

National Center for Systemic Improvement (NCSI) Practice Guides help state staff understand how to implement the fiscal requirements in Part B of the Individuals with Disabilities Education Act (IDEA); the Education Department General Administrative Regulations (EDGAR); and the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (commonly known as the Uniform Grant Guidance or Uniform Guidance). This informal guidance does not represent an interpretation of the IDEA by the Office of Special Education Programs (OSEP) or the U.S. Department of Education.

Background

As grantees, state educational agencies (SEAs) have always had general supervisory responsibility, which includes subrecipient monitoring to ensure compliance with both fiscal and programmatic requirements: 2 CFR §§ 200.329 and 200.332; 2 CFR Part 200, Subpart F; and 34 CFR §§ 300.149 and 300.600. Federal standards for obtaining and utilizing federal awards are outlined in the Uniform Grant Guidance that provides opportunities for SEAs to consider innovative approaches to carrying out their monitoring responsibilities in the most effective and efficient way possible in the field of subrecipient monitoring.

SEAs are responsible for overseeing the operations of IDEA-supported programs under IDEA Part B and the Uniform Guidance. Each SEA must monitor its own activities, and those of its local educational agencies (LEAs), to ensure that compliance with applicable federal requirements and performance expectations are achieved. Monitoring by the SEA must cover each program, function, or activity (See 2 CFR § 200.329(a)). The provisions of the Uniform Guidance on subrecipient monitoring include a specific requirement that pass-through entities (SEAs) conduct risk assessments of their subrecipients, place a greater emphasis on monitoring performance and compliance, and include technical assistance as one example of the range of potential monitoring activities.

Purpose of This Practice Guide

The NCSI recommends that each state develop high-level written procedures that describe the state's subrecipient monitoring system in accordance with 2 CFR § 200.329(a) and 2 CFR § 200.332. High-level procedures are intended to help state staff who are new to subrecipient monitoring, as well as staff who need an overview of the state's subrecipient monitoring procedures, understand and implement the actions required to demonstrate how the state complies with federal requirements. Typically, high-level procedures do not provide details about internal processes.

High-level procedures also can be shared with external interested parties—such as LEA superintendents and business officers, state legislators, and auditors—to build understanding of subrecipient monitoring and help document compliance.

This practice guide is designed to help states develop high-level written procedures for subrecipient fiscal monitoring. Specifically, this document provides states with guiding questions, sample language, and applicable resources to consider when developing written procedures. The practice guide may also be useful in determining if existing state procedures address the recommended content and questions. Please contact NCSI (ncsi_fiscal@wested.org) with any questions or for assistance with developing or revising a state's written procedures.

Please note that this resource emphasizes primarily the general principles that govern the state’s subrecipient fiscal monitoring process. It is not designed to serve as a comprehensive, step-by-step internal process manual outlining the specific roles and responsibilities of state staff. A manual of that type should include thorough information on internal processes and controls and must be individualized by the state. NCSI staff are available to assist individual states in developing a more detailed document to ensure accurate and sustainable implementation if needed.

Although the purpose and target audience differ between high-level written procedures and internal process manuals (Table 1), both documents, when developed and properly implemented, help to ensure that SEAs have the following:

- a robust subrecipient fiscal monitoring system aligned with the state’s general supervisory responsibility
- consistent standards for fiscal monitoring and oversight
- consistent communication among partners
- consistent practice over time

Both the high-level procedures and the internal process manuals could be submitted to OSEP as part of fiscal monitoring of the state.

TABLE 1. HIGH-LEVEL PROCEDURES AND INTERNAL PROCESS MANUAL: AUDIENCE AND PURPOSE

Type of subrecipient fiscal monitoring	Audience	Purpose
High-level procedures	Internal and external stakeholders	Demonstrate compliance with IDEA requirements and build understanding of interested parties
Internal process manual	SEA staff	Document detailed internal processes and responsibilities for implementing regulations and high-level procedures

Using This Practice Guide to Develop State Procedures

This practice guide provides a model to help individual states develop high-level procedures and is organized by recommended components:

- Purpose of and Authority for Procedures
- SEA Fiscal Monitoring Systems
- SEA Risk Assessment
- Monitoring Activities and Types of Reviews
- Single Audits
- Monitoring Reporting and Finding of Noncompliance
- Corrective/Required Action and Technical Assistance
- Subrecipient Noncompliance and States’ Enforcement Mechanisms

Each section contains the following:

- a brief description of the component
- guiding questions for use when drafting new or evaluating existing procedures
- sample language for documenting state procedures
- related resources when appropriate

This practice guide includes guiding questions, some of which are derived from sample questions found in the OSEP Subrecipient Monitoring Protocol. Addressing these guiding questions can assist states in assessing whether their written procedures align with OSEP’s expectations.

1. Purpose of and Authority for Procedures

An overview of the state’s subrecipient fiscal monitoring procedures is given in this part, which also contains references to the statutory and regulatory authorities. More specifically, this part refers to the federal regulations for subrecipient fiscal monitoring.

GUIDING QUESTIONS:

- Which federal regulations provide the requirements for subrecipient monitoring?
- What are the state monitoring requirements under IDEA Part B?
- What are the Uniform Guidance’s requirements for subrecipient monitoring?
- What are the major components of a subrecipient fiscal monitoring system?
- Are there any state statutes that play a role in the subrecipient fiscal monitoring system?

SAMPLE LANGUAGE:

Purpose and Authority

Annually, [NAME OF STATE DEPARTMENT OF EDUCATION (SDE)] receives Individuals with Disabilities Education Act (IDEA) Part B federal funds from the United States Department of Education (U.S. ED) to provide special education and related services to children with disabilities within the state. The majority of these funds must be distributed by [SDE] to the state’s local educational agencies (LEAs). As the pass-through agency, [SDE] is responsible for monitoring the activities of its subrecipients to ensure that the IDEA Part B program is effectively implemented and funds are used for authorized purposes and in accordance with federal statutes, regulations, and the terms and conditions of the subaward (34 CFR § 300.600 and 2 CFR § 200.332).

This manual contains the standards for fiscal monitoring and oversight. These procedures are developed to standardize the oversight, evaluation, and monitoring guidelines of each LEA. Federal regulatory provisions under which [SDE] monitors for fiscal accountability and compliance are the Education Department General Administrative Regulations (EDGAR), the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (commonly known as the Uniform Grant Guidance or Uniform Guidance), and IDEA Part B.

This document sets forth the policies and procedures for each component of the [SDE] plan for fiscal monitoring of its grant recipients for IDEA Part B funds.

RELATED RESOURCES:

- [OSEP DMS Webpage \(see Fiscal Part B Subrecipient Monitoring Protocol\)](#)
- [OSEP Fiscal Resources for Grantees - Individuals with Disabilities Education Act](#)
- [2 CFR Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards](#)
- [2 CFR Part 200 3474 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards](#)
- [34 CFR Part 300 – Assistance to States for the Education of Children With Disabilities](#)
- [2 CFR Part 180 – OMB Guidelines to Agencies on Governmentwide Debarment and Suspension \(Nonprocurement\)](#)
- 34 CFR Parts [75](#), [76](#), [77](#), [81](#) Education Department General Administrative Regulations (EDGAR)

2. State Educational Agency Fiscal Monitoring Systems

The state's current subrecipient monitoring procedures are described in depth in this section, including how LEAs are selected for monitoring activities, the frequency and different types of monitoring conducted, and an explanation of each step in the procedure.

GUIDING QUESTIONS:

1. What is the description of the SEA current subrecipient monitoring procedures?
2. How are LEAs selected for monitoring (risk-based, cyclical, etc.)?
3. Does the fiscal monitoring system work in tandem with the programmatic monitoring system? If so, how do the two systems interact?
4. Is the fiscal monitoring system consolidated with other federal grants, or is it solely for IDEA Part B?
5. Which staff are responsible for this portion of the monitoring process?
6. Are the results of the Single Audits and the monitoring activities considered as part of the risk assessment process?

SAMPLE LANGUAGE:

Due to the various approaches utilized for fiscal monitoring, three examples have been provided. Not all samples will be applicable for every state.

Sample A (Fiscal Monitoring System Integrated With Other Federal Grants):

The [SDE] Fiscal Monitoring Team implements a risk-based fiscal compliance and accountability system to ensure that LEAs/schools have compliant procedures and practices and follow the allowable use principles of federal education statutory and discretionary grant funds. A fiscal monitoring review is not considered an audit, and it does not take the place of any state or federal audit. Both on-site and desk reviews follow similar procedures in which [SDE] assesses the capability, performance, and compliance of the LEAs/schools against applicable administrative regulations and grant requirements.

Grant award programs subject to fiscal monitoring include the following:

- *Coronavirus Aid, Relief, and Economic Security (CARES) Fund*
- *Elementary and Secondary School Emergency Relief (ESSER) Fund*
- *IDEA, Part B: Section 611 (children ages 3–21) and Section 619 (children ages 3–5)*
- *Title I, Part A: Improving Basic Programs Operated by Local Educational Agencies*
- *Title II, Part A: Preparing, Training, and Recruiting High-Quality Teachers and Principals*
- *Title IV, Part A: Student Support and Academic Enrichment Grant*
- *Title IV, Part B: 21st Century Community Learning Centers*
- *Title V, Part B: Rural Education Initiative*
- *Title IX, Part A: Homeless Children and Youth (McKinney-Vento)*

Monitoring activities are carried out at three distinct levels (defined in detail in Section X of this manual):

- *Universal monitoring*
- *Targeted cyclical monitoring*
- *Intensive risk-based monitoring*

Sample B (IDEA Fiscal Monitoring System Integrated With IDEA Program Monitoring):

[SDE] uses a fiscal monitoring system that is integrated with the IDEA Part B program monitoring. Under the current system, [SDE] uses IDEA Part B indicators applicable to fiscal and programmatic monitoring. *The special education fiscal and program monitoring supervisor and team are responsible for all the targeted and intensive monitoring activities. The special education monitoring system uses crosscutting fiscal indicators, IDEA-specific fiscal indicators, and IDEA programmatic indicators.*

[SDE] has a risk-based fiscal and programmatic compliance and accountability system in place to ensure that LEA procedures and practices are compliant and that federal education statutory and discretionary funding are used appropriately. The system includes three differentiated levels which are defined in Section X of this manual:

1. Tier I monitoring
2. Tier II monitoring
3. Tier III monitoring

Both on-site and desk reviews follow similar procedures in which [SDE] assesses the capability, performance, and compliance of the LEA against applicable administrative regulations and grant requirements.

Sample C (Independent IDEA Part B Fiscal Monitoring System):

[SDE] uses a fiscal monitoring system for IDEA Part B that functions independently of other federal programs. Currently, the special education fiscal monitoring system evaluates each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward using crosscutting fiscal indicators and IDEA-specific fiscal indicators. The level of support and oversight each LEA will receive is determined by a risk assessment carried out annually by the special education fiscal monitoring supervisor and team.

The [SDE] Special Education Fiscal Team utilizes a risk-based fiscal compliance and accountability system to ensure that LEA procedures and practices are compliant and that federal education statutory and discretionary funding are used appropriately and in accordance with federal regulations. The system includes three differentiated levels that are defined in Section X of this manual:

1. Universal monitoring (above the 90th percentile)
2. Targeted cyclical monitoring (between the 50th and 90th percentiles)
3. Intensive risk-based monitoring (below the 50th percentile)

Both on-site and desk reviews follow similar procedures in which [SDE] assesses the performance and compliance of the LEA against applicable administrative regulations and grant requirements. The special education fiscal supervisor and team are responsible for the implementation of all targeted and intensive monitoring activities.

RELATED RESOURCE:

- 2 CFR Part 200, Subpart D: [Post Federal Award Requirements](#)

3. State Educational Agency Risk Assessment

This section must provide a comprehensive description of the methodology, standards, and criteria utilized to evaluate the potential risk of noncompliance among subrecipients. The process should be sufficiently detailed to identify the risk factors, specify the time frame for conducting the risk assessment, and to determine the impact of the risk assessment results on the type of monitoring activities. Furthermore, it should clearly outline the roles and responsibilities of state personnel involved in the risk assessment process.

GUIDING QUESTIONS:

1. Does the state currently conduct a risk assessment of its LEAs? If so, what risk factors are used?
2. Does the risk assessment result determine what type of fiscal monitoring will be conducted for each LEA?
3. Who is responsible for conducting the risk assessment?
4. Are the risk assessment results for each LEA made available to all LEAs? Is each LEA simply given its own results, or are no results shared with LEAs?

Sample Language:

At the beginning of each school year, [SDE] staff conduct a risk assessment to determine each LEA's risk of noncompliance with the regulations associated with IDEA Part B. The fiscal components of the risk assessment include the following:

- *Single Audit Review Findings/Corrections*
- *Prior Fiscal and Program Monitoring Findings*
- *Significant Disproportionality Determination*
- *Timely Submission of Financial Reports (including the IDEA Part B application and assurances)*
- *Compliance and Eligibility Requirements of Maintenance of Effort (MOE)*
- *Excess Cost Requirements*
- *Amount of IDEA Part B Carryover Greater Than xx Percent*
- *Lapse of IDEA Part B Funds*
- *Written Policies and Procedures*
- *Newly Hired Special Education Director (2 years or less in position)*
- *Newly Hired Business Officer (2 years or less in position)*
- *Length of Time School/LEA Has Been Open/Operational (3 years or less)*
- *Budget Amendments*
- *New Financial Management System*

See Appendix [X] for [SDE]'s current risk assessment.

The risk indicators fall into two categories:

- **qualitative risk indicators:** *For the qualitative risk indicators, two (2) is the maximum number of points, which indicates the lowest level of risk of noncompliance for each indicator. Zero (0) is the minimum number of points, which indicates the highest level of risk of noncompliance. No partial credit is given for qualitative risk indicators.*
- **quantitative risk indicators:** *For the quantitative risk indicators, four (4) is the maximum number of points, which indicates the lowest level of risk of noncompliance for each indicator. Zero (0) is the minimum number of points, which indicates the highest level of risk of noncompliance. LEAs can also receive partial credits on a sliding scale (1, 2, 3) for each indicator.*

After each category has been rated, [SDE] staff combine scores with the totals to give an overall fiscal score. The fiscal score is added to the risk assessment, and LEA risk is defined by the overall ranges below:

Risk	Range	Level of monitoring and support
Low Potential of Risk	Above the 90th percentile	Tier I (Universal)
Medium Potential of Risk	50th–90th percentiles	Tier II (Targeted)
High Potential of Risk	Below the 50th percentile	Tier III (Intensive)

RELATED RESOURCE:

- [2 CFR § 200.332\(b\)](#)
- [2 CFR § 200.332\(e\)](#)

4. Monitoring Activities and Types of Reviews

This section explains how LEAs are chosen for monitoring, which components will be evaluated, and what types of activities will occur during the annual process.

Note. OSEP general supervision guidance recommends a 6-year monitoring cycle; however, the implementing regulations of GEPA (34 CFR § 81.31) establish a 5-year statute of limitation for the recovery of funds. Therefore, states should consider the impact of the 5-year statute of limitations in determining the cycle for fiscal monitoring.

GUIDING QUESTIONS:

1. How are monitoring areas determined?
2. What are the different types of monitoring activities conducted annually for all LEAs?
3. What mechanisms are used to conduct LEA monitoring (on-site, desk, virtual, self-assessment, combination)?
4. How is the level of monitoring and support determined for a particular LEA?
5. What data sources are used for universal, targeted, or intensive monitoring?
6. What documents are requested from LEAs to conduct desk and on-site reviews?
7. Is performance considered as part of the monitoring process? If so, how?
8. Does the monitoring system determine and ensure IDEA funds are used to improve results for children with disabilities?
9. Will the SEA use risk-based or cyclical monitoring or a combination of both?
10. If cyclical monitoring is utilized, how frequently will LEAs be monitored for compliance?
11. What office at the SEA is responsible for conducting the monitoring?
12. Which staff members are responsible for each component of the monitoring process?

SAMPLE LANGUAGE:

Tier I: Universal Monitoring

As the primary recipient of IDEA Part B federal grants, [SDE] is responsible for monitoring the activities of its subrecipients to ensure the subaward is used for authorized purposes and is in compliance with federal and state statutes, regulations, and the terms and conditions of the grant, pursuant to 2 CFR § 200.332. Annually, [SDE] staff performs a series of activities that are applicable to all LEAs as part of the universal monitoring activities.

The following is a list of monitoring activities that are performed annually and serve as the first line of oversight of all grant recipients:

- review of the LEA's IDEA Part B Grant application and required assurances under 34 CFR § 300.200
- annual budget review
- quarterly submission of Expenditure Reports for fiscal team review
- quarterly submission of IDEA reimbursement requests for review
- annual submission of IDEA final expenditure reports for review
- annual review of maintenance of effort (MOE) compliance data
- monitoring of excess cost requirements
- monitoring of timely obligation of funds
- annual risk assessment
- review of Single Audit reports
- budget modification process requiring [SDE] approval
- annual training provided to LEAs on IDEA federal and state fiscal compliance requirements

Tier II: Targeted Cyclical Monitoring

[SDE] staff are responsible for the monitoring of crosscutting and IDEA-specific requirements using the fiscal monitoring protocols for the IDEA. All LEAs in the state will take part in either a Tier II (targeted) or Tier III (intensive) monitoring experience at least once every 6 years in addition to the universal monitoring activities conducted annually. This means that in any given school year, approximately 20 percent of all LEAs will be actively monitored as will be any LEA that is not in that year's cycle but whose risk assessment score suggests a need for additional intensive monitoring and support. The targeted and intensive monitoring activities are conducted for both crosscutting and IDEA-specific fiscal indicators.

LEAs may also be considered for Tier II monitoring as a result of concerns discovered by the SEA through alternative methods. The SEA reserves the right to monitor any LEA at any time regardless of the risk assessment results or the annual monitoring cycle.

DESK AUDIT

Targeted monitoring starts with a virtual desk audit. The purpose of a desk audit is to ensure that each LEA has internal controls in place to ensure schools are compliant with federal and state statutes. The desk audit includes a review of files submitted by the LEA, including but not limited to the following:

- budget or expenditure reports
- time and effort documentation
- documentation related to program-specific areas (where applicable)
- written, board-approved fiscal policies and procedures
- additional fiscal data requested by [SDE]
- grant award letters, contracts, files, documents, and related correspondence
- audit reports (as necessary)

INTERVIEW AND ADDITIONAL INFORMATION REQUEST

Targeted monitoring may also include follow-up virtual interviews, on-site visits, or requests for additional information based on the initial review related to any policies, procedures, or practices that are found to be inconsistent with federal regulations.

Targeted monitoring occurs annually from November through April. Each LEA is notified of the upcoming desk audit via email in September. Each LEA is required to submit requested documentation to [SDE] within [SDE Timeline] of notification for its scheduled desk audit.

Tier III: Intensive Risk-Based Monitoring

ANNUAL RISK ASSESSMENT

In addition to Tier I (universal) and Tier II (active/targeted) activities, LEAs may be selected for Tier III (intensive) monitoring when the risk assessment results indicate a need for increased monitoring and support regardless of whether they are part of that year's cycle.

LEAs may also be considered for Tier III monitoring as a result of concerns discovered by the SEA through alternative methods. The SEA reserves the right to monitor any LEA at any time regardless of the risk assessment results or the annual monitoring cycle.

- *LEAs may be identified for Tier III monitoring for 2 or more consecutive years.*
- *During its targeted monitoring designated cycle year, an LEA may also be identified for Tier III monitoring due to risk.*

DESK REVIEW

Tier III monitoring begins with a desk review that is more rigorous than a Tier II review. The Tier III desk review assesses internal controls at the LEA and reviews the following:

- *budget or expenditure reports*
- *proportionate share expenditure documentation (including consultation logs)*
- *time and effort documentation*
- *written, board-approved, fiscal policies and procedures*
- *IDEA Part B applications and all budget amendments*
- *grant award letters, contracts, files, documents, and related correspondence*
- *audit reports (as necessary)*
- *equipment purchases/inventory lists*
- *Financial Management Assurance Statement*
- *Coordinated Early Intervening Services (CEIS) expenditure documentation and data collection*

Tier III desk review monitoring begins with electronic and phone communication between [SDE] and pertinent LEA staff. An in-person component may also be involved.

LEA fiscal staff will be asked to submit a selection of files and documentation to [SDE] special education fiscal staff from the areas listed above.

[SDE] follows the process outlined below:

1. *The [SDE] special education fiscal team and supervisor completes an annual risk assessment for all LEAs that are subrecipients of IDEA Part B sections 611 and 619 funds to determine their potential risk of noncompliance in August.*
2. *Each selected LEA will receive a notification letter in September prior to the review with an overview of the monitoring protocols and any request for document submission at least [SDE Timeline] prior to the monitoring review.*
3. *LEAs selected for intensive monitoring are informed of their type of review via email.*
4. *[SDE] special education fiscal staff conduct a virtual desk audit in December and January to inform the focus of the intensive risk-based monitoring in each LEA.*

If an LEA is selected for intensive risk-based monitoring for 2 or 3 subsequent years, the [SDE] fiscal supervisor will determine, based on the status of the LEA's previous monitoring, whether additional on-site monitoring is necessary. If noncompliance is not identified during a prior monitoring review, the LEA may be notified that additional monitoring is not necessary.

All reviews are done electronically followed by an on-site visit unless SDE staff determine that an on-site visit is not necessary. The purpose of the on-site visit is to conduct further review and to provide technical assistance.

ON-SITE MONITORING

[SDE] reviewers initially conduct a virtual desk audit in December and January to inform the focus of the on-site intensive risk-based monitoring for each LEA. On-site visits may need to be conducted at a later date. On-site monitoring consists of, but is not limited to, the following:

- *Entrance meeting:* The [SDE] team provides a description of the scope and purpose of the monitoring, requests additional information from the LEA, and verifies that information required to complete the monitoring visit is available at the site.
- *Interviews:* The [SDE] fiscal supervisor interviews staff involved with IDEA Part B grant activity (specifically business managers and special education directors). The interview focuses on unresolved issues or questions that result from the preliminary review of documents submitted.
- *Detailed document review:* The [SDE] special education fiscal team conducts a detailed review of the following:
 - » *fiscal records for compliance with IDEA Part B §§ 611 and 619 requirements, generally accepted accounting principles, and internal control best practices*
 - » *pay records (timecards/sheets) and attendance reports to ensure compliance with time and effort requirements*
 - » *staffing levels, operating procedures, and contracts*
 - » *employment contracts/agreements between LEAs and personnel paid with IDEA Part B funds to ensure that services to students with disabilities are being provided and payments are appropriate; contracts shall be reviewed for dates, authorized signatures, amounts paid, and supporting documents to justify payment*
 - » *subrecipient records of IDEA Part B fund expenditures and supporting documents*
 - » *written, board-approved fiscal policies and procedures*
 - » *procurement procedures and practices*
 - » *financial management procedures and practices*
 - » *record-keeping procedures and practices*
 - » *property control records*
- *Verification of practice:* The [SDE] team may visit schools and classrooms to verify purchases and allowable costs, including the review of personnel and verification of time and effort reporting. Equipment inventory may also be reviewed.
- *Exit interview:* The [SDE] team conducts an exit interview with the appropriate LEA staff when the monitoring visit is completed. Problem areas will be discussed in general terms.

Preparation for Virtual and On-Site Monitoring

Each year in the fall, [SDE] holds a monitoring training for LEAs. LEAs selected for cyclical monitoring are strongly encouraged to attend the training to understand the process and expectations. Additionally, [SDE] provides each LEA with the targeted and intensive monitoring protocols, which include a list of requested documentation and testing procedures, to prepare for the monitoring.

RELATED RESOURCE:

- [2 CFR § 200.332](#)

5. Single Audits

This section of the manual should describe how compliance with LEA Single Audit requirements is verified, as well as the steps taken to address any findings of noncompliance that come as a result.

GUIDING QUESTIONS:

1. How does the SEA verify that every subrecipient is audited as required?
2. Are the results of Single Audits considered as part of the monitoring process? If so, how?
3. How does the SEA fulfill the requirement to issue a management decision for IDEA-related audit findings?
4. What office within the SEA issues management decisions? What mechanisms are in place to maintain appropriate communication between SEA offices?
5. Who is responsible for ensuring timely correction of the audit finding?
6. Are repeat audit findings tracked (i.e., repeat for the same LEA, and repeat across multiple LEAs)?
7. How are Single Audit findings resolved?

SAMPLE LANGUAGE:

Single Audits

[SDE] will adhere to federal regulations requiring grantees to be audited in accordance with 2 CFR Part 200, Subpart F—Audit Requirements. During a Single Audit, an auditor from [name of state agency or entity] examines

- *the financial statements and schedule of expenditures for federal awards;*
- *compliance with laws, regulations, and contract or grant agreement provisions that have a direct and material effect on each of the federal programs; and*
- *the effectiveness of internal control over federal programs in preventing or detecting noncompliance.*

The auditor will prepare a report in compliance with Subpart F of 2 CFR Part 200. Each grantee is accountable for the subsequent follow-up and must develop a corrective action plan (CAP) for each audit finding. The name of the employee in charge of each task must be listed along with the task's projected completion date.

Single Audit Procedures

The [SDE staff or team] is responsible for and oversees the Single Audit procedures for [SDE] in accordance with the requirements referenced above and all other applicable federal requirements.

Every year in the fall, the special education fiscal specialist contacts the [SDE] business office to request a list of all LEAs that spent \$750,000 or more in federal funding in the previous fiscal year. The information is entered into a tracking log by the special education fiscal specialist, who also notes all prior year audit findings. Single Audit findings are included in the risk assessment as a risk indicator.

LEAs are required to submit Single Audit reports to the [SDE] school finance office. The [SDE] school finance officer is responsible for ensuring that LEAs submit the reports by November 15 of each year. If one is missing, the school finance officer will contact the LEA directly. Sanctions are then imposed if the audit reports are not submitted by the deadline established.

The [SDE] school finance office provides the list of audit findings related to the IDEA Part B federal grants to the [SDE] special education fiscal team to determine if they agree or disagree with the finding. The [SDE] school finance office issues a Management Decision Letter (see 2 CFR 200.521) based on the final determination of the special education fiscal team.

The [SDE] special education fiscal team follows up on any findings received by LEAs and provides guidance and technical assistance if needed. The [SDE] staff assigned to a particular LEA are responsible for monitoring the completion of the CAP and logging the completion date into the internal tracking log. The fiscal specialist will send a release letter to the LEA once all the findings have been addressed and corrected. Additionally, during targeted and intensive fiscal monitoring activities, correction of Single Audit findings is also reviewed and evidence of implementation of CAP is collected when applicable.

RELATED RESOURCE:

- [2 CFR Part 200, Subpart F](#)
- [2 CFR § 200.521](#)

6. Monitoring Reporting and Finding of Noncompliance

This component outlines how the SEA communicates the results and any findings of noncompliance to LEAs after the monitoring activities are completed. A description of what is contained in the monitoring report, as well as any timelines enacted, should be included.

GUIDING QUESTIONS:

1. Does the SEA have preestablished remedies for noncompliance?
2. Which staff are responsible for issuing monitoring reports and findings to LEAs?
3. What information is provided in the monitoring report?

SAMPLE LANGUAGE:

Monitoring Report

The [SDE] special education fiscal supervisor and the team of reviewers complete a monitoring report within 30 days of the completion of the desk or on-site review. The report will outline the monitoring's objectives, scope, and methodology, as well as the findings, recommendations, and whether and when corrective action is required. Findings will contain a statement of noncompliance (e.g., regulation, directive, contract clause), the condition found or reason for the finding of noncompliance, and the request for required corrective actions and evidence for verification of correction.

Each finding of noncompliance must be addressed as soon as possible and no later than 1 year from the date of the monitoring report [34 CFR § 300.600(e)]. Depending on the severity of the noncompliance, LEAs may be required to submit a detailed CAP and timeline within [SDE Timeline] of the notification. If the review of risk reveals material weaknesses in internal controls, an improvement plan will be developed.

Types of Noncompliance

Types of noncompliance may include, but are not limited to, the following:

- *expenditure of funds or conducting activities that are not in accordance with the IDEA authorizing statute, regulations, guidelines, or approved application*
- *failure to account for funds in accordance with the [SDE] financial management standards or Administrative Rules*
- *findings in a Single Audit conducted by an independent auditor*
- *failure to comply with programmatic or fiscal reporting requirements;*
- *Coordinated Early Intervening Services (CEIS) reporting;*
- *Parentally placed private school proportionate share reporting; and/or*
- *previous required corrective actions, refund requests, or special conditions*

RELATED RESOURCE:

- [34 CFR Part 81, Subpart Part B](#)
- [34 CFR § 300.600\(e\)](#)

7. Corrective/Required Action and Technical Assistance

The procedure for correction or required action by LEAs should be outlined in this section of the manual. The state's procedures for communicating with LEAs following the implementation of a corrective/required action, including the issuance of the closeout letter, should be addressed. It should be explained how monitoring findings drive the technical assistance (TA) provided to LEAs.

GUIDING QUESTIONS:

1. Are LEA corrective action plans (CAPs) written when corrective or required action is needed? Do LEAs create CAPs and share them with the SEA? Does the SEA assist in creating the plan?
2. What are the state's procedures for follow-up after LEA corrective/required action has been satisfied?
3. Who will issue a closeout letter once the findings have been corrected?
4. How do the results of monitoring inform the TA provided to LEAs?

SAMPLE LANGUAGE:

Corrective Action Plan

If an LEA receives a report with monitoring findings and a recommended CAP, the finding of noncompliance must be addressed within [SDE Timeline] and resolved within 1 year. The LEA must submit its CAP to the [SDE] finance office for special education once it has been developed. Once the LEA has submitted evidence of the correction of noncompliance issues and evidence of implementation of corrected procedures, the lead reviewer sends a notification that the noncompliance issues have been successfully remediated.

An LEA that successfully remediates a noncompliance issue could be removed from the high- or medium-risk categories resulting from the annual risk assessment. If the findings are not addressed within [SDE Timeline], [SDE] may use the enforcement tools listed in 2 CFR § 200.339, such as the requirement of technical assistance with the suggested CAP, additional grant restrictions, the freezing of federal funding, or the withholding of funds entirely or in part.

In addition to the desk or on-site fiscal monitoring review, [SDE] may identify an LEA as noncompliant

- *based on findings from an external audit or*
- *because of concerns identified through other means.*

Once identified, the LEA will receive notification of the requirement to complete a CAP. The CAP describes the following:

- *the areas of noncompliance*
- *the required corrective action(s)*
- *any enforcement actions*

The purpose of the corrective action is to ensure that the subrecipient corrects the finding(s) of noncompliance and complies with federal requirements.

To complete a corrective action, the LEA must demonstrate that it has corrected the issue that caused the noncompliance. The LEA must do so by providing specific documentation that supports the completion of the corrective action by the date specified or submitting the required documentation to [SDE] through the grant management system by the date indicated on the corrective action notification.

If there are questions about the assigned corrective action, the LEA may contact the [SDE] special education fiscal specialist indicated on the corrective action notification.

The special education fiscal supervisor and team will use the subrecipient monitoring spreadsheet to track the corrective actions and any technical assistance provided for each LEA. The [SDE] special education fiscal team will provide differentiated technical assistance to LEAs to address needs identified during monitoring activities.

LEA Technical Assistance

[SDE] staff play a crucial role in supporting LEAs in matters of fiscal compliance. [SDE] establishes a tiered system of support that consists of levels I, II, and III of technical support.

- **Tier I Level of Support:** *[SDE] staff engage in proactive efforts by providing universal virtual and in-person training, webinars [annually, quarterly, monthly] to all LEAs. [SDE] also provides general guidance, tools, and resources to LEAs, assisting them in understanding fiscal compliance requirements, mitigating risk or noncompliance, or proactively resolving findings of noncompliance.*
- **Tier II Level of Support:** *[SDE] staff also offer targeted training on specific IDEA fiscal requirements and more tailored support to groups of LEAs facing specific challenges.*

- **Tier III Level of Support:** *[SDE] staff offer on-demand technical assistance (TA) to selected LEAs through one-on-one coaching, TA calls, or on-site TA visits involving intensive and personalized interventions to address specific issues identified through monitoring activities to assist LEAs in resolving their compliance issues more effectively.*

This tiered approach ensures a comprehensive and structured support system, aiding LEAs in achieving fiscal compliance, and ensuring the proper use of resources for the betterment of education.

RESOLUTION AND MONITORING CLOSEOUT

[SDE] considers all findings of noncompliance as resolved only after the LEA has provided sufficient evidence that the CAP is fully implemented. A closeout letter is issued by the [SDE] grant team supervisor to the LEA within [SDE Timeline] of the submission of the final satisfactory evidence indicating that all required actions have been resolved.

RELATED RESOURCES:

- [2 CFR § 200.332\(e\)\(1\)](#)
- [2 CFR § 200.1 “corrective action”](#)
- [2 CFR § 200.339](#)
- [34 CFR § 300.600\(a\)\(3\)](#)
- [34 CFR § 300.604\(b\)\(2\)\(i\)](#)

8. Subrecipient Noncompliance and States’ Enforcement Mechanisms

This section of the procedure manual should specify the enforcement mechanisms that the SEA may utilize as part of remedies for LEA noncompliance with federal statutes, regulations, or the terms and conditions of the IDEA Part B federal grants.

GUIDING QUESTIONS:

1. What are the range of enforcement actions your SEA considers in response to noncompliance and/or low performance?
2. If enforcement actions under 300.604 are required, how are they chosen?

Sample Language:

[SDE] may take enforcement actions as part of a corrective action or for noncompliance with a previous corrective action. The Uniform Grant Guidance 2 CFR § 200.339 authorizes [SDE] to use enforcement mechanisms that may include but are not limited to the following:

- *temporarily withhold cash payments pending correction of the deficiency or more severe enforcement action*
- *disallow all or part of the cost of the activity or action not in compliance*
- *wholly or partly suspend or terminate the federal award*
- *initiate suspension or debarment proceedings*
- *withhold further federal awards for the grant*
- *take other remedies that may be legally available*
- *potentially deny a grant application for federal funding as an enforcement action*

Disallowance of Cost and Recovery Process

A cost that has been disallowed as a result of a fiscal monitoring or Single Audit may be subject to recovery. Under the implementing regulations for the General Provision Education Act (GEPa) at 34 CFR § 81.30, [SDE] may require an LEA to return funds that have been disallowed to [SDE] if the LEA made an unallowable expenditure of IDEA funds; or the LEA otherwise failed to discharge its obligation to account properly for its IDEA Part B federal grant. This decision may be based on an audit report, an investigative report, a monitoring report, or any other evidence.

Under GEPa 34 CFR § 81.32, an LEA that made an unallowable expenditure or otherwise failed to account properly for funds shall return an amount that is proportional to the extent of the harm its violation caused to an identifiable federal

interest associated with the program. The regulation definition of an identifiable federal interest includes, but is not limited to, the following criteria:

- serving only eligible beneficiaries
- providing only authorized services or benefits
- complying with expenditure requirements and conditions, such as set-aside, excess cost, MOE, comparability, supplement-not-supplant, and matching requirements
- preserving the integrity of planning, application, recordkeeping, and reporting requirements
- maintaining accountability for the use of funds

The [SDE] process of recovery of funds must include the following:

- notice of disallowance through monitoring report with finding of noncompliance
- [SDE] determination letter based on audit finding per 34 CFR § 81.34
- application for review of a disallowance per 34 CFR § 81.37
- final decision 34 CFR § 81.44
- collection of disallowed cost per 34 CFR § 81.45

[SDE]'s attorney from the Attorney General's Office may be called in for counsel depending on issues detected during the review of noncompliance prior to enforcement action being imposed. The LEA can adjust within the financial management system for costs that have been determined unallowable as a result of the review or audit. The LEA must send a check to [SDE] for the amount that was determined unallowable for a grant period that has closed.

Suspension or Termination of Federal Award

IDEA Part B federal awards may be terminated in whole or in part, after reasonable notice and an opportunity for a hearing (34 CFR § 300.222) by [SDE], as follows, per 2 CFR § 200.340:

- if an LEA fails to comply with the terms and conditions of a federal award
- if an award no longer effectuates the program goals or agency priorities
- with consent of the LEA
- by the LEA upon sending written notification including reasons for termination
- pursuant to termination provisions included in the federal award

[SDE] should clearly specify termination provisions applicable to IDEA Part B federal grants. When terminating a federal award prior to the end of the period of performance due to material failure to comply with the federal award terms and conditions, [SDE] must report the termination to the OMB-designated integrity and performance system accessible through SAM (currently FAPIIS). The termination of a federal award should not be reported into the designated integrity and performance system until the LEA entity either

- has exhausted its opportunities to object or challenge the decision (see 2 CFR § 200.342) or
- has not, within 30 calendar days after being notified of the termination, informed [SDE] that it intends to appeal the decision to terminate.

If after entering information into the designated integrity and performance system about a termination, and [SDE] subsequently learns that any of that information is erroneous, [SDE] must correct the information in the system within 3 business days. [SDE] should amend the information in the system to incorporate the update in a timely way. When posting or reposting any information that will be made publicly available, [SDE] must be in accordance with the Freedom of Information Act. When a federal award is terminated or partially terminated, both the federal awarding agency or pass-through entity and the nonfederal entity remain responsible for the compliance with the closeouts requirements in 2 CFR §§ 200.344 and 200.345.

RELATED RESOURCE:

- FAPIIS Data Reporting <https://sam.gov/reports/ei/static>
- 2 CFR § [200.339](#), [200.340](#), [200.341](#), [200.342](#), [200.343](#), [200.344](#), and [200.345](#)
- [34 CFR Part 81](#)

State Part B Fiscal Indicators Checklist

ID	Monitoring indicators	In place	Partially in place	Not in place	Notes
1.	Ensure that each subaward includes certain detailed information as described in 2 CFR §200.332(a)				
2.	Evaluate each subrecipient’s risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring (2.CFR § 200.332 (b))				
3.	Consider imposing specific subaward conditions upon a subrecipient if appropriate as described in 2 CFR § 200.208 and 2 CFR § 200.332 (c)				
4.	Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved (2 CFR § 200.332(d) and 2 CFR § 200.329(a))				

ID	Monitoring indicators	In place	Partially in place	Not in place	Notes
5.	Consider monitoring activities, based on risk posed by the subrecipient, ranging from technical assistance to on-site monitoring or conducting agreed-upon-procedures engagements (audits) (2CFR § 200.332(e))				
6.	Obligation of Funds within the Grants Period of Performance (34 CFR §§ 76.707–710)				
7.	Allowability of Costs (2 CFR § 200.403 and 34 CFR § 300.202)				
8.	Allowability of Compensation Costs—personal services (Time and Effort) (2 CFR § 200.430 (a) and 2 CFR § 200.430 (j))				

ID	Monitoring indicators	In place	Partially in place	Not in place	Notes
9.	Records Retention (2 CFR § 200.334)				
10.	Corrective Action (2 CFR § 200.332 (d)(2) and 34 CFR § 300.604(b)(2)(i)).				
11.	Equipment/Inventory Management (2 CFR § 200.313)				
12.	Procurement Standards (2 CFR §§ 200.317–327)				

ID	Monitoring indicators	In place	Partially in place	Not in place	Notes
13.	Financial Management (2 CFR § 200.302)				
14.	Indirect Costs Requirements (34 CFR §§ 76.563–564)				
15.	Internal Controls (2 CFR § 200.303)				
16.	<p>Audit Requirements (2 CFR §§ 200.501–507)</p> <p>Ensure that every subrecipient is audited as required.</p> <p>Ensure that there is a designated SEA office that issues a management decision for IDEA-related audit findings and that office communicates with the special education department.</p> <p>Designate a team/staff responsible for ensuring timely correction of the audit findings</p>				

ID	Monitoring indicators	In place	Partially in place	Not in place	Notes
17.	Required Written Fiscal Policies and Procedures (2 CFR § 200.302(b)(6) and 2 CFR § 200.302(b)(7))				
18.	Travel Policy (2 CFR §§ 200.474 and 200.475)				
19.	Suspension and Debarment (2 CFR § 200.214)				
20.	LEA Maintenance of Effort (34 CFR § 300.203)				

ID	Monitoring indicators	In place	Partially in place	Not in place	Notes
21.	Excess Cost Requirements (34 CFR § 300.16 , 34 CFR § 300.202(b) , and Appendix A to Part 300)				
22.	Private School Proportionate Share (34 CFR § 300.133)				
23.	Coordinated Early Intervening Services (CEIS) (34 CFR § 300.226 ; 34 CFR § 300.646)				
24.	If applicable: High Cost Fund (34 CFR § 300.704(b)(1)(iii))				
25.	If applicable: Schoolwide Program (34 CFR § 300.206)				

Conclusion

This is a general overview of the fiscal requirements for subrecipient monitoring. The specific requirements may vary depending on your state's implementation of the IDEA and any additional guidance provided by the relevant authorities or specific state requirements. It is crucial to refer to the applicable federal regulations, state guidelines, and any supplemental documents or instructions provided by the funding agency for comprehensive and up-to-date guidance.

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WestEd is the lead organization for NCSI. For more information about the work of WestEd, NCSI, and their partners, please visit www.ncsi.wested.org and www.wested.org.

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