

Office of Special Education Programs (OSEP) Fiscal Monitoring Instrument (FMI): FFY 2016

Arizona Department of Education (ADE)

Please note the following abbreviations are used in the Fiscal Monitoring Instrument (FMI):

FFY – Federal fiscal year

IDEA – Individuals with Disabilities Education Act

LEA – local educational agency

MFS – maintenance of State financial support

OMB – Office of Management and Budget

OIG – Office of the Inspector General

SEA – State educational agency

Uniform Guidance – Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards codified in 2 CFR Part 200

SCOPE OF MONITORING:

OSEP's 2017 Fiscal Monitoring examined the status of ADE's corrections of noncompliance involving: 1) LEA Allocations, and 2) Subrecipient Monitoring. In conducting the monitoring, OSEP reviewed information from FFYs 2014, 2015 and 2016, including State-submitted documentation and other available information; audits conducted under the Uniform Guidance and those conducted through the Department's Office of Inspector General (OIG). OSEP conducted both on-site and telephone interviews with State staff.

The LEA Allocations topic is addressed in a separate enclosure. This FMI addresses the Subrecipient Monitoring topic.

IDEA PART B

SUMMARY OF MONITORING CRITERIA

Monitoring Area 2, IDEA Part B: Subrecipient Monitoring

Under the IDEA and Uniform Guidance, SEAs are responsible for oversight of the operations of IDEA supported activities. Each SEA must monitor its own activities, and those of its LEAs, to ensure compliance with applicable Federal requirements and that performance expectations are being achieved. Monitoring must cover each program, function, or activity. Subrecipient monitoring is at the core of the SEA's general supervisory responsibilities, and can help the SEA ensure that its LEAs are in compliance with IDEA and related requirements, as well as aligned with SEA priorities designed to improve results for children with disabilities. The focus of this activity was to review the State's fiscal subrecipient monitoring.

| Criterion Number | Description | Noncompliance identified? | Applicable Requirement |
|----------------------|---|---------------------------|---|
| Criterion 2.1 | The SEA ensures that every subaward is clearly identified to the subrecipient as a subaward and includes required information at the time of the subaward. If any of the data elements change, the SEA includes the changes in subsequent subaward modification. | Yes | 2 CFR §200.331(a) |
| Criterion 2.2 | The SEA evaluates each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring. | No | 2 CFR §200.331(b) |
| Criterion 2.3 | The SEA monitors the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. | No | 2 CFR §200.331(d), 34 CFR §§300.149 and 300.600 |

| Criterion Number | Description | Noncompliance identified? | Applicable Requirement |
|----------------------|---|---------------------------|--|
| Criterion 2.4 | Depending upon the assessment of risk posed by the subrecipient, the SEA has policies and procedures that consider monitoring activities of LEAs ranging from technical assistance to on-site monitoring or conducting agreed-upon-procedures engagements (audits). | No | 2 CFR §200.331(e) |
| Criterion 2.5 | The SEA conducts monitoring activities that verify that every subrecipient is audited in accordance with the Uniform Guidance. | No | 2 CFR §200.331(f) |
| Criterion 2.6 | The SEA considers enforcement actions against noncompliant subrecipients as required under the Uniform Guidance and IDEA. | No | 2 CFR §§200.338 and 200.331(h); 34 CFR §§300.149, 300.222, 300.600, and 300.604. |

Finding:

Criterion 2.1: Based on the review of documents and interviews with ADE staff on September 14, 2017, ADE does not ensure that each IDEA section 611 and section 619 subaward is clearly identified to the subrecipient as a subaward and includes the required information at the time of the subaward as specified in 2 CFR §200.331(a). OSEP made requests to review ADE’s notifications to subrecipients to ensure their consistency with 2 CFR §200.331(a). ADE did not provide the requested documentation.

Citation:

As a pass-through entity, ADE must, under 2 CFR §200.331(a), ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the information specified in §200.331(a)(1)(i)-(xiii) at the time of the subaward, and if any of these data elements change, include the changes in subsequent subaward modification. There are 13 required items that must be included in the Federal subaward notification.

Further Action Required:

Within 90 days of receipt of this letter, the State must submit to OSEP documentation demonstrating that section 611 and 619 subaward notifications include the information as required by 2 CFR §200.331(a).