



ARRA REPORT BY THE  
INSPECTOR GENERAL AND STATE BOARD OF ACCOUNTS

2009-12-0269

December 21, 2009

ARRA IDOE STATE FISCAL STABILIZATION FUND

*Indiana Inspector General Staff Attorney Kristi Shute and State Examiner Bruce A. Hartman of the Indiana State Board of Accounts report as follows:*

This report addresses an evaluation of the education portion of the State Fiscal Stabilization Fund (SFSF)<sup>1</sup> within the Indiana Department of Education (IDOE).<sup>2</sup>

The SFSF provides federal funding to states to advance essential education reforms which benefit students from early learning through post-secondary education. These funds will help stabilize state and local government budgets to minimize and avoid reductions in education and other essential public services.<sup>3</sup>

On February 17, 2009, the United States Government enacted the

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<sup>1</sup> American Recovery and Reinvestment Act of 2009, P.L. No. 111-5, 123 Stat. 115 (2009). *See* Title XIV. The State Fiscal Stabilization Fund program is a new one-time appropriation.

<sup>2</sup> The Indiana Department of Education (IDOE) is established in IC 20-19-3-1. The state superintendent is the director. IC 20-19-3-2.

<sup>3</sup> *See*: <http://www.ed.gov/policy/gen/leg/recovery/factsheet/stabilization-fund.html>.

American Recovery and Reinvestment Act (ARRA).<sup>4</sup> The ARRA intends to provide a stimulus to the United States economy by providing \$787 billion in program funding and tax credits.<sup>5</sup>

The purpose of this report is to document a preliminary ARRA compliance review of the SFSF by the State Board of Accounts (SBOA) and the Office of the Inspector General (OIG).

## I

To date, IDOE was initially awarded \$625,982,529 in ARRA funds and will presumably receive an additional \$197,678,694 to cover state tuition support shortfalls. IDOE allocated \$610,100,000 of the SFSF for distribution to local education agencies (LEAs) in June of 2009 and September of 2009. The balance of the SFSF will presumably be used to provide funding to institutions of higher education and for additional tuition support distributions to LEAs using the Title I formula. The State will also be receiving ARRA SFSF funding for specifically identified general service projects which will be reviewed at a later date.

## II

The OIG's enabling statute provides that the OIG "is responsible for addressing fraud, waste, abuse and wrongdoing in agencies." IC 4-2-7-2(b).

The SBOA has similar duties, including the authority to develop and

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<sup>4</sup> See footnote 1, *supra*.

<sup>5</sup> See: <http://www.recovery.gov>.

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).

Within these authorities, a preliminary review of the SFSF was made. This review included, but was not limited to, reviewing the program objectives, meeting with the program staff, reviewing agency-completed spending plans, reviewing monthly update reports submitted to the Indiana Office of Management and Budget (OMB) and an assessment of the program’s risks.

From this preliminary review, we make the following findings and recommendations.

### III

#### A

#### Findings

##### 1

We find from our initial review that, except for the issue addressed below, the controls over the education portion of the SFSF ARRA funding are adequate to meet the respective federal ARRA and State OMB guidelines and requirements.

##### 2

We note a potential deficiency in the area of cash management. IDOE’s

method of advancing federal funds to LEAs may not ensure funds held by the LEAs are in compliance with cash management requirements (34 CFR section 80.21).

This issue will be reviewed during SBOA's 2009 A-133 audit of SFSF.

B

Recommendation

Accordingly, our single recommendation is that any future ARRA expenditures as addressed above be made through procedures approved by the SBOA.

Dated this 21st day of December, 2009.

APPROVED BY:



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David O. Thomas, Inspector General