

South Carolina Performance Review Report FY 2017

11 20 2018

Commendations

0

Met Requirements

11

Recommendations

8

Action Required

4



U.S. Department of Education
Office of State Support
Office of Elementary and Secondary Education
400 Maryland Avenue, SW
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 and 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 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 section 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 State educational agencies' (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 (section 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 30 – June 1, 2017, OSS review of the South Carolina Department of Education's (SCDE'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 (C.F.R.) 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 NCLB) 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 may 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:	763,533	Limited-English Proficiency:	6%
In Title I Schools: ³	38%	Eligible for Free & Reduced Lunch:	60%



RACIAL/ETHNIC BACKGROUND (%)

White:	51.7	Asian or Pacific Islander:	n/a
Hispanic:	8.5	American Indian/Alaskan Native:	0.3
Black:	34.4	Native Hawaiian/Other Pacific Islander:	0.1



SCHOOL & LOCAL EDUCATIONAL AGENCY (LEA) CHARACTERISTICS

LEAs:	102	FTE Teachers:	50,236
Schools:	1,266	Per-Pupil Expenditures: ⁴	\$9,608
Charter Schools:	68		



FEDERAL FUNDING⁵

Total:	\$265,591,876	Title III, Part A:	\$4,252,671
Title I, Part A:	\$243,314,013	SIG ⁶ :	\$7,621,818
Title II, Part A:	\$25,899,138		

² Data Source: U.S. Department of Education, Common Core of Data, 2015-2016 school year, unless otherwise indicated (see <http://eddataexpress.ed.gov/> and <http://nces.ed.gov/ccd/elsi/> for additional information).

³ 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 20014-15.

⁴ Data Source: U.S. Department of Education, National Center for Education Statistics, Common Core of Data, "National Public Education Financial Survey (State Fiscal)", 2013-2014 (Fiscal Year 2014), v.1a. (see <http://nces.ed.gov/ccd/elsi/> for additional information).

⁵ Fiscal year 2017 funds included above are from OSS administered programs that allocate funds to States using a statutory formula. The totals do not reflect all Department of Education funds that flow to a State. States and other entities may also receive funds from grants that are awarded on a competitive basis.

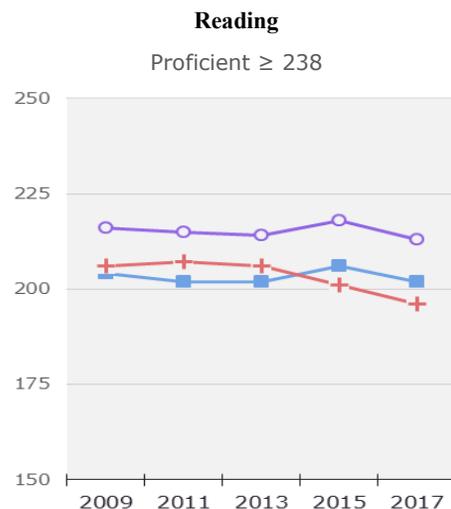
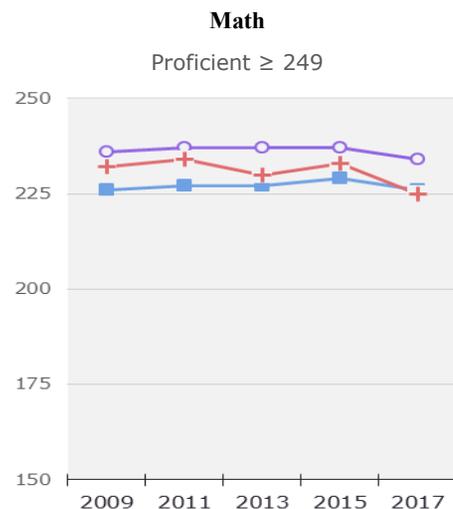
⁶ FY 2015

NAEP Average Scale Scores by Grade & Year

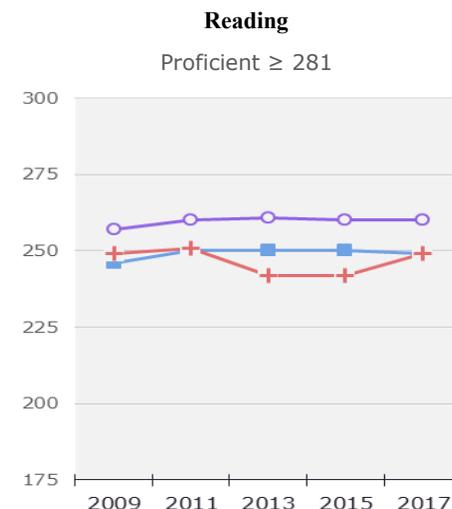
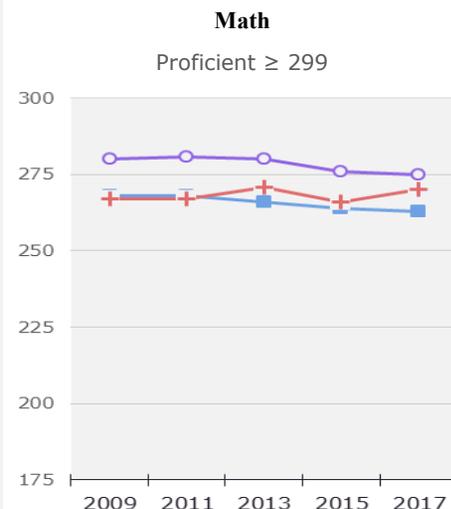
The National Assessment of Educational Progress (NAEP) is the largest nationally representative and continuing assessment of what America's students know. The NAEP mathematics and reading scales range from 0–500.

- All
- Low-income students
- + EL students

Grade 4



Grade 8



	All	Low-Income	EL
2009	236	226	232
2011	237	227	234
2013	237	227	230
2015	237	229	233
2017	234	226	225

	All	Low-Income	EL
2009	216	204	206
2011	215	202	207
2013	214	202	206
2015	218	206	201
2017	213	202	196

	All	Low-Income	EL
2009	280	268	267
2011	281	268	267
2013	280	266	271
2015	276	264	266
2017	275	263	270

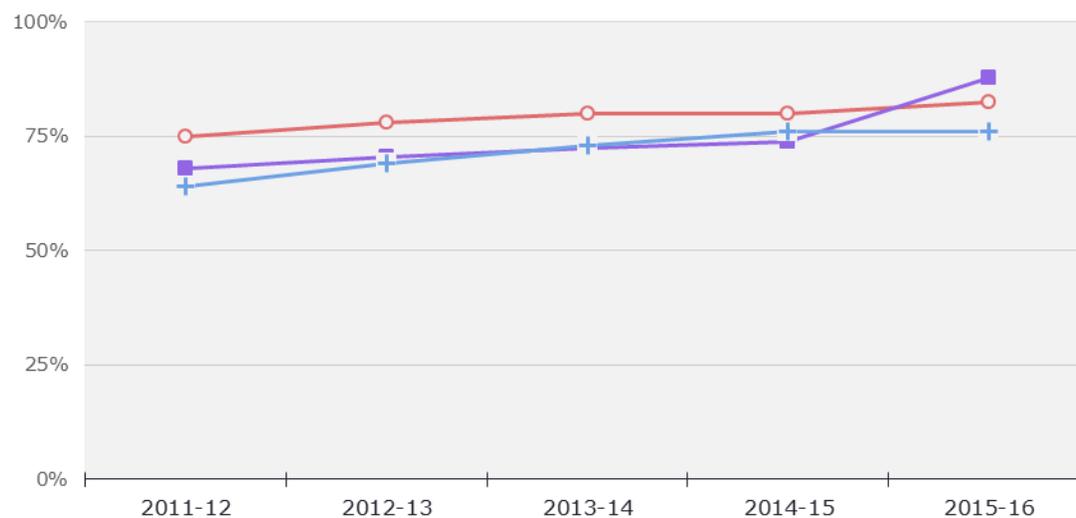
	All	Low-Income	EL
2009	257	246	249
2011	260	250	251
2013	261	250	242
2015	260	250	242
2017	260	249	249

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

- All
- Low-income students
- + EL students

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	EL
2011-12	75%	68%	64%
2012-13	78%	71%	69%
2013-14	80%	73%	73%
2014-15	80%	74%	76%
2015-16	83%	88%	76%

SECTION II

Grant Administration and Fiscal Management Evaluation

Dates of Review	May 30 - June 1, 2017
Reviewers	<p>Daniel Behrend (Office of State Support)</p> <p>Erin Shackel (Office of State Support)</p> <p>Patrick Carr (Office of State Support)</p> <p>John Keefer (Management Support Unit)</p> <p>Shane Morrisey (Management Support Unit)</p>
LEA Participants	<p>Richland Count School District One (Columbia, SC)</p> <p>Lexington County School District One (Lexington, SC)</p> <p>Dorchester County School District 4 (St George, SC)</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	●●●○	●●●○

SECTION III

Met Requirements with Commendation

No areas reviewed were identified for commendation.

SECTION IV

Met Requirements

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. §200.303(d)(2), §200.331(d)(3), §200.331(f), §200.511(a), §200.512, and §200.521(c)



DESCRIPTION OF SATISFACTORY IMPLEMENTATION

SCDE annually reviews financial records to determine which LEAs and non-LEA subrecipients are required to submit audit reports in a given year. To ensure timely submission of required audit reports, SCDE provides formal written notice to all subrecipients who meet the audit threshold reminding them of the audit submission deadline. If a subrecipient fails to complete a single audit, SCDE issues a formal notice of noncompliance to the LEA's Superintendent with a copy to the legislative delegation of which the LEA resides, and the Board of Trustees for a district. If, following the delinquency notice, a subrecipient still fails to provide an audit report, SCDE could initiate the withholding of Federal funds.

Once audits are received and logged into SCDE's audit log, SCDE's Office of Auditing Services completes a desk review to identify which LEAs have audit findings related to Federal programs. The Office of Auditing Services then forwards any details relating to Federal audit findings to SCDE Federal program personnel who complete resolution activities and issue management decisions. If SCDE determines that further corrective action is required, the program office issues a letter to the subrecipient explaining the action required.

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

SCDE annually performs a risk assessment of all LEAs in the state to determine whether an LEA is high, medium, or low risk for compliance issues. Assessments are performed for each Federal program and include numerous indicators for scoring LEAs – key personnel turnover, completion of required reporting, programmatic monitoring findings, fiscal monitoring findings, performance data, technical assistance needs, financial stability, quality of management information systems, timeliness of annual audit reporting, and any other factors selected by each individual program as indicative of risk. SCDE uses documented procedures for scoring each indicator and completing LEA assessments, with clear responsibilities established between program offices and SCDE's Office of Finance for reviewing LEA data and completing the assessments for various indicators. Once the assessments are completed, high-risk subrecipients are added to the list of entities to be monitored during the subsequent school year.

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



DESCRIPTION OF SATISFACTORY IMPLEMENTATION

Among the documents SCDE provided to the Department were its records retention schedules, procedures for conducting quarterly reviews of record inventories, an access control policy, and its data protection and privacy policy. SCDE monitors its records to ensure that all applicable records are maintained and stored for the required time periods, with record inventories purged of unnecessary records on an annual basis.

To ensure appropriate information security, SCDE categorizes its information in accordance with established State rules using four categories – public, internal use, confidential (this includes sensitive information such as credit card info, system standards, and information that may be exempt from FOIA), and restricted PII. SCDE's information management policies outline the process for data disposal and protection of data (including encryption rules for restricted and confidential data). SCDE also utilizes strict access control policies for its networks and databases to ensure that all employees have the lowest access privileges needed to successfully fulfill their job responsibilities.

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

SCDE provided the Department with a copy of its Indirect Cost Agreement and a document detailing its indirect cost rate calculation process. SCDE's financial management system allows staff to input the approved indirect cost rate for each program and determine the maximum amount of indirect costs that can be charged for each approved budget category for each program. During the award period, the financial management system automatically calculates indirect cost charges for each allowable program expenditure up to the maximum amount allowable for each budget item. This control feature ensures that SCDE only charges indirect costs to Federal programs at the appropriate indirect cost rate.

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.

ESEA §1122(c) and 1125A(g)(3)

EDGAR 34 C.F.R. §74.42, §74.45-46, §74.48, §75.525(a), §75.525(b), and §80.36(b)

Uniform Guidance 2 C.F.R. §200.318(c)

Final Audit Report: ED-OIG/A02M0012



DESCRIPTION OF SATISFACTORY IMPLEMENTATION

In South Carolina, charter schools must operate under the guidance of a traditional LEA; new charter schools must be sponsored (i.e., authorized) by a traditional LEA to operate within the State. Once a charter school is sponsored by a traditional LEA, the charter school operates as part of the traditional LEA rather than as an independent LEA. During the award period, the sponsoring LEA maintains responsibility for ensuring that Federal programs are implemented in accordance with requirements and that students receive planned program services.

SCDE maintains a role in charter authorization and oversight. While SCDE does not approve charter applications or sponsor charter schools in the State, SCDE is responsible for creating standard charter application formats and for determining the range of information that must be included in a charter school application. SCDE also ensures that all charter schools are aware of funding opportunities and program requirements (including charter-specific requirements) by providing access to the SCDE webpage and by inviting staff to trainings and conferences. SCDE also provides charter-specific technical assistance to charter school administrators and staff both prior to the subaward process and during the post-award implementation period. Charter schools are also included in the South Carolina student information system, allowing SCDE to access and verify charter school enrollment at any point during the school year for the purposes of calculating and verifying subaward amounts, or for other reporting purposes.

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)

EDGAR 34 C.F.R. 299.4



DESCRIPTION OF SATISFACTORY IMPLEMENTATION

Under ESEA §1003(a), as amended by NCLB, an SEA must reserve 4 percent of its Title I, Part A State allocation to carry out school improvement activities. The Every Student Succeeds Act (ESSA), passed in December 2015, increases the required reservation under section 1003(a) from 4 percent to 7 percent beginning in school year 2017-2018. The ESSA transition guidance as well as the fiscal year 2016 Appropriations Act directed that school year 2016-2017 Title I, Part A section 1003(a) reservations were to remain at the 4 percent amount allowed required under NCLB rather than increase to the 7 percent required under ESSA.⁷ During the review, SCDE noted that it erroneously reserved 7 percent of its Title I, Part A award for school improvement activities under section 1003(a) during school year 2016-2017.

Following the issuance of the draft report for this review, SCDE provided the Department with evidence that SCDE recalculated the Title I reservation and allocation amounts for school year 2016-2017 and corrections for school year 2017-2018. No further correction action is required.

⁷ See non-regulatory guidance (Questions C-1 and B-11) for additional information (available at <https://www2.ed.gov/policy/elsec/leg/essa/essatransitionfaqs11817.pdf>).

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

SCDE staff described their process for working collaboratively with LEAs to address issues during the budget planning phase. An LEA staff member will send the proposed budget to their assigned State program manager for review. The program manager provides feedback, generally via email. More than one exchange may occur between the SCDE program manager and the LEA staff. Once the budget proposal is deemed approvable, the SCDE program manager indicates to the LEA staff that the budget may be incorporated into the grant application and uploaded into SCDE's Grants Accounting Processing System (GAPS).

The South Carolina LEA staff that submitted documentation and were interviewed about budgeting gave SCDE high marks on support for the budget process. Once an LEA submits a plan, the program officer at SCDE assigned to that LEA reach out to the LEA if there are questions about the plan. SCDE provides individualized technical assistance to the LEA and SCDE staff work through changes to program budgets as needed with the LEA staff. The LEA staff noted that, during the budget development process, SCDE staff recommends programs and materials that have met State-determined evidence-based standards of effectiveness. These efforts are intended to make sure that the program budget entered into GAPS as part of the grant application is approvable and minimize the need for amendments during the award period.

SCDE requires any LEAs that need to make an amendment to the Title I, II, or III programs or to the SIG program budget to submit the request using a standard form. An LEA can provide any amendment request at any point during the year. The amendment request form requires the LEA to highlight where the change is occurring within the budget. For Title I, the LEA must provide a narrative about the change. For Title II, a statement of justification for the change is required. Once SCDE staff receive the amendment request, the specific Title director provides feedback to the LEA or approves the request. An approved request is reviewed by SCDE's federal director, and then the specific Title director approves in GAPS. When the amendment change has been officially accepted by SCDE, a formal

approval message is sent to the superintendent of the LEA. LEA staff that we spoke to find that SCDE's approval process is usually timely, but sometimes lacks urgency.

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

EDGAR 34 C.F.R. 299



DESCRIPTION OF SATISFACTORY IMPLEMENTATION

SCDE annually requires LEAs to submit a SEA-developed spreadsheet that uses data from the LEA's annual audit to calculate whether each LEA has met maintenance of effort requirements. SCDE requires LEAs to submit supporting documentation with the spreadsheet, specifically the LEA's annual audit report and a report generated with the LEA's accounting software summarizing capital outlay expenditures. SCDE provides guidance and instructions on submitting the maintenance of effort worksheet to LEAs at the annual Rules and Regulations meeting, in SCDE's Rules and Regulations Handbook, and by email. SCDE also makes maintenance of effort guidance and contact information for SCDE staff available to LEAs on the SCDE website.

SCDE provides guidance to LEAs on the Department's criteria for determining whether to grant a waiver to the maintenance of effort requirements. If an LEA fails to meet the maintenance of effort requirements, SCDE staff support LEAs in developing a waiver request to be submitted to the Department, and submit the waiver request to the Department on the LEA's behalf.

SCDE requires LEAs to maintain a hardcopy of the annual maintenance of effort worksheet for future monitoring. SCDE monitors one-third of LEAs each year, ensuring that SCDE monitors each LEA once every three years.

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**

SCDE requires LEAs to assess comparability annually in November and to demonstrate that the LEA has met the comparability requirements by January. Since every LEA in South Carolina receives Title I funds, every LEA, except LEAs with only one school per grade span, conducts an annual test of comparability. SCDE requires LEAs to use the student-teacher ratio method to calculate comparability. If an LEA fails to meet the student-teacher ratio method, the SEA permits LEAs to calculate comparability using the materials and supplies method. SCDE requires LEAs to submit their comparability worksheet and maintain supporting documentation (*i.e.*, the average daily membership report for proof of student count and the employee by location report for proof of teacher count, with both reports being generated for the same day) for monitoring. SCDE requires LEAs to follow SCDE instructions for calculating comparability, and LEA instructions must match the SCDE instructions.

SCDE provides guidance and instructions on submitting the comparability worksheet to LEAs at the annual Rules and Regulations meeting, in SCDE's Rules and Regulations Handbook, and by email. SCDE also makes comparability guidance and contact information for SCDE staff available to LEAs on the SCDE website.

SCDE requires LEAs to maintain a hardcopy of the annual comparability worksheet and supporting documentation for future monitoring. SCDE monitors one-third of LEAs each year, ensuring that SCDE monitors each LEA once every three years. SCDE also includes the requirements for comparability in the assurances the LEA agrees to in its subrecipient agreement.

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)

EDGAR 34 C.F.R. §200.79



DESCRIPTION OF SATISFACTORY IMPLEMENTATION

SCDE reviews LEA applications for compliance with supplement not supplant at the time applications are received and when applications are amended. SCDE provides training to LEAs on the supplement not supplant requirements and encourages LEAs to contact SCDE staff for additional guidance. Where SCDE learns that an LEA or school has failed to comply with the supplanting requirements, SCDE requires the LEA to pay the funds back by paying for the supplanting activity with State or local funds and reimbursing the Federal award.

SCDE provides guidance on supplement not supplant requirements to LEAs at the annual Rules and Regulations meeting, in SCDE's Rules and Regulations Handbook, and by email. SCDE also makes supplement not supplant guidance and contact information for SCDE staff available to LEAs on the SCDE website.

SCDE includes supplement not supplant compliance as part of its subrecipient monitoring. SCDE monitors one-third of LEAs each year, ensuring that SCDE monitors each LEA once every three years.

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

According to SCDE policies, an application for the Title I, Title II, or Title III programs that does not provide opportunity for appropriate participation of private schools will not be reviewed by SCDE. As part of the application process, SCDE requires LEAs to submit documented evidence of the provision of letters to officials of the private schools explaining the intent of Title I, Title II, or Title III and soliciting participation of private schools. All LEAs must send these letters to private schools, including those out of boundary (within a reasonable radius of the district).

Besides reviewing for notice to and consultation with private schools as part of the annual subaward application process, SCDE's monitoring protocol also includes a review of equitable services. During monitoring reviews, SCDE program managers review the documentation that LEAs have on file that evidence the provision of equitable services – such as meeting minutes, correspondence, and survey responses – to ensure that timely and meaningful consultation has occurred and that services are provided in accordance with requirements.

SECTION V

Met Requirements with Recommendation

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

SCDE utilizes the statewide South Carolina Enterprise Information System (SCEIS) to manage both Federal and State funds. During the review, SCDE provided documentation outlining the agency's general accounting principles as well as screenshots depicting the operation of different functions within the system. SCDE described the process used to identify and track Federal funds within its accounting system, and provided information pertaining to the various fiscal controls utilized to ensure that subrecipients are only using program funds for allowable expenditures. The controls included both an automated process within the accounting system (established budget controls that prevent the over-obligation of program funds) and clearly documented criteria for staff to use when evaluating proposed budgets and other subrecipient expenditure information.

However, during the review, two areas for improvement were identified:

1. Prior to the review, SCDE provided the Department with a copy of its Financial Accounting Handbook. While this document included important and thorough content related to the agency's general accounting principles, the document did not describe or capture SCDE's accounting structure or the specific procedures used to manage Federal funds. Some of this information was included in other documents, but more comprehensive, unified accounting procedures would help ensure continuity in operations, allow for identification of areas where controls or procedures need to be strengthened, and facilitate external evaluation.

Documentation submitted prior to the review made clear that subrecipients must

provide supporting documentation to substantiate every charge to Federal programs. However, SCDE noted that it only reviews samples of this expenditure documentation for allowability as part of monitoring reviews. While a review of expenditure documentation during monitoring is a useful fiscal control strategy, SCDE only monitors one-third of subrecipients each year using a well-established monitoring cycle. As such, subrecipients who do not receive monitoring would not receive the same levels of oversight during the award year and the practice would only serve as an effective deterrent during years that a subrecipient is monitored. This creates a risk that, during a year where no monitoring review is conducted, a subrecipient might misuse program funds without detection.



RECOMMENDATION

To address the issues noted above, the Department recommends that SCDE:

1. Enhance its existing Financial Accounting Handbook to include more detailed content related to the structure of the accounting system and the processes used to manage funds, review accounts, and compile required financial reports. Such documentation could help ensure continuity of operations during unexpected staffing changes or emergencies, and facilitate internal and external reviews of the functioning of the system.
2. Initiate a process by which it reviews at least a sample of program expenditure documentation for subrecipients that are not subject to monitoring activities during a given fiscal year. This review could occur as part of SCDE's regular quarterly financial reporting process within GAPS. Such a process would provide an extra level of fiscal control for SCDE, allowing a more timely identification of potential unallowable expenditures and serving as a deterrent for subrecipients that will not receive monitoring in the current fiscal year.

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



ISSUE

SCDE annually reviews job descriptions and job objectives as part of its Employee Management Process. Following these reviews, staff whose work will be federally funded are identified and supervisors provided with time and effort documentation that must be completed to support charges to Federal programs in the subsequent year. The majority of SCDE staff who work on Federal programs are 100% federally funded and are paid out of SCDE's consolidated administrative funds; these employees are required to maintain semi-annual certifications that must be signed either by the employee or their supervisor attesting that they work on Federal programs. For the few supervisors who work on multiple cost objectives, documentation is maintained to outline the different amounts of time worked on the various cost objectives. SCDE finance staff noted that they regularly provide personnel reports to supervisors to verify that personnel charges are correct.

While SCDE was able to describe the process used to determine the percentage of time and effort to be charged to Federal programs for each staff member and the process used to create and store time and effort documentation, SCDE was unable to provide documented procedures outlining the process and identifying responsible individuals. Such documentation could help ensure that the process is uniformly followed for all staff across SCDE offices and help ensure continuity in the event of unexpected transitions.



RECOMMENDATION

SCDE should develop documented procedures for completing and storing time and effort records used to support personnel charges to Federal programs. These procedures should outline the SEA's timeline and process for completing personnel time and effort documentation (e.g., semi-annual certifications, personnel activity reports), the process for supervisory review and approval, and the process for SCDE finance staff to review documentation and verify that charges align with completed certifications.

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

SCDE provided the Department with its “Asset Management Policy,” a sample of the “Equipment Transfer” form used to document the transfer of equipment between offices or individuals within SCDE, its “Asset Disposal” procedures, and a copy of the form required to be submitted if an asset is lost, stolen, or identified as missing. However, there were several areas where submitted documentation failed to capture important information related to SCDE’s equipment management process. Specifically, SCDE’s documented procedures did not include specific information on the equipment transfer process, including how equipment is identified for transfer, the criteria for transfers, and how disposition rules are actively enforced in the event of transfers. Also, even though SCDE has documented procedures related to asset disposal, the procedures do not indicate how disposal remunerations are determined for items purchased using Federal funds. Additionally, neither the missing items form nor other documents submitted provide any details as to what steps SCDE takes when items are identified as lost, stolen, or missing. Finally, in the sample equipment inventory provided, item cost and purchase order information was only included for a portion of the items. SCDE indicated during the review that those elements of the inventory are newer and that the information was not currently available for older items. However, those elements should be consistently included in equipment inventories.

While SCDE was able to elaborate on some of the processes the Department noted as missing above during the on-site review, SCDE should have written procedures for these areas. Such procedures would help ensure that all item inventories are complete and accurate, and that all requirements are followed if items are lost, missing, stolen, transferred, or subject to disposal.



RECOMMENDATION

SCDE should enhance its existing equipment management policies through the addition of the following:

1. Strengthen its asset management policies related to equipment transfer with additional information on the transfer process, including how equipment is identified for transfer, the criteria for approving equipment transfers, and how disposition rules are actively enforced in the event that equipment paid for using Federal funds is subject to transfer.
2. Include in its asset disposal procedures information pertaining to the process for determining disposal remunerations for items purchased using Federal funds.
3. Include details in its equipment management policies about the steps it takes when items are lost, stolen, or missing.
4. Ensure that “item cost” and purchase order information is included for all items listed in its equipment inventories.

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, and 25 Appendix A

Uniform Guidance 2 C.F.R. §200.300(b)



ISSUE

During the review, SCDE described the process it uses to complete subaward reporting as required under the Federal Funding Accountability and Transparency Act (FFATA), including the steps used to access and submit batch reports to the FFATA Subaward Reporting System (FSRS). SCDE also described the process used to collect subrecipient DUNS numbers during the subaward application process, and the ongoing review process conducted by its General Counsel to ensure that all subrecipients maintain active DUNS numbers during the award year.

However, SCDE did not provide any documented procedures for identifying subawards that need to be reported, accessing the FSRS system, compiling batch uploads for submission, addressing any erroneous submissions, or verifying the completeness and accuracy of submitted reports. Without such procedures, there is a risk that required reports could fail to be submitted in the event of a staff transition, particularly as the FSRS system is highly technical and requires familiarity to operate.



RECOMMENDATION

SCDE should develop documented procedures for compiling and reporting subaward data as required by FFATA. These procedures should outline the SEA's process for collecting subaward data, preparing report uploads, accessing and submitting subaward data to the FSRS, and reviewing completed submissions to ensure that subaward reports are accurate and that all required reports have been submitted.

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

As described in the Reservations and Consolidation section above, upon review of the documentation submitted and during post-review follow-up calls with SCDE, it was confirmed that during school year 2016-2017 SCDE reserved the ESSA-allowed 7 percent of the Title I, Part A State allocation to carry out school improvement activities. During school year 2016-2017 States were allowed to reserve only 4 percent of the Title I, Part A State allocation to carry out school improvement activities as allowed under ESEA §1003(a), as amended by NCLB. Since the reservation amount was incorrect, SCDE's Title I, Part A LEA allocations were also incorrect for school year 2016-2017.

Following the issuance of the draft report for this review, SCDE provided the Department with evidence that SCDE recalculated the Title I reservation and allocation amounts for school year 2016-2017 and corrections for school year 2017-2018.



RECOMMENDATION

During the review, SCDE indicated that its staff members, including new staff members, are provided with and instructed to use emails from Department staff as a guide to calculating allocations. We recommend that the SCDE create a manual with standard operating procedures for SCDE staff to use when calculating allocations and providing technical assistance to LEA staff calculating within-district allocations. SCDE indicated that they are working on detailed succession planning which would include written procedures for calculating allocations.

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)



ISSUE

SCDE regularly monitors LEAs by reviewing financial and performance reports and by conducting periodic on-site site and desk monitoring. Monitoring occurs on a three-year cycle and SCDE takes timely action when deficiencies are identified during monitoring activities. Subrecipient monitoring activities help SCDE determine whether Federal funds are being used in compliance with Federal statutes, regulations, and the terms and conditions of the subaward, providing a reasonable assurance of LEA compliance with applicable programmatic and fiscal requirements.

Although SCDE meets basic subrecipient monitoring requirements, SCDE could improve the process for updating documents related to subrecipient monitoring. For example, at the time of the review SCDE's Title II, Part A monitoring protocol (pg. 67) included a reference to EDGAR Section 80.40(a), which was superseded by Uniform Guidance in December 2013. This indicates a close review and revision of the Title II, Part A monitoring protocol had not recently been completed.



RECOMMENDATION

To ensure monitoring protocols and report templates are consistent with current Federal statute and regulations, SCDE should annually review and update monitoring protocols and report templates. SCDE acknowledged this work is underway and expects to release updated monitoring protocols to LEAs prior to school year 2017-2018.

U.

LEA SUPPORT AND GUIDANCE



ISSUE

SCDE utilizes established procedures for reviewing and approving LEA applications and provides regular technical assistance, in the form of direct assistance to LEA staff and large group trainings through regional and statewide events. SCDE also provides LEA staff with policy and program updates through listserves and updates to the SCDE website. In addition, SCDE conducts annual surveys at statewide conferences and uses feedback from the surveys to determine what topics should be covered in greater detail. Most SCDE technical assistance activities, as they relate to Federal programs, are focused on ensuring compliance with applicable statutes and regulations.

While SCDE has procedures in place to review and approve LEA applications and provide technical assistance, SCDE could strengthen its evaluation activities. SCDE regularly reports to the South Carolina State legislature and the Department on LEA performance and conducts formal evaluations periodically (e.g., third grade reading guarantee parent survey, efficiency study, facility studies, busing reports, etc.). SCDE also effectively completes evaluations on topics that are stakeholder or funder requested, (e.g., District Efficiency Review), yet does not have a systematic process in place to regularly analyze LEA performance data and adjust how SCDE resources are allocated based on LEA performance. Without a systematic evaluation process SCDE risks allocating scarce administrative resources to low-leverage or ineffective activities and supports.



RECOMMENDATION

SCDE should consider identifying a method for regularly evaluating whether Federal funds are enabling LEAs to provide all children significant opportunity to receive a fair, equitable, and high-quality education. Such a system, if implemented, could help SCDE more efficiently deploy services and resources to LEAs, in particular to those that are less effective providers of fair, equitable, and high-quality education to all children.

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

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

South Carolina has an automated system, Powerschool, that utilizes automated business rules during the data reporting process, which helps SCDE ensure data are timely, complete, accurate, valid, and reliable. SCDE also utilizes standard business rules during the data collection and review process. For example, the SCDE data office initiates the annual *EDFacts* submission by reviewing and updating business rules in alignment with the Department's file definitions. It then takes into account SCDE program office input and applies those rules to SCDE collections.

In addition, SCDE employs *EDFacts* Coordinators to provide a single point of contact for LEAs across all programs. This approach helps ensure that data needs are being addressed in advance of due dates and helps ensure that data is accurate, complete, valid, and reliable. At present, SCDE has a total of four staff members that provide direct technical assistance to LEAs on data quality. These staff members offer regional trainings as well as webinars for LEA data clerks and program officers. SCDE acknowledged that it has had a difficult time submitting all of the required Consolidated State Performance Report (CSPR) data elements required in accordance with established deadlines which, as SCDE staff pointed out, prevents SCDE from fully and successfully utilizing the *EDFacts* validation process.



RECOMMENDATION

SCDE should work to submit all required data to the first window of the CSPR data submission process in order to avail itself fully of the *EDFacts* data validation process.

SECTION VI

Action Required

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

Under 34 C.F.R. 76.709(a), which implements section 421(b) of the General Education Provisions Act, also known as the Tydings Amendment, if an SEA or LEA does not obligate all available funds during the first year of availability, the entity may obligate any remaining funds during a carryover period of one additional fiscal year. (See 20 U.S.C. 1225(b)(1)). As a result of these requirements, many Federal education programs – including the Title I, Title II, Title III and SIG programs – have a total period of availability of 27 months (from July 1 of the award year to September 30 of the following year), which includes an initial 15-month period of availability and an additional 12 months of carryover under the Tydings Amendment.⁸ Although an SEA may establish a project year that is the same as the State fiscal year (e.g., July 1 to June 30), an LEA retains the authority to continue to obligate funds for the full period of availability even if it extends beyond the State fiscal year. After the end of the period of availability, a grantee or subgrantee has 90 calendar days to liquidate all obligations incurred under the award. (2 C.F.R. 200.343(b)).

SCDE provided documentation, including sample grant award notices (GANs) and excerpts from SCDE’s “Title I Rules and Regulations Handbook,” that showed SCDE inappropriately restricts the period of availability of Federal awards to 24

⁸ With respect to Title I, however, section 1127(a) of the ESEA limits the amount of Title I funds an LEA may carry over from one fiscal year’s allocation to not more than 15 percent of the total Title I funds allocated to the LEA for that fiscal year. (20 U.S.C. 6339(a)).

months rather than the full 27 months under the Tydings Amendment (with the period of availability ending June 30 rather than September 30). During the review, SCDE staff confirmed that subrecipients may not request payments through SCDE's financial management system, the SCEIS, for obligations incurred after June 30 of the year in which funds expire.

Following the issuance of the draft report for this review, SCDE provided the Department with evidence that it had updated SCEIS to include the correct period of availability and liquidation periods. SCDE also provided evidence that it was in the process of updating its GANs and guidance to LEAs. The Department requests additional documentation of SCDE's actions to update the GANS and provide guidance to LEAs regarding the correct period of availability and liquidation periods.

REQUIRED ACTION

Within 30 days of receipt of this report, SCDE must provide the Department with:

1. Evidence that it has updated its GANs and program manuals to include the correct period of availability and liquidation periods for subawards made using the Title I, Title II, Title III, and SIG programs.
2. Evidence that it has provided written communication to LEAs regarding the correct period of availability and liquidation periods for the covered 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, an SEA must establish and maintain effective internal control over a Federal award that provides reasonable assurance that the SEA is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. (2 C.F.R. 200.303(a)). An SEA's internal controls should be in compliance with guidance contained in the "Standards for Internal Control in the Federal Government" (GAO Green Book) or the "Internal Control Integrated Framework" (Treadway Commission/COSO). Two important elements of sufficient internal controls are adequate segregation of duties and an internal risk identification and assessment process.

During the review, SCDE noted that it has not, to date, utilized any internal enterprise risk assessment process to identify potential risks affecting the operation or performance of the agency. SCDE did note that the agency had been developing such a process and was anticipating implementing a risk assessment process during the next fiscal year. SCDE was able to provide sample materials from trainings offered to staff who would be tasked with completing the risk assessment process, but were not able to provide any draft internal risk assessment frameworks. Such a process is crucial for enabling the agency to identify existing and new risks to program operations and to allow it to design and target control activities to mitigate those risks.

Following the issuance of the draft report for this review, SCDE provided the Department with additional evidence of steps it has taken to begin implementing its internal enterprise risk assessment process, including a narrative of its training provided to SCDE office directors, its risk assessment worksheet and definitions, and its agency-wide questionnaire.

REQUIRED ACTION

Within 30 business days of receiving this report, SCDE must provide the Department with documentation of its new process for identifying internal risks including:

1. The types of risk that will be evaluated and the indicators to be used in the assessment.
2. The process for establishing risk tolerances for different categories or types of risk.
3. The process used to complete the risk assessment (including identification of responsive individuals).
4. The process used to respond to identified risks affecting the operation or performance of the organization.

SCDE should also include an anticipated timeline for operationalizing the risk assessment process, including details related to the frequency (e.g., annually) and the anticipated point in the fiscal year at which it will be completed.

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

Under Uniform Guidance 2 C.F.R. 200.317, when procuring goods or services under a Federal award, an SEA must follow the same policies and procedures that it uses for procurement from its non-Federal awards (2 C.F.R. 200.317). The SEA is also responsible for oversight of the operations of Federal award supported activities, including services procured under a Federal award, to ensure compliance with all applicable requirements and achievement of all performance expectations (2 C.F.R. 200.328(a)). An SEA should also monitor subrecipient compliance with applicable Federal and state procurement requirement as part of its general responsibility to monitor subrecipients to ensure subawards are used only for authorized purposes and in compliance with applicable Federal statutes and regulations (2 C.F.R. 200.331(d)).

During the review, the Department identified two issues related to procurement:

1. SCDE provided a copy of an audit finding related to SCDE's contract administration and monitoring process issued by the SCDE Office of Auditing Services. During their audit, the auditors found that SCDE:
 - a. Lacked sufficient internal controls over its contractor monitoring process;
 - b. Lacked written procedures and training to ensure that contractor monitoring is consistent across offices;
 - c. Did not have a process to review contract award statements to ensure correctness; and
 - d. Failed to ensure that the SEA maintained completed copies of contracts or a central contracts repository.

Because of these issues, the auditors found that overpayments and over-encumbrances of contracts had occurred.

2. SCDE does not include procurement requirements in its subrecipient monitoring process. Without including procurement requirements in its monitoring, there is a risk that subrecipients will lack sufficient procedures

to ensure that all procurement transactions conducted with Federal funds meet applicable requirements, including standards for competitive procurement and cost analysis requirements.

Following the issuance of the draft report for this review, SCDE provided the Department with two copies of its procurement manual (version dated January 1, 2013 and a version dated February 5, 2013). SCDE also explained that it plans to review and update its manual in FY19. Additionally, SCDE noted that it is updating its monitoring forms and a sample of the language it plans to include in the monitoring forms

REQUIRED ACTION

Within 30 business days of receipt of this report, SCDE must provide the Department with the following:

1. An updated and finalized copy of SCDE's procurement manual and guidelines, including:
 - a. Procedures intended to ensure that contract award statements are correct and subject to appropriate review by SCDE's Procurement Office
 - b. A description of the process whereby the agency maintains completed copies of contracts within a central contracts repository.
 - c. Evidence that the agency's electronic procurement tool is being used as intended.

If work has not been completed in updating the agency's procurement manual and guidelines pertaining to contract monitoring, SCDE must provide a timeline for completion of the work, milestones for reporting progress to the Department, and the name and contact information of responsive individuals.

2. Evidence that SCDE has updated its monitoring protocols to include LEA compliance with applicable Federal and State procurement requirements.

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.
- The number and names of all public schools in the State identified by the SCDE for school improvement, including priority and focus school statuses.

In order to ensure that all parents have access to the report cards and can understand their content, to the extent practicable, all report cards must be provided in a language that parents can understand.

During the review, the Department identified two issues regarding SCDE's reporting of required program data:

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)

1. The data elements listed below are missing from the most recently available State report card:
 - All required information on student achievement on the academic assessments at each level of achievement, for all students and disaggregated by each subgroup of students.
 - All required four-year adjusted cohort high school graduation rates.
 - For all students and disaggregated by each subgroup of students, the percentage of students not assessed.
 - All required information (in the aggregate and disaggregated by high poverty compared to low-poverty schools) on the professional qualifications of teachers in the State, including the number and percentage of teachers teaching with emergency or provisional credentials.⁹
 - The number and names of all public schools in the State identified by the SEA for school improvement, including priority and focus school statuses.
2. SCDE relies on Google Translate to allow parents who do not speak or read English to translate the SEA and LEA report cards into a language they can understand. However, the most recent year's State report card has been published in Adobe Portable Document Format (PDF), which prevents Google Translate from successfully translating the language of the report card.

Following the issuance of the draft report for this review, SCDE explained pending changes to its report card, including how it plans to address the corrective actions described below, beginning with the 2017-2018 report cards.

REQUIRED ACTION

Within 30 business days of receiving this report, SCDE must provide the Department with documentation evidencing that it has:

1. Updated and disseminated the most recently available SEA and LEA report cards to include the required data elements outlined above.
2. Developed procedures to ensure that report cards (including the required report cards for school year 2016-2017) include each required data element, are published in a timely manner, and are in a format that enables, to the extent practicable, report card information in language(s) that parents can understand.

⁹ See non-regulatory guidance (Question D-5) for additional information (available at <https://www2.ed.gov/policy/elsec/leg/essa/essatransitionfaqs11817.pdf>).

**RECOMMENDATION**

If SCDE continues to use Google Translate to provide translations of State and LEA report cards, to the extent practicable, it should ensure that the report cards are created, structured, and published in such a way as to allow that tool to perform complete and successful translations.