



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES

Honorable Vivian I. Ebbesen-Fludd  
Commissioner  
U.S. Virgin Islands Department of Health  
Sugar Estate #48  
St. Thomas, USVI 00802

FEB - 8 2008

Dear Commissioner Ebbesen-Fludd:

The purpose of this letter is to inform you of the results of the Office of Special Education Programs' (OSEP) verification visit to the U.S. Virgin Islands (Territory) during the week of November 3, 2007. My August 31, 2007 letter informed you that OSEP is conducting verification and focused monitoring visits to a number of States and Territories 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 and Territories with a focus on: (1) improving early intervention results and functional outcomes for infants and toddlers with disabilities; and (2) ensuring that States and Territories meet program requirements, particularly those most closely related to improving early intervention results for infants and toddlers with disabilities.

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

The U.S. Virgin Islands Part C lead agency is the Virgin Islands Department of Health (VIDH). VIDH is comprised of two Health Districts (St. Thomas and St. Croix). Early intervention services are provided in the Virgin Islands by VIDH government employees and per-diem personnel. VIDH's FFY 2007 Part C grant is subject to special conditions under which VIDH contracts with a third party agent, the Lutheran Social Services (LSS), to process payments and disbursements under Part C and to maintain financial records and provide financial reports to VIDH.

As part of our visit to the Virgin Islands, OSEP staff met with you, Ms. Renee Joseph-Rhymer (VIDH's Part C Coordinator), and VIDH personnel responsible for: (1) VIDH's general supervision system (including monitoring, mediation, complaint resolution, and impartial due

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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 of data required to be reported under Part C of the IDEA.

Prior to and during the visit, OSEP staff reviewed a number of documents, including the following: (1) VIDH's FFY 2005 APR submitted to OSEP in February 2007; (2) VIDH's SPP/APR submitted to OSEP in December 2005; (3) VIDH's grant applications under Part C of the IDEA for FFYs 2005, 2006, and 2007; (4) VIDH's Special Conditions reports required for FFYs 2004, 2005 and 2006; (5) OSEP's Verification Visit letter to VIDH, November 16, 2007; and (6) other pertinent data. The information provided by VIDH 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 VIDH's systems for general supervision, data collection and reporting, and financial accountability.

OSEP's discussion, conclusions and required actions organized by the critical elements used to guide our review of the Territory's general supervision, data and finance systems are provided below.

#### General Supervision System-Discussion

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

VIDH reported that its general supervision components for identifying noncompliance include: (1) reviewing and modifying policies and procedures, as needed; (2) developing and providing written guidance manuals regarding SPP/APR Indicators 1, 2, 3, 4, 7, 8, 9, 10, 11, 13 and 14; (3) conducting ongoing monitoring procedures such as continuous communication with service coordinators, periodic case conferences and meetings with early intervention personnel; (4) collecting data from monthly self-assessments and record reviews; (5) conducting a comprehensive record review; (6) implementing fiscal management and reporting appropriate documentation; (7) implementing its short and long-term personnel recruitment and retention plan; (8) evaluating the effectiveness of VIDH's interagency collaboration with the Virgin Islands Department of Education (VIDE) that impacts personnel recruitment and retention and early childhood transition (SPP/APR Indicator 8); and (9) managing property inventory and tracking equipment and other materials.

VIDH reported that together these components provide the Territory with the tools and data to identify noncompliance or need for improvement. VIDH demonstrated its ability to identify noncompliance in its FFY 2005 SPP/APR, submitted to OSEP on February 1, 2007, its SPP submitted to OSEP in December 2005, and the data provided in reports that OSEP required VIDH to send OSEP during FFY 2002 through FFY 2005 in conjunction with Special Conditions imposed on VIDH's Part C grant awards during those years. In March and April 2005, with assistance from NECTAC, VIDH instituted a comprehensive record review procedure for the purposes of identifying and correcting noncompliance with Part C requirements. The Part C Coordinator told OSEP staff during the visit that the records were selected to enable the program to review a cross-section of children enrolled in the Part C program representing the

demographic population of children served and those in different phases of the program, e.g. newly identified or during transition.

During the visit, OSEP staff reviewed documents such as memoranda and electronic mail notifying staff regarding the identification of noncompliance, records of case conferences with staff, completed monthly self-assessments, tracking documents, VIDH's record review form, the documentation of its inventory management and guidance manuals. (The evidence of fiscal monitoring and inventory management and tracking will be covered under the "Fiscal" section of this report.) VIDH reported that the Part C Coordinator and Part C Program Administrator, in conjunction with a team of consultants, analyze the data. VIDH's two service coordinators also have responsibility for summarizing certain data such as provider documentation signed by parents that services were provided.

*Critical Element 2: As part of its general supervision system, does the Territory 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?*

VIDH utilizes data it collects and reports under IDEA section 618, Territory-reported data and previous monitoring results to identify potential systemic issues and problems. (See additional discussion under critical element #5 below regarding VIDH's procedural safeguards data.)

VIDH staff reported that it has mechanisms in place to collect and analyze data for all of the SPP/APR Indicators (inclusive of its section 618 data) and showed OSEP staff, during the visit, VIDH's matrix outlining the mechanisms used to collect and analyze these data.

VIDH's Part C Coordinator reported that, as a result of collecting, analyzing, and reporting data in areas such as child find, provision of timely services, evaluations and assessments, 45-day timeline from referral to initial IFSP meeting, the following improvement strategies were developed and implemented during 2005 and 2006. VIDH indicated that it had: (1) strengthened and clarified its policies and procedures; (2) conducted training for all staff regarding policies, procedures and guidelines; (3) streamlined Individualized Family Service Plan forms (IFSP) and other documentation to ensure consistency of data collection; (5) modified its child record review procedures to ensure alignment with SPP/APR Indicators, Part C related requirements, and all other Part C requirements; (6) instituted a monthly self-assessment process to prevent re-occurrence of noncompliance; and, (7) provided refresher training for staff regarding statutory changes in IDEA 2004 during 2006 (original training in 2005).

These changes resulted in the VIDH reporting the following information in its FFY 2005 SPP/APR: (1) achieving 100% compliance with provision of timely services; (2) achieving 100% compliance with the provision to conduct initial IFSP meetings within 45-days of referral; (3) achieving 100% compliance with ensuring that transition steps and services are implemented in accordance with IFSPs; and (4) achieving 100% compliance with the provision to notify the local educational agencies (LEAs) of children potentially eligible for Part B of IDEA.

VIDH reported that it has also instituted procedures to prevent the occurrence of noncompliance. These are: (1) the two service coordinators report to the Part C Coordinator monthly regarding the number of referrals that were received and the number of IFSP's that were completed during that month; (2) the service coordinators convene monthly meetings with service providers to discuss the status of evaluations and assessments and early intervention services, to conduct problem solving, and to discuss best practices for serving children and families; and, (3) the service coordinators may also spot check with families to ensure services were provided. In the future, the Part C Coordinator told OSEP she would like to conduct field visits to observe staff during IFSP meetings and direct services.

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

The Territory reported that it has a system in place to provide guidance, technical assistance and follow-up to correct noncompliance. If any problem or noncompliance is identified from analyses of its general supervision data, the Part C Coordinator or service coordinator contacts or meets with the staff involved as soon as possible. If the issue cannot be resolved within 30 days, the Part C Coordinator prepares a written memorandum to the responsible staff person within 60-days of the first meeting with staff to ensure that correction is addressed within one year of initial identification. The Coordinator told OSEP she primarily relies on targeted record reviews to ensure timely correction of noncompliance has occurred. OSEP verified these procedures by reviewing several of the written notices to staff as well as data on targeted record reviews.

If noncompliance continues beyond one year, VIDH imposes one or more the following sanctions: (1) increases the number of on-site visits; (2) requires targeted record reviews; (3) mandates targeted training; (4) requires staff to provide data more frequently; and (5) terminates employment, if necessary. VIDH has the authority to withhold payments from its per diem providers if any substantiated questions arise regarding delivery of early intervention services. According to VIDH, this enforcement action has not yet been required.

Based on the Territory's analysis of its FFY 2005 SPP/APR data, the Territory imposed sanctions to address noncompliance that it had previously identified that was not timely corrected. VIDH reported to OSEP during the visit that it believes the sanctions were effective and, based on preliminary data analyses, the Territory corrected these areas of previously identified noncompliance. This information will be reported by VIDH to OSEP in VIDH's FFY 2006 SPP/APR due to OSEP on February 1, 2008.

*Critical Element 4: Has the Territory identified any barriers (e.g., limitations on authority, insufficient staff or other resources, etc.) that impede the Territory's ability to identify and correct noncompliance in a timely manner?*

VIDH reported to OSEP that personnel recruitment and retention are an ongoing challenge because, at any moment, one person could resign (and sometimes do) without notice and leave the Territory immediately. Specialists such as physical therapists, occupational therapists, and

speech therapists are difficult to replace. VIDH staff identified the following as some of the reasons it is difficult to recruit and retain early intervention service personnel:

1. Early intervention service personnel are accustomed to receiving competitive salaries for services on the mainland. Simultaneously, these persons also must deal with a much higher cost of living in the U.S. Virgin Islands, and non-native people tend to find the financial strain too large to bear;
2. Cultural differences in dialects, traditions and climate in the Virgin Islands can affect the longevity of and livability for persons who are not native to the islands; and
3. Once on board, personnel generally leave when their needs cannot be met. Such needs consist of perceptions that VI does not have good working conditions or chances for job growth.

VIDH staff reported that VIDH is implementing its short- and long-term personnel plan to address these challenges. The plan, approved by OSEP in 2006, includes:

- Partnering with the VIDE to develop strategies for hiring and retention, using a common application forms and processes, notifying each agency about applicants, apprising the applicant of needs of each agency, and sharing advertisements and recruitment costs;
- Increasing salaries for specialized personnel to be more competitive;
- Offering monetary incentives to early intervention personnel to increase retention;
- Providing recruitment bonuses when commencing work in the VI;
- Offering monetary assistance to relocate to the VI;
- Collaborating with VI Institutions of Higher Learning to provide training;
- Identifying and instituting the use of training packets for orientation and on-going personnel development and training;
- Investigating the use of an employment company to provide the specialized personnel.

VIDH's FFY 2006 IDEA Part C grant award contained special conditions regarding personnel recruitment and retention. The impact of implementing these special conditions resulted in VIDH hiring full-time and part-time personnel, expediting its payroll procedures so that new personnel are paid in less than a month, coordinating recruitment of personnel with VIDE, and implementing its approved long-term personnel recruitment plan.

VIDH's Part C Coordinator also stated that she is working closely through the interagency agreement with VIDE to collaborate with recruitment fairs and recruitment notices to reach potential employees. VIDE's and VIDH's recent collaboration has resulted in VIDH recruiting, hiring and retaining four developmental therapists (two of whom are bilingual and are certified in sign language) and a speech/language pathologist. VIDH reported that it had also hired three additional developmental therapists, but these personnel have since left the program. The Part C Coordinator reported that she uses monthly self-assessment reports to identify potential gaps in services and deploys staff from one health district to another (separate islands) to ensure that timelines are met and timely services are provided.

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

Although the Part C Coordinator reported that no requests for due process hearings or mediations have been received and no formal complaints were filed over the last five years, VIDH staff reported and showed OSEP staff during the visit VIDH’s guidelines for implementing due process procedures should VIDH receive a due process request. VIDH reported that its staff were trained on these guidelines in October 2006.

During the verification visit, VIDH and OSEP discussed how VIDH provides required prior written notice and informs parents of the dispute resolution procedures under Part C of IDEA. The Part C Coordinator told OSEP that the service coordinators are the primary contact for sending the required prior written notice and informing parents of the dispute resolution procedures. The Coordinator monitors the family records to ensure these requirements are carried out at the appropriate junctures under IDEA.

*Critical Element 6: Does the Territory have mechanisms that focus on improving educational results and functional outcomes for all children with disabilities and their families.*

VIDH reported that it began using a strategic action plan in early 2005 to bring about system changes that would have a positive impact on children and families. Throughout FFYs 2005 – 2007, VIDH requested and received intensive, ongoing, off-site and on-site technical assistance. Listed below are a few of the actions that VIDH staff reported that they believed resulted in improving early intervention results for infants and toddlers with disabilities and their families.

<b>Action</b>	<b>Impact on eligible children and families</b>
Evaluated VIDH’s general supervision system.	Streamlined procedures and enhanced documentation of the provision of early intervention services, thereby keeping families better informed regarding the child’s progress.
Modified data collection and reporting methods in IFSPs and electronic database.	Resulted in enhanced early childhood transition practices such as having readily available data to assist families during the transition process and facilitating transition to pre-school special education programs by providing up-to-date assessment and other pertinent information.
Developed instruction manuals for the development of IFSPs and implemented targeted staff development activities.	Changes were made in personnel knowledge and skills that enhanced the provision of early intervention services by qualified personnel to eligible children and families such as improvements in developing and implementing functional child outcomes.
Coordinated with VIDE to recruit needed	Resources were used effectively and

<b>Action</b>	<b>Impact on eligible children and families</b>
personnel.	resulted in eliminating waiting lists for services for eligible children and their families through recruitment of personnel.
Utilized a third party contractor to pay vendors and personnel in a timely manner.	Increased recruitment and retention of personnel supporting timely services to children and families because VIDH's service providers were paid on time.
Embraced the use of experts to take a serious look at the operations of the Part C program.	Experts provided feedback on what should be strengthened, what problems were emerging, and activities that should be expanded or rethought. The Part C personnel used this information to improve their day-to-day practices with children and families such as ensuring prior notice of family rights were implemented and ensuring that personnel collected valid and reliable data regarding child outcomes.

The Part C Coordinator told OSEP of VIDH's intent to develop a strategic action plan that will focus the Territory on enhanced utilization of early childhood outcome data that will have an impact on program development in a cascading manner from the child and family levels to the Territory level. For example, review and analysis of early childhood outcome progress data being collected through the APR process at the child level could provide additional insight into a child's strengths and needs, and thereby improve the child's functional abilities across multiple child developmental domains. At the direct service level, this review could lead to modifying IFSP outcomes and interventions more frequently, as appropriate, and lead to Territory-wide policy changes.

General Supervision System –Conclusions

Based on OSEP's review of VIDH's Part C monitoring system during the visit, OSEP was able to determine that VIDH's system of general supervision is reasonably designed to identify and timely correct noncompliance. OSEP concurs with VIDH's conclusion that the recruitment and retention of qualified personnel will continue to be important in ensuring the Territory can demonstrate ongoing compliance with Part C of IDEA. However, VIDH's implementation of its recruitment and retention plan appear to be addressing these ongoing challenges. OSEP looks forward to reviewing VIDH's FFY 2006 SPP/APR regarding continuing implementation of these strategies.

Data Collection System - Discussion

*Critical Element 1: As required by IDEA sections 616 and 618, does the Territory have a data system that is reasonably designed to collect and report annually to the Department and the public, timely valid and reliable data and information?*

VIDH reported that it uses both paper and an electronic database to collect and report data required under section 618 and SPP/APR data to the Department and the public and that it collects and reports data on all children enrolled in Part C. This includes a self-assessment, completed by service coordinators and all providers, and sent to the Part C Coordinator each month that contains information needed for the SPP/APR and a database that is used to collect and report, primarily, Section 618 data.

To ensure that the data for section 618 of IDEA and the SPP/APR are valid and reliable, VIDH instituted the following procedures: (1) one data entry individual, with a background in Part C, enters all information provided by two service coordinators into the electronic database; (2) the database contains built-in prompts to alert staff when required activities and data reporting are due; (3) monthly reports contain child-specific data from the family's record so that the Part C Coordinator can cross-check the monthly reports with the original family record with these data. As needed, the Coordinator contacts the service coordinators for clarification; (4) the Part C Coordinator completes a random record review every quarter to ensure that data submitted for both 618 and SPP/APR matches data in the family's record.

According to the VIDH Part C staff, the current manual system for tabulating the Federal data required by section 618 is very time consuming. VIDH reported that the program wants to recruit a qualified person to automate all of its data collection, to streamline its data collection processes and reduce the "paper and pencil" data collection it currently implements. The program had hired a qualified part-time person for a brief time, but that individual left the Virgin Islands.

VIDH reported to OSEP that, at the time of OSEP's visit, the VIDH website was not operational since, at least, February 1, 2007 due to updates needed in the electronic system, and therefore, the revised SPP/APR that was submitted to OSEP on February 1, 2007 had not been posted. VIDH provided OSEP with evidence that VIDH disseminated the revised SPP/APR to VI agencies on the Interagency Coordinating Council, posted a notice in the newspaper about its availability, and three internal memoranda that were sent to VIDH's web manager requesting that the revised SPP/APR be posted. OSEP discussed with the Part C Coordinator and the Commissioner of Health the possible implications for not posting the most recent SPP/APR on its website. The Commissioner reported to OSEP that the VIDH website should be operational soon.

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

VIDH reported that it provided training to all staff regarding reporting requirements for section 618 and the SPP/APR in November 2005, March 2006 and October 2006. Specific training for

the SPP/APR Indicator 3 (child outcomes) was provided in October 2006, June 2007 and November 2007. The two service coordinators (one in each of the two health districts) are primarily responsible for collecting and reporting section 618 data and monthly self-assessment data that are used in the SPP/APR. These data are entered manually. The Part C Coordinator reported that she provides the IDEA section 618 instructions to the two service coordinators each year. The Part C Coordinator is responsible for tabulating data in accordance with the definitions and requirements outlined in the relevant OSEP memoranda. As a backup, the Part C Program Administrator checks these data for any tabulation errors.

VIDH staff reported that they are considering automating all of its data collection to reduce its current labor intensive approach. In addition, the Virgin Island's Infant and Toddler staff (service providers and service coordinators from both health districts) told OSEP that streamlining their paperwork requirements, such as having laptops for home visits and IFSP meetings, in order to enter required data and to have access to electronic copies of a number of documents, would also be of benefit.

*Critical Element 3: Does the Territory 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 Territory procedures?*

During the visit, VIDH staff showed OSEP staff its user-friendly guide for entering data into the electronic database. The database contains built-in error notices and prompts to alert staff when required activities and data reporting are due. To ensure accuracy, one data entry individual, with a background in Part C, enters all information provided by two service coordinators into the electronic database. The Part C Coordinator cross-checks the information in her quarterly random family record reviews. VIDH staff also reported that the FFY 2006 SPP/APR was developed and reviewed for accuracy by a team, including the Part C Coordinator, service coordinators, technical assistance providers and a consultant.

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

The Part C Coordinator reported that she requires the two service coordinators to ensure that data entry errors are corrected promptly (within a few days). The Part C Coordinator cross-checks the information in the quarterly family record reviews.

The Part C Coordinator further reported that a VIDH staff member is a certified Compliance Officer for the National Standards to Protect the Privacy of Personal Health Information (HIPAA). VIDH stated that all staff are required to follow HIPAA and Part C confidentiality provisions and to sign a confidentiality statement. The HIPAA Compliance Officer reported that doors of offices containing confidential information are locked and access to such offices is restricted to appropriate personnel. All computers are password protected and only the data entry staff person, the two service coordinators and the Part C Coordinator have access to the database. Data are backed up each time new information is entered into the database.

### Data Collection System – Conclusions and Required Actions

OSEP determined that VIDH's data system, and its related policies and procedures, including the provision of ongoing technical assistance, are reasonably designed to ensure the collection and reporting of required data by VIDH to OSEP and the public under IDEA sections 616 and 618. OSEP looks forward to reviewing VIDH's data in its FFY 2006 APR and any updates on its plan to automate its data system further.

VIDH must post its revised FFY 2005 SPP/APR on the VIDH website as soon as possible and notify OSEP when it is posted.

### Fiscal Management System – Discussion

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

OSEP reviewed VIDH's procedures for the use of Part C funds consistent with section 638 of IDEA.<sup>1</sup> From FFY 2001 through FFY 2007, OSEP imposed Special Conditions on VIDH's grants awards to contract with a third party agent to ensure prompt payment for Part C services and vendors. Effective June 2002, the U. S. Department of Education approved the financial management contractor, the Virgin Islands Lutheran Social Services (LSS), selected by VIDH. These Special Conditions were imposed because the Virgin Islands (VI) Government and VIDH did not demonstrate that they have instituted procedures for ensuring that vendors who provide Part C services can be paid in a timely manner (to ensure uninterrupted provision of early intervention services to infants and toddlers with disabilities and their families) without using a third party financial management contractor.

Since receipt of its FFY 2001 Part C grant award, VIDH has generally reimbursed all vendors who provide early intervention services in a timely manner as exemplified in VIDH's financial reports and other data that are submitted regularly to OSEP.<sup>2</sup> During OSEP's Stakeholder Conference Call, held on October 30, 2007, one Interagency Coordinating Council member told OSEP that payment of bills used to be a "huge" issue that impacted negatively on recruiting and retaining staff and providing services to children and families. The Council member stated that VIDH's instituting the third party contractor has had a positive impact in the timely hiring of staff, timely payment of staff, and recruiting personnel.

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<sup>1</sup> Without conducting a complete review of VIDH'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 VIDH's policies for use of funds are fully and appropriately implemented.

<sup>2</sup> The financial contractor's role is limited to processing payments and disbursements, maintaining financial records and reporting to VIDH. The contractor's role is to coordinate liquidations of Part C funds and to ensure disbursement of those funds within 14 business days of receipt of appropriate paperwork from VIDH. The contractor has established and must maintain a separate bank account for the Part C program. VIDH is required to present approved requests to the contractor for processing and payment no later than 14 business days from the date of the receipt of a notice of an account payable that is an allowable expense under Part C, or earlier if needed to ensure timely payment to one or more vendors or providers. Disbursements must occur no later than 28 business days from the date of the receipt of an account payable that is an allowable expense under Part C, which includes 14 business days for VIDH to present requests for payment to the contractor and 14 business days for VIDH and or earlier than 28 business days if needed to ensure timely payment to one or more vendors or providers.

VIDH staff demonstrated to OSEP that VIDH had developed a “Third Party Fiduciary Financial Payment Process Procedures Manual” (initially developed in 2002 and updated as needed) to ensure that VIDH’s and LSS’s roles and responsibilities for fiscal accountability were clearly delineated and understood by each agency. The Procedures Manual contains the procedures, forms and documentation that VIDH implements from the time its Part C grant is awarded until liquidation of that FFY’s Part C grant.

During the verification visit, OSEP staff interviewed the VIDH Part C Coordinator, Ms. Junia Johns, the Executive Director for LSS and Mr. Kenneth Guye, the Chief Financial Officer for LSS to verify the processes outlined in the Department’s Special Conditions and the Procedures Manual. LSS reported to OSEP that the financial management contract procedures are in place in accordance with the Special Conditions. LSS staff reported that the electronic transfer of Part C funds to the LSS checking account is timely, invoices for all providers and vendors are paid promptly, and personnel in the Part C office are responsive to any LSS requests for information. LSS officials reported to OSEP that all disbursements occur within 72 hours of the receipt of federal funds in the checking account managed by LSS for Part C. VIDH’s Part C Coordinator, also reported that LSS follows the procedures established by VIDH and provides accurate, comprehensive, timely and transparent financial reports and answers VIDH’s questions immediately.

The two full time equivalent (FTE) VIDH Part C Administrative staff (Part C Coordinator and Program Administrator) reported to OSEP that they both have extensive responsibility to ensure fiscal accountability is implemented effectively and spend approximately 1.6 FTEs (of 2.0) on the management of Part C fiscal matters. These duties include:

- Processing requests for payment, ensuring draws are conducted and timelines for payment are met;
- Ensuring requests for payments are allowable under Part C;
- Coordinating the fiscal procedures with LSS;
- Creating biweekly “statements of remittances” that identify the combined salary and fringe benefits that are sent to the Government of the Virgin Islands Department of Finance (VIDF). These are additional administrative responsibilities;
- Preparing adjustments to correct misposted payroll distributions by cost center at least one time per month. The payroll distributions are the responsibility of VIDF. The Part C staff performs the adjustments, but told OSEP they do not receive a verification that the corrections are made in the VIDF system. However, VIDH reconciles each grant award at the end of the budget period in concert with LSS.
- Preparing and sending monthly certifications to a VI Government “Post-Compliance Agreement Group.” (“The Group” consists of the Government of the Virgin Islands Office of Management and Budget and Finance) The monthly certifications consist of all

Part C expenditures processed by LSS and funds processed through VIDF (payroll only) and are signed by the Commissioner of Health, Part C Coordinator, and LSS. The staff has not received any feedback from the Group regarding these data.

The Part C Coordinator and Program Administrator also reported to OSEP that it has written procedures and a manual to ensure that property and supplies purchased with Part C funds are identifiable, secured and used for Part C purposes. OSEP reviewed the procedures manual. The Part C Coordinator and Program Administrator reported that they are the only personnel allowed to obligate and procure equipment or supplies and they are also responsible for verifying that equipment or supplies received are consistent with purchase orders. The equipment is tagged with an official control number and documented in an inventory list; then the equipment or supplies are assigned and deployed to personnel that are responsible for using the property or receiving supplies.

OSEP staff discussed the status of VIDH's restricted indirect costs rate negotiation with VIDH's Federal cognizant agency, the U.S. Department of the Interior. OSEP's records indicate that VIDH has a restricted indirect cost rate of 6.28 percent that expired on September 30, 2005. The Part C Coordinator informed OSEP staff during the visit that VIDH had requested that the VI Government's Office of Management and Budget (the VI agency responsible for the establishment of indirect cost rates) inform VIDH about the status of this negotiation, but at the time of OSEP's visit, VIDH had not received any additional information. The VIDH Commissioner told OSEP staff that she is committed to following-up on this matter.

*Critical Element 2: Does the Territory have mechanisms for ensuring the timely obligation and liquidation of IDEA funds by the Territory?*

VIDH staff reported that a liquidation record is prepared for each Part C expenditure and the Part C staff monitor funds that have not been expended to ensure that all funds are obligated and liquidated during the required grant award budget period and federal timelines. The Part C Coordinator reported that she also monitors the U.S. Department of Education's Grant Administration and Payment System (GAPS) to ensure that liquidations are timely conducted and that the correct amounts were drawn down in accordance with the VIDH Part C written requests.

The GAPS indicates that VIDH liquidated all of its Part C funds between FFY 2002 and FFY 2005 with the exception of \$1,170 in FFY 2002. At the time of OSEP's visit, VIDH was not yet required to liquidate its FFY 2006 and FFY 2007 Part C grant award funds.

#### Fiscal Management System – Conclusions and Required Actions

OSEP determined that the Territory has procedures reasonably designed to ensure that VIDH uses IDEA Part C funds consistent with IDEA section 638 and that the Territory timely obligates and liquidates its IDEA Part C funds at the Territory level with the assistance of its third party financial management contractor, LSS.

When a final restricted indirect cost rate is approved for FFYs 2005, 2006 and 2007, please forward to the Department's Office of Special Education Programs and the Department's Indirect Cost Unit: (1) a copy of the final rate agreement(s) for these periods and (2) details of any adjustments made to GAPS liquidations from the provisional or prior billing rate after approval of the final rate.

Summary

1. VIDH must post its revised FFY 2005 SPP/APR on the VIDH website as soon as possible and notify OSEP when it is posted.
2. When a final restricted indirect cost rate is approved for FFYs 2005, 2006 and 2007, please forward to the Department's Office of Special Education Programs and the Department's Indirect Cost Unit: (1) a copy of the final rate agreement(s) for these periods and (2) details of any adjustments made to GAPS liquidations from the provisional or prior billing rate after approval of the final rate.

In closing, we appreciate the cooperation and assistance provided by you and your staff during our visit to review the Territory's general supervision, data and fiscal management systems to ensure the provision of early intervention services to infants and toddlers with disabilities and their families in the U.S. Virgin Islands.

We look forward to continuing to collaborate with the U.S. Virgin Islands as it continues to work to improve early intervention results for infants and toddlers with disabilities.

Sincerely,



Patricia J. Guard  
Acting Director  
Office of Special Education Programs

cc: VIDH Part C Coordinator