STATE OF MICHIGAN
DEPARTMENT OF EDUCATION
LANSING

RICK SNYDER
GOVERNOR

MICHAEL P. FLANAGAN
STATE SUPERINTENDENT

June 8, 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 Field Services Performance Audit (313-0300-14).

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
Dave Hildenbrand, Senate Appropriations Committee Chair
Al Pscholka, House Appropriations Committee Chair
Goeff Hansen, Senate Appropriations Sub-Committee Chair
Phil Potvin, House Appropriations Sub-Committee Chair
Ellen Jeffries, Senate Fiscal Agency
Mary Ann Cleary, House Fiscal Agency
Mike Flanagan, State Superintendent, MDE
Kyle Guerrant, Deputy Superintendent, MDE
Linda Forward, Interim Deputy Superintendent, MDE
Jane Schultz, Director, Office of Financial Management, MDE
Mike Radke, Director, Office of Field Services, MDE

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Michigan Department of Education
Summary Responses to Recommendations
Performance Audit of the Office of Field Services
November 2014
Revised April 2015

1. Audit recommendations the agency complied with:

   Finding 1, 2

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

   Findings 3, 4, 5, 6

3. Audit recommendations the agency disagrees with:
   None

OAG Performance Audit – Office of Field Services
Audit #313-0300-14

Finding #	Finding title	OAG Recommendation	Agency response	Update
1	On-Site Review Processes	We recommend that OFS continue to improve its on-site review processes.	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.	The GEMS monitoring system was delayed due to funding issues and staff turnover. Despite numerous attempts, it seems highly unlikely that GEMS can be used in 2014-15 for on-site reviews and likely will not be fixed in time to be used for 2015-16 on-site reviews. OFS has revised our old system of documenting and tracking using standard Microsoft applications and electronic filing of documents. OFS' On-Site Review protocols have been restructured and simplified to account for tracking the status of each On Site Review (OSR) for the 2014-2015 School Year. Following a version controlled Excel spreadsheet, the Master OSR tracking sheet is an actively worked control document that allows for point-in-time status review of all OFS Federally Titled Programs compliance monitoring efforts. OFS has implemented this procedure.
2	Fiscal Review Sampling Procedures	We recommend that OFS establish procedures to select samples of staff, expenditures, and inventory for its on-site fiscal reviews.	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	OFS modified procedures to include the following: • Expenditures – OFS will select a sample size of up to 40 transactions per fiscal monitor per grant; monitors have the discretion to increase the sample size if significant deficiencies

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			because staff, expenditures, and inventory vary by Local Educational Agency (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 sites and sample populations.	are identified in the original sample. • Payroll – OFS will select a sample size not to exceed 25 transactions. This sample will include a variety of positions (teachers, paraprofessionals, coaches) and funding levels (full or partially funded) by grant. • Inventory – OFS will review the list of schools within an LEA; a school building with more Title I purchased items will be selected. A sample from the inventory list is reviewed (which includes a variety of items not driven by cost). All items selected in the sample cost less than $5,000 per item.
3	Title X On-Site Review Tracking Log	We recommend that OFS enhance its process to include complete and accurate information on its Title X on-site review tracking log.	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	OFS has identified actions to be taken in follow up to 2013-14 Title X monitoring. Each action will be tracked until the monitoring findings have been resolved. The goal is to have all monitoring findings resolved within 12 months. The GEMS monitoring system was delayed due to funding issues and staff turnover. Despite numerous attempts, it seems highly unlikely that GEMS can be used in 2014-15 for on-site reviews and likely will not be fixed in time to be used for 2015-16 on-site reviews. OFS has revised our old system of documenting and tracking using standard Microsoft applications and electronic filing of documents.

Finding #	Finding Title	OAS Recommendation	Agency Response	Update
			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.	
4	Documentation of Consultant Independence	We recommend that OFS establish procedures to document the independence of its consultants prior to them conducting on-site reviews.	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.	OFS has met to establish procedures to document the independence of its consultants prior to conducting the on site review. A draft form has been created. Consultant independence will be established and documented prior to any monitoring visits this year.
5	On-Site Fiscal Reviews of All Programs	We recommend that OFS expand the scope of its on-site fiscal reviews to include all programs that it administers.	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	OFS continues to conduct fiscal on-site reviews of all Consolidated Application grant programs. OFS submitted a Current Services Baseline / Proposal for Change for FY16 requesting general funds which would be used to hire 4.0 FTEs program fiscal monitors and address the lack of State funding to effectively monitor these State programs. OFS is using federal funds this year to

Finding #	Finding title	OPA Recommendation	Agency Response	Update
			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.	monitor federal fiscal monitoring requirements. We will not be implementing the fiscal monitoring of state grants until the legislature appropriates funds to do this work as that would violate the supplement not supplant provisions of federal legislation and put federal funds at risk.
6	Identification and Analysis of Successful Program Services	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.	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 (OSRs) 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	OFS managers have met with all staff members in November and December 2014 and received staff input about 1) how to identify best/promising practices and ineffective practices; 2) how to disseminate best/promising practices to K-12 educators in ways that will increase the use of these practices; and 3) how to disseminate ineffective practices in ways to decrease the use of these practices. The OFS Management team will finalize these activities by March 2015. Implementation will begin in April 2015.

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			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.	