

WRITTEN PROCEDURES FOR YEARLY FISCAL MONITORING

The Division of Elementary and Secondary Education's (DESE)- Office of Special Education (OSE) monitoring process is designed to

- a. ensure Local Education Agencies (LEAs) and state-sponsored educational programs comply with Individuals with Disabilities Education Act of 2004 (IDEA) requirements,
- b. identify compliance barriers that may negatively impact student results, and
- c. identify technical assistance needs.

The monitoring process is designed to assess the degree to which the above is being fulfilled. In addition, the monitoring process provides an opportunity for DESE to provide technical assistance to school entities, in order to strengthen their program administration and improve the quality of programs through proper fiscal accountability. As per Section 2 CFR §200.332(b), DESE must evaluate each sub-recipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the sub-award for the purpose of determining the appropriate monitoring actions.

The Division of Elementary and Secondary Education (DESE) teams (Standards for Accreditation, Gifted and Talented, Alternative Education, Migrant, English Learners, Counseling, and Health) aligned monitoring procedures across the agency to include four tiers that have similar actions per tier to build consistency in assisting districts. The OSE Finance personnel work collaboratively with other sections within the Office of Special Education (OSE) and across divisions within the DESE to carry out the overall supervision of special education and related services. By working in partnership with other sections and units, the OSE Finance State Education Advisors (SEA) can coordinate with other units in assisting district-level administrators in developing and implementing staff in-service and personnel development training designed to meet the needs of individual districts, specific geographic areas throughout the state, and, if needed, on a statewide level. This partnership can also impact training areas that receive emphasis in the higher education teacher preparation training programs. The OSE Finance unit works to ensure that each student has access to FAPE by the LEA meeting fiscal obligations under IDEA, Education Department General Administrative Regulations (EDGAR) and OMB Uniform Guidance.

DESE-OSE follows up with the LEA to ensure compliance with regulations in every tier of fiscal monitoring. DESE has the authority under Section 452 of the General Education Provisions Act (GEPA) to withhold, in whole or in part, any further payments of IDEA funds to an LEA that fails to correct identified non-compliance. Before withholding IDEA funds, the LEA must have reasonable notice and an opportunity for a hearing. Pending the hearing's outcome, DESE may suspend payment to the LEA and suspend the LEA's authority to obligate funds, or both. Withholding or suspending funds is limited to the programs or projects (or portions thereof) that affected the determination. In addition to these actions, DESE may utilize any other authority

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available to it to enforce the requirements of IDEA, including a referral to the DESE Standards and Systems Support Unit for review of compliance with the rules governing standards for accreditation.

Letters of notification are sent to LEAs in September, if on the cycle. This letter notifies the LEA of its monitoring dates and provides a brief overview of monitoring requirements. If a LEA is identified for monitoring after the letters are sent in September, a letter will be sent as quickly as possible once the need for monitoring is established. The Division of Elementary and Secondary Education, Office of Special Education (DESE-OSE), uses a tiered monitoring and technical assistance system, which includes a focus on results. This system is designed to (a) ensure LEAs comply with IDEA requirements; (b) identify barriers that may negatively impact student results; and (c) identify technical assistance needs.

The LEA will be notified in writing of the specific circumstances and the recommended remedies required to move the LEA to a point of substantial compliance through a compliance action plan (CAP). CAPs will include a scheduled ZOOM meeting with the LEA Supervisor of the LEA. Within the meeting, the following will be discussed:

1. Discussion of any non-allowable costs and why the costs were unallowable and how the LEA can repay those unallowable costs to the agency
2. Discussion of the need for changes in policies and procedures to prohibit the repeat of any findings
3. Discussion of the need for training of all personnel who are involved in the decision-making process of how IDEA, Part B funds are utilized and the content of the training
4. Discussion of any additional components to include in the "Compliance Action Plan" prior to ADE-DESE OSE approval.
5. Discussion of any questions and/or concerns that the LEA may have about the findings

The Office of Special Education will notify the Arkansas Legislative Audit Educational Institution Deputy Legislative Auditor regarding any issues of non-compliance and provide a copy of the CAP.

A district that does not complete the requirements of the CAP within the designated time enters a status of long-standing non-compliance. The State Education Agency (SEA) will issue a letter to the district informing them of the status and outlining the next required corrective actions, sanctions, or enforcement actions. The required actions due to long-standing non-compliance will be included as Specific conditions on the LEA's IDEA Part B Federal award and will include a timeline and monthly review for the completion of each required action 2 CFR 200.208. Required actions could include, but are not limited to:

- Required components of CAP that LEA failed to complete
- Additional Project Monitoring
- Obtain additional technical or management assistance
- Additional Prior Approvals

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- Required use of funds for specific actions

Tier 1 – Desk Monitoring

All LEAs are monitored annually through various data collection activities and desk reviews. Annual components include:

1. June 1st Application
2. October 1st Budget
3. End of Year Budget
4. Maintenance of Effort Calculation
5. Excess Cost Calculation
6. Private School Proportionate Share (PSPS) Survey & Expenditures
7. Use of allowable functions in the budgets submitted
8. Monthly review of Arkansas Legislative Audit Synopsis: Committee on Educational Institutions
9. Monthly review of CCEIS expenditures via expenditure audit trails of Function 1297
10. Letters to LEAs requesting repayment of special education funds to the agency

The SPED Finance team reviews these documents to ensure that the documents are submitted on a timely basis and that the information presented on the documents is correct. Technical assistance is provided to LEAs based on the review of documents on how to correct the documents to ensure compliance. DESE-OSE can issue a compliance action plan due to areas identified through Tier 1 – Desk Monitoring, including timely and accurate data.

The SPED Finance team also identifies the risk for each LEA as follows:

- 1. Change in Superintendent/Open-Enrollment Public Charter School Director**
The fiscal monitoring team will pull data from the ADE School Personnel Directory information concerning district superintendents/open-enrollment public charter school directors from the current school year and compare that data to the data from the previous monitoring data pull. A request for new superintendents will also be sent to the Director of Learning Services and Operations at AAEA. LEAs with a new superintendent/charter school director for the current year will be assigned twenty (20) points. LEAs with a superintendent/charter school director in the second year of their position will be assigned fifteen (15) points.
- 2. Change in General Business Manager/District Treasurer**
The fiscal monitoring team will pull data from the ADE School Personnel Directory information concerning general business manager/district treasurer from the

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current school year and compare that data to the data from the previous monitoring data pull. A request for new general business managers/district treasurers will also be sent to the Director of Financial Services at AAEA. LEAs with a new general business manager/district treasurer will be assigned fifteen (15) points. LEAs that have a general business manager/district treasurer in their second year of their position will be assigned ten (10) points.

3. Change in LEA Supervisor

The program monitoring team will pull data from the ADE School Personnel Directory information concerning LEA Supervisor from the current school year and compare that data to the data from the previous monitoring data pull. A request for new LEA Supervisor will also be sent to the Director of Financial Services at AAEA. LEAs with a new LEA Supervisor will be assigned fifteen (15) points. LEAs with a LEA Supervisor in their second year of their position will be assigned ten (10) points.

4. Fiscal Distress, Early Intervention or Less than 350 Status, Level 4 or 5 Intensive Support

Email will be sent to the Fiscal Services and Support Coordinator in the Finance Office to obtain a list of districts in fiscal distress, early intervention or less than 350 student status. Email will be sent to the OCSS SPED Coach to obtain information about any issues that any Level 4 or Level 5 Intensive Support school entity had in the last year. LEAs that are classified as a Level 5 intensive-support LEA or classified in Fiscal Distress will be assigned thirty-five (35) points. LEAs that are classified as a Level 4 intensive-supported entity or classified in Early Intervention status will be assigned twenty-five (25) points. LEAs that are classified as Less Than 350 (having a total student count of less than 350 after the 3rd quarter) will be assigned fifteen (15) points.

5. History of late submission of required data or financial information (including Maintenance of Effort (MOE))

The fiscal monitoring team will review a Google document that lists each school entity's submission of reports to the SPED Finance unit. LEAs with one instance of late submission of required data or financial information will be assigned five (5) points; with two instances of late submission will be assigned ten (10) points; with three instances of late submission will be assigned fifteen (15) points, and four (4) or more instances will be assigned twenty (20) points.

6. Review of PSPS Survey and Expenditures

The fiscal monitoring team will cross reference the LEA's PSPS survey count against Cycle 4 data. LEAs that have errors in the PSPS survey count will receive (5) five points. The fiscal monitoring team will request the written affirmation signed by representatives of participating private schools that timely and meaningful consultation has occurred when the LEA has not expended the proportionate share by the end of the carry-over period. LEAs that do not have

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written affirmation that consultation with participating private schools will receive five (5) points.

7. Review of CCEIS funds (Involuntary for CCEIS identified school entities)
 The fiscal monitoring team will process the expenditure audit trail for CCEIS funds and ensure that proper program codes (267 and 269) have been used and that 15% of their preliminary federal allocations for those program codes have been budgeted and expended and review the previous four years of CCEIS Carryover Worksheets to ensure that the school district has not spent more than the 15% allowed. The fiscal monitoring team will also review for any unallowable expenditures that the LEAs may have expended that violates the “supplement not supplant” requirements. LEAs that have any inaccurate calculations will receive twenty (20) points. LEAs that have unallowable CCEIS expenditures will receive twenty (20) points. LEAs that have not liquidated the carryover by the end of the 27-month requirement will receive twenty (20) points.

8. Review of calculation of Maintenance of Effort (MOE)
 The fiscal monitoring team will review the LEA’s calculation of maintenance of effort in determining if appropriate expenditures were used and if the appropriate exceptions have been calculated correctly. LEAs that have failed to meet the maintenance of effort requirement will receive ten (10) points.

9. Review of letters requesting LEA to return funds to the agency
 The fiscal monitoring team will review any letters that have been addressed to the LEA requiring the LEA to return funds to the agency for the following reasons:

1. Not meeting maintenance of effort (MOE)
2. Not meeting CCEIS requirements
3. Any other repayment of funds (i.e., using Fund 6702 for third-party Medicaid billing services)

LEAs that have had to return funds for not meeting maintenance of effort (MOE) will receive fifteen (15) points. LEAs that have had to return funds for not meeting CCEIS requirements will receive ten (10) points. LEAs that have had to return funds for any other reasons will receive ten (10) points per occurrence. The LEA is required to complete a Compliance Action Plan (CAP) for each occurrence in which funds were returned to the agency. Within the CAP, the LEA will be required to attend selected technical assistance (TA) trainings provided by the Office of Special Education Finance.

Based upon the rubric for Tier 1, if a non-CCEIS identified LEA has more than 40 points, then the LEA will be moved into Tier 2 Monitoring. If a CCEIS-identified entity has more than 60 points, then the LEA will be moved into Tier 2 Monitoring.

VARIABLES OF SCORING RUBRIC	Risk Value	Yes	No	Score
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Change in Superintendent/ESC Director/Open-Enrollment Public Charter School Director – first year in position	20			
Change in Superintendent/ESC Director/Open-Enrollment Public Charter School Director – second year in position	15			
Change in General Business Manager/District Treasurer – first year in position	15			
Change in General Business Manager/District Treasurer – second year in position	10			
Change in LEA Supervisor of school entity – first year in position	15			
Change in LEA Supervisor of school entity – second year in position	10			
District been classified as a Level 5 intensive support entity, or in fiscal distress, or has been taken over by the State	35			
District been classified as a Level 4 intensive support entity or has been selected for early intervention	25			
District been classified as a school entity that has less than 350 students	15			
History of late submission of required data or financial information (example(s): Part B Application, Budget Amendments, Annual Report, Surveys, and Maintenance of Effort) within the last four years – one instance of late submission	5			
History of late submission of required data or financial information (example(s): Part B Application, Budget Amendments, Annual Report, Surveys, and Maintenance of Effort) within the last four years – two instances of late submission	10			
History of late submission of required data or financial information (example(s): Part B Application, Budget Amendments, Annual Report, Surveys, and Maintenance of Effort) within the last four years – three instances of late submission	15			
History of late submission of required data or financial information (example(s): Part B Application, Budget Amendments, Annual Report, Surveys, and Maintenance of Effort) within the last four years – four (4) or more instances of late submission	20			
LEA has failed to meet the maintenance of effort requirement	10			
Inaccurate or unverifiable reporting on PSPS survey within the last two years (beginning 23-24 monitoring cycle)	5			

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Unverifiable reporting of meaningful consultation with participating Private Schools within the last two years (beginning 23-24 monitoring cycle)	5			
LEA has had to repay funds to the agency due to not meeting maintenance of effort (MOE)	15			
LEA has had to repay funds to the agency for other reasons besides not meeting maintenance of effort (MOE) (10 points per occurrence)	10			
FOR CCEIS IDENTIFIED SCHOOL ENTITIES				
Inaccurate or unverifiable reporting of actual expenditures and carryover of CCEIS funds within the last four years	20			
Issues related to unallowable expenditures of CCEIS funds	20			
Issues related to the liquidation of the CCEIS funds within the last four years	20			
LEA has had to repay funds to the agency due to not meeting CCEIS requirements	10			
Subtotal for CCEIS	70			
Subtotal for Tier 1 (maximum points allowed) without CCEIS possible points	150			

Tier 2 – High-Risk LEAs and Cyclical Monitoring

Each year, selected LEAs will begin in the cyclical monitoring tier (Tier 2), which utilizes the self-assessment that is completed in MYSPEd and has a maximum of 20 school days, excluding state holidays, to complete. The Monitoring and Program Effectiveness (MPE) team typically determines the timeframes during the summer months.

Beginning in the 2021 - 2022 school year, Tier 2 includes a random selection of no more than five LEAs that may or may not be on the cycle for the year. LEAs selected for a random Tier 2 monitoring may be asked to complete any of the fiscal and/or program monitoring activities described in this document or may have a focused area of review. The SPED monitoring team makes determinations annually regarding this random selection and activity. The random selection will be made via a number generator.

The Tier 2 monitoring is identified through risk checklist results, results of previous fiscal monitoring, consultation with other units within the Office of Special Education and/or identified through the established four-year monitoring cycle. The SPED Finance team will also complete the following:

- 1. Review of responses on the Self-Assessment**
Review the self-assessment report received from the LEA after forty-five (45) days from receipt of email. If more than 10 points on the self-assessment, the

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LEA will be assigned ten (10) points.

2. Private Audit

Email will be sent to the Deputy Legislative Auditor for Educational Institutions of the Arkansas Legislative Audit to obtain a list of school entity that have chosen to utilize a private auditor rather than the use of Arkansas Legislative Audit for the previous fiscal year. LEAs with a private audit will be assigned ten (10) points.

3. Inadequate Management of Funds or Failure to Comply with Federal and State Requirements

Email will be sent from Arkansas Legislative Audit with a synopsis attached each time the Joint Legislative Audit Committee meets and files audits. The fiscal monitoring team will review those synopses for any LEA with audit findings. LEAs that have three (3) or more non-federal audit findings will be assigned twenty (20) points. LEAs that have one (1) or two (2) non-federal audit findings will be assigned ten (10) points.

4. LEA has federal audit findings (includes management letter issues) in the last four years.

Email will be sent from Arkansas Legislative Audit with a synopsis attached each time the Joint Legislative Audit Committee meets and files audits. The fiscal monitoring team will review those synopses for any LEA with federal audit findings. LEAs that have federal findings will be assigned twenty (20) points.

5. LEAs that have repeat federal audit findings in the last four years

Email will be sent from Arkansas Legislative Audit with a synopsis attached each time the Joint Legislative Audit Committee meets and files audits. The fiscal monitoring team will review those synopses for any LEA with repeat federal award audit findings over the last four years. LEAs that have more than two (2) repeat federal award audit findings will be assigned twenty-five (25) points. LEAs that have one (1) or two (2) repeat federal award audit findings will be assigned fifteen (15) points.

6. LEA has procedures in place for monitoring and evaluating the expenditures to determine whether they are compliant

The fiscal monitoring team will review, during the fiscal monitoring cycle, the financial policy manual of the school entity on the school entity's website. Entities that have no procedures will be assigned ten (10) points.

7. Incompletion of corrective action plan by designated deadline

The fiscal monitoring team will review the corrective action plan, if required at the last monitoring of the school entity, and all supporting documentation with the corrective action plan. School entities with an incomplete corrective action plan will be assigned ten (10) points.

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8. LEA does not attend required technical assistance (training)

The fiscal monitoring team will review the registrations of LEAs for technical assistance training for the prior year. LEAs that have not attended (1) one training will be assigned five (5) points. LEAS that have not attended (2) two or more trainings will be assigned (10) points per missed training.

Based upon the rubric for Tier 2, if a LEA has more than 40 points and additional documentation is needed to get clarification on the data submitted, then the LEA will be moved into Tier 3 Monitoring. The school entity will be notified by the SPED Finance team.

VARIABLES OF SCORING RUBRIC	Risk Value	Yes	No	Score
Review of responses on the Self-Assessment (10 or more points = YES)	10			
District had a private audit in the last four years	10			
In the school entity's history, there have been inadequate management of funds or failure to comply with federal or state requirements in the last four years. Three (3) or more non-federal audit findings	20			
In the school entity's history, there have been inadequate management of funds or failure to comply with federal or state requirements in the last four years. One (1) or two (2) non-federal audit findings	10			
School entity has federal audit findings (not repeat) in the last fours	20			
School entity has repeat federal audit findings in the last four years – three (3) or more findings	25			
School entity has repeat federal audit findings in the last four years – one (1) or two (2) findings	15			
District does not have procedures in place for monitoring and evaluating the expenditures to determine whether they are compliant	10			
Incompletion of corrective action plan by designated deadline	10			
LEA has not attended one (1) technical assistance training	5			
LEA has not attended two (2) or more technical assistance trainings (10 points per occurrence)	10			
Subtotal for Tier 2 (maximum points allowed)	150			

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Tier 3 – Increased Review of Data or Evidence

In the event that an increased review of the data or evidence becomes necessary, the SPED Finance team will review all expenditure audit trails of Funds 6702, 6703, 6704 and 6710. The SPED Finance team will also complete the following:

1. School Entities that have made numerous journal entries within the last four years

The fiscal monitoring team will process expenditure audit trails for all funds that are being monitored and review all journal entries that have been made in those funds. LEAs with multiple journal entries that are increasing and reducing the expenditures with no description of the reason for the journal entries and/or the journal entry is being completed to transfer funds to/from a fund that is unallowable will be assigned twenty (20) points.

2. Inaccurate calculation of budget amendments, which will include failure to comply with the 10% variance requirement

The fiscal monitoring team will review any budget amendments that have been submitted and determine if the amendments were submitted correctly and had supporting documentation attached regarding the amendment. LEAs with inaccurate calculations of budget amendments will be assigned twenty (20) points.

3. Reviewing CEIS funds (Voluntary)

The fiscal monitoring team will process the expenditure audit trail for CEIS funds and ensure that proper program codes (264 and 265) have been used if CEIS funds were budgeted. If the CEIS funds have been budgeted, the LEA should not budget more than 15% of their preliminary federal allocations for those program codes have been budgeted and expended. LEAs that have any inaccurate calculations will receive twenty (20) points. If the LEA has obligation issues of those funds, the LEA will receive twenty (20) points.

4. Review of Private School Proportionate Share (PSPS) funds

The fiscal monitoring team will process the expenditure audit trail for PSPS funds and ensure that proper program codes (266 and 268) that have been used and ensure that PSPS funds are used before state and local funds are used. School entities that have any inaccurate calculations will receive fifteen (15) points. School entities that have obligation issues will receive fifteen (15) points.

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5. Review expenditures requiring SPED Finance approval

The fiscal monitoring team will process expenditure audit trails and review for any purchases that were made for equipment, buses, construction, and out-of-state travel and ensure that approval was received from the SPED Finance Unit. LEAs that have unauthorized expenditures for equipment, buses, construction and/or out-of-state travel will receive ten (10) points each for those areas.

6. Review all salaried positions that require a time certification report

The fiscal monitoring team will review time certification reports for all salaried positions (certified and classified) that are paid from IDEA Part B funds Section 611 and 619. The team will conduct a sample review to ensure that the appropriate percentage of time has been correctly calculated. Any errors identified in the sample review will lead to a review of all identified positions. LEAs that have incorrectly calculated the percentage per fund will receive (5) points each for each violation.

Based upon the rubric for Tier 3, if a LEA has more than 60 points and additional documentation shows unallowable costs have occurred, then the LEA will be moved into Tier 4 Monitoring. The LEA will be notified by the SPED Finance team of the specific circumstances that moved the LEA to Tier 4 Monitoring.

VARIABLES OF SCORING RUBRIC	Risk Value	Yes	No	Score
LEA has made numerous journal entries without description and/or is being completed to make unallowable transfer of funds within the last four years	20			
Inaccurate calculation of budget amendments within the last four years	20			
Inaccurate reporting of actual expenditures and carryover of CCEIS funds within the last four years	20			
Issues related to the obligation of the CCEIS funds within the last four years	15			
Inaccurate reporting of actual expenditures and carryover of Private School Proportionate Share funds within the last four years	15			
Issues related to the obligation of the Private School Proportionate Share funds within the last four years	15			
Unauthorized expenditures regarding equipment within the last four years	10			
Unauthorized expenditures regarding buses within the last four years	10			
Unauthorized expenditures regarding construction within the last four years	10			

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Unauthorized expenditures, regarding out-of-state travel within the last four years	10			
Incorrect calculation of percentage of time allotted to each fund in time certification (5 points per employee)	5			
Subtotal for Tier 3 (maximum points allowed)	150			

Tier 4 – Onsite Monitoring

School entities can be selected for onsite monitoring based on

- (1) a request from the Superintendent and/or Commissioner of DESE; or
- (2) self-identification, disproportionality data, data and results of self-monitoring; or
- (3) LEA has moved from a Tier 3 level of monitoring due to unallowable costs that are found after the Tier 3 monitoring review; or
- (4) other risk factors that may not be specifically mentioned in this document

Specific programs that always have on-site monitoring include:

- a. All state agency programs
 1. Division of Youth Services
 2. Corrective Education
 3. Arkansas School for the Blind
 4. Arkansas School for the Deaf
 5. Conway Human Development Center
- b. New charter schools and/or school districts during their second year of operation

The SPED Finance team will examine the school entity’s expenditure audit trails of other special education funds such as high-cost occurrence and LEA special education supervisor for compliance to federal and state requirements.

The SPED Finance team will examine a sample of the special education fixed assets for tag identification, reporting of special education-related assets within the fixed asset ledger, and adherence to disposal policies as outlined in C.F.R. § 200.313 and § 200.439.

The SPED Finance team will also examine all procurement policies that the district utilizes for special education purchases specifically reviewing the processes of:

1. Selection criteria for placing vendors on the approved supplier list outside of TIPS/TAPS vendors
2. Purchase order approval process
3. Process of receiving goods and reporting of the movement of goods from person receiving the goods to the purchaser of the goods
4. Reviewing internal control processes to ensure unauthorized or fraudulent purchases are not occurring

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Also, the team will review the procurement processes to ensure that the processes comply with C.F.R. § 200.320.

The State Education Agency (SEA) and LEA will work together to delineate on-site monitoring activities, which will include all fiscal-oriented documentation (i.e., invoices, purchases orders, etc.). Areas of potential non-compliance identified in the validation check will be reported with the other monitoring data.

The SPED Finance team and the LEA will discuss the recommendations required to move the LEA to a point of substantial compliance.