ARRA REPORT BY THE
INSPECTOR GENERAL AND STATE BOARD OF ACCOUNTS

2009-10-0223

November 24, 2009

ARRA REVIEW OF NO CHILD LEFT BEHIND ACT - TITLE I - IDOE

Indiana Inspector General Staff Attorney Amanda Schaeffer and State Examiner Bruce Hartman of the Indiana State Board of Accounts report as follows:

This report addresses an evaluation of the No Child Left Behind Act[1], Title I[2]: Improving the Academic Achievement of the Disadvantaged, within the Indiana Department of Education (IDOE).

I

On February 17, 2009, the United States Government enacted the American Recovery and Reinvestment Act (ARRA). The ARRA intends to provide a stimulus to the United States economy by providing $787 billion in

[1] 107 P.L. 110, 115 Stat. 1425 No Child Left Behind Act of 2001: The Act is based on standards-based education reform: setting high standards and establishing measurable goals in order to improve individual outcomes in education. The Act requires states to develop assessments in basic skills to be given to all students in certain grades.

[2] Title I Sec 1001: The purpose of this title is to ensure that all children have a fair, equal, and significant opportunity to obtain a high-quality education and reach, at a minimum, proficiency on challenging State academic achievement standards and state academic assessments.

program funding and tax credits.[3]

The purpose of this report is to reflect an initial evaluation of ARRA compliance by the NSLPE program.

II

In 2009, IDOE has been provided $84,338,450 in ARRA funds for Title I of the No Child Left Behind Act, and will presumably receive an additional $84,338,450 by September 30, 2009. Eighty-five percent of these funds are to be obligated by September 30, 2010, and the remainder by September 30, 2011. All funds must be liquidated by December 31, 2011, and will be used to supplement the existing Title I program to further help local education agencies (LEAs) improve the education of educationally deprived students to meet the academic standards set forth by the state.

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[3] Indiana is expected to receive $4.3 billion in ARRA funds and perhaps more in competitive grand funds. It is the experience of the Office of the Inspector General (OIG) and the State Board of Accounts (SBOA) that the expenditure of government funds may invite fraud and waste. The Office of the Inspector General's (OIG's) enabling statute states that the OIG "is responsible for addressing fraud, waste, abuse and wrongdoing in agencies." IC 4-2-7-2(b). The OIG is also mandated to "recommend policies and carry out other activities designed to deter, detect and eradicate fraud, waste, abuse, mismanagement and misconduct in state government." IC 4-2-7-3(2). These duties include the authority to "initiate, supervise and coordinate" investigations, IC 4-2-7-3(1), to perform audits, IC 4-2-7-2(a), and to "prepare interpretive and educational materials and programs." IC 4-2-7-3(16). Immediately upon the OIG's creation in 2005, the SBOA provided assistance to the OIG. Many of the two agencies' missions are similar. In addition to the above OIG duties, the SBOA is charged to develop and publish "accounting and uniform compliance guidelines manuals" ("Manuals") to provide guidance to public entities, IC 5-11-1-24(a), to perform audits, IC 5-11-1-9, and to make written findings regarding violations of its Manuals or "any law". IC 5-11-5-1(a). Both the SBOA and OIG also review compliance with the Circulars issued by the State Budget Agency issued under the authority of IC 4-12-1-13(h). Following the above authorities and precedent, both the OIG and SBOA have and continue to confer, research and seek education regarding ARRA. Substantial guidance has been provided by the Indiana Office of Management and Budget (OMB).

III

A

Findings

From our initial review, we find that, except for the issue discussed below, the program controls outlined in the Title I spending plan or other related documentation are adequate to meet the respective federal ARRA and OMB guidelines and requirements.

We did find that ARRA program revenues were initially posted using an incorrect object code than the one designated by the State Budget Agency. This did not result in a financial loss of ARRA funds, but is a requirement established to properly administer and account for ARRA funds.

A potential deficiency existed in the area of cash management. IDOE's method of drawing federal funds in advance of sub-recipient expenditures may not minimize the time the funds are held by the LEAs in compliance with 34 CFR sections 80.21 and 80.41.

B

Recommendation

Accordingly, it is recommended that any future revenues be made through the fund/center designated by the State Budget Agency and that IDOE employees administering Title I funds continue to apprise themselves of ARRA requirements and developments.

At a later date we will perform additional procedures as deemed necessary to verify compliance requirements.

Dated this 24th day of November, 2009.

APPROVED:

David O. Thomas, Inspector General