



ARIZONA RACE TO THE TOP

Subrecipient Monitoring Plan

August 2012

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I. Overview

The Arizona Department of Education was awarded \$25 million through the US Department of Education’s Race to the Top, Phase 3 grant program to advance Arizona’s education reform efforts. \$12.5 million has been allocated to support state-level activities, while \$12.5 million has been allocated as subgrants to Participating LEAs.

The following are the primary state-level subprojects funded through Arizona Race to the Top:

- Establish **five Regional Centers**, in collaboration with County School Superintendents and the Governor’s Office of Education Innovation to serve as a key mechanism in delivering Race to the Top professional development, technical assistance and support services (\$2.5M);
- Implement **Arizona’s Common Core Standards in English Language Arts and Mathematics** using **STEM** as a vehicle (\$3M);
- Complete the **Student-Teacher-Course Connection** to the ADE Statewide Longitudinal Data System (SLDS), through linking students and teachers to individual courses to provide timely, accurate and actionable data at the classroom, school site, LEA and state levels (\$2.5);

Additionally, the Governor’s Office of Education Innovation has entered into a cooperative ISA with the ADE to provide support for vertical alignment of statewide goals and reform efforts between the ADE and the Five Regional Education Centers and create new data dashboards for the Arizona Ready Council State Report Card (\$1.5M).

The ADE will serve as the fiscal agent for the grant, and provide overall leadership, coordination and oversight for all project activities, and will also manage the allocation of RTTT funds to eligible LEAs (\$3M – which includes indirect cost recovery from state-level subprojects).

Half of the total award (\$12.5M) will be allocated to 235 eligible Participating LEAs to implement Arizona’s RTTT Phase 3 plan. Eligible Participating LEAs are those Title I LEAs that have signed Memoranda of Understanding (MOUs), and have completed a detailed Scope of Work. Allocations were determined for each Participating LEAs based on their relative share of funding under Title I, Part A for FY2011.

II. Roles, Responsibilities and Functions

The Arizona Department of Education (ADE) will serve as the fiscal agent for Arizona’s Race to the Top (RTTT) grant, and will be responsible for project direction and administration. The RTTT Senior Director, reporting to the Deputy Superintendent, has been designated to serve as the RTTT State Lead, and will provide leadership, oversight and coordination for all RTTT projects and subprojects, and will serve as the liaison to the primary RTTT partners for RTTT, to include Participating LEAs, the Governor’s Office of Education Innovation and the Regional Centers.

The core RTTT Team consists of the Senior Director, Program Specialist and Administrative Assistant. This team will work together with existing units and staff within the ADE, and with external partners, to ensure the goals of Arizona’s RTTT plan and Scope of Work are successfully met.

Additionally, the five Regional Centers will collaborate and closely partner with the ADE to provide regionally-based technical assistance, service and support in support of Arizona’s RTTT plan.

Primary ADE Internal Partners:

- Information Technology, Educator Effectiveness: Student-Teacher-Course Connection
- Standards Unit, Educator Effectiveness: Implementation of Arizona’s Common Core Standards
- Grants Management, Accounting, Audit Unit: General fiscal support
- Effective Schools-Title I: Participating LEA support
- Public Information Officer: Communications and outreach support
- Research & Evaluation: Data and metrics analysis and reporting support

Primary External Partners:

- Participating LEAs
- Five Regional Centers
- Governor’s Office of Education Innovation

III. Monitoring Systems

Arizona RTTT will utilize the following primary monitoring systems for Participating LEAs:

- *RTTT Memorandum of Understanding:* All Participating LEAs were required to complete a Memorandum of Understanding (Appendix A), signed by the LEA Superintendent and President of the Local School Board (or equivalent, if applicable). The purpose of this agreement was to establish a framework for collaboration, as well as articulate specific roles and responsibilities in support of the implementation of Arizona’s RTTT plan – to include compliance with all required reporting and monitoring, all terms of the grant, all applicable Federal and State laws and regulations and the applicable provisions of EDGAR (34 CFR Parts 75, 77, 79, 80, 82, 84, 85, 86, 97, 98 and 99).
- *RTTT Programmatic Plans:* All Participating LEAs were also required to complete detailed LEA Scopes of Work (SOWs) (Appendix B). The LEA SOW document contains detailed information on LEA required goals, elements, activities, timelines, personnel, performance measures and targets, and budget information. The document also contains a section for LEAs to provide a brief justification of their local plan, to include a brief description of anticipated challenges in meeting their goals and completing their chosen activities. This plan must be updated annually, to ensure that funds allocated and spent are representative of current local programmatic needs, and are value-added in assisting Participating LEAs to meet their local performance goals and targets. Participating LEAs will submit their plans through a state system known as ALEAT. This password-accessible system provides the opportunity for a common submission site that is accessible by both LEA and SEA staff. Once finalized and approved, all detailed Participating LEA SOWs will be posted and publically available online on Arizona’s RTTT website.
- *RTTT Budget Plans:* All Participating LEAs will complete an annual online fiscal application through the ADE Grants Management Enterprise system. This online system manages Applications, Amendments, Cash management and Completion Reports. Fiscal information entered into the system by all Participating LEAs will be verified against their approved LEA SOW.
- *RTTT Performance Measure Metrics Collection:* Arizona RTTT will collect data from Participating LEAs to monitor and measure their progress toward meeting their performance measures, and to monitor and assess the SEAs progress toward meeting state-level goals and targets and to inform the state’s implementation efforts across RTTT projects and subprojects.

Arizona RTTT will utilize the following primary monitoring systems for the Regional Centers and the Governor’s Office of Education Innovation (GOEI):

- *RTTT Subgrantee Agreement:* All Regional Centers have entered into a subgrantee agreement, pursuant to Arizona Revised Statutes (A.R.S.) § 35-148 et seq. for the purposes of RTTT to provide, in collaboration with the Arizona Department of Education (ADE) and GOEI, regionally-based service, support and technical assistance to LEAs in successfully implementing Arizona’s education reform plans through Race to the Top.
- *RTTT ISA with GOEI:* The Governor’s Office of Education Innovation has entered into a cooperative ISA with the ADE for the purposes of RTTT.
- *RTTT Programmatic Plans:* In accordance with the Regional Center subgrantee agreements and GOEI ISA, each entity is required to complete a SOW, which will be updated annually to ensure they continue to meet current programmatic needs in support of their respective subprojects, and the goals, objectives and performance measures of RTTT as a whole.
- *RTTT Budget Plans:* In accordance with the Regional Center subgrantee agreements and GOEI ISA, each entity will complete an annual fiscal budget, and submit invoices to the ADE for approved RTTT activities. All budgets will be verified against each entity’s approved SOW.
- *RTTT Performance Measure Metrics Collection:* Arizona RTTT will collect data from the Regional Centers and GOEI to monitor and measure their progress toward meeting their performance measures, and to monitor and assess the SEAs progress toward meeting state-level goals and targets and to inform the state’s implementation efforts across RTTT projects and subprojects.

IV. Programmatic Monitoring

The ADE RTTT Team will be responsible for conducting Progress Reviews and Performance Evaluations of all Participating LEAs, Regional Centers and the GOEI. Frequency of these reviews may vary based on LEA performance. Programmatic monitoring will be based on each Participating LEAs approved SOW and local Standards Implementation Plan.

Progress Reviews

The ADE RTTT Team will conduct a Progress Review with each Participating LEA, Regional Center and the GOEI at least once per year, during the project year. The Progress Review may be an onsite review or self-review, using a Progress Review tool (to be developed) to determine successful LEA, Regional Center and GOEI progress toward completing their SOW for their particular project year. The purpose of the Progress Review will be to collect data

in support of required performance metrics, and to identify areas of need and challenge to inform technical assistance services and support.

Additionally, ADE will partner with the Regional Centers in a process (still in development) to gauge state-level fidelity of implementation of Arizona’s Common Core Standards in English Language Arts and Mathematics. This process will likely include the use of statistical random sampling to identify schools, grade levels and classrooms. Regionally-based evaluation teams, in collaboration with ADE staff, will utilize common classroom observation tools and processes to identify the level of fidelity of implementation of the standards, as well as common rubrics to gauge the quality and effectiveness of their local Standards Implementation Plan. Data collected will be used to inform statewide implementation efforts, strategies and progress – and will also be used to inform specific technical assistance and support for the selected LEAs and to identify potential ‘lighthouse’ programs and schools.

The Progress Review will provide LEAs, Regional Centers and the GOEI with information regarding agreed upon next steps (as needed), and an overall rating of their progress (example: “On Track”, “Somewhat On-Track”, “Somewhat Off Track” and “Off Track”).

The ADE RTTT Team will provide LEAs, Regional Centers and the GOEI with feedback regarding the outcome of the Progress Review regarding any need to follow-up on items found during the review process. Qualitative and quantitative data collected during the process will inform technical assistance services and support to ensure these entities are successful in meeting the goals and objectives of their SOW.

Performance Evaluations

The ADE RTTT Team will conduct a Performance Evaluation with each Participating LEA, Regional Center and the GOEI at the conclusion of the project year. The Performance Evaluation will be completed based on narrative information, collected programmatic and performance metrics and fiscal data collected through (for Participating LEAs) the Completion Report process, online through the ADE Grants Management Enterprise system. For Regional Centers and the GOEI, these data will be collected through an alternative process. The brief narrative information will include performance (plan implementation) strengths and challenges, identified strategies to address challenges, and resources or support needed from ADE to move forward with their plan.

The Performance Evaluation will provide LEAs, Regional Centers and the GOEI with information regarding agreed upon next steps (as needed) to inform the development of their annual updated SOW, and an overall rating of their performance (example: “On Track”, “Somewhat On-Track”, “Somewhat Off Track” and “Off Track”).

The ADE RTTT Team will provide LEAs, Regional Centers and the GOEI with feedback regarding the outcome of the Performance Evaluation regarding any need to follow-up on items found during the review process. Qualitative and quantitative data collected during

the process will inform technical assistance services and support to ensure these entities are successful in meeting the goals and objectives of their SOW.

V. Fiscal Monitoring

All Participating LEAs will be required to complete an annual online fiscal application through the ADE Grants Management Enterprise system. This online system will manage all Applications, Amendments, Cash management and Completion Reports. Fiscal information entered into the system by all Participating LEAs will be verified against their approved LEA SOW. Each Regional Center and the GOEI will prepare annual budgets, and will submit invoices against their approved budget, in alignment with their annually approved SOW.

Cash Management – Subrecipient Monitoring

In order to meet the requirements of EDGAR § 80.21, ADE is moving toward modified reimbursement as a standard method of grant payments. This method will require subrecipients to submit payment requests demonstrating realized expenditures or forthcoming scheduled expenditures (e.g. payroll) in order to receive funds. This differs from the standard advance payment method currently employed. This method of disbursing funds will reduce the likelihood that subrecipients will hold significant cash on hand. Instead, subrecipients will only receive disbursements for expenses already made or for expenditures that will be made within a matter of days. This also provides another avenue for monitoring of the subrecipients' progress fiscally throughout the year.

Completion Reporting and Amendments – Subrecipient Monitoring

Throughout the year subrecipients are required to submit amendments based on changes in fiscal activity. Specifically, amendments are requested whenever expenditures exceed budgeted line items by a certain threshold, or the subrecipient wishes to amend its approved budget. The subrecipient is asked for a justification of the change required and the submitted amendment request is reviewed and approved by staff. Further, at the close of all grant periods, a Completion Report is required to be submitted within 90 days of the close of the project period. This report contains detailed expenditure information by line item and narrative description of program requirements that have been or have not been met during the project period. This report is reviewed and approved by staff, and allows for another mechanism for ADE to assess the overall success of project implementation and ensure the appropriate use of grant funds.

Single Audit Follow-up – Subrecipient Monitoring

The Single Audit Act Amendments of 1996, under the guidelines of The Office of Management and Budget (OMB) Circular No. A -133, requires all subrecipients to contract for a single audit if the subrecipient expended \$500,000 or more in federal awards in any fiscal year, regardless of which federal agency provided the money.

ADE has the following policy in place regarding receipt, review and follow-up on any findings a subrecipient Pursuant to O.M.B. Circular No. A -133 §C.320(a), each school shall submit the single audit results to the Audit Unit of ADE within thirty (30) days of receiving

the report and or within nine (9) months following each fiscal year, unless a longer period has been agreed to in advance. A request showing good cause for a longer period shall be made in writing and directed to the Audit Unit. The request will be approved or denied with thirty (30) days of receipt. The single audit report that must be submitted to ADE shall contain the following:

- (1) An opinion as to whether the recipient’s financial statements and schedule of expenditures are consistent with each other and are presented fairly in all material respects in conformity with U.S. generally accepted accounting principles (GAAP).
- (2) A report on the recipient’s internal controls over financial reporting and on compliance and other matters based on an audit of the financial statements.
- (3) A report on the recipient’s compliance with laws, regulations, and the provisions of contracts or grant agreements, noncompliance with which could have a direct and material effect on a major federal program.
- (4) A schedule of findings and questioned costs

Pursuant to O.M.B. Circular No. A -133 §8B.225(a)(b)(c) and (d), if ADE determines that full compliance has failed to be met, ADE can impose sanctions such as:

- (1) Withholding a percentage of Federal awards until the audit is completed satisfactorily;
- (2) Withholding or disallowing overhead costs;
- (3) Suspending Federal awards until the audit is completed; or
- (4) Terminating the Federal award.

ADE will issue written notification informing the subrecipient of their non-compliance and request the information to be submitted upon receipt of the notification letter. ADE will continue to monitor and issue non-compliance notices every 30 days until the non-compliance issue has been resolved. However, if the non-compliance issue cannot be resolved immediately, the subrecipient will provide ADE with a corrective action timeline. Should the non-compliance issue continue for a period greater than 90 days and no corrective action timeline established, ADE will consider the subrecipient to be non-responsive and non-compliant. All nonresponsive and non-compliant subrecipients will be subject to the following sanctions:

- (1) The subrecipient will be placed on HOLD status which freezes all current and future federal projects until the subrecipient satisfies all audit requirements; or
- (2) Require modified monitoring and/or reporting provisions.

Fiscal Subrecipient Monitoring

Pursuant to 34 C.F.R. §80.43(a), grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity.

Pursuant to A.R.S. §15-207 and A.R.S. §15-210, school districts are required to spend federal grant money according to the terms of the grant and applicable law.

As part of the fiscal monitoring process, ADE selectively identifies a sample of LEAs (both school districts and charter holders) for fiscal monitoring each year. ADE's fiscal monitoring process entails determining an LEA's compliance with federal requirements in five grant compliance areas: personnel activity reporting (Time and Effort); expenditure allowability and compliance; fixed assets; general grant compliance; and compliance with ADE's Grants Management requirements.

When selecting a sample of LEAs to monitor, auditors will take into consideration the following:

- The total amount of IDEA and ARRA funds received and expended. Auditors selectively sample LEAs to cover as much of these funding sources as possible for each fiscal year monitored.
- The geographic location of the LEAs to ensure that the fiscal monitoring coverage is statewide. This includes LEAs on the Indian reservations as well as LEAs in small towns and rural areas, which frequently have compliance issues.
- Ensuring that both large and small LEAs receive fiscal monitoring coverage. For example, auditors monitor the two largest districts, Mesa Unified and Tucson Unified at least every five years as well as monitor several other large districts and charter holders each year.

As part of the fiscal monitoring process, auditors perform the following activities to identify potential LEAs for monitoring:

- Review and analyze Single Audit reports to identify any previous audit findings which could potentially affect an LEA's internal control processes;
- Review and analyze LEA's submitted Completion Reports to identify any audit exceptions that showed where funds had to be returned or adjustments made;
- Review and analyze monthly Cash Management Reports to ensure that they are compiled and submitted appropriately; and
- Review and analyze any other information that identifies potential internal control issues or potentially misspent funds at an LEA.

VI. Contractor and Vendor Monitoring

The ADE monitors individual vendors and direct contractors for services in a variety of ways. Through the invoice and payment request process, ADE verifies that services provided are in line with the hours/units billed to ADE and verifies that services invoiced are in accordance with the approved contract. Following state procurement rules, ADE verifies that vendor rates are billed in accordance with allowable expenditures, and any exceptions are noted and must be approved individually before vendor payments are released. Each contract with an individual vendor is monitored for expenditures versus approved budget on a

regular basis. ADE also conducts periodic monitoring visits with all vendors – particularly those providing services to the education community – as a means to track progress toward contract objectives. These monitoring visits or desk-based assessments can include review of submitted invoices versus specific documentation held by the vendor, or programmatic review of performance metrics set within the contract scope of work to gauge the vendor’s success in meeting objectives.

VII. Technical Assistance

The ADE RTTT Team, in collaboration with other ADE internal units and staff and the Regional Centers, will provide technical assistance services, as needed, to support all RTTT Participating LEAs.

Technical assistance will be available to support programmatic and fiscal needs and be provided through a variety of means and methods – to include direct onsite support; regional meetings and convenings; state meetings and convenings; webinars; phone and email support; and online resources accessible through ADE program area and RTTT websites.

VIII. LEA Scope of Work and Budget Amendment Process

Participating LEAs may propose to amend their LEA SOW and budgets for RTTT. These amendments may revise timelines, activities, budgets or performance targets subject to the following:

- Amendments do not result in the LEA’s failure to comply with the terms and conditions of their Race to the Top award, their Memorandum of Understanding, and the RTTT program statutory and regulatory requirements;
- Amendments are in alignment with the required elements of their LEA SOW; and,
- ADE and the LEA mutually agree in writing to the amendments. The ADE has sole discretion regarding the acceptance of any amendments.

All amendments, fiscal and programmatic, will be reviewed by the RTTT team to ensure compliance with the above requirements.

IX. Monitoring Schedule

The following describes the monitoring schedule for Arizona Race to the Top:

Year 2: June 1, 2012 – May 31, 2013	
LEA Scope of Work and Fiscal Application Due	September 17, 2012 (target date)
Progress Review	Once Annually – During project term
Completion Report & Performance Evaluation	Once Annually – Within 90 days of the end of the budget term (June 1 – August 31, 2013)

Year 3: June 1, 2013 – May 31, 2014	
LEA Scope of Work and Fiscal Application Due	May 1, 2013
ADE RTTT Team LEA SOW and Fiscal Application Review and Approval	May 1 – May 31, 2013
Progress Review	Once Annually – During current project term
Completion Report & Performance Evaluation	Once Annually – Within 90 days of the end of the budget term (June 1 – August 31, 2014)

Year 4: June 1, 2014 – December 21, 2015	
LEA Scope of Work and Fiscal Application Due	May 1, 2014
ADE RTTT Team LEA SOW and Fiscal Application Review and Approval	May 1 – May 31, 2014
Progress Review	Once Annually – During current project term
Completion Report & Performance Evaluation	Once Annually – Within 90 days of the end of the budget term (January 1 – March 31, 2016)