DIVISION OF FINANCIAL AND ADMINISTRATIVE SERVICES

Special Education Finance Monitoring

September 2013

Missouri Department
of Elementary and Secondary Education

STAFF	CONTACT INFORMATION
Angie Nickell Director	angie.nickell@dese.mo.gov (573) 751-4385
Gary Sanders Assistant Director	gary.sanders@dese.mo.gov (573) 526-5283
Michael Dierking Supervisor	michael.dierking@dese.mo.gov (573) 522-2523
Leslie Turpin Supervisor	leslie.turpin@dese.mo.gov (573) 751-7022
Cathy Mendez Roca Data Specialist	cathy.mendezroca@dese.mo.gov (573) 751-0623
John Underwood Data Specialist	john.underwood@dese.mo.gov (573) 751-6904
Lindsay Thomas Administrative Assistant	lindsay.thomas@dese.mo.gov (573) 751-0622

Regional Contacts ECSE and Part B

County/District Codes 001-090 through 050-014 and 096-119, 115-115

Cathy Mendez Roca
cathy.mendezroca@dese.mo.gov
Phone: (573) 751-0623
Fax: (573) 526-6898

County/District Codes 051-150 through 347-347 and 048-078 (excluding 096-119 & 115-115)

John Underwood
john.underwood@dese.mo.gov
Phone: (573) 751-6904
Fax: (573) 526-6898

Special Education Finance Web Page

http://dese.mo.gov/divspeced/Finance

SELs Messages

- Special Education Listserve messages
- SELs2
  - Open to anyone wanting to subscribe
  - Subscribers receive the exact same messages as subscribers to SELs
  - Those interested in subscribing to SELs2 can do so by going to the following website: http://dese.mo.gov/divspeced/sels2_subscribe.html

Fiscal Monitoring Process

Tiered Monitoring Process and Cohort Listing

http://dese.mo.gov/ls/index.html

Tiered Monitoring Process

- Tiered Monitoring Process (ePeGS and Federal Monitor System)
- LEAs Assigned to Cohorts (3 Cohorts, approx 190 per Cohort)
- Each year the Cohorts shift through the Tiers shown below

Tier III: On-Site Visit

Tier II: Desk Monitoring/Self Assessment Questionnaire

Tier I: Desk Audit and Applications Review Process

Tiered Monitoring Cycle

Type	2013-2014	2014-2015	2015-2016
On-Site Visit	Cohort 2	Cohort 3	Cohort 1
Desk Monitoring/ Self Assessment	Cohort 3	Cohort 1	Cohort 2
Desk Audit	All Cohorts	All Cohorts	All Cohorts

Tier I: Desk Audit and Applications Review Process

- All Cohorts (every LEA)
- ePeGS Web-Based System
- Review of:
  - Budget Applications/Revisions (including capital outlay)
  - Payment Requests
  - Final Expenditure Reports (FERs)/Revisions
  - Maintenance of Effort (MOE)
  - Coordinated Early Intervening Services (CEIS)
  - Proportionate Share Expenditures
  - A133 Audit Finding Investigations

Tier II: Desk Monitoring/Self Assessment Questionnaire

- Selected Cohort in cycle, every LEA in Cohort (approx 190 LEAs)
- Federal Monitor System
- LEAs answer a Questionnaire based on Yes/No/N/A responses
- Supporting Documentation required only if response is questionable or unclear
- Four- Six months to complete questionnaire

Tier III: On-Site Visit

- Selected Cohort in cycle, program selects number of LEAs to visit based on high risk criteria. Sped Finance selects approximately 20-25 LEAs per year.
- Federal Monitor System
- Sped Finance staff answer Questionnaire based on supporting documentation viewed on-site
- Questionnaire and findings completed on-site
- LEA has until the end of the fiscal year to complete CAP. One additional year to implement and practice.

On-Site Visit Risk Factors

- Late Budget Applications
- Placed on Cash Management Plan (must submit documentation with payment request)
- Allocation Amounts
- Carryover Amounts
- Late FERs
- A133 Audit Findings
- Financial distress

Tiered Monitoring Purpose

- Increase the number of LEAs given some formal review
- Improve the quality and efficiency of on-site reviews
- Improve the quality of LEA/building compliance
- Establish processes to target LEA technical assistance /training needs

Tiered Monitoring System Training

Tiered Monitoring System

Introduction and Overview

Recorded webinar is posted at:

http://dese.mo.gov/webinar/RecordedWebinars-Sept2013.htm

Sped Finance Review Areas

- Obligation Dates and Period of Availability
- Coding/Tracking Expenditures
- Cash Management
- Records Management and Internal Controls
- Procurement
- Allowable Costs/Use of Funds
- Time and Effort/Certified Staff
- Capital Outlay
- Proportionate Share
- Coordinated Early Intervening Services
- Maintenance of Effort

Fiscal Monitoring Checklist

Desk and On-site Monitoring

SECTIONS II: OBLIGATIONS AND PERIODS OF AVAILABILITY

Grant Cycle / Obligation Period / FER Reporting Period

Grant Cycle	Obligation Period	FER Reporting Period
July 1, 2013 (Budget Application due date) to June 30, 2014	Date of Substantially Approved Application to June 30, 2014	Date of Substantially Approved Application to September 30, 2014 (FER due date)
Period during which funds may be obligated and expended. *New money can't be used for an old obligation/expenditure.	Part B funds shall not be obligated until the date the Budget Application has been substantially approved (the date the Application is submitted or July 1, whichever is later). Obligations must be made prior to expenditures.	For any obligations made from substantial approval date of the Part B Budget Application to June 30th of that fiscal year (during the obligation period), LEAs can expend funds to September 30th.

istrict/LEA: **Year:** 2013-2014 Select a Distri

unding Application: Special Education Part B Entitlement - Submittal and Approval **Version:** Initial Number

tatus: Approved

- ePeGS Homepage
- Planning Tool
- Funding Application Menu
  - Current Funds Available
  - Career Education
  - School Improvement
  - Special Education
    - Special Education Part B Entitlement
      - Budget Application
        - Initial
          - Budget Grid
          - Capital Outlay
          - **Submittal and Approval**

Core Assurances	Click link to view and agree to assurances.
Grant Specific Assurances	Agreed to 6/6/2013 by
Substantially Approved	Approved on 7/1/2013

Submitted on 6/6/2013 by

Substantially Approved Date: 07/01/2013 Update

Revoke Budget Grid Print Save Comments

District Comment:

When is an Obligation Made?

IF THE OBLIGATION IS FOR--	THEN THE OBLIGATION IS MADE--
Acquisition of real or personal property	On the date the school district makes a binding written commitment to acquire the property
Rental of real or personal property	When the school district uses the property
Personal services by an employee of the school district	When the services are performed
Personal services by a contractor who is not an employee of the school district	On the date the school district makes a binding written commitment to obtain the services
Performance of work other than personal services	On the date the school district makes a binding written commitment to obtain the work
Public utility services	When the school district receives the services
Travel	When the travel is taken

EDGAR §76.707

SECTION III: CODING AND CASH MANAGEMENT

MO Accounting Code Structure

Fund-Function-Object-Project (if applicable)

Example:

Fund	Function	Object	Project
11	1221	6100	02

http://dese.mo.gov/divadm/finance/acct_manual/documents/sf-CAccountingCodeOverview_000.pdf

2013-14 Function Codes

Description	Function Code
Special Education and Related Services	1221
Coordinated Early Intervening Services	1223
Proportionate Share Services	1224
Tuition, Severely Disabled Program Within the State	1931
Professional Development	2200
Transportation and Maintenance	2500
Facility Acquisition and Construction	4000
ECSE Transportation (MOE only*)	2559
All other ECSE Services (MOE only*)	1280

Object Codes

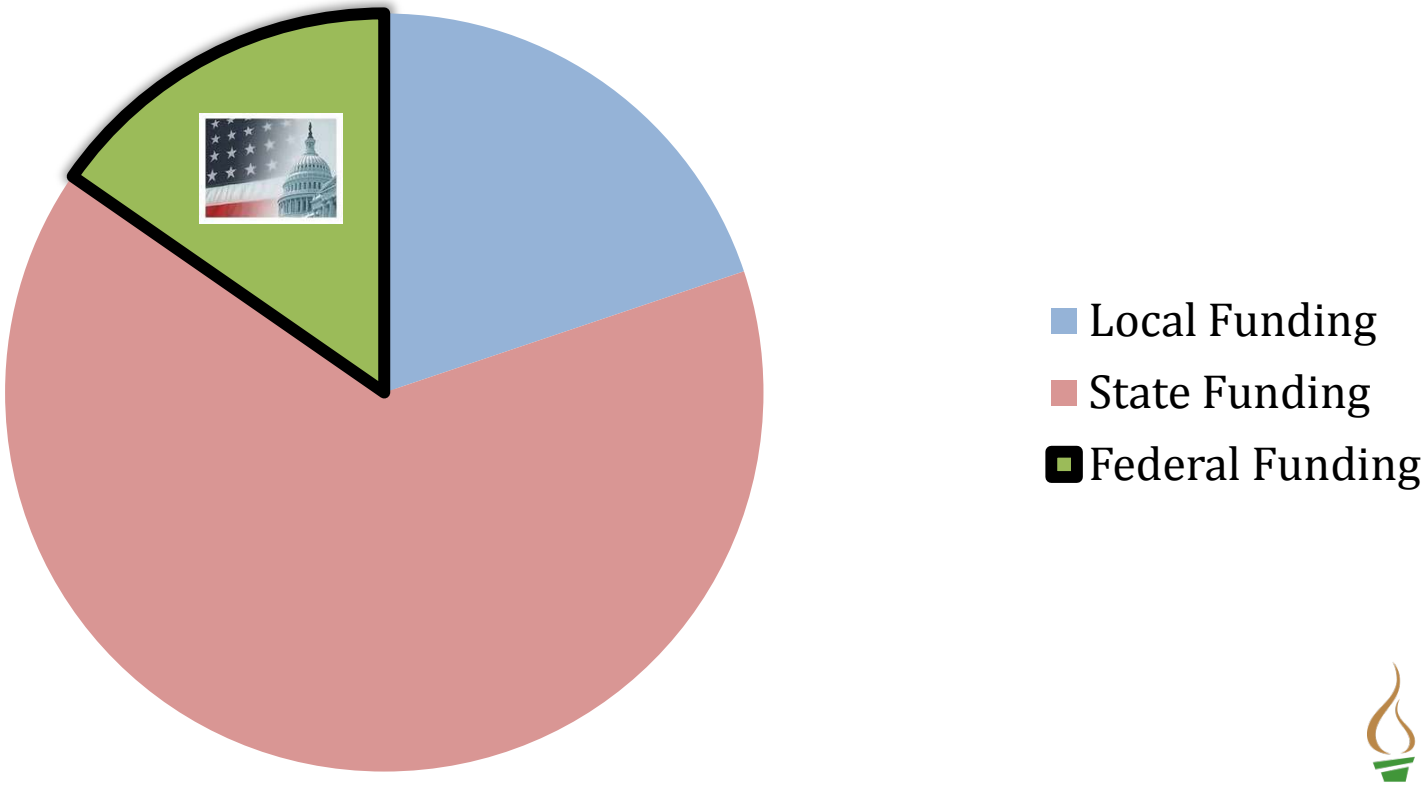
Description	Object Code
Certificated Salaries	6100
Non-Certificated Salaries	6150
Employee Benefits	6200
Purchased Services	6300
Materials and Supplies	6400
Capital Outlay (including equipment)	6500

Separate Tracking

LEAs must track their federal special education expenditures separately from their state/local special education expenditures.

- **EDGAR 76.730**
  - Records shall be kept that fully show the amount of Federal funds received and how the funds are expended.
- **EDGAR 80.20**
  - A grantee shall use fiscal control and fund accounting procedures that insure proper disbursement of and accounting for Federal funds.
- **MO Financial Accounting Manual**
  - Federal funds generally require separate identification and reporting within the LEA's audit report.

Separate Tracking



Separate Tracking

WHY?

To ensure expenditures meet IDEA and other federal requirements.

- Track staff paid with Part B funds in order to complete OMB A87 Time Reporting Requirements
- Track equipment in order to comply with EDGAR Equipment Management and Inventory Requirements
- Track procurement to determine if the LEA is following purchasing policy and procurement rules
- Maintenance of Effort (MOE) calculation will be more accurate
- Help the LEA determine Part B payment request and FER amounts and prevent overpayments
- Ensure compliance with the Cash Management Improvement Act (CMIA)

Expenditure Source

QUESTION:

How can a LEA track State, Federal, and Local expenditures?

ANSWER:

You have **three** options:

1. Use Project Codes **(Preferred Method)**
2. Use Expenditure Descriptors
3. Use Varying Function Codes

Federal Special Education Coding Examples

Project Code Option:

1221-6111-02	SE Teacher Salaries	$5,000.00

Expenditure Descriptor Option:

1221-6111	SE Federal Teacher Salaries	$5,000.00
1221-6111	SE IDEA Teacher Salaries	$5,000.00

Function Code Option:

1225-6111	SE Teacher Salaries	$5,000.00

Cash Management Improvement Act

When receiving federal funds LEAs must have either:

Already spent the funds

-OR-

Will spend the funds within 3 business days of receipt of funds

**Violating CMIA requires interest to be calculated and funds returned.

CMIA Compliance

RULE: LEAs can't "sit" on federal funds; an action must be taken to tie federal funds to an expenditure under one of the following three options.

OPTIONS:

- Expend as Federal Upfront
- Journal Voucher as Federal
- Request & Expend as Federal

Expend as Federal Upfront

1. Incur the expenditure and code to the federal account upfront.

2. Then request and receive reimbursement for the expenditure. Since the reimbursement is already tied to the expenditure, there is no need to take further action.

LEAs should ensure they do not request more than they have incurred in expenditures under this option.

- Examples: Entitlement and Statewide Collaborative Improvement Grants where grant amounts are known up-front.

Expend as Federal Upfront

EXAMPLE

Step 1:

Incur and Code to Federal Account

1221-6311-02	$15,000.00	10/10/13

Step 2:

Request and Receive Funds

Payment	$15,000.00	11/21/13

Journal Voucher as Federal

1. Incur the expenditure and code to the general or state/local account upfront.

2. Request and receive reimbursement for the expenditure.

3. Then, upon receipt of funds, journal voucher the expenditure to the federal account **within 3 days** to tie the funds to a federal expenditure.

- Examples: ECSE and HNF federal reimbursements.
- *Caution: Don't JV to personnel, equipment or purchased services over procurement threshold.

Journal Voucher as Federal

EXAMPLE

Step 1:

Incur and Code to General Account/State Funds

1221-6311 or 1280-6311	$5,000.00	3/10/14

Step 2:

Request and Receive Funds

Payment	$5,000.00	4/21/14

Step 3:

Journal Voucher to Recode to Federal Account within 3 Days

1221-6311 or 1280-6311	-$5,000.00	
1221-6311-02 or 1280-6311-02	$5,000.00	4/24/14

Request & Expend as Federal

1. Request funds first based on an obligated amount and receive the funds.

2. Then code as a federal account expenditure to an upcoming expenditure **within 3 days of receipt.**

This option is not recommended unless an expenditure is a certainty or reoccurring on a regular basis, such as payroll and monthly membership dues.

Request & Expend as Federal

EXAMPLE

Step 1:

Request and Receive Funds (Based on Obligations)

Payment	$5,000.00	1/21/14

Step 2:

Incur and Code to Federal Account within 3 Days

1221-6111-02	$5,000.00	1/24/14

SECTIONS IV TO XI: OTHER FEDERAL REQUIREMENTS

Federal Requirements

- Records Management and Internal Controls
- Procurement (EDGAR 80.36)
- Allowable Costs/Use of Funds (Prorating)

Federal Requirements

LEAs MAY need to follow depending on use of Part B funds:

- OMB Circular A-87 Time and Effort Reporting
- Equipment
- Capital Costs
- Proportionate Share
- Coordinated Early Intervening Services

Part B IDEA Requirements

- More information regarding Part B IDEA Requirements can be found under Part B Fiscal Guidance at:

http://dese.mo.gov/divspeced/Finance/partbentitlement.html

- Part B Federal Expenditure Requirements – "Cheat Sheet"
- Part B Federal Expenditure Requirements PowerPoint

SECTION XII: MAINTENANCE OF EFFORT

Maintenance Of Effort (MOE) (34 CFR §300.203)

Funds provided to a LEA under Part B must not be used to reduce the level of expenditures for the education of children with disabilities made by the LEA from local funds below the level of those expenditures for the preceding fiscal year.

Maintenance of Effort

LEA is required to spend the same amount in <u>total</u> or <u>per capita (child) basis</u> for students with disabilities as it spent from those same sources in the prior year of either:

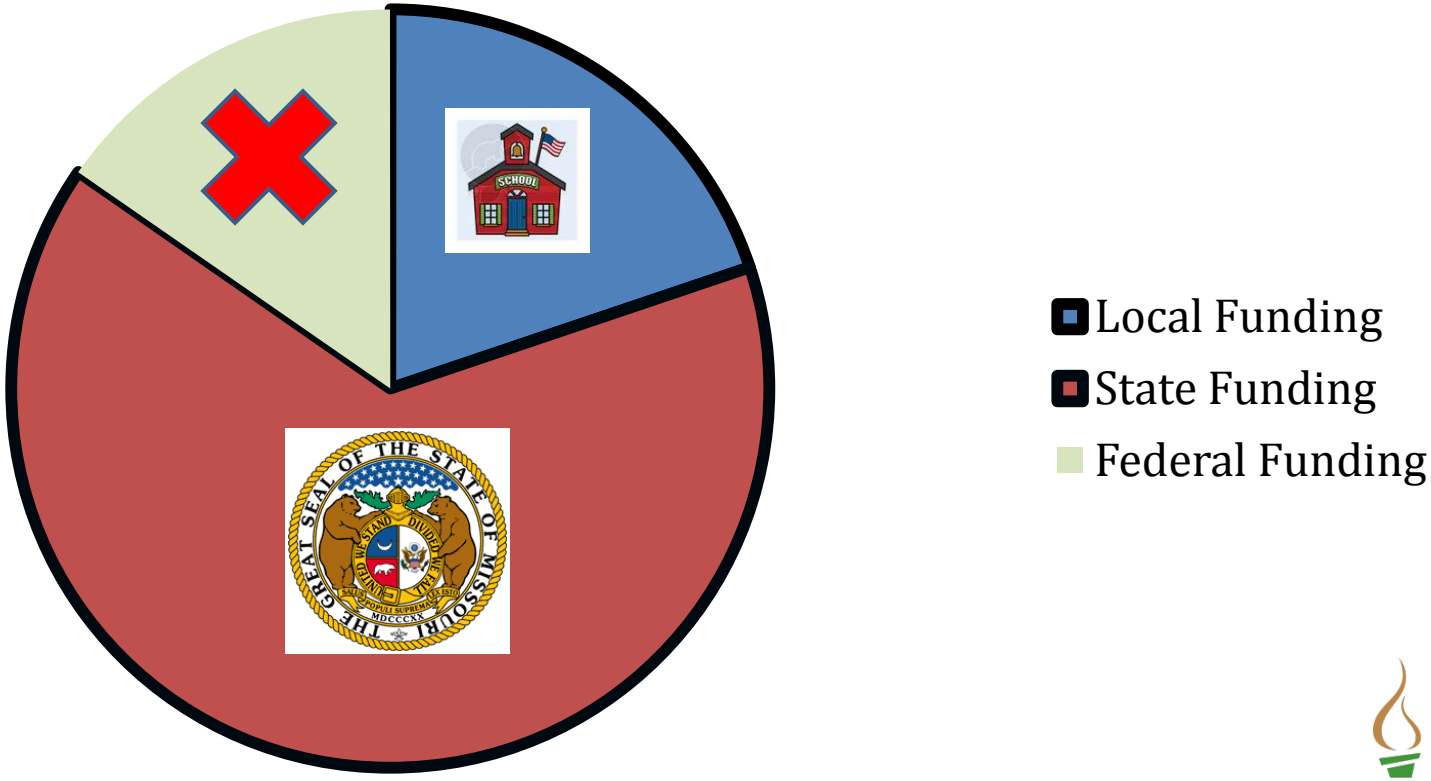
- Local Funds only

<u>OR</u>

- Combination: State and Local Funds

Maintenance of Effort

State/Local Special Education Program Funding
MOE



Calculating MOE

Include ONLY special education expenditures paid from non-federal sources

Do Not Include Expenditures Paid With:

- Federal Part B
- Federal ECSE
- Medicaid
- Federal High Need Fund
- Federal Grants (e.g. Collaborative Statewide Improvement Grant)

Calculating MOE – State & Local

1. Code all Special Education expenditures in the general ledger to a special education function code.
2. Determine what Special Education expenditures will be paid with federal, state, and local funds.
3. Tag all **federal** special education expenditures with (1) a project code, (2) an expenditure descriptor, **or** (3) a varying function code to identify it as a **federal** expenditure.
4. Anything remaining in the general ledger that is not tagged as a federal special education expenditure will be the MOE amount.

Calculating MOE – Local Only

1. Code all Special Education expenditures in the general ledger to a special education function code.
2. Determine what Special Education expenditures will be paid with federal, state, and local funds.
3. Tag all **federal** special education expenditures with (1) a project code, (2) an expenditure descriptor, **or** (3) a varying function code to identify it as a **federal** expenditure.
4. Tag all **state** special education expenditures following one of the options above to identify it as a **state** special education expenditure.
5. Any remaining SE expenditures in the general ledger that are not tagged with as a federal or state expenditure will be the MOE amount.

Including ECSE Expenditures in MOE

If the LEA has ECSE expenditures, it must determine the amount of ECSE expenditures to include in the MOE amount.

Typically only LEAs using “State & Local” method will have ECSE expenditures to report on MOE grid as these expenditures are reimbursed 100% by state & federal funds.

http://dese.mo.gov/divspeced/Finance/documents/se-fin-ecse-expend-guide-june13woapp.pdf

Including ECSE Expenditures in MOE

How do I determine **which** ECSE expenditures to include in MOE?

Answer:

1. Re-code Federal Expenditures
2. Expend Federal Funds within 3 days and Track Separately

*This must also be done to be in compliance with the Cash Management Improvement Act (CMIA)

Including ECSE Expenditures in MOE

Re-coding Expenditures

Step 1:

Incur Expenditure and Code to General Account/State Funds in General Ledger

1280-6300	$1200.00	9/10/13

Step 2:

Receive Federal Funds in Monthly School Payment Transmittal

Federal amount	$1200.00	1/21/14

Step 3:

Journal Voucher to Recode the Expenditure to Federal ("02") Account w/in 3 Days

1280-6300	-$1200.00	
1280-6300-02	$1200.00	1/24/14

Including ECSE Expenditures in MOE

Expending Federal Funds within Three Days

Step 1:

Receive Federal Funds in Monthly School Payment

Federal amount	$500.00	11/21/13

Step 2:

Incur and Code to Federal Account ("02") within 3 Days

1280-6111-02	$500.00	11/23/13

Including ECSE Expenditures in MOE

Beginning with the FY14 FER, LEAs using the "State & Local" method must take the following steps to determine amount of ECSE expenditures to include in MOE:

State and Local Method

1. Pull from general ledger all ECSE expenditures (function codes 1280/2559) for year just concluded that have NOT been coded as federal.

2. Calculate total of all ECSE expenditures paid with NON-federal funds for year just concluded.

Including ECSE Expenditures in MOE

Beginning with the FY14 FER, LEAs using the "Local Only" method must take the following steps to determine amount of ECSE expenditures to include in MOE:

Local Only Method

1. Pull from general ledger all ECSE expenditures (function codes 1280/2559) for year just concluded that have NOT been coded as federal or state expenditures.

2. Calculate total of all ECSE expenditures paid only with local funds for year just concluded.

Including ECSE Expenditures in MOE

	6100 Certificated Salaries	6150 Noncertificated Salaries	6200 Employee Benefits	6300 Purchased Services	6400 Materials & Supplies	6500 Capital Outlay	6600 Other	Total
1221 Special Education and Related Services	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1224 Proportionate Share Services	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1280 Early Childhood Special Education	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1931 Tuition, Severely Disabled Program Within State	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2200 Professional Development	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2500 Transportation and Maintenance	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2559 Early Childhood Special Education Transportation Services	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4000 Facilities Acquisition and Construction	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Expenditures	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

MOE Exceptions

- Voluntary Departure, or Departure for Just Cause, of Special Education Staff
- Decrease in Enrollment of Children with Disabilities
- Termination of a Costly Obligation for a Specific Child
- Termination of a Costly Long-Term Purchase
- Assumption of the Cost by the High Need Fund

<u>These are the ONLY allowable exceptions to MOE</u>

MOE Adjustment

MOE Adjustment is calculated by taking 50% of the increase in allocation from prior year to current year Part B allocation.

Example:

Prior Year's Allocation:	$900,000
Current Year's Allocation:	$1,000,000
Increase:	$100,000
Max Available for MOE reduction:	**$50,000**

Resources

- General Federal Guidance
  - EDGAR – Education Department General Administrative
  - OMB Circulars

  http://dese.mo.gov/fas/GeneralFederalGuidance.html
- DESE Accounting Manual (School Finance)

  http://dese.mo.gov/divadm/finance/acct_manual/
- Individuals with Disabilities Education Act (IDEA) Regulations

  http://www2.ed.gov/legislation/FedRegister/finrule/2006-3/081406a.pdf
- MO State Plan for Special Education

  http://dese.mo.gov/se/stateplan/index.html

FY14 Due Dates

Title	Services Year	Due Date
FY14 Part B Budget Application	2013-14	July 1, 2013
FY13 ECSE Expenditure Report	2012-13	Sept. 17, 2013
FY13 Part B FER	2012-13	Sept. 30, 2013
Public Placement Fund Application	2012-13	Oct. 31, 2013
High Need Fund Application	2012-13	Nov. 30, 2013
Readers for the Blind Application	2013-14	Nov. 30, 2013
Request to Release Prop Share Carryover Funds	2013-14	March 1, 2014
FY14 Part B Budget Application Amendments	2013-14	April 30, 2014