

Department of Education

Department of Education Background

The Department of Education (Department) is the state agency responsible for administering the laws and regulations pertaining to elementary and secondary education, for distributing state and federal funds to local educational agencies (LEA), and for improving the quality of education for all public school students in the Commonwealth. The primary responsibility for the operation of schools rests with local and regional school committees. The Department carries out its mandate by providing assistance and funds to the schools, by setting standards, by administering regulations, and by collecting data on the condition of education.

During fiscal year 1999, the Department administered approximately \$3.2 billion of state funds, and \$500 million of federal funds.

The federal funding to this Department is detailed in the accompanying Schedule of Expenditures of Federal Awards. The Department's major programs were:

CFDA

CFDA #	Federal Program Description
84.010	Title I Grants to Local Education Agencies
84.027	Special Education - State Grants
84.173	Special Education - Preschool Grants
84.048	Vocational Education - Basis Grants to States Food Distribution
10.550	Food Distribution
10.558	Child and Adult Food Care Program
10.553	School Breakfast Program
10.555	National School Lunch Program
10.556	Special Milk Program for Children
10.599	Summer Food Service Programs for Children

Findings on Compliance with Rules and Regulations

Finding Number 38: Subrecipient Review Needs Improvement

The Department of Education (Department) did not adequately carry out the responsibilities of a pass through entity, including documentation of the review of subrecipient Single Audit Reports and issuance of management decisions for findings in those reports.

OMB Circular A-133 *Audits of States, Institutions of Higher Education, and Non-Profit Organizations*, Subpart D--Federal Agencies and Pass-Through Entities (d) sets forth the responsibilities of pass-through entities.

In the current year, the Department has created a new position, Director of Audit and Compliance. This new position is responsible for ensuring proper procedures are in place to receive and review the applicable Single Audit Reports from the subrecipients. The Director of Audit and Compliance has prepared a subrecipient monitoring procedures manual, which addresses several deficiencies, noted in prior audits. However, because the Director was hired in mid-year, these policies and procedures have not been in place for the entire fiscal year and therefore have not been effective for the period of intended reliance.

In addition, the manual does not fully address or define the process for the follow-up of the related A-133 findings. Current year testing indicated that there was inadequate follow-up of subrecipient Single Audit Report findings, and the required A133 – Subpart D—(d) (5) management decisions were not issued within six months after the receipt of the report. There was no documentation that the Department ensured that the subrecipient took appropriate and timely corrective action.

As a result, the Department and the federal government lack assurance that a subrecipient organization has an adequate internal control structure in place to comply with all applicable laws and regulations. The Department's Chief Financial Officer indicated that the Department needs more resources to properly monitor all of its subrecipients and these resources would be employed if the Department were able to retain the indirect costs charged to federal programs. Currently, he explains those indirect cost recoveries go to the state's general fund not to the Department. (*Department of Agriculture - Food Distribution Program 10.550, School Breakfast Program 10.553, National School Lunch Program 10.555 and Child and Adult Care Food Program 10.558; Fiscal Year 1994; 1998 Single Audit Finding 54*)

Recommendation

The Department should implement and document formal policies and procedures to address all of the requirements of OMB Circular A-133, Sub-Part D. Implementation of the policies and procedures for the collection and review of subrecipient audit reports should continue and work should begin on policies and procedures to address other aspects of the requirements. Once the requirements of Sub-Part D are considered and the overall Department policies for compliance are set, the tasks associated with the specifics can be assigned among those groups within the Department that work with subrecipients.

Department Corrective Action Plan

We acknowledge the auditor's comments as to the progress that Finance has made regarding this issue. We will update our procedures to include the programmatic follow up reviews of our subrecipients.

In addition, we will meet with the department staff responsible for the review of the program findings and re-enforce the understanding of our requirements and the timeframes involved under the Circular.

Responsible Person: David LeBlanc

Implementation Date: June 30, 2000

Findings on Compliance with Rules and Regulations**Finding Number 39: Local Education Agencies (LEA) Compliance with Supplement not Supplant Requirement is not Monitored Annually**

The Department of Education (Department) did not adequately review or monitor the supplement not supplant requirements (SNS) in fiscal year 1999 for the Title I (34 CFR 200.63) and the Vocational Education Program (34 CFR 403.196).

The SNS requirements for Title I and Vocational Education were not monitored satisfactorily in fiscal year 1999. According to OMB guidance, the State Education Agency (SEA) must ascertain if the entity used federal funds to provide services, which were provided with non-federal funds in the prior year. In order to do this, OMB suggests the SEA, at a minimum, perform the following procedures: 1) identify the federally-funded services, 2) perform procedures to determine whether the federal program funded services that were previously provided with non-federal funds and 3) perform procedures to ascertain if the total level of services applicable to the requirement increased in proportion to the level of federal contribution. Step two above is to be performed at the application approval stage of the process, whereas step three is to be performed at the end of the fiscal year. Step one must be performed in order to perform steps two and three.

At the end of each fiscal year, the Local Education Agencies (LEA) prepare an End-of-Year Report that details expenses for federal and state programs. This report is monitored and reviewed by the Director of Finance. The Director reviews the past year's expenditures to ensure the total state and local expenditures have increased at a greater level than the federal contribution as required in procedure three above. However, there is no evidence that the Title I Administrator or staff perform a review to determine whether the federal program funded services that were previously provided with non-federal funds at the application approval stage. Conversely the Vocational Education Administrator and staff perform an SNS review at the application approval stage in which they determine whether the federal program funded services that were previously provided with non-federal funds in prior years as required by step two above. However, there is no evidence that procedures are performed to determine if the total level of services applicable to the requirement increased in proportion to the level of federal contribution. (*Department of Education - Title 1 Grants to Local Educational Agencies 84.010*)

and Vocational Education, Basic Grants to States 84.048; Fiscal Year 1992; 1998 Single Audit Finding 56)

Recommendation

The Department should implement and document formal policies and procedures to address all of the requirements of the SNS regulations for each program.

Some procedures that may be used to monitor the SNS requirements are readily available for both of the federal programs noted above. The Title I Administrator could consider similar procedures to those performed by the Vocational Education Administrator with respect to reviewing the federal budgets of the subrecipients at the initial approval stage. Per discussion with the Director of Finance, a year end review of expenditures can easily be performed by making a small change to the End-of-Year Report which is submitted annually by each LEA. Therefore, we recommend that the Vocational Education Administrator and Director of Finance discuss the changes needed to comply with the SNS requirement. However, a determination needs to be made that the requirements of the regulations can be properly monitored using the End-of-Year Report.

Department Corrective Action Plan

The Department will implement a policy to conduct an on-site monitoring visit to all Title I programs at least once every five years. This will be done in conjunction with the coordinated review, or as an individual Title I monitoring visit.

Neither the Perkins Act nor the U.S. Division of Vocational Technical Education has specified a minimum number of Perkins Act on-site monitoring visits that must be done annually. We have therefore used the guideline of a seven-year monitoring cycle. Since there are 98 recipients of Perkins Act allocation funds (both secondary and post secondary), we would need to monitor 14 districts and/or colleges each year.

Responsible Person: Marcia Mittnact / Fran Kane

Implementation Date: June 30, 2000

Findings on Compliance with Rules and Regulations

Finding Number 40: Adjustments are Needed to Salary Charges to Federal Programs

The Department of Education (Department) failed to adjust the federal programs to reflect the actual cost of salaries as documented by the percentages provided by employees who work on multiple programs. OMB Circular A-87, Attachment B (h) (6) (e) states that budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to federal awards but may be used for interim accounting purposes, provided that: (i) the governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) at least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to federal awards to reflect adjustments

made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) the budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances. The Department performed the required quarterly comparison of budget to actual and did revise the budget estimates quarterly but did not make the required adjustments.

Department officials explained that the adjustments were not made because the Commonwealth's centralized accounting (MMARS) and payroll/labor distribution (PMIS/PCRS) systems make such adjustments a very time consuming and cumbersome process.

The Department developed and implemented, in consultation with the U.S. Department of Education Office of Special Education Programs, a process to determine that salaries charged to federal programs reflect the percentage of time each employee spent monthly on each program. The procedures used to calculate the salary charged to the grant and to calculate the salary cost represented by the actual work performed have not been documented. The worksheets were designed and are maintained by the Director of Finance. However, there is no system in place to verify the accuracy of this complicated clerical quarterly report. During the audit errors were found in the spreadsheets that, although immaterial, went undetected by the Department. The correction of these errors effect each quarter of the year. The corrected worksheets were used to document the cost questioned. The lack of adequate controls makes the process of developing the changes to salary budget assignments and the quantification of the quarterly and annual adjustments unreliable.

For the programs tested all were undercharged except Special Education, State Grants, which was over charged by \$84,000. This cost is questioned. (*Department of Education – Special Education, State Grants 84.027; United States Department of Education, Office of Special Education and Rehabilitative Services, Monitoring Review Report Dated May 2, 1995 Finding 4; Fiscal Year 1995; 1998 Single Audit Finding 57*)

Recommendation

The Department should implement and document formal policies and procedures to meet the requirements of OMB Circular A-87. Adjustments should be made to all federal grants to reflect the actual expenses of salaries and wages. The Department should strongly consider implementing a policy that requires its employees to record their time charges on a daily basis. The current policy of having employees, for program allocation purposes, report their time on a monthly basis places too much reliance on an individual's memory.

Department Corrective Action Plan

The Department will implement and document the policies and procedures for the process and reconciliation of the salary charges to the federal programs. Adjustments will be made to the federal accounts in a more timely manner and any excess charges will be born by the state appropriations. The salary adjustment plan that was developed and implemented, in consultation with U.S. Department of Education Office of Special Education Programs identified a monthly reporting requirement. There are currently no plans to alter this agreement.

Responsible Person: Anthony DeLorenzo

Implementation Date: June 30, 2000

Findings on Compliance with Rules and Regulations

Finding Number 41: Core Standards and Measures are Inadequate

The Department of Education (Department) Standards and Measures Reports for the Vocational Education Program do not include a report on the students' academic skills or special population information.

Federal regulation, 34 CFR 403.202, regarding the measurement of learning and competency gains and the targeting of special populations, requires that the Department institute procedures to test the students' academic skills and to document the special populations served. These items are in the Department's State Plan but implementation has been delayed for a number of years.

Academic skills testing have been the subject of considerable work within the Department. It is at the core of Massachusetts Education Reform and plans are to implement testing and measuring for all students, not only Perkins Students. The coordinated approach has delayed the finalization of the plan for the Standards and Measures Report. The students are being tested using the Stanford Achievement Test. The Department's Coordinated Review Procedures - Interview Guide includes questions to document the Local Education Agencies' procedures for measuring academic competency gain and attainment. (*Department of Education - Vocational Education, Basic Grants to States 84.048; Fiscal Year 1997; 1998 Single Audit Finding 59*)

Recommendation

The Department should continue to develop the methods to test students and accumulate the data for the Standards and Measures Reports.

Department Corrective Action Plan

We are awaiting the results of the MCAS test to compare with the previous year's results to determine the strengths and weaknesses of each school and program in order to set benchmarks and take corrective measures. We are also working on the 4 indicators for the New Perkins III.

We are in the process of creating a database in Microsoft Access that reads and links the data files provided by the districts to the Department of Education, the MCAS data files, the directory of programs, and a table of goals and standards.

Specific data source, measures and issues related to the four core indicators appear in the Perkins III State Plan for Career and Technical Education submitted to the Federal Division of Vocational and Technical Education in Washington in April, 1999. For specifics concerning the Four Core Indicators, please refer to the State Plan for Perkins III.

Responsible Person: Fran Kane

Implementation Date: June 30, 2000

Findings on Compliance with Rules and Regulations

Finding Number 42: Federal Report Deficiency

The Department of Education (Department) prepares the federal Vocational Education expenditure report, administrative match section, based on the required amount to be matched not the actual expenditures from the books and records.

According to federal regulation, 34 CFR 403.181, the State is required to match from non-federal sources and on a dollar-for-dollar basis, the funds reserved for administration of the State Plan for the Vocational Education Program. The Department provides large amounts of state funds to regional vocational education schools. The regional vocational schools spend some of the money provided by the state on administration. These funds are considered the state match to meet the regulation's requirement but are not measured for use in preparing the federal report. Because of the generous level of state funding for the regional vocational education schools the Department is confident that the spending is actually more than the amount included in the federal report and that the requirement is satisfied.

To support the assumption that the match is met the Budget Director prepares an analysis of state spending for administration at the Department and regional vocational education schools. The analysis starts with each Local Education Agency's (LEA) expenditures as reported to the Department annually on the End-of-Year Reports and uses only the amounts reported by those LEAs that are exclusively regional vocational education schools to be of conservative. At current funding levels this spending would seem to easily meet the required match. However, the system has significant weaknesses. The Department accepts the amounts reported by the LEAs without review. The End-of-Year Report was not included in the items tested during the Coordinated Reviews. The Department has no assurance that the amounts used for the match are accurately reported by the LEA, nor used as a match for any other federal programs.

Although flawed, the analysis shows that the match is more than met and at current funding levels it seems assured that the match is met. However, the system in place cannot be relied on to actually measure the match. In times of decreased funding, the analysis could easily depict a false level of state support.

In addition to the regional vocational education school spending the Department includes state level administrative spending in the analysis. This adds \$244,237 of state administrative funds as part of the match. The individuals used to satisfy the match do not keep time records in accordance with OMB Circular A-87. Five to 20% of the salaries of five senior administration and finance personnel, included in the match, are also included in the indirect cost plan as indirect costs. Rent and utilities are included

in the match, based on the number of employees used in the match as a % of the total Department employees. The rent and utilities are therefore, unsupported to the same extent as the salaries. Although these costs are not needed to meet the match at the current funding levels, the weakness in the system is a concern. (*Department of Education - Vocational Education, Basic Grants to States 84.048; Fiscal Year 1997; 1998 Single Audit Finding 60*)

Recommendation

The Department should implement a system of reporting state spending for administration that can be used to meet the match requirement. If the accounting or grants management systems can not be used to capture the actual spending for administration at the state and local levels, the Department must develop a system to capture that spending. The system should capture the required information in a manner that allows for easy verification and a clear audit trail. The system will also allow the Department to know that the amounts used are accurate, not double counted at the state level or local level and meet the allocation requirement of OMB Circular A-87. The source documents should be sufficiently reviewed so that they can be considered reliable.

Department Corrective Action Plan

The Department of Education will implement two steps to address this federal reporting deficiency: First, a system will be developed to verify the accuracy of the Local Education Agency's reported expenditures, and; Secondly, the Department of Education will not include the administrative spending of staff expenditures that are not 100% Vocational Education related. The staff that are 100% Vocational Education will be supported by monthly timesheets and their costs will be included towards the match.

Responsible Person: Anthony DeLorenzo

Implementation Date: June 30, 2000

Findings on Compliance with Rules and Regulations

Finding Number 43: Inadequate Site Monitoring

For the federal fiscal year ended September 30, 1998, the Department of Education (Department) failed to monitor the required number of Child and Adult Care Sponsors, and Special Milk Programs at schools where the School Lunch and Breakfast Programs were reviewed.

The Department is required by federal regulation, 7 CFR 226.6 (l), to perform a monitoring review of at least 1/3 of all of the Child and Adult Care Sponsors receiving federal awards annually. The "Operational Plan Report", which provides a detail of the Child and Adult Care sponsors that were reviewed, was obtained for fiscal year 1998. The report detailed 103 sponsor site visits. In fiscal year 1998 there were 374 sponsors, thus 125 required monitoring.

In prior years there was no system in place for the Department to measure the adherence to this requirement. In fiscal year 1999, the Department utilized a computer system that identifies those

Sponsors requiring monitoring reviews. This system has been put in place for all of the Nutrition Services programs administered in the current year.

Federal regulation, 7 CFR 215.11(b)(2), requires the State Education Agency to review the Special Milk Program when reviewing a Local Education Agency's (LEA) School Lunch and Breakfast Programs. In fiscal year 1999, the Special Milk Program was not reviewed for three of the five LEAs selected for testing. It appears that the Special Milk Program was overlooked in the review because it is so small in relation to the other two programs. (*Department of Agriculture - Child and Adult Care Food Program 10.558 and Special Milk Program for Children 10.556; Fiscal Year 1998 Single Audit Findings 61 and 62*)

Recommendation

The Department should assign the responsibility of achieving the goal of monitoring 1/3 of the sponsors to an individual with the authority to ensure that the correct number of visits are made to comply with the federal regulations. The Department should also reemphasize to reviewers the need to include the Special Milk Program when reviewing the School Lunch and Breakfast Programs.

Department Corrective Action Plan

We continue to work with the monitoring process to assure compliance with current and newly issued regulations. We are working to consolidate the monitoring process for all Child Nutrition Programs.

Responsible Person: Kate Millett

Implementation Date: June 30, 2000

Findings on Compliance with Rules and Regulations

Finding Number 44: Failure to Recapture Funds or Obtain a Waiver for Maintenance of Effort Failure

The Department of Education (Department) did not determine if all schools met the Maintenance of Effort Requirements for fiscal year 1999. The Department determined that four schools had not met the Maintenance of Effort Requirements in fiscal year 1998. A school may receive Title I funds for any fiscal year only if the combined fiscal effort per student, or the aggregate expenditures of the school and the State with respect to the provision of free public education by the school for the preceding year was not less than 90% of the combined fiscal effort or aggregate expenditures for the second preceding fiscal year. If the school fails to meet this level for both comparison criteria, the State must reduce the school's allocation by the exact percentage that the school failed to meet the requirement. The school may request a waiver from the requirement for uncontrollable circumstances or a precipitous decline in the financial resources of the school. There was no evidence that a waiver was requested by or granted to these four schools.

The Department intended to reduce the fiscal year 1999 award to recapture the funds from the failure to meet the test in fiscal year 1998. However, the fact that this did not occur indicates a lack of

procedures to document and recapture award adjustments. (*Department of Education - Title 1 Grants to Local Educational Agencies 84.010; Fiscal Year 1998 Single Audit Finding 63*)

Recommendation

The Department should implement and document formal policies and procedures to monitor the LEA's adherence to the Maintenance of Effort requirements. Those policies and procedures should include the system to recover funds that need to be recaptured and to track funds that are to be recaptured and other grant adjustments that need to be made. The responsibility should be shared between the Program Manager and the Grants Management Unit. Each time a Program Manager requires a change in grant amount, the Grants Management Unit should be notified. A tracking system should be established to document the needed adjustments and the implementation of the adjustment.

Department Corrective Action Plan

The Department will implement and document formal policies and procedures, which will include the system to recover funds that need to be recaptured. A tracking system will also be established to track funds, and these responsibilities will be shared between the Program Manager and Grants Management Unit. Information about any changes or adjustments will be communicated to the Grants Management Unit.

Responsible Person: Barbara Solomon

Implementation Date: June 30, 2000

Findings on Compliance with Rules and Regulations

Finding Number 45: Inadequate Subrecipient Monitoring

The number of subrecipients receiving on-site monitoring visits by the Department of Education (Department) was not adequate. The Department conducted program-wide monitoring reviews at selected school districts during fiscal year 1999, however, the number of districts visited for Title I was inadequate. In many instances, monitoring reviews are the only method by which the Department can ensure that subrecipients are complying with all federal and state laws and regulations.

OMB Circular A-133 Sub-Part D § .400 (d) (3) states that the pass through entity is responsible to monitor the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. Education programs do not have specific requirements relating to the number of subrecipients to be monitored or the frequency of such reviews to be conducted. Federal regulations, 20 USC 1232 d (b)(3)(A) and (E), General Education Provisions Act Section 435 (b)(2) and (5), and 34 CFR 80.40, state that state agencies must monitor grant and subgrant supported activities to assure compliance with applicable federal requirements and that performance goals are being achieved.

Beginning in fiscal year 1996, the Department improved the monitoring process under the initiative of

the "Quality Assurance" Unit by emphasizing a coordinated review process and monitoring schedule. This monitoring schedule is the primary result of a corrective action plan for the Education of the Handicapped Program and has been approved by the U.S. Department of Education Office of Special Education. The schedule dictated that 50 school districts with Education of the Handicapped Programs be monitored in 1997 and in each subsequent year.

Fifty-one school districts with Education of the Handicapped programs were monitored in fiscal year 1999 in keeping with the agreement. However, it was noted that the cycle of monitoring has not been sufficient yet to have all school districts with an Education of the Handicapped Program monitored within the last seven years. Over the next three years, the Department needs to ensure that all schools will have been visited within the seven-year period.

All of the fifty-one monitoring visits were coordinated, program-wide site visits and 43 school districts from a total of 243 with the Title 1 Program were included. The monitoring of Title 1 programs is not adequate. The monitoring cycle, as evidenced by the fact that some Title 1 programs have not been reviewed since 1992, is less than the once every seven years deemed sufficient by the Office of Special Education. In addition, it is not clear that the other programs are bound by this agreement and may require a shorter cycle.

In response to the prior year finding the Department implemented a policy to monitor all schools in a five-year cycle. A schedule has been established for the years 2000-2004 that, if met, will result in monitoring of all programs at least once each five years. The Vocational Education program staff has monitored separately, in addition to the coordinated reviews. (*Department of Education - Title 1 Grants to Local Educational Agencies 84.010; Fiscal Year 1994; 1998 Single Audit Finding 55*)

Recommendation

We recommend that the Department fully implement and document its policy to monitor all schools on a five-year cycle. The Department should continue its efforts in implementing a coordinated review process. Consideration should be given to linking this review process with the results of the Single Audit results received each year.

Department Corrective Action Plan

The Department will implement a policy to conduct an on-site monitoring visit to all Title I programs at least once every five years. This will be done in conjunction with the coordinated review, or as an individual Title I monitoring visit.

Responsible Person: John Stager

Implementation Date: June 30, 2000

Findings no Repeated from Prior Years

1. The Department did not comply with the Vocational Education Program requirements for eliminating sex discrimination. The full-time Administrator position was filled during the year thus complying with the requirement. (*Fiscal Year 1998 Single Audit Finding 58*)

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