



Georgia Department of Audits and Accounts Performance Audit Division

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Why we did this review

This follow-up review was conducted to determine the extent to which the Georgia Department of Education (GaDOE), school systems, and Residential Treatment Facilities (RTFs) addressed the recommendations presented in our December 2017 special examination (Report #17-12).

The 2017 special examination was conducted at the request of the House Appropriations Committee. The Committee requested that we review the administration of the state's partnership with RTFs regarding timely, accurate, and predictable financial support.

About Residential Treatment Facilities

RTFs are private, non-profit or for-profit facilities that provide mental health, substance abuse, and other therapeutic services to children and adolescents. In most cases, students' behavioral issues are such that they cannot leave the facility, requiring on-site education. The Department of Juvenile Justice, the Department of Behavioral Health and Developmental Disabilities, and the Division of Family and Children Services may place children in RTFs and fund their treatment.

The GaDOE provides school systems with RTF grant and QBE funding (in most cases) for educating the agency-placed children. School systems generally forward the funding to the facilities.

Follow-Up Review Residential Treatment Facility Grant

Action has been taken, but further work remains to address findings

What we found

Since our 2017 special examination, the Georgia Department of Education (GaDOE), school systems, and residential treatment facilities (RTFs) have addressed several recommendations to improve the administration of the RTF grant program. Most notably, grant funding is available to the RTFs earlier in the school year, grant guidance has been clarified, and memorandums of agreement must be reviewed and updated every two years. Despite these improvements, we noted areas where additional action is still needed.

At the time of the special examination, the administration of the RTF grant led to inconsistencies in the length of time for funds to reach RTFs, the method of fund distribution, and allowable RTF expenditures. After the review, GaDOE took several steps to address these issues, including hiring a full-time RTF grant program manager. (The position was vacated in February 2020 and eliminated in the fiscal year 2021 appropriations act.) Among other things, the position was intended to better communicate grant information, answer questions from school systems and RTFs, and review memorandums of agreement to ensure compliance with state law. School systems and RTFs noted that the position resulted in improved guidance from the state.

GaDOE has taken additional steps to reduce delays in the distribution of grant funds to RTFs. It obtained State Board of Education (SBOE) approval for fiscal year 2020 grant amounts in May instead of August, resulting in earlier RTF and school system submissions of budgets to GaDOE. In addition, GaDOE again communicated that school systems may distribute funds to RTFs

in equal allotments instead of via reimbursement. We noted that few systems have changed their grant distribution methods. Instead, RTFs are generally receiving initial grant funding earlier in the school year due to earlier budget submissions.

GaDOE has also provided guidance clarifying that indirect costs are permissible if deemed reasonable and necessary for student education. During the special examination, some systems ruled RTF costs ineligible partly due to unclear guidance from GaDOE. In 2018, GaDOE created a new sample memorandum of agreement that includes indirect costs. According to GaDOE officials, the allowance of indirect costs was also a topic during a GaDOE meeting with RTFs and school systems in 2019.

GaDOE's update to the sample memorandum of agreement (MOA) occurred after 2018 changes to state law and SBOE rules. The statute requires that school systems and RTFs review and update their MOAs every two years, and the rule requires the creation of a sample MOA with 27 requirements. GaDOE will now review adopted MOAs to ensure compliance with the SBOE rule. Our own review of MOAs found that not all clearly indicate timeframes/methods for grant distribution by the school systems. In addition, we identified instances of a conflict between the distribution method in the MOA and the system's practice.

GaDOE has not changed the information provided in the QBE allotment sheets but is investigating the ability to include hold harmless amounts in information provided directly to RTFs. We found that more school systems were providing RTFs with the full QBE funding amount earned for RTF enrollment. In 2017, three systems retained QBE funds earned for RTF enrollment. In fiscal year 2020, all three systems were properly administering the QBE funds; however, a different system failed to forward a QBE mid-year increase earned due to higher RTF enrollment.

GaDOE's response: GaDOE agreed with the current status as presented in the following table.

The following table summarizes the findings and recommendations in our 2017 report and actions taken to address them. A copy of the 2017 special examination report (#17-12) may be accessed at <http://www.audits.ga.gov/rsaAudits>.

Residential Treatment Facility Grant Follow-Up Review, June 2020	
Original Findings/Recommendations	Current Status
<p>The benefits of the current method of RTF grant administration are limited and offset by inconsistent and inefficient practices.</p> <p>We recommended the General Assembly consider amending state law (§ 20-2-133(b)(5)) to allow GaDOE to provide grant funds directly to RTFs, thus eliminating the need for school systems to administer the grant and improving consistency in grant administration across school systems and RTFs.</p> <p>We also recommended GaDOE utilize the full-time program manager position to take a more active, leading role in administering the RTF grant.</p>	<p>Partially Addressed – Though GaDOE has taken steps to utilize the full-time program manager position in the administration of the RTF grant, the General Assembly has not amended state law to allow GaDOE to provide grant funds directly to the RTFs.</p> <p>At the time of the original special examination, we found that the administration of the RTF grant led to inconsistencies in allowable RTF expenditures, the method of fund distribution, and length of time for funds to reach RTFs. Systems pointed to a need for additional direction from GaDOE regarding the grant.</p> <p>According to GaDOE, the full-time program manager has been utilized to communicate grant information and answer questions from school systems and RTFs. This includes informing systems of relevant changes to state law, reviewing MOAs to ensure inclusion of relevant terms, and additional communication of information regarding budgets and allowable costs. Some systems and RTFs stated that the position helps provide consistent information and guidance from the state.</p> <p>The full-time program manager departed the position in February 2020. GaDOE intended to quickly fill the position, but budget uncertainties delayed hiring. As a result, GaDOE's Director of Policy is the acting program manager. Funding for the position was eliminated in the fiscal year 2021 appropriations act.</p>
<p>RTF grant funds are not distributed in a timely manner due to actions of GaDOE, school systems, and RTFs.</p> <p>We recommended GaDOE bring the RTF grant to the State Board of Education (SBOE) for approval in May, prior to the beginning of the fiscal and school years, and consider moving the deadline for budget submission to earlier in the fiscal year.</p> <p>We also recommended RTFs create budgets for the grant in a timely manner and school systems provide grant funds to RTFs within 10 business days of receiving them.</p> <p>If RTF grant funds are provided on a reimbursement basis, RTFs should provide all documentation required by school systems in a timely manner.</p>	<p>Partially Addressed – GaDOE now brings the RTF grant to the board for approval in May. However, RTFs do not consistently submit their budgets in a timely manner and disbursement of grant funds within 10 days of receipt by school systems is not practiced across systems.</p> <p>RTFs and school systems are able to prepare and submit a budget earlier since GaDOE obtains SBOE approval of grant amounts in May rather than August. While the budget deadline is still January (GaDOE plans to move to December for fiscal year 2021), many budget submissions are happening earlier, and RTFs are receiving the grant funds earlier in the year. In fiscal year 2017, only two of seven¹ RTFs reviewed received grant funds by the middle of the school year, while the remaining five received funds from February to June. By comparison, in fiscal year 2020, four RTFs in those same school systems received grant funds by mid-year. Three of the remaining four RTFs received grant funds between February and March, while one RTF had not requested or received grant funds as of April 2020.</p> <p>The time it takes for RTFs to receive grant funds depends on how timely budgets are created and submitted, as well as the time taken by school systems to distribute grant funds obtained from GaDOE. The earlier funding to systems is generally due to the earlier budget submission and resulting earlier grant funding provided by the state. A comparison of six systems found that budgets are provided earlier in the year (July to November in fiscal year 2020 vs. September to January in fiscal year 2017).</p>

¹ One RTF was excluded in the fiscal year 2017 analysis since it was approved as an RTF in the middle of the fiscal year but is included in the fiscal year 2020 analysis.

Residential Treatment Facility Grant Follow-Up Review, June 2020	
Original Findings/Recommendations	Current Status
	<p>The time between fund receipt by the system and transfer to the RTF has not changed significantly. In both fiscal years 2017 and 2020, two systems transferred funds within ten days. The remaining systems were generally between one and three months for the first disbursement in both fiscal years. It should be noted that three of the six school systems provide reimbursements (not equal allotments) to RTFs, which typically delays disbursements because of the need to reconcile supporting documentation of expenses.</p>
<p>While GaDOE now allows school systems to distribute RTF grant funds via allotment, multiple school systems administer the funding as a reimbursement grant.</p> <p>We recommended GaDOE ensure that all school systems are aware that grant funding can be provided to RTFs through periodic allotments with no evidence of prior expenditures.</p> <p>We also recommended school systems practicing the reimbursement method of grant funds consider modifying their policies to ensure that private facilities are not required to find alternative sources to initially fund public education for Georgia residents.</p>	<p>Partially Addressed – While GaDOE has taken steps to inform school systems that periodic allotments are permissible for grant fund distribution, many school systems continue to reimburse RTFs for expenses. Thus, RTFs continue to be required to find alternative sources to initially fund public education for Georgia residents.</p> <p>Since the audit, one school system that was reimbursing RTFs in fiscal year 2017 had switched to monthly periodic allotments, but an additional school system with a new RTF has chosen to reimburse. Of those school systems that continue to reimburse, some decided not to change since they use reimbursement as a mechanism to verify grant fund use. Personnel in other school systems expressed interest in using periodic allotment but stated that they were not aware that it was permitted. This appears to be due to staff turnover in the school system. According to GaDOE staff, periodic allotments were discussed and recommended to school systems and RTF staff in attendance at a meeting held in May 2019.</p> <p>As fiscal agents for the grant, systems are allowed to determine how funds will be disbursed, and grant programs are frequently reimbursement-based. However, RTFs are not typical system contractors but public education providers. Reimbursement grants require private facilities to initially fund the public education of Georgia residents.</p> <p><i>Note: Based on interviews and correspondence with school systems and RTFs, the original report showed 11 school systems using the allotment method. Information obtained from new personnel at some entities shows that the actual number at the time to be eight. While the number changed, the issue of school systems providing reimbursements remains unchanged.</i></p>
<p>Some reasonable and necessary education expenses are not allowable under GaDOE’s RTF grant policy. In addition, some school systems and RTFs have interpreted the policy to be more restrictive than intended.</p> <p>We recommended GaDOE clarify its RTF grant guidance to indicate that all educational expenditures—both direct and indirect—will be considered.</p>	<p>Partially Addressed – GaDOE has taken steps to inform school systems that both direct and indirect expenditures be considered. An outdated guidance document was removed from its website in June 2020 and will be replaced after review.</p> <p>We previously found that while state law indicated grant funds would be provided for all reasonable and necessary education expenses, GaDOE’s written policy did not allow RTF grant funds to be used on indirect educational expenses. In practice, GaDOE would allow some indirect expenses if they were included in the budget forwarded by the school system.</p> <p>GaDOE created a sample memorandum of agreement in 2018 clearly stating that indirect expenses are allowed, and this</p>

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	<p>information was also communicated this policy to school systems and RTFs during an in-person meeting in 2019. However, incorrect guidance present in 2017 was available on the agency website until June 2020. GaDOE staff stated that it intends to revise the grant overview document.</p> <p>According to GaDOE management, though RTFs know what their students need, it is ultimately the school systems, as fiscal agents, that must evaluate expenses and requests. At least one RTF questioned whether school systems were aware or understood that some indirect expenses were allowable due to denials of items that would be present in a typical classroom.</p>
<p>GaDOE has controls to identify inaccurate information submitted by RTFs, though some errors have not been detected.</p> <p>We recommended GaDOE ensure that RTFs annually receive clear instructions regarding the reporting of average daily attendance and contract days. It should specifically note that RTFs may have and report a different number of contract days than the school system.</p>	<p>Fully Addressed – GaDOE has taken steps to ensure accurate reporting of average daily attendance (ADA) and instructional days by RTFs.</p> <p>In 2017, we found that a small number of RTFs had submitted incorrect information to be used by GaDOE when calculating grant amounts.</p> <p>Since the original audit, GaDOE has provided RTFs with guidance on how to calculate both ADA and contract days. In addition, since 2017, RTFs have been required to attest to the accuracy of the numbers reported for ADA and contract days to GaDOE.</p>
<p>Memorandums of Agreement do not clearly establish the responsibilities of RTFs and school systems.</p> <p>We recommended school systems and RTFs update MOAs to clearly state which party will provide special education-related services and include the timeframe for the distribution of grant funds from systems to RTFs along with the systems’ method of distribution. We also recommended school systems and RTFs update MOAs to include what documentation, if any, RTFs must provide in exchange for RTF grant funds.</p>	<p>Partially Addressed – Since the original audit, GaDOE has created a new sample MOA, and all MOAs between school systems and RTFs have been updated. However, we noted that some MOAs do not clearly indicate timeframes and some MOAs contain language regarding fund distribution that conflicts with system practices.</p> <p>In 2017, we found that some MOAs did not specify responsibilities for special education-related services, expenditure controls, or the timeframe for grant fund distribution to RTFs. The sample MOA created by GaDOE includes all of those items. In addition to providing an updated sample MOA, school systems and RTFs must now review and renew their MOAs with GaDOE every two years (O.C.G.A § 20-2-133 and SBOE board rule 160-5-2-.06). GaDOE reviews the MOAs to ensure that the 27 specific items are included.</p> <p>Our review of eight MOAs in place during fiscal year 2020 found that all identified the party responsible for special education-related services and included expenditure controls. However, we found issues with the provisions related to fund distribution methods and timeframes. Specifically, two systems (three MOAs) use sample MOA language of distributing grant funds to RTFs within 10 days of receipt from GaDOE as a periodic allotment despite continuing to use the reimbursement method of distributing funds. These systems’ MOAs contain no provision related to reimbursement. Two other systems (three MOAs) did not contain any language regarding distribution method or timeframes. In practice, those systems distribute grant funds in periodic allotments.</p>

Residential Treatment Facility Grant Follow-Up Review, June 2020	
Original Findings/Recommendations	Current Status
<p>School systems are not consistently transferring QBE funding to RTFs.</p> <p>We recommended GaDOE include all information on RTFs' QBE allotment sheets to ensure that school systems are informed of austerity and hold harmless amounts, as well as school systems ensuring the full amount of mid-year allotment increases be provided to the RTFs.</p>	<p>Partially Addressed – GaDOE has not included additional information on RTF QBE allotment sheets to ensure hold harmless amounts are noted; however, it is investigating the possibility. We did find that school systems have made improvements to the ensure RTFs receive the full QBE funding amount.</p> <p>While our 2017 report found that three school systems did not consistently forward all QBE formula funds provided to the system on behalf of the RTF, we found that all three disbursed the full QBE funding amount to RTFs in fiscal year 2019. This included providing mid-year increases when warranted, and not reducing allotments when mid-year earnings resulted in a decrease. However, we identified another system withheld mid-year QBE funding increases from its RTF in fiscal year 2019. We also found that the two school systems applying an administrative fee to RTFs QBE disbursement in fiscal year 2017 have continued this practice.</p> <p>GaDOE has made no change in the information provided in the QBE allotment sheets.</p>
<p>7 Findings</p>	<p>1 Fully Addressed</p> <p>6 Partially Addressed</p> <p>0 Not Addressed</p>

The Performance Audit Division was established in 1971 to conduct in-depth reviews of state-funded programs. Our reviews determine if programs are meeting goals and objectives; measure program results and effectiveness; identify alternate methods to meet goals; evaluate efficiency of resource allocation; assess compliance with laws and regulations; and provide credible management information to decision makers. For more information, contact us at (404)656-2180 or visit our website at www.audits.ga.gov.