

MEMORANDUM

DATE: July 30, 2013
TO: Auditors of Idaho's Public School Districts and Charter Schools
FROM: Julie Oberle, Public School Finance
SUBJECT: 2012-2013 Local School Audits

This memo outlines changes from prior years as well as a few of the major areas that each auditor should be reviewing and testing during audits of Idaho's public schools.

What's New/Highlighted Information

ESEA Flexibility

At the end of this memo is a letter from Assistant Secretary for Elementary and Secondary Education Deb Delisle with information the State Department was asked to share with auditors regarding Idaho's receipt of ESEA flexibility and how it might affect single audits of your state education agency (SEA) and local education agencies (LEAs) under the Office of Management and Budget (OMB) Circular A-133.

Staffing

The SDE recommends that auditors review and test the ISEE staffing data submitted to the SDE. This staffing data is used to calculate Salary Based Apportionment. This review should include testing of all employed staff and their corresponding assignments, and confirmation that school districts and charter schools are in compliance with SDE guidelines and State Board Rules and Regulations. Auditors should be verifying the placement of certified staff on the education and experience multiplier table and that teaching assignments have been reported correctly. The data should reflect a "snapshot in time," which is the last Friday of September, and subsequently captured in the November upload for the first reporting period. Staffing reports will be posted to the School Finance secure website soon after the July 15 payment is made. Please work with the superintendent or administrator to access these reports. If you have questions on the reporting of the staffing information, please contact Kathryn Vincen (School Finance) at (208) 332-6840 or KLVincen@sde.idaho.gov.

Coding of Tax Receipts

Please review the coding of tax receipts collected by the district for proper fund and revenue account coding.

Distribution of Federal Dollars

All Federal dollars are distributed by the SDE on a reimbursement basis via the Grant Reimbursement Application (GRA).

August 15, 2012 Payment Clarification (Lottery)

Please note that per section 14 of Senate Bill 1410 (2012 session), Lottery funds were distributed as discretionary funds and did not have to be expended on facilities maintenance. Due to accounting restrictions at the state level, schools received two separate checks for their August 15 payment. When combined, the two checks totaled their total August 15 payment amount. None of these dollars should have been coded to the 437000-Lottery revenue code.

Summary of (State) Payment made as of July 15, 2013

A summary worksheet will be posted to the SDE website in the following sections:

- Financial Audits at http://www.sde.idaho.gov/site/finance_tech/financial_audits.htm
- IFARMS Annual Reports at http://www.sde.idaho.gov/site/finance_tech/ifarms_forms.htm

Stars Single Audit Report

The Division of Financial Management (DFM) facilitates the tracking of total federal dollars paid to sub-recipients by all state agencies and makes this information available to the public through the annual STARS Single Audit Report, which is typically available in mid- to late August for the prior fiscal year. The SDE has received many requests asking for this information to be made available sooner. While we do not prepare the report and do not control the timeline for when it is available, DFM hopes to send the SDE a draft version of the report by August 1. If you would like a copy of this report emailed to you (assuming we receive a draft version of the report), please contact Julie Oberle (School Finance) at (208) 332-6840 or JAOberle@sde.idaho.gov in early August.

Medicaid and Maintenance of Effort

It frequently comes to our attention that Medicaid reimbursable expenditures and revenues are not correctly accounted for as they relate to LEA Maintenance of Effort under IDEA. 34 CFR §300.203 states that LEAs may not consider, for MOE purposes, any expenditures made from funds for which there is federal accountability. Pay close attention to how these types of expenditures are being accounted for and ensure that only the net amount of the expenditures less any Medicaid reimbursement is being included in the function/program codes that are examined for MOE purposes. If you have any questions, please contact Lester Wyer (Special Education) at (208) 332-6910.

Time and Effort Reporting

One of the most common questioned costs in audits of federal programs is the absence of effective policies and procedures to ensure that personnel costs are charged to federal grants and programs in compliance with the time and effort reporting requirements of OMB Circular A-87. Districts and their auditors should be aware of those requirements and should take the necessary steps to ensure that their time distribution systems are in compliance with those requirements. Policies and procedures that do not meet those requirements should be reported as an audit finding. The SDE has provided guidance on this issue that can be found at http://www.sde.idaho.gov/site/title_one/program_monitoring.htm. If you have any questions relating to Time and Effort Reporting, please contact Karen Seay (Title I Coordinator) at (208) 332-6978 or Abbey Denton, Federal Grants Specialist at (208) 332-6900.

Idaho Code 33-1019 (Allocation for School Maintenance) - FY 2013 Exceptions

House Bill 672 allows, for FY 2013 ONLY, an amount of local maintenance moneys normally required to be allocated for the maintenance and repair of student-occupied buildings to be spent on other one-time, non-personnel costs.

To determine the amount that may be spent on other one-time, non-personnel costs:

- Subtract from your local maintenance match requirement the amount equal to all plant facility levy funds levied for tax year 2012
- Subtract from that balance any additional funds necessary to fully remediate all

recommendations and code violations identified in the most recent inspection of each student-occupied building conducted by the Division of Building Safety (excluding any recommendations for which the least expensive remediation solution is the replacement of the building).

This is the maximum amount that may be spent on one-time, non-personnel costs not related to the repairs and/or maintenance of student-occupied buildings. See <http://legislature.idaho.gov/legislation/2012/H0672.pdf> for a copy of House Bill 672.

The FY 2013 School Building Maintenance Report will be modified to capture the amount of dollars spent on qualifying repairs and maintenance (function codes 664 and 810) as well as a description of the qualifying projects AND the amount of dollars spent on one-time, non-personnel costs as well as a description of the one-time non-personnel projects on which the dollars were expended.

Please see the *School Facility Maintenance* section below for further information.

Audit Reports Due November 10, 2013

Idaho Code 33-701(6) requires audit reports be filed with the SDE after the report's acceptance by the board of trustees by no later than November 10. Idaho Code 33-701(6) states that if the SDE has not received the audit report by November 10, the department may withhold all or a portion of the school district's or charter school's November 15 distribution until the audit report has been received. The November 15 payment makes up approximately 20% of the state funding for the school year. Audit reports may be submitted in a PDF or hard-copy format.

STATE FOUNDATION PROGRAM

Public schools receive the majority of their General M&O revenues through the State Foundation Program. The amount received is based on attendance and staffing information supplied by the public schools to the SDE during the year. This information, used to distribute over \$1.2 billion dollars to schools, is available on a secure SDE website. Please see the school superintendent or charter school administrator for the website and access information. **We are asking that auditors verify the accuracy of attendance and staffing data submitted to the SDE.**

Attendance

The SDE recommends that auditors review how public schools submit attendance data. This review should include testing of the submitted attendance data and confirmation that schools are reporting in compliance with SDE guidelines and State Board Rules and Regulations. Attendance reports will be posted to the School Finance secure website soon after the July 15 payment is made. Please work with the superintendent or administrator to access these reports. If you have questions on the reporting of attendance, please contact Wendy Lee (School Finance) at (208) 332-6840 or WLee@sde.idaho.gov.

Staffing (also included in the *What's New / Highlighted Information* section above)

This staffing data is used to calculate Salary Based Apportionment. This review should include testing of all employed staff and their corresponding assignments, and confirmation that school districts and charter schools are in compliance with SDE guidelines and State Board Rules and Regulations. Auditors should be verifying the placement of certified staff on the education and

experience multiplier table and that teaching assignments have been reported correctly. The data should reflect a "snapshot in time," which is the last Friday of September, and subsequently captured in the November upload for the first reporting period. Staffing reports will be posted to the School Finance secure website soon after the July 15 payment is made. Please work with the superintendent or administrator to access these reports. If you have questions on the reporting of the staffing information, please contact Kathryn Vincen (School Finance) at (208) 332-6840 or KLVincen@sde.idaho.gov.

Student Transportation

Auditors should review internal control procedures to confirm that reimbursable costs, as well as miles, have been reported properly and consistently on the Student Transportation Reimbursement Claim. The SDE also recommends that auditors review bus purchasing procedures, the handling of any depreciation allowance and fuel excise tax refunds, and confirm schools are reporting in compliance with SDE guidelines and State Board Rules and Regulations. The rules governing the depreciation allowance have changed. Funds received for bus depreciation should have been placed in a separate fund (Fund 424) as required by the Standards for Idaho School Buses & Operation, which can be reviewed at http://www.sde.idaho.gov/site/transportation/docs/reg_rule/SISBO%20-%20FINAL.pdf. If you have questions relating to transportation issues, please contact the SDE's Transportation unit at (208) 332-6851.

Reporting Revenues and Expenditures

Each public school is required to submit an annual financial report using the Idaho Financial Accounting Reporting Management System (IFARMS) as a guideline. *It is very important that revenues and expenditures are reported accurately using the revenue and expenditure coding structure established by the SDE and that coding is reviewed during the auditing process to ensure the collection of uniform data from Idaho's public schools.* The Annual Report memos, accounting codes, reports, forms, and the IFARMS manual will be available on the SDE website at http://www.sde.idaho.gov/site/finance_tech/ifarms_forms.htm in mid-July. You will also find a list of "Reminders" and links to the Department of Administration's Purchasing Division as well as to the Division of Financial Management's STARS Single Audit Report website. If you have questions on the reporting/recording of revenues and expenditures, please contact Julie Oberle (School Finance) at (208) 332-6840 or JAOberle@sde.idaho.gov.

School Facility Maintenance

The 2012 Legislature approved two temporary (FY 2013 only) changes to Idaho Code 33-1019 – Allocation for School Maintenance. The first change waived the requirement of the state to provide its portion of state match. The second change allows, in certain circumstances, eligible schools some discretion in how their maintenance dollars are expended. Please see [Idaho Code 33-1019 \(Allocation for School Maintenance\) - FY 2013 Exceptions](#) in the What's New/Highlighted Information section above for further information on the temporary changes.

Idaho Code 33-1019 requires all school districts and charter schools that own or have a lease-purchase agreement for student-occupied buildings to allocate/spend money for qualifying school building maintenance. If the required amount is not expended, the difference must be reserved for future qualifying repairs and maintenance. The reserved funds may not be used to reduce the following year's allocation amount. A copy of Idaho Code 33-1019 and an updated FAQ document can be viewed on the SDE website at www.sde.idaho.gov/site/facilities/ (look under Supplemental Documents). If you have any questions on school building maintenance as it relates

to Idaho Code 33-1019, please contact Julie Oberle (School Finance) at (208) 332-6840 or JAOberle@sde.idaho.gov.

FEDERAL

General Federal Guidelines

Auditors should review federal grants for compliance with OMB Circular A-87 (outlines cost principles associated with federal grants) and to the Common Rule (details the reporting requirements). Audits should be conducted in accordance with the Yellow Book and the Single Audit Act, if appropriate. If you have any questions relating to the auditing of federal funds, please contact Julie Oberle (School Finance) at (208) 332-6840 or JAOberle@sde.idaho.gov.

USDA Child Nutrition Program

It is important that auditors review the internal control procedures for the handling of allowable and unallowable expenditures of USDA Child Nutrition Funds. This includes, but is not limited to documenting clearly the transferring in and out of funds relevant to the USDA Child Nutrition programs. In addition, assurance that federal reimbursement revenue and daily cash receipts received by food service are accruing to a separate child nutrition program accounts. Sufficient tests should be included in your review to detect errors and prevent irregularities and ensure that USDA regulations, 7CFR 210.14(a) are being followed. If you have any questions relating to the USDA School Lunch Act, please contact SDE's Child Nutrition unit at (208) 332-6820.

Education Jobs Fund (CFDA 84.410)

Idaho's public schools received an Education Jobs Funds allocation of \$52,403,666 (original allocation of \$51,641,026 + supplemental allocation of \$762,640) with an availability period of August 10, 2010 through September 30, 2012. The amount of Education Jobs Funds allocated to each school district and charter school can be viewed on the SDE website at <http://www.sde.idaho.gov/site/EdJobsFund/>. To help ensure compliance with the Cash Management Improvement Act, the disbursements of Education Jobs Funds are the same as other Federal grants and are made on a reimbursement basis only.

Please be aware that LEAs must maintain records that separately track and account for Ed Jobs funds. In accordance with the requirements of section 443(a) of GEPA (20 U.S.C. 1232f (a)), the State and its LEAs must maintain records that will facilitate an effective audit and demonstrate that the funds were used in compliance with applicable requirements. Schools have been asked to review the best way within their accounting system to separately track and account for Ed Jobs funds. Suggestions included:

- Establishing a fund detail within their general fund to separately track and account for the Ed Jobs funds;
- Establishing a separate fund to separately track and account for the Ed Jobs funds (this separate fund should "map" to the general fund when reporting your financial information in the IFARMS Annual Financial Report)
- Establishing a unique object code that is only used to track and account for Ed Jobs funds.

Allowable / Unallowable Uses of Education Jobs Funds:

An LEA must use its funds only for compensation and benefits and other expenses, such as support

services, necessary to retain existing employees, to recall or rehire former employees, and to hire new employees, in order to provide early childhood, elementary, or secondary educational and related services. For purposes of this program, the phrase “compensation and benefits and other expenses, such as support services” includes, among other things, salaries, performance bonuses, health insurance, retirement benefits, incentives for early retirement, pension fund contributions, tuition reimbursement, student loan repayment assistance, transportation subsidies, and reimbursement for childcare expenses.

An LEA may use the funds to pay the salaries of teachers and other employees who provide school-level educational and related services. In addition to teachers, employees supported with program funds may include, among others, principals, assistant principals, academic coaches, in-service teacher trainers, classroom aides, counselors, librarians, secretaries, social workers, psychologists, interpreters, physical therapists, speech therapists, occupational therapists, information technology personnel, nurses, athletic coaches, security officers, custodians, maintenance workers, bus drivers, and cafeteria workers.

The statute prohibits LEAs from using Ed Jobs funds for general administrative expenses. These prohibited expenses are administrative expenditures related to the operation of the superintendent’s office or the LEA’s board of trustees, including the salaries and benefits of LEA-level administrative employees. Also prohibited are expenditures for other LEA-level support services. These prohibited activities include the payment of expenditures for fiscal services, LEA program planners and researchers, and human resource services.

For an individual with both LEA-level and school-level responsibilities, an LEA may use Ed Jobs funds to pay only that portion of the employee’s salary and benefits associated with the time spent on allowable (i.e., school-level) activities. The LEA must maintain documentation substantiating that amount of time.

An LEA may use Ed Jobs funds, for example, to restore reductions in salaries and benefits and to implement salary increases for the 2012-2013 school year. In addition, an LEA may use the funds for any additional salary and benefits costs associated with the elimination of furlough days that had been scheduled for the 2012-2013 school year. An LEA may not have used Ed Jobs funds to compensate employees for any period prior to August 10, 2010, the date of enactment of the Act.

Education Jobs Fund guidance is available on the SDE website at <http://www.sde.idaho.gov/site/EdJobsFund/>. If you have any questions, please contact Julie Oberle at (208) 332-6840.

OTHER

Financial Audits Information on the SDE Website

The SDE has added a Financial Audits section to the School Finance website at www.sde.idaho.gov/site/finance_tech/ (far left side). Here, you will find links to the IFARMS annual financial report information, phone numbers, and website addresses. This portion of the SDE website is for you. I would appreciate your ideas on items you would like to see included. Please send any suggestions or comments to me at JAOberle@sde.idaho.gov.

School Data Accuracy / Purchasing Procedures

The Office of Performance Evaluations (OPE) has recommended to the SDE that it require public schools to include, as part of their annual financial audit, a review of revenue and expenditure coding and a review of the accuracy of district attendance, staffing, and pupil transportation data. The review results would then need to be reported to the SDE. OPE has also requested that the SDE direct public schools to include a purchasing compliance review as part of their annual financial audit. While the SDE believes these reviews are already being done and will not be requiring the results of these reviews be reported directly to the SDE this year, the SDE is requesting that auditors continue to review revenue and expenditure coding, the accuracy of district attendance, staffing, and pupil transportation data, and school purchasing procedures to ensure information is being correctly reported and that adequate procedures are in place. The SDE is also requesting that auditors verify purchases are being appropriately reviewed and authorized.

Purchasing

Auditors should include a purchasing compliance review to ensure schools have adequate purchasing procedures in place and that purchases are being appropriately reviewed and authorized. Idaho Code 33-601(2) requires public schools be in compliance with the provisions of chapter 28, title 67 of Idaho Code except for the purchase of curricular materials. These provisions specify procurement requirements for all political subdivisions of the state of Idaho, which includes public schools. If you have any questions about purchasing, please contact Mark Little (Division of Purchasing) at (208) 332-1611 or Julie Oberle (School Finance) at (208) 332-6840 or JAOberle@sde.idaho.gov.

Budgeting

Budget forms, memos, and schedules can be viewed on the SDE website at https://www.sde.idaho.gov/site/finance_tech/12_13_budget.htm. Schools must also follow State Board Rules and Regulations as well as reporting guidelines established by the SDE. If you have any questions about the budgeting process, please contact Matt Storm (School Finance) at (208) 332-6840 or MStorm@sde.idaho.gov.

Special Distributions

Various special distributions were included in the FY 2013 public school appropriation. A Word document summarizing these distributions can be found with the 2012-2013 budget forms at https://www.sde.idaho.gov/site/finance_tech/12_13_budget.htm (last item listed in the *Other Supporting Documents and Forms* section on that webpage).

General Fixed Assets

Various payments to the schools are done using computations including fixed asset dollar amounts. The fixed asset information included in the notes to the financial statements should be separated into elementary, secondary, and administrative fixed asset dollars for these computations to be accurate. It would also be helpful to have this information further separated by asset type, including buildings, equipment, transportation, etc.

Miscellaneous State Grants

Schools receive miscellaneous state grant monies that should be reviewed to ensure the dollars are expended in accordance with the school's approved applications

Training Opportunities

There are several opportunities during the year to learn more about school finance.

- Each spring, the SDE presents post-legislative information to Idaho's public schools. For more information, please contact School Finance in the spring (usually early April) or watch the SDE website at www.sde.idaho.gov for a schedule of these workshops. Information and archived video presentations of the 2011 workshops can be viewed on the SDE website at <https://www.sde.idaho.gov/site/postLeg/post2011.htm>
- The Idaho Association of School Business Officials (IASBO), in cooperation with Public School Finance, presents a New School Finance workshop in February/March. This full-day workshop is often referred to as School Finance 101. For further information, please see the IASBO website at www.idahoasbo.org.
- IASBO also holds an annual conference in late June. This two-day workshop features concurrent sessions pertaining to issues facing Idaho's public schools. For more information, please see the IASBO website at www.idahoasbo.org.
- The SDE website at www.sde.idaho.gov has a wealth of information. Specifically, the School Finance website at www.sde.idaho.gov/site/finance_tech/ has manuals, forms, and statistical information.
- The School Finance staff, as well as all SDE staff, encourage you to telephone or email any questions you may have. School Finance can be reached at (208) 332-6840 and the general SDE telephone number is (208) 332-6800.

Please call (208) 332-6840 or email me at JAOberle@sde.idaho.gov with any questions you may have.

cc: School Business Managers



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF ELEMENTARY AND SECONDARY EDUCATION

ASSISTANT SECRETARY

APR 23 2013

Dear Chief State School Officer:

I am writing to provide you with information to share with auditors regarding your State's receipt of ESEA flexibility and how it might affect single audits of your State educational agency (SEA) and local educational agencies (LEAs) under the Office of Management and Budget (OMB) Circular A-133 with respect to the July 1, 2011 through June 30, 2012 audit period (specifically, the 2011–2012 school year).

The U.S. Department of Education (The Department) has approved your State's request to waive certain requirements of the Elementary and Secondary Education Act of 1965, as amended (ESEA), in exchange for developing and implementing a rigorous and comprehensive plan designed to improve educational outcomes for all students, close achievement gaps, increase equity, and to improve the quality of instruction (ESEA flexibility). The majority of the waivers granted through ESEA flexibility affect requirements that an SEA or LEA would otherwise implement during the 2012–2013 and 2013–2014 school years. However, a few could affect requirements that applied to the 2011–2012 school year.

Auditors who review an SEA's or LEA's expenditures of Federal education funds rely on the A-133 Compliance Supplement, which lists specific requirements of various Federal education programs to guide auditors' reviews. The Department annually works with OMB to update the A-133 Compliance Supplement to reflect any changes to requirements that effect the year being audited. For example, the process for revising the 2013 Compliance Supplement, which will cover the July 1, 2012 through June 30, 2013 audit period, is well underway and will address changes to ESEA program requirements brought about by ESEA flexibility that apply to the 2012–2013 school year. In the case of the 2012 Compliance Supplement that auditors are currently using to audit the 2011–2012 school year, a few ESEA requirements listed in the supplement no longer apply in approved ESEA flexibility States. In addition, other requirements may not apply, depending on specifics of an SEA's ESEA flexibility request and when your State's ESEA flexibility request was approved. The 2012 Compliance Supplement is available at: http://www.whitehouse.gov/omb/circulars/a133_compliance_supplement_2012.

In order to avoid any confusion and avert potential audit exceptions with respect to waived requirements, I want to draw attention to changes to requirements in approved ESEA flexibility States that may be applicable to the audit period covered by the 2012 Compliance Supplement. The enclosure to this letter summarizes those changes that might affect the July 1, 2011 through June 30, 2012 audit period.

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The Department of Education's mission is to promote student achievement and preparation for global competitiveness by fostering educational excellence and ensuring equal access.

Please note that the other requirements in the 2012 Compliance Supplement that are not addressed in the enclosure still apply.

Please share this information with your State auditors as well as with your LEAs and ask them to share it with their local auditors. If you have any questions about how ESEA flexibility impacts the single audit process, please send them to ESEAflexibility@ed.gov and my staff will reply to your inquiry at their earliest convenience.

Thank you for your continued efforts to enhance education for all of your students.

Sincerely,

A handwritten signature in cursive script, appearing to read "Deborah S. Delisle".

Deborah S. Delisle
Assistant Secretary

Enclosure

Enclosure

Page number(s) in 2012 Compliance Supplement	Summary of ESEA requirement in the absence of ESEA flexibility	Summary of changes to requirement under ESEA flexibility
4-84.000-10	<ul style="list-style-type: none"> ➤ LEA that receives Small, Rural School Achievement Program funds or Rural and Low-Income School Program funds and misses adequate yearly progress (AYP) after the third year of participation must use the funds to carry out activities under Section 1116 of ESEA. 	<ul style="list-style-type: none"> ➤ LEA that receives Small, Rural School Achievement Program funds or Rural and Low-Income School Program funds may use those funds for any authorized purpose regardless of its AYP status.
4-84.000-20—4-84.000-22	<ul style="list-style-type: none"> ➤ There is a presumption that supplanting has occurred if an SEA or LEA uses Federal funds to provide services that the SEA or LEA was required to make available under other Federal, State or local laws. 	<ul style="list-style-type: none"> ➤ SEA or LEA that is using Federal funds subject to a supplement not supplant requirement to implement elements of the SEA's flexibility request that are required by State law or regulation would not violate the "required by law" presumption of supplanting.
4-84.000-23	<ul style="list-style-type: none"> ➤ SEA may transfer up to 50 percent of the non-administrative funds allocated for State-level activities from one or more of the authorized programs among those programs or into Title I, Part A. ➤ LEA not identified for improvement or corrective action under Section 1116(c) of ESEA may transfer up to 50 percent of the funds allocated to it from one or more of the authorized programs among those programs or into Title I, Part A. ➤ LEA identified for improvement under Section 1116(c) may transfer up to 30 percent of the funds allocated to it from one 	<ul style="list-style-type: none"> ➤ SEA may transfer up to 100 percent of the non-administrative funds allocated for State-level activities from one or more of the authorized programs among those programs or into Title I, Part A. ➤ LEA may transfer up to 100 percent of the funds allocated to it from one or more of the authorized programs among those programs or into Title I, Part A, without regard to the improvement status of the LEA and without restriction on use of the funds.¹

¹ There is a limitation on the 100 percent transferability for Title II, Part A. ESEA section 9501(b)(3)(B) requires an LEA to provide, at a minimum, equitable services to private school teachers based on an amount of the LEA's overall allocation under Title II, Part A that is not less than the aggregate amount of FY 2001 funds that the LEA used for professional development under the former Eisenhower Professional Development program and Class-Size Reduction program. Because ED may not waive requirements related to the equitable participation of private school students and teachers (see ESEA section 9401(c)(5)), even if an LEA wishes to transfer most or all of its Title II, Part A funds into another authorized program, the law requires the LEA to reserve an amount of Title II, Part A funds for equitable services provided under that program for private school teachers and other educational personnel that is calculated on the assumption that the LEA is reserving for professional development under Title II, Part A at least as much as it did for FY 2001 under the two predecessor programs.

Page number(s) in 2012 Compliance Supplement	Summary of ESEA requirement in the absence of ESEA flexibility	Summary of changes to requirement under ESEA flexibility
4-84.010-8—4-84.010-9	<p>or more of the authorized programs for (i) school improvement under Section 1003; or (ii) other LEA improvement activities consistent with Section 1116(c).</p> <ul style="list-style-type: none"> ➤ LEA identified for corrective action may not transfer funds. ➤ Of the amount reserved for school improvement under Section 1003(a) of ESEA, SEA must allocate not less than 95 percent directly to LEAs for activities under section 1116 in schools identified for school improvement, corrective action, and restructuring. 	<ul style="list-style-type: none"> ➤ SEA may allocate Section 1003(a) of ESEA funds to any LEA to serve focus and priority schools identified by the SEA under ESEA flexibility if the SEA determines such schools are most in need of additional support.
4-84.010-14	<ul style="list-style-type: none"> ➤ LEA must identify schools for improvement, corrective action, or restructuring, consistent with section 1116 of ESEA, for the 2012–2013 school year based on assessments administered in the 2011–2012 school year. ➤ LEA must report on its local report card the list of schools identified for improvement, corrective action, or restructuring and make the information generally available to the public. 	<ul style="list-style-type: none"> ➤ LEA is no longer required to identify schools for improvement, corrective action, or restructuring based on assessments administered in the 2011–2012 school year. ➤ Instead, SEA must identify priority, focus, and reward schools in the State for the 2012–2013 school year, consistent with ED’s definitions of these terms, based on assessments administered in either the 2011–2012 school year or the 2010–2011 school year. ➤ LEA must report on its local report card the priority, focus, and reward schools, if any, in the LEA and make the information generally available to the public.
4-84.010-13	<ul style="list-style-type: none"> ➤ SEA must identify LEAs for improvement or corrective action, consistent with section 1116 of ESEA, for the 2012–2013 school year based on assessments administered in the 2011–2012 school year. ➤ SEA must report on its State report card the list of LEAs identified for improvement or corrective action, make the information generally available to the public, and report 	<ul style="list-style-type: none"> ➤ SEA is no longer required to identify LEAs for improvement or corrective action. ➤ Some SEAs have chosen as part of their ESEA flexibility request to identify LEAs that meet State-defined criteria as low-performing. ➤ SEA must report on its State report card the list of priority, focus, and reward schools and report the information to ED.

Page number(s) in 2012 Compliance Supplement	Summary of ESEA requirement in the absence of ESEA flexibility	Summary of changes to requirement under ESEA flexibility
4-84.010-13 and 4-84.010-14	<p>the information to ED.</p> <ul style="list-style-type: none"> ➤ LEA and SEA must make AYP determinations for schools and LEAs, respectively, based on assessments administered in the 2011–2012 school year 	<ul style="list-style-type: none"> ➤ SEA had the option to request a waiver to no longer make AYP determinations for schools and LEAs as part of its ESEA flexibility request. ➤ AYP determinations based on assessments administered in the 2011–2012 school year are no longer required in an ESEA flexibility State whose SEA received this waiver.
4-84.367-1	<ul style="list-style-type: none"> ➤ LEAs that fail to make highly qualified teacher (HQT) annual measurable objectives (AMO) established under Section 1119(a)(2) for two consecutive years must develop an improvement plan that will enable them to meet the AMO. ➤ SEAs must provide LEAs with technical assistance to enable them to meet the AMOs described in section 1119(a)(2). ➤ LEAs that fail to make AYP for three consecutive years under Section 1111(b)(2)(B) of <i>Title I, Part A</i>, and in those same three years also fail to make HQT AMOs established under Section 1119(a)(2), must enter into an agreement with the SEA on the use of <i>Title II, Part A</i> funds. 	<ul style="list-style-type: none"> ➤ LEAs previously required to have improvement plans and/or agreements on the use of Title II, Part A funds in place are no longer required to do so, beginning in school year 2012-2013. ➤ The SEA is not required to provide LEAs with technical assistance to meet the HQT AMOs.
4-84.377-4	<ul style="list-style-type: none"> ➤ LEA may only apply to use SIG funds in a school identified by the SEA as a Tier I, Tier II, or Tier III school. 	<ul style="list-style-type: none"> ➤ SEA may award SIG funds to an LEA to implement one of the four SIG school intervention models in a school that the SEA has identified as a priority school under ESEA flexibility, even if that school is not otherwise identified as a Tier I or Tier II school.