

Massachusetts Performance Review Report FY 2017

10 12 2018

Commendations

1

Met Requirements

16

Recommendations

5

Action Required

1



U.S. Department of Education
Office of State Support
Office of Elementary and Secondary Education
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Washington, DC 20202

Office of State Support Performance Review Process

The Office of State Support (OSS) provides coordinated policy development, performance management, technical assistance, and data analysis services through a State support team structure that deepens partnerships with States and more effectively support their implementation of key reforms that will lead to improved outcomes for all students. OSS administers programs of financial assistance to State educational agencies (SEAs), local educational agencies (LEAs) and to colleges and universities. Under Title I of the Elementary and Secondary Education Act of 1965 (ESEA), as amended by the Every Student Succeeds Act (ESSA), OSS administers several Title I programs of supplementary instruction and other services. This includes the School Improvement Grants program authorized in section 1003(g) of Title I, Part A, of the ESEA, as amended by the No Child Left Behind Act of 2001 and the Improving Basic Programs Operated by Local Educational Agencies (LEAs) under Title I of the ESEA, as amended by ESSA. Under Title II, Part A of the ESEA, OSS administers the Improving Teacher Quality State Grants. Under Title III of the ESEA, OSS administers the State Formula Grant Program for English Language Acquisition and Language Enhancement. OSS also administers the State Assessment Grant, Innovative Assessment and Accountability Demonstration Authority, and Flexibility for Equitable Per-Pupil Funding programs authorized in sections 1201, 1204, and 1501 of the ESEA.

OSS is organized specifically to provide high-quality performance management and support to SEAs in administering and leveraging the grant programs above, focusing on the SEAs' quality of implementation while continually reducing the burden of the Department's necessary stewardship and compliance role. Quarterly progress checks, Desk Reviews, and On-Site Reviews help ensure that SEAs are making progress toward increasing student achievement and improving the quality of instruction for all students through regular conversations about the quality of SEA implementation of OSS administered programs.

The goals of the OSS performance review process are to conduct a State-centered, performance-focused review of all OSS programs (Title I, Part A; Title II, Part A; Title III, Part A; and School Improvement Grants (§1003(g) of the ESEA, as amended by the NCLB) through a single, streamlined process that results in improved and strengthened partnerships between the United States Department of Education (the Department) and States and encourages States to develop and effectively implement integrated and coherent consolidated State plans. To accomplish these goals, the OSS performance review process is organized by areas, which reflect the programmatic and fiscal requirements and priorities of OSS programs.

Performance Review Report

The Performance Review Report summarizes the results of the September 11 – 15, 2017, OSS review of Massachusetts Department of Elementary and Secondary Education's (MA DESE's) grant administration and fiscal management processes. The report is based on information provided through the review process, and other relevant qualitative and quantitative data. The primary goal of this review is to ensure that implementation of the four programs listed above is consistent with the fiscal, administrative, and select program requirements contained in the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance: 2 Code of Federal Regulations (CFR) Part 200), the Education

Department General Administrative Requirements (EDGAR), and the ESEA, as amended by the NCLB, and where applicable, the ESSA. In addition, the review covers State internal controls related to data quality and reporting and encompasses those fiscal and data reporting requirements applicable to the covered programs under both NCLB and the ESSA.¹

¹ On December 10, 2015, the ESEA of 1965 (the most recent prior version of which was NCLB) was reauthorized. In order to ensure that the OSS performance review process did not interfere with an SEA's orderly transition to the new ESSA requirements, the OSS has chosen to focus only on those fiscal and select program requirements applicable to covered programs under both NCLB and ESSA, as well as the uniform administrative requirements and general management systems of SEAs. In future fiscal years, the performance review process will cover all requirements included in ESSA. Because this report summarizes the results of a non-comprehensive set of NCLB and ESSA compliance requirements, the issuance of this report does not preclude other Department program offices, or independent auditors, from identifying areas of noncompliance that are not outlined in this report.

Section I: State Overview

As part of this document, the OSS includes relevant State background information as a way of providing context for the review conversation. All data presented in Section I are reported by grantees to either the National Center for Education Statistics (NCES), Common Core of Data (CCD), or through standard oversight activities.

Section II: Grant Administration and Fiscal Management Performance Evaluation

The information provided in Section II is intended to help a State quickly assess whether there are sufficient capacities, infrastructure and resources allocated to State activities by area, in a manner that enables the State to achieve its strategic goals for the reviewed Federal programs. The section provides the State and the OSS' rating of performance on grant administration of applicable Title I, Part A; Title II, Part A; Title III, Part A; and School Improvement Grant programs in fiscal year 2017. Each area rating is a reflection of how a State is addressing fiscal and cross program requirements. The State rating column is populated based on the self-assessment completed by the State prior to the review. OSS' analysis for each area is primarily based on evidence submitted by the State in the form of answers to the self-assessment questions, documents submitted by the State prior to the review, and the responses provided to questions during the review.

OSS' rating is also informed by evidence collected through public sources and other components of the performance review process. In some cases area ratings may overlap (e.g., Risk Assessment and Procurement) and feedback is provided in the cross-cutting subsection that appears at the end of Section II.

Ratings are based on a four-point scale, for which “met requirements with commendation” represents high quality implementation where the grantee is exceeding expectations; “met requirements” indicates that work is of an acceptable quality and the grantee is meeting expectations; “met requirements with recommendations” indicates there are quality implementation concerns and some improvements could be made to ensure the grantee continues to meet expectations; and “action required” indicates there are significant compliance or quality concerns that require urgent attention by the SEA and will be revisited until the State has remedied the issue.

Section III: Met Requirements with Commendation



This section highlights the areas where the State has exceeded requirements and is commended on the grant administration and fiscal management as identified in Section II of this report (*i.e.*, those areas categorized as “met requirements with commendation”). In addition, this section provides an opportunity for the OSS to highlight those areas where the State has implemented an innovative or highly successful system or approach. In these areas, the OSS is not recommending or requiring the State to take any further action.

Section IV: Met Requirements



This section identifies those areas where the OSS has determined that the State has met basic requirements of grant administration and fiscal management and is implementing those requirements in a satisfactory manner as identified in Section II of this report (*i.e.*, those areas categorized as satisfactory quality, “met requirements”). The description of satisfactory implementation by relevant area and requirement is an indication of an acceptable implementation quality level. In these areas, the OSS is not recommending or requiring the State to take any further action.

Section V: Met Requirements with Recommendations



This section identifies those areas where the OSS has quality implementation concerns related to grant administration and fiscal management as identified in Section II of this report (*i.e.*, those areas categorized as quality concerns, “met requirements with recommendations”). In these instances, the OSS is determining that the State is currently complying with requirements, but that improvements could be made to improve the efficiency or effectiveness of operations. Identified issues are grouped according to relevant area and requirement, with citations provided. For each issue listed, the OSS will provide a recommendation for improvement, but is not requiring the State to take any further action.

Section VI: Action Required



This section identifies those areas where the OSS has “significant compliance and quality concerns” (corresponds to “action required” in Section II). For those issues the OSS will outline the current practice, the nature of noncompliance, and the required action. Documentation of required action must be provided to the OSS within thirty (30) business days of the receipt of the final Performance Review Report.

SECTION I

State Overview²



COVERED GRANT PROGRAMS

TITLE I, PART A; TITLE II, PART A (TITLE II); TITLE III, PART A (TITLE III), SCHOOL IMPROVEMENT GRANTS (SIG)



STUDENT CHARACTERISTICS

Enrolled:	964,026	Limited-English Proficiency: ³	9%
In Title I Schools: ⁴	35%	Eligible for Free & Reduced Lunch:	40%



RACIAL/ETHNIC BACKGROUND (%)

White:	62.8	Asian or Pacific Islander:	6.4
Hispanic:	18.5	American Indian/Alaskan Native:	0.2
Black:	8.8	Native Hawaiian/Other Pacific Islander:	0.1



SCHOOL & LOCAL EDUCATIONAL AGENCY (LEA) CHARACTERISTICS

School Districts:	411	FTE Teachers:	71,969
Schools:	1,884	Per-Pupil Expenditures: ⁵	\$17,467
Charter Schools:	81		



FEDERAL FUNDING⁶

Total:	\$296,373,009	Title III, Part A:	\$ 14,522,922
Title I, Part A:	\$ 233,674,299	SIG:	\$ 6,874,514
Title II, Part A:	\$ 41,301,274		

² Data Source: The Department, CCD, 2015-2016 school year, unless otherwise noted (see <http://eddataexpress.ed.gov/> and <http://nces.ed.gov/ccd/elsi/> for additional information).

³ Data from 2014-2015.

⁴ Schools eligible for Title I, Part A schoolwide programs are also included in the count of all Title I, Part A eligible schools. A Title I, Part A eligible school is one in which the percentage of children from low-income families is at least as high as the percentages of children from low-income families served by the LEA as a whole or because 35 percent or more of the children in the school are from low-income families. A schoolwide Title I, Part A eligible school has a percentage of low-income students that is at least 40 percent. Data is from 2014-2015.

⁵ Data Source: The Department, NCES, CCD, "National Public Education Financial Survey (State Fiscal)", 2013-2014 (Fiscal Year 2014), v.1a. (see <http://nces.ed.gov/ccd/elsi/> for additional information).

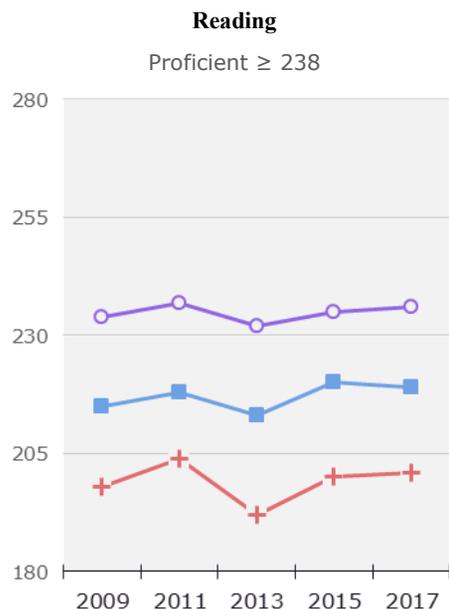
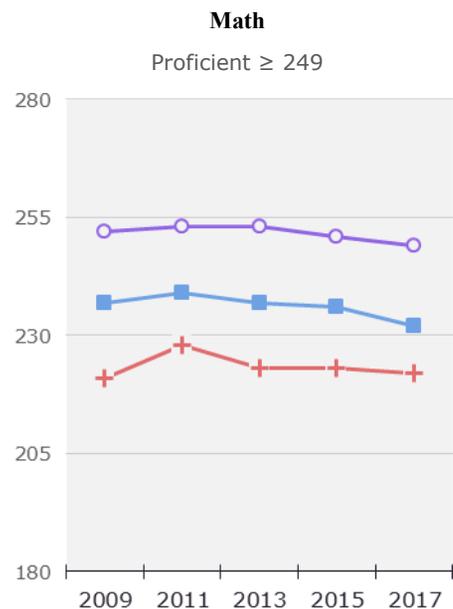
⁶ FY 2015 funds included above are from OSS administered programs that allocate funds to States using a statutory formula. The totals do not reflect all Department funds that flow to a State. States and other entities may also receive funds from grants that are awarded on a competitive basis.

NAEP Average Scale Scores by Grade & Year

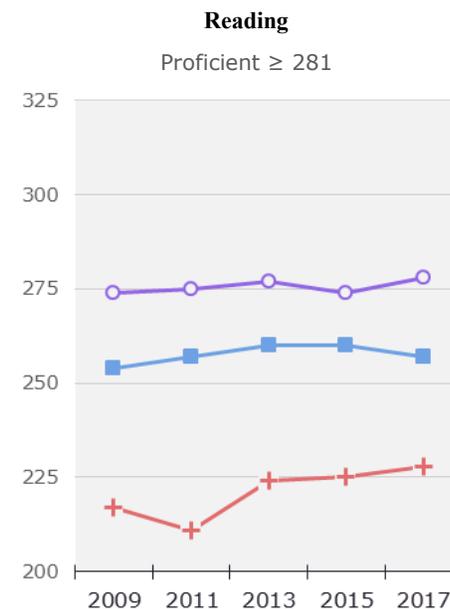
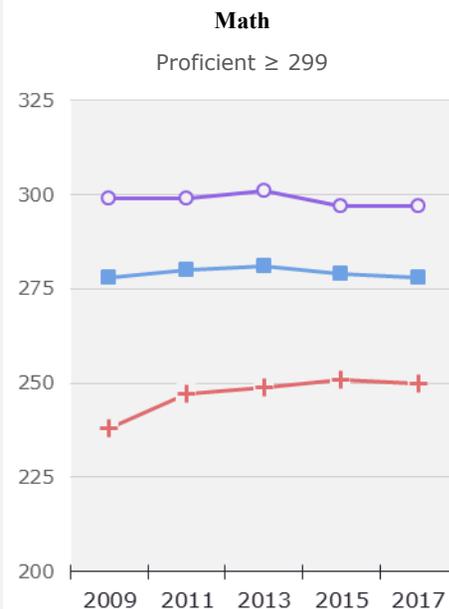
The National Assessment of Educational Progress (NAEP) is the largest nationally representative and continuing assessment of what America's students know. The NAEP mathematics and reading scales range from 0–500.

- All
- Low-income students
- + EL students

Grade 4



Grade 8



	All	Low-Income	EL
2009	252	237	221
2011	253	239	228
2013	253	237	223
2015	251	236	223
2017	249	232	222

	All	Low-Income	EL
2009	234	215	198
2011	237	218	204
2013	232	213	192
2015	235	220	200
2017	236	219	201

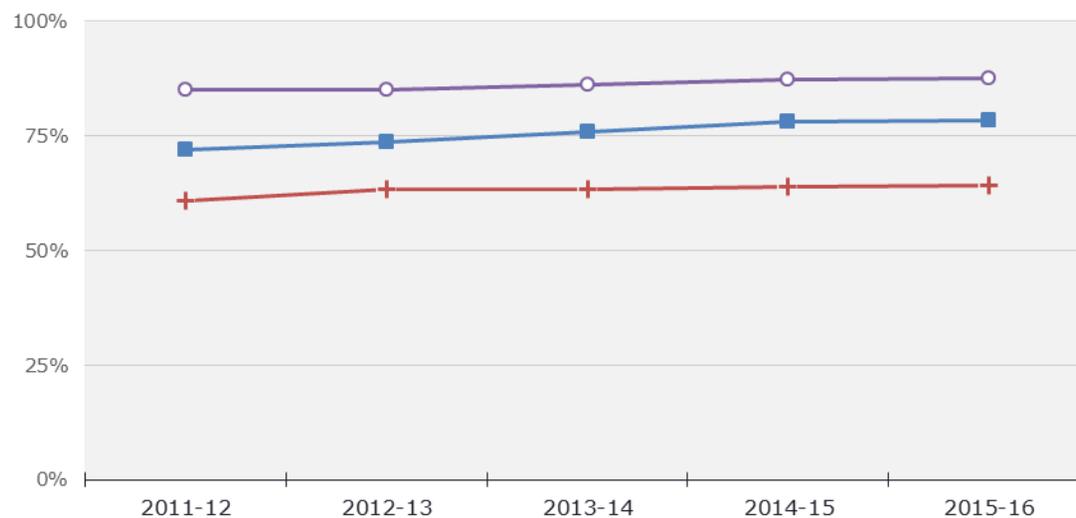
	All	Low-Income	EL
2009	299	278	238
2011	299	280	247
2013	301	281	249
2015	297	279	251
2017	297	278	250

	All	Low-Income	EL
2009	274	254	217
2011	275	257	211
2013	277	260	224
2015	274	260	225
2017	278	257	228

ADJUSTED COHORT GRADUATION RATE (ACGR) BY SCHOOL YEAR

The four-year adjusted cohort graduation rate is the number of students who graduate in four years with a regular high school diploma divided by the number of students who form the adjusted cohort for the graduating class. From the beginning of 9th grade (or the earliest high school grade), students who are entering that grade for the first time form a cohort that is “adjusted” by adding any students who subsequently transfer into the cohort and subtracting any students who subsequently transfer out, emigrate to another country, or die. There are some differences in State implementation of the ACGR requirements, leading to the potential for differences across in how rates are calculated. See <http://www2.ed.gov/admins/lead/account/consolidated/index.html> for additional information on interpreting this data)

- All
- Low-income students
- + EL students



	All	Low Income	EL
2011-12	85.0%	72.0%	61.0%
2012-13	85.0%	73.6%	63.5%
2013-14	86.1%	76.0%	63.4%
2014-15	87.3%	78.2%	64.0%
2015-16	87.5%	78.4%	64.1%

SECTION II

Grant Administration and Fiscal Management Evaluation

Dates of Review	September 11 - 15, 2017
Reviewers	LaTisha Putney (Office of State Support) John Keefer (Management Support Unit) Shane Morrisey (Management Support Unit)
LEA Participants	Boston Public Schools (Boston, MA) Revere Public Schools (Revere, MA) Waltham Public Schools (Waltham, MA)
Current Grant Conditions	Title I, Part A: None Title II, Part A: None Title III, Part A: None SIG: None
Outstanding Findings	Title I, Part A: None Title II, Part A: None Title III, Part A: None SIG: None
High Risk Status	Not applicable

Assessment Criteria Key



Met requirements with commendation

High quality implementation & compliance.



Met requirements

Satisfactory implementation & compliance.



Met requirements with recommendation

Satisfactory compliance with quality concerns.



Action required

Significant compliance & quality concerns.

		SEA	OSS
Accounting Systems and Fiscal Controls	A	●●●●	●●●○
Period of Availability and Carryover	B	●●●●	●●○○
Audit Requirements	C	●●●○	●●●○
Internal Controls (Control Environment and Control Activities)	D	●●●●	●●○○
Risk Assessment	E	●●●○	●●●○
Records and Information Management	F	●●●●	●●○○
Equipment Management	G	●●●●	●●○○
Personnel	H	●●●●	●●●○
Procurement	I	●●●●	●●●○
Indirect Costs	J	●●●○	●●●○
Transparency Act Reporting	K	●●●○	●●●○
Charter School Authorization and Oversight	L	●●●○	●●●○
Reservations and Consolidation	M	●●●●	●●●○
Budgeting and Activities	N	●●●●	●●●○
Allocations	O	●●●●	●●●○
Maintenance of Effort (MOE)	P	●●●○	●●○○
Comparability	Q	●●●○	●●●○
Subrecipient Monitoring	R	●●●○	●●●○
Supplement Not Supplant	S	●●●●	●●●○
Equitable Services	T	●●●○	●●●○
LEA Support and Guidance	U	●●●○	●●●○
Transparency and Data Reporting	V	●●●○	●○○○
Data Quality	W	●●●○	●●●●

SECTION III

Met Requirements with Commendation

W.

DATA QUALITY



REQUIREMENT SUMMARY

An SEA is required to have appropriate procedures in place to ensure that the data reported to the public and the Department are high quality (i.e., timely, complete, accurate, valid, and reliable).

ESEA §1111(h) (4)

Government Accountability Office's "Standards for Internal Control in the Federal Government" (GAO Green Book)

Uniform Guidance 2 CFR 200.303 and 2 CFR 200.328(b)

OMB Circular A-133 Compliance Supplement: Department of Education Cross-cutting Section

Final Audit Report: ED-OIG/A0600001



DESCRIPTION OF SATISFACTORY IMPLEMENTATION

To ensure that high-quality data is submitted by LEAs, MA DESE utilizes a data system that includes automated business rules and a three-level validation check required for submission of data. In addition, MA DESE staff review and validate data, helping to ensure the data submitted are timely, complete, accurate, valid, and reliable. LEAs that fail to meet the quality requirements for data submission receive warnings and may have funds frozen until corrections are made and acceptable data is submitted. LEA staff receive assistance through the data collection system through automated prompts and when system alerts occur, through MA DESE staff outreach. In addition, MA DESE performs annual data audits of the ten largest LEAs and forty randomly selected smaller LEAs.

SECTION IV

Met Requirements

A.

ACCOUNTING SYSTEMS AND FISCAL CONTROLS



REQUIREMENT SUMMARY

An SEA shall expend and account for Federal funds in accordance with State laws and procedures for expending and accounting for State funds. State accounting systems must satisfy Federal requirements regarding the ability to track the use of funds and permit the disclosure of financial results. SEAs must have written procedures for determining cost allowability and must maintain effective control over all funds.

Uniform Guidance 2 C.F.R. 200.302

EDGAR 34 C.F.R. 76.702



DESCRIPTION OF SATISFACTORY IMPLEMENTATION

In order to identify and track Federal funds within its accounting system, Program Administrators for MA DESE complete an internal Federal Grant Notification form that lists the maximum allocation for each set-aside. Then each Federal award is loaded into the State's accounting system (the Massachusetts Management, Accounting, and Reporting System (MMARS)) using a program code that is tied to the Federal award identification number (FAIN). Once a program code is established in MMARS, the budget office creates internal spending plans to control total spending for each set-aside. The program administrator then allocates spending for allowable activities. As expenditures are incurred, information is entered in MMARS using an account number, program code, and a unit code, which allows for charges to be applied to a particular program set-aside for each expenditure. During the award period, DESE staff perform reconciliations of actual spending versus planned spending to ensure that all funds are encumbered and expended by the end of the award period. ESE provided the Department with a number of documents prior to the review related to its accounting systems and fiscal controls including its Federal Grant Administration Policy and Procedures, policies related to the allowable use of funds, screenshots of its accounting systems, and guidance related to accounting processes provided to LEA Title I directors.

C.

AUDIT REQUIREMENTS



REQUIREMENT SUMMARY

An SEA is responsible for both resolving the audit findings of subrecipients and for conducting audit follow-up activities and corrective actions for findings from the SEA's yearly Single Audit. An SEA is also required to ensure that subrecipients who meet the audit threshold are audited and the audits are reported according to established timelines.

Uniform Guidance 2 C.F.R. 200.331(d)(2), 200.331(d)(3), 200.331(f), 200.511(a), 200.512, and 200.521(c)



DESCRIPTION OF SATISFACTORY IMPLEMENTATION

Under MA DESE's audit collection and resolution procedures, if a subrecipient has a finding related to a MA DESE administered program an official from MA DESE's Audit and Compliance Unit must send an email to the local educational agency (LEA) with a copy of the single audit finding(s) and the Corrective Action Plan (CAP). When the CAP is received back from the LEA, the official must review the CAP to ensure the corrective measures are reasonable. In the event that a finding is programmatic, the official responsible obtains written approval from the appropriate SEA program unit prior to signing off on the CAP. Once the CAP is approved, the official must generate a Management Decision Letter (MDL) and have it approved and signed by the Senior Associate Commissioner for Administration and Finance. The official then notifies the LEA that the CAP has been approved and sends a copy of the approved CAP and the MDL. Once the final email is sent to the LEA the official completes a worksheet detailing the audit resolution activities and saves the worksheet, CAP, MDL, and any correspondence with the LEA electronically to its assigned folder in the audit and compliance shared drive. As evidence of its subrecipient audit resolution process, MA DESE provided the Department with a number of documents prior to the review including its Procedures for Single Audit Report Collection and Resolution, corrective action procedures, an sample corrective action plan for a subreciepiant, and its single audit tracking log. These materials provided a clear overview of MA DESE's procedures for reviewing and resolving subrecipient and SEA audit findings.

E.

RISK ASSESSMENT



REQUIREMENT SUMMARY

In order to determine the appropriate method and level of subrecipient monitoring, an SEA shall evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward.

Uniform Guidance 2 C.F.R. 200.331(b)



DESCRIPTION OF SATISFACTORY IMPLEMENTATION

MA DESE annually conducts a risk assessment of all subrecipients when planning for subrecipient monitoring activities for the coming school year. Risk indicators used for the assessments include the number of audit findings in the subrecipient's most recent Single Audit, number of Single Audit findings with questioned costs, presence of repeat or unresolved audit findings, risk recommendations from other MA DESE offices, failure to meet financial reporting deadlines, and the amount of time passed since the most recent MA DESE monitoring review. The risk assessment results are used to prioritize on-site reviews for high-risk subrecipients and to determine which lower-risk subrecipients may be monitored through desk reviews.

H.

PERSONNEL**REQUIREMENT SUMMARY**

An SEA shall ensure that charges to Federal awards for salaries are based on records that accurately reflect the work performed. These records must be supported by a system of internal controls which provide reasonable assurance that the charges are accurate, allowable, and properly allocated.

Uniform Guidance 2 C.F.R. 200.430

**DESCRIPTION OF SATISFACTORY IMPLEMENTATION**

MA DESE utilizes a monthly Federal Time and Attendance process to capture the time and effort spent by individual employees on Federal programs and cost objectives. Within MA DESE's electronic timekeeping system, every employee that works on Federal activities must input the total percentage of time worked on each individual Federal program into his/her individual monthly timesheets, which must then be approved by direct supervisors before submission.

Once monthly timesheet submissions are complete, the MA DESE Budget Office completes a reconciliation to compare the time and effort information provided through the monthly timesheets for each program against the anticipated charges to each Federal program based on staffing plans for each program. If the reconciliation reveals an overcharge of greater than 10 percent of the estimated charges, MA DESE will correct such overcharges by the end of the subsequent month. If the overcharge is less than 10 percent for the month, corrections are made after the close of the fiscal year.

I.

PROCUREMENT**REQUIREMENT SUMMARY**

An SEA shall ensure that all relevant State procurement procedures are followed when procuring goods and services using Federal funds. An SEA must also maintain oversight to ensure that contractors perform in accordance with the terms, conditions, and specification of their contracts.

Uniform Guidance 2 C.F.R. 200.317, 200.322, and 200.326

**DESCRIPTION OF SATISFACTORY IMPLEMENTATION**

MA DESE is primarily responsible for conducting procurement transactions using program funds, but as an executive office, MA DESE is governed by Commonwealth of Massachusetts procurement regulations and is overseen by the Operational Service Division (OSD), which is the procurement oversight agency for the Commonwealth. According to submitted statewide procurement policies, OSD has oversight of the manner and method of contracting for goods and services, while State agencies (including MA DESE) are required to use OSD's statewide contracts where feasible. To protect against conflicts of interest, MA DESE employees with duties related to procurement are required to sign conflict of interest forms. Any potential conflict of interest by an employee on the procurement team is required to be disclosed.

To ensure that subrecipients are complying with all applicable Federal procurement requirements when conducting transactions using Federal funds, MA DESE includes a section on procurement in its monitoring of LEAs. During monitoring reviews, MA DESE staff review LEA procurement requirements and procedures to ensure that LEA policies and procedures align with Federal and State requirements. MA DESE monitoring staff also evaluate sample transactions to ensure that LEAs are implementing these policies and procedures with fidelity.

J.

INDIRECT COSTS



REQUIREMENT SUMMARY

An SEA shall ensure that indirect costs are only charged at the correct indirect cost rate. An indirect cost is a cost that is incurred for the benefit of the entire organization.

Uniform Guidance 2 C.F.R. 200.414

EDGAR 34 C.F.R. 76.560-569



DESCRIPTION OF SATISFACTORY IMPLEMENTATION

Once MA DESE obtains an approved indirect cost rate agreement from the Department, MA DESE provides the agreement to the Massachusetts Office of the Comptroller, which is then responsible for charging indirect costs for each program based on the cumulative actual costs charged against each grant award. To ensure the accuracy of indirect cost charges over the course of a fiscal year, reconciliations are performed at the close of the fiscal year to compare the total indirect costs charged against expected amounts.

K.

TRANSPARENCY ACT REPORTING



REQUIREMENT SUMMARY

An SEA is required to report information identifying subrecipients (name, address, DUNS number) and subawards (CFDA number, award number, title) if, at any point during the award period, the SEA subawards more than \$25,000 in program funds (cumulatively) to any single subrecipient.

Reporting Subaward and Executive Compensation Information (2 C.F.R. Part 170) 170.220(a), 170 Appendix A

Universal Identifier and System for Award Management (2 C.F.R. Part 25) Appendix A

Uniform Guidance 2 C.F.R. 200.300(b)



DESCRIPTION OF SATISFACTORY IMPLEMENTATION

Each month MA DESE's School Business Office provides the Education Data Services unit with the appropriate Federal Funding Accountability and Transparency Act (FFATA) information to be submitted to the FFATA Subaward Reporting System (FSRS). A sample of one of these reports was provided to the Department in advance of the review. MA DESE requires LEAs to sign a "Grant Assurances" document each year. This document requires LEAs to confirm that they adhere to the provisions of FFATA and that they have a valid DUNS number before applying for funds. MA DESE also requires that LEAs maintain the correct DUNS number on file with the SEA.

L.

CHARTER SCHOOL AUTHORIZATION AND OVERSIGHT



REQUIREMENT SUMMARY

The SEA provides information on OSS programs (i.e., allocations; applications; and requirements, including requirements for proper disposition of equipment and property) to all charter schools and LEAs and Charter Management Organizations (CMOs) or Education Management Organizations (EMOs) that oversee charter schools, has established internal controls related to the charter schools' relationships with their CMOs/EMOs, and has clear procedures that are systematically monitored for orderly closure, where applicable.

EDGAR 34 C.F.R. 76.785-799

Uniform Guidance 2 C.F.R. 200.318(c), 200.343-344

Final Audit Report: ED-OIG/A02M0012



DESCRIPTION OF SATISFACTORY IMPLEMENTATION

In Massachusetts there are two types of charter schools, a Commonwealth charter school, and a Horace Mann charter school. A Commonwealth charter school is considered an LEA for all purposes, and a Horace Mann charter school is considered an LEA except for purposes of State aid, certain State and Federal grant programs, collective bargaining, and any other purposes where such designation would conflict with law or regulation.

In order to identify which charter schools have seen significant expansions in enrollment for the purposes of ensuring full and complete program allocations, MA DESE requires charter schools that have experienced significant expansion to submit a significant expansion report through the State's data portal. This report is to include the total projected number of English learners (ELs) and special education students who will be enrolled.

MA DESE provided the Department with a number of documents prior to the review including sample correspondence with charter schools, guidance issued to charters, and information about the State's charter school expansion procedures. MA DESE also provided its *Charter School Recommended Fiscal Policies and Procedures Guide*, which contains information about requirements under the Uniform Guidance, as well as information about other Federal and State post-award requirements. This guide acts as a resource for charter schools and includes examples of recommended fiscal policies and procedures.

M.

RESERVATIONS AND CONSOLIDATION



REQUIREMENT SUMMARY

The SEA shall ensure that the amount of program funds reserved for administration and other State activities does not exceed statutory limits for each program. SEAs are permitted to consolidate the administrative set-asides from several ESEA programs (Title I, Title IIA, Migrant Education Program, Negligent and Delinquent Youth Program, Rural and Low Income Schools Program, and the 21st Century Community Learning Centers Program) in order to administer them collectively.

ESEA §1003(a), §1003(g)(8), §1004(a)(1), §2113(c), §2113(d), §3111(b)(3), and §9201(a)

ESEA Regulations 34 C.F.R. 299.4



DESCRIPTION OF SATISFACTORY IMPLEMENTATION

MA DESE provided documentation indicating that it tracks administrative reservation of funds and State activity reservations in accordance with applicable requirements. The SEA program and financial offices calculate administrative and State activity reservations according to guidelines and provide this information to the budget office. The budget office develops a spending plan and sets limits to the amount of administrative funds available within the State's tracking system. If the amount entered exceeds the pre-determined limit, the LEA is required to adjust its entry to adhere to preset limits. Funds are tracked by unit code, award number, and program. MA DESE monitors budgeted amounts in addition to actual spending. The SEA indicated that it does not consolidate administrative set asides for its covered programs.

N.

BUDGETING AND ACTIVITIES



REQUIREMENT SUMMARY

An SEA and its subrecipients can only use program funds for allowable costs, as defined in the Uniform Administrative Requirements, Cost Principles, and Audit Requirements (2 C.F.R. 200), which include, among other things, the requirement that costs be reasonable and necessary for the accomplishment of program objectives.

Uniform Guidance 2 C.F.R. 200.403-408 and 200.420-475

EDGAR 34 C.F.R. 76.530



DESCRIPTION OF SATISFACTORY IMPLEMENTATION

MA DESE uses both manual and automated controls for reviewing and tracking LEA budgets and activities. During the LEA application review process, proposed budget amounts are reviewed by line item against a checklist to determine allowable use of funds. If planned expenditures are determined to be unnecessary, unreasonable or otherwise unallowable, the SEA will work with LEAs until planned expenditures comply with requirements. After approval, budgets are tracked by an automated system and throughout the fiscal year, are subject to periodic, manual reviews by fiscal liaisons and program administrators.

The SEA's grants procedural manual provides written guidance on the allowable use of funds and specific information for each title program. LEAs are provided technical assistance in the form of webinars, workshops, and State conferences on how to ensure funds are administered in compliance with relevant federal and state laws, regulations, and policies. In addition, the technical assistance provides guidance on how to determine if the proposed use of funds is reasonable, allowable, and necessary.

O.

ALLOCATIONS



REQUIREMENT SUMMARY

SEAs shall ensure that, when subawarding funds to LEAs or other subrecipients, it makes subawards in accordance with applicable statutory requirements (including requirements related to the process for subawarding funds and the amounts to be subawarded to individual subrecipients).

ESEA §1124, §1124A, §1125, §1126(b), §2121, §2122(a), §2132, §3111(b) (1), §3114, §3116(a), §1003(g) (5), and §1003(g) (7)

EDGAR 34 C.F.R. 76.50-51, 76.300, and 76.789



DESCRIPTION OF SATISFACTORY IMPLEMENTATION

MA DESE posts requests for proposals and funding opportunities on its grants management website and notifies LEAs via email of their allocations for the upcoming year, including the formula and census data that determined the allocation amounts. Through memos and the State's federal grants workbook, the SEA provides written guidance on the application requirements, process, and deadlines. In addition, MA DESE provides guidance to LEAs during the summer on its website, through webinars, quarterly professional development, and during the fall and spring State conferences. The SEA also assigns each region a specialist for each covered program who is available via email and phone.

All programs submit their applications through the State's electronic grants management system.

MA DESE's data office calculates subaward amounts in accordance with funding formulas and makes adjustments for reservations and statutory set-asides. These calculations are then provided to each program office for review. Once each program office reviews and signs off on the amounts, allocations are released to LEAs. If an issue arises during the process, the data office is tasked with resolving the issue before an allocation is approved. Hold harmless is evaluated on a case-by-case basis to determine if the amounts are appropriate. If any are under 85percent, the SEA conducts a line-by-line comparison of prior year and preliminary year amounts.

Q.

COMPARABILITY**REQUIREMENT SUMMARY**

The SEA may only provide Title I, Part A funds to an LEA if State and local funds will be used in schools served by Federal programs to provide services that, on the whole, are at least comparable to services in schools that are not receiving Title I funds.

ESEA §1120A(c)

**DESCRIPTION OF SATISFACTORY IMPLEMENTATION**

LEAs are required to compute comparability annually in October. MA DESE provides an Excel spreadsheet, that can be found on MA DESE's website, along with instructions to all LEAs on how to complete and return the form which is due in December. LEAs enter required information (FTE, school enrollment, poverty measures, grade span, school type, etc.) in the spreadsheet and comparability is computed automatically. Charter schools are included in this calculation and all schools are grouped by grade span. Information is maintained in an Excel spreadsheet and records are kept in the SEA office. MA DESE staff run reports that flag LEAs that may not be comparable. If comparability is not met, LEAs are notified in January and are asked to provide data so that a comparison can be made to the information the LEA submitted in the spreadsheet in order to identify any potential discrepancies. To ensure compliance with comparability requirements MA DESE follows up with identified LEAs until they receive validation in the form of a budget document that shows a shift in resources and/or FTEs that indicates comparability has been met.

R.

SUBRECIPIENT MONITORING



REQUIREMENT SUMMARY

An SEA shall monitor local educational agencies (LEAs) and any other entities, including external providers, receiving Federal funds from programs covered in the Consolidated State Plan to ensure that performance goals are achieved and that subawards are used for authorized purposes and in compliance with Federal statutes, regulations, and the terms and conditions of Federal awards.

Uniform Guidance 2 C.F.R. 200.331(d)



DESCRIPTION OF SATISFACTORY IMPLEMENTATION

The MA DESE public school monitoring unit is responsible for subrecipient monitoring, which occurs on a six-year monitoring cycle. Prior to monitoring, the SEA sends out a notice of review to the 60 – 80 LEAs it monitors each year. Title I and Title II conduct desk reviews for most LEAs being monitored and use a risk assessment to determine which LEAs will receive an on-site visit, while Title III goes on-site for every LEA that it monitors.

MA DESE provides guidance to LEAs through guidance documents, webinars, and trainings. Internal documentation is available for staff that outlines the review and monitoring processes. A webinar on how to organize materials and the entire monitoring process is provided to LEAs identified for monitoring and a letter is sent out to the LEA superintendent and federal program directors with parameters for the review along with a rubric that includes examples for types of evidence. In addition, Title III conducts face-to-face presentations on topics that will be covered during monitoring.

After handbooks and documents are submitted by LEAs, the monitors meet as a group to calibrate reviews throughout the process. MA DESE staff provide support through guidance, review, monitoring and technical assistance. Title III also has an online system for monitoring and review with training materials posted online.

Following subrecipient monitoring activities, MA DESE issues notifications of findings, if any, to participating LEAs. Notices of findings include corrective actions, next steps, and a timeline for submission of follow-up documentation. Findings are denoted and tracked in shared databases and spreadsheets accessible to the necessary SEA staff. LEAs that do not comply with required follow-up activities may be subject to grant payment withholding until compliance has been demonstrated.

S.

SUPPLEMENT NOT SUPPLANT



REQUIREMENT SUMMARY

The State and its subgrantees must ensure that funds from the Title I, Part A, Title II, Part A and Title III, Part A programs are used to supplement not supplant State and local funds (as well as other Federal funds for the Title III, Part A program).

ESEA §1114(a)(2)(B), §1120A(b), §2113(f), §2123(b), and §3115(g)

Title I Regulations 34 C.F.R. 200.79



DESCRIPTION OF SATISFACTORY IMPLEMENTATION

MA DESE's process for evaluating compliance with supplement, not supplant requirements include an evaluation of LEA applications during the pre-award process to determine allowability of funds. In the post-award process, MA DESE conducts monitoring and fiscal audits to ensure that LEAs are meeting supplement not supplant requirements. During monitoring MA DESE collects information from LEAs regarding schoolwide plans and the process for targeted student selection. MA DESE interviews staff to verify how funds are used and conducts program reviews to determine the alignment of proposed expenditures to actual expenditures. In addition, MA DESE provided evidence of guidance that it gives to grantees outlining supplanting requirements for each covered program.

T.

EQUITABLE SERVICES



REQUIREMENT SUMMARY

An SEA shall ensure that LEAs use Federal funds to provide benefits to eligible children enrolled in private schools and to ensure that teachers and families of participating private school children participate on an equitable basis.

ESEA §1117, §8501

ESEA Regulations 34 C.F.R. 299.6, 34 C.F.R. 299.9

Title I Regulations 34 C.F.R. 200.62-67

EDGAR 34 C.F.R. 76.661



DESCRIPTION OF SATISFACTORY IMPLEMENTATION

MA DESE provides guidance to subrecipients on equitable service requirements using various methods. The SEA website has a section dedicated to equitable services that includes an email where LEAs and non-public schools can submit questions directly to the ombudsman. MA DESE also provides guidance through a compliance monitoring workbook that is provided to LEAs that identifies the implementation and documentation required to meet equitable services requirements. In addition, private school worksheets are embedded within the LEA grant applications.

The SEA provides LEAs with an example of a consultation letter to send to non-public schools. In this letter, the SEA provides a brief explanation of the title program and how students can qualify for equitable services and identifies the requirement of consultation between the LEA and the non-public entity. In addition, the non-public school is asked to complete a form indicating whether it will participate in equitable services for the upcoming year and is provided contact information for staff at the LEA in case the non-public school has any questions. After consultation, private schools complete the affirmation of consultation forms which allows them to provide feedback on the consultation process. This document is submitted as part of the LEA application.

MA DESE monitors equitable services during its regular monitoring visits. In addition, the SEA assigns a liaison to each LEA who is responsible for following up on information given in the LEA application. Additionally, the SEA has a designated State ombudsman who is responsible for monitoring compliance with equitable services provisions.

U.

LEA SUPPORT AND GUIDANCE



REQUIREMENT SUMMARY

An SEA shall have procedures for providing technical assistance and evaluating how project funds were spent, if they were spent in compliance with statutes and regulations, and if expected outcomes were achieved as a result of spending.

EDGAR 34 CFR 76.770

DESCRIPTION OF SATISFACTORY IMPLEMENTATION

MA DESE included evidence that it provides guidance and support to LEAs in various forms throughout the school year and in the summer. In addition to providing written guidance and webinars, the SEA holds four regional meetings and two statewide conferences where information is provided regarding the application process, program and application requirements, and application deadlines. During each conference, special sessions are held specifically for new directors. Post-conference surveys ask LEAs to identify their current needs and to provide feedback on the conference. The SEA uses this information to design technical assistance and provide additional guidance. The SEA also provides LEAs with regional specialists for each covered program who are readily available through regular emails and telephone calls to offer assistance and support.

SECTION V

Met Requirements with Recommendation

B.

PERIOD OF AVAILABILITY AND CARRYOVER



REQUIREMENT SUMMARY

The SEA may only charge a grant program for allowable costs incurred during the period of availability and any pre-award costs that have been authorized by the Department. Unless the Department authorizes an extension, the SEA shall liquidate all obligation incurred under the award not later than 90 calendar days after the end date of the performance period. If the SEA fails to obligate all funds by the end of the award year, it can “carryover” the remaining funds for a period of one additional fiscal year. Any funds not obligated by the end of the carryover period shall be returned by the SEA to the Federal government as an unobligated balance.

Uniform Guidance 2 C.F.R. 200.309 and 200.343(b)

EDGAR 34 C.F.R. 76.707 and 76.709



ISSUE

To facilitate budgeting and planning for the use of funds over the course of an award’s 27 period of availability, including during the carryover period, MA DESE categorizes phases of the award period as Year 1 (first 12 months), Year 2 (second 12 months), and Year 3 (final three months). Grant balances are reviewed at the mid-point of each fiscal year, with notices of expiring balances provided to each program after the review. At the SEA level, carryover funds are prioritized during the carryover period through a manual “first in, first out” accounting process in which allowable program expenditures are charged to the oldest available program funds. For subrecipients with carryover balances, MA DESE communicates regularly with LEA personnel to encourage the drawdown of funds or, where necessary, reallocates expiring funds to prevent the need to return unobligated balances.

DESE utilizes automated controls within the MMARS system to ensure that only expenditures that are incurred during an award’s period of availability are applied to that award. For each award set up within the MMARS system, an initial period of availability and 90 days additional liquidation period are established, outside of which all obligations and requested payments are rejected. These automated payment windows prevent both the SEA and subrecipients from making obligations and payments outside the period of availability and liquidation period.

However, there was a lack of clarity around the extent to which MA DESE communicates liquidation period requirements to subrecipients and the exact timing by which MA DESE requires subrecipients to submit final payment requests during

the liquidation period. In its self-assessment response, MA DESE noted that subrecipients have 60 days from the end of the period of availability to liquidate all payments. During the desk review MA DESE staff stated that subrecipients have until the end of December to liquidate payments, even though the SEA strongly encourages subrecipients through guidance and communications to ensure that expenditures are liquidated by the end of the period of availability (the end of September of the carryover year). None of the documentation submitted by MA DESE related to period of availability and carryover requirements contained any content related to the liquidation period. Clarity regarding the liquidation period dates enables subrecipients to effectively plan program spending and to ensure that all allowable obligations made during the period of availability are able to be liquidated.



RECOMMENDATION

The Department recommends that MA DESE enhance its existing guidance materials and internal procedures to further clarify the end of the period of availability and liquidation periods to ensure that subrecipients understand that funds must be obligated by the end of the period of availability (September 30) and that payments for those obligations can be made at any point during the liquidation period (until December 30). MA DESE should ensure that subrecipients understand that the only limitation on payments during this liquidation period is that they be for expenditures obligated prior to the end of the period of availability.

MA DESE might also find it useful to provide subrecipients with guidance on when an obligation occurs as defined in EDGAR §76.707 (34 C.F.R. 76.707). Such content could help ensure that subrecipients understand exactly what steps must be taken for an obligation to be made by the end of the period of availability.

D.

INTERNAL CONTROLS



REQUIREMENT SUMMARY

The SEA shall establish and maintain a system of effective internal controls over Federal awards that provides reasonable assurance that the SEA is managing Federal awards in compliance with Federal statutes, regulations, and the terms and conditions of Federal awards. These internal controls should be in accordance with guidance stated in the "Standards of Internal Control in the Federal Government" (GAO Green Book) or the "Internal Controls Integrated Framework" (Treadway Commission).

Uniform Guidance 2 C.F.R. 200.303



ISSUE

MA DESE's internal controls framework is outlined in the agency's Internal Control Plan, which includes descriptions of MA DESE's control environment, a unit-focused risk assessment process (including the overall considerations for assessing operational risks), and the process for monitoring the agency's internal controls policies and procedures. During the review, MA DESE was able to provide further details regarding the dynamics of the SEA's control environment and discuss the operation of several specific control activities.

However, during the review MA DESE noted that the agency was still in the process of developing an agency-wide enterprise risk assessment process. While the informal, unit-focused risk assessment process described in the Internal Control Plan and during the review provides the opportunity to identify risks, a more comprehensive agency-wide process could allow for a comparison of risk across functional units and facilitate development of mitigation strategies for common sources of risk.

MA DESE also noted that the agency does not have agency-wide segregation of duties policies or standards. Instead, the SEA permits each functional unit to design its own workflows such that duties and responsibilities are appropriately segregated. While the review did not identify any instances where duties were insufficiently segregated, the absence of agency-wide standards for segregation of duties creates the potential for uneven standards across functional units, which could result in weaknesses in the agency's overall internal controls.



RECOMMENDATION

The Department recommends that MA DESE:

1. Complete and implement the enterprise risk assessment process currently in development. When implementing the process, MA DESE should ensure that clear instructions are provided to relevant staff for completing the risk assessments and results are communicated to leadership throughout the

agency to ensure awareness of identified risks.

2. Develop agency-wide segregation of duties standards or policies to be utilized across the various functions and units of the agency. Such policies could emphasize the importance of sufficient segregation of duties, create uniform expectations for segregation for similar types of processes across units, and ensure a baseline level of segregation of duties within the agency.

F.

RECORDS AND INFORMATION MANAGEMENT



REQUIREMENT SUMMARY

An SEA shall keep records that fully show the amount of funds under a grant award or subgrant, how the SEA used the funds, the total costs of Federally supported projects, the share of costs provided from other sources, records to show compliance with program requirements, and any other records needed to facilitate an effective audit. An SEA shall also take reasonable measures to safeguard and protect personally identifiable information (PII). PII is information that can be used to distinguish or trace an individual's identity, either alone or when combined with other personal or identifying information that is linked or linkable to a specific individual

Uniform Guidance 2 C.F.R. 200.79, 200.303(e), 200.333, 200.336(a)

EDGAR 34 C.F.R. 76.730-731



ISSUE

During the review, MA DESE provided an overview of the agency's information security framework, as well as information on specific controls in place to protect personally identifiable information (PII). MA DESE noted that a centralized IT office within the agency is responsible for ensuring network security and that all of the agency's data collections systems are protected with single sign-on dual-authentication controls. Additionally, MA DESE stated that new MA DESE employees are required to undergo training on measures for the protection of PII. MA DESE also noted that the State's Executive Office of Education Information Technology (EOE IT) administers all information systems for MA DESE and regularly monitors user and service accounts, matching employment status with MA DESE Human Resources (HR) to ensure departed users no longer have access to information systems. In order to ensure the protection of PII, all student-level data and other data that is classified as containing PII cannot be directly accessed from outside of MA DESE's network. Rather, EOE IT will only grant a user access to PII and/or student level data if such access is requested and approved by MA DESE representatives. The EOE IT also regularly monitors the MA DESE network for known vulnerabilities, suspicious network traffic, and location-based geographical access.

However, MA DESE was unable to provide documentation of the policies and procedures in place to satisfy information and records management requirements. Regarding its records management procedures, MA DESE only provided the Department with documentation of Massachusetts' records retention policy rather than copies of agency-specific procedures for ensuring compliance with the statewide policies. In addition, while MA DESE was able to explain the controls in place to protect collected PII, MA DESE was unable to provide any

documentation of those procedures or procedures related to general information systems security. Even though MA DESE (or EOE IT) may currently be adequately protecting PII, a lack of internal policies and procedures could result in lapses in information security and compromise the PII of students, teachers, or parents in the future.



RECOMMENDATION

In order to address the issues noted above, the Department recommends that MA DESE:

1. Develop policies and procedures for the protection of PII (covering PII from all sources (SEA personnel, students, teachers, etc.)).
2. Develop policies and procedures describing the process for monitoring and evaluating of the security of its information systems and for responding to any identified vulnerabilities.

G.

EQUIPMENT MANAGEMENT



REQUIREMENT SUMMARY

An SEA shall use, manage and dispose of equipment and supplies purchased using Federal funds in accordance with all relevant State laws and procedures. SEAs shall also ensure that equipment and supplies are used only for authorized purposes of the project during the period of performance (or until no longer needed).

Uniform Guidance 2 C.F.R. 200.313-314

GAO Green Book Principle 10.03



ISSUE

While MA DESE noted that the SEA has not purchased significant amounts of equipment or supplies using Federal funds during the past several fiscal years, MA DESE was nonetheless able to provide documented procedures for managing equipment and supplies and was able to describe how equipment management policies were implemented within the agency. MA DESE maintains a master asset inventory listing to track items purchased by the SEA, including all non-consumable items such as furniture, appliances, fax machines, copiers, etc. The inventory listing denotes the acquisition date, funding source, acquisition cost, unit assigned control over the item, and unique item identification number for each item. The inventory listing is then audited on an annual basis to ensure that all items are properly accounted for and that inventory records are accurate and complete.

However, during the review MA DESE noted that the agency does not have a defined set of control procedures for vulnerable items (i.e., items that are mobile or high-value), nor does the agency have documented procedures for investigating when items are damaged, lost, or stolen. Though such controls are not mandated under Federal requirements and MA DESE noted that it does not routinely purchase such items using Federal funds, the failure to take such measures could result in the loss of items purchased with Federal funds and the need to expend further funds to replace them.



RECOMMENDATION

The Department recommends that MA DESE develop enhanced inventory control procedures for vulnerable assets – those assets that are of high value, mobile, or that would otherwise be a greater risk of theft, loss, or damage. These procedures could include more frequent inventorying, maintaining independent inventory listings, requiring additional or unique tagging of items, enhancing or providing additional security during storage of the items, or other measures. Such procedures should help protect vulnerable items from misuse or theft and ensure that items are able to

continue to be used for intended purposes.

In addition, the Department recommends that MA DESE develop documented procedures for mandatory investigations and follow up where any items are reported as lost, stolen, or damaged. Such procedures could allow MA DESE to identify potential weakness in inventory controls and to develop strategies to prevent future losses.

P.

MAINTENANCE OF EFFORT



REQUIREMENT SUMMARY

An SEA shall ensure that each LEA shall have an amount of funding not less than 90% of the amount available the preceding year.

ESEA §9521

ESEA Regulations 34 C.F.R. 299.5



ISSUE

To ensure LEA compliance with maintenance of effort (MOE) requirements, MA DESE performs required MOE calculations on behalf of its LEAs. Each fall, MA DESE receives an end-of-year financial report from each LEA that includes a listing of revenue and expenditures from the previous year that are reported by source of funding. MA DESE then looks at the two previous years to determine if each LEA has met MOE at either the aggregate or per pupil level. Once MA DESE staff complete MOE calculations, LEAs are notified within one to two months in writing as to whether they have met or failed to meet MOE requirements. LEAs that do not meet MOE work with the school principal and budget analyst to do further research to identify where the LEA does not meet MOE. Once the issue is identified, LEAs are given the option to shift resources and full time employees (FTE) or apply for a waiver from the Department. MA DESE provides LEAs written guidance in the State's federal grants workbook, at annual meetings, on its website. Although MA DESE has documented procedures for determining when an LEA does not meet MOE, the SEA does not have a specific process in place to assist LEAs in requesting a waiver from the Department.



RECOMMENDATION

The Department recommends that MA DESE develop documented procedures describing the process for assisting with waiver requests when LEAs fail to meet MOE requirements. The documented procedures should include roles and responsibilities of MA DESE staff, timelines for each stage of the process, and actions and follow up based on determinations made at each stage.

SECTION VI

Action Required

V.

TRANSPARENCY AND DATA REPORTING



ISSUE

Under ESEA §1111(h), an SEA and its LEAs are required to prepare and annually disseminate report cards in a timely manner that include information related to student and school performance within the State. Among other data, the State and LEA report cards must include:

- Information on student achievement on academic assessments at each level of achievement, both for all students and disaggregated by each major racial and ethnic group; economically disadvantaged students as compared to students who are not economically disadvantaged; children with disabilities as compared to children without disabilities; English proficiency status; gender; and migrant status;
- The percentage of students not assessed for all students and each subgroup of students; and

During the review, the Department identified that data elements listed below are missing from the report cards. The most recently available report card does not include:

- All required information on student achievement on the academic assessments at each level of achievement, for the migrant subgroup of students; and,
- The percentage of students not assessed for the migrant subgroup of students.



REQUIRED ACTION

Within 30 business days of receiving this report, MA DESE must provide the Department with documentation demonstrating that it has:

1. Updated and disseminated the most recently available SEA and LEA report

REQUIREMENT SUMMARY

An SEA and its LEAs are required to prepare and annually disseminate report cards that include all required elements to the public in a timely manner.

ESEA §1003(f) and §1111(h)(1)

Title I Regulations 34 C.F.R. 200.11, 200.19(b)

- cards to include the required data elements outlined above; and,
2. Developed procedures to ensure that report cards (including the required report cards for school year 2016-2017) include each required data element.