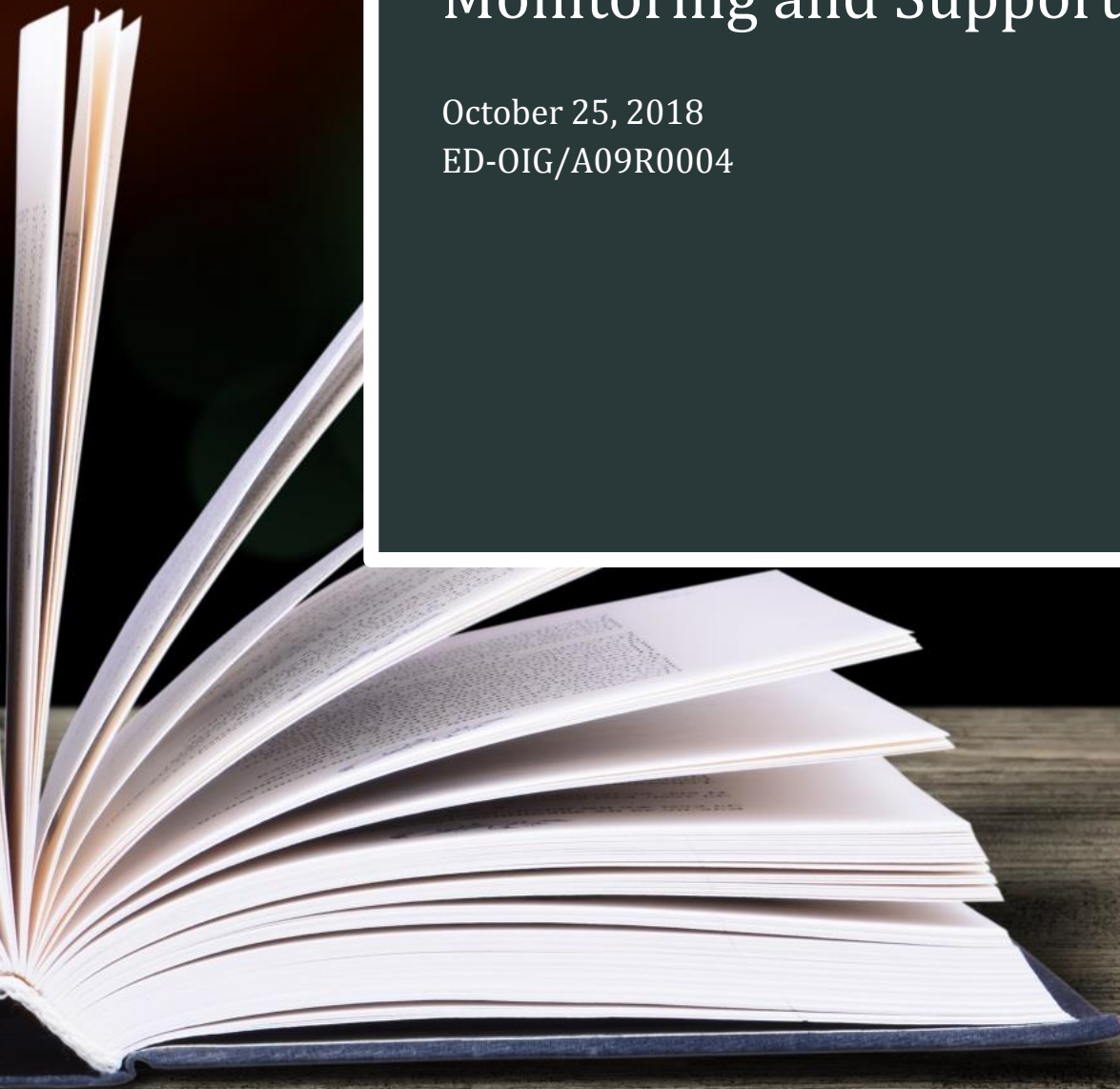




U.S. Department of Education
Office of Inspector General

Office of Special Education Programs' Differentiated Monitoring and Support

October 25, 2018
ED-OIG/A09R0004



NOTICE

Statements that managerial practices need improvements, as well as other conclusions and recommendations in this report, represent the opinions of the Office of Inspector General. The appropriate Department of Education officials will determine what corrective actions should be taken.

In accordance with Freedom of Information Act (Title 5, United States Code, Section 552), reports that the Office of Inspector General issues are available to members of the press and general public to the extent information they contain is not subject to exemptions in the Act.



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL

Audit Services

October 25, 2018

TO: Johnny W. Collett
Assistant Secretary for Special Education and Rehabilitative Services

FROM: Bryon S. Gordon /s/
Assistant Inspector General for Audit

SUBJECT: Final Audit Report, "Office of Special Education Programs' Differentiated Monitoring and Support," Control Number ED-OIG/A09R0004

Attached is the subject final audit report that covers the results of our review of the Office of Special Education Programs' differentiated monitoring and support component under the results driven accountability initiative. We have provided an electronic copy to your audit liaison officer. We received your comments, including corrective actions that the Office of Special Education Programs has planned or implemented, in response to the finding and recommendations in our draft report.

U.S. Department of Education policy requires that you develop a final corrective action plan within 30 days of the issuance of this report. The corrective action plan should set forth the specific action items and targeted completion dates necessary to implement final corrective actions on the finding and recommendations contained in this final audit report. Corrective actions that your office proposes and implements will be monitored and tracked through the Department's Audit Accountability and Resolution Tracking System.

In accordance with the Inspector General Act of 1978, as amended, the Office of Inspector General is required to report to Congress twice a year on the audits that remain unresolved after 6 months from the date of issuance.

We appreciate your cooperation during this review. If you have any questions, please contact Raymond Hendren, Regional Inspector General for Audit, Sacramento Audit Region at (916) 930-2399 or ray.hendren@ed.gov.

Attachment

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Results in Brief

What We Did

The objective of our audit was to evaluate the Office of Special Education Programs' (OSEP) implementation of its differentiated monitoring and support component under the results driven accountability initiative.¹ Our audit covered differentiated monitoring and support (DMS) that OSEP conducted under Part B of the Individuals with Disabilities Education Act (IDEA). For the fiscal year that we audited, DMS was OSEP's process for assessing five areas² in a State's implementation of IDEA or other requirements, and providing monitoring or support to the State based on that assessment.³ We reviewed OSEP's documentation for planning and conducting two of the five areas of DMS for 12 States.⁴ For six States, our review focused on the results area, which is the DMS area that covers State efforts to improve outcomes for children with disabilities. For the other six States, our review focused on the compliance area, which is the DMS area that covers State compliance with IDEA's program requirements. Our audit covered the DMS that OSEP conducted from October 1, 2016, through September 30, 2017, referred to as fiscal year (FY) 2017 in the remainder of this report.

What We Found

OSEP needs to enhance its implementation of the DMS component under the results driven accountability initiative to help ensure that it plans and conducts DMS properly and consistently across all States. Specifically, OSEP did not have sufficient policies and procedures for how personnel should perform and document the four phases of DMS⁵—

¹ The other two components of OSEP's results driven accountability initiative are (1) State Performance Plan/Annual Performance Report, which measures a State's progress in meeting its target on both results and compliance indicators and (2) determinations, which reflect whether States have met the requirements and purposes of the Individuals with Disabilities Education Act.

² The five areas are (1) results, (2) compliance, (3) State systemic improvement plan, (4) fiscal, and (5) correctional education. In certain situations, OSEP may also include a data quality area of DMS.

³ See Table 1 for more information about the results driven accountability initiative and the DMS component.

⁴ In this report, the term "States" means all entities that were awarded formula grants under IDEA Grants to States program including all 50 States, the District of Columbia, and Puerto Rico. In total, 60 entities were awarded a grant in the fiscal year covered by our audit.

⁵ The phases of FY 2017 DMS are described in more detail in the Background section of this report.

(1) performing organizational assessments of States, (2) designating engagement levels for States, (3) issuing notices and charts to States, and (4) conducting and documenting tasks and activities for the DMS areas. To implement DMS, OSEP changed the way it monitored States to a method that is based on OSEP's assessment of States' needs in meeting performance standards and complying with legal requirements. FY 2017 was the second year in which OSEP implemented DMS.

We found that OSEP developed a partial framework for the four phases of DMS, including templates for personnel to record information for each DMS phase, written instructions for performing organizational assessments, and written guidance for documenting tasks and activities. However, OSEP did not develop written policies or procedures for the DMS phases on designating engagement levels and issuing notices and charts to States. OSEP also did not have a document retention policy for DMS. Further, the written instructions and guidance that OSEP developed for DMS lacked sufficient detail on key processes that personnel should perform or information that personnel should record in the templates. OSEP's written instructions also did not provide guidance on how OSEP personnel should review information related to DMS, such as organizational assessments or notices and charts issued to States.

Our review of OSEP's DMS documentation in the results and compliance areas for the 12 States included in our review showed that OSEP did not:

- include applicable or consistent data to assess risk for 6 of the 12 State organizational assessments we reviewed;
- notify 1 of the 12 States on the applicable factors that contributed to the DMS engagement level designation; or
- document monitoring, technical assistance, or support activities properly or sufficiently for 11 of the 12 States we reviewed.

When OSEP does not assess State risks using applicable and consistent data, it may designate an improper DMS engagement level for the State. Further, without proper or sufficient documentation of DMS activities, OSEP may lack evidence that it is effectively supporting States in their efforts to educate children with disabilities, improve educational results for such children, and ensure equal protection under the law.

In addition to these issues, we identified one other matter involving limitations in OSEP's ability to obtain or verify the Technical Assistance Accessed data it used in its organizational assessments.

What We Recommend

We made several recommendations for OSEP to improve its internal controls over the DMS component, which include:

- Developing and implementing written policies and procedures for how its personnel will prepare, review, and approve organizational assessments and designate engagement levels.
- Developing and implementing written policies and procedures for how its personnel will prepare, review, and approve notices and charts it issues to the States.
- Enhancing written policies and procedures on documenting DMS tasks and activities.
- Establishing and implementing a formal DMS document retention policy that ensures all relevant documents are readily accessible to OSEP and maintained as official records.

We provided a draft of this report to the Office of Special Education and Rehabilitative Services (OSERS) for comment. In its response, OSERS did not explicitly agree with the finding or specific recommendations. We did not make any changes to the finding or recommendations based on OSERS' comments. We summarized OSERS' comments at the end of the finding. We also included the full text of the comments as Appendix C to this report.

Introduction

Background

IDEA, as amended, was enacted to ensure that all children with disabilities have access to a free and appropriate public education and to protect the rights of children with disabilities and their parents. Congress last reauthorized IDEA on December 3, 2004 (Public Law 108-446). States, school districts, and other local educational agencies are primarily responsible for providing a free and appropriate education to children with disabilities. IDEA, Part B, authorizes the U.S. Department of Education (Department) to provide grants to States to support special education programs. For FY 2017, the Department awarded formula grants totaling more than \$11.9 billion to States for the Special Education Grants to States program.

Section 616 of IDEA, Part B, governs monitoring and technical assistance as follows:

- In general, Department monitoring will include overseeing general supervision by the States and State performance plans (Section 616(a)(1)).
- The primary focus of Federal and State monitoring activities will be on improving educational results and functional outcomes for all children with disabilities and ensuring that States meet the Part B program requirements, with a particular emphasis on those requirements that are most closely related to improving educational results for children with disabilities (Section 616(a)(2)).
- The Department will monitor States using quantifiable indicators in certain priority areas (Section 616(a)(3)).
- The Department will annually review each State's performance report. Based on the information provided by the State in this report, information obtained through monitoring visits, and other publicly available information, the Department will determine whether the State—
 - meets the requirements and purposes of IDEA,
 - needs assistance in implementing the requirements of IDEA,
 - needs intervention in implementing the requirements of IDEA, or
 - needs substantial intervention in implementing the requirements of IDEA (Section 616(d)).

Section 617(a) of IDEA requires the Department to (1) cooperate with and, directly or by grant or contract, furnish technical assistance necessary to a State in matters relating to the education of children with disabilities and carrying out Part B provisions and (2) provide short-term training programs and institutes.

Results Driven Accountability for Special Education

OSEP is responsible for administering and carrying out the requirements established in IDEA. OSEP's Monitoring and State Improvement Planning division is responsible for overseeing IDEA formula grant programs, which include the Special Education Grants to States program and the Special Education Preschool Grants program, to ensure consistency with Federal requirements and to ensure that States and other public agencies continue to implement programs designed to improve results for infants, toddlers, children, and youth with disabilities. The four Associate Division Directors in the Monitoring and State Improvement Planning division supervise (1) teams of education program specialists (specialists) assigned to specific States and (2) teams of specialists assigned to implement specific areas of DMS.

On March 2, 2012, the Department issued a press release stating that it would be changing its focus to a more balanced review system that looks at how well students are being educated (results) in addition to continued efforts to protect their rights (compliance). The Department stated it would work closely with stakeholders to develop and implement the new review system that takes a results-driven approach to assessing how States are educating students with disabilities and that better targets monitoring to where it is needed most.

In May 2014, OSERS and the Office of Elementary and Secondary Education informed Chief State School Officers that the Department was implementing a revised accountability system known as results driven accountability that was expected to improve results for all students, including students with disabilities. The Department would collaborate across offices to deliver more effective monitoring, policies, and technical assistance to support States. Further, the revised accountability system would shift OSEP's efforts from a primary emphasis on compliance to a framework that focused on improved results for students with disabilities, while it continued to assist States in ensuring compliance with IDEA's requirements. OSEP implemented DMS under the results driven accountability initiative in FY 2016.

Table 1 provides a high-level description of the three interrelated components (State Performance Plan/Annual Performance Report, determinations, and DMS) in OSEP's results driven accountability system relative to its prior monitoring system, known as the Continuous Improvement and Focused Monitoring System. For both monitoring systems, OSEP should use information in State Performance Plans/Annual Performance Reports, monitoring visits, and available public information to make determinations of each State under Section 616(d) of IDEA. Under the results driven accountability system, OSEP should use data from its determinations to identify needed DMS engagement levels for each State in the areas of results and compliance.

Table 1. OSEP’s Prior and Current Monitoring System Components

Component	Continuous Improvement and Focused Monitoring System (Prior System) (a)	Results Driven Accountability System (Current System) (b)
State Performance Plan/Annual Performance Report	Each State must report on its progress toward meeting results and compliance indicator targets. OSEP must review States’ State Performance Plan/Annual Performance Report.	This component did not change from the prior system.
Determinations	<p>OSEP uses information from the State Performance Plan/Annual Performance Report, monitoring visits, and any other public information to annually determine whether each State</p> <ul style="list-style-type: none"> • meets requirements and purposes of IDEA, • needs assistance in implementing the requirements of IDEA, • needs intervention in implementing the requirements of IDEA, or • needs substantial intervention in implementing the requirements of IDEA. 	This component did not change from the prior system.
Monitoring and support	<p>Verification monitoring was a cyclical process in which OSEP conducted visits to all States approximately once in a 4-year cycle to examine and verify each State’s systems for general supervision, data collection and reporting, and fiscal accountability.</p> <p>Focused monitoring was a process in which OSEP selected particular monitoring priority areas or indicators for focused monitoring, and then used State data relating to those priority areas to select States for a focused review.</p>	<p>OSEP began providing DMS to States in FY 2016. OSEP’s DMS overview document states that it designed DMS to mitigate potential risks and to help OSEP use its resources wisely. Based on an annual organizational assessment of risk factors for each State, OSEP annually provides all States with DMS, either virtually or on-site, in the areas of (1) ensuring improved outcomes for children with disabilities (results), (2) complying with IDEA programmatic requirements (compliance), (3) ensuring implementation of the State Systemic Improvement Plan, and (4) complying with Federal fiscal requirements (fiscal). OSEP also provided States with DMS in the special focus area of correctional education in FY 2017. In certain situations, OSEP may also provide States with DMS on collecting and reporting valid and reliable data.</p>

(a) We obtained information on the prior system from OSEP’s 2009 monitoring manuals.

(b) Our audit was limited to reviewing the results and compliance areas of OSEP’s DMS component in FY 2017—the second year of the results driven accountability initiative implementation.

With the implementation of the DMS component of the results driven accountability system, OSEP changed its monitoring and support approach from using the same information to guide verification monitoring across all States to an approach in which OSEP tailors its monitoring and support tasks to the specific needs of each State.

DMS Component

OSEP's FY 2017 DMS component had four phases in which its personnel planned and conducted DMS across all States.

Phase 1: Organizational Assessments

OSEP performed an organizational assessment for each State covering four DMS areas (results, compliance, the State Systemic Improvement Plan, and fiscal) and one special focus area (correctional education). The assessments used data on factors such as (1) progress in meeting program performance standards, (2) compliance with legal requirements, (3) technical assistance and support accessed, and (4) capacity to improve results and compliance.

Phase 2: Designating Engagement Levels⁶

Based on information in the organizational assessments, OSEP assigned each State one of three possible DMS engagement levels: universal, targeted, or intensive.⁷ In general, OSEP assigned the universal engagement level to States with organizational assessment data showing strengths or progress. OSEP assigned targeted or intensive engagement levels to States that had organizational assessment data showing challenges or needs. OSEP also considered data in the organizational assessments that mitigated States' challenges or needs when designating engagement levels. The Monitoring and State Improvement Planning division leadership team made the final decisions on the DMS engagement levels across all States.

⁶ We did not evaluate OSEP's process for designating engagement levels at the 12 States included in our review. The 12 States that we reviewed make up only a limited subset of the total entities covered by DMS. OSEP made final decisions on the DMS engagement levels across all States after it considered organizational assessment or other information for all States.

⁷ According to OSEP's records on the FY 2017 DMS cycle for the results area, OSEP designated 27 States and other entities for universal engagement, 19 for targeted engagement, and 14 for intensive engagement. For the compliance area, OSEP designated 40 for universal engagement, 15 for targeted engagement, and 5 for intensive engagement.

Phase 3: Notices and Charts to States

OSEP sent a notice to each State advising them of general information on DMS areas and designations. The notice included a chart informing each State of its engagement level in each area of DMS for FY 2017. If a State's engagement level was targeted or intensive in any DMS area, the chart included data on specific factors OSEP considered in assigning the engagement level and stated that OSEP would support the State during the engagement for those specific factors.

Phase 4: Conducting and Documenting Tasks and Activities, Including Closeout of DMS

OSEP designed DMS to provide each State with monitoring, technical assistance, and support that were driven by a State's engagement level. OSEP's personnel used a project plan module in a web-based system, the Grantee Records and Assistance Database System (GRADS 360), to document information for each State related to creating, maintaining, and closing out the monitoring, technical assistance, and support tasks and activities conducted for each of six possible DMS areas, including a DMS special focus area or a DMS data quality area if applicable. OSEP referred to the template in GRADS 360 as a State plan. For each possible DMS area, OSEP specialists should populate the template with information on tasks and activities for the DMS. For example, in a universal engagement for the results area of DMS, OSEP's one standard task would be to provide the State with universal support, technical assistance, and general resources. In a targeted engagement for the DMS results area, one of two standard tasks would be to provide the State with targeted technical assistance and support as it worked to improve results where it had challenges or needs, according to the organizational assessment. In an intensive engagement for the DMS results area, one of three standard tasks would be to provide the State with intensive technical assistance and support as it worked to improve results where it had challenges or needs.

Finding. OSEP Should Enhance Internal Controls for Planning and Conducting DMS

OSEP needs to enhance its internal controls to ensure that it plans and conducts DMS effectively and consistently. Specifically, OSEP did not have sufficient policies and procedures for how personnel should perform and document the four phases of DMS. OSEP developed a partial framework for its personnel to plan and conduct DMS, including templates for recording information related to completing organizational assessments, designating engagement levels, issuing notices and charts to States, and documenting tasks and activities. OSEP also developed limited written instructions for completing organizational assessments and written guidance for documenting DMS tasks and activities. However, the instructions and guidance lacked sufficient detail on how personnel should perform key processes, what information personnel should record in the templates, and the written instructions did not state how personnel should conduct and document DMS related reviews and approvals. OSEP also did not have any written policies or procedures for designating engagement levels, issuing notices and charts to States, or retaining needed documents.

The U.S. Government Accountability Office's 2014 "Standards for Internal Control in the Federal Government" (internal control standards) state that management should (1) design control activities to achieve objectives and respond to risks and (2) implement control activities through policies. A standard on information and communication states that management should internally communicate the necessary quality information to achieve the entity's objectives. Quality information is appropriate, current, complete, accurate, accessible, and timely.

Our review of OSEP's information on processes and activities for providing DMS to 12 States in the results and compliance areas identified several weaknesses in OSEP's system of internal controls. We concluded that controls were not sufficient to ensure that OSEP personnel (1) entered applicable and consistent data in organizational assessments that described individual State's risks to designate correct engagement levels, (2) notified States on applicable or correct data on factors that contributed to the DMS engagement, and (3) documented monitoring and support activities properly and in sufficient detail.

Organizational Assessments and Designating Engagement Levels

OSEP did not have sufficient internal controls over its organizational assessments (Phase 1 of DMS) to ensure it used appropriate and consistent data to designate States' FY 2017 DMS engagement levels (Phase 2 of DMS) for both the results and compliance areas. OSEP personnel used a template that included written instructions for the factors

used in the organizational assessments,⁸ but the instructions did not sufficiently describe the information that personnel should consider when developing the organizational assessments. OSEP's instructions for two key organizational assessment factors included only the following limited direction.

1. What Contributes to Elevated Risk. The instructions state only “[a]nalysis of the determination matrix or risk rubric score.”^{9, 10} They do not provide sufficient information to ensure that personnel would include applicable information or be consistent in their analysis across States when assessing risk. An OSEP official explained that if the State did not have any risk in the determination matrix data, the organizational assessment should not have data for this factor.
2. Technical Assistance Accessed. The instructions state only “[i]nformation on the [technical assistance] that the State is already accessing.” They do not establish the sources of the technical assistance data that OSEP personnel should consider or whether its personnel should verify any of the technical assistance data to a second source when possible. See the Other Matter section of this report for a related issue on Technical Assistance Accessed data.

Further, OSEP's organizational assessment instructions for the results and compliance areas did not instruct its personnel to identify or consider including pertinent audit findings or other review results in the organizational assessments. Although some organizational assessments prepared by OSEP personnel included this information, other personnel might not know to include this type of information without sufficient instructions in place. As a result, organizational assessments may not be performed consistently by all personnel to ensure proper engagement levels are designated.

⁸ The template also had a section “Final Recommendation for Level and Type of Engagement,” but OSEP did not have any written instructions, policies, or procedures for recommending or designating engagement levels.

⁹ The risk rubric applies to the fiscal area of DMS. We did not review this area during our audit.

¹⁰ OSEP prepares annual determinations for each State's special education program using a results driven accountability matrix comprising (1) a results matrix that includes scoring on 14 results elements, (2) a compliance matrix that includes scoring on 6 State Performance Plan/Annual Performance Report compliance indicators and 4 other compliance factors, (3) a results score and a compliance score, (4) a results driven accountability matrix percentage based on the results and compliance scores, and (5) an overall determination of meets requirements, needs assistance, needs intervention, or needs substantial intervention as shown in Table 1. For the FY 2017 DMS organizational assessments, OSEP used States' 2016 results driven accountability matrix data.

In our review of organizational assessments for 12 States, we did not identify issues with 6 States we reviewed for the compliance area of DMS. However, we found issues with the six States we reviewed for the results area of DMS, including that OSEP did not always use applicable data. OSEP personnel entered some organizational assessment data under the “What Contributes to Elevated Risk” factor that would not actually contribute to elevated risk. For example, we found the following:

- Five of the six organizational assessments included performance data for four elements that were not applicable because OSEP had assigned the best possible score on the State’s results driven accountability matrix.
- One of the six organizational assessments included inapplicable performance data for one element in which the State performed at the best possible level according to OSEP’s determination policy.

For the specific issues we identified in the six organizational assessments for the results area, OSEP specialists preparing the organizational assessments for five of the six States may not have realized that the scoring thresholds in OSEP’s policy, “How the Department Made Determinations under Section 616(d) of the Individuals with Disabilities Education Act in 2016: Part B,” were not uniform across all 14 results elements.

OSEP also did not have written policies and procedures for how its personnel should

- use the information in the organizational assessments to designate DMS engagement levels; and
- conduct peer specialist¹¹ or supervisory reviews and approvals of organizational assessments and engagement levels, including identifying the proper review officials and describing review procedures.

OSEP relied on information communicated during division or team meetings and limited written instructions on completing organizational assessments. Without sufficient division-wide written procedures, OSEP may conduct organizational assessments and designate engagement levels incorrectly or inconsistently for individual States.

¹¹ OSEP personnel told us that one or more specialists reviewed data that another specialist entered in the organizational assessments. One specialist told us that he reviewed the data even though he was not told to do so.

Notices and Charts

OSEP did not have sufficient internal controls to ensure that its notices and charts sent to State Part B Directors (Phase 3 of DMS) were correct. Specifically, OSEP had notice and chart templates, but it did not have written policies and procedures on how to prepare, review, and approve notices and charts. OSEP communicated information to personnel during meetings or through emails about preparing and reviewing notices and charts. Despite these communications, a specialist included data that was not applicable in a chart it sent to one State, as described below. Additionally, supervisors either did not review or did not adequately review the chart and therefore did not detect the inapplicable data before OSEP sent the information to the State. The notices provided States with general information on OSEP's DMS, and the charts provided each State with information regarding the engagement level for each DMS area.

We did not identify issues in the notices and charts that we reviewed for the six States in the compliance area of DMS or for five of six States in the results area of DMS. However, we identified one instance where OSEP populated the chart for one of the six States we reviewed for the results area with the same inapplicable data that were recorded on the State's organizational assessment. The chart included performance data for all 14 elements of the results matrix even though OSEP had assigned the best possible score for 5 of the 14 elements on the State's results driven accountability matrix. Also, after issuing the notice and charts for all DMS areas to the State Part B Director, OSEP personnel realized that the fiscal chart for the State had incorrect data for one factor. When OSEP reissued the notice and charts for all DMS areas, it revised data not only for the fiscal area but also for the results area. However, the reissued chart for the results area still improperly included one element that OSEP had assigned the best possible score on the State's results driven accountability matrix. We concluded that including data for elements that OSEP had assigned the best possible score on the State's results driven accountability matrix was improper because the chart showed that OSEP would support the State during the DMS engagement for those elements listed as factors and the State did not need support when it had the best score possible.

Improper data in the chart was not detected before OSEP distributed it to the State because OSEP has not developed formal policies and procedures that require supervisory reviews or that define the scope of the reviews. Without adequate review procedures, States may receive charts that include improper or incorrect data. Further, because the charts for targeted and intensive engagements showed that OSEP would support the State during the DMS engagement for data listed as factors in the charts, OSEP could provide technical assistance or support to the State, such as how to improve results on the State's graduation rates that is not needed.

Documenting Monitoring and Support Tasks and Activities

OSEP did not have sufficient internal controls to ensure that personnel properly created, maintained, and closed out all State plans they used to document DMS tasks and activities (Phase 4 of DMS). Although OSEP had some standards in place before we began the audit and created additional guidance during our audit, these standards do not provide sufficient instructions on the type of information and documentation that personnel should include in State plans. OSEP developed a template for State plans in its GRADS 360 web-based system so personnel could record information on DMS tasks and activities for each State. OSEP also had documents, prepared in January 2017, on standard task language for developing State plans and a technical assistance and support framework to use in conducting the results engagements.

In the eleventh month of the FY 2017 DMS cycle, OSEP leadership recognized that personnel needed consistent guidance on expectations for State plans. In August 2017 and in a September 2017 update, OSEP distributed written guidance to personnel explaining that State plans are intended to document the monitoring and support activities conducted for each State according to the designated DMS engagement level and to provide a mechanism to track the monitoring and support activities. The guidance establishes expectations for how specialists will create, maintain, and close out State plans and defines supervisor responsibility for reviewing State plans at specific times and providing guidance, support, and feedback to specialists.

In addition to the guidance, OSEP leadership also distributed a sample State plan that provided brief examples of illustrative comments on activities related to some State plan tasks. However, neither the guidance nor the sample State plan provided sufficient instruction on information, such as communications with the State, that should be included in comments. They also did not list specific types of supporting documents, such as meeting minutes or emails with State officials, that specialists should include as attachments to provide sufficient evidence of OSEP's progress on and completion of DMS tasks and subtasks for the results and compliance areas.

After we completed our State plan reviews, OSEP personnel provided some additional documentation that was not stored in its GRADS 360 system as a retained record with the State plans. However, even with this additional documentation, OSEP's overall documentation on DMS tasks and activities was not sufficient on providing technical assistance or other communications related to monitoring and support activities for 11 of the 12 States we reviewed. Further, OSEP did not have a document retention policy to guide personnel about the DMS documentation to retain as OSEP's official DMS records.

Creating, Maintaining, and Closing Out State Plans

OSEP did not create, maintain, or close out State plans properly for the 12 States we reviewed. Below, we provide illustrative examples of the deficiencies we identified in State plans for the six States in the results area and six States in the compliance area of DMS that we reviewed.

State Plan Creation

OSEP did not properly create State plans for 8 of the 12 States we reviewed. We did not find any issues with State plan creation for the other four States we reviewed. The table below shows the deficiencies we found with State plan creation.

Table 2. Issues on Creating State Plans in the Results and Compliance Areas for the States Selected for Review

Issue Identified	Count of States with Issues in Results Area	Count of States with Issues in Compliance Area	Total
OSEP created and retained multiple versions of State plans in four States. For one State, the State plan report that OSEP retained was not the most updated version. For a second State, the State plan report that OSEP retained was incomplete. For the other two States with multiple versions of State plans, the version that OSEP retained was the most updated version.	1	3	4
OSEP did not include both frequency and duration for all pertinent tasks or subtasks in six State plans that involved targeted or intensive DMS engagements.	3	3	6
OSEP identified a compliance area in tasks for one State plan that OSEP did not include as a factor in the notice chart sent to the State Part B director.	0	1	1

Under the Creating a State Plan section, the OSEP guidance specifies that lead specialists should work with their teams to create the State plan. Lead specialists are responsible for ensuring that the State plan is created as required.

State Plan Maintenance

OSEP did not maintain sufficient documentation in its State plans for all 12 States we reviewed. Specifically, it did not document any monitoring or support activities conducted in 2 States and did not sufficiently document monitoring or support activities conducted in the remaining 10 States. The table below shows the deficiencies we found with State plan maintenance.

Table 3. Issues on Maintaining State Plans in the Results and Compliance Areas for the States Selected for Review

Issue Identified	Count of States with Issues in Results Area	Count of States with Issues in Compliance Area	Total
For one State, OSEP did not include any of the standard tasks and subtasks associated with a State under a targeted engagement with technical assistance and support to improve results in reading and math proficiency and high school graduation. The State plan included only one non-standard task to monitor the State’s ability to provide assessments. For this non-standard task the specialist’s comments and attachments lacked sufficient detail on the engagement.	1	0	1
For two States, OSEP did not include any comments or attachments providing evidence of any activities or contacts that OSEP specialists made with State officials.	1	1	2
For two States, OSEP did not sufficiently document one targeted and one intensive State with comments on support or technical assistance activities. Neither plan had sufficient details on the engagement activities. The plans should have information such as dates, name of technical assistance providers and State officials that participated, and information covered. These two State plans did not have any document attachments.	2	0	2
For one State, OSEP included comments and attachments for only two of the seven monitoring and support tasks or subtasks identified in the targeted engagement plan.	0	1	1

Issue Identified	Count of States with Issues in Results Area	Count of States with Issues in Compliance Area	Total
For one State, OSEP included comments on monitoring, technical assistance, and support activities for a universal engagement but lacked sufficient details on the engagement activities.	0	1	1
For five States, OSEP only partially documented monitoring, technical assistance, or support activities for State plans involving all three engagement levels. The plans did not provide a way to relate information in the plan’s comments to the plan’s attachments. Three of the five plans did not include comments for all tasks or subtasks listed. Further, the plans lacked specific details about the engagement, such as dates, name and position of State officials that attended or participated, information covered, or outcome. Lastly, the OSEP specialist omitted one standard compliance subtask from one of the plans.	2	3	5
For six States, OSEP did not sufficiently document universal technical assistance tasks in State plans. In these instances, OSEP specialists listed universal technical assistance items according to internal guidance, “Universal Technical Assistance 2016-2017,” but did not describe how the technical assistance applied to each State’s DMS. For example, OSEP specialists listed “State Performance Plan/Annual Performance Report Information Collection” in five State plans, but did not provide details on how OSEP used the information collection to provide DMS for each State.	3	3	6
For eight States, OSEP did not update State plans on an ongoing basis, according to the time frames established in OSEP’s guidance.	4	4	8

After we completed our State plan reviews, OSEP personnel provided additional documentation for eight plans. This documentation included email messages that were

not readily accessible to OSEP as a retained record because personnel retained them outside of the GRADS 360 web-based system. This documentation showed that personnel conducted some level of monitoring or support activities, but it still did not include sufficient information on technical assistance or other communications for seven of these eight States. OSEP did not provide any additional documentation that showed sufficient evidence of monitoring and support for the four remaining State plans we reviewed. Documentation for these four States was insufficient to show progress on or completion of standard DMS tasks or subtasks.

Under the Maintaining State Plan section, the OSEP guidance specifies that personnel should update the plan to reflect progress on and completion of tasks and subtasks, and the plan should provide enough detail to document the activities performed and when personnel completed them. The guidance also states that targeted and intensive levels require higher levels of detail. Additionally, the Department’s internal directive on managing formula grant programs states that, at a minimum, program offices should maintain certain documentation, including communications with the grantee related to monitoring activities. The directive provides examples of documents that should be retained.

State Plan Closeout

OSEP specialists did not close out State plans in accordance with OSEP’s guidance for 5 of the 12 States we reviewed. The table below shows the deficiency we found with State plan closeout.

Table 4. Issue on Closing Out State Plans in the Results and Compliance Areas for the States Selected for Review

Issue Identified	Count of States with Issues in Results Area	Count of States with Issues in Compliance Area	Total
For five States, OSEP did not properly document information on the activities in progress or additional actions for completed tasks that would carry over into the next DMS cycle when closing out State plans.	1	4	5

Under the Closing out State Plan section, OSEP’s guidance states that each State plan will need to be closed out at the end of the fiscal year and specialists should document information on the activities in progress or additional actions needed for completed

tasks that would carry over into the next DMS cycle. Since we reviewed the DMS cycle for FY 2017, any tasks that needed to be completed would carry over into FY 2018.

Impacts of Insufficient Written Policy and Procedures

Without sufficient written policies and procedures for the State plans, specialists assigned to create, maintain, and close out State plans and supervisors responsible for reviewing these plans for quality and completeness may not have fully understood OSEP's expectations. As a result, OSEP did not have appropriate or sufficient documentation for conducting DMS activities in the 12 State plans we reviewed.

Further, OSEP did not comply with the Department's internal directive about managing formula grant programs. OSEP could not demonstrate in any of its documentation, including documentation that its personnel maintained in and outside of the State plans, that its personnel carried out sufficient DMS activities for 11 of the 12 States we reviewed. Specifically, OSEP's overall documentation on DMS activities for the 11 States did not meet the Department's internal directive because they had limited or no documentation to support technical assistance or other communications with State officials related to monitoring and support activities.

Without written policies and procedures on creating, maintaining, and closing out State plans, and a document retention policy to guide personnel about the DMS documentation to retain as OSEP's official DMS records, OSEP's ability to maintain the integrity of the DMS process is diminished. OSEP may lack sufficient evidence to demonstrate that it is effectively implementing DMS and the results driven accountability system. These weaknesses also may make it more difficult for OSEP to show that it is doing everything it should to support State efforts to ensure that children with disabilities are receiving an appropriate education or that States are complying with IDEA's requirements.

Recommendations

We recommend that the Assistant Secretary for the Office of Special Education and Rehabilitative Services require OSEP to—

- 1.1 Develop and implement written policies and procedures for conducting organizational assessments and designating engagement levels that do the following.
 - a. Specify the data that OSEP personnel should include in the organizational assessment sections "What Contributes to Elevated Risk" and "Technical Assistance Accessed."
 - b. Instruct personnel to identify and assess pertinent audit findings and other review results when developing organizational assessments.

- c. Establish criteria on how personnel should recommend or designate engagement levels in a manner that is consistent across States.
 - d. Identify who will conduct peer specialist or supervisory reviews of the organizational assessments and designated engagement levels, and how these reviews and approvals should be conducted and documented.
- 1.2 Develop, maintain, and implement a division-wide written policy with detailed procedures for preparing, reviewing, and approving notices and charts issued to States.
 - 1.3 Comply with the Department's internal directive on managing formula grants to ensure proper and sufficient documentation is retained for all DMS engagements.
 - 1.4 Specify in policies and procedures that specialists must create and maintain only one State plan per State and address the weaknesses in DMS documentation identified in this report.
 - 1.5 Establish and implement a written, uniform DMS document retention policy, and require specialists to include all relevant DMS documentation in an appropriate location to ensure that documentation is readily accessible to OSEP and maintained as official records.

OSERS Comments

OSERS stated that at the time of our review, OSEP was in the early stages of implementing the DMS component of its results driven accountability system. It has since been refining its policies and procedures for how personnel should perform and document the four phases of DMS and has begun to implement the documentation recommendations. OSERS added that OSEP is ensuring that DMS is accurate and manageable, consistent with applicable Federal requirements, and useful to States in promoting improved results for children with disabilities.

OIG Response

OSERS' comments indicate that OSEP is taking actions to strengthen DMS. Implementing the recommendations should help OSEP ensure proper (1) DMS engagement levels for States through its risk-based approach and (2) evidence that it is effectively supporting States' efforts to improve results for children with disabilities.

Other Matter. Data on Technical Assistance Accessed

Technical assistance is a critical activity that States, especially those needing targeted or intensive engagement under DMS, can use to improve their performance on both results and compliance. However, IDEA is silent on whether a State must access technical assistance or report to OSEP on any technical assistance the State may have accessed. OSEP's policy is to strongly encourage a State that is in a "needs assistance" determination status for 2 consecutive years to access technical assistance related to the results elements and compliance indicators for which the State received a score of zero on the previous year's results driven accountability matrix. Further, the policy establishes that a State in this situation must report the technical assistance sources from which the State received assistance and what actions the State took as a result of that technical assistance when it submits its next State Performance Plan/Annual Performance Report. According to OSEP's procedures, each State must certify that the information in its State Performance Plan/Annual Performance Report, including information on technical assistance is accurate.

OSEP's objective for performing the organizational assessments was to provide a basis for designating DMS engagement levels to States. To achieve this objective, OSEP must use applicable and consistent data across States. However, the information available to OSEP was not sufficient to verify States' Technical Assistance Accessed data in a consistent manner across all States or ensure reliability of these data. We compared OSEP's Technical Assistance Accessed data shown in the organizational assessments for the 12 States we reviewed to a summary that OSEP prepared from its discretionary grant program records and other records on technical assistance accessed by these 12 States in FY 2017 and FY 2016. We concluded that the data in the organizational assessments for 9 of the 12 States we reviewed were not consistent with the information in OSEP's summary.

Without a consistent way to obtain or verify information on States' Technical Assistance Accessed data, OSEP may not always have accurate or complete information to ensure subsequent DMS decisions are appropriate for each State. We encourage OSEP to identify and pursue viable options for enhancing its ability to obtain reliable information on States' Technical Assistance Accessed data. This should improve the information in its organizational assessments and help ensure appropriate DMS engagement levels are assigned to States.

Appendix A. Scope and Methodology

The original objective of our audit was to evaluate OSEP's implementation of its results driven accountability initiative. After performing initial audit work, we revised the objective to focus on the DMS component of the results driven accountability initiative. The scope of our audit was OSEP's FY 2017 DMS processes and activities under IDEA, Part B, in the results and compliance areas.

To achieve our audit objective, we performed the following procedures:

- Reviewed IDEA, Sections 616, 617, and 618; and Title 34, Code of Federal Regulations, Section 300, Subpart F as of April 25, 2017, to gain an understanding of the statutory and regulatory requirements related to OSEP's monitoring of States.
- Reviewed the Government Accountability Office's "Standards for Internal Control in the Federal Government," (GAO-14-704G), September 2014 to identify relevant internal control criteria.
- Reviewed the Department's internal bulletin, December 26, 2014, and internal directive, August 26, 2016, on managing formula grant programs; and OSEP's policy "How the Department Made Determinations under Section 616(d) of the Individuals with Disabilities Education Act in 2016: Part B" to identify relevant Departmental criteria.
- Reviewed background information on the nature and profile of IDEA program, including the results driven accountability initiative.
- Reviewed functional statements summarizing OSEP's responsibilities, organizational charts, and lists of key personnel and the States for which they are responsible.
- Reviewed prior audit and other reports issued by Office of Inspector General, Government Accountability Office, and an independent auditor to identify areas of potential internal control or compliance weaknesses relevant to our audit objective.
- Reviewed publicly available information on OSEP's monitoring processes, including information related to results and compliance indicators.
- Judgmentally selected 12 States (6 States each in the results and compliance DMS areas) to review OSEP's processes and activities for these specific States.
- Interviewed OSEP officials in the Monitoring and State Improvement Planning division on the results driven accountability initiative and each phase of the

DMS. We used this information to gain an understanding of and evaluate OSEP's DMS processes and activities.

- Obtained documentary evidence, including internal policies and procedures from OSEP on the results driven accountability initiative, and each phase of the DMS for the results and compliance areas. We used this information to gain an understanding of and evaluate OSEP's DMS processes and activities.
- Reviewed OSEP's internal controls that were significant to the audit objective. As part of our work, we evaluated whether OSEP's DMS processes aligned with applicable Federal standards for internal control.
- Obtained testimonial and documentary evidence from OSEP officials on DMS processes and activities for the 12 selected States, including organizational assessments, notices and charts, and conducting and documenting DMS tasks and activities. As part of this work, we obtained direct access to OSEP's GRADS 360 web-based system and reviewed OSEP's documentation on State plans, attachments to the State plans, as well as notes or comments OSEP personnel placed in the State plans. We used this information to evaluate OSEP's implementation of DMS.

Sampling Methodology

To audit OSEP's processes and activities for providing DMS to States, we judgmentally selected 12 of the 60 States and other entities that were awarded IDEA Part B funding. Specifically, we selected 6 States in the results area of DMS and 6 States in the compliance area of DMS. We used a judgmental sampling approach rather than statistical sampling because there were specific characteristics that we wanted to ensure were represented in our sample. Consequently, our results cannot be projected to States we did not review.

We defined our State selection criteria as follows:

- OSEP Teams. OSEP uses four teams to monitor assigned States. Since each of the four teams was responsible for a similar number of States, we decided to ensure that each team was equally represented in our sample.
- Engagement Levels. OSEP assigns one of three engagement levels for each DMS area for all States. To ensure each engagement level was equally represented in our sample, we selected an equal number of States assigned each engagement level.

Using the State selection criteria as illustrated in Table 5, we chose States representing two OSEP teams for each DMS area, results and compliance. This resulted in the sample of 12 States. To choose the specific States for our sample for each OSEP team, we

considered data for each State in OSEP’s spreadsheet consisting of organizational assessments and designation of engagement levels (spreadsheet) and OSEP’s determinations from FYs 2014 through 2016.

Table 5. State Selection by Engagement Levels and OSEP Teams

Engagement Levels	Team A (Compliance)	Team B (Results)	Team C (Results)	Team D (Compliance)
Universal	State 1	State 4	State 7	State 10
Targeted	State 2	State 5	State 8	State 11
Intensive	State 3	State 6	State 9	State 12

Use of Computer-Processed Data

To achieve our objective for evaluating OSEP’s DMS for selected States, we relied in part on information contained in OSEP’s DMS data in its (1) spreadsheet, (2) charts that OSEP attached to notices it sent to States, and (3) State plans in the GRADS 360 web-based system. We verified the completeness of the list of States in the spreadsheet by comparing it to States shown in the Department’s G-5 system receiving Special Education Grants to States (Part B). For the 12 selected States, we performed the following procedures:

- Verified the accuracy of States’ results or compliance score data in the spreadsheet by comparing the data to OSEP’s published data in its FY 2016 IDEA Part B results driven accountability matrices.
- Verified the accuracy of the engagement level data in the charts by comparing them to the corresponding data in the spreadsheet.
- Analyzed the accuracy of State plan data when we obtained documentation to support the DMS tasks and activities. As available, the documentation including conference call notes, emails, and correspondence supported the DMS tasks or activities recorded in the State plans.

Based on the results of our procedures, we concluded that OSEP’s DMS data in the spreadsheet, charts, and State plans were sufficiently reliable for the purpose of our audit.

We met with officials at OSEP’s offices in Washington, D.C., in July 2017 to gain an initial understanding of OSEP’s processes and activities. We held an entrance conference with OSEP officials and performed further audit work at OSEP’s offices in August 2017. We

performed additional audit work at our regional office in Sacramento, CA, from August 2017 to August 2018. We held an exit briefing with OSEP officials on May 24, 2018.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Appendix B. Acronyms and Abbreviations

Department	U.S. Department of Education
DMS	differentiated monitoring and support
FY	fiscal year
GRADS 360	Grantee Records and Assistance Database System
IDEA	Individuals with Disabilities Education Act
OSEP	Office of Special Education Programs
OSERS	Office of Special Education and Rehabilitative Services
specialist	Education Program Specialist
spreadsheet	OSEP's record of organizational assessments and designation of engagement levels

Appendix C. OSERS Comments



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

THE ASSISTANT SECRETARY

Raymond Hendren
Regional Inspector General for Audit
Sacramento Audit Region
501 I Street, Suite 9-200
Sacramento, CA 95814

SEP 24 2018

Richard Rasa
Director
State and Local Advisory and Assistance Team
400 Maryland Ave SW
Washington, DC 20202-1510

Dear Mr. Hendren and Mr. Rasa:

I am writing in response to the finding, recommendations, and other matter included in the U.S. Department of Education, Office of Inspector General (OIG), draft report, "Office of Special Education Programs' Differentiated Monitoring and Support." As Assistant Secretary for the Office of Special Education and Rehabilitative Services (OSERS), I appreciate the opportunity to comment on the draft report on behalf of the U.S. Department of Education (Department).

Section 616(a) of the Individuals with Disabilities Education Act (IDEA) requires the Secretary to monitor the implementation of IDEA in the States. Further, the *Office of Management and Budget Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* at 2 CFR §200.205 requires that Federal awarding agencies assess risk of their grantees, while 2 CFR §200.331 requires State to evaluate each subrecipient's risk of noncompliance for the purpose of determining appropriate monitoring activities. In addition, the Department's Grant Bulletin 14-06: *Policy, Guidance, and Responsibilities for Principal Office Monitoring Frameworks for Formula Grant Programs* sets forth the policy that each Principal Office that administers formula grant programs is responsible for developing a risk-based system to monitor a grantee's success in meeting performance standards and compliance with the legal requirements of those programs. The Office of Special Education Programs (OSEP) meets these requirements for monitoring the implementation of IDEA through the Differentiated Monitoring and Support (DMS) component of its accountability system, Results Driven Accountability (RDA).

RDA focuses on improving results for children with disabilities and their families and was a major change from prior monitoring systems. Annual Performance Reports and annual State determinations measure States' performance on key compliance and results indicators such as student graduation and dropout rates, and performance on State assessments. The DMS was the final component of RDA to be implemented. The DMS component of RDA was designed to evaluate States in key areas through a risk assessment and, based on identified risk, provide

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States with Universal, Targeted or Intensive support. OSEP has continuously evaluated the system over the last six years to improve and strengthen the process. OIG evaluated the system in only its second year of implementation, but, even prior to receipt of this report, OSEP has revised the DMS twice to improve the focus and efficiency of the system. OSEP began over a year ago to implement procedures and practices that will address the OIG’s recommendations.

The draft report includes one finding with multiple recommendations and OIG’s assessment of another matter related to DMS. Our responses follow.

Finding: *OSEP needs to enhance its implementation of the DMS components under the results driven accountability initiative to help ensure that it plans and conducts DMS properly and consistently across all States. Specifically, OSEP did not have sufficient policies and procedures for how personnel should perform and document the four phases of DMS.*

Response: As noted above, at the time of the OIG’s review, OSEP was in the early stages of implementing the DMS component of RDA. OSEP has since been refining policies and procedures for how personnel should perform and document the four phases of DMS. Since that time, OSEP continued to refine the system to ensure that it is an accurate and manageable process that is consistent with the requirements of the IDEA, the Uniform Guidance, and Grants Bulletin 14-06, and has already begun implementing the documentation recommendations in this draft report. More importantly, OSEP is working to ensure that DMS is useful to the States in promoting improved results for children with disabilities. The differentiated approach has provided OSEP with a significant amount of information that will allow OSEP to further improve the way it evaluates States related to risk assessment.

Other Matter: *Data on Technical Assistance Accessed* – The OIG identified one other matter involving limitations in OSEP’s ability to obtain or verify the Technical Assistance Accessed Data used in OSEP’s organizational assessments.

Response: Section 616(e)(1) of IDEA requires the Secretary to take one or more of three specified actions with a State if the Secretary determines that the State needs assistance in implementing the requirements of IDEA for two or more consecutive years under section 616(d)(2)(A)(ii). One action the Secretary may take under this provision is to advise such a State of available sources of technical assistance that may help the State address the areas in which the State needs assistance and require the State to work with appropriate entities. As indicated in the draft report, there is no statutory requirement that a State report to the Department on the technical assistance the State accessed. States identified as “needs assistance” for two or more consecutive years are required by their determination letter to report on technical assistance accessed in the State Performance Plan/Annual Performance Report. However, there is no uniform format for this reporting and no method for collecting and reporting the aggregate information. Therefore, data on technical assistance accessed are inconsistent among States that are required to report this information. Beginning with the 2018-19 DMS implementation, OSEP no longer includes “Technical Assistance Accessed” as an element in its organizational assessment. OSEP will identify a method to document the reporting of technical assistance accessed by States.

Page 3 – Mr. Hendren and Mr. Rasa

The Department appreciates the opportunity to review the draft report and comment on the finding, recommendations, and other matter. The Office of the General Counsel has reviewed our office's comments and concurs in this response. Please let us know if you have any questions and thanks for your work on this audit.

Sincerely,

A handwritten signature in blue ink that reads "Johnny W. Collett". The signature is written in a cursive style with a large initial "J".

Johnny W. Collett