

**FSM Part B 2009 Verification Visit Letter
Enclosure**

I. General Supervision

Critical Element 1: Identification of Noncompliance

Does the State have a general supervision system that is reasonably designed to identify noncompliance in a timely manner using its different components?

Verification Visit Details and Analysis¹

The Federated States of Micronesia, National Department of Education (FSM-NDOE), formerly the FSM Department of Health, Education, and Social Affairs (FSM-HESA) is the government entity responsible for general supervision and monitoring, including the identification of noncompliance with Part B of the Individuals with Disabilities Education Act (IDEA). FSM-NDOE reported that on September 12, 2007, FSM Public Law 10-55 of December 12, 1997 was amended as P.L. 15-09 to establish a new Department of Education separate from the Department of Health and Social Affairs.

FSM-NDOE is a unitary education system with the delivery of special education and related services implemented within the four FSM island states: Chuuk, Kosrae, Pohnpei, and Yap. FSM-NDOE reported that given its unique geographic context, it established a general supervision structure similar to a state educational agency (SEA) and local educational agency (LEA) structure for administering, supervising, and monitoring the implementation of the IDEA requirements.

In its July 17, 2007 verification letter (2007 Verification Letter), OSEP determined that FSM's monitoring procedures were not effective in identifying all areas of noncompliance related to the provision of special education and related services. Since the last verification visit, FSM-NDOE staff reported that it revised its monitoring procedures to assess compliance and performance of each state based on IDEA 2004, the Part B regulations, and FSM's Public Law 14-08 of June 2005. FSM-NDOE staff also reported in its FFY 2007 APR that its Child Record Review Checklist is aligned with the procedures established in the *FSM Handbook for the Delivery of Special Education*, which was revised following OSEP's visit in 2006 to align with IDEA 2004.

Current General Supervision System to Identify Noncompliance

During OSEP's 2009 Verification Visit, staff reported that its general supervision components include: (1) data from 618 data submissions, quarterly progress reports and other sources; (2) Local Performance Plans (LPPs); (3) states' annual applications for funds; and (4) annual on-site monitoring visits. FSM-NDOE staff also reported that during the FFY 2009 reporting year (July

¹ On July 1, 2009, the Office of Special Education Programs (OSEP) imposed Special Conditions on FSM-NDOE's FFY 2009 Part B IDEA grant award. The Special Conditions required FSM-NDOE to submit two reports, one by October 1, 2009 covering January 1, 2009 through August 1, 2009 ("First Progress Report") and a second report due May 3, 2010 covering August 2, 2009 through March 1, 2010. With prior approval by OSEP, FSM-NDOE submitted its First Progress Report during OSEP's November 2009 verification visit. OSEP responded to FSM-NDOE's First Progress letter by memorandum dated March 5, 2010.

1, 2009 through June 30, 2010), FSM-NDOE's general supervision system will include additional off-site monitoring activities. Specifically, staff will review and verify data submitted in the quarterly progress reports and conduct an analysis of the data from the Student Information Tracking System (SITS).²

Specifically, FSM-NDOE staff reported that it uses its general supervision system to identify noncompliance using the following components:

- National State Performance Plan Committee (NSPPC): Each state must submit an annual Part B application to FSM-NDOE for Part B funds. Each state's application must include an assurance statement, a detailed budget description of how Part B funds will be used, and a copy of the LPP. As part of the application process, representatives from the four states attend an annual NSPPC meeting to: (1) review the overall accomplishments of the previous school year; (2) determine priorities FSM-NDOE will address during the upcoming year; (3) review and evaluate the effectiveness of the methods used to identify noncompliance at the national and state levels; and (4) evaluate FSM-NDOE general supervision system by identifying any weaknesses, concerns and potential areas for improvement to the system.
- Quarterly Progress Reports: Each state must submit quarterly progress reports to FSM-NDOE describing the state's performance on: (1) the 17 indicators from the State Performance Plan (SPP)/Annual Performance Report (APR) applicable to FSM-NDOE, including an explanation of progress and slippage; (2) implementing dispute resolution requirements; and (3) other relevant data collected prior to and after each monitoring visit.³
- On-site Monitoring: FSM-NDOE conducts an on-site monitoring visit to each state annually. The four states must complete a Verification Checklist prior to the on-site monitoring visit with current information on SPP/APR indicators and related Part B requirements. FSM-NDOE verifies information submitted in the Verification Checklist during the annual on-site monitoring visits. During the visit, FSM-NDOE's monitoring team reviews updated child and program data, conducts child record reviews using a Child Record Review Checklist, and interviews Special Education Advisory Panel members, school personnel, special education staff, and parents. The annual on-site monitoring visits, the Verification Checklist, and the Child Record Review Checklist are FSM-NDOE's primary tools for identifying noncompliance.

FSM-NDOE reported that it will pilot additional off-site monitoring activities during FFY 2009 to include the review and verification of data submitted in the quarterly progress reports and analysis of data from SITS. FSM-NDOE also reported that beginning in February 2010, data from the 2nd and 4th quarter reporting periods will be used to identify noncompliance related to SPP/APR Indicator 11 (timely initial evaluations) and Indicator 13 (secondary transition), and SITS will be utilized to identify noncompliance for the annual individualized education program

² SITS is a special education web-based data system which allows the FSM Special Education Program to review the overall special education process from child identification, IEP, placement, and the delivery of services. See further discussion of SITS in Section II. Data, Critical Element 1.

³ The fourth quarter progress report must include the LPP for special education to address areas needing correction and proposed improvement activities and priorities for the upcoming school year.

(IEP) review and re-evaluation requirements. Currently, FSM-NDOE relies solely on data collected on-site for these indicators. FSM reported that results from the FFY 2009 pilot year will guide revisions to FSM-NDOE's monitoring procedures.

OSEP reviewed completed Child Record Review Checklists submitted by FSM-NDOE dated September 14, 2009 and found that the Child Record Review Checklist does not contain all the necessary elements for monitoring the secondary transition regulatory requirements in 34 CFR §300.320(b). While the *FSM Handbook for the Delivery of Special Education* has been updated to include the transition requirements in 34 CFR §300.320(b) (e.g., annual measurable goals based on age-appropriate transition assessments and services beginning at the state-determined age of 14), the Child Record Review Checklist reflects only the secondary transition provisions in IDEA 1997. In addition, OSEP reviewed FSM-NDOE's most recent monitoring reports for all four states and found that in one state monitored in FFY 2008, FSM-NDOE reported that none of the records reviewed in one high school for students with disabilities age 14 and above included transition services.

During OSEP's 2009 Verification Visit, FSM-NDOE reported that since SITS did not have the necessary components to capture and report data on Indicator 13 by FFY 2006 as planned, FSM-NDOE implemented a "Transition Checklist" based on IDEA 2004 regulatory requirements in FFY 2007 for states to use in reporting Indicator 13 data. OSEP confirmed through its review of the Transition Checklist that it includes the requirements in 34 CFR §300.320(b).

However, FSM-NDOE reported that it did not issue findings based on the Indicator 13 data. OSEP noted in the FFY 2007 SPP/APR Response Table under Indicator 13 that FSM must make findings of noncompliance based on each year's data that indicate noncompliance. FSM-NDOE reported that it will begin to issue findings of noncompliance related to SPP/APR Indicators 11 and 13 based on data from its 2nd and 4th quarter progress reports.

OSEP Conclusions

OSEP acknowledges that FSM-NDOE's revisions to, and implementation of SITS, will improve its ability to identify noncompliance with secondary transition requirements. FSM-NDOE also reported that beginning in FFY 2009 it will use the 2nd and 4th quarterly progress reports to identify noncompliance. However, based on the review of documents, analysis of data, and interviews with FSM-NDOE and state personnel, OSEP determined that FSM has not demonstrated that it has a general supervision system that is reasonably designed to identify noncompliance in a timely manner using its different components. Specifically, FSM-NDOE does not have procedures for monitoring compliance with secondary transition requirements in 34 CFR §300.320(b).⁴

Required Actions/Next Steps

Within 60 days from the date of this letter, FSM-NDOE must submit a revised Child Record Review Checklist and/or other monitoring protocols that are aligned with secondary transition requirements in 34 CFR §300.320(b); and (2) information demonstrating that all FSM states are reporting data consistent with requirements in 34 CFR §300.320(b) in quarterly progress reports.⁵

⁴ OSEP addressed other issues related to the identification of noncompliance in its Special Conditions and its Response to FSM's First Progress report dated March 5, 2010.

⁵ FSM-NDOE reported that data from quarterly progress reports will be used to identify noncompliance and report data for Indicator 13 in the APR.

Critical Element 2: Correction of Noncompliance

Does the State have a general supervision system that is reasonably designed to ensure correction of identified noncompliance in a timely manner?

Verification Visit Details and Analysis

FSM-NDOE reported that correction of noncompliance occurs as soon as possible, but no later than one year from written notification to the states of the noncompliance. FSM-NDOE reported that it sends the Monitoring/Verification Report with Corrective Action Plans (CAPs) to the states, with a letter detailing the monitoring findings and determinations as described in IDEA section 616 and 34 CFR §300.604. The CAPs include specific corrective actions that states must take for each finding and the evidence that states must submit to demonstrate correction.

FSM-NDOE monitors progress and ensures correction of noncompliance in a timely manner by allowing states nine months (by the 3rd quarterly progress report) to correct noncompliance. If a state has not corrected noncompliance by the 9th month, FSM-NDOE conducts a focused monitoring visit to the state and provides the state with technical assistance to ensure correction of noncompliance. In addition, a date is established within the CAP by which evidence of correction for each finding must be submitted with the quarterly progress reports. If FSM-NDOE determines that the state has not fully implemented the CAP, it will conduct follow-up visits in addition to the annual on-site visits, as necessary. For example, if a state has not corrected noncompliance by the third quarterly progress report submission, FSM will conduct a focused monitoring visit to provide technical assistance to assist the state in correcting the noncompliance.

Standard for Verification of Correction of Noncompliance

FSM-NDOE verifies correction of noncompliance through quarterly progress reports, LPPs and any additional reports required by FSM-NDOE responding to findings of noncompliance submitted by states. The quarterly progress reports are FSM-NDOE's main source for tracking states' progress in correcting noncompliance and for verifying correction within the one-year timeline. During the annual on-site monitoring visits to each state, FSM-NDOE reviews and verifies all areas of identified noncompliance the state reported as corrected. Beginning in 2010, SITS will be used to monitor and verify correction of selected areas of noncompliance, such as timely initial evaluations, re-evaluation, and secondary transition requirements.

OSEP reviewed a sample of the quarterly progress reports and found that the manner in which FSM-NDOE verifies correction is not consistent across states. In some cases, the reports address only systemic correction and in other cases, only individual findings of noncompliance. The Part B regulations in 34 CFR §300.600(e) require that, in exercising its monitoring responsibilities under 34 CFR §300.600(d), FSM-NDOE must ensure that when it identifies noncompliance with the requirements of Part B by states, the noncompliance is corrected as soon as possible, and in no case later than one year after FSM-NDOE's identification of the noncompliance. As explained in OSEP Memorandum 09-02, dated October 17, 2008 (OSEP Memo 09-02), in order to demonstrate that previously identified noncompliance has been corrected, FSM-NDOE must verify that each state with noncompliance is: (1) correctly implementing the specific regulatory requirements; and (2) has corrected each individual case of noncompliance, unless the child is no longer within the jurisdiction of the state. OSEP finds that FSM-NDOE's manner of verifying correction of noncompliance does not consistently meet both requirements and is inconsistent

with sections 612(a)(11) and 616 of the IDEA, 34 CFR §§300.149 and 300.600, and 20 U.S.C. 1232d(b)(3)(E), and with the guidance OSEP provided in OSEP Memo 09-02.

Enforcement

FSM-NDOE reported that it prescribes three levels of enforcement actions in cases where correction is not completed within one year of identification: (1) Letter of Concern; (2) Probationary Status; and (3) "At Risk Status" which results in the withholding of funds. However, FSM-NDOE reported that it prefers to work with states by providing additional focused monitoring and technical assistance. FSM-NDOE notifies states of these potential actions in the original letter of findings. FSM-NDOE reported one instance in which it directed the use of funds in Chuuk to hire a consultant to assist in resolving several areas of noncompliance identified in Chuuk during OSEP's 2006 Verification Visit.

OSEP's 2006 Verification Visit

During the 2006 Verification Visit, OSEP determined that, while FSM's monitoring reports included timelines for correcting noncompliance as soon as possible, but not later than one year from the date when FSM identified noncompliance, FSM could not consistently provide documentation to demonstrate that correction had occurred. FSM was subsequently required to revise its monitoring procedures and submit documentation demonstrating that FSM is correcting noncompliance as soon as possible, but not later than one year from the date that FSM identifies noncompliance.

Since OSEP's FFY 2006 Verification Visit, FSM-NDOE's monitoring reports have improved considerably. OSEP reviewed FSM-NDOE's annual monitoring and verification visit reports to the four states and found them to be more comprehensive, including specific findings of noncompliance from on-site monitoring visits, and more clearly articulated with required corrective actions formatted into tables attached to narrative reports. Specifically, the reports for each state included information as follows:

- The Kosrae State Focused Monitoring report dated May 11-15, 2009 included information on the timely correction of five areas of noncompliance and the subsequent correction of three outstanding areas of noncompliance that were over one year old.
- The Pohnpei State Verification Monitoring Report dated September 14-18, 2009 indicated that all areas of outstanding noncompliance identified in previous years had been corrected, including four new areas of noncompliance identified as a result of the March 2008 annual monitoring visit.
- The Yap State Focused Monitoring Report dated December 15-19, 2008 indicated that the state was issued a Needs Intervention determination because only five of the 11 areas of noncompliance identified as a result of a May 2007 monitoring visit had been corrected within one year. Required corrective actions were prescribed to correct longstanding areas of noncompliance and to correct new areas of noncompliance identified during the monitoring visit.
- Chuuk State Focused Monitoring Report dated March 23-27, 2009: FSM-NDOE issued Chuuk a "Needs Substantial Intervention" determination level, which required a consent agreement signed between Chuuk State Director of Education and the Secretary of FSM-NDOE to oversee and ensure the correction of noncompliance in Chuuk. As further discussed below, since Chuuk hired a new special education coordinator in May 2009,

FSM-NDOE reported significant progress in correcting areas of noncompliance. FSM-NDOE reported that Chuuk's new special education coordinator implemented a new action plan that included visiting schools more often, shifting personnel to improve the quality of service provision throughout the Chuuk Islands, and establishing a system of accountability with deadlines and responsible parties to ensure that all areas of noncompliance were being corrected.

FSM-NDOE reported that longstanding noncompliance throughout FSM was often attributed to the lack of support by general education at the state and national levels. FSM-NDOE reported that new leadership within FSM's general education system has assumed ownership for the education of all students, including students with disabilities, which has resulted in progress. For example, FSM-NDOE reported that school building administrators are taking responsibility for supervising special education teachers within their buildings to ensure that students with disabilities are receiving needed special education and related services. FSM-NDOE also reported that increased parent awareness has contributed to the progress that all states are making in ensuring that students with disabilities are receiving services.

OSEP Conclusions

OSEP notes that FSM has made significant progress in correcting noncompliance in a timely manner since OSEP's 2006 Verification Visit. Nevertheless, in order to effectively monitor implementation of Part B of the IDEA, as required by IDEA sections 612(a)(11) and 616, 34 CFR §§300.149 and 300.600, and 20 U.S.C. 1232d(b)(3)(E), the FSM-NDOE must ensure that identified noncompliance is corrected in a timely manner. Based on the review of documents, analysis of data, and interviews with FSM-NDOE and state personnel, OSEP determined FSM-NDOE has not demonstrated that it has a general supervision system in place that is reasonably designed to ensure correction of identified noncompliance in a timely manner. In addition, FSM-NDOE's procedures do not consistently verify that the state has: (a) correctly implemented the specific regulatory requirements; and (b) corrected each individual case of student-specific noncompliance (even if late for timeline requirements).

Required Actions/Next Steps

Within 60 days from the date of this letter, FSM-NDOE must submit to OSEP written documentation demonstrating that it has revised its policies and procedures for determining timely correction of noncompliance, so that it determines that a finding of noncompliance has been corrected only if the state has both: (1) correctly implemented the specific regulatory requirements; and (2) corrected each individual case of student-specific noncompliance (although late for timeline requirements) and verifies correction consistent with OSEP Memo 09-02 and this enclosure.

Critical Element 3: Dispute Resolution

Does the State have procedures and practices that are reasonably designed to implement the dispute resolution requirements of IDEA?

Verification Visit Details and Analysis

In OSEP's 2007 Verification Letter, OSEP required FSM to submit with its FFY 2006 APR due February 1, 2008, a copy of its written procedures regarding written complaints, mediation, and due process hearings that are consistent with the requirements in 34 CFR §§300.500 through 300.536, and data and information regarding the procedures FSM has for ensuring that parents

are provided these documents. FSM-NDOE informed OSEP that service providers and special education staff who participate in annual IEP meetings are responsible for informing parents about their procedural safeguards. Parents receive FSM's Procedural Safeguards Notice that addresses state complaints, mediation and due process hearings, at least once a year and at other specified times as required in 34 CFR §300.504. In a progress report submitted to OSEP with the FFY 2007 APR, FSM-NDOE reported that it adopted the model procedural safeguards notice developed by OSEP and is working with each state on the dissemination and translation of the document. OSEP's FFY 2007 APR Response Table accepted the information FSM-NDOE provided in the progress report. During OSEP's 2009 Verification Visit, FSM-NDOE staff stated that the parents' rights notice is available in the languages spoken in each of the states, and that training is provided during the annual Parent/Consumer Conference. FSM provided OSEP a copy of its revised, *FSM Handbook for the Delivery of Special Education*, and *FSM Procedural Safeguards Notice*. Based on a review of these documents, OSEP found that they are not consistent with the requirements in 34 CFR §§300.151-300.153 and 34 CFR §§300.500-300.536.

FSM-NDOE informed OSEP during the verification visit, that although parents are informed of their right to file a written complaint and request mediation or a due process hearing, parents choose not to utilize the state complaint system or any other formal dispute resolution process. During the verification visit, OSEP also interviewed parents of students with IEPs in Pohnpei State, who verified that they were informed and understood their rights but choose to resolve their issues informally.

OSEP Conclusions

Based on the review of documents, specifically, *FSM's Handbook for the Delivery of Special Education* and *FSM's Procedural Safeguards Notice*, analysis of data, and interviews with FSM-NDOE and state personnel, OSEP determined that FSM-NDOE has not demonstrated that it has procedures and practices that are reasonably designed to implement all of the dispute resolution requirements in IDEA. Specifically, OSEP finds that FSM-NDOE has not adopted written procedures for dispute resolution processes including procedures for state complaints, mediation, and due process hearing to appropriately implement all the requirements in 34 CFR §§300.151-153 and §§300.500-300.536.

Required Actions/Next Steps

FSM-NDOE must adopt procedural safeguards that meet the requirements in 34 CFR §§300.151-153, and §§300.500-300.536, and submit them to OSEP with its FFY 2009 APR, due February 1, 2011. OSEP encourages FSM-NDOE to work with the Center for Appropriate Dispute Resolution in Special Education (CADRE) for guidance in developing policies, procedures and forms that meet the applicable regulatory requirements.

Critical Element 4: Improving Educational Results

Does the State have procedures and practices that are reasonably designed to improve educational results and functional outcomes for all children with disabilities?

Verification Visit Details and Analysis

FSM-NDOE described multiple procedures and practices employed to improve the educational results and functional outcomes for students with disabilities throughout FSM.

Transition Services

Secondary transition is a national initiative that includes training for each state through a contract with the University of Hawaii. The training reviews the requirements in 34 CFR §300.320(b). Each high school in FSM has a vocational education program that assists students with disabilities in meeting IEP transition goals and developing the skills necessary for employment.

Collaboration with General Education

FSM reported that collaborative efforts between general education and special education have resulted in: (1) an improved ability to track students with disabilities who graduate, drop out, transfer or leave for unknown reasons; (2) reporting accurate graduation, dropout, and suspension rates through its data systems (made possible with a grant from the U.S. Supplemental Education Grant Program); and (3) implementation of a Response to Intervention (RTI) project to improve instruction for FSM students and to prevent the inappropriate identification of students with specific learning disabilities. FSM receives on-going technical assistance from the Pacific Resources for Education and Learning and the National Center on Response to Intervention to assist with the implementation of RTI.

Personnel Development and Support

FSM-NDOE described its efforts to support personnel working with students with significant cognitive disabilities. The OSEP-funded Pacific Assessment Consortium Implementing Fully Innovative Change (PACIFIC) Project provides technical assistance through annual regional trainings and on-site visits to support FSM's implementation of the Alternate Assessment against Alternate Achievement Standards (AA-AAS). Facilitated by Guam CEDDERS, the PACIFIC Project provides support to FSM in building local capacity to report and analyze participation and performance data of students with significant cognitive disabilities on AA-AAS to inform critical changes in assessment, curriculum, and instruction, and providing appropriate academic instruction to students with significant cognitive disabilities.

OSEP Conclusions

Based on the review of documents, analysis of data, and interviews with FSM-NDOE personnel, OSEP finds that FSM-NDOE has procedures and practices that are reasonably designed to improve educational results and functional outcomes for all children with disabilities.

Required Actions/Next Steps

No action is required.

Critical Element 5: Implementation of Grant Assurances

Does the State have procedures and practices that are reasonably designed to implement selected grant assurances (i.e., monitoring and enforcement, private schools, NIMAS and assessment)?

Verification Visit Details and Analysis

Private Schools

FSM-NDOE reported that it does not currently ensure that states are spending a proportionate amount of Part B funds on providing special education and related services to parentally-placed private school children with disabilities, in accordance with 34 CFR §300.133(a) or carrying out a consultation with representatives from private schools in accordance with 34 CFR §300.134.

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FSM-NDOE staff reported that they were unaware that the requirements in 34 CFR §§300.130 through 300.138 applied to FSM. Guam CEDDERS will provide assistance to FSM to ensure compliance with these requirements.

NIMAS

FSM-NDOE has adopted the National Instructional Materials Accessibility Standard (NIMAS) in accordance with 34 CFR §300.172. FSM-NDOE uses the NIMAS standard when ordering instructional materials for students with disabilities. FSM-NDOE is receiving technical assistance through the OSEP-funded Pacific Consortium for Instructional Accessibility Project (CIMAP). FSM-NDOE reported that it has procedures in place to ensure the appropriate bidding for and procurement of educational materials from vendors. The consortium includes a partnership with Bookshare.org, an OSEP-funded resource for accessible materials and collaboration with the NIMAS technical assistance center, and the Accessible Instructional Materials Project.

Assessments

FSM-NDOE conducts its nationwide assessments, the National Standardized Test in language arts and math for children with and without disabilities in grades 6, 8, and 10. FSM-NDOE reported that it monitors to ensure states comply with Part B requirements for statewide assessments through its annual on-site monitoring/verification visits.

FSM-NDOE also reported that its assessment procedures, *Guidelines for Including Students with Disabilities in the National Standardized Test and Criteria for Participation in Alternate Assessments*, that addresses the provision of appropriate accommodations to students with disabilities for assessments as required in 34 CFR §300.160(b), has been disseminated to all four states. FSM-NDOE provides training on accommodations for nationwide assessments to special education staff on a consistent basis.

Since OSEP's last verification visit, FSM has successfully implemented the alternate assessment based on alternate achievement standards (AA-AAS). As stated above, the OSEP-funded PACIFIC Project has provided FSM-NDOE with technical assistance in providing personnel training and technical support in the development and implementation of FSM NDOE's AA-AAS.

OSEP Conclusions

Based on the review of documents, analysis of data and interviews with FSM-NDOE and state personnel, OSEP finds that with the exception of the private school requirements in 34 CFR §§300.130 through 300.138, FSM-NDOE has procedures and practices that are reasonably designed to implement selected grant assurances.

Required Actions/Next Steps

Within 60 days of the date of this letter, FSM must develop and submit to OSEP procedures to implement the private school requirements in 34 CFR §§300.130 through 300.138.

II. Data System

Critical Element 1: Collecting and Reporting Valid and Reliable Data

Does the State have a data system that is reasonably designed to collect and report valid and reliable data and information to the Department and the public in a timely manner?

Verification Visit Details and Analysis

FSM-NDOE uses three databases to collect and report data to the Department:

- Pacific Education Data Management System (PEDMS): PEDMS is an Excel database used by all four states to collect and report data required for the 20 indicators for the Joint Economic Management Committee (JEMCO). The data collected through PEDMS related to special education include enrollment, attendance, graduation, assessment, drop-out, and suspension;
- Education Management Information System (EMIS): EMIS is an Access data system for the national general education system to collect, compile, and report more accurate and timely student data including graduation rates, dropout rates, and suspension/expulsion data; and
- Student Information Tracking System (SITS): SITS is a relational web-based database using Microsoft Access (Office 2003 version), designed to track special education students through the entire cycle of special education services. SITS provides daily case management information for the four states in FSM for tracking students through the identification and placement process. It contains all of the necessary data elements to collect, compile, and generate data for reporting on child find, identification, IEP, placement, and delivery of services. It allows for ongoing analysis and monitoring of all IDEA procedural requirements. SITS also collects data for 618 data reports, SPP Indicator reporting, case management tracking and reporting and assessment data reporting.

During OSEP's October 2006 Verification Visit, FSM-HESA (now FSM-NDOE) informed OSEP that it would be implementing SITS to collect and report data to determine compliance with certain Part B requirements. During OSEP's 2009 Verification Visit, FSM-NDOE's data specialist and other knowledgeable staff reported that SITS has been fully implemented and is being utilized by all four states.

FSM-NDOE uses several strategies to ensure that its data are valid and reliable. For example, FSM-NDOE reported that it provides technical assistance and training to staff on reporting requirements, emphasizing the importance of reporting accurate data. During quarterly national meetings with state special education coordinators, FSM-NDOE provides data management training in areas where practices have resulted in reporting invalid and unreliable data. FSM-NDOE also reported that it provided training on SITS to staff that collect data and prepare data reports, including the four special education data clerks, general education data managers, and local special education coordinators. Prior to entering data into SITS, the special education data clerks will review each data element for completeness and accuracy.

FSM-NDOE's Assessment and Data Coordinator and Data and Information Management Specialist review state data on a quarterly basis to identify any data anomalies. FSM-NDOE will flag any variance of 10% or more on the section 618 data for follow-up and require the state to

provide an explanation and/or submit additional data and information in the next quarterly progress report.

In addition to reviewing data management procedures and verifying section 618 data submissions during the annual on-site visits, FSM-NDOE staff cross-check individual student records with SITS to ensure data accuracy. Validation checks are built into each application within SITS so data can be submitted without blank fields or inconsistencies between data elements. FSM-NDOE reported that certain data fields are prefilled from previous collections to reduce data entry errors. FSM-NDOE staff performs manual checks to look for anomalies, like unusual entries and illogical data trends. In addition, each state's special education coordinator is required to provide a signed assurance attesting to the accuracy of the data being reported.

FSM-NDOE staff reported issuing findings and ordering corrective actions if the monitoring team identifies noncompliance in the area of data collection. OSEP reviewed FSM-NDOE monitoring reports to two states where FSM-NDOE issued findings for noncompliance with the data collection requirement in 34 CFR §300.601(b)(1). FSM-NDOE found that in both states, SITS was not implemented or was implemented incorrectly. Also, one state was unable to track that initial evaluations were conducted within 60 days from receiving parental consent for evaluations, as required in 34 CFR §300.301. In addition, FSM-NDOE's monitoring team found that data entered into SITS was not valid and reliable. FSM-NDOE's monitoring team reviewed 20 individual child records in Pohnpei State and 20 in Kosrae State and found that all records contained technical errors and/or were incomplete. As a result, inaccurate data were entered into SITS.

FSM-NDOE reported to OSEP that it has provided additional technical assistance and training on SITS during FFY 2009. If needed, FSM-NDOE conducts focused monitoring to validate data with the state when there is substantial noncompliance identified during annual monitoring visits. FSM-NDOE informed OSEP that as a result of these efforts, there has been an increase in the accuracy of data entered into SITS.

As a part of the 2009 Verification Visit, OSEP specifically inquired into FSM-NDOE's guidance and data collection methodology for SPP/APR Indicators 4, 8, 11, 12, 13, and 14, and identified two issues with its data collection procedures (quarterly progress reporting and annual on-site monitoring) for Indicator 13. In the 2005 SPP, FSM reported that effective July 2005, SITS contained the necessary data elements to track IEPs for youth with disabilities ages 14 and above to address Indicator 13 requirements. However, as of OSEP's 2006 Verification Visit, SITS was not ready to collect data for this indicator. While waiting to implement SITS, FSM reported in its FFY 2007 APR that it completed improvement activities designed to collect data for Indicator 13 such as developing a "Transition Checklist," using resources from the National Secondary Transition Technical Assistance Center and the National Post-School Outcomes Center. FSM-NDOE reported that the four states will be also using SITS to collect these data for FFY 2009. Based on a review of quarterly reports from all four states (from December 2008 to September 2009) OSEP found that some states reported data on students beginning at age 16 while other FSM states reported data utilizing the state-determined age of 14.

OSEP Conclusions

The implementation of SITS for special education appears to be a significant enhancement to FSM-NDOE's data collection. FSM officials reported that SITS will permit FSM-NDOE to collect extensive data at the student level. This will result in: (1) instant access to a variety of

special education data; (2) the elimination of duplicate reporting between the EMIS, PEDMS, and SITS data systems; (3) the reduction of human errors caused by pulling and aggregating the data through student files to report data in quarterly progress reports; and (4) FSM-NDOE's ability to use and analyze the data in a variety of ways. However, based on the review of documents, analysis of data, and interviews with the FSM-NDOE data specialist, other knowledgeable staff and local personnel, OSEP cannot determine if FSM-NDOE has a data system that is reasonably designed to collect and report valid and reliable data and information to the Department and the public in a timely manner because the implementation of SITS is too recent to determine the effectiveness of the system.

Although FSM-NDOE reported that it plans to collect for Indicator 13 from quarterly progress reports, OSEP has determined that, with respect to data for Indicator 13, FSM-NDOE does not appear to have a data system that is reasonably designed to collect and report valid and reliable data and information to the Department and the public in a timely manner. In addition, OSEP cannot, without also conducting a review of data collection and reporting practices at a local level, determine whether all states implement FSM-NDOE's data collection and reporting procedures in a manner that is consistent with Part B.

Required Actions/Next Steps

Within 60 days from the date of this letter, FSM-NDOE must submit documentation to OSEP demonstrating that its plan to collect data for Indicator 13 from quarterly progress reports is effective and that FSM-NDOE will be able to collect and report valid and reliable data for Indicator 13 in the FFY 2009 APR, due February 1, 2011.

Critical Element 2: Data Reflect Actual Practice and Performance

Does the State have procedures that are reasonably designed to verify that the data collected and reported reflect actual practice and performance?

Verification Visit Details and Analysis

FSM reported that it verifies that the data it collects and reports reflect actual practice through a series of checks and balances, direct support to state-level personnel, and training of personnel at all levels. As a part of FSM-NDOE's annual on-site monitoring, a sample of student records are checked against data entered into SITS.

OSEP Conclusions

Based on the review of documents, analysis of data, and interviews with FSM-NDOE and state personnel, OSEP cannot determine if FSM-NDOE has procedures that are reasonably designed to verify that the data collected and reported reflect actual practice and performance because the implementation of SITS is too recent to determine the effectiveness of the system. In addition, OSEP cannot, without also conducting a review of data collection and reporting practices at a local level, determine whether all public agencies in FSM report data that reflect actual practice and performance.

Required Actions/Next Steps

No action is required.

Critical Element 3: Integrating Data Across Systems to Improve Compliance and Results

Does the State compile and integrate data across systems and use the data to inform and focus its improvement activities?

Verification Visit Details and Analysis

FSM-NDOE reported that while existing mechanisms ensure the reliability, validity and accuracy of data by cross-checking data between the three existing systems (PEDMS, EMIS and SITS), the goal is to combine the three systems into a single, integrated data system to better utilize the data to make performance and compliance determinations.

To ensure that data are used to inform and focus its improvement activities, states use the data from SITS and other sources to create improvement activities in their LPPs. FSM staff reported that it will use SITS to direct training and technical assistance at the state level and to continue to increase recruitment efforts of qualified personnel to provide needed services.

FSM-NDOE is currently receiving technical assistance from Guam CEDDERS to improve its procedures for collecting and reporting data under sections 616 and 618. The reports will be utilized by the Special Education Division in NDOE for monitoring and program improvement activities, and to assist in determining other technical assistance needed for programs, schools and personnel.

OSEP Conclusions

Based on the review of documents, analysis of data, and interviews with FSM-NDOE and state personnel, OSEP believes FSM-NDOE compiles and integrates data across systems and uses the data to inform and focus its improvement activities.

Actions/Next Steps

No action is required.

III. Fiscal System

Critical Element 1: Timely Obligation and Liquidation of Funds

Does the State have procedures that are reasonably designed to ensure the timely obligation and liquidation of IDEA funds?

Verification Visit Details and Analysis

During OSEP's visit, FSM-NDOE staff described its system for ensuring the timely obligation and liquidation of Part B funds in accordance with the requirements in 34 CFR §76.709. FSM-NDOE staff reported that the four states are responsible for completing an annual application for funds. The annual application includes the LPP, detailed budget, and submission assurances. FSM-NDOE reviews and approves the budget request for Part B funds and allocates quarterly allotments to states. The allotments are only distributed if the states have submitted their quarterly progress reports. FSM-NDOE staff reported that the National Ministry of Finance (NMOF) monitors draw-downs of Part B funds to ensure that the Part B funds are obligated within the allowable 27 month period of availability and liquidated within 30 months.

NMOF staff reported to OSEP that the NMOF notifies FSM-NDOE's special education office of remaining balances of unliquidated Part B funds within 30 days of the end of the grant period.

The State Director for Special Education in FSM-NDOE notifies each state special education program of unliquidated expenditures immediately following NMOF notification.

FSM-NDOE has not expended all funds from its FFY 2005 and FFY 2006 IDEA Part B grant awards. FSM-NDOE stated that lack of communication between the NMOF and FSM-NDOE resulted in unexpended funds from FFY 2005. However, FSM-NDOE reported that NMOF now notifies FSM-NDOE of unliquidated Part B funds in a timely manner and communicates with FSM-NDOE on a consistent basis. FSM-NDOE explained that it expended all FFY 2007 funds before expending funds from earlier years because the wrong account was being charged during the period that the FFY 2006 account was active. In response to FSM-NDOE's request, OSEP agreed to re-open the FFY 2006 account when FSM-NDOE substantially resolves outstanding single State audit findings.

OSEP Conclusions

Based on the review of documents, analysis of data and interviews with FSM-NDOE and state personnel, OSEP finds FSM does not have procedures that are reasonably designed to ensure the timely obligation and liquidation of IDEA Part B funds. FSM-NDOE stated that it has developed a closer working relationship with NMOF to put the necessary mechanisms in place to ensure that Part B funds are expended in accordance with the requirements of Part B, OMB Circular A-87, EDGAR and other applicable Federal requirements.

Required Actions/Next Steps

Within 60 days of the date of this letter, FSM-NDOE must provide a description of the procedures in place to ensure the timely obligation and liquidation of IDEA Part B funds.

Critical Element 2: Appropriate Distribution of IDEA Funds

Does the State have procedures that are reasonably designed to ensure appropriate distribution of IDEA funds within the State?

Verification Visit Details and Analysis

As noted previously, FSM is a unitary system. Accordingly, although FSM-NDOE has policies and procedures for distributing Part B funds to its states (see Fiscal Critical Element 1), FSM-NDOE is not required by IDEA to develop a funding mechanism to distribute Part B funds to its states.

Required Actions/Next Steps

No action is required.

Critical Element 3: Appropriate Use of IDEA Funds

Does the State have procedures that are reasonably designed to ensure appropriate use of IDEA funds?

Verification Visit Details and Analysis

As stated above, FSM-NDOE has worked closely with OSEP to close all audit findings from single State audits conducted by Deloitte and Touche. FSM-NDOE reported that it disseminated guidance to all FSM state special education programs regarding issues that resulted in audit findings such as: prior grantor approval for fixed assets, maintenance of fixed assets, and contracting requirements.

FSM-NDOE staff reported that it is now working more closely with NMOF to ensure that mechanisms are in place to ensure that Part B funds are expended in accordance with the requirements of Part B, OMB Circular A-87, EDGAR and other applicable Federal requirements. In order to ensure the appropriate use of IDEA Part B funds, FSM-NDOE staff reported that it is in the process of creating fiscal policies and procedures in collaboration with NMOF that are designed to provide guidance to administrators and program directors for improving the accountability and internal controls of FSM-NDOE programs. FSM-NDOE staff reported that each of the four states has a designated fiscal employee who works with the FSM-NDOE Special Education Division regarding the use of Part B funds. All funds within FSM-NDOE, including Part B funds, receive a separate funding code, which FSM-NDOE uses to track the use of Part B funds.

FSM-NDOE staff reported that it is in the process of implementing a number of mechanisms used to ensure fiscal accountability in the use of IDEA Part B funds. These mechanisms include: (1) annual single State audits; and (2) on-site annual verification visits that include fiscal monitoring. Since the last verification visit, FSM-NDOE reported that the annual verification fiscal monitoring is being implemented and will be enhanced to ensure fiscal accountability in all four states. FSM-NDOE staff stated that the general supervision system will include mechanisms to provide oversight in the distribution and use of IDEA funds at the national and state levels. In addition, fiscal monitoring will include the review of expenditures against the approved budget submitted annually by each state to include: (1) personnel time and budget allocations; (2) equipment procurement and maintenance; (3) procurement bidding, including travel; and (4) inventory of equipment. Supervision of fiscal activities will include a review of required corrective actions as a result of annual monitoring activities. NDOE's Director of Special Education meets with state special education coordinators weekly to review findings and work with supporting documents to track all audits. If there is an audit finding, NDOE's Director of Special Education informs the state special education coordinator and the state fiscal staff that the finding must be corrected and cannot be allowed to reoccur.

During the verification visit, FSM-NDOE reported that fiscal training will be provided to national and state fiscal personnel, appropriate staff in FSM-NDOE, and state special education coordinators and regional special education coordinators, on new policies and procedures that will be developed in 2010 to further ensure the appropriate use of Part B funds. FSM-NDOE staff reported that its fiscal policies and procedures, when fully implemented, will provide guidance to administrators and program directors for improving the accountability and internal controls of FSM-NDOE programs, including special education programs. In the event that audit findings are made through the single State audit office related to FSM-NDOE programs, including Part B, FSM-NDOE reported that its annual monitoring system will include a review of the single State audit findings and those findings will be used in making state determinations.

FSM-NDOE staff also reported that controls on the use of Part B funds are provided through a procurement process in which the FSM-NDOE reviews each state's procurement request. FSM-NDOE staff reported that the regional special education coordinators develop and submit purchase requests from Part B funds for needed items for special education students to NDOE's Special Education Division. State special education coordinators review and approve the requests from regional special education coordinators for purchases with Part B funds. All purchases using Part B funds are made through a requisition process and are inventoried by the state's fiscal office upon arrival. Received items are then sent to the state special education office for processing before being sent to the schools that requested them. Monitoring of special

education purchases for schools made with Part B funds is the responsibility of the state special education coordinator who is required to ensure that all special education items are secured.

During OSEP's 2009 Verification Visit, school staff from Pohapei State interviewed by OSEP reported waiting six months or more for materials, including instructional and support materials needed for the provision of special education and related services for children with disabilities. FSM-NDOE state staff reported that these delays were often attributed to the current structure in which only a few fiscal staff at the national level have the responsibility for reviewing and approving procurement requests. FSM-NDOE staff also reported that there is a lack of knowledge by school and state staff regarding FSM's national procurement requirements and procedures. FSM-NDOE staff reported that guidance on purchasing processes will be developed and issued to school, state, and national staff during the spring of 2010. These processes will include bidding procedures, obtaining materials, supplies, and equipment of maximum value for the least expense, and receiving, storing, and distributing the items obtained in a timely manner.

During OSEP's 2009 Verification Visit, FSM-NDOE and the NMOF reported plans to collaborate on providing training to FSM-NDOE national, state, and regional fiscal personnel to develop proper procedures and protocols regarding appropriate accounting and procurement procedures. NMOF representatives present during the verification visit acknowledged the importance of consistent communication between the NMOF and FSM-NDOE's Part B program for implementing effective fiscal procedures to ensure timely obligation and liquidation of funds.

OSEP Conclusions

Based on the review of documents, analysis of data, and interviews with FSM-NDOE and state personnel, OSEP has determined that FSM-NDOE does not have procedures that are reasonably designed to ensure appropriate use of IDEA funds. FSM is in the process of developing fiscal policies and procedures and has modified its annual monitoring system to include a fiscal component. FSM-NDOE reported that these enhancements will ensure the appropriate use of IDEA funds. However, since the policies and procedures and fiscal monitoring component are not in place, OSEP cannot determine if they will be effective.

Required Actions/Next Steps

Within 60 days from the date of this letter, FSM-NDOE must submit to OSEP: (1) a copy of FSM-NDOE's guidance on purchasing processes; (2) a plan for providing fiscal management training and a report on the outcome of the fiscal training as required by FSM-NDOE's Special Conditions (refer to GS 2) and (3) a copy of guidance issued by NMOF, including procurement requirements/policies and procedures and/or standard operating procedures.