



STATE OF MICHIGAN
DEPARTMENT OF EDUCATION
LANSING

RICK SNYDER
GOVERNOR

MICHAEL P. FLANAGAN
STATE SUPERINTENDENT

January 21, 2015

Jeff Bankowski, Director
Office of Internal Audit Services
Office of the State Budget
George W. Romney Building
111 South Capitol, 6th Floor
Lansing, MI 48913

Dear Mr. Bankowski:

In accordance with the State of Michigan, Financial Management Guide, Part VII, attached is a summary table identifying our responses and corrective action plans to address recommendations contained within the Office of the Auditor General's audit report of the Michigan Department of Education, Office of Special Education's performance audit.

Questions regarding the summary table or corrective action plans should be directed to me at (517) 335-6858 or KrefmanN@michigan.gov.

Sincerely,

Signature Redacted

Naomi Krefman, CPA
Assistant Director
Office of Financial Management

cc: John S. Roberts, State Budget Director
Doug Ringler, CPA, Auditor General
Ellen Jeffries, Senate Fiscal Agency
Mary Ann Cleary, House Fiscal Agency
Al Pscholka, House Appropriations Committee Chair
Dave Hildenbrand, Senate Appropriations Committee Chair
Tim Kelly, House Appropriations Sub-Committee Chair
Goeff Hanson, Senate Appropriations Sub-Committee Chair
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**Michigan Department of Education
Summary Responses to Recommendations
Performance Audit of the Office of Special Education
November 2014**

1. Audit recommendations the agency complied with:

Finding 4

2. Audit recommendations the agency agrees with and will comply:

Findings 1, 2, 3, 5

3. Audit recommendations the agency disagrees with:

None

OAG Performance Audit – Office of Special Education
 Audit #313-0180-14

Finding #	Finding Title	OAG Recommendation	Agency Response	Update
1	Monitoring Process	We recommend that OSE sufficiently conduct its monitoring process.	<p>OSE agrees with the recommendation.</p> <p>OSE informed us that they will conduct training of all ISD monitors based on their focused monitoring cycles beginning in September 2014. All OSE contractors were included.</p> <p>The training will:</p> <ul style="list-style-type: none"> • Outline responsibilities of the ISD monitor and OSE contractor to provide technical assistance to districts • Address the requirement to fully complete the SRR • Address the requirement to issue SLCAPS when a finding of noncompliance is issued and is able to be corrected. <p>In addition to the training, OSE informed us that:</p> <ul style="list-style-type: none"> • OSE will review a sample of caseloads for each district monitored for general supervision. • CIMS will be programmed so all questions in the SRR must be answered. • OSE will review a sample of report of SRRs and SLCAPS to ensure that items of noncompliance that are able to be corrected are included in the SLCAP. • OSE sent a memo to the field addressing the new process of verifying correction of SLCAPS as 	<p>The OSE conducted training in September 2014 and has another training meeting scheduled for January 2015. All contracted staff attend both meetings. ISD monitors attend based on monitoring cycles and priorities.</p> <p>The training covered:</p> <ul style="list-style-type: none"> • Responsibilities of the ISD monitor and OSE contractor to provide technical assistance to districts • The requirement to fully complete the SRR • The requirement to issue SLCAPS when a finding of noncompliance is issued and is able to be corrected. <p>Additionally, the OSE has taken the following actions:</p> <ul style="list-style-type: none"> • Investigated the sampling of caseloads for each district monitored for general supervision. • Confirmed with CIMS programmers that all questions in the SRR must be answered in the redesign. • Reviewed a sample of report of SRRs and SLCAPS to ensure that items of noncompliance that are able to be corrected are included in the SLCAP. Any items left off of the reports were included and discussed individually with the writer of the report. • OSE sent a memo to the field addressing the new process of verifying correction of SLCAPS as follows. ISD monitors have uploaded documentation of student-level

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			follows. ISD monitors will upload documentation of student level correction into CIMS. OSE contractors will verify correction of the SLCAP. OSE will then sample at least one district from each monitor and contractor to ensure correction of SLCAPS.	corrections into CIMS. OSE contractors verified correction of the SLCAPS. OSE then sampled at least one district from each monitor and contractor to ensure correction of SLCAPS. Any discrepancies were discussed with individual monitors.
2	Results Transmittals	We recommend that OSE review the contents of results transmittals and follow up with school districts to ensure that school districts are on track for progress toward meeting results indicator targets.	<p>OSE does not agree with the issuance of this specific finding.</p> <p>OSE was not federally required to review and follow-up with districts related to results transmittals/indicators. Therefore, OSE did not have established policies or procedures to review results transmittals/indicators.</p> <p>The federal government is now requiring states to implement a State Systemic Improvement Plan (SSIP). The SSIP will address some results indicators and actions the state will take to improve performance on the results indicators.</p>	The OSE has continued its required work on the SSIP. A plan will be submitted to the Office of Special Education Programs in the spring of 2015.
3	Waiver Review	We recommend that OSE review waivers to MARSE Part 3, included in ISD plans, in a timely manner to ensure that all waivers are applicable and meet the intent of the rule.	<p>OSE agrees with the recommendation.</p> <p>OSE recognizes the need to review administrative rule waivers included in ISD plans in a timely manner, consistent with Michigan law. In a set of proposed changes to MARSE, 2013-116 ED currently moving through the promulgation process, OSE proposes to strike Rule 340.1832e. Adopted in 2002, Rule 340.1832e established the use of the ISD plan as an alternative to</p>	<p>Proposed MARSE rule set 2013-116 ED is still going through the promulgation process. It is uncertain as of the date of this update, if the proposed rule set will become effective in 2015.</p> <p>The OSE is not allowing any new language to be included in ISD Plans that is in fact a request for a rule waiver. The OSE is encouraging Intermediate Districts to revise their Plans and remove all program change waiver language and submit those</p>

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			<p>the traditional waiver process. OSE informed ISD directors that they would no longer receive approval to include waivers and waiver language in their plans. It should also be noted that OSE had previously attempted to eliminate Rule 340.1832e through the rule promulgation process. Public comment overwhelmingly rejected the removal of the Rule and the rescission of Rule 340.1832e was withdrawn.</p> <p>OSE recognizes the need to modify the development, approval, and review of all ISD plans for the delivery of special education programs and services in Michigan. OSE informed us that it is currently developing an improved process that will remove all waivers, standardize the plans, and allow for periodic review of each plan. The improved process will include electronic components. OSE will work with ISDs over the next three years to systematically review and revise each plan to include only required components.</p>	<p>program changes through the formal waiver process. A few Intermediate Districts have taken a proactive approach and have removed waivers from their Plans and resubmitted this information as requests through the waiver process.</p> <p>The OSE continues to develop a more efficient process for the submission and approval of ISD Plans. In January of 2015, five Intermediate Districts will test a process flow for the electronic submission of ISD Plans.</p> <p>The OSE is also reviewing and updating as necessary the waiver process.</p>
4	On-Site Program Fiscal Reviews	We recommend that OSE complete additional on-site program fiscal reviews and establish policies and procedures to follow up on internal control weaknesses.	<p>OSE agrees with the recommendation.</p> <p>OSE agrees that performing additional Program Fiscal Reviews (PFRs) would enhance OSE's ability to ensure special education expenditures are appropriate and allowable. The time period reviewed included the additional American Reinvestment and Recovery Act (ARRA) funds that</p>	<p>Subsequent to the performance audit, The OSE has implemented an analytical review process to determine when a PFR may be conducted without a site visit. This will enhance our ability to perform more PFRs effectively and efficiently with our limited resources.</p> <p>Although in the past the OSE has followed up on PFR findings on-site as necessary;</p>

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			<p>doubled the IDEA funds being reviewed and an IDEA Hearing resulting from significant PFR findings that impacted OSE's ability to perform additional PFRs.</p> <p>OSE informed us that it continues to develop and implement processes that promote improved and more efficient PFRs based upon risk assessments. As an example, a new process recently implemented is the completion of a PFR that was conducted without a site visit.</p> <p>OSE also informed us that it has established as a part of the PFR process a protocol that identifies the types of findings that require an on-site follow-up. Concerns identified as "opportunities for fraud" would require an on-site follow-up to ensure corrective actions have been implemented.</p> <p>OSE will assist MDE in the development of an MDE procedure that will provide all program areas with procedures to be followed when any concerns related to opportunities for potential fraud are identified.</p>	<p>since the OAG performance audit, the OSE has added a step in the Teammate program to address and document on-site follow-up reviews that will include identified concerns that have the opportunity for fraud, waste and abuse, if applicable.</p> <p>OSE will continue to support the MDE in the development of procedures as requested.</p>
5	Due Process Complaint Resolution Session	We recommend that OSE develop an effective monitoring process to accurately determine when school districts hold due process resolution sessions.	<p>OFS agrees with the recommendation.</p> <p>OSE recognizes the need to improve and implement effective controls to accurately determine when due process complaint resolution sessions are held and issue findings of</p>	<p>Proposed MARSE rule set 2013-116 ED is still going through the promulgation process. It is uncertain as of the date of this update, if the proposed rule set will become effective in 2015.</p> <p>The Program Accountability Departmental</p>

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			<p>noncompliance when necessary.</p> <p>To improve controls regarding due process complaint resolution sessions, OSE informed us that:</p> <ul style="list-style-type: none"> • Rule set 2013-116 ED, currently moving through the promulgation process, includes new language that requires specific resolution session data be delivered to OSE within a specific timeline • OSE will develop procedures to ensure timely review of due process complaint resolution session data for compliance that will: <ul style="list-style-type: none"> ○ Engage the Program Accountability Departmental Analyst to design a comprehensive due process complaint data system, including resolution session data ○ Establish, minimally, a weekly review of due process resolution session data to identify necessary follow-up communication, determine compliance, and issue, when necessary, findings of noncompliance • OSE will develop a communication plan for distribution of the revised rule and procedural content to include: <ul style="list-style-type: none"> ○ Correspondence to attorneys and local educational agencies ○ Presentations at stakeholder meetings beginning August, 2014 	<p>Analyst is completing work on a new database to capture due process complaint and resolution session data. The database is being reviewed and updated as necessary by the DTMB. The projected date for the database to be released for testing is in February 2015.</p> <p>The OSE did present information about compliance with the IDEA requirements regarding resolution sessions at a conference in Traverse City, MI to special education administrators and in Lansing, MI to special education administrators and practitioners in 2014.</p> <p>The OSE is waiting on final approval of the proposed rule set 2013-116 ED. Upon approval and an effective date for the proposed rule set, the OSE will schedule presentations at 2015 meetings and conferences to disseminate resolution session information.</p>