



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES

MAR 11 2008

Honorable Michael P. Flanagan
Superintendent of Public Instruction
Michigan State Department of Education
P.O. Box 30008
Lansing, Michigan 48909

Dear Superintendent Flanagan:

The purpose of this letter is to inform you of the results of the Office of Special Education Programs' (OSEP) recent verification visit to Michigan. OSEP's September 17, 2007 letter informed you that 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 B 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 educational results and functional outcomes for children and youth with disabilities; and (2) ensuring that States meet the program requirements, particularly those most closely related to improving educational results for children with disabilities. We conducted the verification visit to your State during the week of November 12, 2007.

The purpose of our verification visit was to evaluate how your State uses its general supervision and data systems in order to assess and improve State compliance and performance, child outcomes, and the protection of child and parent rights and to review the State's procedures for distribution and use of IDEA funds and the timely obligation and liquidation of those funds. During the verification 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 performance issues identified in our June 15, 2007 letter responding to the State's FFY 2005 Annual Performance Report (APR)/State Performance Plan (SPP).

OSEP also conducted a conference call on October 9, 2007 with several members of Michigan's Special Education Advisory Council, Parent Training and Information Centers, the Michigan Association of Administrators of Special Education, and a representative from the Michigan Protection and Advocacy Service to hear their perspectives on the strengths and challenges of the State's systems for general supervision, data collection, and fiscal management.

As part of the verification visit to the Michigan Department of Education (MDE), OSEP staff met with Dr. Jacquelyn Thompson, Director of Special Education, and State personnel responsible for: (1) the oversight of general supervision (including monitoring, mediation, complaint resolution, and impartial due process hearings) and financial systems for special education; and (2) the collection and analysis of State reported data. Prior to and during the visit, OSEP staff reviewed a

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number of documents, including the following: (1) Michigan's Federal Fiscal Year (FFY) 2005 Annual Performance Report (APR) submitted to OSEP in February 2007; (2) Michigan's State Performance Plan (SPP) submitted to OSEP in December 2005; (3) Michigan's IDEA, Part B grant application for FFY 2007; (4) OSEP's previous verification visit letter to Michigan dated March 16, 2004; (5) MDE's website; (6) Michigan's Complaint Procedures for Special Education; (7) monitoring reports issued by the State; and (8) complaint and due process hearing logs.

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

General Supervision - Discussion

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

MDE reported that it implements a three-part monitoring system consisting of: (1) a service provider self review (SPSR); (2) a verification process; and (3) focused monitoring to identify and correct noncompliance and facilitate the improvement of local programs for children with disabilities. The SPSR addresses how well special education programs and services meet the needs of students with disabilities, and meet IDEA and State requirements. Each local school district, public school academy (charter school), and intermediate school district (ISD) that operates a program for children with disabilities must complete a SPSR once a year. An ISD consists of local school districts and public school academies (hereinafter referred to as districts). The SPSR covers five areas related to the effectiveness of special education programs and services: (1) general supervision; (2) parent involvement; (3) evaluation and eligibility; (4) least restrictive environment; and (5) individualized education program. Under each area there are several key performance indicators (KPIs) that districts and ISDs, as appropriate, use in rating their performance. KPIs may be associated with individual student records, academic performance, or systemic compliance with IDEA regulations. A district or an ISD, as appropriate, identifies noncompliance with Part B of IDEA by rating its performance on KPIs associated with individual student records or systemic compliance with IDEA regulations. The SPSR requires each district or ISD, as appropriate, to self-select a rating of: (1) strength; (2) meets requirements; (3) needs improvement; or (4) not in compliance. MDE indicated that the SPSR process was developed before the development of OSEP's SPP/APR indicators. MDE stated that it is currently in the process of changing KPIs to align with APR indicators.

MDE reported that its verification process is designed to ensure that the data districts and ISDs, as appropriate, submit in the SPSR are valid and reliable. Verification visits are conducted on a random sample of districts each year. MDE stated that during a verification visit, a MDE team visits the ISD of selected districts and reviews the SPSR submission and supporting documentation of districts selected for verification. During the verification process, MDE reported that it verifies that individual performance standards related to KPIs have been met, and if necessary, may request additional information from districts or visit additional districts within an ISD if concerns arise from the verification process.

MDE stated that its focused monitoring process ranks districts based on the district's performance on annual priorities. MDE's focused monitoring priorities align with OSEP's SPP/APR indicators. The State reported that by June 1st of each year districts are ranked and selected for focused monitoring based on the district's data. Based on district performance against State targets for students with disabilities, MDE in collaboration with a stakeholder committee selects districts for focused monitoring that are most in need of technical assistance. Focused monitoring occurs once every three years for all districts. MDE then meets with each district selected for focused monitoring and reviews all relevant data used in the selection process. One week prior to the visit, parent forums are held to obtain parent input. MDE stated that during the on-site focused monitoring visit, a MDE team works in conjunction with a district team, and the ISD monitor, to interview, review records, and observe selected service delivery settings. Thirty days after the on-site visit is concluded a report of findings is issued to the district, which identifies any areas of noncompliance with Part B of IDEA.

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 indicated that it compiles and integrates data across systems to identify systemic issues using the SPP and APR as the analysis mechanism for State improvement. MDE staff use data from all sources, including section 618 data, monitoring data, and due process and complaint data, to forecast the needs and potential solutions of future general supervision challenges. Improvement activities delineated within the SPP and APR are designed to help achieve State targets for performance and compliance and spur continuous analysis of State data.

MDE reported that it uses compliance monitoring, program effectiveness, student performance results, and child and student outcomes to rank and select districts for focused monitoring. During the past two years, MDE has used identification, least restrictive environment, and drop-out rates to select agencies for focused monitoring visits. MDE has added disproportionality as a fourth factor during the 2007-2008 school years. MDE encourages districts and ISDs to use data to drive student level improvement. MDE reported that districts and ISDs send data to MDE to populate the SPSR. MDE then posts that data in the SPSR system and requires districts and ISDs to review the validity and reliability of the data that was submitted to MDE. MDE encourages districts and ISDs to use the SPSR as a means to evaluate the progress or failure of student outcomes and programs at the local level. At the same time MDE evaluates the data submitted by districts and ISDs for identification and correction of systemic issues. Using this approach, MDE encourages and actively supports data integration to promote and stimulate improvement planning at the State and local levels.

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 reported that 30 days after the on-site focused monitoring visit is concluded a report of findings is issued to the district. Within 30 days of the issuance of a report of findings, MDE and

the district jointly develop an improvement plan. As part of the improvement plan, MDE requires the district to correct any findings of noncompliance no later than one year after the report of findings is issued. MDE then reviews evidence of correction of noncompliance 12 months after the report of findings is issued.

The State reported that corrective action planning is a collaborative process that MDE engages in with ISDs and districts to improve performance or compliance. MDE provides technical assistance and helps with the implementation of research-based strategies in districts and ISDs. To assist in this task MDE reaches out for technical assistance from the Federal and Regional Resource Centers; the National Center for Culturally Responsive Educational Systems; the National Center on Post-School Outcomes; the American Institutes for Research; the National Drop-Out Prevention Center; and the National Association of State Directors of Special Education, among others to improve district's and ISD's performance and compliance.

MDE reported that when necessary, it can and does impose sanctions to ensure compliance with Part B requirements, including withholding Part B funds and State funds, and imposing compliance agreements. MDE provided examples of four districts with compliance agreements and two districts where funds were withheld. Compliance agreements are used to ensure correction of student level services or procedures in a specified period of time (e.g., speech and language services, referral procedures, implementation of Individualized Education Programs and timelines in the evaluation process and annual review process). Compliance agreements often direct changes in policies, procedures and practices. Withholding of funds is the next level of sanction MDE can impose when districts fail after multiple attempts to align district procedures with State and Federal requirements or to adhere to timelines for correction of identified noncompliance. MDE reported that funds were withheld for: (1) refusal of the ISD to comply with the timelines for investigation of special education complaints and (2) using special education funds for staff members who did not possess required special education certification.

MDE reported that it conducted focused monitoring visits in eight ISDs during 2005-2006. OSEP examined MDE's initial focused monitoring reports, and also examined MDE's follow-up reports to verify correction of noncompliance within one year of identification. MDE made findings of noncompliance in each of the eight ISDs monitored. MDE reported that it reviewed evidence of correction of noncompliance 12 months after the report of findings was issued and that the follow-up visit reports to verify correction of the identified noncompliance in the 2005-2006 monitoring reports were completed approximately one year and six months after the identification of noncompliance. The State indicated that the 2005-2006 monitoring cycle was the pilot of a new monitoring cycle and that its policies and procedures now ensure that MDE will conduct follow-up visits to verify correction of focused monitoring findings of noncompliance within one year of identification.

As noted above, in addition to the focused monitoring process, MDE reported that it has a SPSR improvement planning process to ensure correction of noncompliance with Part B of IDEA identified during the SPSR process. MDE reported that each district or ISD, as appropriate, has an SPSR team that develops an improvement plan based on results of the SPSR. Districts or ISDs that rate KPIs associated with an individual student's record as "not in compliance" are required to develop a corrective action plan and demonstrate correction of the identified noncompliance

within 30 days of identification. Districts or ISDs that rate KPIs associated with systemic noncompliance as “not in compliance” are required to develop a corrective action plan that may be up to two years in length. Districts or ISDs that rate KPIs associated with academic performance as “need improvement” are also required to develop a corrective action plan that may be up to two years in length. For example, districts or ISDs that rated KPIs associated with the percent of youth aged 16 and above with an IEP that includes coordinated, measurable, annual IEP goals and transition services that will reasonably enable the student to meet post-secondary goals [Indicator 13] as “not in compliance” were given the ability to develop a corrective action plan that may be up to two years in length.¹ The district’s SPSR team submits the plan to the district’s superintendent for review. After superintendent approval, the improvement plan is submitted to the ISD for review. MDE reported that ISDs verify correction of noncompliance identified by districts during the SPSR process, and during the verification process, MDE reviews the evidence of correction. MDE also reported that it verifies correction of noncompliance identified by ISDs during the SPSR process.

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 into place to address those barriers?

MDE cited two primary barriers that have impeded the ability of the State to identify and timely correct noncompliance: (1) the limited capacity of the ISD monitors to follow-up on compliance issues at the district level; and (2) limits in the SPSR database. In response to these barriers MDE has initiated the following actions: (1) technical assistance and training for ISD monitors; and (2) improvements to the SPSR system that include aligning it with the SPP/APR indicators, and integrating data from all appropriate State data sources into the SPSR system. These efforts will improve the ability of ISD monitors to deliver evidence-based practices to correct noncompliance and improve the SPSR as a tool to identify noncompliance.

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

MDE reported that it currently operates a two-tier complaint system. During the verification visit, MDE stated that the State plans to move to a one-tier complaint system. Currently, MDE is reviewing comments on draft guidelines for amending its complaint system to one tier. Under the State proposed one-tier complaint system, MDE will implement the 60-day timeline as required by 34 CFR §300.152(a) in the following manner: (1) 10 days for a resolution session; (2) 30 days for completion of the complaint investigation; (3) 10 days from the receipt of the final report for submission of a reconsideration request; and (4) 10 days for issuance of the final report to complainants.

¹ In this example, two levels of correction were initiated. An individual student level correction was initiated at the district or ISD level to correct the noncompliance found in each individual file within 30 days and a systemic level correction was initiated to prevent the occurrence of future systemic findings (a systemic finding is made when 25% or more of the files reviewed in a district or ISD are found to be noncompliant.)

As part of the verification visit, OSEP reviewed MDE's complaint procedures for special education and the State's guidelines for permitting an extension of the 60-day timeline only if exceptional circumstances exist with respect to a particular complaint or the parent and public agency agree to extend the time to engage in mediation, or other alternative means of dispute resolution, if available in the State. OSEP also randomly reviewed 14 compliant files with extended timelines to verify that the timelines were granted and extended as required under 34 CFR §300.152(b)(1). OSEP reviewed the State's complaint database and reviewed hard copies of individual complaint investigator files. In two of the 14 cases OSEP reviewed, MDE's complaint database indicated that the exceptional circumstance used to extend the timeline of the complaint was "other". MDE staff demonstrated using the State complaint database that MDE monitors could select reasons for exceptional circumstances in the database from a dropdown menu. When a MDE monitor selects "other" as an exceptional circumstance for a particular complaint, an additional open text field is provided in the database. This field allows the monitor to enter details and information to relate the exceptional circumstance "other" directly to a specific complaint. In these two cases, however, no information was documented in MDE's complaint database or in the corresponding investigator paper case files to explain what the exceptional circumstance designation of "other" represented or how it was related to the particular complaint for which the extension was granted. Therefore, OSEP could not determine if the extension was properly granted. In the third case, OSEP found that the complaint had been extended (the extension was for over 300 days) for an exceptional circumstance that was related to the complaint. However, the extension was made after the complaint was settled, rather than before the end of the initial 60-day complaint timeline.

MDE also discussed with OSEP the State's one-tier due process system that was implemented on July 1, 2006. Due process hearings are conducted through an interagency agreement between MDE and the State Office of Administrative Hearings and Rules (SOAHR). The Due Process Coordinator from MDE acts as a liaison with SOAHR and ensures compliance with State and Federal regulations and timelines.

During a review of the State's complaint database and due process hearing log, OSEP verified, as reported in the State's FFY 2005 APR, that 99% of complaints and 100% of due process hearings were completed within required timelines during FFY 2005. MDE also reported during the verification visit that for the period of July 1, 2006 through June 30, 2007, 99% of complaints were completed within a 60-day timeline or a timeline extended for exceptional circumstances with respect to a particular complaint and 100% of due process hearings were completed within required timelines.

Critical Element 6: Does the State have mechanisms that focus on improving educational results and functional outcomes for all children with disabilities?

MDE has implemented a number of mechanisms designed to improve results for children with disabilities. MDE has reduced its monitoring cycle from four years to three years in an effort to plan, track, and implement student improvement strategies faster. MDE has strengthened its ability to make data-based decisions by gathering and reviewing data from several different data sources. This includes MDE's ability to track and ensure individual student progress through data collected from the statewide Single Record Student Database and the Michigan Compliance

Information System (which collects information on child count and educational environments). OSEP observed during the verification visit that MDE staff was extremely knowledgeable of State and Federal regulations and cited numerous examples of the State's ability to work with other departments within the State of Michigan and other Federal and private providers of technical assistance to improve the outcomes of children with disabilities. MDE also consistently engages its stakeholders and makes them an active participant in the decision-making process for setting State targets for improvement.

General Supervision System – Conclusions and Required Actions

Based on a review of MDE's current SPSR procedures, and information obtained in interviews with MDE monitors, OSEP found that the SPSR process requires the development of an improvement plan that may have a timeline of two years to correct identified noncompliance with Part B of IDEA. Therefore, OSEP concludes that MDE is unable to ensure that noncompliance identified through the SPSR process is corrected within a reasonable period of time, but no later than one year from identification 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). Within 60 days of the date of this letter, MDE must provide a method to ensure correction of noncompliance within a reasonable period of time, not to exceed one year from the date of identification in situations where districts or ISDs identify noncompliance in the SPSR.

After a random review of 14 complaint files with extended timelines, OSEP could not determine in two of those cases whether extensions were granted in accordance with the requirements under 34 CFR §300.152(b)(1). Therefore, Michigan must provide within 60 days from the date of this letter, a method for ensuring that it is properly documenting that extensions are granted only if exceptional circumstances exist with respect to a particular complaint as required by 34 CFR §300.152(b)(1). Specifically Michigan must ensure that when an extension is granted beyond the 60-day timeline and the reason cited for the extension is "other" that the complaint database or complaint file must provide sufficient detail to explain how the exceptional circumstance of "other" is related to a particular complaint. In addition, all extensions must be properly documented before, not after, the 60-day timeline.

OSEP did not identify any other areas of concern regarding Michigan's general supervision system, including its system for identifying and correcting noncompliance. OSEP cannot, however, without also collecting data and conducting reviews at the local level, determine whether all public agencies in the State implement the State's policies and procedures in a manner that is consistent with Part B.

Data Collection System – 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 reported that it collects data for reporting to the Department and the public from a number of data sources: (1) Single Record Student Database (SRSD) - collects graduation, drop-out, exiting students, suspensions and expulsion, discipline, child find information and

disproportionate representation by race and disability; (2) Michigan Compliance Information System (MICIS) - collects child count, educational environments 3-5 and 6-21 year olds, and disproportionate representation by race and disability; (3) Registry of Educational Personnel (REP) - collects personnel data; (4) Michigan Educational Assessment System (MEAS) - collects assessment data; (5) Early Education Tracking System (EETRK) - collects early childhood transition data; (6) surveys - collect preschool outcomes, parental involvement, secondary transition and post school outcomes; and (7) Michigan Complaints and Hearings Database - collects compliance findings, complaints, hearings adjudicated, hearings settled, mediation agreements and dispute resolution information. MDE reported that all of the above data sources are synthesized to report data to OSEP in a timely manner. MDE also indicated that the validity and reliability of the data it collects is insured through automated error checking algorithms at the State level. Local entities are also given the opportunity for review of data submitted to MDE to improve accuracy.

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

MDE reported that it provides guidance and training by implementing the following mechanisms: (1) year round websites for SRSD, MICIS, REP, MEAS, and EETRK; (2) year round help desk for technical assistance with the State's section 618 data collection; (3) yearly in-service training for special education data collection and reporting; and (4) annual dissemination of the technical manuals for all State data collection systems. In addition, there is an emerging collaborative structure across all data collection instruments and professional organizations, such as the Michigan Association of Secondary School Principals and the Michigan Association of School Psychologists that assists in sharing development of documentation, memos, and related technical assistance.

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 sections 616 and 618, OSEP guidance, and the State's procedures?

MDE indicated that it provided manuals and technical assistance for all individuals who enter and report data at the local and/or regional level. MDE explained to OSEP that accuracy in data submission is controlled in a number of different ways. One way is to cross-check data against another database, which flags any inconsistencies that MDE will follow-up on and, if needed, send to the district to correct the error. To control common errors that result from data entry all MDE data systems employ business rules based upon the State's procedures and OSEP guidance that check data against common errors, flag errors immediately for correction, and in some cases, require correction before additional data can be entered into the system. In some cases, MDE returns the data submitted by a district or ISD for review before it is considered final if MDE finds a problem that may have been overlooked during the opportunity for data review at the local entity or ISD level in the submission process. MDE stated that this process has dramatically cut down on errors. Many mistakes are caught and corrected on the second review at the local level. One example that highlights this process concerns multi-racial/ethnic coding errors. OSEP requires a single racial code for student data. Michigan's SRSD allows multiple races and

ethnicities to be selected. In this case, districts received notice of possible disproportionate representation and were asked to review their data in the special education database (MICIS) and SRSD to document and explain discrepancies. MDE then calculated the district's weighted risk ratio. In addition to this strategy, MDE convenes a multi-racial coding task force to address changing Federal requirements.

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

MDE stated that it employs a data cleaning process. After the data is entered in the data collection system of reference, the data is reviewed by one or more content specialists who can evaluate the data by looking for errors that go beyond whether the data was entered correctly. Content specialists review the data relative to their knowledge of the special education environment in which the data were collected. For example, if a data set makes a dramatic downward slope, the content specialist will first determine whether there was a change in how the data were measured or collected that resulted in this change and may contact the LEA or ISD that entered the data and ask them to verify that the data are correct and provide an explanation for the data, if necessary. MDE ensures that SPSR instructions are followed through its verification process. In some cases, the information management unit in MDE keeps a list of identified district submission errors, which it uses both for providing technical assistance and making local determinations.

During the verification visit, MDE reported that it has provided guidance concerning coding errors in disproportionality to districts. Specifically, MDE determined from a review of its data that there were some districts in which the disproportionality calculation was significantly different than the State pattern. For example, MDE stated that there were districts with a 50% Native American enrollment and the enrollment for Native Americans in the State was 1%. In situations where MDE identified a large discrepancy from State patterns and MDE staff identified the problem, MDE recalculated the data based on the K-12 enrollment of the district. When MDE was unable to identify what caused the data to be significantly different from the State pattern, MDE provided a data verification opportunity for the LEA. Based upon the information the district provided, MDE then computed a risk ratio to decide whether the LEA was above the threshold for disproportionate representation.

Data Collection System – Conclusions

OSEP did not identify any concerns with the data systems designed by the State to collect and report information required under section 618 and through the SPP/APR process. OSEP cannot, however, without also conducting a review of data collection and reporting policies, procedures and practices at the local level, determine whether all public agencies in the State implement the State's data collection and reporting procedures in a manner that is consistent with Part B.

Fiscal Management – Discussion

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

During the verification visit, MDE staff were able to walk through and discuss with OSEP actual numbers detailing how IDEA funds were distributed at the State level. Michigan distributes its Part B flow-through funds using an application process. MDE sends applications for Part B dollars to the State's 57 ISDs.² After an ISD receives application approval, MDE allocates Part B funds to an ISD in accordance with the statutory formula for allocating Part B funds in section 611(f) and section 619(g) of IDEA. The State provided OSEP an IDEA flow-through process chart that detailed the application process, including how MDE internally tracks and approves the application and allocates IDEA funds to the ISD. MDE was able to provide and explain to OSEP the allocation breakdown, including base payment, population, and poverty calculations for section 611 and section 619 funds for FFYs 2006 and 2007. MDE has an extremely detailed, controlled flow-through process that insures the proper distribution of funds.

Critical Element 2: Does the State have procedures reasonably designed to ensure appropriate use of IDEA funds at the LEA level?

MDE staff provided OSEP with copies of the procedures MDE uses to support the State's ability to ensure appropriate use of IDEA funds at the local level. The State reported that its procedures address the use of IDEA funds at the district and ISD level, the excess cost requirements in 34 CFR §300.202, and the maintenance of effort requirements in 34 CFR §300.202. MDE has organized records and keeps a budgetary control report by organization code. MDE also has records that indicate the cost of special education in the State from 1989 through 2006. MDE's fiscal experts are located within the special education office, which allows closer communication between program experts and fiscal experts. During the verification visit, fiscal personnel attended verification sessions on general supervision and data, providing an opportunity to discuss fiscal implications of issues as they arose, rather than in separate conversations between fiscal or program professionals.

Critical Element 3: Does the State have procedures reasonably designed to ensure the timely obligation and liquidation of IDEA funds?

Michigan reported that during the last three consecutive years it has obligated and liquidated all of the State's Part B funds down to a zero balance. MDE tracks the obligation of funds, uses a first in-first out procedure for all IDEA funds, and holds all ISDs and districts accountable for obligations and liquidation of funds. If an ISD or the district of an ISD does not obligate and liquidate their IDEA funds appropriately, they risk sanctions from MDE that may include the withholding of flow-through funds until the problem is corrected or the money is returned.

Fiscal Management System- Conclusions

As a result of OSEP's review of the State's written procedures and documentation for fiscal management and the State's reports to the public and the Secretary, OSEP did not identify any

² ISDs meet the definition of local educational agency (LEA) in 34 CFR §300.28. Under 34 CFR §300.28 (a), LEA means a public board of education or other public authority legally constituted within a State for either administrative control or direction of, or to perform a service function for, public elementary or secondary schools in a city, county, township, school district, or other political subdivision of a State, or for a combination of school districts or counties as are recognized in a State as an administrative agency for its public elementary schools or secondary schools.

concerns with MDE's policies and procedures to ensure that the State appropriately distributes Part B funds at the State level; ISDs and districts properly use Part B funds, and IDEA funds are timely obligated and liquidated. OSEP cannot, however, without conducting audits at the State and local levels, determine whether all public agencies in the State implement the State's fiscal procedures in a manner that is consistent with Part B and other relevant fiscal requirements.

Summary

Within 60 days from the date of this letter, MDE must provide a method to ensure:

- 1) Correction of noncompliance within a reasonable period of time, not to exceed one year from the date of identification in situations where districts or ISDs identify noncompliance in the SPSR, 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), and;
- 2) That it is properly documenting that extensions are granted only if exceptional circumstances exist with respect to a particular complaint as required by 34 CFR §300.152(b)(1). The State's method must describe how it will ensure that:
 - When an extension is granted beyond the 60-day timeline and the reason cited for the extension is "other" that the complaint database or complaint file provides sufficient detail to explain how the exceptional circumstance of "other" is related to a particular complaint, and;
 - All extensions are properly documented before, not after, the 60-day timeline.

The information provided by Michigan Department of Education's 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 the Michigan Department of Education's systems for general supervision, data collection and reporting, and financial systems.

We appreciate the cooperation and assistance provided by your staff during our visit. We look forward to collaborating with the as you continue to work to improve results for children with disabilities and their families.

Sincerely,



William W. Knudsen
Acting Director
Office of Special Education Programs

cc: Part B State Director