

# FISCAL MONITORING PROCEDURES

## UNIVERSAL MONITORING

The USOE Special Education Section (SES) provides fiscal monitoring for each Utah Local Education Agency (LEA; school district or charter school). Universal monitoring procedures are in place to provide a minimum level of oversight, to reduce the paperwork and reporting burden, and to identify the level of risk in LEA procedures.

## STATE AUDIT OF FEDERAL PROGRAMS

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

Utah public schools operate on a July 1 to June 30, fiscal year. Each LEA is responsible for submitting the Annual Financial Report (AFR) and Annual Program Report (APR) by October 1st following the close of the fiscal year. The annual audit report including a single audit is due November 30th.

- The USOE Internal Auditor conducts an annual review of the audit reports (including single audits) submitted by each LEA.
- The USOE School Finance department conducts an annual review of the AFR and APR reports submitted by each LEA.
- The results of these reviews are shared with the USOE Special Education Section (SES) for the primary purposes of 1) coordinating the training of LEA personnel in record keeping procedures, 2) incorporating the findings into the Utah Program Improvement Planning System (UPIPS) determination process, and 3) identifying the level of financial risk in the LEA procedures.

## LEA SELF-ASSESSMENT

Each LEA will complete fiscal compliance checklists as part of a self-assessment and fiscal desk audit process. As a part of the IDEA funding application the LEA completes and submits the General Fiscal Compliance Checklist. The checklist provides the opportunity for LEAs to explain how they are conducting their own compliance monitoring of fiscal requirements.

Based on results of the General Fiscal Compliance Checklist, the LEA may be required to submit additional checklists. These additional checklists allow the LEA to provide more detail in the areas of proportionate share for private school students, comprehensive early intervening services, schoolwide Title I programs, and/or high-cost students.

LEA Self-Assessment Checklists are reviewed annually, and updated as needed when policies, procedures, or practices of the LEA are adjusted.

## APPLICATION FOR FUNDS

Each LEA must submit an annual application for IDEA funds through the Utah Consolidated Application (UCA). Each application is reviewed for fiscal compliance in the following areas:

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

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

## SAMPLE MONITORING

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

In an effort to streamline the sample monitoring process, all procedures for LEA sample monitoring are aligned with the UCA or UPIPS systems. Typically, the USOE Special Education Finance Specialist will request additional documentation of expenditures when a request for reimbursement is submitted. The LEA must provide the documentation requested within 30 days or the request for reimbursement will be rejected. For other subrecipients (not LEAs), requests for additional documentation will follow requests for reimbursement.

LEAs or other subrecipients can expect sample monitoring at any time. The USOE Special Education Finance Specialist will conduct sample monitoring as part of the monthly reimbursement review process. Each month, at least two districts and two charter schools will be asked to provide additional documentation. Requests for additional documentation may address (but are not limited to) the following areas:

- Time and Effort Certification.
  - Districts may provide semi-annual certifications for employees who are assigned 100% to special education, or monthly Personnel Activity Reports (PARs) for employees who are assigned less than 100% to special education or paid less than 100% from a single grant.
  - Charter Schools must provide monthly Personnel Activity Reports for any employee paid in full or part with IDEA funds.
  - Time and Effort Certification will be requested for the time period associated with the reimbursement request.
- Inventory Management
  - LEAs or other subrecipients must provide documentation of their inventory management systems, showing the item(s) associated with the reimbursement request.
- Coordinated Early Intervening Services
  - LEAs must provide documentation of the implementation of the CEIS program identified in the plan submitted by the LEA to USOE.
  - LEAs must provide PARs unique to the CEIS program for personnel paid with CEIS funds.
  - LEAs must provide copies of receipts, invoices, etc., for expenditures related to the implementation of the CEIS program.
- Equitable Services (Private School Proportionate Share)
  - LEAs must provide documentation of the implementation of services to students with disabilities who are parentally placed in eligible private schools.
  - LEAs must provide evidence that services provided are aligned with the plan developed by the LEA and presented to the private school representative.
- Allowable Costs
  - LEAs or other subrecipients must provide copies of receipts, invoices, or other documentation supporting expenditures made with IDEA funds.

## RISK MONITORING

Risk monitoring is a more intensive level of monitoring, and is the result of limited compliance in the universal and sample monitoring procedures. A fiscal compliance and accountability rubric is used to determine the level of risk for each LEA.

If an LEA is identified as **“at risk”** for violations of fiscal compliance and accountability requirements, the USOE may initiate verification procedures. These include requesting additional evidence on purchases and other expenditures, interviews with LEA special education and business administration personnel, auditing, and on-site visits.

Copies of the LEA general ledger, as well as receipts, bid information, and other fiscal documentation, may be requested to review vendor eligibility, reimbursement requests versus actual expenditures during a time period, and allowable costs. If the review of risk reveals material weaknesses in internal controls, corrective action will be implemented, as described in R277-114.

## FISCAL COMPLIANCE AND ACCOUNTABILITY RISK RUBRIC

Compliance Area	Low Risk	Medium Risk	High Risk	Not Applicable
Single Audit Review	The LEA has no findings or warnings.	The LEA has one or more areas of concern. Follow up is required.	The LEA has an audit finding related to the use of IDEA funds.	
AFR/APR review	The AFR/APR is submitted on time. No concerns are noted by USOE staff.	The AFR/APR is submitted late. Follow up for minimal concerns, questions, or correction is required.	The AFR/APR is submitted late or is not submitted. Substantial obvious errors for correction are noted by USOE staff.	
Application for Funding	The application is submitted on time and approved with no revisions.	The application is submitted on time and requires minimal revision, or the application is late.	The application is substantially late and requires revision prior to USOE approval.	
Excess Costs	The LEA has submitted the excess costs calculation, demonstrating eligibility for IDEA funds.	The excess costs calculation is incomplete, incorrect, or not submitted on time.	The LEA has not calculated excess costs.	
Maintenance of Effort	The LEA has met MOE, and demonstrates the ability to meet MOE in the application year.	The LEA has requested an allowable reduction or exception to MOE requirements.	The LEA has not met MOE and has been required to repay.	The LEA does not have 2 years of operation to compare.
Time & Effort Certification	The LEA provides certification on request.	Certification does not match other documentation, is incomplete, or is not submitted within 30 days of request.	The certification is not available.	
Inventory Management	The inventory list includes all required information and is submitted on request.	Inventory list is incomplete or does not contain all required elements.	No inventory list is available.	
CEIS	The LEA plan and report are submitted on time. Additional documentation is submitted by request.	The LEA plan or report is not submitted on time. Additional documentation is incomplete or not submitted within 30 days of request.	The LEA submits a plan or report, but not both. Documentation of services and expenditures is not available.	The LEA is not providing CEIS.
Equitable Services (Private School Proportionate Share)	The LEA is providing services as described in the plan. The required amount has been set aside.	The LEA has not identified all eligible schools. Documentation is incomplete or not submitted within 30 days of request.	The LEA does not have supporting evidence of service, or expenditure, or meetings held with all eligible private schools.	The LEA is not required to provide equitable services, or no eligible private schools are within the boundary.
Allowable Costs	The LEA provides documentation of allowable expenditures.	Documentation is incomplete or not submitted within 30 days of request.	The LEA is unable to provide documentation that expenditures are allowable (allowed, reasonable, and allocable).	

## FISCAL NONCOMPLIANCE

The USOE is required to identify and correct any instances of noncompliance with the fiscal regulatory requirements of the IDEA, EDGAR, and OMB Circulars. To implement this requirement, the finance specialist reviews data collected from and/or submitted by each LEA to ensure compliance.

### IDENTIFICATION OF NONCOMPLIANCE

LEAs have the option to correct noncompliance within 30 days of data collection before the USOE issues written findings of noncompliance. The USOE will review the additional data submitted by the LEA and verify whether the data demonstrate compliance, and issue a finding if the data demonstrate noncompliance. Regardless of the specific level of noncompliance, if the USOE identifies noncompliance, the LEA will be notified in writing of the noncompliance and of the requirement that the noncompliance be corrected as soon as possible, but in no case later than one year from identification.

### CORRECTION OF NONCOMPLIANCE

The Office of Special Education Programs (OSEP) requires that all noncompliance be corrected as soon as possible, but in no case later than one year from the date of notification of noncompliance. The USOE has considered various ways in which LEAs could document the correction of compliance errors, and has made an effort to consider methods that will require the least amount of time and effort for LEAs while providing the USOE with evidence verifying corrections.

Before the USOE can conclude and report that noncompliance has been corrected, it must first verify, consistent with the OSEP Memo 09-02, that the LEA;

- Prong 1 – Has corrected each individual case of noncompliance, and
- Prong 2 – Is correctly implementing the specific regulatory requirements (i.e., subsequently achieved 100% compliance), based on the USOE review of the updated data.

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### PRONG 1: CORRECTING EACH INDIVIDUAL CASE OF NONCOMPLIANCE

To document that individual fiscal noncompliance is corrected, LEAs must demonstrate that the fiscal record is compliant with regulatory requirements. Fiscal records which require correction of noncompliance include requirements such as:

- Time and effort certification is not complete for all employees paid in full or part with IDEA funds.
- Reimbursement is requested prior to expenditure.
- Prior approval was not received for purchases of equipment over \$5,000 per item.
- Prior approval was not received for purchase of construction, including installation.
- Expenditures of more than 10% above the approved budget in any single line.
- Reimbursement for indirect costs exceeds the allowed restricted indirect cost rate for the LEA for the year.
- Expenditures were not allowable, allocable, or reasonable.
- The LEA did not meet Maintenance of Effort (MOE) requirements.
- The LEA did not meet Excess Costs requirements.
- Funds were not set aside for equitable services for students parentally placed in private schools.
- Data submitted by the LEA for use in fiscal calculations were not timely and/or accurate.
- Expenditure of funds outside the period of availability.

LEAs may select one of the following two (2) procedures to show correction of individual noncompliance (prong 1):

**Method A:**

The LEA could list each fiscal record, list the errors, and give dates of new/current documentation that shows the fiscal records in compliance. For example:

Fiscal Record	Compliance Item	Evidence of Correction	Documentation of Correction
Payroll Report	Personnel Activity Reports not signed monthly	5/15/2012	Submitted documentation of corrected PARs.
Excess Costs Calculation	Excess costs calculation missing	6/15/2012	Submitted calculation of excess costs.

**Method B:**

The LEA could document the required evidence by making copies of evidence of correction on individual fiscal records, and submitting the copies to the USOE.

Compliance Item	Evidence to Submit (Copies of Correction)
Equitable Services	Caseload record of service providers
Prior approval for equipment	Journal entry transferring expenditure to alternate funding source
Data error	UTREX verification of upload
Reimbursement before expenditure	Evidence of allowable expenditure Interest calculation Payment of interest

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**PRONG 2: CORRECTLY IMPLEMENTING THE SPECIFIC REGULATORY REQUIREMENTS**

To document that the LEA is correctly implementing the specific fiscal regulatory requirements, the LEA will review additional fiscal records, regardless of the level of noncompliance, and submit documentation that the LEA has achieved 100% compliance. The number of additional fiscal records reviewed by the LEA will be determined based on the identified root cause of noncompliance and the following factors:

- The level of noncompliance,
- The LEA’s willingness to collaborate and consult with the USOE,
- The LEA’s history of correction of noncompliance, and
- The size and demographics of the LEA.

The USOE is committed to supporting LEA efforts to improve results for students with disabilities through the framework of fiscal accountability and compliance. If you have any questions, please do not hesitate to call the USOE Fiscal Specialist, Jennifer Howell at 801-538-7724 or [jennifer.howell@schools.utah.gov](mailto:jennifer.howell@schools.utah.gov)