

**Delaware Comprehensive Monitoring Plan  
State Fiscal Stabilization Fund (SFSF) Program  
Education Stabilization Fund (ESF)  
Protocol to Review ESF  
August 2011**

**Background**

States have important oversight responsibilities over the implementation of the American Recovery and Reinvestment Act of 2009 (ARRA). States must monitor grant and sub grant supported activities to ensure compliance with applicable Federal requirements. If a State or its sub grantees fail to comply with requirements governing these funds the federal government may, consistent with applicable administrative procedures, take one or more enforcement actions, including withholding or suspending, in whole or part, funds awarded or recovering misspent funds.

Under the State Fiscal Stabilization Fund (SFSF) Program, States are responsible for thoroughly and effectively monitoring local educational agencies, public institutions of higher education, and other entities receiving SFSF funds. Federal Department of Education has indicated that each State must have a comprehensive monitoring plan and protocols to review activities supported with SFSF funds. Accordingly, this document is intended to provide the structure for an effective monitoring of SFSF dollars.

**Procedures for Awarding Funds**

1. The Delaware Department of Education (DDOE) has primary responsibility for the administration of Education Stabilization Funds (ESF) under the SFSF as a result of delegation by Governor Jack A Markell. Sub-recipient monitoring will be a joint effort between the DDOE and the Office of Management and Budget (OMB).
2. Allocations of ESF were based upon epilogue guidance within the annual appropriations act. For fiscal year 2010, \$51.4M of that funding was used to backfill cuts in the budget. Higher Education received \$16M of the allocation. The remaining \$43M were available for allocation in the 2011 budget.
3. In public education, state funding for the Reading Resource Teacher program, the Math Specialist program, the Student Success Block Grant, Education Expense and Tax Relief funds, the Limited English Proficient program, the Technology Block Grant and the Academic Excellence Unit Allotment were eliminated for Fiscal Year 2010. In Fiscal Year 2010, school districts and charter schools received an allocation of State Fiscal Stabilization Funds (SFSF) that was equivalent to the resources received in Fiscal Year 2009 for the eliminated programs. Each school district and charter school has the ability to use their SFSF allocation as they deem appropriate within the federal guidelines however, districts are strongly encouraged to utilize these resources to preserve jobs and advance educational reforms such as increasing teacher effectiveness and providing targeted, intensive support and interventions for struggling schools.

4. School districts and charter schools were required to submit a spending plan in order to receive the SFSF allocation in accordance with the federal guidance on the State Fiscal Stabilization Funds. The DDOE and OMB issued guidance on the submission of this plan in the summer of 2009.
5. Institutes of higher education received a SFSF allocation that was equivalent to the reduction of general fund support detailed in the FY 2010 budget and were encouraged to utilize these resources to mitigate the need for increases in tuition and fees paid by in-state students.
6. Upon approval of submitted applications, DDOE supplied awards letters to each recipient. Those letters expressed any conditions, restrictions, and guidance placed on eligibility for ESF. No ESF funds were made available until the plan was approved by DDOE
7. If any adjustments to the award were required, the DDOE sent the recipient(s) a revised award letter.
8. Upon receipt of the award letter, the recipient signed the award letter, agreeing to follow the required conditions, restrictions, and guidance and return the original to the DDOE.
9. DDOE reviewed all potential awards for ensuring that ESF expenditures are allowable.

### **Fiscal Oversight of ESF Funds**

1. Tracking of ESF funds –
  - a. The state, school districts, charter schools and Delaware Technical and Community College all administer funds using a unified accounting system. That system is the state's legacy accounting system, the Delaware Financial Management System (DFMS). Effective Fiscal Year 2011, Delaware implemented its new accounting system, First State Financials.
  - b. A resulting benefit to this is that all cash management functions are performed centrally by the DDOE. As part of this, the State has put in place ongoing procedures to monitor cash balances and to minimize the time lapsing between the transfer and disbursement of funds. These procedures also ensure that each sub recipient has an adequate financial recordkeeping system to properly account for the use of ESF funds.
  - c. All ARRA funds have been given separate and uniform project tracking coding to allow for seamless tracking of ARRA funds. All ESF funds have also been set up within DFMS uniformly among entities receiving ESF funds.
  - d. OMB currently monitors expenditure, encumbrance and balance levels on a weekly basis.
2. Yearly Annual Financial Report – All school districts and charter schools must file an annual report to the DDOE. OMB/DDOE will review each entities annual report with emphasis being placed on those ESF recipients that show signs of fiscal issues.
3. Local Audits – Each ESF recipient must have a local audit. Audit findings are provided to these sub recipients each spring by the Auditor's office. OMB/DDOE will review these local audits for irregularities or noncompliance.

4. 1512 Reporting – Delaware has chosen to implement 1512 reporting using a decentralized methodology for state agencies. As part of this, school districts and charters have been designated as sub-recipients for purposes of ESF reporting and have been delegated the responsibility to report their 1512 information directly into federalreporting.gov. Comprehensive guidance to both prime and sub recipients is located on the OMB website at <http://www.omb.delaware.gov/arra/index.shtml>.

OMB receives copies of districts'/charters' sub recipient reports after entering into federalreporting.gov and OMB extensively uses the "DUNS Extract" capabilities of the federalreporting.gov system to cross check sub recipient info. OMB reviews each sub recipient report for data quality and provides feedback when issues are noted. 1512 information provides a regular source of data for purposes of monitoring ESF funds.

5. Site visits – Delaware understands that a robust program of sub recipient monitoring requires some measure of site visitation. Delaware proposes to do site visits for no less than 10% of all districts and charter schools during the period October 1, 2011 – November 4, 2011. Candidates for site visits will be chosen based on size of ESF allocations as well as any risk factors identified in 1512 reports, annual reports to DOE or annual audits. Protocols for review at site visits will be sent to selected districts/charters/institutions of higher education at least 30 days in advance of the site visit.
6. The OMB will provide periodic direction regarding reporting via e-mail and formal guidance posted on the OMB website. All recipients are expected to comply with federal requirements, the specifications in the award letter, and all periodic direction and guidance from DDOE and OMB.

### **Subrecipient Monitoring**

1. The OMB will monitor sub recipients by conducting periodic reviews of the LEA's ESF plan. This will include a written response to questions submitted by the OMB and a site visit for selected districts and charter schools.
2. The OMB will provide sub recipients with a copy of its monitoring protocol 30 days prior to the review.
3. The OMB will provide sub recipients with a report including recommendations within 20 business days following the review.
4. The OMB will require a progress report on recommendations 60 days following the submission of the report to the sub recipients. The report must include verification that any corrective actions have been implemented.
5. Each recipient must maintain records that fully disclose the total cost of the activity for which the funds are used; the share of the cost provided from other sources, and other such records as will facilitate an effective financial or programmatic audit. The recipient must maintain such records for 3 years after the completion of the activity for which funds are used.