

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

OHIO

Date of Review: February 21, 2012

Race to the Top award: \$400,000,000

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 82)

GEPA – General Education Provisions Act

ISU – Implementation and Support Unit

LEA – Local Educational Agency

**Accountability and Oversight
Summary of Monitoring Indicators**

Ohio				
Critical Element	Requirement	Citation	Results	Page #
Allocations to LEAs	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	
Fiscal Oversight of Race to the Top Funds	The State and subrecipients used the funds only for allowable activities	ARRA Sections 14002(b), 14003, 14004, 1604, 1605, and 1606	Issues Resolved	4
	The State and sub-recipients complied with the principles of cash management (i.e. funds advanced were actually expended)	EDGAR § 80.21	Issues Resolved	4
	The State and subrecipients have systems to track and account for Race to the Top funds in place	EDGAR § 80.20	Issues Resolved	4
	The State and subrecipients 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 subrecipients used the funds only during the period of availability (which may include pre-award costs)	ARRA Section 1603 and GEPA 412(b)	Met Requirement	
1511 Certifications (if applicable)	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 Sections 1511	Not Applicable	
Quarterly ARRA Reporting	The State is ensuring compliance with ARRA Section 1512 quarterly reporting regulations.	ARRA Sections 1512	Met Requirement	
	The State established clear policies and procedures for	ARRA Sections 14008 and 1512	Met Requirement	

Ohio

Critical Element	Requirement	Citation	Results	Page #
	compliance with applicable reporting requirements			
	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	
Sub-recipient Monitoring	The State has developed a monitoring plan with appropriate policies and procedures	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”	Commendation	5
	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	

Fiscal Monitoring Report Results

Issues Resolved

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

Requirement and Citation: The State and sub-recipients complied with the principles of cash management (i.e. funds advanced were actually expended); EDGAR § 80.21

Issue: The Department found that some LEAs had not complied with the principles of cash management. Previously, the State advanced 10 percent of discretionary grant awards to LEAs, and in some cases the LEAs did not expend the entire amount provided within three to five days of receipt of those funds. Prior to the onsite review, the State adopted new procedures and stopped advancing 10 percent of discretionary grant allocations to LEAs, but rather began to require each LEA to request funds as needed. The State implemented these new procedures to help ensure that LEAs did not violate cash management requirements. This revised procedure took effect on July 1, 2011

The Department found that all three monitored LEAs received discretionary grants as part of their Race to the Top funds prior to the change in procedure described above, and deposited the advanced funds in to interest-bearing accounts. Two of the LEAs did not have immediate corresponding expenditures and the third LEA had not yet expended the funds at the time of the site visit. Therefore, an LEA could have potentially earned interest on the amount of those funds. The Department did not see any evidence that LEAs had calculated and returned interest earned over the \$100 threshold, and did not receive documentation of the SEA monitoring LEAs for interest accrual and remittance.

Resolution: Subsequent to the review, the State submitted to the Department documentation of the State's policies and procedures for calculating, collecting, and returning to the Treasury the interest accrued by participating LEAs on Race to the Top funds (above the \$100 threshold), and evidence that it had informed all participating LEAs of the State's cash management policies and procedures for Race to the Top funds. In addition, the State reviewed participating LEAs and determined that no LEAs had accrued interest on Race to the Top funds over the \$100 threshold. Therefore, there is no further action required.

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

Requirement and Citation:

The State used the funds only for allowable activities, complied with the principles of cash management, and had in place systems to track and account for the use of SFSF funds; *ARRA* Sections 14002(b), 14003, 14004, 1604, 1605, and 1606, and *EDGAR* Section 80.21

Issue: The Department was unable to determine if one Ohio LEA used its Ohio Appalachian Collaborative (OAC) Grant Race to the Top discretionary funds for allowable activities, complied with the principles of cash management, and established systems to track and account for the use of those funds.

The State supplied evidence of providing LEAs with guidance regarding allowable uses, cash management principles, and separate tracking procedures for Race to the Top funds and had a monitoring plan in place; so this issue does not appear to be systemic. For this one particular LEA, however, Department was not able to verify that all OAC Grant funds were used for allowable purposes, adhering

to the principles of cash management, or tracked separately from other funding in part because of inconclusive or incomplete documentation.

Resolution: Subsequent to the review, the State submitted to the Department evidence that it had informed all LEAs of the requirement to separately track Race to the Top funds and the State’s cash management policies and procedures for Race to the Top funds. In addition, the State provided evidence that the LEA has in place fiscal controls that ensure tracked grant expenditures aligned to its approved budget, and an assurance that it did not accrue interest over the \$100 threshold. Therefore, there is no further action required.

Commendation:

The Department commends Ohio for its cooperation and responsiveness during the monitoring process; Department staff appreciated the opportunity to meet with a large group of State staff, all of whom were willing to answer questions and provide additional documentation and follow up as needed. In addition, the Department commends the State for its oversight of the Race to the Top formula grants that are allocated through its Comprehensive Continuous Improvement Plan (CCIP) system.
