



U. S. DEPARTMENT OF EDUCATION

WHITE HOUSE INTERAGENCY GROUP ON INSULAR AREAS February, 2013

American Samoa

The American Samoa Government (ASG) and the American Samoa Department of Education (ASDOE) have spent the majority of their funds received under the American Recovery and Reinvestment Act of 2009 (ARRA) State Fiscal Stabilization Fund (SFSF) and Education Job Grants on school facility repairs; classroom support; IT services upgrades; instructional materials; expansion and upgrades of the ASG's Integrated Financial and Administrative Solutions (IFAS); and implementation of a Longitudinal Data System (LDS). Although ASG was approved for late liquidation for SFSF funds, ASG was not able to liquidate the entire obligated amount prior to the late liquidation due date, resulting in \$1.9 million in an unliquidated obligation balance.

ASG and ASDOE have focused their resources, along with assistance from their contractors, to address and resolve the action items listed on their Corrective Action Plan (CAP), which was developed in response to numerous material weaknesses and noncompliance findings reported in single audit reports and ASG's designation as a high-risk grantee by the U.S. Department of Education (ED). As such, ASG submits semiannual progress reports to ED to demonstrate its progress in implementing the corrective actions from the CAP. Although ASG reported that it has made some progress in addressing the issues identified in certain CAP items, much more work needs to be done to ensure all CAP items are completed and resolved in a timely manner. Specific challenges remain in the areas of procurement, internal controls, development of written policies and procedures for various business processes, and development of credible integrated financial and data management systems. To this end, the most critical and time-sensitive action items include a timely completion of expansion and upgrading, and the complete implementation of ASG's IFAS without further delays. Also critical is a timely implementation of a LDS throughout the entire school system with the capability to administer and maintain student data using one central system instead of having separate databases. ASG could become effective in managing ED funds and accomplishing programs in accordance with laws, regulations, and terms and conditions of the grants through establishing and maintaining credible financial and data management systems and implementing effective internal controls. A strong commitment and collaboration amongst various offices of the ASG, including the Governor's Office, is essential to accomplishing these goals and resolving all CAP items.

FY 2011 and FY 2012 Award Balances for Consolidated & Special Education Grants Only

Subprogram Fiscal Year	Program Office	CFDA Program Title	PR Award Number	Obligation Amount	Expenditure Amount	Available Balance
2012	Office of Elementary & Secondary Education	Consolidated Grant to the Outlying Areas	S403A120003	\$17,648,464	\$3,474,720	\$14,173,744
	Office of Special Education & Rehabilitative Services	Special Education - Grants to States	H027A120012	\$6,358,510	\$3,166,183	\$3,192,327
	Office of Special Education & Rehabilitative Services	Special Education - Grants for Infants & Families with Disabilities	H181A120041	\$592,157	\$8,859	\$583,298
2012 Subtotal for Consolidated & Special Education Grants				\$24,599,131	\$6,649,762	\$17,949,369
2011	Office of Elementary & Secondary Education	Consolidated Grant to the Outlying Areas	S403A110003	\$16,307,680	\$10,559,039	\$5,748,641
	Office of Special Education & Rehabilitative Services	Special Education - Grants to States	H027A110012	\$6,297,058	\$6,293,181	\$3,877
	Office of Special Education & Rehabilitative Services	Special Education - Grants for Infants & Families with Disabilities	H181A110041	\$582,117	\$278,197	\$303,920
2011 Subtotal for Consolidated & Special Education Grants				\$23,286,855	\$17,130,417	\$6,056,438

Commonwealth of the Northern Mariana Islands (CNMI)

The CNMI Public School System (PSS) focused the majority of its ARRA SFSF/ESF funds on construction improvement plan (CIP) projects for its public schools on the three islands Saipan, Rota, and Tinian; and a laptop program serving over 600 students. The Northern Marianas Community College (NMC) focused its awards on professional development and technology infrastructure upgrades for its campuses in response to accreditation recommendations. The CNMI Governor's Office targeted the ARRA SFSF/GSF on the development of a financial management system (FMIS), a medical referral system for the island, critical public health needs, and personnel expenses for the CNMI PSS.

ED was able to validate during its August 2012 onsite visit that the CNMI Government has in fact completed the implementation of the new FMIS; however, full deployment of the system for use by the CNMI Government staff has not commenced to the point of becoming the financial “system-of-record” for the CNMI Government. ED validation of other ARRA-funded projects earmarked for use by the CNMI Government is still pending.

CNMI PSS was able to present evidence of the Federal support for both technology and capital improvement projects at all of the schools on each of the 3 islands during the School Leadership Institute. Further evidence was provided during tours of schools and the renovated CNMI PSS Warehouse and School Bus facilities. Spreadsheets for the staff supported with EdJobs funds were provided along with a detailed description of the process used to apply the funds. NMC was able to demonstrate how it used the ARRA SFSF-ESF funds to support: upgrading its computer server and fully equipping 3 computer labs with both Mac and Dell computers; replacing the Saipan campus generator; installing underground electrical wiring; upgrading its library to an electronic multi-media system with access for all 3 islands (Saipan, Rota, and Tinian) that also supports distance learning courses; and purchasing and installing new security surveillance cameras on the Saipan campus.

CNMI Late Liquidation Requests No requests have been received since FY2011.

FY 2011 and FY 2012 Award Balances for Consolidated & Special Education Grants Only

Subprogram Fiscal Year	Program Office	CFDA Program Title	PR Award Number	Obligation Amount	Expenditure Amount	Available Balance
2012	Office of Elementary & Secondary Education	Consolidated Grant to the Outlying Areas	S403A120001	\$8,442,083	\$1,269,355	\$7,172,728
	Office of Special Education & Rehabilitative Services	Special Education - Grants to States	H027A120106	\$4,831,832	\$143,898	\$4,687,934
	Office of Special Education & Rehabilitative Services	Special Education - Grants for Infants & Families with Disabilities	H181A120025	\$454,283	\$0	\$454,283
2012 Subtotal for Consolidated & Special Education Grants				\$13,728,198	\$1,413,253	\$12,314,945
2011	Office of Elementary & Secondary Education	Consolidated Grant to the Outlying Areas	S403A110001	\$8,249,224	\$7,009,993	\$1,239,231
	Office of Special Education & Rehabilitative	Special Education - Grants to States	H027A110106	\$4,785,135	\$4,172,240	\$612,895

	Services					
	Office of Special Education & Rehabilitative Services	Special Education - Grants for Infants & Families with Disabilities	H181A110025	\$446,581	\$316,623	\$129,958
2011 Subtotal for Consolidated & Special Education Grants				\$13,480,940	\$11,498,856	\$1,982,084

Guam

The Guam Department of Education (GDOE) continues to use the services of its third-party fiduciary agent, Alvarez & Marsal (A&M), to provide oversight of its fiscal management and procurement activities for its Federal education program grants. Initial grant allocations and available balances as of the date of this report demonstrate the continued effectiveness of the third party agent in the management and support of the utilization of ED funds. GDOE has worked with A&M to develop and implement a corrective action plan (CAP) to track progress on resolving longstanding fiscal issues related to ED-OIG and single audit findings. A quarterly CAP report is submitted to ED in addition to bi-weekly conference calls between ED, GDOE and A&M to closely track progress and address any challenges. Despite incremental progress with the implementation of a new financial management system and associated policies and procedures, GDOE has major challenges to overcome before ED can determine a timeframe for GDOE regaining full fiscal control of its ED grant funds and thus no longer requiring the services of a third party agent.

The GDOE used the services of University of Guam students and procurement experts provided by A&M to overcome major challenges with the implementation of its procurement process to support multiple contracts for approved activities in both its ARRA SFSF/ESF Phase I and Phase II applications. After several amendments, Guam used the majority of its ARRA SFSF/ESF funds to support personnel expenses, a new financial management system, and services of the third-party fiduciary agent, STEM (science, technology, engineering and mathematics) projects, and a needs assessment for school construction improvement plan (CIP) projects. Guam legislation was passed to create a Trust Fund designated to commit local funding for CIP and technology projects originally approved in the Phase I and Phase II applications. Of the \$75,742,784 awarded, \$333,500 remains to be obligated by September 30, 2013 based on an approved late liquidation request.

The remaining Guam government agencies, including the Guam Community College, University of Guam, Bureau of Budget and Management Research, Department of Revenue and Taxation, and the Bureau of Information Technology proposed projects ranging from major technology infrastructure, hardware and software improvements, and the new construction, renovation and modernization of higher education facilities. Of the \$32,240,353 awarded for the ARRA SFSF/GSF, \$14,000 remained unobligated. ED’s overall observation was an effective and successful use of ARRA SFSF by these government agencies and recommended that GovGuam prepare a summary of their funded projects that includes the impact on their institutions in a format that can be shared with Congress as a way to highlight ARRA-supported projects.

A Late Liquidation Request was made and approved to allow GovGuam to obligate all funds earmarked for technology and CIP projects under its initial ARRA SFSF-ESF applications through an established locally-funded Adequate Education Trust Account. The timeframe was extended through September 30, 2013.

FY 2011 and FY 2012 Award Balances for Consolidated & Special Education Grants Only

Subprogram Fiscal Year	Program Office	CFDA Program Title	PR Award Number	Obligation Amount	Expenditure Amount	Available Balance
2012	Office of Elementary & Secondary Education	Consolidated Grant to the Outlying Areas	S403A120002	\$20,645,898	\$730,180	\$19,915,717
	Office of Special Education & Rehabilitative Services	Special Education - Grants to States	H027A120013	\$14,098,659	\$0	\$14,098,659
	Office of Special Education & Rehabilitative Services	Special Education - Grants for Infants & Families with Disabilities	H181A120008	\$1,448,962	\$0	\$1,448,962
2012 Subtotal for Consolidated & Special Education Grants				\$36,193,519	\$730,180	\$35,463,338
2011	Office of Elementary & Secondary Education	Consolidated Grant to the Outlying Areas	S403A110002	\$20,592,543	\$8,157,257	\$12,435,285
	Office of Special Education & Rehabilitative Services	Special Education - Grants to States	H027A110013	\$13,962,402	\$10,109,940	\$3,852,461
	Office of Special Education & Rehabilitative Services	Special Education - Grants for Infants & Families with Disabilities	H181A110008	\$1,424,395	\$393,332	\$1,031,062
2011 Subtotal for Consolidated & Special Education Grants				\$35,979,340	\$18,660,530	\$17,318,810

Virgin Islands

The Virgin Islands Department of Education (VIDE) continues to use the services of its third-party fiduciary agent, Bazilio, Cobb, and Associates (BCA), formerly known as Thompson, Cobb, Bazilio, and Associates (TCBA), to support fiscal management and procurement activities for selected major ED programs including the Consolidated Grant (consolidated under the Rural and Low Income program grant) and IDEA special education grants (Parts A and B). Initial grant allocations and available balances as of the date of this report demonstrate the continued effectiveness of the third party agent in the management and support of the utilization of ED funds. The Government of the Virgin Islands (GVI) has developed a corrective action plan (CAP) to track progress on resolving longstanding fiscal issues, many related to ED-OIG and single audits, ED-OIG alert memos, and unresolved issues dating back to the 2002 Compliance Agreement and beyond. The CAP status report is provided to ED on a quarterly basis. Results to date indicate VIDE is making notable progress in addressing the issues listed in the CAP. ED's Office of Elementary and Secondary Education (OESE) continues to provide programmatic technical support to the VIDE through the Systems Support and Rural Programs group (SSRP). This group conducts periodic site visits to the Territory as well as technical assistance seminars and meetings in Washington, DC. Despite noted gains in fiscal controls within VIDE and GVI over ED funds, major challenges in terms of fiscal issues remain, specifically getting VIDE and GVI to take more "ownership" of improvement initiatives overall versus falling back to the third party agent to manage and address these. VIDE's moving to more aggressively take control of and consistently demonstrate proper management of its fiscal operations will be key to determining the timeframe for any possible future transition of fiscal control of ED grant funds from the third party agent back to VIDE and GVI.

FY 2011 and FY 2012 Award Balances

Subprogram Fiscal Year	Program Office	CFDA Program Title	PR Award Number	Obligation Amount	Expenditure Amount	Available Balance	e	Availab Balance
2012	Office of Elementary & Secondary Education	Consolidated Grant to the Outlying Areas	S403A120004	\$22,788,050	\$1,035,737	\$21,752,313		
	Office of Special Education & Rehabilitative Services	Special Education - Grants to States	H027A120004	\$8,960,866	\$1,092,518	\$7,868,348		
	Office of Elementary & Secondary Education	Education Grant Program for the Freely Associated States	S256A12001	\$967,430	\$20,618	\$946,812		
	Office of Elementary & Secondary Education	Impact Aid	S041B125692	\$117,701	\$117,701	\$0.00		
2012 Subtotal				\$32,834,047	\$2,266,574	\$30,567,473		

2011	Office of Elementary & Secondary Education	Consolidated Grant to the Outlying Areas	S403A110004	\$20,946,351	\$15,164,140	\$5,782,211
	Office of Special Education & Rehabilitative Services	Special Education - Grants to States	H027A110004	\$8,874,264	\$16,943,669	\$1,930,595
	Office of Elementary & Secondary Education	Striving Readers	S371C110031	\$611,852	\$267,013	\$344,839
	Office of Elementary & Secondary Education	Impact Aid	S041B115692	\$96,520	\$96,520	\$0
2011 Subtotal				\$30,528,987	\$22,471,342	\$8,057,645

CONSOLIDATED GRANTS TO INSULAR AREAS

Under 48 U.S.C. § 1469a, each Insular Area (American Samoa, Guam, Commonwealth of Northern Mariana Islands, and Virgin Islands) may “consolidate any or all grants made to it for any fiscal year or years.” Under the consolidated grant authority, Insular Areas may use and administer funds only under programs during a fiscal year for which the Insular Area is entitled to receive funds under an appropriation for that program, 34 C.F.R. § 76.136. Each year, the Department of Education (Department) identifies the programs under which the Insular Areas may consolidate their funds (currently, 12 of the Department’s programs are eligible for consolidation). The Insular Areas have consistently used the consolidated grant authority to consolidate the majority of its funds and carry out activities under Title V, Part A (Title V-A) of the Elementary and Secondary Education Act (ESEA). The Insular Areas choose to consolidate their funds under Title V-A because of the number and broad scope of activities authorized under the program. In addition, Title V-A allows State educational agencies to reserve up to 15 percent of their allocations to carry out a number of State-level activities and for administration of the Title V-A program.

Since fiscal year (FY) 2008, Congress has not appropriated funds for Title V-A; therefore, absent Congressional action, the Insular Areas were not authorized to continue to consolidate funds under Title V-A.¹ If unable to use their funds under Title V-A, the Insular Areas would have been restricted to a much more limited use of their funds under the consolidated grant authority. This would have meant a potential disruption in, and major changes to, programs implemented by the Insular Areas, including with respect to services provided and students and teachers served. Thus, for the last few years (FY 2009 through the current FY 2012), Congress has

¹ In FY 2008, the Insular Areas were able to obtain a waiver to continue to consolidate funds under Title V-A, but the waiver was applicable only for that fiscal year.

included in the Education appropriations law a provision specifically authorizing the Insular Areas to consolidate funds under Title V-A. The most recent extension of this authority is in the Consolidated Appropriations Act, 2012, Division F, Title III, section 305, which states that “[t]he Outlying Areas may consolidate funds received under this Act, pursuant to 48 U.S.C. 1469a, under Part A, Title V of the ESEA.”

The authority to consolidate funds under Title V-A may be extended again in FY 2013 under the appropriations law for this fiscal year, if Congress again takes that action