

DMS REPORT

DIFFERENTIATED MONITORING AND SUPPORT OFFICE OF SPECIAL EDUCATION PROGRAMS U.S. DEPARTMENT OF EDUCATION

STATE ARIZONA C

DATE JANUARY 13, 2020

IDEA PART C

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

Honorable Michael Traylor, M.D.
Director
Arizona Department of Economic Security
1789 W. Jefferson, Mail Drop 1111
Phoenix, Arizona 85007

Dear Director Traylor:

The purpose of this letter is to provide a summary of the results of the differentiated monitoring and support (DMS) activities conducted by the U. S. Department of Education's (Department) Office of Special Education Programs (OSEP) during an onsite visit to the Arizona Early Intervention Program (AzEIP) on April 8-10, 2019. OSEP's visit focused on specific aspects of AzEIP's implementation of the early intervention program for infants and toddlers with disabilities and their families under Part C of the Individuals with Disabilities Education Act (IDEA).

Participants during the visit included staff from the AzEIP Office, the Office of Exceptional Student Services, the Part B 619 office, the Arizona Interagency Coordinating Council (ICC), and several early intervention programs.

As part of the DMS process, OSEP conducts an organizational assessment (OA) of factors to identify States' progress in meeting performance standards and complying with the requirements of Part C of the IDEA and its implementing regulations, the Education Department General Administrative Regulations and the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. OSEP uses the information from the OA and an Engagement Decision Tree to make decisions about how it will engage with States over the course of the Federal fiscal year (FFY). The FFY 2018 DMS areas were: 1) Results; 2) Compliance; 3) State Systemic Improvement Plan (SSIP); and 4) Fiscal.

On November 22, 2018, OSEP sent AzEIP's DMS notice to Jenee Sisnroy, Arizona's Part C Coordinator. OSEP's notice provided a level of engagement of universal, targeted, or intensive for each of the four areas OSEP identified for DMS. The levels of engagement in the notice are based on a snapshot of the most recently available data in the corresponding four areas. The notice also identified the monitoring and support activities that would be carried out to address the factors contributing to the elevated need for monitoring and support in each of the areas that were identified for intensive engagement. We have attached a copy of the DMS notice for your convenience.

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The Department of Education's mission is to promote student achievement and preparedness for global competitiveness by fostering educational excellence and ensuring equal access.

The enclosure describes the: 1) Background; 2) Monitoring¹ and Technical Assistance Activity for each DMS area; 3) Summary; and 4) OSEP's conclusion including Next Steps and Required Actions. Given that OSEP issued findings of noncompliance with the IDEA requirements, the enclosure provides the specific details pertaining to the finding of noncompliance, along with the respective citation(s); and the corrective action required to address the identified finding of noncompliance.

We appreciate your efforts to improve results for infants and toddlers with disabilities. If you have any questions, please contact Kathleen Heck, your OSEP State Lead, at 202-245-6465.

Sincerely,

/s/

Laurie VanderPloeg

Director

Office of Special Education Programs

cc: Jenee Sisroy, Part C Coordinator

Enclosure

DMS Notice

¹ Monitoring is broadly defined as including activities examining both compliance and performance issues, and encompasses traditional monitoring reviews and technical assistance activities.

ENCLOSURE

Background

OSEP has a Differentiated Monitoring and Support (DMS) system as a component of Results Driven Accountability to improve results for children with disabilities under the Individuals with Disabilities Education Act (IDEA). DMS is designed to help the Department identify potential grantee risk and to assist OSEP in effectively using its resources to monitor State grantees as they implement the IDEA in their States. DMS addresses State-specific and Entity²-specific needs in the areas of results, compliance, State Systemic Improvement Plan (SSIP), and fiscal by differentiating levels and types of monitoring and support based on each State's and Entity's unique strengths, progress, and challenges in each area.

During the 2019 DMS visit to Arizona, OSEP reviewed the State's compliance and fiscal systems under Part C of the Individuals with Disabilities Education Act (IDEA), with a focus on the State's implementation of the IDEA Part C requirements related to early childhood transition notification regarding toddlers with disabilities and their families, and the components of the State's fiscal system (system of payments).

In reviewing Arizona's compliance and fiscal systems, OSEP:

- Reviewed the State's systems for collecting and reporting data the State submitted for selected indicators in the State's Federal fiscal year (FFY) 2016 Annual Performance Report (APR)/State Performance Plan (SPP)
- Reviewed the following:
 - Previous APRs
 - The State's FFY 2018 IDEA Part C Application
 - The State's Part C and Part B procedures manual and policy manual
 - The State's website
 - Other pertinent information related to the State's systems and efforts to improve results for children with disabilities
- Gathered additional information through interviews with:
 - Jenee Sisroy, Part C Coordinator/Administrator
 - State personnel responsible for implementing the compliance and fiscal systems, including:

² States include each of the 50 States, the District of Columbia, and the Commonwealth of Puerto Rico and Entities include freely associated States, outlying areas, and the Bureau of Indian Education.

- Alicia Sharma, Part C Program Operations
- Annie Converse, Part C Data Manager
- Lisa Morreal, Part C Contract Manager
- Ashley Boruff, Quality Improvement Coordinator
- Lisa Casteel, Fiscal Projects Coordinator
- Deborah Batz, Financial Services Administration, Senior Managing Analyst
- DDD Personnel:
 - Patrick Hays, Business Operations Manager
 - Jared Wiltshire, Senior Financial Analyst
- Part B Staff from the Arizona Department of Education (ADE):
 - Alissa Trollinger, Part B State Director, Exceptional Student Services (ESS)
 - Mike Mannelly, Associate Superintendent, ESS
 - Chris Brown, Director of Operations/Fiscal, ESS
 - Suzanne Perry, Part B 619 Coordinator

In addition, at the conclusion of the on-site visit OSEP requested that AzEIP submit additional documentation to verify processes and procedures addressed during the on-site discussion. In response, AzEIP submitted the following documents to OSEP on May 9, 2019:

- Public Education Agency (PEA) Notification example
- PEA Notification form
- I-Teams Screenshots
- FC005 Child Contract (Pre)
- Agenda for I-Teams Feedback — Mixed Roles
- Feedback Program Leaders
- Guidance Document Feedback Presentation
- Data Linking Timeline

- Status of Correction -Dynamite
- FFY 2016 Status of Correction Letter for Arizona Cooperative Therapies
- Arizona Department of Economic Security (ADES) required trainings
- AzEIP FFY 2016 webinar: Timely and Accurate Data and Indicators
- AzEIP FFY 2016 Status of Correction A–Z

The State's 2018 DMS levels of engagement were intensive and targeted for the areas of compliance and fiscal, respectively. In particular, for the area of compliance, Indicator 8 (Early Childhood Transition) overall and Indicator 8B (transition notification) were noted as areas of concern.

During the visit, OSEP did not examine the areas of results and SSIP, in which the State's levels of engagement were targeted and universal, respectively. However, OSEP will continue to work with the State on these areas during regular phone calls and virtual engagement and provide universal and targeted Technical Assistance (TA) through National TA calls, webinars and documents posted on our websites. Arizona currently receives technical assistance from these OSEP-funded TA centers: Early Childhood Technical Center (ECTA), The Center for IDEA Early Childhood Data Systems (DaSy), National Center for Systemic Improvement (NCSI), and IDEA Data Center (IDC) on a regular basis.

Arizona's Annual Performance Report Determinations

The U.S. Department of Education's (Department) 2012 through 2018 determinations for Arizona under Part C of the IDEA, Sections 616 and 642, were Needs Assistance. In 2019 (based on FFY 2017 data), the State's determination was Meets Requirements. Arizona's 2019 determination score was 88.88%, which was an increase from the 2018 score of 77.77%.

The State's data have fluctuated and progress has been inconsistent for Early Childhood Transition Indicators 8A, 8B, and 8C, from 2012-2016. With 100% compliance being the target for all compliance indicators, the following table highlights historical data for all three early childhood transition indicators for FFY 2012 through FFY 2017:

FFY	8A. Transition Steps and Services: Developed an Individual Family Service Plan (IFSP) with transition steps and services at least 90 days, and at the discretion of all parties, not more than nine months, prior to the toddler’s third birthday.	8B. Part C to B Notification: Notified (consistent with any opt-out policy adopted by the State) the State educational agency (SEA) and the local educational agency (LEA) where the toddler resides at least 90 days prior to the toddler’s third birthday for toddlers potentially eligible for Part B preschool services.	8C. Transition Conference: Conducted the transition conference held with the approval of the family at least 90 days, and at the discretion of all parties, not more than nine months, prior to the toddler’s third birthday for toddlers potentially eligible for Part B preschool services.
2012	70.00%	30.00%	64.00%
2013	56.69%	69.57%	70.34%
2014	79.37%	86.31%	80.85%
2015	82.41%	83.47%	77.52%
2016	93.44%	72.41%	88.81%
2017	94.96%	81.65%	90.24%

The State submitted its FFY 2017 data on February 1, 2019. These data were not considered in OSEP’s review, however, OSEP notes that all three FFY 2017 data points for Indicator 8 evidenced an improvement from FFY 2016 data.

Arizona’s Early Intervention Program Structure

AzEIP, DDD, and ASDB provide services to children and families through 37 early intervention programs (EIPs) which are located in 22 early intervention designated regions within the State. In Arizona, a Team-Based approach is used to provide early intervention services. AzEIP supports families using Team-Based Early Intervention Services (TBEIS) through contracts with one to three TBEIS contractors in each region, depending on the geographic size, population, and unique needs of the region to provide individualized support to all potentially-eligible and eligible children, and their families, within a given geographic region in Arizona. TBEIS providers work collaboratively with DDD and ASDB to provide services for children eligible for these service. In addition, TBEIS providers serve children and families residing in the Navajo Nation reservation in Arizona, through an intergovernmental agreement.

The AzEIP is the first point of contact for infants and toddlers and their families who are found eligible to receive early intervention services. According to AzEIP staff, all families entering the program are initially assigned to an AzEIP service coordinator. As part of the intake process, each family’s health insurance status is reviewed and if a family has Medicaid, or is Medicaid eligible, service coordination is transferred from AzEIP to DDD so that targeted funds can be used. AzEIP staff reported to OSEP that 60% of children serviced by their program receive Medicaid or are Medicaid eligible therefore DDD provides service coordination. AzEIP staff also indicated that there is no formal intra-agency or memorandum of agreement between AzEIP and

DDD, nor were the staff able to provide OSEP written documentation that addresses the administrative responsibilities of DDD personnel for implementing IDEA Part C policies and procedures.

Compliance

General Supervision

Under IDEA Section 635(a)(10) and 34 C.F.R. § 303.120 (Lead agency role in supervision, monitoring, funding, interagency coordination, and other responsibilities), the State lead agency must have a general supervision system that identifies and corrects noncompliance in a timely manner. Each system must include a single line of responsibility in a lead agency designated or established by the Governor that is responsible for the following:

1. the general administration and supervision of programs and activities administered by agencies, institutions, organizations, and EIS providers receiving assistance under Part C of the Act;
2. the monitoring of programs and activities used by the State to carry out Part C of the Act (whether or not the programs or activities are administered by agencies, institutions, organizations, and EIS providers that are receiving assistance under Part C of the Act), to ensure that the State complies with Part C of the Act, including—
 - Monitoring agencies, institutions, organizations, and EIS providers used by the State to carry out Part C of the Act;
 - Enforcing and obligations imposed on those agencies, institutions, organizations, and EIS providers under Part C of the Act and these regulations;
 - Providing technical assistance, if necessary, to those agencies, institutions, organizations, and EIS providers; and
 - Correcting any noncompliance identified through monitoring as soon as possible and in no case later than one year after the lead agency's identification of the noncompliance.

Reporting on Correction of Noncompliance in the APR required under Sections 616 and 642 of the IDEA, OSEP Memorandum 09-02 (OSEP Memo 09-02), dated, October 17, 2008, states that in order to verify that previously identified noncompliance has been corrected, the State must verify that the EIS program and/or EIS provider:

1. has corrected noncompliance for each child, unless the child is no longer within the jurisdiction of the EIS program and/or provider;
2. is correctly implementing the specific regulatory requirements (i.e., achieved 100% compliance) based on a review of updated data such as data subsequently collected through on-site monitoring or a State data system; and
3. if needed, change, or require each EIS program or EIS provider to change, policies, procedures and/or practices that contributed to or resulted in noncompliance.

In addition, the State must verify that its EIS programs and EIS providers have corrected noncompliance consistent with OSEP Memo 09-02 by:

- Accounting for all instances of noncompliance, including noncompliance identified: (a) through the State's on-site monitoring system or other monitoring procedures such as self-assessment; (b) through the review of data collected by the State, including compliance data collected through a State data system; and (c) by the Department;
- Identifying where (EIS programs) noncompliance occurred, the percentage level of noncompliance in each of those sites, and the root cause(s) of the noncompliance.

Arizona staff reported that monitoring of AzEIP programs occurs on a three-year cycle, and that each EIP receives at least one on-site visit during the three-year cycle. According to the State's FFY 2017 Annual Performance Report, "AzEIP reviews and verifies each EIP's data annually. This review and verification process may include: self-report activity data from a specified period of time; electronic data from a specified period of time; Child and Family Outcome data; and dispute resolution data." EIPs submit data for verification to AzEIP. The files are then reviewed by AzEIP staff to verify timeliness, completeness and accuracy of the data submitted. Based on the review and analysis of all data sources, AzEIP issues written notification to each EIP within 90 days of identification that includes findings of noncompliance, required corrective action, the decision for an onsite visit by the AzEIP office, and the EIP's local determination.

As part of the on-site discussion regarding its general supervision system, AzEIP staff identified several challenges. Due to the organizational structure of the agency, in which AzEIP falls under the DDD, AzEIP has no oversight or authority over DDD service coordinators in terms of implementation of IDEA Part C requirements. AzEIP staff stated that this structure impedes the program's ability to exercise its general supervision responsibility. Specifically, staff reported that although AzEIP has a system in place that is reasonably designed to identify and ensure correction of noncompliance when the noncompliance identified is associated within AzEIP's purview, they are unable to utilize the system when resolving noncompliance that is associated with the DDD service coordinators. In addition, when noncompliance is identified, AzEIP staff must contact the DDD employee's supervisor, or the personnel office, to handle the noncompliance concern. Staff confirmed that this process negatively impacts AzEIP's ability to ensure timely correction because it prevents the AzEIP program from addressing noncompliance directly or enforcing corrective action.

Another challenge AzEIP personnel identified is related to the program's ability to provide technical assistance and training on IDEA Part C requirements. Although all service coordinators are expected to follow AzEIP policies and procedures, AzEIP staff reported that many DDD service coordinators are unfamiliar with Part C requirements and are unable to access IDEA Part C specific training and professional development since they are not within the AzEIP training system. AzEIP indicated that they cannot mandate Part C related training for DDD employees for the purposes of professional development, or as part of a corrective action, because the DDD program is not under their authority. AzEIP staff acknowledged that this structure is a barrier to the AzEIP being able to ensure that the services provided by DDD service coordinators are consistent with IDEA Part C requirements. AzEIP stated that they are hoping to develop a

relationship with the State training division in order to incorporate IDEA Part C transition and IDEA compliance training for all Part C personnel, including those within DDD.

FFY 2016 Indicator 8B: Transition Notification

Under IDEA regulations 34 C.F.R. §303.209 (b)(1) the LA must ensure that the state educational agency and the local educational agency for the area in which the child resides that the child will shortly reach the age of eligibility for preschool services under Part B of the Act, as determined in accordance with State law, the State lead agency must have a comprehensive system in place to ensure that all early intervention services to support the provision of a seamless and timely transition of toddlers with disabilities and their families is in place. Furthermore, under 34 C.F.R. § 303.124 the State's system must include a system for compiling and reporting timely and accurate data that meets the requirements of 34 C.F.R. §§ 303.700-702 and 303.720-303.724, which include APR data on transitions.

Arizona recently revised its transition policies and procedures for the Part C program. Relevant portions of both the policy manual and procedure manual were reviewed and approved by the Department, with an effective date of July 1, 2019. AzEIP does have an opt-out policy on file with OSEP regarding transition notification.

OSEP's review of Arizona's compliance with IDEA Part C early intervention focused on its compliance, reporting, and implementation of the following measurement and requirement under its SPP/APR:

Indicator 8B: Notified (consistent with any opt-out policy adopted by the State) the SEA and the local educational agency where the toddler resides at least 90 days prior to the toddler's third birthday for toddlers potentially eligible for Part B preschool services.

During the monitoring visit, the State provided information on its transition process, including transition notification, and transition to Part B 619 (Preschool) for children potentially eligible for Part B 619 services. Specifically, the State reported that the lead agency notifies the SEA for children less than 2.9 years of age. Service coordinators are expected to enter all data into the system. They are also expected to coordinate with the PEA, and then the PEA sends the information to Part B 619 through email notification or as a data alert. The State reported the PEA notification form is sent if the family does not opt-out, and in this case the service coordinator sends the information to Part B 619.

AzEIP acknowledged during the on-site discussion that the Part C and the Part B program have been experiencing multiple challenges in facilitating a smooth transition of toddlers potentially eligible for Part B 619 services. According to the staff that were interviewed, there is no formal process in place to share and verify information, including data, across the Part C and Part B programs. As it relates specifically to its low Indicator 8B data, AzEIP reported that the root causes include provider shortages which have led to large caseloads and have impacted timely data entry, as well as high turnover of service coordinators and supervisors, particularly within DDD, which has impacted data quality control. Additionally, staff reported that the inability to use their data system for real time monitoring and oversight has been problematic. The current system does not have flags or alerts built in that would help AzEIP identify late or missing data.

OSEP Conclusion

Finding 1: The State does not have a general supervision system reasonably designed to identify and correct noncompliance in a timely manner.

Based on the review of documents, analysis of data, and interviews with Arizona personnel, as described above, OSEP concludes that Arizona does not have a general supervision system reasonably designed to ensure compliance with the following requirements:

The State lead agency must have a general supervision system that identifies and corrects noncompliance in a timely manner. Each system must include a single line of responsibility in a lead agency in accordance with 34 C.F.R. § 303.120; and

The State lead agency must notify the SEA and appropriate LEA that the toddler on his or her third birthday will reach the age of eligibility for services under part B of the Act in accordance with 34 C.F.R. § 303.209.

In Arizona, ADES, the State LA, uses multiple programs, including AzEIP and DDD, to carry out Part C of IDEA. Therefore, the LA must have a general supervision system that is reasonably designed to be able to identify and correct noncompliance in all programs. Although there is a structure in place to identify and correct noncompliance within AzEIP, the State was unable to demonstrate, through the description of its practices and procedures, that monitoring and oversight of other programs is occurring.

Additionally, for all programs that carry out Part C of the IDEA, the LA must provide the technical assistance necessary for staff to implement early intervention services consistent with Part C requirements. Although there is a structure in place to provide technical assistance to AzEIP service coordinators and providers, the State was unable to demonstrate, through the description of its practices and procedures, that technical assistance is being provided to service coordinators and providers in other programs.

As the Lead agency, ADES is responsible for the general administration and supervision of the Part C, implementing procedures that ensure timely provision of services to infants and toddlers with disabilities and their families during the pendency of any disputes between agencies or providers, and for resolving intraagency disputes. ADES has designated AzEIP as the program responsible for implementing Part C but has not provided the necessary procedures for ensuring that other sub-components of the LA are accountable to the IDEA Part C requirements. Based on the information the State provided during monitoring, DDD is responsible for providing service coordination to roughly half of eligible infants and toddlers and the families under the State's Part-C system, but ADES has no process for ensuring that DDD staff are complying with Part-C requirements.

Finding 2: The State does not have a system in place to ensure that it is collecting and reporting valid and reliable transition data for APR Indicator 8B.

The LA must have a system in place to ensure the collection and reporting of valid and reliable transition data, including the data required to notify the SEA and appropriate LEA that the toddler, on his or her third birthday, will reach the age of eligibility for services under Part B. The State was unable to demonstrate, through the description of its practices and procedures, that there is a system in place to ensure the collection and reporting of valid and reliable transition data.

OSEP acknowledges that AzEIP is working closely with the Arizona Part B ESS office, the 619 office, and OSEP-funded TA Centers in its efforts to address the barriers and challenges contributing to the low performance on Indicator 8B (transition notification) and the overall transition process for children potentially eligible for Part B 619 services. Specifically, beginning in 2019, AzEIP has started monitoring all EIPs for transition activities, developed a weekly child outcome report to better track transition data, made revisions to its database and transition form to better capture information required for transition notification to SEAs and PEAs, and included IDEA Part C requirements in all new provider contracts. OSEP appreciates these efforts, but requires the State to take additional actions as outlined below.

Required Actions/Next Steps

Within 90 days from the receipt of this letter, ADES must submit:

1. A plan to OSEP that includes a timeline, as well as steps to develop and adopt final written policies and procedures to:
 - a. Establish a single line of responsibility in ADES that is responsible for the following:
 - i. Administering and supervising the programs and activities administered by AzEIP, DDD, Navajo Nation, ASDB, and EIS providers receiving assistance under Part C of the Act;
 - ii. Monitoring programs and activities used by ADES to carry out Part C of the Act (whether or not the programs or activities are administered by AzEIP, DDD, and ASDB), and EIS providers that are receiving assistance under Part C of the Act), including:
 1. Enforcing corrective action imposed on AzEIP, DDD, ASDB, and the EIS providers under Part C of the Act and these regulations; and
 2. Providing technical assistance, if necessary, to AzEIP, DDD, ASDB, and the EIS providers including procedures to ensure that all service coordinators and EIS providers are trained and aware of their responsibilities based on IDEA requirements.

- b. Identify noncompliance based on monitoring and/or data collected from a database and identify corrective actions necessary to resolve identified noncompliance. As required by OSEP Memo 09-02³ and 34 CFR § 303.700(e), correct any noncompliance identified through monitoring and/or data collected from a database as soon as possible and in no case later than one year after the LA's identification of the noncompliance.
 - c. Develop a system to ensure the collection and reporting of valid and reliable transition data, including the data required to notify the SEA and appropriate LEA that the toddler, on his or her third birthday, will reach the age of eligibility for services under Part B of the Act. This system must include a mechanism for DDD to:
 - i. Share and verify information, including data, across the Part C and Part B programs;
 - ii. Ensure timely and accurate data entry and transmission;
 - iii. Ensure effective and accurate tracking of data; and
 - iv. Establish a coordination system that includes both AzEIP and DDD, for example through an intraagency agreement or memorandum of agreement.
2. A progress report to include evidence of actions implemented to develop and adopt policies and procedures to identify and address noncompliance in all programs.

Once OSEP has received evidence that the State has completed the required actions for identifying and correcting noncompliance through State monitoring or data collection procedures for Indicator 8B, OSEP will continue to monitor the State's progress using the State's annual data submissions. OSEP will also continue to provide TA to the State to implement its plan to provide general supervision.

Fiscal

As part of the DMS process, OSEP has assessed the State's progress in meeting performance standards and compliance with the legal requirements of the IDEA, the Education Department General Administrative Regulations and the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. This information was used to help OSEP make decisions about a State's or an Entity's levels of engagement for monitoring and support. As a result, the Arizona Part C level of engagement for fiscal was identified as targeted based on the following factors:

1. Change in leadership;
2. Size of the award;

³ In exercising its monitoring responsibilities under 34 CFR § 303.700(d) of this section, the State must ensure that when it identifies noncompliance with the requirements of this part by EIS programs and providers, the noncompliance is corrected as soon as possible and in no case later than one year after the State's identification of the noncompliance.

3. Number of early intervention service (EIS) providers; and
4. the FFY 2018 grant application.

OSEP's IDEA Part C fiscal monitoring in 2019 examined implementation by the State lead agency (LA) of the State's System of payments (SoP) as funding sources to pay for the provision of IDEA Part C EIS. Regarding the State's SoP, OSEP examined how the State LA ensures compliance with IDEA Part C if the State uses one or more of the following three sources of funding to pay for IDEA Part C services:

1. Private health insurance,
2. Public health insurance benefits, and
3. Family fees.

In conducting fiscal monitoring, OSEP reviewed the State's SoP policies and procedures and other related State-submitted documentation. OSEP conducted fiscal on-site monitoring with State LA staff on April 9 and 10, 2019.

Under IDEA Part C, a State may establish a SoP to fund EIS consistent with 34 C.F.R. §§ 303.13(a)(3) and 303.203(b). These systems can include cost participation fees (such as copayments, premiums, or deductibles) required to be paid under Federal, State, local, or private programs of insurance consistent with 34 C.F.R. §§ 303.520 and 303.521. States must also demonstrate compliance with the requirements regarding the use of IDEA Part C funds and payor of last resort provisions in 34 C.F.R. § 303.510(a) and (b). The focus of this monitoring activity is to examine the State's implementation of its SoP policies and procedures, where applicable.

Overview of Fiscal System: Historical Context

The Arizona Department of Economic Security (ADES) has an approved SoP policy on file with OSEP. AzEIP staff reported that children with disabilities and their families receive services either through AzEIP, ASDB, or DDD. Arizona Part C funds are primarily administered by AzEIP to support evaluation, eligibility, and ongoing early intervention services for children that are eligible for AzEIP only. The Arizona Health Care Cost Containment System (AHCCCS) Medicaid funds are used to serve children who are eligible for services in ASDB and/or DDD. AzEIP's SoP for EIS includes public benefits or insurance or private insurance. The Arizona SoP does not include family fees or sliding fees. Arizona does not have a definition of "inability to pay"; as such, families are not charged family fees, copayments are not collected unless required by the health plan contract between the insurer and the EIS provider, and families are not charged deductibles for any intervention service. Upon parental consent, contracted early intervention providers may bill a family's public or private insurance for early intervention services. AzEIP's Team-Based Early Intervention Services Billing Manual states that, "Early Intervention Programs (EIPs) must ensure that all funding sources (private insurance, Medicaid/AHCCCS, Arizona Long Term Care System (ALTCS) and the Comprehensive Medical and Dental Program (CMDP) are accessed before Part C funding is used as a funding source for early intervention services."

Arizona reported during pre-visit calls that it utilizes the web-based data application system called Infant-Toddler Electronic Administration and Monitoring System (I-TEAMS), which allows AzEIP, as well as its contractors and service providing agencies, including the ASDB, and the DDD to manage child record data for children referred and who are found eligible for AzEIP. Once the Consent to Bill Insurance form is completed, and parental consent is obtained, the information is then entered into I-TEAMS. This creates a child record that tracks information and timelines related to insurance, eligibility, the IFSP, service delivery, invoice, billing, payments as well as transition information. I-TEAMS, the primary information terminal, has built-in edit checks and business rules that generate red flags and creates timelines for its end users. For database administrators and data analysts at ASDB or AzEIP, I-TEAMS can create reports that can be used to inform outcomes and identify trends as well as create child-specific and aggregate data.

Requirements for the Fiscal System

Under 34 C.F.R. § 303.120(a)(1), each State's system must include a single line of responsibility in a LA, designated or established by the Governor, "that is responsible for the general administration and supervision of programs and activities administered by agencies, institutions, organizations, and EIS providers receiving assistance under part C of the Act." This includes the AzEIS monitoring and enforcing the implementation of Part C of the IDEA to ensure that the State complies with Part C of the Act, including the requirements of 34 C.F.R. §§ 510 and 520. If the LA identifies noncompliance, it must ensure that the noncompliance is corrected as soon as possible and in no case later than one year after the LA's identification of the noncompliance consistent with 34 C.F.R. § 303.120(a)(2)(iv). Further, under 2 C.F.R. § 200.303, the LA must establish internal controls in order to "comply with Federal statutes, regulations, and the terms and conditions of Federal awards," and the LA must monitor its compliance with the requirements of the Federal award.

OSEP Conclusion

Finding 1: The State does not have a monitoring system in place reasonably designed to ensure compliance with the payor of last resort requirements for the use of IDEA Part C funds.

Based on OSEP's interviews with State personnel, and a review of documents submitted by the LA, OSEP determined that the State does not have a monitoring system in place reasonably designed to ensure compliance with the following requirements:

Payor of last resort for the use of IDEA Part C funds, including ensuring that IDEA Part C funds are not used for services that would have been otherwise paid for from another public or private source in accordance with 34 C.F.R. § 303.510(a)(b).

During monitoring discussions, the AzEIP staff reported that EIS providers are required to enter payor sources including Part C funds services from the IFSP into the I-TEAMS database. AzEIP staff went on to explain that payor sources can be verified through a Post Payment Review. These reviews, however, are only conducted when issues are raised by the EIS providers and are not conducted on a periodic or regular basis. When asked, AzEIP was unable to produce

evidence from its monitoring system demonstrating that oversight and verification of payor sources is occurring consistently amongst its EIS providers. This is inconsistent with the AzEIP's Team-Based Early Intervention Services Billing Manual that states, "Early Intervention Programs (EIPs) must ensure that all funding sources (private insurance, Medicaid/AHCCCS, Arizona Long Term Care System (ALTCS) and the Comprehensive Medical and Dental Program (CMDP) are accessed before Part C funding is used as a funding source for early intervention services."

The IDEA Part C implementing regulations at 34 C.F.R. § 303.120 and the Uniform Guidance requirements at 2 C.F.R. § 200.303 require the State to have internal controls in place that allow the LA to monitor EIS provider activities and ensure compliance with the fiscal requirements of the program. While there are relevant provisions to address the payor of last resort requirements in the State's policy manual, the state acknowledged that there is not practice or procedure in place to monitor EIS providers for compliance with the manual.

Finding 2: The State has not been exercising appropriate supervision or internal controls to monitor EIS providers for compliance in implementing the prior written parental consent requirements for the use of private insurance.

Based on OSEP's interviews with State personnel, and a review of documents submitted by the LA, OSEP determined that the State does not have a monitoring system in place reasonably designed to ensure compliance with the following requirements:

Prior written parental consent for the use of private insurance is obtained as required by 34 C.F.R. §§ 303.520(b)(1)(i)(B) and 303.420(a)(3) due to an increase in frequency, length, duration, or intensity in the provision of services in the child's IFSP.

During monitoring discussions, AzIEP staff informed OSEP that parental consent to bill private insurance is obtained on the AzEIP Consent to Bill Health Insurance form at the child's IFSP annual meeting. AzEIP staff explained that once parental consent is obtained, the information from this form is then entered in the I-TEAMS database, which then generates an annual due date. AzEIP staff explained that I-TEAMS only generates a red flag if the consent date goes beyond one year from the date on the form. AzEIP staff clarified that they do not verify that parental consent is obtained due to an increase in frequency, length, duration, or intensity in the provision of services in the child's IFSP. AzEIP staff was unable to demonstrate that its monitoring tools provide a mechanism to ensure that parental consent is obtained due to an increase in frequency, length, duration, or intensity in the provision of services in the IFSP. AzEIP staff explained that although this is expressly written in their A Family's Guide to Funding Early Intervention Services in Arizona policy guide, they do not have a mechanism to ensure that this is being implemented at this time. Additionally, AzIEP staff reported that they are aware of the deficiency in their procedures and have planned to add a feature to capture this information as a future enhancement to their I-TEAMS database.

As with the payor of last resort requirements above, the State admitted during monitoring that while there is a written policy to address the requirements for obtaining parental consent, the State has not been exercising appropriate supervision or internal controls to monitor EIS providers for compliance with the written policies.

Required Actions/Next Steps

Within 90 days of the receipt of this letter, AzEIP must:

1. Provide OSEP with evidence of revised monitoring procedures under IDEA Section 635(a)(10)(A) and 34 C.F.R. § 303.120(a)(2) with regard to the SoP requirements described above, that demonstrate that the State is ensuring that EIS providers are:
 - a. Complying with payor of last resort requirements, for example reviewing documentation of payor of last resort assessments; and
 - b. Using the Consent to Bill Health Insurance form to document obtaining prior written consent for the use of private insurance due to an increase in frequency, length, duration, or intensity in the provision of services in the child's IFSP.
2. Provide OSEP with evidence that it has informed its EIS providers of the requirements under 34 C.F.R. § 303.520(b)(1)(i) regarding obtaining consent for the use of private insurance due to an increase in frequency, length, duration, or intensity in the provision of EIS in the child's IFSP.
3. Establish a timeline for the implementation of the LA's revised monitoring procedures related to its SoP requirements specifically identified above.
4. Additionally, within one year of the receipt of this letter, AzEIP must provide OSEP with completed monitoring reports or supporting evidence demonstrating the State's implementation of its revised monitoring system and oversight of the requirements listed in corrective actions 1 and 2.

DMS NOTICE

Differentiated Monitoring and Support Engagement Decisions:

Arizona 2018–2019

This year we have selected four States for on-site visits as part of OSEP's Differentiated Monitoring and Support (DMS) system. These selections were based on the relative number of intensive and targeted Levels of Engagement (LOEs) across all states. **Your State has been selected for an on-site visit.**

OSEP's Differentiated Monitoring and Support (DMS) system is a component of Results Driven Accountability. DMS is designed to identify potential grantee risk to the Department and to assist OSEP in effectively using its resources to monitor grantees. DMS addresses State-specific needs in the areas of results, compliance, State Systemic Improvement Plan (SSIP), and fiscal by differentiating levels and types of monitoring and support based on each State's unique strengths, progress, and challenges in each area.

DMS is a multi-tiered model for monitoring and providing support based on the principle that supports are first provided at a core or universal level to effectively address the needs of all States. Targeted monitoring and support is generally based on OSEP's identification of common needs among multiple States. Intensive monitoring and support is reserved for those States with the most intense or complex challenges to implementation.

OSEP has assessed States' and Entity's progress in meeting performance standards and compliance with the legal requirements of the Individuals with Disabilities Education Act, the Education Department General Administrative Regulations and the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. This information was used to help OSEP make decisions about a State's or Entity's levels of engagement for monitoring and support.

The charts below specify your State's level of engagement in each area – results, compliance, fiscal and SSIP.

Results | Level of Engagement: *Universal*

Factors	Existing/Current Engagement
<ul style="list-style-type: none"> Factors are only listed when the level of engagement is targeted or intensive. 	OSEP continues to make information and technical assistance (TA) resources available and provide universal support to all States.

New Engagement

OSEP will provide universal support to improve data quality and child performance outcomes related to positive social relationships, skills and knowledge.

Fiscal | Level of Engagement: *Targeted*

Factors	Existing/Current Engagement
<ul style="list-style-type: none"> State has had a change in the Part C Coordinator position within the past two years. The State's IDEA Part C award is between \$5,000,000-\$10,000,000 The State has more than 30 EIS programs The State's FFY 2018 grant application includes indirect costs in Section III F, and the supporting documentation is expired/out of date. 	OSEP continues to make information and TA resources available, and provide universal support to all States.

New Engagement

OSEP will contact the State and discuss the level of engagement and possible technical assistance activities to address the State’s specific needs. This may include establishing a schedule of regular contact with the State to determine the root cause of any fiscal issue and identify next steps for improvement.

Compliance | Level of Engagement: *Intensive*

Factors	Existing/Current Engagement
<ul style="list-style-type: none"> Indicator 8B: Transition notification 72.41% 	OSEP continues to make information and TA resources available, and provide universal support to all States.

New Engagement

OSEP will gather additional information to determine the scope of engagement necessary to assist the State in improving IDEA compliance. This may include working collaboratively with the State and OSEP-funded technical assistance centers, working with the State to conduct a root cause analysis of the factors that contributed to low compliance, and /or additional OSEP monitoring.

SSIP | Level of Engagement: *Universal*

Factors	Existing/Current Engagement
<ul style="list-style-type: none"> Factors are only listed when the level of engagement is targeted or intensive. 	<p>OSEP continues to make information and TA resources available and provide universal support to all States.</p>

New Engagement

OSEP will provide universal support related to the State’s SSIP.