school district when it exceeds maximum amounts in total and per diem for tuition, transportation, and room and board.

The most common warning messages are for tuition costs greater than the maximum per year and the per diem costs for tuition and transportation. Before executing an administrative override, SDE may request data from the school district, such as copies of settlement agreements, and determine whether this was a unilateral placement, involved overlapping contracts, or the student had a change of residence. SDE may also question the school district about tuition that seems high and review invoices to verify that charges match those invoices.

SDE stated that the warning message parameters may need to be increased based on the rising cost of special education. It is not unusual to find tuition costs of greater than $175,000.

**Recommendation:** The State Department of Education should update the automated Special Education Excess Cost Grant system (SEECG) warning messages displayed to school districts when they enter application data for excess cost grants. *(See Recommendation 5.)*

**Agency Response:** “The SEECG system (formally SEDAC-G) moved to a new platform beginning with the 2016-17 grant year. We plan to review all warnings for update and possibly moving them to a separate report by the 2018-19 grant year, since the 2017-18 application is already active.”

**Role of the State Department of Education in Monitoring Contracts or Other Arrangements between School Districts and Private Providers of Special Education**

**Finding 5** – The State Department of Education failed to monitor contracts between school districts and private providers of special education.

There are 2 statutory references pertaining to the SDE role in monitoring contracts between school districts and private providers. Both references relate to the excess cost grant requirements, and it appears that SDE is not adhering to them.
1. Since 1975, Public Act 75-521 required school districts requesting excess cost grants to provide annual audits by certified public accountants. The audit requirement, codified within Section 10-76m of the General Statutes, examines the school district’s claims for reimbursement from the excess cost grants. SDE must maintain the audits and provide certified copies to the Auditors of Public Accounts. Our office does not currently receive copies of these audits or have access to an SDE database containing them.

2. Since 1977, Public Act 76-341 required that, prior to approving any additional excess cost grants, SDE must annually review the progress of students placed in private special education programs for at least 3 years. This requirement was codified within Section 10-76d (g)(2) of the General Statutes. The SDE Bureau of Grants Management staff appeared unaware of this statutory requirement and other SDE bureaus have not identified students that would require Grants Management review.

**Recommendation:** The State Department of Education should provide the Auditors of Public Accounts access to the required annual audits of school districts requesting excess cost grants. *(See Recommendation 6.)*

**Agency Response:** “The Department agrees and is unsure why the Auditors of Public Accounts did not have access to these reports. These reports are available and are provided upon request.”

**Recommendation:** The State Department of Education should comply with Section 10-76d (g)(2) of the General Statutes regarding excess cost grant applications for students placed in private special education programs for at least 3 years, and should annually review student progress prior to approving or denying such applications. *(See Recommendation 7.)*

**Agency Response:** “The SDE will consider whether the requirement of review by the State Board of Education is helpful in this circumstance. The school district and the provider are in a better position to evaluate the need for additional services and to certify to the State Board of Education the need for the additional services. The SDE may seek a legislative change with respect to this requirement.”
RECOMMENDATIONS

1. The State Department of Education should require college-based transition/vocational service providers not currently vendors of state agencies to provide evidence of external oversight.

2. The State Department of Education should inform school districts that contracts are required for excess cost grant applications, and that individualized education programs are not considered contracts.

3. The State Department of Education should only approve excess cost grants when school districts provide proof of contracts.

4. The State Department of Education should only approve excess cost grants when proof of all statutorily required information is contained in contracts.

5. The State Department of Education should update the automated Special Education Excess Cost Grant system (SEECG) warning messages displayed to school districts when they enter application data for excess cost grants.

6. The State Department of Education should provide the Auditors of Public Accounts access to the required annual audits of school districts requesting excess cost grants.

7. The State Department of Education should comply with Section 10-76d (g)(2) of the General Statutes regarding excess cost grant applications for students placed in private special education programs for at least 3 years, and should annually review student progress prior to approving or denying such applications.
CONCLUSION

In conclusion, we wish to express our appreciation for the cooperation and courtesies extended to our representatives by personnel of the State Departments of Education, Developmental Services, and Rehabilitation Services during the course of our examination.

Approved:

Miriam P. Kluger
Principal Auditor

John C. Geragosian
Auditor of Public Accounts

Robert J. Kane
Auditor of Public Accounts