Evaluation of the State's Integrated Special Education Database System

THE AUDITOR
STATE OF HAWAII

Office of the Auditor

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3. *Sunset evaluations* evaluate new professional and occupational licensing programs to determine whether the programs should be terminated, continued, or modified. These evaluations are conducted in accordance with criteria established by statute.

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5. *Health insurance analyses* examine bills that propose to mandate certain health insurance benefits. Such bills cannot be enacted unless they are referred to the Office of the Auditor for an assessment of the social and financial impact of the proposed measure.

6. *Analyses of proposed special funds* and existing *trust and revolving funds* determine if proposals to establish these funds are existing funds meet legislative criteria.

7. *Procurement compliance audits* and other *procurement-related monitoring* assist the Legislature in overseeing government procurement practices.

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9. *Special studies* respond to requests from both houses of the Legislature. The studies usually address specific problems for which the Legislature is seeking solutions.

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OVERVIEW

Evaluation of the State's Integrated Special Education Database System

Report No. 03-05, April 2003

Summary

The Department of Education is responsible for the Integrated Special Education Database (ISPED) system. The department has already spent almost $16 million to make ISPED operational and plans to spend an additional $6 million for on-going development and maintenance. ISPED was developed to address the *Felix* consent decree's requirement that the State develop a seamless system of care for children and adolescents requiring mental health services, supported by a computerized information system. However, we found that a lack of vision and long-term planning hampered ISPED from the start.

Although ISPED was implemented in June 2001, it continues to have significant infrastructure and web site deficiencies that need improvement. For example, about one-third of the 71 school personnel interviewed noted that the web site is difficult to navigate, confusing in general, and not user friendly. Special education teachers have reported slow response time of the ISPED system, with modules taking four to ten hours to complete per student.

The statewide use of ISPED is also inconsistent. No formal ISPED training has been established, key ISPED functions are underutilized, and ISPED confidentiality concerns have arisen. Some school personnel seemed unconcerned or unaware of ISPED's importance as a *Felix* requirement. We even encountered one school that had begun using ISPED only two weeks before our October 2002 interviews. Staff at other schools were given the option of inputting data into ISPED. A *Felix* consent decree benchmark—that ISPED contain accurate, current, and complete information by November 1, 2001—does not appear to have been met.

The department's administration of ISPED is also confused and lacks adequate controls. The department has not adequately incorporated management tools to hold employees accountable for their performance, such as clear roles, responsibilities, guidelines, and personnel evaluations. For example, the department could not provide us with a job description for the ISPED project manager, arguably the most critical position in ISPED's development. Nor are there written roles and responsibilities or minimum qualifications for this management job. There is no clear supervisor. The fact that the current incumbent is the third person since November 2000 to hold the ISPED project manager position, with no evaluations for any of them, is an indication that accountability has not been a hallmark of ISPED's implementation. Each member of the ISPED project team, including the manager, reports to two or three supervisors. The confusion extends to other state and complex level staff. Most complex area superintendents do not use ISPED reports or interact with the project team.

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Millions of dollars have also been spent on contracted services critical to ISPED's success; however, department management has allowed unjustified contract costs to be paid, contract deficiencies to linger, questionable relationships to exist, and flawed ISPED ownership agreements to be created. For example, of the 15 ISPED contracts, agreements, and modifications we reviewed, two contacts increased by $1.6 million without justifying documentation, four contained no deadlines for contractors' performance, seven were signed after their effective date, and five contained no liquidated damages clause.

Finally, management lacks financial accountability in several areas. The ISPED project manager does not track, monitor, or scrutinize ISPED's budgets, appropriations, allotments, or expenditures, which are in the millions. In addition, no one formally oversees or monitors the department's efforts to maximize funding for Section 504, IDEA/special education, and *Felix* consent decree students. While the department has received approximately $62 million in federal grants during the past three calendar years, the department has not pursued approximately $14 million annually in potential Medicaid reimbursements for at least two years.

Recommendations and Response

We made a number of recommendations to the superintendent of education to correct the problems identified. We also recommended that the Board of Education hold the superintendent accountable for the problems identified and institute consequences if remedial actions are not completed within specified timeframes.

In its written response, the department generally agreed with our findings and indicated that it plans to implement many of our recommendations. The department also indicated what corrective actions they plan to or have implemented and provided some clarification regarding our findings.

The board did not provide a written response.

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Evaluation of the State's Integrated Special Education Database System

A Report to the
Governor
and the
Legislature of
the State of
Hawaii

Submitted by

THE AUDITOR
STATE OF HAWAII

Report No. 03-05
April 2003

Foreword

This report evaluated the Department of Education's Integrated Special Education Database (ISPED) system's operational efficiency and programmatic effectiveness pursuant to House Concurrent Resolution No. 187, House Draft 1, of the 2002 Regular Session. Our evaluation assessed the effectiveness and efficiency of ISPED's development, utilization, costs, and management during the period FY1999-2000 to FY2002-03.

We wish to express our appreciation for the cooperation and assistance extended to us by the Department of Education and others whom we contacted during the course of the evaluation.

Marion M. Higa
State Auditor

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Chapter 1

Introduction

During the 2002 Regular Session, the Legislature noted concerns about why the Integrated Special Education Database (ISPED) system lagged far behind schedule, why it has cost more than planned, whether the system works for users, and whether the system provides necessary reports. The Legislature also highlighted anecdotal evidence that suggests that the Department of Education's handling of ISPED is inefficient, costly, duplicative, and time-consuming. In response to these concerns, the 2002 Legislature passed House Concurrent Resolution No. 187, House Draft 1. The resolution requested that the Auditor evaluate ISPED's operational efficiency and programmatic effectiveness. The resolution specifically requests the Auditor to review the following:

1. Evaluate the time and method of submitting information as required by ISPED, including an analysis of time spent by teachers and counselors inputting data;

2. Evaluate individualized education program and section 504 modification plan requirements, processes, and procedures;

3. Assess operational issues related to the electronic storage of documents, and confidentiality issues related to the storage of documents under the Family Educational Rights and Privacy Act and other applicable laws;

4. Assess issues related to the analysis, evaluation, and confidentiality of data; and assess whether appropriate benchmarks are in place to monitor student progress, and determine whether the University of Hawaii's Center on the Family is appropriate for such a task; and

5. Address the efforts by the Departments of Health and Education to recover federal reimbursements, or apply for and receive federal and private funds to enhance or supplant general funded programs and services.

Background

In 1993, a lawsuit was filed against the State in U.S. District Court alleging that qualified handicapped children were not receiving necessary educational and mental health services and that the State violated the Individuals with Disabilities Education Act (IDEA) and Section 504 of the Rehabilitation Act of 1973 (Section 504). In May 1994, the court concluded that the State had violated these federal laws.

The result was the *Felix* consent decree, under which the State agreed to fully implement a system of care by June 30, 2000.

In response to the *Felix* lawsuit, the Department of Education (department) established an interagency task force in FY1994-95 to develop an integrated data system for children and adolescents requiring mental health services. The task force proposed developing a system that would coordinate confidentiality procedures for sharing information across agencies and permit the design and delivery of more organized and coordinated services. Efforts were made to coordinate a complete system between the Departments of Education, Human Services, and Health, and the Judiciary.

By 1996, however, this plan had fallen by the wayside. Plan modifications placed more emphasis on information sharing than on development of a comprehensive management information system. Moreover, funding remained elusive.

In 1997, the Department of Education's FY1997-98 budget request of $3.4 million to develop a system was turned down. Denial of the request was due, in part, to the fact that the request included department-wide Student Information System upgrades and was not limited to ISPED system development costs. Subsequent budget requests in FY1998-99 pared down the $3.4 million proposal, but were similarly refused. Unable to secure funding, the department felt it had no incentive to conduct extensive planning for system development. Hence, the department had no planning documents or long-term direction.

Finally, the Legislature appropriated funds for FY1999-2000 to implement ISPED. By this time, the department's system development goals had been winnowed down to a data sharing system for record keeping.

What the department subsequently developed was, in fact, a data collection system using Lotus Notes. ISPED was designed to replace three unlinked systems and a multiplicity of stand-alone applications, databases, spreadsheets, and manual record keeping at the school and district levels. ISPED is accessible through its web site, which also provides an on-line user manual, frequently asked questions (FAQ), and critical issues list.

Considerable resources have been dedicated to ISPED's development and use. Currently, the department has an ISPED project team of 22 staff. As of December 17, 2002, the department reported it had approximately 3,200 Section 504 and 23,200 IDEA/special education student records to maintain in ISPED. Approximately 9,400 *Felix* consent decree student records are included in these totals.

ISPED Felix *consent decree requirement*

The *Felix* consent decree, issued in October 1994, mandated that the State design a system of care for the *Felix* class by June 30, 2000. ISPED was intended to address the *Felix* consent decree's requirement that the department develop a seamless management information system. Some specific ISPED-related *Felix* consent decree benchmarks are listed below:

- By March 2000, an integrated special education data management system will be implemented.

- By November 2000, a new teacher allocation methodology will be developed.

- By November 1, 2001, the ISPED data system will be fully operational and contain accurate, current, and complete information. The system must contain individualized education programs (IEP) for all IDEA/special education students, and provide for individual student information exchange between the department and family guidance centers.

The program support and development director, under direct supervision of the superintendent, is responsible for identifying, monitoring, and evaluating whether ISPED *Felix* consent decree requirements are being met. The director also clarifies court-related expectations for the ISPED project team. The director monitors the department's performance on *Felix* consent decree requirements by reviewing monthly and quarterly reports from the Student Support Services Branch and ISPED project team, conducting on-site school visits, and discussing court-related issues with the ISPED project manager. If a benchmark does not appear to be met, the director advises the superintendent and the ISPED project team on the appropriateness and/or acceptability of proposed solutions.

ISPED database and web site

ISPED was developed to improve data management by streamlining processing and reducing processing bottlenecks; providing cost savings, timely and accurate information, and flexible query and reporting capabilities; automating manual processes; utilizing advanced technology; and enabling the department to generate consolidated statistical information to improve efficiency and effectiveness.

The ISPED system was designed so that any computer with a properly configured web browser could access the system, eliminating the need for specialty equipment. The department provided schools with desktop computers, laptop computers, and printers/scanners to access ISPED; established the ISPED help desk; and added servers to improve ISPED's performance.

ISPED management

Department personnel at state, complex, and school levels are involved with ISPED in varying degrees. The ISPED project manager and Office of Information and Technology Services' assistant superintendent are responsible for tracking and monitoring ISPED's budget and expenditures. The ISPED project manager and various personnel comprise the ISPED project team. The project team is responsible for supporting and training ISPED users at the complex and school level.

Budget and expenditures

The department's total ISPED budget and expenditures for FY1999-2000 through FY2001-02 approximates $16 million, as illustrated in Exhibit 1.1. As of FY2001-02, the department had already spent more than $500,000 over its ISPED budget. The department plans to spend $3 million in FY2002-03, $1.4 million in FY2003-04, and $1.5 million in FY2004-05 for ISPED's on-going expenses and maintenance costs.

Exhibit 1.1
Department of Education's ISPED Budget and Expenditures, FY1999-2000 through FY2001-02

Category	FY1999-2000 through FY2001-02 Budget		FY1999-2000 through FY2001-02 Expenditures
Services	$1,753,980		---
System/hardware upgrades	1,772,858		---
Total 'Contracts'		$3,526,838	$6,475,850
Personal Services	571,324		---
Salary	1,497,539		---
Total 'Personnel'		2,068,863	2,635,832
Computers		5,287,500	6,108,365
Equipment		944,500	75,999
Training		267,950	217,366
Title VIB-Special Education		427,000	---
Other expenses (travel, supplies, court monitor, computer software, etc.)		2,805,190	377,450
Total		**$15,327,841**	**$15,890,862**

Source: Department of Education

The department also receives federal grants that directly or indirectly benefit Section 504, IDEA/special education, and/or *Felix* consent decree students, who are included in ISPED. Some grants are based solely on the number of eligible students reported to the federal government. Other grants are more specific, such as the deaf-blind centers grant that assists deaf-blind students. These grants are presented in Exhibit 1.2.

Exhibit 1.2
Federal Grants Received by the Department of Education, Calendar Years 2000-02

Description	2000	2001	2002	Total
Special Education Impact Aid	$1,121,978	$1,453,526	$1,332,853	$3,908,357
Deaf-Blind Centers Grant	83,324	83,324	83,324	249,972
IDEA Preschool Grants	979,916	1,036,577	1,036,577	3,053,070
IDEA Grants to States	14,182,773	16,598,674	21,338,561	52,120,008
State Improvement Grant	600,000	600,000	600,000	1,800,000
Special Education Technical Assistance and Dissemination Grant	---	---	252,194	252,194
School Renovation, IDEA, and Technology Grant	---	---	456,519	456,519
Total	**$16,967,991**	**$19,772,101**	**$25,100,028**	**$61,840,120**

Source: Department of Education

Staffing

The ISPED project team, which provides support, training, and guidance to ISPED users and the technical lead and development of ISPED, consists of 22 staff. The team includes the project manager, data processing systems analysts, a research statistician, user support technicians, and resource teachers from the Information Resource Management and Student Support Services Branches. The ISPED project manager leads the team and informally reports to the department

superintendent and Office of Information and Technology Services' assistant superintendent, and formally reports to the director of the Information Resource Management Branch. The 22 staff report to the ISPED project manager and to their respective branch supervisors. The ISPED project team reporting structure is illustrated in Exhibit 1.3.

ISPED users

There are four types of ISPED users: "power author," "power reader," "editor," and "reader." Each type has defined read and/or edit capabilities. *Power authors* can "read and edit" documents for all students within their access level, *power readers* can "read" documents for all students within their access level, *editors* can "edit" documents for students per team list access, and *readers* can "read" documents for students per team list access. There are a wide range of users at the state, district, and school levels ranging from the department's superintendent to the school's special education teacher. However, the majority of the users are at the school level and comprise principals, counselors, special education teachers, student service coordinators, and assistants/aides. There are 168 state, 917 district, and 4,931 school level ISPED users.
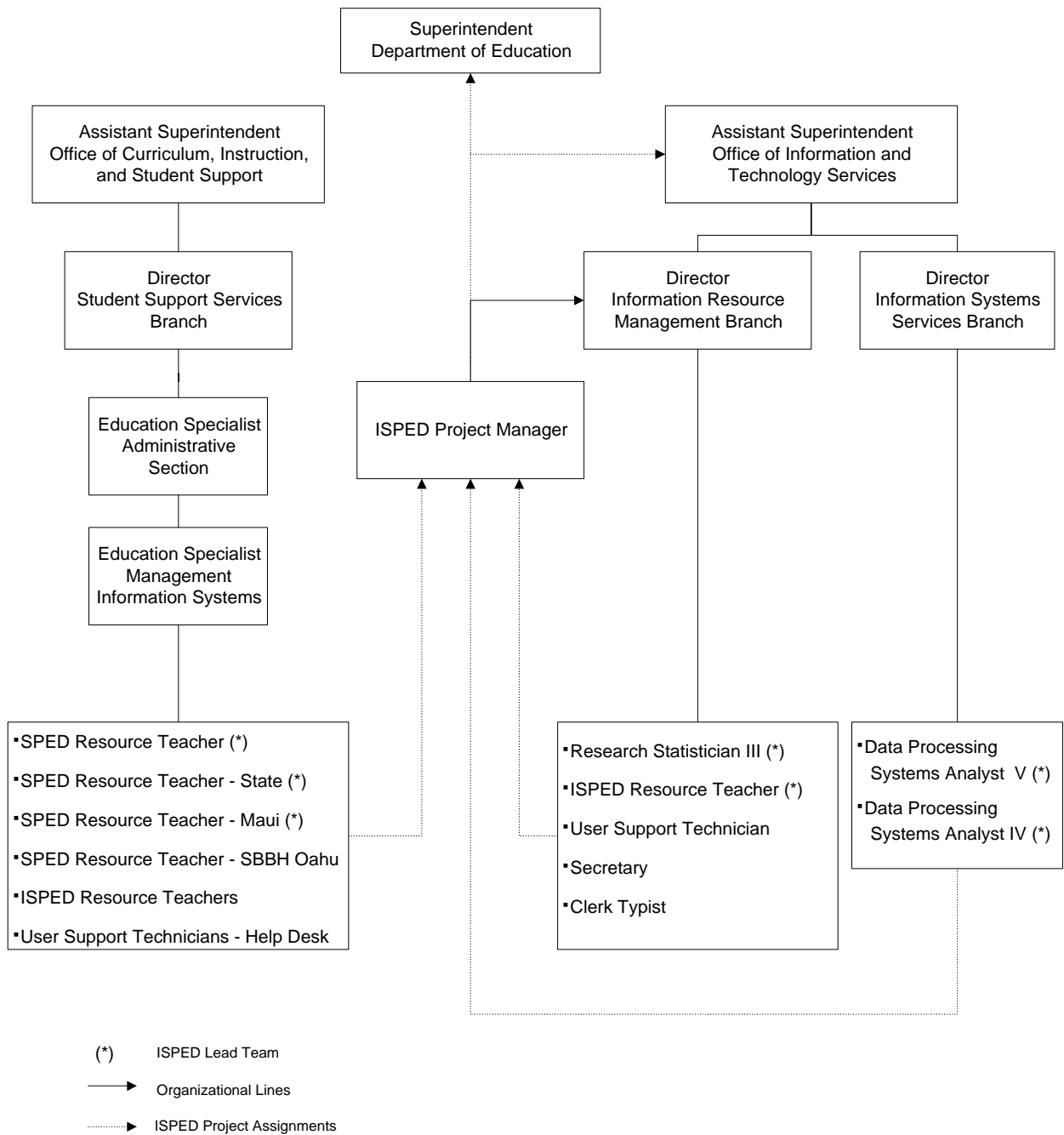
Department of Health's role

The Department of Health's Child and Adolescent Mental Health Division was previously responsible for administering all behavioral health services to IDEA/special education students, which included residential and outpatient services. Outpatient services were provided through the division's family guidance centers and contractors, while residential services were provided in both medical facilities and alternative residential treatment facilities (e.g., drug treatment centers). The division is currently responsible only for students with severe mental health problems.

The Department of Health has a computerized system, the Child and Adolescent Mental Health Management Information System, to track cases, satisfy Medicaid reimbursement requirements, and assign and report service costs. Between 2001 and 2002, the Department of Health transferred approximately 10,400 low-end *Felix* students to the Department of Education and retained approximately 1,600 high-end *Felix* students. Low-end students require less intensive services, such as psychological assessments, individual counseling, psychiatric evaluations, medication monitoring, and case management, while high-end students generally have pervasive developmental disorders or autism and require more intensive services.

The Department of Health receives federal grants and reimbursements that provide some funding for *Felix* consent decree costs. These grants and reimbursements are represented in Exhibits 1.4 and 1.5.

Exhibit 1.3
ISPED Team Organizational Structure

Superintendent
Department of Education

Assistant Superintendent
Office of Curriculum, Instruction,
and Student Support

Assistant Superintendent
Office of Information and
Technology Services

Director
Student Support Services
Branch

Director
Information Resource
Management Branch

Director
Information Systems
Services Branch

Education Specialist
Administrative
Section

ISPED Project Manager

Education Specialist
Management
Information Systems

- SPED Resource Teacher (*)
- SPED Resource Teacher - State (*)
- SPED Resource Teacher - Maui (*)
- SPED Resource Teacher - SBBH Oahu
- ISPED Resource Teachers
- User Support Technicians - Help Desk

- Research Statistician III (*)
- ISPED Resource Teacher (*)
- User Support Technician
- Secretary
- Clerk Typist

- Data Processing
  Systems Analyst V (*)
- Data Processing
  Systems Analyst IV (*)

(*)   ISPED Lead Team

———▶   Organizational Lines

··········▶   ISPED Project Assignments

Source: Department of Education

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Exhibit 1.4
Federal Grants Received by the Department of Health, FY1999-2000 through FY2001-02

Description	FY1999-2000	FY2000-01	FY2001-02	Total
Federal Block Grants	$616,083	$693,353	$715,154	$2,024,590
Federal Systems of Care Grant/ Hawaii Ohana Project	558,964	---	---	558,964
Data Infrastructure Grant	---	50,000	50,000	100,000
Total	**$1,175,047**	**$743,353**	**$765,154**	**$2,683,554**

Source: Child and Adolescent Mental Health Division, Department of Health

Exhibit 1.5
Federal Reimbursements Received by the Department of Health, FY1999-2000 through FY2001-02

Description	FY1999-2000	FY2000-01	FY2001-02	Total
Title IV-E: Training	$1,312,677	$2,777,356	$1,394,953	$5,484,986
Title IV-E: Room and Board/ Mainland Transportation	48,866	43,506	63,259	155,631
Title XIX: Quest Carveout	5,491,200	2,901,942	---	8,393,142
Title XIX: Random Moment Survey	1,908,714	---	---	1,908,714
Title XIX: Mainland Transportation	34,109	35,011	15,899	85,019
Total	**$8,795,566**	**$5,757,815**	**$1,474,111**	**$16,027,492**

Source: Child and Adolescent Mental Health Division, Department of Health

Objectives of the Audit

The objectives of this review were to:

1. Assess the effectiveness and efficiency of ISPED.

2. Make recommendations as appropriate.

Scope and Methodology

Our evaluation of the State's ISPED system encompassed review of ISPED development, utilization, costs, and management. Our assessment spanned from ISPED's development in FY1999-2000 to FY2002-03.

Our evaluation included a review of ISPED's utilization for IEPs and Section 504 modification plan requirements, processes, and procedures, as well as its effectiveness in analyzing, evaluating, providing benchmarks, and maintaining confidentiality of data. We determined ISPED utilization by interviewing selected school personnel from 12 schools (two in each Oahu district, two in the Hawaii district, and one in the Maui and Kauai districts), which consisted of four elementary schools, four intermediate/middle schools, and four high schools.

Our analysis of ISPED costs included a review of contract management. We reviewed a sample of ISPED contracts, agreements, and contract amendments entered into since ISPED's development in FY1999-2000. We reviewed the department's contracting process and assessed whether management controls and procedures are in place to ensure state resources are maximized as prudently and efficiently as possible. We also evaluated other ISPED cost information provided. We determined whether the ISPED project team's system for tracking contracts is capable of providing accurate, useful, and timely information. We also determined whether contractor payments were timely and proper.

We reviewed the Departments of Education and Health's efforts to obtain federal funds, federal reimbursements, and private funds for Section 504, IDEA/special education, and/or *Felix* students. For the federal funds and federal reimbursements for Section 504, IDEA/special education, and/or *Felix* students for which the Departments of Education and Health claim they were eligible, we identified the amounts obtained and the efforts made to obtain these funds. Our review of funds included interviews with the staff of the Departments of Education, Health, and Human Services.

Finally, we assessed ISPED's management by reviewing the ISPED project team's organizational structure, hiring, selections, and evaluation processes. We reviewed the qualifications and job responsibilities of the

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ISPED project team. We also determined whether the University of Hawaii's Center on the Family would be appropriate to monitor the progress of students maintained in ISPED.

This evaluation was conducted from July 2002 through December 2002 in accordance with generally accepted government auditing standards.

Chapter 2

The Department of Education's Poorly Developed and Managed ISPED System Is Inefficient and Costly, and Lacks Accountability

The Department of Education's Integrated Special Education Database (ISPED) system was developed to address the *Felix* consent decree's requirement that the department develop a seamless system of care, supported by a computerized information system. Over the years, however, the concept of a seamless management information system eroded into a data sharing system for record keeping. Lack of available funding and development snags hindered progress for years.

Currently, the system is operational but users continue to voice concerns that the system is slow, difficult to use, and cumbersome. The department is aware that problems exist, but has taken a band-aid approach to solutions rather than make systemic changes.

Moreover, roles and responsibilities of department staff are blurred and lack clarity, resulting in poor department administration of ISPED contracts and funds. ISPED modifications to enhance funding potential for Section 504, IDEA/special education, and *Felix* consent decree students have not been made, thereby compromising the State's ability to maximize reimbursements and outside funding. The department's inattention and lack of oversight over ISPED have resulted in wasted resources with few measurable improvements to the system.

Summary of Findings

1. The Department of Education's poorly developed ISPED system falls short of department goals.

2. The department's administration of ISPED is confused and lacks adequate controls.

The Department's Poorly Developed ISPED System Falls Short of Department Goals

The department had no articulated vision or plan for ISPED's development. In fact, between 1994, when the *Felix* consent decree requirements were established, and 1999, when ISPED funding was finally approved, the department had not yet developed system requirements for ISPED.

In 1999, the department contracted with InfoCal LLC to develop ISPED for the purpose of addressing the *Felix* consent decree requirements. The department's ISPED goals were to eliminate processing bottlenecks, reduce paperwork and streamline data collection, automate manual processes, provide timely and accurate information, and create flexible query and reporting capabilities. To date, few of these goals have been met.

Lack of planning and lengthy development delays weakened ISPED

Lack of vision and long-term planning hampered the ISPED project from the start. The department stated that it had the idea for ISPED since 1994. However, the department also stated that no planning documents or long-term proposals were developed because there was no available funding. Without funding, there was no incentive to do extensive planning. Without vision or a long-term plan and the momentum to carry it forward, the ISPED project languished for years as a mere concept. ISPED development was delayed until FY1999-2000 when the Legislature appropriated funds to implement ISPED. By then, however, the idea to develop an interdepartmental, integrated data system had eroded into a data sharing system for record keeping.

After the ISPED budget was approved in 1999, the department dedicated considerable resources to ISPED's development and use. In addition to hiring outside development consultants, it assembled a department team of 22 staff and spent almost $16 million on ISPED. However, even with substantial resources and personnel, the department failed to meet the *Felix* consent decree deadlines.

As directed by a *Felix* consent decree benchmark, ISPED was to be implemented by March 2000 and fully operational by November 1, 2001. Development of ISPED began in 1999, but stalled during September 2000 when the department's staff could not agree amongst themselves what data ISPED would maintain. Another delay occurred when the department discovered confidentiality breaches in the system. Department of Health staff had access to non-special education records, and teachers could access the records of students not in their classes. As a result of these delays, the contractor could not develop a fully operational system by the promised delivery date.

In 2001, the department began to rebuild the ISPED system. Recommended changes were made to the initial system, and a rollout date of June 2, 2001 was established. Because the original ISPED application was not functional, an interim database was developed to enable the department to collect school data and create required federal and *Felix* consent decree reports. The interim database raised additional issues regarding access, confidentiality, hardware, software, and

procedures. It was not until June 2001—over a year beyond the *Felix* consent decree deadline—that ISPED was implemented. Data was then transferred from the interim database into ISPED.

Significant problems plague the ISPED system

Although ISPED was implemented in June 2001, it continues to have significant infrastructure and web site deficiencies that need improvement. Department management has been notified of the deficiencies on numerous occasions and through varying methods. Moreover, questions, issues, and complaints received by the ISPED help desk that reflect day-to-day user concerns are not integrated into the frequently asked questions feature (FAQ), which is accessible at the ISPED website.

Infrastructure problems continue

An adequate infrastructure is pivotal in assisting and motivating users to utilize ISPED and ensure that its information is accurate, current, and complete. ISPED's purpose was to improve data management by eliminating redundant system and data processing, automating manual processes, providing timely and accurate information, and providing cost savings. However, existing ISPED system problems make it difficult and cumbersome for users to effectively utilize the system. Consequently, maintenance of accurate, current, and complete information as required by a *Felix* consent decree benchmark remains elusive.

ISPED system is slow and cumbersome for users

Although more than half of the school personnel we interviewed indicated that ISPED has improved, about one-third still reported deficiencies with the system. A central complaint is that the system remains slow and data input is time consuming.

Insufficient server capacity may have contributed to the ISPED system running slow. The department has increased the server capacity from three to ten servers. Although improvement was noted after the increase in server capacity, one-third of the staff interviewed still complained that the system was slow. Increasing the number of servers may have improved the speed of the system, but did not address difficulties that cause its use to be slow and time-consuming.

Users are frustrated and concerned about the additional expectations and responsibilities ISPED places on users to input student information. School personnel interviewed claimed that teachers devote their personal time before school starts, in the evenings, and during weekends, to complete work in ISPED. A student services coordinator we interviewed related that, rather than streamline and reduce work, ISPED is inefficient

and has increased her work considerably. Special education teachers report that ISPED modules may take four to ten hours per student to complete. Some teachers are so frustrated with the system that they prefer to maintain manual records and later input the data into ISPED. This duplicative two-step process increases rather than reduces work.

Marking individualized educational programs as "complete" remains problematic

A *Felix* consent decree benchmark required that ISPED contain accurate, current, and complete information by November 1, 2001. This includes Individualized Educational Programs (IEP), which are written plans to help meet IDEA students' special education needs. IEPs must be marked "complete" to protect the IEP from alteration, preserve data integrity, create an assessment report summary, allow various service providers to enter information in the visit records and progress reports sections, create a specific IEP service in the ISPED services module, and allow creation of progress reports. However, users complain that once an IEP is marked complete, information in the IEP cannot be edited. More than one step is required to revise an IEP. Users must first copy the original IEP, recreate a student's documents, and then delete the original IEP. This multi-step process could deter users from marking IEPs complete.

Reluctance to mark IEPs complete was a problem identified in *The Audit of the School-Based Behavioral Health Program,* Report No. 02-11, and continues to be an issue. In fact, 45 percent of school personnel interviewed think that marking the IEP complete remains a problem.

The department is aware of the apprehension among special education staff to mark IEPs complete and during 2002 took steps to address the issue. School administrators were encouraged to assist school staff with resolving IEP issues, and a technological modification was made to allow documentation to be appended to a complete IEP. However, these accommodations have not resolved nor reduced user anxiety and have been ineffective. They constitute band-aid solutions that do not directly address staff's apprehension about using ISPED's IEP section.

Reluctance among staff to mark IEPs complete compromises data integrity. Moreover, failure to mark IEPs complete causes the department to be in noncompliance with the *Felix* consent decree benchmark that ISPED contain accurate, current, and complete IEPs.

Computer equipment deficiencies hamper some schools

Adequate computer equipment is critical for users to effectively utilize ISPED and obtain timely and accurate information. The department provided each school with the following computer equipment for ISPED:

one desktop computer; a laptop computer for each full-time special education teacher, student services coordinator, and principal; and one printer/scanner. Overall, computer equipment to utilize ISPED was adequate. However, deficiencies do exist in specific schools.

One high school lacks an adequate technical infrastructure. The school does not have a local area network (LAN) in place to facilitate connection to the Internet and ISPED access. As a result, teachers complain that they must utilize ISPED on their own personal time and not all of the teachers have an Internet connection available to them.

Four laptop computers at one high school were stolen and have not been replaced. The laptop computer shortage has forced special education teachers to share computers for ISPED utilization. Having to share laptop computers could decrease efficiency and increase user frustration.

One school experienced many problems with the hardware provided by the department for ISPED. Some laptop computers did not function, and the desktop computer crashed so many times that a replacement computer was purchased with the school's own funds. The department should replace schools' faulty equipment.

These deficiencies must be cured. It is the department's responsibility to ensure that every school has adequate computer equipment and Internet connections to utilize ISPED.

ISPED web site needs improvement

The ISPED web site is an integral part of the ISPED system and provides on-line resources for users. However, we found several deficiencies with the ISPED web site. The site is not user friendly, does not have an effective complaints system, and many of its key features are underutilized.

Site is not user friendly

The ISPED web site is intended to be a resource for users that includes system background information, bulletins and announcements, FAQs, a critical issues list, an on-line user manual, a help checklist, an on-line training module, and contact information. However, as of December 2002, some of this information was not accessible or could not be found on the site. There was no indication of when this information had been removed or when it would be replaced and accessible to users.

About one-third of the 71 school personnel interviewed agreed the web site is difficult to navigate, confusing in general, and not user friendly. Our review revealed concerns about the homepage, site links, inconsistent information, and FAQs.

The homepage is cluttered with information and disorganized. Specific areas or topics of interest are difficult to locate and access. The homepage does not include a "search" function that allows users to quickly locate specific information. Some website pages do not include a button or link that returns users to the ISPED homepage. Lack of a button or link makes navigating through the user manual cumbersome and time-consuming.

The on-line resources are unreliable at best. In August 2002, the web site provided ISPED resource teacher names via a "bulletin"; however, this information was not current or accurate and did not include phone numbers. As of October 2002, the bulletin has been removed from the site and is unavailable. Similarly, the on-line user manual has been unavailable since December 2002.

Accessing the website's FAQs is difficult and time-consuming. Some FAQ headings are not indicative of the topics or questions addressed. Moreover, many steps are required to access each FAQ and its details. A user friendly web site would encompass an organized homepage that is easy to navigate, includes adequate search capabilities, and allows ISPED users to readily obtain such information as questions/answers, policies/procedures, and contact information. Moreover, the web site should maintain consistent, current, and accurate information to facilitate its use as a resource.

Complaints system is inadequate

An effective complaints system provides users with a vehicle to articulate problems encountered while using a computer system. Areas that need improvement are quickly identified. Users feel empowered and less frustrated by system problems because they have a means by which to communicate issues and concerns. Ultimately, an effective complaints system may save the department money and raise user morale because issues are identified, investigated, and resolved quickly and internally.

Instead, the department has no formal system to summarize or monitor the approximately 2,300 ISPED e-mails received each month regarding complaints, questions, issues, and concerns. A formal complaints system could help the department ensure that users' key concerns are adequately addressed.

Although the ISPED web site FAQs and critical issues list are intended to provide answers and guidance to issues common among users, these resources are inadequate and may not be responsive to some of the most common concerns. The FAQs and critical issues list do not address day-to-day questions that are directed to the help desk. The ISPED project team related that updates to the FAQs and critical issues list do not take

into consideration the approximately 120 questions, concerns, issues, and/or complaints received by the ISPED help desk each day. The end users' needs are not being integrated into the FAQs and critical issues list by the ISPED project team, rendering these resources largely ineffective.

We also noted that FAQ updates are not consistent or timely. In one example, an issue was addressed by an FAQ last updated on September 16, 2002. The problem was fixed as of September 26, 2002; however, after almost two months, the FAQ still has not been updated to indicate that the problem was fixed. Outdated information should be removed in a timely manner to avoid misleading users.

In summary, the department's lack of an effective complaints system hinders its ability to adequately track, address, or monitor ISPED complaints, questions, issues, and concerns. ISPED's web site FAQs and critical issues list are inadequate resources because they are not aligned with users' needs and do not address the most common user queries and input. In fact, 60 percent of school users interviewed are unfamiliar with or do not use the web site's FAQs and critical issues list.

ISPED training is inadequate

Use of the ISPED system statewide is inconsistent. Also, many of its key functions are underutilized because users are either not aware of the function or do not know how to use the function. Some users do not understand why they have to use ISPED. These deficiencies point toward inadequate ISPED training for ISPED personnel and users. Also of concern are issues that involve student confidentiality.

No formal training program exists for ISPED personnel or users

ISPED personnel primarily receive on-the-job training. For example, the ISPED project manager, user support tech, and resource teachers have not received any formal training for their respective positions, nor does any formal training program or materials exist. Each of these positions has ISPED responsibilities, which includes providing overall management for ISPED, fielding an average of 80-90 ISPED calls a day, or providing training for school personnel. A lack of formal training and materials results in inconsistent procedures and advice given to users by the ISPED project team.

Further, a lack of formal training and materials for school personnel could result in confusion and frustration when utilizing ISPED. At the school level, about half of the 71 school personnel interviewed believe ISPED training is inadequate. A number of users thought the training provided too much information or not enough hands-on experience.

School personnel did not feel that the training provided them with adequate knowledge and skills to fulfill their duties and responsibilities. Follow-up training is needed to reinforce ISPED learning and promote greater confidence among school personnel.

Some school personnel interviewed seemed unconcerned or unaware of ISPED's importance as a *Felix* requirement. One special education teacher commented that ISPED is for administrators and those who need to collect data. Another special education teacher noted that ISPED is a waste of time. Thus, it appears that training is also needed to educate school personnel and enhance their awareness of ISPED as a fundamental compliance requirement of *Felix*. Enhanced awareness of the consent decree's mandates and increased oversight of users should foster a greater willingness to accept and utilize ISPED.

Key features are underutilized

ISPED includes key features that, if used properly, could benefit users, enhance data gathering, and improve system performance. However, some of ISPED's key features are underutilized. As illustrated in Exhibit 2.1, many ISPED users are unaware of or do not use the ISPED on-line training module, on-line user manual, on-line help checklist, or "my cases" feature.

Over half of the 71 school personnel interviewed indicated they do not use the on-line user manual. The manual does not explain how ISPED reports meet requirements or who is required to use the reports. The manual only lists report names and briefly describes the information included in the report. In addition, the manual has not been accessible at the ISPED web site since December 2002. Hence, underutilization of the manual appears to be a symptom of the manual's ineffectiveness. The manual should address users' needs and include information on how ISPED reports meet requirements and who should use the reports and why.

The department has developed 15 ISPED reports to address relevant Section 504, IDEA/special education, and *Felix* consent decree requirements. However, a high percentage of the school personnel interviewed do not review the reports and are not aware of directives or policies requiring their review.

If utilized properly, ISPED reports can assist department personnel at all levels to ensure requirements are met. For example, Section 504 student reevaluations are required at least once every three years. Three ISPED-generated reports monitor these projected reevaluation dates. However, 34 percent of school personnel interviewed did not know how to monitor reevaluation dates, and 23 percent monitor reevaluation dates manually.

Exhibit 2.1
ISPED Key Features

ISPED Key Feature	ISPED Key Feature Benefits	Underutilization Evidence
ISPED on-line training module	Uses a mock version of the ISPED database that allows users to experiment with ISPED modules and functions without harming the integrity of actual student data.	Over 60 percent of school personnel interviewed were unaware of or do not use the module.
ISPED on-line user manual	Provides directions for navigating the ISPED system and breaks down each module in ISPED with written and visual directions.	Over 50 percent of school personnel interviewed were unaware of or do not use the manual. A number of school personnel said they prefer calling the ISPED resource teacher or help desk if they have any questions. In addition, the manual has not even been available since December 2002.
ISPED on-line help checklist ("cow handout")	Created by ISPED resource teachers to help users through the system and the special education process.	Over 40 percent of school personnel interviewed are unaware of or do not use the checklist.
ISPED "my cases" feature	Supposed to dramatically improve server response time by allowing users to access up to 150 student files at one time.	Over 40 percent of school personnel interviewed are unaware of or do not use the feature.

Source: ISPED website and school personnel interviews

Without adequate guidance and training, ISPED reports will continue to be underutilized, thereby compromising timeliness and efficiency.

Finally, ISPED's "my cases" feature is supposed to dramatically improve server response time by allowing users to access up to 150 student files at one time. We found, however, that the feature may not be fully utilized, primarily because users do not know the feature is available or do not understand the feature's purpose.

As for all underutilized features, training should be developed and delivered to school personnel to enhance user understanding and utilization of ISPED's features. Follow-up or on-going training is also recommended to reinforce knowledge and enhance user confidence. Where underutilization is a symptom of ineffectiveness, the ISPED

project team should reassess the feature to ensure that it is aligned with users' needs.

More awareness of confidentiality concerns is necessary

The confidentiality of ISPED's student information is jeopardized by the department's failure to adequately communicate and enforce confidentiality guidelines. This is exemplified by school personnel's failure to understand the consequences of not complying with confidentiality guidelines. Although many school personnel interviewed thought they were personally liable for breaching student confidentiality, over half were unaware of any consequences or confidentiality guidelines.

Confidentiality is also endangered by the department's failure to enforce ISPED's password policy requirements. Users are required to change their passwords at least every 12 months. However, over 50 percent of school personnel interviewed were unaware of the password requirement. Because passwords are an important aspect of computer security and provide a front line of protection for student record confidentiality, password requirements should be communicated and enforced.

The University of Hawaii's Center on the Family should not be involved with special education students' progress

Access to students' records in ISPED by external third parties should be limited to minimize exposure of confidential student records. In addition, the University of Hawaii's Center on the Family's director does not think the center is in a position to monitor special education students' progress or to determine whether appropriate benchmarks are in place because the center has not been involved with these students or ISPED. Thus, allowing an external third party such as the center to monitor and evaluate students' progress does not appear feasible.

Some Felix *consent decree requirements do not appear to be met*

On September 10, 2002, U.S. District Court Judge Ezra declared that the State was in substantial compliance with the *Felix* consent decree; however, it is questionable whether the ISPED related requirements have been met. A *Felix* consent decree benchmark states "ISPED data system will be fully operational and contain accurate, current, and complete information by November 1, 2001. The system must contain all students and provide for individual student information exchange between the department and the Family Guidance Centers that includes read only and printing capabilities." Our review identified the following instances of noncompliance with this benchmark.

First, as of March 2002, the court monitor indicated he had not received evidence that this requirement was met. Second, in July 2002, the

ISPED project manager coordinated 13 school site visits, which identified that personnel at five (38 percent) schools were not entering IEPs into ISPED. Despite these findings, the schools have not been held accountable, and the ISPED project manager has not performed follow-up visits with any schools. The department's superintendent was not informed by the ISPED project manager of ISPED's information gaps.

Third, in October 2002, our school personnel interviews revealed that ISPED still did not contain accurate, current, and complete information. For example, one school began using ISPED only two weeks before we conducted our October 2002 interviews, and staff at other schools we visited were not required to input information into ISPED.

Fourth, in November 2002, the program support and development director, who is responsible for monitoring the department's compliance with the *Felix* consent decree, indicated he uses a report provided by the ISPED project manager to ensure ISPED contains accurate, current, and complete information. Our review revealed that the December 2, 2002 version of the report provided by the director indicated that 5 percent of the eligible IDEA/special education students do not have an IEP in ISPED. The report also indicated that even if an IEP exists in ISPED, the IEP may not be current, complete, or accurate.

Furthermore, the special education administrative section, which is responsible for providing ISPED's programmatic content based on federal and state guidelines, could not readily identify which requirements ISPED addresses. The section took over a month to complete a requirements list. Upon review of its list, we noted at least one *Felix* consent decree requirement was missing. In defense, the special education section administrator stated that a requirements list has little value to ISPED users. Thus, the department fails to see the importance of identifying how ISPED meets requirements, which casts doubt on what ISPED is based on and whether the millions spent developing ISPED are justified.

The Department's Administration of ISPED Is Confused and Lacks Adequate Controls and Accountability

Effective management requires clearly defined roles, responsibilities, and guidelines. Completed personnel evaluations assist management in identifying areas for improvement. Unfortunately, the department has not adequately incorporated these management tools, which makes it difficult to hold employees accountable for their performance. Moreover, the department's management of contracts is ineffective, resulting in widespread contract deficiencies. Finally, financial oversight and accountability over tens of millions of ISPED funds is lacking.

Roles and responsibilities are not clearly outlined or enforced

The superintendent acknowledged that staff and users' roles and responsibilities are not clearly delineated, and no formal guidelines exist. Thus, it is unclear who is required to use ISPED or how ISPED should be utilized to meet necessary requirements. The superintendent recognizes there is confusion among staff, which allows personnel to avoid responsibility and blame others for their action or inaction. Confusion exists at state, complex, and school levels, as well as within the ISPED project team.

Confusion exists at the ISPED project team level

Confusion exists within the ISPED project team. Although three different people have filled the ISPED project manager position since November 2000, the position has no written job description, minimum qualifications, or clear supervisor. The project manager claims the department superintendent established the position using court ordered "super powers." Even though "super powers" allow the superintendent to establish positions to help achieve IDEA and *Felix* consent decree compliance, sound management practices encourage, at minimum, establishment of a job description and minimum qualifications for every position, as well as articulated roles and responsibilities.

The project manager's official personnel file was also missing when we conducted our review, but was subsequently found two weeks later. Upon review, the file did not include a resume or any performance evaluations. Further, the ISPED project manager claims she is responsible for managing ISPED's finances, contracts, system, and database, but no written documentation corroborates this claim.

Finally, the ISPED project team is organizationally fragmented, with staff each having multiple reporting responsibilities. The ISPED project team is assembled from three separate branches, and each staff member, including the project manager, reports to at least two and as many as three supervisors. Although workable, this organizational and reporting structure is not recommended unless clearly defined roles, responsibilities, and guidelines are in place.

Confusion extends to state and complex level staff

Confusion extends as well to other state and complex level staff. The majority of complex area superintendents are not aware of any formal guidelines directing them on how to utilize ISPED. As a result, some complex area superintendents do not use ISPED and most do not use its reports or interact with the ISPED team. Others have some indirect ISPED involvement. Complex area superintendents have minimal interaction with resource teachers, even though these teachers may

provide training and support to their respective complexes. Clarification of the department's organizational structure and staff roles and responsibilities is necessary to promote consistency and clarity.

Personnel evaluations are not completed

The department's evaluation procedures for the ISPED project team are inadequate. We reviewed whether evaluations were conducted for six ISPED project team members, including the ISPED project manager, research statistician, a user support technician, a data processing analyst, and two ISPED resource teachers. The department requires annual evaluations for the research statistician, but does not require evaluations for the other positions reviewed. In the case of the research statistician, the department's personnel staff assumes that an employee's performance is satisfactory if no evaluations are completed. Therefore, it was not surprising that the personnel files we reviewed did not contain written evaluations. The research statistician's file revealed that an evaluation had not been completed for two years.

The department has neither position descriptions and guidelines, nor adequate evaluation procedures for the ISPED project team. Lack of these fundamental management tools renders the department impotent to hold ISPED project team members accountable for their performance.

Management tolerates ISPED contract problems

Millions of dollars have been spent on contracted services critical to ISPED's success. The superintendent and ISPED project manager should effectively manage all contracts to ensure that taxpayer money is used wisely. However, widespread ISPED contract abuses are tolerated. Department's management has allowed unjustified contract costs to be paid, contract deficiencies to linger, questionable relationships to exist, and flawed ISPED ownership agreements to be created.

Contract costs are not justified

The department does not ensure contract costs are justified. For example, two agreements increasing contract costs by $1.6 million lacked documentation to justify the increase. The department claims it was unaware of what services would be needed and thus unable to document the exact scope of services in the agreements. However, unless the department knows what services are required, we question its ability to estimate costs and evaluate services received. In another example, the department paid a contractor $12,000 to fix a problem that resulted from the department's unclear instructions.

Contractor services should be clearly defined in contracts, and services provided should be stated on invoices to justify invoice amounts. Approximately 100 invoices for one contractor do not clearly describe

the invoice charges. Specifically, almost $13,000 was paid for expenses incurred by three individuals identified by name only. Furthermore, the ISPED project manager admits that even though she and the previous project manager were unable to reconcile a particular contractor's invoices with work requests, this contractor's invoices amounting to millions of dollars were paid.

Contracts are rife with deficiencies

The department's contracts reflect deficiencies that expose the department to potential liability. For example, four of the 15 ISPED contracts, agreements, and/or modifications reviewed contain no deadlines. Without an end date, the department is unable to hold the contractor responsible for accomplishing agreed-upon services within a reasonable timeframe.

We also noted numerous instances where work had proceeded without a signed contract. Seven out of 15 ISPED contracts, agreements, and modifications were signed after the effective dates. In order to meet court-imposed deadlines, department representatives related that much of the work began immediately or was "on-going" with only verbal agreements. Notwithstanding the superintendent's "super powers" granted by the court, contracts should have been carefully drafted and properly executed to ensure timely delivery of stated goods and services, and appropriate recourse should the delivery be unsatisfactory.

Although not a requirement, contracts often include a liquidated damages clause. If contract terms are not met, the contractor agrees to compensate the State at an agreed-upon rate. Because ISPED's development and use was crucial for the State to meet *Felix* consent decree requirements, the department should have included a liquidated damages clause in each ISPED contract. Further, inclusion of such a clause reflects responsible contracting practices when the contract involves millions of dollars. Instead, five contracts were executed without a liquidated damages clause, leaving the State with no recourse in the event of untimely or unsatisfactory delivery of goods and services.

Questionable contractor relationships lack oversight

Our testing identified a number of questionable ISPED contractor relationships. While the ISPED project manager claims her responsibilities include providing directions, observations, recommendations, advice, and functional support related to ISPED, the department contracted for these same services with an outside contractor. For example, the ISPED project manager had the contractor identify billing discrepancies the department had with another contractor. Yet, the superintendent and the project manager herself confirm that it is the

project manager's responsibility to evaluate, monitor, and approve all contract payments related to ISPED. The same contractor was paid $2,000 for one day's work that included preparing and distributing minutes from a conference call and ISPED project team meeting; preparing a spreadsheet of comments; and participating in a discussion regarding security administration. We question why the department paid a contractor for services that could have been performed by department staff.

Our review of the department's contractors revealed an anticipated termination and subsequent hiring of two separate contractors with the same employees. Specifically, the ISPED project manager said that the department is terminating work with Spectria because it felt in-house staff and a local contractor, Interisland Systems Development & Integration (ISDI), would adequately serve ISPED's new development phases. Curiously, the department related that after Spectria's work is terminated, it intends to contract with Alacrinet, a company formed by former Spectria employees, to provide similar services ISDI. The superintendent justified this arrangement by saying the department was no longer benefiting from Spectria's services but needed to contract with someone to continue to service and maintain ISPED. Under this arrangement, the same people who serviced and maintained ISPED under the company name Spectria will provide similar services under the company name Alacrinet. And at the same time, ISDI will also be under contract.

The ISPED project manager has also provided us with contradictory information on the need for these contractual relationships. Relying on contractors to provide services that could be provided by department staff or could be duplicative of services being provided by other contractors is questionable.

Agreement to maintain ISPED ownership rights is flawed

The department's royalty agreement with Spectria to maintain ownership rights to ISPED and obtain royalties from systems modeled after ISPED is faulty. The agreement allows Spectria to market and sublicense ISPED to other entities. It also sets the State's terms and conditions for granting Spectria, under copyrights, certain rights and licenses to the ISPED code and documentation. The current and past ISPED project managers could not identify how the royalty payments identified in the agreement were determined; thus, it is uncertain whether the amounts are justified and reasonable. Under the existing agreement, Spectria would receive a larger share of royalties than the department when royalties are greater than $187,500. For example, if royalties amounted to $200,000, Spectria would receive $120,000 and the department would receive only $80,000.

In addition, the department did not establish any means to ensure that Spectria notifies the department of sublicenses. In fact, the agreement allows Spectria to sublicense ISPED "programming code, manuals, and other written material" without prior notice or approval by the State. To further complicate matters, since the department plans to terminate its Spectria contract, it will have no mechanism to ensure it receives all future benefits from the transfer of knowledge or the sub-licensing of ISPED to other entities.

Management lacks financial accountability

Management lacks financial accountability in several areas. The ISPED project manager does not track, monitor, or scrutinize ISPED's budgets, appropriations, allotments, or expenditures. To date, these figures are in the tens of millions. In addition, no one is formally responsible for overseeing or monitoring the department's efforts to maximize funding for Section 504, IDEA/special education, and *Felix* consent decree students. In fact, the department has not pursued approximately $14 million annually in potential Medicaid reimbursements for at least two years. As a result, significant funding opportunities are lost or unexplored. With modifications, ISPED could provide some of the information needed to obtain Medicaid reimbursements, but the department has been slow to utilize ISPED for this purpose.

Oversight over millions of ISPED funds is absent

The department has already spent almost $16 million to make ISPED operational. It plans to spend $3 million in FY2002-03, $1.4 million in FY2003-04, and $1.5 million in FY2004-05 for ISPED's on-going development and maintenance costs. However, the ISPED project manager's failure to adequately manage and monitor these expenditures makes it unclear whether these additional costs are, in fact, for maintenance or have resulted instead from poor planning, poor communication, and mismanagement.

The department could not readily provide credible fiscal information or justification for ISPED expenditures. The ISPED project manager, who says she is responsible for maintaining and monitoring this information, could not provide it. Instead, an ad hoc committee that included the ISPED project manager, budget director, special education section administrator, accounting personnel, and possibly others, assembled this information. After taking three months to respond to our information request, the committee provided us with inaccurate information.

The Audit of the School-Based Behavioral Health Program, Report No. 02-11, related that our office encountered the same difficulty as the department's then-internal auditor when he conducted his audit of the

Felix consent decree Response Plan in March 2001. The final report noted that program managers had insufficient tools to fiscally manage operations and that data was seriously fragmented among several sections of the department, namely budget, personnel, accounting, programs, districts, and schools. Over a year after the report's issuance, in June 2001, we found no evidence of corrective action despite the internal auditor's recommendation that the department create a comprehensive *Felix* consent decree financial report that extracts and compiles data from all levels in an understandable format.

Efforts to identify additional funding sources are lacking

No one formally oversees or monitors the department's efforts to obtain federal funds, federal reimbursements, and private funds for Section 504, IDEA/special education, and *Felix* consent decree students. The superintendent indicated that the special education section administrator should be assigned this responsibility.

Currently, the department's efforts to obtain federal funds are decentralized. Personnel responsible for obtaining specific federal grants are not in the special education section and are scattered throughout the department. One such individual is the department's current budget director. Assignments were determined by past or present involvement as the "program manager" for the program benefiting from the grant. According to the special education section administrator, program managers must be self-motivated to identify grants, but are not responsible for identifying and researching other funding opportunities. No administrative oversight is provided by the special education section.

The department has failed to identify potential funding opportunities, illustrating the negative effect of having no central authority and administrative oversight. The special education section administrator admitted that she was not really aware of the funds currently received by the Department of Health for *Felix* consent decree students. She also did not know whether the education department might also be eligible to receive them. The prevailing attitude at the department appears to be one of avoiding the responsibility of maximizing funding opportunities. We believe it is reasonable to expect the department to contact the Department of Health to learn of funds received for *Felix* students and to research other states to determine what other funds may be available.

We also found that neither the Department of Education nor Health could identify any private funds for which either or both departments were eligible. Both departments cited limitations that have kept them from exploring third-party reimbursements from students' medical health insurance for qualifying services. The Department of Education said it is difficult to have parents claim medical insurance for services the

department is supposed to provide. The department noted that certain treatments and services require that health insurance carriers pre-approve the treatments, and the department thinks IDEA/special education student treatments must be administered immediately. The Department of Health thought it could not require parents to provide healthcare insurance information, which would be necessary to obtain reimbursements. In both cases, definitive answers could not be provided.

Approximately $14 million in annual Medicaid reimbursements have yet to be realized

The department could be eligible for up to $14 million in Medicaid reimbursements for school-based medical services. This includes up to $6.4 million for medical services (subject to a $7.5 million cap shared with the Department of Health) and $7.2 million for related administrative activities. As of late November 2002, the department's Medicaid contact person was unaware of additional transportation reimbursements the department may be eligible to receive, while the Department of Health already receives $16,000 to $35,000 each year for these reimbursements.

The department has had over two years to obtain Medicaid reimbursements and is now only one of two states that have not done so. In January 2002, the department finally formed a Medicaid task force to consider Medicaid reimbursements. However, after review, we question the competence and motivation of the task force.

For example, without even performing a cost-benefit analysis to determine the most beneficial approach to obtain Medicaid reimbursements, the task force recommended contracting with a third-party administrator that would charge the State 4.5 percent (approximately $560,000) of annual Medicaid reimbursements. Further, minutes from the March 2002 task force meeting reveal the department's reactive approach to securing Medicaid reimbursements.

The minutes reflect that past strategies to obtain Medicaid reimbursements "have been to postpone or delay implementation primarily due to pressing *Felix* compliance." The task force minutes acknowledge that the department has "already lost claiming opportunities" and appears now to have "no choice but to proceed as rapidly as possible." These statements indicate the department's task force had not adequately planned for collection of Medicaid reimbursements despite a clear message of urgency and a July 2002 deadline from the superintendent.

The minutes also reveal odd comments that make it appear that the department is conflicted in its desire to pursue reimbursements. First,

the task force suggests a strategy of procrastination: "[L]et the legislature hear complaints from the providers and schools about how much paperwork this generates and how difficult it is when they want to serve students but have to spend half their time processing these Medicaid forms. Maybe, the legislators will lose their zeal for Medicaid claiming if that happens." Task force excuses also included: making statements implying lack of funding or legislative concern with consultant contracts; implementing meaningless pilot projects designed to attract attention away from setting up a viable program; and force-feeding a burdensome paper claiming process on all providers. In the alternative, and only as the final option, the task force suggests that the department look to other states for guidance and try to set up a workable system.

Overall, the task force strategies indicate a disregard of the reimbursement opportunities that 48 states have already pursued. The strategies were included in the task force meeting minutes, which were reviewed by both the superintendent and deputy superintendent.

Confusion surrounds ISPED's use for Medicaid reimbursements

The department's own strategies fail to recognize ISPED's potential in providing information necessary to obtain Medicaid reimbursements. In fact, until recently there had been much confusion in the department regarding ISPED's use for this purpose.

In our *Follow-Up and Management Audit of the Felix Consent Decree*, Report No. 01-16, issued in December 2001, the superintendent stated that the department was modifying ISPED to meet the Medicaid requirement of receiving reimbursements and was developing additional capacity required to maximize reimbursements. However, in March 2002, the Medicaid task force had not yet pursued an estimated $200,000 in modifications to ISPED for this purpose. In July 2002, the ISPED project manager claimed ISPED was not used for Medicaid reimbursements because it was just a student information system. Shortly thereafter, in September 2002, the current and past ISPED project managers agreed that, with some modifications, ISPED could be used to obtain Medicaid reimbursements. Finally, in September 2002, the department received a free report from the University of Massachusetts Medical School Center for Health Care Financing that indicated that ISPED included 11 of 15 items required to obtain Medicaid reimbursements and already has the ability to address two of the missing items. There is no doubt that ISPED can be modified for Medicaid reimbursement purposes. The department should pursue ISPED modifications as soon as possible, particularly in light of having lost over a year discussing whether it could be done.

Conclusion

ISPED system problems have not been addressed, resulting in frustration among ISPED users. ISPED's infrastructure and web site require systemic change, and confidentiality concerns require proper attention. Training is needed to promote a fundamental understanding of ISPED's development and use, and to build confidence and knowledge among users. The department's lack of management controls and clearly defined staff roles and responsibilities promote an environment of confusion and apathy. Personnel are allowed to avoid responsibility, as evidenced by a common response encountered throughout our audit from department personnel that they were 'unaware' of subjects one would expect them to be familiar with.

Management appears insufficiently unconcerned about the importance of ensuring compliance with *Felix* requirements at every level of the organization and enforcing accountability and guidelines. Department personnel are not specifically directed to use ISPED to meet Section 504, IDEA/special education, and *Felix* consent decree requirements. As a result, some *Felix* consent decree requirements do not appear to be met and ISPED reports created to help ensure compliance are not used. Moreover, departmental staff have not been held accountable for ISPED personnel, fiscal, contractual, utilization, and system problems.

Recommendations

1. The superintendent of education should:

   a. Address the ISPED infrastructure and web site issues to encourage ISPED utilization;

   b. Establish an adequate system to address user questions and concerns;

   c. Ensure that ISPED meets all *Felix* consent decree requirements;

   d. Ensure that future contracts are properly executed and supported and clearly tie contractor's remuneration to measurable deliverables;

   e. Ensure that ISPED ownership rights and potential royalty income from the sale of these rights is addressed;

   f. Clarify the departments' organizational structure as it relates to ISPED and establish formal guidelines that clearly delineate roles and responsibilities;

g. Ensure that staff position descriptions are updated and adequate, consistent training programs are implemented for ISPED staff and users, and staff are regularly evaluated;

h. Ensure that ISPED's budget and expenditures are adequately tracked, monitored, and scrutinized on an on-going basis;

i. Ensure that efforts to obtain Medicaid reimbursements, federal funds, federal reimbursements, and private funds are maximized and monitored by a centralized authority; and

j. Establish formal guidelines on how to utilize ISPED to meet state and federal requirements.

2. The Board of Education should ensure that the superintendent is held accountable for ISPED personnel, fiscal, contractual, utilization, and system problems. Consequences must be instituted if remedial actions are not completed within specified timeframes.

Responses of the Affected Agencies

Comments on Agency Response

On April 7, 2003, we transmitted a draft of this report to the Department of Education and the Board of Education. A copy of the transmittal letter to the department is included as Attachment 1. The department's response is included as Attachment 2. However, we have excluded an attachment submitted with the department's response because of its volume. The attachment is available in our office for public review. The board did not submit a written response.

In its response, the department generally agreed with most of our findings, acknowledging that ISPED needs improvement and indicating that it has already started to implement many of our recommendations. The department also indicated that it has already addressed some of ISPED's problems. The department believes most schools have adequate networking infrastructures to support ISPED usage, and that ISPED's response time has been significantly increased. The department plans to work with schools that have networking problems and will continue to monitor ISPED's performance.

The department concurred with our finding that the ISPED web site was not user friendly and reported that improvements have been made to the web site since October 2002. The department also noted that it has taken steps to address users' concerns about editing individualized education programs (IEP) after they are marked complete. A feature will be added to ISPED that will allow users to edit IEPs after they are marked complete.

The department also agreed that on-going training for ISPED personnel and users is important. The department reported that our office was given access to the online training manual that includes agendas and other training materials used for specific groups. However, we reviewed each of the ISPED resource teachers' training material for ISPED users and found they were inconsistent and not formalized.

Furthermore, the department acknowledges that key ISPED features are underutilized and plan to reintroduce these features to ISPED users through follow-up training sessions. It also plans to re-train staff on confidentiality guidelines, and agreed that the University of Hawaii's Center on the Family does not have a role in assessing the educational progress of students with disabilities.

The department also agreed that ISPED team members' roles are unclear and has plans to clarify the existing roles and responsibilities for all

ISPED staff. However, the department indicated that the ISPED project manager had a job description since May 2001. We disagree. The current ISPED project manager, who was also the department's contact person for this audit, was unable to provide us with any position description or job requirements.

In addition, the department agreed that personnel evaluations are important and indicated that the ISPED project manager, research statistician, user support technician, and data processing analysts will now be evaluated annually, and ISPED resource teachers will eventually be evaluated under a new tool, PEP-T, being piloted this school year. The department also indicated that we missed several appointments to review personnel records. We disagree. Our staff kept all scheduled appointments. When any appointments were deemed unnecessary because needed information was already obtained, they were all formally cancelled. At no time were completed evaluations for the project manager or research statistician provided to our staff.

The department also concurs that ISPED contract problems exist and will work to ensure that contracts are clearly defined and services are tied to costs. Furthermore, the department agreed to address other contract deficiencies on the basis of its own analysis and our recommendations. Although the department agreed it is important to maintain appropriate contractor relationships, it tried to justify the questionable contract relationships identified in the report. We left the report unchanged because of the contradictory information provided by the department.

The department reported that we were invited to review contractor invoices but never did. We disagree. Our staff arranged a meeting with department personnel to review contract files which we formally canceled because the ISPED project manager provided us with the invoices in question.

The department agreed that it delayed providing our office with credible fiscal information, noting that it plans to implement a financial reporting process that will provide program managers with information necessary to track, monitor, and scrutinize budgets and expenditures. The department also mentioned that our office failed to recognize the department's current funding efforts, while in fact, we reviewed its funding efforts during our evaluation period, July 2002 through December 2002.

Finally, the department agreed that pursuing Medicaid reimbursements was important but disagreed that the Medicaid task force has operated in 'bad faith' or abused public trust. We reviewed our supporting materials and have made several changes to more accurately reflect those materials.

STATE OF HAWAII
OFFICE OF THE AUDITOR
465 S. King Street, Room 500
Honolulu, Hawaii 96813-2917
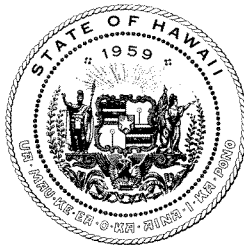
MARION M. HIGA
State Auditor

(808) 587-0800
FAX: (808) 587-0830

April 7, 2003

C O P Y

The Honorable Patricia Hamamoto
Superintendent of Education
Department of Education
Queen Liliuokalani Building
1390 Miller Street, Room 309
Honolulu, Hawaii 96813

Dear Ms. Hamamoto:

Enclosed for your information are three copies, numbered 6 to 8 of our confidential draft report, *Evaluation of the State's Integrated Special Education Database System.* We ask that you telephone us by Wednesday, April 9, 2003, on whether or not you intend to comment on our recommendations. If you wish your comments to be included in the report, please submit them no later than Monday, April 14, 2003.

The Board of Education, Governor, and presiding officers of the two houses of the Legislature have also been provided copies of this confidential draft report.

Since this report is not in final form and changes may be made to it, access to the report should be restricted to those assisting you in preparing your response. Public release of the report will be made solely by our office and only after the report is published in its final form.

Sincerely,

Marion M. Higa
State Auditor

Enclosures
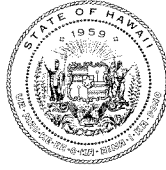
STATE OF HAWAI'I

DEPARTMENT OF EDUCATION

P.O. BOX 2360

HONOLULU, HAWAI'I 96804

OFFICE OF THE SUPERINTENDENT

April 14, 2003

RECEIVED

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OFC. OF THE AUDITOR
STATE OF HAWAII

Marion M. Higa, State Auditor
Office of the Auditor
465 S. King Street, Room 50
Honolulu, HI 96813

RE: Evaluation of the State's Integrated Special Education Database System

Dear Ms. Higa:

Thank you for the opportunity to respond to your Report to the Governor and the
Legislature of the State of Hawaii regarding the **Evaluation of the State's Integrated
Special Education Database System (ISPED)**. I appreciate the work your staff did in
reviewing the developmental history of ISPED and welcome the recommendations in this
report as a means to further improve the system and the Department's approach to
program development and implementation.

Your introduction notes limited time for planning, delayed funding, stressed
infrastructure, and unscheduled external demands affected the development of ISPED.
As you report, ISPED was intended to meet the Felix Consent Decree requirement for an
information management system and as declared by the court, ISPED has indeed met the
requirement and that on September 10, 2002 the State of Hawaii was declared in
"substantial compliance" with the infrastructure requirements of the Felix Consent
Decree.

I acknowledge the need for improvement and many recommendations are being
implemented. The remainder of this letter delineates areas where corrective action has
occurred or provides additional clarifying information regarding some of the findings
cited in the report.

AN AFFIRMATIVE ACTION AND EQUAL OPPORTUNITY EMPLOYER

THE DEPARTMENT'S POORLY DEVELOPED ISPED SYSTEM FALLS SHORT OF DEPARTMENT GOALS

The Department acknowledges your findings that ISPED has not yet achieved its potential, however the report does not indicate the extent to which factors external to the Department of Education contributed to development difficulties. The two-year delay in funding compressed the planning and development time to only one year.

LACK OF PLANNING AND LENGTHY DEVELOPMENT DELAYS WEAKENED ISPED –
The Department acknowledges the impact constraints placed on planning and development, however staff worked within the parameters of the realities of the time in that:

> While, the Felix Consent Decree initially specified the scope of ISPED as "an interagency computerized database and information system to support the system of care which is implemented" (page 15 of the 1995 Implementation Plan), there were multiple system needs beyond those of the lawsuit. Therefore, a re-engineering process was conducted which included participants from the schools, districts, and the state offices. Based on this process, ISPED's scope was broadened to address the recommendations, as well as the legislature's desire to capture data to report accountability. The court, upon seeing the potential and opportunities of a comprehensive, statewide database, levied additional requirements and directives as part of the decree beyond the initial requirements.

> During the development of ISPED, design requirements were changed due to the reauthorization of the Individuals with Disabilities Education Act (IDEA) and the resulting development of Hawaii Administrative Rules 8-56 ("Chapter 56"). The design process anticipated changes in new forms and procedures by the development of a "process oriented" database rather than a "form based" process. However, Chapter 56 and the implementation process went through a number of changes that ISPED had to accommodate.

> Additional changes will be required. As will be referenced later in this letter, ISPED's potential to capture data necessary for Medicaid reimbursement will lead to further changes. IDEA will be reauthorized this year; changes will inevitably be necessary to accommodate new federal expectations.

SIGNIFICANT PROBLEMS PLAGUE THE ISPED SYSTEM

The Department acknowledges initial performance problems, however corrective actions have ameliorated those difficulties and feedback from the field, by end users (see attachments) indicate the system makes the development of Individualized Educational Program Plans (IEP) easier and quicker, allowing teachers to focus on the instructional needs of students. This clearly meets the department's goal.

INFRASTRUCTURE PROBLEMS CONTINUE –

The Department acknowledges that not every classroom in every school will support ISPED. The lack of availability is the result of increasing demands for an ever-expanding role of technology in education and daily life, not poor planning.

A majority of schools have an adequate networking infrastructure to support school-level ISPED usage. The department will work with the schools that still have networking problems, including applying for federal grants and exploring other funding sources.

While awaiting funding or completion of their infrastructure project, some schools have implemented creative workarounds. For example, while Waipahu High School still lacks school infrastructure, 291 out of their 303 current IEPs are in ISPED (96%).

ISPED SYSTEM IS SLOW AND CUMBERSOME FOR USERS –

The Department acknowledges that in the beginning of ISPED some users found the system slow and cumbersome. Corrective actions taken by the Department have significantly increased system response time and made it more user friendly. However, user speed and proficiency will always be dependent upon more than the ISPED application.

| "A central complaint is that the system remains slow and data input is time consuming."

 "Increasing the number of servers may have improved the speed of the system, but did not address difficulties that cause its use to be slow and time-consuming." | Many things have been done to dramatically improve the speed of ISPED, including providing one server per district and redesigning/refining specific system functions noted to be "problematic or cumbersome" for the users (e.g. – Progress Report and Mark Complete features).

 ISPED is a web-based process database that guides users to adhere to the standardized processes of Hawaii Administrative Rules 8-53 (Chapter 53) and Chapter 56. Consequently, there are many variables that impact the "speed" and skill of inputting data into ISPED: |

	• The user's skill level on use of computers and/or web-based programs • The user's understanding of Chapters 53 and 56 processes and knowledge and experience in writing IEPs and MPs • The size of the IEP or MP Due to the complexity of State, Federal, and Court requirements, the Chapter 53 and 56 procedures may be difficult to understand and remember. ISPED, as a process database, is a major change agent that helps users to better understand and remember these inherently complicated processes designed to insure that a student's rights are maintained and timely services provided. At the same time, many complaints about ISPED are actually reactions to these newly learned procedures mistakenly perceived as ISPED-driven. Assisting users to understand both the procedural as well as the technical data entry requirements continues to be a challenge that requires on-going and coordinated training and support. User proficiency exponentially increases with more frequent use of ISPED. (See testimony from end users attached)

The Department continues to monitor system performance and technological advancements and in May 2003, the platform on which ISPED resides will be upgraded from Domino 5 to Domino 6 based on the following recommendations. According to Notes developers, upgrading to Domino 6 has shown significant improvements in the following areas:
• ND6 is much more efficient at executing agents and agents are a very integral part of the ISPED system.
• Lotus claims that a Domino 6 server can support 40% more users than the same Domino 5 system.
• Domino 6 executes code significantly faster.

MARKING INDIVIDUALIZED EDUCATION PROGRAMS AS "COMPLETE"
REMAINS PROBLEMATIC –

The Department acknowledges that the document security function requiring teachers to mark an IEP "complete" was difficult for teachers. Corrective actions taken by the Department have addressed this issue.

In response to users' concerns about marking IEPs complete, the Superintendent directed in December 2002 that a resolution be found. The ISPED project team collaborated with the contractor to add a feature that will allow users to edit a marked complete IEP or MP. The user will need to document the reason why the edit is needed and this information will be used to design future training and support to achieve and sustain accurate, current, and complete data. This design enhancement will be implemented on April 16, 2003.

COMPUTER EQUIPMENT DEFICIENCIES HAMPER SOME SCHOOLS –
The Department acknowledges some schools experienced equipment deficiencies however, adequate equipment is available and adequate procedures exist to replace lost, stolen, or broken equipment.

The Department has procedures for reporting the loss of state property valued at over $250 (FMS User Policy and Process Guide, Chapter 8.10). Schools are able to receive a reimbursement of the equipment cost from a self-insurance fund to replace stolen or damaged property (including computers). These procedures were referred to in several DOE memos (10/15/2002, 12/24/2002, & 3/19/2003) regarding ISPED equipment inventory.

The principal of the high school which had four laptops stolen has been contacted and apprised of the Department's procedure in reporting and replacing stolen equipment.

The majority of the ISPED computer equipment (all Dell laptops and some Lexmark printers) is still under warranty. Vendor technical support contact numbers and warranty status are available in the Online User's Manual and the Tech Info section of the homepage. If the school tech coordinator or the ISPED staff cannot help, schools are directed to call the vendor regarding equipment problems. Warranty information for the Dell laptops was also included in several DOE memos (3/6/2001, 12/24/2002).

For the last 2 years, ISPED laptops have been reallocated based on the number of special education teachers gained or lost by schools. As part of the redistribution, schools were required to account for allocated laptops. This process promotes school accountability and understanding of their responsibility for ISPED equipment.

ISPED WEB SITE NEEDS IMPROVEMENT
The Department acknowledges that the ISPED website will need continual updating and improvement to meet the changing needs of users.

SITE IS NOT USER FRIENDLY –
The Department acknowledges the website was not user friendly but notes the improvements made below were accomplished in October 2002.

"However, as of December 2002, some of this information was not accessible or could not be found"(UM, FAQ).	For a short period of time in December, the User Manual link was inaccessible from the ISPED homepage. This was fixed shortly after it was reported. In the meantime, users were able to access the User Manual via a link within the ISPED application.
The homepage is cluttered with information and disorganized.	The ISPED homepage was re-designed to have a cleaner, less cluttered look in October 2002. Industry practices have been implemented; such as, archiving messages, providing a more consistent look, and maintaining organization.
Homepage does not include a search function that allows user to quickly locate specific information.	The homepage serves as a portal that houses multiple databases. Each individual database has its own search function that allows users to quickly locate specific information.
Some website pages do not include a button to return users to the homepage.	Web sites that are opened from the ISPED homepage either have a "return to homepage" button or are opened in a new separate browser window, which leaves the ISPED homepage loaded on the original window.
The UM is unreliable.	In January 2003, the User Manual was updated and made available to users via a Feb 25, 2003 announcement on the homepage.
Lack of a button or link makes navigating through the UM cumbersome and time consuming.	The new UM contains a search feature, a site map and navigation system that looks like the actual ISPED that users are familiar with. All pages in this revised UM have links to navigate users back to the ISPED Homepage or the User Manual's Table of Contents.

Online resources are unreliable at best. The information was not current or accurate and did not contain phone numbers.	The previous bulletin listing ISPED RTs provided only the ISPED Help Desk phone number and the resource teachers were available only via Lotus Notes, unless individual RTs chose to share their cellular phone numbers with their users. The revised UM has detailed instructions on how to access help including names, phone numbers and area assignments of the ISPED RTs.
Accessing the FAQ is difficult and time consuming.	Improvements to the FAQ and user manual were planned prior to the audit and have been incrementally implemented. FAQ and the User Manual have been updated, improved and consolidated. The FAQ is accessible directly from the homepage or from within the User Manual.

COMPLAINTS SYSTEM IS INADEQUATE –

The Department acknowledges an active dynamic complaints system will improve user familiarity with the system and improve performance and points to the improvements already implemented.

Department has no formal system to summarize or monitor the ISPED emails received each month regarding complaints, questions, issues, and concerns.	All emails to Help ISPED are read by an assigned group and replied to in a timely manner (often within 24 hours). Recurring questions/concerns are identified and users are informed of the responses and fixes via the ISPED Homepage announcements. Unresolved bugs, complaints or concerns are documented in the ISPED Issues Database. These issues are the basis of future ISPED design changes. As recently as March 2003, the ISPED Design Changes Advisory Task Force met to review and prioritize outstanding issues, which will be addressed in the next ISPED upgrade. This group includes representatives from various role groups at the school, district and state levels; such as SPED teachers,

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	counselors, SSCs, speech pathologists, district resource teachers and administrators, and educational assistants. A database is being explored for users to submit their questions, concerns or complaints so that, unlike emails, these can be categorized and monitored.
FAQs and critical issues list do not address day-to-day questions that are directed to the Help Desk. ISPED team does not take into consideration the questions, concerns, issues and/or complaints received by the ISPED Help desk each day. End-user's needs are not being integrated into the FAQ and Critical Issues rendering their resources largely ineffective.	A database is being designed to document the questions, concerns or complaints called in to the Help Desk so that these can be monitored and added to the FAQ or ISPED Issues Database when appropriate. In the meantime, the Help Desk staff will continue to communicate questions and concerns that need to be included in the FAQ or clarified via an announcement on the ISPED Homepage. The timely updating of these 2 resources has been the real challenge.

FAQ updates are not consistent or timely.	The FAQ was re-designed and updated by the FAQ committee in early March 2003. The committee will update and maintain the FAQ on an on-going basis.

ISPED TRAINING IS INADEQUATE
The Department acknowledges the importance of training and points to the extensive training listed below for ISPED personnel and users.

NO FORMAL TRAINING PROGRAM EXISTS FOR ISPED USERS –
The Department points to the training offered to all ISPED users.

A one-day ISPED basic training is provided for all newly hired personnel and the Department provides substitutes for teachers to attend. Follow-up hands-on training using actual cases and usually at school sites are also offered, including remote areas such as Molokai and Lanai. In the school year 2001-2002, half-day substitutes were provided for every previously trained special education teacher to attend.

The Online Attendance Log documents all users participating in initial and follow-up trainings provided by ISPED RTs.

Auditors were given access to the Online Training Manual that includes agendas and other training materials used for specific role groups.

NO FORMAL TRAINING PROGRAM EXISTS FOR ISPED PERSONNEL

The Department acknowledges that there was not an existing formal training program for ISPED personnel since ISPED is a unique software system. However, extensive training and support to ISPED personnel has created a well qualified ISPED support team.

ISPED is a unique statewide comprehensive database that does not currently exist anywhere else in the nation. The ISPED team is comprised of personnel with a wide range of backgrounds, training, and experiences. Technical staff meets civil service qualifications, including pre-service training. Current staff train new staff. The ISPED RTs are all certified professionals with cumulative expertise in all areas of the ISPED database as well as computer background. The original group of RTs consisting of 10 of the 13 current resource teachers was extensively trained in-house by the technical and lead staff as well as by the developers. The ISPED RTs who were hired later to replace the ones who left shadowed experienced trainers and co-trained with them prior to training independently.

ISPED Help Desk User Support Technicians are dual trained by technical staff and by the ISPED Resource Teachers. ISPED Help Desk USTs initially work under the supervision of the ISPED Resource Teachers who provide training and assistance. Once independent, ISPED RTs and technical staff, as well as on-line resources such as the ISPED RT Discussion Database, On-line User Manual, On-line Training Manual, are available as needed.

All ISPED Project Managers (PM) were certified school administrators with extensive IT experience. The current PM was also an ISPED Resource Teacher and on the ISPED "lead team" for almost 2 years prior to taking over as ISPED Project manager on April 1, 2002.

The Department agrees that ongoing training for ISPED personnel and users is necessary for all to receive updates on both ISPED and program requirements and procedures.

KEY FEATURES ARE UNDERUTILIZED –

The Department acknowledges that the existing capacity of ISPED is underutilized. The cultural change necessary to transform a paper and pencil document generation process to an integrated automated process meeting multiple system requirements is a problem experienced in all areas of commerce.

Underutilization of the ISPED User Manual	At all trainings, users are introduced to the ISPED User Manual. Since the update of the ISPED UM, when support staff answer

	questions, links to the manual are included in the responses to remind the user of this valuable resource. As with most new users of electronic tools and databases, many ISPED users understandably prefer the friendly, comprehensive assistance provided by the Help Desk staff. They enjoy the encouragement and support provided as they encounter new tasks; then their needs taper off as they increase their comfort and skill level. The re-designed and friendlier UM will be shared at all upcoming basic and follow-up trainings to increase utilization of this key resource.
ISPED on-line training module	All ISPED users were introduced, given access and passwords, and worked on the training server during initial basic training. Most users report a preference to work on their actual students cases directly on the production database. This training database is updated regularly to reflect the new features of ISPED. Follow-up trainings will remind users of this key resource.
ISPED on-line help checklist (cow handout)	The vast majority of users were initially trained prior to the development of this new tool, so they were notified of this key resource via the ISPED homepage along with a link to obtain the handout. It is continually updated and made available via the User Manual. This tool will continue to be shared at follow-up trainings and at basic trainings for new users.

ISPED reports	This feature is widely utilized by school User Managers and other staff to review accuracy and timeliness of their records as evidenced by the increasing numbers of current and marked complete IEPs/MPs in ISPED. Follow-up trainings and special sessions are conducted on how to use reports. All user manager and

	administrator trainings include hands-on training on reports. Staffing allocation and Federal Child Count reports were generated this school year using ISPED data for the first time. School, district, and state staff utilized the specially created reports daily to guide them in this task. Training on reports will continue for all users to increase utilization of this key resource.
ISPED "My Cases" feature	This is a relatively new feature that was implemented after the majority of users were initially trained, so an announcement on the ISPED Homepage explained this feature. Although this feature is clearly labeled as "My Cases" in the window, many users refer to this as their "class list" so they may not readily recognize this feature and its functions by that name, even though most use it. Training on the "My Cases" feature will continue to call attention to benefits and utilization of this key feature.

MORE AWARENESS OF CONFIDENTIALITY CONCERNS IS NECESSARY –
The Department acknowledges maintaining security of confidential materials requires constant vigilance. This may increase dramatically as the Department pursues Medicaid reimbursement due to requirements recently imposed by the Health Insurance Portability and Privacy Act (HIPPA).

Confidentiality requirements are documented in the user manual, at the bottom of the website homepage and on all non-public reports. Districts have trained users on Hawaii Administrative Rules 8-34 ("Chapter 34") and Family Educational Rights and Privacy Act (FERPA) requirements. Confidentiality requirements are also on the training agenda and covered at all ISPED trainings.

As the revised Chapter 34 is implemented, the Department will take steps to re-train and document employees receiving confidentiality guidelines.

THE UNIVERSITY OF HAWAII'S CENTER ON THE FAMILY SHOULD NOT BE INVOLVED WITH SPECIAL EDUCATION STUDENTS' PROGRESS –

The Department acknowledges that the University of Hawaii's Center on the Family does not have a role in assessing the educational progress of students with disabilities.

SOME FELIX CONSENT DECREE REQUIREMENTS DO NOT APPEAR TO BE MET –

The Department acknowledges the importance of meeting Felix Consent Decree benchmarks for ISPED and points to the ruling of "substantial compliance" as an indication that court expectations for the development of an information management system have been met.

"The system must contain all students and provide for individual student information exchange between the department and the Family Guidance Centers that includes read only and printing capabilities."	Family Guidance Center staff have been trained in ISPED. Trained personnel have read only and printing access.

"Third, in October 2002, our school personnel interviews revealed that ISPED still did not contain accurate, current, and complete information."	ISPED reports are used to help monitor the quality and timeliness of the data. For example, the daily 2002 Child Count report, which was verified by all school administrators under the supervision of the Complex Area Superintendents, showed increasing accuracy from the time it was published on November 1, 2002 and frozen as the official report on December 19, 2002. Another report monitors daily which students do not have an IEP, which IEPs are current, and which IEPs are marked complete. The frozen quarterly data of this report shows substantial improvement in the data.

"Thus, the department fails to see the importance of identifying how ISPED meets requirements, which casts doubt on what ISPED is based on and whether the millions spent developing ISPED are justified."	The Superintendent has stated repeatedly that ISPED is the official system of record for students being serviced under IDEA and Section 504. Several memos have been sent to schools directing all users to maintain current, accurate and complete data, most recently the "ISPED Utilization Memo" dated January 22, 2003.

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	Aside from the reports mentioned in the previous response, the Special Education Services Branch has a current monitoring system in place as part of the Continuous Improvement Monitoring Process (CIMP) requirements in which hard copy paper IEPs are compared against electronic ISPED IEPs. Monitoring will continue to achieve and maintain full compliance. The federal government, during our most recent audit of special education files for Federal Impact Aid, was very impressed with the ability of personnel to assist with the audit records via ISPED. The ability to monitor records through ISPED online reports is an invaluable asset in preventing the State from future class action lawsuits and consent decrees.

THE DEPARTMENT'S ADMINISTRATION OF ISPED IS CONFUSED AND LACKS ADEQUATE CONTROLS AND ACCOUNTABILITY

The Department acknowledges the importance of project management and points to the following corrective actions based upon internal analysis and this report's recommendations are being implemented.

ROLES AND RESPONSIBILITIES ARE NOT CLEARLY OUTLINED OR ENFORCED

CONFUSION EXISTS AT THE ISPED PROJECT TEAM LEVEL –
The Department acknowledges a lack of clarity regarding ISPED team roles and points to the corrective action and clarifications below.

"The superintendent acknowledged that staff and users' roles and responsibilities are not clearly delineated, and no formal guidelines exist."	A meeting has been scheduled between the three branches, IRMB, SESB and ISSB to clarify the existing roles and responsibilities of all ISPED staff.
"Although three different people have filled the ISPED Project manager position since November 2000, the	An ISPED Project Manager's job description has been in existence since May 2001.

position has no written job description, minimum qualifications, or clear supervisor."	

CONFUSION EXTENDS TO STATE AND COMPLEX LEVEL STAFF –
The Department acknowledges the importance of training to ensure all understand the utilization of ISPED and point out that all staff have been trained. The Department acknowledges the existence of formal guidelines would help maintain and increase utilization.

"The majority of complex area superintendents are not aware of any formal guidelines directing them on how to utilize ISPED."	Complex Area Superintendents, District Educational Specialists and school administrators have been trained in ISPED as well as how to retrieve report data from the application. The Superintendent has stated that ISPED is the official system of record for students being serviced under IDEA and Section 504. Several memos have been sent to schools regarding this directive; most recently the "ISPED Utilization Memo" dated January 22, 2003. District staff will be attending a retreat this summer and the importance of ISPED will be reiterated. Training will be conducted for new staff and those who want a review.

PERSONNEL EVALUATIONS ARE NOT COMPLETED –
The Department acknowledges the importance of personnel evaluations and offers the following clarifications. Auditors scheduled several appointments to review personnel records at the IRM office, but did not show up. Evaluations for the Project Manager and Research Statistician for SY 01-02 were completed and copies included in respective files.

"Lack of these fundamental management tools [adequate evaluation procedures] renders the department impotent to hold ISPED project team members accountable for	HGEA positions - the ISPED Project Manager, Research Statisticians, User Support Technicians and Data Processing Analysts will be evaluated annually.

their performance."	HSTA positions - the ISPED Resource Teachers will be evaluated as required by the PEP-T. Evaluations were not required for the ISPED RT's under the PATH system.
	While a new teacher evaluation tool was being developed, PATH was in effect from 1998 to SY02-03 for only probationary, temporary and marginal teachers and tenured teachers deemed by their supervisors as requiring PATH evaluations based on observed performance concerns. The new tool, PEP-T, is currently being piloted this school year for a limited number of teachers.

MANAGEMENT TOLERATES ISPED CONTRACT PROBLEMS

The Department acknowledges the contractual challenges in developing and implementing ISPED especially in light of the abbreviated timeframe brought on by the need to meet the requirements of the Felix Consent Decree under the previously mentioned constraints placed the Department in a difficult position of making the existing contracts work.

CONTRACT COSTS ARE NOT JUSTIFIED –

The Department acknowledges the increased costs associated with ISPED and points to the already mentioned changing scope and requirements necessitated changes that led to increased costs.

ISPED was planned, designed and implemented during a time when the federal law governing special education was reauthorized by Congress (1997). The federal regulations became final a full two years after that, and Hawaii's revised Chapter 56 was implemented in March 2000, coinciding with the deadline for ISPED roll out. Thus, it was difficult to clearly define system requirements within stated development timelines as well as create contracts with clearly defined scope of services.

The Department will implement the following to address more clearly defined contracts tied to service delivery and costs:
* Implementation of project management principles

- Full implementation of an Issues Tracking Database (event/communication log of project activities to monitor and evaluate timelines and responsibilities)
- Special education program manager will monitor and manage all programmatic and technical requirements definitions, change requests, timelines and costs
- Special education program manager will assume responsibility for funding, contract execution and management

"Approximately 100 invoices for one contractor do not clearly describe the invoice charges."	Detailed invoices were requested of and provided by all contractors. Auditors were invited to review these detailed invoices filed in multiple 4" binders at IRM offices, but never came to review them.

"The ISPED project manager admits that even though she and the previous project manager were unable to reconcile a particular contractor's invoices with work requests, this contractor's invoices amounting to millions of dollars were paid."	Invoices were reviewed by project managers and as discrepancies were noted, they were addressed and settled with the contractor For example: - Spectria agreed to adjust $5,300 in "disputed" billings noted by the department for the period April – June 2002 - Project managers also disputed and withheld a $21,827 invoice to the Department for a solution proposed by Spectria that the department felt was not fully implemented. The Department agreed to a payment of $8000, what was felt to be a fair value for the service rendered - Eleven invoices totaling approximately $83,000 from April through July 2002 were withheld until all disputed contract terms were indeed fulfilled by Spectria. To date, Spectria has not been able to provide the State of Hawaii with a tax clearance, so payment remains outstanding.

CONTRACTS ARE RIFE WITH DEFICIENCIES –

The Department acknowledges this was the first software development contract issued by the Department and the following corrective actions based upon internal analysis and this report's recommendations are being implemented.

Again, contract deficiencies were largely a result of:
- Program requirements that not being clearly dictated or finalized resulted in "scope creep", evolving timelines and creation of a very challenging developmental environment
- Physical distance between project team and developer resulted in some miscommunications of design specifications and costing, and "lag time" between transmission of contract documents for review and signatures

Consequently, development often proceeded with verbal agreements prior to contract execution.

QUESTIONABLE CONTRACTOR RELATIONSHIPS LACK OVERSIGHT –
The Department acknowledges the importance of maintain appropriate contractor relationships and provides the following clarifying information.

"…the ISPED project manager had the contractor identify billing discrepancies the department had with another contractor."	The Department justifies contracting Candon Consulting Group (CCG) to "audit" Spectria's invoices. The Project Manager had just assumed administrative responsibility for the project (April 1, 2002) and after immediately noting the invoice discrepancies, felt it appropriate that a Certified Public Accountant (Candon Consultant) conduct the invoice review to address and formalize billing concerns and "transition" understandings of responsibilities, timelines, personnel assignments, expenses, etc. toward a "long term plan" with Spectria. The CCG consultant was on the original project design/development team and had a "history" of the department's goals, objectives, designs and agreements made between the previous project managers, on behalf of the department, and Spectria.
"…the department is terminating work	After the March 2002 design refresh,

with Spectria because it felt in-house staff and a local contractor Interisland Systems Development & Integration (ISDI), would adequately serve ISPED's new development phases.	significant "bugs" and performance issues severely impacted the ISPED system. Although the department was scheduled to proceed with continued development, focus was redirected to first resolving these issues that essentially plagued ISPED since initial deployment. While Spectria offered proposals to address these concerns, they were also unwilling to "warrant" these changes, so the department decided to contract ISDI to specifically analyze and make recommendations to improve system performance. The reconfiguration of the ISPED system to district servers was the recommendation of ISDI and implemented primarily by internal staff.
	Largely as a result of the Department's decision to "freeze" on-going development, Spectria began laying off key project personnel and eventually announced that they would be closing their offices.
	While the department had concern with this unanticipated announcement, Spectria offered and the department negotiated the contracting of the lead ISPED developer (under Alacrinet) to provide knowledge transfer, and transitional and consultative support to the department to take over daily management and operations of the ISPED system. The department clearly was not contracting Alacrinet to replace Spectria as the ISPED developer.
	While the department agrees that it would prefer to have "internal" staff provide total development and support for ISPED, current personnel resources are limited in skill and number to

	support a system with the developmental complexity and scope of ISPED. However, the department has successfully transitioned daily operations, management and some coding to internal staff.

AGREEMENT TO MAINTAIN ISPED OWNERSHIP RIGHTS IS FLAWED –

The Department acknowledges the original ownership rights to ISPED were flawed and the issue is resolved.

The contract was signed by the former superintendent and did have flaws, however, this contract with Spectria has been terminated and ownership rights belong to the Hawaii Department of Education.

MANAGEMENT LACKS FINANCIAL ACCOUNTABILITY

The Department acknowledges the importance of sound financial accountability in project management and has instituted a corrective action plan to address the findings of this report and internal analysis.

"The ISPED project manager does not track, monitor, or scrutinize ISPED's budgets, appropriations, allotments or expenditures. "…no one is formally responsible for overseeing or monitoring the department's efforts to maximize funding for Section 504, IDEA/special education, and Felix consent decree students."	The department will implement a financial reporting process that will provide the necessary financial management information for program managers and others to track, monitor and scrutinize all budgets and expenditures. The department will also consider organizational alternatives regarding staffing structures, and will make changes as necessary, that will ensure that the ISPED budget and expenditures are tracked, monitored and scrutinized regularly.

OVERSIGHT OVER MILLIONS OF ISPED FUNDS IS ABSENT –

The Department acknowledges delays in providing the Auditor with credible financial records.

"The department could not readily provide credible fiscal information or justification for ISPED expenditures."	The department did provide credible fiscal information.

EFFORTS TO IDENTIFY ADDITIONAL FUNDING SOURCES ARE LACKING
The Department acknowledges the importance of identifying additional funding sources and intends to continually pursue both federal and private funds with increased vigor. However the report fails to recognize present efforts.

NO ONE FORMALLY OVERSEES OR MONITORS THE DEPARTMENT'S EFFORTS TO OBTAIN FEDERAL FUNDS, ...
The Department acknowledges the benefits of singular responsibility for monitoring efforts to obtain federal funds. While the Department was successful in FY 2002 in obtaining in excess of $1M in federal discretionary funds to supplement special education programs, a focused effort may increase this amount.

The Special Education Administrator will be assigned to this responsibility.

MEDICAID REIMBURSEMENT
The Department acknowledges the importance of pursuing Medicaid reimbursements but disagrees that the Medicaid task force is operating in bad faith.

The Department recognizes that it is not yet generating federal Medicaid reimbursements for claimable school-based medical services provided under the Individuals with Disabilities Act (IDEA). It acknowledges that preliminary assessments and studies indicate, under a best case scenario, a potential of approximately $10 million of annual federal Medicaid revenues may be available to be claimed contingent upon obtaining full approval of claiming methodologies, addressing all of the collateral regulatory and compliance issues and installing a reliable claiming infrastructure. It is currently working closely with the State Attorney General's office to procure the services of a suitable Third-Party Administrator.

While the Department is anxious to access this source of federal revenues, especially during this time of fiscal need, it must also proceed carefully and with due diligence as the ultimate feasibility of Medicaid claiming is dependent upon many factors impacting service delivery staff workloads, additional audit and compliance requirements, and other state agencies. Previous experience and close collaboration with other state agencies clearly identify complexities in Medicaid claiming that require careful planning and deliberation. Task force minute's reflecting such deliberations may legitimately reflect such discussion but should not be interpreted as "bad faith." We request the removal of any accusation of "disregard and abuse of the public's trust" erroneously reflected in the audit draft.

Again, I want to thank you and your staff for your efforts in compiling this report and recommendations. The improvements made in the project management of ISPED will lead to a better project, greater accountability, and increased utilization. Please direct questions regarding this letter to Robert Campbell, Ph.D., Director, Program Support and Development, at 586-3447.

Very truly yours,

Patricia Hamamoto,
Superintendent

PH:RC:

ATTACHMENT

The Honorable Linda Lingle, Governor
The Honorable Herbert Watanabe, Board of Education
Assistant Superintendents