

Monitoring Plan for the State Fiscal Stabilization Fund (SFSF) Program

**North Dakota Office of the Governor
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Introduction

The Governor of the State of North Dakota (State) is committed to ensuring maximum transparency and accountability in the use of all funds appropriated under the American Recovery and Reinvestment Act of 2009 (ARRA), including funds appropriated under the State Fiscal Stabilization Fund (SFSF) program. As such, the State will thoroughly and systematically monitor each state agency's implementation of the SFSF program. The monitoring will serve several important purposes:

- To ensure that recipients of SFSF funds have the internal controls necessary to prevent fraud, waste and abuse; promote operating efficiency; and achieve compliance with all applicable statutory and regulatory requirements;
- To track the progress of recipients in implementing critical provisions of the program, including progress in the four education reform areas (achieving equity in the distribution of qualified teachers; improving the collection and use of data; enhancing the quality of standards and assessments; and supporting struggling schools);
- To identify potential or existing problem areas or weaknesses; and
- To identify areas where additional technical assistance is warranted.

This document describes the process that Governor's office will use in monitoring the use of SFSF funds by North Dakota state agencies. The monitoring plan will be reviewed and revised periodically, as appropriate.

The SFSF Program

A. Uses of Education Stabilization Funds

The North Dakota legislature appropriated \$85,644,337 to the Department of Public Instruction (DPI) for the Phase I and Phase II Education SFSF dollars allocated to the state. The legislature directed that all Education SFSF funds be used to restore the level of state support for elementary and secondary education to the FY 2009 level (\$375.4 million). This funding was added to state funds and will be distributed through the state aid formula.

The state funding formula is the mechanism to determine the amount of Education Stabilization funds that each Local Education Association (LEA) will receive. The funds remain federal funds, and the American Recovery and Reinvestment Act (ARRA), the Federal laws referenced in III-D-1 (contained in Federal Guidance on the SFSF program), and other applicable Federal requirements (such as OMB cost principles) govern their use.

In order to receive federal funds, North Dakota LEAs were required to submit an application that, among other things, provided assurances that it (1) will administer the program in accordance with all applicable statutes and regulations and (2) use fiscal control and fund accounting procedures that will ensure proper disbursement of, and accounting for, the funds.

The application included a declaration of the intended use of the funds. All LEAs elected to apply the full amount of federal Education Stabilization funds to expenses already incurred for instructional salaries. This allows DPI to complete all ARRA 1512 quarterly reports on behalf of school districts without the need for additional data collection.

Statewide instructional salaries are estimated at \$30 million per month. The distribution of federal funds was scheduled over the October 2009 through February 2010 timeframe in five equal federal draw downs. This schedule was chosen to ensure that sufficient instructional salaries had been incurred to cover the funds distributed. LEAs are required to submit personnel, staffing and financial reports in the fall. After October, all formula payments are withheld until the reports are on file with the State.

F. Uses of Government Services Funds

Section 14002(b) of the ARRA authorizes a State to use its Government Services funds for “public safety and other government services,” including assistance for elementary and secondary education and public IHEs. In addition, the State may use these funds for modernization, renovation, or repair of public school facilities and IHEs, including modernization, renovation, and repairs that are consistent with a recognized green-building rating system, subject to the requirements in the ARRA.

The scope of allowable activities must be determined on the basis of State law, subject to applicable requirements in the ARRA and other Federal laws, including the limited restrictions in

the ARRA on the uses of funds. A State may not use Government Services funds to pay down past debt.

North Dakota was awarded \$19,055,342 under the State Fiscal Stabilization Fund – Government Services Fund (SFSF) program (CFDA No. 84.397), which was authorized under Title XIV of the American Reinvestment and Recovery Act of 2009 (ARRA). The 2009 North Dakota Legislative Assembly appropriated these funds for the biennium beginning July 1, 2009 and ending June 30, 2011, as follows:

State Agency	Project	Amount
Office of Management and Budget	Administrative Costs	\$289,494
Office of Management and Budget	Database of State Expenditures	\$400,000
Department of Public Instruction	Administrative Costs	\$326,348
Department of Public Instruction	Early Childhood Learning Council Operating Expenses	\$20,000
Department of Public Instruction	English Language Learner Grants to Regional Education Associations	\$40,000
University of North Dakota	Education Building	\$11,200,000
University of North Dakota	Simulation Laboratory Initiative	\$500,000
Minot State University	Swain Hall	\$5,000,000
Indian Affairs Committee	American Indian Language Preservation Committee	\$18,000
Office of the Adjutant General	Boiler Replacement, Construction of East Operations Center and IT Enhancements	\$1,261,500
Total Legislative Appropriations		\$19,055,342

Since agency allocations were appropriated the Legislative Assembly, state agencies were not required to complete an application. Rather, subaward agreements were entered into with each recipient agency. The subaward announcement letter, agreement document and attachments indicated the fund obligation date, eligibility for pre-award costs, reporting requirements, cash management, Buy American, prevailing wage and other requirements that must be fulfilled when accepting the award.

G. Recordkeeping, Documentation, and Reporting

State agencies and LEAs receiving SFSF funds must maintain records that separately track and account for those funds. Records will include full disclosure of how those funds were used, the total cost of the activity for which the funds were used, the share of that cost provided by other sources, and such other records as will facilitate an effective audit.

Specific requirements in the OMB Circulars that apply cost principles, such as OMB Circulars A-21 and A-87, do not apply to SFSF funds; however, expenditures attributed to the SFSF program must still be “reasonable and necessary,” and consistent with applicable State and local

requirements and the statutory provisions of ARRA. An entity may use SFSF funds to pay its indirect costs.

States agencies and LEAs must maintain documentation demonstrating the amount of SFSF funds, if any, used to support salaries. Entities must maintain documentation to support the time and effort of these individuals in the same manner that it supports the time and effort of individuals performing similar duties who are paid with State or local funds. For the purposes of the SFSF program only, entities may demonstrate, at a minimum, that an aggregate amount of funds was used to support a group of salary expenses.

Documentation should be able to demonstrate that the costs were reasonable for the service provided, that the service was actually provided, and that no other funds were paid for the same service. Because the SFSF program does not support specific cost objectives or activities, an individual whose salary is paid in whole or part with SFSF funds is not required to maintain separate time distribution records.

Monitoring Process

A. Internal Control Review

The Office of Management and Budget (OMB) requested that the Office of the State Auditor review the most recent auditor reports for each state agency receiving funds through the American Recovery and Reinvestment Act of 2009. The report indicated that while material internal control weaknesses were identified in three agencies, none of the weaknesses had a material impact on the reliability of the agencies' financial statements.

B. Education Funds

Funds were used entirely for instructional salaries, and the risk that the funds were not used for the agreed upon purpose is near zero. In order to ensure that school districts have the information needed to document both the receipt and expenditure of SFSF education stabilization funds the following procedures have been implemented:

- Information related to these funds has been posted on the Department website at <http://www.dpi.state.nd.us/stimulus/stimulus.shtm> .
- The funds are distributed through the State School Aid payment system.
- The State School Aid payment voucher clearly identifies amount and account codes for federal Education Stabilization funds.
- As the federal funds are released, each school district will receive a supplemental report identifying the federal award number, CFDA number and the recommended accounting entries to properly reflect the receipt and expenditure of these funds are on their books.
- Technical assistance has been and will continue to be provided throughout the year to both school district administrators and business managers regarding the Education Stabilization funds.

These procedures mitigate the potential risks; therefore, desk reviews and on-site visits will not be conducted. However, if issues are identified through the single audit process, DPI will follow-through for prompt resolution.

C. Government Services Funds

OMB serves as the fiscal administrator of the grant, coordinating all draw downs and Section 1512 reporting. In lieu of periodic desk reviews and on-site visits, a real-time monitoring process is utilized.

- Expenditures are accounted for in a separate appropriation line, where established by the legislature. Unique fund or project numbers are utilized.
- Funds are drawn down on a reimbursement basis only. State agencies periodically submit requests for reimbursement of expenses already incurred and paid.
- Reimbursement requests and supporting documents are reviewed by OMB for validity and authenticity prior to approval.
- Recipient agencies are also required to maintain appropriate documentation of all expenses.
- Subrecipient agencies must provide OMB with quarterly expenditure and jobs creation data by the 5th calendar day after the end of each quarter. The data is analyzed and accumulated for submission of the Section 1512 report.
- Subrecipient agencies were provided a Subrecipient Quarterly Report template to ensure receipt of accurate Section 1512 data.
- Reconciliation of these reports to the statewide accounting system is conducted quarterly.
- Technical assistance has been and will continue to be provided throughout the year to state agencies regarding SFSF funds.

If agency-specific issues are identified through the single audit process, OMB will follow-through for prompt resolution.