

PROCEDURES MANUAL FOR UTILIZATION OF IDEA FUNDS

Office of Special Education Services South Carolina Department of Education

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I. COMPLETION AND APPROVAL OF APPLICATIONS

Procedures for Approval of Financial Applications under the IDEA Entitlement

All LEAs eligible for funds under Part B will receive notification indicating funding amounts for the current fiscal year, a due date for submission, and duration of the grant, as soon as possible after the award of state funds.

Within 30 days of the notice, the LEA will submit the following fiscal components for approval:

- IDEA Application Narrative
- IDEA Budget Report
- IDEA Fiscal Section
- IDEA Assurances
- SDE Assurances
- IDEA Lobbying Statement
- IDEA LEA Policies and Procedures (copy)

Subrecipients are required to read all assurances and obtain the Superintendent's signature on the assurances and certifications.

Complete the grant narrative (application). This describes how you will use the IDEA funds.

Terms used in the application:

Fill in your district code

IDEA 611—IDEA Entitlement

IDEA 619—IDEA "Preschool" ages 3-5

Entitlement Number (example 11 CA XXX)

CFDA: 84.027 Catalogue of Federal Domestic Assistance number for IDEA Grant.

CFDA: 84.173 Catalogue of Federal Domestic Assistance number for IDEA Preschool Grant.

Submit all required documentation, signed assurances, certifications, narrative, budget, and fiscal section by the deadline stated in the award letter. Upon receipt of all required information by the Office of Special Education Services, (original and two copies), all three copies are dated and stamped: Official File Copy (original), Accounting File Copy, and District/Agency File Copy.

The Education Associate reviews application to: 1) verify appropriateness of activities relative to IDEA priorities, 2) verify that necessary signatures and assurances are included, 3) verify that all required components are adequately addressed. Should there be minor corrections; a telephone call is made to District Director/Contact Person explaining the areas needing further explanation/justification. If major corrections are needed, the Official File Copy is returned to Superintendent/Agency Head explaining the needed corrections.

The Education Associate reviews application to ensure that MOE and Excess cost requirements have been addressed and that the budget aligns with the application. Should there be minor corrections; a telephone call is made to District Coordinator/Contact Person explaining the areas needing further explanation/justification. If major corrections are needed, the Official File Copy is returned to Superintendent/Agency Head explaining the needed corrections.

Once the Accountant and the Education Associate have reviewed and verified the accuracy of the application, and all areas of compliance are investigated. These are:

- a) All portions of the Application have been approved
- b) The district/agency is in compliance with IDEA regarding program monitoring conducted by the Office of Organizational Development
- c) There are no unresolved complaints regarding evaluation, placement, IEPs of children with disabilities residing in the district/agency.

1. If LEA is in compliance in all four areas, the grant award documents are submitted to Director for approval.

3. Upon signature of the Director, the grant award documents and a letter of notification of approval are mailed to the LEA for signature of Superintendent or Agency Head.

4. If there is non-compliance in any or all of the areas, the Superintendent/Agency Head is notified.

5. When it is determined that the LEA has resolved deficient area(s), the grant documents are submitted to the Director for signature and mailed to LEA/SOP for Superintendent's or Agency Head's approval.

Hearing on LEA Application (SBE 43-243)

Fiscal Sanctions If the SCDE finds that a LEA, special school, or other agency, herein referred to as an applicant, with the responsibility under state law for the provision of a FAPE to students with disabilities is failing to comply with any requirement described under Part B of the IDEA, the applicable federal or state regulations, or state policies and procedures related to the requirements of the IDEA, the SCDE may impose sanctions, including the reduction, withholding, or recovery of payments made relative to the IDEA grant administered by the SCDE. In accordance with Part B of the IDEA and the Education Division General Administrative Regulations (EDGAR) Title 34, Code of Federal Regulations §§ 75 and 76, the SCDE shall provide reasonable notice and an opportunity for a hearing prior to taking any final action regarding the reduction, withholding, or recovery of payments to the applicant.

a) Hearing Issues. The SCDE shall provide the applicant with notification of the right to a hearing and the procedures for a hearing if the SCDE determines

(1) An applicant is not eligible for assistance under Part B of the IDEA;

(2) An applicant, for three or more consecutive years, needs intervention or substantial intervention, in implementing the requirements of Part B of the IDEA; 5

- (3) An applicant is unable or unwilling to consolidate with other applicants or agencies in accordance with the IDEA;
 - (4) An applicant failed to submit an accurate and unduplicated count of the number of students with disabilities receiving special education and related services, or in the case of children enrolled by their parents in private or home-school programs, failed to accurately report the count of students eligible to receive special education and related services;
 - (5) An applicant is not meeting the requirements of Part B of the IDEA and the provision of a FAPE to students with disabilities and the applicant has not, or the SCDE has reason to believe the applicant cannot, correct the problem within one year; or
 - (6) An applicant is not meeting any of the other federal or state requirements relative to Part B of the IDEA that allow the reduction, withholding, or recovery of funds.
- b). Hearing Appeals Panel. When a school district or public agency requests a hearing, in writing, the state superintendent of education (Superintendent) shall select a three-member hearing panel to conduct the proceeding. The hearing panel shall consist of at least two of the SCDE's deputy superintendents or their designees, and one additional individual designated by the superintendent.
- c). Hearing Procedures.
- (1) An applicant shall request a hearing by notifying the Superintendent by certified mail of its decision to appeal a decision as set forth in these procedures.
 - (2) The applicant shall include the nature of the request for the hearing, including the reasons for any disagreement with the determinations by the SCDE, and the facts on which the request for the hearing is based.
 - (3) The applicant shall request a hearing within thirty calendar days of the date of the SCDE's notification of the intent to impose the specified sanction. For purposes of these procedures, the date of the notice by the SCDE is the date the notice is received by the applicant.
 - (4) The hearing shall be scheduled before a hearing panel within thirty calendar days from the receipt of the request.
 - (5) The applicant shall receive written notice at least ten days prior to the hearing date. The notice shall include the date, location, and time of the hearing.
 - (6) The applicant and the SCDE may present evidence in writing and through witnesses and may be represented by counsel at the hearing. The parties shall exchange the names of proposed witnesses no later than five days prior to the hearing. The parties shall have a minimum of six copies available of written materials that will be used as evidence during the hearing.
 - (7) The hearing panel may determine the length and order of the presentations by the parties and determine the course of the proceedings. The hearing panel shall take all steps necessary to conduct a fair and impartial proceeding, avoid delays, maintain order, and comply with the additional procedures set forth in the SCDE *Policies and Procedures for Programs for Students with Disabilities*.
 - (8) The hearing panel shall make a formal recommendation to the Superintendent within five calendar days following the hearing.
 - (9) If the applicant or its authorized representative fails to appear at the designated time, location, and date of the hearing, the appeal shall be considered closed and the hearing process terminated.
 - (10) If the SCDE determines that its proposed action is contrary to federal or state statutes, federal or state regulations, or applicable state policies and procedures related to the requirements of the IDEA, the SCDE shall review its proposal and determine, what if any, alternative action is warranted.

(11) The Superintendent shall issue a written decision within ten days of the date of the conclusion of the hearing. The written decision shall include the findings of fact and reasons for the decision.

(12) The Superintendent's decision is final unless the applicant disagrees with the decision and files an appeal of the decision with a court of competent jurisdiction. If the SCDE does not receive notice of intent to appeal the decision, within thirty calendar days of the issuance of the written decision the SDCE shall implement the proposed action in whole or in part until the SCDE is satisfied that the applicant is complying with the applicable federal and state requirements.

(13) The SCDE shall keep a record of the proceedings. Any party, at its expense, may obtain a copy of the record of the proceedings.

d). Decision. The Superintendent shall issue a written decision within ten days of the date of the conclusion of the hearing by transmitting the written decision to the superintendent or other authorized representative of the applicant.

e). Public attention. Any applicant that receives notice that the SCDE is proposing to take or is taking an enforcement action pursuant to this section, must by means of public notice, take such actions as may be necessary to notify the public of the pendency of the action, including, at a minimum, posting the notice on the applicant's web site and distributing notice of the proposed act to the media and through public agencies.

Once the Account and the Education Associate have reviewed and verified the accuracy of the application, all areas of compliance are investigated. These are:

a) All portions of the Application have been approved

b) The district/agency is in compliance with IDEA regarding program monitoring conducted by the Office of General Supervision.

c) There are no unresolved complaints regarding evaluation, placement, IEPs of children with disabilities residing in the district/agency. If LEA is in compliance in all areas, the grant award documents are submitted to Director for approval.

II. TYPES OF EXPENDITURES

A. Allowable Expenditures

Federal funds made available under IDEA to school districts may be utilized for procurements that are **reasonably** necessary for providing appropriate programs and meeting the requirements of the law. However, funds may be used only for those expenses which are incurred as a result of the approved financial section of the IDEA Application.

Approved expenditure may relate to the following:

1. salaries, wages, and other personal services of permanent and temporary staff employees and consultants for the performance of services reasonably necessary including the proportionate costs of regular contributions of employers to retirement, workmen's compensation, welfare funds.

2. materials and equipment for instruction;

3. in-service education;

4. expenses incurred while identifying students with disabilities (screening, diagnosis, placement);

5. travel and transportation expenses;

6. development of appropriate programs;

7. other activities that relate to the operation of a special education program.

8. Schoolwide programs under title I of the ESEA.

a) General. Notwithstanding the provisions of Sec. 300.202 and 300.203 or any other provision of Part B of the Act, an LEA may use funds received under Part B of the Act for any fiscal year to carry out a schoolwide program under section 1114 of the ESEA, except that the amount used in any schoolwide program may not exceed-- 9

(1) (i) The amount received by the LEA under Part B of the Act for that fiscal year; divided by

(ii) The number of children with disabilities in the jurisdiction of the LEA; and multiplied by

(2) The number of children with disabilities participating in the schoolwide program.

b) Funding conditions. The funds described in paragraph (a) of this section are subject to the following conditions:

(1) The funds must be considered as Federal Part B funds for purposes of the calculations required by Sec. 300.202(a)(2) and (a)(3).

(2) The funds may be used without regard to the requirements of Sec. 300.202(a)(1).

c) Meeting other Part B requirements. Except as provided in paragraph (b) of this section, all other requirements of Part B of the Act must be met by an LEA using Part B funds in accordance

with paragraph (a) of this section, including ensuring that children with disabilities in schoolwide program schools—

- (1) Receive services in accordance with a properly developed IEP; and
- (2) Are afforded all of the rights and services guaranteed to children with disabilities under the Act.

9. Parentally Placed Private School Children

The proportionate share for parentally placed private school children is calculated based on the most recent December 1 Child Count, and included in grant award letter.

When completing the budget report within the IDEA '04 grant application, use Function/Code PPPSC/149 to report budgets for parentally placed private school children. The dollar amount to be allocated for these services should be assigned to the appropriate cell.

10. Coordinated Early Intervening Services (CEIS)

In the case of districts that have significant disproportionality, this amount is *required* to be spent on CEIS in 2009–10. These services are provided to students in kindergarten through grade 12 (with a particular emphasis on students in kindergarten through grade three) who are not currently identified as needing special education or related services, but who need additional academic and behavioral supports to succeed in a general education environment.

Regardless of whether an LEA is *required* to spend IDEA dollars on CEIS or *chooses* to spend dollars on CEIS, the LEA must submit a CEIS Plan. In formulating its CEIS plan, the LEA must consider relevant data that would warrant significant disproportionality, and therefore a CEIS requirement. Specifically, an LEA needs to consider its present numerical calculations of the following data:

- The identification of children as children with disabilities;
 - The identification of children with disabilities in accordance with a particular impairment;
 - The placement in particular educational settings of these children; or
- the incidence, duration, and type of disciplinary actions, including suspensions and expulsions. Under 34 CFR §300.646(b)(2), if a state identifies significant disproportionality based on race or ethnicity in an LEA with respect to the identification of children as children with disabilities, the identification of children in specific disability categories, the placement of children with disabilities in particular education settings, or the taking of disciplinary actions, the LEA *must* reserve the maximum amount (15 percent) of funds allowable for CEIS for children in the LEA, particularly, but not exclusively, for children in those groups that were significantly overidentified. Please note that this amount will be calculated yearly, and LEAs will be determined to have significant disproportionality based on district data. Once plans are submitted, data must be tracked for two years.

When completing the budget report within the IDEA '04 grant application, use Function/Code CEIS/129 to allocate amounts for CEIS. Your 15 percent is calculated by totaling the regular 611 and regular 619 and multiplying that amount by 15%. You may choose to take the 15% amount from the regular 611 or you may take parts of the 15% from both. The amount your district is allowed or required to spend on CEIS is usually in the grant award letter.

11. Charter School

Owing to the diverse needs of children with disabilities, a specific and comprehensive list of allowable activities would be imprudent. Justifiable expenditures may be approved provided the LEA is meeting the non-supplanting requirement, the excess cost requirement, the maintenance of effort requirement and any other federal requirements.

B. Limitations of Expenditures

Part B funds may not be used:

1. To supplant other state or local funds – The total amount or average per capital amount of state and local school funds budgeted by the LEA for expenditures in a fiscal year for education of children with disabilities must be at least equal to the total amount or average per capital amount of state or local funds actually expended for the educational of children with disabilities in the proceeding fiscal year. The LEA may not use Part B funds to displace state or local funds. Non-supplanting applies to the aggregate and not a given expenditure.
2. Excess cost limitation on the utilization of funds: The minimum amount that must be spent for the education of children with disabilities is computed under a statutory formula. Excess costs are those costs that exceed the minimum amount. Therefore, if a local educational agency can document that it has (on average) spent the minimum amount for the education of each of its students with disabilities from funds other than Part B, it has met the excess cost requirement, and most additional costs are excess costs. Part B funds can be used to pay additional costs subject to other requirements of Part B. (§300.16 and Appendix A to Part 300, Federal Register).
3. For pre-service training of personnel
4. For any construction or major renovations not previously approved by the SEA.
5. For religious workshops or instruction – Federal regulations specify that funds and property may be used to benefit children with disabilities in private schools but only for educational services.
6. Part B funds may not be comingled with other Federal, state or local funds. This requirement is satisfied by the use of a separate accounting system that includes and “audit trail” of the expenditure of Part B funds. Separate bank accounts are not required; the basic requirement is to maintain the fiscal identity of Part B funds.

C. Expenditures, specific requirements

1. Salaries

a. Professional Certification Requirements

Professional staff paid in full or in part from IDEA funds must be appropriately certificated and highly qualified. Credentials must be consistent with the State Board of Education approved teacher certification requirements.

b. Related Services/Support Personnel

These persons must possess State Department of Education certification or valid South Carolina licensure in the area of related service rendered.

Funds may be utilized to secure services either as full salaried personnel or on a contracted basis by professionals from fields such as:

Medical Services Occupational Services

Psychological Services Physical Therapy Services

Social Workers Administrators of Special Education

Counseling Services Others

2. Coursework/Inservice

a. Extended inservice opportunities for district personnel, either in district or for credit at state college or universities, must relate to the specific area of disabilities for which the person is employed. The specific course title(s) must be included in the application for funding.

b. Travel Expenses for Inservice

Funds may be budgeted for attendance at meetings for conferences outside the district/state. All conferences and meetings, however, must be related to the education of children with disabilities.

c. Consultant Fees for Inservice

Federal funds provided through IDEA budgeted for educational consultants working with a school consistent with district policies.

3. Substitute Pay

Substitutes pay will be allowable for teachers of children with disabilities to attend district-approved professional development.

4. Transportation

Transportation costs are allowable only if it does not duplicate state funded transportation services.

5. Renovations

Renovations to classrooms and buildings are eligible provided the renovations are necessary to provide an appropriate educational environment. For example, the purchase of carpet and acoustical tile would be an approvable expenditure in order to create a more favorable environment for a classroom for the hearing impaired. Another example is the construction or modification of toilet facilities for the orthopedically impaired. These expenditures must be approved in the IDEA application **prior** to initiation of the renovation activities.

Should the district/agency choose at a later date to use the renovated classroom for another purpose, the students normally served by that facility must be located in a facility/environment of equal quality.

6. Extended school year

LEAs may utilize funds to support or defer the cost extended school year services specified in the pupil's IEP. 14

7. Telephone

If it is decided that a separate line is needed to meet the requirements of confidentiality, due process, and IEPs as required by IDEA, the LEA may pay these costs from its entitlement. The assurance that the telephone is being installed for the purpose of meeting the requirements of confidentiality and due process and will be used 100% for programs for children with disabilities will be necessary. This should be submitted with the application or amendment.

8. Food

Food costs are not allowable unless they are above or beyond routine school food costs. For example, special food items for the students with special dietary needs would be eligible, or food items needed in a life skills program. Food items included in the entitlement application must be explicitly justified prior to approval.

9. Equipment & Supplies

See section, **Equipment & Supplies**

III. ACCOUNTING

FUND

The funding code designates the source. IDEA 611 uses fund code 203 and IDEA 619 (ages 3-5) uses fund code 205.

FUNCTION

Function means the action a person takes or the purpose for which a thing exists or is used. Function includes the activities or actions which are performed to accomplish the objectives of an enterprise.

CODE DESCRIPTOR—please note, the descriptors below are general “headers”. You will need to refer to the SCDE Finance Accounting Handbook, Account Code Definitions or your district’s Business Manual to find specific codes. For example, 210 is the general header for Pupil Services, but 213 is the specific code description for “school psychologist”.

213

100 Instruction – These are activities dealing directly with the teaching of students, or the interaction between teacher and students. Teaching may be provided for students in a school classroom, in another location such as a home or hospital, and in other learning situations such as those involving curricular activities. Included here are the activities of paraprofessionals. Speech services should be included in this function.

210 Pupil Services – These are activities designed to assess and improve the well-being of students and to supplement the teaching process. Such activities include: Social Work Services, psychological services, Health Services, Psychological Services, Occupational Therapy, Physical Therapy, Orientation and Mobility Training.

220 Instruction Staff – These are activities associated with assisting the instructional staff with the content and process of providing learning experiences for students.

223 Supervision of Special Programs – This includes the Director/Coordinator/Consultant for Programs for Children with Disabilities and clerical assistance for those positions.

253 School Building – These are activities concerned with the remodeling of building and improvements to sites.

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254 Pupil Transportation Services – These activities are concerned with the conveyance of students to and from school, as provided by State Law. Included are trips between home and school and trips to school activities.

420 Transfers – (including indirect costs) Computed on approved district/agency rate.

OBJECTS

Objects means the services or commodity obtained as the results of a specific expenditure. Seven major Object Categories are identified and described: Salaries, Employee Benefits, Purchased Services, Supplies and Materials, Capital Outlay, Other Objects, and Transfers. These broad categories are subdivided to obtain more detailed information about objects of expenditures. Following are definitions of the major categories and subcategories.

100 Salaries - Amounts paid to employees of the school district who are considered to be in position of a permanent nature of hired temporarily, including personnel substituting for those in permanent positions. This includes gross salary for personal services rendered while on the payroll of the school district/agency.

200 Employee Benefits – Amounts paid by the school district on behalf of employees; these amounts are not included in the gross salary, but are over and above. Such payments are fringe benefit payments, and, while not paid directly to employees, nevertheless are part of the cost of salaries and benefits.

210 Group Health and Life Insurance

220 Employee Retirement

230 Social Security

290 Other

300 Purchased Services – Amounts paid for personal services rendered by personnel who are not on the payroll of the agency, and other services which the agency may purchase. While a project may or may not result from the transaction, the primary reason for the purchase is the service provided. Travel costs are included under this object.

400 Supplies and Materials – Amounts paid for materials or an expendable nature that are consumed, worn out, or deteriorated by use; or items that lose their identity through fabrication or incorporation into different or more complex units or substances.

500 Capital Outlay – Expenditures for acquisitions of fixed assets or additions to fixed assets. They are expenditures for existing buildings; improvements of grounds; additions to buildings; remodeling of buildings; initial equipment; additional equipment; and replacement of equipment of a value of over \$5,000 per item.

See the SCDE Finance Accounting Handbook, Account Code Definitions, for further information.

IV. EQUIPMENT AND SUPPLIES

A. DEFINITIONS (34 CFR 80.3 OF THE EDUCATION DEPARTMENT GENERAL ADMINISTRATION REGULATIONS)

Acquisition cost of an item of purchased equipment means the net invoice unit price of the property including the cost of modifications, attachments, accessories, or auxiliary apparatus necessary to make the property usable for the purpose for which it was acquired. Other charges such as the cost of installation, transportation, taxes, duty or protective in-transit insurance, shall be included or excluded from the unit acquisition cost in accordance with the grantee's regular accounting practices.

Equipment

"Equipment means tangible, nonexpendable, personal property having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit. A grantee may use its own definition of equipment provided that such definition would at least include all equipment defined above."

Supplies

Supplies mean all tangible personal property other than "equipment" as defined in this part. Only items costing \$5,000 or more will appear under Object of Expenditures, 500/Capital Outlay. All other equipment under \$5,000 will be budgeted under 400/Supplies and Materials. LEAs are encouraged to continue utilizing procedures to ensure supplies and equipment purchased for children with disabilities programs will be utilized by those programs. Each district/agency is allowed to utilize its own definition of equipment provided that the definition would at least include all equipment as defined in 34 CFR 80.3. In the event your district/agency chooses to utilize a stricter definition, these items may be budgeted under 500/Capital Outlay to be consistent with district/agency accounting codes

TITLE TO EQUIPMENT AND SUPPLIES

Title to real property, equipment, and supplies acquired under a grant or subgrant shall vest, upon acquisition, in the grantee or subgrantee respectively.

B. REQUIREMENTS OF THE INVENTORY CONTROL SYSTEM

GENERAL PROVISIONS

The Act requires that the title to property acquired under federal funds shall be in a public agency that will be responsible for administering such property. Inventories of equipment purchased by state and local agencies must be maintained on all items for the useful life of the equipment. The inventories must also include all items of equipment temporarily placed on the premises of or in a private school.

The following federal requirements must be followed in the establishment and maintenance of an inventory control system for Expendable Personal Property and Nonexpendable Personal Property. Recipients may follow their own property management policies and procedures provided they observe the stated requirements:

1. Each applicant agency must maintain a continuing equipment list of each equipment item purchased costing \$5,000 or more per unit until officially removed from the inventory on the disposition form provided by the State Educational Agency. A complete equipment list is to be

located in the Project Director's office. A continuing list shall be maintained for all equipment, temporarily located on private premises to provide for the participation of children enrolled in non-public elementary or secondary schools. Each item must be permanently labeled by fiscal year – source of funds or project number (FYxx-IDEA-xxxxxx)

The equipment list shall contain:

- a. A description of the equipment, including manufacturer's model number, if any.
- b. An identification number, such as the manufacturer's serial number.
- c. Identification of the grant under which the recipient acquired the equipment.
- d. The information needed to calculate the Federal share of the equipment.
- e. Acquisition date.
- f. Unit Acquisition cost
- g. Location, use, and condition of the equipment and the date the information was reported.
- h. All pertinent information on the ultimate transfer, replacement, or disposition of the equipment.

2. A physical inventory of equipment shall be taken and the results reconciled with the property records at least once every two years to verify the existence, current utilization, and continued need for the equipment. A statistical sampling basis is acceptable. Any differences between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the causes of the differences.

3. A control system shall be in effect to insure safeguards to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft of equipment shall be investigated and fully documented.

4. Adequate maintenance procedures shall be implemented to keep the equipment in good condition.

5. Where equipment is to be sold and the Federal Government is to have a right to part or all of the proceeds, selling procedures shall be established which will provide for competition to the extent practicable and result in the highest possible return.

C. UTILIZATION NONEXPENDABLE PERSONAL PROPERTY

Standards for the use and disposition of property purchased through IDEA funds have been established by the regulations contained in 34 FR 80.32. As indicated in the inventory control section, a physical inventory of all property must be taken and the results reconciled with the property records at least once every two years to verify the existence, current utilization, and continued need for the property. The following are guidelines to follow:

1. Equipment shall be used by the recipient in the project or program for which it was acquired as long as needed, whether or not the project or program continues to be supported by Federal funds. When no longer needed for the original project or program, the recipient shall use the equipment, if needed, in other projects or programs currently or previously sponsored by the Federal Government.

2. If equipment is being used less than full time in the project or program for which it was originally acquired, the recipient shall make it available for use in other projects or programs currently or previously sponsored by the Federal Government, provided, such other use will not interfere with the work on the original project or program. First preference for such other use shall be given to other projects or programs sponsored by the same granting agency.

D. REPLACEMENT OF EQUIPMENT

Equipment may be exchanged for replacement equipment if needed subject to the approval of the Office of Special Education Services. The replacement may take place either through trade-in or through sale and application of the proceeds to the acquisition cost of the replacement equipment. In either case, the transaction must be one which a prudent person would make in like circumstances.

E. METHOD OF DISPOSITION FOR NONEXPENDABLE PERSONAL PROPERTY

When original or replacement equipment is no longer to be used in projects or programs currently or previously sponsored by the Federal Government, disposition of the equipment shall be made as follows:

1. Equipment with a unit acquisition cost of less than \$5,000 and equipment with no further use value may be retained, sold, or otherwise disposed of, with no further obligation to the Federal Government or the awarding agency.
2. Items of equipment with a current per unit fair market value in excess of \$5,000 may be retained or sold and the awarding agency shall have a right to an amount calculated by multiplying the current market value or proceeds from sale by the awarding agency's share of the equipment.
3. In cases where a grantee or subgrantee fails to take appropriate disposition actions, the awarding agency may direct the grantee or subgrantee to take excess and disposition actions.

V. MAINTENANCE OF EFFORT

(a) General. Except as provided in Sec. 300.204 and 300.205, funds provided to an LEA under Part B of the Act must not be used to reduce the level of expenditures for the education of children with disabilities made by the LEA from local funds below the level of those expenditures for the preceding fiscal year.

(b) Standard.

(1) Except as provided in paragraph (b)(2) of this section, the SEA must determine that an LEA complies with paragraph (a) of this section for purposes of establishing the LEA's eligibility for an award for a fiscal year if the LEA budgets, for the education of children with disabilities, at least the same total or per capita amount from either of the following sources as the LEA spent for that purpose from the same source for the most recent prior year for which information is available:

(i) Local funds only.

(ii) The combination of State and local funds.

(2) An LEA that relies on paragraph (b)(1)(i) of this section for any fiscal year must ensure that the amount of local funds it budgets for the education of children with disabilities in that year is at least the same, either in total or per capita, as the amount it spent for that purpose in the most recent fiscal year for which information is available and the standard in paragraph (b)(1)(i) of this section was used to establish its compliance with this section.

(3) The SEA may not consider any expenditures made from funds provided by the Federal Government for which the SEA is required to account to the Federal Government or for which the LEA is required to account to the Federal Government directly or through the SEA in determining an LEA's compliance with the requirement in paragraph (a) of this section.

In other words, the district may calculate Maintenance of Effort in four ways:

- per capita state funds
- per capita state and local funds
- total local
- total local and state funds

If monies budgeted for the current fiscal year are not greater than or equal to the previous year, detailed justification must be submitted reflecting:

(a) the voluntary departure, by retirement or otherwise, or departure for just cause, of special education personnel

(b) a decrease in enrollment of children with disabilities

(c) the termination of the obligation of the agency to provide a program of special education to a particular child with a disability that is an exceptionally costly program because the child

(1) has left the jurisdiction of the agency

(2) has reached the age at which the obligation of the agency to provide FAPE has terminated, or

(3) no longer needs such program of special education

(d) unusually large amounts of funds expended for such long-term purposes as the acquisition of equipment and the construction of school facilities.

For reporting purposes, MOE calculations must be verifiable. In addition to indicating your method of calculation, you must retain actual calculations for auditing and verification by either SCDE's Office of Special Education Services or through A-133 Audits.

Maintenance of Effort (MOE) Flexibility

Under certain circumstances, in accordance with IDEA section 613(a)(2)(C), in any fiscal year that an LEA's subgrant allocation exceeds the amount that the LEA received in the previous fiscal year, that LEA may reduce the level of local, or state and local, expenditures otherwise required by the LEA MOE requirements (in IDEA, section 613(a)(2)) by up to 50 percent of the increase in the LEA's subgrant allocation. The LEA must spend the 'freed-up' local or, state and local, funds on activities that are authorized under the Elementary and Secondary Education Act (ESEA) of 1965. If applicable to your LEA, the amount is included with the 611 grant information.

VI. EXCESS COST REQUIREMENT

Meaning/Intent of Excess Cost Requirement

The excess cost requirement means that an LEA must spend a certain minimum amount for the education of its children with disabilities before the Part B funds are used. This insures that children served with Part B funds have at least the same Average Minimum Amount spent on them (from sources other than Part B) as do children in the LEA taken as a whole. (The Average Minimum Amount which must be spent is determined by using the formula in Section 300.184 of the Part B regulations or the Excess Cost Worksheets.)

The regulations do not require an LEA to spend a specified minimum amount on each individual child, as long as the LEA spends an **aggregate** minimum amount on the education of **all** of the children with disabilities enrolled in the district. However, the excess cost requirement prevents an LEA from using Part B funds to pay for all of the costs directly attributable to the education of children with disability – except in the age ranges in which the LEA does not serve non-disabled children.

(See OSEP Guidance in Appendix—Letter to Kennedy)

Meeting the Excess Cost Requirement

AN LEA meets the excess cost requirement when it can document (with appropriate records) that it has spent an aggregate minimum amount for the education of its children with disabilities.

Once an LEA has that documentation, Part B funds may be used for **special services** and activities that are necessary to meet the requirements of the Act.

In order to meet the excess cost requirement, an LEA must: (1) determine what the average minimum amount is for all of its elementary students and all of its secondary students –using the formula in the regulation (See §300.16 and Appendix A to Part 300) (2) determine the aggregate minimum amount which the LEA is accountable for –by multiplying the per pupil cost at each level (elementary and secondary) by the total number of children with disabilities served at that level; and (3) keep records to show that the LEA has spent the aggregate minimum amount on the education of its children with disabilities at each level.

Funding Sources to Use in Accounting for the Aggregate Minimum Amount Records

The key point in the excess cost requirements is that an LEA must keep records adequate to show that it has spent at least the Aggregate Minimum Amount determined through the previously mentioned procedure on the education of its children with disabilities.

LEAs are not required to keep separate “excess cost” records, as long as the existing LEA records are adequate to show that the excess cost requirement has been met (i.e., that the LEA has spent at least the aggregate minimum on the education of its children with disabilities).

VII. INSTRUCTIONS FOR AMENDMENT OF ENTITLEMENT BUDGETS

After an original budget has been approved, it may be amended. There are no restrictions regulating the number of amendments. Directors are urged, however, to plan carefully enough that amendments are not excessive. Directors/accountants are advised to submit amendments prior to obligating funds in areas or activities not approved in original or amended budgets.

There are two types of amendments:

Type 1: An amendment that shows a transfer of funds from one account to another, or several accounts, being increased or decreased from one to another. This type of amendment does not increase or decrease the **total** budget.

Type 2: An amendment that shows increases, but no decreases. This type of amendment can only be made after a school district or agency has received additional funds (reallocation). The total of the amended budget in this case would agree with the amount of additional funds received.

Type 1 Amendment:

A district/agency must spend up to their approved total budget amount in each function/object plus 10% of that amount, provided they do not exceed the grand total which is the entitlement budget. Local directors should, when it is determined there will be an excessive variation over 10% in budget function/objects, amend entitlement budgets to conform to the actual pattern of operation. If this amendment is not made, districts will not be reimbursed for expenditures in excess of the 10% deviation.

1) Completion of Budget Amendment

1. To indicate decreases, show amount with parenthesis. Example: (\$500)
2. To indicate increases, show amount only. Example: \$500
3. Increase minus decreases must equal zero (0)
4. A function/object cannot be reduced more than the **current** balance in that account. For example, a district may have \$1000 budgeted for Instructional supplies (100/400). They have already expended and been reimbursed for \$700.

Therefore, they cannot reduce this account more than \$300. In reviewing a budget amendment of this type, the accountant cross-matches amounts indicated on amendment request against computer prints-outs. Should a discrepancy be indicated, the entire amendment will be returned corrections.

5. Sometimes an amendment involves the transfer of funds to or from Capital Outlay. In this case, the indirect cost amount must be considered if there was indirect cost approved in the original budget.

(a) See Sample #2 that shows funds transferred into Capital Outlay.

(b) See Sample #3 that shows funds transferred out of Capital Outlay

In amendments which involve transfer of funds to or from Capital Outlay, amended equipment lists must be submitted indicating deletion of items if amount is decreased or indicating additional items if amount increased.

1. The original and two (2) copies of the required components of the Amendment request should be submitted. The original is marked "Official File Copy" and becomes a part of the application on file in the "Office of Special Education Services. One copy is indicated as "Accounting File Copy". The accountant reviews this copy and submits the budget summary for processing. The other copy is marked "District File copy" and upon approval is mailed to the district superintendent along with approval letter.

2. All copies are mailed to:

Office of Special Education
Services 1429 Senate Street
Room 808 Rutledge Building
Columbia, South Carolina 29201

Type 2 Amendment

These amendments require official notification from the Office of Special Education Services that additional funds are available. With each reallocation, specific forms and instructions are provided.

Examples: carryover, supplemental funds, or corrections.

VIII. EXPENDITURE REPORTS

1. Cost Reimbursement

IDEA entitlement monies are issued on a cost reimbursement basis which means the district must obligate and expend the funds prior to reimbursement. Once the accountant receives a fully signed document, the district may submit expenditure reports against the entitlement account.

2. Retroactive Reimbursement

IDEA funds are retroactive to beginning date on grant document to South Carolina received from the Office of Special Education Programs.

In expending funds for which the district has not received approval, the district is cautioned to verify with the Office of Special Education Services that the activity is indeed an approvable activity under IDEA and will be reimbursable. This verification request should be in written format to the Office of Special Education Services.

3. Frequency of Submission

District should submit quarterly for reimbursement. (October 10, January 10, April 10 and July 30 and October 15). When submitting the last report, districts should mark the report **final**. A final report is the last report of an entitlement that indicates unreported expenditures. A final report for each entitlement cannot be submitted after October 30th of each year.

4. Number of Copies

District must submit the original expenditure report on the form provided by the State Department of Education.

5. Rejection of Expenditure Reports

Should an expenditure report exceed ten percent (10%) of the amount approved in any function/object, the entire report will be rejected and cannot be processed for reimbursement until the error is corrected. An incorrect report will be returned to the district with explanation from Accountant of the type of error. Also, if expenditures are reported in a function/object that has no funds approved in the budget, then the entire report will be rejected and returned for correction.

In those cases where a budget account exceeds ten percent (10%) or has been misreported, the district/agency can:

- 1) resubmit with corrected amount and have district/agency pay difference with other funds, or
- 2) Submit budget amendment, correcting budget account differences (see section – Budget Amendments)

7. Documentation of Expenditure

Districts should not attach documentation of expenditures to expenditure reports. However, proper documentation must be on file for audit purposes and for external audit reports. (see section on External Audits)

8. End-of-Year Unaccounted Balances

After all expenditures have been submitted, a final accounting analysis will be made. At that time if it is found that the total funds remitted to the county treasurer exceed the total expenditures reported, then the unaccounted balance must be refunded. Funds remitted to the county treasurer for reimbursement of an expenditure may be discovered after final approval. For Example, errors in expenditure reporting may be discovered after reimbursement had been made to the agency. Let us assume the agency submitted for \$2000 for 210 Salaries under their entitlement and was reimbursed. It was later discovered the salary should have been paid with other funds. An expenditure report correction is made. However, the district still has a \$2000 unaccounted balance that must be reimbursed. Reimbursements are made to the South Carolina Department of Education along with a statement, as to the entitlement account number refund is correcting.

INSTRUCTIONS FOR COMPLETING EXPENDITURE REPORT FORM FOR PROGRAMS FOR STUDENTS WITH DISABILITIES

1. Enter the last six (6) digits of your project number in the blocks provided.
2. Enter your county number and district number in the blocks provided.
3. Show name of LEA or Agency, and indicate the claim number in the space provided.
4. The Functions and Object of Expenditures are set up on form exactly in the same format as they are on the Entitlement Budget form
5. Expenditure amounts must be entered in the same function-object as approved on your Entitlement Budget.
6. After all expenditure amounts have been entered in function numbers 100 through 225, then total all columns.
7. Apply your approved indirect cost rate to your total expenditures and enter the amount under 420/700 only. Note that the indirect cost rate cannot be applied to capital outlay.
8. After all amounts have been entered, then the grant total.*
9. Complete the bottom left portion of the form showing the name of the person who prepared the form, telephone, the superintendent's signature, and date signed.

10. DO NOT write inside the space located on the bottom right of the form marked “SDE USE ONLY”.

11. An original of the completed form should be mailed to the Office of Finance, Room 307 Rutledge Office Building, 1429 Senate Street, Columbia, South Carolina 29201.

*NOTE: It is not necessary to send in any supporting documentation with your expenditure reports i.e., (payroll breakdown sheets, invoices or copies of contractual agreements). All documentation for expenditures under IDEA, are to be kept on file at the local level (county or district office)

IX. EXTERNAL AUDITS

Regulations/Requirements

State regulations require that ‘an annual audit of all financial records shall be made by a certified or licensed public accountant selected by the district, and a copy of the audit in the format prescribed by the State Department of Education shall be filed with the State Department of Education by December 1 following the close of the fiscal year.’”

All financial activities under IDEA are subject to audit at the local, State, and Federal level. Project expenditure records must be audited locally as a regular part of the local school audit procedures prescribe by State laws or regulations. Agency audit programs should be developed in accordance with generally accepted auditing standards, with due consideration for Federal policies governing the use of IDEA funds as well as State or local policies and procedures. The audit report should include separate financial schedules or statements identifying receipts and expenditures applicable to each specific entitlement with appropriate certification as to the truth of the report.

Reports and workpapers of local audits should be available for review by appropriate State and Federal auditors and should include a description of the method and extent of tests, examinations, and other techniques used in making the required verifications.
(refer to the Single Audit Guide on SCDE website)

Standards

Effective standards for local audits related to specific programs should include as a minimum:

- Sufficient information for the local auditor regarding the requirements and limitations of the program to enable him to certify as to the eligibility of the expenditures report.
- Specific information in the audit report sufficient to permit reconciliation with amounts shown on the records in the State Office and assurance that such reconciliation is actually made.
- Assurance that exceptions reported by the auditor are brought to the attention of officials in the State office responsible for the operation of the program and assurance that appropriate adjustments or other administrative actions are taken by such officials.

Responsibility of State Agency to Provide for an adequate Program

It is the responsibility of the State Education Agency to see the audits performed for local agencies are within State laws and practices and are adequate in terms of the standards and conditions described above, whether conducted by the State agency or by outside auditors. Such audit reports must be made available for use of the State agency and representatives of the Office of Special Education Services.

All such records and documents at the State office will be examined by Office of Finance and Federal auditors.

Single Audit Guide

OMB Circulars

TIME AND EFFORT DOCUMENTATION

Regulations under Appendix C, Part II (B)(10)(b), Education Division General Administrative Regulations (EDGAR), require that:

“Amounts charged to grant programs for personnel services, regardless of whether treated as direct or indirect costs, will be based on payrolls documented and approved in accordance with generally accepted practice of the State and local agency. Payrolls must be supported by time and attendance or equivalent records for individual employees. Salaries and wages of employees chargeable to more than one grant program or other cost objective will be supported by appropriate time distribution records. The method used should produce an equitable distribution of time and effort”

As the majority of salaried positions under IDEA entitlements/grants are one hundred percent (100%) federally funded, these would not need the documentation of time and effort. However, in the event the district/agency has salaried personnel who are partially funded with IDEA entitlement funds, this documentation will be necessary.

Documentation must include information that the employee has worked sufficient hours on the entitlement or grant activities to justify the amount of salary earned from the entitlement or grant. Two sample time and effort sheets included which are based on approved management documents. The agency may use their own documentation for this requirement, but it is recommended that it be based on an approved job description or management tool which describes job responsibilities for staff members.

Samples from the Cost Allocation Guide for State and Local Governments are included in the appendix.

NON-SUPPLANTING

IDEA requires the each LEA use funds provided under Part “B” to supplement and, to the extent practicable, increase the level of State and local funds (300.202).

As the State funds available for programs for children with disabilities are audited by the Office of School District Auditing, determination of compliance with the non-supplanting requirement will be made by the Office. The following procedure has been developed as a mechanism for the SEA to determine compliance with IDEA regarding supplanting:

1. As a condition of receiving IDEA funds, each LEA Superintendent will sign and submit a statement of assurance that the LEA will not supplant State and local funds with IDEA funds. This certification will be submitted as part of the IDEA Entitlement Application.
2. The Office of School District Auditing will, at least every three years, audit each LEA for appropriate use of EFA funds including appropriate utilization of funds generated for programs for children with disabilities.
3. The Office of School District Auditing will provide to the Office of Special Education Services the audit exceptions when they occur. They will provide specific finds/information as an identifier for the Office of Special Education Services to recover funds under IDEA.

4. The final decision for fund recovery and the process shall be made by the State Superintendent of Education.

X. IDEA FISCAL MONITORING PROCEDURES

UNIVERSAL MONITORING

The Individuals with Disabilities Education Act (PL 108-446) requires that the South Carolina Department of Education monitor local education agencies on a regular basis to ensure fiscal compliance with state and federal laws, rules, and regulations that govern the provision of special education and related services to appropriately identified children. The purpose of this monitoring is to focus federal, state, and local resources on improved results for children with disabilities and their families.

STATE AUDIT OF FEDERAL PROGRAMS

Finances play an integral role in support of public education in South Carolina. Accounting practices for each LEA must comply with generally accepted accounting principles, (GAAP) established by the Governmental Accounting Standards Board (GASB). The accounting methods must be capable of producing financial reports that conform with GAAP and the legal requirements of the State of South Carolina.

South Carolina public schools operate on a July 1 to June 30, fiscal year. Each LEA is responsible for submitting the annual single audit report to the Office of Auditing Services by **December 1**. The SCDE requires that annual audits be in conformity with the statewide accounting system and the *SCDE Financial Accounting Handbook*. Appropriate account codes are required for financial data presented in all SCDE supplemental schedules.

- The SDE Office of Auditing Services Internal Auditor conducts an annual review of the audit reports (including single audits) submitted by each LEA.
- The SDE Office of Finance conducts an annual review of audit reports submitted by each LEA.
- The results of these reviews are shared with the SDE OSES for the primary purposes of 1) coordinating the training of LEA personnel in record keeping procedures, 2) incorporating the findings into the IDEA Fiscal Monitoring process, and 3) identifying the level of financial risk in the LEA procedures.

APPLICATION FOR FUNDS

Each LEA must submit an annual application for IDEA funds with the SDE OSES. Each application is reviewed for fiscal compliance in the following areas:

- Allowability. The LEA indicates how IDEA funds will be used.
- Assurances. The LEA provides assurance of compliance with requirements for lobbying (*34 CFR Part 82*); debarment, suspension and other responsibility matters (*34 CFR Part 85*); drug-free workplace (*34 CFR Part 85, subpart F*); IDEA Part B implementation of requirements (*IDEA Amendments of 1997/2004/2008*).
- Budget. The LEA submits a budget for approval. Based on the budget, the LEA may be required to provide additional information related to the purchase of equipment or construction.
- Coordinated Early Intervening Services. The LEA indicates within the application whether funds will be set aside for CEIS, whether this set aside is voluntary or mandatory, and the amount of funds to be used for this purpose.
- Excess Costs. The LEA must provide evidence of the calculation of excess costs as part of the application for funds.
- Maintenance of Effort. The LEA calculates MOE in all four methods annually. As part of the application, the LEA provides an estimated budget of state and local funds used for special education.
- Private School Proportionate Share. The LEA indicates whether the mandatory meetings were held with each eligible private school, and whether the private school will participate in proportionate share services. LEAs with eligible private schools submit their proportionate share calculation as part of the application for funds.

The application for funds is available to the LEA as of July 1 of each year. The deadline for completion is December 31 of each year. The application must be approved by the LEA Business Administrator, the LEA Superintendent or Charter Director, and the SDE OSES Education Associate before the application is considered complete and approved. At this time, the LEA may begin to expend IDEA funds and to request reimbursement after expenditure occurs on the LEA accounting books.

TIER MONITORING

Tier I:

- Review of Budget vs. Expenditure Reports for IDEA and IDEA Preschool. All LEAs are reviewed annually to ensure that LEAs are spending funds in agreement with their approved budget and expenditure codes.

- Direct contact is made with any LEA whose overspent lines total more than 10% of the approved budget, to require that the budget be revised to bring them in line with the standard in EDGAR 80.30.

“Failure to provide the information necessary may result in sanctions, including, but not limited to onsite fiscal monitoring; onsite programmatic monitoring; a lowered IDEA determination, as outlined by 34 C.F.R. §§ 300.600, 300.604, and 300.608; findings of noncompliance, as outlined by 34 C.F.R. § 300.600(e); withholding, recouping, and/or redirecting the use of funds pursuant to the Education Department General Administrative Regulations (EDGAR) 34 C.F.R. § 80.43; recovering funds under Section 452 of the general Education Provisions; and/or referring the matter for appropriate enforcement actions.”

Tier II:

- An IDEA Desk Audit is completed by all LEAs, charter schools and state agency operated programs every three years. *Thirty (30) IDEA Desk Audits are submitted and reviewed annually. The IDEA Desk Audit addresses Time and Effort, Equipment (purchase and inventory), Maintenance of Fiscal Effort and Excess Cost.
- A copy of the Desk Audit review is mailed to the LEA, charter school and state agency operated program within ninety (90) days of receipt of audit documentation.

* A random sample of LEAs, Charter School District and state-agency operated programs participate annually. (Desk Audit Rubric Attached)

“Failure to provide the information necessary may result in sanctions, including, but not limited to onsite fiscal monitoring; onsite programmatic monitoring; a lowered IDEA determination, as outlined by 34 C.F.R. §§ 300.600, 300.604, and 300.608; findings of noncompliance, as outlined by 34 C.F.R. § 300.600(e); withholding, recouping, and/or redirecting the use of funds pursuant to the Education Department General Administrative Regulations (EDGAR) 34 C.F.R. § 80.43; recovering funds under Section 452 of the general Education Provisions; and/or referring the matter for appropriate enforcement actions.”

Tier III:

- Ten (10) IDEA Fiscal Monitoring On-site Visits are completed annually. The following risk-based criteria are used to determine on-site visit sites:
 - Findings from the IDEA Desk Audit
 - Annual LEA Single Audit Findings
 - LEA Special Education Administrator turn-over
 - SEA identified potential fiscal issues
- A summary report with any required actions is kept on file with the Office of Special Education Services and mailed to the LEA, Charter School District, and state agency operated program within sixty (60) business days after the on-site visit.(Onsite Fiscal Monitoring Worksheet Attached)

“Failure to provide the information necessary may result in sanctions, including, but not limited to onsite fiscal monitoring; onsite programmatic monitoring; a lowered IDEA determination, as outlined by 34 C.F.R. §§ 300.600, 300.604, and 300.608; findings of noncompliance, as outlined by 34 C.F.R. § 300.600(e); withholding, recouping, and/or redirecting the use of funds pursuant to the Education Department General Administrative Regulations (EDGAR) 34 C.F.R. § 80.43; recovering funds under Section 452 of the general Education Provisions; and/or referring the matter for appropriate enforcement actions.”

The fiscal practices of subrecipients of IDEA funds (LEAs or other subrecipients) will be monitored based on areas of risk identified through the audit review, onsite visits, concerns brought to the attention of OSES staff, and monitoring requirements detailed in EDGAR or OMB circulars. The intent of the monitoring is to ensure that all subrecipients have internal controls in place to monitor their use of IDEA funds.

The following pages list selected requirements from multiple Federal sources that should be considered when conducting fiscal monitoring of local educational agencies (LEAs). The OSES uses this list as a guiding document in IDEA Fiscal Monitoring. Items marked with a ✓ are tested at some point in the OSES IDEA Application and/or Fiscal Monitoring Process.

APPENDICES

Appendix A:	IDEA Fiscal Desk Audit Rubric
Appendix B:	IDEA Audit Guide Document (203 and 205)
Appendix C:	IDEA Fiscal Monitoring Worksheet
Appendix D:	Time and Effort Guidance
Appendix E:	EDGAR 80.3 and 80.32
Appendix F:	IDEA Sample Award Letter and Grant Award Notification (GAN)
Appendix G:	Sample SDE Assurances
Appendix H:	Sample IDEA Assurances
Appendix I:	Sample Lobbying Statement
Appendix J:	Sample IDEA Narrative Part II.
Appendix K:	Sample IDEA Budget Report
Appendix L:	Sample IDEA Fiscal Section Part III.
Appendix M:	Sample IDEA MOE Compliance Worksheet

Title 34: Education

Subtitle A: Office of the Secretary, Department of Education

:

UNIFORM ADMINISTRATIVE REQUIREMENTS FOR GRANTS AND COOPERATIVE AGREEMENTS TO STATE AND LOCAL GOVERNMENTS

Subpart A: General

80.3 - Definitions.

As used in this part:

Accrued expenditures mean the charges incurred by the grantee during a given period requiring the provision of funds for:

- (1) Goods and other tangible property received;
- (2) Services performed by employees, contractors, subgrantees, subcontractors, and other payees; and
- (3) Other amounts becoming owed under programs for which no current services or performance is required, such as annuities, insurance claims, and other benefit payments.

Accrued income means the sum of:

- (1) Earnings during a given period from services performed by the grantee and goods and other tangible property delivered to purchasers, and
- (2) Amounts becoming owed to the grantee for which no current services or performance is required by the grantee.

Acquisition cost of an item of purchased equipment means the net invoice unit price of the property including the cost of modifications, attachments, accessories, or auxiliary apparatus necessary to make the property usable for the purpose for which it was acquired. Other charges such as the cost of installation, transportation, taxes, duty or protective in-transit insurance, shall be included or excluded from the unit acquisition cost in accordance with the grantee's regular accounting practices.

Administrative requirements mean those matters common to grants in general, such as financial management, kinds and frequency of reports, and retention of records. These are distinguished from programmatic requirements, which concern matters that can be treated only on a program-by-program or grant-by-grant basis, such as kinds of activities that can be supported by grants under a particular program.

Awarding agency means (1) with respect to a grant, the Federal agency, and (2) with respect to a subgrant, the party that awarded the subgrant.

Cash contributions means the grantee's cash outlay, including the outlay of money contributed to the grantee or subgrantee by other public agencies and institutions, and private organizations and individuals. When authorized by Federal legislation, Federal funds received from other assistance agreements may be considered as grantee or subgrantee cash contributions.

Contract means (except as used in the definitions for grant and subgrant in this section and except where qualified by Federal) a procurement contract under a grant or subgrant, and means a procurement subcontract under a contract.

Cost sharing or matching means the value of the third party in-kind contributions and the portion of the costs of a federally assisted project or program not borne by the Federal Government.

Cost-type contract means a contract or subcontract under a grant in which the contractor or subcontractor is paid on the basis of the costs it incurs, with or without a fee.

Equipment means tangible, nonexpendable, personal property having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit. A grantee may use its own definition of equipment provided that such definition would at least include all equipment defined above.

Expenditure report means:

- (1) For nonconstruction grants, the SF-269 Financial Status Report (or other equivalent report);
- (2) For construction grants, the SF-271 Outlay Report and Request for Reimbursement? (or other equivalent report).

Federally recognized Indian tribal government means the governing body or a governmental agency of any Indian tribe, band, nation, or other organized group or community (including any Native village as defined in section 3 of the Alaska Native Claims Settlement Act, 85 Stat 688) certified by the Secretary of the Interior as eligible for the special programs and services provided by him through the Bureau of Indian Affairs.

Government means a State or local government or a federally recognized Indian tribal government.

Grant means an award of financial assistance, including cooperative agreements, in the form of money, or property in lieu of money, by the Federal Government to an eligible grantee. The term does not include technical assistance which provides services instead of money, or other assistance in the form of revenue sharing, loans, loan guarantees, interest subsidies, insurance, or direct appropriations. Also, the term does not include assistance, such as a fellowship or other lump sum award, which the grantee is not required to account for.

Grantee means the government to which a grant is awarded and which is accountable for the use of the funds provided. The grantee is the entire legal entity even if only a particular component of the entity is designated in the grant award document.

Local government means a county, municipality, city, town, township, local public authority (including any public and Indian housing agency under the United States Housing Act of 1937) school district, special district, intrastate district, council of governments (whether or not incorporated as a nonprofit corporation under state law), any other regional or interstate government entity, or any agency or instrumentality of a local government.

Obligations means the amounts of orders placed, contracts and subgrants awarded, goods and services received, and similar transactions during a given period that will require payment by the grantee during the same or a future period.

OMB means the United States Office of Management and Budget.

Outlays (expenditures) mean charges made to the project or program. They may be reported on a cash or accrual basis. For reports prepared on a cash basis, outlays are the sum of actual cash disbursement for direct charges for goods and services, the amount of indirect expense incurred, the value of in-kind contributions applied, and the amount of cash advances and payments made to contractors and subgrantees. For reports prepared on an accrued expenditure basis, outlays are the sum of actual cash disbursements, the amount of indirect expense incurred, the value of in-kind contributions applied, and the new increase (or decrease) in the amounts owed by the grantee for goods and other property received, for services performed by employees, contractors, subgrantees, subcontractors, and other payees, and other amounts becoming owed under programs for which no current services or performance are required, such as annuities, insurance claims, and other benefit payments.

Percentage of completion method refers to a system under which payments are made for construction work according to the percentage of completion of the work, rather than to the grantee's cost incurred.

Prior approval means documentation evidencing consent prior to incurring specific cost.

Real property means land, including land improvements, structures and appurtenances thereto, excluding movable machinery and equipment.

Share, when referring to the awarding agency's portion of real property, equipment or supplies, means the same percentage as the awarding agency's portion of the acquiring party's total costs under the grant to which the acquisition costs under the grant to which the acquisition cost of the property was charged. Only costs are to be counted not the value of third-party in-kind contributions.

State means any of the several States of the United States, the District of Columbia, the Commonwealth of Puerto Rico, any territory or possession of the United States, or any agency or instrumentality of a State exclusive of local governments. The term does not include any public

and Indian housing agency under United States Housing Act of 1937.

(1) The definition of State in this section is used for the purpose of determining the scope of part 80 regulations. Some program regulations contain different definitions for State based on program statute eligibility requirements.

Subgrant means an award of financial assistance in the form of money, or property in lieu of money, made under a grant by a grantee to an eligible subgrantee. The term includes financial assistance when provided by contractual legal agreement, but does not include procurement purchases, nor does it include any form of assistance which is excluded from the definition of grant in this part.

Subgrantee means the government or other legal entity to which a subgrant is awarded and which is accountable to the grantee for the use of the funds provided.

Supplies means all tangible personal property other than equipment as defined in this part.

Suspension means depending on the context, either (1) temporary withdrawal of the authority to obligate grant funds pending corrective action by the grantee or subgrantee or a decision to terminate the grant, or (2) an action taken by a suspending official in accordance with agency regulations implementing E.O. 12549 to immediately exclude a person from participating in grant transactions for a period, pending completion of an investigation and such legal or debarment proceedings as may ensue.

Termination means permanent withdrawal of the authority to obligate previously-awarded grant funds before that authority would otherwise expire. It also means the voluntary relinquishment of that authority by the grantee or subgrantee. Termination does not include:

- (1) Withdrawal of funds awarded on the basis of the grantee's underestimate of the unobligated balance in a prior period;
- (2) Withdrawal of the unobligated balance as of the expiration of a grant;
- (3) Refusal to extend a grant or award additional funds, to make a competing or noncompeting continuation, renewal, extension, or supplemental award; or
- (4) Voiding of a grant upon determination that the award was obtained fraudulently, or was otherwise illegal or invalid from inception.

Terms of a grant or subgrant mean all requirements of the grant or subgrant, whether in statute, regulations, or the award document.

Third party in-kind contributions mean property or services which benefit a federally assisted project or program and which are contributed by non-Federal third parties without charge to the grantee, or a cost-type contractor under the grant agreement.

Unliquidated obligations for reports prepared on a cash basis mean the amount of obligations incurred by the grantee that has not been paid. For reports prepared on an accrued expenditure basis, they represent the amount of obligations incurred by the grantee for which an outlay has not been recorded.

Unobligated balance means the portion of the funds authorized by the Federal agency that has not been obligated by the grantee and is determined by deducting the cumulative obligations from the cumulative funds authorized.

(Authority: 20 U.S.C. 3474; OMB Circular A-102)

[53 FR 8071 and 8087, Mar. 11, 1988, as amended at 53 FR 8072, Mar. 11, 1988]

Title 34: Education

Subtitle A: Office of the Secretary, Department of Education

:

UNIFORM ADMINISTRATIVE REQUIREMENTS FOR GRANTS AND COOPERATIVE AGREEMENTS TO STATE AND LOCAL GOVERNMENTS

Subpart C: Post-Award Requirements

: Changes, Property, and Subawards

80.32 - Equipment.

(a) Title. Subject to the obligations and conditions set forth in this section, title to equipment acquired under a grant or subgrant will vest upon acquisition in the grantee or subgrantee respectively.

(b) States. A State will use, manage, and dispose of equipment acquired under a grant by the State in accordance with State laws and procedures. Other grantees and subgrantees will follow paragraphs (c) through (e) of this section.

(c) Use. (1) Equipment shall be used by the grantee or subgrantee in the program or project for which it was acquired as long as needed, whether or not the project or program continues to be supported by Federal funds. When no longer needed for the original program or project, the equipment may be used in other activities currently or previously supported by a Federal agency.

(2) The grantee or subgrantee shall also make equipment available for use on other projects or programs currently or previously supported by the Federal Government, providing such use will not interfere with the work on the projects or program for which it was originally acquired. First preference for other use shall be given to other programs or projects supported by the awarding agency. User fees should be considered if appropriate.

(3) Notwithstanding the encouragement in 80.25(a) to earn program income, the grantee or subgrantee must not use equipment acquired with grant funds to provide services for a fee to compete unfairly with private companies that provide equivalent services, unless specifically permitted or contemplated by Federal statute.

(4) When acquiring replacement equipment, the grantee or subgrantee may use the equipment to be replaced as a trade-in or sell the property and use the proceeds to offset the cost of the replacement property, subject to the approval of the awarding agency.

(d) Management requirements. Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

(1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

(2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.

(3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated.

(4) Adequate maintenance procedures must be developed to keep the property in good condition.

(5) If the grantee or subgrantee is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return.

(e) Disposition. When original or replacement equipment acquired under a grant or subgrant is no longer needed for the original project or program or for other activities currently or previously supported by a Federal agency, disposition of the equipment will be made as follows:

(1) Items of equipment with a current per-unit fair market value of less than \$5,000 may be retained, sold or otherwise disposed of with no further obligation to the awarding agency.

(2) Items of equipment with a current per unit fair market value in excess of \$5,000 may be retained or sold and the awarding agency shall have a right to an amount calculated by multiplying the current market value or proceeds from sale by the awarding agency's share of the equipment.

(3) In cases where a grantee or subgrantee fails to take appropriate disposition actions, the awarding agency may direct the grantee or subgrantee to take excess and disposition actions.

(f) Federal equipment. In the event a grantee or subgrantee is provided federally-owned equipment:

(1) Title will remain vested in the Federal Government.

(2) Grantees or subgrantees will manage the equipment in accordance with Federal agency rules and procedures, and submit an annual inventory listing.

(3) When the equipment is no longer needed, the grantee or subgrantee will request disposition instructions from the Federal agency.

(g) Right to transfer title. The Federal awarding agency may reserve the right to transfer title to the Federal Government or a third part named by the awarding agency when such a third party is otherwise eligible under existing statutes. Such transfers shall be subject to the following standards:

(1) The property shall be identified in the grant or otherwise made known to the grantee in writing.

(2) The Federal awarding agency shall issue disposition instruction within 120 calendar days after the end of the Federal support of the project for which it was acquired. If the Federal awarding agency fails to issue disposition instructions within the 120 calendar-day period the grantee shall follow 80.32(e).

(3) When title to equipment is transferred, the grantee shall be paid an amount calculated by applying the percentage of participation in the purchase to the current fair market value of the property.

(h) The provisions of paragraphs (c), (d), (e), and (g) of this section do not apply to disaster assistance under 20 U.S.C. 241-1(b)-(c) and the construction provisions of the Impact Aid Program, 20 U.S.C. 631-647.

(Approved by the Office of Management and Budget under control number 1880-0517)

(Authority: 20 U.S.C. 3474; OMB Circular A-102)

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