

Module 7: Part C Application Requirements

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This is the seventh module in the Fiscal 101 series. The module is focused on the requirements related to the annual application for federal funding. As all states and territories continue to participate with the Office of Special Education Programs (OSEP) in administering state early intervention systems, it is assumed that Part C Coordinators are familiar with the Individuals with Disabilities Education Act and its accompanying regulations.

What should not be assumed is that all fiscal staff in lead agencies have similar understandings. It is very important that all impacted parties within a lead agency share common understanding of requirements when a state's annual application for funding is submitted.

Part C Application Requirements

Includes:

- Certification regarding financial responsibility for the provision of Part C services (see [34 CFR §303.202](#))
- State's system of payments (regarding use of public insurance or benefits, private insurance, or family costs or fees) (see [34 CFR §303.203\(b\)\(1\)](#))
- Methods used by the State to ensure the provision of, and financial responsibility for, Part C services (see [34 CFR §303.203\(b\)\(2\)](#))
- Description of use of Federal funds (i.e., budget) (see [34 CFR §303.205](#))

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As part of the annual application, the state Lead Agency must certify that it has financial responsibility for the provision of Part C services (see 34 CFR §303.202), that a State's system of payments regarding use of public insurance or benefits, private insurance, or family costs or fees is clearly articulated and approved by OSEP.

This assumes appropriate parental protections and consent requirements are met and the agreements are in place if another state entity such as Medicaid has payment responsibility. These requirements are described in greater detail in Module 8 of this Fiscal 101 training.

The methods used by the State to ensure the provision of, and financial responsibility for, Part C services are understood across the state's Lead Agency management structure, which includes the consistent implementation of the Lead Agency's system of payments which has been approved by OSEP. More detail about Methods of ensuring services will be included in Module 9.

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And finally, the description of use of Federal funds, as detailed in the submitted budget (or Section III of the IDEA Part C application), clearly states how Part C funding will be used by the lead agency in support of its Early Intervention system and that the funding is equitably distributed. (see 34 CFR §303.205).

There are also a number of fiscal requirements embedded into the budget section of the application. For example, Section III requires that the lead agency indicate the specific percentage of time that each staff member will dedicate to the Part C program and its objectives.

Those details are driven by the requirements for documentation of personnel expenses in the cost principles of the Uniform Guidance. They also reflect the more general considerations for allowability, including how allocable those personnel expenditures are to the Part C award. If a staff member works 100% on program objectives, then it is allowable to charge 100% of their salary to the Part C award.

If the percentage can be determined and is anything other than 100%, then the resulting charges should be in proportion to the amount of time that the employee spends working on Part C activities.

OSEP's review of your lead agency's budget includes consideration of those underlying requirements, including the allowability of the specific costs listed, and items that may potentially require prior approval from OSEP. OSEP's review also includes an examination of the indirect costs that are being charged to the IDEA Part C grant award. More information on indirect costs was provided in Module 5.

Assurances (Section II.B)

- Payor of last resort
- Control of funds and property
- Record retention
- Internal Controls
- Prohibition against supplanting (i.e., MOE)
- Fiscal control



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A number of assurances are required as part of the application (contained in Section II.B of the state's application). These assurances must be affirmed and include: Payor of Last Resort - Part C funds may not be used to satisfy a financial commitment for services that would otherwise have been paid for from another public or private source.

Assurances (Section II.B)

- Payor of last resort
- Control of funds and property
- Record retention
- Internal Controls
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- Fiscal control



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Control of funds and property - Financial Management Systems must include Identification of the source and application of funds, the establishment of effective control and accountability over funds, as well as property purchased with Part C funds. It is critically important for the lead agency and Part C Coordinator to develop written procedures for payments made to whom and for what purpose and with specific attention as to their allowability.

Assurances (Section II.B)

- Payor of last resort
- Control of funds and property
- **Record retention**
- Internal Controls
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Record Retention -Related to federal fiscal and other reports it is customary for retention of records to be three (3) years. Many states have a more restrictive policy for retention of records, generally these are seven (7) years before appropriated destruction.

Assurances (Section II.B)

- Payor of last resort
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- **Internal Controls**
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Internal Controls - The Governmental Accountability Office (GAO) has standards for internal controls within the Federal government structure. The Part C Coordinator, and other lead agency fiscal staff should make themselves aware of all such controls, including working knowledge of the Federal Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

The reforms that comprise the Uniform Guidance aim to reduce the administrative burden on award recipients and, at the same time, guard against the risk of waste and misuse of Federal funds.

Assurances (Section II.B)

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- **Prohibition against supplanting (i.e., MOE)**
- Fiscal control

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Prohibition against supplanting (i.e., MOE) - MOE is a specific requirement for IDEA Part C Funds. Simply stated a state/jurisdiction must maintain the same level of financial commitment (prior year's expenditure, not the budgeted) for its subsequent Part C system's fiscal year with minor exceptions.

Important note is that Private Insurance support is not counted in determination of Maintenance of Effort regardless of the size of revenue generated. This concept is addressed in more detail in Module 10.

Assurances (Section II.B)

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- **Fiscal control**

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Fiscal control - the lead agency is responsible for matching budget to expenditure requirements, unless a specific expenditure is not applicable, such as a low cost item. Lead agency staff must understand the cost principles used by OSEP staff in determining the level of risk of any given state by OSEP's internal risk assessment process. These cost principles include, but are not limited to the following:

Allowability - is the use of funds expended on items allowable and necessary for operation of the state system. This is known as the PRUDENT PERSON RULE. Conversely, items such as guns, alcohol, and excessive spending are not allowable .

Documentation of personnel expenses - These are costs consistent with what was submitted in your annual funding application. If not, is the reason why documented? Will such documentations pass an audit without audit finding? Are expenses consistent with the operation of the Part C program?

Prior Approvals - a recent state example was a Lead Agency sought prior approval for funding to support partial funding for a new Early Intervention data system. The state in question submitted an amendment request to OSEP for approval of utilization of funding still available under their obligation period, along with supporting materials of the total cost of the new data system.

The amendment also identified the additional larger share bond funding the state would provide. After negotiations, the amendment was approved prior to any funds being used for the new data system.

An additional example is a state that seeks funding only to support a data system that will only be used for Part C specific functions. In this case, the lead agency would seek approval for the total cost of such a system being borne by Part C funding.

Indirect costs (Section IV.B)

- E.g., Rent
- Restricted basis determined through negotiations
 - State's Lead Agency
 - Federal cognizant agency
 - U.S. Department of Education
- See Fiscal 101 Module 5

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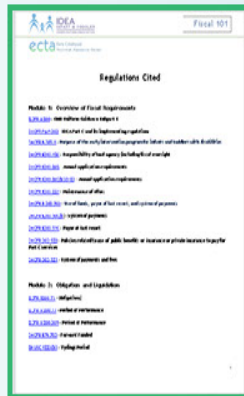
Section IV of the Part C application includes information about the lead agency's ability to charge Indirect Costs to the award, and Section III includes the specific amount that the Part C program has budgeted for those purposes.

As a reminder, for Part C programs indirect costs can only be charged to the grant on a restricted basis, and that basis is determined through negotiations between the State's lead agency, the Federal cognizant agency, and the US Department of Education.

More detailed information on these costs is provided in Module 5 of this Fiscal 101 training.

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