

## **Part B Subrecipient Monitoring**

### **Background Information**

As grantees, State educational agencies (SEAs) have always had general supervisory responsibility, which included subrecipient monitoring to ensure compliance with both fiscal and programmatic requirements. 2 CFR § 200.328, 2 CFR Subpart F of 2 CFR Part 200, 34 CFR §§, 300.149 and 300.600. The *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance) streamlines and consolidates Federal requirements for receiving and using Federal awards so as to reduce administrative burden and improve outcomes. 2 CFR Part 200. In the area of subrecipient monitoring, the Uniform Guidance provides both requirements and opportunities for exploring new ways for SEAs to carry out their monitoring responsibilities in the most effective and efficient manner.

Under Part B of the Individuals with Disabilities Education Act (IDEA) and the Uniform Guidance, SEAs are responsible for oversight of the operations of the IDEA-supported activities. Each SEA must monitor its own activities, and those of its local educational agencies (LEAs), to assure compliance with applicable Federal requirements and performance expectations is being achieved. Monitoring by the SEA must cover each program, function, or activity. 2 CFR §200.328(a). This is consistent with the prior requirements under 34 CFR §80.40. Newer, more specific requirements and guidance are found in 2 CFR §200.331. More details on the specifics of these requirements are provided below. For now, it is worth noting three aspects of the Uniform Guidance's provisions regarding subrecipient monitoring. The Uniform Guidance:

1. Includes a specific requirement that pass-through entities (in this case, SEAs) conduct risk assessments of their subrecipients;
2. Places an increased emphasis on monitoring performance, as well as compliance; and
3. Includes technical assistance as one example of the range of potential monitoring activities.

### **Monitoring Scope:**

- *Scope:* Monitoring will focus on the policies, procedures and their implementation during Federal fiscal year (FFY) 2019 (2019-20). However, as appropriate, OSEP will also examine documentation from the prior two fiscal years.

### **Monitoring Objectives**

This activity falls under monitoring in its broadest sense, and is intended to be a collaborative discussion aimed at helping States develop fiscal subrecipient monitoring systems that ensure the financial integrity of taxpayer dollars and support the Results-Driven Accountability initiative to help States improve results for children with disabilities. Although the emphasis is on fiscal monitoring, the U.S. Department of Education's Office of Special Education Programs (OSEP) recognizes that fiscal monitoring is sometimes conducted in conjunction with programmatic monitoring, and we are interested in discussing how these two aspects of subrecipient monitoring are combined or related. The statutory and regulatory requirements only present what is

minimally required. While the Uniform Guidance includes several specific requirements for subrecipient monitoring, it gives much discretion to States to design their own systems and optional suggestions for areas that could, but are not required to, be included. The primary focus of this monitoring activity is to provide technical assistance, not to assess a State's compliance with applicable statutory and regulatory requirements. However, OSEP has a responsibility under section 616(a)(1) of the IDEA to monitor implementation of Part B of the IDEA through oversight of the exercise of general supervision by States and to enforce Part B of the IDEA. Therefore, if, during the course of these monitoring activities, OSEP identifies any noncompliance, and the State does not demonstrate correction of the noncompliance before OSEP issues a finding, OSEP will notify the State in writing of the noncompliance and ensure the noncompliance is corrected as soon as possible, and in no case later than one year after OSEP's identification of the noncompliance.

Specific objectives include:

1. Review the requirements for fiscal subrecipient monitoring;
2. Discuss the State's existing monitoring system;
3. Identify any gaps between the State's system and the requirements in the Uniform Guidance and IDEA;
4. Discuss how subrecipient monitoring can be aligned with the goal of improving outcomes for students with disabilities and achieving the State-Identified Measurable Result (SIMR) described in the State's State Systemic Improvement Plan (SSIP);
5. Discuss best practices identified at the Federal level; and
6. Help OSEP continue to identify best practices.

### **Monitoring Protocol**

#### I. Review of Subrecipient Monitoring Requirements Under the Uniform Guidance:

SEAs must:

- a. Ensure that each subaward includes certain detailed information as described in 2 CFR §200.331(a);
- b. Evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring (2 CFR §200.331(b));
- c. Consider imposing specific subaward conditions upon a subrecipient if appropriate as described in 2 CFR §§200.207 and 3474.10 (2 CFR §200.331(c));
- d. Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved (2 CFR §200.331(d));
- e. Depending upon the assessment of risk posed by the subrecipient, consider monitoring activities ranging from technical assistance to on-site monitoring or conducting agreed-upon-procedures engagements (audits) (2 CFR §200.331(e));
- f. Verify that every subrecipient is audited as required (2 CFR §200.331(f));

- g. Consider whether the results of the subrecipient's audits, on-site reviews, or other monitoring indicate conditions that necessitate adjustments to the pass-through entity's own records (2 CFR §200.331(g)); and
- h. Consider taking enforcement action against noncompliant subrecipients as described in 2 CFR §200.338 (2 CFR §200.331(h)); and in program regulations.

## II. Current Monitoring Procedures:

- a. Describe your current subrecipient monitoring procedures.
- b. How do you select LEAs for monitoring (risk, cyclical, etc.)?
- c. Do you currently conduct a risk assessment of your LEAs?
- d. If so, what risk factors do you use?
- e. Do you use the risk assessment to select LEAs for monitoring?
- f. Do you provide the results to your LEAs or other entities? Do you make the risk assessment of all your LEAs available to all LEAs, or do you provide each LEA its own results only, or do you not provide the results at all?
- g. What office is responsible for conducting the monitoring?
- h. Do you conduct programmatic monitoring and fiscal monitoring together, separately, or some combination?
- i. Do you monitor jointly with other offices responsible for Federal programs (e.g., Title I)?
- j. How do you determine monitoring areas?
- k. What mechanisms do you use to conduct your monitoring (on-site, desk, virtual, self-assessment, combination)?
- l. How do you determine which mechanism to use for a particular LEA?
- m. Do you consider performance as part of your monitoring? If so, how?
- n. Do you consider the results of Single Audits as part of your monitoring process? If so, how?
- o. Describe the range of enforcement actions taken in response to noncompliance and/or low performance, and how you select the appropriate action(s).
- p. How do the results of monitoring inform the technical assistance (TA) provided to LEAs?

## III. Single Audit Responsibilities:

- a. How do you verify that every subrecipient is audited as required?
- b. How do you fulfill the requirement to issue a management decision for IDEA-related audit findings?
- c. What office issues management decisions?
- d. If it is an office other than special education, how is your office informed of the audit findings and decisions?
- e. Who is responsible for ensuring timely correction of the audit finding?
- f. Do you track repeat audit findings (i.e., repeat for the same LEA, and repeat across multiple LEAs)?

## IV. Improved Outcomes for Students with Disabilities

What are examples of how IDEA funds are used to support the SiMR, or improved results for children with disabilities more broadly?

-at SEA level

-at LEA level

Has any guidance been issued to LEAs re: use of IDEA funds in this way?

What kinds of questions have you received from LEAs, families, or other stakeholders about the use of IDEA funds to improve results for children with disabilities? Has the SEA sought input or discussed options with LEAs and stakeholders on this topic?

What are examples of how State funds are used to support the SiMR/improved results? Any special appropriations since inception of SiMR? Increases, decreases targeted to results/SiMR?

Have there been any single audit findings or fiscal monitoring findings related (directly or indirectly) to use of IDEA funds in support of improved results for children with disabilities?

**Documents Needed:**

- a. Current monitoring procedures and protocols.
- b. Proposed monitoring procedures and protocols.
- c. Monitoring cycle, if applicable.
- d. Risk rubric/assessment/factors.
- e. Summary of IDEA-related fiscal monitoring findings for LEAs for prior two years.
- f. Policies and procedures for resolving IDEA-related Single Audit findings for LEAs.
- g. Summary of IDEA-related Single Audit findings for LEAs for prior two years.
- h. Copies of subaward notifications sent to LEAs.