



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES

Honorable Michael P. Flanagan
Superintendent of Public Instruction
Michigan Department of Education
608 West Allegan Street
P.O. Box 30008
Lansing, Michigan 48909

MAR 24 2008

Dear Superintendent Flanagan:

The purpose of this letter is to inform you of the results of the Office of Special Education Programs' (OSEP) verification and focused monitoring visit to Michigan during the week of November 13, 2007. As indicated in OSEP's letter of September 12, 2007, OSEP is conducting verification and, in some cases, focused monitoring visits to a number of States as part of our Continuous Improvement and Focused Monitoring System (CIFMS) for ensuring compliance with, and improving performance under, Part C of the Individuals with Disabilities Education Act (IDEA). As re-authorized in 2004, IDEA requires the Department to monitor States with a focus on: (1) improving early intervention results and functional outcomes for infants and toddlers with disabilities; and (2) ensuring that States meet the program requirements, particularly those most closely related to improving early intervention results for infants and toddlers with disabilities.

The purpose of our verification and focused monitoring visit is to evaluate the State's general supervision and data systems in order to assess and improve State compliance and performance, child and family outcomes, and the protection of child and family rights and to review the State's procedures for its use of IDEA funds and the timely obligation and liquidation of those funds. During the verification and focused monitoring visit, OSEP: (1) analyzed the components of the State's general supervision and data systems to determine the extent to which they are designed to ensure compliance and improve performance; and (2) targeted compliance and results issues identified in our June 15, 2007 letter responding to the MDE's Federal fiscal year (FFY) 2005 Annual Performance Report (APR)/State Performance Plan (SPP).

OSEP also conducted a conference call on November 1, 2007 with several members of Michigan's State Interagency Coordinating Council (SICC) to hear their perspectives on the strengths and challenges of the Lead Agency's systems for general supervision, data collection, and fiscal management.

The Michigan Department of Education (MDE) is the State's Part C lead agency. Within MDE, the Office of Early Childhood Education and Family Services is responsible for the implementation and monitoring of the Part C *Early On* programs. In its SPP/APR, MDE reports on 57 Intermediate School Districts (ISDs), referred to as *Early On* service areas. MDE staff reported that each *Early On* service area may be administratively unique from the others as each reflects the administrative and programmatic structures of its constituent districts. MDE's 2006 618 Federal child count data indicated that 8,836 infants and toddlers with disabilities received early intervention services through *Early On* programs. This number (which represents 2.32% of

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the State's 0-3 population) of infants and toddlers includes children with more significant needs who are eligible to receive a free appropriate public education (FAPE), including special education and Part C services under Michigan's birth mandate, as well as children meeting broader eligibility standards who receive early intervention services under Part C.

As part of our visit to Michigan, OSEP staff met with Lindy Buch, Director of MDE's Early Childhood Education and Family Services, Vanessa Winborne, MDE's Part C Coordinator, and other MDE personnel responsible for: (1) the oversight of general supervision and financial systems for Michigan's Part C *Early On* early intervention program (including monitoring, mediation, State complaint resolution, and impartial due process hearings); and (2) the collection and analysis by MDE of required State reported data under IDEA. The focused monitoring part of OSEP's visit was limited to interviews with selected staff members from two *Early On* service areas, Ingham Intermediate School District (ISD) and Livingston Education Service Agency (ESA), and the review of several child records from these service areas.

Prior to and during the visit, OSEP staff reviewed a number of documents, including the following: (1) Michigan's FFY 2005 APR submitted to OSEP in February 2007; (2) Michigan's SPP/APR submitted to OSEP in December 2005; (3) OSEP's verification visit letter to Michigan dated April 15, 2004; (4) Michigan's grant applications and awards under Part C of IDEA for FFYs 2005, 2006, and 2007; (5) examples of MDE Focused Monitoring reports, local self assessments, and Service Area Plans; (6) infant and toddler records from Ingham Intermediate School District (ISD) and Livingston Education Service Agency (ESA), and (7) other pertinent data sources, including the new Service Provider Self Review (SPSR) and MDE documents describing components of the State's general supervision system. The information provided by MDE staff during the OSEP visit, together with all of the information that OSEP staff reviewed in preparation for the visit, greatly enhanced our understanding of MDE's systems for general supervision, data collection and reporting, and financial accountability.

OSEP's discussion, conclusions and required actions for each of the critical elements used to guide out review of each State's general supervision, data, and finance systems are provided below.

General Supervision – Discussion

Critical Element 1: Does the State have a general supervision system that is reasonably designed to identify noncompliance?

During the verification visit, OSEP learned that MDE has developed, but not yet fully implemented, a system of data-based approaches to identify and correct noncompliance. MDE staff reported that since OSEP's last verification visit in November 2003, MDE has redesigned its general supervision system to include the following components: (1) Continuous Improvement Monitoring System (CIMS); (2) Policies, Procedures and Effective Implementation; (3) Public Reporting and Determinations; (4) Data Collection systems; and (5) Effective Dispute Resolution.

MDE reported that CIMS is designed to identify noncompliance and ensure correction of that noncompliance through a set of integrated monitoring activities that result in improvement,

correction, incentives and sanctions, and includes: (1) Service Provider Self Review (SPSR); (2) Data Verification; and (3) Focused Monitoring.

MDE reported that the SPSR is a self-assessment process comprised of performance on eight Key Performance Indicators (KPIs) that align with Part C SPP/APR indicators and related requirements as well as State requirements. A cohort of 19 *Early On* service areas will complete SPSRs each year, with all *Early On* service areas completing the SPSR over a 3-year period. MDE staff told OSEP that to complete the SPSR, *Early On* service areas will collect data from record reviews and information from the other sources to analyze how well it meets Part C and State requirements. MDE staff reported that the first 19 *Early On* service areas will submit their SPSRs in the Spring of 2008, and beginning with the FFY 2007 APR reporting period, the SPSR will serve as a mechanism by which MDE reports APR data for certain compliance indicators and makes findings of noncompliance that are monitored for timely correction.

MDE staff reported that implementation of the Data Verification part of CIMS has been delayed until 2008, but when implemented it will ensure that the data reported in the SPSRs are valid and reliable. MDE staff told OSEP that the Focused Monitoring component of CIMS was implemented in 2005 to examine local performance on selected Part C priority areas. MDE staff reported that with input from a stakeholder-based committee, MDE analyzes State data to rank, identify, and select *Early On* service areas where Focused Monitoring will be conducted. Focused Monitoring had been conducted in seven *Early On* service areas from March 2005 – April 2007. An MDE monitoring team (supported by an *Early On* service area team and the intermediate school district (ISD) monitor) conducts the Focused Monitoring. MDE reported that the team collects data through interviews, record reviews, and observations of selected service delivery systems, and uses the collected data to evaluate the *Early On* service area's performance on specific outcome measures. The team issues a Focused Monitoring report that includes any findings of noncompliance, the one-year timeline for correction of that noncompliance, and the evidence needed to demonstrate correction of the noncompliance.

MDE reported that the State completed the Public Reporting and Determinations component of its general supervision system in the spring of 2007. Public reports are posted on the MDE website and include performance on six SPP/APR indicators for each of the 57 *Early On* service areas. MDE staff told OSEP that these local determinations can result in findings of noncompliance, the development of MDE prescribed improvement plans, and assignment to a level of Michigan's tiered approach to interventions and sanctions. However, documents reviewed by OSEP during the verification visit, indicated that MDE used an 83.83% standard for determining substantial compliance on compliance indicators. It appears that this standard may have only been used for determinations, but if MDE also used the 83.83% standard for identifying noncompliance, such a standard is not consistent with Part C requirements for monitoring and correction of noncompliance in IDEA sections 616, 635(a)(10)(A) and 642 and 34 CFR §303.501. While the State may determine the specific corrective action that is needed to ensure correction of noncompliance, and may take into account the extent of the noncompliance in determining what corrective action is needed, the State must ensure the correction of any noncompliance, notwithstanding the extent of the noncompliance. Within 60 days from the date of this letter (or with the State's FFY 2008 Part C grant application), MDE must provide a written assurance that it has not adopted a specific percentage (83.83%) for identification and

correction of Part C noncompliance.

MDE reported that the Policies, Procedures, and Effective Implementation component of its general supervision system includes a requirement that each *Early On* service area file have a Service Area Plan with MDE detailing how the program implements IDEA Part C components, that is updated annually with the service area's application for Part C funds. MDE staff reported that they review the Service Area Plans to ensure compliance with Part C requirements.

Critical Element 2: As part of its general supervision system, does the State have mechanisms in place to compile and integrate data across systems (e.g., 618 State-reported data, due process hearings, complaints, mediation, previous monitoring results, etc.) to identify systemic noncompliance issues?

MDE reported that the Early Education Tracking System (EETRK), and the Michigan Compliance Information System (MICIS) for the *Early On* service areas that have migrated to this system, are the current data systems utilized by the State for the collection of section 618 data as well as compliance data related to Part C's 45-day timeline requirements. MDE reported that data related to timely service provisions and transition requirements are collected from file reviews. MDE staff explained that data from these systems are used to guide the CIMS Focused Monitoring and the Public Reporting and Determinations, which also incorporates information from other parts of the State's general supervision system including current improvement plans and the results of any dispute resolutions in *Early On* service areas.

MDE staff reported that Public Reporting and Determinations has also served as a catalyst for compiling data across components of its general supervision system and that the SPSR, when fully implemented, will additionally serve to compile and integrate data from previously separate mechanisms (each SPSR will be pre-populated with data from the MICIS web-based system and include information from other sources including survey and file review data). MDE indicated that this integration will provide for a more thorough examination of noncompliance issues including those related to systemic noncompliance.

Critical Element 3: Does the State have a system that is reasonably designed to correct identified noncompliance, including the use of State guidance, technical assistance, follow-up, and, if necessary, sanctions?

MDE staff reported that each mechanism MDE uses to identify noncompliance (SPSRs, Focused Monitoring, and Public Reporting and Determinations) has the potential to result in improvement planning directed at timely correction of that noncompliance. During the verification visit, MDE reported that all improvement plans could include support from the Early On Training and Technical Assistance (EOTTA) grantee.¹ MDE staff also reported that the State has instituted a three-tiered approach to providing training and technical assistance to ensure correction of noncompliance, which includes Michigan's *Guidelines for Progressive Interventions and Sanctions* that delineates enforcement actions and sanctions, the circumstances for imposing the actions, and the procedural steps for implementing them.

¹ EOTTA is supported by IDEA funds through a grant awarded by MDE to provide the comprehensive system of personnel development mandated by IDEA, and its primary purpose is to assist service areas in complying with the federal regulations and state policy related to Part C in Michigan.

As noted above, MDE reported that beginning in the FFY 2007 APR reporting period, it will use its SPSR process as the State's mechanism to identify noncompliance and require reporting by *Early On* service areas on the timely correction of noncompliance. MDE staff reported that the State will be directly involved in the development of the SPSR improvement plans, which must specify the corrective actions that an *Early On* service area will take to correct the noncompliance and the evidence required to demonstrate that each finding has been resolved. MDE staff reported that the *Early On* service area must also provide assurances that the plan requirements will be met according to the prescribed timelines.

MDE reported that the local interagency coordinating council (LICC) for each *Early On* service area develops the Focused Monitoring improvement plan, which must be completed within 60 days from the date of the Focused Monitoring Report and address all areas of noncompliance identified in that report. MDE further reported that *Early On* service areas have one year from the date of the Focused Monitoring Report to demonstrate correction with updated data collected from record reviews. MDE also reported that the Focused Monitoring process includes an Evidence of Change Review that occurs one year after identification of the noncompliance through which closure may be achieved, an extension may be granted, or progressive interventions may be imposed. At the time of OSEP's verification visit, MDE reported that it was in the process of drafting its first close-out report to inform an *Early On* service area about the correction of the noncompliance identified in its Focused Monitoring Report.

OSEP has identified several issues that indicate MDE does not have a general supervision system that is reasonably designed to correct noncompliance through its Focused Monitoring process. OSEP has determined that the Focused Monitoring that was conducted by MDE in five of the seven *Early On* service areas did not require correction of findings of noncompliance that were identified in the Focused Monitoring Reports and generally required the initiation of improvement activities without identifying the areas the activities should target to ensure correction.

One area of findings for which corrections were not required is compliance with Part C natural environments requirements. In two Monitoring Reports (Macomb ISD and Marquette-Alger Regional Educational Service Area), the monitoring priority was ensuring that services were provided in the natural environment. Both Reports required correction by setting a specific target for the percentage of Part C children receiving Part C services in the natural environment, which does not ensure compliance with the requirements that individualized family service plans (IFSPs) are monitored for individualized setting decisions in accordance with Part C natural environment requirements in 34 CFR §§303.12(b) and 303.344(d)(1)(ii). In addition, the Macomb Report identified a finding that IFSPs did not include justifications when services were not provided in the natural environment, as required by 34 CFR §§303.12(b), 303.18 and 303.344(d)(1)(ii), but did not include corrective action for that finding. The Marquette-Alger's Report identified a finding that the staff did not understand how to apply the Part C definition of natural environment to service settings at the local level, but similarly did not include corrective action for this finding.

In two other Reports, findings regarding evaluations and eligibility requirements did not include corrective actions. Specifically, St. Clair's Report identified findings that: (1) multidisciplinary team evaluations were not conducted within 45-days; and (2) staff did not understand and

correctly use the State's definition of developmental delay when determining eligibility. Huron's Report made findings that: (1) Part C's 45-day timeline requirements were not met; and (2) IFSPs were not developed for children with established conditions or identified developmental delays.

Thus, OSEP has determined that MDE's Part C Focused Monitoring is not reasonably designed to correct noncompliance because it does not require *Early On* service areas to submit improvement plans or take other corrective actions to ensure correction of all findings identified in the Focused Monitoring Report. With its FFY 2007 APR due February 1, 2009, MDE must submit revised correction procedures to ensure that all findings of noncompliance identified in the Focused Monitoring Reports have specific corrective action measures required in the improvement plan. In addition, MDE must report in that APR on its correction of those findings identified in the Focused Monitoring Reports that are discussed above.

Critical Element 4: Has the State identified any barriers (e.g., limitations on authority, insufficient staff or other resources, etc.) that impede the State's ability to identify and correct noncompliance in a timely manner? If barriers have been identified, what mechanisms has the State put in place to address those barriers?

MDE reported that it has identified several barriers that impede the State's ability to identify and correct noncompliance in a timely manner. Among these are: (1) the autonomy of the *Early On* service areas; (2) differing requirements across MDE's partners, the Michigan Departments of Human Services and Community Health; and (3) State budget reductions.

SICC members and MDE staff reported that independence among the *Early On* service areas has led to a lack of uniformity in forms, procedures, and data collection methods. MDE staff explained that local autonomy has historically also resulted in varying capacities and resources across the *Early On* service areas. To address this issue, MDE staff reported that it is encouraging greater uniformity through a number of initiatives, including trainings on reporting requirements and the development of the IFSP implementation guide, model forms, and guidance documents, and that, when fully implemented, the MICIS will provide a centralized, web-based data system that will help to unify the *Early On* service areas.

MDE staff also reported that interagency issues have had an impact on compliance related to Part C's 45-day timeline requirements due to lack of vision and hearing screenings in the State. To address this issue, MDE staff reported that MDE and its partner agencies – the Michigan Departments of Human Services and Community Health – are revising their interagency agreement to set out the responsibilities of each agency regarding its own program and the Part C services the agency will provide. MDE staff also described a number of initiatives in the State related to this issue, including the Assuring Better Child Development (ABCD) project that focuses on developmental screenings for infants and toddlers.

MDE and partner agency staff additionally reported that the State's economy and budget reductions have resulted in MDE partnering agencies no longer providing Part C services that they had previously provided. MDE staff indicated that the limited resources appear to have a disproportionate impact on infants and toddlers receiving Part C early intervention services through the *Early On* program only, who are not eligible for FAPE under the State's birth mandate. MDE staff explained that local special education funds are used to support FAPE

services for eligible infants and toddlers, but Part C children receiving early intervention services under the broader eligibility criteria rely more heavily on interagency coordination in order to receive appropriate services. MDE staff reported that the State has commissioned a fiscal study, that determined that there is little State level funding of the State's Part C program to support direct services, and that funding for the program comes mainly from local tax revenue and IDEA funds. MDE staff reported that MDE is examining the State's Part C finance system to determine how to address its interagency fiscal needs.

Critical Element 5: Does the State have dispute resolution systems that ensure the timely resolution of complaints and due process hearings?

MDE reported that *Early On* has adopted Part B due process hearing procedures under 34 CFR §303.420 and has dispute resolution procedures in place to ensure the timely resolution of complaints and requests for due process hearings. MDE also described the State's current two-tiered process for State complaints, as well as plans to shift to a single-tiered system (at the time of OSEP's verification visit, the proposal for a single-tiered system was open for public review and comments), and reported that the benefits of a single-tiered system include a more efficient use of resources resulting in improved timelines.

MDE staff reported that MDE transitioned to a single-tiered system for due process complaints in July 2006 and uses an interagency agreement with the State Office of Administrative Hearings and Rules (SOAHR) for conducting due process hearings. MDE reported that an Administrative Law Judge assigned and supervised by SOAHR conducts the hearing, and a Due Process Coordinator from MDE acts as a liaison with the SOAHR to further ensure compliance with IDEA and State requirements.

MDE reported that it did not receive any Part C State complaints or mediation and due process hearing requests during the FFY 2006 reporting period.

Critical Element 6: Does the State have mechanisms that focus on improving early intervention results and functional outcomes for all infants and toddlers with disabilities?

MDE staff reported that all components of its general supervision system, including public awareness and child find efforts, monitoring, collection of data, and training and technical assistance efforts are aimed at ensuring improved results and outcomes for infants and toddlers with disabilities and their families. MDE reported that decisions on the provision of training and technical assistance are data-driven, and that improvement planning focuses resources and supports where they are most needed (to specific *Early On* service areas or personnel within them). MDE reported that improvement activities addressing SPP/APR indicators have had an impact on the ability of infants and toddlers in the State to access appropriate services, and that this access will lead to improved outcomes.

MDE reported that in measuring the impact of the State's efforts to improve early intervention results and functional outcomes for infants and toddlers with disabilities, the State has worked with Wayne State University to develop an outcome measurement system that collects and interprets data related to SPP/APR Indicator 3. This effort included: (1) the development of a policies and procedures handbook to clarify aspects of data collection in reporting on child outcomes measurements; (2) a child outcomes rating tool modeled closely on the ECO Center

Child Outcome Summary Form (COSF); and (3) a training and technical assistance program to address the data collection process, including a component on training staff on best practices for including parents in the process. MDE reported plans to crosswalk data from the early childhood outcomes database with the State's improvement activities to determine the effectiveness of those activities.

MDE staff reported that the *Early On Redesign* of the Part C system is additionally aimed at improving results for infants and toddlers with disabilities in the State. The State reported that this redesign effort, which began in 2004 and includes input from multiple sources and stakeholder groups, is examining the current Part C system with a focus on achieving meaningful results for children with disabilities and their families. The State interagency team, which includes membership from the Michigan Departments of Education, Human Services, and Community Health, as well as parents, has performed an analysis of *Early On* that includes the identification of strengths and barriers, a fiscal study, and an estimated prevalence report to guide the State in its decision-making processes.

General Supervision – Conclusions and Required Actions

At the time of OSEP's verification visit, MDE had not fully implemented two of the three components of its CIMS monitoring system; specifically, the SPSR process and Data Verification. MDE reported that the first cohort of Part C *Early On* service areas will not be required to submit their SPSRs until the Spring of 2008, and MDE will not use the SPSR process to make findings of noncompliance (with MDE follow-up to ensure timely correction) until the FFY 2007 APR reporting period. MDE also reported that it would not develop or implement its CIMS Data Verification process to ensure that SPSR data are valid and reliable until later in 2008. Thus, OSEP is not yet able to determine whether these two components of the State's general supervision system are reasonably designed to identify and correct noncompliance.

The third component of MDE's CIMS monitoring system, Focused Monitoring, is in place and MDE has conducted such monitoring in seven *Early On* service areas from 2005 to 2007. However, OSEP has determined that MDE's Focused Monitoring process is not reasonably designed to correct noncompliance because it does not require *Early On* service areas to submit improvement plans or take other corrective actions to ensure correction of all findings of noncompliance identified in MDE's Focused Monitoring Reports. Under the requirements in IDEA sections 616, 635(a)(10) and 642 and 34 CFR 303.501(b), MDE must ensure that all areas of noncompliance are corrected. With its FFY 2007 APR due February 1, 2009, MDE must submit its revised correction procedures to ensure that all findings of noncompliance identified in its Focused Monitoring Reports have corrective actions that the *Early On* service area will use to address the specific Part C areas of noncompliance identified in the Focused Monitoring Report. In addition, MDE must report, with its FFY APR due February 1, 2009, on its correction of the findings identified in the Focused Monitoring Reports that are specifically discussed above in Critical Element 3.

MDE reported that it uses the Public Reporting and Determinations as a component of its general supervision system to ensure the identification and correction of noncompliance. OSEP commends the State's efforts in completing this process in the spring of 2007. However, while a State may determine the specific corrective action that is needed to ensure correction of

noncompliance, and may take into account the extent of the noncompliance in determining what corrective action is needed, the State must ensure the correction of any noncompliance, notwithstanding the extent of the noncompliance. In this regard, it is unclear whether the 83.83% standard MDE used in the Determinations process for determining substantial compliance for compliance indicators is also the standard MDE uses to identify and correct noncompliance, which is a standard that is inconsistent with Part C monitoring and correction requirements in IDEA sections 616, 635(a)(10)(A) and 642 and 34 CFR 303.501(b). Thus, within 60 days of this letter (or with its FFY 2008 Part C grant application), MDE must provide a written assurance that it has not adopted a specific percentage threshold for the identification and correction of Part C noncompliance.

Data – Discussion

Critical Element 1: Does the State have a data system that is reasonably designed to collect and report to the Department and the public, timely valid and reliable data and information?

MDE staff reported that the State coordinates the collection of data from a number of sources in order to report annually to the Department and the public. MDE staff explained that data are collected through: (1) the EETRK data system; (2) an early childhood outcomes database; (3) a family participation database; and (4) beginning in FFY 2007, the SPSR process. MDE additionally described MICIS, which will combine the functions of these separate data systems and allow for the collection of data for SPP/APR indicators in a single, web-based data system. MDE staff further indicated that the MICIS data system will have the capacity to generate standard reports that include drill-down queries that allow the State and *Early On* service areas to examine the root causes of compliance issues. At the time of OSEP's visit, a number of *Early On* service areas (MDE estimated between ten to fifteen programs) had migrated to MICIS, and MDE reported that all *Early On* service areas would either use the MICIS system, or submit data in a format that would allow it to be integrated into MICIS, by December 2008.

MDE staff told OSEP that the EETRK system is the current data system utilized by the State for the collection of section 618 data as well as compliance data related to Part C's 45-day timeline requirements. MDE reported that beginning with the FFY 2007 reporting period, and until the MICIS system is functioning Statewide to capture census data on SPP/APR Indicators 1, 7 and 8, the SPSRs will be the data source for State reporting on these indicators.

During the verification visit, MDE staff reported that, since all components of MDE's CIMS system had not been implemented in time to report FFY 2006 data, MDE completed record reviews in 19 *Early On* service areas to report data for Indicators 1, 8A, and 8C in the State's FFY 2006 APR that was due February 1, 2008. OSEP will review, and respond to in a separate letter, the data in Michigan's Part C FFY 2006 APR.

Critical Element 2: Does the State provide clear guidance and ongoing training to local EIS programs and public agencies regarding requirements and procedures for reporting data under section 618 of IDEA and the SPP/APR?

MDE staff reported that the State employs a number of methods in providing guidance and training to *Early On* service area staffs on the requirements and procedures related to reporting required data. These methods include traditional on-site topical conferences and trainings such

as new user trainings, trainings on the development of specific reports, and annual user group trainings focused on new features and options, as well as web and telephone trainings. A MICIS toll free help desk is available during business hours and the contractor for the system maintains a website² that includes a technical manual, topic specific training materials, tutorials, data validation checklists, and on-line support. MDE staff additionally described a feedback loop that allows *Early On* service area staffs to request training opportunities and program enhancements to better meet their specific needs.

Critical Element 3: Does the State have procedures to determine whether the individuals who enter and report data at the local and/or regional level do so accurately and in a manner that is consistent with IDEA sections 616 and 618, OSEP guidance, and State procedures?

MDE reported that it has procedures in place to ensure that data are entered and reported accurately, and that data submissions are subject to on-line edits and tracking to ensure consistency. MDE staff explained that the EETRK and MICIS data systems include technical manual edits, validations, and count certifications for all data submitted. MDE reported that, after a review and revision process, the database is frozen and a number of final outputs are generated (including final Detail Reports, Data Portraits, Trend Charts, and IDEA section 618 data tables). Federal data reporting is then completed. MDE also reported that the data submissions made by *Early On* service areas through the EETRK and MICIS data systems are further validated through the State's monitoring processes. Specifically, the data collected through these data systems are currently compared to file review data obtained in Focused Monitoring and in FFY 2007, these data will also be compared to surveys from parents, service coordinators, and ICC members at the State and local levels obtained through the SPSR process.

MDE staff explained that the EETRK and MICIS systems are maintained by a contract with Interagency Information Systems (IIS). Both systems have unique user IDs and password protections to authenticate access to the application and related data. MDE staff reported that because MICIS is a web-based application, it is accessible across the State, additional geographical and personnel-based securities have been added, and users are given restricted permissions to view detailed child records only within their region and appropriate to their job needs. MDE staff told OSEP that each ISD designates a Family Educational Rights and Privacy Act Security Manager who is responsible for assigning appropriate permissions and terminating access within their districts.

MDE reported that currently, both child outcomes and family survey data are collected and validated by the Qualitative Compliance Information Project (QCIP) at Wayne State University. MDE staff explained that data on early childhood outcomes, used in reporting on SPP/APR Indicator 3, are collected using an online system. Error checks for this process include justifications for child progress or slippage. For family capacity data, reported under SPP/APR Indicator 4, MDE staff reported that MDE is using an adapted version of the NCSEAM family survey, which were distributed through the QCIP, and the analysis of survey data was done by AVATAR International, Inc.

² <https://www.micis.org/>

Critical Element 4: Does the State have procedures for identifying anomalies in data that are reported to the State and correcting any inaccuracies?

MDE and IIS staffs described a draft output process that allows MDE, as well as *Early On* service area staff, to examine preliminary reports, recognize errors, and clarify or submit revised data. MDE reported that in this process, the State is able to create a number of draft documents including trend charts and data portraits, which *Early On* service area staff examine in order to recognize errors (as well as identify changes in performance). MDE staff explained that after reviewing these draft reports, each *Early On* service area is given the opportunity to make clarifications or corrections to data fields as appropriate. Once all clarifications are received, MDE validates the data and freezes the database. MDE and IIS staffs described additional methods used for identifying anomalies and correcting data inaccuracies including the Data Accountability Center (DAC) spreadsheets, in which any highlighted issues are corrected before submission, and an analysis of section 618 data submissions that anticipates table notes or requests regarding year to year changes from DAC. MDE reported that the State is implementing the use of unique child identifiers through the MICIS system to avoid duplication of entries, as well as to assist in tracking eligible infants and toddlers.

Data – Conclusions and Required Actions

Based on information obtained prior to and during the verification visit, OSEP has determined that the State's data systems and related policies and procedures are reasonably designed to ensure the collection and reporting of required data by Michigan to OSEP and the public under IDEA sections 616 and 618. OSEP cannot, however, without also conducting a review of data collection and reporting policies, procedures and practices at the local level, determine whether all *Early On* service areas and public agencies in the State implement the State's data collection and reporting procedures in a manner that is consistent with Part C.

MDE staff reported that it coordinates the collection of data elements from various different data systems including the EETRK and MICIS (in the *Early On* service areas that have migrated to this data system), an early childhood outcomes database, and a family participation database. MDE staff also reported that MDE has in place both short- and long-term plans to ensure the collection and reporting of valid and reliable data under IDEA sections 616 and 618. MDE staff reported that MDE has taken steps to ensure that it would be able to report valid and reliable data for Indicators 1, 8A, and 8C in its FFY 2006 APR. As noted above, OSEP will respond under separate cover to the data and information provided in the State's FFY 2006 Part C APR.

Fiscal Management – Discussion

Critical Element 1: Does the State have procedures that are reasonably designed to ensure appropriate use of Part C IDEA funds at the State level?

OSEP reviewed MDE's procedures for the use of Part C funds consistent with section 638 of IDEA.³ MDE described a number of mechanisms for ensuring fiscal accountability in the State's use of IDEA Part C funds. These mechanisms include: (1) Single State Audits; (2) the

³ Without conducting a complete review of MDE's expenses and source documentation of all obligations, OSEP cannot determine or conclude that costs charged to IDEA Part C funds are allowable and whether MDE's policies for use of funds are fully and appropriately implemented.

development of a grant spending plan that is approved by the Director of Early Childhood Education and Family Services and the State budget office; and (3) a dedicated budget account for IDEA Part C funds. MDE uses the Michigan Electronic Grant System (MEGS) and the MDE cash management system to track the use of Part C grant funds by *Early On* service areas. MDE reported that *Early On* service areas apply for Part C funds and MDE reviews allowable costs and analyzes Service Area Plans to ensure that they meet IDEA Part C requirements.

MDE uses a number of mechanisms to ensure that *Early On* service areas use IDEA Part C funds in accordance with Part C requirements. These mechanisms include: (1) an *Allowable Cost Guide*; (2) specific codes for expenditures that are allowable within Part C; (3) Budget Detail Composite reports to track how funds are spent; (4) Interim and Final Expenditure Reports that allow MDE to certify that funds are drawn down and spent as planned; (5) system generated notifications to MDE any time a service area makes changes to its budget; and (6) comparison functions that allow MDE to monitor service areas for trends in expenditures. MDE reported that, at any point in time, the State is able to use activity reports to check an *Early On* service area's grant status (related to funds approved and paid to date, and balances for unexpended funds) and assure proper use of Federal Part C funds.

In order to validate the assurances that *Early On* service areas make on grant applications, and certify the actual expenditures that have been made and reported by the local service areas, MDE reported that it utilizes Program Fiscal Reviews as a monitoring mechanism. These reviews are performed by members of the State's Finance Management Unit on a three-year cycle, and are comprised of a general checklist (containing Federal and State requirements) and a component focused on particular areas of concern. MDE reported that these reviews result in letters of findings and required corrective actions for *Early On* service areas where appropriate.

With respect to Part C's nonsupplanting requirements in IDEA section 637(b)(5)(B) and 34 CFR §303.124(b), MDE staff reported that MDE does not have a mechanism to determine the total amount of State and local funds actually expended for Part C. MDE reported that the State is not able to ensure that the level of State and local funding to *Early On* is maintained from year to year.

Critical Element 2: Does the State have procedures for ensuring the timely obligation and liquidation of IDEA funds by the State?

The State reported that it has mechanisms for ensuring the timely obligation and liquidation of IDEA Part C funds. MDE reported that it uses its MEGS and cash management systems to allow the State to track appropriateness and timeliness of obligations and liquidations, and to monitor for unobligated and unexpended funds. MDE additionally reported that these fiscal systems are designed to first charge expenditures against older grant awards and to spend down carry-over funds before they lapse or revert to Treasury. MDE reported (and OSEP verified) that the State has not had any lapsed IDEA funds over the past five years.

Fiscal Management – Conclusions and Required Actions

With the exception of Part C's nonsupplanting requirements in 34 CFR §303.124, OSEP has determined that MDE has procedures reasonably designed to ensure the appropriate use of Part C funds at the State level and for ensuring the timely obligation and liquidation of IDEA Part C

funds at the State level.

However, OSEP determined that the State has not adopted specific procedures to ensure that the level of State and local funding to the provision of early interventions services (through *Early On*) is maintained from year to year. Therefore, within 60 days from the date of this letter (or with its Part C FFY 2008 grant application), MDE must provide a specific written assurance that MDE has informed its State audit office of the need to review under the State's Single Audit – conducted pursuant to the Single Audit Act – its procedures to comply with, and actual State and local expenditures to meet the requirements of, Part C's maintenance of effort (MOE) requirements in 34 CFR §303.124. MDE must also continue to keep OSEP apprised in writing of any further efforts the State makes to ensure compliance with Part C's MOE requirements.

We appreciate the cooperation and assistance provided by your staff during our visit. We look forward to collaborating with Michigan as it continues to work to improve results for infants and toddlers with disabilities and their families.

Sincerely,



William W. Knudsen

Acting Director

Office of Special Education Programs

cc: Director of Early Childhood Education and Family Services,
State Part C Coordinator