



Financial Monitoring of Educational Service Agencies

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Educational Service Agency Acronyms



- AU
- BOCES
- Collaborative
- Co-Op
- ESA
- ISD
- RESA
- SAU
- SELPA
- Others?

Educational Service Agencies (34 CFR § 300.12) Definitions *(Slide 1 of 3)*



IDEA Recognizes three types of ESAs:

1. A regional public multiservice agency that is authorized by State law to develop, manage, and provide services or programs to LEAs, and that is recognized as an administrative agency for purposes of the provision of special education and related services provided within public elementary schools and secondary schools of the State;

Educational Service Agencies (34 CFR § 300.12) Definitions (*Slide 2 of 3*)



IDEA Recognizes three types of ESAs (continued):

2. Any other public institution or agency having administrative control and direction over a public elementary school or secondary school; and
3. Includes entities that meet the definition of intermediate educational unit (IEU) in section 602(23) of the IDEA as in effect prior to June 4, 1997.

Educational Service Agencies (34 CFR § 300.12) Definitions *(Slide 3 of 3)*

- An *intermediate educational unit* or *IEU* means any public authority other than an LEA that:
 - Is under the general supervision of a State educational agency;
 - Is established by State law for the purpose of providing FAPE on a regional basis; and
 - Provides special education and related services to children with disabilities within the State.
- Definition may be found in IDEA's Part C regulations of an LEA at 34 CFR § 303.23(b)(3).

A “Typical” LEA (34 CFR §300.28)



A public board of education or other public authority legally constituted within a State for either administrative control or direction of, or to perform a service function for, public elementary or secondary schools in a city, county, township, school district, or other political subdivision of a State, or for a combination of school districts or counties as are recognized in a State as an administrative agency for its public elementary schools or secondary schools.

LEAs & Educational Service Agencies (34 CFR §300.28(b)) *(Slide 1 of 2)*

- The term LEA includes ESAs, as defined in 34 CFR §300.12(b).
- An SEA may only provide Part B subgrants to eligible LEAs. In order to receive a Part B subgrant, an ESA, like any LEA, must establish eligibility under IDEA section 613.
- The LEA that establishes eligibility under IDEA section 613 and receives a Part B subgrant is the LEA responsible for ensuring Part B requirements are met.

LEAs & Educational Service Agencies (34 CFR §300.28(b)) (*Slide 2 of 2*)



- The decision on whether a “typical” LEA or an ESA receives a subgrant is a State decision.
- Typically there is a State statute or regulation stating that ESAs receives the IDEA subgrants.

Educational Service Agencies



- Not all ESAs are LEAs.
- This presentation will focus on ESAs that receive subgrants using the formula in 34 CFR §§ 300.705 and 300.816.

Question



Who applies for and receives and IDEA subgrant under 34 CFR §§ 300.705 (IDEA 611) and 300.816 (IDEA 619)?

- An LEA ?
- An ESA?
- A combination?
- A different configuration?

When an ESA applies for and receives IDEA funds

- It is not considered “joint eligibility” under IDEA section 613(e).
- The ESA is responsible for carrying out the programs under IDEA Section 613.
- The ESA leadership structure decides the amount of Federal funds member districts receive.
- IDEA does not recognize subgranting a subgrant.
- See OSEP letter to Hokenson (2009).
- Ultimately the ESA is accountable for their IDEA funds.

When an ESA applies for and receives IDEA funds: LRE Requirement

Additional Requirement for ESAs:

- “An ESA shall provide for the education of children with disabilities in the least restrictive environment, as required by section 612(a)(5).”

When an ESA applies for and receives IDEA funds: LRE Requirement

(Slide 1 of 2)

- To the maximum extent appropriate, children with disabilities, including children in public or private institutions or other care facilities, are educated with children who are not disabled, and special classes, separate schooling, or other removal of children with disabilities from the regular educational environment occurs only when the nature or severity of the disability of a child is such that education in regular classes with the use of supplementary aids and services cannot be achieved satisfactorily.

When an ESA applies for and receives IDEA funds: LRE Requirement

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- The LEA, in providing for the education of children with disabilities within its jurisdiction, must have in effect policies, procedures, and programs that are consistent with the State policies and procedures established as required in IDEA section 612.

Selected Conditions of LEA Eligibility



- Use of funds
- Excess costs
- Maintenance of effort
- Use of appropriate/adequately trained staff
- Treatment of charter schools
- Providing SEA with information necessary to enable the SEA to carry out its duties under IDEA Part B

ESA considerations



Examples where the State must examine data and make calculations at the ESA level:

- Proportionate share 34 CFR §300.133
- Adjustment to local fiscal effort in 34 CFR § 300.205
- Determinations at the ESA level

Areas Where Flexibility Currently Exists



- APR reporting
- Determinations at the member district level
- CEIS/Significant Disproportionality
- Fiscal monitoring

Upcoming Guidance



OSEP intends to issue additional guidance on ESAs.

Michigan Model *(Slide 1 of 4)*



IDEA Part B Allocations

- SEA determines IDEA Part B allocations based upon the statutory formula and distributes to the ISD.
- The ISD allocations includes all of the LEAs/PSAs within each ISDs jurisdiction.
- ISDs may distribute Part B funds to their LEAs/PSAs or retain the funds at the ISD.
- When ISDs distribute Part B funds to their LEAs/PSAs they are not required to follow the statutorily required formula.

Michigan Model *(Slide 2 of 4)*



- ISD Grant Application.
- Submitted to SEA as a single ISD Grant Application.
- When an ISD distributes Part B funds to their LEAs/PSAs, each entity agrees to comply with assurances and submits their budget/program design to the ISD for review and submission.
- SEA receives, reviews, returns to ISD for modifications, and approve.

Michigan Model *(Slide 3 of 4)*

- ISD Drawdown of Funds.
- ISDs receive requests for cash drawdowns from their LEAs/PSAs.
- ISDs are responsible for the oversight of cash drawdowns.
- ISDs request the SEA for cash drawdowns and the ISDs receive the reimbursement directly.
- ISDs reimburse their LEAs/PSAs.

Michigan Model *(Slide 4 of 4)*

ISD Special Education Directors and Business Officials

- Training
 - Present at Michigan School Business Officials (MSBO) workshops and conferences
 - Present at the ISD MSBO meetings
 - Present at the ISD Special Education Director's meetings
 - Present at MSBO and ISD Special Education Director's Regional Meetings
 - ISD Business Officials assist in MDE OSE trainings
- Development of processes includes
 - ISD MSBO Special Education Sub-committee
 - ISD Special Education Directors

Michigan Uniform Guidance



NEW Monitoring Requirements 2 CFR 200, Section 200.331(6)

- Risk assessment of non-compliance to determine appropriate monitoring activities
- Monitoring activities include: Technical Assistance & Training, On-Site Visits, or Agreed Upon Procedures
- Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes

Michigan Subrecipient Monitoring Single Audit vs. PFR

- Single Audit (organization wide audit)
- Financial Statements
- Internal Controls and Federal Compliance Overall
- Interview of potential opportunities of Fraud, Waste and Abuse
- PFR Monitoring (detailed review of IDEA grants)
- Review financial and program reports
- Use Single Audit as a tool
- Program specific allowable costs
- May result in SIGNIFICANT Non-compliance

Michigan Subrecipient Monitoring

(Slide 1 of 6)



Program Fiscal Reviews (PFRs) by SEA Office of Special Education (OSE)

- Is the review of expenditures for IDEA Federal grants and special education State Aid reimbursements to ensure compliance with Federal and State rules and regulations as they relate to fiscal management and specific programmatic aspects. PFRs include transaction testing to ensure the allowability of expenditures.
- 56 ISDs divided into 3 rotations
- Initiate the PFRs with the ISDs
- Select LEAs/PSAs to be included in the ISD PFR

Michigan Subrecipient Monitoring

(Slide 2 of 6)



- Communications prior to the PFR
- Announcement Letter to ISD
- OSE Fiscal Monitor contacts ISD
- OSE Fiscal Monitor selects LEAs/PSAs
- OSE Fiscal Monitor contacts LEAs/PSAs

Michigan Subrecipient Monitoring

(Slide 3 of 6)



- During Site Visit Processes
- Meet with or call ISD/LEA/PSA Business Official and Special Education Director, other key people
- Discuss ISD/LEA/PSA processes
- Review sample items
- Ask questions
- Ask more questions until we are done

Michigan Subrecipient Monitoring

(Slide 4 of 6)



- End of Site Visits Process
- Discuss tentative findings
- ISD/LEA/PSA may need to provide information to complete review
- Corrective action

Michigan Subrecipient Monitoring

(Slide 5 of 6)



- It is important to note that even though the funds are provided to the ISD, when the ISD distributes Part B funds to their LEAs/PSAs, compliance is monitored at the ISD and the selected LEAs/PSAs similarly.
- Each entity will have findings (or no findings) and corrective actions that are specific to their district.
- Each entity will have a meeting at the end of the site visit to discuss their specific findings.
- The meeting at the ISD will include a discussion of any findings and corrective actions at the ISD and the LEAs/PSAs included in the PFR.

Michigan Subrecipient Monitoring

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- The PFR report is sent to the ISD including a specific report for each LEA/PSA reviewed whether there were findings identified or no findings.
- It is the responsibility of the ISD to
 - distribute the individual reports to each LEA/PSA
 - assist their LEAs/PSAs regarding any corrective actions
 - collect the corrective action documentation and submit to the MDE OSE for review, approval and close out.

Questions?