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Welcome to Module 3 of the IDEA Part C Fiscal 101 series. In this module, we will be discussing a number of key post award requirements from Subpart D of the OMB Uniform Guidance that apply to IDEA Part C programs.

While all of the requirements listed on this slide are important, and worth taking the time to review in Subpart D of the OMB Uniform Guidance, In this module we will be highlighting the elements related to financial management systems, internal controls, and record retention and access because of their critical importance, and the fact that there have been major changes in these requirements under the Uniform Guidance.

A note of caution: this is a challenging module in terms of denseness, complexity, and recorded length of the materials. You may need to review the module more than once for full understanding. A link to Subpart D of the OMB Uniform Guidance is provided if you want to look at it now. You may use the continue button to proceed, when you are ready.

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While there are a variety of ways in which lead agencies expend their Part C grant awards, those expenditures tend to fall under a limited number of categories.

Those categories include but are not limited to the following: Payroll expenses; Costs associated with contracted early intervention services; Expenditures related to training and professional development; and Costs of supplies and materials.

Each of these categories of expenditures should have a related financial management system within the lead agency that includes internal controls and oversights, and provides reasonable assurance that those expenses are allowable under Federal awards generally, and for the Part C program more specifically.

Let's use personnel costs as an example. Salary expenses represent the majority of charges made to IDEA Part C grant awards for most Part C programs and, as a result, it is important that lead agencies have mechanisms in place to ensure that funds expended for this purpose are properly accounted for and documented, as well as reasonable and necessary for the performance of the Part C program.

As a result, the lead agency's financial system for payroll expenses is responsible for ensuring that employees of the Part C program are being paid consistently with the terms of their contracts and any subsequent personnel actions.

Those systems should also include a component that is dedicated to ensuring that the work performed by each employee is proportionate to the amount of time that the employee spends working on activities benefiting the Part C program.
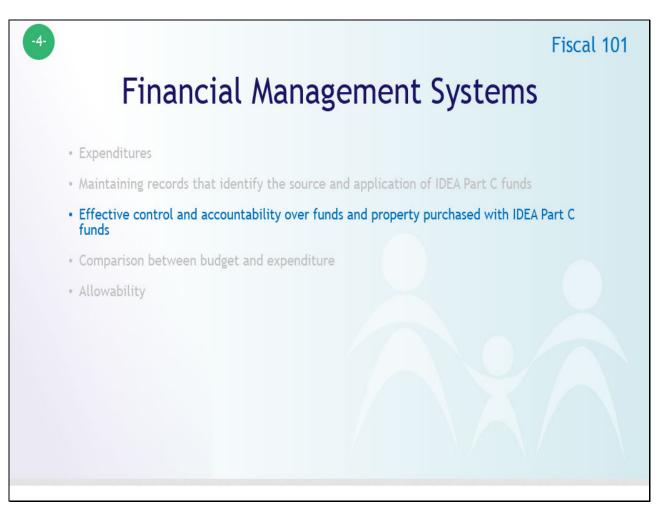
Chances are that you have had some personal experience with this function of your lead agency's financial management system, possibly through a semi-annual certification process to document that you spend 100% of your time working on Part C grant objectives, or through some type of time distribution reporting process that documents how your time is spent across different Federal and/or State programs.

The latter type of documentation may take the form of a validation process that occurs when you complete your timesheet.

It's worth noting that the Uniform Guidance provides States with additional flexibility in how they document personnel expenses, but whatever system a State elects to employ, it must meet a number of fundamental standards, including reasonably reflecting the total activity for which the employee is compensated and supporting the distribution of the employee's salary across all Federal and State cost objectives.

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Other general requirements for the financial management systems IDEA Part C grantees include: Maintaining records that identify the source and application of IDEA Part C funds. This includes records related to any expenditures made by the lead agency, as well as the agency's authorizations, obligations, and assets. We will talk in greater detail about record retention and access requirements later in this module.
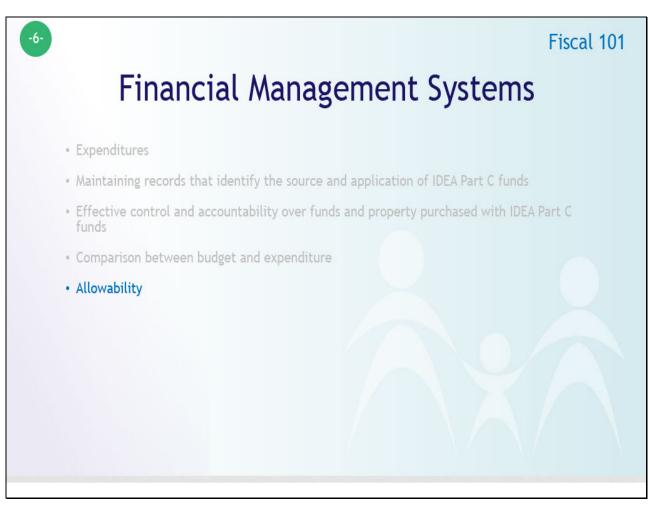
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Effective control and accountability over funds and property purchased with IDEA Part C funds. This includes ensuring that assets purchased with IDEA Part C funds are safeguarded and used only for authorized purposes.

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The ability to perform a comparison between budgets and expenditures for each Federal award. This function may be more or less challenging, depending on how your lead agency is expending its IDEA funds. In situations where the lead agency uses its Part C funds entirely or primarily for the purposes of supporting the administration of the program at the State level, this may be fairly straight forward.

Of course, alternatively, when it involves the tracking of IDEA funds provided to local early intervention programs and providers through contractual agreements, this can become a more involved task. Regardless of the funding priorities that your lead agency has for expending its IDEA grant funds, the use of those funds should be monitored to assure that they are in accordance with the budget submitted as a part of your application for Part C funds.

And in the event that there are significant differences between how the funds are being expended from how they were budgeted, it may be necessary to submit a budget change request to OSEP. These requests will be discussed further in Module 4, under the topic of prior approvals.

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Allowability refers to written procedures for determining the allowability of costs charged to the Part C program. In Module 4 of this training, we also will discuss the allowable use of IDEA Part C and other Federal funds in great detail. At this point, where financial management systems are concerned, it is important to note that your lead agency should have policies and procedures that reflect the cost principles in the OMB Uniform Guidance.

As a general rule, a State's requirements may exceed those Federal requirements, and include more stringent protections over the use of funds, but in no case should those standards be less rigorous, or reflect a lower threshold for the use of Federal funds.

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Another major area of emphasis in the post award requirements of the Uniform Guidance is on grantees establishing and maintaining internal controls over their Federal awards. For Part C programs, those internal controls must provide reasonable assurance that the lead agency is managing its Part C funds in compliance with IDEA statute and regulations, as well as the terms and conditions of the IDEA Part C grant award.

The Uniform Guidance goes on to indicate that those internal controls should be in compliance with the Standards for Internal Control in the Federal Government from the U.S. Government Accounting Office (GAO).

Your lead agency's internal controls will serve as a first line of defense, safeguarding IDEA Part C funds and assets, and ultimately supporting the program in achieving results related to its goals and objectives through effective stewardship of IDEA funds.

It is helpful to view internal controls as a key part of the Part C program's operational processes, rather than as a separate system that is the responsibility of fiscal staff within the lead agency. Everyone has a role in implementing, adhering to, and evaluating the internal control system for the program and within the lead agency.

The GAO standards include a framework for designing and implementing an effective internal control system, and are organized by five key components of internal control and related principles under each of those components. Let's take a minute to briefly discuss each of the five components and how it applies to Part C programs.
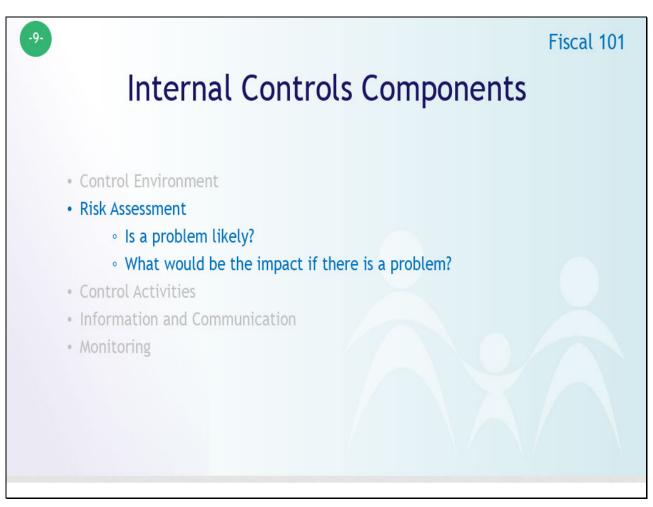
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The first component of GAO's standards is the Control Environment, and it provides the foundation for the lead agency's internal control system. Control environment includes things like leadership's commitment to integrity and ethical values, and dedication competence, including recruiting and retaining qualified staff.

The control environment is often referred to as the "tone at the top" and without the climate that an ethical, committed tone creates, the other components of the program's internal controls are likely to be ineffective. Wells Fargo provides a recent example from the daily news of a situation where the control environment had a major impact on the entity's performance.

In the case of Wells Fargo, employees generated millions of fake accounts despite the fact that there were rules against that type of activity. A major contributing factor to this behavior was the "Sales Culture" that existed in Wells Fargo at the time. Despite the company's rules against making fake accounts, the bank employees were provided incentives for creating new accounts, and disincentives when their sales did not meet established levels.

The impacts to the company of the scandal were tremendous, and included both financial costs ($142 million in settlements), as well as damage to the bank's reputation.

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Risk Assessment is the second component of an effective internal control system. In order to determine what processes need to be put into place to safeguard the use of IDEA Part C and other funds, the agency must first determine which programs, functions, or activities represent the greatest risk to the agency.

There are a number of general factors that constitute risk, including the complexity of the system, the amount of funds involved, the qualifications of the staff involved, and changes to requirements.

Based on the information available to the Part C program about these and other factors, the lead agency can direct its limited resources to addressing those programs, functions, or activities that represent the greatest risk to the Part C program achieving its objectives.

This process of determining risk and prioritizing efforts can be supported by asking a couple questions.

How likely is there to be a problem with that program, function, or activity? What would the impact be if there is a problem with that program, function, or activity? The results of this assessment provide the basis for developing appropriate responses, including monitoring, to address the identified risks.

It is important to remember that a high level of risk associated with a particular program, function, or activity does not mean that there is necessarily anything wrong or noncompliant.

Rather, the risk assessment process should be used to allow the lead agency to prioritize, and focus its resources on those areas where there is a high degree of likelihood that something unintended may occur, and/or the impact of something unintended occurring would be damaging to the program and its ability to meet its objectives.

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Control Activities are those actions that the lead agency's leadership takes to address its identified risks. These activities can take a number of forms, including: written policies and procedures, segregation of duties, and monitoring, designed to ensure that programs, functions, and activities are operating as intended.

Those control activities can address fiscal or programmatic issues, and are generally either preventative or detective in nature. Preventative activities, such as the lead agency's authorization processes, are intended to intercede before an incident occurs, where detective activities, like audits, occur after-the-fact.

Both of these types of activities are important to an effective system of internal controls, but it is worth noting that, when functioning properly, preventative activities that are embedded in the lead agency's regular processes tend to be less time consuming and expensive than detective measures. Once again, these activities should be driven by an assessment of risk that factors in the likelihood and impact of potential threats.

Please note that, while effective internal control activities increase the likelihood that the Part C program will achieve its objectives, no matter how well designed, implemented, or operated, those activities cannot provide absolute assurance that the program's objectives will be met. Factors outside the control of the lead agency often affect the program's ability to achieve its objectives.

For example, a number of Part C programs were recently impacted by weather events that had a major impact on the program's ability to achieve its objectives, including fundamental program activities such as child find, and service provision.

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Because effective Information and Communication is vital to each of the other areas of your lead agency's control system, it's important to ensure that the clarity and availability of communication about things like ethical expectations and the importance of adherence to control activities.

It is also important to ensure that high quality, reliable information is being used to drive the lead agency's risk assessment and related control activities. Finally, information and communication within the agency will be important in evaluating existing control activities, and making decisions about how to improve the lead agency's system of internal control.

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That takes us to the final component of internal controls, Monitoring. In this context monitoring does not refer to the lead agency's oversight of its local early intervention programs, but rather its evaluation of the effectiveness of the internal controls that it has put into place, and whether they are working as intended.

For example, this might include sampling to determine whether proper authorizations are being obtained in the lead agency's procurement process. Your monitoring activities should also address the resolution of any findings made through detective activities such as audits and other external reviews. There are a number of resources related to internal controls on the Department's website, that can be found at the link provided.

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The final set of post award requirements that we will discuss in this module relate to record retention and access. This is another area where the Uniform Guidance has expanded significantly on previous Federal requirements.

In addition to the financial management requirements referenced earlier in this module related to maintaining records that identify the source and application of IDEA Part C funds, the Uniform Guidance goes on to provide a number of specific requirements related to the retention period.

Those requirements cover financial records, supporting documents, and all other program records pertinent to the Part C program, and include a 3-year retention period that, to be safe, begins at the end of the grant period, for records generated over the lifespan of the award.

Because the obligation period for IDEA grant awards is 27 months, plus 3 additional months for liquidation, this means that a record created on the first day of the award's availability could conceivably be retained for the life of the award plus the ensuing 3 years, for a total of 5 years and 6 months.

Although States may have policies that require documents to be retained for longer periods of time, the standard from the Uniform Guidance must, at a minimum, be followed.

Please also note that there are a number of exceptions in the uniform guidance that would require records to be retained for longer periods of time. These situations include ongoing litigation or audits, and/or instances where the Department has requested, in writing, that the lead agency retain records related to a grant for an extended period.

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In addition to these requirements for retention, the Uniform Guidance also includes information related to access to those records. In order to perform monitoring or audits, the Department has the right to access any of the Part C program's documents and records pertinent to the IDEA Part C award.

Further, these requirements state that the lead agency must provide timely and reasonable access to any personnel with knowledge or experience related to those documents, for the purposes of interview and discussion.

The Uniform Guidance also provides updated requirements related to the methods for collecting transmitting, and storing records. These requirements encourage grantees to maintain documentation electronically in a machine readable format, but do allow for the continued use of paper records. Lead agencies should have in place periodic quality reviews, and reasonable safeguards against the alteration of those documents.

Finally, where records are concerned, the Uniform Guidance requirements for internal control also require that lead agencies take reasonable measures to safeguard protected personally identifiable information (PII), and any other information that the Department or lead agency designates as sensitive.

As always, if you have questions regarding post award requirements, contact your OSEP state lead who will be able to assist you.

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Two handouts are available here for you to download and either save or print. The document on the left has the content that you just viewed, along with the annotated text that you heard. The document on the right is a complete list of all Code Regulations that are cited in the Fiscal 101 series. Clicking on the images will open the documents in a new window. Use the Continue button when you are finished.

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Thanks for watching! You may use the "Return to List" button to go back to the list of modules, or you may exit by closing your browser window.