

# FISCAL AND COMPLIANCE UPDATES

Florida Association of State and Federal  
Education Program Administrators  
(FASFEPA)

September 11, 2012

Martha K. Asbury

Assistant Deputy Commissioner, Finance and Operations

Florida Department of Education

# Monitoring

## Overview

- Comprehensive
- Risk-Based
- Multi-faceted
- Continuous
- Focused and Targeted



# Monitoring - Components

- Application/Amendment Reviews
- Review of cash draws and expenditure reports
- Review of various reports and data sources
- Program-specific requirements (e.g., comparability)
- Self-evaluation, desk review, on-site visits
- Follow-up to A-133 audit findings and previous monitoring findings
- Special-purpose reviews

# Past Findings (Audits and Monitoring)

No surprise!

- Primarily Title I
- Equitable services for private school students
- Parent involvement
- Supplement/not supplant
- Rank and serve
- Maintenance of effort
- Time and effort reporting



# Monitoring Findings

Single-most common cause of monitoring/audit findings:

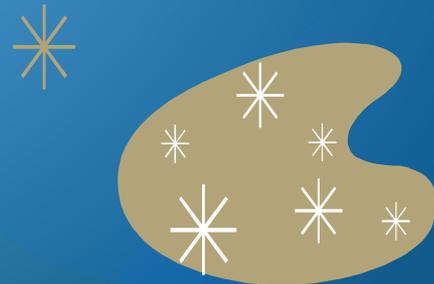
**FAILURE TO MAINTAIN ADEQUATE RECORDS  
AND DOCUMENTATION!**



# Monitoring Future

## Focus on student achievement

- Increased emphasis on student achievement and the relationship between compliance and student achievement.
- Selecting criteria most relevant to student achievement
- Attempt to reduce the “glitter” factor



# Risk Factors

- General
  - Date(s) of most recent desk-top or on-site monitoring activities
  - Performance average (district grade, graduation rate, proficiency data, and learning gains)
  - Percentage of funds expended in last complete fiscal year (2010-11)
  - Prior-year audit findings
  - Program-specific monitoring findings
- Program-specific data
- Data compiled to determine risk score

# Use of Risk Scores

- Risk scores determined by program (not all programs will review the same LEA)
- Each program will select a minimum of 10 districts to monitor through onsite or desktop activities
- Programs have flexibility to recommend adding districts based on other available data or substituting enhanced self-monitoring for desktop and onsite activities
- Should any LEA fail to reach compliance and raise student achievement, that LEA may be included in desktop or onsite activities in consecutive years

# Federal Fiscal Crystal Ball



# Sequestration

Question: Will sequestration occur?

Answer: Maybe

Question: Will there be severe funding reductions?

Answer: Likely



# Sequestration

Question: How can USED postpone the impact of sequestration until 2013-14?

Answer: Much of the Title I and Title II funding is considered “advance appropriations” and according to USED will not be reduced on January 2, 2013, if sequestration occurs. Instead the reduction will be counted against the funds the states will receive in July 2013. [double whammy]

# Sequestration

Question: How should districts prepare?

Answer: With a great deal of caution

Recommendation: Assume that severe cuts will occur in 2013-14 – think about mitigation strategies (e.g., through roll-forward)



# Sequestration

Question: What should we do if we included a line in our budget for an amount to be held for possible sequestration?

Answer: You have options! At some point you will have to amend the budget:

- Amend now
- Amend as part of the roll-forward process

# Time and Effort

- September 7, 2012 Memo to Chief State School Officers from USED: “Actions to Ease the Burden of Time-and-Effort Reporting”
  - Substitute System for Time and Effort for Employees Supported by Multiple Cost Objectives
  - Single Cost Objective Definition and Examples

# Substitute System

- Current Requirements:
  - Employees whose salary supported by only one federal program or cost object - documentation is semi-annual certification
  - Employees supported by multiple cost objectives (generally has been thought of as fund sources) - documentation is a monthly personnel activity report (PAR)

# Substitute System

- USED offering the opportunity to establish a substitute system
- This is not exactly “new” since option for substitute system has existed for many years
- Florida has had an approved substitute system since 1996. Many districts have implemented the approved system
- USED’s “new” flexibility allows for employees with schedules that do not change from week to week to certify time and effort on a semi-annual basis

# Substitute System

- Implementation of the “new” flexibility is subject to approval by the FDOE (as is implementation of Florida’s existing system).
- Florida is currently seeking some revisions to the existing substitute system and will likely incorporate this additional flexibility into our request.
- We will provide further guidance about the possibility of immediate implementation of “new” flexibility as soon as possible.

# Single Cost Objective Clarification

- “It is possible for multiple programs to have the same cost objective, which creates confusion over what time-and-effort documentation must be maintained.” (i.e., semi-annual certification or monthly PAR)
- Definition of Cost Objective: “A function, organizational subdivision, contract, grant, or other activity for which cost data are needed and for which costs are incurred.”

# Single Cost Objective Clarification

- “The key to determining whether an employee is working on a single cost objective is whether the employee’s salary and wages can be supported *in full* from each of the Federal awards on which the employee is working, or from the Federal award alone if the employee’s salary is also paid with non-Federal funds.”



# Cost Objective - Examples

- Supplemental math teacher for low-achieving students. Funded 50% with Title I, Part A, and 50% from state funds.
  - Teaching math to low-achieving students is a single cost objective because it can be fully supported under Title I, Part A.
  - Only requires a semi-annual certification

# Cost Objective - Examples

- Teacher in Title I schoolwide school teaches 1<sup>st</sup> grade reading in the AM and supplemental reading recovery class in PM. Paid from local funds for AM and Title I, Part A, for PM.
  - Both functions could be supported by Title I, Part A and the schoolwide program constitutes a single cost objective.
  - Only requires a semi-annual certification

# Cost Objective - Examples

- Elementary teacher provides after school tutoring for low-achieving students. Paid with local funds for regular school day and with Title I funds for the after-school tutoring.
  - Time spent on after-school tutoring is easily separated from regular day by the schedule.
  - The after-school tutoring is a single-cost objective
  - Only a semi-annual certification needs to be completed.

# THE BIG THREE:

- Maintenance of Effort
- Comparability
- Supplement not Supplant

# General

- Each designed to ensure that federal funds are provided over and above the nonfederal resources that otherwise would be provided
- Each look at state and local expenditures and require determination that the regular educational program is getting its fair share of state and local funding rather than receiving less state and local money due to receipt of federal funds.

# Different Perspectives

- MOE looks across a district to ensure that roughly the same amount of state and local funds being contributed districtwide from one year to the next.
- Comparability looks at individual schools to determine whether Title I and non-Title I schools are being treated equally.
- Supplement not supplant determines whether each individual expenditure (transaction) would have been made if the federal funds were not available. (What would be done in the absence of the federal funds?)

# MAINTENANCE OF EFFORT (MOE)

# Federal Requirement

LEAs must demonstrate that the level of state and local funding remains relatively constant from year to year. An LEA may receive Title I funds only if has maintained its fiscal effort. Must be not less than 90 percent for the second preceding fiscal year.

# Multiple Ways of Calculating MOE

- Use both state and local expenditures (excludes all federal expenditures)
- Use local only expenditures
- Aggregate
- Per student

**Use the calculation most advantageous to the district; however, the LEA must calculate expenditures from the same source from one year to the next in order to have a valid comparison**

# Process for Determining MOE

- Office of Funding and Financial Reporting prepares MOE calculations based on cost reports.
- Formerly this calculation was sufficient; currently DOE is taking additional steps to verify MOE.
- After audits are complete, staff from Office of Audit Resolution and Monitoring work with the district, using audited financial data to achieve the best possible outcome with respect to MOE.
- If MOE is not met, FDOE must reduce the amount of funds allocated under Title I in the exact proportion to which the LEA failed to meet the 90% requirement.

# OFFR Procedure

- Deduct from expenditures for k-12 education, Community Services, Capital Outlay, Debt Services, and any non-recurring Incentive or Bonus Programs.
- Deduct expenditures from federal funds – federal direct and federal through state (an exception is made for SFSF expenditures which may count as state funds).
- Determine the outcome of MOE analysis in both the aggregate and per FTE.
- Compare against the previous year.
- For any district that does not meet the MOE requirement, apply the flexibility and exceptions.

# Post-Audit Procedures

(Office of Audit Resolution and Monitoring)

- Review auditor's findings and data.
- Consider options – state and local or local only (if local only, calculation methodology will be established on a case by case basis).

# Waiver Option

- LEA that fails to meet the 90 percent threshold may apply to the Secretary of Education to waive the requirement.
- Secretary is permitted to waive the requirement if such a waiver would be “equitable.”
- Equitable reasons might include exceptional or uncontrollable circumstances such as a natural disaster.
- Historically, USED has only reviewed a small number of waiver requests each year.

# Best Practices

- Know your district's MOE threshold from the previous year.
- Establish a budget which meets your MOE requirement.
- Track expenditures throughout the year and make adjustments as necessary to maintain effort.
- Other?

# Status

- All districts met the Title I MOE requirement for the comparison years of 2009-10 to 2010-11
- Calculations for 2010-11 compared to 2011-12 cannot be completed until all program cost reports and Annual Financial Reports (AFRs) are submitted to the FDOE and accuracy is verified (usually January – March)



JUST A COUPLE MORE POINTS....

# Accountability and Transparency

## Federal

- ARRA Quarterly Reporting
- Federal Funding Accountability and Transparency Act (FFATA)

## State

- FACTS

# FACTS FLORIDA ACCOUNTABILITY CONTRACT TRACKING SYSTEM



- The 2010 Florida Legislature took steps to provide Floridians with greater visibility into how their government is doing business by passing the "Transparency Florida Act."
- Pursuant to this legislation, the Florida Accountability Contract Tracking System (FACTS) was created as an online tool developed to make the government contracting process in Florida more transparent.
- As an online tool FACTS provides the ability to track state contracts by government agencies and a consumer-friendly contract reporting website for use by the citizens of Florida with the intent to foster greater accountability and transparency in government spending.

# FACTS FLORIDA ACCOUNTABILITY CONTRACT TRACKING SYSTEM



- The FACTS system serves as an extension of the way Florida state agencies manage and report their contracts to the public. This website contains information that is regularly updated and audited. Users are able to search for state contracts by state agency, vendor, dollar amount, date, and commodity or service type provided.
- The Department of Financial Services will audit and publish findings of contract performance to the public.
- FACTS went live to the public, June 27, 2012.

<http://www.myfloridacfo.com/Transparency>

# SES and Equitable Services

- Budget Coding
- Administrative Costs vs. Program Delivery Costs



# ARRA

- For several programs, September 30, 2012 is last date to obligate funds – check it out and make certain you are not reverting and \$\$\$!
- Must report all “live” ARRA programs (i.e., Title I, Technology, SIG, and RTTT)
- Also Ed Jobs
- Expenditures are cumulative
- Be aware of cash draws from CARDS (cumulative cash draws and expenditures should be comparable)

# Thank You!

## Contact Information:

Martha K. Asbury

850/245-0420

[martha.asbury@fldoe.org](mailto:martha.asbury@fldoe.org)