

**Office of the Auditor General**  
Follow-Up Report on Prior Audit Recommendations

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

June 2020

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The auditor general may make investigations pertinent to the conduct of audits.

*Article IV, Section 53 of the Michigan Constitution*

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Office of the Auditor General

## Report Summary

### *Follow-Up Report*

### *Great Start Readiness Program (GSRP)*

### *Michigan Department of Education (MDE)*

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

**Released:**  
**June 2020**

We conducted this follow-up to determine whether MDE had taken appropriate corrective measures in response to the one material condition noted in our May 2017 audit report.

Prior Audit Information	Follow-Up Results		
	Conclusion	Finding	Agency Preliminary Response
<p>Finding #1 - Material condition.</p> <p>Guidance and verification for GSRP student estimates need improvement.</p> <p>Agency agreed.</p>	Complied		Not applicable

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# OAG

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

June 16, 2020

Dr. Michael F. Rice  
Chair, ex officio, State Board of Education  
Superintendent of Public Instruction  
Michigan Department of Education  
John A. Hannah Building  
Lansing, Michigan

Dear Dr. Rice:

This is our follow-up report on the material condition (Finding #1) and two corresponding recommendations reported in the performance audit of the Great Start Readiness Program, Michigan Department of Education. That audit report was issued and distributed in May 2017. Additional copies are available on request or at [audgen.michigan.gov](http://audgen.michigan.gov).

We appreciate the courtesy and cooperation extended to us during our follow-up. If you have any questions, please call me or Laura J. Hirst, CPA, Deputy Auditor General.

Sincerely,

Doug Ringler  
Auditor General



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# INTRODUCTION, PURPOSE OF FOLLOW-UP, AND PROGRAM DESCRIPTION

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## INTRODUCTION

This report contains the results of our follow-up of the material condition\* (Finding #1) and two corresponding recommendations reported in our performance audit\* of the Great Start Readiness Program (GSRP), Michigan Department of Education (MDE), issued in May 2017.

## PURPOSE OF FOLLOW-UP

To determine whether MDE had taken appropriate corrective measures to address our corresponding recommendations.

## PROGRAM DESCRIPTION

GSRP is Michigan's State-funded preschool program for four-year-old children with factors which may place them at risk of educational failure. The Office of Great Start within MDE is responsible for administering GSRP. MDE allocates funding to each intermediate school district (ISD) to administer GSRP locally.

MDE requires ISDs to submit an annual application providing an estimate of the number of potentially qualifying students and need for preschool classrooms to receive GSRP funding. 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. As of January 15, 2020, the federal poverty level for a family of four was \$26,200. MDE's GSRP funding allocation process considers both the current year request, which is based on demographic information from the U.S. Bureau of Census' (Census Bureau's\*) American Community Survey, and the prior year's actual students served. The 56 ISDs are provided \$7,250 for each child in a school-day\* program and \$3,625 for children in a part-day\* program.

For fiscal year 2020, MDE was appropriated \$249.6 million for GSRP. During fiscal year 2019, GSRP served 37,240 children (see supplemental information).

As of March 16, 2020, GSRP had approximately 9 full-time equated positions.

\* See glossary at end of report for definition.



# PRIOR AUDIT FINDING AND RECOMMENDATIONS, AGENCY PLAN TO COMPLY, AND FOLLOW-UP CONCLUSION

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## FINDING #1

Audit Finding Classification: Material condition.

Summary of the May 2017 Finding:

MDE needed to ensure that all ISDs use similar formats for estimating the number of students who qualify for GSRP and validate those estimates with information from an external source.

MDE provided GSRP funding using a formula contained in Section 39 of the State School Aid Act of 1979, as amended. The Act required ISDs to submit a pre-application form that included estimates of the number of the potentially qualifying students. Our review of 5 applications and MDE's validation of ISD estimates of potentially qualifying students who lived with families whose household income was equal to or less than 250% of the federal poverty level disclosed:

- a. Three of the 5 ISDs incorporated distinctive variations to estimate potentially qualifying students which could lead to inconsistent and inaccurate estimates and potential misallocations of GSRP funding.
- b. MDE did not have a sound process to validate the ISDs' estimates of qualifying students. Potential overestimates of qualifying students by the ISDs represented approximately \$47 million in requested funding, which could have required a redistribution of funds.

Recommendations Reported in May 2017:

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

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

## AGENCY PLAN TO COMPLY\*

On July 11, 2017, MDE indicated that it was taking steps to comply with the finding. Specifically, MDE indicated that:

- In March 2017, MDE purchased a report from the Census Bureau, which estimated the number of children age 3 and age 4 by ISD who live with families whose income was equal to or below 250% of the poverty level. The estimate was based on 2015 data.

\* See glossary at end of report for definition.

- Starting with the fiscal year 2018 funding, MDE prepopulated the funding applications with the counts of children obtained from the Census Bureau. These amounts were frozen so the ISDs could not change the numbers.
- GSRP staff completed internal quality checks to ensure the accuracy of the information used for ISD funding. These checks included comparing Census Bureau data with the prepopulated counts on the application and GSRP staff reviewing requests for funding compared with prior year allocations.

**FOLLOW-UP  
CONCLUSION**

Complied.

Our review noted:

- MDE purchased data from the Census Bureau that identified 3-year-old and 4-year-old children who live at or below 250% of the federal poverty level.
- MDE prepopulated the funding applications for fiscal years 2018 through 2020 with counts from the Census Bureau for the number of children from families who live at or below 250% of the federal poverty level. Therefore, ISDs are no longer required to estimate this number themselves.
- For the 5 judgmentally selected ISDs we reviewed, the estimated number of students identified on the funding application as living with families whose income was equal to or less than 250% of the federal poverty level equaled totals identified by the Census Bureau.
- MDE created methods of reviewing the funding allocations to minimize the potential for redistributing funds within the application process. For fiscal year 2020, MDE redistributed approximately \$431,000.
- Not all ISDs had the capability to serve each student whose family income was equal to or less than 250% of the federal poverty level. This was often caused by a lack of available classroom space for the GSRP in the ISD and/or a lack of community partners. Our review of qualifying children data for fiscal year 2019 is presented as supplemental information.

# SUPPLEMENTAL INFORMATION

## GREAT START READINESS PROGRAM (GSRP)

Michigan Department of Education

Qualifying Children Data for Fiscal Year 2019

Intermediate School District (ISD)	2015 Census Bureau Data for the Number of 4-Year- Old Children Living With Families Whose Income Is Equal to or Less Than 250% of the Poverty Level	Number of Qualifying Children Funding Requested for on GSRP Applications	Number of Qualifying Children Served by a GSRP	Difference Between Qualifying Children Funding Requested and Served by a GSRP
1 Allegan Area Educational Service Agency	530	296	290	6
2 Alpena-Montmorency-Alcona Educational Service District	185	185	167	18
3 Barry ISD	269	143	132	11
4 Bay-Arenac ISD	810	769	519	250
5 Berrien Regional Education Service Agency	1,275	1,148	526	622
6 Branch ISD	345	141	140	1
7 Crawford Oscoda Ogemaw Roscommon ISD	405	331	293	38
8 Calhoun ISD	1,470	981	853	128
9 Charlevoix-Emmet ISD	450	296	259	37
10 Cheboygan-Otsego-Presque Isle Educational Service District	560	253	211	42
11 Clare-Gladwin Regional Education Service District	415	303	308	(5)
12 Clinton County Regional Educational Service Agency	270	222	220	2
13 Copper Country ISD	320	134	122	12
14 Delta-Schoolcraft ISD	315	165	110	55
15 Dickinson-Iron ISD	209	115	80	35
16 Eastern Upper Peninsula ISD	375	207	145	62
17 Eaton Regional Education Service Agency	345	264	266	(2)
18 Genesee ISD	3,340	2,293	2,273	20
19 Gogebic-Ontonagon ISD	125	48	46	2
20 Gratiot-Isabella Regional Education Service District	705	567	278	289
21 Hillsdale County ISD	425	310	245	65
22 Huron ISD	250	217	114	103
23 Ingham ISD	2,465	2,184	1,290	894
24 Ionia County ISD	570	276	279	(3)
25 Iosco Regional Educational Service Agency	200	178	130	48
26 Jackson County ISD	1,035	746	718	28
27 Kalamazoo Regional Educational Service Agency	1,610	1,430	1,277	153
28 Kent ISD	4,285	4,140	3,176	964
29 Lapeer County ISD	440	216	212	4
30 Lenawee County ISD	690	371	328	43
31 Lewis Cass ISD	250	160	146	14
32 Livingston Educational Service Agency	585	361	340	21
33 Macomb ISD	4,940	2,818	2,054	764
34 Manistee ISD	155	128	57	71
35 Marquette-Alger Regional Educational Service Agency	340	118	94	24
36 Mecosta-Osceola ISD	485	368	272	96
37 Menominee ISD	103	98	97	1
38 Midland County Educational Service Agency	480	450	324	126
39 Monroe County ISD	740	516	423	93
40 Montcalm Area ISD	665	522	353	169
41 Muskegon Area ISD	1,405	1,002	968	34
42 Newaygo County Regional Educational Service Agency	505	400	350	50
43 Oakland Schools	4,840	3,289	3,053	236
44 Ottawa Area ISD	2,060	1,891	860	1,031
45 Saginaw ISD	1,565	1,500	1,062	438
46 Sanilac ISD	300	270	230	40
47 Shiawassee Regional Education Service District	485	446	397	49
48 St. Clair County Regional Educational Service Agency	1,075	550	489	61
49 St. Joseph County ISD	625	401	413	(12)
50 Traverse Bay Area ISD	945	638	611	27
51 Tuscola ISD	420	391	304	87
52 Van Buren ISD	665	348	328	20
53 Washtenaw ISD	1,640	1,612	864	748
54 Wayne Regional Educational Service Agency	16,235	7,500	7,551	(51)
55 West Shore Educational Service District	490	330	308	22
56 Wexford-Missaukee ISD	530	398	285	113
Totals	<u>67,216</u>	<u>45,434</u>	<u>37,240</u>	<u>8,194</u>

Source: The OAG generated this supplemental information from data provided by the Great Start Readiness Program.

## **FOLLOW-UP METHODOLOGY AND PERIOD**

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### **METHODOLOGY**

We interviewed GSRP staff and reviewed MDE's corrective action plan; State statutes related to GSRP; MDE's contract with the Department of Technology, Management, and Budget to purchase demographic data from the Census Bureau; and the Office of Internal Audit Services, State Budget Office, follow-up report on our prior audit recommendations, issued in July 2018. Also, for Finding #1, we:

- Identified the 56 ISDs in the State and reviewed the 2015 Census Bureau data related to 3- and 4-year-old children who live with a family whose income was equal to or less than 250% of the federal poverty level.
- Reviewed the proposed State GSRP funding for each ISD for fiscal year 2020.
- Reviewed the processes that GSRP utilized to ensure that the ISDs' funding applications accurately reflected the number of children who were eligible for GSRP.
- Judgmentally selected 5 ISDs for fiscal year 2020 funding applications to determine whether the number of children living with families whose income was equal to or less than 250% of the federal poverty level recorded on the application matched data from the Census Bureau. We also ensured that the ISDs provided reasons for not being able to serve all children living with families whose income was equal to or less than 250% of the federal poverty level.
- Compared the number of children the ISDs requested to be served for fiscal years 2018 through 2020 with demographic data from the Census Bureau to ensure that the requested totals were equal to or less than the demographic data.
- Compared the amount of funds redistributed within the 2020 funding application process with the totals identified within the prior audit report.

### **PERIOD**

Our follow-up generally covered October 1, 2018 through March 31, 2020.

## GLOSSARY OF ABBREVIATIONS AND TERMS

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agency plan to comply	The response required by Section 18.1462 of the <i>Michigan Compiled Laws</i> and the State of Michigan Financial Management Guide (Part VII, Chapter 4, Section 100). The audited agency is required to develop a plan to comply with Office of the Auditor General audit recommendations and to submit the plan to the State Budget Office upon completion of an audit. Within 30 days of receipt, the Office of Internal Audit Services, State Budget Office, 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.
Census Bureau	A bureau in the U.S. Department of Commerce, officially titled as the U.S. Bureau of Census.
GSRP	Great Start Readiness Program.
ISD	intermediate school district.
material condition	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. Our assessment of materiality is in relation to the respective audit objective.
MDE	Michigan Department of Education.
part-day	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.
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.
school-day	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.







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