

Office of the Auditor General  
Performance Audit Report

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**Great Start Readiness Program**  
Michigan Department of Education

May 2017

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State of Michigan Auditor General  
Doug A. Ringler, CPA, CIA

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

*Article IV, Section 53 of the Michigan Constitution*

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Office of the Auditor General

## Report Summary

### Performance Audit

### Great Start Readiness Program (GSRP)

### Michigan Department of Education (MDE)

**Report Number:**  
313-0260-15

**Released:**  
May 2017

GSRP is Michigan's State-funded preschool program for four-year-old children who have factors which may place them at risk of educational failure. GSRP targets children whose families' annual incomes are equal to or less than 250% of the federal poverty level. MDE's Office of Great Start administers GSRP. MDE allocated \$631.9 million to intermediate school districts (ISDs) for GSRP providers in fiscal years 2014 through 2016.

Audit Objective			Conclusion
Objective #1: To assess MDE's compliance with selected GSRP application and allocation requirements.			Complied, with exceptions
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
Improved guidance to ISDs and verification by MDE are needed to address inconsistent estimation methodologies among ISDs for determining GSRP qualifying students. Numerous adjustments and reallocations of funding occurred in fiscal years 2014 and 2015, and a potential overestimate of 13,014 children in part-day classrooms and \$47 million in funding occurred in fiscal year 2016 ( <a href="#">Finding #1</a> ).	X		Agrees

Audit Objective			Conclusion
Objective #2: To assess the adequacy of MDE's efforts to evaluate the effectiveness of GSRP.			Adequate, with exceptions
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
A comprehensive process to evaluate the aggregate performance of GSRP students Statewide is needed. GSRP student assessment data gathered by ISDs was not fully used by MDE for Statewide evaluation of GSRP performance because of the lack of processes to capture, track, and store the data ( <a href="#">Finding #2</a> ).		X	Agrees
MDE needs to fully evaluate the results of the GSRP expansion. The breadth and timing of the expansion created significant challenges that, if not identified and addressed, could compromise future GSRP stability and performance ( <a href="#">Finding #3</a> ).		X	Agrees

Audit Objective			Conclusion
Objective #3: To assess the effectiveness of MDE's oversight of GSRP to ensure that a quality preschool is provided to eligible children.			Effective
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
None reported.			Not applicable.

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**Doug A. Ringler, CPA, CIA**  
Auditor General

May 11, 2017

Mr. Brian J. Whiston  
Chairman, ex officio, State Board of Education  
Superintendent of Public Instruction  
Michigan Department of Education  
John A. Hannah Building  
Lansing, Michigan

Dear Mr. Whiston:

I am pleased to provide this performance audit report on the Great Start Readiness Program, Michigan Department of Education.

We organize our findings and observations by audit objective. Your agency provided preliminary responses to the recommendations at the end of our fieldwork. The *Michigan Compiled Laws* and administrative procedures require an audited agency to develop a plan to comply with the recommendations and submit it within 60 days of the date above 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,

A handwritten signature in black ink that reads "Doug Ringler". The signature is written in a cursive, flowing style.

Doug Ringler  
Auditor General



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# AUDIT OBJECTIVES, CONCLUSIONS, FINDINGS, AND OBSERVATIONS

# GSRP APPLICATION AND ALLOCATION REQUIREMENTS

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## BACKGROUND

The Michigan Department of Education (MDE) requires intermediate school districts (ISDs) to submit an annual application providing an estimate of the number of potentially qualifying students and need for preschool classrooms to receive Great Start Readiness Program (GSRP) funding. ISDs complete the application in conjunction with GSRP providers. A child qualifies for GSRP if he/she is four years old and living with a family whose income is equal to or less than 250% of the federal poverty level (FPL). MDE requires ISDs to estimate their need for GSRP funds based on a part-day\* classroom (slot), with two slots being the equivalent of a school-day\*. MDE's GSRP funding allocation process considers both the current year request based on the ISDs' estimated number of potentially qualifying students and the prior year's actual students served. Upon the passage of the annual State School Aid Act of 1979, which identifies the amount of funding by slot, MDE allocates the available amount by a procedure specified in the Act. MDE annually distributes the allocations to ISDs via 11 State aid payments for the fiscal year beginning in October. The funding for each slot was \$3,625 in fiscal years 2014, 2015, and 2016.

## AUDIT OBJECTIVE

To assess MDE's compliance with selected GSRP application and allocation requirements.

## CONCLUSION

Complied, with exceptions.

## FACTORS IMPACTING CONCLUSION

- MDE's review of ISD applications for GSRP funding was consistent with established procedures.
- Slot allocations, distribution of funds, and required adjustments for fiscal year 2015 were consistent with the formula and procedures required by the applicable annual State School Aid Act of 1979.
- Fiscal year 2015 allocations that we judgmentally selected appropriately reconciled with the final allocation listing.
- Material condition\* related to MDE's guidance to ISDs for estimating qualifying students and MDE's verification of ISD estimates.

\* See glossary at end of report for definition.

## **FINDING #1**

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### **Guidance and verification for GSRP student estimates need improvement.**

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MDE needs to improve its guidance to ISDs for estimating the number of potentially qualifying students when seeking GSRP funding. MDE also needs to improve its verification of ISDs' estimates of qualifying students and related funding. Inconsistent and unreliable estimates from ISDs contributed to the need for MDE to make numerous adjustments and reallocations of GSRP funds in fiscal years 2014 and 2015, and potentially significant overestimates occurred in fiscal year 2016 allocations.

MDE provides GSRP funding using a formula contained in Section 39 of the State School Aid Act of 1979, as amended. The Act requires ISDs receiving GSRP funding to submit a pre-application in the form and manner prescribed by MDE that includes estimates of the number of potentially qualifying students in the ISD's service area.

We reviewed the estimation methods for 5 judgmentally selected applications. In addition, we evaluated MDE's validation of ISD estimates of potentially qualifying students that lived with families with a household income that was equal to or less than 250% of the FPL. We noted:

- a. Three (60%) of the 5 ISDs incorporated distinctive variations to estimate potentially qualifying students which could lend to inconsistent and inaccurate estimates and potential misallocations of GSRP funding. These included:
  - (1) ISD "A" used the average of kindergarten population eligible for free lunch, plus 10% allowed who are over the 250% of FPL, less the estimated count in developmental kindergarten who are not age eligible.
  - (2) ISD "B" used the total age-eligible children from Michigan birth rate data, less Head Start eligible children, times the average percentage eligible for reduced lunch, plus the estimate of age eligible children in single parent households.
  - (3) ISD "C" used the prior three-year average kindergarten population (public and private schools) times the prior three-year average percentage eligible for free lunch.
- b. MDE did not have a sound process to validate the ISDs' estimates of qualifying students. MDE consultants reviewed the ISDs' estimates for reasonableness using the ISDs' prior year activity and estimates for the expansion of CBO providers. However, MDE did not use an external source to corroborate the 250% of FPL population of eligible children.

In February 2016, we obtained from MDE a Statewide demographic estimate of potentially qualifying students based on annual information collected by the U.S. Census

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75% of ISD 2016 population estimates could be inaccurate.

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Bureau for families at or less than 250% of the FPL. MDE compared the estimate, as provided by the State demographer, with the estimates that the ISDs provided on their fiscal year 2016 GSRP funding applications for which allocations started in October 2015. MDE determined that 40 (75%) of the 53 ISDs' estimates exceeded the demographic estimate in amounts ranging from 2% to 73% for fiscal year 2016. This represented a potential overestimate of 13,014 needed GSRP slots and \$47 million in requested funding, which could have required a redistribution of funds.

## RECOMMENDATIONS

We recommend that MDE improve its guidance to ISDs for estimating the number of potentially qualifying students when seeking GSRP funding.

We also recommend that MDE continue to improve its verification of ISDs' estimates of qualifying students and related funding.

## AGENCY PRELIMINARY RESPONSE

MDE provided us with the following response:

*MDE agrees with the recommendations.*

*It is important to note that during the audit period, MDE began taking action steps to address a core issue that contributed to variance in ISDs' population estimates and inability of MDE to verify ISDs' estimates.*

- *MDE established an advisory workgroup of external stakeholders to thoroughly review the GSRP formula, including the community needs assessment, which convened regularly from December 2015 to September 2016. The workgroup and MDE agreed that a single valid and reliable data source was needed to remedy the use of multiple processes by ISDs in determining population estimates. MDE utilized the expertise of the DTMB State Demographer to examine the various population data sources that currently exist and to analyze pros/cons of each to reach a decision to begin to utilize the most recent U.S. Census, American Community Survey (ACS) dataset and to obtain a customized tabulation report for population counts for children eligible for the program for each ISD.*
- *MDE has purchased a report of the most recent ACS dataset for implementation for the fiscal year 2018.*
- *MDE will prepopulate the ISD applications with the number of program eligible children identified in the ACS report. This process will better ensure accountability and use of GSRP funding Statewide.*

*Because of MDE changing the process and prepopulating the total number of four-year-old children eligible for the program within the Community Needs Assessment and Application*

*(CNAA), there is no need for MDE to improve guidance to the ISDs for estimating the number of potentially qualifying student or verification of ISD estimates.*

## EVALUATION OF GSRP EFFECTIVENESS

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### **BACKGROUND**

MDE requires early childhood specialists (ECSs) to evaluate all GSRP classrooms three times annually using a preschool performance quality assessment\* (PQA) tool. The PQA is a rating instrument designed to evaluate the classroom quality in regard to the learning environment, daily routine, adult-child interaction, parent involvement and family services, and staff qualifications and development. PQA results are available online for MDE's review.

### **AUDIT OBJECTIVE**

To assess the adequacy of MDE's efforts to evaluate the effectiveness\* of GSRP.

### **CONCLUSION**

Adequate, with exceptions.

### **FACTORS IMPACTING CONCLUSION**

- The HighScope Educational Research Foundation, an MDE vendor, completed a 1995 through 2011 longitudinal study on high school graduation and grade retention of GSRP students.
- In 2012, the HighScope Educational Research Foundation began a new longitudinal study with participation from five ISDs to determine GSRP's impact on young children's learning.
- Required classroom PQA evaluations were performed for all five ISDs we selected.
- Reportable condition\* related to the need for MDE to develop and implement a comprehensive process to evaluate the aggregate performance of GSRP students Statewide.
- Reportable condition related to the need for MDE to fully evaluate the results of the GSRP expansion.

\* See glossary at end of report for definition.

## FINDING #2

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### Evaluation of the aggregate performance of GSRP students Statewide needed.

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Student aggregate assessments were not available for Statewide evaluation because of the lack of processes to capture, track, and store GSRP student assessment data in MSDS.

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MDE needs to develop and implement a comprehensive process to evaluate the aggregate performance of GSRP students on a Statewide basis. The evaluation would permit MDE to analyze correlations between student performance and classroom quality and review patterns of success and shortcomings of all GSRP students.

MDE's goal\* for GSRP is to ensure a high-quality learning experience so that children enter kindergarten prepared for success.

MDE allowed providers to choose from several MDE-approved child assessment tools that provided information across all domains identified by the Early Childhood Standards of Quality for Prekindergarten. This use of varying assessment tools limited the useful comparison of aggregated student performance across providers, ISDs, and Statewide.

We noted:

- a. MDE had not developed a standardized method to capture, track, and store GSRP student evaluation data. We determined that GSRP teachers typically used online tools and data storage available through curriculum companies to record and track individual student assessment and ISDs were able to use this data to analyze and compare students within the ISD with the assistance of the assigned ECS. However, MDE did not collect and compare the student assessment data already captured to evaluate aggregated student performance Statewide. Without aggregated student assessment data, MDE is limited in its ability to correlate student performance with classroom quality.
- b. MDE did not have a process to incorporate all GSRP student assessment records into the Michigan Student Data System\* (MSDS). MDE relied on ISDs to maintain student records, as providers did not have access to input student assessment data into MSDS. During GSRP application and enrollment, ISDs collected student identifying information; however, as noted in part a., student assessment data was not in a standardized format and, therefore, could not be incorporated into MSDS. For cases in which families relocated or preschool attendance was within a different ISD, no process existed to ensure that kindergarten teachers and their local educational agencies (LEAs) received records reflecting GSRP student assessments.

All Michigan public school students have a unique identification code (UIC) to enable accurate and

\* See glossary at end of report for definition.

consistent tracking of assessment, enrollment, demographic, and program participation data within MSDS. Application of the UIC in MSDS for GSRP student assessment records would enhance the ability of kindergarten teachers to readily access their students' records, identify student strengths and weaknesses, and plan more effectively for student transitions into their classrooms. Further, MDE and the ISDs would have the ability to enhance guidance to schools to ensure GSRP consistency and to track the students for future longitudinal studies of student outcomes\*.

A complete evaluation of all GSRP students will help MDE to better evaluate the students within an ISD or within the larger Statewide program.

## **RECOMMENDATION**

We recommend that MDE develop and implement a comprehensive process to evaluate the aggregate performance of GSRP students on a Statewide basis.

## **AGENCY PRELIMINARY RESPONSE**

MDE provided us with the following response:

*MDE agrees with the recommendation.*

*MDE relies on several systems to capture data for program and child evaluation purposes. MDE began taking action steps to assess if and how data from those systems can be linked together to be able to evaluate the aggregate performance of GSRP students.*

- *To address the lack of ability to correlate child assessment data with classroom quality, in January 2017, MDE staff initiated a review of the program assessment system (i.e., OnlinePQA) with the Statewide evaluator to do exploration and requirements gathering for being able to link data from the OnlinePQA system with data from the child assessment data systems being used by local GSRP partners. This process identified the main barrier being that a common field does not exist across systems to be able to create the electronic link needed between individual child assessment data and the program quality data.*
- *MDE will be conducting an open competition for the Statewide evaluation of GSRP grant in the summer of 2017. It will include as part of the grant criteria, and subsequent Scope of Work plan for fiscal year 2018, additional tasks to continue work on problem-solving a resolution to this finding so that reporting can be done on the aggregate performance of GSRP students.*

## **FINDING #3**

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### **Improvements needed in GSRP expansion evaluation.**

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MDE needs to fully evaluate the results of the GSRP expansion to ensure the changes did not negatively impact GSRP performance.

The Legislature provided additional funding of \$130 million in fiscal years 2014 and 2015 which expanded GSRP and mandated various changes as follows:

- Reduced pupil eligibility from 300% of the FPL and required ISDs to ensure that 90% of GSRP children were living in households at 250% of FPL or less.
- Required ISDs to rank all applications by household income from lowest to highest, divide the applications into quintiles based on how far the child's household income is below 250% of FPL, and enroll those children with the lowest household income first.
- Required inclusion of CBOs as GSRP providers for 30% of the total pupil slots.
- Required all GSRP sites to achieve a minimal three-star rating (per Great Start to Quality standards).
- Increased the per-slot allowance from \$3,400 to \$3,625.

The GSRP expansion created immediate needs for additional teachers; specialized training and coaching; increased data collection and analysis; expanded administrative support; and community coordination between the ISDs and stakeholders. The breadth and timing of these changes created significant challenges that, if not identified and addressed, could compromise future GSRP stability and performance. As GSRP has only one opportunity to engage with children at this formative time of their lives, it is imperative that GSRP incorporate the most consistent and effective practices available.

Sound program management includes monitoring and evaluating program performance to ensure that the program meets its purpose and strategic goals. Likewise, the effectiveness of the GSRP expansion should be evaluated to accurately gauge GSRP's progress toward its goals and expectations.

Our site visits and analysis of five ISDs identified the following concerns:

- a. MDE did not perform an analysis comparing part-day, school-day, or GSRP/Head Start blended\* classrooms

\* See glossary at end of report for definition.

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The GSRP expansion trended toward school-day classrooms and increased costs per child; projections for the number of children served were not met.

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to determine the effect that classroom options had on program outcomes. Although publicized projections indicated that the expansion would enroll an additional 32,000 children in part-day classrooms, the expansion resulted in only a 43% growth of children served and trended toward school-day classrooms. Classroom options significantly shifted from part-day length to school-day length, with more children either participating in GSRP or in the blended GSRP/Head Start classroom for a school-day. Whereas 36% of GSRP children were enrolled in school-day sessions in 2013, 76% were enrolled in school-day sessions during 2015. The blended GSRP/Head Start classrooms grew from 84 in 2013 to 346 in 2015, an increase of 312%. Also, the average costs per child increased from \$4,619 in fiscal year 2013 (prior to the expansion) to \$5,904 in fiscal year 2015.

The State School Aid Act of 1979 allows for three types of GSRP classrooms: part-day, school-day, and GSRP/Head Start blended. It is reasonable to assume, and research suggests, that differing hours in the classroom or different services produce different outcomes. An analysis is needed to determine if the changes in classroom trends and program costs are allowing MDE to achieve GSRP goals.

- b. MDE did not analyze the differences of LEA and CBO classrooms to determine if the expansion resulted in unfavorable consequences to program quality and consistency. We noted:

- (1) The expansion changed teacher qualification requirements for ISDs and LEAs to match those already in place for CBOs.
- (2) Providers with the lowest one-third in classroom performance (ranked by total PQA assessment score) were disproportionately represented by CBO providers. Although CBOs comprised 39% of the total classroom assessments, they accounted for 58% of the lowest-scoring.

ISD representatives informed us that lower assessment scores often result from inexperience with the curriculum, changes in either the lead or associate teacher, or physical aspects of the classroom.

- (3) GSRP teaching experience and pay varied significantly between lead teachers working for a CBO and those employed by either an ISD or LEA.

The five ISDs that we visited reported that 48% of their LEA classroom lead teachers and 63% of the CBO classroom lead teachers had 2 years or less of GSRP teaching experience in 2013. In 2015, reflecting the

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CBOs accounted for 58% of the lowest PQA assessment scores.

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increase in classrooms, the same ISDs reported 47% of LEA and 73% of CBO lead teachers with 2 years or less of GSRP teaching experience.

From our selection of five ISDs, based on reported pay, program hours per week, and total weeks of the program duration, we noted a disparity of average hourly rates as follows:

<u>Fiscal Year</u>	<u>Average CBO</u>	<u>Average LEA</u>	<u>% Difference</u>
2013	\$24	\$33	38%
2014	\$21	\$30	43%
2015	\$19	\$30	58%

Because of the disparity in pay, ISD staff informed us that a great incentive exists among lead teachers in lower-paying CBOs to seek positions in public elementary schools. This results in high turnover, which in turn disrupts consistency in the classrooms, a key part of the GSRP model that relies on the teamwork of lead and associate teachers to implement the program effectively.

**RECOMMENDATION**

We recommend that MDE fully evaluate the results of the GSRP expansion.

**AGENCY PRELIMINARY RESPONSE**

MDE provided us with the following response:

*MDE agrees with the recommendation. MDE will continue active evaluation efforts to fully evaluate GSRP expansion at the state level.*

- *It is important to note that MDE began taking action to fully evaluate the GSRP expansion change requiring inclusion of CBOs as GSRP provider for 30% of the total pupil slots. In 2014, MDE submitted programming changes for the MEGS+ system so that ISDs would need to identify each GSRP provider by type (i.e., district vs CBO), including subcategories, so that an annual report to the Legislature could be developed on Statewide aggregate, and by ISD, slot distribution and percentages. However, program quality assessment data and provider type are collected in two different systems that do not have a common field to electronically link the data. MDE will be conducting an open competition for the Statewide evaluation of GSRP grant in the summer of 2017. It will include as part of*

*the grant criteria, and subsequent Scope of Work plan for fiscal year 2018, additional tasks to continue work on problem-solving a resolution to this finding so that reporting can be done on the aggregate program performance by provider type.*

- *MDE also began taking action to fully evaluate the GSRP expansion changes related to income eligibility and prioritizing enrollment based on quintiles. In 2016, MDE staff submitted programming changes for MSDS Spring Data Collection so that ISDs would need to identify for each child served, the income eligibility quintile within which he/she qualifies, as well as if the child is qualifying under the categories of child with an IEP, homeless and/or in foster care. These programming changes will be implemented in time for the fiscal year 2018 MSDS Spring Data Collection period.*
- *MDE also began taking action to fully evaluate the GSRP expansion change related to the provider eligibility factor of achieving a minimal three-star rating within the Great Start to Quality system. The data is housed within two systems and there was an electronic linking field (i.e., child care license number) within the two systems. This has allowed MDE, since 2014, to ensure through its formal ISD monitoring system that all GSRP providers are achieving a minimal three-star rating. MDE will be conducting an open competition for the Statewide evaluation of GSRP grant in the summer of 2017. It will include as part of the grant criteria, and subsequent Scope of Work plan for fiscal year 2018, additional GSRP expansion reporting based on star-ratings.*
- *MDE has not conducted a data analysis on program options (i.e., part-day, school-day, GSRP/Head Start Blend) since 2001. Noting the substantial shift in the prevalence of program options funded by ISDs during GSRP expansion years, MDE will include as part of the grant criteria, and subsequent Scope of Work plan for fiscal year 2018 resulting from the open competition for the Statewide evaluation of GSRP grant in summer 2017, additional GSRP expansion reporting based on program options.*

## **MDE'S OVERSIGHT OF GSRP**

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### **BACKGROUND**

MDE employs four education consultants to assist ISDs across the State to provide a high-quality preschool program. MDE also employs one auditor to perform fiscal reviews of GSRP providers. MDE established a monitoring process in fiscal year 2014 to review the administrative and fiscal records of the ISDs, as well as to conduct direct observation of selected classrooms authorized by the ISD to ensure compliance with State policies and program requirements. These site visits provide MDE the opportunity to assist ISDs in overall program improvement, if necessary.

### **AUDIT OBJECTIVE**

To assess the effectiveness of MDE's oversight of GSRP to ensure that a quality preschool is provided to eligible children.

### **CONCLUSION**

Effective.

### **FACTORS IMPACTING CONCLUSION**

- The GSRP implementation manual provides appropriate guidance to assist ISDs performing monitoring of GSRP providers.
- 98% of 204 children we tested at 5 selected ISDs met eligibility requirements.
- MDE conducted 21 ISD fiscal reviews and 19 on-site ISD program monitoring reviews in fiscal years 2014 and 2015 and planned to continue additional reviews in fiscal year 2016.

## DESCRIPTION

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GSRP resides within MDE. GSRP's purpose is to promote at-risk preschool children's readiness for school and life success. GSRP is intended to provide high-quality learning environments and encourage parent involvement. Research indicates that children who are provided with a high-quality preschool experience show significant positive developmental differences when compared with children from the same backgrounds who did not attend a high-quality preschool program. In fiscal year 2016, GSRP served 38,770 children.

The Office of Great Start within MDE is responsible for administering GSRP. Major responsibilities include:

- Distributing funds to ISDs based on the number of GSRP eligible children enrolled in the district.
- Reviewing all ISD applications to ensure each application is based on aggregated data from the ISD service area and a community collaboration plan.
- Providing ISDs with technical assistance for administering a high-quality program.
- Conducting program and fiscal monitoring to ensure ISD oversight and monitoring of GSRP provider procedures and practices.

MDE allocated \$631.9 million of GSRP funding to 56 ISDs in fiscal years 2014 through 2016.

GSRP had approximately 8 full-time equated positions as of September 30, 2016.

## AUDIT SCOPE, METHODOLOGY, AND OTHER INFORMATION

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### AUDIT SCOPE

To examine MDE activities and other records regarding the distribution of funds, monitoring of recipients, and evaluation of GSRP. 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.

### PERIOD

Our audit procedures, which included a preliminary survey, audit fieldwork, report preparation, analysis of agency responses, and quality assurance, generally covered October 1, 2012 through January 31, 2016.

### METHODOLOGY

We conducted a preliminary survey to obtain an understanding of legislative requirements, MDE's review of ISD applications for GSRP funding, distribution of annual funds, on-site monitoring, and overall evaluation of the program in order to establish our audit objectives and methodology. As part of our preliminary survey, we:

- Interviewed MDE's GSRP management and staff.
- Reviewed applicable laws, regulations, policies, and procedures.
- Analyzed classroom quality assessment reports.
- Reviewed MDE's GSRP expenditures.

### OBJECTIVE #1

To assess MDE's compliance with selected GSRP application and allocation requirements.

To accomplish this objective, we:

- Reviewed MDE's GSRP application process to determine reasonableness and consistency.
- Reviewed allocation calculations for fiscal year 2015.
- Judgmentally selected 6 of 56 ISDs and verified that fiscal year 2015 allocation calculations were made in accordance with legislation. The ISDs were selected

\* See glossary at end of report for definition.

based on poverty rankings to determine that MDE followed the quintile requirements to allocate funding based on how far a family's household income level is below 250% of FPL.

- Reconciled a judgmental selection of 6 of 56 ISD fiscal year 2015 calculations with final allocation listings. We reviewed the same 6 ISDs selected in the previous bullet.

We could not project our judgmental selections to the entire population because of ISD demographic variances.

## **OBJECTIVE #2**

To assess the adequacy of MDE's efforts to evaluate the effectiveness of GSRP.

To accomplish this objective, we:

- Reviewed PQA evaluations for 5 of 56 judgmentally selected ISDs. The ISDs were selected based on a representation of character (rural/urban/size) and the expansion risks of CBO growth and slot growth. Thus, we could not project our results to the entire population.
- Compared the pay rates of CBO and LEA/ISD lead teachers.
- Compared the number of GSRP children enrolled in school-day and blended classrooms before and after the GSRP expansion.
- Reviewed the average costs per GSRP student prior to and after the GSRP expansion.

## **OBJECTIVE #3**

To assess the effectiveness of MDE's oversight of GSRP to ensure that a quality preschool is provided to eligible children.

To accomplish this objective, we used the judgmentally selected 5 of 56 ISDs in Objective #2 and:

- Performed on-site visits to review ISD monitoring of GSRP providers.
- Reviewed student files for GSRP eligibility and compliance.
- Reviewed MDE's protocol and working papers of program monitoring reviews.

Our judgmental selection could not be used to project the results to the entire population.

**CONCLUSIONS**

We base our conclusions on our audit efforts and any resulting material conditions or reportable conditions.

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

**AGENCY RESPONSES**

Our audit report contains 3 findings and 4 corresponding recommendations. MDE's preliminary response indicates that it agrees with all of the recommendations.

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 an audited agency to develop a plan to comply with the 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.

**PRIOR AUDIT FOLLOW-UP**

Following is the status of the reported findings from our March 2005 performance audit of the Michigan School Readiness Program, Michigan Department of Education (31-260-04):

Prior Audit Finding Number	Topic Area	Current Status	Current Finding Number
1	Program Success	Rewritten	2
2	Program Monitoring Procedures	Complied	Not applicable
3	Application Submission	Complied	Not applicable
4	Database Controls	Complied	Not applicable

## **GLOSSARY OF ABBREVIATIONS AND TERMS**

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<b>CBO</b>	community based organization.
<b>ECS</b>	early childhood specialist.
<b>effectiveness</b>	Success in achieving mission and goals.
<b>FPL</b>	federal poverty level.
<b>goal</b>	An intended outcome of a program or an entity to accomplish its mission.
<b>GSRP</b>	Great Start Readiness Program.
<b>GSRP/Head Start blended</b>	A part-day program funded under section 32d. of the State School Aid Act of 1979 and a federally funded Head Start program, which are combined for a school-day program.
<b>ISD</b>	intermediate school district.
<b>LEA</b>	local educational agency.
<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>Michigan Student Data System (MSDS)</b>	A system of student information maintained by the Center for Educational Performance and Information (CEPI).
<b>outcome</b>	An actual impact of a program or an entity.
<b>part-day</b>	A GSRP classroom that operates at least 4 days per week, 30 weeks per year for at least 3 hours of teacher-child contact time per day, but for fewer hours of teacher-child contact time per day than a school-day program.

<b>performance audit</b>	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.
<b>Performance Quality Assessment (PQA)</b>	A system that evaluates whether teachers and agencies implement effective program practices.
<b>reportable condition</b>	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.
<b>school-day</b>	A GSRP classroom that operates for at least the same length of day as a district's first grade program for a minimum of 4 days per week, 30 weeks per year.
<b>UIC</b>	unique identification code.











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