



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES

MAR 30 1999

Mr. David -Tokofsky
Board of Education
City of Los Angeles
450 North Graced Avenue
Los Angeles, California 90012

Dear Mr. Tokofsky:

I am writing in response to your letter to my Deputy Assistant Secretary, Mr. Curtis Richards with whom you recently spoke. As a result of that conversation with Mr. Richards, you state that you would like more specific information about "new funds" that are provided to the States for special education. In addition, you indicate that you would like there to be an audit of the use of funds over the last three years. Perhaps I can address these concerns with the following information.

The Individual with Disabilities Education Act Amendments of 1997 (IDEA '97) added a new provision establishing subgrants to local educational agencies (LEAs) for capacity building and improvement at the local level. See: 20 U.S.C. §1411(f)(4)A). This provision states in part:

In any fiscal year in which the percentage increase in a State's allocation under Part B of IDEA '97 exceeds the rate of inflation (as measured by the percentage increase, if any, from the preceding fiscal year in the Consumer Price Index For all Urban Consumers, published by the Bureau of Labor Statistics of the Department of Labor), each State shall reserve, from its allocation under Part B, the amount described in 20 U.S.C. § 1411(f)(4)(B) to make subgrants to LEAs, unless the amount is less than \$ 100,000, to assist them in providing direct services and in making systemic changes to improve results for children with disabilities...

Enclosed is a copy of IDEA '97, Section 111 Stat. 54 that will give you a more detailed description about this provision.

During the last three years, Congress has increased funding for the grants to States program by \$1.987 Billion, or over 85 percent.

With respect to your concern that these funds be audited, it may be helpful to explain the general auditing requirements for Federal grants. The Single Audit Act of 1984, as amended in 1986,

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requires, with certain exceptions, that non-Federal entities expending Federal awards of \$300,000 or more in a year must conduct a single audit or program-specific audit, if appropriate. It is the non-Federal entity that is responsible for the audit, either through an audit department within the State government or contract with a private accounting firm. Upon completion of the audit a report of the findings is finalized and forwarded to a Federal clearinghouse, which, in turn, forwards the findings to the cognizant Federal agency with subject matter jurisdiction over the finding. At that point-the -Federal agency will intervene and resolve the finding. After a period of time, the funds will be subjected to the Federal audit requirements Attached for your information is a copy of the Office of Management and Budget Circular A-133 (uniform audit requirements for non-Federal entities that administer Federal awards).

I hope that this information addresses the questions that you directed to Deputy Assistant Secretary Richards. Both Curtis and I want to express our gratitude for your commitment to education in Los Angeles and your work in this regard. If I can provide you with any further assistance, please do not hesitate to contact me.

Sincerely,

Judith E. Heumann
Assistant Secretary

Enclosures.