

STATE OF CONNECTICUT
DEPARTMENT OF EDUCATION

MONITORING PLAN

State Fiscal Stabilization Fund

American Recovery & Reinvestment Act 2009

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The Office of Internal Audit

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BACKGROUND

The SFSF program is authorized under Title XIV of Division A of the ARRA (Pub. L. 111-5), which was signed into law on February 17, 2009. SFSF funds are intended to help stabilize State and local government budgets in order to minimize and avoid reductions in education and other essential public services in exchange for a State's commitment to advance essential education reform in four areas:

1. Making improvements in teacher effectiveness and in the equitable distribution of qualified teachers for all students, particularly students who are most in need;
2. Establishing pre-K-to-college-and-career data systems that track progress and foster continuous improvement;
3. Making progress toward rigorous college- and career-ready standards and high-quality assessments that are valid and reliable for all students, including limited English proficient students and students with disabilities; and
4. Providing targeted, intensive support and effective interventions for the lowest-performing schools.

Congress appropriated a total of \$48.6 billion for the SFSF program. Of the amount appropriated, \$39.5 billion (81.8 percent) was for the Education Stabilization Fund (CFDA #84.394) and \$8.8 billion (18.2 percent) was for the Government Services Fund (CFDA #84.397). The remaining funds were reserved for awards to the Outlying Areas (American Samoa, Commonwealth of Northern Mariana Islands, Guam, and the Virgin Islands). SFSF funds are available for Federal obligation through September 30, 2010, and for State and local obligation through September 30, 2011.

Connecticut is slated to receive approximately \$541 million. State receipt of these funds is contingent upon maintenance of effort of support for elementary, secondary and post-secondary education for fiscal years 2009, 2010 and 2011.

The SFSF will be proportionately applied to each town's Education Cost Sharing (ECS) grant, although \$2.8 million of the Government Service Fund has been set-aside to replace funding of the former BEST program. Under the Governor's proposed FY2010 – FY2011 biennial budget, towns' ECS grants will remain at the 2008-09 level. Also pursuant to the Governor's proposed biennial budget, one-half of the SFSF is to be used in each year of the biennium, representing approximately 14 percent of the ECS grant (\$271 million / \$1.9 billion).

LEAs will be required to make application to the State Department of Education for the funds, and each municipality's share will be sent directly to the school district – or a municipal account designated for the school district. Each district will be charged with documenting the uses of the SFSF dollars in a separate account. Municipalities may not appropriate any of the SFSF funds for municipal expenses.

MONITORING: States' Responsibility to Monitor Sub-recipients under the State Fiscal Stabilization Fund

The U.S. Department of Education (Department) provided guidance to States in April 2009 concerning the State Fiscal Stabilization Fund Program (SFSF) and monitoring responsibilities. In part, this guidance states in VII-1,

“All ARRA funds must be spent with an unprecedented level of transparency and accountability. Accordingly, recipients of ARRA funds must maintain accurate, complete, and reliable documentation of all ARRA expenditures. The law contains very stringent reporting requirements and requires that detailed information on the uses of funds be available publicly on www.recovery.gov.

States have important oversight responsibilities and must monitor grant and subgrant supported activities to ensure compliance with all applicable Federal requirements. If a grantee or subgrantee fails to comply with requirements governing the funds, the Department may, consistent with applicable administrative procedures, take one or more enforcement actions, including withholding or suspending, in whole or part, funds awarded under the program, or recovering misspent funds following an audit.”

Each State assured that it would comply with all the accountability, transparency, and reporting requirements that apply to the SFSF program. This includes the applicable provisions of the Education Department General Administrative Requirements (EDGAR) including requirements in 34 C.F.R. Part 80 which state,

“Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grant monitoring must cover each program, function or activity”.

In order to comply with these requirements, each State must have a comprehensive monitoring plan and protocol to review grant and subgrant supported activities. The monitoring plans should address areas such as the following:

- A monitoring schedule;
- Monitoring policies and procedures
- Data collection instruments (e.g. interview guides, checklists);
- Monitoring reports and feedback to sub-recipients; and
- Processes for corrective action implementation.

The Department will conduct a desk review or on-site visit with each State annually. This review process will include examining each State's monitoring plan and protocols to ensure that the State is complying with Federal monitoring requirements.

CSDE MONITORING PLAN – STATE FISCAL STABILIZATION FUND

Overall Plan Description

The CSDE will monitor LEAs and other sub-grantees compliance with SFSF grant application assurances and other significant SFSF requirements by utilizing the CSDE's current grantee monitoring processes in conjunction with enhanced monitoring protocols designed to address the USDE guidance related to SFSF monitoring. In particular, the CSDE monitoring plan includes:

- Ensuring LEA and sub-grantee compliance with the Federal Single Audit Act provisions of OMB Circular A-133 which will include SFSF funds and testing of expenditures in accordance with the federal Compliance Supplement. Additional instructions and guidance will be provided to sub-grantees and CPA firms.
- Utilizing the CSDE's expenditure reporting process (ED141) to obtain confirmation that SFSF funds were expended and requiring sub-grantees to detail expenditures on a line item basis (e.g. salaries, benefits, contractual, etc.)
- Enhancing the Agreed-Upon Procedures conducted by local CPA firms of the LEA's Form ED001- "End of Year School Report" to confirm reported SFSF expenditures and test compliance with grant provisions. This process includes resolution of reported CPA findings and issues disclosed.
- Establishing and implementing a Data Quality Plan. CSDE has assumed the responsibility of reporting pursuant to the requirements in Section 1512 of the American Recovery and Reinvestment Act of 2009 (ARRA). At the direction of the Governor's office, the Agency developed a Data Quality Plan to set procedures in place to ensure accuracy, completeness, and timely reporting of information to provide an unprecedented level of transparency required by ARRA.
- Conducting a desk review of all sub-grantees and an on-site review of selected sub-grantees based upon a risk assessment approach. These reviews will be directed to ensuring sub-grantee compliance with assurances contained within the grant application including significant accountability and reporting requirements of the SFSF program.

CSDE MONITORING PLAN – STATE FISCAL STABILIZATION FUND

Monitoring Schedule

The CSDE Office of Internal Audit has established procedures and protocols for ensuring LEA and sub-recipient compliance with OMB Circular A-133 provisions of the Federal Single Audit Act. Sub-recipient reports are received and reviewed beginning in January of each year for the prior fiscal year's activities.

The CSDE will require LEAs and other sub-recipients to report expenditures associated with SFSF funds to the Bureau of Grants Management on Form ED141 in accordance with an established schedule. This report is required generally in September after the close of the State's fiscal year.

Agreed-Upon Procedures Reports of Form ED-001 are required to be submitted by the LEAs by December 31st of each year for the previous fiscal year's activity.

The CSDE's Data Quality Plan has been established and implemented for all Federal reporting cycles for ARRA grants including SFSF.

The CSDE Office of Internal Audit, in conjunction with the applicable program personnel, will conduct desk reviews and selected on-site reviews of LEAs and other sub-recipients during the period of April –June of each year.

Monitoring Policies and Procedures

The CSDE has established policies and procedures associated with the previously described monitoring protocols. These policies and procedures include:

1. Instructions to LEAs and other sub-recipients of Federal awards explaining the requirements for audit under OMB Circular A-133, the Federal Single Audit Act.
2. Instructions to LEAs concerning the completion of Form ED141 and Form ED-001.
3. Instructions to LEAs and CPA firms concerning the completion of the Agreed-Upon Procedures for data within the Form ED-001.
4. CSDE website and ARRA link for LEAs and sub-recipients to access guidance and information concerning allowable and unallowable SFSF expenditures. This provides important information concerning audits of ARRA funds including SFSF.
5. Monitoring protocols for desk and on-site reviews to be conducted by the CSDE Office of Internal Audit auditors.

CSDE MONITORING PLAN – STATE FISCAL STABILIZATION FUND

Data Collection Instruments

A desk review questionnaire will be used to collect relevant data from LEAs and other sub-recipients. An on-site review checklist and questionnaire will be used by CSDE auditors during their review to collect data.

Monitoring Reports and Feedback to LEAs and Other Sub-Recipients

The CSDE will maintain documentation of monitoring activities associated with SFSF including issues as identified and resolved with LEAs and sub-grantees. The Office of Internal Audit will report any issues disclosed through its reviews to the CSDE Bureau of Grants Management for appropriate action as considered necessary.

Process for Corrective Action Implementation

The CSDE has an established process for obtaining corrective action plans in accordance with audits conducted under the Federal Single Audit Act. In addition, the CSDE will require confirmation from grantees that recommended corrective actions identified through this monitoring plan have been implemented.

State Fiscal Stabilization Fund

Local Educational Agency (LEA) - Monitoring Protocol

This Monitoring Protocol document was developed with the purpose of providing a guide to CSDE auditors and staff when conducting reviews of LEAs expenditures of funds associated with SFSF. This document describes the procedures associated with the desk review and on-site monitoring review associated with SFSF funds received and expended by LEAs. This monitoring protocol is one part of a monitoring plan developed by CSDE to ensure that SFSF funds are used by the LEA in accordance with the accountability, transparency and reporting requirements of the ARRA.

Desk Reviews

Each LEA will complete the SFSF monitoring protocol (See attachment I). The answers provided will be evaluated for two purposes:

1. Responses will be reviewed to determine whether the LEA has identified issues that require corrective action or clarification. The CSDE Office of Internal Audit will pursue these items and request the LEA plans for corrective action.
2. Responses will be reviewed in the context of information obtained from other activities associated with this monitoring plan. This will include expenditure data, audits conducted under OMB Circular A-133 for prior periods, reporting issues or other identified problems, etc. This collective data will be used, in a risk-based approach, to select LEAs for an on-site monitoring visit conducted by the Office of Internal Audit.

On-Site Reviews

Based upon a risk analysis as noted above, selected LEAs, as practical, will be subject to an on-site monitoring visit to confirm the proper reporting and use of SFSF funds and that controls exist to ensure that only allowable expenditures are charged to the SFSF program. An on-site LEA monitoring review guide will be developed to test and evaluate the LEAs accounting controls over SFSF funds, reporting controls over jobs reporting data and documentation of expenditures and jobs data. Compliance with grant application assurances including key federal requirements under GEPA, EDGAR and Cash Management will be included in the review. A monitoring report will be prepared documenting the findings and corrective actions recommended or taken.