

PERFORMANCE AUDIT
OF THE
GOVERNMENT SERVICES AND
CUSTOMER SATISFACTION OFFICE

DEPARTMENT OF EDUCATION

April 2003



Michigan
Office of the Auditor General
REPORT SUMMARY

Performance Audit
Government Services and Customer
Satisfaction Office
Department of Education

Report Number:
 31-132-03

Released:
 April 2003

The Government Services and Customer Satisfaction Office, Department of Education, is responsible for providing assistance to the public and school district personnel to help ensure equal educational opportunity for all students; providing ongoing interpretation, analysis, and monitoring of educational legislation; allocating federal funds to reduce the barriers to educational success of homeless children and youth; and providing technical assistance regarding State and federal programs and leadership for nonpublic schools and home schoolers.

Audit Objective:

To assess the effectiveness of the Government Services and Customer Satisfaction Office.

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Audit Conclusion:

The Office was generally effective in its customer satisfaction, government services, and nonpublic and home schools operations. However, the Homeless Education Unit (HEU) was sometimes not effective in ensuring that homeless children and youth in Michigan have access to a free and appropriate public school education.

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Reportable Conditions:

1. Homeless Education Grants
 HEU did not distribute federal homeless education grant funds on the

basis of need in accordance with federal law, did not distribute some grant funds on a competitive basis, and did not comply with certain Department of Education grant award procedures (Finding 1).

2. Monitoring of Homeless Education Grants

HEU needs to establish an effective process for monitoring homeless education grantees for compliance with federal grant requirements (Finding 2).

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Agency Response:

The Department's response stated that it agrees with the recommendations and will comply.

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THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

April 15, 2003

Mr. Thomas D. Watkins, Jr., Chairperson
State Board of Education
Hannah Building
Lansing, Michigan

Dear Mr. Watkins:

This is our report on the performance audit of the Government Services and Customer Satisfaction Office, Department of Education.

This report contains our report summary; description of agency; audit objective, scope, and methodology and agency responses; comment, findings, recommendations, and agency preliminary responses; and a glossary of acronyms and terms.

The agency preliminary responses were taken from the agency's responses subsequent to our audit fieldwork. The *Michigan Compiled Laws* and administrative procedures require that the audited agency develop a formal response within 60 days after release of the audit report.

We appreciate the courtesy and cooperation extended to us during the audit.

AUDITOR GENERAL

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Description of Agency

The Government Services and Customer Satisfaction Office, Department of Education, includes the Customer Satisfaction, Government Services, Homeless Education, and Nonpublic and Home Schools Units. The Customer Satisfaction Unit provides assistance to students, parents, school district personnel, community groups and citizens, and educational personnel to help ensure equal educational opportunity for all students. The Government Services Unit provides ongoing interpretation, analysis, and monitoring of educational legislation. The Homeless Education Unit allocates federal funds to various school districts for reducing the barriers to the educational success of homeless children and youth. The Nonpublic and Home Schools Unit provides technical assistance regarding State and federal programs and leadership for nonpublic schools and home schoolers.

The Office had expenditures of approximately \$718,000 for fiscal year 2001-02 and had 5 full-time equated employees as of November 30, 2002.

Audit Objective, Scope, and Methodology and Agency Responses

Audit Objective

The objective of our performance audit* of the Government Services and Customer Satisfaction Office, Department of Education, was to assess the effectiveness* of the Government Services and Customer Satisfaction Office.

Audit Scope

Our audit scope was to examine the program and other records of the Government Services and Customer Satisfaction Office. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

Audit Methodology

Our audit fieldwork, performed from September through November 2002, included an examination of Office records primarily for school years 2000-01, 2001-02, and 2002-03 (through November 2002).

We performed a preliminary review to obtain an understanding of the Office operations. Also, we interviewed staff and reviewed pertinent statutes, rules, policies, and procedures. In addition, we reviewed the homeless education grant application and award process for school years 2000-01, 2001-02, and 2002-03 (through November 2002). We reviewed the homeless education grant files, application scoring process documentation, grant award distribution process, and monitoring documentation.

Agency Responses

Our report includes 2 findings and recommendations. The Department's response stated that it agrees with the recommendations and will comply.

The agency preliminary response that follows each recommendation in our report was taken from the agency's written comments and oral discussion subsequent to our audit

* See glossary at end of report for definition.

fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and Department of Management and Budget Administrative Guide procedure 1280.02 require the Department of Education to develop a formal response to our audit findings and recommendations within 60 days after release of the audit report.

COMMENT, FINDINGS, RECOMMENDATIONS, AND AGENCY PRELIMINARY RESPONSES

EFFECTIVENESS OF GOVERNMENT SERVICES AND CUSTOMER SATISFACTION OFFICE

COMMENT

Audit Objective: To assess the effectiveness of the Government Services and Customer Satisfaction Office.

Conclusion: We concluded that the Office was generally effective in its customer satisfaction, government services, and nonpublic and home schools operations. However, the Homeless Education Unit (HEU) was sometimes not effective in ensuring that homeless children and youth in Michigan have access to a free and appropriate public school education. We noted reportable conditions* regarding homeless education grants and the monitoring of homeless education grants (Findings 1 and 2).

FINDING

1. Homeless Education Grants

HEU did not distribute federal homeless education grant funds on the basis of need in accordance with federal law, did not distribute some grant funds on a competitive basis, and did not comply with certain Department of Education grant award procedures.

For school years 2000-01, 2001-02, and 2002-03, the U.S. Department of Education awarded federal homeless education grants to Michigan of \$1,163,694, \$1,385,466, and \$1,990,919, respectively. Our review of HEU's homeless education grant award process disclosed:

- a. HEU did not distribute grant funds on the basis of need.

* See glossary at end of report for definition.

Section 723(c)(1) of federal Public Law 107-110 states that the state educational agency shall make subgrants to local educational agencies that submit applications and that such subgrants shall be awarded on the basis of the need of such agencies and the ability of the agencies to meet such needs.

HEU evaluated grant applications for school years 2000-01 through 2002-03 using several elements allowed by law to assess need and the ability of each grantee to meet such needs. However, HEU did not use these evaluations to allocate the federal funds. Rather, HEU staff stated that funds were allocated based on various other methods.

In school years 2000-01 and 2001-02, HEU applied various percent increases to each grantee's prior year funding to determine current year funding. The percent of increase was based on the difference between the grantee's prior year grant amount and the average prior year grant amount for intermediate and local school districts. HEU did not document how this method correlated to the need of the grantee or the ability of the grantee to meet the identified needs.

In school year 2002-03, HEU staff informed us that they used only one element allowed by law, the estimated number of homeless children and youths enrolled in each applicant's schools, to allocate funds. However, HEU did not retain documentation to substantiate its allocation method. Further, we could not replicate HEU's allocations based on its stated process or on the basis of need, as required by law.

- b. HEU did not award grant funds on a competitive basis in school years 2000-01 and 2001-02 in accordance with the Department's grant award process.

To be eligible for funding, HEU staff stated that applicants had to achieve an evaluation score of at least 70 and that the score for school years 2000-01 and 2001-02 was based on the average score from two reviewers.

We determined that, contrary to Department standards, the HEU director evaluated and scored all applications in school years 2000-01 and 2001-02. Department Standard Operating Procedures (SOP) Manual item E-8 specifically states that reviewers for competitive grant programs should be independent of the program office to ensure that objectivity is maintained. We

noted that the HEU director increased his/her original scoring on 3 applications and 1 application in school years 2000-01 and 2001-02, respectively. This helped to ensure that these applicants had a score of at least 70 to become eligible for funding. As a result, HEU distributed grant funds of \$98,221 and \$42,898 to ineligible recipients in school years 2000-01 and 2001-02, respectively.

- c. HEU did not retain the signatures of grant application reviewers on scoring documentation for school years 2000-01 through 2002-03, as required.

SOP Manual item E-8 (IV.B.1) states that all scoring sheets and written assessments or comments must be retained in the program office. In school years 2000-01 and 2001-02, scoring was based on the average score from two reviewers, and in school year 2002-03, the consensus score of three reviewers. Signature documentation is necessary to ensure that individual scoring is valid and the consensus score is the consensus of the scoring team.

- d. HEU did not require grant application reviewers to complete non-conflict of interest certifications for the school year 2002-03 grant award process.

SOP Manual item E-8 (IV.B.3) states that reviewers are required to sign a statement of non-conflict of interest.

HEU's failure to award homeless education grant funds in accordance with federal law did not ensure that grant funds were distributed to areas with the greatest need and to programs that would have used the funds to the greatest benefit.

RECOMMENDATION

We recommend that HEU distribute federal homeless education grant funds on the basis of need in accordance with federal law, on a competitive basis, and in accordance with certain Department grant award procedures.

AGENCY PRELIMINARY RESPONSE

The Department stated that it agrees with the recommendation and will comply. The Office of Field Services (OFS), which received the Homeless Education Program on October 2002, will award grants on the basis of need using criteria specified in the Act and additional criteria if approved by the State Board of

Education. Also, OFS will award grants on a competitive basis using a structured scoring process. In addition, OFS will comply with Department grant award procedures.

FINDING

2. Monitoring of Homeless Education Grants

HEU needs to establish an effective process for monitoring homeless education grantees for compliance with federal grant requirements.

SOP Manual item E-8 (II.A.) states that the Department is responsible for compliance with all federal and State laws and regulations governing the use and distribution of grant funds which it administers. To comply with this requirement, HEU collects cost and program reports from each grantee at the end of the grant period. Also, HEU performs on-site visits and had developed a standardized checklist to verify grantees' compliance with various federal requirements for the use of homeless education grants. In addition, HEU's objective is to visit at least one-third of all grantees each year so that all grantees would have an on-site visit during a three-year period.

Our review of HEU's monitoring process for school years 2000-01, 2001-02, and 2002-03 (through November 2002) disclosed:

- a. HEU did not verify grantee compliance with federal grant requirements.

Our review of grant file documentation for on-site program visits in school years 2000-01 and 2001-02 disclosed that monitors did not use the standardized program checklist to verify grantee compliance with federal requirements. Instead, for all on-site visits since July 1, 2000, HEU prepared a single page report that did not address grantee compliance with federal grant requirements.

- b. HEU did not conduct on-site visits to many grantees.

HEU conducted monitoring visits at only 5 (21%) of 24 and 8 (32%) of 25 grantees in school years 2000-01 and 2001-02, respectively. Cumulatively, during this two-year period, HEU conducted visits to only 12 (46%) of 26

grantees. Also, as of November 30, 2002, HEU had yet to conduct a visit to any of the 26 grantees for school year 2002-03.

Conducting on-site visits and preparing compliance checklists are essential to ensure grantee compliance with grant requirements.

RECOMMENDATION

We recommend that HEU establish an effective process for monitoring homeless education grantees for compliance with federal grant requirements.

AGENCY PRELIMINARY RESPONSE

The Department stated that it agrees with the recommendation and will comply. OFS will integrate monitoring of McKinney Vento grant recipients into its State and federal grant review processes.

Glossary of Acronyms and Terms

effectiveness	Program success in achieving mission and goals.
HEU	Homeless Education Unit.
OFS	Office of Field Services.
performance audit	An economy and efficiency audit or a program audit that is designed to provide an independent assessment of the performance of a governmental entity, program, activity, or function to improve public accountability and to facilitate decision making by parties responsible for overseeing or initiating corrective action.
reportable condition	A matter that, in the auditor's judgment, represents either an opportunity for improvement or a significant deficiency in management's ability to operate a program in an effective and efficient manner.
SOP Manual	Standard Operating Procedures Manual.