

Arizona Performance Review Report FY 2018

01 07 2019

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U.S. Department of Education
Office of State Support
Office of Elementary and Secondary Education
400 Maryland Avenue, SW
Washington, DC 20202

Office of State Support Performance Review Process

The Office of State Support (OSS) provides coordinated policy development, performance management, technical assistance, and data analysis services through a State support team structure that deepens partnerships with States and more effectively support their implementation of key reforms that will lead to improved outcomes for all students. OSS administers programs of financial assistance to State and local educational agencies (LEAs) and to colleges and universities. Under Title I of the Elementary and Secondary Education Act of 1965 (ESEA), as amended by the Every Student Succeeds Act (ESSA), OSS administers several Title I programs of supplementary instruction and other services. This includes the School Improvement Grants (SIG) program authorized in section 1003(g) of Title I, Part A, of the ESEA, as amended by the No Child Left Behind Act of 2001 and the Improving Basic Programs Operated by LEAs under Title I of the ESEA, as amended by ESSA. Under Title II, Part A of the ESEA, OSS administers the Improving Teacher Quality State Grants. Under Title III of the ESEA, OSS administers the State Formula Grant Program for English Language Acquisition and Language Enhancement. OSS also administers the State Assessment Grant, Innovative Assessment and Accountability Demonstration Authority, and Flexibility for Equitable Per-Pupil Funding programs authorized in sections 1201, 1204, and 1501 of the ESEA.

OSS is organized specifically to provide high-quality performance management and support to State educational agencies' (SEAs) in administering and leveraging the grant programs above, focusing on SEAs' quality of implementation while continually reducing the burden of the United States Department of Education's (the Department) necessary stewardship and compliance role. Quarterly progress checks, Desk Reviews, and On-Site Reviews help ensure that SEAs are making progress toward increasing student achievement and improving the quality of instruction for all students through regular conversations about the quality of SEA implementation of OSS administered programs.

The goals of the OSS performance review process are to conduct a State-centered, performance-focused review of all OSS programs through a single, streamlined process that results in improved and strengthened partnerships between the Department and States and encourages States to develop and effectively implement integrated and coherent consolidated State plans. To accomplish these goals, the OSS performance review process is organized by areas, which reflect the programmatic and fiscal requirements and priorities of OSS programs.

Performance Review Report

The Performance Review Report summarizes the results of the August 20 – August 24, 2018, OSS review of the Arizona Department of Education's (ADE's) grant administration and fiscal management processes. The report is based on information provided through the review process, and other relevant qualitative and quantitative data. The primary goal of this review is to ensure that implementation of the four programs listed above is consistent with the fiscal, administrative, and select program requirements contained in the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance: 2 Code of Federal Regulations (CFR) Part 200), the Education Department General Administrative Requirements (EDGAR), and the ESEA, as amended by the ESSA, and, where applicable, NCLB. In addition, the review covers State internal controls related to data quality

and reporting and encompasses those fiscal and data reporting requirements applicable to the covered programs under both NCLB and the ESSA.¹

¹ To ensure that the OSS performance review process did not interfere with an SEA's transition to the ESSA requirements, in fiscal years (FYs) 2016 and 2017 the OSS reviewed for compliance fiscal and select program requirements applicable to covered programs under NCLB and ESSA, as well as the uniform administrative requirements and general management systems of SEAs. The number of program requirements under review increased in subsequent years and will result in a comprehensive review of fiscal and program requirements in FY 2019. Because this report of FY 2018 summarizes the results of a non-comprehensive set of ESSA and, where applicable, NCLB compliance requirements, the issuance of this report does not preclude other Department program offices, or independent auditors, from identifying areas of noncompliance that are not outlined in this report. In addition, as part of the FY 2018 Performance Review, the OSS asked Arizona to complete a self-assessment and provide supporting documentation on the State's implementation of a number of accountability-related requirements. Recognizing that many States were not yet implementing their new accountability systems in alignment with new requirements under the ESEA, as amended by ESSA, or their approved State Plans in the 2017-2018 school year, the OSS only reviewed sections of the self-assessment and documentation that related to requirements that were applicable.

Section I: State Overview

As part of this document the OSS includes relevant State background information as a way of providing context for the review conversation. All data presented in Section I are reported by grantees to either the National Center for Education Statistics (NCES), Common Core of Data (CCD), or through standard oversight activities.

Section II: Grant Administration and Fiscal Management Performance Evaluation

The information provided in Section II is intended to help a State quickly assess whether there are sufficient capacities, infrastructure, and resources allocated to State activities by area, in a manner that enables the State to achieve its strategic goals for the reviewed Federal programs. The section provides the State and the OSS' rating of performance on grant administration of applicable Title I, Part A; Title II, Part A; Title III, Part A; and SIG programs in FY 2017. Each area rating is a reflection of how a State is addressing fiscal and cross program requirements. The State rating column is populated based on the self-assessment completed by the State prior to the review. OSS' analysis for each area is primarily based on evidence submitted by the State in the form of answers to the self-assessment questions, documents submitted by the State prior to the review, and the responses provided to questions during the review.

OSS' rating is also informed by evidence collected through public sources and other components of the performance review process. In some cases area ratings may overlap (e.g., Risk Assessment and Procurement) and feedback is provided in the cross-cutting subsection that appears at the end of Section II.

Ratings are based on a four-point scale, for which “met requirements with commendation” represents high quality implementation where the grantee is exceeding expectations; “met requirements” indicates that work is of an acceptable quality and the grantee is meeting expectations; “met requirements with recommendations” indicates there are quality implementation concerns and some improvements could be made to ensure the grantee continues to meet expectations; and “action required” indicates there are significant compliance or quality concerns that require urgent attention by the SEA and will be revisited until the State has remedied the issue.

Section III: Met Requirements with Commendation



This section highlights the areas where the State has exceeded requirements and is commended on the grant administration and fiscal management as identified in Section II of this report (*i.e.*, those areas categorized as “met requirements with commendation”). In addition, this section provides an opportunity for the OSS to highlight those areas where the State has implemented an innovative or highly successful system or approach. In these areas, the OSS is not recommending or requiring the State to take any further action.

Section IV: Met Requirements



This section identifies those areas where the OSS has determined that the State has met basic requirements of grant administration and fiscal management and is implementing those requirements in a satisfactory manner as identified in Section II of this report (*i.e.*, those areas categorized as satisfactory quality, “met requirements”). The description of satisfactory implementation by relevant area and requirement is an indication of an acceptable implementation quality level. In these areas, the OSS is not recommending or requiring the State to take any further action.

Section V: Met Requirements with Recommendations



This section identifies those areas where the OSS has quality implementation concerns related to grant administration and fiscal management as identified in Section II of this report (*i.e.*, those areas categorized as quality concerns, “met requirements with recommendations”). In these instances, the OSS is determining that the State is currently complying with requirements, but that improvements could be made to improve the efficiency or effectiveness of operations. Identified issues are grouped according to relevant area and requirement, with citations provided. For each issue listed, the OSS will provide a recommendation for improvement, but is not requiring the State to take any further action.

Section VI: Action Required



This section identifies those areas where the OSS has “significant compliance and quality concerns” (corresponds to “action required” in Section II). For those issues the OSS will outline the current practice, the nature of noncompliance, and the required action. Documentation of required action must be provided to the OSS within thirty (30) business days of the receipt of the final Performance Review Report.

State Overview²



COVERED GRANT PROGRAMS

TITLE I, PART A; TITLE II, PART A (TITLE II); TITLE III, PART A (TITLE III), SCHOOL IMPROVEMENT GRANTS (SIG)



STUDENT CHARACTERISTICS

Enrolled:	1,109,040	Limited-English Proficiency: ³	6%
In Title I Schools: ⁴	22%	Eligible for Free & Reduced Lunch ⁵ :	--%



RACIAL/ETHNIC BACKGROUND (%)

White:	39.5	Asian or Pacific Islander:	2.8
Hispanic:	44.9	American Indian/Alaskan Native:	4.5
Black:	5.3	Native Hawaiian/Other Pacific Islander:	0.3



SCHOOL & LOCAL EDUCATIONAL AGENCY (LEA) CHARACTERISTICS

LEAs:	714	FTE Teachers:	47,943
Schools:	2399	Per-Pupil Expenditures: ⁶	\$7,590
Charter Schools:	546		



FEDERAL FUNDING⁷

Total:	\$ 349,460,833	Title III, Part A:	\$ 14,268,915
Title I, Part A:	\$42,853,096	SIG ⁸ :	\$10,792,764
Title II, Part A:	\$ 32,532,596		

² Data Source: The Department, CCD, 2015-2016 school year, unless otherwise noted (see <http://eddataexpress.ed.gov/> and <http://nces.ed.gov/ccd/elsi/> for additional information).

³ Data from 2014-2015.

⁴ Schools eligible for Title I, Part A schoolwide programs are also included in the count of all Title I, Part A eligible schools. A Title I, Part A eligible school is one in which the percentage of children from low-income families is at least as high as the percentages of children from low-income families served by the LEA as a whole or because 35 percent or more of the children in the school are from low-income families. A schoolwide Title I, Part A eligible school has a percentage of low-income students that is at least 40 percent. Data is from 2016-2017.

⁵ Data unavailable for Arizona from 2013-2014, 2014-2015, and 2015-2016

⁶ Data Source: The Department, NCES, CCD, "National Public Education Financial Survey (State Fiscal)", 2014-2015 (FY 2015), v.1a. (see <http://nces.ed.gov/ccd/elsi/> for additional information).

⁷ FY 2017 funds included above (<https://www2.ed.gov/about/overview/budget/statetables/index.html>) are from OSS administered programs that allocate funds to States using a statutory formula. The totals do not reflect all Department funds that flow to a State. States and other entities may also receive funds from grants that are awarded on a competitive basis.

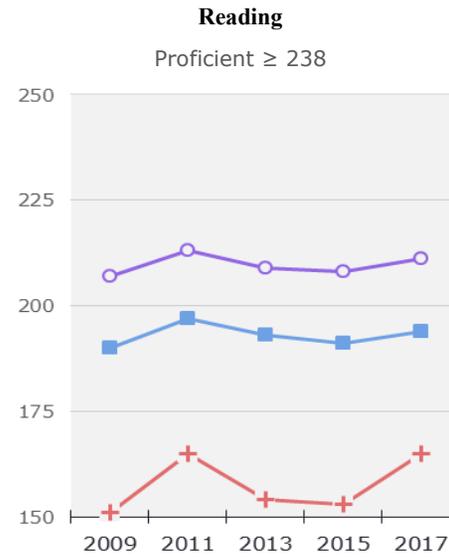
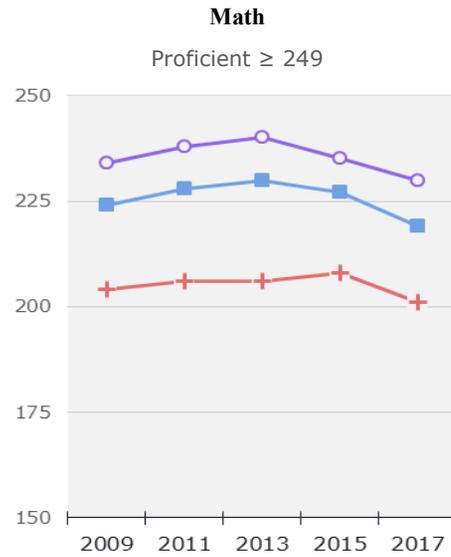
⁸ FY 2015 Funds

NAEP Average Scale Scores by Grade & Year

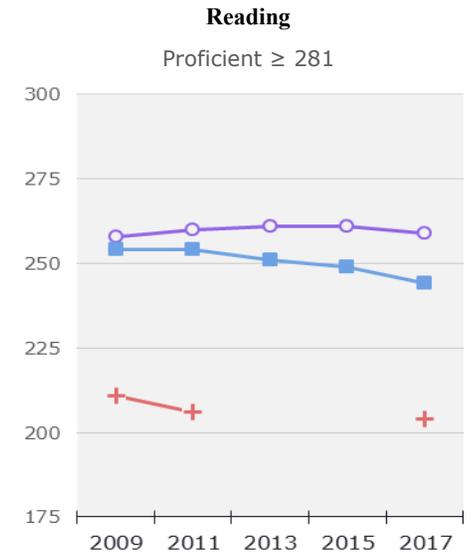
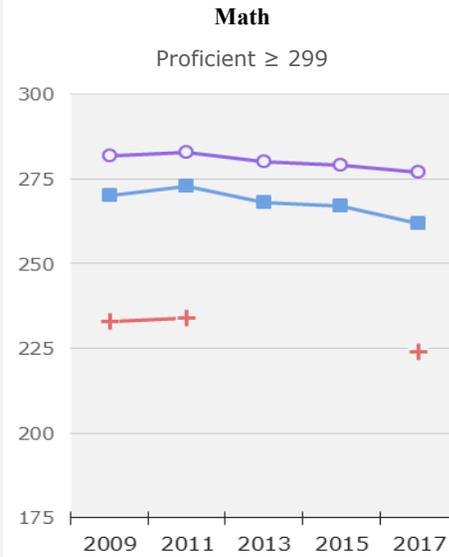
The National Assessment of Educational Progress (NAEP) is the largest nationally representative and continuing assessment of what America's students know. The NAEP mathematics and reading scales range from 0–500.

- All
- Low-income students
- + EL students

Grade 4



Grade 8



	All	Low-Income	EL
2009	230	219	201
2011	235	227	208
2013	240	230	206
2015	238	228	206
2017	234	224	204

	All	Low-Income	EL
2009	211	194	165
2011	208	191	153
2013	209	193	154
2015	213	197	165
2017	207	190	151

	All	Low-Income	EL ⁹
2009	277	262	224
2011	279	267	‡
2013	280	268	‡
2015	283	273	234
2017	282	270	233

	All	Low-Income	EL ¹⁰
2009	259	244	204
2011	261	249	‡
2013	261	251	‡
2015	260	254	206
2017	258	254	211

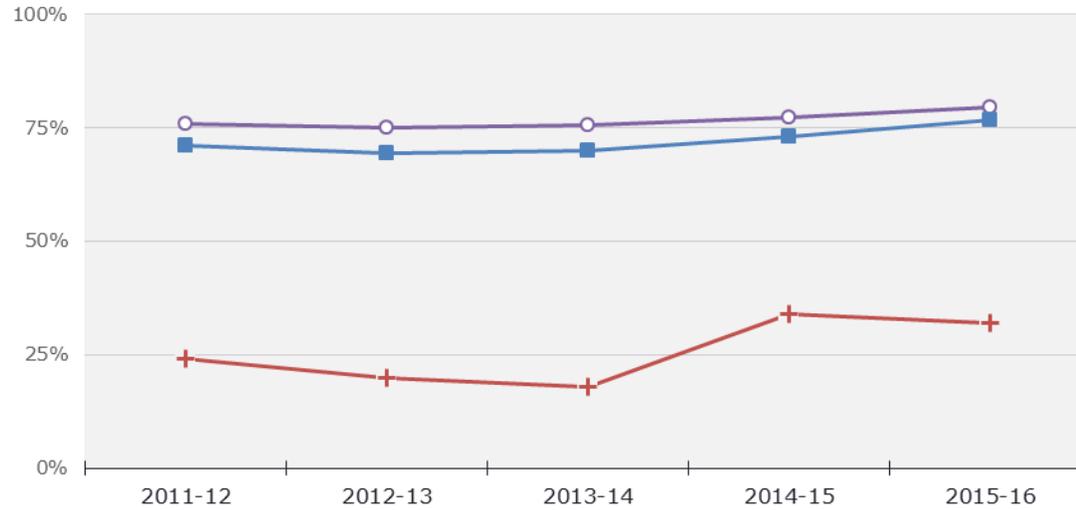
⁹ ‡ Data not available

¹⁰ ‡ Data not available

ADJUSTED COHORT GRADUATION RATE (ACGR) BY SCHOOL YEAR

The four-year adjusted cohort graduation rate is the number of students who graduate in four years with a regular high school diploma divided by the number of students who form the adjusted cohort for the graduating class. From the beginning of 9th grade (or the earliest high school grade), students who are entering that grade for the first time form a cohort that is “adjusted” by adding any students who subsequently transfer into the cohort and subtracting any students who subsequently transfer out, emigrate to another country, or die. There are some differences in State implementation of the ACGR requirements, leading to the potential for differences across in how rates are calculated. See <http://www2.ed.gov/admins/lead/account/consolidated/index.html> for additional information on interpreting this data)

- All
- Low-income students
- + EL students



	All	Low Income	EL
2011-12	76.0%	71.0 %	24.0%
2012-13	75.1%	69.4%	20.0%
2013-14	75.7%	69.9%	18.0%
2014-15	77.4%	73.1%	34.0%
2015-16	79.5%	76.7%	32.0%

Grant Administration and Fiscal Management Evaluation

Dates of Review	August 20 – August 24, 2018
Reviewers	<p>Kim Light (Office of State Support)</p> <p>Todd Stephenson (Office of State Support)</p> <p>Jessica McKinney (Office of State Support)</p> <p>Ashlee Schmidt (Office of State Support)</p> <p>John Keefer (Management Support Unit)</p> <p>Shane Morrissey (Management Support Unit)</p>
LEA Participants	<p>Peoria Unified School District (Glendale, AZ)</p> <p>Imagine Charter Elementary At Desert West INC. (Phoenix, AZ)</p>
Current Grant Conditions	<p>Title I, Part A: ADE must provide the evidence needed for review and approval of the State’s standards and assessment system under section 1111(b)(1) and (3) of the ESEA, as amended by NCLB, and as continued under section 1111(b)(1) and (2) of the ESSA. The ADE provided additional information to the Department for review in August 2017 and February 2018. Not all of the information requested in the December 2, 2016, letter was provided by ADE. If this condition is not resolved in a timely manner, the Department may request additional information, revise this condition to require further action, or provide notice of its intent to take further administrative action.</p> <p>Title II, Part A: None</p> <p>Title III, Part A: None</p> <p>SIG: None</p>
Outstanding Findings	<p>Title I, Part A: None</p> <p>Title II, Part A: None</p> <p>Title III, Part A: None</p> <p>SIG: None</p>
High Risk Status	Not Applicable

Assessment Criteria Key



Met requirements with commendation

High quality implementation & compliance.



Met requirements

Satisfactory implementation & compliance.



Met requirements with recommendation

Satisfactory compliance with quality concerns.



Action required

Significant compliance & quality concerns.

	SEA	OSS
Accounting Systems and Fiscal Controls	A ●●●○	●●○○
Period of Availability and Carryover	B ●●●○	●●●○
Internal Controls (Control Environment and Control Activities)	C ●●●○	●●○○
Audit Requirements	D ●●●○	●●●○
Records and Information Management	E ●●●○	●●○○
Equipment Management	F ●●●○	●●●○
Personnel	G ●●●○	●●●○
Procurement	H ●●●○	●○○○
Indirect Costs	I ●●●○	●●●○
Charter School Authorization and Oversight	J ●●●○	●●○○
Reservations and Consolidation	K ●●●○	●●○○
Budgeting and Activities	L ●●●○	●●●●
Allocations	M ●●●○	●○○○
Risk Assessment	N ●●●○	●○○○
Subrecipient Monitoring	O ●●●○	●○○○
LEA Support and Guidance	P ●●●○	●●●○
Supplement Not Supplant	Q ●●●○	●●●○
Maintenance of Effort (MOE)	R ●●●○	●●○○
Comparability	S ●●●○	●●●○
Equitable Services	T ●●●○	●○○○
Data Quality	U ●●●○	●●●○
Transparency and Data Reporting	V ●●●○	●●○○
State Plan	W ●●●○	●○○○

Public School Choice	X	● ● ● ○	● ● ● ○
Indicators	Y	● ● ● ○	● ○ ○ ○
Annual Meaningful Differentiation	Z	● ● ● ○	● ○ ○ ○
1003(A) School Improvement	AA	● ● ● ○	● ● ● ○
Support and Improvement Plans	BB	● ● ● ○	● ● ● ○

Met Requirements with Commendation

L.

BUDGETING AND ACTIVITIES



REQUIREMENT SUMMARY

An SEA and its subrecipients can only use program funds for allowable costs, as defined in the Uniform Administrative Requirements, Cost Principles, and Audit Requirements (2 C.F.R. §200), which include, among other things, the requirement that costs be reasonable and necessary for the accomplishment of program objectives.

Uniform Guidance 2 C.F.R. §200.403-408 and §200.420-475

EDGAR 34 C.F.R. §76.530

DESCRIPTION OF COMMENDATION

ADE has a budget process that ensures program funds may only be used for costs that are allowable, reasonable, and necessary. ADE uses standardized staff checklists to review LEA budgets and includes additional opportunities for budget review by program directors. ADE uses an integrated budgeting process that leads directly from needs assessment to integrated action planning across programs and allows LEAs to explicitly connect their actions with their budgets. The emphasis on alignment across programs and in response to school needs pushes LEAs to use differentiated school needs, rather than past practice, to drive spending plans. ADE provides exemplary technical assistance to LEAs through webinars, feedback within the online integrated budget plan, phone calls, in-person sessions, and differentiated and customized support, including facilitation of peer to peer learning between experienced and novice staff. In addition, ADE adjusted the timing of the LEA application and review process to be responsive to local budgeting process timelines.

Overall, ADE's integrated budgeting system and extensive technical assistance make the SEA a leader in the effort to leverage funds across programs in targeted ways that drive change for students.

SECTION IV

Met Requirements

B.

PERIOD OF AVAILABILITY AND CARRYOVER



REQUIREMENT SUMMARY

The SEA may only charge a grant program for allowable costs incurred during the period of availability and any pre-award costs that have been authorized by the Department. Unless the Department authorizes an extension, the SEA shall liquidate all obligation incurred under the award not later than 90 calendar days after the end date of the performance period. If the SEA fails to obligate all funds by the end of the award year, it can "carryover" the remaining funds for a period of one additional fiscal year. Any funds not obligated by the end of the carryover period shall be returned by the SEA to the Federal government as an unobligated balance.

Uniform Guidance 2 C.F.R. §200.309 and §200.343(b)

EDGAR 34 C.F.R. §76.707 and §76.709



DESCRIPTION OF SATISFACTORY IMPLEMENTATION

In order to ensure that ADE only charges grant awards for expenditures that were incurred during the period of availability, grant awards are loaded into the Arizona Financial Information System (AFIS) with the start and end dates of the grants. AFIS does not allow expenditures to post outside the start and end dates and does not allow subrecipients to exceed the amount allowable for the carryover of funds. Also, the system does not allow subrecipients to incur obligations outside the period of availability. Both AFIS and ADE grants management coordinators compare all reimbursement requests by subrecipients against the approved budgets. ADE also holds monthly meetings to track expenditures and ensure carryover funds are being used in a timely manner.

D.

AUDIT REQUIREMENTS



REQUIREMENT SUMMARY

An SEA is responsible for both resolving the audit findings of subrecipients and for conducting audit follow-up activities and corrective actions for findings from the SEA's yearly Single Audit. An SEA is also required to ensure that subrecipients who meet the audit threshold are audited and the audits are reported according to established timelines.

Uniform Guidance 2 C.F.R. §200.303(d)(2), §200.331(d)(3), §200.331(f), §200.511(a), §200.512, and §200.521(c)



DESCRIPTION OF SATISFACTORY IMPLEMENTATION

ADE maintains and follows documented single audit procedures, which include a two-step process of single audits that includes the ADE's grants management team and relevant program area teams. As part of this process, if program area teams identify issues, they contact the LEA to request evidence that corrective actions have been implemented and provide technical assistance as needed. Additionally, if an LEA fails to submit a single audit within established timelines, ADE will place a hold on grant funding until the requirement has been met.

F.

EQUIPMENT MANAGEMENT



REQUIREMENT SUMMARY

An SEA shall use, manage and dispose of equipment and supplies purchased using Federal funds in accordance with all relevant State laws and procedures. SEAs shall also ensure that equipment and supplies are used only for authorized purposes of the project during the period of performance (or until no longer needed).

Uniform Guidance 2 C.F.R. §200.313-314

GAO Green Book Principle 10.03



DESCRIPTION OF SATISFACTORY IMPLEMENTATION

ADE performs a physical inventory for each program area at least annually. ADE staff enter any updates into the master inventory spreadsheet. Inventory controls are used to match equipment to individuals. Equipment attached to an individual who leaves ADE will be stored and then redeployed to another individual. ADE reviews LEA equipment management policies and procedures as part of its subrecipient monitoring process. Spot checks of items are performed during this process and compared against LEA inventories.

G.

PERSONNEL**REQUIREMENT SUMMARY**

An SEA shall ensure that charges to Federal awards for salaries are based on records that accurately reflect the work performed. These records must be supported by a system of internal controls which provide reasonable assurance that the charges are accurate, allowable, and properly allocated.

Uniform Guidance 2 C.F.R. §200.430

DESCRIPTION OF SATISFACTORY IMPLEMENTATION

ADE utilizes an electronic system to record employee time and effort for each project or cost objective worked on for every bi-weekly pay period; all employees must utilize the system and certify their time and effort regardless of whether they are funded by multiple sources or work on single cost objectives. Supervisors must review and approve all time and effort records before personnel expenditures can be processed and charged to funding sources. ADE uses a vacancy savings database to track personnel charges throughout the year to ensure accuracy and alignment with budgeted amounts for personnel expenditures.

To ensure LEAs are complying with requirements for documenting personnel expenditures charged to Federal programs, ADE reviews job descriptions for all positions included in program budgets during the grant application process, samples time and effort documentation during on-site monitoring reviews, and requires monthly payroll reports be submitted for all school improvement schools. Conversations with LEAs during the review confirmed that ADE reviews both proposed and actual personnel expenditures.

I.

INDIRECT COSTS



REQUIREMENT SUMMARY

An SEA shall ensure that indirect costs are only charged at the correct indirect cost rate. An indirect cost is a cost that is incurred for the benefit of the entire organization.

Uniform Guidance 2 C.F.R. §200.414

EDGAR 34 C.F.R. §76.560-569



DESCRIPTION OF SATISFACTORY IMPLEMENTATION

ADE provided clear evidence as to how it calculates and charges indirect costs for the covered programs as well as how it calculates LEA indirect cost rates and manages LEA indirect cost charges. Internally, ADE maintains an indirect cost calculation spreadsheet that calculates monthly indirect costs for each grant, applying the indirect cost rate approved by the Department to the direct costs incurred in each month. For LEA indirect cost rates and indirect cost charges, ADE relies on automated calculation tools and automated controls within its electronic grants management system to determine LEA indirect cost rates for each LEA that requests one and to prevent LEAs from charging indirect costs during the award period in excess of their approved indirect cost rates.

S.

COMPARABILITY**REQUIREMENT SUMMARY**

The SEA may only provide Title I, Part A funds to an LEA if State and local funds will be used in schools served by Federal programs to provide services that, on the whole, are at least comparable to services in schools that are not receiving Title I funds.

ESEA §1120A(c)

**DESCRIPTION OF SATISFACTORY IMPLEMENTATION**

ADE maintains and implements documented procedures to ensure LEAs demonstrate comparability. ADE provides useful tools and training to LEAs, follows an appropriate timeline for LEA document submission and review, and works with LEAs to make timely adjustments to reallocate funds when needed.

Q.

SUPPLEMENT NOT SUPPLANT



REQUIREMENT SUMMARY

The State and its subgrantees must ensure that funds from the Title I, Part A, Title II, Part A and Title III, Part A programs are used to supplement not supplant State and local funds (as well as other Federal funds for the Title III, Part A program).

ESEA §1114(a)(2)(B), §1120A(b), §2113(f), §2123(b), and §3115(g)

EDGAR 34 C.F.R. §200.79



DESCRIPTION OF SATISFACTORY IMPLEMENTATION¹¹

ADE includes supplement, not supplant requirements for each of Title I, Part A; Title II, Part A; and Title III, Part A in its monitoring and support for LEAs as well as in review of LEA budgets when they apply for Federal funds. Recent ADE training has focused on the shift to an LEA-determined methodology for Title I, Part A as well as distinctions among supplement, not supplant requirements in the various programs. To clarify these distinctions, ADE provided joint training across programs related to supplement, not supplant.

¹¹ Due to the timing of the review, requirements for supplement, not supplant were evaluated according to requirements outlined in NCLB. The Department provided flexibility to meet the supplement, not supplant requirements for the ESEA as amended by ESSA until the 2018-2019 school year. (<https://www2.ed.gov/policy/elsec/leg/essa/snstransition126.pdf>)

P.

LEA SUPPORT AND GUIDANCE



REQUIREMENT SUMMARY

An SEA shall have procedures for providing technical assistance and evaluating how project funds were spent, if they were spent in compliance with statutes and regulations, and if expected outcomes were achieved as a result of spending.

EDGAR 34 CFR 76.770

DESCRIPTION OF SATISFACTORY IMPLEMENTATION

ADE offers ongoing support through in-person and virtual meetings, responsive SEA points of contact, extensive online information, and an online grants management system that allows for and tracks feedback and communication between SEA and LEA staff. ADE program staff coordinate across programs and with regional ADE staff to maintain regular contact with LEAs across the State.

U.

DATA QUALITY**REQUIREMENT SUMMARY**

An SEA is required to have appropriate procedures in place to ensure that the data reported to the public and the Department are high quality (i.e., timely, complete, accurate, valid, and reliable).

ESEA §1111(h) (4)

Government Accountability Office's "Standards for Internal Control in the Federal Government" (GAO Green Book)

Uniform Guidance 2 CFR 200.303 and 2 CFR 200.328(b)

OMB Circular A-133 Compliance Supplement: Department of Education Cross-cutting Section

Final Audit Report: ED-OIG/A0600001

**DESCRIPTION OF SATISFACTORY IMPLEMENTATION**

ADE supports LEAs to report accurate data through multiple means. ADE requires LEA to submit data through its student information system, which has rules that will not allow the data to be submitted if certain integrity requirements are not met. The system also requires signatures from LEA authorized officials that the data are accurate to the signer's knowledge. ADE then cross-checks LEA data against other data sources to ensure accuracy. For example, for graduation rates, ADE checks against enrollment to ensure all students who should be captured in the graduation rate are being included. ADE also provides in-person and telephone support, an online video "How to Check Your Data" with accompanying guidance and deadlines for data corrections, written guidelines, and "The Grader" newsletter through which ADE provides information on a variety of data-related topics.

X.

PUBLIC SCHOOL CHOICE



REQUIREMENT SUMMARY

An LEA may provide all students that are enrolled in a school identified by the State for comprehensive support and improvement in accordance with ESEA section 1111(c)(4)(D)(i) with the option to transfer to another public school served by the LEA, unless prohibited by State law. The LEA must permit the student who transfers to another school to remain in that school until the student has completed the highest grade at that school. In providing students the option to transfer to another public school, the LEA must give priority to the lowest-achieving students from low-income families.

ESEA §1111(d)(1)(D)



DESCRIPTION OF SATISFACTORY IMPLEMENTATION

ADE has made LEAs aware that the ESEA authorizes an LEA with a school identified by the State for comprehensive support and improvement (CSI) that it may reserve up to five percent of its Title I allocation to pay for the excess cost of transportation to enable students in the identified school to transfer to another public school served by the LEA. Information on this topic is available on ADE's website and if an LEA selects this option, the LEA indicates so in its Title I application to the State.

AA.

1003(A) SCHOOL IMPROVEMENT



REQUIREMENT SUMMARY

An SEA shall allocate and oversee the administration of 1003(a) school improvement subgrants, so that LEAs and schools can effectively develop and implement comprehensive support and improvement and targeted support and improvement plans. The SEA must also conduct a rigorous review of 1003(a) subgrant applications to ensure that LEAs include all required elements.

ESEA §1003(a)-(f), §1111(d)(1)-(2)

DESCRIPTION OF SATISFACTORY IMPLEMENTATION

ADE awarded 15 percent of its FY 2017 section 1003 funds to LEAs with CSI schools to support school improvement planning during the 2017-2018 school year. With respect to awarding section 1003 funds, ADE attempts to ensure that there is representation from the geographic regions within the State by deploying staff throughout the State and reaching out to those LEAs that have traditionally been underrepresented to encourage them to apply for the funds. To maximize the effect of 1003 and other funds, LEAs use the budgeting process and collaboration among school leaders and school teams to align school budgets to meet needs. During a side-by-side budgeting process, the teams examine expenditures across Federal, State, and local funding sources to ensure there are not redundancies and to determine how they can leverage a combination of funds to meet identified needs.

BB.

SUPPORT AND IMPROVEMENT PLANS



REQUIREMENT SUMMARY

Upon receiving notification from the State, an LEA shall, for each school identified by the State and in partnership with stakeholders, develop and implement a comprehensive support and improvement plan. Comprehensive support and improvement plans must be informed by all applicable indicators, be based on school-level needs assessments, incorporate evidence-based interventions, identify resource inequities, and include strategies to address those identified resource inequities. Comprehensive support and improvement plans must be approved by the school, LEA, and SEA. Upon approval and implementation, a comprehensive support and improvement plan must be monitored and periodically reviewed by the SEA. The SEA shall notify an LEA of any school served by the LEA that is identified for targeted support and improvement, and the LEA shall notify such identified schools. An SEA shall ensure LEAs serving targeted support and improvement schools oversee such schools in developing and implementing targeted support and improvement plans. Targeted support and improvement plans must be developed in partnership with stakeholders, and approved by the LEA. Targeted support and improvement plans shall be informed by all applicable indicators, incorporate evidence-based interventions, and shall result in additional action following unsuccessful implementation after a number of years determined by the LEA. If a school is identified for additional targeted support, an LEA shall ensure that the school's targeted support and improvement plan also identifies resource inequities to be addressed through targeted support and improvement plan implementation. Upon approval and implementation, a targeted support and improvement plan (including a targeted support and improvement plan for a school identified for additional targeted support) must be monitored by the LEA.

ESEA §1003(b)-(f), §1111(d)(1)-(2)



DESCRIPTION OF SATISFACTORY IMPLEMENTATION

ADE requires LEAs to design school plans based on school needs and to tailor proposed interventions to address the needs. In addition, ADE periodically reviews LEA oversight of CSI and targeted support and improvement (TSI) school-level plan implementation, has published CSI guidance, anticipates publishing TSI guidance soon, and provides CSI/TSI plan training in person and through webinars.

SECTION V

Met Requirements with Recommendation

A.

ACCOUNTING SYSTEMS AND FISCAL CONTROLS



ISSUE

ADE provided a comprehensive accounting manual that captures in substantial detail the structure and operation of the agency's financial management system. The accounting manual included a chart of accounts that serves as a foundation for coding transactions and organizing financial records for Federal programs and activities. ADE also described various fiscal controls utilized to ensure accurate financial records and proper authorization of all program spending, including accounting system access controls, and provided evidence related to the agency's process for conducting periodic reconciliations of accounts and monitoring spending patterns and available balances.

The SEA and the two LEAs provided evidence and descriptions of the decision-making processes for how program funds are utilized and the controls in place to ensure accurate financial records and prevent unauthorized spending. However, neither the SEA nor the LEAs were able to provide documentation outlining specific procedures for evaluating proposed or actual costs for allowability. As a result, it was not clear how the SEA and LEAs make determinations regarding whether costs are reasonable, necessary, allocable to a grant, and not prohibited under the Federal cost principles. While conversations with staff at both the SEA and the LEAs provided assurance that considerations of cost allowability are essential to planning for the use of Federal funds and staff exhibited sufficient understanding of the specific requirements of the Federal cost principles, documented procedures for evaluating proposed or actual costs could help ensure consistent treatment of similar costs across programs and award years and

REQUIREMENT SUMMARY

An SEA shall expend and account for Federal funds in accordance with State laws and procedures for expending and accounting for State funds. State accounting systems must satisfy Federal requirements regarding the ability to track the use of funds and permit the disclosure of financial results. SEAs must have written procedures for determining cost allowability and must maintain effective control over all funds.

Uniform Guidance 2 C.F.R. 200.302

EDGAR 34 C.F.R. 76.702

facilitate accurate and complete evaluations of program expenditures.



RECOMMENDATION

The Department recommends that ADE:

1. Develop documentation outlining the procedures designed to ensure cost allowability during the SEA's process for budgeting and expending program funds, including identification of the decision points where allowability is evaluated and the criteria for evaluating cost allowability.
2. Provide guidance to LEAs regarding the importance of maintaining documented procedures for determining cost allowability as required under 2 C.F.R. 200.302(b)(7).
3. Include in its subrecipient monitoring procedures a review of LEAs' documented procedures for determining cost allowability in order to verify that LEAs are complying with applicable requirements and that LEAs are considering the correct and full range of considerations when evaluating cost allowability.

C.

INTERNAL CONTROLS



REQUIREMENT SUMMARY

The SEA shall establish and maintain a system of effective internal controls over Federal awards that provides reasonable assurance that the SEA is managing Federal awards in compliance with Federal statutes, regulations, and the terms and conditions of Federal awards. These internal controls should be in accordance with guidance stated in the "Standards of Internal Control in the Federal Government" (GAO Green Book) or the "Internal Controls Integrated Framework" (Treadway Commission).

Uniform Guidance 2 C.F.R. §200.303



ISSUE

During the review, ADE provided evidence of a robust control environment, including written standards of employee conduct and evidence of employee training related to ethics, diversity, and other topics. ADE also provided samples of the Statewide Internal Control Self-Assessment Survey (ICSAS) that is used to identify and evaluate risks affecting the operations of the agency and monitor the performance of existing control activities. The ICSAS requires SEA staff to identify, analyze, and respond to risks and clearly requires consideration of the potential for fraud when analyzing the effectiveness of the agency's internal controls framework. Collectively, the materials provided evidence of a sufficient internal controls framework at the SEA.

Conversations with one LEA, however, raised concerns regarding segregation of duties within several essential operational functions within the LEA, including financial management. Because a sufficient segregation of duties is a key component of any organization's internal controls framework and an essential protection against waste, fraud, and abuse, additional guidance from ADE could be useful in ensuring that all of the State's LEAs have a consistent understanding of expectations and standards for segregation of duties.



RECOMMENDATION

The Department recommends ADE provide LEAs (including both traditional LEAs and charter LEAs) with guidance regarding standards for segregation of duties for management processes. Such guidance could include content around the distribution of roles and responsibilities for specific functions as well as general expectations that would apply to all operational processes at the LEA level (e.g., different individuals responsible for initiating and approving or finalizing a process). Providing such guidance would give ADE an opportunity to emphasize the importance of segregation of duties and internal controls generally.

E.

RECORDS AND INFORMATION MANAGEMENT



REQUIREMENT SUMMARY

An SEA shall keep records that fully show the amount of funds under a grant award or subgrant, how the SEA used the funds, the total costs of Federally supported projects, the share of costs provided from other sources, records to show compliance with program requirements, and any other records needed to facilitate an effective audit. An SEA shall also take reasonable measures to safeguard and protect personally identifiable information (PII). PII is information that can be used to distinguish or trace an individual's identity, either alone or when combined with other personal or identifying information that is linked or linkable to a specific individual

Uniform Guidance 2 C.F.R. 200.79, 200.303(e), §200.333, §200.336(a)

EDGAR 34 C.F.R. §76.730-731



ISSUE

ADE's documented management policies and procedures outline State records management requirements, define the types of records maintained by the agency, establish general records management requirements for various categories of records (for both paper and electronic records), and assign individuals within the agency specific responsibilities within the records management process. ADE also uses electronic tools to manage the records archiving and destruction processes.

During the review, ADE noted that the SEA has provided guidance to LEAs around the importance of protecting personally identifiable information (PII) through presentations on the topic at several conferences in collaboration with stakeholder groups. ADE also highlighted that the Arizona Schools Boards Association has created model policies for LEAs related to the protection of PII and other information security topics. Additionally, ADE described its process to certify the security of data transmitted to the ADE from LEAs. However, ADE noted during the review that it does not have a process in place to evaluate LEA policies and procedures for protecting and safeguarding PII. Given the diversity of vendor-based student information systems operated by LEAs in Arizona, ADE review of LEA PII policies and safeguards could help ensure that LEAs are complying with applicable privacy requirements and utilizing best practices for protecting privacy.



RECOMMENDATION

The Department recommends ADE develop a process to evaluate LEA policies and procedures for protecting and safeguarding PII, either during subrecipient monitoring or other oversight activities. Such a process could include evaluations

of either an LEA's information system controls or user-targeted policies and procedures designed to ensure effective management of PII (or both). Such activities could serve as important verifications of the scope and effectiveness of LEA implementation of ADE's guidance related to protecting PII, enable identification of areas where LEAs may need additional guidance or technical assistance, and help LEAs avoid security incidents that could result in compromised student data.

J.

CHARTER SCHOOL AUTHORIZATION AND OVERSIGHT



ISSUE

During the review, ADE staff described the charter authorization and closure process in Arizona, including how new charter school LEA applications are reviewed and how oversight requirements are fulfilled. However, ADE did not provide any documented policies and procedures related to the authorization or oversight of charter school LEAs, stating that many of the responsibilities related to charter schools are held by the Arizona State Board for Charter Schools (ASBCS). However, no policies or procedures were provided from either the ASBCS or ADE. Without adequate documentation, ADE and ASBCS risk failing to fulfill requirements related to charter school internal controls and the monitoring of charter school closure, where applicable.



RECOMMENDATION

Although ADE has delegated responsibilities related to charter school oversight to the ASBCS, it is still ADE's responsibility as the recipient of Federal grant funds to ensure Uniform Guidance requirements are fulfilled. The Department recommends that ADE (either alone or in conjunction with ASBCS) develop policies and procedures that describe how charter school LEAs are authorized and how oversight requirements are fulfilled. Specifically, these policies could include information related to how ADE identifies which charter school LEAs have experienced significant expansion, and how ADE ensures requirements related to the closure of a charter school LEA are met.

REQUIREMENT SUMMARY

The SEA provides information on OSS programs (i.e., allocations; applications; and requirements, including requirements for proper disposition of equipment and property) to all charter schools and LEAs and Charter Management Organizations (CMOs) or Education Management Organizations (EMOs) that oversee charter schools, has established internal controls related to the charter schools' relationships with their CMOs/EMOs, and has clear procedures that are systematically monitored for orderly closure, where applicable.

ESEA §1122(c) and 1125A(g)(3)

EDGAR 34 C.F.R. §74.42, §74.45-46, §74.48, §75.525(a), §75.525(b), and §80.36(b)

Uniform Guidance 2 C.F.R. §200.318(c)

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K.

RESERVATIONS AND CONSOLIDATION



REQUIREMENT SUMMARY

The SEA shall ensure that the amount of program funds reserved for administration and other State activities does not exceed statutory limits for each program. SEAs are permitted to consolidate the administrative set-asides from several ESEA programs (Title I, Title IIA, Migrant Education Program, Negligent and Delinquent Youth Program, Rural and Low Income Schools Program, and the 21st Century Community Learning Centers Program) in order to administer them collectively.

ESEA §1003(a), §1003(g)(8), §1004(a)(1), §2113(c), §2113(d), §3111(b)(3), and §9201(a)

EDGAR 34 C.F.R. 299.4



ISSUE

ADE has a process to identify appropriate reservation amounts for Federal programs and to allocate those funds for allowable uses, including by ensuring that program staff approve expenditures. ADE does not consolidate its administrative funds and did not reserve more funds than it was allowed to reserve for FY 2017 related to Title I, Part A; Title II, Part A; or Title III, Part A. Few LEAs consolidate administrative funds in Arizona, but ADE is preparing for a potential increase in consolidation at the LEA level as a result of the transition to ESSA and is focusing on training LEAs to do so appropriately.

ADE provided a report from its grants management system from May 2018 that showed the amount of Title I, Part A funds in different categories: LEA allocations, school improvement reservation, and State administration reservation. The sum of these amounts was lower than the final award amount and also lower than the amount of the award before the final FY 2017 supplemental award in spring 2018.



RECOMMENDATION

In releasing revised FY 2017 Title I allocations in spring 2018, the Department advised that, after recalculating school year 2017-2018 State reservations (e.g., for school improvement) and LEA subgrant allocations, States could either revise school year 2017-2018 reservations and LEA subgrants or account for these changes by adjusting FY 2018 SEA reservations and LEA subgrants in school year 2018-2019. The Department recommends that ADE review the way that its grants management system produces reports to ensure that the reports fully reflect ADE's available funds.

R.

MAINTENANCE OF EFFORT



REQUIREMENT SUMMARY

An SEA shall ensure that each LEA shall have an amount of funding not less than 90% of the amount available the preceding year.

ESEA §9521

EDGAR 34 C.F.R. 299



ISSUE

ADE calculates maintenance of effort (MOE) for LEAs using centrally held data on LEA average daily membership and annual financial reports. ADE identifies any LEAs not meeting MOE, determines whether they are eligible for an exemption (i.e., have not also failed to maintain effort in one or more of the five immediately preceding fiscal years), and works with LEAs as appropriate to either reduce their allocations or submit MOE waiver requests to the Department. Specifically, as required by the ESEA, ADE conducts two tests for a decline in local effort. One is based on aggregate expenditures and a second is based on per-pupil expenditures. ADE's procedures show that it selects the measure that is more favorable to the LEA (i.e., the one that shows a lower decline) and compares the percent decline to the allowable 10 percent. ADE then reduces the allocation by the percentage in excess of 10 percent that the LEA spending declined. This is not strictly consistent with the requirement to ratably reduce allocations in the proportion by which an LEA failed to maintain effort. This proportion is calculated by dividing the amount by which the LEA missed MOE by the amount it needed to have spent to maintain effort.



RECOMMENDATION

The Department reminds ADE to update its procedures so that the proportion by which an LEA's allocation is reduced is calculated by dividing the amount by which the LEA missed MOE by the amount it needed to have spent to maintain effort (using the measure that is most favorable to the LEA). The Department notes that the practical implications of the difference in calculations is negligible and that during the time of the monitoring visit ADE did not have to reduce the allocations of any LEA due to an MOE failure.

V.

TRANSPARENCY AND DATA REPORTING



ISSUE

ADE annually disseminates report cards to the public in a timely manner and expects 2017-2018 school year report cards to be published in December 2018. The Arizona graduation rate manual indicates a student may receive a high school diploma after completing an IEP; however, ADE staff clarified during the review that the manual included inaccurate information (which is consistent with the ESEA).¹²



RECOMMENDATION

The Department recommends that ADE correct its graduation rate manual, consistent with the graduation rate definition in section 8101(25) of the ESEA, to match current practice that a student completing his or her IEP should not be counted as a graduate in the adjusted-cohort graduation rate. Updating the manual will help to ensure that LEAs understand how to appropriately capture students within their adjusted cohort graduation rate calculations.

REQUIREMENT SUMMARY

An SEA and its LEAs are required to prepare and annually disseminate report cards that include all required elements to the public in a timely manner.

ESEA §1003(f) and §1111(h)(1)

Title I Regulations 34 C.F.R. §200.11, §200.19(b)

¹² ADE's graduation rate manual states that "graduates are students who have met one of the following requirements to receive a high school diploma: Completed a course of study for high school, or Completed an Individual Education Plan (IEP), or Fulfilled all requirements for a Grand Canyon Diploma, and were awarded the Grand Canyon Diploma."

SECTION VI

Action Required

H.

PROCUREMENT

● ○ ○ ○

REQUIREMENT SUMMARY

An SEA shall ensure that all relevant State procurement procedures are followed when procuring goods and services using Federal funds. An SEA must also maintain oversight to ensure that contractors perform in accordance with the terms, conditions, and specification of their contracts.

Uniform Guidance 2 C.F.R. §200.317, §200.322, and §200.326



ISSUE

Under Uniform Guidance 2 C.F.R. 200.331(d), SEAs must monitor the activities of subrecipients to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward, and that subaward performance goals are achieved.

During the review, an LEA stated that it had no documented procurement procedures. This LEA also stated that ADE recently conducted a monitoring visit, but the LEA received no findings related to procurement. Without documented procurement procedures, Federal funding received by this LEA could be subject to waste, fraud, or abuse. Additionally, during the review another LEA stated that procurement was not an area monitored by ADE.



REQUIRED ACTION

Within 30 business days of receiving this report, ADE must provide the Department with evidence that it has developed processes to review LEA procurement policies and procedures and included these processes in subrecipient monitoring (e.g., draft monitoring protocol or a plan to include procurement reviews in future monitoring).

M.

ALLOCATIONS



REQUIREMENT SUMMARY

SEAs shall ensure that, when subawarding funds to LEAs or other subrecipients, it makes subawards in accordance with applicable statutory requirements (including requirements related to the process for subawarding funds and the amounts to be subawarded to individual subrecipients).

ESEA §1124, §1124A, §1125, §1126(b), §2121, §2122(a), §2132, §3111(b) (1), §3114, §3116(a), §1003(g) (5), and §1003(g) (7)

EDGAR 34 C.F.R. §76.50-51, §76.300, and §76.789

Uniform Guidance 2 C.F.R. §200.331(a)



ISSUE

Under Uniform Guidance §200.331(a), an SEA is required to ensure that every LEA subaward notification include specific information. When some of this information is not available, the SEA must provide the best information available to describe the Federal award and subaward. (2 C.F.R. §200.331(a)). The sample subrecipient grant award notices (GANs) for Title I, Part A and Title III, Part A that ADE provided include some of the information required under the Uniform Guidance but are missing the following items:

- Name of the Federal awarding agency (i.e., the U.S. Department of Education);
- Contact information for awarding official at ADE;
- Identification of whether the award is for research and development;
- Indirect cost rate for the Federal award and, as applicable, indirect cost rate negotiated between the subrecipient and the Federal Government or, if no such rate exists, either a rate negotiated between the pass-through entity and the subrecipient or a de minimis indirect cost rate;
- Identification of required financial and performance reports that the subrecipient must complete in order for ADE to meet its responsibilities;
- A requirement that the LEA permit ADE and auditors to access the LEA's records and financial statements as necessary for ADE to meet its requirements under statute and regulation; and
- Terms and conditions concerning closeout of the subaward.

Prior to the review, the Department and ADE were aware that ADE misallocated subgrant funds awarded to LEAs under Title I, miscalculated reservations of Title I funds for school improvement activities, and did not properly apply the hold

harmless requirements for school years 2013-2014 through 2016-2017.¹³ ADE provided evidence during the review that it is now making allocations consistent with requirements. However, the Department may elect to review the actions taken by ADE in future reviews to ensure continued compliance with requirements and ADE must continue to implement all elements of the resolution identified in the September 4, 2018, agreement.

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REQUIRED ACTION

ADE must provide evidence of updates to the grant award notification template or system no later than 30 business days following receipt of this report so that future awards will include all required information.

¹³ Between February 2017 and September 2018, ADE worked with the Department to remediate errors in prior year Title I allocations. On September 4, 2018, ADE and the Department finalized an agreement outlining the steps ADE is taking to provide appropriate funds to LEAs and to improve its allocations process. As a result, the Department acknowledges that ADE has already undertaken sufficient action to address the allocations deficiencies identified and no further action is required.

N.

RISK ASSESSMENT



REQUIREMENT SUMMARY

In order to determine the appropriate method and level of subrecipient monitoring, an SEA shall evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward.

Uniform Guidance 2 C.F.R. §200.331(b)



ISSUE

Under Uniform Guidance §200.331(b), the SEA must evaluate each subrecipient's risk of noncompliance with statutes, regulations, and the terms and conditions of the subaward when determining the appropriate method of subrecipient monitoring to be used during a fiscal year. The Uniform Guidance requirements apply to all Federal awards made after December 24, 2014; as such, ADE was required to comply with the above requirement when planning monitoring activities beginning with FY 2015 awards (i.e., monitoring activities conducted during school year 2015-2016). ADE provided evidence of a new risk assessment process that it implemented for the first time in fall 2017, with results becoming available for the first time in March 2018. Accordingly, ADE has not yet used the risk assessment results to determine its subrecipient monitoring approach, though ADE stated that it will begin using risk assessment results in determining whether and how to monitor subrecipients in school year 2018-2019. The risk assessment approach ADE developed is comprehensive and provides clear, actionable information to both SEA and LEA staff.



REQUIRED ACTION

Within 30 business days of receiving this report, ADE must provide evidence that it used the results of the March 2018 risk assessment to determine subrecipient monitoring activities for the 2018-2019 school year.

O.

SUBRECIPIENT MONITORING



REQUIREMENT SUMMARY

An SEA shall monitor local educational agencies (LEAs) and any other entities, including external providers, receiving Federal funds from programs covered in the Consolidated State Plan to ensure that performance goals are achieved and that subawards are used for authorized purposes and in compliance with Federal statutes, regulations, and the terms and conditions of Federal awards.

Uniform Guidance 2 C.F.R. §200.331(d)



ISSUE

ADE implements a monitoring cycle that includes all LEAs over seven years (cycles 0-6). On-site monitoring is conducted in cycle 4 and follow-up issues are addressed after they are identified. ADE offers training and support to LEAs in each part of the cycle.

During the review, conversations with an LEA made it clear that the LEA lacks an understanding of expectations and standards for segregation of duties needed for internal fiscal controls. ADE and the LEA confirmed that the LEA received on-site monitoring recently and that no major issues were found. Therefore, although ADE has a clear monitoring process in place, it appears that the process, at least in this instance, may not result in identification and resolution of issues central to fiscal control.



REQUIRED ACTION

Within 30 business days of receiving this report, ADE must provide to the Department a plan and timeline for implementing a revised risk-based monitoring process and protocol, which must address how it ensures that all LEAs that receive Federal funds have policies and structures in place to comply with Federal requirements, including segregation of duties for internal controls.

T.

EQUITABLE SERVICES



REQUIREMENT SUMMARY

An SEA shall ensure that LEAs use Federal funds to provide benefits to eligible children enrolled in private schools and to ensure that teachers and families of participating private school children participate on an equitable basis.

ESEA §1117, §8501

ESEA Regulations 34 C.F.R. 299.6, 34 C.F.R. 299.9

Title I Regulations 34 C.F.R. 200.62-67

EDGAR 34 C.F.R. 76.661

ISSUE

Under ESEA §§ 1117(b)(1)(I) and 8501(c)(1)(G), an LEA must consult with appropriate private school officials regarding whether to provide equitable services “directly or through a separate government agency, consortium, entity, or third party contractor.” Some LEAs in Arizona participate in a consortium for the purpose of delivering equitable services. While it is permissible to provide equitable services through a consortium if all statutory requirements are met, based on information provided during conversations with both the SEA and an LEA, it is not evident that private schools in LEAs that participate in the consortium have the opportunity to consult on whether equitable services should be provided by the consortium, as required by law. At the time of the visit and subsequent to the visit, the Department understands that ADE is reviewing the practices of the consortium and its participating LEAs for consistency with statutory and regulatory requirements.

Under ESEA §§ 1117(a)(1), (b)(1)(B)-(C) and 8501(a)(1), (c)(1)(B)-(C), an LEA must engage in timely and meaningful consultation with private school officials regarding the type of services to be provided to meet the needs of participating students and, as applicable, their teachers and families. Such consultation must take place prior to the LEA making any decision that will impact the participation of private school students and, as applicable, their teachers and families in applicable programs. Information provided during the review regarding the consortium in Arizona indicates that private schools only have the option to receive particular, defined services, rather than being afforded consultation more broadly on the services needed.

Finally, under ESEA §§ 1117(a)(4) and 8501(a)(4) and 34 CFR 76.730-731, an LEA must expend funds for equitable services consistent with the amount allocated for such services and maintain records reflecting such expenditures. The consortium combines funds generated by multiple LEAs into a single account and does not

provide equitable services commensurate with the funds generated by each LEA or keep separate records for each LEA, which is inconsistent with this requirement.

REQUIRED ACTION

Within 30 business days of receiving this report, ADE must provide to the Department an update of its review of the practices of the consortium and its participating LEAs for consistency with statutory and regulatory requirements. In particular, ADE must ensure that consortia and their participating LEAs meet the ESEA requirements with respect to:

- Consultation and expenditure of funds, including the requirement that an LEA must consult with appropriate private school officials on whether equitable services should be provided by a consortium;
- The requirement that an LEA must also consult with appropriate private school officials on what services should take place in order to meet the needs of participating students, teachers, and families in the private schools;
- That each LEA must expend funds for equitable services consistent with the amount allocated for such services and maintain records reflecting such expenditure for each LEA); and,
- As needed, establish required corrective actions that the consortium and its members must take.

Once ADE determines the specific corrective actions that are needed, the consortium must ensure policies and practices are fully compliant with statutory requirements no later than the beginning of the 2019-2020 school year. By March 1, 2019, ADE must provide evidence that the consortium has made needed changes to the planning process such that the consortium and member LEAs can come into compliance in the 2019-2020 school year. ADE must provide to the Department evidence of implementation of updated compliant practices no later than June 1, 2019.

W.

STATE PLAN



REQUIREMENT SUMMARY

Each SEA shall file a plan with the Secretary that is developed by the SEA with timely and meaningful consultation with certain individuals and groups, as specified in ESEA section 1111(a)(1)(A), and may submit a consolidated State plan for each of the covered programs in which the State participates and such other programs as the Secretary may designate. Each plan will remain in effect for the duration of the State's participation in the identified programs and shall be periodically reviewed and revised as necessary by the SEA to reflect changes in the State's strategies and programs. If a State makes significant changes to its plan at any time, such information shall be submitted to the Secretary in the form of revisions or amendments to the State plan.

ESEA §1111(a)(1)-(8), §8302



ISSUE

ADE indicated that it is unable to implement its State plan as approved due to pending State Board action and possible action by the legislature with respect to using all of the State plan indicators in general and particularly for the identification of schools. As such, ADE indicated that it is developing, and will submit to the Department, amendments to its State plan.

ADE described implementation differs from the approved State plan in the following ways:

- Used different weights for the K-8 indicators and grades 9-12 indicators than those in its State plan to identify CSI and Additional Targeted Support and Improvement (ATSI) schools.
- Has not implemented the proposed methodology from its approved State plan to identify K-2 schools for CSI or ATSI.
- Used only the five-year adjusted cohort graduation rate to identify schools for CSI low graduation rate, rather than using a combination of the four-year, five-year, six-year, and seven-year adjusted cohort graduation rates as described in its approved State plan.



REQUIRED ACTION

Within 30 business days of receiving this report, ADE must submit to the Department draft amendments pertaining to the weights it used to identify CSI and ATSI schools, a methodology to identify K-2 schools as CSI or ATSI, and the graduation rate(s) used to identify CSI low graduation rate schools (e.g., the five-year adjusted cohort rate). ADE must implement its plan as approved,

consistent with any approved amendments, beginning in school year 2019-2020.

Y.

INDICATORS**REQUIREMENT SUMMARY**

An SEA must measure, on an annual basis, all required indicators for all students and each subgroup of students. For purposes of the academic achievement indicator, the SEA must ensure that at least 95 percent of all students and each subgroup of students are assessed annually on the State's reading/language arts and mathematics assessments.

ESEA §1111(c) (4) (B), §1111(c) (4) (E), §8101(23), §8101(25)

**ISSUE**

See description of issue under State Plan section above.

**REQUIRED ACTION**

See action required under State Plan section above.

Z.

ANNUAL MEANINGFUL DIFFERENTIATION



REQUIREMENT SUMMARY

A State must establish a system of annual, meaningful differentiation of all public schools in the State based on all indicators in the State's accountability system for all students and for each subgroup of students. Each academic indicator (academic achievement; "other academic" indicator for Elementary and Secondary schools that are not high schools; progress in achieving English language proficiency; and graduation rate for high schools) must receive substantial weight individually and, in the aggregate. Additionally, each academic indicator must receive much greater weight than the school quality or student success indicator(s), in the aggregate. The system must include the differentiation of any school in which any subgroup of students is consistently underperforming, as determined by the State, based on all indicators. Students must be included consistent with the partial attendance requirements in section 1111(c) (4) (F).

ESEA §1111(c) (4) (C), §1111(c) (4) (F)



ISSUE

See description of issue under State Plan section above.



REQUIRED ACTION

See action required under State Plan section above.