

## **Accountability and Oversight**

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

#### **Maryland**

**Date of Review: May 28-31, 2013**

Race to the Top award: \$249,999,182.00

#### **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 Indicators

<b>Maryland</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)	Met Requirement	
<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	Issues Pending	4
	The State and sub-recipients complied with the principles of cash management (i.e. funds advanced were actually expended).	EDGAR § 80.21	Met Requirement	
	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	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	
	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	

**Maryland**

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	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"		

## Monitoring Report Results

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### **Issues Pending Resolution**

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

**Requirement and Citation:** The State and sub-recipients must use funds only for allowable activities; ARRA Sections 14002(b), 14003, 14004, 1604, 1605, and 1606.

**Issue:** A State may use Race to the Top funds for indirect costs, consistent with its approved Race to the Top budget. If a State chooses to include such costs, it must apply those costs in accordance with Race to the Top guidance and their approved indirect cost agreement. As stated in the Race to the Top Program Guidance and Frequently Asked Questions and in alignment with Maryland's approved indirect cost agreement, a State may apply its indirect cost rate only against the first \$25,000 of each subaward (*i.e.*, each sub-grant or contract) on a yearly basis (subject to that being consistent with its Indirect Cost Rate Agreement), and not against the full amount of each subaward.

In Years 2 and 3, the State incorrectly applied its indirect cost rate to more than the first \$25,000 of each subaward across several projects, resulting in higher indirect cost charges than allowed under the Race to the Top and the State's approved indirect cost agreement.

In December 2013, the State submitted amendments that included revised budgets and supporting documentation revising its indirect cost expenditures for Years 1-3. The Department is currently reviewing those amendments and will follow up with the State as necessary.

**Required Action:**

No further action is required at this time.

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