



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES

February 13, 2001

Honorable Richard S. Cross
Commissioner of Education
Alaska Department of Education & Early Development
801 West 10th Street, Suite 200
Juneau, Alaska 99801-1984

Audit Control No. : 10-97-88206
Auditee : State of Alaska
Audit Period : July 1, 1996 - June 30, 1997

Dear Commissioner Cross:

This letter presents the determination of the Assistant Secretary for the Office of Special Education and Rehabilitative Services (OSERS), U.S. Department of Education, upon review of the Recommendation No. 14, page II-50, contained in the above-referenced audit, as well as additional information submitted by your Office on December 18, 2000. This single audit was conducted by the Alaska Division of Legislative Audit, P.O. Box 113300, Juneau, Alaska 99811-3300, for the audit period July 1, 1996 through June 30, 1997.

Our review of this audit report indicates that in Recommendation No. 14, the auditors found that Teacher and Learning Support Services (TLSS) of the Alaska Department of Education & Early Development (AKDEED), which administers multiple federal programs, requires the employees to record their personnel activity on timesheets, which are distributed semi-monthly to the applicable federal programs. To equitably distribute the personnel service expenditures for holiday and leave activity, TLSS has developed a method to allocate costs to multiple Federal programs using an estimated rate. This estimate, based on management's knowledge of the employees expected workload is reviewed twice annually and revised accordingly.

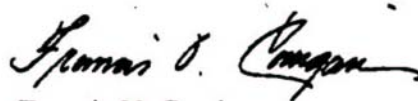
No adjustments are made for the personal services costs distributed to the federal programs using the predetermined rate. A year-end review of actual expenditures is not performed to determine reasonableness. Office of Management and Budget (OMB) Circular A-87 provides that distribution percentages determined before the services are performed may be used for interim accounting purposes. However, the estimates must be reasonable and adjustment must be made based on results of a comparison of actual costs and estimated distribution.

Holiday and leave activity are not the only personal services expenditures distributed to the TLSS federal programs using an estimated amount. The auditors found that the federal program, Special Education-Grants to States, was allocated \$17,000, based on an estimate, for personal services provided by staff within the school finance section. No timesheets were maintained to support the distribution of these costs. Thus, the auditors could not determine if the estimate was reasonable as compared with the actual. We sustain the auditor's finding.

In response to Recommendation No. 14, AXDEED agreed to revise current procedures for charging compensation to TLSS federal programs in a manner that complies with OMB Circular A-87. In addition, AKDEED provided the Department additional documentation on December 18, and 21, 2000, and January 4 and 9, 2001, concerning the questioned costs identified in Recommendation No. 14. Due to the nature of the finding in the audit report, AKDEED's response to the finding in submitting additional documentation for the questioned costs, we require no return of funds or further submissions to the Department on this finding. This finding, therefore, is closed. Please be aware, however, that in subsequent audits, a review will be made of the corrective actions to ensure that they have been completed in an appropriate manner and have been implemented in a manner consistent with applicable requirements. If necessary, depending on the outcome of future audits and on the manner in which corrective actions have been implemented, further administrative action, including the recovery of funds, may need to be taken by this Department.

Thank you for your cooperation in the resolution of this audit.

Sincerely,

A handwritten signature in black ink, appearing to read "Francis V. Corrigan". The signature is written in a cursive style and is positioned above a horizontal line.

Francis V. Corrigan
Deputy Director
National Institute on Disability and
Rehabilitation Research

cc: Mr. Greg Maloney
Office of Special and Supplemental
Services