

PERFORMANCE AUDIT  
OF THE  
OFFICE OF SCHOOL SUPPORT SERVICES  
MICHIGAN DEPARTMENT OF EDUCATION

September 2004

“...The auditor general shall conduct post audits of financial transactions and accounts of the state and of all branches, departments, offices, boards, commissions, agencies, authorities and institutions of the state established by this constitution or by law, and performance post audits thereof.”

– Article IV, Section 53 of the Michigan Constitution

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Michigan  
Office of the Auditor General  
REPORT SUMMARY

Performance Audit

Report Number:  
31-212-02

Office of School Support Services

Michigan Department of Education

Released:  
September 2004

*The Office of School Support Services' (OSSS's) mission is to advocate and provide programs and services that promote the health and safety of Michigan citizens. At the time of our audit, OSSS consisted of four primary organizational units: Budget, Personnel, and Technical Support; Fiscal Reporting; Food and Nutrition; and Transportation and Driver Safety. Our audit focused on the Food and Nutrition, Pupil Transportation, and Driver Education Programs and the Motorcycle Safety Fund.*

**Audit Objectives:**

1. To assess OSSS's effectiveness in administering the Food and Nutrition, Pupil Transportation, and Driver Education Programs.
2. To determine OSSS's compliance with applicable statutes regarding the collection and expenditure of fees accounted for in the Motorcycle Safety Fund.

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**Audit Conclusions:**

1. We concluded that OSSS's administration of the Food and Nutrition Program was generally effective; however, OSSS was only somewhat effective in its administration of the Pupil Transportation and Driver Education Programs.
2. We concluded that OSSS complied with applicable statutes regarding the collection and expenditure of fees

accounted for in the Motorcycle Safety Fund.

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**Reportable Conditions:**

1. OSSS should improve its coordinated review evaluations of the free and reduced price lunch eligibility verifications performed by school districts and school food authorities (Finding 1).
2. OSSS did not monitor bus driver qualifications; obtain, compile, and analyze school bus accident reports; or implement on-road driver skills testing for bus drivers (Finding 2).
3. OSSS should improve management control related to reporting requirements for pupil transportation training agencies (Finding 3).
4. OSSS did not monitor driver education program operations at school districts. In addition, OSSS did not develop a procedures manual to assist school

districts in documenting instructor qualifications and compliance with course requirements (Finding 4).

- 5. OSSS did not properly approve and monitor all driver education teacher preparation courses and driver education instructors (Finding 5).

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**Agency Response:**

Our audit report contains 5 findings and 6 corresponding recommendations. The Michigan Department of Education's preliminary response indicated that it agrees with the recommendations.

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A copy of the full report can be obtained by calling 517.334.8050 or by visiting our Web site at: <http://audgen.michigan.gov>



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AUDITOR GENERAL

September 30, 2004

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 Office of School Support Services, Michigan Department of Education.

This report contains our report summary; description of agency; audit objectives, scope, and methodology and agency responses and prior audit follow-up; comments, findings, recommendations, and agency preliminary responses; a summary of Motorcycle Safety Fund grant expenditures and a summary of selected federal regulations, *Michigan Compiled Laws*, and administrative rules, presented as supplemental information; 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 this audit.

AUDITOR GENERAL

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GLOSSARY

Glossary of Acronyms and Terms

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## Description of Agency

The Office of School Support Services' (OSSS's) mission\* is to advocate and provide programs and services that promote the health and safety of Michigan citizens. At the time of our audit, OSSS consisted of four primary organizational units: Budget, Personnel, and Technical Support; Fiscal Reporting; Food and Nutrition; and Transportation and Driver Safety. Our audit focused on the Food and Nutrition, Pupil Transportation, and Driver Education Programs and the Motorcycle Safety Fund:

### 1. Food and Nutrition Program

OSSS is responsible for the administration of all aspects of the United States Department of Agriculture's (USDA's) food and nutrition programs for the State. As part of this responsibility, OSSS processes federal grant applications, provides nutritional consulting services, allocates funding sources, develops instructional memorandums, provides technical assistance and training, and monitors program compliance.

Schools and other care facilities that participate in the programs and serve meals meeting certain dietary and nutritional standards receive cash reimbursement and USDA commodity foods. As part of the programs, school-aged children meeting certain income eligibility guidelines\* may qualify to receive a free or reduced price meal\*. Each school district's school food authority\* approves students for admission into the programs. The school food authority also annually performs an eligibility verification process\* to test the accuracy of information submitted in applications.

The Michigan Department of Education (MDE) uses federal funding to reimburse the school districts approximately \$.20 for each lunch served. MDE also uses federal funding to reimburse the school districts approximately an additional \$1.83 and \$1.43 for free and reduced price lunches, respectively. MDE uses State funds for "at-risk" programs, school readiness programs, and school breakfast and milk programs. The school district must cover the portion of food service expenses not covered by the State and federal funding.

\* See glossary at end of report for definition.

Sections 380.1272 - 380.1272d and 388.1631d and 388.1631e of the *Michigan Compiled Laws*, *Michigan Administrative Code* R 340.601 - 340.605 and Title 7, Parts 210 - 248 of the *Code of Federal Regulations* govern the Food and Nutrition Program (for more detail, see summary of selected federal regulations, *Michigan Compiled Laws*, and administrative rules in the supplemental information section).

2. Pupil Transportation Program

OSSS is responsible for providing oversight of pupil transportation within school districts in the State. As part of this responsibility, OSSS administers the distribution of training funds for basic school bus driver safety education courses; monitors the school bus driver qualifications; and provides assistance to school districts, parents, legislators, and others on pupil transportation issues. School bus driver safety education courses are offered Statewide through grants to various colleges, universities, and intermediate school districts. OSSS also approves the curriculum used in the courses and approves the agencies teaching the courses.

Sections 380.1321 - 380.1333, 388.1674, 388.1676, and 257.1801 - 257.1877 of the *Michigan Compiled Laws* govern the Pupil Transportation Program (for more detail, see summary of selected federal regulations, *Michigan Compiled Laws*, and administrative rules in the supplemental information section).

3. Driver Education Program

OSSS, in conjunction with the Department of State, is responsible for the development and administration of the State's Driver Education Program. As part of that responsibility, OSSS creates and implements curriculum and tests; approves driver education instructors; monitors continuing eligibility of instructors; distributes driver education funds; monitors school districts for compliance with laws and administrative rules; and provides consultation to students, parents, and school officials.

During our audit period, OSSS administered the public school driver education program and Department of State administered the private driver education program. Subsequent to our fieldwork, effective October 1, 2004, the Department of State will become responsible for all aspects of the Driver Education Program.

Section 257.811 of the *Michigan Compiled Laws* and *Michigan Administrative Code* R 340.431 - 340.436 and 388.301 - 388.339 govern the Driver Education Program

(for more detail, see summary of selected federal regulations, *Michigan Compiled Laws*, and administrative rules in the supplemental information section).

4. Motorcycle Safety Fund (MSF)

MSF was established within the State's General Fund to account for the fees collected for original and renewal motorcycle license endorsements, annual motorcycle registration fees, and motorcycle operator driving test fees. Funds deposited in MSF are derived from motorcycle registrations, original and renewal motorcycle endorsements, and two-year original and renewal motorcycle endorsements.

MDE awards grants to universities, colleges, intermediate school districts, local school districts, law enforcement agencies, or any other governmental agency in order to conduct motorcycle safety courses. Funds from MSF, as well as statutory student course fees of \$25, are used to fund the safety courses. Private enterprises may also offer motorcycle safety courses, but are not required to charge the \$25 fee and are not eligible for State grants.

For fiscal years 1999-2000 and 2000-01, OSSS expended \$271.4 million and \$270.5 million, respectively, and was authorized 41.4 full-time equated positions in each fiscal year. As of May 31, 2003, OSSS had 27 full-time employees.

## **Audit Objectives, Scope, and Methodology and Agency Responses and Prior Audit Follow-Up**

### Audit Objectives

Our performance audit\* of the Office of School Support Services (OSSS), Michigan Department of Education (MDE), had the following objectives:

1. To assess OSSS's effectiveness\* in administering the Food and Nutrition, Pupil Transportation, and Driver Education Programs.
2. To determine OSSS's compliance with applicable statutes regarding the collection and expenditure of fees accounted for in the Motorcycle Safety Fund (MSF).

### Audit Scope

Our audit scope was to examine selected program and other records of the Office of School Support Services. 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.

A summary of grant expenditures for MSF for the fiscal years ended September 30, 2002 and September 30, 2001 are included in this report as supplemental information. Our audit was not directed toward expressing an opinion on this information and, accordingly, we express no opinion on it.

### Audit Methodology

Our audit fieldwork, performed from July 2002 through May 2003, included an examination of selected program and other OSSS records primarily for the period October 1, 2000 through December 31, 2002. Our methodology included a preliminary review of OSSS operations to determine the programs it administers and corresponding management control\*. This involved interviewing various OSSS staff and reviewing applicable statutes, policies and procedures, reports, management plans, and other reference materials.

To accomplish our first objective, we reviewed OSSS's management control over implementation of its programs and monitoring of school districts and intermediate

\* See glossary at end of report for definition.

school districts. We performed on-site visits to 5 school districts and 2 intermediate school districts. We selected the districts judgmentally based on enrollment size of the district, level of program activity, and expenditure amounts related to the programs that OSSS administers. We evaluated the districts' compliance with program requirements and documentation of compliance to determine if OSSS's instructions, training, and monitoring of the districts were effective.

To accomplish our second audit objective, we analyzed OSSS's internal control and expenditures from MSF. We reviewed OSSS's grant allocation methodology and internal control. We tested expenditures for compliance with internal control and applicable State statutes.

#### Agency Responses and Prior Audit Follow-Up

Our audit report contains 5 findings and 6 corresponding recommendations. The Michigan Department of Education's preliminary response indicated that it agrees with the recommendations.

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

Within the scope of this audit, we followed up 6 of the 22 recommendations from our March 1988 performance audit of the Food and Nutrition Program, School Management Services, Department of Education (#3121087). We also followed up 6 of the 11 recommendations from our July 1994 performance audit of Traffic Safety Education and Management Services, Office of School Management, Department of Education (#3121293). In addition, we followed up 1 of the 4 recommendations from our August 1999 performance audit of Driver Safety Programs, Department of Education and Department of State (#2370097). Further, we followed up 1 of the 11 recommendations from our May 2001 follow-up review (#3121497F) and our September 1997 performance audit and financial related audit of the Motorcycle Safety Education Program and the Motorcycle Safety Fund, Departments of Education and State (#3121497). MDE complied with 10 of the 14 prior audit recommendations and the other 4 were rewritten for inclusion in this report.

COMMENTS, FINDINGS, RECOMMENDATIONS,  
AND AGENCY PRELIMINARY RESPONSES

# EFFECTIVENESS IN ADMINISTERING THE FOOD AND NUTRITION, PUPIL TRANSPORTATION, AND DRIVER EDUCATION PROGRAMS

## COMMENT

**Audit Objective:** To assess the Office of School Support Services (OSSS's) effectiveness in administering the Food and Nutrition, Pupil Transportation, and Driver Education Programs.

**Conclusion:** We concluded that OSSS's administration of the Food and Nutrition Program was generally effective; however, OSSS was only somewhat effective in its administration of the Pupil Transportation and Driver Education Programs. Our assessment disclosed reportable conditions\* related to monitoring of free and reduced price lunch eligibility verification, monitoring and testing of school bus drivers, school bus driver safety education reporting, monitoring of driver education programs, and approval and monitoring of driver education instructors (Findings 1 through 5).

## FINDING

### 1. Monitoring of Free and Reduced Price Lunch Eligibility Verification

OSSS should improve its coordinated review evaluations\* (CREs) of the free and reduced price lunch eligibility verifications performed by school districts and school food authorities.

CREs are OSSS's monitoring tool to determine if school districts and school food authorities are appropriately determining and verifying eligibility for free and reduced price lunches. Identification and correction of errors in free and reduced price lunch counts noted in the school food authorities and CRE's verification process are important because the school lunch programs account for approximately \$262 million of education spending each year. The Michigan Department of Education (MDE) also uses the verified free and reduced price lunch counts to make determinations regarding a school district's eligibility for \$660 million in State and federally funded "at-risk" programs each year.

\* See glossary at end of report for definition.

School districts food authorities perform eligibility verifications on their October 31<sup>st</sup> free and reduced price lunch eligibility counts\* on a test basis each year to help provide assurances that information provided by parents or guardians on the free and reduced price lunch applications is accurate and supports the schools' determination as to student lunch status.

In addition to the eligibility verification, a CRE includes a review of items such as meal components, the application process, lunch counts, and the reimbursement process at the school district. Because the CREs are on a five-year cycle, there are no consequences for noncompliance in the interim. As a result, there is no incentive for school districts to ensure compliance with eligibility requirements on an ongoing basis.

To determine if OSSS's CREs adequately addressed program requirements, we judgmentally selected 5 school districts that had a recent CRE to visit and review the food service program. We compared our review results with those results of OSSS's most recent CRE. We noted the following issues that indicate that OSSS should focus more on school districts' eligibility verification processes when completing the CRE:

- a. During the CRE for the 5 selected school districts, the OSSS analysts made only general inquiries as to the eligibility verification process, did not sample or review free and reduced price lunch applications to test the districts' eligibility verification process, and noted only one exception related to eligibility verification. We reviewed approximately 264 free and reduced price lunch applications and noted 12 (5%) with errors in student roster records and 34 (13%) with errors in the eligibility verifications at the 5 school districts visited, even though 3 of the school districts had received CREs within the last two years and the other 2 school districts had received CREs within the last five years.

The types of errors noted for student rosters included a failure to update the student's or the student's other family member's free or reduced price lunch status on the student roster based on results of the eligibility verification. The types of errors noted for eligibility verifications included the incorrect use of

\* See glossary at end of report for definition.

sampling methodologies, insufficient completion of eligibility verifications, incorrect classification of lunch status, insufficient supporting documentation, and lack of procedures or misapplication of instructions provided by MDE. We believe that the extent of these errors has gone undetected because of the general inquiries and limited testing that the OSSS analysts complete during the CRE every five years, and as a result, errors and incorrect application of procedures can go undetected at some school districts for several years. For example, 1 school district had continually misused the focused sampling methodology since prior to its last CRE because the errors in application of the methodology went undetected during that CRE.

- b. OSSS did not review statistical data during the years between the school districts' five-year CREs. The eligibility verification process performed by school districts is an annual program requirement; however, OSSS does not require that this information be submitted to it on an annual basis. OSSS could improve its monitoring procedures by revising the school districts' verification summary report\* to provide more detail and by requiring school districts to submit the verification summary report annually to OSSS. OSSS could perform analytical reviews of the data submitted to help identify school districts that may be improperly performing their eligibility verification reviews or may be improperly approving eligibility. Based on the results of this analysis, MDE could more efficiently use its resources by directing CREs at the school districts identified as having potential problems. Also, the CRE procedures performed during the visit could be tailored to address weaknesses or problem areas.

### **RECOMMENDATION**

We recommend that OSSS improve its CREs of the free and reduced price lunch eligibility verifications performed by school districts and school food authorities.

### **AGENCY PRELIMINARY RESPONSE**

OSSS, now called Grants Coordination and School Support (GCSS), agrees with the recommendation. During school year 2004-05, GCSS will comply with the recommendation by implementing the United States Department of Agriculture's (USDA's) Verification Reporting and Recordkeeping Requirements in the National

\* See glossary at end of report for definition.

School Lunch Program (NSLP)/School Breakfast Program (SBP) published in the *Federal Register*, September 11, 2003. GCSS will add an additional annual analysis of verification for all school food authorities. MDE will submit an annual report to the USDA on the results of verification activities for each school food authority in Michigan. This annual collection, review, and submission of verification data for each school food authority will enable MDE to better understand certification errors and to improve oversight and training activities. MDE believes this will help ensure that free and reduced price meals are provided only to eligible children.

## **FINDING**

### **2. Monitoring and Testing of School Bus Drivers**

OSSS did not monitor bus driver qualifications; obtain, compile, and analyze school bus accident reports; or implement on-road driver skills testing for bus drivers. OSSS's monitoring and testing are necessary to provide assurances that bus drivers are qualified and skilled and that students are safely transported to and from school.

During our visits to 5 school districts and 2 intermediate school districts and our review of OSSS's policies and procedures, we noted:

- a. OSSS had not implemented an on-road driver skills test as was required by statute and approved by the State Board of Education. The State Board approved an on-road skill test for bus drivers every four years or whenever a bus driver develops an identified performance problem. OSSS informed us that it did not have the funding or resources to implement the on-road skills tests. On-road skills tests would help to ensure that bus drivers are knowledgeable in current pupil transportation laws and requirements, as well as skilled in the operation of a school bus.
- b. OSSS did not ensure that all school districts were providing reports of school bus accidents and did not provide a summary report of school bus accidents, with recommendations for changes, to each school district as required by State statute. Only 1 of the school districts we visited kept records and reported school bus accidents to MDE. The purpose of the summary report of

school bus accidents is to identify accident trends and areas that should be emphasized in training to improve drivers' skills.

- c. OSSS has delegated activities related to school bus safety to school districts, but it has not monitored the school districts to ensure that they are meeting the delegated responsibility. For example, we noted instances in which school districts did not sufficiently document that pupil transportation personnel met applicable requirements, including background checks and drug testing. In addition, we noted that school districts had not completed driving record checks and had not identified bus drivers who had a performance problem. Monitoring those delegated activities would help ensure that those transporting students to and from school are qualified and continue to meet those requirements throughout their employment.

### **RECOMMENDATION**

We recommend that OSSS monitor bus driver qualifications; obtain, compile, and analyze school bus accident reports; and implement on-road driver skills testing for bus drivers.

### **AGENCY PRELIMINARY RESPONSE**

GCSS agrees with the recommendation and informed us that it has taken steps to resolve the issues reported:

- a. GCSS informed us that it has recommended for repeal from the Pupil Transportation Act the requirement for an on-road driver skills test for school bus drivers in Section 257.1852 of the *Michigan Compiled Laws*. GCSS also informed us that the federal regulations will require that all commercial driver licensing include increased eligibility requirements to include knowledge and skill testing, as well as skill testing upon conviction of certain traffic violations. In addition, school bus drivers will now be required, beginning September 30, 2005, to carry a school bus specific endorsement on their commercial driver license. GCSS informed us that the Department of State is awaiting the enactment of State legislation, which has already been introduced, to accomplish the requirements of the federal regulations.
- b. GCSS informed us that legislation has been drafted to modify the requirement that school districts report and MDE collect, compile, and analyze bus accident

data. GCSS also informed us that legislation has been drafted that would allow GCSS to query and sort bus accident data collected by Michigan Department of State Police (MSP) from accident reports prepared by State and local law enforcement personnel. In addition, GCSS informed us that the MSP Office of Highway Safety Planning continues to work with the MSP Office of Criminal Justice and the University of Michigan Traffic Research Institute in compiling this data.

- c. GCSS informed us that it lacks the funding and therefore the staff to accomplish sufficient monitoring of compliance of school bus driver employers in ensuring that school bus drivers meet the requirements of the Pupil Transportation Act. However, GCSS also informed us that it is working with the Department of State and MSP to develop a process which should ensure that all school bus driver employers are checking the driving records and other qualifications as required by statute.

## **FINDING**

### **3. School Bus Driver Safety Education Reporting**

OSSS should improve management control related to reporting requirements for pupil transportation training agencies. Proper controls over reporting assist in the proper allocation of pupil transportation training funds and help to ensure that the training is in compliance with State laws and regulations.

We noted:

- a. OSSS did not ensure that training agencies' cost reports were properly calculated. We determined that 7 (47%) of 15 cost reports for the 2001-02 school year were incorrect. We noted that 6 agencies overstated costs by a total of \$36,241 and 1 agency understated costs by \$17,000. These overstatements and understatements impacted the distribution of funding between agencies. Verifying the amounts reported helps to ensure the accuracy of the information and reduces the need to make corrections.
- b. Training agencies consistently reported the amount of tuition received from participants as program costs. OSSS reimburses training agencies based on actual program costs up to a statutorily established percentage. As a result,

OSSS overpaid training agencies that reported tuition as a program cost by a total of \$184,488 for the 2001-02 school year. These overpayments impacted the distribution of funding to other training agencies. Procedures to ensure that only allowable costs are reimbursed would help ensure that program funds were fairly distributed and in accordance with applicable statutes.

### **RECOMMENDATION**

We recommend that OSSS improve management control related to reporting requirements for pupil transportation training agencies.

### **AGENCY PRELIMINARY RESPONSE**

GCSS agrees with the recommendation and informed us that it has already expanded its reporting requirements for the current training agency fiscal year of application. GCSS also informed us that its staff will continue to work with other MDE staff to further improve reporting and monitoring of the training agencies' operations and expenditures.

### **FINDING**

#### **4. Monitoring of Driver Education Programs**

OSSS did not monitor driver education program operations at school districts. In addition, OSSS did not develop a procedures manual to assist school districts in documenting instructor qualifications and compliance with course requirements. OSSS's monitoring, in conjunction with a procedures manual, would help to ensure that the driver education programs are operating within mandatory guidelines and ultimately preparing students to be safe and responsible drivers.

We visited 5 school districts' driver education programs and reviewed instructor qualifications, class curriculums, student eligibility and attendance, and cost reports for compliance with OSSS practices and State laws and regulations. We noted:

- a. School districts did not maintain sufficient supporting documentation related to instructor qualifications. For example, none of the school districts retained documentation that their instructors completed required preparation courses, 3 school districts did not maintain documentation that each instructor had a valid driver license, and 2 school districts did not document that instructors were certified teachers and had criminal background checks. Without proper

supporting documentation, OSSS cannot be assured that the school districts allowed only qualified instructors to teach driver education.

- b. School districts did not maintain sufficient documentation to support that students met course requirements. For example, none of the school districts consistently verified or documented that students had obtained a level 1 license\* prior to enrolling in segment 2\*, 4 school districts did not consistently verify or document that students completed 30 hours of driving prior to enrolling in segment 2, 4 school districts did not routinely document the amount of time that students drove each day during segment 1\*, and 3 school districts did not consistently document the scores that students received on their State driving examination. Proper documentation of course completion and testing scores helps to ensure that only those students ready to advance to the next level or receive a license do so.
  
- c. School districts did not always have sufficient recordkeeping practices and were not aware of some requirements. None of the school districts maintained a log of segment 1 and 2 certificates that were issued, voided, or lost. School districts are required by administrative rule to retain this information for seven years. Also, 3 of the school districts claimed reimbursement for out-of-district students, rather than completing the certification of participation forms and allowing the students' original districts to seek reimbursement as required by State law. Based on our review, 2 of these districts were unaware of the form and the procedure. In addition, we noted that school districts failed to maintain adequate attendance records. For example, 2 school districts did not have daily attendance records and 1 district did not document the days that the class met. Sufficient recordkeeping practices are necessary to ensure that students meet all necessary course requirements and that certificates are properly safeguarded to prevent improper use.

## **RECOMMENDATIONS**

We recommend that OSSS monitor driver education program operations at school districts.

\* See glossary at end of report for definition.

We also recommend that OSSS develop a procedures manual to assist school districts in documenting instructor qualifications and compliance with course requirements.

### **AGENCY PRELIMINARY RESPONSE**

GCSS agrees with the recommendations. GCSS informed us that staff are in the process of creating a procedures manual to assist all driver education program providers. As of October 1, 2004, the Driver Education Program will be transferred to the Department of State. GCSS will share this recommendation with the Department of State.

### **FINDING**

#### **5. Approval and Monitoring of Driver Education Instructors**

OSSS did not properly approve and monitor all driver education teacher preparation courses and driver education instructors. As a result, OSSS could not ensure that instructors were appropriately trained and approved or that instructors provided students with quality driver education instruction.

Our review of OSSS's database, monitoring procedures, and records at 5 school districts disclosed:

- a. OSSS had not performed a review of the driver education instructor programs at any of the 5 colleges and universities providing such courses to prepare teachers to instruct driver education. Administrative rules establish the course topics to be covered and require that MDE review these courses once every three years. Such a review would help to ensure that driver education instructors completing the courses are presented with the required knowledge to train new drivers.
- b. OSSS had not approved 6 (14%) of 43 instructors at the schools we visited. Also, OSSS had not detected that 6 OSSS temporary instructor approvals had expired and that those instructors continued to teach driver education. Administrative rules require OSSS to approve of driver education instructors to help ensure that the instructors are qualified and responsible.

- c. OSSS did not ensure that the database of approved instructors was complete and accurate. OSSS requires each school district to annually submit a listing of instructors; however, OSSS did not use the listing to ensure that the database was complete. OSSS uses the database to initiate driving record checks on each instructor as required by law.

During our visit to school districts, we found 4 instructors who had OSSS approval but were not included in the database. These instructors, in addition to the 6 instructors that OSSS had not approved (item b), were not properly updated in the database; therefore, no driving record check was completed. Ensuring the completeness of the database should assist OSSS in better monitoring the status of instructors and ensuring that only qualified instructors are allowed to teach driver education classes.

### **RECOMMENDATION**

We recommend that OSSS properly approve and monitor all driver education teacher preparation courses and driver education instructors.

### **AGENCY PRELIMINARY RESPONSE**

GCSS agrees with this recommendation. GCSS informed us that it has procedures in place to review and notify driver education instructors when their personal driving records exceed established standards. GCSS informed us that it is also reviewing all current instructors to ensure that they have met the minimum standards for approval and staff are preparing to conduct an audit of the driver education teacher preparation course. As of October 1, 2004, the Driver Education Program will be transferred to the Department of State. GCSS will share this recommendation with the Department of State.

## **COMPLIANCE WITH APPLICABLE STATUTES REGARDING THE COLLECTION AND EXPENDITURE OF FEES ACCOUNTED FOR IN THE MOTORCYCLE SAFETY FUND (MSF)**

### **BACKGROUND**

The Department of State collects MSF revenues from fees for original and renewal motorcycle license endorsements, annual motorcycle registration fees, and motorcycle

operator driving test fees. MDE uses the revenue from the fees to award grants for conducting motorcycle safety courses to universities, colleges, intermediate school districts, local school districts, law enforcement agencies, or any other governmental agency (see the summary of grant expenditures in the supplemental information section). Both Departments incurred administrative expenditures related to the collection of fees and grant administration. The following table shows revenue collected and expenditures incurred for fiscal years 2001-02 and 2000-01:

	Fiscal Year 2001-02	Fiscal Year 2000-01
Revenues from fees	\$1,213,176	\$1,244,637
Grant expenditures	\$1,200,000	\$ 849,767
Administrative expenditures:		
Department of State	\$ 105,657	\$ 112,600
MDE	\$ 26,035	\$ 21,790

Executive Order No. 2001-9 authorized a transfer of \$200,000 in accumulated funds in MSF to the State General Fund for the fiscal year ended September 30, 2002. Act 161, P.A. 2003, transferred the administration of the Motorcycle Safety Fund to the Department of State effective October 1, 2003.

The Motorcycle Safety Program is governed by various sections of the *Michigan Compiled Laws* and *Michigan Administrative Code* R 257.1701 - 257.1727.

**COMMENT**

**Audit Objective:** To determine OSSS's compliance with applicable statutes regarding the collection and expenditures of fees accounted for in MSF.

**Conclusion:** We concluded that OSSS complied with applicable statutes regarding the collection and expenditure of fees accounted for in the Motorcycle Safety Fund.

## SUPPLEMENTAL INFORMATION

MOTORCYCLE SAFETY FUND  
 Summary of Grant Expenditures  
Fiscal Year Ended September 30

<u>Grantee</u>	<u>2002</u>	<u>2001</u>
Allegan County Intermediate School District	\$ 108,283	\$ 72,410
Davenport College of Business	79,778	
Delta College	44,957	38,900
Ferris State University	128,839	76,752
Flint City School District	33,081	33,085
Iosco Intermediate School District	52,794	
Ithaca Public Schools	10,423	9,000
Lansing Community College		4,450
Lapeer County Sheriff Department	8,518	9,360
Lenawee Intermediate School District	14,988	12,635
Macomb County Community College	40,000	37,000
Northern Michigan University	81,678	42,825
Otsego County Sheriff Department	49,324	26,000
Schoolcraft Community College	438,600	400,770
Washtenaw Community College	83,544	70,200
White Pigeon Community School District	25,193	16,380
	<u>\$ 1,200,000</u>	<u>\$ 849,767</u>

**Summary of Selected Federal Regulations,  
Michigan Compiled Laws, and Administrative Rules**

**Food and Nutrition Program**

Title 7, Parts 210 - 248 of the <i>Code of Federal Regulations</i>	Federal regulations that govern food and nutrition programs.
Title 7, Part 210 of the <i>Code of Federal Regulations</i>	Sets forth the requirements for participation in the National School Lunch and Commodity School Programs. It specifies program responsibilities of state and local officials in the areas of program administration, preparation and service of nutritious lunches, payment of funds, use of program funds, program monitoring, and reporting and recordkeeping requirements.
Title 7, Part 245 of the <i>Code of Federal Regulations</i>	Sets forth the responsibilities of state agencies, the Food and Nutrition Service regional offices, and school food authorities with respect to the establishment of income guidelines, determination of eligibility of children for the programs, and assurance that there is no physical segregation, other discrimination against, or overt identification of children unable to pay the full price for meals or milk.
Section 380.1272 of the <i>Michigan Compiled Laws</i>	Allows the local school board to use its general funds to operate a food program, accept reimbursement from the State, contract for food service, and charge a per meal fee in accordance with State statute.
Section 380.1272a of the <i>Michigan Compiled Laws</i>	Requires K - 12 school districts to establish a lunch and breakfast program.
Section 380.1272b of the <i>Michigan Compiled Laws</i>	Requires school meal programs to meet United States Department of Agriculture (USDA) nutritional standards, allows the school district to charge a fee, requires the school district to provide free and reduced lunches as prescribed by the USDA pursuant to the National School Lunch Act, and requires parent and pupil participation in the planning and evaluation of foods sold or dispensed on school premises.

Section 380.1272c of the <i>Michigan Compiled Laws</i>	Exempts a school district from providing a food program if State and federal assistance falls below the 1975-76 level or if the school district experiences a financial emergency preventing it from operating a food program.
Section 380.1272d of the <i>Michigan Compiled Laws</i>	Describes the duties of the Department of Education for the Food and Nutrition Program, such as prescribing a uniform reporting system for collection, compilation, and analysis of data relative to administering the requirements of the statute and reimbursing the school district as prescribed in the statute.
Sections 388.1631a, 388.1637, 388.1638 of the <i>Michigan Compiled Laws</i>	Certain funding allocations made under these sections of the State School Aid Act for other educational programs are dependent on the free and reduced price lunch counts at the various school districts.
Section 388.1631d of the <i>Michigan Compiled Laws</i>	Provides for the reimbursement to districts providing school lunch programs.
Section 388.1631e of the <i>Michigan Compiled Laws</i>	Provides for the reimbursement to districts providing a breakfast program.
<i>Michigan Administrative Code</i> R 340.601 - 340.605	Establish guidelines for school lunch operations in schools.

### **Pupil Transportation Program**

Sections 380.1321 - 380.1333 of the <i>Michigan Compiled Laws</i>	Revised School Code sections that outline the requirements to provide pupil transportation, establish routes, transport nonpublic school pupils, and contract for transportation services.
Section 388.1674 of the <i>Michigan Compiled Laws</i>	Appropriates funds for bus driver safety education courses and skills tests. This section limits the reimbursement to not more than 75% of the training agencies' actual costs.
Section 388.1676 of the <i>Michigan Compiled Laws</i>	Addresses funding calculation for transporting nonpublic school students.

Sections 257.1801 - 257.1877 of the <i>Michigan Compiled Laws</i>	Sections of the Pupil Transportation Act.
Section 257.1849 of the <i>Michigan Compiled Laws</i>	Identifies licensing and other requirements for persons operating a pupil transportation vehicle.
Section 257.1851 of the <i>Michigan Compiled Laws</i>	Identifies requirements for bus driver safety education.
Section 257.1852 of the <i>Michigan Compiled Laws</i>	Identifies on-road driver skills test requirements.
Section 257.1853 of the <i>Michigan Compiled Laws</i>	Identifies requirements for regular and substitute bus drivers, including qualifications, background checks, and other behaviors.
Section 257.1863 of the <i>Michigan Compiled Laws</i>	Requires school districts to report incidents involving a bus fire, bus accident, or personal injury. The Department of Education is required to compile a summary report and provide a copy to each school district with recommendations for change.

### **Driver Education Program**

Section 257.811 of the <i>Michigan Compiled Laws</i>	Allows the Department of Education to administer a driver education program, distributes funds to the local school districts, describes funding allocations, establishes basic participation requirements for pupils, and allows the Department to promulgate rules.
<i>Michigan Administrative Code</i> R 340.431 - 340.436	Establish guidelines for driver safety schools.
<i>Michigan Administrative Code</i> R 388.301 - 388.339	Establish guidelines for driver education programs.
<i>Michigan Administrative Code</i> R 388.308	Outlines driver education requirements such as number of hours, days, or weeks of classroom instruction for segment 1 and 2.

<i>Michigan Administrative Code R 388.309</i>	Outlines driving experience, including the total number of hours on the road, number of hours on the road per day, types of roadways, and number of passengers.
<i>Michigan Administrative Code R 388.311</i>	Outlines driver education instructor qualifications, including possessing a valid Michigan teaching certificate and a valid driver license, at least 21 years old, and maintaining a good driving record.
<i>Michigan Administrative Code R 388.313</i>	Requires instructors to have earned 8 semester hours of college credit in driver education teacher preparation courses.
<i>Michigan Administrative Code R 388.313a</i>	Defines the content of driver education teacher preparation courses.
<i>Michigan Administrative Code R 388.313b</i>	Requires that the Department of Education review each driver education teacher preparation program at least once every 3 years.
<i>Michigan Administrative Code R 388.313c</i>	Outlines requirements of temporary driver education instructor approval, including amount of course work and 12-month time limit on the temporary approval.
<i>Michigan Administrative Code R 388.314a</i>	Allows for the withdrawal of instructor approval if the instructor has accumulated 7 or more points for moving violations within a 2-year period, has been convicted of a 6-point violation, or has been convicted of impaired driving.
<i>Michigan Administrative Code R 388.323</i>	Requires that school districts report annually the number of students participating, the number of students that pass or fail, and other information related to per pupil costs. In addition, the rule requires that names, certificate numbers, and cost data be retained for 7 years.

# GLOSSARY

## Glossary of Acronyms and Terms

<b>coordinated review evaluation (CRE)</b>	The comprehensive on-site administrative review of a school food authority's performance in both critical and general areas of concern as designated by the federal government and MDE. The CRE includes a review of such items as health, sanitation, nutrition, application process, eligibility, lunch counts, and the reimbursement process at the school district.
<b>effectiveness</b>	Program success in achieving mission and goals.
<b>eligibility verification process</b>	The process under which school food authorities are required to annually confirm, on a test basis, the eligibility of selected recipients for free and reduced price meals.
<b>free or reduced price meal</b>	A meal served to a child from a household eligible for such benefits based on federal regulations governing the determination of eligibility for such benefits under the school lunch programs.
<b>GCSS</b>	Grants Coordination and School Support.
<b>income eligibility guideline</b>	The household size and income levels prescribed annually by the federal Secretary of Agriculture for determining eligibility for free and reduced price meals. The free guidelines are at or below 130% of federal poverty guidelines and the reduced price guidelines are between 130% and at or below 185% of poverty guidelines.
<b>level 1 license</b>	A learners driver license. Obtainable from the Secretary of State after successful completion of segment 1 of a driver education program.
<b>management control</b>	The plan of organization, methods, and procedures adopted by management to provide reasonable assurance that goals

are met; resources are used in compliance with laws and regulations; valid and reliable data is obtained and reported; and resources are safeguarded against waste, loss, and misuse.

**MDE** Michigan Department of Education.

**mission** The agency's main purpose or the reason that the agency was established.

**MSF** Motorcycle Safety Fund.

**MSP** Michigan Department of State Police.

**October 31<sup>st</sup> free and reduced price lunch eligibility count** The number of actual pupils in membership in a school district who met the income eligibility criteria for free or reduced price lunch, in the immediately preceding State fiscal year, as determined under the Richard B. Russell National School Lunch Act, and reported to MDE by the school district by October 31 of the immediately preceding fiscal year and adjusted not later than December 31 of the immediately preceding fiscal year.

**OSSS** Office of School Support 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.

<b>school food authority</b>	The governing body that is responsible for the administration of one or more schools and either has the legal authority to operate the program in these schools or is otherwise approved by the USDA Food and Nutrition Service to operate the program.
<b>segment 1</b>	First session of the driver education program, in which a student has to complete 24 hours of classroom instruction, pass the State driving examination, and complete 6 hours of behind-the-wheel instruction.
<b>segment 2</b>	Second session of the driver education program, in which a student has to complete 6 hours of classroom instruction. A student can enroll in segment 2 three months after successfully completing segment 1 and completing the required driving.
<b>USDA</b>	United States Department of Agriculture.
<b>verification summary report</b>	The report created by MDE for school food authorities to use to document their description of verification efforts as part of the eligibility verification process.