



UNITED STATES DEPARTMENT OF EDUCATION

## **State Fiscal Stabilization Fund Monitoring**

### **Overview for Subrecipients**

**December, 2010**

Under the State Fiscal Stabilization Fund (SFSF) program, authorized in Title XIV of the American Recovery and Reinvestment Act of 2009 (ARRA), Public Law 111-5, the U.S. Department of Education (Department) awarded grants on a formula basis to Governors to help stabilize State and local government budgets in order to minimize and avoid reductions in education and other essential public services. The Department is committed to ensuring maximum transparency and accountability in the use of ARRA funds. As such, the Department is thoroughly and systematically monitoring State implementation of the SFSF program.

States are the prime recipients of funds under this program. Accordingly, the Department's primary objective during the monitoring process is to focus on each State's implementation of SFSF and its oversight of local educational agencies (LEAs), public institutions of higher education (IHEs,) and other entities receiving program funds. To gain a better understanding of how the State has implemented this program, the Department requests documentation from the State and interviews various State officials, including those responsible for implementing both the Education Stabilization and Government Services funds, maintaining internal controls, administering elementary and secondary education programs and overseeing public IHEs, and submitting quarterly reports under Section 1512 of the ARRA. In addition, we request documentation and seek to interview appropriate staff of LEAs, public IHEs, and other entities receiving SFSF funds. This multi-level strategy enables us to gather information from a variety of perspectives and better evaluate the impact of the State's administration on the implementation of SFSF by LEAs, IHEs, and other entities receiving program funds. Just as importantly, we view this as an opportunity to speak directly with entities receiving funds, including LEAs and public IHEs, in order to receive candid feedback and offer technical assistance and/or guidance.

Sub-recipients are particularly helpful in enabling us to understand two important components of managing the SFSF grants: cash management practices and separate tracking of funds. Accordingly, our conversations with subrecipients typically include a review of financial documentation submitted for the monitoring process so that we can more fully understand the various financial procedures employed and reports generated by the systems in place.

When you speak with Department staff as part of its monitoring of the State, you can expect the agenda will consist primarily of the topics listed below. In particular, Department staff will be reviewing the following information/documentation provided by each sub-recipient selected for monitoring:

**Fiscal Oversight of SFSF Funds:**

- Information on the manner in which SFSF funds are received (or requested for reimbursement) from the State; the manner in which funds are tracked separately as SFSF revenues and SFSF expenditures (please identify any SFSF specific codes used), and the process of coding/re-coding expenditures as ARRA SFSF
- Accounting system documentation including the Chart of Accounts identifying all SFSF-related fund, program, and account codes
- An example of a General Ledger report of revenues showing the fund, account, or program code that has been designated specifically as SFSF revenues
- An example of a General Ledger report of expenditures showing the fund, account, or program code that has been designated specifically as SFSF expenditures
- If funds were received from the State on a reimbursement basis, please provide the following:
  - An example of a request for reimbursement form previously submitted to the State and the corresponding supporting documentation evidencing the expenditures
  - For the example reimbursement request form provided, the corresponding evidence of receipt of funds (e.g. wire transfer, cash receipt form, bank statement) from the State
- If funds were received as an advance, please provide the following:
  - Evidence of an example receipt of SFSF funds (e.g. wire transfer, cash receipt form, bank statement) into a non-interest bearing account
  - Corresponding SFSF obligations of those funds totaling the amount received (e.g. expenditure report)

**State Monitoring of Subrecipients – Evidence of the State’s Monitoring Process:**

- Written notification from the State detailing its plans and schedule for monitoring SFSF funds, including any protocol or monitoring instruments attached
- Notification from the State that the site has been selected for a monitoring review (if applicable)
- Documentation evidencing actions taken in response to State monitoring recommendations (if applicable)

- A copy of State monitoring reports to date (if applicable)
- A copy of your response to the State resolving any findings (if applicable)
- A copy of audits covering the SFSF program (if applicable)

#### **Quarterly Federal 1512 Reporting Process**

- Any guidance from the State providing instructions on how to complete the 1512 reports
- Snapshots from the program used to enter and submit data or a copy of completed State-provided template (if applicable)
- A brief description of the methodology used to calculate the number of jobs reported (provide any substantiating documents if available)

All of these items are listed out in checklist format on Attachment 1, the Master Protocol Document, under the LEA/GSF/IHE tabs of the spreadsheet. This document is available online at:  
<http://www2.ed.gov/programs/statestabilization/applicant.html>

If you have further questions about the monitoring process and/or the expectations and responsibilities of your entity as a participant in this process, please contact the individual in your State who is overseeing this review. He or she will provide additional guidance or provide the contact information for the Department staff member conducting the State review.

**ATTACHMENT B**

**LOCAL EDUCATIONAL AGENCY MONITORING PROTOCOL**

**STATE FISCAL STABILIZATION FUND PROGRAM**

**LEA:** \_\_\_\_\_

**State:** \_\_\_\_\_

**Name/Title of LEA Representative completing this form:**  
\_\_\_\_\_

**Date of completion:** \_\_\_\_\_

*LEA: Please return this form and all required documentation to State contact.*

*State: Please submit this form and all required documentation in PDF Format to:  
SFSFMonitoring@ed.gov*

**I. Local educational agency (LEA) applications**

**ISSUE: Whether the State has established appropriate application procedures for awarding Education Stabilization funds to LEAs.**

*Guiding Questions*

1. Did the State require your LEA to submit an application as required by 34 C.F.R. 76.301 prior to providing your allocation under the Education Stabilization Fund?
2. Did the application include all the assurances required under Section 442 of GEPA?
3. Did the State require your LEA to submit an application for funding in subsequent fiscal years? (Optional) If so, what information was required in subsequent applications?

4. Did the application request information on your proposed use of Education Stabilization funds? (Optional) If so, what information was requested?
5. Did the State condition your receipt of funds on meeting any other requirements?
6. Did the application request information on how your LEA would make progress on the four education reform assurances? (Optional)
7. When did the State make applications available to you?
8. What guidance did the State initially provide to you?
9. Did the State provide you with a description of its State procedures for reviewing LEA applications?
10. Did you receive notice that your application was approved prior to receiving funding?

*Evidence/Documentation*

See Attachment 1, "Master Protocol Document."

## II. Allocations to LEAs

**ISSUE: Whether the State has allocated Education Stabilization Funds to LEAs in accordance with statutory requirements.**

### *Guiding Questions*

1. What was your LEA's Education Stabilization Fund allocation for school years 2008-09 and 2009-10? (Inquire about subsequent years during later reviews.)
2. When was your LEA notified of its SFSF allocation amount?
3. When were the funds first released to you?
4. Did you receive the funds on a regular schedule? If so, what is that schedule (e.g., monthly, quarterly)?
5. Has the State made any adjustments to your Education Stabilization Fund allocation?
6. Have you received any Government Services funds? If so, what was the amount? How have you used such funds?

### *Evidence/Documentation*

See Attachment 1, "Master Protocol Document."

### III. Fiscal Oversight of SFSF Funds

**ISSUE: Whether the LEA has established appropriate policies and procedures for ensuring fiscal oversight of SFSF funds.**

#### *Guiding Questions*

1. What internal controls does your LEA have in place to ensure that SFSF expenditures are allowable? (See April 2009 SFSF Guidance at III-D for information on allowable and prohibited uses of SFSF funds by LEAs.)
2. What specific projects or activities did your LEA support with SFSF funds?
3. How does your LEA ensure that it complies with the principles of cash management (i.e. ensuring that funds are used to meet immediate obligation needs, within 3-5 days)?
4. Does your financial recordkeeping system properly account for the use of SFSF funds?
5. What guidance have you received from the State regarding the obligation and drawing down of SFSF funds?
6. Did you receive authorization to use SFSF funds for preaward costs? Did you use funds for preaward costs during the approved period?
7. What steps are you taking to ensure compliance with the cross-cutting ARRA requirements (e.g., Section 1512 reporting, Buy American, infrastructure certification)?

#### *Evidence/Documentation*

See Attachment 1, "Master Protocol Document."

#### **IV. Progress in Four Education Reform Areas**

**ISSUE: Whether the LEA is assisting the State in making progress in: (a) achieving equity in the distribution of qualified teachers; (b) improving collection and use of data; (c) enhancing the quality of standards and assessments; and (d) supporting struggling schools.**

##### *Guiding Questions*

1. How is the LEA assisting the State in making progress in each of the four reform areas?

##### *Evidence/Documentation*

See Attachment 1, "Master Protocol Document."

#### **V. Subrecipient Monitoring**

**ISSUE: Whether the LEA has cooperated with the State during the monitoring process.**

##### *Guiding Questions*

1. Have you been monitored by the State? If so, when? If not, have you been notified of when you will be monitored?
2. Did the State provide you with a copy of its monitoring instruments?
3. If you have been monitored by the State, what issues did the State discuss during its monitoring? What recommendations did the State make?
4. What actions have you taken in response to any monitoring recommendations?



*Evidence/Documentation*

See Attachment 1, "Master Protocol Document."

**VI. Reporting**

**ISSUE: Whether the LEA has cooperated with the State in complying with all reporting requirements.**

*Guiding Questions*

1. What guidance on reporting has the State provided to you?
  
2. What information has the State required you to provide so that it may comply with applicable reporting requirements?

*Evidence/Documentation*

See Attachment 1, "Master Protocol Document."