

## **Accountability and Oversight**

### **RACE TO THE TOP FISCAL ACCOUNTABILITY AND OVERSIGHT REVIEW**

#### **Delaware**

**Date of Review: February 26, 2013**

Race to the Top award: \$119,122,128.00

#### **Acronyms:**

ARRA – American Recovery and Reinvestment Act of 2009

EDGAR – *Education Department* General Administrative Regulations (codified in 34 Code of Federal Regulations, Parts 74 to 86 and 87 to 99)

GEPA – General Education Provisions Act

ISU – Implementation and Support Unit

LEA – Local Educational Agency

#### **Summary of Monitoring Review:**

The Department found that Delaware used its Race to the Top funds efficiently and effectively in order to meet the financial needs of the State and its LEAs. This report demonstrates Delaware's commitment to spend funds in accordance with the SEA's and LEAs' scopes of work, while balancing the need for accountability and transparency. The Department documented two issues and one concern during its review. First, the State's total allocated funds were \$199,997.85 lower than its total award. Second, due to a glitch in the State's financial system, the State drew down an extra \$735,579.65 in November 2012. As of April 11, 2013, the State has provided evidence that these issues have been resolved.

## Summary of Monitoring Indicators

<b>Delaware</b>				
<b>Critical Element</b>	<b>Requirement</b>	<b>Citation</b>	<b>Results</b>	<b>Page</b>
<b>Allocations to LEAs</b>	The State allocated funds to participating LEAs based on their relative share of funding under Title I, Part A of the Elementary and Secondary Education Act of 1965.	ARRA Section 14003(a)	Issues Resolved	5
<b>Fiscal Oversight of Race to the Top Funds</b>	The State and sub-recipients used the funds only for allowable activities.	ARRA Sections 14002(b), 14003, 14004, 1604, 1605, and 1606	Met Requirement	
	The State and sub-recipients complied with the principles of cash management (i.e. funds advanced were actually expended).	EDGAR § 80.21	Issues Resolved	5
	The State and sub-recipients have systems to track and account for Race to the Top funds in place.	EDGAR § 80.20	Met Requirement	
	The State and sub-recipients complied with cross-cutting ARRA requirements (e.g., Section 1512 reporting, Buy American, infrastructure certification).	ARRA Sections 1511, 1512, 1604, 1605, 1606, and 1607	Met Requirement	
	The State and sub-recipients used the funds only during the period of availability (which may include pre-award costs).	ARRA Section 1603 and GEPA 421(b)	Met Requirement	
<b>1511 Certifications (if applicable)</b>	The State certifies that infrastructure investments have received the full review and vetting required by law and accepts responsibility that it is an appropriate use of taxpayer dollars.	ARRA Section 1511	Met Requirement	
<b>Quarterly ARRA Reporting</b>	The State is ensuring compliance with ARRA Section 1512 quarterly reporting regulations.	ARRA Section 1512	Met Requirement	

**Delaware**

<b>Critical Element</b>	<b>Requirement</b>	<b>Citation</b>	<b>Results</b>	<b>Page</b>
	The State established clear policies and procedures for compliance with applicable reporting requirements.	ARRA Sections 14008 and 1512	Met Requirement	
	The State provided guidance on reporting to LEAs.	ARRA Sections 14008 and 1512	Met Requirement	
	The State provided feedback to LEAs on the data reported.	ARRA Sections 14008 and 1512	Met Requirement	
<b>Sub-recipient Monitoring</b>	The State has developed a monitoring plan with appropriate policies and procedures to assure compliance with applicable Federal requirements and that the grant performance goals are being achieved throughout the project period.	EDGAR §80.40; Race to the Top grant condition “O”	Met Requirement	
	The State has developed comprehensive monitoring protocols that include programmatic and fiscal monitoring.	EDGAR §80.40; Race to the Top grant condition “O”	Met Requirement	
	The State has established a reasonable monitoring schedule.	EDGAR §80.40; Race to the Top grant condition “O”	Met Requirement	
	The State has provided monitoring reports and corrective action follow-up (when available).	EDGAR §80.40; Race to the Top grant condition “O”	Met Requirement	

**NOTES:**

**Description of Backup Documentation for Criteria**

The documentation that Delaware and its LEAs submitted, both prior and during the review, are consistent with the requirements outlined in Attachment 2. Although fiscal documentation may vary in appearance, the State and LEAs share the same fiscal system for tracking Race to the Top funds.

**Outstanding Issues, Concerns, or Clarifications for Verification**

The Department documented two issues and one concern during its review. First, the State's total allocated funds were \$199,997.85 lower than its total award. Second, due to a glitch in the State's financial system, the State drew down an extra \$735,579.65 in November 2012. As of April 11, 2013, the State has provided evidence that these issues have been resolved.

## Monitoring Report Results

---

### Issues Pending Resolution

*Critical Element: Allocations to LEAs*

**Requirement and Citation:** The State must comply with the requirements of ARRA Section 14003(a).

**Issue:** Based on the documentation provided, Delaware has allocated a total of \$118,922,130.15 – this is \$199,997.85 short of its total award of \$119,122,128.00. According to the State, this is likely the result of amendments and funds transfers, and it will have to complete a reconciliation process to determine what happened to the remaining funds. The State believes that the amount should be in the budget for unspent LEA funds, as the State and LEA projects are in balance.

**Resolution:** Following the review, Delaware re-examined the allocations of its Race to the Top funds and determined that allocations for several projects required adjustments. On March 22, 2013, the State provided documentation to confirm that it had identified the causes of the issue, as well as documentation indicating that it had adjusted allocations for several projects. The State's allocations now sum to its total award of \$119,122,128.00.

*Critical Element: Fiscal Oversight of Race to the Top Funds*

**Requirement and Citation:** The State and its sub-recipients must comply with the principles of cash management; EDGAR § 80.21

**Issue:** On October 23, 2012, Delaware drew down \$735,579.65 from G5 based on its review of pending payments. However, a system glitch prevented the funds from being applied to the pending payments, and in the subsequent drawdown on November 27, 2012 the \$735,579.65 was drawn down in addition to the new pending payments.

**Resolution:** Upon investigating the issue, Delaware determined that, due to the system glitch that prevented the funds from being applied to pending payments, the funds were used to pay for expenses accrued under other grants. Between February 25, 2013, and April 11, 2013, Delaware did not draw down any further Race to the Top funding from G5. During this time period, the State resolved the issue by collecting the extra funds from the other grants and reposting those funds to pay for Race to the Top expenditures accrued between the February 25, 2013, and April 11, 2013 time frame. On April 11, 2013, the State provided evidence indicating that it had reposted the funds to its Race to the Top account and resolved the issue.

### Other Matters

The fiscal system employed by Delaware allows for project budgets to be separated out into a limited set of categories. However, despite separation into categories, LEAs have access to one joint pot of funds, and are allowed to expend above their budget in a category so long as another category is under budget. Due to difficulties with the system, LEAs have indicated that there can be errors in coding expenses, and recoding expenses is also difficult. DDOE does not require LEAs to recode expenses, but does discuss coding with LEAs during reviews. Allowing for errors to exist in coding prevents proper separate tracking down to the category level, although DDOE and the LEAs are still able to separately track funds to the individual Race to the Top projects. DDOE and the LEAs also have procedures in place to verify that

funds are expended according to the scopes of work, with DDOE conducting annual audits and employing subcontractors to conduct quarterly audits of expenditures.