



Georgia Department of Audits and Accounts Performance Audit Division

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Why we did this review

The House Appropriations Committee asked that we review the state's administration of financial support to Residential Treatment Facilities (RTFs).

In response, we addressed the following aspects of the RTF grant administration: timeliness of fund distribution, flexibility of expenditures, accuracy of allocations, responsibilities for school systems and RTFs outlined in Memorandums of Agreement, and the methods school systems use to distribute grant funds to RTFs. We also reviewed the distribution of QBE funds to RTFs by school systems.

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 Georgia Department of Education 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.

Residential Treatment Facility Grant

Grant administration varies by school system

What we found

School systems are required to serve as a pass-through between the state that provides Residential Treatment Facility (RTF) grant funding and the RTFs that provide the education to students. These systems interpret and apply Georgia Department of Education (GaDOE) guidance regarding allowable expenditures differently and may delay grant funds to RTFs by weeks. In addition, school systems have inconsistently distributed RTFs' Quality Basic Education (QBE) funds, either failing to forward all funds allotted or failing to apply the austerity reduction.

Local school boards are responsible for ensuring that children in RTFs receive an appropriate education; however, it is questionable whether requiring school systems to administer grant funding helps to achieve this educational goal. RTFs create and submit grant budgets to school systems, whose financial personnel generally review only to ensure compliance with GaDOE grant requirements (if reviewed at all). When expenditures are reviewed, they are also reviewed for grant compliance only. School system officials we found to be involved in the education of RTF students were providing special education and/or Title I services. These individuals were not involved in the administration of the grant funds.

Our review of the timeliness of RTF grant fund distribution found that RTFs, school systems, and GaDOE contribute to delays. GaDOE has not obtained approval of the award amounts from the State Board of Education until after the school year has begun. Some RTFs have then taken months to produce a budget, which must then be reviewed by the school system, revised (in some cases), approved by the school superintendent, and finally submitted to and approved by GaDOE prior to distribution of funds to the school

system. Finally, we found instances of RTFs not submitting documentation that would allow payments in a timely manner and school systems simply failing to forward funds owed to the RTFs. As a result of the current process, some RTFs received fiscal year 2017 grant funds in November 2016 while others did not receive funds until the following June. All RTFs had to use other funds to educate students until RTF funds were received. (Most RTFs receive monthly QBE allotments throughout the fiscal year. QBE funds represent just over half of state education funding to RTFs.)

We identified other inconsistencies resulting from numerous school systems serving as an RTF grant administrator. In fiscal year 2017, 11 school systems distributed funds to RTFs in equal allotments once the budget was approved, while five school systems required RTFs to incur and document expenditures prior to forwarding funds (one system paid bills on behalf of the RTF). In addition, the requirement that school systems review and submit RTF grant budgets has led to some school systems rejecting expenditures that may have been approved by GaDOE. These include student field trips, teacher desks, and student benches. While some school systems have rejected these requests, other school systems have not. Some indicated that they do not review the budget submitted by the RTF, believing that GaDOE is the entity that should approve or deny requests.

We reviewed Memorandums of Agreement (MOAs) for several RTFs and school systems, and found that they generally lack specific requirements and information that would be beneficial for both entities. While not required by GaDOE, detailed and frequently updated MOAs would provide accountability for the school system and RTF regarding education funding as well as the provision of education and related services.

Finally, we found that approximately half of the school systems decreased the amount of QBE funds transferred to RTFs in the form of austerity reductions, administrative fees, or failing to adjust the earned amount at mid-year. The austerity reductions should have occurred for all QBE allotments, while the administrative fees are determined by the school system and RTF. When the mid-year allotment shows an increase, the RTFs should have received additional funds. When the mid-year shows a decrease, RTFs should be held harmless in the same way that school system funding is not decreased in a mid-year allotment.

What we recommend

We recommend that the General Assembly consider amending state law to allow GaDOE to provide grant funds directly to RTFs and that GaDOE use the new program manager position to take a more direct role in administering the grant, including more direct communication with RTFs on grant matters, approval of budgets, and review of expenditures after the grant period. We recommend that school systems and RTFs update MOAs to accurately reflect responsibilities and requirements for each entity regarding all aspects of the RTF grant. We also recommend that GaDOE request State Board of Education approval of awards earlier in the year and that school systems and RTFs provide documentation and funding in a timelier manner.

See [Appendix A](#) for a detailed listing of recommendations.

***Agency Responses:** GaDOE generally agreed with the recommendations made to the agency, while most local school systems and RTFs chose not to respond. One of the eight RTFs provided a draft for comment stated that the report accurately captured grant administration issues. Two of six school systems responded, with one largely indicating agreement with the recommendations to school systems. The second system reiterated its intent to use the reimbursement method for distributing grant funds and noted that the collaboration that occurs as a result of its grant administration helps ensure an adequate education for children in RTFs. Specific responses are included at the end of each finding.*

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Purpose of the Special Examination

This review of the Residential Treatment Facilities (RTF) grant was conducted at the request of the House Appropriations Committee. The Committee asked that we review the administration of the state's partnership with RTFs regarding timely, accurate, and predictable financial support. Based on the request and subsequent conversations with the House Budget and Research Office, we addressed the following questions:

1. Are RTF grant funds distributed in a timely manner?
2. Is it necessary for school systems to provide grant funds to RTFs through a reimbursement process?
3. Can RTF grant funding be spent on any "reasonable and necessary" costs for educating students in RTFs?
4. Do RTFs receive the correct amount of grant funding each year as established by GaDOE policy?
5. Do Memorandums of Agreement (MOAs) clearly establish the responsibilities of RTFs and school systems?
6. Do school systems forward all earned QBE funds to RTFs?

A description of the objectives, scope, and methodology used in this review is included in [Appendix B](#). A draft of the report was provided to GaDOE and certain school systems and RTFs for their review, and pertinent responses were incorporated into the report.

Background

Residential Treatment Facilities

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. Children and adolescents in the custody of the Department of Human Services' (DHS) Division of Family and Child Services (DFCS), the Department of Behavioral Health and Developmental Disabilities (DBHDD), or the Department of Juvenile Justice (DJJ) may be placed in an RTF to receive these services. These youth may have been a victim of abuse or neglect, exhibited delinquent behaviors, exhibited severe emotional and/or behavioral problems, and/or have substance abuse and addiction issues. The length of the placement is dependent on the needs of the individual, but it is typically between a few months and one year.

RTFs vary in the type and number of individuals they serve. Children with severe emotional or behavioral issues are assigned to a psychiatric residential treatment facility, while those with less severe issues may be placed in a maximum watchful oversight or additional watchful oversight program (see [Appendix C](#)). In addition to placements by DFCS, DBHDD, and DJJ, a facility may have children placed by families or agencies in other states.

Children placed in an RTF must receive appropriate educational services. O.C.G.A. § 20-2-133(b)(1) requires local school systems to provide educational programs, including special education and related services, at no charge to children placed in a

residential facility within the school district by DJJ, DBHDD, or DFCS. The law also states that the school systems are not required to expend local funds for RTF students who do not leave the facility, and that, in addition to Quality Basic Education (QBE) funds, the General Assembly may provide additional grant funding for these agency-placed children.

Each school system and RTF should have a written Memorandum of Agreement (MOA) detailing what each entity's responsibilities will be regarding the education of students in the RTF. While the children are generally educated on-site, either the RTF or the school system may employ the teachers or other personnel that provide educational services. GaDOE's sample MOA includes language regarding personnel, special education requirements and services, data systems, expenditure controls, and transition requirements for RTF students.

RTF Grant Funding

The RTF grant is intended to fund "the difference between the actual state funds received for that eligible child [under the QBE funding formula], and the reasonable and necessary expenses incurred in educating that eligible child." According to State Board of Education Rule 160-5-2, reasonable and necessary expenses include both direct instructional costs (e.g., teacher/paraprofessional salaries and benefits, instructional materials) and indirect instructional costs (e.g., administration, maintenance, transportation) required to educate eligible children. Only an RTF that has applied to GaDOE to become an approved provider may receive an RTF grant, and funds are only provided for children placed by DFCS, DBHDD, or DJJ.¹

RTF grant funding is impacted by the RTF's classification as a school or a program. Schools are provided a school code by GaDOE and must conform to state and local system requirements for all other schools. RTF school teachers provide grade-level appropriate education in classroom settings. By contrast, programs do not provide education directly to students; the school system provides education and/or teachers to provide education on-site or at a local school. Programs provide treatment and some related services on-site, such as academic tutoring. Schools receive QBE funds and larger RTF grant amounts, but programs' educational services are generally provided by the school system, which does receive QBE funds for RTF program students. The school/program designation is not based on the therapeutic services provided by the RTF but was previously a decision made by the RTFs. In October 2009, GaDOE determined that new facilities seeking approval would be required to operate as a program.²

The RTF grant amount for schools is based on several factors. The grant provides the difference between the RTF's actual QBE allocation and what the QBE allocation would have been if each student at the RTF was categorized as Special Education III. Adjustments are also made for the RTF's average daily attendance and any additional days of instruction over the typical 190. Finally, the grant provides additional funds for counselors and paraprofessionals and \$100 per FTE for operations and maintenance. An RTF designated as a program only receives the \$100 per FTE.

¹ Parents, guardians, or out-of-state entities that place children in RTFs pay all associated costs.

² Despite the policy, GaDOE approved an RTF to become a school in fiscal year 2016.

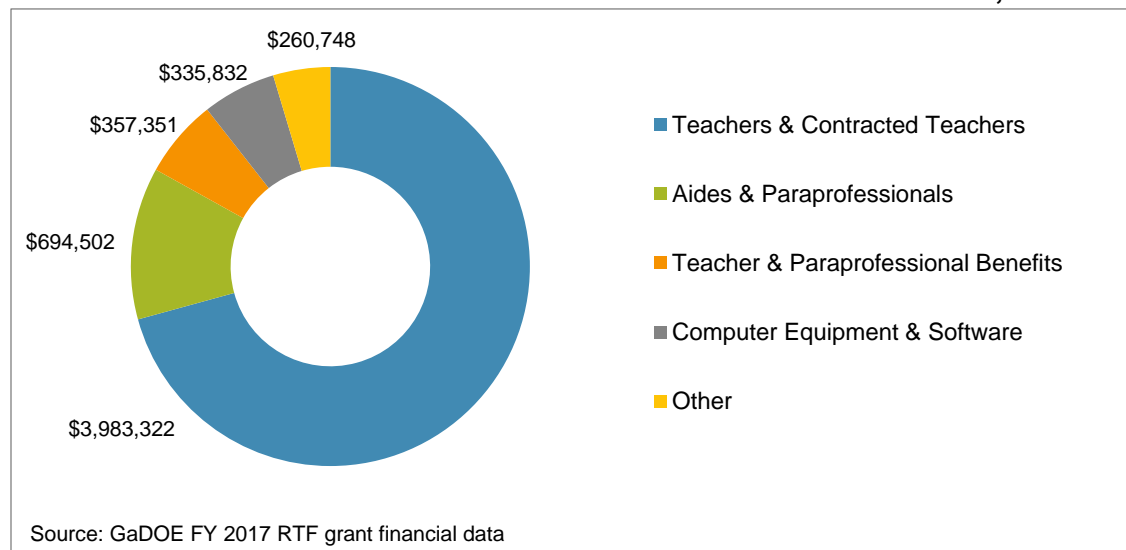
As shown in **Exhibit 1**, state funding for the RTF grant has been \$5.2 million to \$5.7 million in the last three fiscal years. GaDOE has awarded funds to 20 facilities each year. The grant amount per student varies annually due to changes to the Special Education III FTE rate per student and changes in the composition of the RTF populations.

Exhibit 1
RTF Grant Funding Ranged From \$5.2 Million to \$5.7 Million, FY 2016-2018

| | FY 2016 | FY 2017 | FY 2018 |
|---|-------------|-------------|-------------|
| Number of RTF Schools | 17 | 17 | 16 |
| Number of RTF Programs | 3 | 3 | 4 |
| Number of Students in RTFs¹ | 796 | 838 | 790 |
| Total RTF Grant Funding | \$5,222,590 | \$5,746,869 | \$5,647,248 |
| Total Grant Funds per Student | \$6,561 | \$6,858 | \$7,148 |
| ¹ Number is the RTFs' average daily attendance, which may differ from FTE counts. Average daily attendance represents the average of enrollment of eligible children each instruction day in August, September, and October. FTE counts are based on enrollment as of a specific date. | | | |
| Source: GaDOE data | | | |

The vast majority of RTF grant funds were spent on personnel in fiscal year 2017 (see **Exhibit 2**). Teacher and paraprofessional salaries and benefits accounted for \$5 million (89%) of the \$5.6 million expended.³ Six percent (\$335,832) was spent on computer equipment and software, while the remaining six categories (e.g., equipment, supplies, books and periodicals) totaled approximately \$261,000. None of the six categories comprised more than 1% of grant funds.

Exhibit 2
Most RTF Grant Funds Paid for Educational Staff Salaries and Benefits, FY 2017



³ The total expended funds reported for fiscal year 2017 was \$5,637,821 or \$109,048 less than the total awarded grant funds; three school systems reported less expenditures in their grant completion reports than their respective grant budgets.

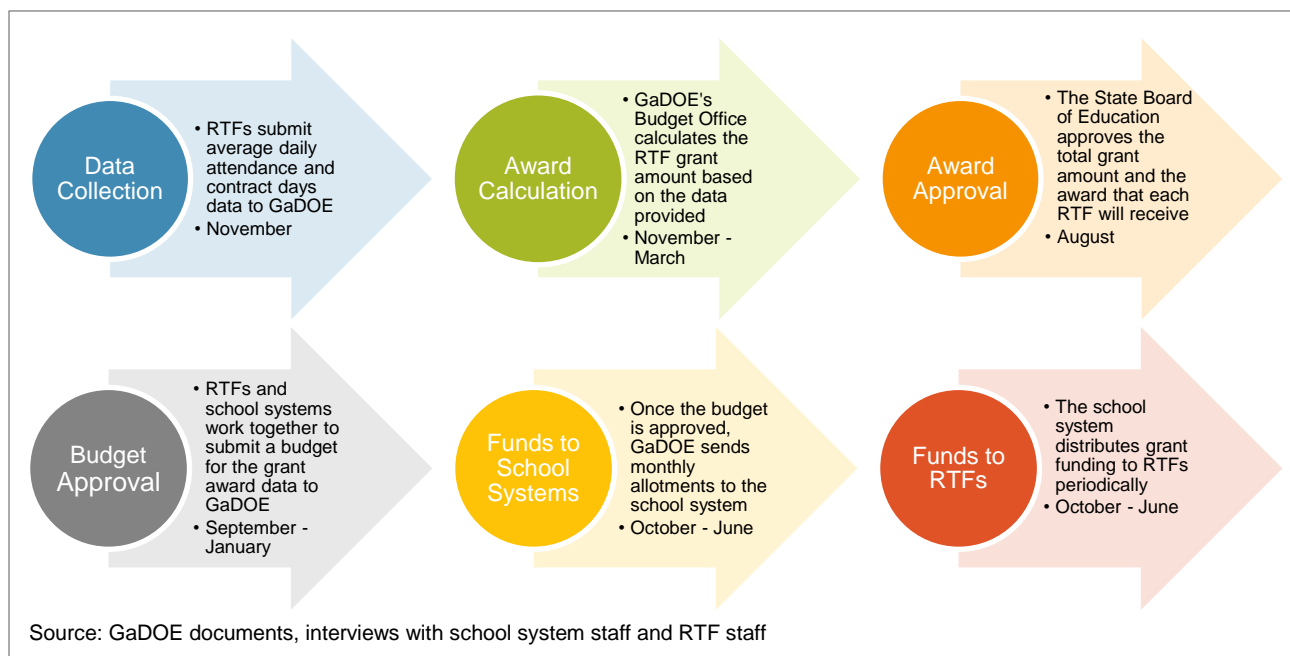
RTF Grant Timeline and Process

The RTF grant timeline begins nearly one year before the award is actually made. As shown in Exhibit 3, RTFs submit their average daily attendance for three months (August, September, and October) and the number of contract days⁴ to GaDOE for review in November. GaDOE calculates the appropriation request and the individual RTF award amounts for the following school year. The RTF award amounts are sent to the State Board of Education for approval the following August, and the RTF and school system are provided with an award letter containing the grant amount after Board approval.

School systems and RTFs must provide GaDOE a grant budget by the end of January. Once GaDOE approves the budget, funds are disbursed to the school system in monthly allotments, and the school system may begin to distribute funds to RTFs. The distribution methods are at the discretion of the school system. Some reimburse RTFs for expenditures after receiving expense reports, while others provide regular allotments regardless of actual RTF expenses.

Exhibit 3

RTF Grant Amounts Based on Attendance in Fall of Prior School Year



QBE Formula Funding

In addition to the RTF grant funds, facilities operating as schools also receive QBE formula funds. QBE funds are allocated according to the number of full-time equivalent (FTE) students served during the year, based on counts of students that occur each October and March.⁵ The funding formula takes into account the “type” or category of instruction being provided to the student. The base QBE formula is

⁴ The number of days that the RTF will provide at least 4.5 hours (grades K-3), 5.0 hours (grades 4-5), or 5.5 hours (grades 6-12) of instruction to all students.

⁵ Only students placed by DFCS, DBHDD and DJJ are included in the QBE count. Parents, guardians, or out-of-state entities that place children in RTFs pay all associated costs.

predicated on the amount necessary to provide general educational services to a high school student. Other categories of instruction receive additional funds, based on the cost of providing additional services to educate the population. Local school systems receive the QBE funds from GaDOE and generally pass the funds to the RTFs.

Facilities operating as programs do not receive QBE funds directly, but these facilities are supported by their local school system. Students attending a facility designated as a program are assigned to the local school system where the facility is located; as such, they are counted by the local school system for FTE purposes. The local school system uses the QBE funds to provide education services to the RTF students.

QBE funds account for between 53% and 58% of state educational funding for RTFs each fiscal year, with the RTF grant representing the other 42-47%. The portions vary due to differences in each RTF's composition of the students in the FTE count and the number of instructional days. An RTF with a large number of special education students will receive a higher QBE amount and lower RTF grant award. (The RTF grant is used to increase state funds to the QBE amount for a special education III student; therefore, facilities with higher QBE amounts per student receive lower RTF awards.) In addition to student composition, some RTFs have more than 200 instructional days, contributing to higher RTF grant amounts. See [Appendix D](#) for the RTF grant and QBE funding formula allotments for each RTF.

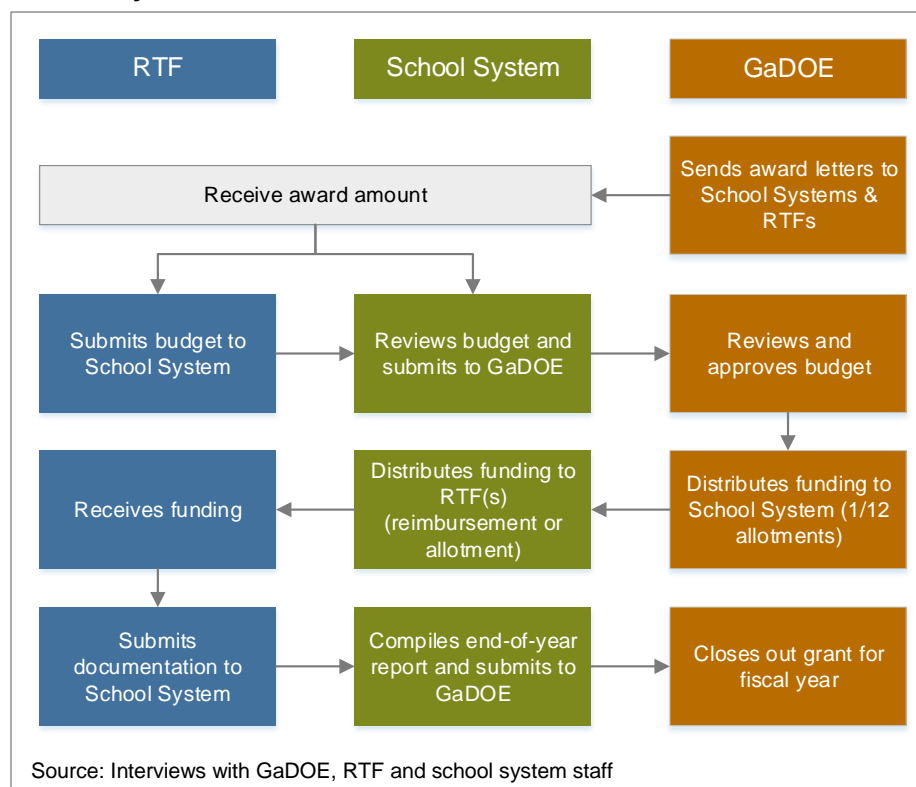
Requested Information

The benefits of the current method of RTF grant administration are limited and offset by inconsistent and inefficient practices.

The current administration of the RTF grant results in the inconsistent application of grant requirements and the inefficient use of school system resources. School systems generally serve as a pass-through entity, interpreting and applying GaDOE guidance differently and occasionally delaying funds to RTFs by weeks. While school systems are responsible for ensuring that children in RTFs receive an adequate education, removing the requirement that they approve budgets and distribute funds would be more efficient and eliminate the need for local school systems to expend resources on grant administration.

School systems essentially serve as a “middleman” between the state that provides education funding and the RTFs that provide the education to students (see **Exhibit 4**). Once the award amount is known, GaDOE requires RTFs to submit their grant budget to school systems for approval prior to submission to the agency. After approving the budget, GaDOE provides grant funds to the school systems, consistent with state law. Some school systems obtain documentation of RTF expenditures before providing grant funds to the RTF, while other school systems forward the funds to the RTFs in equal monthly or quarterly allotments. RTFs then submit to school systems an end-of-year report showing how all funds were spent. The report is forwarded to and reviewed by GaDOE.

Exhibit 4
School Systems Serve as a Middleman Between GaDOE and RTFs



GaDOE officials indicated that school system involvement in the administration of the RTF grant helps the system fulfill its responsibility to ensure that children in RTFs receive an appropriate education. However, we found little evidence that administering grant funding led to greater involvement in the students' education. School system officials generally do not jointly develop budgets with RTFs, nor do they review RTF budgets and expenditures to ensure student educational needs were met. Instead, RTFs generally submit budgets to school systems, whose financial personnel review to ensure compliance with GaDOE grant requirements. If grant budgets and expenditures are compliant, GaDOE officials acknowledged that school systems may not withhold funds. We did find school system officials involved in the education of RTF students – those providing special education and/or Title I services. However, these personnel were not involved in the administration of the grant funds.

Requiring 17 school systems to serve in a grant administration role has led to inconsistencies in allowable RTF expenditures, the method of fund distribution, and length of time for funds to reach RTFs. Given the relatively small number of RTFs and a full-time program manager, GaDOE could likely provide more consistent grant oversight and more timely distribution of state funds. The inconsistencies and potential impact by GaDOE are discussed below.

- **Timely distribution of grant funds** – RTFs, school systems, and GaDOE contribute to delays in distribution of grant funding. Awards are not made until after the school year begins, but funding delays also resulted from slow budget creation and the method and timeline for fund distribution.
- **Expenditure documentation requirements** – GaDOE no longer requires that funds be distributed as a reimbursement grant, with expenses incurred prior to the RTF receiving grant funds. While eleven school systems distribute funds to RTFs in equal allotments (once funds are forwarded from GaDOE), five school systems still require RTFs to document expenditures prior to forwarding funds to those RTFs.

GaDOE already distributes grant funds to the appropriate school systems in monthly allotments (once the budget is approved). GaDOE could provide these transfers directly to the RTF. To ensure funds are spent appropriately, GaDOE could conduct site visits and review a sample of expenditures detailed in the RTF's end-of-year completion report.

- **Allowable grant expenditures** – Three of the six school systems we visited follow GaDOE guidance that specifies that only direct instructional items are allowable under the grant and review the proposed budget accordingly. Other school systems simply forward the proposed budget to GaDOE, since the agency will be reviewing for grant compliance anyway. We found that some school systems reviewing RTF grant budgets had misinterpreted GaDOE policy, rejecting allowable expenditures. In addition, GaDOE officials stated that their review does not focus on direct/indirect cost designations but how the requested item relates to a student's education.

GaDOE already reviews and approves each RTF budget. Eliminating the requirement that school systems review and approve would lead to greater consistency in approved items and earlier approval.

In addition to addressing inconsistencies related to grant funding, more direct GaDOE communication with and oversight of RTFs could address other issues identified in our review.

- **MOA contents and frequency of revision** – Some MOAs are updated annually, while others have not been updated in many years. The content of each MOA varies greatly as well, with significant responsibilities not appropriately addressed in many. GaDOE cannot mandate specific responsibilities of the two parties but can make both aware of any deficiencies in the document.
- **QBE formula funding** – Several school systems with RTFs transfer QBE funds directly to RTF schools as noted on GaDOE allotment sheets. The remaining school systems, however, decreased the amount of QBE funds transferred to RTFs in the form of austerity reductions, administrative fees, or failing to adjust the earned amount at mid-year. The RTFs were not always aware of QBE funding guidelines or the fact that they did not receive their full allotment. GaDOE can ensure that RTF officials are aware of the QBE process and how adjustments are expected to impact the RTF.

If GaDOE becomes the fiscal agent for the RTF grant, the relationship between school systems and RTFs regarding the education of students need not change. RTF and school system staff would continue to work together on utilizing Title I funds to pay for tutors, summer enrichment, and other educational needs of students at RTFs. In addition, most school systems provide special education-related services at RTFs to fulfill any staffing requirements established by Individualized Education Programs. If a school system requires funding from the RTF to provide any of those services, we found that they generally are paid through an administrative fee on the RTF's QBE funds, which would still pass through the school system.

RECOMMENDATIONS

1. The General Assembly should consider amending state law, specifically § 20-2-133(b)(5), to allow GaDOE to provide grant funds directly to the RTFs. The change would eliminate the need for school systems to administer the grant and improve consistency in RTF grant administration across school systems and RTFs, but it would not modify the role of the local school board in ensuring an adequate education for children in RTFs.
2. GaDOE should utilize the new, full-time program manager position to take a more direct role in administering the RTF grant. This role would include direct communication regarding the grant and other RTF education-related issues.

***GaDOE Response:** GaDOE did not comment on amending state law but stated that it is “prepared to adapt its current administrative processes as needed to comply with state law.” Regarding the program manager role, the agency stated that it now has a full-time RTF grant administrator, whose work “has included continual outreach and communication with the various RTF providers.” It stated that it will “continue to ensure that such work remains a focal point going forward.”*

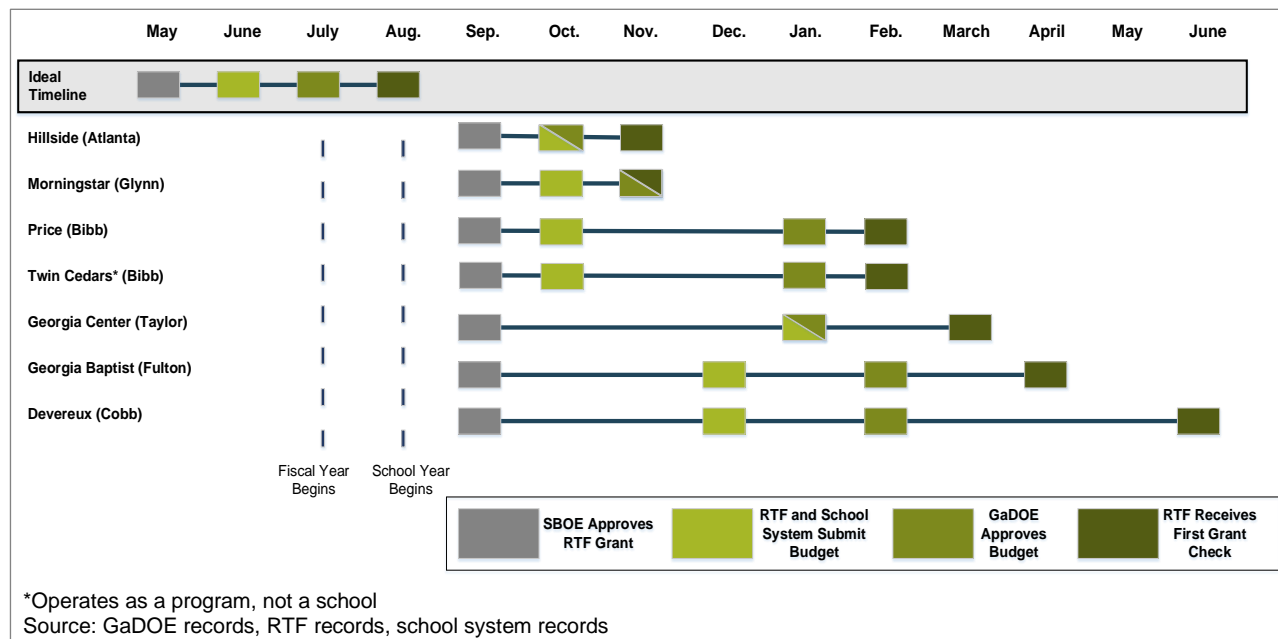
***Glynn County School System Response:** The Glynn County School System stated that the collaboration between the system and the RTF that occurs as a result of the RTF grant is an important component of its ability to ensure that the children in the RTF are receiving an appropriate education.*

RTF grant funds are not distributed in a timely manner due to actions of GaDOE, school systems, and RTFs.

RTFs do not receive grant funds in a timely manner due to the current State Board of Education (SBOE) approval timeline, slow submission of grant budgets by RTFs, and delays in the distribution of grant funds by school systems. While GaDOE practices delay all RTFs equally, the practices of RTFs and school systems lead to significant variation in the amount of time it takes for an RTF to begin receiving grant funds.

As shown in Exhibit 5, some of the RTFs we reviewed began receiving grant funds as early as November, while others did not receive a payment until May or June. In fiscal year 2017, the RTF grant was brought to the SBOE for approval in September. After receiving the award amount, half of the RTFs and school systems submitted a budget to their local school system within a month, while other took months. Local school systems and GaDOE reviewed budgets very quickly, but requested revisions sometimes took weeks to complete. The first payment to the RTF was then dependent on a combination of how quickly RTFs provided required documentation and school system practices. An ideal timeline would provide RTFs with knowledge of their grant allocation prior to the beginning of the school year and with grant funds by the beginning of the school year.

Exhibit 5
RTF Grant Fund Distribution Timeline, FY 2017



SBOE Approval of Grants

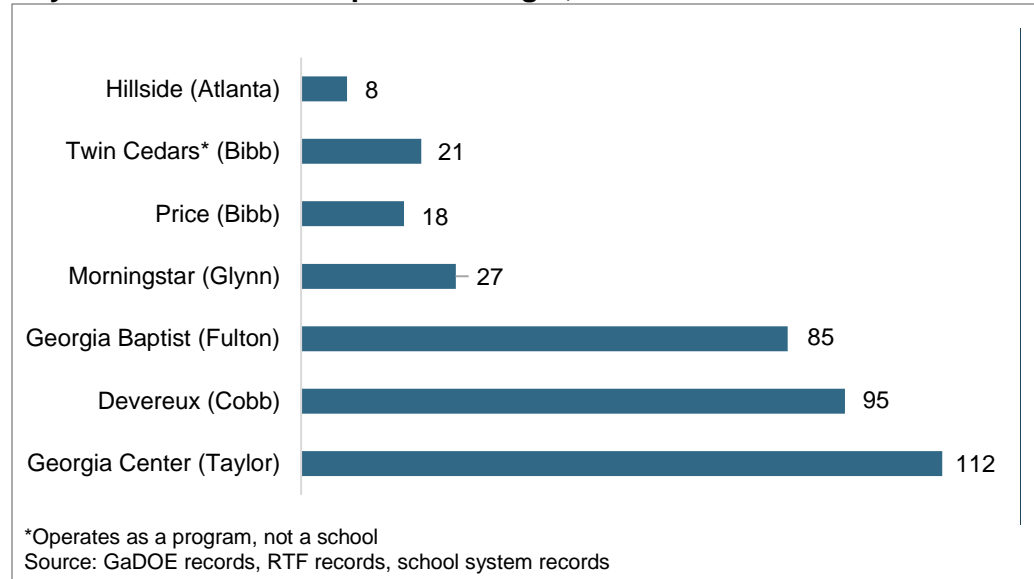
GaDOE does not bring the RTF grant before the SBOE for approval until after the school year begins, impacting RTFs' ability to budget for personnel and other needs. GaDOE has recently brought the RTF grant to the SBOE in September for approval, but it moved the date to August in fiscal year 2018. Both dates make it difficult for RTFs to effectively budget for teachers and other educational costs. Bringing the grant before the SBOE in May would allow RTFs to adequately recruit and hire qualified teachers and plan for the upcoming school year.

Development and Approval of RTF Grant Budgets

A number of the RTFs we reviewed took months to develop and submit proposed budgets to school systems, while other RTFs took only weeks to submit their grant budgets. As shown in **Exhibit 6**, the range for submission to the local school system was 8 to 112 days (four within one month) in fiscal year 2017. The variation did not appear to be associated with the complexity of budgets, because all RTFs visited budgeted the vast majority of RTF funds for personnel.

Exhibit 6

Days for RTFs to Develop Grant Budget, FY 2017



The school system and GaDOE both reviewed and approved or sent back budgets for revision in a timely manner, usually within days of receiving the budget from the RTF. Delayed GaDOE budget approvals were generally due to the time taken by RTFs to make the required changes.

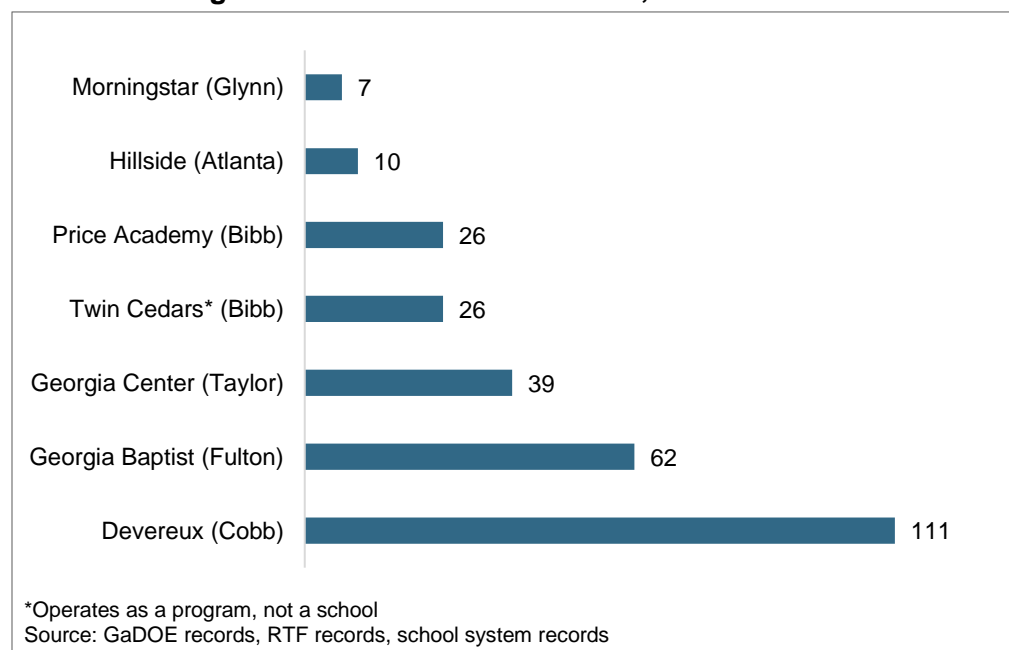
The current budget deadline provides RTFs 130 days to create and submit a budget to GaDOE. At least one RTF was unaware that completing the budget prior to this deadline would allow them to receive grant funds earlier in the fiscal year. According to GaDOE, in an ideal scenario, RTFs would work on budgets during the spring and adjust those budgets based on the actual award amount so that budgets can be submitted and approved by GaDOE as quickly as possible.

Distribution of Grant Funds from School Systems to RTFs

Most RTFs do not receive grant funds from local school systems in a timely manner, due to actions of RTFs, local school systems, or both. After each RTF budget is approved, GaDOE sends the first grant allotment to the local school system within a few days. As shown in **Exhibit 7**, the amount of time for each RTF to receive its first check following the receipt of grant funds by the local school system ranged from 7 to 111 days. GaDOE provides RTF grant funds to school systems in monthly allotments following the approval of the RTF grant budget and recommends that school systems provide these funds to RTFs within 10 days. However, only two of six (33%) school systems we visited distributed funds within a 10-day timeframe.

Exhibit 7

Days for Local Schools Systems to Issue First Grant Check to RTFs After Receiving Grant Allotment from GaDOE, FY 2017



- **RTFs fail to provide required documentation** – Multiple school systems we visited treated the RTF grant as a reimbursement grant, requiring expenditure documentation prior to distributing grant funds. Two of four RTFs subject to a reimbursement process did not submit required documentation in the time necessary for distribution within 10 days. Because much of the reimbursement was for personnel costs already incurred, documentation should have been readily available.
- **School systems fail to distribute grant funds** – We visited two school systems that simply failed to distribute grant funds in a timely manner. Both treated the grant as an allotment but did not provide it to RTFs each month.
- **School systems distribute grant funds quarterly** – Five of 17 school systems distributed grant funds quarterly, despite GaDOE guidance to provide grant funds on a monthly basis. This delay makes it impossible to pass on grant funds within 10 days of receiving them.

Comparison of RTF Grant and QBE Timelines

The RTF grant is designed to supplement the QBE dollars received by RTFs who operate schools, yet the timelines for receiving funds from these two sources vary greatly.

QBE funds are received by RTFs beginning in July, at the beginning of the fiscal year and prior to the school year. There is no requirement from GaDOE for RTFs to create budgets to receive QBE dollars, and school systems treat QBE as an allotment to be passed on, not as a reimbursement grant.

RTF grant funds are received by RTFs beginning anywhere from November to June. RTFs must develop and submit budgets to receive grant dollars, and school systems can treat it as a reimbursement grant, requiring more documentation and time than is required for QBE funds.

RECOMMENDATIONS

1. GaDOE should bring the RTF grant to the SBOE for approval in May, prior to the beginning of the fiscal and school years. If unable to bring it before the SBOE in May, GaDOE should provide school systems and RTFs with a preliminary RTF grant award letter.
2. RTFs should create budgets for the RTF grant in a timely manner, and GaDOE should consider moving the deadline for budget submission to earlier in the fiscal year.
3. School systems should provide RTF grant funds to RTFs within 10 business days of receiving them, as recommended by GaDOE. If funds are provided on a reimbursement basis, RTFs should provide all documentation required by school systems in a timely manner.

***GaDOE Response:** GaDOE concurs with the recommendations made to it. The agency will “schedule the adoption of the RTF grant awards for the May Board meeting, to the extent made possible by the timing of the adoption of the appropriations act.” It will also “reschedule the deadline for budget submissions from RTFs to an earlier date.”*

***Fulton County School System Response:** The Fulton County School System concurs with the third recommendation and “will consider providing grant funds within 10 business days of receiving required reimbursement documentation from an RTF.”*

While GaDOE now allows school systems to distribute RTF grant funds via allotment, multiple school systems administer the funding as a reimbursement grant.

GaDOE revised policies to allow funds to go to RTFs without prior proof of approved expenditures. However, 5 of 17 systems receiving RTF grant funding distributed to RTFs via reimbursement in fiscal year 2017. The reimbursement method for distribution delays funds to entities educating children and requires RTFs to generate and use other sources to fund education costs.

GaDOE has modified grant requirements in recent years to lessen the administrative burden on RTFs and school systems (see **Exhibit 8**). GaDOE stopped requiring documentation of expenses prior to disbursing grant funds in fiscal year 2014. At that time, GaDOE began providing RTF grant funds to school systems in monthly allotments. For fiscal year 2017, GaDOE eliminated the requirement that quarterly expenditure reports be provided to the agency. Currently, RTFs and school systems submit only a budget and final expenditure (i.e., completion) report to GaDOE.

Exhibit 8

GaDOE has Decreased RTF Grant Documentation Requirements

| Current Requirements | Discontinued Requirements |
|--|--|
| RTFs must provide average daily attendance and contract days | School systems must submit quarterly expenditure reports before disbursing grant funds (ended in 2014) |
| School systems must submit a budget for each RTF's grant funding, after the award amount has been approved | School systems must submit quarterly expenditure reports (ended in 2016) |
| School systems must submit a completion report for each RTF's grant funding at the end of the fiscal year | |

Source: GaDOE documents and interviews

Since GaDOE's fiscal year 2014 policy change, 11 school systems have started disbursing grant funds to RTFs in equal allotments once they receive funds from GaDOE (see **Exhibit 9**).⁶ Five school systems continue to distribute funds only after the RTF provides documentation of approved expenditures (e.g., paid invoices, payroll records). Some of the five systems indicated that they were not aware that GaDOE modified the grant requirements, while others decided to continue to use a reimbursement method despite the policy change. As fiscal agents for the grant,⁷ school systems are allowed to determine how funds will be disbursed to the RTFs, and grant programs are frequently reimbursement-based.

⁶ One school system retains RTF grant funds and QBE funds obtained for the RTF. The school system pays all bills on behalf of the RTF.

⁷ O.C.G.A. § 20-2-133(5) states that RTF grant funding will be provided to school systems, not the RTF.

Exhibit 9
Majority of School Systems Provide RTF Grant Funds Through Allotment, FY 2017

| RTF(s) (School System) | Distribution Method |
|---------------------------------------|-------------------------|
| Hillside (Atlanta) | Allotment |
| Price & Twin Cedars* (Bibb) | Allotment |
| Devereux (Cobb) | Reimbursement |
| Georgia Baptist & Wellspring (Fulton) | Reimbursement |
| Morningstar (Glynn) | Reimbursement |
| Georgia Center (Taylor) | Allotment |
| Georgia Baptist* (Appling) | Reimbursement |
| Kids Peace (Carroll) | Allotment |
| UHS Savannah (Chatham) | Allotment |
| UHS Laurel Heights (DeKalb) | Allotment |
| Youth Villages (Douglas) | Allotment |
| G.W. Hartmann (Marietta) | Spends on behalf of RTF |
| Good Shepherd (Meriwether) | |
| A.E. Shepherd* (Muscogee) | Reimbursement |
| Harpst (Polk) | Allotment |
| Lighthouse (Richmond) | Allotment |
| Bradfield (Troup) | Allotment |

*Operates as a program, not a school
Source: RTF and school system interviews

While reimbursement-based grants are permitted, they require private facilities to initially fund the public education of Georgia residents. This method requires the RTF to obtain the initial education funding from other sources. In addition, the provision and review of expenditure documentation can slow the release of funds to the RTF. As noted on page 13, two RTFs receiving reimbursements received their first RTF grant check 69 days and 124 days after budget approval. (One RTF received reimbursement within six days.) The four RTFs we visited receiving allotments received their first RTF funds between 23 and 52 days after budget approval.

An alternate method of providing RTF grant funds through an equal monthly allotment can be coupled with quarterly and final expenditure reports from the RTF. These reports could also require that RTFs attest that funds were spent in accordance with the report and the budget. As fiscal agent, the school system could request

documentation for selected expenditure items each quarter or at the end of the grant period.

RECOMMENDATIONS

1. GaDOE should ensure that all school systems are aware that grant funding can be provided to RTFs through periodic allotments with no evidence of prior expenditures.
2. School systems using the reimbursement method should consider modifying their policies to ensure that private facilities are not required to find alternative sources to initially fund public education for Georgia residents. Systems distributing via equal allotments can review periodic expenditure reports and/or review detailed expenditure documentation after the grant period.

GaDOE Response: GaDOE agrees with the first recommendation. It stated that the department “will continue to advise districts of their administrative options as related to the disbursement of these grant funds.”

Glynn County School System Response: Regarding the first recommendation, the Glynn County School System stated that there currently is a “lack of guidance and awareness that options exist” for fund distribution.

Regarding the second recommendation, the school system stated that, as the fiscal agent for the grant, it prefers to use the reimbursement method to ensure funds are spent appropriately. It also disagreed that an allocation method necessarily reduces turnaround time as evidenced by its own speed at distributing funds to the RTF. Finally, it stated that an RTF would have to use its own financial resources even under an allotment method, adding that “only daily disbursements could eliminate the RTF from having to use its own resources up front.”

Fulton County School System Response: The Fulton County School System concurs with the second recommendation and will consider disbursing funds through allotments to the RTFs, which would require the RTF to submit only a budget and final expenditure report each fiscal year.

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.

While state law indicates the grant funds will be provided for all reasonable and necessary education expenses, GaDOE policy does not allow RTF grant funds to be used for indirect educational expenses. Additional education items have been deemed ineligible for grant funding by some school systems and RTFs due to an incorrect interpretation of GaDOE policy.

GaDOE guidance on allowable expenditures has changed over time. State law establishing the RTF grant does not refer to direct or indirect instructional costs but states that the grant will be “for the difference between the actual state funds received for that child...and the reasonable and necessary expenses incurred in educating that eligible child.” The SBOE RTF grant rule (160-5-2-.06) adopted in 2008 includes direct

and indirect instructional costs as eligible expenditures, and the sample MOA drafted by GaDOE in 2009 noted that funding could be used on direct or indirect costs. However, GaDOE's current written policy states that, "items that are not for the direct instructional use for educating children will not be approved."

Despite the written policy, GaDOE officials stated that they do not use the definitions of direct and indirect instructional costs as strict criteria for budget review. The written policy specifically excludes items defined in the SBOE rule as indirect, including administration, teacher training, and media centers (see **Exhibit 10**). GaDOE officials did not indicate that these items would necessarily be approved but stated that they consider each requested budget item and how it relates to education when approving or denying budgets. The direct and indirect classifications of the expenditure are not relevant.

Exhibit 10

GaDOE's Written Policy Does Not Allow RTF Grant Funds to be Spent on Indirect Instruction Costs

| Allowable (Direct Costs) | Not Allowable (Indirect Costs) |
|--|---|
| Teacher and paraprofessional salaries, wages and benefits | Administration |
| Instructional materials and supplies | Teacher training |
| Classroom-related activities such as field trips and equipment | Plant operations and maintenance |
| | Food and food services |
| | Transportation |
| | Instructional support, including media centers |
| | Student support, including guidance counselors and nurses |

Source: GaDOE RTF Grant Overview (2015)

Regardless of the classification of expenditures, interviews with school system and RTF officials indicated that some are not knowledgeable of all permitted expenditures and that inconsistencies in approved items exist. Some school systems had reportedly denied RTF requests for field trips, teacher desks, and student benches needed for classroom management. In some cases, items such as career coordinators, computers for teachers and staff, and IT staff were not requested of GaDOE due to expected denial.⁸ The school systems and/or RTFs were unaware that GaDOE would consider items that may be considered indirect.

A policy that does not restrict allowable expenditures to direct instructional costs would not likely drastically change the overall expenditure of grant funds and would simplify the administration of state funds. Most RTFs spend the vast majority of their grant funds on classroom personnel, which is unlikely to change. However, RTFs stated that they often assign personnel to the RTF grant because the expenditures are "easier to get approved." The RTFs designated as schools also receive QBE funds for education, which can be used for direct or indirect costs. Given that both state funding

⁸ Some school systems stated that they forwarded RTF budget requests to GaDOE without making any changes, indicating that the agency would determine if requested items were appropriate.

sources have the same purpose—funding education costs for eligible students—the benefit of more restrictive requirements on only one source is unclear.

RECOMMENDATIONS

1. GaDOE should clarify its RTF grant guidance to indicate that all educational expenditures—both direct and indirect—will be considered.

GaDOE Response: GaDOE stated that it agreed with the recommendation and would modify its guidance.

Glynn County School System Response: The Glynn County School System noted the need for improved communication and guidance from GaDOE on the topic.

GaDOE has controls to identify inaccurate information submitted by RTFs, though some errors have not been detected.

While GaDOE has implemented controls in an attempt to ensure that data submitted by RTFs is accurate prior to grant calculations, a small number of RTFs have submitted incorrect information in recent years. Some of the errors are relatively small and cannot be detected by GaDOE's review.

Each RTF's grant allocation is largely dependent on self-reported data. RTFs must provide GaDOE with average daily attendance for the first three months of the school year, as well as the number of instructional (contract) days in the school year. GaDOE officials then review the data for reasonableness before calculating the grant allocation amount that will be the basis for the appropriations request. The GaDOE review includes comparing current year and prior year data, comparing the attendance count to the most recent FTE count conducted for QBE, and contacting RTFs about significant differences.

In 2014-2016, data submitted by RTFs was corrected after errors were identified by GaDOE, legislative budget officials, or the RTF. The number of errors in attendance data and contract days decreased from four RTFs in 2014 to one RTF in 2016.

- In 2014, 3 of 20 RTFs had errors in their attendance counts, and one incorrectly reported contract days. Two of the errors in attendance data were significant enough that they should have been identified by GaDOE's review, but only one was identified by the agency.⁹ One attendance error included a number that appeared reasonable when compared to the fall FTE count. Finally, the reported number of contract days did not include 40 days of summer school (178 vs. 218), though GaDOE does not have another source of information on the number of instructional days provided by each RTF. Legislative budget officials found and corrected the errors not identified by GaDOE.

⁹ Case 1: Original count was 21, but actual was 49. The FTE count in the fall was 50. Case 2: Original count was 67, but actual was 38. The FTE count in the fall was 36.

- In 2015, GaDOE identified errors in attendance data made by two RTFs. One RTF had incorrectly included students on multiple campuses in the attendance count. When GaDOE compared to the FTE count, the attendance data was changed from 41 to 22. A second RTF reported significantly more students than the FTE count (38 vs. 25.5).
- In 2016, one RTF reported an attendance count that was significantly lower than the FTE count (52 vs. 78). GaDOE did not identify the error, but the RTF reported the correct number to legislative budget officials. A second RTF failed to report attendance or contract data in 2016.

While GaDOE did not identify all errors that its processes should have detected, not all errors are likely to be identified because reported amounts may appear reasonable in relation to available data. If the incorrect average daily attendance is similar to the prior year count or the FTE count, the error is unlikely to be identified. Also, the agency is unlikely to identify an incorrect number of contract days unless the number changes significantly from the prior year. We were unable to determine why GaDOE's review did not identify the more questionable figures identified by legislative budget officials.

The errors in the RTF data were likely due to a misunderstanding of the proper calculation methods. For example, according to House budget staff, at least one RTF improperly divided attendance by the total number of days in the three-month period (not just instructional days), leading to an exceptionally low average daily attendance. Regarding contract days, some RTFs were not aware that they could report a different number of days than the local school system, and others were not aware of the correct definition of a "contract day" where a certain number of instruction hours is required.

In an attempt to reduce the submission of incorrect data, GaDOE has implemented additional controls. Just after the RTFs were to submit data in the fall of 2016, GaDOE provided definitions of average daily attendance and contract days. In an attempt to ensure that RTFs understand the importance of the data's accuracy, GaDOE now requires RTFs to attest that the reported information is accurate.

RECOMMENDATIONS

1. GaDOE should 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.

GaDOE Response: GaDOE "concur[s] with this recommendation and will continue to advise RTF providers as to the distinguishing characteristics between Average Daily Attendance data and contract days."

Memorandums of Agreement do not clearly establish the responsibilities of RTFs and school systems.

Memorandums of Agreement (MOAs) between the eight RTFs and six school systems we visited do not clearly establish specific responsibilities for the provision of special education-related services, expenditure controls, or the timeframe for school systems to pass RTF grant and QBE dollars onto RTFs. Documenting entity responsibilities ensures that both parties are in agreement and that personnel changes at either entity does not result in significant disruption.

MOAs are intended to detail the important obligations and responsibilities of each party. Examples include who will provide occupational therapy and the timeframe and method local schools will use to distribute grant funds to RTFs. MOAs should be evaluated and updated on an annual or biennial basis. GaDOE encourages each RTF and school system to execute an MOA but does not suggest a frequency of updates.

As shown in Exhibit II, our review of eight MOAs found that all were lacking sufficient detail in at least one area reviewed. Two MOAs clearly stated whether school systems or RTFs would provide special education-related services, but six discussed it in vague terms and one not at all. Three MOAs discussed to some extent the timeframe and method for the distribution of grant funds, and none described grant expenditure controls. All eight MOAs clearly specified who would employ the teachers and staff at the RTF. Finally, two of the MOAs were last revised prior to 2010.

Exhibit 11

MOAs Inadequately Define Responsibilities and Grant Administration Process

| | Year Last Revised | Provision of Special Education-Related Services | Timeframe and Method for Distribution of Grant Funds | Grant Expenditure Documentation | Employment of Teachers and Staff |
|--------------------------|-------------------|---|--|---------------------------------|----------------------------------|
| GaDOE Sample MOA | 2009 | To some extent | No | No | Yes |
| Devereux (Cobb) | 2009 | Yes | No | No | Yes |
| Georgia Baptist (Fulton) | 2016 | To some extent | No | No | Yes |
| Georgia Center (Taylor) | 2007 | To some extent | No | No | Yes |
| Hillside (Atlanta) | 2015 | To some extent | To some extent | No | Yes |
| Morningstar (Glynn) | 2016 | Yes | No | No | Yes |
| Price (Bibb) | 2014 | To some extent | To some extent | No | Yes |
| Twin Cedars* (Bibb) | 2014 | No | To some extent | No | Yes |
| Wellspring (Fulton) | 2014 | To some extent | No | No | Yes |

*Operates as a program, not a school
Source: RTF and school system records, site visits to RTFs and school systems

Provision of Special Education-Related Services

Only two of eight MOAs sufficiently described who would provide special education services, while the other six MOAs addressed the topic to some degree. Special education-related services include psychological counseling, speech-language pathology, occupational therapy, physical therapy, and interpreting services, among others. The need for these services is defined in students' Individualized Education Programs (IEPs) and provision of these services is required to ensure each student has access to a free and appropriate public education.

For the two MOAs that adequately described the provision of related services, one stated it was the responsibility of the RTF, while the other placed the responsibility with the school system. The remaining six MOAs contained similar language, stating that the school system and RTF will work together to ensure IEPs are appropriately staffed and that students receive a free and appropriate education. While this matches the language provided in GaDOE's sample MOA, it does not indicate which entity would be providing services. In practice, we found cases of both the school system and RTF providing these services.

Timeframe and Method for Distribution of Grant Funds

Only three of the eight MOAs we reviewed state when the school system will distribute grant funds, and none state whether the grant funds will be passed on as an equal allotment or a periodic reimbursement. The MOAs with timeframes indicate that funds will be distributed within 5 or 10 days of receipt.

It should be noted that two of the three RTFs with timeframes in their MOAs did not receive grant funds within 10 days. One of the other five RTFs did receive funds within the GaDOE recommended 10 days. One school system had a practice of distributing funds on a quarterly basis, while the others intended to distribute monthly.

Grant Expenditure Documentation

None of the eight MOAs we reviewed indicated the type of documentation that school systems expected the RTF to submit in order to receive grant funds (e.g., summary report of expenditures vs. copies of paystubs and invoices). While most RTFs are aware of what documentation school systems expect, it should be defined in the MOA to ensure parties are aware of documentation requirements should personnel for either party change.

The three school systems that provide funds via reimbursement require documentation proving the expenditure of funds prior to release of funds, while the three that provide an allotment have different requirements. Two school systems required documentation of what the funds were expended on, while the other requested no documentation.

Employment of Teachers and Staff

Each MOA reviewed specified whether the RTF or school system would employ the teachers and other educational staff at the RTF. Seven of eight RTFs employed the teachers and staff, while one school system hired and employed the teachers and staff at one RTF. The MOAs aligned with what we found in practice when we visited each of the eight RTFs.

RECOMMENDATIONS

1. School systems and RTFs should update MOAs to clearly state which party will provide special education-related services. If both are involved in the provision of these services, the MOA should clearly state who is responsible for each aspect.
2. School systems and RTFs should update MOAs to state the timeframe for the distribution of grant funds from school systems to the RTFs and the method the school system will employ to distribute those grant funds.
3. School systems and RTFs should update MOAs to state what documentation, if any, RTFs must provide in exchange for RTF grant funds.

Fulton County School System Response: The Fulton County School System concurs with these recommendations.

School systems are not consistently transferring QBE funds to RTFs.

Not all school systems with RTFs earning QBE funds handled those funds consistently with GaDOE policies. Several school systems and RTFs did not understand the reporting of QBE funding for RTFs on the GaDOE initial and mid-year allotment sheets. As a result, RTFs received more or less than the allocated amount of QBE funds in fiscal year 2017.

As discussed on page 4, RTFs designated as schools earn QBE funds based on the number of students enrolled in their facility. GaDOE disburses QBE funds to school systems in monthly one-twelfth payments. GaDOE provides two allotment amounts for an RTF each year: an initial amount and mid-year amount (based on October count). School systems should forward to the RTF their earned QBE funds, though the two entities can agree to an administrative fee to the system to cover any RTF-related costs.

GaDOE policy and state law will “hold harmless” any school systems or RTFs whose enrollment drops between the calculation of the initial and mid-year allotments. Therefore, GaDOE does not decrease monthly QBE payments to school systems when an RTF’s mid-year allotment is lower than the initial allotment. However, if an enrollment increase results in a large calculated mid-year allotment, GaDOE does increase monthly payments to the school system.

We found that school systems did not consistently forward the maximum amount of QBE formula funds that an RTF earned in fiscal year 2017. One system reduced funding to the RTF at mid-year based on the allotment, despite GaDOE not reducing funding to the system. Systems may also not provide mid-year increases earned by the RTF, retaining the additional funds provided by GaDOE. Specifically:

- One school system decreased the RTF’s QBE funds at mid-year by \$109,388 due to a reduced mid-year allotment for the RTF. GaDOE had not reduced actual funds; therefore, the school system retained the \$109,388.

- Two school systems failed to increase the RTFs' QBE funds at mid-year. One RTF's increase would have been \$47,459 and the second's \$43,197. The school systems retained the additional funding provided by GaDOE.

In addition to the handling of mid-year allotments, school systems also vary in their application of administrative fees and austerity reductions. Specifically:

- Seven school systems applied 1-2% austerity reductions to RTFs' QBE funds. The largest reduction was approximately \$15,000. While not noted on the allotment sheet, GaDOE had actually reduced QBE funding to the RTFs by the austerity reductions. As a result, school systems that did not apply the austerity reduction had essentially transferred its own funds to the RTFs.
- Two school systems retained portions of the RTFs' QBE funds to cover costs to administer the grant. One charged 10% of QBE funding (\$32,822), and the second charged 3% of QBE funding (\$24,929). It should be noted that school systems may incur costs associated with administering the RTF grant and providing education services (e.g., special education-related services) to children in RTFs.

Regarding the mid-year adjustments and austerity reductions, we found that the QBE allotment sheets for the RTFs do not contain information needed by the school systems and RTFs. School systems' mid-year allotment sheets contain a line item indicating that the systems are held harmless in the event of a decrease in students. System allotment sheets also show any austerity reduction amount. RTFs allotment sheets do not contain either amount, resulting in some school systems incorrectly interpreting QBE funds being made available for the RTF. According to GaDOE, the information is not included on the QBE allotment sheets for RTFs because those amounts are not calculated for individual schools (including RTFs). However, by providing most—but not all—QBE information for RTFs, some school systems appear to be unsure of the appropriate QBE funding amount to be provided to the RTF.

RECOMMENDATIONS

1. GaDOE should include all information on RTFs' QBE allotment sheets to ensure that school systems are informed of austerity and hold harmless amounts.
2. School systems should ensure that the full amount of mid-year allotment increases are provided to the RTFs.

GaDOE Response: The Department agrees with the first recommendation and “will work to revise its existing report to incorporate these amounts.”

Appendix A: Table of Recommendations

| | |
|---|---|
| The benefits of the current method of RTF grant administration are limited and offset by inconsistent and inefficient practices. (p. 6) | |
| 1. | The General Assembly should consider amending state law, specifically § 20-2-133(b)(5), to allow GaDOE to provide grant funds directly to the RTFs. The change would eliminate the need for school systems to administer the grant and improve consistency in RTF grant administration across school systems and RTFs, but it would not modify the role of the local school board in ensuring an adequate education for children in RTFs. |
| 2. | GaDOE should utilize the new, full-time program manager position to take a more active, leading role in administering the RTF grant. This would include direct communication regarding the grant and other RTF education-related issues. |
| RTF grant funds are not distributed in a timely manner due to actions of GaDOE, school systems, and RTFs. (p. 9) | |
| 3. | GaDOE should bring the RTF grant to the SBOE for approval in May, prior to the beginning of the fiscal and school years. If unable to bring it before the SBOE in May, GaDOE should provide school systems and RTFs with a preliminary RTF grant award letter. |
| 4. | RTFs should create budgets for the RTF grant in a timely manner, and GaDOE should consider moving the deadline for budget submission to earlier in the fiscal year. |
| 5. | School systems should provide RTF grant funds to RTFs within 10 business days of receiving them, as recommended by GaDOE. If funds are provided on a reimbursement basis, RTFs should provide all documentation required by school systems in a timely manner. |
| While GaDOE now allows school systems to distribute RTF grant funds via allotment, multiple school systems administer the funding as a reimbursement grant. (p. 13) | |
| 6. | GaDOE should ensure that all school systems are aware that grant funding can be provided to RTFs through periodic allotments with no evidence of prior expenditures. |
| 7. | School systems using the reimbursement method should consider modifying their policies to ensure that private facilities are not required to find alternative sources to initially fund public education for Georgia residents. Systems distributing via equal allotments can review periodic expenditure reports and/or review detailed expenditure documentation after the grant period. |
| 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. 15) | |
| 8. | GaDOE should clarify its RTF grant guidance to indicate that all educational expenditures—both direct and indirect—will be considered. |
| GaDOE has controls to identify inaccurate information submitted by RTFs, though some errors have not been detected. (p. 17) | |
| 9. | GaDOE should 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. |
| Memorandums of Agreement do not clearly establish the responsibilities of RTFs and school systems. (p. 19) | |
| 10. | School systems and RTFs should update MOAs to clearly state which party will provide special education-related services. If both are involved in the provision of these services, the MOA should clearly state who is responsible for each aspect. |
| 11. | School systems and RTFs should update MOAs to state the timeframe for the distribution of grant funds from school systems to the RTFs and the method the school system will employ to distribute those grant funds. |

12. School systems and RTFs should update MOAs to state what documentation, if any, RTFs must provide in exchange for RTF grant funds.

School systems are not consistently transferring QBE funding to RTFs. (p. 21)

13. GaDOE should include all information on RTFs' QBE allotment sheets to ensure that school systems are informed of austerity and hold harmless amounts.
14. School systems should ensure that the full amount of mid-year allotment increases are provided to the RTFs.

Appendix B: Objectives, Scope, and Methodology

Objectives

This report examines the Residential Treatment Facility (RTF) grant within the Georgia Department of Education (GaDOE). Specifically, our examination set out to determine the following:

1. Are RTF grant funds distributed in a timely manner?
2. Is it necessary for school systems to provide grant funds to RTFs through a reimbursement process?
3. Can RTF grant funding be spent on any “reasonable and necessary” costs for educating students in RTFs?
4. Do RTFs receive the correct amount of grant funding each year as established by GaDOE policy?
5. Do Memorandums of Agreement (MOAs) clearly establish the responsibilities of RTFs and school systems?
6. Do school systems forward all earned QBE funds to RTFs?

Scope

This special examination generally covered activity related to the administration of the RTF grant between fiscal years 2016 and 2018, with consideration of earlier or later periods when relevant. The fiscal year 2017 distribution of QBE funds from school systems to RTFs was also reviewed. Information used in this report was obtained by reviewing relevant laws, rules, and regulations, and agency policies and procedures. We interviewed personnel with GaDOE, RTFs, and local school systems, conducted site visits at a sample of RTFs and local school systems, and requested information from local school systems and RTFs not visited. We collected data related to the timeline and distribution of the RTF grant funds to gain an understanding of each entity's involvement in the administration of the RTF grant.

Methodology

To determine if RTFs receive grant funding in a timely manner, we conducted case studies of eight RTFs, and compiled and analyzed financial data from each of those selected RTFs and local school systems to identify when each RTF received grant checks. In addition, we interviewed GaDOE, RTF and local school system personnel to understand why the current timeline for each existed.

To determine if RTF grant funds could be spent on any “reasonable and necessary” costs for educating students in RTFs, we interviewed staff from GaDOE, school systems, and RTFs on any grant expenditure restrictions. We reviewed financial data provided by GaDOE for fiscal year 2017 to determine how grant funds were expended. In addition, we reviewed laws, policies, and guidance on RTF grant expenditures.

To determine if RTFs received the correct amount of grant funding each year, we interviewed GaDOE and RTF staff on the guidance provided on submitted data and the processes of GaDOE to review data and calculate grant funding for each RTF. We tested the controls GaDOE has in place to ensure accuracy of the data submitted by

RTFs for calculation of the grant. We also contacted the Governor's Office of Planning and Budget and the House Budget and Research Office to discuss the award calculation process.

To determine if MOAs clearly establish the responsibilities of RTFs and school systems, we reviewed the MOAs for each of the eight RTFs we visited as well as the sample MOA provided by GaDOE. We developed criteria for the contents of the MOAs by considering best practices and information gathered during site visits and interviews. We compared the content of the MOAs to that criteria.

To determine if it is necessary for school systems to provide grant funds to RTFs through a reimbursement process, we conducted interviews of GaDOE, school system, and RTF staff. We reviewed relevant laws, rules, and regulations regarding RTF grant funds. We conducted case studies of six school systems to determine how they distributed RTF grant funds and why they chose that method.

To determine if school systems forwarded QBE funds to RTFs, we requested amounts transferred for fiscal year 2017 and compared them to GaDOE allotment sheets from the same period. We discussed rules and requirements for QBE funds with GaDOE officials. We also confirmed reasons for reductions with school systems.

This special examination was not conducted in accordance with generally accepted government auditing standards (GAGAS) given the timeframe in which the report was needed. However, it was conducted in accordance with Performance Audit Division policies and procedures for non-GAGAS engagements. These policies and procedures require that we plan and perform the engagement to obtain sufficient, appropriate evidence to provide a reasonable basis for the information reported and that data limitations be identified for the reader.

Appendix C: Approved RTFs, FY 2016 – 2018

| RTF (School System) | Type ¹ | FY 2016 | | FY 2017 | | FY 2018 | |
|---------------------------------|-------------------|------------------|--------------------|------------------|--------------------|------------------|--------------------|
| | | ADA ² | RTF \$ | ADA ² | RTF \$ | ADA ² | RTF \$ |
| SCHOOLS | | | | | | | |
| Price (Bibb) | MWO | 16 | 136,626 | 15 | 140,541 | 29 | 274,870 |
| Lake Bridge (Bibb) | PRTF | 31 | 331,968 | 31 | 206,733 | | |
| Kids Peace (Carroll) | MWO | 60 | 556,842 | 57 | 627,315 | 60 | 516,221 |
| UHS Savannah (Chatham) | PRTF | 13 | 95,179 | 39 | 403,162 | 24 | 245,865 |
| Devereux (Cobb) | PRTF | 94 | 731,722 | 97 | 759,493 | 81 | 602,690 |
| UHS Laurel Heights (DeKalb) | PRTF | 37 | 292,870 | 46 | 213,578 | 46 | 411,969 |
| Youth Villages (Douglas) | PRTF | 57 | 383,132 | 90 | 713,970 | 81 | 664,825 |
| Georgia Baptist (Fulton) | MWO | 20 | 160,052 | 20 | 201,689 | 27 | 247,930 |
| Wellspring (Fulton) | MWO | | | 10 | 104,044 | 7 | 73,719 |
| Morningstar (Glynn) | MWO | 49 | 190,564 | 46 | 208,828 | 48 | 240,005 |
| Good Shepherd (Meriwether) | AWO | 5 | 47,995 | 7 | 74,647 | 8 | 75,700 |
| Harpst (Polk) | MWO | 54 | 429,193 | 51 | 439,920 | 58 | 523,308 |
| Lighthouse (Richmond) | PRTF | 38 | 370,968 | 22 | 227,159 | 25 | 272,839 |
| Georgia Center (Taylor) | MWO | 54 | 459,181 | 49 | 420,788 | 55 | 546,535 |
| Bradfield (Troup) | MWO | 43 | 349,231 | 37 | 306,198 | 36 | 389,985 |
| Hillside (Atlanta) | PRTF | 70 | 420,827 | 71 | 535,007 | 57 | 365,102 |
| Community Hope (Dublin) | AWO | 12 | 102,915 | | | | |
| G.W. Hartmann (Marietta) | AWO | 19 | 139,912 | 17 | 138,685 | 17 | 170,950 |
| PROGRAMS | | | | | | | |
| Twin Cedars (Bibb) | | 58 | 10,951 | 57 | 10,762 | 55 | 10,385 |
| A.E. Shepherd (Muscogee) | | 32 | 6,042 | 38 | 7,175 | 34 | 6,420 |
| Georgia Baptist (Appling) | | 34 | 6,420 | 38 | 7,175 | 27 | 5,098 |
| Ed. System Management (Clayton) | | | | | | 15 | 2,832 |
| TOTAL | | 796 | \$5,222,590 | 838 | \$5,746,869 | 790 | \$5,647,248 |

¹ The type indicates the level of treatment capability. PRTF is the highest and AWO is the lowest. PRTF = Psychiatric Residential Treatment Facility, MWO = Maximum Watchful Oversight, AWO = Additional Watchful Oversight.

² Average daily attendance includes DJJ and DFCS placements only. The numbers are based on attendance in August-October of the preceding fiscal year (i.e., FY 2018 ADA based on counts made in 2016).

Source: GaDOE financial data

Appendix D: RTF¹ and QBE² Funding Allotments, FY 2016 – 2018

| RTF (School System) SCHOOLS | FY 2016 | | | FY 2017 | | | FY 2018 | | | | | | | | |
|--|--------------|------|--------------|---------|---------------|--------------|---------|--------------|-----------|---------------|--------------|-------|--------------|-----|---------------|
| | RTF Grant | % | QBE | Total | RTF Grant | % | QBE | Total | RTF Grant | % | QBE | Total | | | |
| Price (Bibb) | 136,626 | 55% | 111,598 | 45% | 248,224 | 140,541 | 43% | 187,443 | 57% | 327,984 | 274,870 | 57% | 211,567 | 43% | 486,437 |
| Lake Bridge (Bibb) ³ | 331,968 | 53% | 293,273 | 47% | 625,241 | 206,733 | 43% | 273,335 | 57% | 480,068 | | | | | |
| KidsPeace (Carroll) | 556,842 | 57% | 424,595 | 43% | 981,437 | 627,315 | 64% | 357,693 | 36% | 985,008 | 516,221 | 57% | 386,332 | 43% | 902,553 |
| UHS Savannah (Chatham) | 95,179 | 12% | 677,790 | 88% | 772,969 | 403,162 | 37% | 680,740 | 63% | 1,083,902 | 245,865 | 38% | 407,422 | 62% | 653,287 |
| Devereux (Cobb) | 731,722 | 47% | 826,466 | 53% | 1,558,188 | 759,493 | 45% | 929,714 | 55% | 1,689,207 | 602,690 | 40% | 919,385 | 60% | 1,522,075 |
| UHS Laurel Heights (DeKalb) | 292,870 | 30% | 671,718 | 70% | 964,588 | 213,578 | 23% | 700,931 | 77% | 914,509 | 411,969 | 55% | 343,814 | 45% | 755,783 |
| Youth Villages (Douglas) | 383,132 | 32% | 830,234 | 68% | 1,213,366 | 713,970 | 46% | 846,601 | 54% | 1,560,571 | 664,825 | 44% | 845,259 | 56% | 1,510,084 |
| Georgia Baptist (Fulton) | 160,052 | 49% | 164,070 | 51% | 324,122 | 201,689 | 52% | 183,721 | 48% | 385,410 | 247,930 | 59% | 171,383 | 41% | 419,313 |
| Wellspring (Fulton) | | | | | | 104,044 | 62% | 64,981 | 38% | 169,025 | 73,719 | 35% | 138,283 | 65% | 212,002 |
| Morningstar (Glynn) | 190,564 | 21% | 715,619 | 79% | 906,183 | 208,828 | 26% | 603,662 | 74% | 812,490 | 240,005 | 28% | 604,514 | 72% | 844,519 |
| Good Shepherd (Meriwether) | 47,995 | 36% | 86,816 | 64% | 134,811 | 74,647 | 51% | 70,795 | 49% | 145,442 | 75,700 | 47% | 86,914 | 53% | 162,614 |
| Harpst (Polk) | 429,193 | 52% | 391,982 | 48% | 821,175 | 439,920 | 54% | 375,164 | 46% | 815,084 | 523,308 | 59% | 366,399 | 41% | 889,707 |
| Lighthouse (Richmond) | 370,968 | 59% | 262,951 | 41% | 633,919 | 227,159 | 56% | 176,923 | 44% | 404,082 | 272,839 | 67% | 136,280 | 33% | 409,119 |
| Georgia Center (Taylor) | 459,181 | 58% | 331,983 | 42% | 791,164 | 420,788 | 56% | 335,365 | 44% | 756,153 | 546,535 | 65% | 298,014 | 35% | 844,549 |
| Bradfield (Troup) | 349,231 | 48% | 377,515 | 52% | 726,746 | 306,198 | 46% | 363,483 | 54% | 669,681 | 389,985 | 53% | 342,542 | 47% | 732,527 |
| Hillside (Atlanta) | 420,827 | 33% | 855,709 | 67% | 1,276,536 | 535,007 | 39% | 826,981 | 61% | 1,361,988 | 365,102 | 30% | 842,724 | 70% | 1,207,826 |
| Community Hope (Dublin) ⁴ | 102,915 | 41% | 148,001 | 59% | 250,916 | - | 0% | 111,662 | 100% | 111,662 | | | | | |
| G.W. Hartmann (Marietta) | 139,912 | 45% | 171,306 | 55% | 311,218 | 138,685 | 52% | 129,496 | 48% | 268,181 | 170,950 | 54% | 147,725 | 46% | 318,675 |
| PROGRAMS | | | | | | | | | | | | | | | |
| Twin Cedars* (Bibb) | 10,951 | 100% | | 0% | 10,951 | 10,762 | 100% | | 0% | 10,762 | 10,385 | 100% | | 0% | 10,385 |
| A.E. Shepherd* (Muscogee) | 6,042 | 100% | | 0% | 6,042 | 7,175 | 100% | | 0% | 7,175 | 6,420 | 100% | | 0% | 6,420 |
| Georgia Baptist* (Appling) | 6,420 | 100% | | 0% | 6,420 | 7,175 | 100% | | 0% | 7,175 | 5,098 | 100% | | 0% | 5,098 |
| Ed. System Mgmt* (Clayton) | | | | | | | | | | | 2,832 | 100% | | 0% | 2,832 |
| TOTAL | \$ 5,222,590 | 42% | \$ 7,341,626 | 58% | \$ 12,564,216 | \$ 5,746,869 | 44% | \$ 7,218,690 | 56% | \$ 12,965,559 | \$ 5,647,248 | 47% | \$ 6,248,557 | 53% | \$ 11,895,805 |
| ¹ RTF Grant amounts reflect the award made and approved by the State Board of Education. However, RTFs may not expend the full amount of their award each fiscal year. | | | | | | | | | | | | | | | |
| ² QBE funding amounts reflect the highest allotment provided by GaDOE, initial or mid-year. Therefore, the amount each RTF received may be less considering austerity reductions (2% in FY 2017) or other adjustments made by the school systems. | | | | | | | | | | | | | | | |
| ³ This RTF closed during fiscal year 2017. Both the RTF grant and QBE amounts shown are what was allocated prior to closure. | | | | | | | | | | | | | | | |
| ⁴ This RTF closed prior to the beginning of the school year, and therefore did not receive a grant award. However, GaDOE's initial QBE allotment sheet for the RTF reflected \$111,662. | | | | | | | | | | | | | | | |

¹ RTF Grant amounts reflect the award made and approved by the State Board of Education. However, RTFs may not expend the full amount of their award each fiscal year.

² QBE funding amounts reflect the highest allotment provided by GaDOE, initial or mid-year. Therefore, the amount each RTF received may be less considering austerity reductions (2% in FY 2017) or other adjustments made by the school systems.

³ This RTF closed during fiscal year 2017. Both the RTF grant and QBE amounts shown are what was allocated prior to closure.

⁴ This RTF closed prior to the beginning of the school year, and therefore did not receive a grant award. However, GaDOE's initial QBE allotment sheet for the RTF reflected \$111,662.

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