

Mississippi Performance Review Report FY 2017

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U.S. Department of Education
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Office of Elementary and Secondary Education
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Office of State Support Performance Review Process

The Office of State Support (OSS) is committed to supporting States as they implement Federal grant programs. Part of this commitment includes a performance review process designed to not only address the OSS's responsibilities for fiscal and programmatic oversight, but to also identify areas in which States need assistance and support to meet their goals and obligations. The performance review process is anchored around ongoing conversations between the OSS and grantees and includes multiple components: *Progress Checks, Desk Reviews, and On-Site Reviews*.

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 Elementary and Secondary Education Act of 1965 (ESEA), as amended by the No Child Left Behind Act of 2001 (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 May 15 – May 18, 2017, OSS review of the Mississippi Department of Education's (MDE'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 Every Student Succeeds Act (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 No Child Left Behind) was reauthorized. In order to ensure that the OSS performance review process did not interfere with a State educational agency's (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:	487,200	Limited-English Proficiency: ³	2%
In Title I Schools: ⁴	99%	Eligible for Free & Reduced Lunch:	75%



RACIAL/ETHNIC BACKGROUND (%)

White:	44.8	Asian or Pacific Islander:	0
Hispanic:	3.4	American Indian/Alaskan Native:	0.2
Black:	49.2	Native Hawaiian/Other Pacific Islander:	n/a



SCHOOL & LOCAL EDUCATIONAL AGENCY (LEA) CHARACTERISTICS

School Districts:	165	FTE Teachers:	32,292
Schools:	1,081	Per-Pupil Expenditures: ⁵	\$8,265
Charter Schools:	2		



FEDERAL FUNDING⁶

Total:	\$228,436,429	Title III, Part A:	\$1,588,795
Title I, Part A:	\$186,696,456	SIG:	\$6,012,693
Title II, Part A:	\$34,138,485		

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).

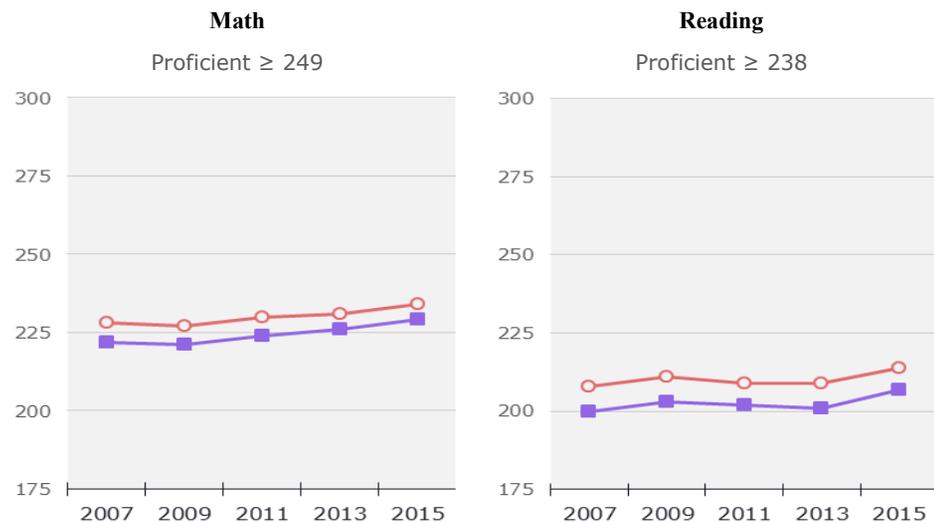
⁶ FY 2015 funds included above are from OSS administered programs that allocate funds to States using a statutory formula. The totals do not reflect all Department funds that flow to a State. States and other entities may also receive funds from grants that are awarded on a competitive basis.

NAEP Average Scale Scores by Grade & Year

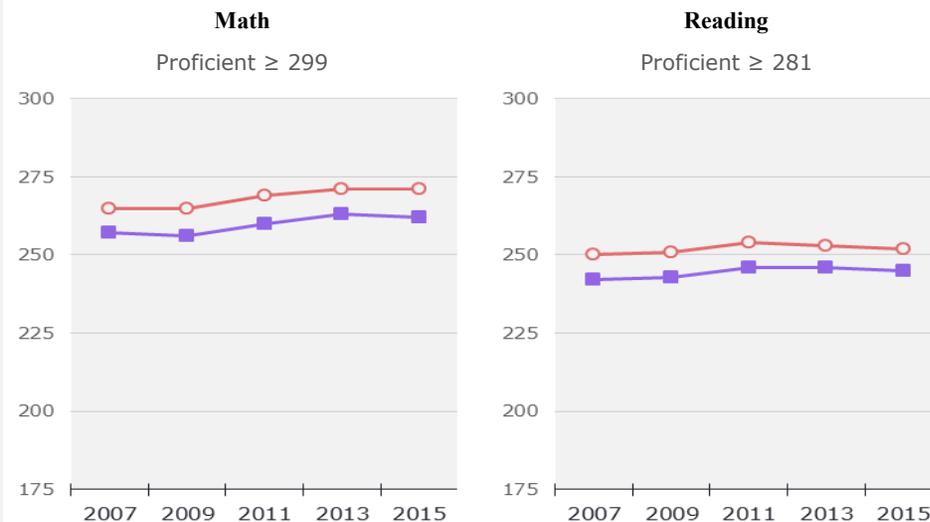
The National Assessment of Educational Progress (NAEP) is the largest nationally representative and continuing assessment of what America's students know. The NAEP mathematics and reading scales range from 0–500.

○ All
 ■ Low-income students
 + EL students

Grade 4



Grade 8



	All	Low-Income	EL ⁷
2007	228	222	NA
2009	227	221	NA
2011	230	224	NA
2013	231	226	NA
2015	234	229	NA

	All	Low-Income	EL ⁸
2007	208	200	NA
2009	211	203	NA
2011	209	202	NA
2013	209	201	NA
2015	214	207	NA

	All	Low-Income	EL ⁹
2007	265	257	NA
2009	265	256	NA
2011	269	260	NA
2013	271	263	NA
2015	271	262	NA

	All	Low-Income	EL ¹⁰
2007	250	242	NA
2009	251	243	NA
2011	254	246	NA
2013	253	246	NA
2015	252	245	NA

⁷ Reporting standards not met.

⁸ Reporting standards not met.

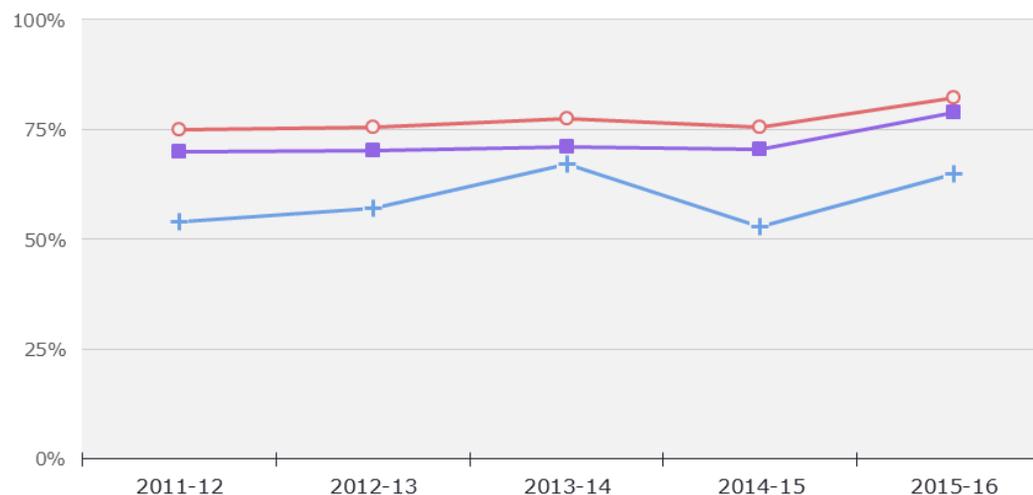
⁹ Reporting standards not met.

¹⁰ Reporting standards not met.

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	75.0%	70.0%	54.0%
2012-13	75.5%	70.2%	57.0%
2013-14	77.6%	70.9%	67.0%
2014-15 ¹¹	75.4%	70.5%	53.0%
2015-16	82.3%	78.8%	65%

¹¹ Regulatory Adjusted Cohort Graduation Rate: 2014-15: Mississippi’s adjusted cohort graduation rate data used to populate the table above reflect submissions as of May 7, 2016 and subsequently certified in the State’s Consolidated State Performance Report. The State resubmitted their adjusted cohort graduation rate data on July 20, 2016. These data are currently under review by the Department.

SECTION II

Grant Administration and Fiscal Management Evaluation

Dates of Review	May 15 - May 18, 2017
Reviewers	<p>Jeanette Horner-Smith (Office of State Support)</p> <p>Ashlee Schmidt (Office of State Support)</p> <p>Jameel Scott (Office of State Support)</p> <p>Christopher Fenton (Office of State Support)</p> <p>John Keefer (Management Support Unit)</p> <p>Shane Morrisey (Management Support Unit)</p>
LEA Participants	<p>Madison County School District (Ridgeland, MS)</p> <p>Vicksburg Warren School District (Vicksburg, MS)</p> <p>Gulfport School District (Gulfport, MS)</p>
Current Grant Conditions	<p>Title I, Part A: None</p> <p>Title II, Part A: None</p> <p>Title III, Part A: None</p> <p>SIG: None</p>
Outstanding Findings	<p>Title I, Part A: None</p> <p>Title II, Part A: None</p> <p>Title III, Part A: None</p> <p>SIG: None</p>
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	●○○○	●○○○

Cross-cutting Feedback

At several points during the review, MDE staff cited a high rate of personnel turnover as a cause of limited knowledge or familiarity with the procedures and process used to execute certain functions and responsibilities. However, the Department noted numerous areas, described in the report sections below, where MDE was unable to provide any documented policies and procedures which could significantly help protect against the disruptions caused by personnel changes, facilitate onboarding of new staff and provide an institutional knowledge base that could persist in the face of turnover. At several points in this report, the Department highlights specific areas where improved documentation of policies and procedures could lead to improvements in operations and program outcomes. Additionally, the Department strongly recommends that MDE institute some type of agency-wide periodic review process to assess the state of its standard operating procedures, program manuals, and other documentation to ensure that all operational processes are sufficiently documented to capture ongoing activities. Such actions could help prevent many of the issues that were noted during the review and described in the report below.

SECTION III

Met Requirements with Commendation

No areas reviewed were identified for commendation.

SECTION IV

Met Requirements

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 ensure that subrecipients comply with period of availability and carryover requirements, MDE monitors grant balances throughout the award period and works closely with subrecipients to ensure that program funds are spent within the period of availability. In addition, when subrecipients submit reimbursement requests, the MDE "Request for Funds" form used to document the request requires subrecipients to sign an attestation that the costs for which the entity is being reimbursed are from timely and valid obligations. MDE also provided clear procedures for monitoring subrecipient compliance with Title I carryover restrictions (with accompanying samples of communication with subrecipients).

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**

MDE provided documented procedures for maintaining time and effort records to support personnel charges to Federal awards. MDE uses consolidated administrative funds for the salaries of program staff, maintaining semi-annual certifications for staff members who are funded 100% from consolidated administration funds and personnel activity reports for the small number of staff who work on consolidated and non-consolidated program activities. MDE requires direct supervisors to review timesheets and approve of all staff time and effort documentation. If the funding source for an employee changes during the course of the fiscal year, both the employee's direct supervisor and the agency's leadership team must verify and approve the change before a different program can be charged for that employee's time and effort.

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

MDE provided a copy of its current, approved indirect cost rate agreement. Prior to the review, MDE also submitted a copy of the calculation worksheet used to capture allowable indirect costs. The worksheet tracks direct cost amounts for each month by program office (e.g., Office of Secondary Education), program (e.g., Title I, Part A), the total amount of fiscal year direct costs for each program (cumulative), the approved indirect cost rate, and the total amount of indirect costs generated by each program (cumulative). This approach allows MDE to track the total amount of indirect cost charges for each program throughout the fiscal year and verify that charges do not exceed allowable rates.

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

MDE utilizes an online system, the Mississippi Comprehensive Automated Performance-based System (MCAPS), to conduct its LEA application review process for each of the covered programs. LEAs enter detailed budget information (among other information) within the system, including a narrative for each item that describes how the project element aligns with the LEA's needs assessment for the program. Once LEAs submit this information through MCAPS, MDE staff complete line item reviews of LEAs' proposed budgets for each program. MDE program staff review each budget item against the LEA's needs assessment, and evaluate whether the item is reasonable, allowable, and allocable to the Federal program. The proposed LEA program budget goes through three levels of review before final approval: MDE program staff, supervisor, and director. MDE provided its "Step by Step Intake, Review, and Approval Process" guidelines, along with the "Fiscal Year 2017 CFPA Minimum Standard Review Tool," outlining procedures, timelines, and staff responsibilities for reviewing LEA plans and budgets.

When LEAs submit budget amendments, MCAPS logs each request for a revision to the budget and sends an email notification to alert MDE program staff to the request. MDE program staff review each budget amendment request in the same manner as the initial proposed budget.

If the review of any initial proposed budget or budget amendment shows an unnecessary, unreasonable, or unallowable use of funds, MDE program staff explicitly reject the item and return the proposed budget (or proposed amendment) to the LEA, with a request that the LEA provide additional information and an updated budget or budget amendment. MDE program staff work closely with LEA staff to ensure that final approved budgets are aligned with Federal requirements.

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

MDE provided evidence demonstrating that it has procedures for monitoring LEAs receiving Federal funds 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. MDE monitors LEAs using a consolidated monitoring instrument for Title I, Title II, and Title III on a staggered three-year cycle. During the first year, LEAs complete a self-assessment; during the second year, MDE provides technical assistance to LEAs on the basis of any identified issues; and during the third year, MDE conducts formal on-site monitoring visits. During each school year, one third of LEAs complete each phase of the cycle. MDE also conducts annual monitoring of SIG subrecipients using a program-specific monitoring instrument. MDE's monitoring protocols are comprehensive – they cover applicable programmatic and fiscal requirements and require LEAs to demonstrate compliance through submission of evidence and documentation.

If MDE identifies compliance or performance concerns through monitoring, it has a clear process to ensure that LEAs satisfactorily address and resolve the deficiencies in a timely manner. MDE issues a report subsequent to monitoring and allows the LEA 30 days to provide a response. After reviewing the LEA's response, MDE communicates to the LEA whether the issues have been sufficiently addressed, require the submission of additional information, or remain unresolved. If LEAs are unresponsive or do not take appropriate steps to address issues identified during monitoring, MDE enforces consequences, including reporting the LEA to the Office of Accreditation.

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 §9501

EDGAR 34 C.F.R. 76.661

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

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



DESCRIPTION OF SATISFACTORY IMPLEMENTATION

MDE provided the Department with documentation that clearly evidenced that the SEA provides guidance and technical assistance to LEAs regarding the provision of equitable services as well as documented procedures for ensuring that LEAs provide equitable services in accordance with requirements. As a part of their applications to MDE for grant funding, LEAs must upload into MCAPS a signed assurance from relevant private school officials that consultation has occurred. If the assurance is not included with the application, MDE returns the application to the LEA and require the information to be submitted before funding is released. Additionally, MDE provided information to the Department regarding its LEA monitoring protocol; during monitoring, MDE visits private schools to interview staff about the services they are receiving from LEAs to assess whether the services provided are meeting the private schools' needs.

SECTION V

Met Requirements with Recommendation

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)



ISSUE

As evidence of its subrecipient audit resolution process, MDE provided the Department with a number of documents prior to the review including a copy of its audit resolution procedures, samples of communication with LEAs regarding audit findings, sample subrecipient audit resolution documents, and audit resolution procedures for SEA audit findings. These materials provided a clear overview of MDE's procedures for reviewing and resolving subrecipient and SEA audit findings.

To ensure that audit reports are submitted in accordance with established timelines, MDE's Bureau of Internal Audit (Bureau) tracks audit submission and follows up with LEAs that fail to timely submit required audit reports. Where an LEA fails to submit a report by the required deadline, the Bureau sends a notice of delinquent status to the LEA Superintendent, with eventual escalation to the School Board President in the event of continued failure to submit an audit report. If an audit report remains delinquent despite MDE's outreach, the Bureau notifies MDE's Office of Accreditation, which is then tasked with sending a letter of warning to the LEA and placing a citation on the LEA's Accreditation Record Summary. Where an LEA commits four consecutive violations of the same accreditation standard or where an individual violation is determined to be of such a serious nature that immediate action is warranted, the Office of Accreditation may downgrade or revoke an LEA's accreditation status.

However, based on the documentation submitted prior to the review and the information obtained during the on-site review, it appears that the process described above for ensuring timely audit submission does not appear to provide a sufficient deterrent for LEAs who fail to submit required audit reports in accordance with established timelines. Prior to the review, MDE provided a copy of an audit

submission tracking tool which indicated that numerous LEAs submitted late audit reports, with multiple LEAs failing to meet submission deadlines in both fiscal year 2015 and fiscal year 2016. In addition, the tool indicated that several LEAs failed to submit an audit report at all for either fiscal year 2015 or fiscal year 2016 (or both).¹² When asked about the steps MDE has actually taken in regards to LEAs with persistently late or missing audit reports during the on-site review, MDE staff stated that, to their knowledge, accreditation has never been withdrawn due to the failure to submit an audit report in accordance with requirements, even where a district has failed to submit multiple audits. Given the documented instances where LEAs failed to submit timely audits across multiple fiscal years, it does not appear that MDE's current approach sufficiently deters LEAs from violating Federal audit submission requirements.



RECOMMENDATION

The Department recommends that MDE consider imposing additional measures to ensure that LEAs submit delinquent audit reports in a timely manner and provide for consequences if an LEA fails to do so, particularly where repeat violations occur. Given that accreditation has never been withdrawn due to delinquent audit submission, MDE should consider adopting additional consequences for the failure to submit an audit report. Penalties that are shorter-term and more efficient to enact than withdrawing accreditation – such as the temporary withholding of Federal funds – could potentially serve as a more effective deterrent for LEAs and encourage more timely submission of audit reports.

¹² Based on the structure of the tool, it was unclear whether these LEAs failed to meet the audit threshold or whether the LEA had just failed to submit an audit as required under the Uniform Guidance.

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

MDE provided the Department with a number of materials prior to the review, including its Property Officer's Manual, a property inventory, results from a property audit, and fixed assets and facility usage policies.

When MDE purchases items using Federal funds, it adds items to the agency inventory listing at the time of purchase. All items with a cost of \$1,000 or more are added to the Department inventory and designated as being purchased using Federal funds. There are other items listed in the Property Officer's Manual that are added to the inventory as well regardless of their purchase value (e.g., cell phones, radio equipment, etc.). However, once items are included in the inventory, MDE does not distinguish "vulnerable" assets from other items on the inventory. Vulnerable assets are those items that are of higher value or are "walkable" (i.e., more prone to theft). Because of the nature of these items, there is a greater risk that they will be misappropriated or lost.



RECOMMENDATION

MDE should establish policies that differentiate how it handles vulnerable assets as compared to how it handles other assets. As an example, some States have policies that require computer equipment to be stored in a more secure location than other items. Such procedures could help ensure that vulnerable items are properly accounted for and reduce the need for subsequent purchases to replace lost or stolen items.

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



ISSUE

MDE provided the Department with documentation prior to the review outlining conflict of interest procedures, including a copy of MDE's "Conflict of Interest Form." MDE's conflict of interest procedures prohibit employees from participating either directly or indirectly in a procurement transaction when the employee knows that the employee or any member of their immediate family has a financial interest pertaining to the procurement, a business or organization in which the employee or any member of their family has a financial interest pertaining to the procurement, or any other person, business or organization with which the employee or any member of the employee's immediate family is negotiating or has an arrangement concerning employment is involved in the procurement. However, during the review MDE could not describe or provide evidence of any means to enforce a violation of its conflict of interest policy.¹³



RECOMMENDATION

MDE should develop procedures to enforce its conflict of interest policy, including consequences and penalties to be imposed if the policy is violated. These measures should help improve the deterrent effect of MDE's conflict of interest policy and reduce the risk that a conflict would occur.

¹³ During the on-site review, a representative of the Department's Risk Management Service (RMS) accompanied the Office of Elementary and Secondary Education and OSS review team. In addition to observing the OSS review of MDE, RMS conducted its own independent conversations with MDE and representatives of the Mississippi Office of the State Auditor. Following the OSS review, RMS shared concerns raised by the State Auditor regarding MDE's procurement process, including concerns around MDE's failure to follow State procurement requirements and potential conflicts of interest that were not identified during specific procurement transactions. Because these conversations were beyond the scope of the OSS review, this report does not address the issues the State Auditor described to RMS. RMS will provide independent feedback to MDE and the OSS encourages MDE to address any issues highlighted by RMS.

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



ISSUE

In the State of Mississippi, charter schools apply to and receive authorization from the Mississippi Charter School Authorizer Board (MCSAB). While the State Superintendent and two members of the Mississippi Board of Education serve on the MCSAB, the entity is independent of MDE. Mississippi's first charter school opened in school year 2015-2016 and only three charter schools currently operate in the State. Each of these charter schools operates as an independent LEA and is responsible for meeting all requirements applicable to LEAs under State and Federal law.

During the review, MDE described and provided documentation regarding its procedures for allocating funds to charter schools, both for newly opened charter schools and for charter schools that experience a significant expansion in enrollment, including steps to verify enrollment data through the Mississippi Student Information System. MDE also ensures that all charter schools are invited to trainings and conferences led by MDE, and that they all have access to the MCAPS system and its Document Library in order to have access to all written guidance issued by MDE.

However, during the review MDE noted that the MCSAB only notifies MDE of the approval of a charter; MCSAB does not provide information related to the charter application, including any details provided by a prospective charter regarding its operation by third-party education service providers. In addition, there was no evidence of a clear and regular process for communicating with MCSAB regarding either charter school authorization or other information related to the ongoing operation of the State's charter schools. While the number of charter schools operating within the State remains low, a more formalized process for sharing information between MDE and MCSAB could be useful to ensure the both entities

have the full scope of information necessary to achieve their missions.



RECOMMENDATION

MDE should develop a formal, regular process for sharing information with the MCSAB related to charter school openings and operations. Such a process would ensure that MDE has access to the information needed to successfully administer Federal programs to charter schools.

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



ISSUE

After receiving preliminary allocation amounts from the Department, MDE staff calculate reservation amounts for State administration and State activities. Once calculations are completed, the reservation amounts are reviewed and verified by staff, supervisors, and the Federal Programs Director prior to being entered into the Mississippi Accountability System for Government Information and Collaboration (MAGIC) system. The Department reviewed and verified that calculated reservation amounts submitted by MDE were in accordance with requirements.

MDE noted that it consolidates its administrative reservations for eligible programs. When expending consolidated funds, MDE applies administration charges against the oldest and smallest grant first to ensure that all program reservations are fully used during consolidation. A schedule is updated each July to outline how consolidated funding will be used during the fiscal year. To ensure that reserved funds are spent in a timely and correct manner, MDE staff compare grant expenditures to balances on a regular basis and review current balances during monthly finance meetings. As an added layer of control, the MAGIC system also includes automated controls to prevent MDE from making charges to programs in excess of approved and budgeted reservation amounts.

While MDE was able to describe the processes it uses to calculate and consolidate reservations amounts, as well as the process used to drawdown administrative funds for the covered programs, the supporting documentation MDE provided did not provide a clear explanation for how MDE implements the reservation and consolidation process, including which staff are responsible for which parts of the process.



RECOMMENDATION

MDE should develop a more formal set of guidelines and procedures to be used during the approval process (e.g., staff handbook) including tools, spreadsheets, checklists, and staff roles (including verification and approval duties). MDE should also include a training plan and schedule to ensure MDE staff are prepared to properly implement the reservation and consolidation requirements.

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

MDE evaluates LEA compliance with MOE requirements annually during the consolidated application review process. MDE has documented procedures for staff to complete MOE calculations, including instructions for accessing needed LEA financial data.

If MDE determines that an LEA has failed to maintain effort, MDE notifies the LEA via email and provides the option for the LEA to seek a waiver, if necessary. For LEAs that fail to maintain effort and do not receive a waiver, MDE calculates the necessary deduction of allocations and reallocates those funds to other LEAs.

As evidence of its process, MDE provided the Department with sample calculations for the most recent fiscal year, as well as sample notifications to two LEAs that met MOE requirements. MDE also provided a copy of the spreadsheet it uses to review LEAs' MOE compliance. However, this spreadsheet only goes back two years, which could result in MDE failing to calculate the correct baseline for comparison in cases where an LEA has failed to meet MOE in the year preceding the most recent fiscal year. While MDE indicated during the review that it uses another system to track prior years' calculations, the separation of this data creates a risk of error in verifying the correct baseline for current year calculations.



RECOMMENDATION

MDE should adjust its MOE calculation spreadsheet to include at least three years of calculations in order to ensure the correct baseline data is being used to evaluate MOE each fiscal year. Centralizing this data should allow for a more efficient review of MOE compliance if an LEA failed to meet MOE in a previous fiscal year.

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)



ISSUE

MDE described that it reviews LEA compliance of comparability requirements by conducting annual reviews based on information LEAs submit through MCAPS. MDE provided samples of the forms LEAs use to complete comparability reports, instructions for LEAs on completing those reports, and samples of how MDE provides feedback, monitoring, training, and technical assistance to LEAs regarding comparability.

While MDE provided sufficient evidence regarding its review of LEA comparability reports, MDE was not able to provide documentation of the process used to follow up with LEAs that fail to meet comparability requirements. MDE indicated that LEAs are required to comply with comparability requirements by December of each year, but could not describe specific procedures or consequences for LEAs that do not comply by that date. Without such procedures, there is a risk that MDE could fail to ensure that an LEA with non-comparable schools addresses the issue in a timely manner.



RECOMMENDATION

MDE should develop written procedures to describe how it will follow up with LEAs that do not comply with comparability requirements and fail to meet the requirement by the December deadline. Although MDE reports that comparability has not been an issue for any of its LEAs in recent years, the Department recommends having documented processes in place should this issue arise in the future.

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



ISSUE

MDE provided evidence that it has procedures for providing technical assistance to LEAs and evaluating how funds were spent. The State's technical assistance strategies include: an annual Federal programs conference; program-specific webinars; written guidance compiled in the MCAPS Document Library; Office of Federal Programs LEA points of contact and Office of School Improvement coaches; and the technical assistance phase of the subrecipient monitoring process.

However, many of the technical assistance mechanisms currently in place require LEAs to reach out to MDE for assistance, rather than MDE proactively assessing LEAs' needs and providing tailored technical assistance to LEAs. As a result, MDE's approach to technical assistance may miss opportunities to identify technical assistance needs not self-identified by LEAs.



RECOMMENDATION

The Department recommends that MDE develop processes to regularly assess LEA needs (beyond LEA self-identification) and provide tailored supports to LEAs based on identified needs and past performance.

SECTION VI

Action Required

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



ISSUE

Under Uniform Guidance 2 C.F.R. 200.302(b)(4), an SEA's financial management system must allow for effective control over, and accountability for, all funds, property, and other assets. (2 C.F.R. 200.302(b)(4)).

During the review, the Department identified several significant issues related to the structure and operation of MDE's financial management system, which raised concerns regarding MDE's ability to allow for effective control over, and accountability for, all program funds as required under the Uniform Guidance. Specifically, the Department identified the following issues:

1. **Structural weaknesses within the MAGIC system create the risk of financial mismanagement.** There are structural weaknesses inherent in the MAGIC system. One major concern is the lack of any functional interface with several other key MDE electronic systems including MCAPS, which is the primary system LEAs use to submit payment requests. As a result, the system relies on several external manual processes to overcome the MAGIC functional limitations, many of which are undocumented and ad hoc, creating a risk of human error or manipulation, which led to the misallocation of Title I funds and which inhibited timely identification and remediation of the issue (for further discussion of the misallocation of funds see Internal Controls section below).
2. **Insufficient training on the MAGIC system.** MDE staff noted that training on the use of the MAGIC system was insufficient to ensure staff had complete and satisfactory knowledge of the system's operation. During the initial implementation of the MAGIC system, the Mississippi Department of Finance and Administration (DFA) provided limited training

to select MDE staff, who were then expected to train other staff as needed. MDE noted that many of the staff who originally received training were no longer with the agency and that DFA had not provided any formal training to new staff. Given the complexity and shortcomings of the system, effective training for new staff on how to operate the system is essential to prevent errors that could result in misallocations, over-obligations of funds, duplicate payments, and other unallowable charges to grant programs.

3. **Lack of documented financial management procedures for the MAGIC system.** MDE was unable to provide any documented financial management procedures outlining the functionality and operation of the MAGIC system or documented procedures used to coordinate information between the MAGIC system and other MDE financial management and grants administration systems (including MCAPS). MDE noted that, because MAGIC is a statewide financial management system implemented by the DFA, MDE's expectation was for DFA to provide documented procedures for operating the system soon after its implementation in 2014. However, DFA did not provide such procedures and MDE did not take any steps in the interim to either develop its own general procedures or to develop procedures for the manual processes used to move information between MAGIC and other MDE systems. MDE noted that a contractor had been hired to develop written procedures for the financial management system, but that the documented procedures had not yet been completed.

The Department acknowledges that MDE is not solely responsible for the weaknesses described above. During the review, MDE staff made clear that the agency has frequently requested assistance from DFA in addressing the known structural weaknesses inherent in the system, obtaining training for staff, and obtaining written procedures for the accounting system, including by formally requesting assistance (via a letter from the State Superintendent to the Governor of Mississippi) in prompting DFA to take action to address the MAGIC system's weaknesses. Based on the documentation provided and the results of the review, the Department agrees that DFA has not been sufficiently responsive in addressing MDE's concerns, which has resulted in significant problems related to the management of Federal grants (as described above).

However, because MDE is responsible for managing the program funds it receives from the Department, rather than the DFA, MDE retains sole responsibility for ensuring control over, and accountability for, those funds, regardless of which State agency has designed and implemented the financial management framework. As such, MDE should have taken reasonable steps to address the weakness and mitigate associated risks, to develop documented procedures to help staff navigate and operate the system, and to ensure sufficient training for all staff who would be working with the MAGIC system.



REQUIRED ACTION

Within 30 business days of receiving the report, MDE must provide the Department with a corrective action plan for addressing the deficiencies noted above. Specifically, the plan must include elements addressing the following items:

1. Developing documented procedures capturing the structure and operation of the MAGIC system, as well as the manual processes used to align the information included in other systems. In particular, these procedures must include procedures used to process subrecipient payments, including the process by which subrecipient payment requests are submitted, reviewed and approved, and any verification steps that occur prior to issuance of payment to ensure that allowable, accurate, and allocated to the correct program(s).
2. Developing and providing standardized training on the MAGIC system for both existing and new staff. These materials should include both general information on the structure and operation of the MAGIC system, as well as specific content and instructions to assist MDE in fulfilling its roles and responsibilities.

MDE's plan must include expected timelines for completion. Once the plan is approved by the Department, MDE must provide status updates every 90 days with evidence of progress towards completion. The Department will continue to work with MDE as needed to ensure that MDE's efforts result in effective and lasting improvements.



RECOMMENDATION

MDE should continue to work with DFA to update procedures and address system weaknesses, including providing regular reports/correspondence to DFA outlining any persistent issues that remain unaddressed. In particular, MDE should continue to encourage DFA to develop a MAGIC procedures manual that will outline the architecture and functionality of the system. In addition, MDE should encourage DFA to quickly address the barriers that prevent effective interface between the MAGIC system and other important MDE electronic grants management and reporting systems as such capabilities could help minimize the risk of inappropriate, unnecessary or unauthorized charges to Federal programs.

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

Under Uniform Guidance 2 C.F.R. 200.303(a), an SEA must establish and maintain effective internal control over the Federal award that provides reasonable assurance that it is managing Federal awards in compliance with all applicable statutes, regulations, and the terms and conditions of Federal awards. (2 C.F.R. 200.303(a)). The internal controls framework utilized by the entity should be in compliance with either the guidance in the "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States (GAO Green Book) or the "Internal Control Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

From April to August 2016, several former MDE staff intentionally misallocated Title I, Part A funds to 21st Century Community Learning Centers (21st CCLC) subgrantees to compensate for the unintentional over-awarding of 21st CCLC program funds during the fiscal 2016 award process. To effect this misallocation, former senior staff instructed junior senior staff to intentionally adjust expenditure codes during the subrecipient reimbursement process. It was several months before MDE leadership became aware of the misallocation. In fact, it was only because the former staff involved in the misallocations eventually self-reported their behavior that MDE leadership became aware of the situation. Without this self-reporting, the misallocation may have gone undetected for an even longer period of time.

These events, and the conversations held during the fiscal review, highlighted several areas of weaknesses in the agency's internal controls, including:

1. **Deficiencies in MDE's control environment.** The misallocation reflected several weaknesses within the agency's control environment. The initial misallocation of program funds occurred after an initial mistake was noticed. However, rather than immediately investigating the source of the mistake and taking steps to remedy the situation, former staff intentionally hid the misallocation and tried to obfuscate the situation by misdirecting

Title I funds. While former senior staff members were primarily responsible for the decision to incorrectly charge Title I for 21st CCLC program expenditures, former junior staff who were instructed to make the changes also failed to report the inappropriate charges. A greater emphasis on individual accountability and ethical behaviors (including training on ethics and the importance of incident reporting), as well as stronger awareness of State whistleblower protections and procedures could have prompted staff to report the misallocation earlier and allowed for earlier identification and remediation of the situation.

2. **Insufficient segregation of duties within the financial management process.** As MDE noted during the review, an insufficient segregation of duties was an inherent factor in the misallocation of Title I funds. The former Federal Programs Director and the former Federal Program Finance Director were able to change the funding streams for subrecipient reimbursements without any awareness or permission of agency leadership or any additional parties within the agency. In fact, MDE noted that agency leadership did not review any information related to subrecipient reimbursements prior to the self-reported misallocation of funds.
3. **A lack of sufficient controls within the financial management process.** While MDE maintained standard operating procedures for charging subrecipient expenditures to Federal grant programs, these procedures were manually by-passed and overridden. Nothing within MDE's financial management process was sufficiently able to either detect or prevent this from occurring. Even in the absence of automated controls, if a process had been in place to review and/or compare subrecipient reimbursement requests and payments, the misallocation of funds may have been detected and prevented.
4. **The failure to respond to identified risks.** As described in the Accounting Systems and Fiscal Controls area above, MDE has been well aware of the functional shortcomings of the MAGIC system for several years. MDE was clear during the review that it understood the risks inherent in the need for manual transferal of information from received subrecipient reimbursement requests to MAGIC. However, no additional controls were put in place to mitigate this risk prior to the misallocation of Title I funds. While MDE noted that an annual Internal Controls Assessment is performed for the agency, it does not have a formal process to evaluate the results and respond to identified risks.

During the review, MDE acknowledged the factors that led to the misallocation and provided numerous examples of actions it has taken to demonstrate the agency's urgency in addressing the situation and preventing a similar occurrence. In addition, MDE has undergone several internal audits to identify the specific causes of the misallocation, analyze risks still present within agency operations, and

identify areas where internal controls can be strengthened. MDE has also made significant staffing changes, terminating the employment of the individuals involved and creating several new grants management positions intended to ensure fidelity to requirements during grant administration activities. Further, to improve the overall level of oversight and transparency within the agency, MDE has implemented new supervisory structures within the agency, including the creation of an Executive Leadership Team. MDE changed its accounting procedures to require that any funding changes and/or account adjustments must be approved by agency leadership prior to implementation of the changes. Finally, to address weaknesses within the agency's control environment, MDE has begun developing new fraud, waste, and abuse procedures, has strengthened its employee ethics policies, and has developed plans to add content related to ethics to its annual staff trainings.

We appreciate the steps that MDE has taken to remediate the situation, including making staffing changes and creating new leadership structures and staff positions to improve the overall level of oversight exercised within the agency. However, there remains significant work to be done to continue to address the weaknesses that resulted in the misallocation of funds and to improve the agency's overall internal controls. MDE noted during the review that it was still in the process of evaluating and responding to the various internal assessments and audits that have been completed, including finalizing and implementing several response plans. As described in the Accounting Systems and Fiscal Controls area above, the structural weaknesses inherent in the current structure of the MAGIC system have not yet been fully addressed.¹⁴ MDE noted during the review that the agency intends to update its Internal Controls Plan in response to the misallocation, but stated that changes to the plan had not yet been made due to the need to hire additional staff to complete the work. Furthermore, although MDE acknowledged the need to improve overall ethics awareness within the agency, MDE had not yet taken any steps to publicize internal reporting procedures and State whistleblower protections to ensure that staff are aware of how to report incidents of unethical behaviors, waste, fraud, or abuse. Finally, while MDE has undertaken an Internal Controls Assessment in the months since the agency became aware of the misallocation, MDE still had not developed a formal process for evaluating the results of such an assessment, determining mitigation strategies for identified risks, or documenting the steps taken to address deficiencies highlighted in the assessment results.¹⁵

¹⁴ All corrective actions associated with MDE's use of the MAGIC accounting system are to be addressed through the items described in the action required above. While those weaknesses and their exploitation highlighted deficiencies within the SEA's internal controls, all required actions related to the MAGIC system will be addressed through that action required.

¹⁵ As noted above, the internal controls weaknesses described permitted former MDE staff to intentionally misallocate \$7,543,663 in Title I funds. This report focuses on addressing the internal control deficiencies that created the conditions for such misallocation. The issue of the potential repayment of any funds will be addressed separately in a program determination letter (PDL) resolving findings from the 2016 Single Audit for the State of Mississippi to be issued by the Acting Assistant Secretary for Elementary and Secondary Education at a later date.



REQUIRED ACTION

Within 30 business days of receiving the report, MDE must:

1. Provide the Department with a “corrective action status report” that includes each of the steps MDE has taken and plans to take to address the circumstances that led to the misallocation, as well as the current status of each step and a timeline for completion of any actions still outstanding. This report should include a comprehensive overview of the various actions taken and/or planned and the status of each, as well as copies of any underlying reports, analyses, work plans, etc. that describe planned corrective actions or which provide an analysis of the situation. The Department will review the comprehensive list of planned and completed actions, identify any additional actions necessary to address the internal controls issues described above, and provide an approval of the sufficiency of the report.
2. Provide the Department with a periodic updates (every 60 days for the first six months, and then 90 days thereafter until completion) describing the progress made towards the accomplishment of each of the planned activities until all activities are finalized and implemented. Once an activity is complete, MDE must provide documentation as evidence.
3. Provide the Department with formal, documented procedures for conducting and responding to annual internal risk assessments performed using the DFAS Internal Controls Assessment. The documented procedures must include the timeline for completing and responding to identified risks, the process for documenting and verifying responses, identification of responsive individuals, and the process for communicating the results of the assessments to MDE leadership and DFAS or other responsive State agencies. MDE should also provide a copy of the Internal Control Assessment that was to be completed by June 1, 2017 and documented evidence of the actions the agency takes in response to the assessment results.



RECOMMENDATION

MDE should take steps to raise awareness of whistleblower protections existing under Mississippi State law and to publicize the process by which staff can report potential illegal or unethical behavior.

E.

RISK ASSESSMENT



ISSUE

Under Uniform Guidance 2 C.F.R. 200.331(b), SEAs must evaluate each subrecipient's risk of noncompliance with statutes, regulations and the terms and conditions of the subaward when determining the appropriate method of subrecipient monitoring to be used during a fiscal year. (2 C.F.R. 200.331(b))

MDE was clear in its responses and documentation that it has not utilized a subrecipient risk assessment process (subrecipient monitoring has previously occurred in accordance with an established monitoring cycle rather than through a risk assessment process). While SEAs are not required to use risk assessment to identify subrecipients for monitoring, the risk assessment must be used to make some determination related to monitoring.

MDE provided a copy of a draft risk assessment process that it will use in future fiscal years. In response to several questions about how its new risk assessment process will be utilized, MDE was unable to provide a response and indicated that decisions regarding implementation of the tool had not yet been made.



REQUIRED ACTION

1. Within 30 business days of receipt of this report, MDE must submit a plan for implementing a subrecipient risk assessment process. The plan should include an outline for how the process will be carried out including the offices responsible, timeline for the process, where monitoring will be carried out, and any other relevant details.
2. While MDE already submitted a draft risk assessment process, the State should provide updates, including how MDE will:
 - a. Utilize its risk assessment for any monitoring decisions beyond the selection of subrecipients to be monitored, such as the type of monitoring review, or for targeting topics to be covered during the reviews.
 - b. Perform the risk assessment for each program.
 - c. Implement a scoring methodology that accounts for multiple indicators, considers different magnitudes of risk, aggregates to an entity level, and

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)

results in ranges of high, medium, and low risk.

Information about how the results of the assessment will be utilized to inform monitoring should also be included (this will help ensure that LEAs with a higher risk status receive enhanced oversight from MDE and decrease the likelihood that those entities would fail to comply with Federal Statutes, requirements and the terms and conditions of Federal awards).

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

Under Uniform Guidance 2 C.F.R. 200.333, all financial records, supporting documents, statistical records, and any other records pertaining to Federal awards, must be retained for at least three years from the date of submission of the final expenditure report for the award. (2 C.F.R. 200.333). The Department, its Inspector General, and the Comptroller of the United States must have the right of access to any documents, papers, or other records of an SEA that are pertinent to the administration of Federal awards. (2 C.F.R. 200.336). In order to ensure that it can fulfill these responsibilities for records management and access, MDE should maintain documented procedures outlining its methods of storing Federal program records (including the location and media of different types of records).

During the review, MDE was unable to provide agency-specific documented records management and retention procedures. Generally, MDE relies on State code provisions to outline records requirements and does not maintain agency-specific documented procedures which include content related to agency-specific retention schedules, records logistics (i.e., identifying media used for different records, clarifying records locations, etc.), or records inventory procedures. In addition, MDE noted that the agency's building had recently experienced a fire which destroyed or displaced a substantial number of program records and that there was still uncertainty as to where certain records might be located. As this situation highlights, without documented records retention policies, there is a risk that staff could fail to appropriately manage and store required records related to program activities or that records would become lost or missing in the event of an incident within MDE networks or facilities.

**REQUIRED ACTION**

Within 30 business days of receiving the report, MDE must provide the Department with documentation that it has developed agency-specific records retention procedures that include records retention schedules, descriptions of the storage and maintenance procedures for different media of records (electronic, paper, etc.), identification of records storage locations, and a description of records inventory procedures used by the agency.

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)



ISSUE

The Federal Funding Accountability and Transparency Act (FFATA) requires an SEA to report subaward information (award number, title, CFDA number, and amount) for any subrecipient that, at any point during the award period, receives more than \$25,000 in program funds cumulatively. Subaward reports are required to include the name, address, DUNS number, and other information pertaining to every subrecipient that receives a qualifying subaward. Reports must be submitted by the end of the month following the month in which a qualifying subaward is made. MDE must ensure that all qualifying subaward reports are successfully reported in accordance with established timelines.

Through the review, the Department identified the following issues with MDE's FFATA reporting:

1. MDE noted that it had not completed all required FFATA reporting at the time of the review, primarily due to staffing transitions. MDE was also unable to provide a timeline by which it intends to correct erroneous reports and submit any missing reports.
2. An error, such as a missing subrecipient DUNS number, prevents MDE from submitting batch uploads of subaward reports to the FFATA Subaward Reporting System (FSRS). In these circumstances, MDE's FFATA reporting standard operating procedures allow staff to remove those subaward reports prior to resubmission. However, MDE's FFATA reporting procedures do not require that staff follow up and resubmit the missing reports. While MDE has implemented procedures to collect subrecipient DUNS numbers and more closely monitor whether those numbers remain active during the award year (which should minimize the number of reports rejected for inactive DUNS numbers) MDE confirmed that it currently does not take steps to resubmit any rejected subaward

reports.

REQUIRED ACTION

Within 30 business days of receiving the report, MDE must provide the Department with a corrective action plan addressing the deficiencies noted above. Specifically, the plan must include elements addressing the following items:

1. Compile and submit all missing FFATA subaward reports for Federal fiscal year 2017.
2. Update its FFATA reporting procedures to require immediate follow up, correction, and resubmission of any subaward reports that are rejected by the FSRS system due to inactive subrecipient DUNS numbers.

MDE's plan must include expected timelines for completion. Once the plan is approved by the Department, MDE must provide periodic status updates with evidence of progress towards completion of the provided plan. Once MDE has completed all outlined activities, MDE must provide the Department with evidence of completion.

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



ISSUE

Under Uniform Guidance 2 C.F.R. 331(a), an SEA is required to ensure that every subaward includes the following information (among other items) at the time of the issuance of the subaward:

- Subrecipient name (which must match the name associated with its unique entity identifier);
- Subrecipient's unique entity identifier;
- Federal Award Identification Number (FAIN);
- Federal award date;
- Period of availability start and end date;
- Name of Federal awarding agency, pass-through entity, and contact information for the awarding official of the pass-through entity; and
- CFDA number and name.

When some of this information is not available, the SEA must provide the best information available to describe the Federal award and subaward. (2 C.F.R. 200.331(a)).

Prior to the review, MDE provided samples of its subrecipient grant award notices (GANs). Although the sample GANs included most of the information required under the Uniform Guidance, the GANs lacked information indicating that the award originated from the Department.

**REQUIRED ACTION**

Within 30 days of receipt of this report, MDE must provide to the Department an updated template for its GAN that includes the Department as the source of the funding for each appropriate grant award. As part of upcoming grant and subaward cycles, the Department may request copies of subaward notices for each covered program to ensure implementation of required changes.

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



ISSUE

Supplement not Supplant is one of the most important fiscal requirements associated with the Title I, Title II, and Title III programs and is intended to ensure that Federal program funds are not used to replace or make up for shortfalls in State and local funding for schools.¹⁶ For the Title I program, §1120A(b) of the ESEA, as amended by NCLB, requires an SEA or LEA to use program funds only to supplement the funds that would, in the absence of such funds be made available from non-Federal sources for the education of students participating in programs funded by the Title I program, and not to supplant such funds. Similar requirements apply to the Title II and Title III programs. Under ESEA §2113(f) and §2123(b), both an SEA and its LEAs must ensure that Title II funds are used to supplement, not supplant non-Federal funds that would otherwise be used for activities authorized under the Title II program. For the Title III program, ESEA §3115(g) requires that program funds be used so as to supplement and not supplant Federal, State, and local funds that, in the absence of Title III funds, would have been expended for programs for limited English proficient children and immigrant and youth.

In a school operating a schoolwide program under Title I, Part A, the supplement not supplant requirement of ESEA §1120A(b) does not apply, and a school does not need to demonstrate that Title I funds are used only for activities that supplement those the school would otherwise provide with non-Federal funds. However, in order for Federal funds to make a difference in supporting school

¹⁶ Note: The supplement not supplant requirements under Title I, Part A of the ESEA, as amended by the NCLB, applied during the period relevant to this monitoring report and, in general, continue to apply through the 2016-2017 school year. Although the supplement not supplant requirement applicable to schoolwide programs carries over under ESEA §1114(a)(2)(B), as amended by ESSA, an LEA must now demonstrate compliance in accordance with §1118(b)(2) of the ESEA, as amended by ESSA, with respect to all its Title I schools, including targeted assistance schools. Under this requirement, an LEA must demonstrate that the methodology it uses to allocate State and local funds to its schools ensures that each Title I school receives all of the State and local funds it would otherwise receive if it were not receiving Title I funds.

reform in a schoolwide program, Title I, Part A funds must supplement those non-Federal funds the school would otherwise receive. As required under ESEA §1114(a)(2)(B), an LEA operating a schoolwide program in a Title I school must ensure that the school receives the amount of funds from non-Federal sources it would receive in the absence of the Title I funds (including funds needed to provide services that are required by law for children with disabilities and English learners). In other words, the supplement not supplant requirement for a schoolwide program is a funds-based test to ensure the school receives all non-Federal funds it would receive if it did not receive Title I funds.

As such, while an SEA is not required to ensure compliance with ESEA §1120A(b) for Title I schools operating schoolwide programs, it must ensure that the requirements of ESEA §1114(a)(2)(B) are met.

During the review, the Department identified two primary issues with regards to how MDE is meeting supplement not supplant requirements:

1. **MDE did not have a satisfactory process for monitoring compliance with supplement not supplant requirements for the Title I program.** MDE had difficulty describing distinct criteria to be used when evaluating supplement not supplant compliance for Title I schoolwide programs and appeared to largely rely on the criteria used for targeted assistance programs. The monitoring tool provided as evidence of MDE's oversight of LEA compliance with supplement not supplant requirements did not have enough detailed information (monitoring criteria or instructions for monitoring staff) to determine if the monitoring process would be sufficient to detect supplanting issues for Title I schoolwide programs.
2. **MDE did not have a satisfactory process for monitoring compliance with supplement not supplant requirements for the Title II and III programs.** Overall, MDE provided limited information regarding how it evaluates compliance and provides guidance to LEAs regarding SUPPLEMENT NOT SUPPLANT requirements for the Title II and Title III programs. During the review, MDE was not able to sufficiently distinguish between its process for evaluating compliance with supplement not supplant between the Title I, Title II, and Title III programs. Because the contexts for compliance with supplement not supplant requirements for Title II and Title III are unique from Title I, MDE's approach creates a risk that LEAs will not be correctly evaluating whether Title II or Title III expenditures comply with supplement not supplant requirements. The monitoring tool provided did not have enough detailed information (monitoring criteria or instructions for monitoring staff) to determine if the monitoring process would be sufficient to detect the full range of potential supplanting issues for Title II or Title III programs.

Additionally, training materials provided by MDE, consisting of presentations for MDE and LEA staff from conferences and other

professional development activities, did not cover supplement, not supplant requirements in sufficient depth to allow LEA staff to have comprehensive information required to make supplement, not supplant determinations, or for MDE staff to use the presented information to determine compliance with requirements by subrecipients.



REQUIRED ACTION

Within 30 business days of receiving this report, MDE must provide the Department with:

1. A plan and timeline for the SEA to support LEAs to develop, by the start of the 2018-2019 school year, a methodology to allocate State and local funds to each school receiving Title I funds that ensures such school receives all of the State and local funds it would otherwise receive if it were not receiving Title I funds, as required under §1118(b)(2) of the ESEA, as amended by ESSA;
2. A sufficiently detailed description of how the SEA will monitor the LEAs' compliance with Title I supplement not supplant requirements in school year 2018-2019; and
3. Documentation evidencing that it has developed sufficient internal procedures for evaluating whether the SEA and its LEAs have met supplement not supplant requirements for the Title II and Title III programs starting in school year 2017-2018.



RECOMMENDATION

MDE should consider developing more comprehensive guidance and technical assistance materials for LEAs on supplement not supplant requirements under the Title II and Title III programs.

V.

TRANSPARENCY AND DATA REPORTING



ISSUE

Under ESEA §1111(h), an SEA and its LEAs are required to timely prepare and annually disseminate report cards 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 four-year adjusted cohort high school graduation rates 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; and English proficiency status and, if applicable, the extended-year adjusted cohort graduation rates;
- The percentage of students not assessed for all students and each subgroup of students;
- Information, both in the aggregate and disaggregated by high-poverty and low-poverty school, on the professional qualifications of teachers in the State, including the number and percentage of teachers teaching with emergency or provisional credentials.

Prior to the review, MDE had not made publicly available or submitted to the Department SEA and LEA report cards for either school year 2014-2015 or school year 2015-2016. The most recent SEA and LEA report cards MDE had made publicly available prior to the review were for school year 2013-2014. During the review, MDE provided the SEA and LEA annual report cards for school year 2014-2015 and school year 2015-2016 and demonstrated that the report cards had been posted on the SEA website. However, MDE had not shared the LEA report cards with its LEAs nor ensured that all LEA report cards were posted on LEA websites

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)

for public availability.

REQUIRED ACTION

Within 30 business days of receiving the report, MDE must provide the Department with a corrective action plan for addressing the deficiencies noted above or evidence documenting that they have already addressed the deficiencies. Specifically, the plan must address the following items:

1. Development and implementation of a systematic, documented process for data reporting that allows for annual publication of SEA and LEA report cards in a timely manner.
 - a. The plan should focus on procedures that improve annual LEA data reporting requirements and steps for meeting annual report card requirements by a State-established deadline, and identification of previous barriers to releasing complete report cards as early as possible in the school year, along with solutions to address those barriers.
2. Making LEA annual report cards for school year 2014-2015 and school year 2015-2016 available to LEAs for posting on LEA websites or ensuring that LEAs make available information regarding where the LEA report card is posted on the SEA website so that parents and other community members have relevant information to work more effectively with educators and local school officials.

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



ISSUE

Uniform Guidance 2 C.F.R. 200.303 requires an SEA to establish and maintain effective internal control over Federal awards. As part of these internal controls, an SEA should have appropriate procedures in place to ensure that data reported to the public and reported to the Department are high quality. "High quality" is defined as timely, complete, accurate, valid, and reliable.

The evidence MDE submitted to the Department included MDE's Data Collection and Validation Report, which did not completely address procedures for ensuring that SEA and LEA data collection and transmissions were of high quality. The Department was unable to determine, on the basis of this documentation and the discussion with MDE during the review, whether MDE has a sufficient data review process for checking the quality of data and following up with LEAs when quality issues are identified. Such a process is essential for enabling LEAs to understand and address data anomalies.

During the review, MDE submitted to the Department its Data Collection and Quality Report and a Data Governance Guideline Report that addressed key principles of data quality, data collection requirements, procedures for data quality review, and the governance for reporting data. However, despite this report, during the review MDE was unable to sufficiently describe a comprehensive data quality review process or provide further details regarding the implementation of the procedures outlined in the documentation MDE provided.



REQUIRED ACTION

MDE submitted additional documentation in January 2018 outlining how they have addressed the deficiencies noted above. The documentation outlines how MDE's

data quality review process ensures that data disseminated to the public and submitted to the Department is high-quality. As a result, the Department acknowledges that MDE has already undertaken sufficient action to address the Data Quality reporting deficiencies identified in the report and no further action is required. However, the Department may elect to review the actions taken by MDE in future reviews to ensure continued compliance with Data Quality requirements.