



# MICHIGAN

OFFICE OF THE AUDITOR GENERAL

## AUDIT REPORT

PERFORMANCE AUDIT  
OF THE

OFFICE OF FIELD SERVICES

MICHIGAN DEPARTMENT OF EDUCATION

November 2014



Doug A. Ringler, C.P.A., C.I.A.  
AUDITOR GENERAL

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

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## Report Summary

*Performance Audit*

*Office of Field Services*

*Michigan Department of Education*

**Report Number:**  
313-0300-14

**Released:**  
November 2014

The Office of Field Services (OFS) is responsible for ensuring that specific federal and State grant program resources available to school districts are targeted on improving student learning for defined student populations. OFS's mission is to accelerate student achievement through school improvement by working as partners to maximize the allowable use of supplementary resources. OFS administers 7 federally funded and 2 State-funded programs.

Audit Objective			Audit Conclusion
Objective 1: To assess the effectiveness of OFS's efforts to ensure that local educational agencies (LEAs) used OFS program funds in accordance with approved grant applications.			Moderately effective
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
OFS should continue to improve its on-site review processes ( <a href="#">Finding 1</a> ).		X	Agrees
OFS had not established procedures to select samples of staff, expenditures, and inventory for its on-site fiscal reviews ( <a href="#">Finding 2</a> ).		X	Partially agrees
OFS needs to enhance its process to include complete and accurate information on its Title X on-site review tracking log, thereby increasing its usefulness as a management tool ( <a href="#">Finding 3</a> ).		X	Agrees
OFS had not established procedures to document the independence of its consultants prior to them conducting on-site reviews ( <a href="#">Finding 4</a> ).		X	Agrees
OFS should expand the scope of its on-site fiscal reviews to include all programs that it administers ( <a href="#">Finding 5</a> ).		X	Agrees

Audit Objective			Audit Conclusion
Objective 2: To assess the effectiveness of OFS's efforts to improve the quality of OFS programs administered by LEAs.			Effective
Finding Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
OFS had not formally identified and analyzed successful program services at LEAs to better assist other LEAs in planning, implementing, and providing program services ( <u>Finding 6</u> ).		X	Agrees

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# OAG

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Doug A. Ringler, C.P.A., C.I.A.  
Auditor General

November 19, 2014

Mr. Michael P. Flanagan  
Superintendent of Public Instruction  
Michigan Department of Education  
John A. Hannah Building  
Lansing, Michigan

Dear Mr. Flanagan:

This is our report on the performance audit of the Office of Field Services, Michigan Department of Education.

This report contains our report summary; a description of agency; our audit objectives, scope, and methodology and agency responses and prior audit follow-up; comments, findings, recommendations, and agency preliminary responses; grant awards and related administrative expenditures, presented as supplemental information; and a glossary of abbreviations and terms.

Our comments, findings, and recommendations are organized by audit objective. The agency preliminary responses were taken from the agency's response at the end of our audit fieldwork. The *Michigan Compiled Laws* and administrative procedures require that the audited agency develop a plan to comply with the audit recommendations and submit it within 60 days after release of the audit report to the Office of Internal Audit Services, State Budget Office. Within 30 days of receipt, the Office of Internal Audit Services is required to review the plan and either accept the plan as final or contact the agency to take additional steps to finalize the plan.

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

Sincerely,

Doug Ringler  
Auditor General



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## GLOSSARY

Glossary of Abbreviations and Terms

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## Description of Agency

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

The Office of Field Services (OFS) is responsible for ensuring that specific federal and State grant program resources available to school districts are targeted on improving student learning for defined student populations. OFS's mission\* is to accelerate student achievement through school improvement by working as partners to maximize the allowable use of supplementary resources.

OFS administers 7 federally funded and 2 State-funded programs:

- Federally Funded Programs
  1. Title I:
    - a. Part A - Improving Basic Programs
    - b. Part C - Migrant Education Program
    - c. Part D - Prevention and Intervention for Delinquent Children and Youth
  2. Title II, Part A - Teacher and Principal Training and Recruiting
  3. Title III - Limited English Proficient Children Immigrant Students
  4. Title VI, Part B, Subpart 2 - Rural and Low-Income School Program
  5. Title X, Part C - McKinney-Vento Homeless Assistance
- State-Funded Programs
  1. Section 31a - Programs for At-Risk Pupils
  2. Section 41 - Bilingual

OFS's primary goal\* is to support schools in helping all students learn and achieve high standards. OFS team members work together to help local school districts implement

\* See glossary at end of report for definition.

functional school improvement plans aligned to high standards, improve student performance on both State and local assessments, and target supplementary resources more effectively to support educators in achieving these results.

For the fiscal year ended September 30, 2013, OFS awarded program funding totaling \$943.7 million and expended \$6.8 million to administer the programs (see grant awards and related administrative expenditures, presented as supplemental information). As of February 28, 2014, OFS had 43 employees.

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

### Audit Objectives

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

1. To assess the effectiveness\* of OFS's efforts to ensure that local educational agencies\* (LEAs) used OFS program funds in accordance with approved grant applications.
  
2. To assess the effectiveness of OFS's efforts to improve the quality of OFS programs administered by LEAs.

### Audit Scope

Our audit scope was to examine the program and other records of the Office of Field Services. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Our audit procedures, which included a preliminary survey, audit fieldwork, report preparation, analysis of agency responses, and quality assurance, generally covered the period October 1, 2010 through February 28, 2014.

Grant awards and related administrative expenditures for the fiscal years ended September 30, 2013 and September 30, 2012 are included in this report as supplemental information. Our audit was not directed toward expressing an opinion on this information.

*\* See glossary at end of report for definition.*

## Audit Methodology

We conducted a preliminary survey of OFS's processes to formulate a basis for establishing our audit objectives and defining our audit scope and methodology. As part of our preliminary survey, we:

- Interviewed MDE personnel regarding their roles in reviewing and approving grant applications, providing technical assistance, and monitoring LEAs' compliance with program requirements.
- Reviewed the State School Aid Act; other applicable laws, regulations, policies, and procedures; and other pertinent information.

To accomplish our first objective, we:

- Reviewed OFS's on-site review processes for evaluating LEAs' compliance with approved grant applications.
- Interviewed OFS's contracted consultants and observed an on-site fiscal review to obtain an understanding of OFS's methodology for conducting on-site fiscal reviews.
- Observed an on-site program review to obtain an understanding of OFS's methodology for conducting on-site program reviews.
- Examined the records for 50 randomly selected on-site reviews at LEAs to evaluate OFS's scope and methodology for planning and conducting the reviews.

To accomplish our second objective, we:

- Reviewed OFS's processes to promote and evaluate its programs administered by LEAs.
- Evaluated OFS's efforts to identify LEAs with effective programs and practices for dissemination of these best practices.

- Evaluated OFS's efforts to identify LEAs that may need technical assistance.
- Evaluated OFS's efforts to analyze available data to assess the outcomes of its programs and to identify trends and issues within student achievement.

We based our audit conclusions on our audit efforts as described in the preceding paragraphs and the resulting reportable conditions\* noted in the comments, findings, recommendations, and agency preliminary responses section. In our professional judgment, the reportable conditions are less severe than a material condition\* but represent opportunities for improvement.

When selecting activities or programs for audit, we direct our efforts based on risk and opportunities to improve the operations of State government. Consequently, we prepare our performance audit reports on an exception basis.

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

Our audit report contains 6 findings and 6 corresponding recommendations. MDE's preliminary response indicates that it agrees with 5 of the recommendations and partially agrees with 1 recommendation.

The agency preliminary response that follows each recommendation in our report was taken from the agency's written comments and oral discussion at the end of our audit fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and the State of Michigan Financial Management Guide (Part VII, Chapter 4, Section 100) require MDE to develop a plan to comply with the audit recommendations and submit it within 60 days after release of the audit report to the Office of Internal Audit Services, State Budget Office. Within 30 days of receipt, the Office of Internal Audit Services is required to review the plan and either accept the plan as final or contact the agency to take additional steps to finalize the plan.

We released our prior performance audit of the Office of Field Services, Department of Education (31-300-01), in May 2003. We rewrote 1 of the 4 prior audit recommendations for inclusion in Finding 1 of this audit report and determined that the other 3 prior audit recommendations were no longer applicable.

\* See glossary at end of report for definition.

COMMENTS, FINDINGS, RECOMMENDATIONS,  
AND AGENCY PRELIMINARY RESPONSES

**EFFECTIVENESS OF EFFORTS  
TO ENSURE THAT LEAs USED OFS PROGRAM FUNDS  
IN ACCORDANCE WITH APPROVED GRANT APPLICATIONS**

**COMMENT**

**Background:** The Office of Field Services' (OFS's) Regional Support, Special Populations, and Financial Units conduct on-site program and fiscal reviews that involve visits to local educational agencies (LEAs) by a consultant or a team of consultants who conduct an in-depth review using an On-Site Review Study Guide or established protocols. The On-Site Review Study Guide and protocols provide an assessment criteria framework to help ensure that the consultant(s) reviews the same compliance issues for applicable programs at each LEA. After the consultant(s) completes the review, the lead consultant, in conjunction with OFS management, prepares a report noting observations, recommendations, and any required changes. OFS's practice is to issue the on-site summary review report to the LEA within 30 business days from the end of the on-site review. If the report includes recommendations or required changes, the LEA must complete and submit a compliance plan to OFS for approval within 30 business days of receipt of the report. After OFS approves the LEA's compliance plan, the LEA has one year to implement the compliance plan. OFS generally follows up with the LEA to ensure implementation of the compliance plan within one year.

In fiscal year 2010-11, OFS's Financial Unit started to conduct on-site fiscal reviews to ensure that LEAs spent Title I, Part A funds in accordance with approved budgets and federal and State requirements. When a fiscal review identifies errors, OFS can question and recover the funds.

**Audit Objective:** To assess the effectiveness of OFS's efforts to ensure that LEAs used OFS program funds in accordance with approved grant applications.

**Audit Conclusion:** We concluded that OFS's efforts to ensure that LEAs used OFS program funds in accordance with approved grant applications were moderately effective.

Factors leading to this conclusion included:

- OFS's monitoring process for both program and fiscal compliance. The selection of the LEAs to monitor uses a risk-based approach that considers consultant knowledge of the LEA, financial risk factors, and academic risk factors.
- OFS's on-site review processes for evaluating LEAs' compliance with approved grant applications.
- Reportable conditions related to on-site review processes, fiscal review sampling procedures, the Title X on-site review tracking log, documentation of consultant independence, and on-site fiscal reviews of all programs.

## **FINDING**

### **1. On-Site Review Processes**

OFS should continue to improve its on-site review processes. Continued improvement in the processes would increase the effectiveness and usefulness of the on-site reviews.

OFS's mission is to accelerate student achievement through school improvement by working as partners to maximize the allowable use of supplementary resources. OFS provides supplementary resources to LEAs by administering and disbursing federal and State funding to approximately 900 LEAs for 9 programs. To ensure that LEAs use their supplementary resources for allowable purposes, OFS conducts on-site reviews at LEAs that include interviewing stakeholders, reviewing documentation, and touring the LEAs' facilities. For the period October 2012 through February 2014, OFS's on-site review tracking logs showed that it conducted 395 on-site reviews at 313 unique LEAs. Our review of records for 50 randomly selected OFS on-site reviews disclosed:

- a. OFS did not update its tracking log to reflect the cancellation of the on-site reviews. We noted that OFS did not conduct an on-site review for 5 (10%) of the 50 records identified in the tracking log as being selected for field review. Without an updated tracking log, the need for on-site reviews may be overlooked.

- b. OFS did not document LEA stakeholders' involvement in the on-site review for 21 (47%) of the 45 on-site review records. Stakeholders include principals, teachers, directors, managers, teacher aides, and parents of students involved in any programs included in the on-site review. OFS protocols require consultants to maintain sign-in sheets to document the stakeholders involved with the on-site review.
- c. OFS was not timely in its issuance of on-site summary review reports. We noted that for 7 (16%) of the 45 on-site reviews, OFS issued the on-site summary review report from 10 to 62 business days late and 1 (2%) report was never issued. On-site summary review reports include the date the on-site review was held, areas reviewed, any required changes, a blank compliance plan template, and the due date for returning the compliance plan. The Michigan Department of Education's (MDE's) goal is to issue its on-site summary review reports to the LEA within 30 business days of the on-site review.
- d. OFS did not include the LEA's governing board in its distribution of the on-site summary review report in any of the 45 on-site review records we tested. OFS sends the on-site summary review report to the LEA's superintendent, principal, or their equivalent. By issuing the on-site summary review report to the LEA's governing board, OFS could help ensure that the on-site review results are disseminated to those persons with responsibility for overseeing the strategic direction of the LEA and obligations related to the accountability of the LEA.
- e. OFS did not document the receipt date of the LEA's compliance plan for 8 (21%) of 39 on-site review records when an LEA's compliance plan was required. The LEA's compliance plan, generally required 30 business days after the LEA's receipt of the on-site summary review report, includes the LEA's corrective actions for each required change noted in the on-site summary review report.

Also, in 3 of 39 on-site review records when OFS received an LEA's compliance plan more than 15 business days late, OFS did not withhold funding as stated in the on-site summary review report.

- f. OFS did not recapture the questioned costs totaling \$91,827 for 2 (12%) of 17 on-site review records in which OFS questioned costs. OFS's fiscal on-site reviews include verification that LEAs expended Title I, Part A funds in accordance with federal requirements. When OFS determines that an LEA did not comply with federal requirements, OFS questions the related costs and recaptures that amount from the LEA.

We noted a similar condition in our prior audit. MDE agreed with the general recommendation to ". . . improve various aspects of its on-site review and self-review processes." MDE indicated that it would reduce turnaround times to more closely achieve its goal of issuing an on-site summary review report within 30 business days and improve the timely entry of data in the tracking log. OFS improved its on-site processes by using a risk-based approach to help it select LEAs for on-site reviews. However, we still identified the exceptions noted in this finding.

### **RECOMMENDATION**

We recommend that OFS continue to improve its on-site review processes.

### **AGENCY PRELIMINARY RESPONSE**

MDE provided us with the following response:

*OFS agrees with the recommendation.*

*OFS established the Project Management Unit (PMU) in March, 2014. The PMU, working in collaboration with the Regional Support Unit and Special Populations Unit, is in the process of reviewing and adjusting the on-site review processes for the programs that OFS administers.*

*Over the course of fiscal year 2015, the PMU will be working with the MDE Office of School Support Services to refine and improve the Regional Support Unit and Special Populations Unit on-site review monitoring processes configured in the Grant Electronic Monitoring System (GEMS).*

*Through the use of GEMS, OFS will electronically monitor and control the tracking and documentation of monitoring visits to improve the on-site review processes and address the noted disclosures identified in the audit finding.*

## **FINDING**

### **2. Fiscal Review Sampling Procedures**

OFS had not established procedures to select samples of staff, expenditures, and inventory for its on-site fiscal reviews. As a result, OFS could not ensure that it consistently selected representative samples to obtain sufficient evidence to determine that LEAs spent Title I, Part A funds in accordance with their approved budgets and complied with federal and State requirements.

Best practices for conducting compliance reviews include establishing sampling procedures that identify the populations to be tested or reviewed and specify the minimum sample size of those populations. Also, it is considered a best practice for sampling procedures to include guidance for expanding the sample size when errors exceed acceptable amounts to help determine the full effect of the errors.

For the period October 2010 through February 2014, OFS allocated \$2.0 billion in Title I, Part A funds to approximately 750 LEAs and it conducted 257 on-site fiscal reviews. Our review of OFS's on-site fiscal review process for Title I, Part A funds disclosed that OFS instructed its four consultants who complete fiscal reviews to select samples of LEA staff; LEA expenditures, including payroll, general, and contracted services; and LEA inventory. However, OFS's process did not provide guidance regarding sample size or methodology. Also, OFS did not require or provide guidance on expanding the sample size if error rates exceeded acceptable levels.

When we inquired about expanding sample sizes if errors are noted, OFS informed us that 2 of the 4 consultants expanded their sample sizes. The consultants expanded their sample sizes to include additional transactions related to the same expenditure type or the same vendor that had errors in the initial sample.

OFS informed us that it had not established sampling procedures because it relies on the consultants' experience and knowledge of the LEA to select samples of staff, expenditures, and inventory for the fiscal reviews. However, without sufficient guidance and direction, the appropriate sample size may not be used, which could result in an incorrect conclusion on the sample results. MDE has developed sampling guidance for other MDE entities to use. For example, MDE developed the Pupil Auditing Manual to assist pupil membership auditors in ensuring accurate

pupil membership counts. The Pupil Auditing Manual includes sampling procedures that specify populations to be sampled and the minimum sample sizes based on the auditor's assessed level of risk for the entity. Also, if the auditor notes a specific error rate within the sample, the Pupil Auditing Manual requires the auditor to expand the sample size by specific increments based on the error rate.

### **RECOMMENDATION**

We recommend that OFS establish procedures to select samples of staff, expenditures, and inventory for its on-site fiscal reviews.

### **AGENCY PRELIMINARY RESPONSE**

MDE provided us with the following response:

*OFS partially agrees with the recommendation.*

*OFS has established procedures to select samples of staff, expenditures, and inventory for fiscal on-site reviews, but they do not include specific sample size parameters because staff, expenditures, and inventory vary by LEA depending on how they utilize Title I resources.*

*After discussion with fiscal monitors on July 17, 2014, OFS determined that monitors are inconsistent in selecting samples. Accordingly, OFS has issued modified procedures to provide guidance on sample sizes and sample populations.*

### **FINDING**

#### **3. Title X On-Site Review Tracking Log**

OFS needs to enhance its process to include complete and accurate information on its Title X on-site review tracking log, thereby increasing its usefulness as a management tool.

OFS established on-site review tracking logs to help it monitor the completion of its on-site reviews. The tracking logs include information such as the LEA's name, the on-site review date, the report letter date, the LEA compliance plan due date, any

required changes, and an indication that the LEA made the required changes. Our review of OFS's tracking log for its Title X on-site reviews disclosed:

- a. OFS did not maintain a tracking log for on-site reviews conducted in fiscal years 2010-11 and 2011-12. As a result, OFS could not determine who received an on-site review and how many on-site visits were held during that period. OFS informed us that its tracking logs for these fiscal years were not maintained because of human error.
- b. OFS's tracking log for its fiscal year 2012-13 on-site reviews did not include complete and accurate information. As a result, OFS could not efficiently determine the status of and results from its Title X on-site review efforts.

Our review of a random sample of 11 of 171 on-site reviews listed on the fiscal year 2012-13 tracking log disclosed that 4 on-site reviews did not occur. Also, our analysis of the fiscal year 2012-13 tracking log identified 53 of the 171 LEAs that had an on-site review date but did not have a report letter date or other information related to an on-site review. When we inquired about 5 of the 53 LEAs, OFS informed us that all 5 LEAs did not receive an on-site review and that the tracking log was not updated to reflect that the on-site review was canceled. In addition, we noted that the tracking log sometimes did not contain entries for important information, such as the date that the LEA compliance plan is due, the date that OFS received the LEA's compliance plan, any required changes noted from the on-site review, and the date that OFS determined that the LEA achieved compliance.

OFS informed us that its tracking log did not include complete and accurate information because OFS did not periodically review the log to ensure that it was being updated as necessary.

### **RECOMMENDATION**

We recommend that OFS enhance its process to include complete and accurate information on its Title X on-site review tracking log.

## **AGENCY PRELIMINARY RESPONSE**

MDE provided us with the following response:

*OFS agrees with the recommendation.*

*OFS is adjusting the compliance auditing review of the Title X on-site review tracking log, as recommended by the performance auditors, to ensure that complete and accurate information is captured for the Title X program.*

*Over the course of the next few months, the PMU will be working with the MDE Office of School Support Services to refine and improve the Title X on-site review monitoring process configured in the GEMS.*

*Through the use of GEMS, OFS will electronically monitor and control the tracking and documentation of monitoring visits to improve the on-site review processes and address the noted disclosures identified in the audit finding.*

## **FINDING**

### **4. Documentation of Consultant Independence**

OFS had not established procedures to document the independence of its consultants prior to them conducting on-site reviews. Establishing procedures to document the consultants' independence prior to conducting an on-site review would help ensure that the review is conducted in an objective and unbiased manner.

OFS informally expects its consultants to be at least five years removed from their previous LEA employment before they conduct an on-site review for that LEA. OFS consultant responsibilities include performing on-site reviews to determine LEAs' compliance with federal and State requirements.

As of February 28, 2014, OFS had 24 State-employed consultants and 8 contracted consultants. OFS informed us that some of its consultants were previously employed by LEAs as superintendents, principals, and other administrators. OFS also informed us that its consultants may have relatives

working for LEAs. For the period October 2012 through February 2014, OFS's on-site review tracking logs stated that its consultants conducted 395 on-site reviews at 313 unique LEAs.

OFS informed us that it did not document its consultants' independence because its management is aware of its consultants' backgrounds; therefore, management would not assign a consultant to an LEA for which the consultant was previously employed.

### **RECOMMENDATION**

We recommend that OFS establish procedures to document the independence of its consultants prior to them conducting on-site reviews.

### **AGENCY PRELIMINARY RESPONSE**

MDE provided us with the following response:

*OFS agrees with the recommendation.*

*OFS is in the process of establishing the following procedures.*

- 1. OFS management will develop a form for consultants to complete and sign.*
- 2. After on-site review districts are chosen for the year, consultants will list on the form which districts they will visit.*
- 3. The consultants' attestations on the new form will assure management that they had not worked in the district for the previous five years and have no family members working in that district.*
- 4. Consultants will return the form to their managers who will keep the form on file.*

### **FINDING**

#### **5. On-Site Fiscal Reviews of All Programs**

OFS should expand the scope of its on-site fiscal reviews to include all programs that it administers. OFS conducts on-site fiscal reviews of only the Title I, Part A

funds, approximately 55% of the amounts distributed by OFS. Expanding the on-site fiscal reviews to include all programs administered by OFS would help ensure that LEAs do not submit unallowable program costs for reimbursement.

OFS's four contracted consultants conduct the on-site fiscal reviews to ensure that funds were expended in accordance with approved budgets and federal and State requirements. An on-site fiscal review includes the review of LEA staff qualifications, background checks, time and effort, and salaries. An on-site fiscal review also includes tests and reviews of policies and procedures, cash management practices, general expenditures, payroll expenditures, purchased services, and equipment. During an on-site fiscal review, OFS consultants interview LEA staff, review documentation, and confirm the purchases of equipment. When an on-site fiscal review identifies unallowable expenditures, OFS can recover the related costs. Also, when the on-site fiscal review identifies a required change, OFS conducts a follow-up review within approximately one year to confirm that the LEA implemented corrective action.

For the period October 2010 through September 2013, OFS allocated approximately \$2.8 billion for the 7 federally funded and 2 State-funded programs that it administers. For the same period, 814 LEAs reported \$1.5 billion in Title I, Part A expenditures.

From October 2010 through February 2014, OFS conducted on-site fiscal reviews at 257 LEAs, subjecting \$173.8 million of the LEAs' Title I, Part A expenditures to review. At these on-site fiscal reviews, OFS identified unallowable program costs at 173 (67%) LEAs totaling \$2.3 million (1%). Including the State-funded programs in the on-site reviews may also identify unallowable State-funded program costs.

OFS informed us that it is unable to expand fiscal monitoring to include the two State-funded programs it administers (Section 31a and Section 41 programs) because it lacks financial resources to conduct on-site fiscal reviews for State-funded programs and it would violate federal rules if it utilized federal financial resources to administer State-funded programs.

## **RECOMMENDATION**

We recommend that OFS expand the scope of its on-site fiscal reviews to include all programs that it administers.

## **AGENCY PRELIMINARY RESPONSE**

MDE provided us with the following response:

*OFS agrees with the recommendation.*

*Before this finding was issued, OFS met with fiscal monitors to expand fiscal on-site reviews to all Consolidated Application grant programs. During these meetings, a revised report template was discussed as well as adding parameters for sample sizes of expenditures, staff, and inventory. This revised process for fiscal monitoring of all Consolidated Application grant programs was implemented effective August 1, 2014.*

*Unfortunately, OFS will not be able to expand fiscal monitoring to include the two State programs it administers (Section 31a and Section 41). OFS lacks financial resources to conduct fiscal on-site reviews for State programs and would violate federal rules if it utilized federal financial resources to administer State programs. OFS will pursue additional resources to expand fiscal monitoring of the State programs.*

## **EFFECTIVENESS OF EFFORTS TO IMPROVE THE QUALITY OF OFS PROGRAMS ADMINISTERED BY LEAs**

### **COMMENT**

**Background:** OFS provides technical assistance related to preparing and submitting grant applications, complying with program requirements, and evaluating program outcomes. Also, OFS provides technical assistance to LEAs in using their resources to address their achievement priorities and to support the implementation of their school improvement plans. OFS provides technical assistance by presenting at educational organizations' conferences, attending regional meetings, reviewing applications, conducting on-site visits, providing information on its Web site, and answering help desk telephone calls.

**Audit Objective:** To assess the effectiveness of OFS's efforts to improve the quality of OFS programs administered by LEAs.

**Audit Conclusion: We concluded that OFS's efforts to improve the quality of OFS programs administered by LEAs were effective.**

Factors leading to this conclusion included:

- OFS's numerous activities to assist LEAs in improving student achievement, as identified in the background section.
- A reportable condition related to the identification and analysis of successful program services.

**FINDING**

**6. Identification and Analysis of Successful Program Services**

OFS had not formally identified and analyzed successful program services at LEAs to better assist other LEAs in planning, implementing, and providing program services. Identifying and analyzing successful program services at LEAs would help MDE compile best practices information and disseminate it to LEAs who would most benefit from the guidance to improve their student achievement.

Article VIII, Section 3 of the Michigan Constitution vests in the State Board of Education the leadership and general supervision over all public education, including OFS programs. As part of this responsibility, OFS provides technical assistance to LEAs for the programs that it administers. Our review of OFS's efforts to identify and disseminate best practices disclosed:

- a. OFS had not formally identified effective programs and practices during its on-site reviews at various LEAs for dissemination. Identification of effective programs and practices would enable OFS to have research-based program services and practices information to provide LEAs with similar needs and conditions.

OFS conducts on-site reviews for multiple reasons, including the identification of effective programs and practices for dissemination. OFS's on-site review tracking logs indicate that for the period October 2010 through February 2014, OFS's Regional Support and Special Populations Units conducted 564 on-site visits at various LEAs to monitor LEAs' compliance with federal and State

requirements, including the LEAs' self-evaluations of their programs to examine the impact on student success.

OFS informed us that its consultants informally identified effective programs and practices for dissemination to other LEAs. Also, OFS informed us that it requests LEAs with high student achievement to speak at conferences. However, OFS's dissemination of best practices should be formally made available to all LEAs.

- b. OFS did not analyze available student performance data for all of the programs that it administers. Analyzing student performance data would enhance OFS's ability to identify LEAs with high and low student achievement scores and make recommendations for improving the effectiveness and success of its programs.

Our review of OFS's efforts to use available information to identify LEAs with high and low student achievement scores disclosed that, for its Title III program, OFS used Annual Measurable Achievement Objectives (AMAOs) data to identify LEAs with successful Title III programs. AMAOs are the Title III district accountability standards for English language learners. Annually, MDE calculates the AMAOs, publishes the results on its Web site, and contacts each Title III LEA to notify it of its AMAO status. However, OFS did not analyze the available Michigan Educational Assessment Program (MEAP) test score data to identify LEAs with successful programs for its Title I, Title II, Title VI, Title X, Section 31a, and Section 41 programs.

MEAP is Michigan's general assessment for students in grades 3 through 9. MEAP is based on Michigan's Grade Level Content Expectations in reading, writing, mathematics, science, and social studies. Students are assessed in the fall of each year on the prior year's expectations. All students in grades 3 through 8 are assessed in reading and mathematics. In addition, grades 4 and 7 are assessed in writing, grades 5 and 8 are tested in science, and grades 6 and 9 are evaluated in social studies. Each year, MDE publishes MEAP test score results, including student achievement gaps between general students and targeted populations that OFS programs help support. These results may be sorted by grade level, subject, school building, and school district.

OFS informed us that it agrees MEAP test score data analysis would help identify successful programs and that it contacted the Center for Educational Performance and Information (CEPI) to obtain formatted MEAP data to meet OFS's needs. OFS also informed us that it did not analyze available MEAP test score data to identify high- and low-performing LEAs because it focused its efforts on assisting LEAs with the submission of their grant applications and monitoring the LEAs' compliance with program requirements.

### **RECOMMENDATION**

We recommend that OFS formally identify and analyze successful program services at LEAs to better assist other LEAs in planning, implementing, and providing program services.

### **AGENCY PRELIMINARY RESPONSE**

MDE provided us with the following response:

*OFS agrees with the recommendation.*

*OFS identified the need to formally collect and distribute promising practices with the districts served. A template "Promising Practices" has been developed to use during on site reviews and other visits for the collection of information highlighting effective programs and best practices observed. This document has been shared with consultants during OFS staff meetings and is currently being used by consultants to gather information on best practices observed in and out of state.*

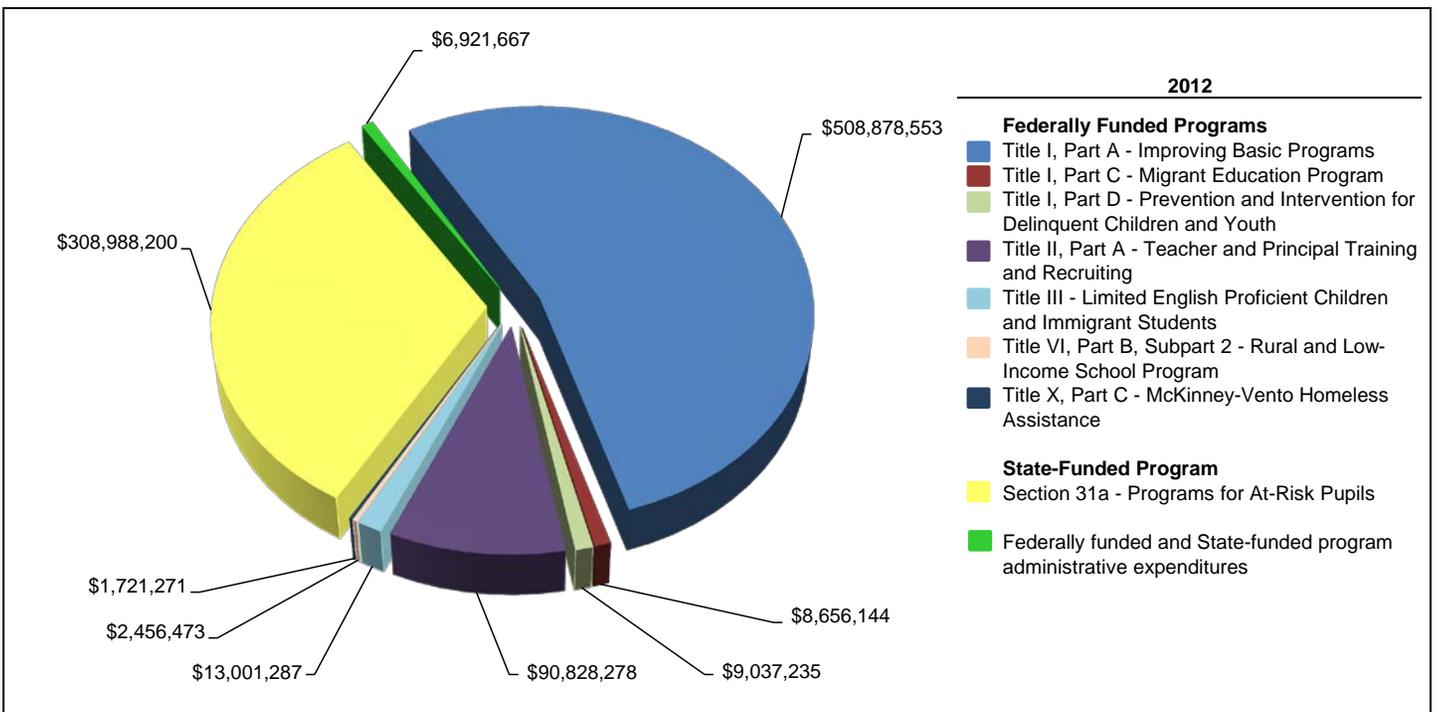
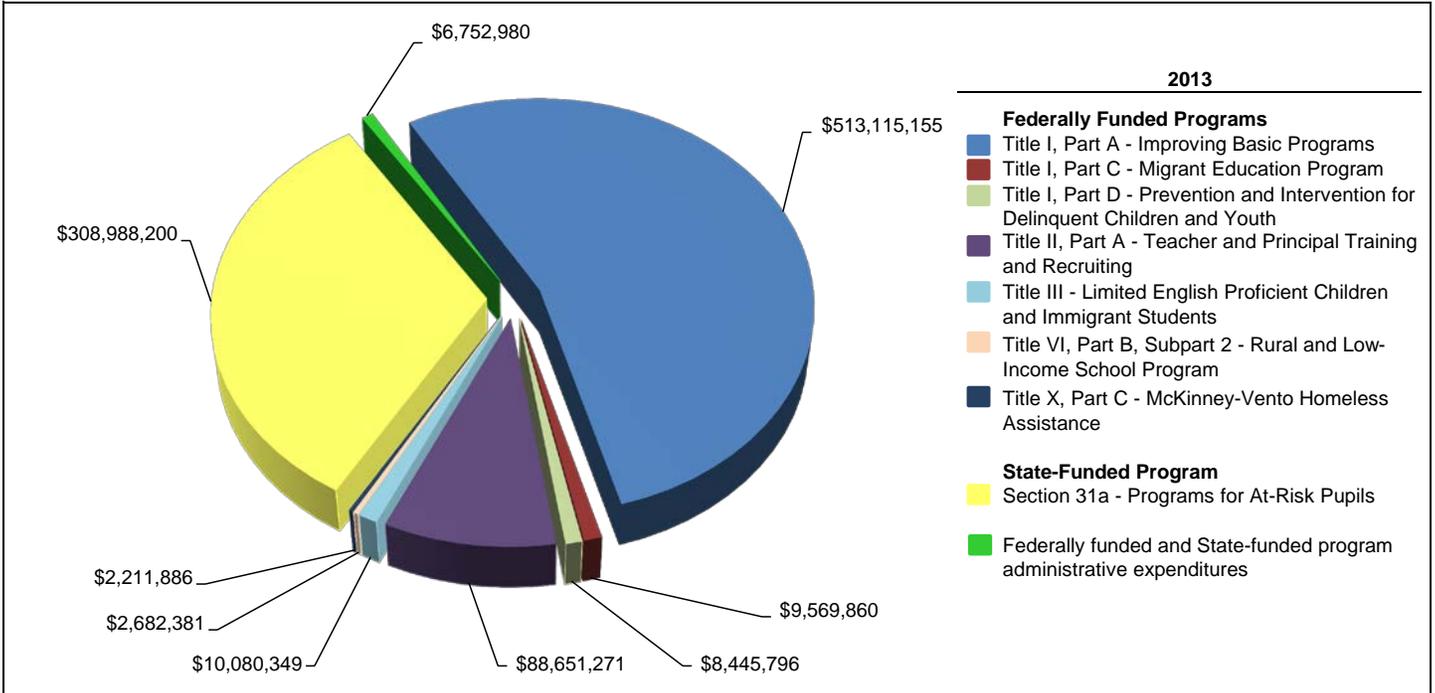
*OFS consultants have reviewed and are receiving training on best practices identified by MDE, supporting the Closing the Achievement Gap Initiative. Consultants have begun to disseminate this information to schools targeting those with needs that can be supported with the identified practices and strategies.*

*OFS will develop official procedures to further formalize the process for reviewing and disseminating best educational practices of which it becomes aware from both local and national observations and research.*

# SUPPLEMENTAL INFORMATION

OFFICE OF FIELD SERVICES  
Michigan Department of Education (MDE)

Grant Awards and Related Administrative Expenditures  
For the Fiscal Years Ended September 30, 2013 and September 30, 2012



Source: Auditor prepared based on information obtained from MDE's Cash Management System and the Michigan Administrative Information Network (MAIN).

# GLOSSARY

## Glossary of Abbreviations and Terms

<b>AMAO</b>	Annual Measurable Achievement Objective.
<b>effectiveness</b>	Success in achieving mission and goals.
<b>GEMS</b>	Grant Electronic Monitoring System.
<b>goal</b>	An intended outcome of a program or an entity to accomplish its mission.
<b>local educational agency (LEA)</b>	As defined in the federal Elementary and Secondary Educational Act (ESEA), a public board of education or other public authority legally constituted within a state for either administrative control or direction of, or to perform a service function for, public elementary schools or secondary schools in a city, county, township, school district, or other political subdivision of a state, or for a combination of school districts or counties that is recognized in a state as an administrative agency for its public elementary schools or secondary schools.
<b>material condition</b>	A matter that, in the auditor's judgment, is more severe than a reportable condition and could impair the ability of management to operate a program in an effective and efficient manner and/or could adversely affect the judgment of an interested person concerning the effectiveness and efficiency of the program.
<b>MDE</b>	Michigan Department of Education.
<b>MEAP</b>	Michigan Educational Assessment Program.
<b>mission</b>	The main purpose of a program or an entity or the reason that the program or the entity was established.

**OFS** Office of Field Services.

**performance audit** An audit that provides findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Performance audits provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.

**PMU** Project Management Unit.

**reportable condition** A matter that, in the auditor's judgment, is less severe than a material condition and falls within any of the following categories: an opportunity for improvement within the context of the audit objectives; a deficiency in internal control that is significant within the context of the audit objectives; all instances of fraud; illegal acts unless they are inconsequential within the context of the audit objectives; significant violations of provisions of contracts or grant agreements; and significant abuse that has occurred or is likely to have occurred.





