

PERFORMANCE AUDIT
OF THE
BILINGUAL, MIGRANT, AND SELECTED KING-CHAVEZ-PARKS
INITIATIVE PROGRAMS

DEPARTMENT OF EDUCATION

January 2000

EXECUTIVE DIGEST

BILINGUAL, MIGRANT, AND SELECTED KING-CHAVEZ-PARKS INITIATIVE PROGRAMS

INTRODUCTION

This report, issued in January 2000, contains the results of our performance audit* of the Bilingual, Migrant, and selected King-Chavez-Parks (KCP) Initiative* Programs, Department of Education.

AUDIT PURPOSE

This performance audit was conducted as part of the constitutional responsibility of the Office of the Auditor General. Performance audits are conducted on a priority basis related to the potential for improving effectiveness* and efficiency*.

BACKGROUND

Article 8, Section 3 of the State Constitution vests in the State Board of Education the leadership and general supervision over all public education.

The Office of Field Services, Department of Education, administers a number of departmental programs, including the State-funded Bilingual Program and the federally funded Migrant Program. The objective* of the Bilingual Program is to assist limited English proficient (LEP) students develop cognitive skills in their native language while acquiring skills in English and achieve in all school subject areas at a rate commensurate with their age, ability, and grade level. The objective of the

* See glossary at end of report for definition.

Migrant Program is to ensure educational continuity for migrant children in an effort to improve school achievement, decrease drop-out rates, and increase high school completion rates.

The Department allocates Bilingual and Migrant Program funds to participating school districts* based on eligible student counts. For fiscal years 1996-97 through 1998-99, funding for the Bilingual Program was \$4.212 million per year while funding for the Migrant Program ranged from \$9.377 to \$12.852 million per year. As of July 31, 1999, the Office of Field Services had 30 full-time equated* employees to administer all of its programs.

The KCP Initiative, Office of Postsecondary* Services, administers the State-funded Future Faculty Fellowship Program (FFFP) and the College Day Program (CDP). The objective of FFFP is to increase the pool of minority candidates pursuing full-time faculty teaching careers in postsecondary education in the State. The objective of CDP is to introduce underrepresented minority secondary students in grades 6 through 11 and their parents to university campuses and college preparatory information, knowledge, and skills.

The Legislature annually appropriates funds directly to the 15 public universities that participate in these two programs. Funding for FFFP and CDP ranged from \$1.156 to \$1.202 million and from \$1.141 to \$1.187 million for fiscal years 1996-97 through 1998-99, respectively. As of July 31, 1999, the Department had 5.5 full-time equated employees to administer all of the KCP Initiative's programs.

* See glossary at end of report for definition.

AUDIT OBJECTIVES
AND CONCLUSIONS

Audit Objective: To assess the effectiveness of the Bilingual Program.

Conclusion: We concluded that the Bilingual Program was generally effective. However, our assessment disclosed reportable conditions* regarding program monitoring, student-to-endorsed bilingual teacher ratio data, and identification of program services (Findings 1 through 3).

Audit Objective: To assess the effectiveness of the Migrant Program.

Conclusion: We concluded that the Migrant Program was generally effective. However, our assessment disclosed reportable conditions regarding program monitoring, Statewide identification and recruitment, and development of the Migrant Education Data System (Findings 4 through 6).

Audit Objective: To assess the effectiveness of FFFP and CDP within the KCP Initiative.

Conclusion: We concluded that FFFP was somewhat effective. Although FFFP provided fellowships to minority candidates, these fellowships often did not result in the candidates becoming full-time faculty in postsecondary education in Michigan. Also, we concluded that CDP was

* See glossary at end of report for definition.

generally effective. Our assessment disclosed two material conditions* for FFFP:

- The KCP Initiative's guidelines for universities' use in selecting individuals to receive FFFP fellowship awards were not comprehensive (Finding 7).

The Department agrees with this finding and informed us that it has initiated corrective action to comply with the corresponding recommendation.

- The KCP Initiative waived the contract liability of numerous FFFP fellows* and closed the contracts as fulfilled without the fellows' completion of teaching requirements (Finding 8).

The Department agrees with this finding and informed us that it has complied with the corresponding recommendation.

Our assessment also disclosed reportable conditions for FFFP regarding the management of unused funds, interest and collection fees on defaulted loan accounts, administrative hearings for appeals, administrative rules and approval of policies and procedures, and full-time equated teaching (Findings 9 through 13).

Audit Objective: To assess the effectiveness of the Department's administration of the Bilingual and Migrant Programs and FFFP and CDP.

Conclusion: We concluded that the Department's administration of the Bilingual and Migrant Programs and

* See glossary at end of report for definition.

CDP was generally effective and that the Department's administration of FFFP was moderately effective. However, in addition to certain administrative functions, which we reported on in our first, second, and third objectives, we noted a reportable condition relating to the lack of continuous quality improvement processes* (Finding 14).

AUDIT SCOPE AND
METHODOLOGY

Our audit scope was to examine the program and other records of the Bilingual, Migrant, and selected King-Chavez-Parks Initiative Programs, which included the examination of student files and other records of four school districts and five universities. 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.

Our audit procedures included an examination of Department, school district, and university records for the Bilingual and Migrant Programs and CDP primarily covering the 1995-96 through 1998-99 school years. Our examination of Department and university records for FFFP covered the 1986-87 through 1998-99 school years.

To accomplish our first objective, we reviewed applicable State statutes, administrative rules, and Department policies and procedures. We interviewed Bilingual Program staff at the Department and school districts. Also, we surveyed school districts that participated in and others that did not participate in the Program to obtain certain data. Further, we reviewed Program oversight

* See glossary at end of report for definition.

activities provided to school districts. In addition, we visited four school districts that operated bilingual programs to examine documentation supporting reported LEP students and to review certain operational practices. At each school district, we selected a random sample of bilingual program participants and evaluated program progress and accomplishments.

To accomplish our second objective, we reviewed applicable federal regulations, State statutes, administrative rules, and Department policies and procedures. We interviewed Migrant Program staff at the Department and school districts. Further, we reviewed the Program's identification and recruitment of eligible migrant children and oversight activities provided to school districts. In addition, we visited four school districts that operated migrant programs to examine documentation supporting reported migrant students and to review certain operational practices. At each school district, we selected a random sample of migrant program participants and evaluated program progress and accomplishments.

To accomplish our third objective, we reviewed applicable State statutes, administrative rules, and Department policies and procedures. We interviewed FFFP and CDP staff at the Department and universities. Also, we reviewed the collection procedures for FFFP recipients in default and the provision of waivers to recipients relieving them of contractual obligations. Further, we reviewed the procedures for reallocating FFFP funds to universities. In addition, we visited five universities that operated FFFPs to examine documentation supporting fellowships funded and to review certain operational practices. We selected a random sample of FFFP fellows and evaluated fellow selection, progress, and fulfillment of FFFP requirements.

To accomplish our fourth objective, in addition to certain administrative functions that we reviewed and reported on in our first, second, and third objectives, we interviewed Bilingual and Migrant Program staff and FFFP and CDP staff at the Department, school districts, and universities. We reviewed the Department's process for evaluating the effectiveness of the Bilingual and Migrant Program staff and FFFP and CDP.

AGENCY RESPONSES

Our audit report contains 14 findings and 15 corresponding recommendations. The Department's preliminary response indicated that it agrees with the findings and all but 1 of the recommendations.

This page left intentionally blank.

Mr. Arthur E. Ellis, Chairperson
State Board of Education
Hannah Building
Lansing, Michigan

Dear Mr. Ellis:

This is our report on the performance audit of the Bilingual, Migrant, and selected King-Chavez-Parks Initiative Programs, Department of Education.

This report contains our executive digest; description of programs; audit objectives, scope, and methodology and agency responses; comments, findings, recommendations, and agency preliminary responses; and a glossary of acronyms and terms.

Our comments, findings, and recommendations are organized by audit objective. 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

This page left intentionally blank.

TABLE OF CONTENTS

BILINGUAL, MIGRANT, AND SELECTED KING-CHAVEZ-PARKS INITIATIVE PROGRAMS DEPARTMENT OF EDUCATION

INTRODUCTION

	<u>Page</u>
Executive Digest	1
Report Letter	9
Description of Programs	13
Audit Objectives, Scope, and Methodology and Agency Responses	15

COMMENTS, FINDINGS, RECOMMENDATIONS, AND AGENCY PRELIMINARY RESPONSES

Effectiveness of the Bilingual Program	18
1. Program Monitoring	19
2. Student-to-Endorsed Bilingual Teacher Ratio Data	21
3. Identification of Program Services	23
Effectiveness of the Migrant Program	25
4. Program Monitoring	25
5. Statewide ID&R	26
6. Development of MEDS	28
Effectiveness of the Future Faculty Fellowship Program (FFFP) and the College Day Program (CDP)	30
7. Fellowship Selection	31
8. Waiver of Liability	35
9. Management of Unused Funds	36

10. Interest and Collection Fees on Defaulted Loan Accounts	38
11. Administrative Hearings for Appeals	39
12. Administrative Rules and Approval of Policies and Procedures	40
13. Full-Time Equated Teaching	42
Effectiveness of the Department's Administration	43
14. Continuous Quality Improvement Processes	43

GLOSSARY

Glossary of Acronyms and Terms	48
--------------------------------	----

Description of Programs

The Department of Education was established by the Executive Organization Act of 1965 (Act 380, P.A. 1965). The Department is headed by the elected eight-member State Board of Education established by the State Constitution. The principal executive officer is the Superintendent of Public Instruction, who is appointed by the Board. Article 8, Section 3 of the State Constitution vests in the State Board of Education the leadership and general supervision over all public education.

The Office of Field Services, Department of Education, administers a number of departmental programs, including the State-funded Bilingual Program and the federally funded Migrant Program. The Bilingual Program is governed by Sections 380.1152 - 380.1157b of the *Michigan Compiled Laws* and funded by Section 41 of the State School Aid Act* (Section 388.1641 of the *Michigan Compiled Laws*). The Migrant Program is governed by Title I, Part C, of the Elementary and Secondary Education Act of 1965, as amended by the Improving America's Schools Act of 1994. Prior to May 1998, the Office of Equity, Department of Education, administered both the Bilingual and Migrant Programs.

The goal* of the Office of Field Services is to facilitate the improvement of student achievement in Michigan by collaborating with school districts on the implementation of their school improvement plans through identification, coordination, and utilization of allocated program funds and other resources. The objectives of the Bilingual and Migrant Programs are:

Bilingual Program

To assist limited English proficient students develop cognitive skills in their native language while acquiring skills in English and achieve in all school subject areas at a rate commensurate with their age, ability, and grade level.

Migrant Program

To ensure educational continuity for migrant children in an effort to improve school achievement, decrease drop-out rates, and increase high school completion rates.

* See glossary at end of report for definition.

The Department allocates Bilingual and Migrant Program funds to participating school districts based on eligible student counts. For fiscal years 1996-97 through 1998-99, funding for the Bilingual Program was \$4.212 million per year while funding for the Migrant Program ranged from \$9.377 to \$12.852 million per year. As of July 31, 1999, the Office of Field Services had 30 full-time equated employees to administer all of its programs.

The King-Chavez-Parks (KCP) Initiative, Office of Postsecondary Services, administers the State-funded Future Faculty Fellowship Program (FFFP) and the College Day Program (CDP). Act 219, P.A. 1986, an appropriations act, created the two programs beginning in fiscal year 1986-87. Prior to 1997, the KCP Initiative was organizationally located in the Office of Equity. The KCP Initiative also administers the Visiting Professors, Select Student Support Services, Michigan College/University Partnership, and Morris Hood, Jr., Educator Development Programs.

The goal of the KCP Initiative is to achieve parity in the number of baccalaureate degrees awarded to students traditionally underrepresented in Michigan's higher education system. The objectives of FFFP and CDP are:

FFFP

To increase the pool of minority candidates pursuing full-time faculty teaching careers in postsecondary education in the State.

CDP

To introduce underrepresented minority secondary students in grades 6 through 11 and their parents to university campuses and college preparatory information, knowledge, and skills.

The Legislature annually appropriates funds directly to the 15 public universities that participate in these two programs. Funding for FFFP and CDP ranged from \$1.156 to \$1.202 million and from \$1.141 to \$1.187 million for fiscal years 1996-97 through 1998-99, respectively. As of July 31, 1999, the Department had 5.5 full-time equated employees to administer all of the KCP Initiative's programs.

On October 19, 1999 (subsequent to the completion of our audit fieldwork), Executive Order No. 1999-12 transferred the KCP Initiative and its programs to the Michigan Department of Career Development. The provisions of the Executive Order take effect January 1, 2000.

Audit Objectives, Scope, and Methodology and Agency Responses

Audit Objectives

Our performance audit of the Bilingual, Migrant, and Selected King-Chavez-Parks (KCP) Initiative Programs, Department of Education, had the following objectives:

1. To assess the effectiveness of the Bilingual Program.
2. To assess the effectiveness of the Migrant Program.
3. To assess the effectiveness of the Future Faculty Fellowship Program (FFFP) and the College Day Program (CDP) within the KCP Initiative.
4. To assess the effectiveness of the Department's administration of the Bilingual and Migrant Programs and FFFP and CDP.

Audit Scope

Our audit scope was to examine the program and other records of the Bilingual, Migrant, and selected King-Chavez-Parks Initiative Programs, which included the examination of student files and other records of four school districts and five universities. 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 procedures, performed during June 1998 through July 1999, included an examination of Department, school district, and university records for the Bilingual and Migrant Programs and CDP primarily covering the 1995-96 through 1998-99 school years. Our examination of Department and university records for FFFP covered the 1986-87 through 1998-99 school years.

To accomplish our first objective, we reviewed applicable State statutes, administrative rules, and Department policies and procedures. We interviewed Bilingual Program staff

at the Department and school districts. Also, we reviewed the Program's funding methodology and its effect on Program outcomes* . We surveyed school districts that participated in the Program to obtain data regarding sources and levels of Program funding. We also surveyed selected school districts that did not participate in the Program to obtain certain data regarding limited English proficient (LEP) students. Further, we reviewed Program oversight activities provided to school districts, including technical assistance and monitoring.

In addition, we visited four school districts (Detroit Public Schools, Imlay City Community Schools, Lansing Public Schools, and Van Buren Intermediate Schools) that operated bilingual programs to examine documentation supporting reported LEP students and to review certain operational practices, including student eligibility determinations, assessment, testing, and program evaluation. At each school district, we selected a random sample of bilingual program participants and evaluated program progress and accomplishments. Further, we reviewed the qualifications of the individuals providing the services to the program participants.

To accomplish our second objective, we reviewed applicable federal regulations, State statutes, administrative rules, and Department policies and procedures. We interviewed Migrant Program staff at the Department and school districts. Also, we reviewed the Program's funding methodology and its effects on Program outcomes. Further, we reviewed the Program's identification and recruitment of eligible migrant children. We also reviewed Program oversight activities provided to school districts, including technical assistance and monitoring.

In addition, we visited four school districts (Detroit Public Schools, Imlay City Community Schools, Lansing Public Schools, and Van Buren Intermediate Schools) that operated migrant programs to examine documentation supporting reported migrant students and to review certain operational practices, including student eligibility determinations and recruitment, assessment, testing, allowable services, and program evaluation. At each school district, we selected a random sample of migrant program participants and evaluated program progress and accomplishments.

* See glossary at end of report for definition.

To accomplish our third objective, we reviewed applicable State statutes, administrative rules, and Department policies and procedures. We interviewed FFFP and CDP staff at the Department and universities. Also, we reviewed the collection procedures for FFFP recipients in default, including applicable interest charges and collection fees, and the provision of waivers to recipients relieving them of contractual obligations. Further, we reviewed the procedures for reallocating FFFP funds to universities, including the collection of unused FFFP funds.

In addition, we visited five universities (Central Michigan University, Ferris State University, Grand Valley State University, Michigan State University, and the University of Michigan) that operated FFFPs to examine documentation supporting fellowships funded and to review certain operational practices, including candidate recruitment, eligibility determinations, and program evaluation. We selected a random sample of FFFP fellows and evaluated fellow selection, progress, and fulfillment of FFFP requirements.

To accomplish our fourth objective, in addition to certain administrative functions that we reviewed and reported on in our first, second, and third objectives, we interviewed Bilingual and Migrant Program staff and FFFP and CDP staff at the Department, school districts, and universities. We reviewed the Department's process for evaluating the effectiveness of the Bilingual and Migrant Programs and FFFP and CDP.

Agency Responses

Our audit report contains 14 findings and 15 corresponding recommendations. The Department's preliminary response indicated that it agrees with the findings and all but 1 of the recommendations.

The agency preliminary response which 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 the Department of Education to develop a formal response to our audit findings and recommendations within 60 days after release of the audit report.

COMMENTS, FINDINGS, RECOMMENDATIONS, AND AGENCY PRELIMINARY RESPONSES

EFFECTIVENESS OF THE BILINGUAL PROGRAM

COMMENT

Background: In accordance with Section 41 of the State School Aid Act, the Department of Education allocates Bilingual Program funds to school districts on a per pupil basis using each school district's reported number of eligible pupils in membership on the pupil membership count day* . As a result, each school district receives the same per pupil funding regardless of the services provided or outcomes achieved.

Prior to July 1, 1996, Section 380.1153 of the *Michigan Compiled Laws* required that school districts operate a bilingual program when 20 or more eligible children of limited English proficiency (LEP) in a common language classification were enrolled in grades K-12. Also, Section 380.1155 of the *Michigan Compiled Laws* stated that districts could not receive funding for a LEP student for more than three years. Act 289, P.A. 1995, repealed these mandates for Bilingual Program instruction and the three-year funding limitation.

Consequently, the number of LEP students reported and funded increased 46% from 25,988 in the 1995-96 school year to 37,878 in the 1998-99 school year. However, Bilingual Program funding has remained constant at \$4.212 million per year. As a result, annual funding decreased from approximately \$162 to \$111 per pupil.

Audit Objective: To assess the effectiveness of the Bilingual Program.

Conclusion: We concluded that the Bilingual Program was generally effective. However, our assessment disclosed reportable conditions regarding program

* See glossary at end of report for definition.

monitoring, student-to-endorsed bilingual teacher ratio data, and identification of program services.

FINDING

1. Program Monitoring

The Department should initiate on-site monitoring of school district bilingual programs.

The Department is responsible for Bilingual Program oversight, which includes technical assistance to help school districts provide effective and efficient programs and periodic on-site monitoring to help ensure that programs operate in compliance with established policies, procedures, and the *Michigan Administrative Code*. On-site monitoring includes a structured review of applicable compliance and service issues, the timely issuance of a written report that identifies the findings of the review, and subsequent follow-up to determine that the school districts have resolved noted deficiencies.

The school districts report the number of eligible students to the Department in their annual program applications. The Department allocates Bilingual Program annual funding based on the school districts' number of eligible LEP students.

Our visits to four school district bilingual programs, which reported 22% of the LEP students funded for fiscal year 1998-99, disclosed:

- a. Three of the four school districts provided us with lists that did not support the number of eligible LEP students, as of the count day, reported to the Department for fiscal year 1998-99 Bilingual Program funding.

Michigan Administrative Code R 388.709 states:

As part of the pupil membership count day, a school district shall compile a list of potentially eligible students and eligible students served.

Michigan Administrative Code R 388.706 states:

A school district shall receive funds, as appropriated by section 41 of the act, based upon the number of eligible students enrolled in and receiving bilingual instruction on the pupil membership count day

- b. Three of the four school districts omitted some LEP students from initial eligibility testing.

Michigan Administrative Code R 388.705 requires that an eligible LEP student be enrolled in grades 3 through 12 and score at or below the 40th percentile on an oral English language proficiency test, English reading test, or a sub-test approved by the Department. This testing is a critical component in determining a school district's annual Bilingual Program funding and the type and amount of bilingual program services that a student needs.

At the three school districts, we reviewed records for 180 students who were reported and funded as eligible LEP students for fiscal year 1998-99. We determined that the districts had not tested 18 (10%) of the students.

- c. One of the four school districts did not test LEP students on an annual basis.

Michigan Administrative Code R 388.705 states that a school district shall not determine eligibility on the basis of test scores more than 6 months old. The school district informed us that it did not test LEP students on an annual basis because it believed that annual testing would be an undue burden on the LEP students and have a negative effect on the students' self-esteem. The school district tested its LEP students upon entry into the district's bilingual program and again only when it believed the student was ready to "test out" of the program.

During our visit to this school district, we reviewed records of 25 students who were reported and funded as eligible LEP students for fiscal year 1998-99. The district had not tested 12 (48%) of the 25 students within the 6-month requirement.

The findings in items a. through c. are examples of noncompliance issues that on-site monitoring visits should identify and resolve. As a result of the Department's lack of monitoring, these school districts received Bilingual Program funding for students who may not have been eligible LEP students, which reduced funding for districts that accurately reported eligible LEP students.

Also, the Office of Civil Rights (OCR), U.S. Department of Education, conducted a review of the Department's Bilingual Program in 1995 for compliance with requirements of Title VI of the Civil Rights Act of 1964 and its implementing regulation.

The requirements address the providing of equal educational opportunity to LEP national origin minority students. The findings of the review, dated February 1996, indicated a number of monitoring related deficiencies.

In May 1998, the Department began staffing the Office of Field Services, which has administrative responsibility for the Bilingual Program and several other programs. Although planned, as of July 31, 1999, the Department had not yet initiated school district program reviews to address compliance issues.

RECOMMENDATION

We recommend that the Department initiate on-site monitoring of school district bilingual programs.

AGENCY PRELIMINARY RESPONSE

The Department agrees with this finding and stated that it has initiated an on-site monitoring process for the programs administered by the Office of Field Services, including the Section 41 Bilingual Program. This process includes the compliance items identified in the audit finding, other compliance items for the Office of Field Services' programs, and items pertaining to program quality.

FINDING

2. Student-to-Endorsed Bilingual Teacher Ratio Data

The Department had not recently collected and analyzed Bilingual Program student-to-endorsed bilingual teacher ratio data to help assess a school district's need for technical assistance.

The Department last collected and analyzed detailed LEP student and endorsed bilingual teacher data for the 1994-95 school year. The Statewide LEP student-to-endorsed bilingual teacher ratio for that year was 72 to 1. During our visits to four school districts' bilingual programs, we computed the districts' LEP student-to-endorsed bilingual teacher ratios to be 160:1, 141:1, 136:1, and 59:1. At these school districts, LEP students frequently received bilingual program instruction from paraprofessionals and others. Also, the amount of instruction provided varied significantly between programs. Obtaining student-to-endorsed bilingual teacher ratio data and establishing standards could help determine which school districts need technical assistance to improve program effectiveness.

An OCR compliance review of Michigan's Bilingual Program, dated February 1996, identified a number of school districts' bilingual programs with very high LEP student-to-endorsed bilingual teacher ratios. In March 1999, the Department responded to OCR that it would develop and implement by June 30, 1999, a strategic plan ". . . to increase the number of qualified alternative program teachers providing instruction to limited-English proficient students." As of July 31, 1999, a strategic plan had not been developed.

Further, OCR recently entered into written agreements with seven school districts in southwestern Michigan for Bilingual Program evaluation activities. The agreements require that each school district's student-to-teacher ratio allow for effective instruction and be equal to or less than the student-to-teacher ratio for elementary and secondary schools within the district.

RECOMMENDATION

We recommend that the Department collect and analyze Bilingual Program student-to-endorsed bilingual teacher ratio data to help assess a school district's need for technical assistance.

AGENCY PRELIMINARY RESPONSE

The Department agrees with this finding and stated that it should collect and analyze data, such as the ratio of students to endorsed bilingual teachers, to help assess a school district's need for technical assistance. The application form for Section 41 funds has been expanded to include additional information regarding teacher qualifications and training, as well as achievement results for LEP students

in the district. This information will be used in conjunction with information obtained from on-site monitoring to identify and address technical assistance needs.

FINDING

3. Identification of Program Services

The Department should identify which bilingual program services school districts should provide to LEP students using foundation allowance* and/or Section 41 funding.

The Department's State Manual to Assist School Districts in Their Work With Limited English Proficiency, dated April 1997, states that school districts should use their foundation allowance funding to provide basic bilingual services to all LEP students. However, the Department had not identified what basic bilingual services should be provided. As a result, school districts were often unaware of the types of program services that they should provide from either funding source.

We surveyed the 102 school districts that received Section 41 Bilingual Program funding for the 1997-98 school year. When asked about bilingual program funding sources, 22 (31%) of the 70 respondents reported that the only funding source for their bilingual program was Section 41 funding.

An OCR compliance review of Michigan's Bilingual Program, dated February 1996, stated:

. . . many students do not receive an amount of services likely to be effective in teaching them English language skills in a timely manner and providing them meaningful access to the subject matter taught in district educational programs.

* See glossary at end of report for definition.

In a response dated March 22, 1999, the Department stated that, beginning with the 1999-2000 school year and annually thereafter, districts will be provided a technical assistance package that:

. . . will detail the requirements of Title VI with respect to a school district's obligation to ensure an equal educational opportunity for limited-English proficient students and explain the appropriate use of paraprofessionals in alternative programs.

As of July 31, 1999, the Department was in the process of developing a technical assistance package.

The Department's identification of basic bilingual services for LEP students would provide guidance and ideas to the school districts for use in the development and operation of their bilingual programs. Identification of such services should also help to ensure that the school districts operate their bilingual programs as expected and, therefore, improve effectiveness.

RECOMMENDATION

We recommend that the Department identify which bilingual program services school districts should provide to LEP students using foundation allowance and/or Section 41 funding.

AGENCY PRELIMINARY RESPONSE

The Department agrees with this finding and stated that it should provide guidance to districts regarding the bilingual program services that should be provided to LEP students through foundation allowance and/or Section 41 funding. The Department has requested assistance from the Region VI Comprehensive Center, a federally funded technical assistance center with expertise in bilingual education, to complete the development of a comprehensive technical assistance package that will include the Title VI requirements regarding service that should be provided to LEP students, as well as ideas for effective programs.

EFFECTIVENESS OF THE MIGRANT PROGRAM

COMMENT

Audit Objective: To assess the effectiveness of the Migrant Program.

Conclusion: We concluded that the Migrant Program was generally effective. However, our assessment disclosed reportable conditions regarding program monitoring, Statewide identification and recruitment (ID&R), and development of the Migrant Education Data System (MEDS).

FINDING

4. Program Monitoring

The Department's on-site monitoring process of school district migrant programs needs to be more comprehensive and better documented.

The Department is responsible for Migrant Program oversight, which includes technical assistance to help school districts provide effective and efficient programs and periodic on-site monitoring to help ensure that the programs operate in compliance with federal regulations and established policies and procedures. A comprehensive on-site monitoring process includes a structured review of applicable compliance and service issues, the timely issuance of a written report that identifies the findings of the review, and a subsequent follow-up to determine that the school districts have resolved noted deficiencies.

The Department stated that it conducted some informal on-site monitoring while providing technical assistance to school district migrant programs during school years 1997-98 and 1998-99. For school year 1996-97, the Department stated that it monitored some school districts and that two of the four Migrant Program consultants used a checklist during the visits. However, the Department could not document the scope of any monitoring visits, deficiencies identified, or follow-up conducted to determine the resolution of deficiencies. This lack of documentation was contrary to the Program's Management Plans for fiscal years 1996-97 and 1997-98, which stated that all local migrant projects in Michigan would be monitored and that a final report of monitoring visits would be kept on file.

Also, the Department visited five school district migrant programs during school year 1997-98 to verify eligibility for selected students. The Department identified exceptions and sent letters to two school districts which stated that the review of records would result in the ineligibility of students and referenced follow-up visits being made to determine the extent of the impact on funding. However, we found no evidence of subsequent follow-up and resolution.

Without a comprehensive on-site monitoring process, management had limited assurance that the programs operated in compliance with regulations, policies, and procedures and that noted exceptions were properly resolved.

RECOMMENDATION

We recommend that the Department strengthen its on-site monitoring process and related documentation for school district migrant programs.

AGENCY PRELIMINARY RESPONSE

The Department agrees with this finding and stated that it has initiated an on-site monitoring process, as indicated in the response to Finding 1. This process, which includes both compliance and program quality items for the Migrant Program, provides a consistent structure for on-site reviews, written reports, and follow-up activities.

FINDING

5. Statewide ID&R

The Department did not assess the effectiveness and efficiency of Statewide ID&R efforts to identify migrant children.

Statewide ID&R is a key element in the Department's efforts to identify and serve all eligible migrant children in the State. The Department established six regions that are currently serviced by eight regional site districts. These regional site districts work in cooperation with school districts in their region. These school districts are responsible for ID&R within their boundaries.

The primary purpose of Statewide ID&R is to identify migratory families on a year-round basis and to recruit migrant children eligible for program services in areas of the State where no formal migrant programs are operated. Once identified, the regional site districts attempt to provide Migrant Program services to the eligible migrant children or refer the children to a nearby school district that operates a migrant program. Also, Statewide ID&R efforts should identify emerging migratory areas within the State that may warrant the establishment of a new school district operated migrant program.

Annual Department allocations to the regional site districts for Statewide ID&R ranged from \$336,450 to \$431,321 for the last four calendar years. In 1996, the Department allocated the same funding (\$56,075) to all regional site districts. In 1997, 1998, and 1999, the Department allocated funding based on the number of recruiters, estimated mileage, and other cost information with allocations ranging from \$19,073 to \$80,766. In 1999, the Department limited each regional site district's funding to a maximum of \$50,000.

At the end of each year, the regional site districts submit to the Department final performance reports (FPRs) that indicate the number of migrant children identified during the reporting year (September to August) who were eligible for migrant services. As shown in the following chart, we identified significant variances and trends, both within and between regional site districts, in the number of children identified and the resulting allocated funding per identified child:

District	Allocation Per Eligible Migrant Child Identified (September to August)					
	1995-96		1996-97		1997-98	
	Children	1996 Allocation Per Child	Children	1997 Allocation Per Child	Children	1998 Allocation Per Child
A	205	\$ 274	62	\$ 806	12	\$ 4,167
B	**	**	34	\$ 1,832	58	\$ 1,282
C	**	**	14	\$ 1,738	13	\$ 2,146
D	354	\$ 158	**	**	**	**
E	173	\$ 324	150	\$ 333	179	\$ 279
F	**	**	13	\$ 1,636	14	\$ 1,738
G	1,048	\$ 54	791	\$ 76	892	\$ 83
H	187	\$ 300	131	\$ 382	598	\$ 84
I	279	\$ 201	194	\$ 297	169	\$ 478

** = This district did not serve as a regional site district during the reporting year.

The regional site districts' FPRs did not indicate the reason(s) for significant changes or for the low number of migrant children identified. The Department informed us that, prior to May 1998, the Migrant Program consultants visited regional site districts two or three times each year. However, the Department did not document that causes for reported low identifications, fluctuations, and trends were reviewed.

We recognize that regional site districts may have a varying number of eligible migrant children subject to Statewide ID&R each year. However, an analysis of the number of identifications and significant fluctuations and trends may identify regional site districts in need of Department technical assistance to improve their Statewide ID&R effectiveness and efficiency. These conditions could also result in combining or restructuring regions or developing alternative methods to conduct Statewide ID&R within a region.

RECOMMENDATION

We recommend that the Department assess the effectiveness and efficiency of Statewide ID&R efforts to identify migrant children.

AGENCY PRELIMINARY RESPONSE

The Department agrees with this finding and recognizes that the efficiency of Statewide ID&R efforts to identify migrant children is important to program quality. The Office of Field Services is revising the ID&R plan and will assess the effectiveness and efficiency of the program in identifying migrant students. The plan will consider cost, location, and agricultural trends in selecting regional sites for the new ID&R plan.

FINDING

6. Development of MEDS

The Department did not fully develop MEDS, which reduced its effectiveness as an operational and management tool.

To improve Migrant Program performance, the Department began developing MEDS in 1994 to provide an electronic database and transfer system for local

school districts' use in accessing migrant student record information directly from and transferring information to other participating school districts throughout the State. Also, school districts in several other states were to have certain access and transfer capabilities. In addition, the Department planned to use MEDS to electronically collect Statewide Migrant Program eligibility information needed for federal reporting and funding purposes. Further, the Department planned to use MEDS to monitor the Program and allocate Program funds.

Participating school districts input pertinent information into MEDS for each child in a migrant family, including those enrolled in the school districts' migrant programs. This information includes individual family members' names, ages, social security numbers, attendance records, grades, and other educational information, as well as eligibility information, such as the date of the last qualifying move for the family and the agricultural activity for which the move was initiated. The school districts annually submit their MEDS files to the Department, and the files are loaded onto the Statewide MEDS database. School districts also submit annual FPRs to the Department that include the number of eligible migrant students identified and the number actually served.

Department staff stated that MEDS initially performed most of the data reporting functions as designed. However, programming deficiencies significantly diminished the use and subsequent effectiveness of MEDS. For example, the Department primarily used MEDS data to calculate school year 1996-97 allocations. For school year 1997-98, the Department calculated school district allocations based on FPR data unless FPR and MEDS data varied significantly. In these instances, the Department contacted school districts affected and attempted to resolve the variances. The Department calculated allocations for the 1998-99 school year and 1999 summer programs based solely on FPR data because MEDS data was not considered reliable.

Prior to our first two school district migrant program visits, we obtained various current MEDS reports generated at the Department. We generated the same MEDS reports at the school districts and found significant variances between the reports, even though Department staff stated that the reports should contain the same data.

MEDS had only limited access and transfer capabilities for participating school districts in Michigan, and it did not have out-of-State access or transfer capabilities. As a result, MEDS did not function as intended, which limited its usefulness and its effectiveness as an operational and management tool.

RECOMMENDATION

We recommend that the Department, if feasible, fully develop MEDS to provide an effective operational and management tool.

AGENCY PRELIMINARY RESPONSE

The Department agrees with this finding and stated that MEDS had potential to do all aspects of reporting and student record transfer as required for migrant students. The Department plans to electronically connect all school districts operating migrant programs in spring 2000. This will allow for greater accuracy of data and more current student information. A concerted effort is underway to verify all count data to ensure reliability.

EFFECTIVENESS OF THE FUTURE FACULTY FELLOWSHIP PROGRAM (FFFP) AND THE COLLEGE DAY PROGRAM (CDP)

COMMENT

Background: FFFP's objective is to increase the pool of minority candidates pursuing postsecondary full-time faculty teaching careers in the State of Michigan. Candidates selected as fellows must enter into a contract with the sponsoring university which, among other things, requires the fellow to teach three years in postsecondary education. Master and doctorate level fellows receive fellowships of up to \$15,000 and \$25,000, respectively.

If a fellow does not complete the degree or does not secure a full-time teaching position at a Michigan college or university within one year of graduation, FFFP policies and procedures require the fellowship to be converted to a loan, which the fellow is required to repay to the State.

Audit Objective: To assess the effectiveness of FFFP and CDP within the King-Chavez-Parks (KCP) Initiative.

Conclusion: We concluded that FFFP was somewhat effective. Although FFFP provided fellowships to minority candidates, these fellowships often did not result in the candidates becoming full-time faculty in postsecondary education in Michigan. Also, we concluded that CDP was generally effective. Our assessment disclosed two material conditions for FFFP related to the lack of comprehensive guidelines for universities' use in selecting fellows and the waiver of contract liability without the fellows' completion of teaching requirements. Our assessment also disclosed reportable conditions for FFFP regarding the management of unused funds, interest and collection fees on defaulted loan accounts, administrative hearings for appeals, administrative rules and approval of policies and procedures, and full-time equated teaching.

FINDING

7. Fellowship Selection

The KCP Initiative's guidelines for universities' use in selecting individuals to receive FFFP fellowship awards were not comprehensive.

Since fiscal year 1991-92, annual appropriations acts and administrative handbooks have stated that FFFP's goal is to increase the pool of minority candidates pursuing full-time faculty teaching careers in postsecondary education in the State. Universities award FFFP fellowships of up to \$15,000 for a master's degree and \$25,000 for a doctoral degree. The KCP Initiative Administrative Handbook requires that fellows remain in a full-time teaching position in a Michigan two- or four-year postsecondary educational institution for a minimum of three years. The intent of FFFP is that the fellows will continue teaching at the colleges and universities after they have fulfilled the three-year teaching requirement.

The KCP Initiative Administrative Handbook provides a general policy regarding eligibility of individuals applying for FFFP fellowships. Each university establishes its own guidelines, criteria, process, etc., for selecting individuals to receive FFFP fellowship awards. The KCP Initiative is not involved in the fellowship selection process and only becomes aware of the individuals selected when the universities submit an annual report at the end of each fiscal year.

We visited five universities and determined that the evaluation and awarding of the fellowships varied. At the time of our audit, all five universities required the fellows to submit an application for the fellowship. Two of the five universities had informal

committees for reviewing the applications. Some universities included questions in the application focusing on the applicants' career goals and objectives, while other universities required that applicants submit a personal essay describing their career goals and objectives. However, none of the five universities had assigned a value or weight to this information for use in evaluating the applications. Because of personnel turnover and lack of documentation, the universities generally could not provide us with changes, if any, that they had made to their FFFP fellowship selection processes.

We reviewed 65 FFFP fellowship awards during our visits to the five universities. Based on our review, we questioned the propriety of the following awards:

- a. Four individuals were already employed as postsecondary teachers prior to receiving the fellowships. Therefore, the awards to these individuals did not increase the pool of postsecondary education teachers.
- b. Nine individuals were employed in administrative or non-teaching postsecondary education positions at the time they received the fellowship awards.

These positions included a vice president of academic affairs, minority student program coordinator, coordinator of minority affairs, assistant director of minority student affairs, associate director of admissions, admissions counselor, and college day coordinator. Three of the individuals indicated in their FFFP applications that they planned or desired a career in a field other than that of a postsecondary education teacher. The KCP Initiative Administrative Handbook states that awards must be made to students planning and able to teach in postsecondary education in Michigan. It further states that the awards should be made to persons who may receive an academic appointment. The Handbook also states that the awards are not to be made to individuals in higher education administration or other non-teaching positions. Therefore, it appeared that the nine individuals did not qualify for the fellowship awards and/or did not plan on becoming postsecondary education teachers.

At the time of our audit, eight of these individuals had completed their degrees and none of the eight had obtained a full-time teaching position in postsecondary education. Two of these eight individuals had taught part-time.

- c. Four individuals indicated on their FFFP applications that they planned or desired a career in a field other than that of a postsecondary education teacher after completing their degrees.

For example, one applicant stated, "I have the desire to work in research and development, and have the knowledge of foods which would be beneficial to my employer." Another applicant stated, "My ultimate career goal is to specialize in working with children in the hopes of being employed in a community agency setting, as well as engaging in private practice...." Therefore, it did not appear that these individuals planned on becoming teachers as required by the Handbook.

At the time of our audit, none of the four individuals had obtained a full-time teaching position in postsecondary education.

- d. Two individuals received fellowship awards for second master's degrees. The KCP Initiative Administrative Handbook states that FFFP does not encourage awards to persons already having master's or doctoral degrees in another field of study. Awarding these individuals a second master's degree did not increase the pool of postsecondary education teachers.

At the time of our audit, neither of these two individuals had obtained a full-time teaching position in postsecondary education after completing their second master's degree.

- e. One individual received a fellowship award of \$15,000 for a master's degree after the degree had been conferred. The KCP Initiative Administrative Handbook does not address the awarding of a fellowship for a degree that has already been attained. We question the propriety of this fellowship award.

In some of the preceding instances, information was available during the review process that should have made reviewers question the plans or intent of the

individuals applying for the FFFP fellowship awards. However, because of the lack of comprehensive FFFP guidelines and documented processes, we could not determine what consideration was given by the universities, if any, to the information in the fellowship review and selection processes.

While visiting the five universities, we identified a fellowship selection process at Michigan State University (MSU) that was unique from the processes at other universities visited. We concluded that MSU's selection process contributed to significantly higher FFFP fellowship fulfillment rates than all other universities' processes. MSU considered the FFFP fellowship as a prestigious award and created a competitive atmosphere during the selection process. Fellowships were utilized as a retention tool, and fellows were chosen who had shown a commitment to their education and had made substantial progress toward degree completion. MSU required applicants to be U.S. citizens or have permanent residency status, encouraged fellows to complete their degrees while they were receiving the fellowship funds, and mandated that fellows not work full-time while pursuing their degree. A three-member committee made the awards and identified selection criteria, which included grade point average, a written essay by the applicant stating career plans, and three letters of academic reference.

Comprehensive guidelines for FFFP fellow selection should identify specific minimum requirements necessary to evaluate each applicants' career goals and objectives in order to make an informed decision regarding the likelihood of the applicants' completion of their FFFP contractual obligations, including the three-year full-time teaching requirement. The guidelines should also include documentation requirements necessary to support the propriety of the awards.

RECOMMENDATION

We recommend that the KCP Initiative establish comprehensive guidelines for universities' use in selecting individuals to receive an FFFP fellowship award.

AGENCY PRELIMINARY RESPONSE

The Department agrees with this finding and stated that, beginning in 1999, the KCP Initiative Administrative Handbook for FFFP provides comprehensive criteria for recipient selection in more specific language rather than leaving it to the discretion of the universities. All 15 public universities are required to follow the

selection guidelines. KCP Initiative staff, in accordance with the newly implemented on-site visitation procedures, will monitor this practice annually.

FINDING

8. Waiver of Liability

The KCP Initiative waived the contract liability of numerous FFFP fellows and closed the contracts as fulfilled without the fellows' completion of teaching requirements.

Universities award FFFP fellowships of up to \$15,000 for a master's degree and \$25,000 for a doctoral degree. Appropriations acts for fiscal years 1986-87 and 1987-88 required that FFFP fellows remain in an academic career for five years after the completion of their degrees to fulfill their contracts. Appropriations acts for fiscal years 1988-89 through 1992-93 changed the academic career requirement to three years. Beginning with fiscal year 1993-94, the KCP Initiative issued standard contract forms to the universities to be used for FFFP fellows. These fellowship contractual agreements require that fellows complete three years of teaching after the completion of their degrees to fulfill their contracts. After completing their degrees, fellows have one year to obtain employment in a full-time teaching position. If the fellows do not obtain such employment or otherwise do not fulfill the teaching requirements, they are in default and must repay the fellowship. Therefore, the appropriations acts and contracts provided significant incentive to fellows to complete the teaching requirements.

The KCP Initiative Administrative Handbook states:

The Coordinator of the King-Chavez-Parks Initiative may, under extenuating circumstances, grant a complete waiver of a fellow's potential liability if the fellow has demonstrated, and can document, a good faith effort in meeting all of the criteria/obligations outlined in his/her Future Faculty Fellowship program agreement.

This policy allowed the KCP Initiative to waive the teaching requirements of the appropriations acts and the contracts. As of September 8, 1998, the KCP Initiative had closed 169 FFFP fellows' contracts as fulfilled. Of the 169 closures, the KCP

Initiative had waived the contract liability of 97 (57%) fellows and closed the contracts, totaling at least \$1.13 million, based on a "good faith effort" determination.

We question the propriety of the KCP Initiative's policy of waiving fellows' liability and closing their contracts as fulfilled without legislative approval to perform such functions. Neither the appropriations acts nor the contracts allowed for waivers and/or closing the contracts based on a waiver.

RECOMMENDATION

We recommend that the KCP Initiative discontinue waiving the contract liability of FFFP fellows and closing the contracts as fulfilled without the fellows' completion of teaching requirements.

AGENCY PRELIMINARY RESPONSE

The Department agrees with this finding and stated that the practice was discontinued in September 1998. The current KCP Initiative Administrative Handbook no longer allows for good faith effort waivers of liability.

FINDING

9. Management of Unused Funds

The KCP Initiative needs to improve its processes for identifying and redistributing or lapsing unused (unexpended and unencumbered) FFFP funds.

The KCP Initiative Administrative Handbook requires universities to submit reports to the Initiative by July 15 that indicate FFFP expenditures and available unused funds for the fiscal year. The Handbook states that the KCP Initiative will then attempt to distribute the unused funds to other universities to award additional fellowships before September 30, which is the end of the State's fiscal year. Also, the KCP Initiative Administrative Handbook requires that universities submit by October 31 annual reports to the Initiative that identify unused funds as of the State's fiscal year-end. The FFFP Handbook also states that appropriations that were not used during the fiscal year will lapse to the State's General Fund.

Our review of fiscal year 1997-98 program activity disclosed:

- a. As of September 30, 1998, 4 of 15 universities had not submitted their reports of unused funds. Five of the 11 universities that submitted the reports did so after the July 15 due date. These five universities reported unused funds of approximately \$420,000, with one of these universities reporting unused funds of approximately \$226,000, which was nearly twice its annual FFFP appropriation. Unused funds for the 6 universities that submitted the reports timely totaled approximately \$140,000, some of which was from prior years.
- b. As of February 1, 1999, 4 universities had not submitted their annual reports to the KCP Initiative that were due on October 31, 1998. One university that did not submit the July 15 report, but did submit the October 31 report, identified unused funds of approximately \$191,000, which significantly exceeded its annual FFFP appropriation.
- c. The KCP Initiative did not use the October 31 annual reports to provide for the lapse of unused funds. The KCP Initiative only lapsed unused funds for those universities that remitted funds to the Initiative. The annual reports for fiscal year 1996-97 identified unused funds of approximately \$293,000; however, the universities remitted \$14,000. In 1990, the KCP Initiative performed a reconciliation for each university to identify unused FFFP funds applicable to the first four years of FFFP, most of which was lapsed. The KCP Initiative has not made similar reconciliations since.

Effective procedures to identify and distribute unused funds to universities with eligible applicants could increase the number of annual fellowship awards and, therefore, could improve the overall effectiveness of FFFP. Also, effective procedures to obtain unused funds from the universities would significantly improve the accountability of FFFP funding and help ensure that the unused funds are lapsed to the State's General Fund. During our audit fieldwork, the Initiative began following up with the universities to obtain the identified unused funds. As of February 28, 1999, eight universities had remitted to the Initiative, such funds totaling approximately \$431,000, which was lapsed to the State's General Fund.

RECOMMENDATION

We recommend that the KCP Initiative improve its processes for identifying and redistributing or lapsing unused (unexpended and unencumbered) FFFP funds.

AGENCY PRELIMINARY RESPONSE

The Department agrees with this finding and stated that it will implement procedures to improve the process of returning unexpended funds or redistributing funds to eligible recipients beginning in 1999. The annual on-site monitoring activities will also address this issue with the universities.

FINDING

10. Interest and Collection Fees on Defaulted Loan Accounts

The KCP Initiative did not add applicable interest and collection fees to defaulted FFFP fellowship loan accounts transferred to the Department of Treasury for collection.

When a FFFP fellow defaults on a fellowship award, the fellowship becomes a loan subject to interest charges and collection fees. After the KCP Initiative has made reasonable attempts to collect on the defaulted loan account and is unsuccessful, the KCP Initiative transfers the account to the Collection Division, Department of Treasury, for further collection efforts. The initial FFFP appropriations acts, KCP Initiative Administrative Handbook, and fellowship contractual agreements state that the loan amount to be repaid will include the fellowship award plus interest and collection fees. The Department of Treasury assesses a collection fee of 15% to 20% of the loan amount collected. As of December 31, 1998, there were 80 defaulted FFFP fellowship loan accounts at the Department of Treasury totaling approximately \$1.042 million.

The KCP Initiative calculated interest from the date of default until transfer to the Department of Treasury. However, after the transfer of accounts to the Department of Treasury, neither the KCP Initiative nor the Department of Treasury calculated and added subsequent interest to the accounts. Some accounts had been in default since 1990. We determined that the KCP Initiative did not compute and add at least \$83,300 in interest to the defaulted loan accounts for calendar

year 1998. Also, the KCP Initiative did not add collection fees to accounts on which the Department of Treasury made collections and assessed its fee. For example, the KCP Initiative did not add to the defaulted loan balances the \$12,600 in collection fees assessed by the Department of Treasury for calendar year 1998.

Adding applicable interest and collection fees to defaulted loans would provide fellows with additional incentive to repay the loans. Also, any of the interest and collection fees collected from the fellows would result in increased State revenue.

RECOMMENDATION

We recommend that the KCP Initiative add applicable interest and collection fees to defaulted FFFP fellowship loan accounts transferred to the Department of Treasury for collection.

AGENCY PRELIMINARY RESPONSE

The Department agrees with this finding but disagrees with the recommendation. For initial loans, interest is charged when oversight remains within the Department. Prior to 1997, the Michigan Higher Education Assistance Authority (MHEAA), now within the Department of Treasury, maintained the loan collection portion of FFFP. The KCP Initiative began the collection of loans, including the calculation of interest, in 1997. After consulting with the Collection Division, the Department of Treasury stated that it was not its responsibility to calculate additional interest and collection fees for defaulted loans. Although the Department believes that this is a Department of Treasury responsibility, it will initiate the process.

FINDING

11. Administrative Hearings for Appeals

The Department did not conduct administrative hearings for FFFP fellows who appealed default judgments.

When fellows fail to meet the criteria set forth in their FFFP contracts with the university, the KCP Initiative places the fellowships in default. The KCP Initiative Administrative Handbook allows defaulted fellows to request a hearing to appeal the default judgment with the hearing conducted pursuant to Section 24.271 of the

Michigan Compiled Laws. Section 24.271 states that a contested case shall be given an opportunity for a hearing without undue delay.

Previously, administrative hearings were the responsibility of MHEAA, which resided within the Department. However, Executive Order 1995-3 transferred MHEAA from the Department of Education to the Department of Treasury. Since that transfer, neither department has taken responsibility for the administrative hearings function. At the time of our audit, 15 fellows had appealed the KCP Initiative's default judgment and requested, but had not yet had, hearings. These hearing requests dated back to 1995 and pertained to 15 defaulted fellowships totaling approximately \$175,000. While awaiting hearings, collection efforts were not made and interest charges were not accrued on the defaulted fellowships.

The Department had not selected an individual to conduct the requested hearings. As a result, the hearings were not held. Not conducting and/or extended delays in conducting the hearings reduces the chances of subsequent collection of the defaulted fellowships and may result in the loss of interest income.

RECOMMENDATION

We recommend that the Department conduct administrative hearings for FFFP fellows who appeal default judgments.

AGENCY PRELIMINARY RESPONSE

The Department agrees with this finding and stated that, prior to 1997, MHEAA, now within the Department of Treasury, maintained the loan collection portion of FFFP. The KCP Initiative has developed and implemented procedures for reestablishing hearings. The Department informed us that individuals have been contacted to establish hearing dates and that 1 of the 15 initial petitions has been resolved.

FINDING

12. Administrative Rules and Approval of Policies and Procedures

The KCP Initiative had not promulgated administrative rules that reflect its administrative policies and procedures. Also, the KCP Initiative did not submit its

administrative policies and procedures to the State Board of Education for review and approval.

Act 218, P.A. 1986, created and funded the KCP Initiative in fiscal year 1985-86, and annual appropriations acts have funded the Initiative each year thereafter. For the first seven years of the KCP Initiative's existence, the annual appropriations acts stated a number of specific administrative policies and procedures. Beginning with Act 170, P.A. 1993, the annual appropriations acts no longer provided the specific policies and procedures.

The KCP Initiative developed the KCP Initiative Administrative Handbook in 1993. The Handbook contains various policies and procedures for administering the KCP Initiative's six programs, including FFFP. We were informed that the KCP Initiative established the policies and procedures based on its interpretation of legislative intent for the six programs. However, the State Board of Education did not review or approve the policies and procedures. Because the Board was responsible for administrative oversight of all departmental programs, such review and approval of the KCP Initiative's policies and procedures would have been appropriate.

Section 24.233 of the *Michigan Compiled Laws* states that an agency shall promulgate rules which state the general course and method of operations and procedures available to the public. Because the KCP Initiative had not promulgated administrative rules, its practices were not subject to legislative oversight and the public did not have an opportunity to discuss them in a public forum. Also, promulgating administrative rules would help to protect the KCP Initiative from any challenges that could occur because of the lack of such rules and specific legislation.

RECOMMENDATIONS

We recommend that the KCP Initiative promulgate administrative rules that reflect its administrative policies and procedures.

We also recommend that the KCP Initiative submit its administrative policies and procedures to the State Board of Education for review and approval.

AGENCY PRELIMINARY RESPONSE

The Department agrees with this finding and stated that the KCP Initiative has followed the approval procedures for grant guidelines and grant renewal criteria as outlined by the State Superintendent of Public Instruction. The State Superintendent of Public Instruction has the authority to approve administrative policies and procedures. Because of the recent executive order to transfer the KCP Initiative to the Michigan Department of Career Development, this recommendation will be considered between the two departments during the transfer.

FINDING

13. Full-Time Equated Teaching

The KCP Initiative did not allow full-time equated teaching by FFFP fellows to fulfill contractual teaching requirements.

The objective of FFFP is to increase the pool of minority candidates pursuing full-time faculty teaching careers in postsecondary education in the State. The KCP Initiative Administrative Handbook requires that fellows remain in a full-time teaching position in a Michigan two- or four-year postsecondary educational institution for a minimum of three years. Fellowship contractual agreements contain similar language. Neither the Handbook policy nor contractual agreements provided for fulfillment of the teaching requirement with full-time equated teaching.

During our visits to five universities, FFFP university coordinators frequently informed us that there were less full-time teaching positions available in recent years because many colleges and universities now hire more part-time rather than full-time instructors. One of the universities that we visited informed us that it discouraged graduate students from applying for FFFP fellowships because of the full-time teaching obligation. This university instructed graduate students to apply for the FFFP fellowship only as a last resort because of the probable inability to obtain a full-time teaching position which would, therefore, result in the student's repayment of the fellowship.

Allowing full-time equated teaching to fulfill the teaching requirement would provide fellows with greater flexibility in obtaining teaching employment in a college or

university. For example, a fellow who could not obtain a full-time teaching position could fulfill the teaching requirement with two half-time teaching positions. This change in the teaching fulfillment requirement should increase the number of minority teaching positions in Michigan's colleges and universities and, therefore, improve the overall effectiveness of FFFP.

RECOMMENDATION

We recommend that the KCP Initiative consider allowing full-time equated teaching by FFFP fellows to fulfill contractual teaching requirements.

AGENCY PRELIMINARY RESPONSE

The Department agrees with this finding and stated that the current KCP Initiative Administrative Handbook establishes the process for implementing this finding.

EFFECTIVENESS OF THE DEPARTMENT'S ADMINISTRATION

COMMENT

Audit Objective: To assess the effectiveness of the Department's administration of the Bilingual and Migrant Programs and FFFP and CDP.

Conclusion: We concluded that the Department's administration of the Bilingual and Migrant Programs and CDP was generally effective and that the Department's administration of FFFP was moderately effective. However, in addition to certain administrative functions, which we reported on in our first, second, and third objectives, we noted a reportable condition relating to the lack of continuous quality improvement processes.

FINDING

14. Continuous Quality Improvement Processes

The Department had not established continuous quality improvement processes to evaluate and improve the effectiveness of the Bilingual and Migrant Programs and FFFP and CDP.

The State Legislature and the Governor have required, in various appropriations acts and in Executive Directive 1996-1, that State programs use quality improvement processes to manage the use of limited State resources. Also, for the Migrant Program, Title 34, Part 200, section 42a of the *Code of Federal Regulations* required that the Department:

. . . determine the effectiveness of its program and projects in providing migratory students with the opportunity to meet the same challenging State content and performance standards . . . that the State has established for all children.

The Department can best evaluate program effectiveness by establishing a continuous quality improvement process. Such a process should include: performance indicators* for measuring outputs* and outcomes; performance standards* that describe the desired level of outputs and outcomes based on management expectations, peer group performance, and/or historical data; a management information system to gather accurate output and outcome data; a comparison of the actual data with desired outputs and outcomes; reporting of the comparison results to management; and proposals of program changes to improve effectiveness.

Other than gathering limited data, the Department did not use the various components of a continuous quality improvement process to evaluate the effectiveness of the four programs. As a result, the Department was not able to determine the effectiveness of these programs. In addition, the five universities and four school districts that we visited during our audit of the four programs did not use continuous quality improvement processes to evaluate effectiveness of applicable programs.

* See glossary at end of report for definition.

Performance indicators that the Department could use to evaluate effectiveness of the four programs include:

- a. Test scores, grades, promotions to next grade level, drop-out rates, and high school completion rates for the Bilingual and Migrant Programs.
- b. Degree attainment, compliance with the three-year teaching requirement, and number of fellows who continue to teach after fulfilling the three-year requirement for FFFP.
- c. Program participation by school children underrepresented in postsecondary education and the number or percentage of participants who subsequently enroll in postsecondary education for CDP.

Our audit of FFFP included the review of 65 fellowships awarded by five universities. Of the 65 fellowships reviewed, 18 fellows were still pursuing their degree and 1 fellow was absolved of FFFP obligation due to a disability. Of the remaining 46 fellowships, 13 fellows had not received their degrees and were in default. Of the 33 fellows who had obtained their degrees, 5 fellows had fulfilled the three-year full-time postsecondary education teaching requirement and 3 fellows were in the process of fulfilling the teaching requirement. This information is an example of outcome data available that the Department could use in a continuous quality improvement process to evaluate FFFP effectiveness.

Regarding the Migrant Program, the Department's fiscal year 1996-97 Management Plan stated that the Department:

. . . is conducting a sustained effects study and determining whether improvements in the educational performance of those formerly migratory students who have participated in a full-year program for at least two years are sustained for at least one school year. Progress will be measured against the desired outcomes in basic and more advanced reading and mathematics skills that children participating in the program are expected to master, as well as the related support services provided by the LEA [local education agency].

However, the Department informed us that it had not performed the sustained effects study and could not provide us with information regarding the status of the study or if the study had ever started.

In 1996, the Department contracted for an evaluation of KCP Initiative program outcomes, including FFFP and CDP. Regarding FFFP, the evaluation report, dated December 3, 1997, stated, "There is no evidence of a significant increase in the number of African American, Latino, and Native American doctorates among the public universities." Regarding CDP, the report concluded that most of the targeted districts did not regularly collect college enrollment data even though the CDP Administrative Handbook required that participating districts collect such information and report it annually to the KCP Initiative. As a result, the consultant was not able to evaluate CDP outcomes.

OCR has recently entered into written agreements with seven school districts in southwestern Michigan for Bilingual Program evaluation activities. Specifically, the agreements require that these districts conduct longitudinal studies which compare all LEP students to non-LEP students in areas such as grades, retention, drop-outs, transfers, graduation status, and standardized test scores. Again, this information is the type of output and outcome performance indicator data that the Department could use in a comprehensive quality improvement process to evaluate effectiveness of the Statewide Bilingual Program.

Without comprehensive processes to evaluate effectiveness, the Department's ability to administer the four programs is significantly diminished. Developing such processes would allow the Department to evaluate effectiveness and identify needed program changes.

RECOMMENDATION

We recommend that the Department establish continuous quality improvement processes to evaluate and improve the effectiveness of the Bilingual and Migrant Programs and FFFP and CDP.

AGENCY PRELIMINARY RESPONSE

The Department agrees with this finding and stated that it has taken steps to implement a comprehensive Departmentwide continuous quality improvement process. The Department informed us that it is establishing a work group to assess current efforts and develop a plan to support all staff to implement a quality focus into their daily environment focused on continuously improving quality and encouraging innovation to better meet customers' needs.

Glossary of Acronyms and Terms

CDP	College Day Program.
continuous quality improvement process	Management system which focuses on the needs and expectations of internal and external customers and is designed to improve how products and services are provided.
count day	An officially established day used in determining participant memberships reported for State school aid.
effectiveness	Program success in achieving mission and goals.
efficiency	Achieving the most outputs and outcomes practical for the amount of resources applied or minimizing the amount of resources required to attain a certain level of outputs or outcomes.
fellow	A participant in FFFP.
FFFP	Future Faculty Fellowship Program.
foundation allowance	A funding amount determined for each school district in accordance with the State School Aid Act.
FPR	final performance report.
full-time equated	Equating to 2,080 hours of continuous service per year.
goal	The agency's intended outcomes or impacts for a program to accomplish its mission.
ID&R	identification and recruitment.

King-Chavez-Parks (KCP) Initiative	Martin Luther King, Jr. - Caesar Chavez - Rosa Parks Initiative unit within the Department of Education.
LEP	limited English proficient.
material condition	A serious reportable condition which could impair the ability of management to operate a program in an effective and efficient manner and/or could adversely affect the opinion of an interested person concerning the effectiveness and efficiency of the program.
MEDS	Migrant Education Data System.
MHEAA	Michigan Higher Education Assistance Authority.
MSU	Michigan State University.
objective	Specific outputs a program seeks to perform and/or inputs a program seeks to apply in its efforts to achieve its goals.
OCR	Office of Civil Rights, U.S. Department of Education.
outcomes	The actual impacts of the program. Outcomes should positively impact the purpose for which the program was established.
outputs	The products or services produced by the program. The program assumes that producing its outputs will result in favorable program outcomes.
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.

performance indicators Information of a quantitative or qualitative nature indicating program outcomes, outputs, or inputs. Performance indicators are typically used to assess achievement of goals and/or objectives.

performance standards A desired level of output or outcome as identified in statutes, regulations, contracts, management goals, industry practices, peer groups, or historical performance.

postsecondary Education level beyond high school.

reportable condition A matter coming to the auditor's attention that, in his/her judgment, should be communicated because it represents either an opportunity for improvement or a significant deficiency in management's ability to operate a program in an effective and efficient manner.

school district A local or intermediate school district.

State School Aid Act The legislation that authorizes funding to local and intermediate school districts and outlines requirements for determining program eligibility.