



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

Honorable Ed Thompson, M.D., M.P.H.
State Health Officer
Mississippi State Department of Health
P.O. Box 1700
570 East Woodrow Wilson Boulevard
Jackson, MS 39215-1700

MAR - 8 2003

Dear Dr. Thompson:

The purpose of this letter is to inform you of the results of the Office of Special Education Programs' (OSEP) recent verification and focused monitoring visit to Mississippi during the week of November 5, 2007. OSEP's August 17, 2007 letter informed you that OSEP is conducting verification and focused monitoring visits to a number of States as part of our Continuous Improvement and Focused Monitoring System (CIFMS) for ensuring compliance with, and improving performance under, Part C of the Individuals with Disabilities Education Act (IDEA). As re-authorized in 2004, IDEA requires the Department to monitor States with a focus on: (1) improving early intervention results and functional outcomes for infants and toddlers with disabilities; and (2) ensuring that States meet the program requirements, including those most closely related to improving early intervention results for infants and toddlers with disabilities.

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

The Mississippi State Department of Health (MSDH) is the Mississippi Part C lead agency. Within MSDH, the First Steps Early Intervention Program is responsible for administering Part C of IDEA in Mississippi. IDEA Part C early intervention services are provided in Mississippi through nine regional Health Districts. The Health Districts are part of MSDH. Health District employees, including, some, but not all, service coordinators are MSDH employees. (Several Health Districts hire their service coordinators through contracts.) The administrators of the nine Health Districts report to MSDH's Director of Finance and Administration. Pursuant to a memorandum of understanding, the Mississippi Department of Mental Health (MSDMH) is the primary public provider of early intervention services, providing services directly as well as by

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service providers for early intervention services. MSDH reported in its most recent 618 Federal child count submission (Fall 2006) that 1,546 infants and toddlers with disabilities received early intervention services.

As part of our verification and focused monitoring visit to Mississippi, OSEP staff met with Danita Munday, State Part C Coordinator, and State personnel responsible for: (1) MSDH's general supervision system (including monitoring, mediation, State complaint resolution, and impartial due process hearings) and its procedures for use of IDEA Part C funds and the timely obligation and liquidation of those funds; and (2) the collection and analysis by MSDH of required State-reported data under IDEA. The focused monitoring part of OSEP's visit, was limited to interviews with the District Administrators, District Coordinators, and service coordinators from Health Districts V and VI. OSEP did not make on-site visits to these Health Districts to review child records, other information or data.

Prior to and during the visit, OSEP staff reviewed a number of documents, including the following: (1) Mississippi's SPP/APR submitted to OSEP on January 30, 2007; (2) Mississippi's SPP submitted to OSEP in December 2005; (3) Mississippi's grant applications under Part C of the IDEA for FFYs 2005, 2006, and 2007; (4) OSEP's verification visit letter to Mississippi dated June 28, 2004; (6) MSDH's website; and (7) other pertinent data. The information provided by MSDH 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 MSDH's systems for general supervision, data collection and reporting, and financial accountability.

Listed below is the discussion, followed by conclusions and required actions, organized by the critical elements used by OSEP to guide our review of each State's general supervision, data and IDEA fiscal systems.

General Supervision System - Discussion

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

The MSDH Part C staff who perform activities directly related to ensuring the identification and timely correction of noncompliance are the Part C Coordinator, the Monitoring Coordinator, and three Quality Monitors, each of whom is responsible for three Health Districts. These MSDH staff members explained that the Monitoring Coordinator designs and implements the system for on-site monitoring as it relates to the identification and correction of noncompliance. The Quality Monitors conduct focused monitoring in the Health Districts to which they are assigned, lead follow-up activities for correcting findings of noncompliance, perform data checks, investigate complaints, and provide technical assistance and training. The Part C Coordinator meets on a regular basis with the Monitoring Coordinator and Quality Monitors to review the

performance of each Health District regarding the identification and correction of noncompliance.

The MSDH Part C staff reported that in March 2006, MSDH implemented a monitoring system to identify and correct noncompliance. As indicated in Mississippi's FFY 2006 APR, submitted to OSEP on January 30, 2007, Mississippi was not, prior to March 2006, able to provide monitoring data because "no systemic focused and/or compliance monitoring was carried out in 2003 or 2004 which identified noncompliance or which was designed to correct noncompliance not later than one year from identification." MSDH staff reported that from May 2006 through October 2006, MSDH conducted monitoring visits to all nine Health Districts that addressed compliance regarding Part C and State requirements related to referral through transition activities. MSDH Part C staff further reported that MSDH made findings of noncompliance and issued monitoring reports to Health Districts III through IX in January 2007, to Health District I in February 2007, and to Health District II in March 2007.

MSDH staff reported that the 2006 monitoring process included: (1) data collection from several sources including the First Steps Information System (FSIS), Mississippi's real-time Statewide data system, interviews, observations, and record reviews; triangulation of data; formal and informal complaints; (2) findings of noncompliance and monitoring reports; (3) development of corrective action plans; (4) follow-up activities to ensure correction that incorporated small group and individualized technical assistance in addition to other ongoing activities targeted at correcting noncompliance; (5) local determinations; and (6) revisions to forms and instructions if needed.

During the verification visit, MSDH Part C staff told OSEP that in January 2007 MSDH implemented a focused monitoring process, which will operate on a three-year cycle, to ensure the identification and correction of noncompliance. MSDH Part C staff explained that the focused monitoring process continues to reflect Part C SPP/APR indicators and related requirements as well as State requirements. The staff further explained that in addition, the focused monitoring process has a new component that focuses on the changes within a Health District that will have the most significant impact on improving early intervention services for infants and toddlers with disabilities and their families.

The MSDH Part C staff reported that the focused monitoring process required all Health Districts to complete annual self-reviews that addressed meeting indicator targets and resolving previously identified compliance issues. MSDH reported that it began the on-site focused monitoring in three Health Districts (I, VI, and IX) in June 2007. MSDH staff reported that as part of the first cycle of the focused monitoring in these Health Districts, the Part C Coordinator, Monitoring Coordinator, and Quality Monitors had already met with Health District staffs and service providers to identify the changes needed that would have the most significant impact on improving early intervention services in their Health Districts.

The MSDH Part C staff reported that the Quality Monitors monitor their Health Districts to assist with implementation of the changes, to determine whether the changes are effective, and to provide constant, ongoing technical assistance related to these areas. The MSDH Part C staff told OSEP that the results of the 2007 focused monitoring process will be determined before April 30, 2008, at which time findings of noncompliance will be made. MSDH Part C staff explained that MSDH makes a finding of noncompliance when information from one source such as a service provider, parent, service coordinator, the FSIS data system, or a request for technical assistance suggests a problem and further investigation based on other sources and other activities such as a record review, observation, or review of provider contact notes, confirms the original information regarding noncompliance. The Part C staff indicated that corrective actions will be required to ensure the timely correction of any noncompliance identified.

The MSDH Part C staff informed OSEP that, as a result of the monitoring system (initial and focused monitoring), they have been able to identify problems, barriers, and solutions to issues facing Health Districts and that compliance with Part C requirements has improved in several areas. The staff also noted increases in questions from District Administrators and service coordinators, as well as requests for training and technical assistance.

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?

MSDH's Part C Coordinator, Monitoring Coordinator, Quality Monitors, and Data Manager reported that they have regular meetings to discuss systemic issues and data trends. The Data Manager and monitoring staff reported that they use data from the FSIS data system (which collects data for reporting on section 618 and SPP/APR requirements and other data pertaining to MSDH's Part C program) to identify and report trends to the Part C Coordinator and to decide when further investigation is needed to determine the nature and possible causes of any systemic noncompliance identified. The Part C staff members further reported that when they identify systemic issues and problems, they generate reports aggregated by the various noncompliance areas to assist the Quality Monitors in their focused monitoring follow-up, training, and technical assistance. The Part C staff explained that they also utilized the results of data analysis to group Health Districts for focused monitoring in order to target resources that will advance the correction of noncompliance across the Health Districts.

The Part C Coordinator reported that she also uses the FSIS data system to generate reports specific to compliance with Part C SPP/APR indicators, and then compiles that information along with additional information collected from any State complaints and mediation and due process hearing requests to identify systemic issues and problems.

The MSDH Part C staff also explained that they use the results from data analysis throughout the general supervision process, not only to identify systemic noncompliance, but also to guide improvements in the general supervision system itself. The staff indicated that the analysis of data was the catalyst for such improvements to MSDH's general supervision system as developing the Data Verification Checklist and making changes to the FSIS data system that have made the Part C data easier to analyze.

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?

The State's FFY 2006 Part C grant award contained Special Conditions, one of which was imposed because Mississippi was not ensuring the timely correction of noncompliance as required by 34 CFR §303.501(b). In its FFY 2006 APR submitted to OSEP on January 30, 2007, MSDH reported that it had not monitored during FFYs 2004 and 2005. The State further reported that it first monitored all nine Health Districts by the end of 2006, issued monitoring reports in January 2007 that required correction of the findings of noncompliance by January 2008, and developed correction plans. Since MSDH's June 1, 2007 final progress report indicated that no further correction data could be provided, OSEP determined that Mississippi did not meet its FFY 2006 Special Conditions, and included Special Conditions in the State's FFY 2007 grant award to ensure, among other things, the State's timely correction of identified noncompliance.

During the verification visit, MSDH Part C staff reported that they are continuing to review for timely correction of noncompliance in each of the nine Health Districts on a monthly basis. The District Administrators, District Coordinators, and service coordinators from Health Districts V and VI described the extensive technical assistance, guidance and support they have received from the Part C Coordinator, Monitoring Coordinator and Quality Monitors to correct the noncompliance identified in their monitoring reports, including technical assistance with small groups and individuals; record reviews; announced and unannounced visits; observations; problem solving sessions; parent and staff interviews; and instruction ensuring that any providers involved in the noncompliance understand correct practices which is followed by observation to determine they are in fact practicing those procedures. MSDH Part C staff stated that MSDH would provide information on the status on the timely correction of noncompliance for the nine Health Districts in the FFY 2007 APR that was due on February 1, 2008 and in the Special Conditions final progress report due on June 1, 2008. OSEP will review, and respond to in separate letters, the data in Mississippi's Part C FFY 2006 APR and FFY 2007 Special Conditions final progress report.

The MSDH Part C staff reported that components of the monitoring system used to correct noncompliance include: (1) ongoing and continuous technical assistance; (2) incentives such as public recognition; (3) published data report cards; (4) presentations at District Administrator quarterly meetings to discuss current compliance and performance status and barriers to

correction and improvement; (5) staff and individual meetings to identify activities to improve performance; (6) revisions to forms, procedures and data system as needed to adequately report data; (7) on-line question and answer documents to communicate process, procedures and guidance; (8) support and involvement from the Directors of Finance and Administration and Child and Adolescent Health Services; and (9) continued monitoring and follow-up activities.

MSDH Part C staff further told OSEP that as part of the general supervision process, MSDH also maintains a notebook for each Health District that is used to quickly determine areas of noncompliance and the technical assistance that a Health District needs to ensure correction of that noncompliance. The notebook includes the Health District's monitoring report, data, and a follow-up and documentation report. The staff explained that the Quality Monitors begin with the most current disaggregated data from the FSIS data system to identify information that needs to be obtained during the on-site visit and to tailor technical assistance to the needs of individual Health Districts. Quality Monitors then enter all information gathered during each on-site visit into the notebook. MSDH Part C staff reported that the notebook serves as a mechanism to document all of the technical assistance and guidance that Quality Monitors provide to the Health Districts and to measure the effectiveness of those activities as they relate to improved performance and compliance and the correction of noncompliance.

Although the Part C Coordinator indicated during the verification visit that she had participated in discussions with District Administrators concerning possible enforcement actions, she informed OSEP that enforcement actions or sanctions have not yet been imposed for any Health District that have remaining noncompliance at the end of the one-year correction period.

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

MSDH staff, District Administrators and service coordinators from Health Districts V and VI, and stakeholders told OSEP that the Part C Coordinator's lack of authority over the Health Districts was a barrier to MSDH's ability to ensure timely correction of noncompliance. They explained that while the Part C Coordinator has overall responsibility for Mississippi's Part C program, each Health District is managed by its District Administrator who reports to the Director of Finance and Administration, rather than the Part C Coordinator. MSDH reported that other barriers to correcting noncompliance include staff turnover, some District Administrators' limited knowledge of Part C requirements, and shortages of service coordinators and service providers in parts of the State.

To address these barriers, the MSDH Part C staff reported that MSDH has implemented solutions such as generating contracts with early intervention service providers directly through the Part C Coordinator, increasing service coordinator salaries through the reclassification of their positions

within the personnel system, and providing information regarding the challenges of the State's Part C program to appropriate State officials.

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

MSDH Part C staff reported that MSDH has implemented policies and procedures that ensure the timely resolution of State complaints and Part C due process hearings. The staff also reported that Mississippi policies and procedures are consistent with the Part C requirements in 34 CFR §303.423(b) and require that due process hearings be resolved not later than 30 days after the receipt of a request for a hearing including the issuance of a final decision with copies mailed to the parties. Similarly, MSDH Part C staff reported that Mississippi policies and procedures regarding State complaints are consistent with 34 CFR §303.512(a) and require that the complaint resolution process be completed within 60 calendar days after the complaint is filed.

MSDH Part C staff reported that MSDH's procedure for timely resolving a State complaint includes logging the complaint; acknowledging the receipt of the complaint; contacting the appropriate agency, program or provider identified in the complaint; conducting an on-site investigation, if necessary; giving the complainant the opportunity to submit additional information; reviewing all relevant information; making an independent determination; issuing a written decision; and implementing procedures for effective implementation of the final decision. The staff further reported that if needed, MSDH provides technical assistance and takes corrective actions necessary to achieve compliance.

MSDH Part C staff reported that in FFY 2005, Mississippi had one State complaint, which was timely resolved, and no requests for mediations or due process hearings. The staff further reported that in FFY 2006, there were eight State complaints, one of which had already been resolved through other procedures, and that the seven remaining complaints were all resolved within the 60-day timeline. The MSDH Part C staff indicated that there were no requests for mediations or due process hearings in FFY 2006.

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

MSDH staff told OSEP that recent changes to system practices embrace a focus on quality, in addition to compliance. MSDH staff reported that the State is in the beginning stages of measuring outcomes, and that in the past year, there have been many system changes in planning, monitoring, dispute resolution, and technical assistance, all geared toward improving outcomes for infants and toddlers with disabilities and their families. MSDH staff explained for example that in monitoring Health Districts, MSDH reviews not only individualized family service plan (IFSP) content requirements, but also the effectiveness of the IFSP planning process in addressing the unique needs of children and their families.

MSDH staff told OSEP that they interpret the increase in State complaints and requests for technical assistance by Health Districts as evidence of improved systemic functioning, because it indicates that families are better informed about their rights and the purpose of early intervention services and Health Districts are focused on making changes in their Districts that will improve outcomes for infants and toddlers with disabilities.

General Supervision System - Conclusions and Required Actions

Based on information provided to OSEP during the verification visit, it appears that MSDH has a general supervision system that is reasonably designed to identify noncompliance. In 2006, MSDH monitored all Health Districts and made findings of noncompliance and issued monitoring reports based on those findings. As a continuation of its statewide monitoring, MSDH has developed a focused monitoring process to identify and correct noncompliance, which was implemented with the first cycle of on-site visits in three Health Districts beginning in 2007. It appears that MSDH also has mechanisms to compile and integrate different sources of data, including data from the FSIS data system, record reviews, interviews, observations, and its dispute resolution process to identify systemic noncompliance issues.

OSEP recognizes MSDH's efforts to improve the performance of its general supervision system to correct noncompliance. However, OSEP is unable to determine whether MSDH's general supervision system is effective in ensuring correction of noncompliance because the one-year timeline for correction of the findings made in 2006 was not over at the time of OSEP's verification visit. In addition, MSDH reported that it had not yet developed the enforcement actions and/or sanctions that it would use to ensure correction of any noncompliance remaining after the one-year period has expired. As required in the Special Conditions imposed on Mississippi's FFY 2007 Part C grant award, MSDH must provide in the Progress Report due June 1, 2008, information on the corrective actions that it has implemented to correct any remaining noncompliance, including any program-specific enforcement actions or sanctions.

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

Data 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?

MSDH staff reported that Mississippi has developed the FSIS, a comprehensive, real-time data system, that enables the State to collect valid and reliable data. Information collected by the FSIS data system includes data required by IDEA section 618, the SPP/APR reporting requirements, and IFSP development for individual infants and toddlers with disabilities. MSDH

staff further reported that the FSIS data system is able to: (1) generate multiple real-time data reports pertaining to SPP/APR indicators; (2) track and verify section 618 data; (3) send automated notifications of referrals; and (4) disaggregate real-time caseload information by multiple variables.

MSDH staff reported that over time, the FSIS data system has evolved to be a centrally located system that addresses multiple needs and requirements of the State's Part C program. MSDH staff reported that since the February 1, 2007, MSDH has improved the FSIS system by adding: (1) an IFSP page that incorporates data and information regarding all dates for IFSP development and reviews; (2) a transition page that identifies information and collects data regarding transition steps and activities and due dates; (3) an updated service tab, which can be used to provide information regarding a new service provider for a continuing service; and (4) a search feature that allows service coordinators and MSDH Part C staff to answer inquiries about specific children within the system.

OSEP's June 15, 2007 response to the State's SPP/APR indicated that the State's data for Indicator 1 (timely provision of services) were not valid and reliable because Mississippi reported data on services on the initial IFSP, rather than services on initial IFSPs and new services on subsequent IFSPs. During the verification visit, the MSDH staff reported that MSDH is able to report data regarding timely services on both initial and subsequent IFSPs and would do so in the APR that was due February 1, 2008. OSEP looks forward to reviewing, and will respond separately to, the data in the State's Part C FFY 2006 APR.

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

MSDH staff reported that newly hired service coordinators are required to take a three-day orientation training program that includes information on the functions of the FSIS data system, how data are used, and proper data entry. MSDH staff reported that veteran service coordinators are also required to attend these training sessions, which provide ongoing training opportunities for them. MSDH staff reported that technical assistance and support for personnel who enter data are provided when reports generated on individual coordinators or monitoring reveal such a need, and that the Part C staff follows up on the effectiveness of that support. MSDH staff reported that data entry training is also an ongoing part of other State level trainings such as IFSP training.

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

MSDH staff reported that MSDH has a set of procedures in place to ensure that data are entered accurately. The MSDH Part C staff indicated that they run data checks that can identify illogical

data, such as inappropriate birthdates or improbable service initiation dates, to discover information that was potentially entered incorrectly. MSDH Part C staff explained that they then follow up with Health District staffs to resolve any inaccuracies identified. MSDH Part C staff reported that the Quality Monitors also generate reports from the FSIS data system prior to each on-site visit to a Health District and complete a Data Verification Checklist during the visit. The MSDH Part C staff explained that the Data Verification Checklist is the tool used by the Quality Monitors to compare information from the FSIS data system to information in child records. The Part C coordinator, Monitoring Coordinator, Data Manager, and training and technical assistance staff also generate routine State level checks and reports.

MSDH staff reported that since MSDH has begun this process, it found that one of the Health Districts had not been correctly entering data and another Health District had not been entering data in a timely fashion. The MSDH Part C staff told OSEP that the Part C Coordinator and the training and technical assistance staff have been providing specific guidance to the Health Districts regarding correct and timely data entry. MSDH staff reported that recent FSIS data reports indicate improvement in accurate and timely data for these Health Districts.

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

MSDH staff reported that MSDH's training and technical assistance personnel conduct monthly data reviews to identify anomalies and then work with Health District staffs and service coordinators to resolve the problems. MSDH staff reported that service coordinators must provide a written explanation for any anomaly or inaccuracy that is identified. The staff further explained that the Data Manager is contacted when an error is identified and the Part C Coordinator is contacted if trends emerge. The Part C Coordinator provides technical assistance if necessary and follows-up through electronic mail until errors are corrected.

Data System – Conclusion and Required Actions

Based on the information provided to OSEP during the verification visit, it appears that Mississippi's data system, including the related practices of ongoing training and technical assistance, is reasonably designed to ensure the collection and reporting of timely, valid and reliable data and information to OSEP and the public under IDEA sections 616 and 618.

Fiscal Management System – Discussion

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

OSEP reviewed MSDH's procedures for the use of Part C funds consistent with section 638 of IDEA.¹ MSDH staff reported that the distribution of Part C funds is included in the State budgeting process. MSDH staff reported that MSDH receives Part C funds and subsequently distributes these funds to the Health Districts' Part C early intervention service programs and while Health Districts may request an amount needed for a particular program, most funding decisions are based on the previous year's budget with necessary adjustments.

The Part C Coordinator reported that she must approve all expenditures of Part C funds that are allocated through the budgeting process to the Part C central office. MSDH Finance and Administration staff reported that expenditures are listed and tracked by budget category in the State budget. The staff indicated that they verify monthly that the Part C budget is not overspent. MSDH staff informed OSEP that MSDH fiscal personnel review the Health Districts' expenditures on an ongoing basis and MSDH's Part C staff ensures that the Districts do not exceed the established budget for State and Part C funds.

During OSEP's visit, MSDH staff provided information indicating that the State may not track, as required by Part C regulations in 34 CFR §303.124(b), the amount of State and local funds actually expended for early intervention services to infants and toddlers with disabilities and their families in the most recent preceding fiscal year. This information is key to the State's ability to determine whether it meets Part C's nonsupplanting/maintenance of effort requirements in IDEA section 637(b)(5)(B) and 34 CFR §303.124.

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

Data from the federal Grants Administration and Payments System (GAPS) show that Mississippi Part C has expended the majority of its IDEA Part C funds in the last five fiscal years. While MSDH did not provide any written procedures for ensuring the timely obligation and liquidation of Part C funds, OSEP staff reviewed the period of available obligation and liquidation. OSEP noted that the State lapsed a minimal amount (\$741.57) of its FFY 2004 Part C funds. The State lapsed \$16,805.93 of its FFY 2006 Part C funds, but explained that while it had obligated these funds for a computer contract, it was not able to liquidate those funds, because the contractor went out of business. The Part C Coordinator reported that she analyzes monthly budget reports from Finance and Administration to ensure the timely obligation and liquidation of Part C funds and communicates with Finance and Administration staff when she has concerns about timely liquidation.

¹ Without conducting a complete review of MSDH's expenses and source documentation of all obligations, OSEP cannot determine or conclude that costs charged to IDEA Part C funds are allowable and whether MSDH's policies for use of funds are fully and appropriately implemented.

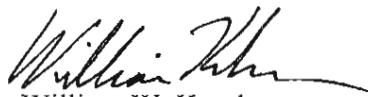
Fiscal Management System – Conclusion and Required Actions

With the exception of Part C's nonsupplanting requirements in 34 CFR §303.124, OSEP has determined that the State has procedures reasonably designed to ensure the appropriate use and timely obligation and liquidation of IDEA Part C funds by the State. However, without conducting audits at the State and local levels, OSEP cannot determine whether all public agencies in the State implement the State's fiscal procedures in a manner that is consistent with Part C and other applicable Federal fiscal requirements.

With respect to Part C's nonsupplanting/maintenance of effort requirements in IDEA section 637(b)(5)(B) and 34 CFR §303.124, MSDH must provide a specific written assurance within 60 days of the date of this letter (or with its FFY 2008 Part C grant application), that MSDH has informed its State audit office of the need to review under the State's Single Audit, conducted pursuant to the Single Audit Act, its procedures to comply with, and actual State and local expenditures to meet the requirements of, Part C's maintenance of effort (MOE) requirements in 34 CFR §303.124. MSDH must continue to keep OSEP apprised in writing of any further efforts it or the State makes to ensure compliance with Part C's MOE requirements.

We appreciate the cooperation and assistance provided by your staff during our visit. We look forward to collaborating with 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: State Part C Coordinator