Arizona Department of Education
MEGA Conference Title I Allocations Overview

November 15, 2017
Our Goals

After this overview, we will…

1. Understand issues identified in the historical Title I LEA allocation process
2. Be aware of actions taken in regards to findings and process improvements in place to prevent future issues
3. Know what to expect next regarding the audit finding resolution
Afton’s vision is that all of America’s public education organizations are using financial strategies, policies, and practices that sustain effective academic initiatives—allowing more students to succeed.

Three areas of work:
- Sustainability Planning
- Operational Efficiency & Effectiveness
- Funding Equity & Fiscal Transparency
SEAs receive allocations from USED and are required to further allocate funds equitably to LEAs based on established criteria.

While allocations come from USED by LEA, it is only by census-district (county) LEA; this must be further disaggregated for non-census LEAs.
Title I LEA Allocations Process Overview

USED sends Title I funding under four Title I grant components (Basic, Concentration, Targeted, and Education Finance Incentive Grants) to SEAs for census-districts only.

SEAs must adjust allocations to accommodate non-census-LEAs.

SEAs must ensure no LEA is seeing an unmanageable year-over-year reduction in funding (this is known as the “hold harmless” provision).

SEAs must “set aside” funding for School Improvement and Administration activities.

SEAs must apply adjustments for “maintenance of effort” issues and any applicable prior year adjustments.
In FY14, an audit identified an issue with Title I LEA Allocations

- ADE received an FY14 State Single Audit finding regarding earmarking for school improvement activities via the School Improvement Fund Set-Aside
- Auditors identified calculation errors that impacted 23 LEAs, for a total questioned value of $435,831
- It was understood that this issue would have further ramifications due to the “roll forward” to future year calculation files (allocations)
ADE’s investigation spanned multiple years and uncovered multiple additional (and much more significant) issues

<table>
<thead>
<tr>
<th>Calculation Process Errors</th>
<th>Policy Violations</th>
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<tbody>
<tr>
<td>Incorrect limits on LEA contributions to School Improvement Fund</td>
<td>Lack of proper documentation and records retention</td>
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<td>Incorrect order of operations</td>
<td>Improper approvals</td>
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<td>Inconsistent application of hold harmless</td>
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<td>Lack of adjustments to existing LEAs for the addition of new LEAs</td>
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FY18 allocations, processes, and policies will correct for all of these issues
Post-mortem: *Why did this happen and how can we prevent similar issues?*

A combination of factors likely contributed to this situation. Practices that could have prevented it include:

- Adhering to policies and procedures
- Ensuring policies and procedures remain updated
- Asking questions when policies and procedures are unclear
- Ensuring proper checks and balances in the process (and improving policy where needed)
- Ensuring data integrity and maintaining proper documentation
- Raising issues for proper resolution
- Communicating effectively, particularly cross-functionally/departmentally
Process improvements and trainings will prevent future errors

- A **corrected template**, reviewed and vetted by US Department of Education, has been used for FY18 and will be used for future years
- This corrected template is accompanied by a detailed **Standard Operating Procedure**, which thoroughly explains how to complete allocation procedures
- ADE and Afton will continue to **train and support Title I leadership** and **cross-training** backup personnel as identified
What can you expect next?

- ADE is committed to resolving the FY14 audit finding with as minimal disruption to LEAs as possible; ADE has proposed to USED:
  - No reductions or holdbacks in future funding to LEAs that were historically overfunded
  - Making historically underfunded LEAs whole over the course of no longer than 2-5 years as unobligated funds become available
- ADE’s updated procedures and allocations files are publicly available on the ADE Title I website
- ADE will notify LEAs once negotiations with USED are completed and the resolution plan is approved

Please join a breakout session with ADE and Afton if you would like more information
Thank you – please see us for more information in today’s breakout sessions!