



**“Making Education Work for All Georgians”**

# **Handbook for Special Education Directors: Fiscal Compliance and Accountability**

## **Second Edition**

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## Preface

The purpose of this handbook is to provide a reference for the fiscal requirements and procedures necessary for responsible financial management of the Division for Special Education Services and Supports (Division) administered federal and state grants. It may be used as an educational tool for new special education personnel and as a reference guide for the experienced special education personnel. The intent is to assist grant recipients to ensure accountability for federal and state special education funds as prescribed by law. It is expected that these grants will be administered in accordance with generally accepted business practices, exercising prudent judgment so as to maintain proper stewardship of taxpayer dollars. This includes using fiscal internal controls and grant accounting procedures that insure proper disbursement of and accounting for federal and state funds.

The United States Education Department General Administrative Regulations (EDGAR) contains the general requirements for administering grants. The most recent version of the regulations (34 CFR §74-99) may be accessed at the website the United States Government Printing Office has established at: <http://www.access.gpo.gov/cgi-bin/cfrassemble.cgi?title=200834>.

In addition, this handbook references the Code of Federal Regulations, the United States Code, the Catalog of Federal Domestic Assistance, the Single Audit Act as amended, Office of Management and Budget (OMB) Circulars, General Education Provisions Act (GEPA), the Georgia Uniform Financial Accounting Requirements, and the Georgia Statutes and Administrative Codes. Since this handbook cannot be all-inclusive, refer to specific legislation and regulations as needed.

In general, each state must account for its grants and funds in accordance with its laws and procedures that apply to the expenditure of and the accounting for its funds. Procedures must be sufficient to permit preparation of reports that are required as well as provide the tracing of expenditures to a level adequate to establish that awarded funds have not been used in violation of applicable statutory restrictions or prohibitions. This handbook applies to all political subdivisions of the state that are involved in the education of children with disabilities including the State education agency, local educational agencies, state and public charter schools, state schools and other state agencies (Departments of Correction, Juvenile Justice, Mental Health and Developmental Disabilities, Human Resources, and Labor). All shall be referred to as local educational agencies or LEAs within this handbook.

Constructive suggestions from users of the handbook have been most helpful and are always welcomed.

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# **PART A – GENERAL INFORMATION**

## **INTRODUCTION**

The No Child Left Behind Act of 2001 (NCLB) significantly raised expectations for states, local educational agencies (LEAs), and schools in that all students will meet or exceed state standards in reading and mathematics by 2014. Prior to reauthorization of the Individuals with Disabilities Education Improvement Act of 2004 (IDEA 2004), the Presidential Commission on Excellence in Special Education Report (2002) promoted similar accountability standards by recommending alignment with NCLB. On December 3, 2004, President Bush signed the Individuals with Disabilities Education Improvement Act of 2004 (IDEA), Public Law 108 - 446 amending the 1997 IDEA. On August 14, 2006, the U.S. Department of Education (US ED) issued final regulations, effective October 13, 2006, regarding IDEA provisions for special education and related services for the nation's public preschool, elementary and secondary schools.

IDEA 2004 incorporated the Annual Yearly Progress (AYP) provisions for special education by collecting and reporting performance information based on goals and indicators to the public annually and by requiring compliance based on these goals and indicators. The law required that each state set high academic standards and implement an extensive student assessment program that is aligned with state standards and measures student proficiency of the standards. LEAs moved toward this goal by reporting AYP with all students and all disaggregated groups of students. Achievement data was disaggregated by race/ethnicity, socioeconomic status, disability, and language proficiency.

State and LEA special education plans had to show how funds were to be expended consistent with the fiscal and administrative requirements of the statute. Thus, most LEAs had to review and revise some of their policies, practices and procedures to realign with the new state policies due to the new IDEA 2004 requirements. One of the most cumbersome administrative charges imposed by IDEA was the new record keeping requirements. States and LEAs have to gather, track and report certain statistical information annually on the performances of students with disabilities through an LEA data profile that is reported to the public.

The blend of these two massive pieces of federal legislation brought significant changes and accountability for all LEAs to ensure that all children are educated to standard levels of proficiency. The intent of this handbook is to provide helpful guidance and understanding of the fiscal compliance and accountability requirements for special education federal and state grants to ensure educational results for students with disabilities.

# **Special Education Fiscal Compliance and Accountability Overview and Authority**

Georgia's fiscal management requirements are based on the United States Department of Education's General Administrative Regulations (EDGAR) which is the general administration requirements applied to all federal funds and the state supervision requirements under the IDEA which can be found at <http://www.idea.ed.gov/explore/home>. Specific citations for the various areas are shown below:

## **IDEA Flow-through Funds**

- LEA Application and Assurances [34 CFR §300.200, EDGAR 34 CFR §76.400 - 76.401]

## **Allowable Activities**

- Ensure LEAs use IDEA funds to pay for allowable activities of providing special education and related services [34 CFR §300.16 & 300.202; OMB Circular A-87 and A-133]

## **Allowable Costs/Cost Principles**

- Ensure LEAs use IDEA funds to pay excess costs of providing special education and related services [34 CFR §300.16 & 300.202; OMB Circular A-133]
- Ensure that costs are necessary, reasonable and allocable [OMB Circular A-87, EDGAR 34 CFR §80.22]

## **Maintenance of Effort**

- Ensure LEAs Maintain Effort, including exceptions and adjustments to MOE [34 CFR §300.203 - 300.205]
- Prohibit reduction in MOE if LEA has not met Part B requirements [34 CFR §300.608(a)]

## **Supplement not Supplant**

- Ensure IDEA funds supplement and not supplant the level of other federal, state and local funds [34 CFR §300.162(c), 300.202(a)(3)]
- Ensure LEAs do not commingle IDEA funds with state funds and expend funds appropriately [34 CFR §300.162(b)]

## **Excess Costs**

- Complete Annual A-133 Audit [EDGAR 34 CFR §80.26 & OMB Circular A-133; 34 CFR §300.16 & .202; Appendix A to Part 300]

## **Equitable Services (Proportionate Share for Eligible Private School Students with Disabilities)**

- Determination of LEAs proportionate share of IDEA funds to be spent on equitable services [34 CFR §300.133]
- Ensure proportionate share funds do not benefit a private school [34 CFR §300.141]
- Ensure appropriate use of public and private school personnel to provide equitable services [34 CFR §300.142]
- Ensure proportionate share funds remain in control of LEA [34 CFR §300.144(a)]

## **Coordinated Early Intervening Services (CEIS)**

- Provide guidance in tracking and using CEIS funds [34 CFR §300.226]
- Require reporting on CEIS [34 CFR §300.226(d)]
- Direct the use of 15% of LEA IDEA allocation for CEIS when significant disproportionality is identified [34 CFR §300.646(b)(2)]

## **Local Charter Schools Treated as a Public School**

- Ensure students with disabilities in local charter schools are served in the same manner as the public school students with disabilities including providing supplementary and related services on site at the charter schools to the same extent as other public schools [34 CFR §300.209(b)(i)]
- Ensure to provide funds under IDEA Part B to local charter schools as is provided other public schools and at the same time the LEA distributes federal funds to its other public schools [34 CFR §300.209(b)(ii)]

## **High Cost Risk Pool Funds**

- Assist LEAs to address the needs of high need students with disabilities [34 CFR §300.704(c)(1)]
- Ensure that the cost of the high need student is greater than three (3) times the average per pupil expenditure in Georgia [34 CFR §300.704(c)(3)(i)(A)(2)]
- Establish eligibility criteria for participation of LEAs [34 CFR §300.704(c)(3)(i)(B)]

## **Additional Fiscal Requirements**

- Equipment/Inventory Control [EDGAR 34 CFR §80.32-80.33]
- Financial Management Systems [EDGAR 34 CFR §80.20 & EDGAR 34 CFR §76.702]
- Time and Effort [OMB Circular A-87]
- Timely Obligation and Liquidation [EDGAR 34 CFR §76.703, 76.707-76.710 & 34 CFR §80.23]
- Single Audit Requirements [OMB Circular A-133]
- LEA Policies, Practices, and Procedures [34 CFR §300.201]
- Financial Management for Georgia Local Units of Administration (LUA) [access at [GaDOE.org/Finance and Business Operations/Financial Review](http://GaDOE.org/Finance%20and%20Business%20Operations/Financial%20Review)]

## PURPOSE

The provisions of IDEA 2004, with respect to the right of a free appropriate public education (FAPE) and all other rights and protections for students with disabilities and their parents, are applicable to all local education agencies (LEAs) to include state schools, state charter schools and other state operated programs to the extent that students with disabilities are enrolled. Under supervision of the Georgia Department of Education (Department), Division for Special Education Services and Supports (Division), the provisions of these procedures shall apply to all such agencies (hereafter referred to as LEAs).

To receive IDEA grant funds, each LEA must submit an annual Comprehensive Plan for Special Education and Related Services to serve all eligible students with disabilities ages 3 through 21 (34 CFR §300.200), including parentally-placed private and home school students and those in local jails within the LEA's jurisdiction (State Board Rule 160-4-7-.17). The federal flow-through funds are used to:

- Ensure that all children with disabilities have available to them a free appropriate public education that emphasizes special education and related services designed to meet their unique needs and prepare them for further education, employment and independent living;
- Ensure that the rights of students with disabilities and their parents are protected;
- Enhance ongoing learning for parents, teachers, paraprofessionals, and instructional staff in conjunction with the Georgia Learning Resources System (GLRS) personnel;
- Provide LEAs support services and/or technical assistance to students, parents, and instructional staffs through Georgia's Project for Assistive Technology (GPAT), Georgia's Instructional Materials Center (GIMC), the Georgia's Network for Educational and Therapeutic Support (GNETS), and the Positive Behavioral Supports (PBS) program.
- Assess and ensure the effectiveness of efforts to educate children with disabilities.

## STATUTES/REGULATIONS

**Federal:** 20 United States Code 1400, et seq., the Individuals with Disabilities Education Improvement Act of 2004 - P.L. 108-446 and 34 CFR Part 300, et seq., establish the authority and parameters for these procedures.

**State:** O.C.G.A. 20-2-152 et seq., Georgia State Board of Education Policy IDDF and Rules 160-4-7-.01 et seq. mandate programs and services for students with disabilities enrolled in the public and private schools of Georgia. Board Rule 160-4-7-.17 *Required Reports* states that:

The Consolidated Application is due annually. The Comprehensive LEA Improvement Plan (CLIP), a part of the Consolidated Application, is due every three years with required annual updates of progress and activities toward meeting the IDEA performance goals and indicators. The application for federal funds under Part B of IDEA 2004 and state funds for preschool special education is contained in the Consolidated Application. Similar application procedures for GLRS and GNETS programs occur annually. Failure to submit all required components could result in a delay of funding approval.



# CATALOG OF FEDERAL DOMESTIC ASSISTANCE

The Catalog of Federal Domestic Assistance is a government-wide classification system of all Federal programs, projects, services, and activities that provide assistance or benefits to the American public. It contains financial and nonfinancial assistance programs administered by departments and establishments of the Federal government. Programs selected for inclusion in the Federal assistance data base are defined as any function of a Federal agency that provides assistance or benefits for a State or States, territorial possession, county, city, other political subdivision, grouping, or instrumentality thereof; any domestic profit or nonprofit corporation, institution, or individual, other than an agency of the Federal government. There are over 2000 federal listings available and the following are citations for the IDEA special education programs with the subprogram number to distinguish it from other federal programs.

| <b>Catalog of Federal Domestic Assistance Program</b>  | <b>Subprogram Number</b> |
|--|--------------------------|
| IDEA, Part B, Section 611 – Flow-through Grant (includes High Cost Fund and Parent Mentor Grant) | 84. 027A                 |
| IDEA, Part B, Section 619 – Preschool Grant  | 84. 173                  |
| State Personnel Development Grant  | 84.323A                  |
| IDEA, Part B, Section 611 - Stimulus Flow-through Grant  | 84.391A                  |
| IDEA, Part B, Section 619 – Stimulus Preschool Grant   | 84.392A                  |

## DISTRIBUTION OF FUNDS

### FEDERAL DISTRIBUTION OF FUNDS

**IDEA Flow-through Grants, Part B, Section 611** establishes a formula for grant awards as described in 34 CFR §300.703. After reserving up to approximately 3% for technical assistance activities, outlying areas and states and the Department of the Interior for Indian Tribes, the remaining amount is allocated to states. If the state allocation is greater than the preceding fiscal year, each state is allocated what it received for FY 1999 with any remaining amounts divided among states according to their relative population of all children aged 3-21 at 85% and those living in poverty at 15%. If there is a decrease in funding but an amount greater than FY 1999 then each state is allocated an amount equal to what it received in FY 1999 with any remaining funds divided proportionally based on the increase it received between the prior fiscal year allocation over the FY 1999 level compared to the total of such increase for all states. If there is a decrease equal to or lesser than the FY 1999 amount, each state would receive the FY 1999 amount or ratably reduced amount respectively.

**American Recovery and Reinvestment Act (ARRA) of 2009** – The ARRA IDEA, Part B funds are a supplemental appropriation to the annual IDEA Flow-through and Preschool Grants to States for FY 2010 with a September 30, 2011 completion date. The overall goals of the American Reinvestment and

Recovery Act (ARRA) are to stimulate the economy in the short term, invest in education and other essential public services, ensure the long-term economic health of our nation, spend funds quickly and create jobs, improve student achievement through school improvement and reform, ensure transparency, reporting and accountability, and to invest one-time ARRA funds thoughtfully to minimize the “funding cliff”.

## **STATE DISTRIBUTION OF FEDERAL FUNDS**

**IDEA Flow-through Grant**, Part B, Section 611 of IDEA 2004 requires that after withholding about 10% of the total grant for state administration and discretionary funds for statewide initiatives, all remaining funds be distributed as follows:

The State shall first award each local education agency the amount that agency would have received for FY 1999, if the State had distributed 75% of its grant for that year. After making this base allocation, the State shall allocate 85% of any remaining funds on a basis of relative numbers of children enrolled in public and private elementary and secondary schools within the agency’s jurisdiction and allocate 15% of those remaining funds to those agencies in accordance with their relative numbers of children living in poverty. Free and reduced lunch figures from the previous full time equivalency (FTE – 1) count are utilized to define poverty for each agency (34 CFR §300.705).

**IDEA Preschool Grant**, Part B, Section 619 of the IDEA 2004 requires that from FY 1997 forward, funds be distributed as follows:

The State shall first award each agency the amount that agency would have received for FY 1997 if the State had distributed 75% of its grant for that year. After making the base allocation, the State shall allocate 85% of any remaining funds on a basis of relative numbers of children enrolled in public and private elementary and secondary schools within the agency’s jurisdiction; and allocate 15% of those remaining funds to those agencies in accordance with their relative numbers of children living in poverty. Free and reduced lunch figures from FTE - 1 are utilized to define poverty for each agency (34 CFR §300.816).

**American Recovery and Reinvestment Act (ARRA) of 2009 grants for IDEA Flow-through and Preschool Stimulus Funds** required that the state allocate 85% of these supplementary funds on a basis of relative numbers of children enrolled in public and private elementary and secondary schools within the agency’s jurisdiction and allocates 15% of those remaining funds to those agencies in accordance with their relative numbers of children living in poverty. Projects or activities must be completed and a report on the use of the funds will be made available to the public ([www.Recovery.gov](http://www.Recovery.gov)). Quarterly reports shall be completed no later than ten calendar days after the quarter beginning with July 10, 2009. At a minimum, systems should anticipate reporting:

- the total amount of ARRA funds received and expended or obligated;
- the name, description and evaluation of the project or activities completion status; and an estimate of the number of jobs that were saved or created with the funds.

## **DISTRIBUTION OF GNETS, STATE PRESCHOOL AND OTHER STATE GRANT FUNDS**

The Georgia General Assembly annually appropriates funds for GNETS, the state preschool program and for other grants for students with disabilities. The Department calculates each grant award based on the number of students who are provided services utilizing a modified Quality Basic Education (QBE) formula. In addition, other state grant applications are accepted, reviewed and approved based on its purposes – Grants for Residential and Reintegration Service (GRRS) and Other State Agencies (Rule 10).

## **LEA ALLOCATIONS**

Federal allocations to LEAs are based on a formula provided in the regulations (34 CFR §300.705). The United States Department of Education (US ED), Office of Special Education Programs (OSEP) sends the state allocation to each State educational agency (SEA) in the winter. A restricted set aside amount (about 10%) for state discretionary and administration is deducted from the IDEA grant with the remaining funds (90%) distributed to LEAs. The LEA formula has three parts - a base allocation of 75% of the FY 1999 allocation amount with any remaining funds for flow-through being distributed based on each LEA's general population (85%) and poverty (15%). The general population includes all private and public elementary and secondary students in the state from FTE-1. Poverty is defined as the free and reduced lunch data from FTE-1.

Federal allocations for GNETS and GLRS programs are based on the number of students with disabilities served within their geographic region. All allocations are presented to the State Board of Education (SBOE) for approval at its June meeting. Official allocations are posted on the Division's website following SBOE approval. IDEA provides for a Section 611, Part B Flow-through award and Section 619, Part B Preschool award. In addition, the American Recovery and Reinvestment Act (ARRA) of 2009 provided supplemental ARRA IDEA Flow-through and Preschool awards for FY 2010. The allocations can be found at: [http://www.gadoe.org/ci\\_exceptional.aspx](http://www.gadoe.org/ci_exceptional.aspx). In addition, a High Cost Fund (HCF) grant application is posted on the Division website in December with an April due date.

Distribution of state funds appropriated by the General Assembly for GNETS and the State preschool program for students with disabilities is based on the number of students who received services. A modified state formula is used for the calculation of these allocations. In addition, state applications for the Grant for Residential and Reintegration Services (GRRS) and Other State Agencies Grant, are reviewed and approved for allocation to LEAs. The GRRS grant is posted on the website in December with a March due date.

## **IDEA FISCAL REQUIREMENTS**

IDEA provides several fiscal requirements which affect the LEA application and approval process. These include the maintenance of effort, excess cost, supplement not supplant and the commingling of funds requirements which are summarized below. The Division's Budget Program Specialist presents these fiscal management requirements at the Special Education Spring Meeting and to new LEA personnel in September.

## **IDEA MAINTENANCE OF EFFORT (MOE)**

The term Maintenance of Effort or MOE is a federal requirement for many federally funded programs to ensure that the level of state and local funding is met by state (SEA) and local educational agencies (LEA). Failure to meet MOE requirements may result in a reduction of funding to the state or a risk to LEAs in repaying funds, using non-federal resources, to the state which is required to send these funds back to the US Department of Education.

At the state level, IDEA prohibits a state from reducing state financial support for special education and related services below the amount from the preceding fiscal year (300.163). This state support includes the special education funding appropriation as well as special education support provided by the Departments of Correction, Labor, Human Resources and Mental Health/Developmental Disabilities.

At the local level, IDEA requires for the purposes of establishing eligibility that the LEA budgets at least the same total or per capita amount from local funds only or a combination of state and local funds as the LEA spent for the most recent prior year for which information is available (300.203). For compliance or audit purposes, the LEA must not reduce the level of expenditures for special education below the level of those expenditures for the preceding fiscal year.

- The Office of Finance and Business Operations (FBO) provides the Division with the latest aggregate expenditures of state/local or local only special education funds to determine if this MOE standard is met. In FY 2012 projected budget, MOE eligibility was based on FY2011 expenditures and compliance MOE compared FY2011 to FY2010 special education expenditures.

If an LEA fails to meet the MOE standard for the aggregate or per pupil expenditures of state/local or local only special education funds, an LEA may reduce its level of expenditures where such reduction is attributable to the following MOE exceptions:

- The voluntary departure, by retirement or otherwise, of special education personnel;
- The termination of the LEA's obligation to provide a program to a student with a disability that is an exceptionally high cost program because the student has left the LEA, reached the maximum age or no longer needs the program;
- The termination of costly expenditures for equipment or construction of schools; and,
- The amount of the 50% reduction in local effort if the LEA's initial IDEA, Section 611 allocation was greater than the previous year's initial allocation.

The MOE Correction and/or Exception to the Local MOE form must be copied, completed and placed in the Upload File in the Program Information tab before the IDEA budget can be reviewed and approved. If the LEA does not meet the MOE requirement with the above exceptions, the LEA must repay the difference to the state with non-federal funds.

## **EXCESS COST**

IDEA funds provided to LEAs may be used only to pay the excess costs of providing special education and related services to children with disabilities. Excess costs are those costs for the education of an

elementary or secondary school student with a disability that are in excess of the average annual per regular student expenditure in an LEA during the preceding school year. An LEA must spend at least the average annual per student expenditure on the education of an elementary or secondary school student with a disability **before** IDEA funds are used to pay the excess costs of providing special education and related services. The LEAs are required to compute the minimum average amount separately for students with disabilities in its elementary or secondary schools (34 CFR 300.16). This amount is calculated by the Department based on the most current expenditure reports. The combined enrollments may not be used to compute this average. The method for calculation of excess cost is available in the regulations at Appendix A of part 300 or at:

<http://www.ed.gov/policy/fund/reg/edgarReg/edgar.html>.

## **SUPPLEMENT NOT SUPPLANT**

A local educational agency (LEA) may use IDEA funds only to supplement and not supplant federal, state and local funds. However, if the LEA meets or exceeds its level of state and local expenditures for special education and related services from year to year, either in total or per pupil or MOE, then IDEA funds are in fact, supplementing those state and local expenditures.

An LEA presumed to be in violation of the supplement, not supplant requirement in IDEA will be required to document that the MOE standard has not been met prior to the presumption being tested. It is important to remember, however, that any determination about supplanting is very case specific; this makes it difficult to provide general guidelines without examining the details of the situation. OMB Circular A-133, Compliance Supplement presumes supplanting has occurred if federal funds are used to provide services that:

- Were required to be made available under other federal, state, or local laws;
- Were provided with non-federal funds in prior years; or
- Were provided to IDEA participating children, if those same services are provided with non-federal funds to non-IDEA children.

An LEA may rebut a supplanting determination if it can demonstrate it would not have provided services if the federal funds were unavailable. An LEA should consider maintaining documentation to include (but not limited to):

- Fiscal or programmatic documentation to confirm that, in the absence of IDEA, Part B funds, the LEA would have eliminated the services in question;
- State or local legislative or local board action; and/or
- Budget histories and other data.

## **COMMINGLING OF FUNDS**

Federal funds paid to the state cannot be commingled with State funds (34 CFR §300.162(b)). This requirement is satisfied by using a separate accounting system for each of the different grant awards to prevent the commingling of funds.

## **PART B - APPLICATION PROCESS**

### **CONSOLIDATED APPLICATION**

The Georgia Department of Education (Department) is committed to developing tools and resources to support the efforts of local school districts to improve the academic achievement of all students. IDEA specifies that local educational agencies (LEAs) may receive funds if the LEA has on file with the Department an approved special education plan. The LEA's comprehensive improvement plan must be submitted as part of Georgia's Consolidated Application process.

Georgia's LEA Consolidated Application is a website application to facilitate the efficient and effective transfer of planning and budget information from LEAs. The website consists of several major components (planning documents, budgets, supporting documents, reports, etc.). The information in this section is related to the planning component.

Each LEA is required to submit the Consolidated Application to leverage resources across programs to ensure ALL children have an opportunity to meet state academic achievement standards including special education. This is a two step process with the Comprehensive LEA Improvement Plan (CLIP) being submitted by each local agency to meet LEA goals through various indicators and strategies based on its profile data. Secondly, specific program information and assurances are required to be submitted with the initial budget to complete this comprehensive plan. As the special education director, you may use current special education data and the recommendations from the special education stakeholder group to review, update and/or revise the plan annually. This planning philosophy reflects the belief that LEAs should have one comprehensive plan for improving the academic achievement of all students by using all available resources to reduce duplication of services.

The special education director will need to be familiar with the Consolidated Application Navigation site and planning process which includes the NCLB/IDEA Descriptors, the LEA Implementation Plan and the district profiles to provide special education information to the CLIP team. Plan to take part in the annual Consolidated Application training for users in May. A short description of the CLIP process is described below.

### **LEA Implementation Plan with NCLB/IDEA Goals, Descriptors and Profiles**

Basically, the special education stakeholder recommendations for special education are generally incorporated into the district Comprehensive LEA Implementation Plan. All goals and descriptors/indicators **MUST** be addressed prior to FY 2012. The appropriate indicator within the performance goal becomes the Annual Measurable Objective in the implementation plan as long as an outcome measure is included. In addition, the LEA strategies and other components of the action plan must be addressed. Whenever possible, students with disabilities (SWD) should be included within the appropriate NCLB goals. The CLIP must be submitted no later than July 31.

## Descriptors

Within the 31 descriptors listed, there are 16 descriptors that may include students with disabilities (SWD) information. Check to make sure that whenever IDEA or All Students are cited in the descriptor heading that SWD may be included in the narrative that is written (Descriptors 1, 2, 3, 5, 6, 8, 9, 13, 14, 15, 19, 20, 21, 22, 24, and 28). These descriptors will coincide with OSEP's 20 indicators in the State Performance Plan (SPP) which the Division for Special Education Services and Supports has described in its four goals and 16 indicators. Since SWD were initially incorporated within NCLB, a required Local Performance Plan (LPP), based on the SWD goals and indicators, has been required to be attached and uploaded to ensure that all IDEA goals and indicators were addressed. As of the FY2010 CLIP, the LPP provides a consistent state-wide summary of the SWD goals and objectives. In addition, it can easily be used with your stakeholder group to review/revise the goals and indicators annually.

## District Profiles

There are two data profiles available through the Department website – the District Report Card and Special Education Annual Report. With local stakeholder suggestions, these profiles should help to prioritize the specific goals and indicators in the application or annual update to meet local and state targets. Demographic data from FTE-1 is available in the spring profile while all other special education data will be populated with the State Report Card rollout in the fall.

Each LEA must submit all components of the Comprehensive LEA Plan in order to receive funding from the following state and federal programs:

1. Title I, Part A – Improving the Academic Achievement of the Disadvantaged
2. Title I, Part C – Education of Migratory Children
3. Title I, Part D – Prevention and Intervention Programs for Children and Youth who are Neglected, Delinquent or At-Risk
4. Title II, Part A – Teacher and Principal Training and Recruiting Fund
5. Title II, Part D – Enhancing Education Through Technology
6. Title III, Part A – Language Instruction for Limited English Proficient and Immigrant Students
7. Title IV, Part A – Safe and Drug-Free Schools and Communities
8. Title VI, Part B – Rural Education Initiative
- 9. Individuals with Disabilities Education (IDEA) – Programs for Exceptional Students**
10. Carl D. Perkins Vocational and Applied Technology Act
11. Education of Homeless Children and Youth (EHCY)
12. Professional Learning

LEAs must submit the CLIP through the Consolidated Application portal. A group of Program Managers will review and sign off on the initial CLIP which is forwarded to the State Consolidated Application Coordinator who forwards the approved CLIP to the State Plan Approver. The State Plan Approver will be the final sign off for the CLIP.

Once the **initial CLIP** has been approved, the LEA may submit its initial program budgets. **Thereafter, annual CLIP updates are required but budgets may be submitted after the Program Manager has approved the annual CLIP update for special education.** Any revisions for the plan or budgets are sent back to the LEA for revision before approval. Final approval of all budgets is granted by Grants Accounting. LEAs that were monitored and are implementing a corrective action plan (CAP) must amend their budget to reflect the increase in IDEA funds to support the CAP approved activities.

## **PROGRAM INFORMATION TAB**

Once the initial CLIP has been approved, the LEA special education director may submit their budgets. Access the Department website and use a password to enter the Consolidated Application portal. All of the available program budgets should be posted. If not, the Consolidated Application administrator may have to configure or add the appropriate program budgets. Once this has been accomplished, go to the IDEA Flow through grant. IDEA requires specific data collection unique to special education that is captured in the Program Information Tab. Once this tab is accessed, a second line will show the **Upload File, Local Effort** and **Exceptional Students File**. The Upload File may be used to attach information critical to the program application such as the Local Performance Plan, MOE Eligibility form, reduction of local effort and school-wide programs. The Local Effort tab indicates the MOE status. Within the Exceptional Students File, there are three tabs required to be completed by all agencies. Remember that if the special education program was monitored or found to be disproportionate from the previous year, the plan must incorporate the corrective action strategies. The specific tabs are as follows:

### **Coordinated, Early Intervening Services (CEIS) for High Risk Regular Education Students**

IDEA requires that local educational agencies (LEAs) set-aside fifteen (15%) of their federal funds if the system has a disproportionality issue (34 CFR §300.226). A coordinated, early intervening services (CEIS) assessment and plan must be submitted to the Division to address an intervention program for high risk regular education students. In addition, LEAs may optionally use up to 15% of their federal funds for an intervention program for high risk regular education students to prevent or lessen referrals and placements into special education programs. These students are tracked for two years by required and optional CEIS programs to determine the success of the program.

The CEIS tab/form provides (I.) the status for this year – not applicable, optional usage, and required CEIS. Only those LEAs providing CEIS on a required or optional basis need to complete the rest of this form. (II.) Amount - The maximum 15% amount for CEIS is provided within the FY 2012 allocations information for IDEA Flow through and Preschool. Optional CEIS systems have a choice of using IDEA and/or Preschool funds and to declare the percentage amount up to but not exceeding 15%. (III.) A narrative on the usage of the funds and the budget are the last items to be completed. The total amount of funds used for either required or optional may be allocated under IDEA Flow through. If you use the preschool budget do not exceed the 15% amount.

Since the required and optional CEIS systems must do the self-assessment and plan, only the projected budget for IDEA and/or Preschool usage is required on the bottom of the page. The total amount of funds used in either program must be allocated by function code totals on the form. The specific IDEA



and Preschool budget will have a complete breakdown of the function and objects codes for CEIS activities. Any funds not expended in the initial year must be carried over and used for this program the second year regardless of the LEA's status in the next fiscal year. An LEA may not exceed the amount for CEIS unless local funds are used.

### **Proportional Share for Parentally-Placed Private/Home School Students**

LEAs are required by IDEA to provide equitable services for eligible students with disabilities who are parentally-placed in private and home schools (34 CFR §300.130). Specifically, the LEA reserves funds to provide special education and related services for eligible students with disabilities through a services plan. The amount of reserved funds required for private and home schools must be proportionate to the number of students with disabilities receiving services in the public schools. The Proportionate Share tab/form calculates this amount for the LEA once (a.) the number of private and home school students and (b.) public school students with disabilities ages 3 -5 and 3-21 are provided. If the LEA has no private or home schools students in item a., **item b. must** be provided from the census data count from October FTE 1 - FY2013 = FTE 12-1. The percentage of private/home school students with disabilities will be automatically calculated. Once a percentage is determined, the allocation for the proportionate share amount of funds available for special education and related services is calculated automatically.

LEAs must consult with the private and home schools to receive input on the services needed for eligible special education students prior to each new school year. This timely and meaningful consultation includes the following items that must be affirmed by the participants:

- The child find process and how parents, teachers and school officials will be informed of the process (similar to public schools process)
- The consultation process and how it will operate throughout the school year to ensure those eligible can be provided special education and related services
- How, where and by whom will proportionate share funds be allocated, including a description of the types and amounts of services that will be provided
- How, if the district disagrees with the views of the private school on services, it will provide a written explanation of the reasons why it chose not to follow the views of the private schools
- What the proportionate share sum is and how it was calculated

Prior to starting the school year, the LEA must declare the type of service(s) and proportionate share amount available for services to the private and home schools. No parentally-placed private/home school student with a disability has an individual right to receive some or all of the special education and related services that the student would have received if enrolled in a public school. Any funds not expended in the initial year must be carried over and used for this program in the second year. If unused funds remain toward the end of the second year (May) then they may be used for other IDEA purchases.

The information on students with disabilities enrolled by their parents in private and home schools is available in the regulations at 34 CFR §300.130-144 and on the Department website at <http://techservices.doe.k12.ga.us/admin/datacollect/financial.htm>.

## **Personnel Vacancies**

The Personnel Vacancies tab/form provides unique data on all special education personnel employed or contracted with the **specific vacancies in the agency from the previous school year**. All LEAs are required to complete this tab/form.

## **Local Effort (Compliance or Audited MOE) - 34 CFR §300.203**

This is a new information tab/form that reports whether the system has met the MOE requirement for this budget year. The expenditure data is always delayed by a year, thus, for the FY 2012 budget the LEA meets the MOE compliance requirement if the state and local special education expenditures from FY 2010 are greater than those expenditures from FY 2009 in total or on a per pupil basis. If MOE is not met, the LEA will need to complete and upload the Corrections and/or Exceptions to Lower MOE Forms with documentation in the Upload File (34 CFR §300.204). Until this documentation is approved, the LEA's budgets will not be reviewed. If MOE cannot be met, the LEA must submit a check for the difference between the two years from non-federal funds before the application can be reviewed and approved.

## **PERMISSIVE USE OF FUNDS**

There are other Permissive Use of Funds forms that may be needed to complete your special education plan. These forms may be found on the Department website in the Curriculum tab then click on Special Education and then Budgets and Grants. Find the 2012 Consolidated Application Attachments and look for the School-wide Programs, Reduction of Local Effort by 50% and Local Performance Plan (LPP).

### **School-Wide Program**

An LEA may use IDEA funds in any fiscal year to carry out a school-wide program under Title 1 of the Elementary and Secondary Education Act (ESEA). A proportional amount of IDEA funds based on the total number of students with disabilities may participate in a school-wide program. This form would need to be completed and attached to the Upload File to document and verify this permissive use of funds (34 CFR §300.206).

### **Local Performance Plan**

The Local Performance Plan (LPP) must be completed and attached to the Upload File by all LEAs to show how goals and indicators are being implemented to meet the updated targets each year. In addition, it will serve as a summary for the special education stakeholder group that can be reviewed and updated/revised each year.

### **Reduction of Local Effort**

This form may be used when there is an increase in your IDEA, Part B, Section 611 initial allocation over the previous year. When this occurs, an LEA may use 50% of the increased amount to reduce local maintenance of effort (MOE). This form would need to be completed and attached to the Upload File to document and verify this permissive use of funds (34 CFR §300.205).

## **Other Forms in the Consolidated Application Attachments File or Allocations File**

Some other useful forms are available in the 2012 Consolidated Application Attachments and the FY2012 Allocations section for local planning and audit purposes:

- A disposition of records form letter.
- The semi-annual certification form for federally funded or single cost objective employees.
- A monthly log needed to document work on multiple activities/cost objectives/split funded positions. This may be referred to as the Personnel Activity Reports (PARS) or work log.
- Allowable and unallowable usage of funds for each project.
- Indirect cost calculator.
- Blank budget pages for each function code for draft budget purpose.
- Parent Mentor allocation to be budget in the IDEA grant.
- Allocations with the maximum indirect cost for the LEA not including Parent Mentor allocation.
- Maximum 15% amount available for CEIS for IDEA and Preschool.

## **ASSURANCES**

Each local educational agency (LEA) including State charter schools and State operated programs accepting funds from IDEA grants must agree to meet the general and specific federal and state program assurances. After completion of the Program Information data which includes the Upload File and the tabs under Exceptional Students - Proportional Share, Personnel Vacancies, Local Effort and Coordinated Early Intervention Services, the IDEA budget is completed and signed off by the Special Education Director or the Consolidated Application Coordinator. Then the Superintendent receives an email to review the budgets. Prior to the superintendent's sign-off on the initial IDEA budget, the General and Special Education Assurances must be reviewed and accepted.

### **GENERAL ASSURANCES FOR EACH LOCAL EDUCATIONAL AGENCY (LEA) LOCATED IN THE CONSOLIDATED APPLICATION**

As a condition of receiving the state and federal funds for which application is made in this Consolidated Application, the applicant's local board of education (applicant) assures the following: Supplement Not Supplant Funds provided under these programs will supplement, not supplant federal, state, and other local funds that the applicant would otherwise receive. Provide Legal Compliance/Debarment/Lobbying and Reporting. Each program will be administered in accordance with all applicable federal and state statutes, regulations, program plans, and applications. The text entire bill is available online at: <http://www.ed.gov/legislation/ESEA02/>

1. The control of funds provided under each program and title to property acquired with program funds will be in a public agency.
2. The Applicant will administer funds and property to the extent required by the authorizing statutes.

3. The Applicant will adopt and use proper methods of administering each such program, including:
  - a) The enforcement of any obligations imposed by law on agencies, institutions, organizations, and other recipients responsible for carrying out each program; and
  - b) The correction of deficiencies in program operations that are identified through the audits, monitoring, or evaluation.
4. The Applicant will cooperate in carrying out any evaluation of each such program conducted by or for the State educational agency, the Secretary of Education or other Federal officials.
5. The Applicant will use such fiscal control and fund accounting procedures as will ensure proper disbursement of, and accounting for, Federal and state funds paid to Applicant under each program.
6. The Applicant will make reports to the State educational agency and the Secretary of Education as may be necessary to enable the agency and the Secretary to perform their duties under each program.
7. The Applicant will maintain such records, provide such information, and afford access to the records as the State educational agency or the Secretary of Education may find necessary to carry out the State educational agency's or the Secretary's duties.
8. In accordance with Part 85 of 34 CFR, neither the Applicant nor its principals are presently debarred or suspended from participation in programs by any federal agency.
9. In accordance with Part 82 of 34 CFR, funds will not be used for lobbying the executive or legislative branches of the federal government in connection with contracts, grants or loans and will report payments made with unappropriated funds for lobbying purposes.
10. The Applicant will comply with requirements of Sections 436 and 441 of the General Education Provisions Act (GEPA).
11. The Applicant will file reports in formats and at times specified by the Georgia Department of Education and/or the United States Department of Education.
12. The Applicant will cooperate in carrying out any evaluation of each program conducted by or for the State educational agency, the Secretary or other Federal officials.
13. The Applicant is in compliance with all required federal Civil Rights Statutes including:
  - a) Title VI of the Civil Rights Act of 1964, which prohibits discrimination on the basis of race, color, creed, or national origin.
  - b) Title IX of the Educational Amendments of 1972, which prohibits discrimination on the basis of gender.
  - c) Section 504 of the Rehabilitation Act of 1973 and the Americans with Disabilities Act of 1990, which prohibits discrimination on the basis of disability.

## **Technical Assistance**

The Applicant will provide technical assistance and support to programs identified in this application.

## **Drug-Free Workplace and Community Act Amendments**

In accordance with the federal Drug-Free Workplace and Community Act Amendments of 1989, the Drug-Free Workplace Act of 1988 and State Board of Education Policy GAM, Staff Rights and Responsibilities: Drug and Alcohol Free Workforce, the applicant declares that the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance, marijuana, or dangerous drug is prohibited at geographic locations at which individuals are directly engaged in the performance of work pursuant to this application. In addition, Policy GAM prohibits the unlawful possession, use, manufacture, distribution or sale of alcohol in the workplace.

## **SPECIFIC SPECIAL EDUCATION ASSURANCES**

The applicant hereby certifies to the Georgia Department of Education that throughout the period of the grant award the representation made in this application properly reflects the projected expenditures to be incurred in the operation of the special education program for students with disabilities conducted within the local education agency (LEA), that the expenditures for services and goods will be made exclusively for the benefit of students who meet the eligibility criteria established by the Department and that personnel assignments and other documentation of expenses will be readily available for audit. All records necessary to ensure the correctness of the information provided by the agency will be kept five years and access to such records will be provided to department personnel.

The LEA hereby assures the State Education Agency (SEA) that the LEA will comply with all amendments to the Individuals with Disabilities Education Act (IDEA) and meet the lobbying, debarment and drug-free workplace requirements in addition to each of the following conditions:

1. Special Education and Related Services will be provided in compliance with the established Federal and Georgia School Laws, Rules, Regulations and Minimum Standards.
2. The LEA, in providing for the education of children with disabilities within its jurisdiction, has in effect policies, practices, procedures, and programs that are consistent with procedures established under §612 of 20 USC 1400.
  - a. A free appropriate public education (FAPE) is available to all children with disabilities, as defined under §602(3) and who have a current individual education program (IEP), residing in the LEA between the ages of 3 through 21, inclusive, including children with disabilities who have been suspended or expelled from school. 612(a)(1)
  - b. The LEA has established a goal of providing full educational opportunity to all children with disabilities and a detailed timetable for accomplishing that goal. 612(a)(2)
  - c. All children with disabilities residing in the LEA, including children with disabilities who are homeless children, or are wards of the State, and children with disabilities attending private

schools within the LEA jurisdiction, regardless of the severity of their disabilities, and who are in need of special education and related services, are identified, located and evaluated and a practical method is developed and implemented to determine which children with disabilities are currently receiving needed special education and related services. 612(a)(3)

- d. An individualized education program (IEP), or an individualized family service plan (IFSP), that meets the requirements of section 636(d), is developed, reviewed and revised for each child with a disability in accordance with section 614(d). 612(a)(4)
- e. To the maximum extent appropriate, children with disabilities, including children in public or private institutions or other care facilities, are educated with children who are not disabled. Special classes, separate schooling, or other removal of children with disabilities from the regular educational environment occurs only when the nature or severity of the disability of a child is such that education in regular classes with the use of supplementary aids and services cannot be achieved satisfactorily. 612(a)(5)(A)
- f. Children with disabilities and their parents are afforded the procedural safeguards required by §615. 612(a)(6)
- g. Children with disabilities are evaluated in accordance with subsections (a) through (c) of § 614. 612(a)(7)
- h. The LEA will comply with §617(c) relating to the confidentiality of records and information. 612(a)(8)
- i. Children participating in coordinated, early intervention programs assisted under Part C, and who will participate in preschool programs will experience a smooth and effective transition consistent with §637(a)(9). The LEA will participate in transition planning conferences arranged by the Lead Agency under §635(a)(10) and an IEP or, if consistent with sections 614(d)(2)(B) and 636(d), and IFSP will be developed and implemented by the third birthday. 612(a)(9)
- j. Ensure that all requirements under §612(a)(10) regarding Children in Private Schools are being carried out in a manner consistent with the statute.
- k. Ensure that all requirements under §612(a)(25) regarding Prohibition on Mandatory Medication are being carried out in a manner consistent with the statute.
- l. The LEA shall ensure that all personnel necessary to carry out IDEA are appropriately and adequately prepared, subject to the requirements of § 612(a)(14) and § 2122 of the Elementary and Secondary Education Act of 1965. 613(a)(3)
- m. The LEA will either choose to coordinate with the National Instructional Materials Access Center when purchasing print instructional materials in accordance with section 612(a)(23) or will provide instructional materials to blind persons or other persons with print disabilities in a timely manner. 613(a)(6)

3. The LEA shall provide the Department with information necessary to enable the SEA to carry out its duties in Sections 612(a)(15) and 612 (a)(16), regarding its progress toward meeting targets on SEA established goals and indicators as well as information relating to the performance of children with disabilities participating in assessments. 613(a)(7)
4. The LEA shall make information available to parents of children with disabilities and to the general public regarding all documents relating to the eligibility of the LEA. 613(a)(8)
5. The LEA shall cooperate with efforts under section 1308 of the Elementary and Secondary Education Act of 1965 to ensure the linkage of records pertaining to migratory children with disabilities for the purpose of electronically exchanging, among the States, health and educational information regarding such children. 613(a)(9)
6. Subject to section 613(b)(3), the LEA may have to modify its application to ensure that it is in compliance with any changes in IDEA provisions. 613(b)(2)
7. Ensure that all requirements under §613(a)(5) regarding treatment of Charter Schools and their students are being carried out in a manner consistent with the statute.
8. Children with disabilities served with IDEA funds shall be counted in the same manner as children without disabilities to supplement the academic program funds earned and paid from the Quality Basic Education Program.
9. Ensure that funds provided under IDEA will be used to pay the excess cost of providing special education and related services to children with disabilities; shall be used to supplement the State, Local and other Federal funds and not to supplant such funds; and shall not be used, except as provided in §613(a)(2)(B)-(C) to reduce the level of expenditures. §613(a)(2)(A) and §612(a)(17)
10. According to Rule 160-4-7-.05 *Procedural Safeguards/Parent's Rights*, procedures for obtaining an independent education evaluation (IEE) upon parental request have been established and maintained. Any future revision to the IEE procedure will be submitted to the Department for approval.
11. According to Rule 160-7-4-.11 *Personnel, Facilities, Equipment, Materials and Class Size*, the LEA caseload and class size standards have been previously submitted and approved by the Department. There have been no substantial changes since the original submission. (The State will review LEA caseload and class size standards for compliance.)
12. Children with disabilities served with IDEA funds have at least the same average amount spent on them in local and state funds, as do the children in the LEA taken as a whole.
13. Submits an annual continuous improvement plan based on performance goals and indicators to meet state targets. Any LEA with significant disproportionality in identification or placement of students with disabilities and the incidence of suspensions/expulsions must review and revise its policies, procedures and practices as required in §618(d).

## **PART C - BUDGET REQUIREMENTS**

Local educational agencies (LEA) accepting grant funds must implement procedures to ensure the fiscal management of funds. The Department's Chart of Accounts and the Financial Management of Local Unit of Administration (LUA) are resources to assist LEAs with the fiscal requirements. The latter LUA describes the accounting process in detail and is meant for the LEA business office personnel. The Chart of Accounts and the LUA are available on the Department's web site at: <http://techservices.doe.k12.ga.us/admin/datacollect/financial.htm>.

### **CHART OF ACCOUNTS**

Local educational agencies (LEA) accepting funds under the IDEA and the American Recovery and Reinvestment Act of 2009 (ARRA), must use Georgia's Chart of Accounts to determine appropriate fund codes, revenue sources and program codes for identifying the various separate accounts available. They are as follows:

- ARRA IDEA fund code is 404, the program code is 4520 and the revenue source code is 4521.
- ARRA Preschool fund is 404, the program code is 4525 and the revenue source code is 4521.
- IDEA fund code is 404, the program code is 2824 and the revenue source code is 4520.
- IDEA Preschool fund code is 404, the program code is 2820 and the revenue code is 4520.
- The State Preschool fund code is 100, the program code is 2620 and the revenue code is 3800.

Budgets normally include function and object codes for accounting purposes. The function code describes the activity for which a service or material is acquired. The functions for special education can be classified into these eight broad areas:

|                             |                                     |
|-----------------------------|-------------------------------------|
| 1000 INSTRUCTION            | 2230 FEDERAL GRANT ADMINISTRATION   |
| 2100 PUPIL SERVICES         | 2400 SCHOOL ADMINISTRATION          |
| 2210 INSTRUCTIONAL SERVICES | 2600 MAINTENANCE/OPERATION OF PLANT |
| 2300 GENERAL ADMINISTRATION | 2700 STUDENT TRANSPORTATION SERVICE |

The majority of LEAs prefer that the 2300 function CODE be used sparingly for administration purposes, therefore, use the 2100, 2210 or 2230 codes for your central office needs. GNETS directors should use 2400 for this purpose since the center is a school based program. A code relationship for the appropriate object codes with the function codes is available in the Chart of Accounts website to ensure the use of the appropriate codes when budgeting funds.

Object codes are used to describe the service or commodity obtained as the result of a specific expenditure. All expenditures must be classified to the objects described herein as state required object codes. There are nine major object categories:

100 PERSONAL SERVICES - SALARIES  
200 PERSONAL SERVICES - EMPLOYEE BENEFITS (EMPLOYER COST)  
300 PURCHASED PROFESSIONAL AND TECHNICAL SERVICES



400 PURCHASED PROPERTY SERVICES  
500 OTHER PURCHASED SERVICES  
600 SUPPLIES  
700 PROPERTY  
800 OTHER OBJECTS  
900 OTHER USES

## **BUDGETS**

It is strongly suggested that the special education plan be completed via the Program Information tab as required on page 16 prior to entering any budgets. A draft paper budget should be completed during the LEA budget planning process to provide an outline of expenditures. Access the blank budget pages from the Special Education website and then Budgets and Grants. When accessing the Consolidated Application portal, loading the budget will be easier with a completed draft budget. Remember that the budget may be entered into the portal on a system wide basis or school by school. It will default to a school level budget unless instructed otherwise. The LEA Consolidated Application Administrator or designee will input it.

LEAs must submit a budget for each applicable grant in the Consolidated Application. Once the budget is completed, it must be signed off so that it can be reviewed by the Superintendent for revision or approval. If the Superintendent approves the budget, he/she must sign off on the General and Program Specific Assurances before it is sent electronically to the appropriate Program Manager. The budget must be approved by the Division's Program Manager and Grants Accounting before funds are available through the Grants Accounting Online Reporting System (GAORS). For special education, the budgets include the IDEA Flow through and preschool grants, state preschool grant and other approved grants that the LEA may have submitted such as the Grant for Residential and Reintegration Services (GRRS), Teacher Induction Grant, High Cost Funds and Rule 10 Grant. In addition, LEAs and RESAs who serve as fiscal agents for the GNETS and/or GLRS regional programs will submit their budgets. If the FY 2012 allocations indicate your LEA has applied and been approved for a parent mentor program, the amount shown should be added to your regular IDEA grant to budget the parent mentor. Parent mentor approved sites are displayed in the FY 2012 Budget Allocations. If there is a budget that does not appear in your program listing, the local Consolidated Application Coordinator must add the missing program through the Program Configuration process in the Administration section of the Consolidated Application. Remember to budget your CEIS and Proportionate Share funds separately to be able to track these expenditures at the end of the year for possible carryover amounts.

LEAs will be able to view a budget report in the Consolidated Application that compiles budgeted items by function and object across all programs. This feature enables LEAs to view all funds that are budgeted for professional learning, teacher salaries, travel, instructional materials, etc. Once the CLIP has been approved by the Program Manager, LEAs accepting IDEA funds must complete some data requirements, implement procedures to ensure appropriate fiscal management of funds and complete all program budgets.

## BUDGET CHECKLIST

**Local Education Agency:** \_\_\_\_\_ **FY:** \_\_\_\_\_

**This checklist is provided for the Program Information data, Budgets and Assurances to ensure its completion.**

| Yes | No | ARE ALL ITEMS COMPLETED   |
|-----|----|---|
|     |    | <b>Program Information Tab then Exceptional Students for MOE, CEIS, Proportional Share and Personnel Vacancies</b>  |
|     |    | Maintenance of Effort (MOE) is calculated and is met in the aggregate or per pupil basis. If not, an exception to MOE form is completed that is equal to or greater than the amount of the previous year and attached in the Upload File for approval. MOE Eligibility form is required with the FY2012 budget application. |
|     |    | All special education personnel and vacancies data from the district has been completed for the previous school year.   |
|     |    | Proportional Share form for parentally-placed private/home school students who are SWD is calculated for 3-5 and 3-21.  |
|     |    | Coordinated, early intervening services tab is completed and the budget matches the required or optional set-aside amount.  |
|     |    | <b>Upload File</b>  |
|     |    | Appropriate attachments have been completed and uploaded – Local Performance Plan, MOE eligibility and MOE Exceptions form, if appropriate, etc.  |
|     |    | <b>Budget Pages Tab</b>   |
|     |    | All allocated funds are budgeted (there are no unbudgeted funds).   |
|     |    | Indirect cost is calculated correctly if appropriate.   |
|     |    | Personnel are budgeted appropriately and Director’s salary is proportional to the state funds earned.   |
|     |    | Budgeted funds meet cost principles of necessary, reasonable and allocable.   |
|     |    | Fringe benefits are consistent with personnel being paid from the corresponding budget.   |
|     |    | Equipment is subtracted prior to calculating indirect costs.  |
|     |    | Set asides for CEIS and Proportionate Share Amounts are calculated correctly. Sign off to send to the Superintendent  |
|     |    | <b>Assurances Tab</b>   |
|     |    | Superintendent must sign off on the General and Specific Program assurances before sending budgets to the Department.   |

### INDIRECT COSTS

In general, indirect costs represent the expenses or overhead for doing business. These expenses are not easily identified with a particular grant or contract but are necessary for the general operation of the organization. Costs for utilities, communication, and accounting services within a central office are typical indirect costs that are difficult to assign a specific person or grant.

The Georgia Department of Education (Department) calculates the indirect cost percentage rate for local educational agencies (LEA) each fiscal year based on requirements established by the US ED. The initial FY 2012 allocation maximum indirect cost has been calculated by the Program Manager and can be found in the Special Education website under Budgets and Grants and then the FY 2012 Allocations. When applying an indirect cost rate, it is strongly recommended that the indirect cost calculator be used or work with your business office in the calculation of the dollar amount since one must divide first then multiply by the indirect cost rate and round down or just accept the dollar amount shown.

The following worksheet should be used when carryover is added to the grant award to determine the maximum amount of indirect cost that may be charged for each federal grant (calculator for indirect charges can be found in the special education website).

1. Equipment purchases must be deducted before applying the indirect cost rate.
2. The indirect costs must be removed from the balance before the indirect rate can be applied (this prevents paying indirect costs on indirect costs and is accomplished by dividing first).
3. The LEA must have a state approved indirect cost rate.
4. The following is an example of how an indirect cost is calculated.

*Grant Amount: \$100,000*

*Equipment Purchases under Object Codes 730 and 734: \$15,000*

*State Approved Restricted Indirect Cost Rate for the LEA is 2.16%*

*\$100,000.00 - \$15,000.00 = \$85,000.00 (subtract equipment purchases)*

*\$ 85,000.00 divided by 1 + 2.16% (convert percentage to a decimal or 1.0216) = \$83,202.82*

*\$ 83,202.82 multiplied by 2.16% = \$1797.18 (calculate indirect costs)*

*\$ 1797 (always round down to nearest dollar or just accept the dollar amount)*

### Indirect Cost Worksheet (Fill in Shaded Cells)

|   |  |              |         |
|---|--|--------------|---------|
| 1 | Enter the amount of your federal allocation + carryover (if applicable)  | Enter Amount | \$ -    |
| 2 | Enter cost of equipment budgeted (Object Codes 730, 732, 734)  | Enter Amount | \$ -    |
| 3 | Difference in #1 minus #2 (Automatic)  |              | \$ -    |
| 4 | Get your approved current Indirect Cost Rate (ICR) from your business office.<br><b>Enter rate as a decimal.</b> (Example 2.16% = 0.0216) or (.87% = 0.0087) | Enter ICR    | 0       |
| 5 | Add "1" to the Indirect Cost Rate = 1.0216 or 1.0087 (Automatic)   |              | 0       |
| 6 | Divide the dollar total in Step 3 by the number in Step 5 (Automatic)  | Direct Costs | #DIV/0! |
| 7 | Multiply the dollar total in Step 6 by the Indirect Cost Rate in Step 4 (Automatic)  |              | #DIV/0! |
| 8 | The maximum amount you can charge to Indirect costs is the amount shown here   |              | #DIV/0! |

### BUDGET AMENDMENTS

LEAs must submit budget amendments for any changes in the original approved budget that **exceeds 125 percent** in any function code and when the LEA has carryover funds using the LEA Consolidated Application amendment process. Enter the Consolidated Application portal, find the budget needed and click on Create Amendment to access the function and object codes to revise or budget the total amount of funds.

## **CARRYOVER FUNDS**

The IDEA permits LEAs to carryover federal funds not expended in the initial fiscal year based on the Tydings Amendment. It automatically extends federal awards for an additional 12 months. While the law permits local educational agencies to carryover funds, LEAs are encouraged to expend the allocation within the current fiscal year. In most years, program guidance specifies not to carryover more than 25 percent of the initial allocation. Due to the budget crisis for the last five years, this 25% carryover limitation has been waived, thus, 100% carryover is available. Carryover funds are unavailable for state funds since it has a one year life.

The Department verifies the official carryover amount in early fall once the LEAs have submitted their online completion reports. After the initial budget has been approved, LEAs are notified within the Consolidated Application portal regarding the exact amount of carryover funds available and a budget amendment must be submitted using the amendment process. The Special Education Program Manager and the Finance and Budget Office (FBO) must approve the amended budget in the Consolidated Application before funds can be obligated. Once final approval is completed by FBO, it is posted in GAORS. LEAs may spend their carryover on any of the allowable function and object codes as approved in the initial budgeted items or those posted in the allowable expenditures form found in the Special Education website.

The following procedure should be followed for set-aside carryover amounts, that is, the Coordinated, Early Intervening Services (CEIS) and the Proportional Share funds for equitable services for private and home school students with disabilities:

- If the LEA could not spend all the funds it had available for CEIS or for providing equitable services to private/home school students with disabilities, the LEA must carryover any of its remaining funds. These carryover funds would be in addition to funds that the LEA would otherwise be required to use to provide CEIS and/or equitable services for parentally-placed private school students with disabilities in the new fiscal year allocation.

The LEA retains control of the federal funds being carried over into the following year for these two programs and educational services must be provided even if the LEA no longer is disproportionate. However, federal funds are not directly provided to these private or home schools programs. If any funds remain in these two programs after the second year, the LEA may amend and expend the funds in May to close the specific sub-grant.

## **CARRYOVER WAIVERS**

Local educational agencies must expend a minimum of 75% of their initial federal allocation in the fiscal year funds were made available. In Georgia, the fiscal year is defined as the period between July 1 and June 30. A waiver may be granted once every three years for just cause to carryover more than 25% of the federal funds by emailing the request to the Special Education Program Manager. However, waivers for FY 2009 - 2012 are not necessary since the 25% limitation has been lifted and any remaining funds from the initial allocation for these years may be carried over (100%).

## **COMPLETION REPORTS**

The Department requires each local educational agency receiving grant funds to submit a Completion Report no later than 90 days after the grant period ends (thereby providing 27 months for these grants). The business office/bookkeeper accesses the Completion Report online through the portal by going to Grants Application and then Completion Reports.

The Completion Report provides a template by function and object codes of the last approved budget for each program in the Consolidated Application portal. The LEA's business office/bookkeeper reports its expenditures in the template to determine if there is any carryover. In addition, sub-grants for the two set-a-side programs (CEIS and Proportionate Share) are included in the IDEA Completion Report. The report checks for the percentage of variance by function code so that the LEA does not exceed the 125% variance. If the variance is over 125%, an amendment must be completed and approved. Special Education Directors should work with their business office and bookkeeper to ensure that the Completion Reports are submitted in a timely manner. The Department reserves the right to hold new grant funding to individual LEAs until the Completion Reports have been submitted.

## **LEA FISCAL MONITORING PROCEDURES**

IDEA requires each State educational agency (SEA) to provide general supervision and monitoring of the implementation of IDEA programs. Monitoring federal programs at the local level to ensure compliance with the regulations as well as providing for positive educational outcomes for students with disabilities is accomplished by Georgia's Continuous Improvement Monitoring Program (GCIMP).

The Division's new fiscal monitoring process for LEAs is an outgrowth of GCIMP. It is designed to provide LEAs the support and guidance needed to maintain ongoing high standards for fiscal management and compliance as well as program delivery. Specifically, the Single Audit Act "requires the monitoring of the sub-grantee's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the sub-recipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements to ensure that performance goals are achieved".

Previously, the only fiscal monitoring completed by the Division's Program Manager was the review and approval of all special education CLIPs, fiscal data and budgets as well as all expenditures and drawdown of federal and state funds. In addition, the Finance Review Section of FBO had the responsibility to follow-up and close any state audit reports that had findings and improper or questioned costs. The Division's Program Manager received and reviewed all of the single audit reports with findings regarding the special education cluster (IDEA and Preschool grants). Thus, the Program Manager conducted a desk audit process to review and clear these findings and send a closure email to the Finance Review Section.

Recently, the Office of Management and Budgets (OMB) set out expectations for State educational agencies (SEA) to not only to conduct audits but to take steps beyond standard practices to initiate additional oversight of federal grants. In addition, OSEP has focused on fiscal risk and accountability at

the SEA and LEA level with desk audits and on-site visits. Thus, the Department and Division began to develop a means to assess and determine the fiscal risk of LEA special education programs to provide technical assistance and on-site visits to potential high risk agencies.

## **LEA FISCAL RISK ASSESSMENT**

A local educational agency annual financial risk assessment was conducted by the Financial Review Section in the Finance and Business Office (FBO). A point value for each of the following was calculated for the LEAs: number financial statement findings, number of federal award findings, auditor's opinion, general fund deficit, capital fund deficit, school nutrition deficit, long term debt, new superintendent, new business personnel, changes in FTE, new accounting software, timely reporting, and material deficiencies. Primarily, this information was gathered from the DE46 Report and Audit Report. The point values ranged from 0 to 30 points with the majority of the items being 0, 5 or 10 points.

The Division developed a Fiscal Self-Monitoring Instrument (see Special Education website) to establish a baseline of the special education directors' fiscal knowledge and a Special Education Fiscal High Risk Elements table (see below on page 31). The latter table provided a point value from 0 to 20 points for each of the following items: new special education personnel, attendance at training sessions, being in the top 25% of LEAs receiving funds, audit findings, MOE, corrective action plans, and timely reporting.

The two financial risk assessments were combined for each LEA to determine the need for an on-site fiscal monitoring visit and technical assistance. A high fiscal risk assessment score does not necessarily mean an LEA is not performing the requirements of the program, federal regulations or administrative procedures. It does mean that an LEA may be at a higher risk of having program fiscal elements that could lend themselves to causing an LEA not to perform the activities associated with the federal rules, regulations and administrative procedures in a manner that keeps the LEA in compliance.

Regardless of the high risk assessment scores, these LEAs will receive an on-site fiscal monitoring visit:

- Department decision to monitor the LEA.
- LEAs with fiscal irregularities resulting in a return of special education funds.
- LEAs with the same special education cluster finding two years in a row.
- LEAs with completion reports with a variance over 125% two years in a row.

### Special Education Fiscal High Risk Elements

| Elements   | Point Values   |
|--|--|
| *New Superintendent (12 months or less in LEA)   | <ul style="list-style-type: none"> <li>• 5 points = New Superintendent</li> <li>• 0 points = No New Superintendent</li> </ul>  |
| New Director (2 years or less experience as a Special Education Director)                                      | <ul style="list-style-type: none"> <li>• 10 points = New Director</li> <li>• 0 points = No New Director</li> </ul>   |
| *LEAs with a new financial officer (12 months or less in LEA)  | <ul style="list-style-type: none"> <li>• 5 points = New Financial Officer</li> <li>• 0 points = No New Financial Officer</li> </ul>  |
| Director attends Division sponsored workshops and technical assistance on program and compliance requirements. | <ul style="list-style-type: none"> <li>• 10 points = Attending 0 sessions</li> <li>• 5 points = Attending less than 50% of the sessions</li> <li>• 3 points = Attending more than 50% of the sessions</li> <li>• 0 points = Attending all sessions</li> </ul> <p>Training and Technical Assistance include:</p> <ul style="list-style-type: none"> <li>• New Director’s Workshop if applicable</li> <li>• Spring Special Education Meeting</li> <li>• IDEA, Part B Consolidated Application Training</li> <li>• IDEA, Part B Monitoring Training Sessions</li> </ul> |
| LEAs in the top 25 percent of LEAs receiving the greatest portion of IDEA funding.                             | <ul style="list-style-type: none"> <li>• 10 points = LEAs in top 25 percent (Groups A and B)</li> <li>• 0 points = Groups C, D and E of LEA funding</li> </ul>   |
| LEA having one or more audit irregularities.   | <ul style="list-style-type: none"> <li>• 10 points = 3 or more findings</li> <li>• 5 points = 1 or 2 findings</li> <li>• 0 points = No audit findings</li> </ul>   |
| LEAs having more than one audit finding in the special education cluster.                                      | <ul style="list-style-type: none"> <li>• 20 points = 1 or more findings with the return of funds</li> <li>• 10 points = 3 or more findings</li> <li>• 5 points = 1 or 2 findings</li> <li>• 0 points = No findings</li> </ul>  |
| LEA Fiscal Self Assessment completed.  | <ul style="list-style-type: none"> <li>• 10 points = Not completed</li> <li>• 5 points = Corrective action needed on an item</li> <li>• 0 points = In compliance with all items</li> </ul>   |
| LEAs meeting the MOE requirement.  | <ul style="list-style-type: none"> <li>• 10 points = MOE requirement not met</li> <li>• 0 points = MOE requirement met</li> </ul>  |
| LEA is identified for Corrective Action in GCIMP process   | <ul style="list-style-type: none"> <li>• 10 points = Yes</li> <li>• 0 points = No corrective action</li> </ul>   |
| Special education plan and budgets timelines are met.  | <ul style="list-style-type: none"> <li>• 10 points = Timelines are not met</li> <li>• 0 points = Timelines are met</li> </ul>  |

\*Item scored by Financial Review Section in Finance and Budget Office

## DETERMINING AN LEA’S FINAL RISK RATING

An LEA’s final fiscal risk rating is determined by adding the Financial Review Section and Division risk rating scores. Financial Review’s risk rating is determined by the Georgia Department of Education’s Financial Review Section (see Financial Review Risk Assessment at S:\SIA\SIA Program Ops Manuals\Special Education-IDEA programs\Assessment) and is submitted to the Division. Final calculations are based on a combination of the Division’s risk rating and Financial Review’s risk rating. Those LEAs with a final risk score between 0 to 25 points would be determined to be a low risk. Those LEAs with a final risk score between 26 to 100 points would be determined to be a medium risk. Those LEAs with a final risk score greater than 100 would be determined to be a high risk. LEAs with the following high risk elements are automatically monitored regardless of the LEA’s final risk score:

- Department decision to monitor the LEA.
- LEAs with fiscal irregularities resulting in a return of special education funds.
- LEAs with the same special education cluster findings two years in a row.
- LEAs with completion reports with a variance over 125% two years in a row.

## RISK INTERVENTION STRATEGIES

Once an LEA’s fiscal risk is assessed, the Division will monitor the LEA based on the risk intervention strategies in the chart below:

| Risk Group  | Intervention(s)   |
|-------------|---|
| High Risk   | <ul style="list-style-type: none"> <li>• The Program Manager will conduct an on-site fiscal compliance and accountability monitoring review unless the high risk score is due to FBO scores only, the special education cluster had no audit findings and the Division score is low (25 or less). The LEA must provide documentation as required.</li> </ul>  |
| Medium Risk | <ul style="list-style-type: none"> <li>• Once every six years the Records Review Specialist will conduct a records review and a fiscal self-assessment in collaboration with the Education Program Specialist during an on-site technical assistance visit unless a Focus Monitoring visit occurs. The LEA must provide documentation as required.</li> </ul> |
| Low Risk    | <ul style="list-style-type: none"> <li>• Once every six years the Records Review Specialist will conduct a records review and a fiscal self-assessment in collaboration with the Education Program Specialist during an on-site technical assistance visit unless a Focus Monitoring visit occurs. The LEA must provide documentation as required.</li> </ul> |



## FEDERAL AUDIT OF STATE AND LOCAL GOVERNMENTS

<http://www.whitehouse.gov/omb/circulars/index.html>

The Single Audit Act of 1984 (amended in 1996) established requirements for audits of States, local governments, Indian tribal governments and non-profit organizations that expend Federal awards. The Act was passed by Congress to give priority and consistency to the single audit approach (organization wide audit). In general, the new Act was a modification and strengthening of the audit concepts of OMB Circular A-102 Attachment P. The circular replacing A102 Attachment P is A-133 – *Audits of States, Local Governments and Non-Profit Organizations*.

Key concepts under the Single Audit Act as they apply to Georgia school districts include:

1. Provision for an exemption from all single audit requirements if less than \$500,000 is received annually from all federal programs combined.
2. The single audit must include compliance testing of transactions of each major federal assistance program. A major federal assistance program is defined as the larger of \$500,000 or 3% of total expenditures of all federal programs.
3. The auditor makes the determination of whether or not a program is a major federal assistance program at the time of audit.
4. The Single Audit Act does not preclude Department staff or federal auditors from conducting program specific reviews or audits.
5. Reimbursement for the audit is limited to the ratio of total Federal assistance expended by the LEA during the year audited to the LEA's total expenditures for that year or through time and effort itemization by the auditor.
6. A single audit is required annually.

## STATE SINGLE AUDIT GUIDELINES

Georgia Department of Education has adopted the federal audit standards found in OMB Circular A-133. School districts receiving \$500,000 or more of state financial assistance are required to have a "single audit" of state financial assistance programs. Districts receiving less than \$500,000 in total state financial assistance during the fiscal year are exempt from state single audit requirements; however, they must maintain adequate records. The compliance supplement to A-133 identifies requirements for Federal programs to assist auditors in determining their audit objectives and audit procedures. There are fourteen compliance requirements that are defined in Part 3 and are summarized below.

1. Activities Allowed or Unallowed: This type of compliance requirement specifies the activities that can or cannot be funded under a specific program.

2. Allowable Costs/Cost Principles: This type of compliance requirement specifies allowable and unallowable costs.
3. Cash Management: This compliance requirement is for when entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the Federal Government. When funds are advanced, recipients must follow procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement. When advance payment procedures are used, recipients must establish similar procedures for sub-grantees.
4. Davis-Bacon Act: This compliance requirement requires all laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2,000 financed by Federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the Department of Labor.
5. Eligibility: This compliance requirement specifies the criteria for determining the individuals, groups of individuals (including area of service delivery), or sub-grantees that can participate in the program and the amounts for which they qualify.
6. Equipment and Real Property Management: This compliance requirement requires that a State shall use, manage, and dispose of equipment acquired under a Federal grant in accordance with State laws and procedures. Sub-grantees of States who are local governments or Indian tribes shall use State laws and procedures for equipment acquired under a sub-grant from a State. Title to real property acquired by non-Federal entities with Federal awards vests with the non-Federal entity. Real property shall be used for the originally authorized purpose as long as needed for that purpose.
7. Matching, Level of Effort, and Earmarking: There are three compliance requirements, which are:
  - i. *Matching* or cost sharing includes requirements to provide contributions (usually non-Federal) of a specified amount or percentage to match Federal awards. Matching may be in the form of allowable costs incurred or in-kind contributions (including third-party in-kind contributions).
  - ii. *Level of effort* includes requirements for (a) a specified level of service to be provided from period to period, (b) a specified level of expenditures from non-Federal or Federal sources for specified activities to be maintained from period to period, and (c) Federal funds to supplement and not supplant non-Federal funding of services.
  - iii. *Earmarking* includes requirements that specify the minimum and/or maximum amount or percentage of the program's funding that must/may be used for specified activities, including funds provided to sub-grantees. Earmarking may also be specified in relation to the types of participants covered.
8. Period of Availability: This compliance requirement is for when Federal awards specify a time period during which the non-Federal entity may use the Federal funds. Where a funding period is specified, a non-Federal entity may charge to the award only costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency.

9. Procurement and Suspension and Debarment: This compliance requirement requires that States, and governmental sub-grantees of States, use the same State policies and procedures used for procurements from non-Federal funds. They also shall ensure that every purchase order or other contract includes any clauses required by Federal statutes and executive orders and their implementing regulations. Non-Federal entities are prohibited from contracting with or making sub-awards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. “Covered transactions” include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other specified criteria.
10. Program Income: This compliance requirement covers program income, which is gross income received that is directly generated by the federally funded project during the grant period. Program income may be used in one of three methods: deducted from outlays, added to the project budget, or used to meet matching requirements.
11. Real Property Acquisition and Relocation Assistance: This compliance requirement pertains to the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, (URA) provides for uniform and equitable treatment of persons displaced by Federally-assisted programs from their homes, businesses, or farms. Property acquired must be appraised by qualified independent appraisers. All appraisals must be examined by a review appraiser to ensure acceptability. After acceptance, the review appraiser certifies the recommended or approved value of the property for establishment of the offer of just compensation to the owner. Federal requirements govern the determination of payments for replacement housing assistance, rental assistance, and down payment assistance for individuals displaced by Federally funded projects. The regulations also cover the payment of moving-related expenses and reestablishment expenses incurred by displaced businesses and farm operations.
12. Reporting: This compliance requirement requires that recipients use the standard financial reporting forms or such other forms as may be authorized by OMB (approval is indicated by an OMB paperwork control number on the form). Each recipient must report program outlays and program income on a cash or accrual basis, as prescribed by the Federal awarding agency.
13. Sub-recipient Monitoring: This compliance requirement requires the monitoring of the sub-grantee’s use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the sub-recipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.
14. Special Tests and Provisions: The specific compliance requirements for Special Tests and Provisions are unique to each Federal program and are found in the laws, regulations, and the provisions of contract or grant agreements pertaining to the program.

## **LOCAL EDUCATIONAL AGENCY (LEA) AUDIT RESOLUTIONS**

The Department, as the pass-through entity for federal special education funds, is responsible for issuing “a management decision on audit findings within six months after receipt of the sub-grantee’s audit report and ensure that the sub-recipient takes appropriate and timely corrective action.” The Department verifies that the sub-grantee has a corrective action plan (CAP) in place, which addresses the finding. The Financial Review Section of the Finance and Budget Office has the responsibility to follow-up and close single audit report findings issued to its sub-recipients. The Division receives the special education cluster (IDEA and Preschool) findings and coordinates the resolution of the findings.

When the Department receives an audit report with federal award findings, these findings will be forwarded to the appropriate program manager for investigation. The program manager needs to review the finding to determine what corrective action needs to be taken by the sub-recipient and if any action needs to be taken by Division to address the finding. Findings may include questioned costs, instances of non-compliance, or material weaknesses in internal controls. Regardless of the type of finding, the finding requires corrective action on the part of the sub-recipient and it is the responsibility of Department to ensure that the finding is addressed with a corrective action plan. Federal award findings will be considered open by the Financial Review section until the appropriate Division within the Department has completed their review of the finding.

Although not all findings result in questioned costs, the following guidance is designed to help program staff complete reviews of findings with questioned costs. With findings with questioned costs, program staff needs to make a determination if the Federal funds questioned by the auditors needs to be repaid to the Department by the sub-recipient. If so, these funds are to be repaid with a non-Federal source.

### **Steps to Understanding the Audit Findings**

1. After the program is notified of the finding from the Financial Review Section, the program manager should contact the Internal Audit Manager. The Internal Audit Manager will identify the auditor who issued the finding and obtain their e-mail address and phone number. The Internal Audit Manager will also obtain copies of the auditor’s working papers that support the finding. The Internal Audit Manager will provide this information to the appropriate program manager.
2. The program manager will give the working papers to the appropriate program staff. Program staff should review the working papers to understand:

a. Why were the costs questioned? Program staff should identify the reason the auditor questioned the costs. The reason should be cited in the finding and listed as the criteria in the auditor’s finding. The finding may not be written to the extent that program staff can exactly identify why the costs were questioned. A finding, for example, might cite that a cost was questioned because it was missing documentation but does not specify what documentation was present and what was missing. It is important to review the working papers to determine exactly what the issue was that caused the finding to be issued.

It is also important to review the working papers because auditors are not program experts and will sometimes erroneously question costs which are allowed or otherwise appropriate. For example,

auditors may question costs incurred after June 30<sup>th</sup>, when Federal regulations allow costs to be incurred until September 30<sup>th</sup>. In cases where it appears that the auditors have made mistakes, the program staff should contact the auditor to verify why the costs were questioned. If program staff confirm that the questioned costs were questioned in error then they should contact the Financial Review Section and inform them in writing of the why the costs are allowable and the error made by the auditor in questioning them. In these instances, no further work is needed by the program staff to review the questioned costs.

b. How was the amount of questioned costs calculated? Program staff should review the working papers to determine the basis for the calculations. Program staff should determine if the calculations used any estimates or made any assumptions and if so, were these estimates or assumptions reasonable. Based on the evidence collected by the auditors, program staff should determine if they reach the same amount of questioned costs as the auditor. The Internal Audit Manager can assist program staff with these calculations if needed. If it cannot be determined how the total amount of questioned costs was determined then the auditor should be contacted for clarification. Again, the Internal Audit Manager can assist program staff with this step.

c. What documentation was reviewed by the auditor? It is important to determine what the auditor looked at and what they did not. Auditors will sometimes issue findings without having all of the pertinent documentation or the sub-grantee will not give all of the documentation that they have to the auditor. It is important that program staff contact the sub-grantee or conduct an on-site visit to verify that the program has all of the relevant documentation when evaluating the questioned costs.

d. How was the documentation reviewed chosen? If it cannot be determined what exactly the auditor looked at then the auditor should be contacted for clarification and how they decided what to examine. This is important since auditors do not look at all transactions as part of their audit but rather only look at a sample of transactions. It is important to determine how their sample was done. For example, their sample could have been chosen randomly, included only the highest dollar amount transactions, only transactions over a certain amount, only transactions occurring in certain months, or only transactions at a certain site.

e. In summary, program staff should understand the audit finding as completely as possible. The more program staff can learn about the finding the better. This will save time if a site visit is required. During the site visit, program staff can examine documentation germane to the finding rather than looking at all documentation and trying to figure out what the auditors looked or how the auditors came up with their questioned costs.

3. Program staff should write a brief summary of their review and it should be sent to the appropriate levels of management for their approval. Once the review has been approved it should be sent to the Financial Review Section. If repayment is needed, the Financial Review Section will coordinate with the sub-grantee regarding repayment.

**Expanding the Scope of the Review**

When reviewing questioned costs, program staff may feel the need to expand their review to costs not questioned by the auditors. When deciding if the scope of their review should be expanded, program staff should consider two factors: 1. determine the dollar amount of what is being reviewed; and 2. the amount of time needed to complete the additional work. The Division has a finite amount of staff and resources, thus, program staff should carefully weigh the costs: the amount of staff hours needed and what other activities program staff could be doing if they were not expanding the scope of their review (opportunity costs) against the benefits: the dollar amount of transactions and the chance that the transactions reviewed are not allowable and need to be repaid.

**IDEA, Part B Special Education**

**AUDIT RESOLUTION TRACKING FORM**

Fiscal Year \_\_\_\_\_

| LEA                        | Audit #      | Summary of Finding                             | Grants Program Manager<br>On-site Visit | Corrective Action Required                               | Date of Resolution | Documentation on File/Sent to FBO   |
|----------------------------|--------------|--|---|--|--------------------|---|
| <i>Example City/County</i> | <i>08-45</i> | <i>Inappropriate documentation of time log</i> | <i>Dr. Harry Repsher<br/>05-05-09</i>   | <i>Yes – Notice sent to LEA; received within 30 days</i> | <i>06-06-09</i>    | <ul style="list-style-type: none"> <li>• <i>Letter sent to FBO (date)</i></li> <li>• <i>Corrective Action Plan sent to FBO (date)</i></li> <li>• <i>Resolution Letter sent to FBO (date)</i></li> </ul> |
|                            |              |  |   |  |                    |   |
|                            |              |  |   |  |                    |   |
|                            |              |  |   |  |                    |   |
|                            |              |  |   |  |                    |   |
|                            |              |  |   |  |                    |   |
|                            |              |  |   |  |                    |   |
|                            |              |  |   |  |                    |   |
|                            |              |  |   |  |                    |   |
|                            |              |  |   |  |                    |   |

## **PART D – STUDENTS WITH DISABILITIES IN PRIVATE, HOME AND CHARTER SCHOOLS**

### **PARTICIPATION OF STUDENTS ENROLLED IN PRIVATE/ HOME SCHOOLS**

Local educational agencies (LEA) must provide IDEA services/resources to any child with a disability who needs special education and related services who resides in its jurisdiction. Furthermore, IDEA requires that the LEA must locate, identify and evaluate all children with disabilities who are enrolled by their parents in private, including religious, elementary and secondary schools located in the school district served by the LEA. This includes home schooled children with disabilities in Georgia. Meaningful consultation with the private/home school officials must occur annually and special education and related services for these children must be developed through a services plan.

The LEA must document this consultation process with the private/home school representatives required by IDEA 2004 to include:

1. The child find process and how parentally placed private/home school children with disabilities can participate equitably;
2. The determination of the proportionate amount of federal funds available to serve parentally placed private/home school children with disabilities, including how that amount was calculated (based on the previous FTE – 1 count for the next school year);
3. The consultation procedures among LEA, private school officials and representatives of parentally placed private/home school children with disabilities, including how the process will operate;
4. How, where, and by whom special education and related services will be provided for parentally placed private/home school children with disabilities, including a discussion of the types of services (such as direct services and alternate service delivery mechanisms), how the service will be apportioned if there are insufficient funds to serve all the children and how and when these decisions will be made (prior to school starting); and,
5. How the LEA shall provide a written explanation to private school officials of the reason why the LEA chose not to provide services if the LEA and private school officials disagree.  
[Authority: 612(a)(10)(A)(iii)]

To meet the requirement of 34 CFR §300.132, each system must spend the following on providing special education and related services to parentally-placed private/home school children with disabilities:

- For children aged 3-5 and 3-21, an amount that is the same proportion of the system's total sub-grants under Section 611(f) and 619 (g) of the IDEA Act as the number of private school children with disabilities aged 3-5 and 3-21 who are enrolled by their parents in private,

including religious, elementary and secondary schools located in the school system's jurisdiction, is to the total number of children with disabilities in the system.

However, no parentally-placed private school child with a disability has an individual right to receive some or all of the special education and related services that the child would receive if enrolled in a public school.

### **CHARTER SCHOOLS WITHIN THE LEA**

Local educational agencies (LEAs) must provide IDEA services/resources to an LEA charter school. A representative from each charter school should be included in planning discussions with the LEA.

Treatment of LEA charter schools and their students under 34 CFR §300.209 require that:

- Children with disabilities who attend public charter schools and their parents retain all of their rights.
- The LEA must serve the children with disabilities in charter schools in the same manner as the district serves the other public schools, including use of supplementary and related services on site at the charter school to the same extent as the other public schools.
- LEAs must provide funds under the IDEA to those charter schools on the same basis as the district provides funds to the district's other public schools including proportional distribution based on relative enrollment of children with disabilities and at the same time as the district distributes its federal funds to the other public schools.

### **AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 (ARRA)**

#### **ARRA Addendum to Comprehensive LEA Improvement Plan (CLIP)**

IDEA (CFR 300.200) specifies that LEAs are eligible to receive funds under IDEA if it has an approved plan on file with the Georgia Department of Education. The LEA plan is submitted in the Comprehensive LEA Improvement Plan (CLIP) through the Consolidated Application. This eliminates the need for LEAs to submit separate plans for individual programs.

Program plans for the American Recovery and Reinvestment Act of 2009 (ARRA) funds were submitted as an addendum to the FY 2010 CLIP. Each LEA had to submit answers to seven questions in order to receive funding – five general LEA questions applicable to all programs and one each specific for Title I and IDEA.

LEAs submitted the ARRA addendum through the Consolidated Application website planning tab prior to submitting ARRA budgets. A review committee evaluated each ARRA plan for approval. Once an LEA plan was approved, the LEA could submit its ARRA budgets.



## PART E – OTHER FEDERAL AND STATE RESOURCE ITEMS

### Civil Rights

No person shall, on the grounds of race, color, national origin, age, or handicap, be excluded from participation in or be subjected to discrimination in any program or activity funded, in whole or in part, by federal funds. Discrimination on the basis of gender or religion is also prohibited in some federal programs.

|          |                        |   |
|----------|------------------------|---|
| Age      | 42 USC 76 6101 et seq. | <a href="http://www4.law.cornell.edu/uscode/42/ch76.html">http://www4.law.cornell.edu/uscode/42/ch76.html</a>         |
| Race     | 42 USC 21 200d         | <a href="http://www4.law.cornell.edu/uscode/42/ch21schV.html">http://www4.law.cornell.edu/uscode/42/ch21schV.html</a> |
| Handicap | 29 USC 16 794          | <a href="http://www4.law.cornell.edu/uscode/29/794.html">http://www4.law.cornell.edu/uscode/29/794.html</a>           |
| Gender   | 29 USC 8 206d          | <a href="http://www4.law.cornell.edu/uscode/29/206.html">http://www4.law.cornell.edu/uscode/29/206.html</a>           |
| Equity   | 29 USC 20 1228a        | <a href="http://www4.law.cornell.edu/uscode/20/1228a.html">http://www4.law.cornell.edu/uscode/20/1228a.html</a>       |

### Copyrights (34 CFR, Part 80.34)

<http://www.ed.gov/policy/fund/reg/edgarReg/edlite-part80c.html>

If any copyrightable material is developed in the course of or under a sub grant, the U.S. Department of Education and the Georgia Department of Education shall have a royalty-free, nonexclusive, and irrevocable license to reproduce, publish, or otherwise use, and to authorize others to use, the work for federal government and state purposes.

### Program Income (34 CFR, Part 80.25)

<http://www.ed.gov/policy/fund/reg/edgarReg/edlite-part80c.html>

Income from royalties and license fees for copyrighted material developed by a grantee or sub grantee is program income only if the revenues are specifically identified in the grant agreement or federal agency regulations as program income.

In addition, when announcing any contract award for goods or services with an aggregate value of \$500,000 or more, the recipient agrees to specify the amount of federal funds used to finance the contract and the percentage of total costs of such a contract that the federal funds represent.

### Political Activity - Hatch Act (5 USC 1501-1508) and Intergovernmental Personnel Act of 1970, as amended by Title VI of the Civil Service Reform Act (PL 95-454 Section 4728)

<http://www4.law.cornell.edu/uscode/5/pIIch15.html>

Federal funds cannot be used for partisan political activity of any kind by any person or organization involved in the administration of federally-assisted programs.

### Record Retention (34 CFR, Part 80.42)

<http://www.ed.gov/policy/fund/reg/edgarReg/edlite-part80c.html>

All recipients of federal funds must keep records that fully disclose the amount and use of those funds, the total cost of activity for which the funds are used, the share of cost provided from other sources, and such other records as will facilitate an effective financial or programmatic audit.

The federal retention period is three years for all financial and programmatic records. The starting date of retention begins on the day the final expenditure report is submitted, thus, five years total for financial records. The retention period for equipment records starts on the date of disposition, replacement or transfer. If any litigation, claim, negotiations, audit or other action involving the records started before the end of the three year period, the records must be retained until completion of the action and resolution of all issues or until the end of the three year period, whichever is later.

### **Allowable Cost (34 CFR, Part 80.22—OMB Circular A-87)**

34 CFR, Part 80.22 <http://www.ed.gov/policy/fund/reg/edgarReg/edlite-part80c.html>

OMB Circular A-87 <http://www.whitehouse.gov/omb/circulars/a087/a087-all.html>

#### *Allowable Costs*

Local education agencies (LEAs) assume responsibility for insuring that federally assisted program funds have been expended and accounted for consistent with program regulations and approved applications. Allowable costs generally are categorized as either direct or indirect. Typical direct costs include salaries, fringe benefits, purchased services, non-capital objects and capital objects.

#### *Basic Guidelines*

To be allowable under a federal award, costs must meet the following general criteria:

- Be necessary and reasonable for proper and efficient performance and administration of federal awards and be allocable thereto under these principles.
- Be authorized or not prohibited under state or local laws or regulations.
- Conform to any limitations or exclusions set forth in these principles, federal laws, or other governing limitations as to types or amounts of cost items.
- Be consistent with policies, regulations, and procedures that apply uniformly to both federally assisted and other activities of the governmental unit.
- Be accorded consistent treatment. Consequently, a cost may not be assigned to a federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to a federal award as an indirect cost.
- Be determined in accordance with generally accepted accounting principles appropriate to the circumstances.
- Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-supported activity in either the current or a prior period.
- Be net of all applicable credits.
- Be adequately documented.

A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. In determining reasonableness of a given cost, consideration shall be given to:

- Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the governmental unit or the performance of the federal award.
- The restraints or requirements imposed by such factors as sound business practices, arms length bargaining, federal, state and other laws and regulations, and terms and conditions of the federal awards.
- Market prices for comparable goods or services.
- Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the governmental unit, its employees, the public at large and the federal government.
- Significant deviations from the established practices of the governmental unit which may unjustifiably increase the federal awards cost.

**Indirect Cost Rates (34 CFR §76.560 or OMB Circular A-87 Attachment E)**

34 CFR 76.560 <http://www.ed.gov/policy/fund/reg/edgarReg/edlite-part76f.html>

OMB Circular A-87 Attachment E <http://www.whitehouse.gov/omb/circulars/a087/a087-all.html>

Indirect costs are those costs which are not readily identified with the activities funded by the federal grant or contract but are nevertheless incurred for the joint benefit of those activities and other activities and programs of the LEA. Accounting, auditing, payroll, personnel, budgeting, purchasing, and operation and maintenance of plant are examples of services which typically benefit several activities and programs and for which appropriate costs may be attributed to the federal program by means of an indirect cost allocation plan. In theory, all costs could be charged as direct costs, but where practical limitations and considerations of efficiency preclude such an approach, an indirect cost allocation plan is an acceptable alternative.

If an LEA elects to recover indirect costs, an indirect cost rate must be approved annually by the Department and included in the federal program budget. Recovery of indirect costs does not mean that more funds will be available from federal programs. Formula-based grants generate funds for LEAs based upon formula requirements. Reimbursement from the Department for the combination of direct and indirect costs may not exceed the federal funds available to an LEA.

Federal regulations require that a restricted indirect cost rate be computed for federal education programs, which prohibit supplanting. Computation of the restricted indirect cost rate excludes maintenance and operation of plant expenditures. Furthermore, indirect cost rate computations exclude any extraordinary or distorting expenditure such as capital expenditures or “pass through” funds. Basically the restricted indirect cost rate may be applied to salaries, fringes, non-capital objects and purchased services excluding intergovernmental payments. Typically, restricted indirect cost rates approved by the Department, range from one to five percent.

## Obligation of Funds (34 CFR, Parts 76.704 and 76.707)

<http://www.ed.gov/policy/fund/reg/edgarReg/edlite-part76g.html>

In addition, you may use grant funds only for obligations incurred during the funding period.

When LEAs may begin to obligate funds depends upon the authorizing statute as follows:

a. If grants are awarded based upon a formula, LEAs may not obligate funds until the **later** of:

1. July 1; or
2. the date that the LEA submits its application to the Department in substantially approvable form.

Reimbursement for obligations made under formula based grants is subject to final approval of the application.

b. If grants are awarded on a discretionary basis, LEAs may not obligate funds until the grant is made. However, the Department may approve pre-agreement costs, which are consistent with allowable costs under the grant.

### When is an obligation made?

*If the Obligation is for:*

1. Equipment or Supplies
2. Personal services by an employee of the LEA
3. Personal services by a contractor who is not an employee of the LEA
4. Public utility services
5. Travel
6. Rental of building or equipment.

*The Obligation is made:*

1. On the date, which the LEA makes a binding, written commitment to acquire the equipment or supplies.
2. When the services are performed
3. On the date, which the LEA makes a binding, written commitment to obtain the services
4. When the LEA receives the services
5. When the travel is taken
6. When the LEA uses the building or equipment

**Note:** Discussion under Program Fiscal Report of this manual indicates that all obligations must be liquidated (vendor paid) prior to submission of a final claim. Generally, LEAs are given 90 days to liquidate obligations. For example, final claims are due September 30th on grants with an ending date of June 30th unless otherwise stated.

## Property Management Standards (34 CFR, Part 80.32)

<http://www.ed.gov/policy/fund/reg/edgarReg/edlite-part80c.html>

The following discussion applies to equipment purchased in whole or in part with funds received from grants from the U.S. Department of Education.

**Acquisition Cost** is defined as the net invoice price of the equipment, including the cost of modifications, attachments, accessories, or auxiliary apparatus necessary to make the equipment usable for the purpose for which it was acquired. Other charges such as the costs of installation, transportation or taxes may be included in or excluded from the unit acquisition cost in accordance with the regular accounting practices of LEAs.

**Equipment** is defined as property having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit. An LEA may use its own definition of equipment provided that such definition would at least include the equipment defined in the previous sentence.

Equipment must be used in the project or programs 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 equipment must be used, if needed, in other projects or programs currently or previously sponsored by the federal government, with priority to federal programs sponsored by the U.S. Department of Education.

If the equipment is being used less than full time in the project or program for which it was originally acquired, the equipment may be made available for use in other projects or programs currently or previously sponsored by the federal government, provided such use will not interfere with the work of the original project or program. When no longer needed for the original project or program, the equipment must be used in connection with other federally sponsored programs.

**Disposition** of equipment shall be made if the equipment is no longer to be used in projects or programs currently or previously sponsored by the federal government. 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.

Equipment with a current per unit fair market value in excess of \$5,000 may be retained or sold. The federal government has a right to an amount calculated by multiplying the current market value or the proceeds from the sale by the federal share of the equipment. The federal share of equipment shall be the same percentage as the federal share of the LEAs total costs under the grant. When disposing of equipment email to the appropriate program manager.

When acquiring replacement equipment, the grantee or sub grantee 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.

Procedures for managing equipment whether acquired in whole or in part with grant funds, until disposition takes place must, at 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 sub grantee is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return.

### **Procurement Standards (34 CFR, Part 80.36)**

<http://www.ed.gov/policy/fund/reg/edgarReg/edlite-part80c.html>

**Procurement standards** apply to the purchase of supplies, equipment, construction and other services funded in whole or in part by federal grant funds. LEA procurement policies must be in accordance with Part 80.36 when using federal funds. Since procurement standards are quite lengthy, please refer to website above.

### **Drug Free Schools**

<http://www4.law.cornell.edu/uscode/41/702.html>

The Drug Free Schools and Communities Act Amendments of 1989, PL 101-226, requires that, as a condition of receiving funds or any other form of financial assistance under any federal program, an institution of higher education (IHE), state educational agency (SEA), or local educational agency (LEA) must certify that it has adopted and implemented a program to prevent the unlawful possession, use, or distribution of illicit drugs and alcohol by students and employees. Certifications to that effect are signed each year as part of the General Assurances within the Consolidated Application.

If an LEA receives a grant *direct* from a *federal granting agency* the requirements of the Drug Free Workplace Act (DFW), (PL 100-690 Title V, Subtitle D, 41 USC 702 et seq.) also applies. Federal granting agencies will typically require a DFW certification at the time an application is submitted, which will indicate the requirements of this law.

### **Debarment and Suspension-Non-procurement (34 CFR Parts 85)**

<http://www.ed.gov/policy/fund/reg/edgarReg/edlite-part85a.html>

Executive Order 12549 provides that, to the extent permitted by law, executive departments and agencies shall participate in a government-wide system for nonprocurement, debarment and suspension. A person who is debarred or suspended shall be excluded from federal financial and nonfinancial assistance and benefits under federal programs and activities. The DPI will include a certification form with each DPI administered program application that requires it. Grant recipients in turn must collect a certification whenever federal grant monies are used under the following conditions:

- A. Any procurement contract for goods or services expected to equal or exceed the federal procurement small purchase threshold fixed at 10 USC 2304(g) and 41 USC 253(g) (currently \$25,000).

B. Any procurement contract for goods or services, regardless of amount, under which that person will have a critical influence on or substantive control over that transaction. Such persons are:

- 1) Principal investigators, and
- 2) Providers of federally-required audit services.

### **Guidelines for IDEA Equipment Purchases**

*Purchasing*—Within the LEA Comprehensive Application, LEAs will budget in the equipment line item sufficient funds for planned purchases of any items to be considered to be equipment. The LEA will maintain all supporting documentation: inventory records, purchase orders, receipts, and vendor contracts.

For equipment purchases not originally included in the LEA Comprehensive Application, prior written approval is required for purchases of those items of equipment that have a unit cost of \$5,000 or more. Please submit this approval request through an amendment or email to the Special Education Program Manager.

*Allowable Equipment*--The LEA is responsible for assuring that only allowable equipment is purchased. If in doubt, please call or submit a list of proposed purchases to the Special Education Program Manager for discussion. However, prior approval in writing is required for items costing \$5,000 or more.

Audit exceptions may be made if equipment items have not been approved through Local Board action or in the approved project budget based on recent exceptions cited by the Office of the Inspector General (OIG).

### **Inventory/Labeling of Materials and Equipment Purchased with Federal Funds**

A separate inventory list for federally purchased specialized materials (assistive technology devices, computers, etc.) and equipment is to be maintained and physical inventories taken every two years in accordance with EDGAR. A local board policy will list the amount of funds used for your system to designate an item as specialized materials or equipment to be inventoried (above \$500 or, more likely, above \$1000) even though federal requirements are for \$5000 per item. Significant technological items available under \$500 that may be easily lost or stolen including PDAs, digital cameras, etc. should be inventoried if they have a useful life of more than one year.

If various employees check out inventoried items, a card file should be maintained to ensure the user's name and designated location of each item. Usable material and equipment inventories are usually kept five years or longer (see OMB Circular A-87).

### **Property Management Requirement (34 CFR 80.32)**

1. Maintain property records within a fixed asset inventory system that includes:
  - a) the description of the property;
  - b) the serial number;
  - c) the source of the property;
  - d) the name of the entity that holds title;
  - e) the acquisition date and cost;

- f) the percentage of federal/state participation in the cost of the property;
- g) the location and condition of the property; and
- h) any disposition data including date and sale price of the property.

2. Take physical inventory of grant acquired property and reconcile results with property records.
3. Develop a control system to ensure adequate safeguards to prevent loss, damage, or theft of the property. Capital outlay items must be properly tagged in order to maintain control and inventory.
4. Develop maintenance procedures to keep property in good condition.
5. Establish procedures to sell grant-acquired property (when authorized or required) to ensure the highest possible return.

### **Disposal of Equipment Purchased with Federal Funds (34 CFR 80.32)**

1. When equipment is no longer needed by the original federal program, an item may be used as a trade replacement. If not replacing the item, it should be made available for use in other federally funded programs. Keep documentation on file if another program declines an item. Transfer the item to them if they decide to use it.
2. If the item is no longer needed, in poor condition or non-repairable, an item with a current per unit fair market value (FMV) of less than \$5,000 may be sold, retained or otherwise disposed of with no further obligation to the system depending on the disposal policy and procedures.
  - a) If sale of the item is desired, you should determine the FMV of the item based on depreciated value. The Department uses the IRS depreciation formula where items are fully depreciated after 6 years.
  - b) You can then sell the item to regular education or other agencies for the price based on the FMV. Proceeds of the sale should be used for special education activities just as the original grant funds were used.

### **RECORDS RETENTION**

Local educational agencies (LEAs) receiving federal funds are required to maintain records in accordance with the Education Department General Administrative Regulations (EDGAR). In addition, LEAs must comply with local records retention policies.

LEA records maintained in accordance with EDGAR will be considered in compliance with federal requirements for records retention. EDGAR sections appropriate for records retention are provided below. However, LEAs should consult the complete document for regulations on administering federal programs. The complete document is available at:

<http://www.ed.gov/policy/fund/reg/edgarReg/edgar.html>.

### **Retention and access requirements for records (34 CFR 80.42)**

#### **(a) Applicability**

- (1) This section applies to all financial and programmatic records, supporting documents, statistical



records, and other records of grantees or sub-grantees which are:

- (i) Required to be maintained by the terms of this part, program regulations or the grant agreement, or
- (ii) Otherwise reasonably considered as pertinent to program regulations or the grant agreement.

(2) This section does not apply to records maintained by contractors or subcontractors. For a requirement to place a provision concerning records in certain kinds of contracts, see Section 80.36(i) (10).

(b) Length of retention period

- (1) Except as otherwise provided, records must be retained for three years from the starting date specified in paragraph (c) of this section.
- (2) If any litigation, claim, negotiation, audit or other action involving the records has been started before the expiration of the 3-year period, the records must be retained until completion of the action and resolution of all issues which arise from it, or until the end of the regular 3-year period, whichever is later.
- (3) To avoid duplicate recordkeeping, awarding agencies may make special arrangements with grantees and sub grantees to retain any records which are continuously needed for joint use. The awarding agency will request transfer of records to its custody when it determines that the records possess long-term retention value. When the records are transferred to or maintained by the Federal agency, the three year retention requirement is not applicable to the grantee or sub grantee.
- (4) A recipient that receives funds under a program subject to 20 U.S.C. 1232f (Section 437 of the General Education Provisions Act) shall retain records for a minimum of three years after the starting date specified in paragraph (c) of this section.

(c) Starting date of retention period

- (1) General. When grant support is continued or renewed at annual or other intervals, the retention period for the records of each funding period starts on the day the grantee or sub grantee submits to the awarding agency its single or last expenditure report for that period. However, if grant support is continued or renewed quarterly, the retention period for each year's records starts on the day the grantee submits its expenditure report for the last quarter of the Federal fiscal year. In all other cases, the retention period starts on the day the grantee submits its final expenditure report. If an expenditure report has been waived, the retention period starts on the day the report would have been due.
- (2) Real property and equipment records. The retention period for real property and equipment records starts from the date of the disposition or replacement or transfer at the direction of the awarding agency.
- (3) Records for income transactions after grant or sub grant support. In some cases, grantees must report income after the period of grant support. Where there is such a requirement, the retention period for the records pertaining to the earning of the income starts from the end of the grantee's fiscal year in which the income is earned.

Dr. John D. Barge, State School Superintendent  
Georgia Department of Education

- (4) Indirect cost rate proposals, cost allocations plans, etc. This paragraph applies to the following types of documents, and their supporting records: indirect cost rate computations or proposals, cost allocation plans, and any similar accounting computations of the rate at which a particular group of costs is chargeable (such as computer usage chargeback rates or composite fringe benefit rates).
  - (i) If submitted for negotiation. If the proposal, plan, or other computation is required to be submitted to the Federal Government (or to the grantee) to form the basis for negotiation of the rate, then the three year retention period for its supporting records starts from the date of such submission.
  - (ii) If not submitted for negotiation. If the proposal, plan, or other computation is not required to be submitted to the Federal Government (or to the grantee) for negotiation purposes, then the three year retention period for the proposal plan, or computation and its supporting records starts from end of the fiscal year (or other accounting period) covered by the proposal, plan, or other computation.
- (d) Substitution of microfilm. Copies made by microfilming, photocopying, or similar methods may be substituted for the original records.
- (e) Access to records
  - (1) Records of grantees and sub grantees. The awarding agency and the Comptroller General of the United States, or any of their authorized representatives, shall have the right of access to any pertinent books, documents, papers, or other records of grantees and sub grantees which are pertinent to the grant, in order to make audits, examinations, excerpts, and transcripts.
  - (2) Expiration of right of access. The rights of access in this section must not be limited to the required retention period but shall last as long as the records are retained.

# **CROSS-CUTTING FOR THE SPECIAL EDUCATION CLUSTER (OMB A-133 SUPPLEMENT)**

## **DEPARTMENT OF EDUCATION**

**CFDA 84.027 SPECIAL EDUCATION—GRANTS TO STATES (IDEA, Part B)**

**CFDA 84.173 SPECIAL EDUCATION—PRESCHOOL GRANTS (IDEA Preschool)**

### **I. PROGRAM OBJECTIVES**

In Part 4 of this compliance supplement, there is a Department of Education Cross-Cutting Section that contains the compliance requirements that apply to more than one federal program either because the program was authorized under the Elementary and Secondary Education Act of 1965 (ESEA) and/or is subject to the General Education Provisions Act (GEPA). The IDEA cross-cutting section summarizes IDEA’s objectives, procedures and compliance requirements.

The purposes of the Individuals with Disabilities Education Act (IDEA) are to: (1) ensure that all children with disabilities have available to them a free appropriate public education (FAPE) which emphasizes special education and related services designed to meet their unique needs; (2) ensure that the rights of children with disabilities and their parents or guardians are protected; (3) assist States, localities, educational service agencies and Federal agencies to provide for the education of all children with disabilities; and (4) assess and ensure the effectiveness of efforts to educate children with disabilities. The Assistance for Education of All Children with Disabilities Program (IDEA, Part B) provides grants to States to assist them in meeting these purposes (20 USC 1400 *et seq.*).

IDEA’s Special Education—Preschool Grants Program, (Preschool Grants for Children with Disabilities Program), also known as the “619 Program,” provides grants to States, and through them to LEAs, to assist them in providing special education and related services to children with disabilities ages three through five and, at a State’s discretion, to two-year-old children with disabilities who will turn three during the school year (20 USC 1419).

### **II. PROGRAM PROCEDURES**

A State applying through its State Education Agency (SEA) for assistance under IDEA, Part B must, among other things, submit a plan to the Department of Education (ED) that provides assurances that the SEA has in effect policies and procedures that ensure that all children with disabilities have the right to a FAPE (20 USC 1412(a)).

States that receive assistance under IDEA, Part B, may receive additional assistance under the Preschool Grants Program. A State is eligible to receive a grant under the Preschool Grants Program if (1) the State is eligible under 20 USC 1412 and (2) the State demonstrates to the Secretary that it has in effect policies and procedures that ensure the provision of FAPE to all children with disabilities aged three through five years residing in the State. However, a State

that provides early intervention services in accordance with Part C of the IDEA to a child who is eligible for services under Section 1419 is not required to provide that child with FAPE (20 USC 1412(a)(1)(C) and 20 USC 1419(b) and (c)).

### **Source of Governing Requirements**

This program is authorized under the Individuals with Disabilities Education Act, Part B (IDEA-B) as amended on December 3, 2004 (Pub. L. No. 108-446; 20 USC 1400 *et seq.*). Implementing regulations for these programs are 34 CFR part 300.

### **III. COMPLIANCE REQUIREMENTS**

**In developing the audit procedures to test compliance with the requirements for a Federal program, the auditor should first look to Part 2, Matrix of Compliance Requirements, to identify which of the 14 types of compliance requirements described in Part 3 are applicable and then look to Parts 3 and 4 for the details of the requirements.**

Certain compliance requirements that apply to multiple ED programs are discussed once in the ED Cross-Cutting Section of this Supplement (page 4-84.000-1) rather than being repeated in each individual program. Where applicable, this section references the Cross-Cutting Section for these requirements.

#### **A. Activities Allowed or Unallowable**

Also see ED Cross-Cutting Section.

1. *SEAs* - Allowable activities for SEAs are sub-granting funds to LEAs and State administration, and other State-level activities (See “III.G.3, Earmarking” for a further description of these activities).
2. *LEAs*
  - a. *IDEA, Part B* - An LEA may use Federal funds under IDEA, Part B for the excess costs of providing special education and related services to children with disabilities. Special education includes specially designed instruction, at no cost to the parent, to meet the unique needs of a child with a disability, including instruction conducted in the classroom, in the home, in hospitals and institutions and in other settings, and instruction in physical education. Related services include transportation and such developmental, corrective and other supportive services as may be required to assist a child with a disability to benefit from special education. Related services do not include a medical device that is surgically implanted or the replacement of such device. A portion of these funds, under conditions specified in the law, may also be used by the LEA: for services and aids that also benefit non-disabled children; for

early intervening services; to establish and implement high-cost or risk-sharing funds; and for administrative case management (20 USC 1401(26) and (29); 20 USC 1413(a)(2) and (4)).

- b. *IDEA Preschool* - A LEA may use Federal funds under the Preschool Grants Program only for the costs of providing special education and related services (as described above) to children with disabilities ages three through five and, at a State's discretion, providing a free appropriate public education to two-year-old children with disabilities who will turn three during the school year (20 USC 1419(a)).

## **B. Allowable Costs/Cost Principles**

See ED Cross-Cutting Section.

## **C. Cash Management**

See ED Cross-Cutting Section.

## **G. Matching, Level of Effort, Earmarking**

### **1. Matching** - Not Applicable

### **2.1 Level of Effort** - *Maintenance of Effort* (SEAs/LEAs)

#### a. SEAs

- (1) A State may not reduce the amount of State financial support for special education and related services for children with disabilities (or State financial support otherwise made available because of the excess costs of educating those children) below the amount of State financial support provided for the preceding fiscal year. The Secretary reduces the allocation of funds under 20 USC 1411 for any fiscal year following the fiscal year in which the State fails to comply with this requirement by the amount by which the State failed to meet the requirement.

If, for any fiscal year, a State fails to meet the State-level maintenance of effort requirement (or is granted a waiver from this requirement), the financial support required of the State in future years for maintenance of effort must be the amount that would have been required in the absence of that failure (or waiver) and not the reduced level of the State's support (20 USC 1412(a)(18); 34 CFR section 300.163).

- (2) For any fiscal year for which the Federal allocation received by a State exceeds the amount received for the previous fiscal year and if the State pays or reimburses all LEAs within the State from State revenue 100 percent of the non-federal share of the costs of special education and related services, the SEA may reduce its level of expenditure from State sources by not more than 50 percent of the amount of such excess (20 USC 1413(j)(1)).

b. LEAs

- (1) IDEA, Part B funds received by an LEA cannot be used, except under certain limited circumstances, to reduce the level of expenditures for the education of children with disabilities made by the LEA from local funds, or a combination of State and local funds, below the level of those expenditures for the preceding fiscal year. To meet this requirement, an LEA must expend, in any particular fiscal year, an amount of local funds, or a combination of State and local funds, for the education of children with disabilities that is at least equal, on either an aggregate or per capita basis, to the amount of local funds, or a combination of State and local funds, expended for this purpose by the LEA in the prior fiscal year. Allowances may be made for: (a) the voluntary departure, by retirement or otherwise, or departure for just cause, of special education personnel; (b) a decrease in the enrollment of children with disabilities; (c) the termination of the obligation of the agency, consistent with this part, to provide a program of special education to a particular child with a disability that is an exceptionally costly program, as determined by the SEA, because the child has left the jurisdiction of the agency, has reached the age at which the obligation of the agency to provide a FAPE has terminated or no longer needs such program of special education; (d) the termination of costly expenditures for long-term purchases, such as the acquisition of equipment and the construction of school facilities; or (e) the assumption of costs by the high cost fund operated by the SEA under 34 CFR section 300.704 (20 USC 1413(a)(2); 34 CFR sections 300.203 and 300.204).
- (2) For any fiscal year for which the federal allocation received by a LEA exceeds the amount received for the previous fiscal year, the LEA may reduce the level of local or State and local expenditures by not more than 50 percent of the excess (20 USC 1413(a)(2)(C)(i)). If an LEA exercises this authority, it must use an amount of local funds equal to the reduction in

expenditures under Section 1413(a)(2)(C)(i) to carry out activities authorized under the Elementary and Secondary Education Act (ESEA) of 1965. The amount of funds expended by the LEA for early intervening services counts toward the maximum amount of State and local expenditures that the LEA may reduce. However, if an SEA determines that an LEA is unable to establish and maintain programs of FAPE that meet the requirements of Section 1413(a) or the SEA has taken action against the LEA under Section 1416, the SEA shall prohibit the LEA from reducing its local or State and local expenditures for that fiscal year (20 USC 1413(a)(2)(C)).

**2.2 Level of Effort - *Supplement Not Supplant* - Not Applicable**

**3. Earmarking**

Individual State grant award documents identify the amount of funds a State must distribute to its LEAs on a formula basis and the amount it can set aside for administration and other State-level activities.

a. ***IDEA, Part B*** (SEAs)

- (1) *Administration*: Each State may reserve, for each fiscal year, not more than the maximum amount the State was eligible to reserve for State administration under 20 USC 1411 for FY 2004, or \$800,000 (adjusted for inflation in accordance with 20 USC 1411(e)(1)(B)), whichever is greater. Administration includes the coordination of activities under this part with, and providing technical assistance to, other programs that provide services to children with disabilities. These funds may also be used for the administration of Part C of the IDEA if the SEA is the lead agency (20 USC 1411(e)(1)A) and 1411(f)(2)).
- (2) *State-level activities*: Each State, for fiscal years 2005 and 2006, may reserve not more than 10 percent from the amount of the State's allocation under Section 1411(d) for State-level activities. States, for which the maximum amount reserved for State administration is not greater than \$850,000, may reserve, in fiscal years 2005 and 2006, 10.5 percent from the amount of the State's allocation under Section 1411(d) for the purpose of carrying out State-level activities. However, any State that, in FYs 2005 or 2006, does not reserve funds for the LEA Risk Pool shall have the maximum amount it can reserve for State-level activities reduced

by 1 percent of the amount of its allocation under Section 1411(d) (20 USC 1411(e)(2)). SEAs must use State-level activity funds for monitoring, enforcement, and complaint investigation, and to establish and implement the mediation process, including providing for the costs of mediators and support personnel.

These funds may also be used:

- (a) for support and direct services, including technical assistance and personnel preparation and professional development and training;
- (b) to support paperwork reduction activities, including expanding the use of technology in the individualized education plan (IEP) process;
- (c) to assist LEAs in providing positive behavioral interventions and supports and appropriate mental health services for children with disabilities;
- (d) to improve the use of technology in the classroom to enhance learning by children with disabilities ;
- (e) to support the use of technology, including technology with universal design principals and assistive technology devices, to maximize accessibility to the general education curriculum for children with disabilities;
- (f) for development and implementation of transition programs;
- (g) for assistance to LEAs in meeting personnel shortages;
- (h) to support capacity-building activities and improve the delivery of services by LEAs to improve results for children with disabilities;
- (i) for alternative programming for children with disabilities who have been expelled from school, and services for children with disabilities in correctional facilities, children enrolled in State-operated or State-supported schools, and children with disabilities in charter schools;
- (j) to support the development of and provision of appropriate accommodations for children with disabilities, or the development and provision of alternative assessments that



are valid and reliable for assessing the performance of children with disabilities; and

- (k) to provide technical assistance to schools and LEAs and direct services, including supplemental educational services as defined in section 1116(e)(12)(C) of the ESEA (20 USC 6316(e)(12)(C)), in schools or LEAs identified for improvement solely on the basis of the assessment results of the disaggregated group of children with disabilities (20 USC 1411(e)(2)).

- (3) *LEA Risk Pool:* Each State has the option to reserve for each fiscal year 10 percent of the amount of funds the State reserves for State-level activities: (a) to establish and make disbursements from the high-cost fund to LEAs; and (b) to support innovative and effective ways of cost-sharing by the State, by an LEA, or among a consortium of LEAs, as determined by the State in coordination with representatives from LEAs. For purposes of this provision, the term “LEA” includes a charter school that is an LEA, or a consortium of LEAs (20 USC 1411(e)(3)).

- (4) *Formula Sub-grants to LEAs:* Any funds under this program that the SEA does not retain for administration and other State-level activities shall be distributed to eligible LEAs in the State. An SEA must distribute to each eligible LEA the amount that LEA would have received, from the fiscal year 1999 appropriation, if the State had distributed 75 percent of its grant for that year to LEAs (This amount is based on the IDEA-B child count conducted on December 1, 1998.) The SEA must then distribute 85 percent of any remaining funds to those LEAs on the basis of the relative numbers of children enrolled in public and private elementary and secondary schools within the LEA’s jurisdiction; and then distribute 15 percent of any remaining funds to those LEAs in accordance with their relative numbers of children living in poverty, as determined by the State educational agency (20 USC 1411(f)(2)).

b. ***IDEA, Preschool Grants Program*** (SEAs)

- (1) *Reservation for State Activities:* For each fiscal year, the Secretary shall determine and report to the SEA an amount that is 25 percent of the amount the State received under this program for fiscal year 1998, cumulatively adjusted by the Secretary for each succeeding fiscal year. These funds may be retained by the State for administration and other State level activities (20 USC 1419(d)).

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- (a) *State Activities (Administration)*: An SEA may use up to 20 percent of the funds it is allowed to retain for State activities under 20 USC 1419(d) for the purposes of administering this program, including the coordination of activities under the IDEA with, and providing technical assistance to, other programs that provide services to children with disabilities. These funds may also be used for the administration of Part C of the IDEA if the SEA is the lead agency for the State under this part (20 USC 1419(e)).
- (b) *State Activities (Other State level activities)*: SEAs shall use funds reserved for State level activities that are not used for administration for:
  - (a) support services (including establishing and implementing the mediation process required by section 20 USC 1415(e)), which may benefit children with disabilities younger than 3 or older than 5 as long as those services also benefit children with disabilities aged 3 through 5;
  - (b) direct services for children eligible for services under this program;
  - (c) development of a State improvement plan;
  - (d) activities at the State and local levels to meet the performance goals established by the State and to support implementation of the State improvement plan; or
  - (e) supplementing other funds used to develop and implement a Statewide coordinated services system designed to improve results for children and families, including children with disabilities and their families, but not to exceed one percent of the amount received by the State under this program for a fiscal year (20 USC 1419(f)).
- (2) *Formula Sub-grants to LEAs*: Any funds under this program that the SEA does not retain for administration and other State-level activities shall be distributed to eligible LEAs in the State. An SEA must distribute to each eligible LEA the amount the LEA would have received from the fiscal year 1997 appropriation if the State had distributed 75 percent of its grant for that year to LEAs. (This amount is based on the IDEA-B child count conducted on December 1, 1996.) The SEA must then distribute 85 percent of any remaining funds to those agencies on the basis of the relative numbers of children enrolled in public and private elementary and secondary schools within the agency's jurisdiction; and then distribute 15 percent of any remaining funds to those agencies in accordance with their relative numbers of children living in poverty, as determined by the SEA. (If an SEA determines that an

LEA is adequately providing a FAPE to all children with disabilities aged 3 through 5 residing in the area served by that agency with State and local funds, the SEA may reallocate any portion of the funds under this program that are not needed by that LEA to provide a FAPE to other LEAs in the State that are not adequately providing special education and related services to all children with disabilities aged 3 through 5 residing in the areas they serve) (20 USC 1419(g)).

c. ***Schoolwide Programs*** (LEAs)

The amount of IDEA- B funds used in a schoolwide program, may not exceed the amount received by the LEA under IDEA-B for that fiscal year divided by the number of children in the jurisdiction of the LEA multiplied by the number of children participating in the schoolwide program (34 CFR section 300.206).

d. ***Redistribution of Formula Funds to LEAs***

If a new LEA is created within a State, the State shall divide the base allocation for the LEAs that would have been responsible for serving children with disabilities now being served by the new LEA among the new LEA and affected LEAs based on the relative numbers of children with disabilities currently provided special education by each of the LEAs. If one or more LEAs are combined into a single LEA, the State shall combine the base allocation of the merged LEAs. If, for two or more LEAs, geographic boundaries or administrative responsibilities for providing services to children with disabilities ages 3 through 21 change, the base allocation of affected LEAs shall be redistributed among affected LEAs based on the relative numbers of children with disabilities currently provided special education by each affected LEA (34 CFR section 300.705(b)(2)).

e. ***Early Intervening Services***

An LEA can use not more than 15 percent of the amount of Federal funds (less any amount by which it reduces State and local expenditures under 20 USC 1413(a)(2)(C)) (See G.2.1.b. in this section), in combination with other funds for early intervening services for children in kindergarten through grade 12 who have not been identified under IDEA but need additional academic and behavioral support to succeed in the general education environment (20 USC 1413(f)).

**H. Period of Availability of Federal Funds** - See ED Cross-Cutting Section.

**L. Reporting**

**1. Financial Reporting**

See ED Cross-Cutting Section.

**2. Performance Reporting** - Not Applicable

**3. Special Reporting**

*Report of Children and Youth with Disabilities Receiving Special Education Under Part B of the Individuals With Disabilities Education Act, as amended (OMB Nos. 1820-0030, 1820-0043, 1820-0517, 1820-0521, and 1820-0621)* -

Each SEA is required to report to the Secretary an unduplicated count of children with disabilities receiving special education and related services.

The SEA may include in this count children with disabilities who are enrolled in a school or program that is operated or supported by a public agency, and that either (1) provides them with both special education and related services or (2) provides them only with special education if they do not need related services to assist them in benefiting from that special education. The SEA may not, however, include in this count children with disabilities who: (1) are not enrolled in a school or program operated or supported by a public agency; (2) are not provided special education that meets State standards; or (3) are not provided with a related service that they need to assist them in benefiting from special education (34 CFR sections 300.640, 300.643, and 300.644).

Each SEA must: (1) establish procedures to be used by LEAs and other educational institutions in counting the number of children with disabilities receiving special education and related services; (2) obtain certification from each agency and institution that an unduplicated and accurate count has been made; and (3) ensure that documentation is maintained that enables the State and the Secretary to audit the accuracy of the count (34 CFR sections 300.645(a), (c), and (e)). LEAs must report to the SEA in accordance with the SEA-established procedure.