

Guidance on IDEA Fiscal Responsibility in a time of Audits and Monitoring

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2023 OSEP LEADERSHIP AND PROJECT DIRECTORS' CONFERENCE





2023 OSEP Leadership and Project Directors' Conference



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(Authority: 20 U.S.C. 1221e-3 and 3474)

Agenda

- Resolution of Single Audits
- A-123 Audits: Addressing Payment Integrity
- DMS 2.0 Fiscal Monitoring
- Resources



Single Audits

A Brief Overview



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**A look at OSEP
Resolution of
Single Audits**

A representative
sample of 30
findings resolved



FYs 2020, 2021, 2022



Single Audit Resolution

Compliance Areas

A	B	C	E	F	G	H	I	J	L	M	N
Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Eligibility	Equipment/Real Property Management	Matching, Level of Effort, Earmarking	Period Of Performance	Procurement Suspension & Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions



Subrecipient Monitoring

n=18 of 30 findings

7 cited specific Internal Controls deficiencies

- **Grant Award Notifications (GAN) missing information**
- **Risk assessment missing or misapplied** -->fiscal monitoring
- **Lack of documentation** of SEA review of LEA audit reports
- **Lack of management decisions issued by SEA re: LEA audit**
- **Subrecipient monitoring reviews do not follow State's monitoring guide**
- SEA used risk assessment as basis for selection of LEAs monitored, but **policies/procedures** did not reference
- **Did not follow written procedures** for on-site monitoring
- Did not ensure vendor had adequate internal controls to ensure data were accurate, complete, timely
- **Lack of follow up by SEA ~ identification & correction of noncompliance**



Single Audit Resolution

REQUIREMENTS RELATED TO SUBRECIPIENT MONITORING

Grant Award Notifications (GAN) missing information

§ 200.332 Requirements for pass-through entities.

All pass-through entities **must**:

- (a) Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward. Required information includes:



(1) Federal award identification

- (i) Subrecipient name (which must match the name associated with its unique entity identifier);
- (ii) Subrecipient's unique entity identifier;
- (iii) Federal Award Identification Number (FAIN);
- (iv) Federal Award Date (see the definition of *Federal award date* in [§ 200.1 of this part](#)) of award to the recipient by the Federal agency;
- (v) Subaward Period of Performance Start and End Date;
- (vi) Subaward Budget Period Start and End Date;
- (vii) Amount of Federal Funds Obligated by this action by the pass-through entity to the subrecipient;
- (viii) Total Amount of Federal Funds Obligated to the subrecipient by the pass-through entity including the current financial obligation;
- (ix) Total Amount of the Federal Award committed to the subrecipient by the pass-through entity;
- (x) Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA);
- (xi) Name of Federal awarding agency, pass-through entity, and contact information for awarding official of the Pass-through entity;
- (xii) Assistance Listings number and Title; the pass-through entity must identify the dollar amount made available under each Federal award and the Assistance Listings Number at time of disbursement;
- (xiii) Identification of whether the award is R&D; and
- (xiv) Indirect cost rate for the Federal award (including if the de minimis rate is charged) per [§ 200.414](#).



GAN requirements (cont...)

- (2) All requirements imposed by the pass-through entity on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations and the terms and conditions of the Federal award;
- (3) Any additional requirements that the pass-through entity imposes on the subrecipient in order for the pass-through entity to meet its own responsibility to the Federal awarding agency including identification of any required financial and performance reports;
- (4) (i) **An approved federally recognized indirect cost rate** negotiated between the subrecipient and the Federal Government. If no approved rate exists, the pass-through entity must determine the appropriate rate in collaboration with the subrecipient, which is either:
 - (A) The negotiated indirect cost rate between the pass-through entity and the subrecipient; which can be based on a prior negotiated rate between a different PTE and the same subrecipient. If basing the rate on a previously negotiated rate, the pass-through entity is not required to collect information justifying this rate, but may elect to do so;
 - (B) The de minimis indirect cost rate.
- (ii) The pass-through entity must not require use of a de minimis indirect cost rate if the subrecipient has a Federally approved rate. Subrecipients can elect to use the cost allocation method to account for indirect costs in accordance with § 200.405(d).



GAN requirements (cont...)

- (5) A requirement that the subrecipient permit the pass-through entity and auditors to have access to the subrecipient's records and financial statements as necessary for the pass-through entity to meet the requirements of this part; and
- (6) Appropriate terms and conditions concerning closeout of the subaward.



Single Audit Resolution

Requirements
related to Risk
Assessment

- Risk assessment missing or misapplied → fiscal monitoring
- SEA used risk assessment as basis for selection of LEAs monitored, but policies/procedures did not reference

(All pass-through entities **must**.)

(b) **Evaluate each subrecipient's risk of noncompliance** with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring described in paragraphs (d) and (e) of this section, which **may** include consideration of such factors as:

- (1) The subrecipient's prior experience with the same or similar subawards;
- (2) The results of previous audits including whether or not the subrecipient receives a Single Audit in accordance with Subpart F of this part, and the extent to which the same or similar subaward has been audited as a major program;
- (3) Whether the subrecipient has new personnel or new or substantially changed systems; and
- (4) The extent and results of Federal awarding agency monitoring (*e.g.*, if the subrecipient also receives Federal awards directly from a Federal awarding agency).



Additional Subrecipient Monitoring Findings/ Requirements

- Lack of follow up by SEA ~ Identification & correction of noncompliance
- Lack of management decisions issued by SEA re: LEA audit

2 CFR § 200.332 (cont...)

- (All pass-through entities **must**:)
- (d) **Monitor the activities of the subrecipient** as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. **Pass-through entity monitoring of the subrecipient must include...**



Additional Subrecipient Monitoring Requirements...

...(1) Reviewing financial and performance reports required by the pass-through entity.

(2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and written confirmation from the subrecipient, highlighting the status of actions planned or taken to address Single Audit findings related to the particular subaward.

(3) Issuing a management decision for applicable audit findings pertaining only to the Federal award provided to the subrecipient from the pass-through entity as required by § 200.521.

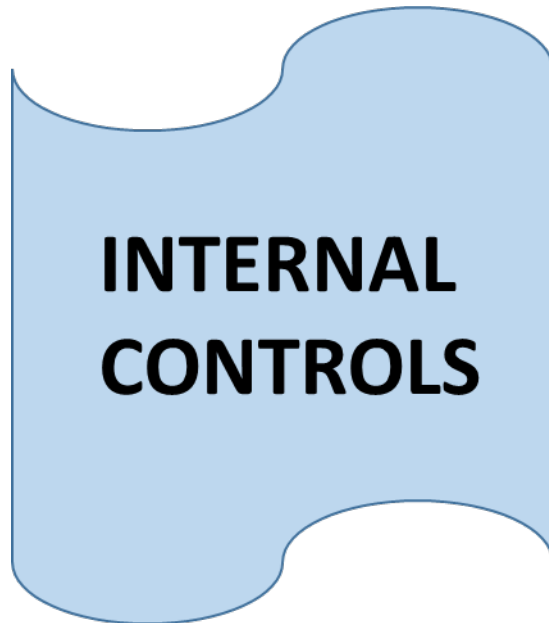


Monitoring of subrecipient (cont...)

- (4) The pass-through entity is responsible for resolving audit findings specifically related to the subaward and not responsible for resolving crosscutting findings. If a subrecipient has a current Single Audit report posted in the Federal Audit Clearinghouse and has not otherwise been excluded from receipt of Federal funding (*e.g.*, has been debarred or suspended), the pass-through entity may rely on the subrecipient's cognizant audit agency or cognizant oversight agency to perform audit follow-up and make management decisions related to cross-cutting findings in accordance with section [§ 200.513\(a\)\(3\)\(vii\)](#). Such reliance does not eliminate the responsibility of the pass-through entity to issue subawards that conform to agency and award-specific requirements, to manage risk through ongoing subaward monitoring, and to monitor the status of the findings that are specifically related to the subaward.



Single Audit Resolution



SEA used risk assessment as basis for selection of LEAs monitored, but **policies/procedures** did not reference

Risk assessment missing or misapplied -->fiscal monitoring

Subrecipient monitoring reviews do not follow State's monitoring guide

Did not follow written procedures for on-site monitoring



Internal Controls – Uniform Guidance

2 CFR § 200.303 Internal controls

The non-Federal entity **must**:

(a) Establish and maintain effective internal control over the Federal award

that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. **These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government”** issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

(b) Comply with the U.S. Constitution, Federal statutes, regulations, and the terms and conditions of the Federal awards.

(c) **Evaluate and monitor the non-Federal entity's compliance** with statutes, regulations and the terms and conditions of Federal awards.

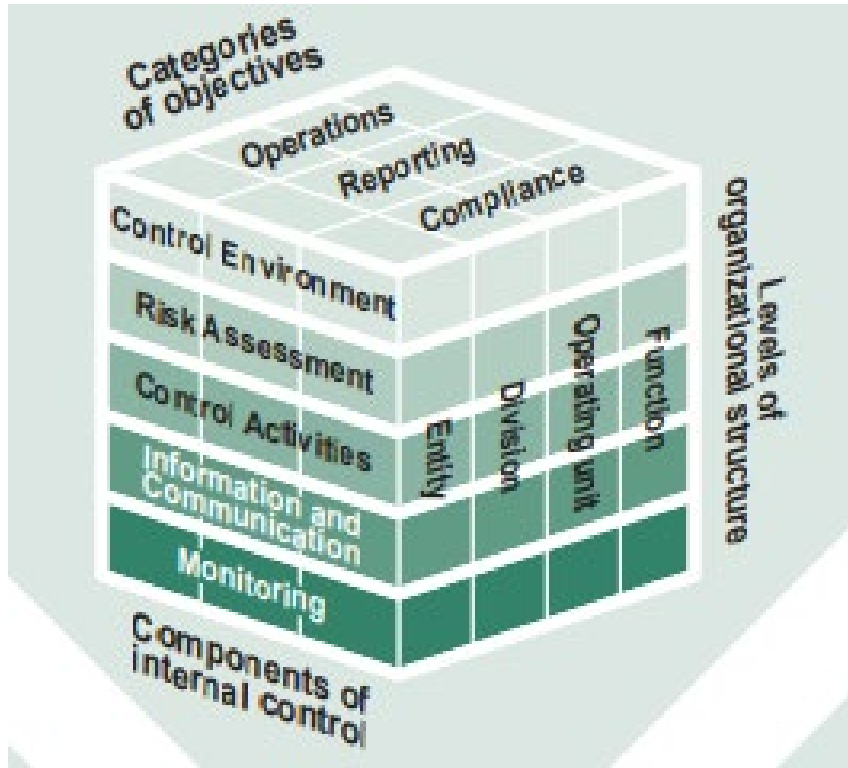
(d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

(e) Take reasonable measures to safeguard protected personally identifiable information and other information the Federal awarding agency or pass-through entity designates as sensitive or the non-Federal entity considers sensitive consistent with applicable Federal, State, local, and tribal laws regarding privacy and responsibility over confidentiality.



Internal Controls

- What is the Green Book and how is it used?



• Standards for Internal Control in the Federal Government



Findings in other Compliance areas

- **Cost Principles/Allowable Costs (often also cite Internal Controls)**

Time & effort reporting problems;
Procurement issues

- **Period of Performance (I.C.)**
- **Suspension & Debarment (I.C.)**

- **Reporting (Internal Controls)**

Federal Funding Accounting and Transparency Act (**FFATA**), FFATA Subaward Reporting System (FSRS) Schedule of Expenditures of Federal Awards (SEFA)

- **Equipment/Real Property Management (I.C.)**



Single Audit Resolution

- **Write/update written procedures**
- **Implement existing written procedures correctly**
- **Secure/conduct specific training for employees**
- **Conduct fiscal monitoring of subrecipients**
- **Comply with State/Federal requirements...**
- **Document implementation of methodology**

Corrective
Actions/
Evidence

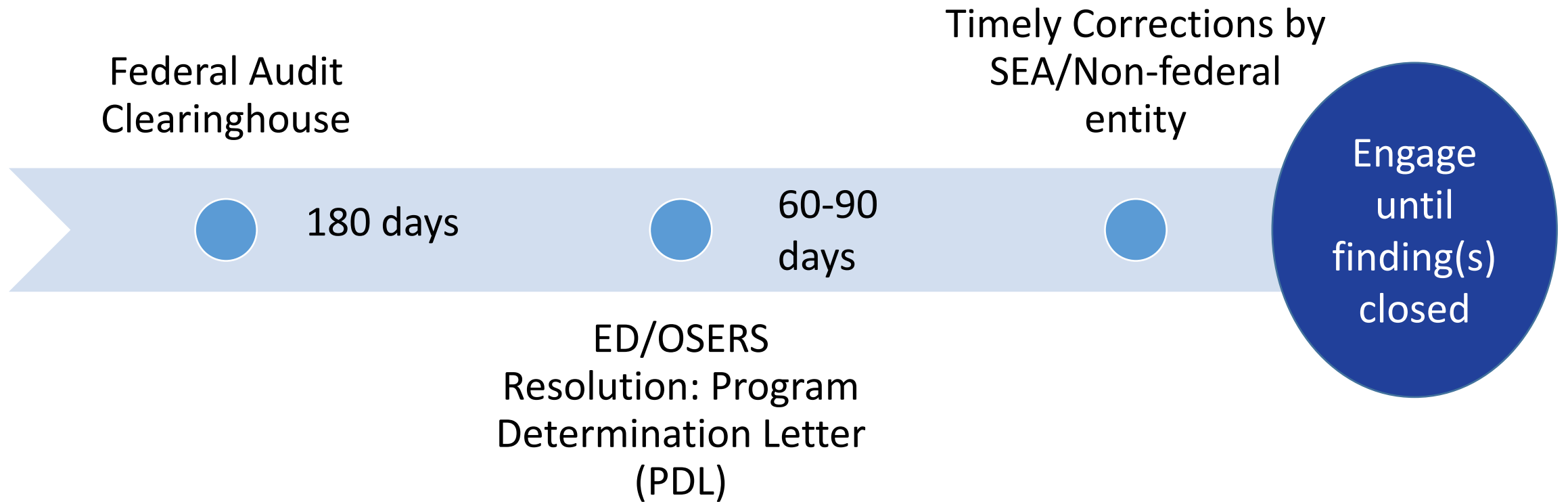


Corrections/Evidence (cont...)

- Issue management decision letters & track correction, including dates
- Issue and track monitoring findings
- Follow procurement procedures (to secure related services for cwd)
- Maintain inventory & records consistent with p/p for managing equipment
- Ensure vendor (data collection & reporting) has adequate internal controls
- Conduct subrecipient reviews based on written procedures/monitoring manual



Single Audit Resolution



A-123 Audits

Addressing Payment Integrity and IDEA Funds



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A-123: A Brief Overview

OMB Circular A-123

Appendix C : *Requirements for Payment Integrity Improvement*

Proper

Improper

1. **Monetary Loss:** Intentional vs. Unintentional
2. **Non-Monetary Loss**

Unknown



A-123

Identify Susceptible Programs and Activities with an IP Risk Assessment

All programs with annual outlays > \$10,000,000 will fall into either phase 1 or phase 2

Phase 1

1. The Department randomly samples 71 drawdowns from all FY 22 IDEA drawdowns using a Probability Proportional to Size (PPS) technique which assigns higher selection probabilities to larger drawdowns with the goal of improving the precision of the estimates while reducing required sample sizes.

2. Request the State Educational Agency (SEA) send a list of payments associated with each drawdown selected.

Phase 2

1. Using Simple Random Sample (SRS), the Department will select 2 payments from each drawdown to test totaling 142 samples. Please note that if there are less than two payments for a sampled drawdown, then all the payments for the drawdown will be selected.

2. Request the SEA send documentation for each of the sampled payments so that the Department can determine whether the payments were improper payments or unknown payments.



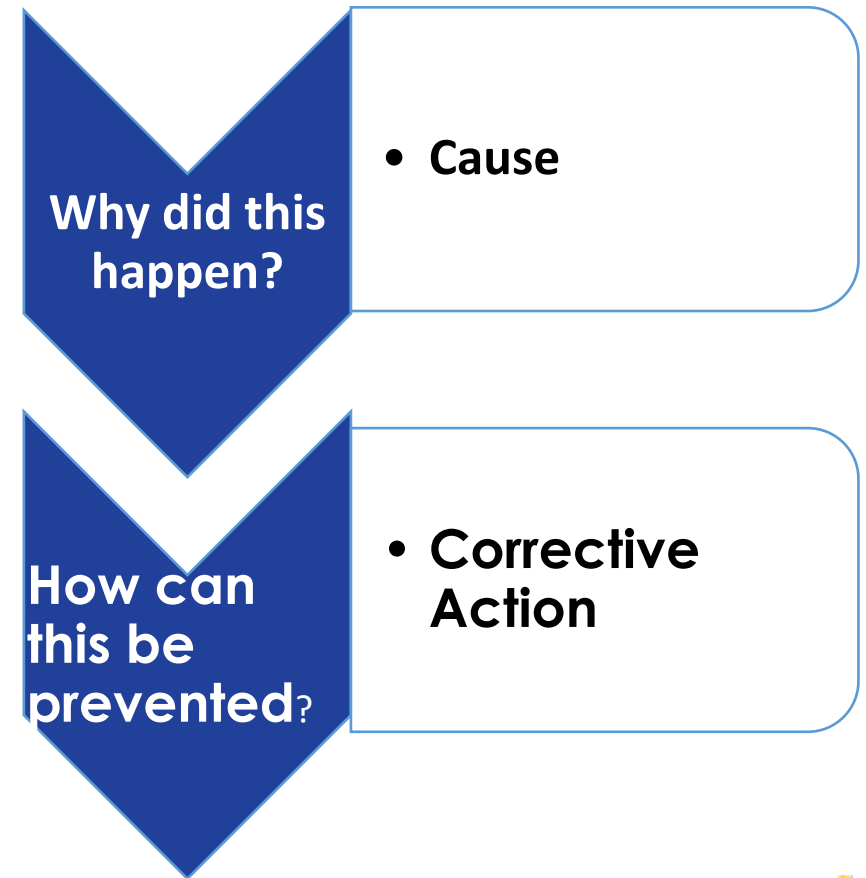
A-123: Testing the Sample

- **For a sample to be deemed proper, it must showcase 5 basic attributes:**
 - **Attribute 1:** Ensure the Issue of Assurance is documented within the FY22 Program Plan/State Application
 - **Attribute 2:** Verify the payment date and amount on the stacked G5 data align with the supporting documentation from the SEA to LEA.
 - **Attribute 3:** Ensure the total dollar amount shown on the documentation received from the LEAs reconciles with the amount listed on the Expenditure details document.
 - **Attribute 4:** Ascertain that the LEA provided sufficient documentation for the expenditure.
 - **Attribute 5:** Validate that the funds were used to support one or more acceptable response activities.



A-123: Root Causes and Correction

- ***A root cause is something that would directly lead to an improper payment, and if corrected, would prevent the improper payment”***
 - Statutory Requirements of Program Were Not Met
 - Unable to Determine Whether Proper or Improper
 - Data/Information Needed Does Not Exist
 - Inability to Access Data/Information
 - Failure to Access Data/Information



A-123 and Single Audits: Making Connections

A-123- Protecting taxpayer money to ensure funding is serving its intended purpose.

- All programs with annual outlays greater than \$10,000,000 will fall into either phase 1 or phase 2
- Notification from Agency
- Request the SEA send a list of payments associated with each drawdown selected.
- Root Cause (Agency)
- Corrective action (Agency)
 - Prevention/Controls to Manage Risk
 - Training, Process or Policy change, increase audit/oversight

Single Audits-Protecting taxpayer money to ensure funding is serving its intended purpose.

- Any non-federal entity that expends \$750,000 or more in federal award funds during its fiscal year
- Notification from Program Office after audit report received
- Request information from SEA on status of correction of identified non-compliance including (but not limited to):
- Root Cause (SEA/LEA)
- Corrective Action (SEA/LEA) – In progress/already taken?



Resource Spotlight

- Individuals with Disabilities Education Act (IDEA) website
 - Brings together IDEA information and resources from the Department and its grantees.
 - <https://sites.ed.gov/idea/>
- IDEAS That Work
 - For information from research to practice initiatives funded by OSEP that address the provisions of IDEA and ESSA. This website includes resources, links, and other important information relevant to OSEP's research to practice efforts.
 - <https://osepideasthatwork.org/>



A-123: Supporting Documentation

A-123

Examples of supporting evidence from SEA:

- List of payments associated with each drawdown selected
- Supporting documentation for each of the sampled payments so that the Department can determine whether the payments were improper payments or unknown payments.
 - Consolidated State Plan
 - Consolidated Application
 - Expenditure Report
 - Approved Program Plans, Amended Approval Letters, Voucher List, and Payroll Documents.



A-123 and DMS: Considerations for SEAs

- How do you monitor use of funds?
- Who is Responsible?
 - What supporting documentation does the SEA review when LEAs request drawdowns of IDEA Part B funds?
 - What is your process for reviewing supporting documentation?
 - Policies and Procedures (related to draw downs, LEA use of funds, oversight)
 - Internal Controls
 - How are records maintained?
 - Single Audit - Has the SEA received Single State audit findings from its LEAs related to Allowable Costs? Other audits (State/Federal IG?)



DMS 2.0 Fiscal Monitoring

A Status Update



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Understanding DMS

- The goal of DMS 2.0 is to improve outcomes and results for infants, toddlers, children and youth with disabilities and their families in conjunction with compliance
- Our monitoring will focus on States' systems of general supervision integrating both results and compliance



Monitoring Schedule

Phase 2 engagement month/year identified for each Cohort in the table below.

	TEAM A		TEAM B		TEAM C		TEAM D	
Cohort 1 2022–2023	KY-B	KY-C	SC-B	MI-C	AK-B	NY-C	CO-B	CO-C
	11/2023	05/2023	11/2022	05/2022	06/2022	12/2022	12/2023	12/2023
	AR-B	AR-C	NV-B	NV-C	ID-B	ID-C	MT-B	MT-C
	11/2022	05/2022	11/2023	05/2023	10/2023	10/2023	06/2023	06/2022
Cohort 2 2024–2025	ND-B	ND-C	ME-B	ME-C	KS-B	KS-C	IN-B	IN-C
	01/2025	01/2025	09/2024	09/2024	09/2024	09/2024	08/2024	08/2024
	OR-B	OR-C	AS-B	AS-C	NE-B	NE-C	MS-B	MS-C
	10/2024	10/2024	09/2023	09/2023	10/2024	10/2024	10/2024	10/2024
	IA-B	IA-C	TN-B	TN-C	UT-B	UT-C	LA-B	LA-C
	08/2024	08/2024	10/2024	10/2024	11/2024	11/2024	12/2024	12/2024
Cohort 3 2025–2026	RI-B	RI-C	FSM		NH-B	NH-C	GA-B	GA-C
	MO-B	MO-C	MH		DE-B	DE-C	PR-B	PR-C
	PA-B	PA-C	PW		MA-B	MA-C	CA-B	CA-C
			WA-B	WA-C				



DMS 2.0 Documents and Resources

The DMS Framework, Protocols and monitoring reports, including the monitoring schedule can be found on the [IDEA website](#), under Resources for Grantees, DMS, DMS 2.0.

The screenshot shows the IDEA website's navigation menu with 'Resources' circled in yellow. A dropdown menu is open under 'Resources', with 'Resources for Grantees' circled in yellow. The main content area shows the 'Resources for Grantees' page, with 'Grants' circled in yellow under the 'State Formula Grants' section. The 'DMS 2.0' link under 'DMS Reports' is also circled in yellow.



Fiscal Monitoring

State educational agencies (SEAs) and Part C lead agencies (LAs) are responsible for oversight of the operations of IDEA-supported activities. Each SEA and LA must monitor its own activities, and those of its local educational agencies (LEAs), and Early Intervention (EI) providers to assure compliance with applicable Federal requirements and performance expectations is being achieved. Monitoring by the SEA and LA must cover each program, function, or activity.



Fiscal Monitoring

- OSEP's Part B fiscal monitoring examines States systems to ensure compliance in the following areas:
 - Subrecipient Monitoring
 - LEA Allocations
 - Coordinated Early Intervening Services
 - LEA Maintenance of Effort (MOE)



Fiscal Monitoring: Summary

- **For Cohort1:**

- Completed fiscal monitoring of 10 programs
 - 5 Part C programs
 - 5 Part B Programs
- An additional seven programs are scheduled for this fall.
- 3 DMS letters have been issued.
 - 3 Part C
- 6 DMS Letters remain in OSEP clearance process.



Part C Findings

Fiscal Management: Single Line of Responsibility

OSEP finds that the State does not conduct fiscal monitoring as required under 34 C.F.R. § 303.120(a)(1). In addition, OSEP finds that the State has not established effective internal controls that provide reasonable assurance of compliance by its EIS providers with "Federal statutes, regulations, and the terms and conditions of their Federal award," as required under 2 C.F.R. § 200.303.



Part C Findings cont.

Fiscal Management: Single Line of Responsibility

OSEP finds that the State does not conduct fiscal monitoring as required under 34 C.F.R. § 303.120(a)(1) for two areas: payor of last resort requirements in 34 C.F.R. §§ 303.500 and 303.510 and system of payment requirements in 34 C.F.R. §§ 303.520 and 303.521. In addition, OSEP finds that the State does not consistently implement its Statewide system of payment (SOP) to ensure that IDEA Part C funds are not used for services that would have been otherwise paid for from another public or private source in its local service areas as required under the payor of last resort (POLR) requirements in 34 C.F.R. § 303.510.



Part C Findings cont.

Fiscal Management: Single Line of Responsibility

OSEP finds that the State does not have a general supervision system reasonably designed to monitor its EIS providers to ensure fiscal compliance with IDEA Part C, as required under 34 C.F.R. §§ 303.120(a)(1) and (2) and 303.700(a) and (b). Specifically, the State monitoring system is not reasonably designed to identify and correct noncompliance.



Part C Findings

System of Payments

OSEP finds that the State has failed to monitor its EIS providers for compliance as required under 34 C.F.R. § 303.120(a) for the statewide system of payments policy requirements in 34 C.F.R. §§ 303.520 and 303.521.

Use of Funds

OSEP finds that the State does not have procedures and practices that are reasonably designed to ensure the appropriate use of IDEA Part C funds as required under 34 C.F.R. §§ 303.120(a) and 303.205, and the OMB Uniform Guidance in 2 C.F.R. Part 200.



Helpful Hints

- Review existing fiscal policies and procedures against actual regulations and OSEP and the Uniform Guidance. Are they current? Do they need to be revised? Do they reflect actual practice?
- Examine your own State systems using the OSEP fiscal monitoring protocols.
- Reach out to OSEP funded TA providers if there are questions.



Resource Spotlight

- IDEA Website, DMS Page: [Resources for Grantees - Individuals with Disabilities Education Act](#)
- [Fiscal Resources for Grantees - Individuals with Disabilities Education Act](#)
- [2023 Compliance Bulletin Part 4 — Department of Education \(ED\)](#)
- [Standards for Internal Control in the Federal Government \(The Green Book\)](#)
- [FFATA Reporting](#)



Additional TA Resources

- [Fiscal Support Team – National Center for Systemic Improvement \(wested.org\)](#)
- [ECTA Center: Improving Systems, Practices and Outcomes](#)
- [Center for IDEA Fiscal Reporting \(wested.org\)](#)



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