

## DEPARTMENT OF EDUCATION

### CROSS-CUTTING SECTION

#### INTRODUCTION

This section contains compliance requirements that apply to more than one Department of Education (ED) program either because the program was authorized under the Elementary and Secondary Education Act (ESEA), or the program is subject to the General Education Provisions Act (GEPA), or both. The compliance requirements in this Cross-Cutting Section reference the applicable programs in Part 4, Agency Compliance Requirements. Similarly, the applicable programs in Part 4 reference this Cross-Cutting Section.

<b>CFDA No.</b>	<b>Program Name</b>	<b>Listed as</b>
<b>ESEA Programs</b>		
84.010	Title I Grants to Local Educational Agencies (LEAs)	Title I, Part A
84.011	Migrant Education— State Grant Program	MEP
84.186	Safe and Drug-Free Schools and Communities--State Grants	SDFSCA
84.282	Charter Schools	CSP
84.287	Twenty-First Century Community Learning Centers	21st CCLC
84.288	Bilingual Education—Program Development and Implementation Grants	
84.290	Bilingual Education—Comprehensive School Grants	Bilingual
84.291	Bilingual Education—Systemwide Improvement Grants	
84.298	Innovative Education Program Strategies	Title V, Part A
84.318	Education Technology State Grants	Ed Tech
84.338	Reading Excellence Program	Reading Excellence
84.357	Reading First State Grants	Reading First
84.365	English Language Acquisition Grants	Title III, Part A
84.367	Improving Teacher Quality State Grants	Title II, Part A
<b>Other Programs</b>		
84.002	Adult Education—State Grant Program	Adult Education
84.027	Special Education—Grants to States (IDEA, Part B)	IDEA
84.173	Special Education—Preschool Grants (IDEA Preschool)	

84.042 TRIO - Student Support Services	TRIO Cluster
84.044 TRIO - Talent Search	
84.047 TRIO - Upward Bound	
84.066 TRIO - Educational Opportunity Centers	
84.217 TRIO - McNair Post-Baccalaureate Achievement	
84.048 Vocational Education--Basic Grants to States	Vocational Education
84.126 Rehabilitation Services - Vocational Rehabilitation Grants to States	Vocational Rehabilitation
84.181 Special Education--Grants for Infants and Families with Disabilities	IDEA, Part C

### **No Child Left Behind Act**

The Elementary and Secondary Education Act (ESEA) was amended January 8, 2002 by the No Child Left Behind (NCLB) Act of 2001 (Pub. L. 107-110).

### **Waivers and Expanded Flexibility**

Under Title IX of the ESEA, States, Indian tribes, LEAs, and schools through their LEA may request waivers from ED of many of the statutory and regulatory requirements of programs authorized in ESEA. In addition, some States may have been granted authority to grant waivers of Federal requirements under the new Education Flexibility Partnership Act of 1999. Auditors should ascertain from the audited State Education Agencies (SEAs) and LEAs whether the SEA or the LEA or its schools are operating under any waivers.

### **I. PROGRAM OBJECTIVES**

The ESEA of 1965, as amended by the NCLB, provides for a comprehensive overhaul of Federal support for education, and restructures how these programs provide services. ESEA programs in this Supplement to which this section applies are shown above. Generally these requirements are applicable for fiscal years beginning after June 30, 2002.

Under the NCLB, Federal education programs authorized in the ESEA are designed to work in concert with each other, rather than separately. By emphasizing program coordination, planning, and service delivery among Federal programs and enhancing integration with State and local instructional programs, the ESEA reinforces comprehensive State and local educational reform efforts geared toward ensuring that all children can meet challenging State standards regardless of their background or the school they attend.

Program objectives for non-ESEA programs covered by this cross-cutting section and additional information on program objectives for the ESEA programs are set forth in the individual program sections of this Supplement.

## **II. PROGRAM PROCEDURES**

### **Plans for ESEA Programs**

An SEA must either develop and submit separate, program-specific individual State plans to ED for approval as provided in individual program requirements outlined in the ESEA or submit, in accordance with section 9302 of the ESEA, a consolidated plan to ED for approval.

Consolidated plans will provide a general description of the activities to be carried out with ESEA funds. Subgrants to LEAs and other educational service agencies and amounts to be used for State activities are often set by law for ESEA programs. However, SEAs have discretion in using funds available for State activities.

LEAs also have the choice in many cases of submitting individual program plans or a consolidated plan to the SEA to receive program funds. SEAs with approved consolidated State plans may require LEAs to submit consolidated plans.

### **Unique Features of ESEA Programs That May Affect the Conduct of the Audit**

#### *Consolidation of administrative funds*

SEAs and LEAs (with SEA approval) may consolidate funds received for administration of many ESEA programs, thus eliminating the need to account for these funds on a program-by-program basis. The amount from each applicable program set aside for State consolidation may not be more than the percentage, if any, authorized for State administration under that program. Federal expenditures may be charged to the programs on a first in/first out method, in proportion to the funds provided by each program, or another reasonable manner. The amount set aside under each covered program for local consolidation may not be more than the percentage, if any, authorized for local administration under that program.

### **Schoolwide Programs**

Eligible schools are able to use their Title I, Part A funds, in combination with other Federal, State, and local funds, in order to upgrade the entire educational program of the school and to raise academic achievement for all students. Except for some of the specific requirements of the Title I, Part A program, funds that are used in a schoolwide program are not subject to the statutory or regulatory requirements of the programs providing the funds as long as the schoolwide program meets the intent and purpose of those programs. *The Title I, Part A requirements that apply to schoolwide programs are identified in the Title I, Part A program-specific section.*

## General and Program-Specific Cross-Cutting Requirements

The requirements in this cross-cutting section can be classified as either general or program-specific. General cross-cutting requirements are those that are the same for all applicable programs but are implemented on an entity-level. These requirements need only be tested once to cover all applicable major programs. The general cross-cutting requirements that the auditor only need test once to cover all applicable major programs are: III.G.2.1, “Level of Effort-Maintenance of Effort (SEAs/LEAs);” III.L.3, “Special Reporting;” and, III.N, “Special Tests and Provisions” (III.N.1, “Participation of Private School Children;” III.N.2, “Schoolwide Programs;” and III.N.3, “Comparability”). Program-specific cross-cutting requirements are the same for all applicable programs, but are implemented at the individual program level. These types of requirements need to be tested separately for each applicable major program.

Program procedures for non-ESEA programs covered by this cross-cutting section and additional information on program procedures for the ESEA programs are set forth in the individual program sections of this Supplement.

### Availability of Other Program Information

The ESEA, as reauthorized by the NCLB, is available with a hypertext index on the Internet at <http://www.ed.gov/policy/elsec/leg/esea02/index.html>.

## 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.**

**Further, if there has been a transfer of funds to a consolidated administrative cost pool from a major program, in developing audit procedures to test compliance with Activities Allowed or Unallowed and Allowable Costs/Cost Principles, the auditor should include the consolidated administrative cost pool in the universe to be tested.**

### A. Activities Allowed or Unallowed

#### 1. *Consolidation of administrative funds* (SEAs/LEAs)

*ESEA programs in this Supplement to which this section applies are: Title I, Part A (84.010); MEP (84.011); SDFSCA (except the Governor’s Program authorized under Section 4114 (84.186)); CSP (84.282); Title V, Part A (84.298); Ed Tech (84.318); Reading Excellence (84.338); Reading First (83.357); Title III, Part A (84.365); and Title II, Part A (84.367).*

An SEA must use consolidated administrative funds for authorized administrative activities of the consolidating programs and may use such funds for administrative activities designed to enhance the effective and coordinated use of

funds under the programs included in the consolidation, such as coordination of ESEA programs with other Federal and non-Federal programs; the establishment and operation of peer review mechanisms; the dissemination of information regarding model programs and practices; and technical assistance.

If an LEA consolidates administrative funds, the LEA may not use any other funds from the consolidating programs for administration.

An SEA or LEA that consolidates administrative funds is not required to keep separate records of administrative costs for each individual program. Expenditures of consolidated administrative funds are allowable if they are for administrative costs that are allowable under any of the contributing programs (Sections 9201 and 9203 of ESEA (20 USC 7821 and 7823)).

## 2. ***Schoolwide Programs*** (LEAs)

*ESEA programs in this Supplement to which this section applies are: Title I, Part A (84.010); MEP (84.011); SDFSCA (84.186) (including the Governor's Program authorized under Section 4114); 21st CCLC (84.287); Bilingual (84.288, 84.290 and 84.291); Title V, Part A (84.298); Ed Tech (84.318); Reading Excellence (84.338); Reading First (83.357); Title III, Part A (84.365,) and Title II, Part A (84.367).*

*This section also applies to IDEA (84.027 and 84.173) and Vocational Education (84.048).*

An eligible school participating under Title I, Part A may, in consultation with its LEA, use its Title I, Part A funds, along with funds provided from the above-identified programs, to upgrade the school's entire educational program in a schoolwide program. See III.N.2, "Special Tests and Provisions - Schoolwide Programs" in this cross-cutting section for testing related to schoolwide programs (Section 1114 of ESEA (20 USC 6314)).

See IV, "Other Information," for guidance on the treatment of combined schoolwide funds for purposes of Type A program determination and presentation in the Schedule of Expenditures of Federal Awards.

## 3. ***Transferability*** (SEAs and LEAs)

*ESEA programs in this Supplement to which this section applies are: SDFSCA (84.186); 21st CCLC (84.287); Title V, Part A (84.298); Ed Tech (84.318); and Title II, Part A (84.367).*

SEAs may transfer non-administrative funds allocated for State-level activities from one or more listed applicable programs to one or more of the other listed applicable program, or to Title I, Part A (84.010). Except for 21st CCLC (84.287), LEAs not identified for corrective action under Section 1116 of ESEA

may also transfer funds from one or more of the listed applicable programs to another listed applicable program or to Title I, Part A. LEAs identified for corrective action may not transfer funds (Sections 6123(a) and (b) of ESEA (20 USC 7305b(a) and (b))).

Transferred funds are subject to all of the requirements, set-asides, and limitations of the programs into which they are transferred. LEAs identified for school improvement are required to use transferred funds for school improvement activities (Section 6123(e) of ESEA (20 USC 7305b(e))).

See III.G.3.b, “Matching, Level of Effort, Earmarking - Earmarking,” for additional testing related to transferability.

See IV, “Other Information,” for guidance on the treatment of funds transferred under this provision for purposes of Type A program determination and presentation in the Schedule of Expenditures of Federal Awards.

#### 4. ***Small Rural Schools Achievement (SRSA) Alternative Uses of Funds Program***

*ESEA programs in this Supplement to which this section applies are: SDFSCA (84.186); Title V, Part A (84.298); Ed Tech (84.318); and Title II, Part A (84.367).*

LEAs that (a) have a total average daily attendance of fewer than 600 students, or serve only schools that are located in counties with a population density of fewer than 10 persons per square mile, and (b) serve only schools that are coded by the National Center for Educational Statistics (NCES) as rural (NCES code of 7 or 8), or (with the concurrence of the SEA) are located in an area defined as rural by a governmental agency of the State may, after notifying the SEA, spend all or part of the funds received under the above four programs for local activities authorized under the following seven programs:

CFDA 84.010 Title I Grants to Local Education Agencies (LEAs) (Part A, Title I)

CFDA 84.186 Safe and Drug-Free Schools and Communities—State Grants (Part A, Title IV)

CFDA 84.287 Twenty-First Century Community Learning Centers (Part B, Title IV)

CFDA 84.298 Innovative Education Program Strategies (Part A, Title V)

CFDA 84.318 Education Technology State Grants (Part D, Title II)

CFDA 84.365 English Language Acquisition Grants (Title III)

CFDA 84.367 Improving Teacher Quality State Grants (Subpart 2, Part A, Title II); (Sections 6211(a)-(c) of ESEA (20 USC 7345(a)-(c)))

See IV, “Other Information” for guidance on the treatment of funds transferred under this provision for purposes of Type A program determination and presentation in the Schedule of Expenditures of Federal Awards.

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

### **1. *Alternative Fiscal and Administrative Requirements* (SEAs/LEAs)**

*This section applies to all ESEA programs in this Supplement: Title I, Part A (84.010); MEP (84.011); SDFSCA (84.186); CSP (84.282); 21st CCLC (84.287); Bilingual (84.288, 84.290, 84.291); Title V, Part A (84.298); Ed Tech (84.318); Reading Excellence (84.338); Reading First (83.357); Title III, Part A (84.365); and Title II, Part A (84.367).*

A State may adopt its own written fiscal and administrative requirements, which are consistent with the provisions of OMB Circular A-87, for expending and accounting for all funds received by SEAs and LEAs under ESEA programs. The written fiscal and administrative requirements must: (a) be sufficiently specific to ensure that funds are used in compliance with all applicable statutory and regulatory provisions, including ensuring that costs are allocable to a particular cost objective; (b) ensure that funds received are spent only for reasonable and necessary costs of the program; and (c) ensure that funds are not used for general expenses required to carry out other responsibilities of State or local governments. (34 CFR section 299.2).

### **2. *Documentation of Employee Time and Effort (Consolidated Administrative Funds and Schoolwide Programs)***

*ESEA programs in this Supplement to which this section applies are: Title I, Part A (84.010); MEP (84.011); SDFSCA (except the Governor’s Program authorized under Section 4114, operated by SEAs consolidating administrative funds)(84.186); CSP (84.282); 21st CCLC (84.287); Bilingual (schoolwide programs only)(84.288, 84.290 and 84.291); Title V, Part A (84.298); Ed Tech (84.318); Reading Excellence (84.338); Reading First (83.357); Title III, Part A (84.365); and Title II, Part A (84.367).*

*This section also applies to IDEA (schoolwide programs only) (84.027 and 84.173) and Vocational Education (schoolwide programs only) (84.048).*

- a. *Consolidated Administrative Funds* - An SEA or LEA that consolidates administrative funds under 20 USC 7821 or 7823 may treat the consolidated administrative cost objective as a “dedicated function.” As a result, an employee paid in full with consolidated administrative funds may meet the semi-annual certification requirement under paragraph 11.h.3 of OMB Circular A-87, Attachment B through time and attendance certifications accomplished under the State’s or the LEA’s normal standards for payroll deduction. For example, if

- (1) The standards for payroll documentation comply with the criteria in paragraphs 11.a, b, and c of OMB Circular A-87, Attachment B,
- (2) Employees are coded to the dedicated function in the State's or the LEA's payroll system, and
- (3) Their potential assignment to multiple programs/activities is not within the authority or purview of the supervisor responsible for certifying time and attendance—then

the payroll certification shall be accepted in lieu of the semi-annual certification of time and effort.

However, if an employee is supported, in whole or in part, with Federal funds that are not consolidated or with a combination of Federal and state or local funds, the following applies:

- (1) An employee whose compensation is funded solely from a Single Cost Objective (i.e., a single Federal program whose administrative funds have not been consolidated) must furnish a semi-annual certification that he/she has been engaged solely in activities supported by the applicable source in accordance with OMB Circular A-87, Attachment B paragraph 11.h.3.
  - (2) An employee paid in part from a Single Cost Objective (i.e., a single Federal program whose administrative funds have not been consolidated), and in part with funds from other revenue sources, must maintain time and effort distribution records in accordance with OMB Circular A-87, Attachment B paragraph 11.h.4 documenting the portion of time and effort dedicated to:
    - (a) The Single Cost Objective, and
    - (b) Each program or other cost objective supported by the other revenue sources.
- b. *Schoolwide Programs* - Except as noted below, a school that combines Federal funds with State and local funds in a schoolwide program under 20 USC 6314 may treat any employee's time and effort as a "dedicated function." As a result, an employee paid in full with funds combined in a schoolwide program may meet the semi-annual certification requirement under OMB Circular A-87, Attachment B, paragraph 11.h.3 through time and attendance certifications accomplished under an LEA's normal standards for payroll documentation. For example, if:



- (1) The standards for payroll documentation comply with the criteria in paragraphs 11.a., b., and c. of OMB Circular A-87, Attachment B,
- (2) Employees are coded to the dedicated function in the State's or the LEA's payroll system, and
- (3) Their potential assignment to multiple programs/activities is not within the authority or purview of the supervisor responsible for certifying time and attendance--then

the payroll certification shall be accepted in lieu of the semi-annual certification of time and effort.

However, if an employee is supported, in whole or in part, with Federal funds that are not combined in a schoolwide program (and, therefore, the employee is subject to all of the specific requirements of the Federal program under which he or she is funded), the employee would follow the procedures under 2.a.(1) or (2) above, depending on whether the employee's compensation is funded in whole or in part with Federal funds (20 USC 6314). (Guidance is contained in the publication entitled *Policy Guidance for Title I, Part A: Improving Basic Programs Operated by Local Educational Agencies* - April 1996. This publication is available on the Internet at <http://www.ed.gov/about/offices/list/oese/legreg.html>).

### 3. **Indirect Costs** (All grantees/all subgrantees)

*ESEA programs in this Supplement to which this section applies are: Title I, Part A (84.010); MEP (84.011); CSP (84.282); 21st CCLC (84.287); Bilingual (84.288, 84.290, and 84.291); Title V, Part A (84.298); Ed Tech (84.318); Reading Excellence (84.338); Reading First (83.357); Title III, Part A (84.365); and Title II, Part A (84.367).*

*This section also applies to Adult Education (84.002); IDEA (84.027 and 84.173); Vocational Education (84.048); and IDEA, Part C (84.181).*

A "Restricted" Indirect Cost Rate (RICR) must be used for programs administered by State and local governments and their governmental subrecipients that have a statutory requirement prohibiting the use of Federal funds to supplant non-federal funds. Non-governmental grantees or subrecipients administering such programs have the option of using the RICR, or an indirect cost rate of 8 percent, unless ED determines that the RICR would be lower.

The formula for the restricted indirect cost rate is as follows:

$$\text{RICR} = (\text{General management costs} + \text{Fixed costs}) / (\text{Other expenditures})$$

General management costs are costs of activities that are for the direction and control of the grantee's affairs that are organization wide, such as central accounting services, payroll preparation and personnel management. For State and local governments the general management indirect costs consist of (1) allocated Statewide Central Service Costs approved by the Department of Health and Human Services in a formal Statewide Cost Allocation Plan (SWCAP) as "Section I" costs and (2) departmental indirect costs. The term general management as it applies to departmental indirect costs does not include expenditures limited to one component or operation of the grantee. Specifically excluded from general management costs are the following costs that are reclassified and included in the "other expenditures" denominator:

- (a) Divisional administration that is limited to one component of the grantee;
- (b) The governing body of the grantee;
- (c) Compensation of the chief executive officer of the grantee;
- (d) Compensation of the chief executive officer of any component of the grantee; and
- (e) Operation of the immediate offices of these officers.

Also excluded from the SWCAP Section I indirect costs are any occupancy and maintenance type costs as described in 34 CFR section 76.568. However, because these costs are allocated and not incurred at the departmental level, they do not require reclassification to the "other expenditure" denominator.

Fixed costs are contributions to fringe benefits and similar costs associated with salaries and wages that are charged as indirect costs, including retirement, social security, pension, unemployment compensation and insurance costs.

Other expenditures are the grantee's total expenditures for its federally and non-federally funded activities, including directly charged occupancy and space maintenance costs (as defined in 34 CFR section 76.568), and the costs related to the chief executive officer of the grantee or any component of the grantee and their offices. Excluded are general management costs, fixed costs, subgrants, capital outlays, debt service, fines and penalties, contingencies, and election expenses (except for elections required by Federal statute).

Indirect costs charged to a grant are determined by applying the RICR to total direct costs of the grant minus capital outlays, subgrants, and other distorting or unallowable items as specified in the grantee's indirect cost rate agreement.

The other ED programs (those not having a statutory non-supplant requirement) that allow indirect costs do not require a restricted rate and should follow the applicable OMB cost principles circular (34 CFR sections 76.560 and 76.563-569).

### **C. Cash Management**

*ESEA programs in this Supplement to which this section applies are: Title I, Part A (84.010); MEP (84.011); SDFSCA (including the Governor's Program authorized under Section 4114) (84.186); CSP (84.282); 21st CCLC (84.287); Bilingual (84.288, 84.290 and 84.291); Title V, Part A (84.298); Ed Tech (84.318); Reading Excellence (84.338); Reading First (83.357); Title III, Part A (84.365); and Title II, Part A (84.367).*

*This section also applies to Adult Education (84.002); IDEA (84.027 and 84.173); TRIO Cluster (84.042, 84.044, 84.047, 84.066 and 84.217); Vocational Education (84.048); Vocational Rehabilitation (84.126); and IDEA, Part C (84.181).*

Grantees draw funds using the Grant Administration and Payment System (GAPS). Grantees request funds by: (1) creating a payment request using the GAPS External Access System through the Internet; (2) calling the GAPS Payee Hotline; or (3) if the grantee is placed on a reimbursement basis for an award, submitting an SF-270, Request for Advance or Reimbursement, to an ED program or regional office. When creating a payment request in GAPS, the grantee enters the drawdown amounts, by award, directly into GAPS. Grantees can redistribute drawn amounts between grant awards by making adjustments in GAPS to reflect actual disbursements for each award. When requesting funds using the other two methods, the grantee provides drawdown information to the hotline operator, or on the SF-270.

To assist grantees in reconciling their internal accounting records with GAPS, grantees can use the GAPS External Access System (<http://e-grants.ed.gov/>) to obtain a GAPS Activity Report showing cumulative and detail information for each award. The GAPS Activity Report can be created and viewed on-line and a hard copy may be printed as well.

### **D. Davis-Bacon Act**

Under the General Education Provisions Act, when authorized, all construction and minor remodeling projects under ED programs covered by the Cross-Cutting Section are subject to the requirements of the Davis-Bacon Act (20 USC 1232b). Additional ED programs are subject to the Davis-Bacon Act as indicated in the relevant program description.

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

### **1. Matching**

See individual program compliance supplement for any matching requirements.

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

*ESEA programs in this Supplement to which this section applies are: Title I, Part A (84.010); SDFSCA (except the Governor's Program authorized under Section 4114) (84.186); Ed Tech (84.318); Title III, Part A (84.365); and Title II, Part A (84.367).*

As described in II, "Program Procedures - General and Program-Specific Cross-Cutting Requirements," this requirement is a general cross-cutting requirement that need only be tested once to cover all major programs to which it applies.

An LEA may receive funds under an applicable program only if the SEA finds that the combined fiscal effort per student or the aggregate expenditures of the LEA from State and local funds for free public education for the preceding year was not less than 90 percent of the combined fiscal effort or aggregate expenditures for the second preceding year, unless specifically waived by ED.

An LEA's expenditures from State and local funds for free public education include expenditures for administration, instruction, attendance and health services, pupil transportation services, operation and maintenance of plant, fixed charges, and net expenditures to cover deficits for food services and student body activities. They do not include the following expenditures: (a) any expenditures for community services, capital outlay, debt service and supplementary expenses as a result of a Presidentially declared disaster and (b) any expenditures made from funds provided by the Federal government.

If an LEA fails to maintain fiscal effort, the SEA must reduce the amount of the allocation of funds under an applicable program in any fiscal year in the exact proportion by which the LEA fails to maintain effort by falling below 90 percent of both the combined fiscal effort per student and aggregate expenditures (using the measure most favorable to the LEA) (Section 9521 of ESEA (20 USC 7901)).

In some States, the SEA prepares the calculation from information provided by the LEA. In other States, the LEAs prepare their own calculation. The audit procedures contained in III.G.2.1, "Level of Effort - Maintenance of Effort," should be adapted to fit the circumstances. For example, if auditing the LEA and the LEA does the calculations, the auditor should perform steps a, b, and c. If auditing the LEA and the SEA does the calculation, the auditor should perform step c for the amounts reported to the SEA. If auditing the SEA and the SEA performs the calculation, the auditor should perform steps a. and b. and amend step c to trace amounts to the LEA reports. If auditing the SEA and the LEA

performs the calculation, the auditor should perform step a. and, if the requirement was not met, determine if the funding was reduced appropriately.

## 2.2 **Level of Effort** - *Supplement Not Supplant* (SEAs/LEAs)

*ESEA programs in this Supplement to which this section applies are: Title I, Part A (84.010); MEP (84.011); SDFSCA (84.186); 21st CCLC (84.287); Bilingual (84.288, 84.290 and 84.291); Title V, Part A (84.298); Ed Tech (84.318); Title III, Part A (84.365); and Title II, Part A (84.367).*

*General* - An SEA and LEA may use program funds only to supplement and, to the extent practical, increase the level of funds that would, in the absence of the Federal funds, be made available from non-Federal sources for the education of participating students. In no case may an LEA use Federal program funds to supplant funds from non-Federal sources (Title I, Part A, Section 1120A(b) of ESEA (20 USC 6321(b)); Title I, Part C, Section 1304(c)(2) of ESEA (20 USC 6394(c)(2)); Title III, Section 3115 of ESEA (20 USC 6825(f)); Title IV, Part A, Section 4113(a)(8) of ESEA (20 USC 7113(a)(8)); Title IV, Part B, Section 4204 of ESEA (20 USC 7174(b)(2)(G)); Title V, Part A, Section 5144 of ESEA (20 USC 7217c); Title II, Part D, Section 2413(b)(6) of ESEA (20 USC 6763(b)(6)); and Title II, Part A, Sections 2113(f) and 2123(b) of ESEA (20 USC 6613(f) and 6623(b))).

In the following instances, it is presumed that supplanting has occurred:

- a. The SEA or LEA used Federal funds (except Bilingual) to provide services that the SEA or LEA was required to make available under other Federal, State or local laws.
- b. The SEA or LEA used Federal funds to provide services that the SEA or LEA provided with non-Federal funds in the prior year.
- c. The SEA or LEA used Title I, Part A or MEP funds to provide services for participating children that the SEA or LEA provided with non-Federal funds for nonparticipating children.

These presumptions are rebuttable if the SEA or LEA can demonstrate that it would not have provided the services in question with non-Federal funds had the Federal funds not been available.

*Schoolwide Program* - In a Title I schoolwide program, a school is not required to provide supplemental services to identified children. A school operating a schoolwide program does not have to: (1) show that Federal funds used within the school are paying for additional services that would not otherwise be provided; (2) demonstrate that Federal funds are used only for specific target populations; or (3) separately track Federal program funds once they reach the school. Such a school, however, is required to use funds available under Title I and under any

other Federal programs that are combined to support its schoolwide program to supplement the total amount of funds that would, in the absence of the Federal funds, be made available from non-Federal sources for that school, including funds needed to provide services that are required by law for children with disabilities and children with limited English proficiency (Title I, Part A, Section 1114 of ESEA (20 USC 6314); MEP, Section 1306(b)(3) of ESEA (20 USC 6396(b)(3)); 34 CFR sections 200.25 through 200.29).

*Title I, Part A and MEP* - An SEA and LEA may exclude from determinations of compliance with the supplement—not supplant requirement, supplemental State or local funds spent in any school attendance area or school for programs that meet the intent and purposes of Title I, Part A or the MEP, respectively, as identified in Title I of ESEA (Sections 1120A(d) and 1304(c)(2) of ESEA (20 USC 6321(d) and 6394(c)(2)); 34 CFR section 200.88).

*Bilingual* - This supplement not supplant requirement does not preclude an LEA from using Bilingual program funds for activities carried out under a Federal or State court order respecting services to be provided to limited English proficient (LEP) children, or to carry out a plan approved by the Secretary as adequate under Title VI of the Civil Rights Act of 1964 with respect to services to be provided to LEP children (Title VII, Section 7116(h)(4) of ESEA, prior to enactment of NCLB (20 USC 7426(h)(4))).

### **3. Earmarking**

#### **a. Administration (SEAs)**

*ESEA programs in this Supplement to which this section applies are: Title I, Part A (84.010) and MEP (84.011).*

An SEA may reserve for the administration of Title I programs up to one percent from each of the amounts allocated to the State under Title I, Parts A, C (MEP), and D (Subpart 1) or \$400,000, whichever is greater. An SEA may reserve less than one percent from each of Parts A, C, and D. Moreover, an SEA does not need to reserve the same percentage from each part, although the SEA may not reserve more from Parts C and D than it would have reserved if it had reserved proportionate amounts from Parts A, C, and D. For any SEA reserving \$400,000, the amount taken from each of Title I, Parts A, C, and D (Subpart 1) must be proportionate. An SEA is not required to use the same proportion of funds reserved from Parts A, C, and D for administrative activities related to those Parts.

As explained in III.A.1, “Activities Allowed or Unallowed - Consolidation of administrative funds,” the amounts reserved above may be consolidated with State administrative funds available under other applicable programs (Title I, Section 1004 of ESEA (20 USC 6304); see also 34 CFR section 200.100(b)).

b. *Transferability* (SEAs and LEAs)

*ESEA programs in this Supplement to which this section applies are: SDFSCA (84.186); 21st CCLC (84.287); Title V, Part A (84.298); Ed Tech (84.318); and Title II, Part A (84.367).*

SEAs may transfer up to 50 percent of each fiscal year's base of non-administrative funds allocated for State-level activities from one or more of the listed applicable programs to one or more of the other listed applicable programs, or to Title I, Part A (84.010). Except for 21st CCLC (84.287), LEAs not identified for improvement or corrective action under Section 1116 of ESEA may also transfer up to 50 percent of each fiscal year's funds from one or more of the listed applicable programs to another listed applicable program, or to Title I, Part A. LEAs identified for improvement may transfer up to 30 percent of their allocation base. LEAs identified for corrective action may not transfer funds (Sections 6123(a) and (b) of ESEA (20 USC 7305b(a) and (b))).

The allocation base for a program for a fiscal year equals that fiscal year's original funding plus funds transferred into the program for that fiscal year. Funds may be transferred during a fiscal year's carryover period, as long as the total amount transferred from the fiscal year's allocation base does not exceed the maximum percentage. Funds must be transferred to the receiving program's allocation for the same fiscal year that the funds were allocated to the transferring program (Sections 6123(a) and (b) of ESEA (20 USC 7305b(a) and (b))).

**H. Period of Availability of Federal Funds** (All grantees)

*ESEA programs in this Supplement to which this section applies are: Title I, Part A (84.010); MEP (84.011); SDFSCA (including the Governor's Program authorized under Section 4114) (84.186); CSP (84.282); Bilingual (84.288, 84.290 and 84.291); Title V, Part A (84.298); Reading First (83.357); Title III, Part A (84.365); and Title II, Part A (84.367).*

*This section also applies to Adult Education (84.002); IDEA (84.027 and 84.173); Vocational Education (84.048); and IDEA, Part C (84.181).*

*All ESEA and other programs listed above except Bilingual, PCSP, and subrecipients under Vocational Education - LEAs and SEAs must obligate funds during the 27 months, extending from July 1 of the fiscal year for which the funds were appropriated through September 30 of the second following fiscal year. This maximum period includes a 15-month period of initial availability plus a 12-month period for carryover. For example, funds from the fiscal year (FY) 2003 appropriation initially became available on July 1, 2003 and can be obligated by the grantee and subgrantee through September 30, 2005. (Section 421(b) of GEPA (20 USC 1225(b)); 34 CFR sections 76.707 through 76.709).*

*Title I, Part A* - An LEA that receives \$50,000 or more in Title I, Part A funds cannot carryover beyond the initial 15 months of availability more than 15 percent of the Title I, Part A funds. An SEA may grant a waiver for the percentage limitation once every three years if the request is reasonable and necessary. An SEA may also grant a waiver in any fiscal year in which supplemental appropriations for Title I, Part A become available for obligation. (Section 1127 of ESEA (20 USC 6339)).

*SDFSCA program* - An LEA that receives SDFSCA funding cannot carry over beyond the initial 15 months of availability more than 25 percent of SDFSCA State Grant funds. An SEA may waive the percentage limitation for good cause for additional carryover by the LEA (Section 4113(f)(2) of ESEA (20 USC 7113)).

*Bilingual and CSP programs* - The recipient must obligate funds from a grant during the period for which the funds are available for obligation as set forth in the grant award document. Recipients must maintain documentation to demonstrate that the obligation occurred during the period of availability and was charged to an appropriate year's grant funds. If obligations occur outside of the period of availability, the funds are not timely obligated and must be returned. However, under the "expanded authorities" provisions grantees are permitted to:

- a. Extend grants automatically at the end of a project period for up to one year without prior approval (with some exceptions);
- b. Carry funds over from one budget period to the next;
- c. Obligate funds up to 90 days before the effective date of a budget period without prior approval; and
- d. Transfer funds among budget categories without prior approval, except for a limited number of specific cases.

Further explanation of these expanded authorities may be obtained from the Grants Policy and Oversight Staff at <http://ocfo.ed.gov/grntinfo/gposbul/gpos19.htm> (34 CFR sections 75.261, 75.253(c), 75.263, and 75.264).

*Vocational Education program* - In any academic year that a subrecipient does not obligate all of the amounts it is allocated under the Secondary, Postsecondary, and Adult Vocational Education programs for that year, it must return the unobligated amounts to the State to be reallocated under the Secondary, Postsecondary, and Adult Vocational Education Program, as applicable (Perkins III, section 133(b) (20 USC 2353(b))).



*Consolidated administrative funds* - Consolidated administrative funds must be obligated within the period of availability of the program that the funds came from. Because expenditures in a consolidated administrative fund are not accounted for by specific Federal programs, an SEA or LEA may use a first-in, first-out method for determining when funds were obligated, may attribute costs in proportion to the dollars provided, or may use another reasonable method.

*Definition of Obligation* - An obligation is not necessarily a liability in accordance with generally accepted accounting principles. When an obligation occurs (is made) depends on the type of property or services that the obligation is for:

<b>IF AN OBLIGATION IS FOR --</b>	<b>THE OBLIGATION IS MADE --</b>
(a) Acquisition of real or personal property.	On the date on which the State or subgrantee makes a binding written commitment to acquire the property.
(b) Personal services by an employee of the State or subgrantee.	When the services are performed.
(c) Personal services by a contractor who is not an employee of the State or subgrantee.	On the date on which the State or subgrantee makes a binding written commitment to obtain the services.
(d) Performance of work other than personal services.	On the date on which the State or subgrantee makes a binding written commitment to obtain the work.
(e) Public utility services.	When the State or subgrantee receives the services.
(f) Travel.	When the travel is taken.
(g) Rental of real or personal property.	When the State or subgrantee uses the property.
(h) A pre-agreement cost that was properly approved by the State under the applicable cost principles.	On the first day of the subgrant period.

The act of an SEA or other grantee awarding Federal funds to an LEA or other eligible entity within a State does not constitute a final obligation. An SEA or other grantee may not reallocate grant funds from one subrecipient to another after the period of availability (Section 421(b) of GEPA (20 USC 1225(b)); 34 CFR sections 76.704 through 76.707).

If a grantee or subgrantee uses a different accounting system or accounting principles from one year to the next, it shall demonstrate that the system or principle was not improperly changed to avoid returning funds that were not timely obligated. A grantee or subgrantee may not make accounting adjustments after the period of availability in an attempt to offset audit disallowances. The disallowed costs must be refunded.

## **L. Reporting**

### **1. Financial Reporting**

*ESEA programs in this Supplement to which this section applies are: Title I, Part A (84.010); MEP (84.011); SDFSCA (including the Governor's Program authorized under Section 4114) (84.186); PCSP (84.282); 21st Century (84.287); Bilingual (84.288, 84.290 and 84.291); Title V, Part A (84.298); TLCF (84.318); Reading Excellence (84.338); Reading First (84.357); Title III, Part A (84.365); and Title II, Part A (84.367).*

*This section also applies to IDEA (84.027 and 84.173) and IDEA, Part C (84.181).*

- a. SF-269, *Financial Status Report* - Not Applicable
- b. SF-270, *Request for Advance or Reimbursement* - Only grantees placed on reimbursement are required to complete this form to request payment of grant award funds. The requirement to use this form is imposed on an individual recipient basis.
- c. SF-271, *Outlay Report and Request for Reimbursement for Construction Programs* - Not Applicable
- d. SF-272, *Federal Cash Transactions Report* - Not Applicable
- e. LEAs and other subrecipients are generally required to report financial information to the pass-through entity. These reports should be tested during audits of LEAs.

### **2. Performance Reporting** - Not Applicable

### **3. Special Reporting**

*State Per Pupil Expenditure (SPPE) Data (OMB No. 1850-0067) (SEAs/LEAs)*

*ESEA programs in this Supplement to which this section applies are: Title I, Part A (84.010) and MEP (84.011).*

As described in II, "Program Procedures - General and Program-Specific Cross-Cutting Requirements," this requirement is a general cross-cutting requirement that need only be tested once to cover all major programs to which it applies.

Each year, an SEA must submit its average State per pupil expenditure (SPPE) data to the National Center for Education Statistics. These SPPE data are used by ED to make allocations under several ESEA programs, including Title I, Part A, and MEP. SPPE data are reported on the National Public Education Finance Survey. SPPE data comprise the State's annual current expenditures for free

public education, less certain designated exclusions, divided by the State's average daily attendance.

LEAs must submit data to the SEA for the SEA's report. The SEA determines the format of the data submissions.

Current expenditures to be included are those for free public education, including administration, instruction, attendance and health services, pupil transportation services, operation and maintenance of plant, fixed charges, and net expenditures to cover deficits for food services and student body activities. Current expenditures to be excluded are those for community services, capital outlay, debt service, and expenditures from funds received under Title I and Title V, Part A of ESEA. To determine its expenditures under Titles I and V, Part A of ESEA in a schoolwide program, an LEA could calculate the percentage of funds that Title I and Title V, Part A contributed to the schoolwide program and then apply those percentages to the total expenditures in the schoolwide program. Other reasonable methods may also be used (Section 9101(14) of ESEA (20 USC 7801)).

Except when provided otherwise by State law, average daily attendance generally means the aggregate number of days of attendance of all students during a school year divided by the number of days school is in session during such school year. For purposes of ESEA, average daily membership (or similar data) can be used in place of average daily attendance in States that provide State aid to LEAs on the basis of average daily membership or such other data. When an LEA in which a child resides makes a tuition or other payment for the free public education of the child in a school of another LEA, the child is considered to be in attendance at the school of the LEA making the payment, and not at the school of the LEA receiving the payment. Similarly, when an LEA makes a tuition payment to a private school or to a public school of another LEA for a child with disabilities, the child is considered to be in attendance at the school of the LEA making the payment.

## **N. Special Tests and Provisions**

### **1. Participation of Private School Children (SEAs/LEAs)**

*ESEA programs in this Supplement to which this section applies are: Title I, Part A (84.010); MEP (84.011); SDFSCA (except the Governor's Program authorized under Section 4114) (84.186); 21st CCLC (84.287), Bilingual (84.288, 84.290 and 84.291); Title V, Part A (84.298); Ed Tech (84.318); Reading Excellence (84.338); Reading First (84.357); Title III, Part A (84.365); and Title II, Part A (84.367).*

Depending on how the SEA/LEA implements requirements for the provision of equitable participation of private school children, this requirement may be tested on a general or program-specific basis (as described in II, "Program Procedures - General and Program-Specific Cross-Cutting Requirements").

**Compliance Requirements** - An SEA, LEA, or any other educational service agency (or consortium of such agencies) receiving financial assistance under an applicable program must provide eligible private school children and their teachers or other educational personnel with equitable services or other benefits under these programs. Before an agency or consortium makes any decision that affects the opportunity of eligible private school children, teachers, and other educational personnel to participate, the agency or consortium must engage in timely and meaningful consultation with private school officials (Section 9501 of ESEA (20 USC 7881); Title I, Section 1120 of ESEA (20 USC 6320); 34 CFR sections 200.62 through 200.67; and Title V, Part A, Section 5142 of ESEA (20 USC 7217a)).

If an LEA uses funds to concentrate services on a particular “group, attendance area, or grade or age level,” private school children in that “group, attendance area, grade or age level” are to be assured equitable participation in projects.

Under Title I, Part A (i.e., CFDA 84.010) funds must be allocated to each participating public school attendance area on the basis of the total number of children from low-income families residing in that area. In calculating the total number of children from low-income families, the calculation must include children from low-income families who attend private schools. An LEA uses the funds generated by private school children from low-income families to provide services to eligible private school children (Section 1120 of ESEA (20 USC 6313(c)); 34 CFR section 200.78(a)(2)).

For programs other than Title 1, Part A, expenditures for services and benefits to eligible private school children and their teachers and other educational personnel must be equal on a per-pupil basis to the expenditures for participating public school children and their teachers and other educational personnel, taking into account the number and educational needs of the children, teachers and other educational personnel to be served. (Section 9501 of ESEA (20 USC 7881); 34 CFR section 299.7)

This compliance requirement also applies to Transferability (See III.A.3, “Activities Allowed or Unallowed - Transferability (SEAs and LEAs)”) for transfers made by *SDFSCA (84.186)*; *21st Century (84.287)*; *Title V, Part A (84.298)*; *TLCF (84.318)*; and *Title II, Part A (84.367)* (Section 6123(e)(2) of ESEA; 20 USC 7305b(e)(2)).

**Audit Objectives** - Determine whether (1) the LEA, SEA, or other agency receiving ESEA funds has conducted timely consultation with private school officials to determine the kind of educational services to provide to eligible private school children, (2) the planned services were provided, and (3) the required amount was used for private school children.

**Suggested Audit Procedures (LEA/SEA)**

- a. Verify, by reviewing minutes of meetings and other appropriate documents, that the SEA or LEA conducted timely consultation with private school officials in making their determinations and set aside the required amount for private school children.
- b. Review program expenditure and other records to verify that educational services that were planned were provided.
- c. For Title I, Part A, verify that the per pupil allocation (PPA) generated by private school children from low-income families living in participating public school attendance areas is equal to the PPA generated by public school children from low-income families living in the same attendance areas.
- d. For programs other than Title I, Part A, verify that expenditures are equal on a per-pupil basis for public and private school students, teachers and other educational personnel, taking into consideration their numbers and needs.

**2. Schoolwide Programs (LEAs)**

*ESEA programs in this Supplement to which this section applies are: Title I, Part A (84.010); MEP (84.011); SDFSCA (including the Governor's Program authorized under Section 4114) (84.186); 21st CCLC (84.287); Bilingual (84.288, 84.290 and 84.291); Title V, Part A (84.298); Ed Tech (84.318); Reading Excellence (84.338); Title III, Part A (84.365); and Title II, Part A (84.367).*

*This section also applies to IDEA (84.027 and 84.173) and Vocational Education (84.048).*

As described in II, "Program Procedures - General and Program-Specific Cross-Cutting Requirements," this requirement is a general cross-cutting requirement that only needs to be tested once to cover all major programs to which it applies.

**Compliance Requirements** - A school participating under Title I, Part A may, in consultation with its LEA, use its Title I, Part A funds, along with funds provided from the above-identified programs and other Federal, State, and local education funds, to upgrade the school's entire educational program in a schoolwide program. To qualify for fiscal year 2002-2003 and subsequent years, at least 40 percent of the children enrolled in the school or residing in the school attendance area for the initial year of the schoolwide program must be from low-income families. The LEA is required to maintain records to demonstrate compliance with this requirement.

- a. To operate a schoolwide program, a school must include the following three core elements:
  - (1) Comprehensive needs assessment of the entire school (34 CFR section 200.26(a)).
  - (2) Comprehensive plan based on data from the needs assessment (34 CFR section 200.26(b)).
  - (3) Annual evaluation of, and results achieved by, the schoolwide program and revision of the schoolwide plan based on that evaluation (34 CFR section 200.26(c)).
  
- b. A schoolwide plan also must include the following components:
  - (1) Schoolwide reform strategies (34 CFR section 200.28(a)).
  - (2) Instruction by highly qualified professional staff (34 CFR section 200.28(b)).
  - (3) Strategies to increase parental involvement (34 CFR section 200.28(c)).
  - (4) Additional support to students experiencing difficulty (34 CFR section 200.28(d)).
  - (5) Transition plans for assisting preschool children in the successful transition to the schoolwide program (34 CFR section 200.28(e)).
  
- c. In combining funds, a schoolwide program school must also ensure that its schoolwide program addresses the needs of children who are members of the target population of any Federal program that is included in the schoolwide program. Specific requirements apply to these programs as follows:
  - (1) When combining funds or services received under MEP, a schoolwide program must: (a) in consultation with parents of migratory children or organizations representing those parents, first meet the identified needs of migratory children that result from the effects of their migratory lifestyle or are needed to permit migratory children to participate effectively in schools; and (b) document that services addressing those needs have been met.
  - (2) A schoolwide program must have the approval of the Indian parent advisory committee established in section 7114(c)(4) of ESEA (20 USC 7424(c)(4)) before funds received under the Title VII, Part A, Subpart 1 Indian Education program can be combined.

- (3) A schoolwide program may combine funds received under IDEA, Part B. However, the amount of funds combined may not exceed the amount received by the LEA under IDEA, Part B for that fiscal year, divided by the number of children with disabilities in the jurisdiction of the LEA and multiplied by the number of children with disabilities participating in the schoolwide program. A school that combines IDEA, Part B funds may use those funds for any activities under the schoolwide plan but must comply with all other requirements of IDEA, Part B to the same extent it would if it did not combine funds under IDEA, Part B in the schoolwide program.

(Sections 1114, 1306(b)(4), and 7115(c) of ESEA (20 USC 6314, 6396(b)(4), and 7425(c)); Section 613(a)(2)(D) of IDEA (20 USC 1413(a)(2)(D)); 34 CFR sections 200.25 through 200.29).

**Audit Objectives (LEA)** - Determine whether (1) the schools operating schoolwide programs were eligible to do so, and (2) the schoolwide programs included the core elements and components.

**Suggested Audit Procedures (LEA)**

- a. For schools operating a schoolwide program, review records and ascertain if the schools met the poverty eligibility requirements.
- b. Review the schoolwide plan and ascertain if it included the required core elements and components described above.
- c. Review documentation to support:
  - (1) Consultation with parents including, when MEP funds are included, the parents of migratory children or organizations representing those parents; and, when Title VII, Part A, Subpart 1 (Indian Education) funds are included, approval by the Indian parent advisory committee.
  - (2) If MEP funds are combined in the schoolwide program, that services meeting the identified needs of migratory children were provided by the schoolwide program.

**3. Comparability (SEAs/LEAs)**

*ESEA programs in this Supplement to which this section applies are: Title I, Part A (84.010) and MEP (84.011).*

As described in II, "Program Procedures - General and Program-Specific Cross-Cutting Requirements," this requirement is a general cross-cutting requirement that need only be tested once to cover all major programs to which it applies.

**Compliance Requirements** - An LEA may receive funds under Title I, Part A and the MEP (Title I, Part C) only if State and local funds will be used in participating schools to provide services that, taken as a whole, are at least comparable to services that the LEA is providing in schools not receiving Title I, Part A or MEP funds. An LEA is considered to have met the statutory comparability requirements if it has implemented (1) an LEA-wide salary schedule; (2) a policy to ensure equivalence among schools in teachers, administrators, and other staff; and (3) a policy to ensure equivalence among schools in the provision of curriculum materials and instructional supplies. An LEA may also use other measures to determine comparability, such as comparing the average number of students per instructional staff or the average staff salary per student in each school receiving Title I, Part A or MEP funds with those in schools that do not receive Title I, Part A or MEP funds. If all schools are served by Title I, Part A or MEP, an LEA must use State and local funds to provide services that, taken as a whole, are substantially comparable in each school. Determinations may be made on either a district-wide or grade-span basis.

An LEA may exclude schools with fewer than 100 students from its comparability determinations. The comparability requirement does not apply to an LEA that has only one school for each grade span. An LEA may exclude from determinations of compliance with this requirement State and local funds expended for (1) bilingual education for children with limited English proficiency (LEP); (2) excess costs of providing services to children with disabilities as determined by the LEA; and (3) supplemental State or local funds for programs that meet the intent and purposes of Title I, Part A or MEP (Title I, Section 1120A(c)-(d) of ESEA (20 USC 6321(c)-(d)); 34 CFR sections 200.79 and 200.88).

Each LEA must develop procedures for complying with the comparability requirements and implement the procedures annually. They must maintain records that are updated biennially documenting compliance with the comparability requirements. The SEA, however, is ultimately responsible for ensuring that LEAs remain in compliance with the comparability requirement (Title I, Section 1120A(c) of ESEA (20 USC 6321(c))).

**Audit Objective** (SEAs) - Determine whether the SEA is determining if LEAs are complying with the comparability requirements.

**Suggested Audit Procedure** (SEAs)

For a sample of LEAs, review SEA records that document SEA review of LEA compliance with the comparability requirements.

**Audit Objective** (LEAs) - Determine whether the LEA has developed procedures for complying with the comparability requirements and maintained records that are updated at least biennially documenting compliance with the comparability requirements.



**Suggested Audit Procedures (LEAs)**

- a. Through inquiry and review, ascertain if the LEA has developed procedures and measures for complying with the comparability requirements.
- b. Review LEA comparability documentation to ascertain (1) if it has been updated within two years of the end of the audit period and (2) that it documents compliance with the comparability requirements.
- c. Test comparability data to supporting records.

**IV. OTHER INFORMATION*****Schoolwide Programs*** (LEAs)

*ESEA programs in this Supplement to which this section applies are: Title I, Part A (84.010); MEP (84.011); SDFSCA (including the Governor's Program authorized under Section 4114) (84.186); 21st CCLC (84.287); Bilingual (84.288, 84.290 and 84.291); Title V, Part A (84.298); Ed Tech (84.318); Reading Excellence (84.338); Reading First (84.357); Title III, Part A (84.365); and Title II, Part A (84.367).*

*This section also applies to IDEA (84.027 and 84.173) and Vocational Education (84.048).*

Since schoolwide programs are not separate Federal programs, as defined in OMB Circular A-133, amounts used in schoolwide programs should be included in the total expenditures of the program contributing the funds when determining Type A Programs and in the Schedule of Expenditures of Federal Awards. A footnote showing, by program, amounts used in schoolwide programs is encouraged.

***Transferability*** (SEAs and LEAs)

*ESEA programs in this Supplement to which this section applies are: SDFSCA (84.186); 21st CCLC (84.287); Title V, Part A (84.298); Ed Tech (84.318); and Title II, Part A (84.367).*

Expenditures of funds transferred from one program to another (as described in III.A.3, "Activities Allowed or Unallowed - Transferability (SEAs and LEAs)") should be included in the audit universe and total expenditures of the receiving program for purposes of (1) determining Type A programs, and (2) completing the Schedule of Expenditures of Federal Awards. A footnote showing amounts transferred between programs is encouraged.

***Small Rural Schools Achievement (SRSA) Alternative Uses of Funds Program***

*ESEA programs in this Supplement to which this section applies are: SDFSCA (84.186); Title V, Part A (84.298); Ed Tech (84.318); and Title II, Part A (84.367).*

Unlike “Transferability” above, where the funds are actually transferred from one program to another, under SRSA the funds are expended from the original program but for activities allowed under another program. Funds used under the SRSA Alternative Uses of Funds program should be included in the audit universe and total expenditures of the programs from which they originated for purposes of (1) determining Type A programs, and (2) completing the Schedule of Expenditures of Federal Awards.

***Prima Facie Case Requirement for Audit Findings***

Section 1234a(a)(2) requires that ED officials establish a *prima facie* case when they seek recoveries of unallowable costs charged to ED programs. When the preliminary ED decision to seek recovery is based on an OMB Circular A-133 audit, upon request, auditors will need to provide ED program officials audit documentation. For this purpose, audit documentation (part of which is the auditor’s working papers) includes information the auditor is required to report and document that is not already included in the reporting package.

## DEPARTMENT OF EDUCATION

### CFDA 84.002 ADULT EDUCATION--STATE GRANT PROGRAM

#### I. PROGRAM OBJECTIVES

The Adult Education and Family Literacy State Grant program provides grants to eligible agencies to provide adult education and literacy services. These grants help adults become literate and obtain the knowledge and skills necessary for employment; obtain the educational skills necessary to become full partners in the educational development of their children; and complete a secondary school education.

#### II. PROGRAM PROCEDURES

Funds are provided to the State eligible agency each year in accordance with a statutory formula. Eligible agencies develop a 5-year State plan that is approved by the Secretary, which may be revised when substantial changes in conditions occur. Local activities include services or instruction in one or more of the following categories: adult education and literacy services, including workplace literacy services; family literacy services; and English literacy programs.

Eligible providers include a local educational agency; a community-based organization of demonstrated effectiveness; a volunteer literacy organization of demonstrated effectiveness; an institution of higher education; a public or private non-profit agency; a library; a public housing authority; any other nonprofit institution that has the ability to provide literacy services to adults and families; and a consortium of the agencies, organizations, institutions, libraries, or authorities described above.

#### Source of Governing Requirements

The program is authorized by the Adult Education and Family Literacy Act (the Act), Title II of the Workforce Investment Act of 1998 (Pub. L. 105-220 (20 USC 9201 *et seq.*)).

#### 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 Department of Education (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 to the Cross-Cutting Section for these requirements.

## A. Activities Allowed or Unallowed

The eligible agency shall require that each eligible provider receiving a grant or contract establish or operate one or more programs that provide services or instruction in one or more of the following categories: (1) adult education and literacy services, including workplace literacy services; (2) family literacy services; and (3) English literacy programs. Adults include individuals who are at least 16 years of age, who are not enrolled or required to be enrolled in secondary school under State law; and who lack sufficient mastery of basic educational skills, do not have a secondary school diploma or its recognized equivalent, or are unable to speak, read, or write the English language (Pub. L. 105-220 (sections 231 and 203 of the Act) (20 USC 9241 and 9202(1))).

1. *State-Level Activities* - State eligible agencies may use funds for the following: (also see III.G.3, “Matching, Level of Effort, Earmarking - Earmarking”)
  - a. Subgrants to eligible providers.
  - b. State administrative costs including the development, and implementation of the State plan; consultation with other appropriate agencies in the development and implementation of activities assisted under the Act; and coordination and non-duplication with related Federal and State programs (section 221 of the Act (20 USC 9221)).
  - c. State leadership activities such as professional development programs, technical assistance, support of State literacy resource centers, and monitoring and evaluation of adult education and literacy activities (section 223(a) of the Act (20 USC 9223(a))).
2. *Subrecipient Activities*

Allowable activities are described in the eligible provider’s approved application. Generally, eligible providers must establish or operate one or more programs that provide services or instruction in one or more of the following categories: (1) adult education and literacy services, including workplace literacy services; (2) family literacy services; and (3) English literacy programs. Adults include individuals who are at least 16 years of age, who are not enrolled or required to be enrolled in secondary school under State law; and who lack sufficient mastery of basic educational skills, do not have a secondary school diploma or its recognized equivalent, or are unable to speak, read, or write the English language. Funds can also be used for administrative costs (see III.G.3.b, “Matching, Level of Effort, Earmarking - Earmarking” for limitation) (Pub. L. 105-220 (sections 231, 232, 234 and 203 of the Act) (20 USC 9241, 9242, 9243 and 9202(1))).

**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**

- a. Each State eligible agency providing adult education and literacy services shall provide a non-Federal contribution of at least 25 percent of the total amount of funds expended for adult education and literacy activities in the State (section 222(b) of the Act (20 USC 9222(b))).
- b. An eligible agency serving an outlying area shall provide a non-Federal contribution equal to 12 percent of the total amount of funds for adult education and literacy activities in the outlying area, unless the Secretary allows a smaller non-Federal contribution (section 222 (b) of the Act (20 USC 9222(b))).
- c. An eligible agency's non-Federal contribution may be provided in cash or in-kind, fairly evaluated, and shall include only non-Federal funds that are used for adult education and literacy activities in a manner that is consistent with the purpose of the Act (section 222(b) of the Act (20 USC 9222(b))).

**2.1 Level of Effort - *Maintenance of Effort***

An eligible agency may receive funds for any fiscal year if the Secretary finds that the fiscal effort per student or the aggregate expenditures of such eligible agency for adult education and literacy activities, in the second preceding fiscal year, was not less than 90 percent of the fiscal effort per student or the aggregate expenditures of the eligible agency for adult education and literacy activities, in the third preceding fiscal year (section 241(b) of the Act (20 USC 9251(b))).

**2.2 Level of Effort - *Supplement Not Supplant* - Not Applicable****3. Earmarking**

- a. *State Eligible Agency* - The following earmarking requirements are for each yearly grant award and must be met within the period of its availability (generally 27 months) (34 CFR sections 76.703 through 76.710):

- (1) Grants and contracts for eligible providers shall not be less than 82.5 percent of the eligible agency's grant funds (section 222(a)(1) of the Act (20 USC 9222(a)(1))).
  - (2) Correction education and education for other institutionalized individuals shall not be more than 10 percent of the 82.5 percent mentioned above (section 222(a)(1) of the Act (20 USC 9222(a)(1))).
  - (3) State leadership activities under section 223 of the Act shall not exceed 12.5 percent of the grant funds (section 222(a)(2) of the Act (20 USC 9222(a)(2))).
  - (4) Necessary and reasonable administrative expenses of the eligible agency shall not be more than five percent of the grant funds, or \$65,000, whichever is greater (section 222(a)(3) of the Act (20 USC 9222(a)(3))).
- b. *Subrecipients* - Generally, subrecipients may use up to five percent of their funds for non-instructional costs, such as administration of local programs. In cases where the five percent limit is too restrictive, the eligible provider shall negotiate with the eligible agency to determine the adequate level of funds for non-instructional purposes (section 233 of the Act) (20 USC 9243).

## **H. Period of Availability of Federal Funds**

See ED Cross-Cutting Section.

## **L. Reporting**

### **1. Financial Reporting**

- a. SF-269 - *Financial Status Report* - Not Applicable
- b. SF-270 - *Request for Advance or Reimbursement* - Only grantees placed on reimbursement are required to complete this form to request payment of grant award funds. The requirement to use this form is imposed on an individual recipient basis.
- c. SF-271- *Outlay Report and Request for Reimbursement for Construction Programs*- Not Applicable
- d. SF-272 - *Federal Cash Transactions Report* - Not Applicable
- e. LEAs and other subrecipients are generally required to report financial information to the pass-through entity. These reports should be tested during audits of LEAs and other subrecipients.

- 2. Performance Reporting - Not Applicable**
- 3. Special Reporting - Not Applicable**

## DEPARTMENT OF EDUCATION

### CFDA 84.010 TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES (LEAs) (Title I, Part A of ESEA)

#### I. PROGRAM OBJECTIVES

The objective of this program is to improve the teaching and learning of children who are at risk of not meeting challenging academic standards and who reside in areas with high concentrations of children from low-income families.

#### II. PROGRAM PROCEDURES

The Department of Education (ED) provides Title I, Part A funds through each State Educational Agency (SEA) to local educational agencies (LEAs) through a statutory formula based primarily on the number of children ages 5 through 17 from low-income families. This number is augmented by annually collected counts of children ages 5 through 17 in foster homes, locally operated institutions for neglected or delinquent children, and families above poverty that receive assistance under Temporary Assistance for Needy Families (TANF), adjusted to account for the cost of education in each State. To receive funds, an SEA must submit to ED for approval either: (1) an individual State plan as provided in Section 1111 of the Elementary and Secondary Education Act (ESEA) (20 USC 6311), or (2) a consolidated plan that includes Part A, in accordance with Section 9302 of the ESEA (20 USC 7842). The individual or consolidated plan, after approval by ED, remains in effect for the duration of the State's participation in Title I, Part A. The plan must be updated to reflect substantive changes.

To receive Title I funds, LEAs must have on file with the SEA an approved plan that includes descriptions of the general nature of services to be provided, how program services will be coordinated with the LEA's regular program of instruction, additional LEA assessments, if any, used to gauge program outcomes, and strategies to be used to provide professional development. An LEA may also include Part A as part of a consolidated application submitted to the SEA under Section 9305 of the ESEA (20 USC 7845).

LEAs allocate Title I funds to eligible school attendance areas based on the number of children from low-income families residing within the attendance area. A school at or above 40 percent poverty may use its Part A funds, along with other Federal, State, and local funds, to operate a schoolwide program to upgrade the instructional program in the whole school (20 USC 6314(a)). Otherwise, a school operates a targeted assistance program in which the school identifies students who are failing, or most at risk of failing, to meet the State's challenging student academic achievement standards and who have the greatest need for assistance. The school then designs, in consultation with parents, staff, and the LEA, an instructional program to meet the needs of those students.



## Source of Governing Requirements

This program is authorized by Title I, Part A of the ESEA, as amended by the No Child Left Behind Act of 2001 (Pub. L. 107-110 (20 USC 6301 through 6339 and 6571 through 6578)). Program regulations are found at 34 CFR part 200. The Education Department General Administrative Regulations (EDGAR) at 34 CFR parts 76, 77, 81, 82, 98, and 99 also apply to this program, as do certain requirements of 34 CFR part 299 (General Provisions).

### 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 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. Also, as discussed in the Cross-Cutting Section, SEAs and LEAs may have been granted waivers from certain compliance requirements.

#### A. Activities Allowed or Unallowed

Also see ED Cross-Cutting Section.

1. *LEAs* (Targeted assistance programs only. See III.N, “Special Tests and Provisions” for schoolwide programs.)

In a targeted assistance school, funds available under Part A may be used only for programs that are designed to help participating children meet the State’s student academic achievement standards expected of all children. Allowable activities in these schools include, but are not limited to, instructional programs, counseling, mentoring, other pupil services, college and career awareness and preparation, services to prepare students for the transition from school to work, services to assist preschool children in the transition to elementary school programs, parental involvement activities, and professional staff development. If health, nutrition, and other social services are not otherwise available from other sources to participating children, Part A funds may be used as a last resort to provide such services. The LEA’s plan will provide a description of the general nature of the services to be provided with Part A funds. However, each Title I school determines the actual program it will provide (Title I, Section 1115 of ESEA (20 USC 6315)).

2. *SEAs*

SEAs can use funds to provide subgrants to LEAs, for State administration, and for school improvement activities in accordance with the State plan (Title I, Sections 1003, 1004, 1111, and 1117 of ESEA (20 USC 6303, 6304, 6311, and 6317)).

**B. Allowable Costs/Cost Principles**

See ED Cross-Cutting Section.

**C. Cash Management**

See ED Cross-Cutting Section.

**E. Eligibility**

**1. Eligibility for Individuals**

*Eligible Children* (LEA targeted assistance programs only)

Title I, Part A, funds are to be used to provide services and benefits to eligible children residing or enrolled in eligible school attendance areas. Once funds are allocated to eligible school attendance areas (see E.2.a and E.2.b below), a school operating a targeted assistance program must use Title I funds only for programs that are designed to meet the needs of children identified by the school as failing, or most at risk of failing, to meet the State's challenging student academic achievement standards. In general, eligible children are identified on the basis of multiple, educationally related, objective criteria established by the LEA and supplemented by the school. Children who are economically disadvantaged, children with disabilities, migrant children, and limited English proficient (LEP) children are eligible for Part A services on the same basis as other children who are selected for services. In addition, certain categories of children are considered at risk of failing to meet the State's student academic achievement standards and are thus eligible for Title I services because of their status. Such children include: children who are homeless; children who participated in a Head Start, Even Start, Early Reading First, or Title I preschool program at any time in the two preceding years; children who received services under the Migrant Education Program under Title I, Part C at any time in the two preceding years; and children who are in a local institution for neglected or delinquent children or attending a community day program. From the pool of eligible children, a targeted assistance school selects those children who have the greatest need for special assistance to receive Part A services (Title I, Section 1115 of ESEA (20 USC 6315)).

## 2. Eligibility for Group of Individuals or Area of Service Delivery

- a. *School Attendance Areas or Schools* (LEAs with either schoolwide programs or targeted assistance programs)

An LEA must determine which school attendance areas are eligible to participate in Part A. A school attendance area is generally eligible to participate if the percentage of children from low-income families is at least as high as the percentage of children from low-income families in the LEA as a whole or at least 35 percent. An LEA may also designate and serve a school in an ineligible attendance area if the percentage of children from low-income families enrolled in that school is equal to or greater than the percentage of such children in a participating school attendance area. When determining eligibility, an LEA must select a poverty measure from among the following data sources: (1) the number of children ages 5-17 in poverty counted in the most recent census; (2) the number of children eligible for free and reduced price lunches; (3) the number of children in families receiving TANF; (4) the number of children eligible to receive Medicaid assistance; or (5) a composite of these data sources. The LEA must use that measure consistently across the district to rank all its school attendance areas according to their percentage of poverty.

An LEA must serve eligible schools or attendance areas in rank order according to their percentage of poverty. An LEA must serve those areas or schools above 75 percent poverty, including any middle or high schools, before it serves any with a poverty percentage below 75 percent. After an LEA has served all areas and schools with a poverty rate above 75 percent, the LEA may serve lower-poverty areas and schools either by continuing with the district-wide ranking or by ranking its schools below 75 percent poverty according to grade-span grouping (e.g., K-6, 7-9, 10-12). If an LEA ranks by grade span, the LEA may use the district-wide poverty average or the poverty average for the respective grade span grouping. An LEA may serve, for one additional year, an attendance area that is not currently eligible but that was eligible in the preceding year.

An LEA may elect not to serve an eligible area or school that has a higher percentage of children from low-income families if: (1) the school meets the Title I comparability requirements; (2) the school is receiving supplemental State or local funds that are spent according to the requirements in sections 1114 or 1115 of Title I; and (3) the supplemental State and local funds expended in the area or school equal or exceed the amount that would be provided under Part A. An LEA with an enrollment of less than 1000 students or with only one school per grade span is not required to rank its school attendance areas (Title I, Section 1113(a)-(b) of ESEA (20 USC 6313(a)-(b)); 34 CFR section 200.78(a)).

- b. *Allocating funds to eligible school attendance areas and schools (LEAs with either schoolwide programs or targeted assistance programs)*

An LEA must allocate Part A funds to each participating school attendance area or school, in rank order, on the basis of the **total** number of children from low-income families residing in the area or attending the school. In calculating the total number of children from low-income families, the LEA must include children from low-income families who reside in a participating area and attend private schools, using the same poverty data, if available, as the LEA uses to count public school children. If the same data are not available, the LEA may use comparable data. If an LEA uses a survey of families of private school children, the LEA may extrapolate, from actual data on a representative sample of private school children, the number of children from low-income families who attend private schools. An LEA may also correlate sources of data, or apply the low-income percentage of each participating public school attendance area to the number of private school children who reside in that area. If an LEA selects a public school to participate on the basis of enrollment, rather than because it serves an eligible school attendance area, the LEA must, in consultation with private school officials, determine an equitable way to count poor private school children in order to calculate the amount of

Title I funds available to serve private school children. An LEA may count private school children from low-income families every year or every two years.

If an LEA serves any attendance area with less than a 35 percent poverty rate, the LEA must allocate to **all** its participating areas an amount per poor child that equals at least 125 percent of the LEA's Part A allocation per poor child. (An LEA's allocation per poor child is the total LEA allocation under subpart 2 of Part A divided by the number of poor children in the LEA according to the poverty measure selected by the LEA to identify eligible school attendance areas. The LEA then multiplies this per-child amount by 125 percent.) If an LEA serves only areas with a poverty rate greater than 35 percent, the LEA must allocate funds, in rank order, on the basis of the total number of poor children in each area or school, but is not required to allocate a per-pupil amount of at least 125 percent. An LEA may not allocate a higher amount per poor child to areas or schools with lower percentages of poverty than to areas with higher percentages. If an LEA serves areas or schools below 75 percent poverty by grade span groupings, the LEA may allocate different amounts per poor child for different grade span groupings as long as those amounts do not exceed the amount per poor child allocated to any area or school above 75 percent poverty. Amounts per poor child within grade spans may also vary as long as the LEA allocates higher amounts per poor child

to higher poverty areas or schools within the grade span than it allocates to lower poverty areas or schools.

The LEA must reserve the amounts generated by poor private school children who reside in participating public school attendance areas to provide services to eligible private school children (Title I, Section 1113(c) of ESEA (20 USC 6313(c)); 34 CFR sections 200.77 and 200.78).

**3. Eligibility for Subrecipients - Not Applicable**

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

**1. Matching - Not Applicable**

**2.1 Level of Effort - *Maintenance of Effort***

See ED Cross-Cutting Section.

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

See ED Cross-Cutting Section.

**3. Earmarking (SEAs)**

See ED Cross-Cutting Section and the following:

**a. *Targeting School Improvement Funds***

Each SEA must reserve 2 percent of the amount the State receives under subpart 2 of Part A for fiscal years 2002 and 2003 (4 percent for fiscal years 2004 through 2007) for school improvement activities under sections 1116 and 1117 of Title I. Of the amount reserved, the SEA must allocate not less than 95 percent directly to LEAs for activities under section 1116 in schools identified for school improvement, corrective action, and restructuring. However, the SEA may, with the approval of its LEAs, provide directly for these activities or arrange for them to be provided by other entities such as school support teams or educational service agencies. In allocating these funds to LEAs, the SEA must give priority to LEAs that: (1) serve the lowest-achieving students; (2) demonstrate the greatest need for the funds; and (3) demonstrate the strongest commitment to ensuring that the funds will be used to enable the lowest-achieving schools to meet their progress goals.

In reserving these funds, an SEA may not reduce the sum of the allocations an LEA receives under subpart 2 of Part A below the sum of the allocations the LEA received for the preceding fiscal year. If funds are insufficient to reserve 2 percent (subsequently 4 percent) and meet this provision, the SEA is not required to reserve the full amount.

If, after consulting with LEAs, the SEA determines that the amount of funds reserved is greater than needed, the SEA must allocate the excess amount to LEAs (1) in proportion to their allocations under subpart 2 of Part A, or (2) in accordance with the SEA's reallocation procedures under section 1126(c) of Title I (Title I, Section 1003(a)-(e) of ESEA (20 USC 6303(a)-(e)); 34 CFR section 200.100(a)).

b. *Targeting Funds for Choice-Related Transportation and Supplemental Educational Services*

In the case of a school that is required to provide choice-related transportation under section 1116(b)(1)(E) of Title I and/or supplemental educational services under section 1116(e) of Title I, the LEA must spend an amount equal to 20 percent of its allocation under subpart 2 of Part A to provide such transportation and supplemental services, unless a lesser amount is needed to satisfy all requests. Of this amount, the LEA must spend a minimum of an amount equal to 5 percent of its subpart 2 allocation on choice-related transportation and a minimum of an amount equal to 5 percent of its subpart 2 allocation for supplemental educational services. It may spend the remaining 10 percent for either or both activities. The LEA may not include costs for administration or transportation related to supplemental educational services, if any, toward meeting these percentage requirements. In applying this provision, an LEA may not reduce by more than 15 percent the total amount it makes available under Part A to a school it has identified for corrective action or restructuring.

For each student receiving supplemental educational services, the LEA must make available the lesser of (1) the amount of its allocation under subpart 2 of Part A divided by the number of students in the LEA from families below the poverty level as determined by the U.S. Bureau of the Census; or (2) the actual cost of the services received by the student (Title I, Sections 1116(b)(10) and (e)(6) of ESEA (20 USC 6316(b)(10), (e)(6)); 34 CFR section 200.48).

**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**

See ED Cross-Cutting Section.

**N. Special Tests And Provisions****1. Participation of Private School Children**

See ED Cross-Cutting Section.

**2. Schoolwide Programs (LEAs)**

See ED Cross-Cutting Section.

**3. Comparability**

See ED Cross-Cutting Section.

**4. Identifying Schools and LEAs Needing Improvement****Compliance Requirements***SEAs*

An SEA must annually review the progress of each LEA that receives funds under subpart 2 of Part A of Title I to determine whether the LEA made adequate yearly progress as defined by the State. The SEA must identify for improvement any LEA that fails to make adequate yearly progress, as defined by the State, for two consecutive years or that was in improvement status on January 7, 2002. The SEA must identify the LEA for corrective action if it continues to fail to make adequate yearly progress at the end of its second full year in improvement (subject to the delay provision discussed in the next paragraph).

The SEA may delay implementation of corrective action for a period not to exceed one year if the LEA makes adequate yearly progress for one year; or its failure to make adequate yearly progress is due to exceptional or uncontrollable circumstances, such as a natural disaster or a precipitous and unforeseen decline in the financial resources of the LEA (Title I, Section 1116(c) of ESEA (20 USC 6316(c)); 34 CFR sections 200.50-200.53).

Each SEA must report annually to the Secretary (*OMB No.1810-0581*), and make certain information widely available within the State, including the number and names of each school identified for improvement under section 1116(b), the reason why each school was so identified, and the measures taken to address the achievement problems of such schools. In addition, the SEA must prepare and disseminate an annual State report card that contains information on the performance of LEAs regarding adequate yearly progress, including the number and names of each school and LEA identified for improvement. Moreover, the SEA must ensure that each LEA collects the data necessary

to prepare its annual report card (Title I, Sections 1111(h)(1) and (4) of ESEA (20 USC 6311(h)(1) and (4)).

### *LEAs*

An LEA must annually review the progress of each school served under Title I to determine whether the school has made adequate yearly progress. The LEA must identify for school improvement any school that fails to make adequate yearly progress, as defined by the SEA, for two consecutive school years or that was in improvement status on January 7, 2002. After a school has been identified for improvement for two school years (subject to the delay provision discussed in the next paragraph), the LEA must identify that school for corrective action if it continues to fail to make adequate yearly progress. After a school has been in corrective action for a full school year (subject to the delay provision), the LEA must identify it for restructuring if it continues to fail to make adequate yearly progress.

Each LEA must prepare and disseminate to all schools in the LEA—and to all parents of students attending those schools—an annual LEA report card that, among other things, includes the number, names, and percentage of schools identified for school improvement and how long the schools have been so identified. The LEA must also publicize and disseminate the results of its annual progress review to the community. The LEA should use broad means of communication, such as the Internet and publicly available media, to disseminate and publicize this information.

The LEA may delay, for a period not to exceed one year, implementation of requirements under the second year of school improvement, corrective action, or restructuring if the school makes adequate yearly progress for one year or the failure to make adequate yearly progress is due to exceptional or uncontrollable circumstances, such as a natural disaster or a precipitous and unforeseen decline in the financial resources of the school or LEA (Title I, Sections 1111(h)(2) and 1116(b) of ESEA (20 USC 6311 (h)(2) and 6316(b)); 34 CFR sections 200.30-200.38).

Note: In many states, the SEA conducts the review of progress of schools within LEAs and sends the results of that review to the LEAs.

**Audit Objectives** – Determine whether, in collecting, compiling, and reporting progress of LEAs and schools that receive funds under subpart 2 of Part A of Title I, the SEA and LEA complied with the above requirements.

### **Suggested Audit Procedures**

#### *SEAs*

- a. Review how the SEA collects, compiles, and determines the accuracy of information obtained about the number and names of schools and LEAs in need of improvement and reports this data to ED and the public.



- b. Review data received about schools and LEAs to ascertain that those data were included and correctly reflected in the SEA's submission to ED and the information disseminated to the public.

#### *LEAs*

- a. Review how the LEA determines the schools in need of improvement.
- b. Trace the data about the LEA to source records to determine its accuracy, reliability, and completeness.
- c. Determine whether the LEA disseminated information to all schools in the LEA and to all parents of students attending those schools and made the information widely available through public means, such as the Internet and the media.

### **5. Highly Qualified Teachers and Paraprofessionals**

#### **Compliance Requirements**

##### *Highly qualified teachers.*

An LEA must ensure that any teacher who is hired after the first day of the 2002-2003 school year to teach a core academic subject and who works in a program supported with Title I funds is highly qualified as defined in 34 CFR section 200.56. This requirement applies to teachers in Title I targeted assistance programs who teach a core academic subject and are paid with Title I funds and to all teachers who teach a core academic subject in a Title I schoolwide program school. Core academic subjects means English, reading or language arts, mathematics, science, foreign languages, civics and government, economics, arts, history, and geography (Title I, Section 1119(a) of ESEA (20 USC 6319(a)); 34 CFR sections 200.55 and 200.56).

##### *Qualifications of paraprofessionals.*

- a. An LEA must ensure that each paraprofessional who is hired by the LEA after January 8, 2002 and who works in a program supported with Title I funds meets specific qualification requirements. The term "paraprofessional" means an individual who provides instructional support; it does not include individuals who have only non-instructional duties (such as providing technical support for computers, providing personal care services, or performing clerical duties). A paraprofessional works in a program supported with Title I funds if the paraprofessional is paid with Title I funds in a Title I targeted assistance school or any paraprofessional in a schoolwide program school.
- b. A paraprofessional must hold a high-school diploma or its recognized equivalent and meet one of the following requirements:
  - (1) Have completed at least two years of study at an institution of higher education.

- (2) Have obtained an associate's or higher degree.
  - (3) Have met a rigorous standard of quality, and can demonstrate through a formal State or local academic assessment knowledge of, and the ability to assist in instructing, reading/language arts, writing, and mathematics, or reading readiness, writing readiness, and mathematics readiness.
- c. A paraprofessional who is proficient in English and a language other than English and acts as a translator or who has duties that consist solely of conducting parental involvement activities need only have a high-school diploma or its recognized equivalent.

(Title I, Section 1119(c)-(f) of ESEA (20 USC 6319(c)-(f)); 34 CFR section 200.58)

**Audit Objective** – Determine whether the LEA is hiring highly qualified teachers and paraprofessionals in programs supported with Title I funds.

**Suggested Audit Procedures**

- a. Review LEA procedures for hiring highly qualified teachers and paraprofessionals in programs supported with Title I funds.
- b. Trace the data to source records to determine if teachers hired after the first day of the 2002-2003 school year or paraprofessionals hired after January 8, 2002 met the criteria in 34 CFR sections 200.55, 200.56, and 200.58.

## DEPARTMENT OF EDUCATION

### CFDA 84.011 MIGRANT EDUCATION - STATE GRANT PROGRAM (Title I, Part C of ESEA)

#### I. PROGRAM OBJECTIVES

The objectives of the Migrant Education - State Grant Program (Migrant Education Program or MEP) are to: (1) support high-quality and comprehensive educational programs for migratory children to help reduce the educational disruptions and other problems that result from repeated moves; (2) ensure that migratory children who move among the States are not penalized in any manner by disparities among the States in curriculum, graduation requirements, and State academic content and student academic achievement standards; (3) ensure that migratory children are provided with appropriate educational services (including support services) that address their special needs in a coordinated and efficient manner; (4) ensure that migratory children receive full and appropriate opportunities to meet the same challenging State content standards and challenging State student academic content standards and student academic achievement standards that all children are expected to meet; (5) design programs to help migratory children overcome educational disruption, cultural and language barriers, social isolation, various health-related problems, and other factors which inhibit the ability of migrant children to do well in school, and to prepare such children to make a successful transition to postsecondary education or employment; and (6) ensure that migratory children benefit from State and local systemic reforms.

#### II. PROGRAM PROCEDURES

MEP funds are allocated to a State educational agency (SEA), under either an approved consolidated application or an approved individual program application, in order for the SEA to provide MEP services and activities either directly, or through subgrants to local operating agencies. Local operating agencies can be either local educational agencies (LEAs) or other public or nonprofit private agencies. Because an SEA may choose to provide MEP services directly or through a local operating agency, some of the suggested audit procedures will apply for an SEA or local operating agency, depending on which agency provides the services and where the records are maintained.

#### Source of Governing Requirements

This program is authorized by Title I, Part C of the Elementary and Secondary Education Act of 1965, as amended (ESEA)(20 USC 6391 through 6399). The Education Department (ED) General Administrative Regulations at 34 CFR parts 76, 77, 80, 82, and 85 apply to this program. Other requirements in 34 CFR part 200, subparts C (34 CFR sections 200.81 through 200.88) and E (34 CFR sections 200.100 through 200.103), and 34 CFR part 299 also apply.

### 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 ESEA 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 to the Cross-Cutting Section for these requirements. Also, as discussed in the Cross-Cutting Section, SEAs and LEAs may have been granted waivers from certain compliance requirements.

#### A. Activities Allowed or Unallowed

Also see ED Cross-Cutting Section.

1. *SEAs* - SEAs may use funds to operate the program (directly or through contracts), make subgrants to LEA or other local operating agencies, and pay for State administration. In general, funds available under the MEP may be used only to: (a) identify eligible migratory children and their needs; and (b) provide educational and support services (including, but not limited to, preschool services, professional development, advocacy and outreach, parental involvement activities and the acquisition of equipment) that address the identified needs of the eligible children.

An SEA may also use MEP funds to carry out administrative activities that are unique to the program. These activities include, but are not limited to, Statewide identification and recruitment of migratory children, interstate and intrastate program coordination, transfer of student records, collecting and using information to make subgrants, and direct supervision of instructional or support staff (Title I, Part C, Sections 1301, 1304(c) and 1306(b) of ESEA (20 USC 6392, 6394(c), and 6396(b)); 34 CFR section 200.41).

2. *LEA or Other Local Operating Agencies* - LEA or other local operating agencies use funds in accordance with the agreement with the SEA to (a) identify eligible migratory children and their needs; and (b) provide educational and support services that address the identified needs of the eligible children.

#### 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* - Not Applicable
- 2.2 Level of Effort** - *Supplement Not Supplant*  
See ED Cross-Cutting Section.
- 3. Earmarking** (SEAs)  
See ED Cross-Cutting Section.

**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**
  - a. *State Per Pupil Expenditure (SPPE) Data (OMB No 1850-0067)*  
(SEAs/LEAs)  
  
See ED Cross-Cutting Section.
  - b. *Migrant Child Count Report for State Formula Grant Migrant Education Programs under the Elementary and Secondary Education Act, as amended by the No Child Left Behind Act of 2001 (OMB No. 1810-0519)*
    - (1) **Migrant Child Counts of Children Eligible for Funding Purposes (SEAs)**

The SEA is required—for allocation purposes—to assist ED in determining the number of eligible migratory children who reside in the State, using such procedures as ED requires. Each SEA annually provides an unduplicated Statewide count of eligible migratory children in each of two categories: (a) children ages 3 through 21 who resided in the State for one or more days during the preceding September 1-August 31; and (b) such children who were served one or more days in a migrant-funded project

conducted either during the summer term or an intersession period (i.e., when a year-round school is not in session.) The SEA's report is based on data submitted to it by the LEAs or other local operating agencies in the State.

- (2) Reporting the number of eligible migrant children to the SEA (LEAs or other local operating agencies and SEAs providing direct services)

LEAs or other local operating agencies and SEAs providing direct services must implement procedures, based on the eligibility documentation they collect and maintain, to count and report eligible children in the two categories specified in III.L.3.b(1) Report - Special Reporting (Title I, Part C, Section 1304(c)(7) of ESEA (20 USC 6394(c)(7)); 34 CFR sections 76.730 and 76.731).

## N. Special Tests and Provisions

### 1. Participation of Private School Children (SEAs/LEAs)

See ED Cross-Cutting Section.

### 2. Schoolwide Programs (LEAs)

See ED Cross-Cutting Section.

### 3. Comparability (SEAs/LEAs)

See ED Cross-Cutting Section.

### 4. Priority for Services

**Compliance Requirement** - SEAs and LEAs or other local operating agencies must give priority for MEP services to migratory children who are failing, or most at risk of failing, to meet the State's challenging content and performance standards, and whose education has been interrupted in the regular school year (Title I, Part C, Section 1304(d) of ESEA (20 USC 6394(d)).

**Audit Objective** (*SEAs providing services directly and LEA or other local operating agencies*) - Determine whether the SEA or LEA or other local operating agency is defining, and properly identifying and counting, "priority-for-services" migratory children so that priority in the provision of MEP services is given to those migratory children identified as failing, or most at risk of failing, to meet the State's challenging content and performance standards, and whose education has been interrupted in the regular school year (priority children).

**Suggested Audit Procedures** (*SEAs providing services directly and LEA or other local operating agencies*)

- a. Review the SEA's or LEA's or other operating agency's definition of what constitutes failing, or most at risk of failing, to meet the State's challenging content and performance standards, and whose education has been interrupted in the regular school year.
- b. Review the SEA's or LEA's or other local operating agency's procedures to identify those individual migrant children who meet the applicable definition of failing, or most at risk of failing, to meet the State's challenging content and performance standards, and whose education has been interrupted in the regular school year (i.e., migrant children who meet the "priority-for-services" criteria).
- c. Review the SEA's or LEA's or other local operating agency's procedures to accurately count and report—in the *Migrant Child Count Report for State Formula Grant Migrant Education Programs* (see "III.L.3.b")—the unduplicated number of migrant children with "priority-for-services" who were identified and served.
- d. Review the SEA or LEA or other local operating agency's process for selecting children to receive MEP services.
- e. Select a sample of migratory children who were identified as priority children. Review program records to determine if these children were provided MEP services. (In rare instances, a local project may not have any "priority-for-services" children in its service area, in which case the suggested audit procedures would not apply.)

**5. Subgrant Process (SEAs)**

**Compliance Requirement** - SEAs may provide MEP services either directly, or through subgrants to LEA or other local operating agencies, including LEAs. Where the SEA awards subgrants, in order to target program funds appropriately, the SEA is required determine the amount of the subgrants by taking into account (a) the numbers of migratory children, (b) the needs of migratory children, (c) the "priority-for services" requirement in section 1304 (d) of ESEA (20 USC 6394(d)), and (4) the availability of funds from other Federal, State, and local programs. How the SEA takes into consideration the availability of funds is left to SEA discretion (Title I, Part C, Sections 1301 and 1304(b)(5) of the ESEA (20 USC 6391 and 6394(b)(5))).

**Audit Objective** - Determine whether the SEA's process to determine the amount of MEP subgrants takes into account current information on numbers of migratory children, needs of migratory children, need to serve priority children, and the availability of funds from other Federal, State, and local programs.

**Suggested Audit Procedures**

Review the SEA's process to target MEP funds to ascertain if the process:

- a. Uses current information.
- b. Takes into account the (1) the numbers of migratory children, (2) the needs of migratory children, (3) the "priority-for services" requirement in section 1304(d) of ESEA, and (4) the availability of funds from other Federal, State, and local programs.



**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**

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, demonstrate to the Department of Education (ED) that it has in effect policies and procedures that ensure that all children with disabilities have the right to a FAPE.

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 (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 enacted on June 4, 1997 (Pub. L. 105-17; 20 USC 1400 *et seq.*). Implementing regulations for these programs are 34 CFR parts 300 and 301.

### 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 Unallowed

Also see ED Cross-Cutting Section.

1. *SEAs* - Allowable activities for SEAs are subgranting 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, home instruction, and instruction in other settings. 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. 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 nondisabled children and for the development and implementation of integrated and coordinated services systems (20 USC 1401(22) and (25); 20 USC 1413(a)(2) and (a) (4)).

LEAs must use subgrants for capacity building to assist them in providing direct services and in making systemic change to improve results for children with disabilities through one or more of the following activities: (1) direct services, including alternative programming for children who have been expelled from school, and services for children in correctional facilities, children enrolled in State-operated or State-supported schools, and children in charter schools; (2) addressing needs or carrying out improvement strategies identified in the State’s Improvement Plan; (3) adopting promising practices, materials, and technology, based on knowledge derived from education research and other sources;

(4) establishing, expanding, or implementing interagency agreements and arrangements between LEAs and other agencies or organizations concerning the provision of services to children with disabilities and their families; and (5) increasing cooperative problem-solving between parents and school personnel and promoting the use of alternative dispute resolution (20 USC 1411(f)(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** (LEAs)

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 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; or (d) the termination of costly expenditures for long-term purchases, such as the acquisition of equipment and the construction of school facilities.

For any fiscal year for which amounts appropriated to carry out IDEA-B exceeds \$4,100,000,000, an LEA may treat as local funds, for the purpose of determining compliance with the maintenance-of-effort requirement, up to 20 percent of the IDEA-B funds it receives that exceeds the amount received the previous year. The SEA may prohibit the LEA from treating such funds as local funds if it determines the LEA is not meeting IDEA-B requirements and if it is authorized to do so by the State constitution or State statute (20 USC 1413(a)(2), 34 CFR sections 300.231 through 300.233).

## 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, other State-level activities, and capacity building grants to its LEAs.

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

- (1) *SEA set-aside (Overview)*: The Secretary shall determine and report to the SEA an amount that is 25 percent of the amount the State received under this section for fiscal year 1998, cumulatively adjusted by the Secretary for each succeeding fiscal year. These funds may be used for administration (20 percent of the set-aside amount), other State-level activities, and subgrants to LEAs for capacity building (20 USC 1411(f)(1)).
  - (a) *Administration*: 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(f)(2), 34 CFR sections 300.620 and 300.621).
  - (b) *Other State-level activities*: SEA set aside funds not used for administration or capacity building subgrants to LEAs shall be used for any of the following activities: (1) support and direct services, including technical assistance and personnel development and training; (2) administrative costs of monitoring and complaint investigation, but only to the extent that those costs exceed the costs incurred for those activities during fiscal year 1985; (3) establishment and implementation of a mediation process, including providing for the costs of mediators and support personnel; (4) assistance to LEAs in meeting personnel shortages; (5)

development of a State Improvement Plan; (6) 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; and (7) supplementing other amounts 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 section (this system shall be coordinated with and, to the extent appropriate, build on the system of coordinated services developed by the State under Part C) (20 USC 1411(f)(3), 34 CFR section 300.370).

(c) *Capacity Building subgrants to LEAs:* ED will inform SEAs of the amount of their IDEA-B grants that must be used for subgrants to LEAs for capacity building (20 USC 1411(f)(4)).

(2) *Formula Subgrants 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 for fiscal year 2000 if the State had distributed 75 percent of its grant for that year to LEAs. 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(g)).

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)).

- (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 Subgrants 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 for fiscal year 1998 if the State had distributed 75 percent of its grant for that year to LEAs. 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 300.234).

**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**

- a. *Report of Children and Youth with Disabilities Receiving Special Education Under Part B of the Individuals With Disabilities Education Act, as amended (OMB No. 1820-0043)* - 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; (3) are not provided with a related service that they need to assist them in benefiting from special education; or (4) are receiving special education funded solely by the Federal Government—except that children in any of the age ranges three, four, five, eighteen, nineteen, twenty, or twenty-one, who fall into this category, may be counted if no local or State funds are available for non-disabled children in that same age range (34 CFR section 300.753).

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 300.754(a), (c), and (e)).

LEAs must report to the SEA in accordance with the SEA-established procedure.

**N. Special Tests and Provisions**

**1. Schoolwide Programs**

See ED Cross-Cutting Section.



## DEPARTMENT OF EDUCATION

### CFDA 84.032 FEDERAL FAMILY EDUCATION LOANS (FFEL) - (Guaranty Agencies)

#### I. PROGRAM OBJECTIVES

Non-profit and State guaranty agencies are established to guarantee student loans made by lenders and perform certain administrative and oversight functions under the Federal Family Education Loans (FFEL) program, which includes the Federal Stafford Loan, Federal PLUS, Federal SLS and Federal Consolidation loan programs. The Department of Education (ED) provides reinsurance to the guaranty agency.

#### II. PROGRAM PROCEDURES

To participate in the FFEL programs and to receive various payments and benefits incident to that participation, a guaranty agency enters into agreements with ED. As part of these agreements, guaranty agencies (1) establish and maintain a Federal Student Loan Reserve Fund (Federal Fund) and the Agency Operating Fund; (2) service defaulted loans that have been submitted to them; (3) make timely claim payments to lenders on defaulted loans; (4) make timely reinsurance filings with ED; (5) provide accurate and reliable reports to ED; (6) apply proper charges to defaulted borrowers; and (7) take proper enforcement measures with respect to lenders, lender servicers, and defaulted borrowers.

Section 428A of the Higher Education Act, as amended (HEA), allows ED to enter into Voluntary Flexible Agreements (VFA) with guaranty agencies to pilot alternatives to the current guaranty agency financing model or structure. Initially, participation was limited to not more than six guaranty agencies (July 28, 1999 *Federal Register* (64 FR 40859)). Effective October 1, 2001, however, any guaranty agency or consortium of agencies may apply to enter into a VFA with ED (Section 428A(a)(3) of the HEA (20 USC 1078-1(a)(3))). VFA pilots are uniquely designed by each guaranty agency and may waive some of the compliance requirements. If a VFA exists, the auditor should review the VFA and determine: (1) which of the III. Compliance Requirements below are applicable, and (2) what, if any, additional or alternative audit procedures should be performed to test compliance with the terms of the VFA.

#### Source of Governing Requirements

The FFEL program is authorized by the Higher Education Act (HEA) of 1965, as amended (20 USC 1071 to 1087-2). Program regulations are located at 34 CFR part 682.

#### 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.**

**A. Activities Allowed or Unallowed**

The compliance requirements and suggested audit procedures for allowed and unallowed services are presented separately in III. N.9, "Special Tests and Provisions - Federal Fund and Agency Operating Fund."

**L. Reporting**

- 1. Financial Reporting** - Not Applicable
- 2. Performance Reporting** - Not Applicable
- 3. Special Reporting**

ED Form 2000, *Guaranty Agency Financial Report (OMB No. 1845-0026)* - Guaranty agencies submit this form monthly, monthly/quarterly, or annually. Instructions for this report are available on the Internet at <http://www.fp.ed.gov/PORTALSWebApp/fp/fms.jsp>.

In determining which amounts to test on ED Form 2000, particular attention should be given to the September 30 amounts for current year defaults, current year collections, loans receivable and the sources and uses of funds in the Federal Fund (or equivalent line items pertaining to the Federal/Operating Funds for the September 30 report). Also, guaranty agencies are required to submit loan level detail information to the National Student Loan Data System (NSLDS) (*OMB No. 1845-0035*). When reviewing support for the above reports, the auditor should consider whether the relevant amounts in these reports reconcile with the NSLDS Extract submitted by the guaranty agency. (Note: There may be some differences between the ED Form 2000 and the NSLDS Extracts due to timing factors (e.g., pulling of NSLDS Extract in third week vs. month end). Finally, ED may send edits back to the guaranty agency to be entered.)

The guaranty agency is required to submit loan-level detail data to the NSLDS. The following are identified as key data elements:

- a. Social security number;
- b. First name;
- c. Date of birth;
- d. Original school code;
- e. Academic level;
- f. Current school code;
- g. Enrollment status code;

- h. Enrollment status date;
- i. Originating lender code;
- j. Loan guarantee date;
- k. Amount of guarantee;
- l. Current holder lender code;
- m. Date repayment entered;
- n. Loan status code;
- o. Loan status date;
- p. Outstanding principal;
- q. Amount of claim paid to lenders (principal and interest); and
- r. Interest and fee amounts for loans in defaulted status.

ED sends edits back to the guaranty agency for disposition. Samples should be selected from the guaranty agency's NSLDS Extracts (Note: Guaranty Agencies may have changed to automated exchanges of data with schools and lenders; thus, hard copy documents may not exist. In this instance, auditors may only be able to trace to system information and not to supporting records.) (34 CFR section 682.414(b)).

In addition to providing ED with information it needs to maintain its accounting and loan database records, data in the ED Form 2000 report are used for various purposes by ED. The use of this data is the subject of several other compliance requirements cited in III.N, "Special Tests and Provisions," which identify the need to test specific items in these reports. For audit efficiency, the auditor may want to test those requirements at the same time as this compliance requirement. The other compliance requirements are III.N.2, "Federal Reinsurance Rate," III.N.3, "Conditions of Reinsurance," III.N.4, "Death, Disability, Closed Schools, False Certifications, Unpaid Refunds, and Bankruptcy Claims," and III.N.9, "Federal Fund and Operating Fund."

## **N. Special Tests and Provisions**

### **1. Current Records**

**Compliance Requirement** - The guaranty agency shall maintain current, complete records for each loan that it holds. The records must be maintained in a system that allows ready identification of each loan's current status, updated at least once every 10 business days (34 CFR section 682.414(a)).

**Audit Objective** - Determine whether the guaranty agency's records are updated for information received from lenders, schools, borrowers, others, and NSLDS on a timely basis.

### **Suggested Audit Procedures**

- a. For a sample of loans, compare dates transactions or information were posted to the guaranty agency's system to the date the source information was received.
- b. Identify whether any backlog exists that is over 10 days old.

## **2. Federal Reinsurance Rate**

**Compliance Requirement** - The applicable Federal reinsurance rate for a loan depends on the amount of reinsurance claims paid to the guaranty agency during the year and the date the loan was made (34 CFR sections 682.404(a) and (b)).

For loans made prior to October 1, 1993 or transferred under a plan to transfer guarantees from an insolvent guaranty agency approved by ED, when the total amount of reinsurance claims paid to the guaranty agency during a fiscal year is less than five percent of the amount of loans in repayment at the end of the preceding fiscal year, reinsurance is paid for 100 percent of the guaranty agency's losses. When the total amount of reinsurance claims paid to the guaranty agency during a fiscal year reaches five percent of the amount of loans in repayment at the end of the preceding fiscal year, the reinsurance subsequently paid to the guaranty agency during that fiscal year, drops to 90 percent. When the amount of claims reaches nine percent, the reinsurance drops to 80 percent.

For loans made from October 1, 1993 to September 30, 1998, the above rates drop to 98/88/78 percent, respectively. For loans made on or after October 1, 1998 the respective rates are 95/85/75 percent (Section 428(c)(1) of HEA (20 USC 1078(c)(1))).

The Secretary uses the ED Form 2000 report for the previous September 30 to calculate the amount of loans in repayment at the end of the preceding fiscal year (34 CFR sections 682.404(a), (b), and (c)).

Past problem areas have been:

Guaranty agencies have:

- Not established systems to verify a student's loan status with lender and school data through a reliable audit trail.
- Established systems to determine loan status that rely on loan characteristic analysis or assumptions that are not adequately tested or verified.

- Not established adequate procedures to ensure that lenders report and agencies properly record loans paid in full.
- Not established adequate procedures to ensure that there is a system to reconcile the guaranty agency's repayment conversion dates to the lender's repayment conversion dates.

**Audit Objective** - Determine whether the data submitted to ED in the September 30 Form 2000 used to calculate loans in repayment is materially correct and supported by the books and records.

### **Suggested Audit Procedures**

- a. Compare the amounts of loans in repayment in the guaranty agency system at September 30 to the amount of loans in repayment derived from the September 30 ED Form 2000. Determine the propriety of any difference.
- b. Select a sample of loans in in-school and repayment status from the guaranty agency's system. Verify the loan amount and loan status by contacting the current holder of the loan or schools to confirm the authenticity and status of the loans.

### **3. Conditions of Reinsurance Coverage**

**Compliance Requirement** - A guaranty agency is entitled to reinsurance payments on a loan only if the requirements cited in 34 CFR section 682.406 are met. The lender must provide the guaranty agency with documentation, as described in 34 CFR sections 682.406 and 414. The Secretary requires a guaranty agency to repay reinsurance payments received on a loan if the lender or the guaranty agency failed to meet these requirements (34 CFR section 682.406).

Past problem areas have been:

The lender:

- Did not exercise due diligence in servicing the loan in accordance with 34 CFR section 682.411 (34 CFR section 682.406(a)(1)).
- Did not include adequate documentation, including a collection and payment history, to support claim eligibility and the claim amount (34 CFR section 682.406(a)(3)).
- Did not file a default claim with the guaranty agency within 90 days of default. (Note: The guaranty agency shall reject the claim based on due diligence or timely filing violations, unless it was cured by the lender in accordance with Cure Bulletin 88-G-138. See 34 CFR part 682, Appendix D) (34 CFR section 682.406(a)(5)).

- Was paid interest beyond 30 days after a claim was returned for inadequate documentation for claims returned on or after July 1, 1996 (34 CFR section 682.406(a)(6)).

The guaranty agency:

- Filed a request for payment of reinsurance later than 45 days following payments of a default claim to the lender (34 CFR section 682.406(a)(9)).
- Did not pay the lender within 90 days of the date the lender filed the claim (34 CFR section 682.406(a)(8)).
- Did not pay the lender prior to filing a request for payment from ED.

**Audit Objective** - Determine whether loans for which reinsurance was paid met the requirements for reinsurance.

#### **Suggested Audit Procedures**

Select a sample of defaulted loans from the guaranty agency's ED Form 2000 reports. Review documentation supporting that the loans met the conditions of reinsurance.

#### **4. Death, Disability, Closed Schools, False Certification, Unpaid Refunds, and Bankruptcy Claims**

**Compliance Requirements** - If an individual borrower dies, the obligation of the borrower and any endorser to make any further payments on the loan is canceled, in accordance with 34 CFR sections 682.402(b)(2)-(5). A borrower may file an application for discharge due to total and permanent disability. Total and permanent disability discharges are approved in accordance with 34 CFR section 682.402(c). If a borrower files an application for discharge due to a school closing, the Secretary reimburses the holder of the loan in accordance with 34 CFR section 682.402(d). If a borrower's eligibility to receive a loan was falsely certified by an eligible school, the Secretary reimburses the holder of the loan and discharges the loan in accordance with 34 CFR section 682.402(e). The Secretary may reimburse the holder of a loan for the amount of unpaid refunds in accordance with 34 CFR sections 682.402(l) through (p). If a borrower files a petition of relief under the Bankruptcy Code, the Secretary reimburses the holder of the loan for unpaid principal and interest on the loan, in accordance with 34 CFR sections 682.402(f), (g), and (h). Exceptions to these regulations are identified in 34 CFR sections 682.402(a)(2) and (3).

A lender must file a death, disability, closed school, false certification, or bankruptcy claim within the period prescribed in 34 CFR section 682.402(g)(2). The guaranty agency shall review a death, disability, closed school, false certification, or bankruptcy claim promptly and shall pay the lender in accordance with 34 CFR section 682.402(h). Guaranty agencies are required to take specific actions in bankruptcy proceedings in accordance with 34 CFR section 682.402(i). In accordance with 34 CFR section

682.402, the guaranty agency shall not request payment from ED until the lender's claim has been paid. A borrower or lender must file an unpaid refund application within the period prescribed in 34 CFR section 682.402(l). The guaranty agency shall review an unpaid refund claim promptly in accordance with 34 CFR section 682.402(l) and shall pay the lender in accordance with 34 CFR section 682.402(n).

**Audit Objectives** - Determine whether death, disability, closed school, false certification, unpaid refund, and bankruptcy claims met the requirements for the payment of such claims.

### **Suggested Audit Procedures**

- a. Select a sample of death, disability, closed school, false certification, unpaid refund, and bankruptcy claims from the guaranty agency's ED Form 2000 reports.
- b. Review claim documentation that supports the eligibility of the claims for payment.

## **5. Default Aversion Assistance**

**Compliance Requirements** - Upon receipt of a complete request from a lender, received not earlier than day 60 and no later than day 120 of delinquency, a guaranty agency shall engage in default aversion activities designed to prevent the default by a borrower. Default aversion activities are activities of a guaranty agency that are directly related to providing collection assistance to the lender on a delinquent loan prior to the loan being legally in a default status. In consideration of such efforts, the guaranty agency receives a default aversion fee (34 CFR section 682.404(k)).

*Calculating the Fee* - In general, a guaranty agency may transfer a default aversion fee from its Federal Fund to its Operating Fund based on 1 percent of the total unpaid principal and accrued interest owed on loans on which the lender requests default aversion assistance. However, if a loan on which the guaranty agency has received the default aversion fee is subsequently paid as a default claim, the guaranty agency must rebate funds to the Federal Fund by deducting the rebate funds from the default aversion fee calculation. The fees may be transferred from the Federal Fund to the Operating Fund no more frequently than monthly and may not be paid more than once on any loan (34 CFR section 682.404(k)).

**Audit Objectives** - Determine whether the guaranty agency performed default aversion activities in accordance with the requirements, whether loans on which the default aversion fee was received were qualified, and whether the fees were calculated accurately.

### **Suggested Audit Procedures**

- a. For a sample of loans, review documentation supporting that the loans qualified for and the guaranty agency performed the default aversion activities.
- b. For a sample of default aversion fee transfers:
  - (1) Verify that the default aversion fee was calculated accurately.
  - (2) Verify that default aversion fees were not paid more than once on the same loan.
- c. For a sample of defaulted loans, verify that the appropriate default aversion fees are returned to the Federal Fund.

### **6. Collection Efforts**

**Compliance Requirements** - The guaranty agency must engage in certain collection activities within certain time frames as prescribed by 34 CFR section 682.410(b)(6) on a loan for which it pays a default claim filed by a lender. These collection activities include written notices, contacts with borrowers, wage garnishments, etc. If a guaranty agency contracts with another party to perform default aversion assistance activities and collect defaulted loans, the party that provides default aversion assistance on a loan may not perform collection activity on that loan within three years of the date the default claim is paid (34 CFR sections 682.404(k) and 682.410(b)(6)).

**Audit Objectives** - Determine whether the guaranty agency performed required collection procedures on defaulted loans and that the collection contractor did not perform collection activities within three years of the default claim payment on loans for which it performed default aversion assistance.

### **Suggested Audit Procedures**

- a. If the guaranty agency uses a collection contractor, review the contract to ascertain if the contract specified the required collection procedures to be followed for defaulted loans.
- b. For a sample of defaulted loan accounts, review documentation that supports that prescribed collection activities were followed.
- c. Verify that the collection contractor did not perform collection activity within the three-year period on loans for which it performed default aversion assistance.



## 7. Federal Share of Borrower Payments

**Compliance Requirement** - If the borrower makes payments on a loan after the guaranty agency has paid a claim on that loan, the guaranty agency must pay the Secretary an equitable share of those payments.

*For borrower payments received on or after October 1, 1998* - the Secretary's equitable share is the portion of payments that remains after deducting:

- a. The complement of the reinsurance percentage in effect when reinsurance was paid on the loan (See III.N.2, "Federal Reinsurance Rate," above for the applicable reinsurance rate. The complement of the reinsurance percentage equals 100 minus the Federal reinsurance rate), and
- b. 24 percent of borrower payments.

*For borrower payments received on or after October 1, 2003* - the Secretary's equitable share is the portion of payment that remains after deducting the complement of the reinsurance percentage and 23 percent of borrower payments (Section 428(c)(6) of HEA (20 USC 1078(c)(6))).

Loans that have been rehabilitated or paid by FFEL program consolidation loans are not covered by this requirement because the payoff amounts are not considered "payments made by the borrower. For these loans, under separate authority, agencies are allowed to retain collection costs added to the borrower's balance, not to exceed 18.5 percent of the payoff.

A guaranty agency is required to deposit into its Federal Fund all funds received on loans on which a claim has been paid, including default collections, within 48 hours of receipt of those funds, minus any portion that the agency is authorized to deposit into the Operating Fund. Forty-eight hours means two (2) business days. "Receipt of Funds" means actual receipt of funds by the guaranty agency or its agent, whichever is earlier (34 CFR section 682.419(b)(6)).

**Audit Objective** - Determine whether the Secretary's equitable share of borrower payments on defaulted loans is properly computed and deposited into the Federal Fund in a timely manner.

### Suggested Audit Procedures

Test a sample of borrower payments on defaulted loans at the loan level to ascertain if the equitable share due ED was deposited into the Federal Fund in a timely manner.

## 8. Assignment of Defaulted Loans to ED

**Compliance Requirement** - Unless the Secretary notifies a guaranty agency in writing that other loans must be assigned to the Secretary, a guaranty agency must assign any loan that meets all of the following criteria as of April 15 of each year: (a) the unpaid principal balance is at least \$100; (b) the loan, and any other loans held by the guaranty agency for that borrower, have been held by the agency for at least five years; (c) a payment has not been received on the loan in the last year; and (d) a judgment has not been entered on the loan against the borrower. The Secretary may also direct a guaranty agency to assign to ED certain categories of defaulted loans held by the guaranty agency as described in 34 CFR section 682.409. In determining whether mandatory assignment from a guaranty agency is required, the Secretary will review the adequacy of collection efforts. ED considers the guaranty agency's record of success in collecting its defaulted loans, the age of the loans, and the amount of any recent payments on the loans (Section 428(c)(8) of the HEA (20 USC 1078(c)(8)); 34 CFR section 682.409).

**Audit Objective** - Determine whether the guaranty agency assigned to ED all loans that meet the criteria.

### Suggested Audit Procedures

Review the guaranty agency's aging of loans to ascertain if the guaranty agency is holding loans that should be assigned to ED.

## 9. Federal Fund and Agency Operating Fund

**Compliance Requirements** - Each guaranty agency was required to establish a Federal Fund and an Agency Operating Fund by December 6, 1998.

### *Federal Fund*

All funds, securities, and other liquid assets contained in the pre-existing reserve fund established pursuant to Section 422 of the HEA were to be deposited in this fund. After the Federal Fund is established, a guaranty agency shall deposit the following:

- a. All amounts received from ED as payment of reinsurance on loans.
- b. From any amounts paid on a defaulted loan, a percentage amount equal to the complement of reinsurance and the Secretary's equitable share of the collections (must be deposited within 48 hours of receipt).
- c. Insurance premiums collected.
- d. Amounts received for Supplemental Preclaim Assistance (SPA) activity performed prior to October 1, 1998.

- e. 70 percent of amounts received after enactment for Administrative Cost Allowance (ACA) for loans upon which insurance was issued prior to October 1, 1998.
- f. Earnings from investments of the Federal Fund.
- g. Other receipts as specified in regulations.

The Federal Fund may only be used for the following purposes:

- a. To pay lender claims pursuant to sections 428(b)(1)(G), 428(j), 437, and 439(q) of HEA (20 USC 1078(b)(1)(G), 1078(j), 1087, and 1087-2(q)).
- b. To transfer default aversion fees into the Agency Operating Fund.
- c. To establish the Operating Fund, each guaranty agency may, with the Secretary's approval, transfer not more than 180 days' cash expenses for normal operating expenses (not including claim payments) as a working capital reserve as defined in Office of Management and Budget Circular A-87 from the Federal Fund for deposit into the Operating Fund for use in the performance of the guaranty agency's duties. Such transfers may occur during the first three years following the establishment of the Operating Fund. No guaranty agency may transfer in excess of 45 percent of the balance, as of September 30, 1998, of the guaranty agency's Federal Fund to the agency's Operating Fund during such three-year period. The guaranty agency shall ensure that sufficient funds remain in the Federal Fund to pay lender claims within the required time periods and to meet the reserve recall requirements (Section 422A(a)-(f) of the HEA (20 USC 1072a(a)-(f)); 34 CFR sections 682.419 and 682.421; 64 FR 58634-58635).

#### *Agency Operating Fund*

Each guaranty agency shall establish a fund designated as the Operating Fund. To establish the Operating Fund, each guaranty agency can transfer not more than 180 days cash outlays for operating expenses (not including claim payments) from the Federal Fund. Amounts deposited into the Operating Fund shall be invested at the discretion of the guaranty agency in accordance with prudent investor standards. Effective July 1, 2000, permission of the Secretary is required to transfer these funds.

The guaranty agency shall deposit into the Operating Fund:

- a. Loan processing and issuance fees.
- b. 30 percent of ACA amounts received after date of enactment for loans upon which insurance was issued prior to October 1, 1998.
- c. Account maintenance fees.
- d. Default aversion fees.

- e. Amounts remaining from collection on defaulted loans held by the guaranty agency, after payment of Secretary's equitable share, excluding amounts deposited in the Federal Fund pursuant to section 422(c)(2) (34 CFR section 682.419(b)(5)).
- f. Other receipts as specified in regulations (34 CFR section 682.423).

Funds in the Operating Fund shall be used for application processing, loan disbursement, enrollment and repayment status management, default aversion activities, default collection activities, school and lender training, financial aid awareness and related outreach activities, compliance monitoring, and other SFA-related activities for the benefit of students. *During any period in which the Operating Fund contains money transferred in from the Federal Fund, the entire Operating Fund is subject to the restrictions in 34 CFR sections 682.410 and 682.418 (Sections 422B(a)-(e) of the HEA (20 USC 1072b(a)-(e))).*

Past problem areas concerning fund revenue and expense have included:

- Failure to credit funds received into the Federal Fund, including lock-box operations, within the specified period.
- Unsupported expenses paid from reserve fund assets.
- Failure to report all credits to the reserve fund on ED Form 2000.
- Use of funds for other programs (e.g., SSIG and other State programs).
- Commingling of funds.
- Unreasonable allocation of indirect costs to the FFEL program or failure to prepare the cost allocation plan as required by 34 CFR section 682.418(c).

**Audit Objectives** - Determine whether the guaranty agency credited the required amounts to the Federal and Operating Funds, and used the resources of each fund solely for authorized purposes.

### **Suggested Audit Procedures**

- a. Review revenue records to assure that amounts required to be credited to the Federal and Operating Funds were so credited. Review revenues and receipts that were not credited to the Federal or Operating Funds to assure that they were not inappropriately omitted.
- b. Test expenditures to ascertain if they were made for allowable purposes.
- c. Examine the general journal for unusual entries that impact the Federal or Operating funds.

## 10. Investments - Federal Fund

**Compliance Requirement** - Funds transferred to the Federal Fund shall be invested in obligations issued or guaranteed by the United States or a State, or in other similarly low-risk securities selected by the guaranty agency, with the approval of the Secretary. Earnings from the Federal Fund shall be the sole property of the Federal government. (Section 422A(b) of the HEA (20 USC 1072A(b))).

**Audit Objective** - Determine whether the agency invested Federal funds only in approved securities or other instruments.

### Suggested Audit Procedures

Review investment activity during the period to ascertain that Federal Fund assets were invested in approved securities or other instruments.

## 11. Collection Charges

**Compliance Requirement** - The guaranty agency must charge each defaulted borrower reasonable costs incurred by the agency for its default collection activities. The agency must charge these costs on defaulted loans whether acquired by a default or bankruptcy claim (34 CFR section 682.410(b)(2)). Costs of collection on defaulted loans include those direct costs of collection activities conducted after default on loans held by the agency, and indirect costs that are properly allocated to those same activities. Direct costs include the expenses listed in 34 CFR section 30.60(a), such as collection agency charges, court costs, and attorney fees.

Because HEA section 484A(b) makes the defaulter liable only for reasonable collection costs, and costs are reasonable only if they are based on actual collection expenses being incurred by the guaranty agency, the agency must ensure that the estimate is based on reliable data. A charge based on expense and recovery data incurred in the most recently completed and audited fiscal year of the guaranty agency can be reasonably expected to predict actual costs being incurred in the year for which the charge is assessed. However, when changes that will affect that rate are reasonably expected in expenses or recoveries during the year for which the charge is computed, adjustments may be warranted.

The rate or amount to be charged the borrower to satisfy collection costs is the least of the following three rates:

- a. The amount or rate, if any, specified in the borrower's note;
- b. The rate determined by dividing the agency's expected expenses by its expected recoveries for the period at issue; or
- c. The rate that would be charged if the loan were held by ED (through October 1, 2005— 25 percent of principal and interest; changes after October 1, 2005 are posted at: <http://www.fsacollections.ed.gov/contractors/ga/> ).

There are instances when collection charges may not be assessed to the borrower at the rate determined as specified above:

- a. Borrowers who pay their defaulted loans by a Consolidation Loan may not be charged, for the payment received as proceeds of the Consolidation Loan, more than 18 ½ percent of the outstanding principal and interest on the defaulted loans (34 CFR section 682.401(b)(27)).
- b. Borrowers who complete the required 12 voluntary payments and whose loans are then rehabilitated by sale to an eligible lender may not be charged, for the payment derived from the sale proceeds, more than 18 ½ percent of the outstanding principal and interest on the loans being rehabilitated (34 CFR section 682.405(b)(1)(iv)).
- c. Borrowers who enter into a voluntary repayment agreement with the guaranty agency during the 60-day period after notice from the guaranty agency that the guaranty agency has paid a default claim and will report default status on the loan to national credit bureaus, may not be charged collection costs on payments made under that agreement (34 CFR section 682.410(b)(5)(ii)).
- d. The guaranty agency may waive or reduce collection cost charges as part of a compromise agreement (34 CFR section 682.401(d)(1)).

**Audit Objective** - To determine whether the guaranty agency charged appropriate costs for its default collection activities to borrowers on defaulted loans acquired by the guaranty agency either by payment of a default or bankruptcy claim.

### **Suggested Audit Procedures**

- a. Test a sample of defaulted loan accounts to determine whether the guaranty agency charged only for reasonable costs of collection.
- b. Ascertain if the method used to calculate the amount charged: (1) included only appropriate expenses of default collection activities, and (2) was limited to the amount prescribed by regulation.

## **12. Enforcement Action**

**Compliance Requirement** - The guaranty agency shall take measures to ensure enforcement of all Federal, State and guaranty requirements and at a minimum, conduct biennial on-site program reviews of such lenders and schools that meet criteria specified in 34 CFR section 682.410(c)(1) or are selected using an alternative methodology approved by the Secretary. The guaranty agency is required to use statistically valid techniques to calculate liabilities owed the Secretary that the review indicates may exist; demand prompt payment from the responsible party; and refer to the Secretary any case in which the payment of funds is not made within 60 days. A guaranty agency also is required to adopt procedures for identifying fraudulent loan applications, and to

undertake or arrange for the prompt and thorough investigation of criminal or other programmatic misconduct by its program participants. It is responsible also for promptly reporting all of the allegations and indications of fraud or misconduct having a substantial basis in fact, and the scope, progress, and results of the agency's investigations (34 CFR section 682.410(c)).

**Audit Objective** - Determine whether the guaranty agency is carrying out program reviews and related enforcement activity in accordance with the above requirements.

**Suggested Audit Procedures**

- a. Review the guaranty agency's procedures for selecting lenders and schools to review to ascertain if they meet the regulatory criteria or an alternative methodology approved by the Secretary.
- b. Review guaranty agency's program review guidance to ascertain if it is up-to-date and includes, when problems are found, a statistically valid method for determining liabilities due the Secretary.
- c. Review program review reports to ascertain if amounts due the Secretary were identified and, if so, whether appropriate demand for payment and follow-up was conducted.
- d. Through inquiry and review, determine whether the guaranty agency adopted procedures for identifying fraudulent loan applications and for reporting all allegations of misconduct having a substantial basis to ED. Review guaranty agency records on the follow-up of misconduct to determine whether ED was notified when appropriate.

## DEPARTMENT OF EDUCATION

### CFDA 84.041 IMPACT AID (Title VIII of ESEA)

#### I. PROGRAM OBJECTIVES

The objective of the Impact Aid Program (IAP) under Title VIII of the Elementary and Secondary Education Act (ESEA) is to provide financial assistance to local educational agencies (LEAs) whose local revenues or enrollments are adversely affected by Federal activities. These activities include the Federal acquisition of real property (Section 8002) or the presence of children residing on tax-exempt Federal property or residing with a parent employed on tax-exempt Federal property ("federally connected" children) (Section 8003).

#### II. PROGRAM PROCEDURES

Funds are provided on the basis of statutory criteria and data supplied by LEAs in applications submitted to the Department of Education (ED), with copies provided simultaneously to the State Educational Agency (SEA). ED makes payments directly to the LEA. Generally, payments under Section 8003 of the ESEA are based on membership and attendance counts of federally connected children, with additional funds provided for certain federally connected children with disabilities and children residing on Indian lands. Payments under Section 8002 of the ESEA are based on the estimated assessed value of eligible Federal property and the applicable tax rate, and, in case of insufficient funds, upon a statutory formula that considers past year payments. Except for the additional funds provided for federally connected children with disabilities under Section 8003(d) of the ESEA, funds provided under Sections 8002 and 8003 are considered general aid and generally have no restrictions on their expenditure. Any formula funds that are provided under Section 8007(a) of the ESEA to certain LEAs that received Section 8003 payments must be used for construction, as defined in the statute. Any discretionary construction grant funds that are provided under Section 8007(b) of the ESEA to certain LEAs that received Section 8002 or 8003 payments must be used for emergency repairs or modernization, as defined in the statute and regulations.

#### Source of Governing Requirements

This program is authorized by Sections 8001-8014 of the ESEA, which is codified at 20 USC 7701 through 7714. Implementing regulations are 34 CFR part 222.

#### Availability of Other Program Information

Additional information on this program (including the Impact Aid statute) may be found on the internet at <http://www.ed.gov/about/offices/list/oese/programs.html>.



### 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.**

#### A. Activities Allowed or Unallowed

1. *Section 8003(d) - Federally connected children with disabilities*

LEAs must use the payments provided under Section 8003(d) of the ESEA to conduct programs or projects for the free, appropriate public education of the federally connected children with disabilities who generated those funds. Allowable costs include expenditures reasonably related to the conduct of programs or projects for the free, appropriate public education of children with disabilities, including program planning and evaluation and acquisition costs of equipment, except when the title to that equipment would not be held by the LEA. Costs for school construction are not allowable (Section 8003 of ESEA; 34 CFR section 222.53(c)).

2. *Section 8007 - Construction*

LEAs that receive payments under Section 8003 of the ESEA and that meet certain other statutory criteria may receive formula assistance under Section 8007(a) of the ESEA in any fiscal year that the Congress appropriates funds under that Section. LEAs must use the payments provided under Section 8007(a) for construction, as defined in Section 8013(3) of the ESEA. Under Section 8013(3), the term “construction” includes: (a) the preparation of drawings and specifications for school facilities; (b) erecting, building, acquiring, altering, remodeling, repairing, or extending school facilities; (c) inspecting and supervising the construction of school facilities; and (d) debt service for such activities (Sections 8007 and 8013(3) of ESEA). Certain LEAs that receive payments under section 8002 or 8003 of the ESEA and that meet other statutory and regulatory criteria may receive discretionary grant assistance under Section 8007(b) of the ESEA. Selected grantees must use these funds for emergency or modernization construction grant expenditures, as specified in their grant award documents. Emergency and modernization are defined in 34 CFR section 222.176 and the allowable and unallowable uses of these funds are detailed in 34 CFR sections 222.172 through 222.174.

3. *Section 8002 - Federal property payments and Section 8003(b) - Basic support payments*

Funds made available under Sections 8002 and 8003(b) of the ESEA usually become part of the general operating fund of the LEAs. These funds are available as general aid for free public education and may be used for current operating expenditures or capital outlays in accordance with State laws. The auditor is not expected to perform any tests with respect to the expenditure of these funds.

**B. Allowable Costs/Cost Principles**

Sections 8002 (Federal property payments) and 8003(b) (Basic support payments) are not subject to the A-102 Common Rule (See Appendix I) or Circular A-87.

**D. Davis-Bacon Act**

Funds spent on Section 8007 construction are subject to Davis-Bacon prevailing wage requirements (20 USC 1232b).

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

**1. Matching - Not Applicable**

**2.1 Level of Effort - *Maintenance of Effort* - Not Applicable**

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

Section 8003(d) funds may not supplant any State funds (either general or special education State aid) that were or would have been available to the LEA for the free, appropriate public education of federally connected children with disabilities counted under Section 8003(d). A reduction in the per-pupil amount of State aid for children with disabilities, including children counted under Section 8003(d), from that received in the previous year raises a presumption that supplanting has occurred. An LEA can rebut this presumption by demonstrating that the reduction was unrelated to the receipt of Section 8003(d) funds (Section 8003(d) of ESEA; 34 CFR section 222.54).

**3. Earmarking - Not Applicable**

**L. Reporting**

**1. Financial Reporting - Not Applicable**

**2. Performance Reporting - Not Applicable**

### 3. Special Reporting

*Application for Impact Aid - Section 8003 (OMB No. 1810-0036)* - Each year an LEA must submit this application, which provides the following information: counts of federally connected children in various categories, membership and average daily attendance data, and information on expenditures for children with disabilities. Membership and average attendance data should be tested. The auditor should use professional judgment when determining which tables to test, taking into account the relative materiality of the number of children reported in other tables. (Note: Eligible LEAs submit a separate application for Section 8002 or Section 8007(b) funding. The auditor is not expected to perform any tests with respect to the Section 8002 or Section 8007(b) applications.)

## N. Special Tests and Provisions

### 1. Required Level of Expenditure

**Compliance Requirement** - For each fiscal year, the amount of expenditures for special education and related services provided to federally connected children with disabilities must be at least equal to the amount of funds received or credited under Section 8003(d) of the ESEA for that fiscal year. This is demonstrated by comparing the amount of Section 8003(d) funds received or credited with the result of the following calculation:

- a. Divide total LEA expenditures for special education and related services for all children with disabilities by the average daily attendance (ADA) of all children with disabilities served during the year.
- b. Multiply the amount determined in a. above by the ADA of the federally connected children with disabilities claimed by the LEA for the year.

If the amount of section 8003(d) funds received or credited is greater than the amount calculated above, an overpayment equal to the excess section 8003(d) funds exists. This overpayment may be reduced or eliminated to the extent that the LEA can demonstrate that the average per pupil expenditure for special education and related services provided to federally connected children with disabilities exceeded its average per pupil expenditure for serving non-federally connected children with disabilities (Section 8003(d) of ESEA; 34 CFR section 222.53(d)).

**Audit Objective** - To determine whether the LEA met the required level of expenditure for providing special education and related services to federally connected children with disabilities.

### Suggested Audit Procedures

- a. Review the LEA's calculation to ascertain if it shows that the required level of expenditure for federally connected children was met. Check accuracy of calculation.

- b. Trace amounts used in the calculation to supporting records.
- c. If the LEA's calculation shows that an overpayment was made, verify that the average per pupil expenditure for federally connected children with disabilities exceeded the average per pupil expenditure for non-federally connected children to the extent of the overpayment.

## DEPARTMENT OF EDUCATION

<b>CFDA 84.042</b>	<b>TRIO--STUDENT SUPPORT SERVICES</b>
<b>CFDA 84.044</b>	<b>TRIO--TALENT SEARCH</b>
<b>CFDA 84.047</b>	<b>TRIO--UPWARD BOUND</b>
<b>CFDA 84.066</b>	<b>TRIO--EDUCATIONAL OPPORTUNITY CENTERS</b>
<b>CFDA 84.217</b>	<b>TRIO--MCNAIR POST-BACCALAUREATE ACHIEVEMENT</b>

### I. PROGRAM OBJECTIVES

The Federal TRIO programs are authorized by Title IV of the Higher Education Act of 1965, as amended, and now consist of seven programs. These programs are designed to help first-generation college and economically disadvantaged students achieve success at the postsecondary level by facilitating high school completion and entry, retention, and completion of postsecondary education. Five of these programs are included in the TRIO single audit cluster. The remaining two TRIO programs do not meet the funding threshold to be included in the Compliance Supplement.

**Student Support Services (SSS)** program provides academic support services to low-income, first-generation, and disabled college students to enable them to be retained and graduate from institutions of higher education. The program also assists participants in making the transition from one level of higher education to the next.

**Talent Search (TS)** program identifies qualified youth with the potential for education at the postsecondary level and encourages them to complete or reenter secondary school and undertake a program of postsecondary education. Talent Search program also publicizes the availability of student financial assistance for persons who seek to pursue a postsecondary education.

**Upward Bound (UB)** program targets low-income and potential first-generation college students who are enrolled in high school, or veterans seeking to prepare themselves for success in postsecondary education. The program provides opportunities for participants to succeed in pre-college performance and ultimately in higher education pursuits.

**Educational Opportunity Centers (EOC)** program provides counseling and information on college admissions to qualified adults who want to enter or continue a program of postsecondary education. EOC projects also publicize the availability of student financial assistance for persons who seek to pursue a postsecondary education and assist individuals in applying for college admission and financial aid.

**Ronald E. McNair Post-Baccalaureate Achievement (McNair)** program provides low-income, first-generation college students and students from groups underrepresented in graduate education with effective preparation for doctoral study through involvement in research and other scholarly activities.

## II. PROGRAM PROCEDURES

All TRIO grants are competitive discretionary grants.

*SSS and McNair* grants are awarded for four-to-five-year cycles. Eligible applicants are institutions of higher education or combinations of such institutions.

*TS, UB, and EOC* grants are awarded for four to five years. Eligible applicants are institutions of higher education, public and private agencies and organizations, combinations of institutions and agencies, and in exceptional cases, secondary schools. The UB program has three types of projects: regular, veterans, and math/science.

### Sources of Governing Requirements

The Federal TRIO programs are authorized by the Higher Education Act of 1965, as amended (20 USC 1070a *et seq.*). The applicable regulations are at 34 CFR sections 643 (TS); 644 (EOC); 645 (UB); 646 (SSS); and 647 (McNair).

### Availability of Other Program Information

Other program information is available on the Internet at <http://www.ed.gov/about/offices/list/ope/trio/index.html>.

## III. COMPLIANCE REQUIREMENTS

**In developing the audit procedures to test compliance with the requirements of a Federal program, the auditor should first look at 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 details of the requirements.**

### A. Activities Allowed or Unallowed

#### 1. *Activities Allowed*

##### a. *SSS and UB Programs*

Allowable services and activities for these programs include the following: (1) instruction; (2) personal counseling; (3) academic advice and assistance in course selection; (4) tutorial services; (5) exposure to cultural events, academic programs, and other educational activities; (6) activities to acquaint project participants with career options; (7) mentoring; and (8) activities specifically designed for individuals of limited English proficiency (34 CFR sections 645.11 and 646.4).

b. *SSS Only*

- (1) Activities to assist students in two-year institutions to secure financial assistance and admission to a four-year program, and to assist students in a four-year program to secure financial assistance and admission to graduate and professional programs (34 CFR sections 646.4 (g) and (h)).
- (2) The following cost items are allowable if reasonably related to allowed project activities: (a) cost of remedial and special classes and courses in English language instruction for students of limited English proficiency, under certain circumstances; (b) in-service training of project staff; (c) activities of an academic or cultural nature; (d) transportation of participants and staff to and from approved educational and cultural activities sponsored by the project; (e) purchase of computer hardware, computer software, or other equipment to be used for student development, student records and project administration; (f) professional development travel for staff; and (g) project evaluation (34 CFR sections 646.30 and 646.31).
- (3) Grant Aid to Students - See III.E.1.a, "Eligibility - Eligibility for Individuals" (20 USC 1070a-14(c)).

c. *UB Only*

- (1) Special services for veterans to enable them to make the transition to postsecondary education (20 USC 1070a-13(b)(11)).
- (2) Career-related work-study positions (20 USC 1070a-13(b)(10)).
- (3) Examples of specific allowable cost items are in 34 CFR section 645.40.
- (4) Stipends to Students - See III.E.1.c, "Eligibility - Eligibility for Individuals" (34 CFR sections 645.40-645.42).

d. *TS and EOC Programs*

- (1) Allowable project services include: (a) academic advice and assistance in course selection; (b) completing college admission and financial aid applications; (c) preparing for college entrance examinations; (d) guidance on secondary school reentry or entry to other programs leading to a secondary school diploma or its equivalent; (e) personal and career counseling; (f) tutorial services; (g) mentoring; (h) activities specifically designed for students of limited English proficiency; (i) (for TS only) exposure to college

campuses, cultural events, academic programs, and other sites or activities not usually available to disadvantaged youth; (j) workshops and counseling for parents of students served; and (k) activities to meet specific educational needs of individuals in grades six through eight (34 CFR sections 643.4 and 644.4).

- (2) Specific activities may include the following, if reasonably related to the objectives of the TS or EOC project: (a) transportation, meals, and lodging with prior approval for visits to postsecondary educational institutions, participation in “College Day” activities, and career field trips; (b) purchase of testing materials; (c) fees for college admissions applications and entrance examinations with the exceptions noted in 34 CFR sections 643.30(c) and 644.30(c); (d) in-service staff training; (e) rental of space, if space is not owned by the grantee; and (f) purchase of computer hardware, computer software, or other equipment for student development, project administration, and recordkeeping (34 CFR sections 643.30 and 644.30).

e. *McNair Program*

- (1) Allowable project services and activities include: (a) opportunities for research and other scholarly activities designed to provide participants with effective preparation for doctoral study; (b) summer internships; (c) seminars and other educational activities; (d) tutoring; (e) academic counseling; (f) assistance in securing admission to and financial aid for enrollment in graduate programs; (g) mentoring; and (h) exposure to cultural events and academic programs not usually available to project participants. (34 CFR section 647.4).
- (2) Allowable project activities may include the following, if reasonably related to carrying out a project: (a) activities of an academic or scholarly nature, such as trips to institutions of higher education offering doctoral programs and special lectures, symposia, and professional conferences, which have as their purpose the encouragement and preparation for project participants for doctoral study; (b) stipends (see III.E.1.e, “Eligibility - Eligibility - Eligibility for Individuals”); (c) necessary tuition, room and board, and transportation for students engaged in research internships during the summer; and (d) purchase of computer hardware, computer software, or other equipment for student development, project administration, and recordkeeping (20 USC 1070a-15(e); 34 CFR section 647.30).



## 2. *Activities Unallowed*

- a. *All Programs* - The following cost items can never be charged to any TRIO program: (1) tuition, fees, stipends, and other forms of direct financial support for employees; (2) research not directly related to the evaluation or improvement of the project (except for the research activities of McNair participants); and (3) construction, renovation, and remodeling of any facilities (34 CFR sections 643.31, 644.31, 645.41, 646.31, and 647.31).
- b. *SSS Program* - SSS funds cannot be used for activities involved in recruiting students for enrollment at the grantee institution (34 CFR sections 646.30 and 646.31).
- c. *UB Program*- The cost of room and board for the following persons may not be charged to the program: (1) administrative and instructional staff personnel who do not have responsibility for dormitory supervision of project participants; and (2) participants in Veterans UB projects (34 CFR sections 645.40 and 645.41).
- d. *TS and EOC Programs*- TS and EOC funds cannot be used for tuition, fees, stipends, and other forms of direct financial support for project participants (34 CFR sections 643.31 and 644.31).

## C. **Cash Management**

See ED Cross-Cutting Section.

## E. **Eligibility**

### 1. **Eligibility for Individuals**

- a. *SSS Program*
  - (1) *Eligible Participants* - A student is eligible to participate in a SSS project if the student meets all of the following requirements: (a) is a citizen or national of the United States or meets the residency requirements for Federal student financial assistance; (b) is enrolled at the grantee institution or accepted for enrollment in the next academic term at that institution; (c) has a need for academic support as determined by the grantee in order to pursue successfully a postsecondary educational program; and (d) is a low-income individual, a first-generation college student, or an individual with disabilities (34 CFR sections 646.3 and 646.7).

- (2) *Grant Aid to SSS Students* - Grant aid to students is restricted to students who meet all the following criteria: (a) participating in the SSS project, undergoing their first two years of postsecondary education; and (b) receiving Federal Pell Grants. In exceptional cases, grant aid may be offered to students who have completed their first two years of postsecondary education and are receiving Federal Pell Grants (20 USC 1070a-14(c)(2)).

The amount of grant aid awarded to an SSS student may not exceed the maximum appropriated Pell Grant (\$4,050 for the 2003-04 academic year) or be less than the minimum appropriated Pell Grant (\$400 for the 2003-04 academic year) (20 USC 1070a-14(c)(1)).

- b. *TS Program - Eligible Participants* - An individual is eligible to participate in a TS project if the individual meets all the following requirements: (1) is a citizen, national, or permanent resident of the United States or is in the United States for other than a temporary purpose; (2) has completed five years of elementary education or is at least 11 years of age but not more than 27 years of age (an individual more than 27 years of age and a veteran regardless of age may participate in a TS project if there is no EOC in the area); and (3) is enrolled in or has dropped out of any grade from 6 through 12 or has graduated from secondary school or dropped out of the postsecondary education and needs one or more of the services provided by the project (34 CFR section 643.3).

c. *UB Program*

- (1) *Eligible Participants* - An individual is eligible to participate in a Regular, Veterans, or Math-Science UB project if the individual meets all the following requirements: (a) is a citizen, national, or permanent resident of the United States, or is in the United States for other than a temporary purpose; (b) is a potential first-generation college student or a low-income individual; (c) has a need for academic support in order to pursue successfully a program of education beyond high school; and (d) at the time of initial selection has completed the 8th grade but has not entered the 12th grade and is at least 13 years old but not older than 19. A veteran, regardless of age, who meets all other criteria is eligible to participate (34 CFR sections 645.3 and 645.6).
- (2) *Stipends* - Stipends for regular and math-science projects may not exceed \$40 per month from September to May of the academic year and \$60 for each of the summer months (June, July, and August). Youth participating in a work-study position may be paid a stipend of \$300 per month during June, July and August. Stipends for participants in veterans project may not exceed \$40

per month. To be eligible for a stipend, participants must show evidence of satisfactory participation in project activities, including regular attendance and performance in accordance with the number of sessions in which a student participated (20 USC 1070a-13(e); 34 CFR section 645.42).

- d. *EOC Program - Eligible Participants* - An individual is eligible to participate in an EOC project if the individual meets all of the following requirements: (1) is a citizen, national, or permanent resident of the United States or is in the United States for other than a temporary purpose; (2) is at least 19 years of age (an individual less than 19 years of age and a veteran regardless of age can be served by the EOC project if TS services are not available); and (3) expresses a desire to enroll or is enrolled in a program of postsecondary education and requests information or assistance in applying for admission or financial aid for such a program (34 CFR section 644.3).
- e. *McNair Program*
  - (1) *Eligible Participants* - A student is eligible to participate in a McNair project if the student meets all the following requirements: (a) is a citizen, national, or permanent resident of the United States or is in the United States for other than a temporary purpose; (b) is currently enrolled in a degree program at an institution of higher education that participates in the student financial assistance programs; (c) is a low-income individual who is a first-generation college student or a member of a group that is underrepresented in graduate education or, under certain circumstances, underrepresented in certain academic disciplines; and (d) has not enrolled in doctoral level study (34 CFR sections 647.3 and 647.7).
  - (2) *McNair Stipends* - Stipends of up to \$2,800 per year for students engaged in approved research internships, provided that the student has completed the sophomore year of study at an eligible institution before the internship begins (20 USC 1070a-15(e); 34 CFR section 647.30).

**2. Eligibility for Group of Individuals or Area of Service Delivery - Not Applicable**

**3. Eligibility for Subrecipients - Not Applicable**

**G. Matching. Level of Effort, Earmarking****1. Matching**

An institution that operates an SSS project and uses any portion of its SSS program grant for grant aid to students must furnish 33 percent of the total funds it uses for that purpose in cash, from non-federal sources. However, institutions eligible to receive funds under Title III, Part A or B, or Title V of the Higher Education Act, as amended, are not required to provide such matching funds (20 USC 1070a-14).

**2. Level of Effort - Not Applicable****3. Earmarking****a. SSS Program**

(1) At least two-thirds of the students served by an SSS project must be low-income individuals who are the first generation college students or individuals with disabilities. Not less than one-third of the individuals with disabilities must also be low-income individuals. The remaining students served must be low-income individuals, first generation college students, or individuals with disabilities (34 CFR sections 646.7 and 646.11).

(2) An institution operating an SSS project may not award more than 20 percent of its Federal SSS Program funds as grant aid to students (20 USC 1070a-14(c)(5)).

b. *TS Program* - At least two-thirds of the individuals served by a TS project must be low-income individuals who are potential first-generation college students (34 CFR sections 643.10 and 643.7).

c. *UB Program* - Not less than two-thirds of the project's participants must be low-income individuals who are potential first-generation college students. The remaining participants must be either low-income individuals or potential first-generation college students (34 CFR sections 645.21 and 645.6).

d. *EOC Program* - At least two-thirds of the individuals served by an EOC project must be low-income individuals who are potential first-generation college students (34 CFR sections 644.10 and 644.7).

- e. *McNair Program* - At least two-thirds of the students served by a McNair project must be low-income individuals who are first-generation college students. The remaining students must be members of groups underrepresented in graduate education (34 CFR sections 647.10 and 647.7).

## L. Reporting

### 1. Financial Reporting

- a. SF-269, *Financial Status Report* - Not Applicable
- b. SF-270, *Request for Advance or Reimbursement* - Only grantees placed on reimbursement are required to complete this form to request payment of grant award funds. The requirement to use this form is imposed on a individual recipient basis.
- c. SF-271, *Outlay Report and Request for Reimbursement for Construction Programs* - Not Applicable
- d. SF-272, *Federal Cash Transactions Report* - Not Applicable

### 2. Performance Reporting

- a. *Student Support Services Program Annual Performance Report (OMB No. 1840-0525)* - Grantees must submit an annual performance report to ED each year of the project period.

*Key Line Items* - The following line items contain critical information:

- (1) Section II, subsection A, *Number of Participants Assisted During the Report Period*, and subsection B, *Participant Distribution by Eligibility*.
- (2) Section V, *Record Structure for Participant List*, fields:
  - 10 Eligibility
  - 11 First School Enrollment Date
  - 12 Project Entry Date
  - 14 Participant Status
  - 17 College Grade Level (Entry into project)
  - 18 College Grade Level (Current - at the end of the project year)
  - 19 End of Year Enrollment Status
  - 22 Academic Standing
  - 23 Degree/Certificate Completed

- b. *Upward Bound, Upward Bound Math-Science, and Veterans Upward Bound Programs Annual Performance Report (OMB No. 1840-0762)* - Grantees must submit an annual performance report to ED each year of the project period.

*Key Line Items* - The following line items contain critical information:

- (1) Section II-A, *Record Structure for Participant List for Upward Bound and Upward Bound Math-Science Projects*, fields:

- 11 Eligibility
- 12 UB Initiative Participant
- 14 Date of First Entry into Project
- 16 Date of Last Program Service (if applicable)
- 18 Participant Status
- 19 Participation Level (for the reporting period only)
- 20 Academic Need
- 24 Grade Level (at time of first entry into project)
- 25 Grade Level (at the end of the reporting period)

- (2) Section II-B, *Record Structure for Participant List for Veterans Upward Bound Projects*, fields:

- 11 Eligibility
- 12 Date of First Entry into Project
- 13 Educational Status (at time of entry into project)
- 16 Participant Status
- 17 Length of Program Participation
- 18 Educational Status (at end of reporting period)

- c. *Talent Search and Educational Opportunity Centers Programs Annual Performance Report (OMB No. 1840-0561)* - Grantees must submit an annual performance report to ED each year of the project periods.

*Key Line Items* - The following line items contain critical information:

- (1) Section II, *Demographic Profile of Project Participants*, subsection A, *Number of Participants Assisted*
- (2) Section II, *Demographic Profile of Project Participants*, subsection B, *Participant Distribution by Eligibility*
- (3) Section II, *Demographic Profile of Project Participants*, subsections F and G, *Grade Level Distribution of Secondary School Students and Educational Status of Project Participants Not in Secondary School*

- (4) Section IV, *Project Performance Outcomes*, subsection A, *Participant Status (at the end of the reporting period)*, lines:
- A1. Promoted to next grade in middle school (TS only)
  - A2. Promoted from middle school to high school (TS only)
  - A3. Promoted to next grade in high school
  - A4. Retained in current grade in high school (TS only)
  - A5. Retained in current grade in high school
  - A6. Dropped out of middle school (TS only)
  - A7. Dropped out of high school
  - A8. Re-entered secondary school/enrolled in GED or other high-school equivalency program
  - A9. Received high-school diploma
  - A10. Obtained a GED/high-school equivalency degree
  - A11. Other (e.g., death)
  - A12. Unknown

- (5) Section III, *Project Performance Outcomes*, subsection C, *Postsecondary Enrollment (at the end of the reporting period)*, lines:

- C1. Enrolled in (or admitted to) a program of postsecondary education (first-time enrollment in postsecondary education)
- C2. Re-enrolled in (or re-admitted to) a program of postsecondary education (include transfer participants)
- C3. Continued in or completed a program of postsecondary education (EOC only)

- d. *Ronald E. McNair Postbaccalaureate Achievement Program Performance Report (OMB No. 1840-0640)* - Grantees must submit an annual performance report to the Department each year of the project period.

*Key Line Items* - The following items contain critical information:

- (1) Section II, *Record Structure for Participant List*, fields:
- 9 Eligibility
  - 10 First School Enrollment Date
  - 11 Project Entry Date
  - 12 Participant Status
  - 13 College Grade Level (entry into project)
  - 14 College Grade Level (Current - at the end of the spring/summer term)

- 15 End of Year Enrollment Status (at the end of the  
spring/summer term)
- 16 Degree

**3. Special Reporting - Not Applicable**



## DEPARTMENT OF EDUCATION

### CFDA 84.048 VOCATIONAL EDUCATION—BASIC GRANTS TO STATES (Perkins III)

#### I. PROGRAM OBJECTIVES

Vocational Education - Basic Grants to States provides grants to States and outlying areas to develop the technical, vocational, and academic skills of secondary students and postsecondary students by: (1) promoting the integration of vocational, academic, and technical instruction; (2) developing challenging academic standards; and (3) increasing State and local flexibility in providing services and activities designed to develop, implement and improve vocational and technical education, including tech-prep education.

#### II. PROGRAM PROCEDURES

Participating States must designate or establish a State board of vocational education (referred to in Perkins III as the “sole State agency” or “eligible agency”) to administer and supervise State vocational education programs. In order to receive funds for fiscal year (FY) 1999, the State must submit either a one-year transitional or a five-year State plan for vocational education or a unified plan. Any State that submitted a one-year transitional plan in FY 1999 must then submit a four-year plan in FY 2000 to receive funds. For subsequent years, funds are distributed based on the approved plan together with such revisions as the sole State agency determines to be necessary.

The Department of Education (ED) allocates funds to the sole State agency based on a statutory formula. The State must allocate and use funds for the following statutorily prescribed activities or programs (referred to as the “basic programs”):

- (1) Secondary school vocational education programs, postsecondary, and adult vocational education programs (Perkins III, Title I-C);
- (2) State programs and State leadership activities (Perkins III, Section 124);
- (3) State administration (Perkins III, Section 121).

The sole State agency may transfer funds to other State agencies to administer one or more of these programs. A State makes grants to subrecipients, operates programs directly, or contracts for services. Subrecipients submit plans or applications to the State in order to receive funds.

#### Source of Governing Requirements

This program is authorized by the Carl D. Perkins Vocational and Technical Education Act of 1998 (Perkins III), as amended, Pub. L. 105-332, which is codified at 20 USC 2301 *et seq.* Certain requirements applicable to the Perkins III grants are contained in the Workforce Investment Act of 1998 (WIA), Pub. L. 105-220.

### 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 Unallowed

See ED Cross-Cutting Section.

1. *State-Level Activities* - The State plan describes the specific activities to be carried out. Generally allowable activities for a State include:
  - a. *Secondary School Vocational Educational Programs, and Postsecondary and Adult Vocational Education Programs* - A State must distribute all available funds to subrecipients to improve vocational education programs (Perkins III, section 112(a)(1); 20 USC 2322(a)(1)).
  - b. *State Programs and State Leadership Activities* - A State must use funds for: (1) assessing programs conducted with assistance under the Perkins Act; (2) developing, improving, or expanding the use of technology in vocational and technical education; (3) professional development activities; (4) support for strengthening the academic and vocational technical education programs; (5) providing preparation for nontraditional training and employment; (6) supporting partnerships among local educational agencies and other education and business entities assisting students to achieve state academic standards and vocational and technical skills; (7) serving students in state institutions; (8) support for programs for special populations that lead to high-skill, high-wage careers. A State may also use funds for the permissive uses of funds identified in section 124(c) of Perkins III (Perkins III, section 124(b) and (c); 20 USC 2344(b) and (c)).
  - c. *State Administration* - A State may use funds for: (1) developing the State plan; (2) reviewing local applications; (3) monitoring and evaluating program effectiveness; (4) assuring compliance with all applicable Federal laws; and (5) providing technical assistance (Perkins III, section 112(a)(3); 20 USC 2322(a)(3)).

2. *Subrecipient Activities - Secondary School Vocational Educational Program and Postsecondary and Adult Vocational Education Programs* - Funds must be used to improve vocational education programs. The subrecipient plan or approved application describes the specific activities to be carried out. Required uses of funds are identified in Perkins III, section 135(b) and, with respect to required use of funds for one-stop centers by postsecondary subrecipients, in section 134(d)(1)(B) of the Workforce Investment Act of 1998. Examples of other allowable activities are identified in Perkins III, section 135(c) (Perkins III, section 135 (20 USC 2355)).

**B. Allowable Costs/Cost Principles**

See ED Cross-Cutting Section.

**C. Cash Management**

See ED Cross-Cutting Section.

**E. Eligibility**

**1. Eligibility for Individuals** - Not Applicable

**2. Eligibility for Group of Individuals or Area of Service Delivery** - Not Applicable

**3. Eligibility for Subrecipients**

- a. *Secondary School Vocational Education Programs* - A subrecipient must be: (1) a local educational agency (LEA) that is eligible to receive \$15,000 or more; (2) a consortium of LEAs; or (3) an area vocational education school or an educational service agency that meets the requirements in section 131(f) of Perkins III (20 USC 2351(f)). The State must treat a secondary school funded by the Bureau of Indian Affairs within the State as if such school were an LEA within the State for the purpose of receiving a distribution under this paragraph (20 USC 2351(i); Perkins III, section 131(i)). The State must provide funds to charter schools offering vocational education programs in the same manner as it provides those funds to other schools; vocational education programs within a charter school must be of sufficient size, scope, and quality to be effective (20 USC 2353(d); Perkins III, section 133(d)). For the definition of “charter school” applicable to Perkins III, see section 5210 of the No Child Left Behind Act of 2001 at <http://www.ed.gov/legislation/ESEA02/pg62.html>.

For the program year beginning July 1, 1999, and previous program years, unless a State has an approved alternative formula, a State must distribute the amount reserved for the secondary school vocational education programs as follows: (1) 70 percent to each LEA in proportion to the percentage each LEA received of the total funds awarded to LEAs in the State under Title 1, Part A of the ESEA in the preceding fiscal year; (2) 20 percent to each LEA in proportion to the number of students with disabilities who have individualized education programs under section 614(a)(5) of IDEA served by such LEA in the preceding fiscal year compared to the total number of such students served by all LEAs in the State in the preceding fiscal year; and (3) 10 percent to each LEA based on the number of students enrolled in schools plus adults enrolled in vocational educational programs under the jurisdiction of the LEA compared to total student enrollment in K through 12 plus total adult enrollment in vocational educational programs under the jurisdiction of LEAs in the State for the preceding fiscal year (Perkins III, section 131(a); 20 USC 2351(a)).

For the program year beginning July 1, 2000, and subsequent program years, unless a State has an approved alternative formula, a State must distribute the amount reserved for the secondary school vocational education programs as follows: (1) 30 percent to each LEA in proportion to the number of individuals aged 15 through 19, inclusive, who reside in the school district served by such LEA for the preceding fiscal year compared to the total number of such individuals who reside in the school districts served by all LEAs in the State for such preceding fiscal year; and (2) 70 percent to each LEA in proportion to the number of individuals aged 15 through 19, inclusive, who reside in the school district served by such LEA from families with incomes below the poverty line applicable to a family of the size involved for the fiscal year for which the determination is made compared to the number of such individuals who reside in the school districts served by all the LEAs in the State for such preceding fiscal year (Perkins III, section 131(b); 20 USC 2351(b)).

LEAs that do not meet the minimum grant requirement of \$15,000 can form consortia with one or more LEAs to meet the minimum grant requirement. The State can also waive the minimum grant requirement for LEAs in rural sparsely populated areas or for public charter schools operating secondary vocational education programs under certain circumstances (Perkins III, section 131(d)(2); 20 USC 2351(d)(2)).

If the State reserves 15 percent or less for this program, it may distribute funds on a competitive basis or through any alternative method (Perkins III, section 133(a); 20 USC 2353(a)).

- b. *Postsecondary and Adult Vocational Education Programs* - A subrecipient must be an eligible institution, including an institution of higher education; an LEA serving adults; an area vocational educational school providing education at the postsecondary level; a postsecondary education institution controlled by the Bureau of Indian Affairs or operated by or on behalf of any Indian tribe; an educational service agency; or a consortium of 2 or more of these entities (Perkins III, section 132(a)(1); 20 USC 2352(a)(1)).

Unless a State has an approved alternative formula, the State must distribute the amounts reserved for the postsecondary and adult vocational education programs to each eligible institution in proportion to the number of Pell grant recipients and recipients of assistance from the Bureau of Indian Affairs that participated in vocational education programs at that institution in the preceding year compared to the total of such recipients enrolled in those programs in the State in the preceding year. The minimum grant is \$50,000. Amounts allocated to recipients that are less than \$50,000 are to be reallocated to other eligible recipients (Perkins III, section 132(a)-(c); 20 USC 2352(a)-(c)).

Eligible institutions that do not meet the minimum grant requirement of \$50,000 can form consortia with one or more eligible institutions to meet the minimum grant requirement. The State can also waive the minimum grant requirement for eligible institutions in rural sparsely populated areas under certain circumstances (Perkins III, section 132(a)(3) and (4); 20 USC 2352(a)(3) and (4)).

If the State reserves 15 percent or less for this program, it may distribute funds on a competitive basis or through any alternative method (Perkins III, section 133(a); 20 USC 2353(a)).

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

### **1. Matching**

*State Administration* - A State must match, from non-Federal sources and on a dollar-for-dollar basis, the funds reserved for administration of the State plan. The matching requirement may be applied overall, rather than line-by-line, to State administrative expenditures (Perkins III, section 112(b); 20 USC 2322).

## 2.1 Level of Effort - Maintenance of Effort

### a. General

- (1) A State must maintain its fiscal effort in the preceding year from State sources for vocational and technical education on **either** an aggregate **or** a per-student basis when compared with such effort in the second preceding year, unless this requirement is specifically waived by the Secretary of Education. For example, to receive its fiscal year 1999 grant award, a State must maintain its level of fiscal effort on either an aggregate or per-student basis in program year (PY) 1998 (July 1, 1997 - June 30, 1998) at the level of its fiscal effort in PY 1997 (July 1, 1996 - June 30, 1997). An example of how a State may maintain effort on a per-student basis, but not in the aggregate, is as follows:

In PY 1997, a State spends \$50 million from State funds to provide vocational education to 300,000 students. In PY 1998, the State spends only \$49 million to provide vocational education to 290,000 students. Even though the State's aggregate effort decreased by \$10 million, the State's per-student effort increased from \$166.67 per student to \$168.97 per student. Thus, the State met the maintenance-of-effort requirement for its fiscal year 1999 grant (Perkins III, section 311(b)(1)(A); 20 USC 2391).

If a State has been granted a waiver of the maintenance-of-effort requirement that allows it to receive a grant for a fiscal year, the maintenance-of-effort requirement for the year after the year of the waiver is determined comparing the amount spent for vocational education from non-Federal sources in the first preceding fiscal year (or program year) with the amount spent in the third preceding fiscal year (or program year) (Perkins III, section 311(b)(2); 20 USC 2391).

In computing the fiscal effort or aggregate expenditures, a State must exclude capital expenditures, special one-time project costs, and the cost of pilot programs (Perkins III, section 311(b)(1)(B); 20 USC 2391(b)(1)(B)).

- (2) *Decrease in Federal Support* - If the amount made available for vocational and technical education programs under the Act for a fiscal year is less than the amount made available for vocational and technical education programs under this Act for the preceding fiscal year, then the fiscal effort per student or the aggregate expenditures of a State for such preceding fiscal year shall be decreased by the same percentage as the percentage decrease in the

amount so made available (20 USC 2391(b)(1)(C); Perkins III, section 311(b)(1)(C)).

b. *Administration*

- (1) A State must provide from non-Federal sources for State administration under the Perkins Act an amount that is not less than the amount provided by the State from non-Federal sources for State administrative costs for the preceding fiscal or program year (Perkins III, section 323(a); 20 USC 2391(a)).
- (2) *Decrease in Federal Support* - If the amount made available for administration of programs under the Act for a fiscal year is less than the amount made available for administration of programs under this Act for the preceding fiscal year, the amount the eligible agency is required to provide from non-Federal sources for costs the eligible agency incurs for administration of programs shall be decreased by the same percentage (Perkins III, section 311(b)(1)(C); 20 USC 2391(b)(1)(C)).

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

The State and its subgrantee may use funds for vocational and technical education activities that shall supplement, and shall not supplant, non-Federal funds expended to carry out vocational and technical education activities and tech-prep activities (Perkins III, section 311(a); USC 2391(a)). The examples of instances where supplanting is presumed to have occurred described in III.G.2.2 of the ED Cross-Cutting Section (84.000) also apply to the vocational education program.

Notwithstanding the above paragraph, funds made available under Perkins III may be used to pay for the costs of vocational and technical education services required in an individualized education plan (IEP) developed pursuant to section 614(d) of the Individuals with Disabilities Education Act (IDEA) and services necessary to meet the requirements of section 504 of the Rehabilitation Act of 1973 with respect to ensuring equal access to vocational and technical education (Perkins III, section 325(c); 20 USC 2415(c)).

**3. Earmarking**

- a. *States* - Subject to the requirements discussed below regarding the minimum amount for State administration, a State must reserve the following percentages:
  - (1) *Secondary school programs, together with postsecondary and adult vocational education programs*—not less than 85 percent. A State must distribute all of these funds to its subrecipients. A State may reserve no more than 10 percent of the 85 percent of funds to

make grants to serve eligible subrecipients in at least two of the following four areas: (a) rural areas; (b) areas with high percentages of vocational education students; (c) areas with high numbers of vocational education students; or (d) communities negatively impacted by the amendment made to the secondary distribution formula (Perkins III, section 112(a) and (c), sections 131(a) and (b) and section 132(a); 20 USC 2322(a) and (c), 2351(a) and (b), and 2352(a)).

- (2) *State leadership activities* - not more than 10 percent. Within the State leadership activities not more than 1 percent of the amount allocated to each State in section 111 (20 USC 2321) shall be allotted to activities that serve individuals in State Institutions. Also, not less than \$60,000 and not more than \$150,000 of the amount allocated to each State in section 111 shall be made available for services that prepare individuals for nontraditional training and employment.
- (3) *State administration* - not more than 5 percent or \$250,000, whichever is greater, for administration of the State plan (20 USC 2322 (a); Perkins III, section 112(a)).

- b. *Subrecipients* - Subrecipients under the secondary school vocational education programs and postsecondary and adult vocational education programs may use no more than 5 percent of those funds for administrative costs (Perkins III, section 135(d); 20 USC 2355(d)).

## **H. Period of Availability of Federal Funds**

See ED Cross-Cutting Section.

## **L. Reporting**

### **1. Financial Reporting**

- a. SF-269 - *Financial Status Report* - Applicable only for the program year beginning July 1, 1998, and previous program years.
- b. SF-270 - *Request for Advance or Reimbursement* - Only grantees placed on reimbursement are required to complete this form to request payment of grant award funds. The requirement to use this form is imposed on an individual recipient basis.
- c. SF-271 - *Outlay Report and Request for Reimbursement for Construction Programs* - Not Applicable
- d. SF-272 - *Federal Cash Transactions Report* - Not Applicable



- e. *Financial Status Report (Form II) for the Consolidated Annual Performance, Accountability, and Financial Status Report (OMB Form 1830-0503)* - This replaces the SF -269 for program years beginning on or after July 1, 1999.
- f. LEAs and other subrecipients are generally required to report financial information to the pass-through entity. These reports should be tested during audits of LEAs.

## 2. Performance Reporting

### *Accountability Report (Form IV) Consolidated Annual Performance, Accountability, and Financial Status Report (OMB No. 1830-0503)*

Each year a grantee must file an accountability report containing data to be used in determining whether it met its adjusted performance levels for each of its core indicators of performance and any State indicators of performance. Each grantee must provide data for each subindicator of the four core indicators: (1) attainment of academic and vocational skills; (2) attainment of diploma or credential; (3) placement and retention; and (4) participation in, preparation for, and completion of programs leading to non-traditional occupations. Each grantee's subindicators for each program year are contained in the "Final Agreed-Upon Baseline and Adjusted Levels of Performance," which are incorporated by reference into the grantee's State plan and grant award and transmitted to the grantee with the grant award documents. Grantees that exceed their adjusted performance levels are eligible for an incentive grant (Section 113(b)(2)(A) of Perkins III (20 USC 2323(b)(2)(A)).

*Key Line Items* - The Grand Total line for each indicator level are key line items that contain critical information.

LEAs and other subrecipients must submit data to the grantee for the grantee's report. The grantee determines the format of the data submissions. These submissions should be tested during audits of LEAs.

## 3. Special Reporting - Not Applicable

## N. Special Tests and Provisions

### 1. Schoolwide Programs

See ED Cross-Cutting Section

## DEPARTMENT OF EDUCATION

### CFDA 84.126 REHABILITATION SERVICES--VOCATIONAL REHABILITATION GRANTS TO STATES

#### I. PROGRAM OBJECTIVES

The purpose of Title I of the Rehabilitation Act of 1973, as amended (Act), which authorizes the State Vocational Rehabilitation (VR) Services Program, is to assist States in operating statewide comprehensive, coordinated, effective, efficient, and accountable VR programs, each of which is: (1) an integral part of a statewide workforce investment system; and (2) designed to assess, plan, develop, and provide VR services for individuals with disabilities, consistent with their strengths, resources, priorities, concerns, abilities, capabilities, interests, and informed choice, so that such individuals may prepare for and engage in gainful employment (Section 100(a)(2) of the Act (29 USC 720(a)(2))).

#### II. PROGRAM PROCEDURES

Federal funds are distributed to the States on a formula basis with the States required to provide a 21.3 percent match. The program is administered by an agency designated by the State as having overall administrative responsibility for the VR program. If the designated State agency is not an agency primarily concerned with VR, or vocational and other rehabilitation of individuals with disabilities, it must include a designated State unit within the agency that is responsible for the designated State agency's VR program (State VR Agency).

The States must submit to the Rehabilitation Services Administration (RSA) a State Plan that provides both assurances and descriptions that are required by Title I of the Act and the implementing regulations (34 CFR part 361). The State Plan is one of the key bases of RSA's monitoring of the State's administration of the VR program.

Services are provided either directly by State VR Agency staff or purchased from community-based vendors. Services, except those of an assessment nature, are provided under the Individualized Plan for Employment (IPE), as determined by the individual, which can be developed by the individual, or with assistance provided by others, including a qualified VR counselor employed by the State VR Agency, to achieve an employment outcome that is consistent with the individual's strengths, resources, priorities, concerns, abilities, capabilities and informed choice.

The Workforce Investment Act of 1998, as amended (WIA), requires the VR program to collaborate with other workforce development, educational, and human resource programs in a one-stop service delivery system. The WIA's objective is to create a seamless delivery system by linking the agencies operating these programs in order to provide universal access to the programs operated by each agency. While the one-stop system operates as a common portal for gaining access to these programs, each program provides its respective services to persons meeting its respective eligibility criteria.

Agencies responsible for administering the programs whose services are delivered in a one-stop system are known as “partners;” those whose participation is mandated by the WIA, including the State VR agency, are “required partners.” Each partner must enter into a Memorandum of Understanding (MOU) with the Local Workforce Investment Board regarding the operation of the one-stop system. The MOU covers the services to be provided through the one-stop system, funding for those services and for the system’s administrative costs, and the methods for referring individuals between one-stop operators and partners. It establishes how each partner will participate in the one-stop system and share in the cost of operating it. Each partner’s resources may be used only for: (1) services that are authorized under that partner’s program and delivered to clients eligible for those services; and (2) administrative costs allocable to the partner’s program.

In addition to the MOU required by the WIA, the Rehabilitation Act requires that a State VR agency’s State Plan provide for a network of cooperative agreements binding that agency’s central and local offices to the central and local offices, respectively, of the other partners in the one-stop service delivery system. States can choose to use the same document to meet the requirements for both the MOU and the cooperative agreements. As used henceforth in this discussion, “MOU” refers to whatever document(s) a State agency uses to meet these requirements.

### **Source of Governing Requirements**

The VR program is authorized by Title I of the Rehabilitation Act of 1973, as amended (29 USC 701 *et seq.*). The Rehabilitation Act Amendments of 1998 are found in Title IV of the WIA. Program regulations are found at 34 CFR part 361. In addition, the Education Department General Administrative Regulations (EDGAR) at 34 CFR parts 74, 76, 77, 79, 80, 81, 82, 85, and 86 apply to this program. Requirements in 20 CFR part 662 (Description of the One-Stop Service Delivery System) also apply to the extent that VR activities are being conducted as part of a one-stop service delivery system.

## **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.**

### **A. Activities Allowed or Unallowed**

#### *1. Services to Individuals*

Services provided under the VR program are any services described in an IPE necessary to assist an individual with a disability in preparing for, securing, retaining, or regaining an employment outcome that is consistent with the strengths, resources, priorities, concerns, abilities, capabilities, interests, and informed choice of the individual. Section 103(a) of the Act (29 USC 723(a)) contains examples of the types of services that can be provided.

## 2. *Services to Groups*

The State VR Agency may provide other services to groups of individuals with disabilities (Section 103(b) of the Act (29 USC 723(b))):

- a. In the case of any type of small business operated by individuals with significant disabilities the operation of which can be improved by management services and supervision provided by the designated State agency, the provision of such services and supervision, along or together with the acquisition by the designated State agency of vending facilities or other equipment and initial stocks and supplies.
- b. *Community Rehabilitation Programs* - The establishment, development, or improvement of a public or other non-profit community rehabilitation program including, under special circumstances, the construction of a facility for a public or non-profit community rehabilitation program.
- c. The provision of other services, that promise to contribute substantially to the rehabilitation of a group of individuals but that are not related directly to the individualized plan for employment of any one individual with a disability.
- d. Telecommunications systems that have the potential for substantially improving vocational rehabilitation service delivery methods and developing appropriate programming to meet the particular needs of individuals with disabilities.
- e. Special services to provide nonvisual access to information for individuals who are blind, including telecommunications, Braille, sound recordings or other appropriate media; captioned television, films, or video cassettes for individuals who are deaf or hard of hearing; tactile materials for individuals who are deaf-blind; and other special services that provide information through tactile, vibratory, auditory, and visual media.
- f. Technical assistance and support services to businesses that are not subject to Title I of the Americans with Disabilities Act of 1990, and that are seeking to employ individuals with disabilities.
- g. Consultative and technical assistance services to assist educational agencies in planning for the transition of students with disabilities from school to post-school activities, including employment.

### 3. *Participation in a One-Stop Service Delivery System*

Any service or administrative cost charged to the VR program through its participation in the one-stop service delivery system must be: (a) allowable under the program's authorizing statute and regulations; (b) allocable to the program under the State VR agency's cost allocation plan; and (c) consistent with the MOU between the State VR agency and the Local Workforce Investment Board. The MOU is the primary vehicle by which the State VR agency sets forth how it will participate in the one-stop service delivery system and how it will share in the cost of operating the system (29 USC 2841(b)(1)(B)(iv); 34 CFR section 361.4; 20 CFR part 662; Notice: *Resource Sharing for Workforce Investment Act One-Stop Centers: Methodologies for Paying or Funding Each Partner Program's Fair Share of Allocable One-Stop Costs*, issued May 31, 2001 (66 FR 29637)).

The MOU identifies the resources the State VR agency will provide for compliance with 20 CFR section 662.270, which requires the VR program to support a fair share of the one-stop system's common administrative costs. The amount provided must be proportionate to the use of the system by individuals attributable to this program. The MOU may provide for cash payments of billings from the one-stop operator, or for providing goods and services that benefit the system's operation. Examples of goods and services that the VR agency may provide for this purpose include: (a) making VR staff available to provide training or technical assistance to other partners in such areas as disability, accessibility, adaptive equipment, and rehabilitation engineering; (b) VR staff participation in cooperative efforts with employers to promote job placement (such as job analysis and employer visits); and (c) applying VR staff and other resources to the VR program's participation in information and financial management systems that link all partners to one another.

## **C. Cash Management**

See ED Cross-Cutting Section

## **E. Eligibility**

### **1. Eligibility for Individuals**

An individual is eligible for VR services if the individual (a) has a physical or mental impairment that, for the individual, constitutes or results in a substantial impediment to employment; (b) can benefit in terms of an employment outcome from VR services; and (c) requires VR services to prepare for, secure, retain, or regain employment (Section 102(a)(1) of the Act (29 USC 722(a)(1))).

An individual who is a beneficiary of Social Security Disability Insurance or a recipient of Supplemental Security Income is presumed to be eligible for VR services (provided that the individual intends to achieve an employment outcome

consistent with the unique strengths, resources, priorities, concerns, abilities, capabilities, interests, and informed choice of the individual) unless the State VR Agency can demonstrate by clear and convincing evidence that such individual is incapable of benefiting in terms of an employment outcome from VR services due to the severity of the disability of the individual (Section 102(a)(3) of the Act (29 USC 722(a)(3))).

An individual is presumed to be able to benefit in terms of an employment outcome from VR services unless the State VR Agency can demonstrate by clear and convincing evidence that the individual is incapable of benefiting in terms of an employment outcome from VR services due to the severity of the individual's disability. This determination must be made through the use of trial work experiences with appropriate supports provided by the State VR Agency, except under limited circumstances when the individual can not take advantage of such experiences (Section 102(a)(2) of the Act (29 USC 722(a)(2))).

The State VR Agency must determine whether an individual is eligible for VR services within a reasonable period of time, not to exceed 60 days, after the individual has submitted an application for the services unless (Section 102(a)(6) of the Act (29 USC 722(a)(6))):

- a. Exceptional and unforeseen circumstances beyond the control of the State VR agency preclude making an eligibility determination within 60 days and the State agency and the individual agree to a specific extension of time; or
- b. The State VR Agency is exploring an individual's abilities, capabilities, and capacity to perform in work situations through trial work experiences in order to determine the eligibility of the individual or the existence of clear and convincing evidence that the individual is incapable of benefiting in terms of an employment outcome from VR services.

The State may choose to consider the financial need of eligible individuals, or individuals who are receiving services during a trial work experience or an extended evaluation, for the purpose of determining the extent of their participation in the cost of VR services. The State may not consider financial need when providing services described in 34 CFR section 361.54(b)(3). If the State indicates in its State Plan that it will use financial need tests for one or more types of VR services, it must apply such tests in accordance with its written policies uniformly to all individuals under similar circumstances. The policies may require different levels of need for different geographic regions in the State, but must be applied uniformly to all individuals within each geographic region (34 CFR section 361.54).

## **2. Eligibility for Group of Individuals or Area of Service Delivery - Not Applicable**

**3. Eligibility for Subrecipients - Not Applicable****G. Matching, Level of Effort, Earmarking****1. Matching**

- a. The State share of expenditures made by the State VR Agency under the State Plan, including expenditures for the provision of VR services and the administration of the State Plan is 21.3 percent (Sections 7(14) and 111(a)(1) of the Act (29 USC 705(14) and 731(a)(1))).
- b. The Federal share of expenditures made for the construction of a facility for community rehabilitation program purposes may not be more than 50 percent of the total cost of the project (34 CFR section 361.60(a)(2)).

**2.1 Level of Effort - *Maintenance of Effort***

- a. The amount otherwise payable to a State for a fiscal year under this section shall be reduced by the amount by which expenditures from non-Federal sources under the State Plan for the previous fiscal year are less than the total of such expenditures for the fiscal year two years prior to the previous fiscal year. For example, for fiscal year 2001, a State's maintenance-of-effort level is based on the amount of its expenditures from non-Federal sources for fiscal year 1999. Thus, if the State's non-Federal expenditures in fiscal year 2001 are less than they were in fiscal year 1999, the State has a maintenance of effort deficit, and the Secretary reduces the State's allotment for fiscal year 2002 by the amount of that deficit (Section 111(a)(2)(B) of the Act (29 USC 731(a)(2)(B)); 34 CFR section 361.62).
- b. If the State Plan provides for the construction of a facility for community rehabilitation program purposes, the amount of the State's share of expenditures for a fiscal year for VR services under the Plan, other than for the construction of a facility for community rehabilitation program purposes or the establishment of a facility for community rehabilitation purposes, must be at least equal to the State's share of those expenditures for the second prior fiscal year (34 CFR section 361.62).

**2.2 Level of Effort - *Supplement Not Supplant* - Not Applicable****3. Earmarking - Not Applicable****H. Period of Availability of Federal Funds**

Federal funds appropriated for a fiscal year remain available for obligation in the succeeding fiscal year only to the extent that the State VR Agency met the matching requirement for those Federal funds by obligating, in accordance with 34 CFR section

76.707, the non-Federal share in the fiscal year for which the funds were appropriated. Any program income received during a fiscal year that is not obligated by the State VR Agency by the end of that fiscal year will remain available for obligation by the State VR Agency during the succeeding fiscal year (Section 19 of the Act (29 USC 716); 34 CFR section 361.64).

## **J. Program Income**

Sources of program income include, but are not limited to, payments from the Social Security Administration for rehabilitating Social Security beneficiaries, payments received from workers' compensation funds, fees for services to defray part or all of the costs of services provided to particular individuals, and income generated by a State-operated community rehabilitation program.

Except as indicated below, program income, whenever earned, must be used for the provision of VR services and the administration of the State Plan under the State Vocational Rehabilitation Services Program. Program income is considered earned when it is received (Section 108 of the Act (29 USC 728); 34 CFR section 361.63).

The State VR Agency is authorized to treat program income as a deduction from total allowable costs or as an addition to the grant funds to be used for additional allowable program expenditures, in accordance with 34 CFR sections 80.25(g)(1) or (2) (34 CFR section 361.63).

## **L. Reporting**

### **1. Financial Reporting**

- a. SF-269, *Financial Status Report* - Applicable
- b. SF-270, *Request for Advance or Reimbursement* - Only grantees placed on reimbursement are required to complete this form to request payment of grant award funds. The requirement to use this form is imposed on an individual recipient basis.
- c. SF-271, *Outlay Report and Request for Reimbursement for Construction Programs* - Not Applicable
- d. SF-272, *Federal Cash Transactions Report* - Not Applicable
- e. RSA-2, *Program Cost Report (OMB No. 1820-0017)*. State VR agencies submit the RSA-2 annually.

### **2. Performance Reporting** - Not Applicable

### **3. Special Reporting** - Not Applicable



## DEPARTMENT OF EDUCATION

### CFDA 84.181 SPECIAL EDUCATION—GRANTS FOR INFANTS AND FAMILIES WITH DISABILITIES

#### I. PROGRAM OBJECTIVES

The purposes of the Individuals with Disabilities Education Act (IDEA), Part C (Part C) are to: (1) to develop and implement a statewide, comprehensive, coordinated, multi-disciplinary interagency system that provides early intervention services for infants and toddlers with disabilities and their families; (2) to facilitate the coordination of payment for early intervention services from Federal, State, local and private sources (including public and private insurance coverage); (3) to enhance the State's capacity to provide quality early intervention services and expand and improve existing early intervention services being provided to infants and toddlers with disabilities and their families; (4) to encourage States to expand opportunities for children under the age of three years who would be at risk of having substantial developmental delay if they did not receive early intervention services; and (5) to enhance the capacity of State and local agencies and service providers to identify, evaluate, and meet the needs of historically under represented populations, particularly minority, low-income, inner-city, and rural populations (20 USC 1431(b); 34 CFR section 303.1).

#### II. PROGRAM PROCEDURES

Generally, the State is responsible for maintaining and implementing a statewide system to identify, evaluate and provide early intervention services to eligible children and their families. Such a system includes a public awareness and child find system, development and implementation of an individualized family service plan for eligible children, maintenance of a central directory of information about early intervention services, personnel development and contracting for or otherwise providing services to eligible children and their families.

A State must have an approved application that provides required assurances and describes the statewide system and related policies. The State designates a lead agency that is responsible for administering, and supervising activities funded by this program. Program services may be carried out by the lead agency, other State agencies, or by public or private organizations either under contract to the State or through other arrangements with such agencies. The lead agency also monitors activities that are covered by the program, whether or not this program funds them. The State also must establish a State Interagency Coordinating Council that, among other things, advises and assists the lead agency in the development and implementation of policies and achieving participation, cooperation, and coordination of all appropriate public agencies in the State.

The amount of a State's allocation under Part C for a fiscal year is based on its proportion of the general population of infants and toddlers, from birth through two years, in the State (i.e., the ratio of the number of infants and toddlers in the State compared to the number of infants and toddlers in all the States).

## Source of Governing Requirements

This program is authorized under 20 USC 1431 through 1445. Implementing regulations specific to this program are 34 CFR part 303.

### 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 details of the requirements.**

Certain compliance requirements that apply to multiple Department of Education (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 to the Cross-Cutting Section for these requirements.

#### A. Activities Allowed or Unallowed

The approved application describes the activities to be carried out. Generally, allowable activities for a State, include (20 USC 1438; 34 CFR section 303.3):

1. Maintaining a statewide, comprehensive, coordinated, multi-disciplinary, interagency system to provide early intervention services for infants and toddlers with disabilities and their families.
2. Providing direct early intervention services for infants and toddlers with disabilities and their families, which are otherwise not funded through other public or private sources.
3. Expanding and improving on services under Part C that are otherwise available for infants and toddlers and their families.
4. Providing a free appropriate public education, in accordance with Part B of the IDEA, to children with disabilities from their third birthday to the beginning of the following school year.
5. In any State that does not provide services for at risk infants and toddlers, to strengthen the statewide system by initiating, expanding, or improving collaborative efforts related to at-risk infants and toddlers including establishing linkages with appropriate public or private community-based organizations, services, and personnel for the purpose of: (a) identifying and evaluating at-risk infants and toddlers; (b) making referrals of the infants and toddlers identified and evaluated; and (c) conducting periodic follow-up on each such referral to determine if the status of the infant or toddler involved has changed with respect to the eligibility of the infant and toddler for services.

**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***

The total amount of State and local funds budgeted for expenditure in the current fiscal year for early intervention services for children eligible under Part C and their families must be at least equal to the total amount of State and local funds actually expended for early intervention services for these children and their families in the most recent preceding fiscal year for which the information is available. Allowances may be made for: (a) decreases in the number of children who are eligible to receive Part C early intervention services and (b) unusually large amounts of funds expended for such long-term purposes such as the acquisition of equipment and the construction of facilities (20 USC 1437(b)(5); 34 CFR section 303.124).

Although this requirement is identified as a supplement not supplant requirement in the law and regulation, this Supplement classifies this type of requirement as maintenance of effort.

**2.2 Level of Effort - *Supplement Not Supplant* - Not Applicable****3. Earmarking - Not Applicable****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

- a. *Report of Infants and Toddlers Receiving Early Intervention Services In Accordance With Part C (OMB Form 1820 -0557)* - The Lead Agency in each State is required to report to the Secretary no later than February 1 of each year the number of infants and toddlers from birth through age two (children who have not reached their third birthday) receiving early intervention services according to an individualized family service plan on December 1 of the prior year (20 USC 1418 and 1435(a)(14)).

*Key Line Items* - The following line items contain critical information:

Table 1 - Total row

Table 2 - Total column

Table 3 - Total column

## DEPARTMENT OF EDUCATION

### CFDA 84.186 SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES -- STATE GRANTS (Title IV, Part A, Subpart 1 of ESEA)

#### I. PROGRAM OBJECTIVES

The objective of the Safe and Drug-Free School and Communities program authorized by the Safe and Drug-Free Schools and Communities Act (SDFSCA), contained in Title IV of the ESEA, is to support programs that prevent violence in and around schools and by strengthening programs that prevent the illegal use of alcohol, tobacco, and drugs, involve parents, and are coordinated with related Federal, State, and community efforts and resources.

#### II. PROGRAM PROCEDURES

In general, SDFSCA funds are allocated to States based on their relative share of school-aged population and Title I Concentration Grant funds. Of each State's annual allocation amount, at least 80 percent is awarded to the State Educational Agency (SEA) for programs described in Section 4112(b) of the SDFSCA and no more than 20 percent may be awarded to the Governor for programs described in Section 4112(a) of the SDFSCA. On the grant documents the Department of Education (ED) codes these programs with an "A" following the CFDA number to indicate a grant to the SEA program and a "B" following the CFDA number to indicate a grant to the Governor's program. However, these are treated as one program under OMB Circular A-133.

SEAs may use a portion of the funds they receive for administrative activities and to carry out State-level program activities. The majority of the funds received by an SEA must be distributed to local educational agencies (LEAs) for drug and violence prevention activities. LEAs must submit an application that includes, among other things, how it will use the funds.

Governors also may use a portion of the funds they receive for administration. Excluding the percentage of funds reserved for administration, Governors must make grants to, or enter into contracts with eligible entities for drug and violence prevention activities. Governors may have another State agency, including an SEA, administer the program on their behalf. No matter which agency administers the program, the program remains the responsibility of the Governor's office (Sections 4112 and 4113 of the SDFSCA (20 USC 7112 and 7113)).

#### Source of Governing Requirements

This program is authorized by Title IV, Part A, Subpart 1 of the Elementary and Secondary Education Act of 1965, as amended by the No Child Left Behind Act of 2001 (Pub. L. 107-110), which is codified at 20 USC 7101 through 7117 and 7161 through 7165. There are no program regulations. However, this program is subject to the Education Department General Administrative Regulations (EDGAR) at 34 CFR parts 76, 77, 79, 80, 81, 82, and 85.

## Availability of Other Program Information

ED issued non-regulatory guidance to assist in the administration of this program. That guidance and other program information are available on the Internet at <http://www.ed.gov/about/offices/list/osdfs/index.html?src=mr>.

## 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 ESEA programs are discussed once in the Department of Education (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 to the Cross-Cutting Section for these requirements. Also, as discussed in the Cross-Cutting Section, SEAs and LEAs may have been granted waivers from certain compliance requirements.

### A. Activities Allowed or Unallowed

Also see ED Cross-Cutting Section.

#### 1. *Activities Allowed*

##### a. *Use of Funds by State*

A State may use SDFSCA funds to carry out various activities including:

- (1) *Administration Costs* (Sections 4112(a)(6) and (b)(2)(A) of the SDFSCA (20 USC 7112(a)(6) and (b)(2)(A))).
- (2) *State-Level Activities*

A State may use a portion of its SDFSCA funds for grants and contracts to plan, develop, and implement capacity building, technical assistance and training, evaluation, program improvement services, and coordination activities for local educational agencies, community-based organizations, and other public and private entities (Section 4112(c)(2) of the SDFSCA (20 USC 7112(c)(2))).

##### b. *Use of Funds by the Governor*

A Governor must use a competitive process to award grants or contracts for programs or activities that complement and support the activities of LEAs. Grants or contracts may be awarded to LEAs, community-based organizations (including community anti-drug coalitions) other public

entities and private organizations and consortia of these agencies. Grants or contracts awarded under Section 4112(a)(1) shall be subject to a peer review process (Section 4112(a) of the SDFSCA (20 USC 7112(a))).

c. *Use of Funds by LEAs*

- (1) LEAs may use funds for drug and violence prevention activities as listed in Section 4115(b)(2) of the SDFSCA (20 USC 7115(b)(2)). (This Section may be found on the Internet at <http://www.ed.gov/legislation/ESEA02/pg52.html>)
- (2) An LEA may apply to the SEA for a waiver of the requirement found in Section 4115(a)(1)(C) that the program or activity be based on scientifically based research that provides evidence that it will reduce violence and illegal drug use (Section 4115(a)(3) of the SDFSCA (20 USC 7115(a)(3))).

d. *Rural Education Achievement Program (REAP) (LEAs)*

REAP provides authorization to spend all or part of funds under certain programs for activities authorized in other programs. After notification to the SEA, an LEA that meets both of the following requirements may spend all or part of this program's funds for activities authorized in Title I Grants to Local Educational Agencies (LEAs) (84.010); Eisenhower Professional Development State Grants (84.281); and Education Technology Grants (84.318):

- (1) Have an Average Daily Attendance of less than 600 students; and
- (2) All of the schools in the LEA have been coded as rural schools by the National Center for Educational Statistics (NCES code 7 or 8) (Title III of the Consolidated Appropriations Act, 2001, Pub. L. 106-554, 114 Stat. 2763A-89, December 21, 2000).

See the program sections of III.A, "Activities Allowed or Unallowed" in this program supplement for the respective compliance requirements.

e. *Transferability*

See ED Cross-Cutting Section

2. ***Activities Unallowed*** (Governors/SEAs/LEAs) - SDFSCA funds may not be used for construction, or to provide medical services, drug treatment, or rehabilitation. Pupil services or referral to treatment for students who are victims of or witnesses to crime or who use alcohol, tobacco, or drugs are not included in the prohibition (Section 4154 of the SDFSCA (20 USC 7164)).

**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)**

See ED Cross-Cutting Section.

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

See ED Cross-Cutting Section.

**3. Earmarking**

Also see ED Cross-Cutting Section.

**(1) *State-level programs, administrative costs, initial allocations to LEAs (SEAs)***

(a) A minimum of 93 percent of the SEA's total allocation must be distributed to its LEAs. Of the amount made available for distribution to LEAs, an SEA must allocate (a) 60 percent based on the relative amount LEAs received under Part A of Title 1 for the preceding fiscal year; and (b) 40 percent to LEAs based on their relative share of enrolled students in public and private non-profit elementary and secondary schools (Sections 4112(b)(1) and 4114(a)(1) of the SDFSCA (20 USC 7112(b)(1) and 7114(a)(1))).

(b) An SEA may reserve not more than five percent of its total allocation for State-level activities authorized under Section 4112(c) (Section 4112(c)(1) of the SDFSCA (20 USC 7112(c)(1))).

**(2) *Administrative Cost*****(a) *Governor's Program***

A Governor may use no more than three percent of its total allocation for administrative activities (Section 4112(a)(6) of the SDFSCA (20 USC 7112(a)(6))).



(b) *SEA*

An SEA may also reserve not more than three percent of its total allocation for administrative costs, including the implementation of the Uniform Management Information and Reporting System. However, in fiscal year 2002, the SEA may reserve up to an additional one percent of its total allocation for administrative costs, provided that the additional reservation is used to support the Uniform Management Information and Reporting System (Section 4112(b)(2) of the SDFSCA (20 USC 7112(b)(2))).

(c) *LEA*

An LEA may use no more than two percent of its total allocation for administrative activities (Section 4114(a)(2) of the SDFSCA (20 USC 7114(a)(2))).

(3) *Cap on Security Devices and Security Personnel (LEAs)*

An LEA may use not more than 40 percent of its allocation to support the following activities (a) through (e) but not more than half of that amount or a maximum of 20 percent to support the following activities (a) through (d). An LEA may use the entire 40 percent to support the following activity (5). However, the LEA may use funds for the following activities (a) through (d) only if funding for these activities was not received from other Federal agencies (Section 4115(c) of the SDFSCA (20 USC 7115(c))).

- (a) Acquiring and installing metal detectors, electronic locks, surveillance cameras, or other related equipment and technologies (20 USC 7115(b)(2)(E)(ii)).
- (b) Reporting criminal offenses committed on school property (20 USC 7115(b)(2)(E)(iii)).
- (c) Developing and implementing comprehensive school security plans or obtaining technical assistance concerning those plans (20 USC 7115(b)(2)(E)(iv)).
- (d) Supporting safe zones of passage activities, including bicycle and pedestrian safety programs, which ensure that students can travel safely to and from school (20 USC 7115(b)(2)(E)(v)).
- (e) Hiring and mandatory training of school security personnel who interact with students in support of youth drug and violence prevention activities implemented in schools (20 USC 7115(b)(2)(E)(vi)).

## **H. Period of Availability of Federal Funds (SEAs/LEAs Programs)**

Also see ED Cross-Cutting Section.

### **1. *Return and Reallocation of Funds* (SEA/LEA)**

- a. Except as stated in III.H.2, “Period of Availability of Federal Funds - Carryover of Funds (LEA)” below, an LEA must return to the SEA any funds that remain unobligated after a period of one-year beginning on the date the LEA receives its original allocation. The SEA must reallocate the funds to LEAs that have submitted plans for using the funds for SDFSCA programs and activities on a timely basis (Section 4114(a)(3)(A) of the SDFSCA (20 USC 7114(a)(3)(A))).
- b. If an LEA does not apply for SDFSCA funds or if an LEA is disapproved for funding, the SEA must reallocate that amount to one or more of its other LEAs (Section 4114(a)(3)(C) of the SDFSCA (20 USC 7114(a)(3)(C))).

### **2. *Carryover of Funds* (LEA)**

An LEA may retain up to 25 percent of its fiscal year allocation for obligation in the next Federal fiscal year. If an LEA wishes to retain an amount greater than 25 percent of its fiscal year allocation for use in a succeeding year, it must demonstrate good cause for such a carryover to its SEA, and the SEA must approve the request for additional carryover (Section 4114(a)(3)(B) of the SDFSCA (20 USC 7114(a)(3)(B))).

## **L. Reporting**

### **1. Financial Reporting (SEAs/LEAs/Governor’s Programs)**

See ED Cross-Cutting Section.

### **2. Performance Reporting - Not Applicable**

### **3. Special Reporting - Not Applicable**

## **N. Special Tests and Provisions**

### **1. Participation of Private School Children (SEAs/LEAs)**

See ED Cross-Cutting Section.

### **2. Schoolwide Programs (LEAs)**

See ED Cross-Cutting Section.

## DEPARTMENT OF EDUCATION

### CFDA 84.282 CHARTER SCHOOLS

#### I. PROGRAM OBJECTIVES

The objective of the Charter Schools Program (CSP), authorized under Title V, Part B, Subpart 1 of the Elementary and Secondary Education Act, is to increase national understanding of the charter schools model by (1) providing financial assistance for the planning, program design, and initial implementation of charter schools; (2) expanding the number of high-quality charter schools available to students across the Nation; (3) evaluating the effects of charter schools; and (4) encouraging States to provide support to charter schools for facilities financing in an amount more nearly commensurate to the amount States typically have provided for traditional public schools.

#### II. PROGRAM PROCEDURES

Generally, CSP funds are awarded on a competitive basis to State educational agencies (SEAs) in States with specific statutes authorizing charter schools. SEAs use their CSP funds to award subgrants to eligible applicants for planning, program design, and initial implementation of charter schools; and to support the dissemination of information about, and successful practices in, charter schools. If an eligible SEA elects not to participate in this program, or its application is not approved, eligible applicants that serve the State may apply directly to the Secretary.

Grants awarded to SEAs are for a period not to exceed three years. Once a three-year grant is over, an SEA may apply for a subsequent three-year grant. Planning and initial implementation grants awarded to non-SEA eligible applicants by the Secretary and subgrants awarded by SEAs are awarded for a period not to exceed three years, of which not more than 18 months may be used for planning and not more than two years may be used for implementation. Grants or subgrants to charter schools for dissemination activities are made for a period not to exceed two years.

A charter school is limited to receiving not more than one grant or subgrant for planning and initial implementation activities and not more than one grant or subgrant for dissemination activities. A charter school may apply to the SEA for funds to carry out dissemination activities if the charter school has been in operation for at least three consecutive years and has demonstrated overall success, including substantial progress in improving student achievement; high levels of parent satisfaction; and the management and leadership necessary to overcome initial start-up problems and establish a thriving, financially viable charter school. A charter school may receive a dissemination grant, whether or not the charter school has applied for or received funds under the CSP for planning or implementation.

#### Source of Governing Requirements

This program is authorized by Title V, Part B, Subpart 1 of the Elementary and Secondary Education Act of 1965 (ESEA), as amended by the No Child Left Behind Act of 2001 (20 USC 7221-7221j). This program is subject to the Education Department (ED) General Administrative

Regulations at 34 CFR parts 75, 76, 77, 79, 80, 81, 82, 85, 86, and 99. There are no program specific regulations. However, 34 CFR sections 76.785 through 76.799 prescribe administrative requirements that States and local educational agencies must follow when allocating funds to new or expanding charter schools under ED's formula grant programs.

### 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 ESEA 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. Also, as discussed in the Cross-Cutting Section, SEAs and LEAs may have been granted waivers from certain compliance requirements.

#### A. Activities Allowed or Unallowed

Also see ED Cross-Cutting Section.

##### 1. *Use of Funds by SEAs*

Funds must be used for State administration expenses and subgrants to eligible applicants. Funds may also be used to establish a revolving loan fund for eligible applicants that have received grants for State dissemination activities and administrative costs of the program. See "III.G.3. Matching, Level of Effort, Earmarking - Earmarking" for limitations on amounts that can be used for these activities (20 USC 7221c(f)(1), (4), and (5)).

##### 2. *Use of Funds by Eligible Applicants*

- a. Each eligible applicant may use these funds in accordance with its approved application to plan and implement a charter school, or to disseminate information about the charter school and successful practices in charter schools (20 USC 7221c(f)(2)).
- b. An eligible applicant receiving a CSP grant or subgrant may use funds for:
  - (1) post-award planning and design of the educational program, which may include: (a) refinement of the desired educational results and of the methods for measuring progress toward achieving those results; and (b) professional development of teachers and other staff who will work in the charter school; and
  - (2) initial implementation of the charter school, which may include: (a) informing the community about the school; (b) acquiring necessary equipment and educational materials and supplies; (c) acquiring

or developing curriculum materials; and (d) other initial operational costs that cannot be met from State or local sources (20 USC 7221c(f)(3)).

- c. A charter school receiving funds for dissemination activities may use funds to assist other schools in adapting the charter school's program (or certain aspects of the charter school's program), or to disseminate information about the charter school, through such activities as: (1) assisting other individuals with the planning and start-up of one or more new public schools, including charter schools, that are independent of the assisting charter school and the assisting charter school's developers, and that agree to be held to at least as high a level of accountability as the assisting charter school; (2) developing partnerships with other public schools, including charter schools, designed to improve student performance in each of the schools participating in the partnership; (3) developing curriculum materials, assessments, and other materials that promote increased student achievement and are based on successful practices within the assisting charter school; and (4) conducting evaluations and developing materials that document the successful practices of the assisting charter school and that are designed to improve student performance in other schools (20 USC 7221c(f)(6)).

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

See ED Cross-Cutting Section.

## **C. Cash Management**

See ED Cross-Cutting Section.

## **E. Eligibility**

1. **Eligibility for Individuals** - Not Applicable
2. **Eligibility for Group of Individuals or Area of Service Delivery** - Not Applicable
3. **Eligibility for Subrecipients**

A non-SEA eligible applicant for planning and initial implementation funds is a charter school developer that has applied to an authorized public chartering authority to operate a charter school, and has provided that authority with adequate and timely notice of its application for funding under the CSP. A charter school is a public school that provides a program of elementary or secondary education, or both; is nonsectarian and does not charge tuition; complies with Federal and State civil rights laws; is a school to which parents choose to send their children; and that admits students on the basis of a lottery, if more students apply than can be accommodated. The term "developer" means an

individual or group of individuals (including a public or private nonprofit organization), which may include teachers, administrators, and other school staff, parents, or other members of the local community in which a charter school project will be carried out. A for-profit entity does not qualify as an eligible applicant for the purposes of the CSP. However, a CSP grant recipient may enter into a contract with a for-profit entity for the day-to-day management of the charter school (20 USC 7221i).

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

1. **Matching** - Not Applicable
2. **Level of Effort** - Not Applicable
3. **Earmarking**

Also see ED Cross-Cutting Section.

- a. Each SEA receiving a grant may reserve not more than 5 percent of these funds for administrative expenses associated with the charter school grant program (20 USC 7221c(f)(4)).
- b. The SEA must provide 95 percent of the grant funds to eligible applicants in the State for planning and initial implementation activities or for State dissemination activities. Not more than 10 percent of the grant amount may be used to establish a revolving loan fund for eligible applicants that have received a CSP grant and not more than 10 percent of the grant amount may be reserved for dissemination activities (20 USC 7221(f)(1) and (5)).

**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** - Not Applicable

**DEPARTMENT OF EDUCATION****CFDA 84.287 TWENTY-FIRST CENTURY COMMUNITY LEARNING CENTERS**

Note: With the enactment of the No Child Left Behind Act of 2001 (NCLB), this program has been modified from the program provisions previously established under the Improving America's Schools Act (IASA). The NCLB Act converts the 21st Century Community Learning Centers (CCLC) authority to a State formula grant. In past years, the U. S. Department of Education (ED) made competitive awards directly to LEAs. Under the reauthorized authority, funds will flow to States based on their share of Title I, Part A funds. States will use their allocations to make competitive awards to eligible entities. However, Congress has also provided funding for some continuation grants for entities that had been awarded grants directly from ED under the IASA program provisions. 21st CCLC grantees that receive awards under the IASA program procedures will continue to be administered by and receive funding through ED. During the period covered by this Supplement, grantees may be administering awards made under the old IASA provisions, or the new NCLB provisions, or both.

During the period covered by this Supplement, LEAs may be administering continuation awards made directly by ED under the old IASA provisions, or grants under the NCLB provisions through States, or both. States receive awards only under the new NCLB provisions. The auditor should determine under which legislative Act the auditee was awarded a grant and be guided by the pertinent information set forth below. The applicable objectives, procedures and compliance requirements vary depending on the type of award received, as indicated below for awards, including continuation grants, made under the IASA version of the program, and NCLB for awards made under the new State formula grant program.

**I. PROGRAM OBJECTIVES****IASA**

The objective of this program is to provide expanded learning opportunities for participating children and community members in a safe and supervised environment before and after school, weekends and in the summer. The 21st CCLC program provides grants to local educational agencies (LEAs) to enable rural and inner-city public schools to become community learning centers and to keep children safe in the after-school hours. They provide students with access to homework centers and tutors in the core academic subjects as well as cultural enrichment, recreational, technology, and nutritional opportunities. In addition, the program enables grantees to develop activities and educational strategies that address the educational needs of all community members in a local school setting.

**NCLB**

The objective of this program is to establish or expand community learning centers that provide students with academic enrichment opportunities along with activities designed to complement the students' regular academic program. Community learning centers must also offer families of these students literacy and related educational development. Centers which can be located in elementary or secondary schools or other similarly accessible facilities provide a range of high-

quality services to support student learning and development, including tutoring and mentoring, homework help, academic enrichment (such as hands-on science or technology programs), and community service opportunities, as well as music, arts, sports and cultural activities. At the same time, centers help working parents by providing a safe environment for students during non-school hours or periods when school is not in session.

## **II. PROGRAM PROCEDURES**

### **IASA**

The Secretary of Education awards 21st CCLC grants through a competitive grant process to rural and inner-city public elementary or secondary schools, consortia of such schools, or LEAs on their behalf. If more than one entity is party to the grant, one of the entities will be designated as the fiscal agent. For purposes of audits under OMB Circular A-133, the fiscal agent is treated as the recipient of the grant.

### **NCLB**

The Secretary of Education awards 21st CCLC grants through a formula grant process to States; the States then award, through a competitive process, subgrants to a Local Educational Agency (LEA), community-based organization, another public or private entity, or a consortium of two or more of such agencies, organizations, or entities.

### **Source of Governing Requirements**

#### **IASA**

This program is authorized under Title X, Part I, of the Elementary and Secondary Education Act (ESEA) (20 USC 8241-8247) and is subject to the Education Department General Administrative Regulations in 34 CFR parts 74, 75, 77, 79, 80, 81, 82, 85, and 86.

#### **NCLB**

This program is authorized under Title IV, Part B of the ESEA (20 USC 7171 *et seq.*; Section 4201 *et seq.* of Pub. L. 107-110, 115 Stat. 1765, January 8, 2002) and is subject to the Education Department General Administrative Regulations in 34 CFR parts 74, 76, 77, 79, 80, 81, 82, 85, and 86.

## **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 Unallowed**

Also see ED Cross-Cutting Section.

### **1. SEA**

- a. *IASA* - Not applicable - Grants not made to SEAs prior to enactment of NCLB Act.
- b. *NCLB*
  - (1) *Awards to subrecipients (20 USC 7172(c)(1))*.
  - (2) *State Administration:*
    - (a) The administrative costs of carrying out its responsibilities under Title IV, Part B of the ESEA.
    - (b) Establishing and implementing a peer review process for grant applications and supervising the awarding of funds to eligible entities (20 USC 7172(c)(2)).
  - (3) *State Activities:*
    - (a) Monitoring and evaluation of programs and activities.
    - (b) Providing capacity building, training, and technical assistance.
    - (c) Conducting a comprehensive evaluation (directly, or through a grant or contract) of the effectiveness of programs and activities.
    - (d) Providing training and technical assistance to eligible entities who are applicants for or recipients of this program. (20 USC 7172(c)(3))

### **2. LEAs and Others**

- a. *IASA* - A grantee under this program must provide the following allowable services: (1) implement the project described in its approved application, and (2) expend the funds in accordance with the terms of the approved budget (34 CFR sections 75.234, 80.20, and 80.22).

Grantees must provide four of the following 13 activities, but may also provide other services to the community (20 USC 8245).

- (1) Literacy education programs.
- (2) Senior citizen programs.
- (3) Children's day care services.
- (4) Integrated education, health, social service, recreational, or cultural programs.
- (5) Summer and weekend school programs in conjunction with recreation programs.
- (6) Nutrition and health programs.
- (7) Expanded library service hours to serve community needs.
- (8) Telecommunications and technology education programs for individuals of all ages.
- (9) Parenting skills education programs.
- (10) Support and training for child day-care providers.
- (11) Employment counseling, training, and placement.
- (12) Services for individuals who leave school before graduating from secondary school, regardless of the age of such individual.
- (13) Services for individuals with disabilities.

b. *NCLB* - Grant awards may be use to carry out a broad array of before- and after-school activities (including summer recess periods) that advance student academic achievement including (20 USC 7175):

- (1) Remedial education activities and academic enrichment learning programs, including providing additional assistance to students to allow the students to improve their academic achievement.
- (2) Mathematics and science education activities.
- (3) Arts and music education activities.
- (4) Entrepreneurial education programs.
- (5) Tutoring services (including those provided by senior citizen volunteers) and mentoring programs.

- (6) Programs that provide after school activities for limited English proficient students that emphasize language skills and academic achievement.
- (7) Recreational activities.
- (8) Telecommunications and technology education programs.
- (9) Expanded library service hours.
- (10) Programs that promote parental involvement and family literacy.
- (11) Programs that provide assistance to students who have been truant, suspended, or expelled to allow the students to improve their academic achievement.
- (12) Drug and violence prevention programs, counseling programs, and character education programs.

**B. Allowable Costs/Cost Principles**

See ED Cross-Cutting Section.

**C. Cash Management**

See ED Cross-Cutting Section.

**E. Eligibility**

1. **Eligibility for Individuals** - Not Applicable
2. **Eligibility for Group of Individuals or Area of Service Delivery** - Not Applicable
3. **Eligibility for Subrecipients** - *NCLB* (SEA)

The State educational agency will make awards to eligible entities that propose to serve:

- a. Students who primarily attend (1) schools eligible for schoolwide programs under section 1114 of ESEA or (2) schools that serve a high percentage of students from low-income families; and
- b. The families of such students (20 USC 7133(a)(3)); Section 4203(a)(3) of ESEA as amended by Pub. L. 107-110, 115 Stat. 1767)

**G. Matching, Level of Effort, Earmarking****1. Matching -**

- a. *IASA* - Not Applicable
- b. *NCLB* - LEAs and Others

A State educational agency may require matching funds on a sliding scale based on the relative poverty of the population to be targeted and the ability of the grantee to obtain such matching funds. The match may not exceed the amount of the grant award and may not be derived from other Federal or State funds. Each State educational agency that requires an entity to match funds shall permit the entity to provide all or any portion of such match in the form of in-kind contributions (20 USC 7174(d)).

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

*NCLB* - See ED Cross-Cutting Section

**3. Earmarking**

See ED Cross-Cutting Section

- a. *NCLB* (SEAs)
  - (1) *General* - A State shall reserve not less than 95 percent of the State allotments for each fiscal year for awards to eligible entities under 20 USC 7174 (20 USC 7172(c)(1)).
  - (2) *State Administration* - A SEA may use not more than two percent of the State allotment for the following:
    - (a) The administrative costs of carrying out its responsibilities under this part.
    - (b) Establishing and implementing a peer review process for grant applications and supervising the awarding of funds to eligible entities (20 USC 7172(c)(2)).
  - (3) *State Activities* - A State educational agency may use not more than three percent of the State allotment for:
    - (a) Monitoring and evaluation of programs and activities.

- (b) Providing capacity building, training, and technical assistance.
- (c) Conducting a comprehensive evaluation (directly, or through a grant or contract) of the effectiveness of programs and activities.
- (d) Providing training and technical assistance to eligible entities who are applicants for or recipients of this program (20 USC 7172(c)(3)).

## **H. Period of Availability of Federal Funds**

1. *IASA* - Funds are available from July 1 of the fiscal year for which the funds were appropriated through September 30 of the second following fiscal year. This maximum period includes a 15-month period of initial availability plus a 12-month period for carryover. For example, funds from the fiscal year 1999 appropriation initially became available on July 1, 1999 and can be obligated by the grantee and subgrantee through September 30, 2001 (20 USC 1225(b); 34 CFR sections 76.707 through 76.709).
2. *NCLB* - Funds appropriated for the fiscal year 2002 are available from October 1, 2001, (the beginning of Federal fiscal year 2002) until September 30, 2003 (Title III of Pub. L. 107-116, School Improvement Programs, 115 Stat. 2202) plus an additional 12 months (34 CFR sections 76.707 through 76.709).

## **L. Reporting**

### **1. Financial Reporting**

See ED Cross-Cutting Section.

### **2. Performance Reporting - Not Applicable**

### **3. Special Reporting - Not Applicable**

## **N. Special Tests and Provisions**

### **1. Participation of Private School Children**

See ED Cross-Cutting Section.

### **2. Schoolwide Programs**

See ED Cross-Cutting Section.

## DEPARTMENT OF EDUCATION

**CFDA 84.288 BILINGUAL EDUCATION—PROGRAM DEVELOPMENT AND IMPLEMENTATION GRANTS**

**CFDA 84.290 BILINGUAL EDUCATION—COMPREHENSIVE SCHOOL GRANTS**

**CFDA 84.291 BILINGUAL EDUCATION—SYSTEMWIDE IMPROVEMENT GRANTS**

### I. PROGRAM OBJECTIVES

#### **Program Development and Implementation Grants (CFDA 84.288)**

Develop and implement new comprehensive, coherent, and successful bilingual education or special alternative instructional programs for limited English proficient (LEP) students, including programs of early childhood education, kindergarten through twelfth grade education, gifted and talented education, and vocational and applied technology education (Title VII, Section 7112 of the ESEA (20 USC 7422)).

#### **Comprehensive School Grants (CFDA 84.290)**

Implement schoolwide bilingual education programs or special alternative instruction programs for reforming, restructuring, and upgrading all relevant programs and operations, within an individual school, that serve all (or virtually all) children and youth of limited English proficiency in schools with significant concentrations of such children and youth (Title VII, Section 7114 of the ESEA (20 USC 7424)).

#### **Systemwide Improvement Grants (CFDA 84.291)**

Implement districtwide bilingual education programs or special alternative instruction programs to improve, reform, and upgrade relevant programs and operations, within an entire local educational agency (LEA), that serve a significant number of children and youth of limited English proficiency in local educational agencies with significant concentrations of such children and youth (Title VII, Section 7115 of the ESEA (20 USC 7425)).

### II. PROGRAM PROCEDURES

The Secretary of Education awards Bilingual Education grants through a competitive grant process to the following eligible entities: one or more LEAs; one or more LEAs in collaboration with an institution of higher education, community-based organization, or State educational agency (SEA); and, in some circumstances, a community-based organization or an institution of higher education that has received approval from an LEA. If more than one entity is party to the grant, one of the entities will be designated as the fiscal agency. For purposes of audits under OMB Circular A-133, the fiscal agency is treated as the recipient of the grant.

### 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 ESEA programs are discussed once in the Department of Education (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 to the Cross-Cutting Section for these requirements. Also, as discussed in the Cross-Cutting Section, SEAs and LEAs may have been granted waivers from certain compliance requirements.

#### A. Activities Allowed or Unallowed

Also see ED Cross-Cutting Section.

A grantee under these programs must do the following in carrying out a grant award in order to provide allowable services: (1) implement the project described in its approved application and (2) expend the funds in accordance with the terms of the approved budget (34 CFR sections 75.234, 80.20 and 80.22).

#### 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* - Not Applicable

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

See ED Cross-Cutting Section.

3. **Earmarking** - Not Applicable

#### 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 - Not Applicable****N. Special Tests and Provisions****1. Participation of Private School Children (SEAs/LEAs)**

See ED Cross-Cutting Section.

**2. Schoolwide Programs (LEAs)**

See ED Cross-Cutting Section.



## DEPARTMENT OF EDUCATION

### CFDA 84.298 INNOVATIVE EDUCATION PROGRAM STRATEGIES

#### I. PROGRAM OBJECTIVES

This former Title VI program was reauthorized by the No Child Left Behind Act (NCLB Act), Pub. L. 107-110, as Title V, Part A of the Elementary and Secondary Education Act (ESEA). The objectives of Title V, Part A are to: (1) support local educational reform efforts that are consistent with and support statewide education reform efforts; (2) provide funding to enable State Educational Agencies (SEAs) and Local Educational Agencies (LEAs) to implement promising educational reform programs and school improvement programs based on scientifically based research; (3) provide a continuing source of innovation, and educational improvement, including support programs to provide library services and instructional and media materials; (4) meet the educational needs of all students, including at-risk youth; and (5) develop and implement education programs to improve school, student, and teacher performance, including professional development activities and class size reduction programs (Title V, Part A, Section 5101(a) of the ESEA (20 USC 7201(a))).

#### II. PROGRAM PROCEDURES

Title V, Part A funds are obtained by a State following submission of an application or consolidated plan to the Secretary of Education that satisfies the application requirements as stipulated in the statute. The SEA distributes at least 85 percent of the funds to its LEAs that have filed an application that meets certain requirements. These funds are distributed to LEAs according to the relative enrollments in public and private, nonprofit schools within the school districts of the LEAs, adjusted to provide higher per pupil allocations to those LEAs with children whose education imposes a higher than average cost per child. The criteria for making these adjustments must be approved by the Secretary of Education. LEAs have complete discretion, subject only to legal requirements, in determining the allocation of expenditures of Title V, Part A funds among the allowable program activities (Title V, Part A, Sections 5112 and 5133(d) of the ESEA (20 USC 7211a and 7215b(d))).

#### Source of Governing Requirements

This program is authorized by Title V, Part A of the ESEA, as amended by the No Child Left Behind Act of 2001 (20 USC 7201 *et seq.*). There are no program regulations. However, the following parts of the Education (ED) Department General Administrative Regulations (EDGAR) apply to this program: 34 CFR parts 76, 77, 80, 81, 82, and 85.

#### Availability of Other Program Information

Other program information is available on the Internet at <http://www.ed.gov/programs/innovative/titlevguidance2002.doc>.

### 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 ESEA programs are discussed once in the Department of Education (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 to the Cross-Cutting Section for these requirements. Also, as discussed in the Cross-Cutting Section, SEAs and LEAs may have been granted waivers from certain compliance requirements.

#### A. Activities Allowed or Unallowed

Also see ED Cross-Cutting Section.

##### 1. SEAs

Funds may be used for:

- a. One or more program areas, including:
  - (1) Support for the planning, design, and initial implementation of charter schools under Title V, Part B.
  - (2) Statewide education reform, school improvement programs and technical assistance and direct grants to LEAs which assist LEAs in providing innovative assistance programs under section 5131 of Title V, Part A.
  - (3) Support for the design and implementation of high-quality yearly student assessments.
  - (4) Support for implementation of challenging State and local academic achievement standards.
  - (5) Support for arrangements that provide for independent analysis to measure and report on school district achievement.
  - (6) Support for the school renovation, Individuals with Disabilities Education Act, and technology program described in section 321 of the 2001 Department of Education Appropriations Act, Pub. L. 106-554.

- (7) Support for programs to assist in the implementation of the unsafe school choice policy described in section 9532 of the ESEA (20 USC 7912), which may include payment of reasonable transportation and tuition costs (Title V, Part A, Sections 5121(2) through (8) of the ESEA (20 USC 7213(2) through (8))).
  - b. To support the provision of supplemental educational services by LEAs to students under Title I, Part A, section 1116(e)(7) of the ESEA (20 USC 6316(e)(7))).
  - c. State administration, which includes
    - (1) Allocating funds to LEAs;
    - (2) Planning, supervising and processing SEA funds; and
    - (3) Monitoring and evaluating programs and activities (Title V, Part A, section 5121(1) of the ESEA (20 USC 7213(1))).
  - d. Subgrants to LEAs (Title V, Part A, section 5112(a) of the ESEA (20 USC 7211a(a))).
2. *LEAs*

LEAs must use Title V, Part A funds for programs, projects and activities under one or more of the 27 innovative assistance program areas described in Title V, Part A, section 5131(a) of the ESEA (20 USC 7215(a)). The innovative assistance program areas are:

- (i) Programs to recruit, train, and hire highly qualified teachers to reduce class size, especially in the early grades, and professional development activities carried out in accordance with Title II of the ESEA, as amended.
- (ii) Technology activities related to the implementation of school-based reform efforts, including professional development to assist teachers and other school personnel (including school library media personnel) regarding how to use technology effectively.
- (iii) Programs for the development or acquisition and use of instructional and educational materials, including library services and materials (including media materials), academic assessments, reference materials, computer software and hardware for instructional use, and other curricular materials that are tied to high academic standards, that will be used to improve student achievement, and that are part of an overall education reform program.
- (iv) Promising education reform projects, including effective schools and magnet schools.

- (v) Programs to improve the academic achievement of disadvantaged elementary and secondary school students, including activities to prevent students from dropping out of school.
- (vi) Programs to improve the literacy skills of adults, especially the parents of children served by the LEA, including adult education and family literacy programs.
- (vii) Programs to provide for the educational needs of gifted and talented children.
- (viii) Planning, design and initial implementation of charter schools as described in Title V, Part B of the ESEA.
- (ix) School improvement programs or activities under sections 1116 and 1117 of the ESEA.
- (x) Community service programs that use qualified school personnel to train and mobilize young people to measurably strengthen their communities through nonviolence, responsibility, compassion, respect, and moral courage.
- (xi) Activities to promote consumer, economic, and personal finance education, such as disseminating information on and encouraging use of the best practices for teaching the basic principles of economics and promoting the concept of achieving financial literacy through the teaching of personal financial management skills.
- (xii) Activities to promote, implement, or expand public school choice.
- (xiii) Programs to hire and support school nurses.
- (xiv) Expansion and improvement of school-based mental health services, including early identification of drug use and violence, assessment, and direct individual or group counseling services provided to students, parents, and school personnel by qualified school-based mental health services personnel.
- (xv) Alternative educational programs for those students who have been expelled or suspended from their regular educational setting, including programs to assist students to reenter the regular educational setting upon return from treatment or alternative educational programs.
- (xvi) Programs to establish or enhance prekindergarten programs for children.
- (xvii) Academic intervention programs that are operated jointly with community-based organizations and that support academic enrichment, and counseling programs conducted during the school day (including

during extended school day or extended school year programs), for students most at risk of not meeting challenging State academic achievement standards or not completing secondary school.

- (xviii) Programs for cardiopulmonary resuscitation (CPR) training in schools.
- (xix) Programs to establish smaller learning communities.
- (xx) Activities that encourage and expand improvements throughout the area served by the LEA that are designed to advance student academic achievement.
- (xxi) Initiatives to generate, maintain, and strengthen parental and community involvement.
- (xxii) Programs and activities that expand learning opportunities through best practice models designed to improve classroom learning and teaching.
- (xxiii) Programs to provide same-gender schools and classrooms, consistent with applicable law and with guidelines published by the Secretary of Education in the May 8, 2002, *Federal Register* (67 FR 31101).
- (xxiv) Service learning activities.
- (xxv) School safety programs, including programs to implement the unsafe school choice policy described in section 9532 of the ESEA (20 USC 7912) and which may include payment of reasonable transportation and tuition costs.
- (xxvi) Programs that employ research-based cognitive and perceptual development approaches and rely on a diagnostic-prescriptive model to improve students' learning of academic content at the preschool elementary, and secondary levels.
- (xxvii) Supplemental education services, as defined in section 1116(e) of the ESEA.

**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)**

The combined fiscal effort per child or the aggregate expenditures within the State for free public education for the preceding fiscal year must be at least 90 percent of the combined fiscal effort per child or aggregate expenditures for the second preceding fiscal year, unless specifically waived by the Secretary of Education for one fiscal year only.

Expenditures to be considered are State and local expenditures for free public education. These expenditures include expenditures for administration, instruction, attendance, health services, pupil transportation, plant operation and maintenance, fixed charges, and net expenditures to cover deficits for food services and student activities. States may include in the maintenance of effort calculation expenditures of Federal funds for which no accountability to the Federal Government is required. Certain Impact Aid funds are an example of such funds. (However, Impact Aid funds for which there is a requirement of accountability to the Federal Government, such as those received for children with disabilities, cannot be included in the calculation.) States must be consistent in the manner in which they calculate maintenance of effort from year-to-year in order to ensure that the annual comparisons are on the same basis (i.e., calculations must consistently, from year-to-year, either include or exclude expenditures of Federal funds for which accountability to the Federal Government is not required). Expenditures not to be considered are any expenditures for community services, capital outlay, or debt service, and any expenditures of Federal funds for which accountability to the Federal Government is required. (Title V, Part A, section 5141(a) of the ESEA (20 USC 7217(a))).

#### **2.2 Level of Effort - *Supplement Not Supplant* (SEAs/LEAs)**

See ED Cross-Cutting Section.

### **3. Earmarking (SEAs)**

Also see ED Cross-Cutting Section.

#### **a. *Minimum 85 Percent Distribution to LEAs***

An SEA must distribute at least 85 percent of the funds to its LEAs, based on relative enrollments in public and private, non-profit schools within the LEAs (Title V, Part A, section 5112(a) of the ESEA (20 USC 7211a(a))).

The calculation of relative enrollments must be based on the number of children currently enrolled in (1) public schools and (2) those private schools that participated in the Title V, Part A programs during the preceding fiscal year (FY). (For FY 2002 LEA allocations, the State will include in the calculation enrollment data for those private schools that participated in the former Title VI program during the FY 2001 fiscal year.) If current enrollment data is not available, an SEA may use enrollment data from the preceding year (Title V, Part A, section 5112(c) of the ESEA (20 USC 7211a(c))).

The SEA must adjust the relative enrollments to provide higher per-pupil allocations only to those LEAs that serve the greatest numbers or percentages of children living in areas with high concentrations of economically disadvantaged families; children from economically disadvantaged families; or children living in sparsely populated areas. The criteria for making these adjustments must be approved by the Secretary of Education (Title V, Part A, section 5112(c)(3) of the ESEA (20 USC 7211a(c)(3))).

b. *Remaining Reserved for State Use (Maximum of 15 Percent)*

Of the amount reserved for State use, no more than 15 percent may be used for State administration of Title V, Part A or transferred to a Consolidated Administration pool. See “III.A.1, Activities Allowed or Unallowed - SEAs” for what is considered “administration” (Title V, Part A, section 5112(b) of the ESEA (20 USC 7211a(b))).

c. *Allocation of Increased Amounts*

In any fiscal year in which a State’s Title V, Part A allocation is larger than its FY 2002 Title V, Part A allocation, it must distribute the entire excess amount to its LEAs using the formula described above in “III.G.3a. Matching, Level of Effort, Earmarking - (Minimum 85 Percent Distribution to LEAs)”. In any fiscal year in which the allocation to a small State (any State receiving a minimum allocation of one-half of one percent of the amount available for allocation to the States) exceeds the amount that it received in FY 2002, it must distribute at least 50 percent of the excess amount to its LEAs (Title V, Part A, section 5112(a)(2) of the ESEA (20 USC 7211a(a)(2))).

## **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 - Not Applicable****N. Special Tests and Provisions****1. Participation of Private School Children**

See ED Cross-Cutting Section.

**2. Schoolwide Programs (LEAs)**

See ED Cross-Cutting Section.



## DEPARTMENT OF EDUCATION

### CFDA 84.318 EDUCATION TECHNOLOGY STATE GRANTS (Ed Tech)

Note: The Education Technology State Grants (Ed Tech) program was enacted as Part D of Title II of the Elementary and Secondary Act (ESEA), as amended by the No Child Left Behind Act of 2001 (NCLB). This program is the successor program to the previously authorized Technology Literacy Challenge Fund (TLCF) program.

#### I. PROGRAM OBJECTIVES

The primary goal of the Ed Tech program is to improve student academic achievement through the use of technology in elementary and secondary schools. It is designed to assist every student in becoming technologically literate by the end of eighth grade. The purpose of the program is, among other things, to assist States and localities in implementing and supporting a comprehensive system that effectively uses technology in elementary and secondary schools to improve student academic achievement.

#### II. PROGRAM PROCEDURES

State educational agencies (SEAs) in the 50 States, the District of Columbia, Puerto Rico, the Outlying areas, and the Bureau of Indian Affairs (BIA) are eligible to participate in the program.

An “eligible local entity” is either a “high-need LEA” or an “eligible local partnership” (Section 2403(3) of the ESEA, as amended by the NCLB (20 USC 6753(1))).

A “high need LEA” is an LEA that (Section 2403(3) of the ESEA as amended by the NCLB (20 USC 6753(3))):

- (1) Is among those LEAs in the State with the highest numbers or percentages of children from families with incomes below the poverty line; and
- (2) Serves one or more schools identified for improvement or corrective action under Section 1116 of the ESEA, or has a substantial need for assistance in acquiring and using technology.

An “eligible local partnership” is a partnership that includes at least one high-need LEA and at least one of the following (Section 2403(3) of the ESEA, as amended by the NCLB (20 USC 6753(2))):

- (1) An LEA that can demonstrate that teachers in its schools are effectively integrating technology and proven teaching practices into instruction, based on a review of relevant research, and that integration results in improvement in classroom instruction and in helping students meet challenging academic standards.
- (2) An institution of higher education that is in full compliance with the reporting requirements of section 207(f) of the Higher Education Act of 1965, as amended, and that has not been identified by the State as low-performing under that act.

- (3) A for-profit business or organization that develops, designs, manufactures, or produces technology products or services or has substantial expertise in the application of technology in instruction.
- (4) A public or private nonprofit organization with demonstrated expertise in the application of educational technology in instruction.

In making competitive awards, an SEA must give priority to applications from LEAs that receive formula allocations too small to carry out the purposes of the program effectively. In addition, an SEA must ensure that competitive awards are of sufficient size and duration to carry out the purposes of the program effectively (Section 2412(b) of the ESEA, as amended by the NCLB (20 USC 6762(b))).

### **Source of Governing Requirements**

The Ed Tech program is authorized by Title II, Part D, Subpart 1 of the ESEA, as amended by the NCLB (20 USC 6761 through 6766; Section 2411 *et seq.* of Pub. L. 107-110, 115 Stat. 1673, January 8, 2002). The Education Department General Administrative Regulations in 34 CFR Parts 76, 77, 79, 80, 81, 82, 85, and 86 apply to this program.

### **Availability of Other Program Information**

Additional information about this program is available on the Internet at <http://www.ed.gov/programs/edtech/index.html>.

## **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 Unallowed**

Also see ED Cross-Cutting Section.

1. *SEAs*
  - a. State-level activities and to assist local efforts to carry out the purpose of the program, including activities such as the following (Section 2415(a)(1) of the ESEA as amended by the NCLB (20 USC 6765(a)(1))):

- (1) Developing or assisting the development and utilization of innovative strategies for the delivery of academic courses and curricula through the use of technology, including distance learning technologies, and providing other technical assistance with priority given to high-need LEAs.
- (2) Establishing or supporting public-private partnerships to acquire educational technology for high-need LEAs.
- (3) Providing professional development.
- (4) Ensuring access to educational technology for students and faculty.
- (5) Developing performance measurement systems.
- (6) Collaborating with other State educational agencies on distance learning.

2. *LEAs*

a. Funds may be used for:

- (1) *Professional Development* - To provide ongoing, sustained, and intensive, high-quality professional development (Section 2416(a) of the ESEA as amended by the NCLB (20 USC 6766(a))).
- (2) *Other Activities* (Section 2416(b) of the ESEA as amended by the NCLB (20 USC 6766(b)))
  - (a) Increasing accessibility to technology, particularly through public-private partnerships, with special emphasis on accessibility for high-need schools.
  - (b) Adapting or expanding applications to technology to enable teachers to increase student academic achievement, including technology literacy, based on the review of relevant research and use of innovative distance learning strategies.
  - (c) Acquiring proven and effective courses and curricula that include integrated technology and that are designed to help student reach challenging academic standards.
  - (d) Using technology to promote parental involvement and foster communication among students, parents, and teachers about curricula, assignments, and assessments.

- (e) Preparing one or more teachers in schools as technology leaders who will assist other teachers, and providing bonus payments to the technology leaders.
- (f) Enhancing existing technology and acquiring new technology to support education reforms and to improve student achievement.
- (g) Acquiring connectivity linkages, resources, and services to be used by students and school personnel to improve academic achievement.
- (h) Using technology to collect, manage, and analyze data to inform and enhance teaching and school improvement efforts.
- (i) Implementing enhanced performance measurement systems to determine the effectiveness of education technology programs funded with Ed Tech funds.
- (j) Developing, enhancing, or implementing information technology courses.

**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*

See ED Cross-Cutting Section.

**2.2 Level of Effort** - *Supplement Not Supplant (LEA)*

See ED Cross-Cutting Section.

**3. Earmarking**

Also see ED Cross-Cutting Section.

- a. An SEA may retain no more than five percent of its annual allocation for State-level activities (Section 2412(a)(1) of the ESEA as amended by the NCLB (20 USC 6762(a)(1))). Of the amount retained for State-level activities, no more than 60 percent may be used for administrative purpose (Section 2404(d) of the ESEA as amended by the NCLB (20 USC 6754(d))).
- b. From the 95 percent or more remaining in its total allocation, an SEA must distribute:
  - (1) 50 percent by formula to eligible LEAs that have submitted applications to the State. The formula is based on each LEA's proportionate share of SEA funds allocated under Part A of Title I (Section 2412(a)(2)(A) of the ESEA, as amended by the NCLB (20 USC 6762(a)(2)(A))).
  - (2) 50 percent on a competitive basis to "eligible local entities" that have submitted applications to the State (Section 2412(a)(2)(B) of the ESEA, as amended by the NCLB (20 USC 6762(a)(2)(B))).
- c. Unless an LEA can demonstrate to the satisfaction of its SEA that it already provides high-quality professional development in the integration of technology into curricula, it must use at least 25 percent of its funds for such professional development (Section 2416(a) of the ESEA as amended by the NCLB (20 USC 6766(a))).

## **H. Period of Availability of Federal Funds**

Funds appropriated for fiscal year 2002 are available for obligation through September 30, 2004 (Title III of Pub. L. 107-116, School Improvement Programs, 115 Stat. 2202), (34 CFR sections 76.707 through 76.709).

## **L. Reporting**

### **1. Financial Reporting**

See ED Cross-Cutting Section.

### **2. Performance Reporting - Not Applicable**

### **3. Special Reporting - Not Applicable**

## **N. Special Tests and Provisions**

### **1. Participation of Private Schools**

See ED Cross-Cutting Section.

### **2. Schoolwide Programs**

See ED Cross-Cutting Section.

## DEPARTMENT OF EDUCATION

### CFDA 84.338 READING EXCELLENCE

#### I. PROGRAM OBJECTIVES

The objective of the Reading Excellence program is to improve reading instruction and provide support for children with critical learning needs particularly in high poverty schools. Through this program grants are awarded to States to provide resources to implement improved practices in concert with the guidance prescribed from scientifically based reading research (20 USC 6661).

#### II. PROGRAM PROCEDURES

The Reading Excellence Act authorizes competitive three-year Reading and Literacy Grants to State education agencies (SEAs) (20 USC 6661b), which in turn distribute funding to eligible local education agencies (LEAs) through a competitive process. SEAs that receive funding are required to make subgrants to LEAs under two separate programs: Local Reading Improvement (LRI) (20 USC 6661d) and Tutorial Assistance (TA) (20 USC 6661e).

#### Source of Governing Requirements

This program is authorized by the Reading Excellence Act (REA), Part C, Title II of the Elementary and Secondary Education Act of 1965 (ESEA), as amended. It is codified at 20 USC 6661 *et seq.* No regulations have been published on this program. However, this program is subject to the Education Department (ED) General Administrative Regulations at 34 CFR parts 75, 77, 79, 80, 81, 82, 85, 86, 97, 98, and 99.

#### Availability of Other Program Information

Other program information is available on the Internet at <http://www.ed.gov/offices/OESE/REA/>.

#### 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 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 Unallowed**

Also see ED Cross-Cutting Section.

1. *SEAs*
  - a. Subgrants to LEAs awarded on a competitive basis (20 USC 6661d and 6661e).
  - b. Administrative costs (20 USC 6661c).
2. *LEAs*
  - a. *LRI* - Carry out activities to advance reform of reading instruction in eligible schools (20 USC 6661d(d)(1). Such activities shall include the following:
    - (1) Securing technical and other assistance from a program of reading instruction based on scientifically based reading research (20 USC 6661d(d)(1)(A)).
    - (2) Providing professional development activities to teachers and other instructional staff using scientifically based reading research and purchasing of curricular and other supporting materials (20 USC 6661d(d)(1)(B)).
    - (3) Promoting reading and library programs (20 USC 6661d(d)(1)(C)).
    - (4) Providing on a voluntary basis, training to parents of children (20 USC 6661d(d)(1)(D) and (F)).
    - (5) Carrying out family literacy services (20 USC 6661d(d)(1)(E)).
    - (6) Providing instruction for parents of children and others who volunteer to be reading tutors, in the instructional practices based on scientifically based reading research (20 USC 6661d(d)(1)(F)).
    - (7) Programs to assist kindergarten through grade three students or programs providing additional support for children preparing to enter kindergarten, using supervised individuals who have been appropriately trained using scientifically based reading research (20 USC 6661d(d)(1)(G) and (H)).
    - (8) Providing instruction in reading to children with reading difficulties (20 USC 6661d(d)(1)(I)).
    - (9) Providing coordination of reading, library, and literacy programs within the LEA (20 USC 6661d(d)(1)(J)).



- b. *TA* - Providing tutorial assistance in reading, before school, after school, on weekends, or during the summer, to children who have difficulty reading and related support services as defined in the statute (20 USC 6661e(b)).
- (1) Creation and implementation of objective criteria to determine in a uniform manner the eligibility of tutorial assistance providers and tutorial assistance programs desiring to provide tutorial assistance under the subgrant (20 USC 6661e(b)(2)(A)).
  - (2) The provision to parents of a child eligible to receive tutorial assistance, of multiple choices among tutorial assistance providers and tutorial assistance programs (20 USC 6661e(b)(2)(B)).
  - (3) Development of procedures for the provision of information to parents of an eligible child, for considering children for tutorial assistance for whom no parent has selected a tutorial assistance provider, and that permit an LEA to recommend a tutorial assistance provider or tutorial assistance program (20 USC 6661e(b)(2)(C)).
  - (4) Development of a selection process for providing tutorial assistance (20 USC 6661e(b)(2)(D)).
  - (5) Development of procedures for selecting children to receive tutorial assistance (20 USC 6661e(b)(2)(E)).
  - (6) Development of a methodology by which payments are made directly to tutorial assistance providers (20 USC 6661e(b)(2)(F)).
  - (7) Development of procedures under which the LEA agency will carry out the process for ensuring oversight of the quality and effectiveness of the tutorial assistance provider (20 USC 6661e(b)(2)(G)).

**B. Allowable Costs/Cost Principles**

See ED Cross-Cutting Section.

**C. Cash Management**

See ED Cross-Cutting Section.

**E. Eligibility**

- 1. Eligibility for Individuals - Not Applicable**
- 2. Eligibility for Group of Individuals or Area of Service Delivery - Not Applicable**
- 3. Eligibility for Subrecipients**
  - a. *LRI* - These subgrants are awarded on a competitive basis to: (1) local districts that have at least one school in Title I School Improvement status; (2) districts with the highest or second highest number of poor children in the State; or (3) districts with the highest or second highest percentages of poverty in the State (20 USC 6661d(a)(1)).
  - b. *TA* - The same districts eligible for LRI are also eligible for TA with the addition of districts that are an ((20 USC 6661e(a)(1)):
    - (1) Empowerment Zone as designated under part I of subchapter U of chapter 1 of the Internal Revenue Code of 1986 (20 USC 6661e(a)(1)(A)(i)).
    - (2) Enterprise Community as designated under part I of subchapter U of chapter 1 of the Internal Revenue Code of 1986 (20 USC 6661e(a)(1)(A)(ii)).

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

- 1. Matching - Not Applicable**
- 2. Level of Effort - Not Applicable**
- 3. Earmarking**
  - a. SEAs shall allocate at least 80 percent of the funds to LEAs for LRI subgrants. Up to 15 percent of the funds may be subgrants to LEAs for TA and costs of administering the TAs (20 USC 6661c).
  - b. SEAs shall not use more than 5 percent of the funds for State administration of which not more than 2 percent may be used for the State evaluation (20 USC 6661c).
  - c. LEAs shall not use more than 5 percent of its LRI subgrant for administrative costs (20 USC 6661d(2)).

## **H. Period of Availability of Federal Funds**

A SEA must expend the funds during the 3-year period beginning on the date on which the grant is made (20 USC 6661b(a)(2)(B)), unless ED has approved a request for an extension. ED may provide extensions to States, allowing them to continue activities for longer than three years (20 USC 7861).

The State may award TA subgrants for up to a two-year period. The two-year period may be adjusted in a reasonable manner to avoid cessation of program benefits during the middle of a school year. For example, if a State issues two-year subgrants in January 2001, the subgrants may extend through school year 2002-03 and need not end in January 2003 (20 USC 6661d(a)(2)).

## **L. Reporting**

### **1. Financial Reporting**

See ED Cross-Cutting Section.

### **2. Performance Reporting - *Reading Excellence Program Annual Performance Report (OMB No. 1810-0634)* - Grantees must submit an annual performance report to ED each year of the project period (20 USC 6661h(b)).**

*Key Line Items* - The following line items contain critical information:

Part II, *State Activities*, paragraph c., *Actual Budget Expenditures*, lines 1-8, 10, and 11

### **3. Special Reporting - Not Applicable**

## **N. Special Tests and Provisions**

### **1. Participation of Private School Children**

See ED Cross-Cutting Section.

### **2. Schoolwide Programs**

See ED Cross-Cutting Section.

## DEPARTMENT OF EDUCATION

### CFDA 84.357 READING FIRST STATE GRANTS

#### I. PROGRAM OBJECTIVES

The purpose of Reading First is to ensure that all children can read at grade level or above by the end of third grade. The Reading First program will provide the necessary assistance to States and districts to implement programs based on scientifically based reading research for students in kindergarten through third grade. Reading First funds will also focus on providing significantly increased teacher professional development to ensure that all teachers, including special education teachers, have the skills they need to teach these programs effectively. Additionally, the program provides assistance to States and districts in preparing classroom teachers to effectively screen, identify and overcome reading barriers facing their students.

#### II. PROGRAM PROCEDURES

Reading First grants are distributed to States by formula. States must apply to the U.S. Department of Education (ED) for grants. Application review and approval began in spring 2002 and will continue on a rolling basis. The formula is based on States' relative share of children aged 5 to 17 from families with incomes below the poverty line. States then award subgrants to eligible districts on a competitive basis.

#### Source of Governing Requirements

The Reading First program is authorized by Title I, Part B, Subpart 1 of the Elementary and Secondary Education Act of 1965, as amended by the No Child Left Behind Act of 2001 (20 USC 6361 *et seq.*). No regulations have been published on this program. However, this program is subject to the Department of Education's General Administrative Regulations at 34 CFR parts 76, 77, 80, 82 and 85.

#### Availability of Other Program Information

Other program information is available on the Internet at <http://www.ed.gov/programs/readingfirst/index.html>.

#### 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 look to Parts 3 and 4 for 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 Unallowed**

Also see ED Cross-Cutting Section.

1. *State Education Agencies (SEAs)*
  - a. Making competitive subgrants to eligible Local Education Agencies (LEAs) in accordance with the SEA's approved grant application (20 USC 6362(b)(4)).
  - b. Professional inservice and preservice development and review (20 USC 6362(d)(3)).
  - c. Technical assistance for LEAs and schools (USC 6362(d)(4)).
  - d. Planning, administration, and reporting (20 USC 6362(d)(5)).
2. *Local Education Agencies (LEAs)*
  - a. *Instructional reading assessments* - Selection and administration of screening, diagnostic, and classroom-based instructional reading assessments (with proven validity and reliability) (20 USC 6362(c)(7)(A)(i)).
  - b. *Reading program* - Selection and implementation of a program of reading instruction based on scientifically based reading research that includes the essential components of reading instruction and provides such instruction to children in kindergarten through grade three in the schools served by the LEA (20 USC 6362(c)(7)(A)(ii)).
  - c. *Instructional materials* - Selection and implementation of instructional materials, including education technology such as software and other digital curricula, that are based on scientifically based reading research (20 USC 6362(c)(7)(A)(iii)).
  - d. *Professional development* - Professional development for teachers of kindergarten through grade 3 and special education teachers of kindergarten through grade 12 that will prepare these teachers and other instructional staff in all of the essential components of reading instruction. Professional development must be provided that will assist teachers in becoming fully qualified for reading instruction in accordance with the requirements of section 1119. Providers of professional development must base training in reading instruction on scientifically based reading research (20 USC 6362(c)(7)(A)(iv)).

- e. *Evaluation strategies* - Collection and summary of valid and reliable data to document the effectiveness of Reading First in individual schools and in the LEA as a whole and to stimulate and accelerate improvement by identifying the schools that produce significant gains in reading achievement (20 USC 6362(c)(7)(A)(v)).
- f. *Reporting* - Reporting data for all students and categories of students described in the State's Title I adequate yearly progress definition (20 USC 6362(c)(7)(A)(vi))
- g. *Access to reading material* - Promotion of reading and library programs that provide access to engaging reading material (20 USC 6362(c)(7)(A)(vii)).
- h. *Additional uses* - Additional activities for which an LEA may use Reading First funds, provided they are based on scientifically based reading research and align with the LEA's overall Reading First plan. These activities must be identified and approved in the State's Reading First plan (20 USC 6362(c)(7)(B)).

**B. Allowable Costs/Cost Principles**

See ED Cross-Cutting Section.

**C. Cash Management**

See ED Cross-Cutting Section.

**E. Eligibility**

1. **Eligibility for Individuals** - Not Applicable.
2. **Eligibility for Group of Individuals or Area of Service Delivery** - Not Applicable.
3. **Eligibility for Subrecipients**

A LEA that meets both of the following criteria as defined in the SEA's approved grant application is eligible to apply to its State educational agency for Reading First funds:

- a. The LEA is among the local educational agencies in the State with the highest numbers or percentages of students in kindergarten through grade three reading below grade level, based on the most current data available 20 USC 6362(c)(6)(A); and
- b. The LEA has jurisdiction over at least one of the following (20 USC 6362(c)(6)(B)):

- (1) A geographic area that includes an area designated as an empowerment zone, or an enterprise community, under part I of subchapter U of chapter I of the Internal Revenue Code;
- (2) A significant number or percentage of schools that are identified for school improvement under Title I, Part A; or
- (3) The highest numbers or percentages of children who are counted for allocations under Title I, Part A, in comparison to other LEAs in the State.

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

**1. Matching** - Not Applicable.

**2. Level of Effort** - Not Applicable.

**3. Earmarking**

a. SEAs may not spend more than a total of 20 percent for: professional inservice and preservice development and review; technical assistance for LEAs and schools; and planning, administration, and reporting (20 USC 6362(d)(2)).

(1) From this amount, a SEA may not spend more than:

(a) 65 percent on professional inservice and preservice development and review (20 USC 6362(d)(3)).

(b) 25 percent for technical assistance for LEAs and schools (USC 6362(d)(4)).

(c) 10 percent for planning, administration, and reporting (20 USC 6362(d)(5)).

(2) SEAs must use any funds not reserved for these purposes for subgrants to local educational agencies (20 USC 6362(f)).

b. LEAs may not spend more than 3.5 percent for planning and administration (20 USC 6362(c)(8)).

**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 - Not Applicable.**

**N. Special Tests and Provisions**

**1. Participation of Private School Children (SEAs/LEAs)**

See ED Cross-Cutting Section.



## DEPARTMENT OF EDUCATION

### CFDA 84.365 ENGLISH LANGUAGE ACQUISITION GRANTS

#### I. PROGRAM OBJECTIVES

The objective of Title III, Part A of the Elementary and Secondary Education Act (ESEA) is to improve the education of limited English proficient (LEP) children and youths by helping them learn English and meet challenging state academic content and student academic achievement standards. The program also provides enhanced instructional opportunities for immigrant children and youths.

#### II. PROGRAM PROCEDURES

The Department of Education (ED) provides Title III, Part A funds to each State Educational Agency (SEA) on the basis of a statutory formula that takes into account the number of LEP and immigrant children and youth in each State. To receive funds, an SEA must submit to ED for approval either: (1) an individual State plan as provided under Section 3113 of the ESEA (20 USC 6823) or (2) a consolidated plan that includes Part A of Title III in accordance with Section 9302 of the ESEA (20 USC 7842). The plan must be updated to reflect substantive changes.

SEAs use Title III, Part A funds for administration, to carry out State activities, and to make two types of subgrants to LEAs. The two types of subgrants are: (1) for school districts that have experienced a significant increase in the number of immigrant children and youth in their schools and (2) for school district to use to serve LEP children. In order to receive one of these subgrants, an LEA must submit to the SEA a plan under either Section 3116 of the ESEA (20 USC 6826) or an approved consolidated plan under Section 9305 of the ESEA (20 USC 7845) (20 USC 6821).

LEAs use their immigrant subgrants to pay for enhanced instructional opportunities for immigrant children and their LEP subgrants to support activities that increase the English proficiency and academic achievement of LEP children by providing high-quality language instruction educational programs that are based on scientifically based research (20 USC 6824). SEAs are required to develop annual measurable achievement objectives for LEP children concerning their development of English proficiency while meeting challenging State academic standards. SEAs are required to hold LEAs accountable if they failed to meet these annual achievement objectives (20 USC 6842). In addition, LEAs receiving subgrants under Part A of Title III are required to assess the English language proficiency and academic achievement of the LEP children they serve (20 USC 6823).

#### Source of Governing Requirements

This program is authorized by Title III, Part A of the ESEA, as amended by the No Child Left Behind Act (Pub. L. 107-110) (20 USC 6821 through 6871, 7011 through 7014). The Education Department General Administrative Regulations (EDGAR) at 34 CFR parts 76, 77, 81, and 82 also apply to this program.

## Availability of Other Program Information

Additional program information is available on the Internet at <http://www.ed.gov/offices/OELA>.

### 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 which apply to multiple ESEA 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. Also, as discussed in the Cross-Cutting Section, SEAs and LEAs may have been granted waivers from certain compliance requirements.

#### A. Activities Allowed or Unallowed

Also see ED Cross-Cutting Section.

##### 1. SEA

- a. *Subgrants to LEAs* (20 USC 6821(b)(1)).
- b. *State administration* (20 USC 6821(b)(3)).
- c. *State activities* - Funds may be used carry out one or more of the following State activities for this program (20 USC 6821(b)(2)):
  - (1) Professional development and other activities that assist personnel in meeting State and local certification and licensing requirements for teaching LEP children.
  - (2) Planning, evaluation, administration, and interagency coordination related to LEA subgrants.
  - (3) Providing technical assistance and other forms of assistance to LEA subgrantees.
  - (4) Providing recognition, which may include providing financial awards, to subgrantees that have exceeded their annual measurable achievement objectives pursuant to 20 USC 6842.

2. *LEA* - There are two types of subgrants to LEAs:
  - a. *Immigrant Subgrants* - Subgrants to LEAs that have experienced significant increases in immigrant children and youth. LEAs receiving subgrants Section 3114 (20 USC 6824) shall use the funds awarded to pay for activities that provide enhanced instructional opportunities for immigrant children and youth. These activities include (20 USC 6825(e)):
    - (1) Family literacy, parent outreach, and training activities designed to assist parents to become active participants in the education of their children.
    - (2) Support for personnel, including teacher aides who have been specifically trained, or are being trained, to provide services to immigrant children and youth.
    - (3) Provision of tutorials, mentoring, and academic or career counseling for immigrant children and youth.
    - (4) Identification and acquisition of curricular materials, educational software, and technologies to be used in the program carried out with funds.
    - (5) Basic instruction services that are directly attributable to the presence in the school district of immigrant children and youth, including the payment of costs of providing additional classroom supplies, costs of transportation, or such other costs as are directly attributable to such additional basic instruction services.
    - (6) Other instruction services that are designed to assist immigrant children and youth to achieve in elementary schools and secondary schools in the United States, such as programs of introduction to the educational system and civics education.
    - (7) Activities, coordinated with community-based organizations, institutions of higher education, private sector entities, or other entities with expertise in working with immigrants, to assist parents of immigrant children and youth by offering comprehensive community services.
  - b. *LEP Subgrants*
    - (1) *Administrative Costs* (20 USC 6825(b)).
    - (2) *Required Activities* - An LEA is required to use LEP subgrant funds to (20 USC 6825e):

- (a) Increase the English proficiency of LEP children by providing high-quality language instruction educational programs that are based on scientifically based research demonstrating the effectiveness of the programs in increasing English proficiency and student academic achievement in the core academic subjects (20 USC 6825(c)(1)).
  - (b) Provide high-quality professional development to classroom teachers (including teachers in classroom settings that are not the settings of language instruction educational programs), principals, administrators, and other school or community-based organizational personnel (20 USC 6825(c)(2)).
- (3) *Authorized Activities* - An LEA receiving an LEP subgrant may, but is not required to, use those funds for the following activities (20 USC 6825(d)):
- (a) Upgrading program objectives and effective instruction strategies.
  - (b) Improving the instruction program for LEP children by identifying, acquiring, and upgrading curricula, instruction materials, educational software, and assessment procedures.
  - (c) Providing tutorials and academic or vocational education for LEP children and intensified instruction.
  - (d) Developing and implementing elementary school or secondary school language instruction educational programs that are coordinated with other relevant programs and services.
  - (e) Improving the English proficiency and academic achievement of LEP children.
  - (f) Providing community participation programs, family literacy services, and parent outreach and training activities to LEP children and their families to improve the English language skills of LEP children and to assist parents in helping their children to improve their academic achievement and becoming active participants in the education of their children.

- (g) Improving the instruction of LEP children by providing for (i) the acquisition or development of educational technology or instructional materials and (ii) access to, and participation in, electronic networks for materials, training, and communication; and incorporation of these resources into curricula and programs.

**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***

See ED Cross-Cutting Section.

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

See ED Cross-Cutting Section.

**3. Earmarking (SEAs)**

- a. *SEA Reserved Funds* - SEAs can reserve up to 5 percent of their entire grant to carry out State activities and for administration. (Please note, however, discussion under SEA administration below, which indicates that there are circumstances under which an SEA can have a reservation for administration that exceeds 5 percent) (20 USC 6821(b)(2)):

- (1) *State Activities* - SEA reserved funds not used for administration can be used to carry out one or more of the State activities (20 USC 6821(b)(2)).

- (2) *SEA Administration* - SEA's are authorized to reserve up to 3 percent of their grant, or \$175,000, whichever is greater, for the costs of administration. Because SEAs can use up to \$175,000 of their grant for administration, they may, because of that option, reserve more than 5 percent of their grant for administration (20 USC 6821(b)(3)).

- b. *Subgrants to LEAs* - A SEA must expend at least 95 percent for subgrants to LEAs that submit approvable plans under either Section 3116 of the ESEA, (20 USC 6826) or an approvable consolidated plan under Section 9305 of the ESEA (20 USC 7845) as follows (20 USC 6821):
- (1) *Immigrant Subgrants* - SEAs are required to reserve not more than 15 percent of their grants for subgrants to LEAs that have experienced a significant increase, as compared to the average of the two preceding fiscal years, in the percentage or numbers of immigrant children and youth, who have enrolled, during the fiscal year preceding the fiscal year for which the grant is made, in public and nonpublic elementary and secondary schools in the geographic areas served by the LEA. In awarding these subgrants, SEAs must equally consider LEAs that have limited or no experience in serving immigrant children and youth and the quality of the local plans that the LEAs submit under Section 3116 of the ESEA (20 USC 6826). SEAs have discretion to award these subgrants on a competitive, formula, or some other basis (20 USC 6824(d)).
  - (2) *LEP Subgrants* - SEAs are required by to use funds not used for State activities, SEA administration, and immigrant subgrants as described above, to award subgrants to LEAs to serve LEP children. SEAs shall allocate LEP subgrants to their LEAs on a formula basis. The formula is based on the number of LEP children in schools served by a particular LEA as a percentage of the number of such LEP children in the entire State. The SEA, however, shall not award a subgrant if the amount of the subgrant, under the statutory formula for LEP subgrants, would be less than \$10,000 (20 USC 6824).
- c. *LEA Administrative Costs* - An LEA receiving an LEP subgrant may use no more than 2 percent of that subgrant for administrative costs (20 USC 6825(b)).

## **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 - Not Applicable**

**N. Special Tests And Provisions**

**1. Participation of Private School Children**

See ED Cross-Cutting Section.

**2. Schoolwide Programs (LEAs)**

See ED Cross-Cutting Section.

## DEPARTMENT OF EDUCATION

### CFDA 84.367 IMPROVING TEACHER QUALITY STATE GRANTS

#### I. PROGRAM OBJECTIVES

The objective of the Improving Teacher Quality State Grants program in Title II, Part A of the Elementary and Secondary Education Act (ESEA) of 1965, as amended by the No Child Left Behind Act of 2001 (NCLB) (Pub. L. 107-110), is to provide funds to State educational agencies (SEAs), local educational agencies (LEAs), State agencies for higher education (SAHEs), and partnerships comprised of institutions of higher education (IHEs), high-need LEAs and other entities to increase the academic achievement of all students by helping schools and school districts to: (1) improve teacher and principal quality (including hiring teachers to reduce class size) and (2) ensure that all teachers are highly qualified.

#### II. PROGRAM PROCEDURES

Improving Teacher Quality State Grant funds are obtained by a State on the basis of the Department of Education's (ED) approval of either (1) an individual State plan as provided in Section 2112 of the ESEA (20 USC 2112), or (2) a consolidated application that includes the program, in accordance with Section 9302 of the ESEA (20 USC 7842). Separate grants are provided to SEAs and SAHEs.

#### Source of Governing Requirements

This program is authorized by Title II, Part A, subparts 1-3 of the ESEA as amended by the NCLB (Pub. L. 107-110) (20 USC 2111 - 2134). The program purpose and definitions in Title II, Part A of the ESEA, Sections 2101 and 2102 (20 USC 6601 - 6602), and the accountability provisions in Title II, Part A, Subpart 4, Section 2141 (20 USC 6641) also apply to this program.

While there are no program regulations, the following parts of the ED General Administrative Regulations (EDGAR) apply to this program: 34 CFR parts 76, 77, 80, 82, 85, and 86. General ESEA requirements in 34 CFR part 299 also apply. Rules governing the amount of funds available to both the SEA and to the SAHE for the costs of administration and planning were announced in a notice published in the *Federal Register* on May 22, 2002 (67 FR 35967, 35977).

#### Availability of Other Program Information

Non-regulatory guidance for the Title II, Part A program is available on ED's web site at <http://www.ed.gov/programs/teacherqual/guidance.doc>.

#### 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 ESEA programs are discussed once in the Department of Education (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. Also, as discussed in the Cross-Cutting Section, SEAs and LEAs may have been granted waivers from certain compliance requirements.

## **A. Activities Allowed or Unallowed**

Also see ED Cross-Cutting Section.

### **1. SEAs**

- a. *Subgrants to LEAs* (Sections 2113(a)(1) of the ESEA; (20 USC 6613(a)(1))).
- b. *Subgrants to Eligible Partnerships* (Sections 2113(a)(2) of the ESEA; 20 USC 6613(a)(2)).
- c. *State Activities* - Allowable State-level activities are identified in Section 2113(c) of the ESEA. Examples of allowable activities include: (1) developing or enhancing activities to encourage high-quality individuals to become teachers or principals through alternative routes for State certification; (2) carrying out activities that focus on increasing the subject matter knowledge of teachers and the instructional leadership skills of principals; (3) reforming and streamlining teacher licensure requirements as well as aligning licensure requirements with State content standards; (4) developing and expanding mentoring activities for new teachers and activities that help teachers use assessment data to guide instructional decisions; (5) implementing teacher testing to assess subject matter knowledge, and conducting activities to help teachers meet the requirements in Section 9101(23) (20 USC 7801(23)) to become “highly qualified;” (6) developing and expanding merit-based performance; and (7) developing systems to measure the effectiveness of professional development on student academic achievement (Section 2113(c) of the ESEA (20 USC 6613(c))).
- d. Administrative costs (Sections 2113(d) of the ESEA; 20 USC 6613(d)).

### **2. LEAs**

Consistent with the LEA’s assessment of need for professional development and hiring, LEAs may use funds for a broad span of activities designed to improve teacher quality that are identified in Section 2123(a) of the ESEA. Examples of allowable activities include: (1) providing “professional development” (as the term is defined in Section 9101(34) of the ESEA, 20 USC 6602(34)) to teachers, and, where appropriate, to principals and paraprofessionals in content knowledge and classroom practice; (2) developing and implementing a wide variety of

strategies and activities to recruit, hire, and retain highly qualified teachers and principals; (3) developing and implementing initiatives to promote retention of highly qualified teachers and principals; (4) carrying out professional development programs to assist principals and superintendents in becoming outstanding managers and educational leaders; and (5) carrying out teacher advancement initiatives that promote professional growth and emphasize multiple career paths and pay differentiation, and establish programs and activities related to exemplary teachers. LEAs also may use funds to hire teachers to reduce class size (Sections 2101 and 2123(a) of the ESEA (20 USC 6601 and 6623(a))).

3. *Subrecipients of SAHEs - Eligible Partnerships*

Eligible Partnerships must use the funds for the following activities:

- a. Professional development activities (as the term is defined in Section 9101(34) of the ESEA (20 USC 6602(34)) in core academic subjects to ensure that teachers and “highly qualified paraprofessionals” (as the term is defined in Section 2102(4) of the ESEA (20 USC 6602(4))), and, if appropriate, principals have subject matter knowledge in the academic subjects the teachers teach, and principals have instructional leadership skills that will help them work effectively with teachers (Sections 2101 and 2134(a)(1) of the ESEA (20 USC 6601 and 6634(a)(1))).
- b. Developing and providing assistance to LEAs and to their teachers, highly qualified paraprofessionals, or principals for sustained, high-quality professional development activities that (Sections 2101 and 2134(a)(2) of the ESEA (20 USC 6601 and 6634(a)(2)):
  - (1) Ensure the use of challenging State academic content standards, student achievement standards, and State assessments to improve instruction.
  - (2) May include intensive programs designed to prepare these individuals to return to school to provide instruction related to their professional development to others in the school.
  - (3) May include activities of partnerships between one or more LEAs, schools or IHEs in order to improve teaching and learning in low-performing schools, as the term is used in Section 1116 of the ESEA.

**B. Allowable Costs/Cost Principles (All grantees)**

See ED Cross-Cutting Section.

**C. Cash Management**

See ED Cross-Cutting Section.

**E. Eligibility****1. Eligibility for Individuals - Not Applicable****2. Eligibility for Group of Individuals or Area of Service Delivery - Not Applicable****3. Eligibility for Subrecipients**

- a. A subgrant to an “Eligible Partnership” must be made on a competitive basis and the Eligible Partnership must include all of the following (Sections 2131(1)(A) and 2132(a) of the ESEA (20 USC 6631(1)(A) and 6632(a))):
  - (1) A private or State IHE and the division of the institution that prepares teachers and principals.
  - (2) A school of arts and sciences.
  - (3) A “high-need LEA” (as the term is defined in Section 2102(3) of the ESEA (20 USC 6602(3))).
- b. An Eligible Partnership may include other entities, such as an LEA that is not a high-need LEA, a public charter school, an elementary school or secondary school, an educational service agency, a non-profit educational organization, another IHE, a non-profit cultural organization, a teacher or principal organization, or a business (Section 2131(1)(B) of the ESEA (20 USC 6631(1)(B))).
- c. LEAs apply to the SEAs for program funds. The amount of each LEA’s allocation that an SEA provides reflects (1) a “hold-harmless” based on the amount of funds the LEA received in FY 2001 under the former Eisenhower Professional Development and Class-Size Reduction programs, and (2) the LEA’s share of any funds still remaining. In any year in which the amount available in the State for LEA grants exceeds the sum of the “hold-harmless” amounts for LEAs in the State, the SEA must distribute the excess funds based on the following formula (Section 2121(a) of the ESEA (20 USC 6621(a))):
  - (1) 20 percent of the excess funds must be distributed to LEAs based on the relative population of children ages five through 17, as determined by the Secretary.

- (2) 80 percent of the excess funds must be distributed to LEAs based on the relative numbers of individuals ages five through 17 from families with incomes below the poverty line, as determined by the Secretary.

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

1. **Matching** (LEAs) - Not Applicable
2. **Level of Effort - Maintenance of Effort** (SEAs/LEAs)

See ED Cross-Cutting Section.

- 2.1 **Level of Effort - Supplement Not Supplant** (SEAs/LEAs)

See ED Cross-Cutting Section. Supplement Not Supplant is not applicable to the SAHEs and their subgrants to Eligible Partnerships (Section 2134 of the ESEA (20 USC 6634)).

3. **Earmarking**

See ED Cross-Cutting Section.

**H. Period of Availability of Federal Funds** (All grantees)

See ED Cross-Cutting Section.

**L. Reporting**

1. **Financial Reporting**  
See ED Cross-Cutting Section.
2. **Performance Reporting** - Not Applicable
3. **Special Reporting** - Not Applicable

**N. Special Tests and Provisions**

1. **Participation of Private School Children** (SEAs/LEAs)  
See ED Cross-Cutting Section.
2. **Schoolwide Programs** (LEAs)  
See ED Cross-Cutting Section.

### 3. Assessment of Need (LEAs)

**Compliance Requirement** - To be eligible to receive a subgrant of Title II, Part A funds, an LEA must conduct an assessment of local needs for professional development and hiring, as identified by the LEA and school staff. The needs assessment must be conducted with the involvement of teachers, including teachers who work in Title I, Part A targeted assistance programs and schoolwide program schools (Sections 2122(b)(8) and (c) (20 USC 2122(b)(8) and (c))).

**Audit Objective** - Determine whether the LEA, with the required participation of teachers, conducted the required needs assessment.

#### **Suggested Audit Procedure (LEAs)**

Review documentation to ascertain if the LEA conducted the required needs assessment and if teachers, including Title I, Part A teachers from targeted assistance or schoolwide program schools, participated in the needs assessment.