

Indiana Comprehensive Performance Review Report FY 2020 ESSER and GEER

04 14 2022



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 and Grantee Relations Performance Review Process

The Office of State and Grantee Relations (SGR) is committed to supporting States as they implement Federal grant programs. Part of this commitment includes a performance review process designed to not only address the SGR’s responsibilities for fiscal and programmatic oversight, but to also identify areas in which States need assistance and support to meet their goals and obligations. The performance review process is anchored around ongoing conversations between the SGR and grantees and includes multiple components: *Quarterly Reviews, Desk Reviews, and On-Site Reviews*.

SGR created a comprehensive monitoring review process as a result of passage of the Coronavirus Aid, Relief and Economic Security (CARES) Act. Ideally, the comprehensive monitoring review process should result in improved and strengthened partnerships between the United States Department of Education (the Department) and States and encourages States to develop and implement fiscal systems that align with Federal requirements.

The comprehensive review is intended to ensure the funds received under the CARES Act are managed by States in a manner consistent with the fiscal, administrative, and program requirements contained in the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), the Education Department General Administrative Requirements (EDGAR), Office of Management and Budget (OMB) Memorandum 20-20 (OMB M-20-20), and the Cash Management Improvement Act (CMIA).

To accomplish this, SGR’s CARES Act comprehensive monitoring review process focuses on the Governor’s Emergency Education Relief (GEER) and the Elementary and Secondary School Emergency Relief (ESSER) funds.

SGR’s comprehensive monitoring review process comprises of a self-assessment questionnaire and a virtual desk review. Where CARES Act funds have been distributed to subrecipients, SGR includes subrecipients in the review as a matter of due diligence to learn how State agencies plan to monitor subrecipient expenditures and ensure grant funds are used for allowable purposes.

Navigating the Consolidated Monitoring Report

This report contains three sections. Section I is an overview of SGR’s monitoring.

Section II is a summary of the State’s performance of the Fiscal and Program Fiscal section indicators included in the review. For each indicator, the Department assigns one of four ratings:

- “Met requirements with commendation” represents high-quality implementation where the grantee is exceeding expectations;
- “Met requirements” indicates that no instances of noncompliance were identified;
- “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 reviewed entity and will be revisited until the issue is addressed.

Section III corresponds with cross-cutting feedback on the Fiscal and Program Fiscal sections and commendations, where applicable.

Section IV corresponds with the Met Requirements with Recommendations.

Section V corresponds with the action required areas of the Fiscal and Program Fiscal sections where there were findings from the review that requires corrective action, and lists the action required to resolve any findings.

SECTION I

ESSER and GEER Performance Review

Covered grant programs

GEER
ESSER

Federal funding

GEER:	\$61,592,746
ESSER:	\$214,472,770

Dates of Review

October 12 – 20, 2021

Reviewers

Brandon Webber (State and Grantee Relations)
Eve Allen (State and Grantee Relations)
Jane Hodgdon (State and Grantee Relations)
Christopher Fenton (State and Grantee Relations)

LEA or Subrecipient Participants

Indianapolis Public School District (Indianapolis, IN)
East Allen County Schools (New Haven, IN)
Indiana University-East (Richmond, IN)
Paoli Community School Corporation (Paoli, IN)

SECTION II

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.

		GEER	ESSER
Accounting Systems and Fiscal Controls	A	●●●○	●●●○
Cash Management and Payment Systems	B	●●●○	●●●○
Period of Availability	C	●●●○	●●●○
Internal Controls	D	●○○○	●○○○
Audit Requirements	E	●●●○	●●●○
Records and Information Management	F	●●●○	●●●○
Equipment Management	G	●●●○	●●●○
Personnel	H	●●●○	●●●○
Procurement	I	●●●○	●●●○
Indirect Costs	J	●●●○	●●●○
Budgeting of the State Reserve and Subawards	K	●●●○	●●●○
Allocations/Sub-Award Process	L	●●●○	●●●○
CARES Act/Transparency Act Reporting	M	●○○○	●○○○
Risk Assessment (LEA)	N	●●●○	●●●○
Subrecipient Monitoring	O	●○○○	●○○○
Maintenance of Effort	P	●●●○	●●●○
Equitable Services	Q	●●●○	●●●○

SECTION III

Cross-cutting Feedback

During the review, Indiana Department of Education (IDOE) personnel discussed turnover for both the ESSER and GEER grants. The State of Indiana transitioned from an elected Superintendent of Public Instruction to an appointed superintendent for the GEER program. IDOE experienced turnover prior to the monitoring process and again after the monitoring event. Internal controls was cited as an area where clear protocols were not well documented for both recipients of emergency relief funding. The turnover poses series risks to the integrity of financial and accounting information, promote accountability, and prevent fraud. Personnel for each grant shared unofficial and undocumented knowledge or familiarity with the procedures and process used to execute certain functions and responsibilities. Though the undocumented protocols have not failed, the Department noted numerous areas, described in the report sections below, where IDOE was unable to provide any documented policies and procedures which could significantly help protect against the disruptions caused by personnel changes, facilitate onboarding of new staff and provide an institutional knowledge base that could persist in the face of turnover. In this report, the Department highlights specific areas where improved documentation of policies and procedures could lead to improvements in operations and program outcomes. Additionally, the Department strongly recommends that IDOE institute an agency-wide periodic review process to assess the state of its standard operating procedures, program manuals, and other documentation to ensure that all operational processes are sufficiently documented to capture ongoing activities. Such actions could help prevent many of the issues that were noted during the review and described in the report below.

SECTION IV

Met Requirements with Recommendation

SECTION V

Action Required

D.

INTERNAL CONTROLS

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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

Under 2 C.F.R. § 200.303, a non-Federal entity must establish and maintain effective internal control over a Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award (2 C.F.R. § 200.303(a)). A non-Federal entity's internal controls should comply with guidance contained in the "Standards for Internal Control in the Federal Government" (GAO Green Book) or the "Internal Control Integrated Framework" (Treadway Commission/COSO). Important elements of sufficient internal controls under both frameworks are an internal risk identification and assessment process, and a process for monitoring the operation of an organization's internal controls.

Indiana Department of Education (IDOE) did not provide the Department with its internal controls plan during the initial 45-day report, as required by program statutory requirements. During the review, IDOE submitted samples of the Green Book and generally identified the methods as office protocols. IDOE states their internal controls process is more informal, and not a written process. IDOE will develop internal documentation and formalize the process with an internal auditor but states they have been hampered by administrative changes. There is not clear segregation of duties within several essential operational functions within the State Education Agency (SEA), including financial management.

During the review, IDOE was not able to provide any documentation pertaining to elements of the agency's internal controls framework beyond the specifically outlined control activities within the financial management system; IDOE did not provide documentation pertaining to the control environment, the process used to identify and assess organizational risks, or the process used to evaluate the

performance of the internal controls framework. The lack of documentation prevents assessment as to the sufficiency of these essential elements of the IDOE's internal controls framework. IDOE noted that, while IDOE Finance has an informal process; they are responsible for executing the described control activities. No individual or office within IDOE is assigned responsibilities for evaluating the performance of the agency's internal controls framework. Such a process is essential for ensuring the successful operation of internal controls and for identifying areas where additional controls might be needed. IDOE expects to hire an internal auditor by January 2022 to formalize its internal controls process.

REQUIRED ACTION

Within 60 business days of receiving this report, IDOE must provide the Department with:

1. Documentation of a regular process (e.g., quarterly, annually, biannually, etc.) for identifying internal risks. This documentation should include:
 - a. The types of risk that will be evaluated and the indicators to be used in the assessment;
 - b. The process for establishing risk tolerances for different categories or types of risk;
 - c. The process used to complete the risk assessment (including identification of responsible individuals); and
 - d. The process used to respond to identified risks affecting the operation or performance of the organization.
2. Documentation of a regular process (e.g. quarterly, annually, biannually, etc.) for maintaining and evaluating the performance and/or effectiveness of the agency's internal controls framework. This documentation should include a description of the process and its frequency, identify the staff responsible for performing such an evaluation, and include copies of any tools or checklists that will be used to accomplish the evaluations. While IDOE cannot rely solely on external auditors to complete evaluations of internal controls, the process developed can be complementary in scope to the work performed by the external entities.

RECOMMENDATION

IDOE should provide its personnel 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 IDOE (e.g., different individuals responsible for initiating and approving or finalizing a process). Providing such guidance would give IDOE an opportunity to emphasize the

importance of segregation of duties and internal controls generally. Further, a formalized staff onboarding process will mitigate risks.

M.

TRANSPARENCY ACT REPORTING



REQUIREMENT SUMMARY

An SEA is required to report information identifying subrecipients (name, address, DUNS number) and subawards (CFDA number, award number, title) if, at any point during the award period, the SEA subawards more than \$25,000 in program funds (cumulatively) to any single subrecipient.

Reporting Subaward and Executive Compensation Information (2 C.F.R. Part 170) 170.220(a), 170 Appendix A

Universal Identifier and System for Award Management (2 C.F.R. Part 25) Appendix A

Uniform Guidance 2 C.F.R. 200.300(b)



ISSUE

IDOE has inaccurate subaward reporting that is required under the Federal Financial Accountability and Transparency Act (FFATA) signed September 2006. As of December 7th, Indiana is overreporting its 780 subawards totaling \$411.58 million with a disbursement percentage of 191.9%. but Indiana has only received \$214.5 million from the Department of Education.

REQUIRED ACTION

Within 60 business days of receiving the report, IDOE must correct its FFATA reporting as required by submitting a request to the Federal Service Desk, www.FSD.gov and ask them to have all your reports deleted from the FSRS system. Once the reports are deleted, IDOE should submit correct reporting for its subawards for FFATA. IDOE should report on each LEA allocation only once, then add any new obligations monthly, for any additional obligations made that are at or above \$30,000.

Indiana must comply with all reporting requirements including those in Section 15011(b)(2) of Division B of the CARES Act, Performance and Financial Monitoring and Reporting in 2 C.F.R. §§ 200.327-329, and submit required quarterly reports to the Secretary, at such time and in such manner and containing such information as the Secretary may reasonably require in the future. a. REPORTING ON USE OF FUNDS SEC. 15011. (a) In this section— (1) the terms “agency”, “appropriate congressional committees”, “Committee”, “covered funds”, and “Coronavirus response” have the meanings given those terms in section 15010; (2) the term “covered recipient” (A) means any entity that receives large covered funds; and (B) includes any State, the District of Columbia, and any territory or possession of the United States; and (3) the term “large covered funds” means covered funds that

amount to more than \$150,000... (b)(2) Not later than 10 days after the end of each calendar quarter, each covered recipient shall submit to the agency and the Committee a report that contains— (A) the total amount of large covered funds received from the agency; (B) the amount of large covered funds received that were expended or obligated for each project or activity; (C) a detailed list of all projects or activities for which large covered funds were expended or obligated, including— (i) the name of the project or activity; (ii) a description of the project or activity; and (iii) the estimated number of jobs created or retained by the project or activity, where applicable; and (D) detailed information on any level of subcontracts or subgrants awarded by the covered recipient or its subcontractors or subgrantees, to include the data elements required to comply with the Federal Funding Accountability and Transparency Act of 2006 (31 U.S.C. 6101 note) allowing aggregate reporting on awards below \$50,000 or to individuals, as prescribed by the Director of the Office of Management and Budget. (3) Not later than 30 days after the end of each calendar quarter, the Committee, in consultation with the agency that made large, covered funds available to any covered recipient shall make the information in reports submitted under paragraph (2) publicly available by posting the information on the website established under section 15010(g).

R.

SUBRECIPIENT MONITORING-ESSER and GEER



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

Under 2 C.F.R. 200.332(d), Indiana must monitor the activities of subrecipients to ensure that subawards are used only for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward, and to ensure that subaward performance goals are achieved (2 C.F.R. 200.332(d)).

A grantee has the discretion to design its own subrecipient monitoring processes for both fiscal and programmatic elements of program administration. However, the grantee must ensure that its subrecipient monitoring activities are sufficient to provide reasonable assurance that subrecipients are administering programs in compliance with all applicable requirements (both programmatic and fiscal) and that the grantee is able to evaluate progress towards the accomplishment of performance goals. Additionally, 2 C.F.R. 200.332(d) requires use of a risk-based determination to inform monitoring.

During the review, Indiana was unable to provide documents outlining its subrecipient monitoring processes for risk assessments, or satisfactorily describe the process during the review, including the selection of subrecipients for monitoring, assignments of responsibilities for monitoring staff, protocols for monitoring or descriptions or examples of planned post-monitoring follow-up activities.

Indiana's GEER grantee, Indiana University-East does not have a formal auditing process to identify risks affecting the operation or performance of the agency.

REQUIRED ACTION

Within 60 business days of receiving this report, Indiana must provide the Department with a plan (or plans if not consolidating fiscal and program monitoring) for implementation of subrecipient fiscal and program monitoring. The plan should include a timeline for implementation with deliverables that can be submitted to the Department to demonstrate progress toward full implementation of the subrecipient monitoring plan.

Specifically, the subrecipient monitoring plan must address both fiscal and programmatic monitoring, and include the following elements:

1. Description of a process for subrecipient fiscal monitoring. The fiscal monitoring must encompass a range of fiscal indicators sufficient to provide reasonable assurance that subrecipients are managing program funds in accordance with requirements. The plan provided must include:
 - a. Timelines for the development of documented fiscal monitoring procedures and fiscal monitoring protocols;
 - b. Identification of the staff and/or agencies that will be responsible for carrying out fiscal monitoring activities;
 - c. Descriptions of the selection process and criteria for identifying subrecipients to receive monitoring reviews for each type of monitoring activity; and,
 - d. Descriptions of the post-monitoring process, including the monitoring report process and templates, and timelines for subrecipient corrective action.
2. Description of a process for subrecipient programmatic monitoring. This documentation must include the following items:
 - a. Timelines for the development of documented programmatic monitoring procedures and programmatic monitoring protocols;
 - b. Identification of the staff and/or agencies that will be responsible for carrying out programmatic monitoring activities;
 - c. Descriptions of the selection process and criteria for identifying subrecipients to receive monitoring reviews for each type of monitoring activity; and,
 - d. Descriptions of the post-monitoring process, including the monitoring report process and templates, and timelines for subrecipient corrective action.