Audit says education funds should be repaid

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The Louisiana Department of Education should pay back $1.9 million in federal funds that allegedly were misspent during the last five years, according to an audit of state programs for the U.S. Department of Education.

Federal auditors say the state department withheld, and spent more than $1 million, from programs that should have gone to local school systems to educate handicapped children.

A state official has appealed the findings of the audit, saying the auditors should review the spending practices, which were initiated during the administration of former Education Superintendent Kelly Nix, who has since been dismissed.

The audit, still in draft form, recommends the department be required to return the money. The state has a right to appeal the report before it becomes final.

The audit also says incomplete because federal officials still are investigating some unidentified "questionable projects" that were financed with federal special education funds.

Deputy Education Superintendent Joe Kyle said the projects under scrutiny probably involve the purchase of computer equipment for programs for handicapped students in Calcasieu and Jefferson Davis parishes. He said he has no official word on the status of that investigation.

Kyle said the $1.9 million cited in the audit was spent appropriately. He said any violation was technical in nature and did not adversely affect services to handicapped children.

Kyle said he is optimistic that the state will not have to pay back most of the money in question.

The audit tracked the spending of more than $100 million the state received during the last five years for two federal programs to educate handicapped students.

The criticized spending practices involve Special School District No. 1, an agency in which alleged employment irregularities have resulted in criminal charges against Education Superintendent Tom Clausen and others.

The federal audit does not mention any employment irregularities, but criticizes the department for how it allocated federal funds to the school district.

During the fiscal years 1981 through 1985, the state Department of Education "inappropriately withheld from the local education agencies (LEAs) about $1.9 million" from the two federal funds, the draft report said.

"These funds were diverted from the LEAs to a Special School District (SSD) to fund central office administration and a Regional Review Project," the audit said.

Slightly more than $1 million was diverted for central office expenses during a two-year period ending in June 1982, the audit said.

In an Oct. 11 appeal letter to federal officials, Kyle said that practice stopped in 1982 -- nearly two years before the present superintendent took office.

At that time, Kyle said, the Legislature began providing funds that were to be used for the schools, which educates handicapped students housed in state institutions.

Besides, he said, "the audit report, as we read it, does not find fault with the use of these funds, but merely the process of how they were allocated."

The Regional Review Project, which received $387,925 in federal funds over the five-year period ending June 30, 1985, should not have received the money because it did not serve handicapped children in state and state-supported institutions, the audit said.

The project involved screening students to determine if they were eligible for special education services provided to the handicapped.

The audit cited 63 percent of the cases reviewed in the project involved people in non-public institutions, 42 percent of the people were not handicapped and 27 percent of the clients were not even school age.

"Any errors in expenditures in this area are harmless in terms of our obligation" to spend the money for handicapped students, Kyle said in his letter.

All the money went to the benefit of handicapped students, Kyle said.

In addition, he said, the Legislature, at his request, began funding the project with state funds earlier this year.

Kyle said he recognized the problem shortly after the Clausen administration took office last year, but he had to wait until the 1985 legislative session to change the financing procedures.