2 CFR PART 200, APPENDIX XI

COMPLIANCE SUPPLEMENT

NOTE: Auditors must use this 2018 Supplement and the 2017 Supplement together. See the subsection titled "Purpose" within Part 1 for further explanation.

APRIL 2018

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

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PART 1 – BACKGROUND, PURPOSE, AND APPLICABILITY

BACKGROUND

The Single Audit Act of 1984 established requirements for audits of States, local governments, and Indian tribal governments that administer Federal financial assistance programs. In 1985, the Office of Management and Budget (OMB) issued OMB Circular A-128, "Audits of State and Local Governments," to provide implementing guidance. In 1990, OMB administratively extended the single audit process to nonprofit organizations by issuing OMB Circular A-133, "Audits of Institutions of Higher Education and Other Non-Profit Organizations." On July 5, 1996, the President signed the Single Audit Act Amendments of 1996 (31 USC Chapter 75). The 1996 Amendments extended the statutory audit requirement to nonprofit organizations and substantially revised various provisions of the 1984 Act.

On June 30, 1997, OMB issued revisions to OMB Circular A-133 (62 FR 35278) to implement the 1996 Amendments, extend the circular's coverage to States, local governments, and Indian tribal governments, and rescind OMB Circular A-128. The 1996 Amendments required the Director, OMB, to periodically review the audit threshold. On June 27, 2003, OMB amended OMB Circular A-133 (68 FR 38401) to increase the audit threshold to an aggregate expenditure of $500,000 in Federal funds and to make changes in the thresholds for cognizant and oversight agencies. Those changes took effect for fiscal years ending after December 31, 2003. OMB further amended the circular on June 26, 2007 (72 FR 35080) to (1) update internal control terminology and related definitions and (2) simplify the auditee reporting package submission requirement.

On December 26, 2013, OMB Circular A-133 was superseded by the issuance of 2 CFR part 200, subpart F. Among other things, those changes increased the audit threshold to $750,000 for auditee fiscal years beginning on or after December 26, 2014 and made changes to the major program determination process. The Compliance Supplement (Supplement) is based on the requirements of the 1996 Amendments and 2 CFR part 200, subpart F, which provide for the issuance of a compliance supplement to assist auditors in performing the required audits.

This document serves to identify existing important compliance requirements that the Federal Government expects to be considered as part of an audit required by the 1996 Amendments. Without the Supplement, auditors would need to research many laws and regulations for each program under audit to determine which compliance requirements are important to the Federal Government and could have a direct and material effect on a program. Providing the Supplement is a more efficient and cost-effective approach to performing this research. For the programs contained herein, the Supplement provides a source of information for auditors to understand the Federal program's objectives, procedures, and compliance requirements relevant to the audit as well as audit objectives and suggested audit procedures for determining compliance with these requirements.

2 CFR part 200, subpart F, provides that Federal agencies are responsible for annually informing OMB of any updates needed to the Supplement. This responsibility includes ensuring that program objectives, procedures, and compliance requirements (including statutory and regulatory citations), noncompliance with which could have a direct and material effect on these individual Federal programs, are submitted to OMB for inclusion in the Supplement, and that agencies keep that information current. Parts 4 and 5 of the Supplement provide a stand-alone section for each program/cluster included in the Supplement, which contains program objectives, program procedures, and compliance requirements. For some programs, a separate section (IV, "Other Information") also is included to communicate additional information concerning the program. For example, when a program allows funds to be transferred to another program, the "Other Information" section provides guidance on how those funds are to be treated on the Schedule of Expenditures of Federal Awards and in Type A program determinations. See Appendix IV to the Supplement for a list of programs that contain this section.

The Supplement also provides guidance to assist auditors in determining compliance requirements relevant to the audit, audit objectives, and suggested audit procedures for programs not included herein. For single audits, the Supplement replaces agency audit guides and other audit requirement documents for individual Federal programs.

Throughout the Supplement, the word "must," when used in conjunction with auditor responsibilities, means that the auditor is required to do what the statement indicates. Use of the term "should," when addressing auditor responsibilities, indicates a recommended action or approach. See Part 3 of the Supplement for use of terminology in that Part, which addresses compliance requirements for auditees, as well as auditor responsibilities.

PURPOSE AND APPLICABILITY (Part 1)

Purpose

This 2018 Compliance Supplement adds, deletes, and modifies prior Supplement sections as usual. However, it is unlike previous annual updates to the Supplement in that it only modifies sections of the 2017 Supplement that were in need of significant revision. Sections without revisions from the 2017 Supplement were not copied into this 2018 Supplement. Therefore, auditors must to use this 2018 Supplement and the 2017 Supplement together to perform the audit for the periods the 2018 Supplement is effective.

This 2018 Supplement is effective for audits of fiscal years beginning after June 30, 2017. The Table of Contents of this 2018 Supplement describes where it adds, deletes, or supersedes sections in the 2017 Supplement. The portions of the 2017 Supplement that were not superseded or deleted, continue to be effective for audits of fiscal years beginning after June 30, 2017.

2 CFR part 200, subpart F, describes the non-Federal entity's responsibilities for managing Federal assistance programs (2 CFR section 200.508) and the auditor's responsibility with respect to the scope of audit (2 CFR section 200.514). Auditors are required to follow the provisions of 2 CFR part 200, subpart F, and the Supplement.

Applicability

General

Auditors must consider the Supplement and the referenced laws, regulations, and OMB Circulars/Uniform Guidance (whether codified by Federal agencies in agency regulations or adopted or implemented by other means) in determining the compliance requirements that could have a direct and material effect on the programs included herein. That is, use of the Supplement is mandatory. Accordingly, adherence to the Supplement satisfies the requirements of 2 CFR part 200, subpart F. For program-specific audits performed in accordance with a Federal agency's program-specific audit guide, the auditor must follow such program-specific audit guide. Finally, for major programs not included in the Supplement, the auditor must follow the guidance in Part 7 and use the types of compliance requirements in Part 3 to identify the applicable compliance requirements that could have a direct and material effect on the program.

Update of Requirements

2 CFR section 200.513(c)(4) provides that Federal agencies are responsible for annually informing OMB of any needed updates to the Supplement. However, auditors must recognize that laws and regulations change periodically and that delays will occur between such changes and revisions to the Supplement. Moreover, auditors must recognize that there may be provisions of grant agreements and contracts that are not specified in law or regulation and, therefore, the specifics of such are not included in the Supplement. For example, the grant agreement may specify a certain matching percentage or set a priority for how funds can be spent (e.g., a requirement to not fund certain size projects). Another example is a Federal agency imposing additional requirements on a recipient (see 2 CFR section 200.207 regarding use of specific award conditions).

Accordingly, the auditor should perform reasonable procedures to ensure that compliance requirements are current and determine whether there are any additional provisions of Federal awards that should be covered by an audit under the 1996 Amendments. Reasonable procedures would be inquiry of non-Federal entity management and review of the Federal awards for programs selected for testing (i.e., major programs).

Safe Harbor Status

Because the suggested audit procedures were written to be able to apply to many different programs administered by many different entities, they are necessarily general in nature. Auditor judgment is necessary to determine whether the suggested audit procedures are sufficient to achieve the stated audit objectives or whether alternative audit procedures are needed. Therefore, the auditor cannot consider the Supplement to be a "safe harbor" for identifying the audit procedures to apply in a particular engagement.

However, the auditor can consider the Supplement a "safe harbor" for identification of compliance requirements to be tested for the programs included herein if, as discussed above, the auditor (1) performs reasonable procedures to ensure that the requirements in the Supplement are current and to determine whether there are any additional provisions of Federal awards that should be covered by an audit under the 1996 Amendments, and (2) updates or augments the requirements contained in the Supplement, as appropriate.

Responsibility for Other Requirements

Although the focus of the Supplement is on compliance requirements that could have a direct and material effect on a major program, auditors also have responsibility under *Generally Accepted Government Auditing Standards* (GAGAS) for other requirements when specific information comes to the auditors' attention that provides evidence concerning the existence of possible noncompliance that could have a material indirect effect on a major program.

OVERVIEW OF THE SUPPLEMENT

Matrix of Compliance Requirements (Part 2)

The Matrix of Compliance Requirements (Matrix) identifies the Federal programs and compliance requirements addressed in the Supplement, and associates the programs with the applicable compliance requirements. The Matrix also identifies the applicable Federal agency and the *Catalog of Federal Domestic Assistance* (CFDA) number for each program included in the Supplement. (**Note**: The entry for each program/cluster also is included in the program/cluster in Part 4 or 5 of the Supplement.)

Compliance Requirements (Part 3)

Part 3 lists and describes the 12 types of compliance requirements and, except for Special Tests and Provisions, the related audit objectives that the auditor must consider, as applicable, in every audit conducted under 2 CFR part 200, subpart F, with the exception of program-specific audits performed in accordance with a Federal agency's program-specific audit guide. The auditor is responsible for achieving the stated audit objectives for the applicable compliance requirements.

Suggested audit procedures are provided to assist the auditor in planning and performing tests of non-Federal entity compliance with the requirements of Federal programs. The suggested audit procedures are, as the name implies, only suggested. Auditor judgment is necessary to determine whether the suggested audit procedures are sufficient to achieve the stated audit objectives and whether alternative audit procedures are needed. Determining the nature, timing, and extent of the audit procedures necessary to meet the audit objectives is the auditor's responsibility.

The compliance requirements for Special Tests and Provisions are unique to each Federal program; therefore, compliance requirements, audit objectives, and suggested audit procedures for those Special Tests and Provisions—other than the audit objectives and suggested audit procedures for internal control—are not included in Part 3.

Consistent with the requirements of 2 CFR part 200, subpart F, Part 3 includes audit objectives and suggested audit procedures to test internal control. However, the auditor must determine the specific procedures to test internal control on a case-by-case basis, considering factors such as the non-Federal entity's internal control, the compliance requirements, the audit objectives for compliance, the auditor's assessment of control risk, and the audit requirement to test internal control as prescribed in 2 CFR part 200, subpart F.

Agency Program Requirements (Part 4)

For each Federal program included in the Supplement, Part 4 discusses program objectives, program procedures, and compliance requirements that are specific to the program. With the exception of section III.N, "Special Tests and Provisions," the auditor must refer to Part 3 for the audit objectives and suggested audit procedures that pertain to the program-specific compliance requirements associated with the programs. Since, in general, Special Tests and Provisions are unique to the program, the specific audit objectives and suggested audit procedures for the program are included in Part 4.

The description of program procedures is general in nature. Some programs may operate somewhat differently than described due to (1) the complexity of governing Federal and State laws and regulations; (2) the administrative flexibility afforded non-Federal entities; and (3) the nature, size, and volume of transactions involved. Accordingly, the auditor must obtain an understanding of the applicable compliance requirements and program procedures in operation at the non-Federal entity to properly plan and perform the audit.

Clusters of Programs (Part 5)

A cluster of programs is a grouping of closely related programs that have similar compliance requirements. Although the programs within a cluster are administered as separate programs, a cluster of programs is treated as a single program for the purpose of meeting the audit requirements in 2 CFR part 200, subpart F (see definition at 2 CFR section 200.17).

The types of clusters included in Part 5 are: Research and Development (R&D), Student Financial Assistance (SFA), and other clusters. "Other clusters" are as identified in the Supplement or designated in a State award document. Part 5 provides compliance requirements, audit objectives, and suggested audit procedures for the R&D and SFA clusters and lists other clusters included in Part 4.

In planning and performing the audit, the auditor can determine whether programs administered by the non-Federal entity are part of a cluster by referring to the provisions of Part 5 of the Supplement and the State award documents.

Internal Control (Part 6)

As a condition of receiving Federal awards, non-Federal entities agree to comply with laws, regulations, and the provisions of grant agreements and contracts, and to maintain internal control to provide reasonable assurance of compliance with these requirements. 2 CFR part 200, subpart F, requires auditors to obtain an understanding of the non-Federal entity's internal control over Federal programs sufficient to plan the audit to support a low assessed level of control risk for major programs, plan the testing of internal control over major programs to support a low assessed level of control risk for the assertions relevant to the compliance requirements for each major program, and, unless internal control is likely to be ineffective, perform testing of internal control as planned. Part 6 addresses the objectives, principles, and components of internal control based on the "Standards for Internal Control in the Federal Government," ("Green Book"), issued by the Government Accountability Office, and the "Internal Control Integrated Framework" (revised 2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Guidance for Auditing Programs Not Included in this Compliance Supplement (Part 7)

Part 7 provides guidance to auditors in identifying the compliance requirements and designing tests of compliance with such requirements for programs not included in the Supplement.

Federal Programs Excluded from the A-102 Common Rule and Portions of 2 CFR Part 200 (Appendix I)

Appendix I lists block grants and other programs excluded from the requirements of the "Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments" (also known as the "A-102 Common Rule"), which still may be in effect for some awards/funding, and specified portions of 2 CFR part 200.

Federal Agency Codification of Governmentwide Requirements and Guidance for Grants and Cooperative Agreements (Appendix II)

Appendix II provides regulatory citations for Federal agencies' codification of the A-102 Common Rule and OMB Circular A-110 (2 CFR part 215), "Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations," in agency regulations or other means of implementation. This Appendix also includes regulatory citations for Federal agencies' codification of the OMB guidance on (1) "Uniform Administrative Requirements, Cost Principles, and Audit Requirements" (in 2 CFR part 200), and (2) nonprocurement suspension and debarment in 2 CFR part 180.

Federal Agency Single Audit, Key Management Liaison, and Program Contacts (Appendix III)

Appendix III identifies Federal agency-level contacts—single audit and, separately, management liaisons—from whom auditors can request information about the agency's programs generally or the audit requirements of 2 CFR part 200, subpart F. It also includes, for each program/cluster listed in Parts 4 and 5 of the Supplement, the name of a specific individual who can be contacted concerning that program, along with the individual's contact information.

Internal Reference Tables (Appendix IV)

Appendix IV provides a listing of programs in Parts 4 and 5 that include IV, "Other Information." This listing allows the auditor to quickly determine which programs have other information, such as guidance on Type A and Type B program determination or display on the Schedule of Expenditures of Federal Awards. This Appendix also indicates that the Medicaid Cluster is the only program currently identified as higher risk by OMB pursuant to 2 CFR section 200.519(c)(2).

List of Changes for this 2018 Compliance Supplement (Appendix V)

Appendix V provides a list of changes from the Compliance Supplement, dated April 2017 to this April 2018 Supplement.

Program-Specific Audit Guides (Appendix VI)

Appendix VI includes a list of program-specific guides maintained by the Federal agencies and indicates where to obtain them.

Other Audit Advisories (Appendix VII and Appendix VII Addendum)

Appendix VII provides information on: (1) the impact of implementation of the uniform guidance in 2 CFR part 200 on major program determination; (2) the effect of (a) removing a compliance requirement(s) from the Part 2 matrix, and (b) adding a program to an other cluster; (3) American Recovery and Reinvestment Act funding and the effect on single audits; (4) the due date for audit reports because of the non-availability of the Federal Audit Clearinghouse or the revised SF-SAC during specified periods and low-risk auditee criteria; (5) treatment of National Science Foundation and National Institutes of Health awards; (6) determining whether there are exceptions to 2 CFR part 200; and (7) the report entitled *Report on the National Single Audit Sampling Project*, prepared by the President's Council on Integrity and Efficiency (PCIE) and the Executive Council on Integrity and Efficiency (ECIE).

The Appendix VII-A - Hurricane and NDAA Addendum in this 2018 Supplement adds: (1) guidance to the auditor and auditee related to hurricanes Harvey, Irma, and Maria; and (2) guidance to the auditor related to the National Defense Authorization Acts (NDAA) of 2017 and 2018 on the simplified acquisition and micro-purchase thresholds.

Examinations of EBT Service Organizations (Appendix VIII)

Appendix VIII provides guidance on audits of State electronic benefits transfer (EBT) service providers (service organizations) regarding the issuance, redemption, and settlement of benefits under the Supplemental Nutrition Assistance Program (CFDA 10.551) in accordance with the American Institute of Certified Public Accountants (AICPA) Statement on Standards for Attestation Engagements (AT) Section 801, Reporting on Controls at a Service Organization.

Compliance Supplement Core Team (Appendix IX)

Appendix IX provides a listing of the Compliance Supplement Core Team members who were responsible for the production of the2017 Supplement.

TECHNICAL INFORMATION

Page Numbering Scheme

The following page numbering scheme is used in the Supplement:

a. Each page included in Parts 1, 2, 3 (Introduction), 6, and 7 is identified by a label that represents the part number and sequential page number. A dash (-) separates the part number from the page number. For example, Part 1 is numbered as follows: 1-1, 1-2, 1-3, and so on.

b. Part 3 is divided into Part 3.1 and Part 3.2 to accommodate the continuing government-wide transition from the A-102 Common Rule/OMB Circular A-110 (2 CFR part 215) to 2 CFR part 200. As a result, except for the Introduction to Part 3, the pages in Part 3 specify either Part 1 or Part 2. For example, Section A of Part 3 is either numbered 3.1-A-1, 3.1-A-2, 3.1-A-3, or 3.2-A-1, 3.2-A-2, 3.2-A-3, and so on.

c. Each page included in Parts 4 and 5 (other than the Introductions to those parts) is identified by a label that represents the part number, section number identifier, and sequential page number. The section number identifier for Part 4 represents the CFDA number of the applicable program. For example, the Department of Labor's Unemployment Insurance program, CFDA 17.225, is numbered 4-17.225-1, 4-17.225-2, 4-17.225-3, and so on.

Code of Federal Regulations

The CFR is a codification of the rules issued by Federal agencies. The CFR is divided into 50 titles, which comprise the broad areas subject to Federal regulation. Each title is further divided into parts and sections, with most references to the CFR being made at this level.

Portions of the CFR are revised daily and these changes are published in the *Federal Register*. However, a revised version of the CFR is published only once each calendar year, on a quarterly basis as follows: titles 1–16 on January 1, titles 17–27 on April 1, titles 28–41 on July 1, and titles 42–50 on October 1.

In the event that changes to a particular section of a title have changed since the last published update of that section, a notation is made in the List of CFR Sections Affected (LSA), which is published monthly. The LSA cites the *Federal Register* page number that contains the changes to the CFR section.

In order to obtain the most current regulations, the user should consult not only the latest version of the CFR, but also the LSA issued in the current month. The Federal Digital System home page (http://www.gpo.gov/fdsys/) offers links to both the *Federal Register* and the CFR. An electronic CFR (e-CFR) is available at http://www.ecfr.gov. The e-CFR is a compilation of CFR material and *Federal Register* amendments. It is a current, daily updated version of the CFR; however, it is not an official legal edition of the CFR.

HOW TO OBTAIN ADDITIONAL GUIDANCE

Guidance to assist auditors in performing audits in accordance with 2 CFR part 200, subpart F, can be obtained from the following sources.

Office of Management and Budget

The following information is located under the grants management heading on the Office of Federal Financial Management's home page (https://www.whitehouse.gov/omb/offices/offm):

– OMB publications, including 2 CFR part 200 and the Supplement for audits under 2 CFR part 200, subpart F.

– SF-SAC, *Data Collection Form for Reporting on Audits of States, Local Governments, and Non-Profit Organizations*.

General Services Administration (GSA)

– *Catalog of Federal Domestic Assistance* (CFDA).

A searchable copy of the CFDA and a pdf version are available through the Internet on the GSA Home Page (http://www.gsa.gov/cfda). Note that, if the CFDA indicates under a program entry (Post Assistance Requirements – Audit) that audit is "Not Applicable" or the program is not subject to 2 CFR part 200 (**Note**: Some CFDA entries still may refer to OMB Circular A-133), the auditor should contact the Federal agency single audit office/official indicated in Appendix III of the Supplement.

Government Accountability Office (GAO)

– Government Auditing Standards, December 2011 Revision (GAO-12-331G) (http://www.gao.gov/yellowbook)

Inspectors General

The Council of the Inspectors General on Integrity and Efficiency Home Page (http://www.ignet.gov) contains an Inspector General Directory and the Inspector General Act.

Federal Audit Clearinghouse

The Federal Audit Clearinghouse acts as an agent for OMB to (1) establish and maintain a Governmentwide database of single audit results and related Federal award information; (2) serve as the Federal repository for single audit reports; and (3) distribute single audit reports to Federal agencies.

The Clearinghouse maintains a site on the Internet at https://harvester.census.gov/facweb. For Data Collection Form (SF-SAC) and single audit submission questions, contact the Federal Audit Clearinghouse by e-mail (govs.fac.ides@census.gov) or telephone (866-306-8779).

PART 3.2 - I – COMPLIANCE REQUIREMENTS

Note: For all other types of compliance requirements, the auditor must use Part 3 of the 2017 Compliance Supplement.

I. PROCUREMENT AND SUSPENSION AND DEBARMENT

Compliance Requirements - Procurement

Procurement—Grants and Cooperative Agreements

States

When procuring property and services, States must use the same policies and procedures they use for procurements from their non-Federal funds (2 CFR section 200.317).

Non-Federal Entities Other than States

Non-Federal entities other than States, including those operating Federal programs as subrecipients of States, must follow the procurement standards set out at 2 CFR sections 200.318 through 200.326. They must use their own documented procurement procedures, which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal statutes and the procurement requirements identified in 2 CFR part 200. A non-Federal entity must:

1. Meet the general procurement standards in 2 CFR section 200.318, which include oversight of contractors' performance, maintaining written standards of conduct for employees involved in contracting, awarding contracts only to responsible contractors, and maintaining records to document history of procurements.

2. Conduct all procurement transactions in a manner providing full and open competition, in accordance with 2 CFR section 200.319.

3. Use the micro-purchase and small purchase methods only for procurements that meet the applicable criteria under 2 CFR sections 200.320(a) and (b). Under the micro-purchase method, the aggregate dollar amount does not exceed $3,500 ($2,000 in the case of acquisition for construction subject to the Wage Rate Requirements (Davis-Bacon Act)). Small purchase procedures are used for purchases that exceed the micro-purchase amount but do not exceed the simplified acquisition threshold. Micro-purchases may be awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable (2 CFR section 200.320(a)). If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources (2 CFR section 200.320(b)). Note exceptions described in subsequent sections for the provisions under the 2017 and 2018 National Defense Authorization Act.

4. For acquisitions exceeding the simplified acquisition threshold, the non-Federal entity must use one of the following procurement methods: the sealed bid method if the acquisition meets the criteria in 2 CFR section 200.320(c); the competitive proposals

method under the conditions specified in 2 CFR section 200.320(d); or the noncompetitive proposals method (i.e., solicit a proposal from only one source) but only when one or more of four circumstances are met, in accordance with 2 CFR section 200.320(f).

5. Perform a cost or price analysis in connection with every procurement action in excess of the simplified acquisition threshold, including contract modifications (2 CFR section 200.323(a)). The cost plus a percentage of cost and percentage of construction cost methods of contracting must not be used (2 CFR section 200.323(d)).

6. Ensure that every purchase order or other contract includes applicable provisions required by 2 CFR section 200.326. These provisions are described in Appendix II to 2 CFR part 200, "Contract Provisions for Non-Federal Entity Contracts Under Federal Awards."

Procurement—Cost-Reimbursement Contracts under the Federal Acquisition Regulation

When awarding subcontracts, non-Federal entities receiving cost-reimbursement contracts under the FAR must comply with the clauses at 48 CFR section 52.244-2 (consent to subcontract), 52.244-5 (competition), 52.203-13 (code of business ethics), 52.203-16 (conflicts of interest), and 52.215.12 (cost or pricing data); and the terms and conditions of the contract. The FAR defines "subcontracts" as a contract, i.e., a mutually binding legal relationship obligating the seller to furnish the supplies or services (including construction) and the buyer to pay for them, entered into by a subcontractor to furnish supplies or services for performance of a prime contract or a subcontract. It includes, but is not limited to, purchase orders, and changes and modifications to purchase orders.

Source of Governing Requirements – Procurement

The requirements that apply to procurement under grants and cooperative agreements are contained in 2 CFR sections 200.317 through 200.326, program legislation, Federal awarding agency regulations, and the terms and conditions of the award. The requirements that apply to procurement under cost-reimbursement contracts under the FAR are contained in 48 CFR parts 03, 15, 44 and the clauses at 48 CFR sections 52.244-2, 52.244-5, 52.203-13, 52.203-16, and 52.215-12; agency FAR Supplements; and the terms and conditions of the contract.

Compliance Requirements – Suspension and Debarment

Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. "Covered transactions" include contracts for goods and services awarded under a non-procurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed $25,000 or meet certain other criteria as specified in 2 CFR section 180.220. All non-procurement transactions entered into by a pass-through entity (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions, unless they are exempt as provided in 2 CFR section 180.215.

When a non-Federal entity enters into a covered transaction with an entity at a lower tier, the non-Federal entity must verify that the entity, as defined in 2 CFR section 180.995 and agency adopting regulations, is not suspended or debarred or otherwise excluded from participating in

the transaction. This verification may be accomplished by (1) checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA) and available at https://www.sam.gov/portal/public/SAM/, (2) collecting a certification from the entity, or (3) adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).

Non-Federal entities receiving contracts from the Federal Government are required to comply with the contract clause at FAR 52.209-6 before entering into a subcontract that will exceed $30,000, other than a subcontract for a commercially available off-the-shelf item.

Source of Governing Requirements – Suspension and Debarment

The requirements for nonprocurement suspension and debarment are contained in OMB guidance in 2 CFR part 180, which implements Executive Orders 12549 and 12689, "Debarment and Suspension;" Federal awarding agency regulations in Title 2 of the CFR adopting/implementing the OMB guidance in 2 CFR part 180; program legislation; and the terms and conditions of the award.

Most of the Federal agencies have adopted or implemented 2 CFR part 180, generally by relocating their associated agency rules in Title 2 of the CFR. Appendix II to the Supplement includes the current CFR citations for all agencies adoption or implementation of the nonprocurement suspension and debarment guidance.

Government-wide requirements related to suspension and debarment and doing business with suspended or debarred subcontractors under cost reimbursement contracts under the FAR are contained in 48 CFR section 9.405-2(b) and the clause at 48 CFR section 52.209-6.

National Defense Authorization Act (NDAA) of 2017and 2018

The following information is provided regarding timing and impact of the NDAA of 2017 and 2018. Additional guidance to the auditor is provided in Appendix VII -A – "Other Audit Advisories – Hurricane and NDAA Addendum" of the 2018 Supplement.

NDAA of 2017

The NDAA of 2017, Section 217 (Pub. L. No. 114-328, 130 Stat. 6 (2051)) and 41 USC 1902(a)(2) contained the following provisions.

- Raise the micro-purchase threshold to $10,000 for procurements under grants and cooperative agreements to institutions of higher education, or related or affiliated nonprofit entities, nonprofit research organizations or independent research institutes..

- Allow a threshold higher than $10,000 as determined appropriate by the head of the relevant executive agency.

The provisions of this Act are specific to, institutions of higher education, or related or affiliated nonprofit entities, nonprofit research organizations or independent research institutes. As of the

date of this 2018 Supplement, OMB has not issued guidance to clarify the applicability date which would allow the specified entities to raise their micro-purchase threshold up to $10,000. Once the applicability date is determined, the non-Federal entity must document this decision in its internal procurement policies. Institutions of higher education, or related or affiliated nonprofit entities, nonprofit research organizations or independent research institutes, which had established micro-purchase thresholds up to the $10,000 prior to the enactment of the NDAA 2017, are allowed to continue the use of the same threshold as documented in their internal procurement policies.

Note that the exception for the $10,000 micro-purchase threshold is not available to ALL auditees; however when implemented by an eligible auditee, the exception would apply to procurements purchased under ALL federal grants.

Institutions of higher education, or related or affiliated nonprofit entities, nonprofit research organizations or independent research institutes may request micro-purchase threshold higher than $10,000, but it requires a formal approval from an appropriate executive agency. Once approved, the non-Federal entity must document this decision in its internal procurement policies.

NDAA of 2018

The NDAA of 2018, Sections 805 (41 USC 134) and 806 (41 USC. 1902 (a) (1)), increased the simplified acquisition threshold to $250,000 and the micro-purchase threshold to $10,000, respectively for ALL auditees for ALL Federal grants. These changes effectively redefine the level for the simplified acquisition threshold (section 200.88 of the Uniform Guidance) and the micro-purchase threshold (section 200.67 of the Uniform Guidance). These changes will become effective when they are formally codified in the Federal Acquisition Regulations at 48 CFR Subpart 2.1 (Definitions). Early implementation is not permissible.

Note exception for institutions of higher education, or related or affiliated nonprofit entities, nonprofit research organizations or independent research institutes provided under 2017 NDAA (and described in previous section).

Once codified, the higher thresholds will be available to all non-Federal entities except States. The non-Federal entity must document this decision in its internal procurement policies.

Availability of Other Information

2 CFR section 200.110(a), Effective/Applicability Date was amended on May 17, 2017 to allow non-Federal entities to continue to comply with the procurement standards in OMB Circular A-110 or the A-102 common rule, as applicable, through December 25, 2017, extending the grace period from 2 years to 3 years. Implementation of the procurement standards in 2 CFR sections 200.317 through 200.326 is now required for auditee fiscal years beginning on or after December 26, 2017. For example, for a non-Federal entity with a June 30th year end, implementation is required for its fiscal year beginning July 1, 2018.

If a non-Federal entity chooses to use the previous procurement standards for the additional three fiscal years before adopting the procurement standards in 2 CFR part 200, the non-Federal entity must document this decision in its internal procurement policies.

Auditors will review procurement policies and procedures based on the documented standard. Once the grace period ends, all non-Federal entities will be required to comply fully with the procurement standards in the uniform guidance.

Audit Objectives

1. Obtain an understanding of internal control, assess risk, and test internal control as required by 2 CFR section 200.514(c).

2. Determine whether procurements under Federal awards were made in compliance with applicable Federal regulations and other procurement requirements specific to an award or subaward.

3. For covered transactions determine whether the non-Federal entity verified that entities are not suspended, debarred, or otherwise excluded.

Suggested Audit Procedures – Internal Control

1. Perform procedures to obtain an understanding of internal control sufficient to plan the audit to support a low assessed level of control risk for the program.

2. Plan the testing of internal control to support a low assessed level of control risk for procurement and suspension and debarment requirements and perform the testing of internal control as planned. If internal control over some or all of the compliance requirements is likely to be ineffective, see the alternative procedures in 2 CFR section 200.514(c)(4), including assessing the control risk at the maximum and considering whether additional compliance tests are required because of ineffective internal control.

3. Consider the results of the testing of internal control in assessing the remaining risk of noncompliance. Use this as the basis for determining the nature, timing, and extent (e.g., number of transactions to be selected) of substantive tests of compliance.

Suggested Audit Procedures – Compliance

(Procedure 1 applies only to States under grants and cooperative agreements.)

1. Test a sample of procurements to ascertain if the State's laws and procedures were followed and that the policies and procedures used were the same as for non-Federal funds (2 CFR section 200.317).

(Procedures 2 – 5 apply to non-Federal entities other than States.)

2. Obtain the entity's procurement policies and verify that the policies comply with the compliance requirements highlighted above.

3. Verify that the entity has written standards of conduct that cover conflicts of interest and govern the performance of its employees engaged in the selection, award, and administration of contracts (2 CFR section 200.318(c) and 48 CFR sections 52.203-13 and 52.303-16).

4. Ascertain if the entity has a policy to use statutorily or administratively imposed in-State or local geographical preferences in the evaluation of bids or proposals. If yes, verify that these limitations were not applied to federally funded procurements except where applicable Federal statutes expressly mandate or encourage geographic preference (2 CFR section 200.319(b)).

5. Select a sample of procurements and perform the following procedures:

   a. Examine contract files and verify that they document the history of the procurement, including the rationale for the method of procurement, selection of contract type, basis for contractor selection, and the basis for the contract price (2 CFR section 200.318(i) and 48 CFR part 44 and section 52.244-2).

   b. For grants and cooperative agreements, verify that the procurement method used was appropriate based on the dollar amount and conditions specified in 2 CFR section 200.320. Current micro-purchase and simplified acquisition thresholds can be found in the FAR (48 CFR subpart 2.1, "Definitions") (https://www.acquisition.gov/sites/default/files/current/far/html/Subpart%202_1.html).

   c. Verify that procurements provide full and open competition (2 CFR section 200.319 and 48 CFR section 52.244-5).

   d. Examine documentation in support of the rationale to limit competition in those cases where competition was limited and ascertain if the limitation was justified (2 CFR sections 200.319 and 200.320(f) and 48 CFR section 52.244-5).

   e. Ascertain if cost or price analysis was performed in connection with all procurement actions exceeding the simplified acquisition threshold, including contract modifications, and that this analysis supported the procurement action (2 CFR section 200.323 and 48 CFR section 15.404-3).

      Note: A cost or price analysis is required for each procurement action, including each contract modification, when the total amount of the contract and related modifications is greater than the simplified acquisition threshold.)

f. Verify consent to subcontract was obtained when required by the terms and conditions of a cost reimbursement contract under the FAR (48 CFR section 52.244-2).

Note: If the non-Federal entity has an approved purchasing system, consent to subcontract may not be required unless specifically identified by contract terms or conditions. The auditor should verify that the approval of the purchasing system is effective for the audit period being reviewed.

g. Refer to Appendix VII-A for guidance on reporting audit test results for the National Defense Authorization Acts of 2017 and 2018.

(Procedures 6 and 7 apply to all non-Federal entities)

6. Review the non-Federal entity's procedures for verifying that an entity with which it plans to enter into a covered transaction is not debarred, suspended, or otherwise excluded (2 CFR sections 200.212 and 200.318(h); 2 CFR section 180.300; 48 CFR section 52.209-6).

7. Select a sample of procurements and subawards and test whether the non-Federal entity followed its procedures before entering into a covered transaction.

DEPARTMENT OF TRANSPORTATION

CFDA 20.205 HIGHWAY PLANNING AND CONSTRUCTION (Federal-Aid Highway Program)
CFDA 20.219 RECREATIONAL TRAILS PROGRAM
CFDA 20.224 FEDERAL LANDS ACCESS PROGRAM
CFDA 23.003 APPALACHIAN DEVELOPMENT HIGHWAY SYSTEM

I. PROGRAM OBJECTIVES

The objectives of the Highway Planning and Construction Cluster are to (1) assist States, tribal governments, and Federal land management agencies in the planning and development of an integrated, interconnected transportation system important to interstate commerce and travel by constructing, rehabilitating, and preserving the National Highway System (NHS), including Interstate highways, and other Federal-aid highways ; (2) provide aid for the repair of Federal-aid highways following disasters; (3) foster safe highway design and improve bridge conditions; (4) to support community-level transportation infrastructure; and (5) to provide for other special purposes. This cluster also provides for the improvement of roads in the District of Columbia, Puerto Rico, Guam, the United States Virgin Islands, American Samoa, and the Commonwealth of the Northern Mariana Islands, and on the Appalachian Development Highway System (ADHS). The objective of the ADHS program is to provide a highway system which, in conjunction with other federally aided highways, will open up areas with development potential within the Appalachian region where commerce and communication have been inhibited by lack of adequate access.

II. PROGRAM PROCEDURES

Federal-aid highway funds are generally apportioned by statutory formulas to the States and generally restricted to use on Federal-aid highways (i.e., roads open to the public and not functionally classified as local or rural minor collector roads). Exceptions to the use on Federal-aid highways include (1) planning and research activities; (2) bridge and safety improvements, which may be on any public road; (3) highway safety improvement projects, bicycle and pedestrian projects, transportation alternatives, and recreational trails projects, which may be located along any road or off road; and (4) projects funded under the Federal Lands and Tribal Transportation Program (FLTTP). Some limited categories of funds may be granted directly to other Federal agencies, tribal governments, other State agencies, or Local Public Agencies (LPAs), such as cities, counties, Metropolitan Planning Organizations (MPOs), and other political subdivisions. States also may pass funds through to such agencies, but the States retain overall stewardship responsibility. While each category of funds has individual eligibility requirements, in general Federal-aid funds may be used for (1) surveying; (2) engineering studies and design; (3) environmental studies; (4) right-of-way acquisition and relocation assistance; (5) capital improvements classified as new construction or reconstruction; (6) improvements for functional, geometric, or safety reasons; (7) 4R projects (restoration, rehabilitation, resurfacing, and reconstruction); (8) preservation; (9) planning; research, development, and technology transfer; (10) intelligent transportation systems projects; (11) roadside beautification; (12) vegetation management; (13) wetland and natural habitat mitigation; (14) traffic management and control improvements; (15) improvements necessary to accommodate other

transportation modes; (16) development and establishment of transportation management systems; (17) billboard removal; (18) fringe and corridor parking; (19) car pool and van pool projects; (20) historic preservation and rehabilitation of historic transportation facilities; (21) scenic and historic highway improvements; (22) inspection and evaluation of bridges, tunnels, and other highway assets; (23) asset management; (24) construction of ferry boats, ferry terminal facilities, and approaches to such facilities; (25) highway safety improvement projects; (26) bicycle and pedestrian projects; (27) transportation alternatives; (28) recreational trails; and (29) workforce development, training, and education. These funds generally cannot be used for routine highway operational activities, such as police patrols, mowing, snow plowing, or maintenance, unless it is preventative maintenance. Also, certain authorizations (e.g., FLTTP, National Highway Performance Program (NHPP), Surface Transportation Block Grant (STBG) Program, or Congestion Mitigation and Air Quality (CMAQ) Improvement Program) may be used for improvements to transit. CMAQ funds are for transportation projects and programs in air quality, nonattainment and maintenance areas for ozone, carbon monoxide, and particulate matter, which reduce transportation related emissions, though provision is made for States without air quality issues. ADHS projects are subject to the same standards, specifications, policies, and procedures as other Federal-aid highway projects. Eligibility criteria for the programs differ, so program guidance should be consulted.

Projects in urban areas of 50,000 or more population must be based on a transportation planning process, carried out by the MPOs in cooperation with the State and transit operators, and be included in the metropolitan long-range plan and the Transportation Improvement Program for the area. Projects in nonmetropolitan areas of a State must be consistent with the State's Transportation Plan. All Federal-aid projects must also be included in the approved Statewide Transportation Improvement Program (STIP) developed as part of the required statewide transportation planning process. The Federal Highway Administration (FHWA) and Federal Transit Administration (FTA) must approve the STIP jointly.

Until FY 2013, the ADHS was a cost-to-complete program (i.e., funding was provided over time to complete the approved initial construction/upgrading of the system) authorized by Section 201 of the Appalachian Regional Development Act of 1965. The Moving Ahead for Progress in the 21st Century Act (MAP-21) (Pub. L. No. 112-141) did not provide dedicated funding for the ADHS, but did make ADHS activities eligible under the NHPP and STBG programs. The Fixing America's Surface Transportation (FAST) Act (Pub. L. 114-94) provided States through FY 2050 the authority to select a Federal share of up to 100 percent for the cost of constructing highways and access roads on the ADHS. The Appalachian Regional Commission (ARC) has programmatic oversight responsibilities, which include approval of the location of the corridors and of State-generated estimates of the cost to complete the ADHS. The FHWA has project-level oversight responsibilities for the ADHS program. If the location, scope, and character of proposed ADHS projects are in agreement with the latest approved cost-to-complete estimate and all Federal requirements have been satisfied, FHWA authorizes the work with the ADHS funds. FHWA provides oversight of the ADHS as part of its Risk-Based Stewardship and Oversight program.

The Federal Lands Access Program (FLAP) was established under the MAP-21 and continued under the Fixing America's Surface Transportation (FAST) Act (Pub. L. No. 114-94) (23 USC 204). The program makes funds available for projects that provide access to, are

adjacent to, or are located within Federal lands. Priority is given to projects accessing high-use Federal recreation sites or Federal economic generators, as identified by the Secretaries of the appropriate Federal land management agencies.

Source of Governing Requirements

The primary sources of program requirements are 23 USC (Highways). Implementing regulations are found in 23 CFR (Highways) and 49 CFR (Transportation).

Availability of Other Program Information

The FHWA maintains a website that provides program laws, regulations, and other general information (http://www.fhwa.dot.gov/ and https://www.fhwa.dot.gov/fastact/).

III. COMPLIANCE REQUIREMENTS

In developing the audit procedures to test compliance with the requirements for this Federal program, the auditor must determine, from the following summary (also included in Part 2, "Matrix of Compliance Requirements"), which of the 12 types of compliance requirements apply, and then determine which of the applicable requirements is likely to have a direct and material effect on the Federal program at the auditee. For each such requirement, the auditor must use Part 3 (which includes generic details about each compliance requirement other than Special Tests and Provisions) and this program supplement (which includes any program-specific requirements) to perform the audit.

Compliance Requirements											
A	B	C	E	F	G	H	I	J	L	M	N
Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Eligibility	Equipment/ Real Property Management	Matching, Level of Effort, Earmarking	Period of Performance	Procurement/ Suspension and Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions
Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y

A. Activities Allowed or Unallowed

1. Federal funds can be used only to reimburse costs that are (a) incurred subsequent to the date of authorization to proceed, except for certain property acquisition costs permitted under 23 USC 108, certain emergency repair work under 23 USC

125, and preliminary engineering under Section 1440 of the FAST Act (23 USC 121 note); (b) in accordance with the conditions contained in the project agreement and the plans, specifications, and estimates (PS&E); (c) allocable to a specific project; and (d) claimed for reimbursement subsequent to the date of the project agreement (23 CFR sections 1.9, 630.106, 630.205, and 635.112).

2. Federal funds can be used for administrative settlement costs incurred in defending contract claim proceedings before arbitration boards or State courts only if approved by FHWA for Federal-aid projects. If special counsel is used, it must be recommended by the State Attorney or State Department of Transportation (State DOT) legal counsel and approved in advance by FHWA (23 CFR section 140.505).

3. ADHS funds may be used only for work included in the ADHS cost estimate approved by the ARC.

4. FLTTP funds may be used for work on projects that provide access to or within Federal or Tribal lands (23 USC 201 through 204).

F. Equipment and Real Property Management

See also DOT Cross-Cutting Section.

The State shall charge, at a minimum, fair market value for the sale, use, lease, or lease renewal of real property acquired with Federal assistance from the Highway Trust Fund (other than the Mass Transit Account). The State shall use such income for projects eligible under 23 USC. Exceptions may be granted to allow use for social, environmental, or economic purposes (23 USC 156).

G. Matching, Level of Effort, Earmarking

1. Matching

a. States generally are required to pay a portion of the project costs. Portions vary according to the type of funds authorized and the type of project and are stated in project agreements.

b. A State's matching share for a project may be credited by FHWA-approved toll revenues used to build or improve highways, bridges, and tunnels (23 USC 120(i)).

c. Donations of funds, materials, and services by a person or local government may be credited towards a State's matching share. Donated materials and services must meet the eligibility requirements of the project (23 USC 323(c)).

d. The value of land provided by State or local governments for highway purposes is eligible for a credit towards the non-Federal share of project

costs. The value of the donated land shall not include any increase or decrease in value of donated land caused by the project. The value of donated land shall be based on the fair market value of the land, established as of the earlier of (1) the date on which the donation becomes effective, or (2) the date on which equitable title to the land vests in the State. Real property acquired with State funds and required for federally-assisted projects may be credited toward the non-Federal share of project costs (23 USC 323(b); 23 CFR section 710.507).

e. For Transportation Enhancement (TE) projects using TE funds apportioned prior to October 1, 2012, funds from Federal agencies (except U.S. DOT) may be credited toward the non-Federal share of the cost of a project. The value of other non-cash contributions may be credited toward the non-Federal share. The non-Federal share may be calculated on a project, multiple-project, or program-wide basis. The total cost of an individual project may be funded with up to 100 percent Federal funds; however, for a fiscal year, the ratio of Federal funds to non-Federal funds for all TE funded projects must comply with the maximum Federal share provisions in 23 USC 120(b). FHWA guidance on these provisions is available at http://www.fhwa.dot.gov/environment/transportation_enhancements/guidance/.

f. For projects funded under 23 USC or 49 USC Chapter 53, any Federal funds (except for funds available under 23 USC and 49 USC) may be used to pay the non-Federal share of any transportation project that is within, adjacent to, or provides access to Federal land (23 USC 120(j)).

g. FLTTP funds may be used to pay the non-Federal share of projects which provide access to or within Federal or Indian lands which are funded under 23 USC or 49 USC Chapter 53 (23 USC 120(k)).

h. For the Recreational Trails Program (RTP), funds from other Federal programs (including the U.S. Department of Transportation) may be credited toward the non-Federal share of the cost of a project. RTP funds may be used to match other Federal programs. The non-Federal share may be calculated on a project, multiple-project, or program-wide basis (23 USC 206(f)). FHWA guidance on these provisions is available at http://www.fhwa.dot.gov/environment/recreational_trails/guidance/matchingfunds.cfm.

Any project sponsor (except for Federal agencies), whether a private individual or organization or a public agency, may donate funds, materials, services (including volunteer labor), or new right-of-way to be credited to the non-Federal share of an RTP project. Federal project sponsors may provide funds, materials, or services as part of the Federal share, but may not provide new right-of-way (23 USC 206(h)(1)).

i. Any cost in excess of 20 percent of the cost of the replacement or rehabilitation of a bridge not on a Federal-aid highway that is wholly funded with State and local funds may be used to meet the matching share requirement of projects funded under 23 USC 133 (23 USC 133(g)(3)).

2. Level of Effort – Not Applicable

3. Earmarking – Not Applicable

I. Procurement and Suspension and Debarment

See also DOT Cross-Cutting Section.

1. In general, State DOTs and LPAs must award construction contracts on the basis of the lowest responsive bid submitted by a bidder meeting the contracting agency's criteria for responsibility. Competitive bidding is required unless the contracting agency is able to demonstrate to FHWA that some other method is more cost effective or that an emergency exists (23 USC 112 (b)(1); 23 CFR sections 635.104 and 635.114). Contracting agencies also may procure construction services through competitive proposals by using design-build contracts (23 USC 112(b)(3); 23 CFR part 636) or construction manager/general contractor contracts (23 USC 112(b)(4)).

2. For construction contracts, bidding documents must be advertised for at least 3 weeks, unless a shorter period is justified in the project files. Recipients may not negotiate with the potential contractors during the time between bid opening and contract award (such negotiations would be noted in the contract files). Awards must be made to the lowest responsible bidder. If the award was made to a bidder other than the low bidder, then the project files must contain justification (23 CFR sections 635.112(b), 635.113, and 635.114).

J. Program Income

See also DOT Cross-Cutting Section.

State and local governments may only use the Federal share of net income from the sale, use, or lease of real property previously acquired with Federal funds if the income is used for projects eligible under 23 USC (23 USC 156).

L. Reporting

1. Financial Reporting

a. SF-270, *Request for Advance or Reimbursement* – Not Applicable

b. SF-271, *Outlay Report and Request for Reimbursement for Construction Programs* – Not Applicable

c. SF-425, *Federal Financial Report* – Not Applicable

d. PR-20, *Voucher for Work Under Provisions of the Federal-Aid and Federal Highway Acts, as Amended (OMB No. 2125-0507)*

2. Performance Reporting – Not Applicable

3. Special Reporting – Not Applicable

M. Subrecipient Monitoring

State DOTs are responsible for determining that subrecipients of Federal-aid highway funds have adequate project delivery systems for projects approved under 23 USC. They also are required to determine whether subrecipients have sufficient accounting controls to properly manage such Federal-aid funds (23 USC 106(g)(4)(A)).

N. Special Tests and Provisions

1. Wage Rate Requirements

Compliance Requirement - The Wage Rate Requirements are applicable to construction work on Federal-aid highways or on projects using ADHS or FLTTP funds. These requirements apply to Federal-aid projects located within the right-of-way of a Federal-aid highway. These requirements also apply to Federal-aid projects funded by the STBG program that are located outside the right-of-way of a Federal-aid highway, including projects funded under the Transportation Alternatives Set-Aside (except for projects funded under the Recreational Trails Program). FHWA has provided guidance on the applicability of these requirements at http://www.fhwa.dot.gov/construction/contracts/080625.cfm (23 USC 113 and 40 U.SC 14701).

See Wage Rate Requirements Cross-Cutting Section (page 4-20.001-1).

2. Use of Other State or Local Government Agencies

Compliance Requirement – A State may use other public land acquisition organizations or private consultants to carry out the State's authorities under 23 CFR section 710.201(b) in accordance with a written agreement (23 CFR section 710.201(h)).

Audit Objective – Determine whether other public land acquisition organizations or private consultants are carrying out the State's authorities under 23 CFR section 710.201(b) in accordance with their agreements with the State.

Suggested Audit Procedures

a. Examine records and ascertain if other agencies were used for right-of-way activities on Federal-aid projects.

b. Review a sample of right-of-way agreements with other agencies.

c. Perform tests of selected right-of-way activities to other agencies to verify that they comply with the written agreement.

3. Replacement of Publicly Owned Real Property

Compliance Requirement – Federal funds may be used to reimburse the reasonable costs actually incurred for the functional replacement of publicly owned and publicly used real property provided that FHWA concurs that it is in the public interest. The cost of increases in capacity and other betterments are not eligible except (1) if necessary to replace utilities; (2) to meet legal, regulatory, or similar requirements; or (3) to meet reasonable prevailing standards for the type of facility being replaced (23 CFR section 710.509).

Audit Objective – Determine whether the functional replacement of real property was accomplished within FHWA requirements.

Suggested Audit Procedures

a. Ascertain if there were any functional replacements of publicly owned real property.

b. Verify that FHWA concurred in the State's determination that the functional replacement is in the public interest.

c. Review a sample of transactions involving functional replacements and verify that the transactions were consistent with the FHWA requirements.

4. Quality Assurance Program

Compliance Requirement – A State DOT or LPA must have a quality assurance (QA) program, approved by FHWA, for construction projects on the NHS to ensure that materials and workmanship conform to approved plans and specifications. Verification sampling must be performed by qualified testing personnel employed by the State DOT, or by its designated agent, excluding the contractor (23 CFR sections 637.201, 637.205, and 637.207).

Audit Objective – Determine whether the State DOT or LPA is following a QA program approved by FHWA.

Suggested Audit Procedures

a. Obtain an understanding of the recipient's QA program.

b. Verify that the QA program has been approved by FHWA.

c. Review documentation of test results on a sample basis to verify that proper tests are being taken in accordance with the QA program.

d. Verify that verification sampling activities are performed by qualified testing personnel employed by the agency, or by its designated agent, excluding the contractor.

5. Contractor Recoveries

Compliance Requirement – When a State recovers funds from highway contractors for project overcharges due to bid-rigging, fraud, or anti-trust violations or otherwise recovers compensatory damages, the Federal-aid project involved shall be credited with the Federal share of such recoveries (Tennessee v. Dole 749 F.2d 331 (6th Cir. 1984); 57 Comp. Gen. 577 (1978); 47 Comp. Gen. 309 (1967)).

Audit Objective – Determine whether the proper credit was made to the Federal share of a project when recoveries of funds are made.

Suggested Audit Procedures

a. Determine the extent to which the State has recovered overcharges and other compensatory damages on Federal-aid projects through appropriate interviews and a review of legal, claim, and cash receipt records.

b. Review a sample of cash receipts and verify that appropriate credit is reflected in billings to the Federal Government.

6. Project Approvals

Compliance Requirements – FHWA project approval/authorization to proceed is required before costs are incurred for all phases or projects, except for certain property acquisition costs permitted under 23 USC 108, certain emergency repair work under 23 USC 125, and preliminary engineering under Section 1440 of the FAST Act (23 USC 121 note). Based on the Stewardship and Oversight agreement between the State DOT and the FHWA Division office, projects may be authorized under the authority in 23 USC 106(c), which allows the State DOT to assume responsibilities for designs, plans, specifications, estimates, contract awards, and inspection of progress. When FHWA authorizes a construction project or phase in a project agreement, the State DOT may incur costs, i.e., advertise for bids or use force account work (23 CFR sections 630.205(c), 635.112(a), 635.204, and 635.309).

Audit Objective – Determine whether project activities are started with required Federal approvals.

Suggested Audit Procedures

a. Review a sample of projects and identify dates of the necessary approvals, authorizations, and concurrences.

b. Identify dates that projects were advertised and contract or force account work was initiated and compare to the date of FHWA's project agreement.

7. Value Engineering

Compliance Requirement – State DOTs are required to establish a value engineering (VE) program and ensure that a VE analysis is performed on all applicable projects. The program should include procedures to approve or reject recommendations and for monitoring to ensure that resulting, approved recommendations are incorporated into the plans, specifications, and estimate. Applicable projects are (a) projects located on the NHS with an estimated total project cost of $50 million or more that utilize Federal-aid highway program funding; (b) bridge projects located on the NHS with an estimated total cost of $40 million or more that utilize Federal-aid highway program funding; and (c) any other projects that the FHWA determines to be appropriate. Projects utilizing the design-build method of construction do not require a VE analysis (23 USC 106(e)(5)). Critical elements of VE programs include identification of a State VE coordinator; establishment of a VE policy, and documented VE procedures, including requirements to identify applicable projects, verify required VE analyses are completed on State DOT and subrecipient projects; and monitor, assess, and report on the performance of the VE program (23 USC 106(e); 23 CFR part 627).

Audit Objective – Determine whether established VE programs include VE policies and procedures, documented analyses conducted for applicable projects, evaluations of VE recommendations, and incorporation of approved recommendations into the plans, specifications, and estimate for the project.

Suggested Audit Procedures

a. Verify that the State DOT established a VE program in accordance with Federal requirements.

b. Review a sample of applicable projects to ensure that a VE analysis was conducted, recommendations were evaluated, and approved recommendations were incorporated into the design of the project, and that the results of the analysis and recommendations implemented were documented in accordance with the established VE program's policies and procedures.

8. Utilities

Compliance Requirement – State DOTs are required to develop policies and procedures pertaining to the use, accommodation and/or relocation of public and private utility facilities on highway rights-of way using Federal-aid highway funds. State DOTs are required to develop, maintain, and obtain FHWA approval of their Utility Accommodation Policy (UAP) (23 CFR section 645.215). Expenses incurred for relocating utility facilities necessitated by highway construction projects using Federal-aid highway program funds are eligible for reimbursement from FHWA provided these costs were incurred in a manner consistent with State laws or FHWA regulations, whichever is more restrictive (23 CFR section 645.103(d)).

Plans, Specifications and Estimate (PS&E) packages for projects using Federal-aid highway program funds must have a utility agreement or statement verifying the appropriate coordination with all utilities on the project occurred prior to FHWA construction authorization. Each agreement or statement should specify that the utility use and occupancy of the right-of-way or any required utility work will be completed prior to the highway construction, or there were conditions specified allowing for the utility work to be coordinated with and completed in coordination with the highway construction schedule (23 CFR section 635.309(b)).

Utility agreements, permits, and supporting documentation define the conditions and provisions for accomplishing and reimbursing utility companies for utility relocation work that was required due to a Federal-aid highway program funded project. The agreements and supporting documentation, and the Federal requirements they reference, require that:

a. There must be itemized cost estimates for the proposed utility work (23 CFR section 645.113(c));

b. The utility agreement was approved prior to the utility incurring any costs or conducting any work that would be eligible for reimbursement (23 CFR section 645.113(g)(3));

c. Reimbursement of utility costs will occur after the work is completed (23 CFR section 645.107(a));

d. The utility incurred the costs and billings submitted verifying the work was completed in accordance with the utility agreement (23 CFR section 645.113(a-f) and 23 CFR section 645.117); and

e. Billed costs were eligible for reimbursement (23 CFR section 645.117).

Audit Objective – Determine whether the agreements, supporting documentation, and reimbursement for the adjustment and/or relocation of utility facilities on Federal-aid highway projects were accomplished in a manner which complies with State laws and FHWA regulations.

Suggested Audit Procedures

a. Verify that the State DOT has a current UAP approved by FHWA.

b. Review a sample of PS&E packages on projects using Federal-aid highway program funds to verify that there is a utility agreement or statement confirming that the appropriate coordination with all utilities on the project has occurred prior to FHWA construction authorization.

c. Review a sample of utility agreements and supporting documentation to verify required supporting material was prepared and that costs reimbursed met the requirements of the agreements.

9. Administration of Engineering and Design-Related Service Contracts

Compliance Requirement – In general, State DOTs and LPAs must use qualifications-based selection procedures (Brooks Act) when acting as contracting agencies to procure engineering and design-related services from consultants and sub-consultants for projects using Federal-aid highway funds (23 USC 112(b)(2); 23 CFR part 172). Requirements applicable to engineering and design-related services contracts include:

a. Contracting agencies (State DOTs and LPAs) must have written policies and procedures for each method of procurement used to procure engineering and design services. State DOT policies and procedures, or recipient LPA policies and procedures, must be approved by FHWA. LPAs that are subrecipients may adopt written policies and procedures prescribed by the awarding State DOT or prepare and maintain their own written policies and procedures approved by the State DOT (23 CFR section 172.5(c)).

b. Contracting agencies (State DOTs and LPAs) are required to accept the indirect cost rates for consultants and sub-consultants that have been established by a cognizant agency in accordance with the Federal Acquisition Regulation (48 CFR part 31) for 1-year applicable accounting periods, if such rates are not currently under dispute. Consultants and sub-consultants providing engineering and design-related services contracts must certify to contracting agencies that costs used to establish indirect cost rates are in compliance with the applicable cost principles contained in the Federal Acquisition Regulation (48 CFR part 31) by submitting a "Certificate of Final Indirect Costs" (23 USC 112(b)(2)(C); 23 CFR section 172.11).

c. Contracts for a consultant to act in a management support role on behalf of a contracting agency or subrecipient for engineering or design related services must be approved by FHWA before the consultant is hired, unless an alternative approval procedure has been approved by FHWA (23 CFR section 172.7(b)(5)).

Audit Objective – Determine if consultants performing engineering and design-related services for projects using Federal-aid highway funding were procured using FHWA-approved qualifications-based selection procedures.

Suggested Audit Procedures

a. Verify that the State DOT, or recipient LPA, has written policies and procedures (usually in the form of a Consultant Manual) for procurement of engineering and design services and that those procedures have been approved by FHWA. For subrecipient LPAs, verify that they are using written policies and procedures prescribed by the awarding State DOT or that the subrecipients' written policies and procedures have been approved by the State DOT.

b. Verify that contracting agencies are accepting the appropriate indirect cost rates.

c. Verify that consultants and sub-consultants have submitted to the contracting agency a "Certificate of Final Indirect Costs."

d. Verify that contracts for consultants acting in a management support role have been approved by FHWA or are covered by an FHWA-approved alternate procedure.

DEPARTMENT OF TRANSPORTATION

CFDA 20.319 HIGH-SPEED RAIL CORRIDORS AND INTERCITY PASSENGER RAIL SERVICE – CAPITAL ASSISTANCE GRANTS

I. PROGRAM OBJECTIVES

The High-Speed Intercity Passenger Rail (HSIPR) Program is intended to develop and expand high-speed and intercity passenger rail service in the United States. The objectives of this program are twofold. In the long-term, the program aims to build an efficient, high-speed passenger rail network connecting major population centers that are 100 to 600 miles apart. In the near-term, the program will begin to lay the foundation for this high-speed passenger rail network by investing in intercity passenger rail infrastructure, equipment, and intermodal connections.

II. PROGRAM PROCEDURES

In 2009, the American Recovery and Reinvestment Act of 2009 (ARRA) (Pub. L. No. 111-5, 123 Stat. 208), under the title "Capital Assistance for High Speed Rail Corridors and Intercity Passenger Rail Service" provided $8 billion for the HSIPR Program. A year later, Congress provided another $2.5 billion for the HSIPR Program in its Fiscal Year 2010 Consolidated Appropriations Act (Title I of Div. A Pub. L. 111–117, December 16, 2009) under the title ''Capital Assistance for High Speed Rail Corridors and Intercity Passenger Rail Service.'' No additional funds have been appropriated to the program.

The 2009 funding under the HSIPR Program was advanced along four funding tracks in order to both aid in the near-term economic recovery efforts intended under ARRA and to establish the path to realize a fully-developed national high-speed intercity passenger rail network. Track 1 – Projects will fund "ready-to-go" construction projects and the completion of project-level environmental and preliminary engineering documents necessary to prepare projects for construction. Track 2 – Programs fund sets of inter-related projects that constitute the entirety or a distinct phase (or geographic section) of a long-range service development plan. Track 3 – Planning is aimed at helping establish a "pipeline" of future high-speed rail/intercity passenger rail projects and service development programs by advancing planning activities for applicants at an earlier stage of the development process. Track 4 – Fiscal Year (FY) 2009/FY 2008 Appropriations Projects provide an alternative for projects that would otherwise fit under Track 1.

Depending on the specific funding track applied for, States (including the District of Columbia), groups of States, interstate compacts, public agencies established by one or more States and having responsibility for providing high-speed rail service or intercity passenger rail service, and Amtrak are eligible for HSIPR Program grants. Applicants must provide documents that demonstrate the status of all agreements with relevant stakeholders involved in the particular construction investment, including interstate partners, host railroads, right-of-way owners, and the contract railroad operator providing service.

The 2010 funding under the HSIPR program was available for: (1) Individual Projects that result in service benefits or other tangible improvements on a corridor; (2) Service Development

Programs that include a set of inter-related capital projects resulting in the introduction of new or substantially improved high-speed or intercity passenger rail services; (3) Planning Projects that lead directly to ‘‘passenger rail corridor investment plans’’ (which include both service development plans and corridor-wide environmental documentation), and those that lead directly to a State rail plan; and (4) Multi-State Planning Projects that would result in a ‘‘passenger rail corridor investment plan.’’

Source of Governing Requirements

The HSIPR Program consolidates the following recently authorized and closely related programs:

a. High-Speed Rail Corridor Development program (49 USC 26106),

b. Intercity Passenger Rail Service Corridor Capital Assistance program (49 USC Chapter 244),

c. Congestion Grants program (49 USC 24105),

d. Fiscal Year 2009 Capital Assistance to States – Intercity Passenger Rail Service Program (Pub. L. No. 111-8 (123 Stat. 934)), and

e. Fiscal Year 2008 Capital Assistance to States – Intercity Passenger Rail Service Program (Pub. L. No. 110-161 (121 Stat. 2393)).

The funding appropriated under ARRA is for the programs authorized in 49 USC 26106, 49 USC Chapter 244, and 49 USC 24105, while the funding provided from the FY 2008 and FY 2009 appropriations acts is governed under provisions unique to those two pieces of legislation. The Notice of Funding Availability for High-Speed Intercity Passenger Rail (“HSIPR”) Program (Program Notice), June 23, 2009, *Federal Register*, 74 FR 29900, describes the interim program guidance applicable to the program. All subsequent HSIPR Notices of Funding Availability are listed on the Federal Railroad Administration (FRA) website at https://www.fra.dot.gov/Page/P0089.

Availability of Other Program Information

Additional information about the HSIPR Program is available on the Federal Railroad Administration (FRA) website at http://www.fra.dot.gov/Page/P0140. Included on the FRA website are two documents mandated under ARRA: The High-Speed Rail Strategic Plan and interim program guidance. The strategic plan outlines the initial vision for the program; the interim guidance builds upon the strategic plan by detailing the application requirements and procedures for obtaining funding under the program.

III. COMPLIANCE REQUIREMENTS

In developing the audit procedures to test compliance with the requirements for this Federal program, the auditor must determine, from the following summary (also included in Part 2, "Matrix of Compliance Requirements"), which of the 12 types of compliance requirements apply, and then determine which of the applicable requirements is likely to have a direct and material effect on the Federal program at the auditee. For each such requirement, the auditor must use Part 3 (which includes generic details about each compliance requirement other than Special Tests and Provisions) and this program supplement (which includes any program-specific requirements) to perform the audit.

Compliance Requirements											
A	B	C	E	F	G	H	I	J	L	M	N
Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Eligibility	Equipment/ Real Property Management	Matching, Level of Effort, Earmarking	Period of Performance	Procurement/ Suspension and Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions
Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y

A. Activities Allowed or Unallowed

1. Activities Allowed – ARRA (Tracks 1 and 2)

   a. Activities funded under Track 1 must be eligible under the Intercity Passenger Rail Service Corridor Capital Assistance program (49 USC chapter 244) or the Congestion Grants program (49 USC 24105), and include:

      (1) Acquiring, constructing, improving, or inspecting equipment, track and track structures, or a facility for use in or for the primary benefit of Intercity Passenger Rail service, including High-Speed Rail; expenses incidental to the acquisition or construction (including designing, engineering, location surveying, mapping, inspecting, environmental studies, and acquiring rights-of-way); payments for the capital portions of rail trackage rights agreements; highway-rail grade crossing improvements related to Intercity Passenger Rail service; mitigating environmental impacts;

communication and signalization improvements; and relocation assistance, acquiring replacement housing sites, and acquiring, constructing, relocating, and rehabilitating replacement housing;

(2) Rehabilitating, remanufacturing, or overhauling rail rolling stock and facilities used primarily in Intercity Passenger Rail service; and

(3) Projects to provide access to Intercity Passenger Rail service rolling stock for non-motorized transportation, including bicycles and recreational equipment, and to provide storage capacity in intercity passenger trains for such transportation, equipment, and other luggage, to ensure passenger safety (see Section 3.5.1 of the Program Notice (74 FR 29910)).

b. Activities funded under Track 2 must be eligible under the High-Speed Rail Corridor Development program (49 USC 26106) or the Intercity Passenger Rail Service Corridor Capital Assistance program (49 USC chapter 244), and include:

(1) Activities 1 through 3 listed above under Track 1; and

(2) Acquiring, constructing, improving or inspecting equipment, track and track structures, or a facility for use in or for the primary benefit of High-Speed Rail service; expenses incidental to the acquisition or construction (including designing, engineering, location surveying, mapping, environmental studies, and acquiring rights-of-way); payments for the capital portions of rail trackage rights agreements; highway-rail grade crossing improvements related to High-Speed Rail service; mitigating environmental impacts; communication and signalization improvements; and relocation assistance, acquiring replacement housing sites, and acquiring, constructing, relocating, and rehabilitating replacement housing (see Section 3.5.2 of the Program Notice (74 FR 29910)).

2. *Activities Allowed* – Fiscal Year 2009 and 2008 appropriations acts(Tracks 3 and 4).

a. Activities funded under Track 3 must be eligible under the provisions of the FY 2009 and FY 2008 Capital Assistance to States – Intercity Passenger Rail Service programs (Pub. L. No. 111-8 and Pub. L. No. 110-161, respectively), and include planning studies that—

(1) Lead to the completion of a service development plan to support future applications for projects under Track 2;

(2) Identify and compare the costs, benefits, and impacts of a range of transportation alternatives, including High-Speed Rail and/or

Intercity Passenger Rail, as a means of providing decision makers with the information necessary to implement appropriate transportation solutions;

(3) Support the preparation of environmental documents that are prerequisite to the fulfillment of "service" NEPA studies; and

(4) Consist of operational analyses and simulations, and projections of future service requirements, leading to systematic and rational priority lists of projects that could be eligible for funding under the Intercity Passenger Rail Service Corridor Capital Assistance program (49 USC chapter 244) or the Congestion Grants program (49 USC 24105), and could ultimately contribute to service development plans (see Section 3.5.2 of the Program Notice (74 FR 29911)).

b. Activities funded under Track 4 must be eligible under the provisions of the FY 2009 and FY 2008 Capital Assistance to States – Intercity Passenger Rail Service programs (Pub. L. No.111-8 and Pub. L. No.110-161, respectively), and include

(1) Acquiring, constructing, or improving equipment, track and track structures, or a facility for use in or for the primary benefit of Intercity Passenger Rail service including High-Speed Rail service;

(2) Expenses incidental to the acquisition or construction (including designing, engineering, location surveying, mapping, environmental studies, and acquiring rights-of-way);

(3) Highway rail grade crossing improvements related to Intercity Passenger Rail service;

(4) Mitigating environmental impacts;

(5) Communication and signalization improvements; and

(6) Rehabilitating, remanufacturing, or overhauling rail rolling stock and facilities used primarily in Intercity Passenger Rail service (see Section 3.5.2 of the Program Notice (74 FR 29911)).

3. Activities Allowed – Fiscal Year 2010 appropriations act:

a. High-speed rail projects as authorized under 49 USC 26106, capital investment grants to support intercity passenger rail service as authorized under 49 USC 24406, and congestion grants as authorized under 49 USC 24105.

b. Not less than 85 percent of the funds are for cooperative agreements that lead to the development of entire segments or phases of intercity or high-speed rail corridors.

4. *Activities Unallowed* – In no case are Federal funds awarded under the HSIPR Program eligible to be used for rail operating expenses associated with the operation of intercity passenger rail service or for first-dollar liability costs for insurance related to the provision of intercity passenger rail service (49 USC 24404; June 23, 2009, *Federal Register* (74 FR 29916)).

F. Equipment and Real Property Management

See DOT Cross-Cutting Section.

G. Matching, Level of Effort, Earmarking

1. Matching

a. The matching share of allowable costs for a particular grant is established in the grant agreement.

b. For HSIPR projects funded under the authority of the High-Speed Rail Corridor Development program (49 USC 26106(f)), the Intercity Passenger Rail Service Corridor Capital Assistance program (49 USC 24402(g)(1)(B)), or the Congestion Grants program (49 USC 24105(c)), the Federal share for the cost of the project cannot exceed 80 percent.

c. For ARRA-funded projects, the Federal share for projects funded under 49 USC 26106, 49 USC chapter 244, and 49 USC 24105 shall be, at the option of the recipient, up to 100 percent (ARRA, 123 Stat 208).

d. For HSIPR projects funded from annual appropriations in the FY 2009 and FY 2008 Capital Assistance to States – Intercity Passenger Rail Service programs, the Federal share for the cost of the project cannot exceed 50 percent (Pub. L. No. 111-8, 123 Stat. 934 and Pub. L. No. 110-161, 121 Stat. 2393).

2. Level of Effort – Not Applicable

3. Earmarking

No more than 10 percent of funds made available under the FY 2009 and FY 2008 Capital Assistance to States – Intercity Passenger Rail Service programs may be used for planning activities that lead directly to the development of a passenger rail corridor investment plan (Pub. L. No. 111-8, 123 Stat. 934 and Pub. L. No. 110-161, 121 Stat. 2393).

H. Period of Performance

Funding for grants under ARRA must be expended by September 30, 2017 (ARRA, 123 Stat. 208; June 23, 2009, *Federal Register* (74 FR 29916)). Funding for HSIPR grants under the FY 2010 Appropriations Act remain available until expended.

I. Procurement and Suspension and Debarment

See DOT Cross-Cutting Section.

J. Program Income

See DOT Cross-Cutting Section.

L. Reporting

1. Financial Reporting

a. SF-270, *Request for Advance or Reimbursement* – Not Applicable

b. SF-271, *Outlay Report and Request for Reimbursement for Construction Programs* – Not Applicable

c. SF-425, *Federal Financial Report* – Applicable

2. Performance Reporting – Not Applicable

3. Special Reporting – Not Applicable

N. Special Tests and Provisions

Wage Rate Requirements

Compliance Requirements - Two provisions related to the Wage Rate Requirements are included in ARRA**.** The first requires that funded projects comply with the requirements of 40 USC 3141–3144, 3146 and 3147. The second provides that 49 USC 24405 shall also apply to the funded projects. The first provision mandates compliance with the Wage Rate Requirements generally. The second provision also mandates compliance the Wage Rate Requirements through 49 USC 24405(c), which provides that the Secretary of Transportation shall require as a condition of making any grant that uses rights-of-way owned by a railroad that the applicant agree to comply with the standards of 49 USC 24312 with respect to the project in the same manner that Amtrak is required to comply with those standards for construction work financed under an agreement made under 49 USC 24308(a). 49 USC 24312 provides that Amtrak shall ensure that laborers and mechanics employed by contractors and subcontractors in construction work financed under an agreement made under 49 USC 24308 will be paid wages not less than those prevailing on similar construction in the locality, as determined by the Secretary of Labor under 40 USC 3141–3144, 3146 and 3147 and that wages in a collective bargaining

agreement negotiated under the Railway Labor Act are deemed to comply with 40 USC 3141–3144, 3146 and 3147. 49 USC 24308 authorizes Amtrak to enter into agreements with rail carriers or regional transportation authorities to use facilities of and have services provided by the carrier or authority under terms on which the parties agree.

FRA has concluded that the two Wage Rate Requirements can be reconciled in a manner that allows the HSIPR Program to be implemented in a way that is both reasonable and consistent with current practices. For projects that use or propose to use rights-of-way owned by a railroad, the specific provisions of 49 USC 24405(c) apply and recipients are required to comply with the standards of 49 USC 24312 (prevailing wages) in the same manner that Amtrak is required to comply with those standards for construction projects it might undertake. Wages specified in a collective bargaining agreement negotiated under the Railway Labor Act would be deemed to comply with Wage Rate Requirements for these projects. For projects that do not propose to use rights-of-way owned by a railroad, normal Wage Rate Requirements apply and there would be no specific exemption for wages arrived at through a collective bargaining agreement negotiated under the Railway Labor Act. Wage rates on these projects would have to meet the Secretary of Labor's prevailing wage standards as described above (see June 23, 2009, *Federal Register* (74 FR 29927)).

See Wage Rate Requirements Cross-Cutting Section (page 4-20.001-1).

DEPARTMENT OF TRANSPORTATION

CFDA 20.500 FEDERAL TRANSIT – CAPITAL INVESTMENT GRANTS (Fixed Guideway Capital Investment Grants)
CFDA 20.507 FEDERAL TRANSIT – FORMULA GRANTS (Urbanized Area Formula Program)
CFDA 20.525 STATE OF GOOD REPAIR GRANTS PROGRAM
CFDA 20.526 BUS AND BUS FACILITIES FORMULA PROGRAM (Bus Program)

I. PROGRAM OBJECTIVES

Urbanized Area Formula Program (Section 5307)

The objective of the Urbanized Area Formula Program (5307 program) is to assist in financing the planning, acquisition, construction, preventive maintenance, and improvement of facilities and equipment in public transportation services. Operating expenses are also eligible under the 5307 program in urbanized areas with populations of less than 200,000 and, under some limited exceptions, to some urbanized areas with population of 200,000 and above.

Fixed Guideway Capital Investment Grants (Section 5309)

The objective of the Fixed Guideway Capital Investment Grants program (5309 program) is to provide funds for construction of new or extended fixed guideway systems, corridor-based bus rapid transit systems, and core capacity improvement projects that increase capacity by at least 10 percent in existing fixed guideway corridors that are at capacity today or will be in 5 years. In addition, the Pilot Program for Transit-Oriented Development (TOD) Planning provides funding for corridor-level comprehensive planning activities conducted in conjunction with the development of Section 5309 Fixed Guideway Capital Investment Grant program projects.

State of Good Repair Grants Program (Section 5337)

The objective of the State of Good Repair Grants Program (5337 program) is to provide financial assistance for maintaining, rehabilitating, and replacing transit assets for fixed guideway transit systems and high-intensity motor bus systems.

Buses and Bus Facilities Program (Section 5339)

The objective of the Buses and Bus Facilities Program (5339 program) is to provide financial assistance to replace, rehabilitate, lease and purchase buses and related equipment as well as construct bus-related facilities through both formula and competitive selection procedures. The Buses and Bus Facilities program includes three tiers. The 5339(a) formula tier provides funds based on population, ridership, and vehicle mileage. The 5339(b) portion of the Buses and Bus Facilities program is dedicated to a competitive competition for buses, bus facilities and bus related equipment. The 5339(c) portion of the Bus and Bus Facilities program is dedicated to the Low or No Emissions competitive competitions for low or no emissions buses, bus facilities, and bus related equipment.

II. PROGRAM PROCEDURES

The Fixing America's Surface Transportation Act (FAST) (Pub. L. No. 114-94), enacted December 4th, 2015 added a Bus and Bus Facilities (5339(b)) competitive program and the Low or No Emissions (5339(c)) competitive program. The State of Good Repair Grants program replaced the Fixed Guideway Modernization Program. The 5309 program continues, but now as the Fixed Guideway Capital Investment Grants program. The program was formerly known as the Major Capital Investments program or New Starts/Small Starts. The Pilot Program for TOD Planning was established in Section 20005(b) of MAP-21 with additional funding provided by the FAST Act. A Passenger Ferry Grant Program component awards funding on a competitive basis.

Grants are awarded to public agencies on approval of applications for specific programs or projects submitted to the Federal Transit Administration (FTA). FTA monitors the progress of those projects through on-site inspections, telephone contacts, correspondence, quarterly progress and financial status reports, and, where applicable, Triennial Reviews.

FTA is required to perform reviews and evaluations of 49 USC 5307 grant activities at least every 3 years. The most recent FTA Triennial Review Workshop Workbook provides guidance to FTA staff and recipients on the conduct of triennial reviews and is available at. https://www.transit.dot.gov. These reviews are conducted with specific reference to compliance with statutory and administrative requirements and consistency of program activities with (1) the approved program of projects, and (2) the planning process required under 49 USC 5303. Copies of these triennial reviews are available from the regional offices. Regional office addresses and telephone numbers are available on the FTA website listed below.

Source of Governing Requirements

The programs in this cluster are authorized by 49 USC 5307, 5309, 5337, and 5339. Program regulations are at 49 CFR parts 601 through 665.

Availability of Other Program Information

Additional information is available on the FTA website at http://www.transitfta.dot.gov/.

III. COMPLIANCE REQUIREMENTS

In developing the audit procedures to test compliance with the requirements for this Federal program, the auditor must determine, from the following summary (also included in Part 2, "Matrix of Compliance Requirements"), which of the 12 types of compliance requirements apply, and then determine which of the applicable requirements is likely to have a direct and material effect on the Federal program at the auditee. For each such requirement, the auditor must use Part 3 (which includes generic details about each compliance requirement other than Special Tests and Provisions) and this program supplement (which includes any program-specific requirements) to perform the audit.

Compliance Requirements											
A	B	C	E	F	G	H	I	J	L	M	N
Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Eligibility	Equipment/ Real Property Management	Matching, Level of Effort, Earmarking	Period of Performance	Procurement/ Suspension and Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions
Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y

A. Activities Allowed or Unallowed

1. *Activities Allowed*

a. Generally, under all programs, unless otherwise specified below, capital activities, as defined in 49 USC 5302(3), are eligible activities, including preventive maintenance and certain expenses related to crime prevention and security (49 USC 5307(a), 5309(b), 5337(b), and 5339(a)).

b. Under the 5307 program, for projects awarded before October 1, 2012, operating expenses related to the conduct of emergency response drills with public transportation agencies and local first-response agencies, and security training for public transportation employees are eligible capital expenses (49 USC 5302(a)(1)(J)).

c. Under the 5307 program, operating assistance for all urbanized areas under 200,000 population, and certain larger urbanized areas under limited exceptions, and planning for all urbanized areas (49 USC 5307(a)(2)).

d. Under the 5307 and 5339 program, human resources and workforce development activities, including training, and training provided at the National Transit Institute or through a State-contracted training provider (see III.G.3.b, "Matching, Level of Effort, Earmarking – Earmarking," below) (49 USC 5314 (b) and (c)).

e. Under the 5337 program, the only capital projects authorized are projects that implement a transit asset management plan and projects that maintain, rehabilitate, and replace assets for high intensity fixed guideway and motorbus systems in a state of good repair (49 USC 5337(b)).

f. Under the 5339 program, the only capital projects authorized are bus, bus facilities, and bus-related equipment projects (49 USC 5339(a)).

g. Under the 5309 program, for projects awarded before October 1, 2012, the only capital projects authorized are those for

(1) bus and bus facilities;

(2) new fixed guideways, including Small Starts;

(3) fixed guideway modernization; or

(4) corridor improvements (49 USC 5309(b)(1) through (b)(4)).

h. Under the 5309 program, for projects awarded on or after October 1, 2012, the only capital projects authorized are those for

(1) new or extended fixed guideway capital projects;

(2) corridor-based bus rapid transit projects; or

(3) core capacity improvement projects (49 USC 5309(b)).

i. Under the 5309 program, for projects awarded under the Pilot Program for TOD Planning, only comprehensive planning associated with a Section 5309 project is allowable (Section 20005(b) of MAP-21).

2. *Activities Unallowed*

a. Under the 5309, 5337, and 5339 programs, the following:

(1) Mobility management;

(2) Operating expenses; and

(3) Alternatives analysis, including planning, with funds appropriated after FY 2005 (49 USC 5309(b) and 5337).

b. Under the 5307 program, operating assistance in areas over 200,000, unless under certain limited exceptions (49 USC 5307(a)(2)).

c. Under the 5339 program, preventive maintenance and rail-related activities (49 USC 5339).

F. Equipment and Real Property Management

See DOT Cross-Cutting Section.

G. Matching, Level of Effort, Earmarking

1. Matching

The matching share of allowable costs for a particular grant is established in the grant agreement.

a. Under the 5307 program, the maximum Federal share is 80 percent of the net project cost for a capital project and 50 percent of the net project cost for operating assistance (49 USC 5307(d)(1) and (2))

b. Under the 5309 program, the maximum Federal share is 80 percent of the net project cost (49 USC 5309).

c. Under the 5337 program, the maximum Federal share is 80 percent of the net project cost. MAP-21 is silent on this issue. FTA has administratively continued the match requirement from the previous authorization in 49 USC 5309.

d. Under the 5339 program, the maximum Federal share is 80 percent of the net project cost (49 USC 5339(f)(1)).

e. For awards on or after October 1, 2012, for all programs, the maximum Federal share is 85 percent of the net project cost for vehicle purchases, and 90 percent of the net project cost for vehicle-related equipment and facilities, required to comply with the Clean Air Act or the Americans with Disabilities Act of 1990 (49 USC 5323(i)).

2. Level of Effort – Not Applicable

3. Earmarking

a. One percent of 5307 program funds apportioned to urbanized areas with a population of at least 200,000 shall be expended for public transportation security projects. These projects may include increased lighting in, or adjacent to, a public transportation system (including bus stops, subway stations, parking lots, and garages); increased camera surveillance of an area in or adjacent to that system; providing an emergency telephone line to contact law enforcement or security personnel in an area in or adjacent to that system; and any other project intended to increase the security and safety of an existing or planned public transportation system. If the recipient certifies that the expenditure for security projects is not necessary, the one percent expenditure is not required. This requirement applies at the UZA level, not to an individual grant or grantee (49 USC 5307 (d)(1)(J)(i)).

b. Under the 5307 and 5339 program, not more than 0.5 percent of funds may be expended for human resources and workforce development activities, including training. An additional 0.5 percent may be expended for training provided at the National Transit Institute or through a State-contracted training provider (49 USC 5314 (b) and (c)).

I. Procurement and Suspension and Debarment

See DOT Cross-Cutting Section.

Recipients must use qualifications-based selection procedures (Brooks Act or an equivalent qualifications-based requirement of a State) when acting as contracting agencies to procure engineering and design-related services for construction of a transit project (49 USC 5325(b)(1)).

J. Program Income

See DOT Cross-Cutting Section.

L. Reporting

1. Financial Reporting

a. SF-270, *Request for Advance or Reimbursement* – Not Applicable

b. SF-271, *Outlay Report and Request for Reimbursement for Construction Programs* – Not Applicable

c. SF-425, *Federal Financial Report* – Applicable

2. Performance Reporting – Not Applicable

3. Special Reporting – Not Applicable

N. Special Tests and Provisions

1. Charter Service

See DOT Cross-Cutting Section.

2. School Bus Operation

See DOT Cross-Cutting Section.

3. Wage Rate Requirements

Compliance Requirement - The Wage Rate Requirements apply to construction work financed with a grant or loan under this program (49 USC 5333).

See Wage Rate Requirements Cross-Cutting Section (page 4-20.001-1).

4. Environmental Review

Compliance Requirement – The National Environmental Policy Act (NEPA) and the joint FTA-FHWA implementing regulation (23 CFR part 771) require that the significant environmental effects of public transportation projects proposed for FTA assistance be documented, and that alternatives to avoid, minimize, and mitigate the adverse effects be considered (42 USC 4321 *et seq*.). A sponsor of an FTA-assisted project (i.e., the grant recipient) must comply with all design and mitigation commitments made in any environmental document prepared for the project (49 USC 139(c)(4)).

For projects requiring an Environmental Impact Statement (EIS), mitigation measures are summarized in a Record of Decision. For projects requiring an Environmental Assessment, mitigation measures are summarized in a Finding of No Significant Impact (FONSI). For categorically excluded projects, mitigation usually is not required, but if any mitigation measure is required, it will be documented in the FTA approval memorandum for the project. In all cases, these environmental documents should be referenced in the construction grant agreement.

Audit Objective – Determine whether the measures to mitigate the adverse impacts on the community and the environment that were specified in the environmental documents referenced in the grant agreement for construction projects were implemented.

Suggested Audit Procedures

a. Identify any FTA-assisted construction projects and review the grant agreement and environmental documents to identify mitigation measures specified.

b. For a sample of mitigation measures, compare the status of implementation with the commitments made in the environmental documents or grant agreement.

DEPARTMENT OF EDUCATION

CROSS-CUTTING SECTION

INTRODUCTION

This section contains compliance requirements that apply to more than one Department of Education (ED) program either because the program was authorized under the Elementary and Secondary Education Act of 1965 (ESEA), or the program is subject to the General Education Provisions Act (GEPA), or both. The compliance requirements in this ED Cross-Cutting Section reference the applicable programs in Part 4, Agency Compliance Requirements. Similarly, the applicable programs in Part 4 reference this ED Cross-Cutting Section.

CFDA No.	Program Name	Listed as
ESEA Programs		
84.010	Title I Grants to Local Educational Agencies (LEAs)	Title I, Part A
84.011	Migrant Education—State Grant Program	MEP
84.282	Charter Schools	CSP
84.287	Twenty-First Century Community Learning Centers	21st CCLC
84.365	English Language Acquisition Grants	Title III, Part A
84.366	Mathematics and Science Partnerships	MSP
84.367	Supporting Effective Instruction State Grant	Title II, Part A
84.424	Student Support and Academic Enrichment Grants	Title IV, Part A
Other Programs		
84.002	Adult Education—State Grant Program	Adult Education
84.027	Special Education—Grants to States (IDEA, Part B)	IDEA
84.173	Special Education—Preschool Grants (IDEA Preschool)	
84.042	TRIO—Student Support Services	TRIO Cluster
84.044	TRIO—Talent Search	
84.047	TRIO—Upward Bound	
84.066	TRIO—Educational Opportunity Centers	
84.217	TRIO—McNair Post-Baccalaureate Achievement	
84.048	Career and Technical Education – Basic Grants to States (Perkins IV)	CTE

84.126 Rehabilitation Services – Vocational Rehabilitation Grants to States Vocational Rehabilitation

84.181 Special Education—Grants for Infants and Families with Disabilities IDEA, Part C

Transition from the ESEA, as amended by the No Child Left Behind Act (NCLB), to the ESEA, as amended by the Every Student Succeeds Act (ESSA)

The ESEA was amended December 10, 2015 by the ESSA (Pub. L. No. 114-95). The ESEA was previously amended January 8, 2002 by NCLB (Pub. L. No. 107-110).

The 2016–2017 school year was a transition year to the ESEA, as reauthorized by the ESSA. Generally, all requirements of the amended ESEA first apply in the 2017-2018 school year.

Waivers and Expanded Flexibility

Under Section 8401 of the ESEA, as amended, State educational agencies (SEAs), Indian tribes, local educational agencies (LEAs) through their SEA, and schools through their LEA and SEA may request waivers from ED of many of the statutory and regulatory requirements of programs authorized in the ESEA. In addition, some States may have been granted authority to grant waivers of Federal requirements under the Education Flexibility Partnership Act of 1999.

I. PROGRAM OBJECTIVES

Program objectives for programs covered by this cross-cutting section are set forth in the individual program sections of this Supplement.

II. PROGRAM PROCEDURES

Plans for ESEA Programs

An SEA must either develop and submit separate, program-specific individual State plans to ED for approval as provided in individual program requirements outlined in the ESEA or submit, in accordance with Section 8302 of the ESEA, a consolidated plan to ED for approval. ED is reviewing State plans during the 2017–2018 school year, and SEAs were not required to have approved State plans in order to receive ESEA funds for the 2017–2018 school year Consolidated plans will provide a general description of the activities to be carried out with ESEA funds. Subgrants to LEAs and other eligible entities and amounts to be used for State activities are often set by law for ESEA programs. However, SEAs have discretion in using funds available for State activities.

LEAs also have the choice in many cases of submitting individual program plans or a consolidated plan to the SEA to receive program funds. SEAs with approved consolidated State plans may require LEAs to submit consolidated plans.

Unique Features of ESEA Programs That May Affect the Conduct of the Audit

Consolidation of administrative funds (In addition to the compliance requirement in III.A.1, "Activities Allowed or Unallowed," see IV, "Other Information.")

SEAs and LEAs (with SEA approval) may consolidate Federal funds received for administration under many ESEA programs, thus eliminating the need to account for these funds on a program-by-program basis. The amount from each applicable program set aside for State consolidation may not be more than the percentage, if any, authorized for State administration under that program. The amount set aside under each covered program for local consolidation may not be more than the percentage, if any, authorized for local administration under that program. Expenditures using consolidated administrative funds may be charged to the programs on a first in/first out method, in proportion to the funds provided by each program, or another reasonable manner.

Schoolwide Programs (In addition to the compliance requirement in III.A.2, Activities Allowed or Unallowed," see IV, "Other Information.")

Eligible schools are able to use their Title I, Part A funds, in combination with other Federal, State, and local funds, in order to upgrade the entire educational program of the school and to raise academic achievement for all students. Except for some of the specific requirements of the Title I, Part A program, Federal funds that a school consolidates in a schoolwide program are not subject to most of the statutory or regulatory requirements of the programs providing the funds as long as the schoolwide program meets the intent and purpose of those programs. The Title I, Part A requirements that apply to schoolwide programs are identified in the Title I, Part A program-specific section. If a school does not consolidate Federal funds with State and local funds in its schoolwide program, the school has flexibility with respect to its use of Title I, Part A funds, consistent with Section 1114 of ESEA (20 USC 6314), but it must comply with all statutory and regulatory requirements of the other Federal funds it uses in its schoolwide program.

Transferability (In addition to the compliance requirement in III.A.3, "Activities Allowed or Unallowed," see III.G.3.b, "Matching, Level of Effort, Earmarking – Earmarking," and IV, "Other Information.")

SEAs and LEAs (with some limitations) may transfer up to 100% of their allotment from one or more applicable programs (Title II, Part A and Title IV, Part A for SEAs and LEAs; and 21st CCLC for SEAs only)to one or more other applicable programs, Title I, Part A, Title I, Part C; Title I, Part D; Title III, Part A; or Title V, Part B. Transferred funds are subject to all of the requirements, set-asides, and limitations of the programs into which they are transferred.

Small Rural Schools Achievement Alternative Use of Funds (In addition to the compliance requirement in III.A.4, "Activities Allowed or Unallowed," see IV, "Other Information.")

Eligible LEAs may, after notifying the SEA, spend all or part of the funds they receive under two applicable programs for local activities authorized under one or more of five applicable programs.

General and Program-Specific Cross-Cutting Requirements

The requirements in this cross-cutting section can be classified as either general or program-specific. General cross-cutting requirements are those that are the same for all applicable programs but are implemented on an entity-level. These requirements need only be tested once to cover all applicable major programs. The general cross-cutting requirements that the auditor only need test once to cover all applicable major programs are: III.G.2.1, "Level of Effort-Maintenance of Effort;" III.L.3, "Special Reporting;" and, III.N, "Special Tests and Provisions." Program-specific cross-cutting requirements are the same for all applicable programs, but are implemented at the individual program level. These types of requirements need to be tested separately for each applicable major program. The compliance requirement in III.N.1, "Participation of Private School Children," may be tested on a general or program-specific basis.

In recent years, the Office of Inspector General in ED has investigated a number of significant criminal cases related to the risk of misuse of Federal funds and the lack of accountability of Federal funds in public charter schools. Auditors should be aware that, unless an applicable program statute provides otherwise, public charter schools and charter school LEAs are subject to the requirements in this cross-cutting section to the same extent as other public schools and LEAs. Auditors also should note that, depending upon State law, a public charter school may be its own LEA or a school that is part of a traditional LEA.

Program procedures for non-ESEA programs covered by this cross-cutting section and additional information on program procedures for the ESEA programs are set forth in the individual program sections of this Supplement.

Availability of Other Program Information

The ESEA, as reauthorized by the ESSA, is available with a hypertext index at http://legcounsel.house.gov/Comps/Elementary%20And%20Secondary%20Education%20Act%20Of%201965.pdf.

An ED *Federal Register* notice, dated July 2, 2004 (69 FR 40360-40365), indicating which Federal programs may be consolidated in a schoolwide program is available at http://www.gpo.gov/fdsys/pkg/FR-2004-07-02/pdf/04-15121.pdf.

A number of documents contain guidance applicable to the cross-cutting requirements in this section. With the exception of the first two documents, which were issued after enactment of the ESSA, the documents listed are applicable to the extent they are not inconsistent with any changes made by ESSA. They include:

a. Transitioning to the Every Student Succeeds Act (ESSA) Frequently Asked Questions (Jan. 18, 2017) (https://www2.ed.gov/policy/elsec/leg/essa/essatransitionfaqs11817.pdf

b. ESSA Fiscal Changes & Equitable Services (which includes guidance on Transferability Authority) (November 2016) (https://www2.ed.gov/policy/elsec/leg/essa/essaguidance160477.pdf)

c. ESSA Schoolwide Guidance (September 2016) https://www2.ed.gov/policy/elsec/leg/essa/essaswpguidance9192016.pdf

d. Guidance on the Rural Education Achievement Program (REAP) (June 2003) (http://www.ed.gov/policy/elsec/guid/reap03guidance.doc)

e. State Educational Agency Procedures for Adjusting Basic, Concentration, Targeted, and Education Finance Incentive Grant Allocations Determined by the U.S. Department of Education (May 23, 2003) (http://www.ed.gov/programs/titleiparta/seaguidanceforadjustingallocations.doc)

f. How Does a State or Local Educational Agency Allocate Funds to Charter Schools that Are Opening for the First Time or Significantly Expanding Their Enrollment? (December 2000) (http://www.ed.gov/policy/elsec/guid/cschools/cguidedec2000.doc)

g. Title I Services to Eligible Private School Children (October 17, 2003) (http://www.ed.gov/programs/titleiparta/psguidance.doc)

h. Title IX, Part E Uniform Provisions Subpart 1—Private Schools: Equitable Services to Eligible Private School Students, Teachers, and Other Educational Personnel (March 2009) (http://www.ed.gov/policy/elsec/guid/equitableserguidance.doc)

i. Serving Preschool Children Through Title I, Part A of the Elementary and Secondary Education Act of 1965, as Amended (April 16, 2012) (http://www2.ed.gov/policy/elsec/guid/preschoolguidance2012.pdf)

j. Title I Fiscal Issues: Maintenance of Effort; Comparability; Supplement, not Supplant; Carryover; Consolidating Funds in Schoolwide Programs; and Grantback Requirements (February 2008) (http://www.ed.gov/programs/titleiparta/fiscalguid.doc)

k. Letter to Chief State School Officers on Granting Administrative Flexibility for Better Measures of Success (September 7, 2012) (http://www2.ed.gov/policy/fund/guid/gposbul/time-and-effort-reporting.html?exp=3)

l. Letter and Enclosure on Flexibility in Schoolwide Programs (September 13, 2013) (http://www2.ed.gov/programs/titleiparta/flexswp091313.pdf)

m. ESSA Transition FAQs (June 29, 2016) (http://www2.ed.gov/policy/elsec/leg/essa/essafaqstransition62916.pdf)

n. ESSA Dear Colleague Letter (January 28, 2016) (http://www2.ed.gov/policy/elsec/leg/essa/transitionsy1617-dcl.pdf)

III. COMPLIANCE REQUIREMENTS

If there has been a transfer of funds to a consolidated administrative cost objective from a major program, in developing audit procedures to test compliance with "Activities Allowed or Unallowed" and "Allowable Costs/Cost Principles," the auditor should include the consolidated administrative cost objective in the universe to be tested.

A. Activities Allowed or Unallowed

1. ***Consolidation of Administrative Funds*** (SEAs/LEAs)

ESEA programs in this Supplement to which this section applies are: Title I, Part A (84.010); MEP (84.011); CSP (84.282); 21st CCLC (84.287); Title III, Part A (84.365); MSP (84.366) (at the LEA level only); Title II, Part A (84.367); and Title IV, Part A (84.424).

An SEA may consolidate the amounts specifically made available to it for State administration under one or more ESEA programs (and such other programs as the ED Secretary may designate) if the SEA can demonstrate that the majority of its resources are derived from non-Federal sources. An SEA must use consolidated administrative funds for authorized administrative activities of one or more of the consolidated programs. It may also use such funds for administrative activities designed to enhance the effective and coordinated use of funds under one or more of the programs included in the consolidation, such as coordination of ESEA programs with other Federal and non-Federal programs; the establishment and operation of peer review mechanisms; the dissemination of information regarding model programs and practices; and technical assistance (Section 8201 of ESEA (20 USC 7821)).

An LEA may, with the approval of its SEA, consolidate and use for the administration of one or more ESEA programs not more than the percentage, established in each program, of the total available under those programs. An LEA may use consolidated funds for the administration of the consolidated programs and for uses at the school district and school levels comparable to those authorized for the SEA. An LEA that consolidates administrative funds may not use any other funds under the programs included in the consolidation for administration (Section 8203 of ESEA (20 USC 7823)).

An SEA or LEA that consolidates administrative funds is not required to keep separate records of administrative costs for each individual program. Expenditures of consolidated administrative funds are allowable if they are for administrative costs that are allowable under any of the contributing programs (Sections 8201(c) and 8203(e) of ESEA (20 USC 7821(c) and 7823(e))).

See IV, "Other Information," for guidance on the treatment of consolidated administrative funds for purposes of Type A program determination and presentation in the Schedule of Expenditures of Federal Awards (SEFA).

2. ***Schoolwide Programs*** (LEAs)

ESEA programs in this Supplement to which this section applies are: Title I, Part A (84.010); MEP (84.011); 21st CCLC (84.287); Title III, Part A (84.365); MSP (84.366); Title II, Part A (84.367); and Title IV, Part A.

This section also applies to IDEA (84.027 and 84.173) and CTE (84.048).

An eligible school participating under Title I, Part A may, in consultation with its LEA, use its Title I, Part A funds, along with funds provided from the above-identified programs, to upgrade the school's entire educational program in a schoolwide program.

See IV, "Other Information," for guidance on the treatment of consolidated schoolwide funds for purposes of Type A program determination and presentation in the SEFA.

3. ***Transferability*** (SEAs and LEAs)

ESEA programs in this Supplement to which this section applies are: Title IV, Part A, (84.424), 21st CCLC (84.287) (for SEAs only), and Title II, Part A (84.367).

SEAs may transfer up to 100 percent of the non-administrative funds allocated for State-level activities from one or more of the programs above to one or more of the other listed applicable programs, or to Title I, Part A (CFDA 84.010). Title I, Part C (CFDA 84.011); Title I, Part D (CFDA 84.013); Title III, Part A (CFDA 84.365A); or Title V, Part B (84.358). Except for 21st CCLC (CFDA 84.287), LEAs may transfer up to 100 percent of their allotments from one or more of the listed applicable programs above to one or more of the other listed applicable programs, or to Title I, Part A (CFDA 84.010); Title I, Part C (CFDA 84.011); Title I, Part D (CFDA 84.013); Title III, Part A (CFDA 84.365A); or Title V, Part B (84.358).

See III.G.3.b, "Matching, Level of Effort, Earmarking – Earmarking," in this cross-cutting section, for additional testing related to transferability.

See IV, "Other Information," for guidance on the treatment of funds transferred under this provision for purposes of Type A program determination and presentation in the SEFA.

4. ***Small Rural Schools Achievement (SRSA) Alternative Uses of Funds Program***

ESEA program in this Supplement to which this section applies is Title II, Part A (84.367).

LEAs that (a) have a total average daily attendance of fewer than 600 students, or serve only schools that are located in counties with a population density of fewer than 10 persons per square mile; and (b) serve only schools that are coded by the National Center for Education Statistics (NCES) as rural (NCES code of 7 or 8), or (with the concurrence of the SEA) are located in an area defined as rural by a governmental agency of the State may, after notifying the SEA, spend all or part of the funds received under the above program (as well as under Title IV, Part A Student Support and Academic Enrichment Grants (84.424)) for local activities authorized under one or more of the following five programs:

CFDA 84.010 Title I Grants to Local Educational Agencies (LEAs) (Title I, Part A of the ESEA)

CFDA 84.287 Twenty-First Century Community Learning Centers (21st CCLC)

CFDA 84.365 English Language Acquisition Grants (Title III, Part A)

CFDA 84.367 Supporting Effective Instruction State Grant (Title II, Part A)

CFDA 84.424 Student Support and Academic Enrichment Grants (Title IV, Part A)

(Section 5211(a)-(c) of ESEA (20 USC 7345(a)-(c))).

See IV, "Other Information," for guidance on the treatment of funds transferred under this provision for purposes of Type A program determination and presentation in the SEFA.

B. Allowable Costs/Cost Principles

1. ***Alternative Fiscal and Administrative Requirements*** (SEAs/LEAs)

This section applies to all ESEA programs in this Supplement: Title I, Part A (84.010); MEP (84.011); CSP (84.282); 21st CCLC (84.287); Title III, Part A (84.365); MSP (84.366); Title II, Part A (84.367); Title IV, Part A (84.424)

A State may adopt its own written fiscal and administrative requirements, which are consistent with the provisions of 2 CFR part 200, subpart E, for expending and accounting for all funds received by SEAs and LEAs under ESEA programs. The written fiscal and administrative requirements must (a) be sufficiently specific to ensure that funds are used in compliance with all applicable statutory and regulatory provisions, including ensuring that costs are allocable to a particular cost objective; (b) ensure that funds received are spent only for reasonable and

necessary costs of the program; and (c) ensure that funds are not used for general expenses required to carry out other responsibilities of State or local governments (34 CFR section 299.2(b)).

2. ***Documentation of Employee Time and Effort (Consolidated Administrative Funds and Schoolwide Programs)***

ESEA programs in this Supplement to which this section applies are: Title I, Part A (84.010); MEP (84.011); CSP (84.282); 21st CCLC (84.287); Title III, Part A (84.365); MSP (84.366) (with respect to schoolwide programs and consolidation of administrative funds at the LEA level); Title II, Part A (84.367); Title IV, Part A (84.424).

This section also applies to IDEA (84.027 and 84.173) (schoolwide programs only) and CTE (84.048) (schoolwide programs only).

a. *Consolidated Administrative Funds:* An SEA or LEA that consolidates Federal administrative funds under Sections 8201 or 8203 of ESEA (20 USC 7821 or 7823) is not required to keep separate records by individual program. The SEA or LEA may treat the consolidated administrative funds as a consolidated administrative cost objective.

Time-and-effort requirements with respect to consolidated administrative funds vary under different circumstances.

(1) For an employee who works solely on the consolidated administrative cost objective, an SEA or LEA is not required to maintain records reflecting the distribution of the employee's salary and wages among the programs included in the consolidation.

(2) For an employee who works in part on the consolidated administrative cost objective and in part on a Federal program whose administrative funds have not been consolidated or on activities funded from other revenue sources, an SEA or LEA must maintain time and effort distribution records in accordance with 2 CFR section 200.430(i)(1)(vii) that support the portion of time and effort dedicated to:

(a) The consolidated cost objective, and

(b) Each program or other cost objective supported by non-consolidated Federal funds or other revenue sources.

b. *Schoolwide Programs* – A schoolwide program school is permitted to consolidate Federal funds with State and local funds to upgrade the entire educational program of the school. A school that consolidates Federal funds with State and local funds in a consolidated schoolwide pool is not

required to maintain separate records by program (Section 1114(a)(3)(C) of ESEA (20 USC 6314(a)(3)(C)); 34 CFR section 200.29(d)). If a schoolwide program school does not consolidate Federal funds in a consolidated schoolwide pool, the school must keep separate records by program. (Guidance is contained in the publication entitled *Title I Fiscal Issues: Maintenance of Effort; Comparability; Supplement, not Supplant; Carryover; Consolidating Funds in Schoolwide Programs; and Grantback Requirements* (February 2008). This guidance is available at http://www.ed.gov/programs/titleiparta/fiscalguid.doc.)

Time-and-effort requirements in schoolwide program schools vary under different circumstances.

(1) If a school operating a schoolwide program consolidates Federal, State, and local funds in a consolidated schoolwide pool, there is no distinction between staff paid with Federal funds and staff paid with State or local funds. Under these circumstances, payment from the single consolidated schoolwide pool is sufficient to demonstrate that an employee works only on activities of the schoolwide program, and no other documentation is required.

(2) If a school operating a schoolwide program does not consolidate Federal funds with State and local funds in a consolidated schoolwide pool, an employee who works, in whole or in part, on a Federal program or cost objective must document time and effort as follows:

(a) For an employee who works solely on a single cost objective (e.g., a single Federal program whose funds have not been consolidated or Federal programs whose funds have been consolidated but not with State and local funds), an LEA is not required to maintain records reflecting the distribution of the employee's salary and wages, including among the Federal programs included in the consolidation, if applicable.

(b) For an employee who works on multiple activities or cost objectives (e.g., in part on a Federal program whose funds have not been consolidated in a consolidated schoolwide pool and in part on Federal programs supported with funds consolidated in a schoolwide pool or on activities that are not part of the same cost objective), an LEA must maintain time and effort distribution records in accordance with 2 CFR section 200.430(i)(1)(vii) that support the portion of time and effort dedicated to:

(i) The Federal program or cost objective; and

(ii) Each other program or cost objective supported by consolidated Federal funds or other revenue sources.

c. In a September 7, 2012 letter to Chief State School Officers, ED authorized SEAs to approve LEAs' use of a substitute system for time-and-effort reporting for employees whose salaries are supported by multiple cost objectives, but who work on a predetermined schedule. ED also provided guidance to clarify the meaning of a "single cost objective." For more detail, see *Letter to Chief State School Officers on Granting Administrative Flexibility for Better Measures of Success* (Sept. 7, 2012) (http://www2.ed.gov/policy/fund/guid/gposbul/time-and-effort-reporting.html?exp=3).

3. ***Indirect Costs*** (All grantees/all subgrantees)

ESEA programs in this Supplement to which this section applies are: Title I, Part A (84.010); MEP (84.011); CSP (84.282); 21st CCLC (84.287); Title III, Part A (84.365); MSP (84.366); Title II, Part A (84.367); and Title IV, Part A (84.424)).

This section also applies to Adult Education (84.002); IDEA (84.027 and 84.173); CTE (84.048); and IDEA, Part C (84.181)).

A "restricted" indirect cost rate (RICR) must be used for programs administered by State and local governments and their governmental subgrantees that have a statutory requirement prohibiting the use of Federal funds to supplant non-federal funds. Non-governmental grantees or subgrantees administering such programs have the option of using the RICR, or an indirect cost rate of 8 percent, unless ED determines that the RICR would be lower.

The formula for a restricted indirect cost rate is:

RICR = (General management costs + Fixed costs) / (Other expenditures)

General management costs are costs of activities that are for the direction and control of the grantee's (or subgrantee's) affairs that are organization wide, such as central accounting services, payroll preparation and personnel management. For State and local governments, the general management indirect costs consist of (1) allocated Statewide Central Service Costs approved by the Department of Health and Human Services in a formal Statewide Cost Allocation Plan (SWCAP) as "Section I" costs and (2) departmental indirect costs. The term "general management" as it applies to departmental indirect costs does not include expenditures limited to one component or operation of the grantee. Specifically excluded from general management costs are the following costs that are reclassified and included in the "other expenditures" denominator:

(a) Divisional administration that is limited to one component of the grantee;

(b) The governing body of the grantee;

(c) Compensation of the chief executive officer of the grantee;

(d) Compensation of the chief executive officer of any component of the grantee; and

(e) Operation of the immediate offices of these officers.

Also excluded from the SWCAP Section I indirect costs are any occupancy and maintenance type costs as described in 34 CFR section 76.568. However, because these costs are allocated and not incurred at the departmental level, they do not require reclassification to the "other expenditure" denominator.

Fixed costs are contributions to fringe benefits and similar costs associated with salaries and wages that are charged as indirect costs, including retirement, social security, pension, unemployment compensation and insurance costs.

Other expenditures are the grantee's total expenditures for its federally and non-federally funded activities, including directly charged occupancy and space maintenance costs (as defined in 34 CFR section 76.568), and the costs related to the chief executive officer of the grantee or any component of the grantee and its offices. Excluded are general management costs, fixed costs, subgrants, capital outlays, debt service, fines and penalties, contingencies, and election expenses (except for elections required by Federal statute).

Occupancy and space maintenance costs associated with functions that are not organization-wide must be included with other expenditures in the indirect cost formula. These costs may be charged directly to affected programs only to the extent that statutory supplanting prohibitions are not violated. This reimbursement must be approved in advance by ED. Specific occupancy and space maintenance costs may be charged directly only to programs affected by the restricted rate calculation if charging for such costs is approved in advance by ED (34 CFR section 76.568(c)).

Indirect costs charged to a grant are determined by applying the RICR to total direct costs of the grant minus capital outlays, subgrants, and other distorting or unallowable items as specified in the grantee's indirect cost rate agreement.

The other ED programs (those not having a statutory non-supplant requirement) that allow indirect costs do not require a restricted rate and should follow the cost principles in 2 CFR part 200, subpart E (34 CFR sections 76.560 and 76.563-76.569).

4. ***Unallowable Direct Costs to Programs***

Officials from ED have noted that some entities have charged costs in the following areas which were determined to be unallowable as specified in the

indicated references. Auditors should be alert that if any such costs are charged, charges must be consistent with provisions of 2 CFR part 200, subpart E or, as applicable.

a. Separation leave costs (2 CFR section 200.431(b)).

b. Severance costs (2 CFR section 200.431(i)).

c. Post-retirement health benefit (PRHB) costs (2 CFR section 200.431(h)).

5. ***Unallowable Costs to Programs (Direct or Indirect)***

Officials from ED have noted that, in cases where grantees rent or lease buildings or equipment from an affiliate organization, the costs associated with the lease or rental agreement can be excessive. The auditor should be alert to the fact that the measure of allowability in such "less-than-arms-length-relationships" is not fair market value, but rather the "costs of ownership" standard as referenced in 2 CFR section 200.465(c).

C. Cash Management

ESEA programs in this Supplement to which this section applies are: Title I, Part A (84.010); MEP (84.011); CSP (84.282); 21st CCLC (84.287); Title III, Part A (84.365); MSP (84.366); Title II, Part A (84.367); and Title IV, Part A (84.424).

This section also applies to Adult Education (84.002); IDEA (84.027 and 84.173); TRIO Cluster (84.042, 84.044, 84.047, 84.066 and 84.217); CTE (84.048); Vocational Rehabilitation (84.126); IDEA, Part C (84.181);.

Note: This section applies only to Federal programs in which the entity being audited is a grantee, i.e. the entity receives grant funds directly from ED. Auditors should refer to Part 3, Section C, "Cash Management," for any Federal program in which the entity is being audited is a subrecipient, i.e., Federal funds are received through a pass-through grant from a grantee.

Grantees draw funds via the G5 System. Grantees request funds by (1) creating a payment request using the G5 System through the Internet; (2) calling the Payee Hotline; or (3) if the grantee is placed on the reimbursement or cash monitoring payment method, submitting a Form 270, *Request for Title IV Reimbursement or Heightened Cash Monitoring 2 (HCM2),* (*OMB No. 1845-0089*), to an ED program or regional office. When creating a payment request in G5, the grantee enters the drawdown amounts, by award, directly into G5. Grantees can redistribute drawn amounts between grant awards by making adjustments in G5 to reflect actual disbursements for each award, as long as the net amount of the adjustments is zero. When requesting funds using the other two methods, grantees provide drawdown information to the hotline operator or on the Form 270, as applicable.

To assist grantees in reconciling their internal accounting records with the G5 System, using their DUNS (Data Universal Numbering System) number, grantees can obtain a G-5 External Award Activity Report (https://www.g5.gov/) showing cumulative and detail information for each award. The External Award Activity Report can be created with date parameters (Start and End Dates) and viewed on-line. To view each draw per award, the G5 user may click on the award number to view a display of individual draws for that award.

G. Matching, Level of Effort, Earmarking

1. Matching

See individual program supplements for any matching requirements.

2.1 Level of Effort – *Maintenance of Effort* (SEAs/LEAs)

ESEA programs in this Supplement to which this section applies are: Title I, Part A (84.010); 21st CCLC (84.287); Title III, Part A (84.365); and Title II, Part A (84.367); and Title IV, Part A (84.424).

As described in II, "Program Procedures – General and Program-Specific Cross-Cutting Requirements," this requirement is a general cross-cutting requirement that need only be tested once to cover all major programs to which it applies.

An LEA may receive funds under an applicable program only if the SEA finds that the combined fiscal effort per student or the aggregate expenditures of the LEA from State and local funds for free public education for the preceding year was not less than 90 percent of the combined fiscal effort or aggregate expenditures for the second preceding year, unless specifically waived by ED.

An LEA's expenditures from State and local funds for free public education include expenditures for administration, instruction, attendance and health services, pupil transportation services, operation and maintenance of plant, fixed charges, and net expenditures to cover deficits for food services and student body activities. They do not include the following expenditures: (a) any expenditures for community services, capital outlay, debt service and supplementary expenses as a result of a Presidentially declared disaster and (b) any expenditures made from funds provided by the Federal Government.

If an LEA fails to maintain fiscal effort, an SEA must reduce an LEA's allocation under a covered program if the LEA also failed to maintain effort in one or more of the five immediately preceding fiscal years in the exact proportion by which the LEA fails to maintain effort by falling below 90 percent of both the combined fiscal effort per student and aggregate expenditures (using the measure most favorable to the LEA) (Section 8521 of ESEA (20 USC 7901); 34 CFR section 299.5).

In some States, the SEA prepares the calculation from information provided by the LEA. In other States, the LEAs prepare their own calculation. The suggested audit procedures for compliance contained in Part 3G for "Level of Effort – Maintenance of Effort" should be adapted to fit the circumstances. For example, if auditing the LEA and the LEA does the calculations, the auditor should perform steps a., b., and c. If auditing the LEA and the SEA does the calculation, the auditor should perform step c for the amounts reported to the SEA. If auditing the SEA and the SEA performs the calculation, the auditor should perform steps a. and b. and amend step c to trace amounts to the LEA reports. If auditing the SEA and the LEA performs the calculation, the auditor should perform step a. and, if the requirement was not met, determine if the funding was reduced appropriately.

2.2 Level of Effort – *Supplement Not Supplant* (SEAs/LEAs)

ESEA programs in this Supplement to which this section applies are: Title I, Part A (84.010); MEP (84.011); 21st CCLC (84.287); Title III, Part A (84.365); MSP (84.366); Title II, Part A (84.367); and Title IV, Part A (84.424).

General – An SEA and LEA may use program funds only to supplement and, to the extent practical, increase the level of funds that would, in the absence of the Federal funds, be made available from non-Federal sources for the education of participating students. In no case may an LEA use Federal program funds to supplant funds from non-Federal sources (Title I, Part A, Section 1120A(b) or 1118 of ESEA (20 USC 6321(b)); MEP, Section 1304(c)(2) of ESEA (20 USC 6394(c)(2)); 21st CLCC, Section 4204(b)(2)(G) of ESEA (20 USC 7174(b)(2)(G)); Title V, Part A, Section 5144 of ESEA (20 USC 7217c); Ed Tech, Section 2413(b)(6) of ESEA (20 USC 6763(b)(6)); Title III, Part A, Section 3115(g) (20 USC 6825(g)) (see additional information below; MSP, Section 2202(a)(4) of ESEA (20 USC 6662(a)(4)); Title II, Part A, Section and 2301 of ESEA 6691)); and Title IV, Part A (20 USC 7120).

Except as noted below, in the following instances, it is presumed that supplanting has occurred:

a. The SEA or LEA used Federal funds to provide services that the SEA or LEA was required to make available under other Federal, State or local laws.

b. The SEA or LEA used Federal funds to provide services that the SEA or LEA provided with non-Federal funds (or for Title III, Part A, other Federal funds, as noted below) in the prior year.

c. The SEA or LEA used Title I, Part A or MEP funds to provide services for participating children that the SEA or LEA provided with non-Federal funds for nonparticipating children.

These presumptions are rebuttable if the SEA or LEA can demonstrate that it would not have provided the services in question with non-Federal funds had the Federal funds not been available.

Schoolwide Programs – In a Title I schoolwide program, a school is not required to use Title I, Part A funds to provide supplemental services to identified children. In other words, a Title I school operating a schoolwide program does not have to (1) show that Title I, Part A funds used within the school are paying for additional services that would not otherwise be provided; or (2) demonstrate that Title I, Part A funds are used only for specific target populations (Title I, Part A, Section 1114(a)(2)(A) of ESEA (20 USC 6314(a)(2)(A)); 34 CFR section 200.25(c)). Similarly, if a school operating a schoolwide program consolidates other Federal funds with State and local funds, the school is exempt from meeting most statutory or regulatory provisions of each consolidated program and from maintaining separate fiscal accounting records that identify specific activities supported by each program if the school meets the intent and purposes of each program. Under these circumstances, the school may meet the supplement not supplant requirement in Section 1114(a)(2)(B) of the ESEA for a school operating a schoolwide program (Title I, Part A, Section 1114(a)(3) (20 USC 6314(a)(3)); 34 CFR section 200.29).

The supplement not supplant requirement in Section 1114(a)(2)(B) of the ESEA (20 USC 6314(a)(2)(B)) applies to a Title I school operating a schoolwide program. In order for the school to spend Title I, Part A funds and other Federal funds that it consolidates with State and local funds, the LEA must provide the school all of the non-Federal funds it would otherwise have received from the LEA if it were not operating a schoolwide program, including those funds necessary to provide the basic education program for all students and services required by law for children with disabilities and English learners (Title I, Part A, Section 1114(a)(2)(B) of ESEA (20 USC 6314(a)(2)(B)); 34 CFR section 200.25(d)). Accordingly, the presumptions that supplanting has occurred listed above do not apply with respect to Title I, Part A funds or other Federal funds that are consolidated with State and local funds in a Title I school operating a schoolwide program.

Compliance under Title I, Part A as amended by the ESSA – The ESSA amended the Title I, Part A supplement not supplant requirement (Title I, Part A, Section 1118(b)(2) (20 USC 6321(b)(2))). To demonstrate compliance, an LEA must have a methodology to allocate State and local funds to each Title I school that ensures that the school receives all of the State and local funds it would otherwise receive if it were not receiving Title I funds. This requirement applies to both schoolwide program schools and targeted assistance schools. Thus, a Title I targeted assistance school is not required to use Title I, Part A funds to provide supplemental services to identified children. In other words, a Title I school operating a targeted assistance program does not have to show that Title I, Part A funds used within the school are paying for additional services that would not otherwise be provided. The LEA must provide the targeted

assistance school all of the State and local funds it would otherwise have received from the LEA if it were not a Title I school. Because an LEA does not have to have a methodology in place to demonstrate compliance with the Title I, Part A supplement not supplant requirement until the beginning of the 2018-2019 school year, an LEA may comply for the 2017-2018 school year under either section 1120A(b) or section 1118(b)(2) of the ESEA.

Title I, Part A and MEP – An SEA and LEA may exclude from determinations of compliance with the supplement not supplant requirement supplemental State or local funds spent in any school attendance area or school for programs that meet the intent and purposes of Title I, Part A or the MEP, respectively, as identified in Title I of ESEA (Sections 1118(d) and 1304(c)(2) of ESEA (20 USC 6321(d) and 6394(c)(2)); 34 CFR sections 200.79 and 200.88).

Title III, Part A – An SEA or LEA may only use funds under Title III, Part A to supplement the level of Federal, State and local public funds that, in the absence of the Title III funds, would have been provided for programs for English learners and immigrant children and youth (Section 3115(g) of ESEA (20 USC 6825(g))).

3. Earmarking

a. ***Administration*** (SEAs)

ESEA programs in this Supplement to which this section applies are: Title I, Part A (84.010) and MEP (84.011).

An SEA may reserve for the administration of Title I programs up to one percent from each of the amounts allocated to the State under Title I, Parts A, C (MEP), and D (Subpart 1) or $400,000, whichever is greater. However, if the sum of the amounts appropriated for Parts A, C, and D is equal to or greater than $14 billion, as is the case for FY 2017, the amount an SEA may reserve for administration may not exceed one percent of the amount the State would receive if the Title I allocation were $14,000,000,000 (20 USC 6304(b)). ED has provided a table to the State showing the amount that it could reserve for administration of Title I programs from FY 2017 funds if $14 billion were appropriated for FY 2017. An SEA may reserve less than one percent from each of Parts A, C, and D. Moreover, an SEA does not need to reserve the same percentage from each part, although the SEA may not reserve more from Parts C and D than it would have reserved if it had reserved proportionate amounts from Parts A, C, and D. An SEA reserving $400,000 must reserve proportionate amounts from each of the amounts allocated to the State under Part A, but is not required to reserve funds proportionately from each of Parts A, C, and D and may, for example, take the reservation entirely out of Part A funds. However, in reserving $400,000, an SEA may not reserve more funds for State administration from Part C or Part D

than it would have if it had reserved proportionate funds from Parts A, C, and D.

(Section 1004 of ESEA (20 USC 6304); see also 34 CFR section 200.100(b)). For more detail, see page 33 of the guidance entitled *State Educational Agency Procedures for Adjusting Basic, Concentration, Targeted, and Education Finance Incentive Grant Allocations Determined by the U.S. Department of Educa*tion (May 23, 2003) (http://www.ed.gov/programs/titleiparta/seaguidanceforadjustingallocations.doc) and page 9 of the ESSA Fiscal Changes & Equitable Services guidance (November 2016)

(https://www2.ed.gov/policy/elsec/leg/essa/essaguidance160477.pdf)

As explained in III.A.1, "Activities Allowed or Unallowed – Consolidation of Administrative Funds," the amounts reserved above may be consolidated with State administrative funds available under other applicable programs (Section 8201(a) of ESEA (20 USC 7821(a)).

b. ***Transferability*** (SEAs/LEAs)

ESEA programs in this Supplement to which this section applies are: Title IV, Part A (84.424), 21st CCLC (84.287) (for SEAs only) and Title II, Part A (84.367).

SEAs may transfer up to 100 percent of the non-administrative funds allocated for State-level activities from one or more of the programs listed above to one or more of those programs, or to Title I, Part A (84.010); Title I, Part C (84.011); Title I, Part D (84.013); Title III, Part A (84.365A); or Title V, Part B (84.358). Except for 21st CCLC (84.287), LEAs may transfer up to 100 percent of their allotments from one or more of the programs listed above to one or more of those programs, or to Title I, Part A (84.010); Title I, Part C (84.011); Title I, Part D (84.013); Title III, Part A (84.365A); or Title V, Part B (84.358).

The allocation base for a program for a fiscal year equals that fiscal year's original funding plus funds transferred into the program for that fiscal year. Funds may be transferred during a fiscal year's carryover period. Funds must be transferred to the receiving program's allocation for the same fiscal year that the funds were allocated to the transferring program (Sections 5103(a) and (b) of ESEA (20 USC 7305b(a) and (b))).

H. Period of Performance (All grantees)

ESEA programs in this Supplement to which this section applies are: Title I, Part A (84.010); MEP (84.011); CSP (84.282); Title III, Part A (84.365); MSP (84.366); Title II, Part A (84.367); and Title IV, Part A (84.424) and SIG.

This section also applies to Adult Education (84.002); *IDEA (84.027and 84.173); CTE (84.048); and IDEA, Part C (84.181).*

All ESEA and other programs listed above except CSP and subrecipients under CTE – LEAs and SEAs must obligate funds during the 27 months, extending from July 1 of the fiscal year for which the funds were appropriated through September 30 of the second following fiscal year. This maximum period includes a 15-month period of initial availability plus a 12-month period for carryover. For example, funds from the fiscal year 2014 appropriation initially became available on July 1, 2014 and may be obligated by the grantee and subgrantee through September 30, 2016 (Section 421(b) of GEPA (20 USC 1225(b)); 34 CFR sections 76.703 through 76.710).

Title I, Part A – An LEA that receives $50,000 or more in Title I, Part A funds may not carry over beyond the initial 15 months of availability more than 15 percent of its Title I, Part A funds. An SEA may grant a waiver of the percentage limitation for an LEA once every 3 years if the LEA's request is reasonable and necessary or if supplemental appropriations for Title I, Part A become available for obligation (Section 1127 of ESEA (20 USC 6339)).

CSP program – The recipient must obligate funds from a grant during the period for which the funds are available for obligation as set forth in the grant award document. Recipients must maintain documentation to demonstrate that the obligation occurred during the period of availability and was charged to an appropriate year's grant funds. If obligations occur outside of the period of availability, the funds are not timely obligated and must be returned. However, under the "expanded authorities" provisions, grantees are permitted to:

a. Extend grants automatically at the end of a project period for up to one year without prior approval (with some exceptions);

b. Carry funds over from one budget period to the next;

c. Obligate funds up to 90 days before the effective date of a budget period without prior approval; and

d. Transfer funds among budget categories without prior approval, except for a limited number of specific cases.

CTE program – In any academic year that a subrecipient does not obligate all of the amounts it is allocated under the Secondary and Postsecondary CTE programs for that year, it must return the unobligated amounts to the State to be reallocated under the Secondary and Postsecondary CTE Programs, as applicable (Section 133(b) of the Carl D. Perkins Career and Technical Education Act of 2006 (Perkins IV) (Pub. L. No. 109-270) (20 USC 2353(b))).

Consolidated Administrative Funds – Consolidated administrative funds must be obligated within the period of availability of the program that the funds came from. Because expenditures in a consolidated administrative fund are not accounted for by

specific Federal programs, an SEA or LEA may use a first-in, first-out method for determining when funds were obligated, may attribute costs in proportion to the dollars provided, or may use another reasonable method.

Definition of Obligation – An obligation is not necessarily a liability in accordance with generally accepted accounting principles. When an obligation occurs (is made) depends on the type of property or services that the obligation is for (34 CFR section 76.707):

IF AN OBLIGATION IS FOR --	THE OBLIGATION IS MADE --
(a) Acquisition of real or personal property.	On the date on which the State or subgrantee makes a binding written commitment to acquire the property.
(b) Personal services by an employee of the State or subgrantee.	When the services are performed.
(c) Personal services by a contractor who is not an employee of the State or subgrantee.	On the date on which the State or subgrantee makes a binding written commitment to obtain the services.
(d) Performance of work other than personal services.	On the date on which the State or subgrantee makes a binding written commitment to obtain the work.
(e) Public utility services.	When the State or subgrantee receives the services.
(f) Travel.	When the travel is taken.
(g) Rental of real or personal property.	When the State or subgrantee uses the property.
(h) A pre-award cost that was properly approved by the State under the cost principles.	On the first day of the subgrant period.

The act of an SEA or other grantee awarding Federal funds to an LEA or other eligible entity within a State does not constitute an obligation for the purposes of this compliance requirement. An SEA or other grantee may not reallocate grant funds from one subrecipient to another after the period of availability ends.

If a grantee or subgrantee uses a different accounting system or accounting principles from one year to the next, it shall demonstrate that the system or principle was not improperly changed to avoid returning funds that were not timely obligated. A grantee or subgrantee may not make accounting adjustments after the period of availability ends in an attempt to offset audit disallowances. The disallowed costs must be refunded.

L. Reporting

1. Financial Reporting

ESEA programs in this Supplement to which this section applies are: Title I, Part A (84.010); MEP (84.011); CSP (84.282); 21st CCLC (84.287); Title III, Part A (84.365); MSP (84.366); Title II, Part A (84.367); and Title IV (84.424)).

This section also applies to IDEA (84.027 and 84.173); IDEA, Part C (84.181):

a. SF-270, *Request for Advance or Reimbursement* – Applicable (using the G5 System)

b. SF-271, *Outlay Report and Request for Reimbursement for Construction Programs* – Not Applicable

c. SF-425, *Federal Financial Report* – Not Applicable

d. Form 270, *Request for Title IV Reimbursement or Heightened Cash Monitoring 2 (HCM2)* (*OMB No.* 1845-0089) – Applicable only to institutions placed on reimbursement payment method or Heightened Cash Monitoring 2 by ED

2. Performance Reporting – Not Applicable

3. Special Reporting

State Per Pupil Expenditure (SPPE) Data (*OMB No. 1850-0067*) (SEAs/LEAs)

ESEA programs in this Supplement to which this section applies are: Title I, Part A (84.010) and MEP (84.011).

As described in II, "Program Procedures – General and Program-Specific Cross-Cutting Requirements," this requirement is a general cross-cutting requirement that need only be tested once to cover all major programs to which it applies.

Each year, an SEA must submit its average State per pupil expenditure (SPPE) data to the National Center for Education Statistics. These SPPE data are used by ED to make allocations under several ESEA programs, including Title I, Part A and MEP. SPPE data are reported on the National Public Education Finance Survey. SPPE data comprise the State's annual current expenditures for free public education, less certain designated exclusions, divided by the State's average daily attendance.

LEAs must submit data to the SEA for the SEA's report. The SEA determines the format of the data submissions.

Current expenditures to be included are those for free public education, including administration, instruction, attendance and health services, pupil transportation services, operation and maintenance of plant, fixed charges, and net expenditures to cover deficits for food services and student body activities. Current expenditures to be excluded are those for community services, capital outlay, debt service, and expenditures from funds received under Title I of the ESEA. To determine its expenditures under Titles I of the ESEA in a schoolwide program, an LEA could calculate the percentage of funds that Title I contributed to the schoolwide program and then apply that percentage to the total expenditures in the schoolwide program. Other reasonable methods may also be used (Section 8101(12) of ESEA (20 USC 7801(12))).

Except when provided otherwise by State law, average daily attendance generally means the aggregate number of days of attendance of all students during a school year divided by the number of days that school is in session during such school year. For purposes of ESEA, average daily membership (or similar data) can be used in place of average daily attendance in States that provide State aid to LEAs on the basis of average daily membership or such other data. When an LEA in which a child resides makes a tuition or other payment for the free public education of the child in a school of another LEA, the child is considered to be in attendance at the school of the LEA making the payment, and not at the school of the LEA receiving the payment. Similarly, when an LEA makes a tuition payment to a private school or to a public school of another LEA for a child with disabilities, the child is considered to be in attendance at the school of the LEA making the payment (Section 8101(1) of ESEA (20 USC 7801(1))).

N. Special Tests and Provisions

1. Participation of Private School Children (SEAs/LEAs)

ESEA programs in this Supplement to which this section applies are: Title I, Part A (84.010); MEP (84.011); 21st CCLC (84.287); Title III, Part A (84.365); MSP (84.366); Title II, Part A (84.367)and Title IV, Part A (84.424).

Depending on how the SEA/LEA implements requirements for the provision of equitable participation of private school children, this requirement may be tested on a general or program-specific basis (as described in II, "Program Procedures – General and Program-Specific Cross-Cutting Requirements").

Compliance Requirements – For programs funded under Title I, Part A (CFDA 84.010), an LEA, after timely and meaningful consultation with private school officials, must provide equitable services to eligible private school children, their teachers, and their families. Eligible private school children are those who reside in a participating public school attendance area and have educational needs under Section 1115(b) of the ESEA (20 USC 6315(b)). The amount of funds an LEA makes available for equitable services under Title I, Part A must be equal to the proportion of funds allocated to participating public school attendance areas based on the number of children from low-income

families who reside in those attendance areas and attend private schools. An LEA must determine the share prior to any expenditures or transfers of funds within the program, such as reservations for administration, parental involvement, and district-wide activities. (20 USC 6320(a)(4)(A)). LEAs determine the proportionate share by multiplying the proportion of children from low-income families who attend private schools and live in participating Title I attendance areas by the LEA's total Title I allocation (including any funds transferred into Title I). For more information, see pages 29-30 in the ESSA Fiscal Changes & Equitable Services guidance (November 2016) (https://www2.ed.gov/policy/elsec/leg/essa/essaguidance160477.pdf).

For all other programs, an SEA, LEA, or other eligible entity (or consortium of such entities) receiving financial assistance under an applicable program must provide eligible private school children and their teachers or other educational personnel with equitable services or other benefits under the program. Before an agency or consortium makes any decision that affects the opportunity of eligible private school children, teachers, and other educational personnel to participate, the agency or consortium must engage in timely and meaningful consultation with private school officials. Expenditures for services and benefits to eligible private school children and their teachers and other educational personnel must be equal on a per-pupil basis to the expenditures for participating public school children and their teachers and other educational personnel, taking into account the number and educational needs of the children, teachers and other educational personnel to be served (Sections 8501 of ESEA (20 USC 7881); 34 CFR sections 299.6 through 299.9).

The control of funds used to provide equitable services to eligible private school students, teachers and other educational personnel, and families, and title to materials, equipment, and property purchased with those funds must be in a public agency and the public agency must administer the funds, materials, equipment, and property. The provision of equitable services must be by employees of a public agency or through a contract by the public agency with an individual, association, agency, or organization that is independent of any private school or religious organization. The contract must be under the control of the public agency (Sections 1117(d), and 8501(d) of ESEA (20 USC 6320(d), and 7881(d); 34 CFR sections 200.67 and 299.9).

These compliance requirements also apply to Transferability (see III.A.3, "Activities Allowed or Unallowed – Transferability") for transfers made by *21st CCLC (84.287) and Title II, Part A (84.367)* (Section 5103(e)(2) of ESEA (20 USC 7305b(e)(2))).

Audit Objectives – Determine whether (1) the LEA, SEA, or other agency receiving ESEA funds has conducted timely consultation with private school officials to determine the kind of educational services to provide to eligible private school children, (2) the planned services were provided, and (3) the required amount was used for private school children.

Suggested Audit Procedures (LEA/SEA)

a. Verify, by reviewing minutes of meetings and other appropriate documents, that the SEA or LEA conducted timely consultation with private school officials in making its determinations and set aside the required amount for private school children.

b. Review program expenditure and other records to verify that educational services that were planned were provided.

c. For Title I, Part A, verify that the amount of funds available for equitable services in and LEA was determined by multiplying the proportion of private school children from low-income families residing in a participating public school attendance area by the LEA's total Title I, Part A allocation.

d. If the LEA provides services to eligible private school students under an arrangement with a third-party provider, verify that the LEA retains proper administration and control by having a written contract that:
   (1) Describes the services to be provided; and

   (2) Provides that the LEA retains ownership of materials, equipment, and property purchased with Federal I funds.

e. For programs other than Title I, Part A, verify that expenditures are equal on a per-pupil basis for public and private school students, teachers and other educational personnel, taking into consideration their numbers and needs as required by 34 CFR section 299.7.

2. Access to Federal Funds for New or Significantly Expanded Charter Schools (SEAs/LEAs)

ESEA programs in this Supplement to which this section applies are: Title I, Part A (84.010); 21st CCLC (84.287); Title III, Part A (84.365); Title II, Part A (84.367); and Title IV, Part A (84.424).

This section also applies to Adult Education (84.002); IDEA (84.027 and 84.173); and CTE (84.048).

As described in II, "Program Procedures – General and Program-Specific Cross-Cutting Requirements," this requirement is a program-specific cross-cutting eligibility requirement that needs to be tested separately for each covered program in the Supplement.

Note: This requirement only applies with respect to funds allocated to new, or significantly expanded, charter schools under a covered program in a State that has charter schools. A covered program means an elementary or secondary education program administered by ED under which the Secretary allocates funds to States on a formula basis, except that the term does not include a program or portion of a program

under which an SEA awards subgrants on a discretionary, noncompetitive basis. *Charter school* has the same meaning as provided in Title IV, Part C, of the ESEA (Section 4310(2) of ESEA (20 USC 7221h(2))). With respect to an existing charter school LEA that has not significantly expanded its enrollment, an SEA must determine the school's eligibility and allocate Federal funds to the school in a manner consistent with applicable Federal statutes and regulations under each covered program.

If a State considers a charter school to be an LEA under a covered program, this requirement applies to the SEA or other State agency responsible for allocating funds under that program—either by formula or through a competition—to LEAs. If a State considers a charter school to be a public school within an LEA under a covered program, this requirement applies to the LEA. The requirements in this Supplement address an SEA's responsibilities with respect to eligible charter school LEAs. An LEA that is responsible for providing funds under a covered program to eligible charter schools must comply with these requirements on the same basis as an SEA.

Compliance Requirements – An SEA must ensure that a charter school LEA that opens for the first time or significantly expands its enrollment receives the funds under each covered program for which it is eligible. Significant expansion of enrollment means a substantial increase in the number of students attending a charter school due to a significant event that is unlikely to occur on a regular basis, such as the addition of one or more grades or educational programs in major curriculum areas. The term also includes any other expansion of enrollment that an SEA determines to be significant.

Except as noted below, if a charter school LEA opens or expands by November 1, the SEA must allocate to the school the funds for which it is eligible no later than 5 months after the school first opens or significantly expands its enrollment; if a charter school LEA opens or significantly expands after November 1 but before February 1, an SEA must allocate to the school a *pro rata* portion of the funds for which the school is eligible on or before the date the SEA makes allocations to other LEAs under that program for the succeeding academic year; if a charter school LEA opens or expands after February 1, the SEA may, but is not required to, allocate to the school a *pro rata* portion of the funds for which the school is eligible.

An SEA must determine a new or expanding charter school LEA's eligibility based on actual enrollment or other eligibility data available on or after the date the charter school LEA opens or significantly expands. An SEA may not deny funding to a new or expanding charter school LEA due to the lack of prior-year data, even if eligibility and allocation amounts for other LEAs are based on prior-year data. An SEA may allocate funds to, or reserve funds for, an eligible charter school LEA based on reasonable estimates of projected enrollment at the charter school LEA. If an SEA allocates more or fewer funds to a charter school LEA than the amount for which the charter school LEA is eligible, based on actual enrollment or eligibility data, the SEA must make appropriate adjustments to the amount of funds allocated to the charter school LEA as well as to other LEAs under a covered program on or before the date the SEA allocates funds to LEAs for the succeeding academic year.

For purposes of implementing the hold harmless protections in sections 1122(c) and 1125A(g)(3) of Title, Part A of ESEA for a new or expanding charter school LEA, an SEA must calculate a hold-harmless based for the prior year that, as applicable, reflects the new or expanding enrollment of the charter school LEA (Section 4306(c) of ESEA (20 UCS 7221e(c))). For more detail, see pages 4-7 of the ESSA Fiscal Changes & Equitable Services guidance (November 2016) (https://www2.ed.gov/policy/elsec/leg/essa/essaguidance160477.pdf).

At least 120 days before the date a charter school LEA is scheduled to open or significantly expand its enrollment, the charter school LEA or its authorized public chartering agency must provide the SEA with written notice of that date. Upon receiving such notice, an SEA must provide the charter school LEA with timely and meaningful information about each covered program in which the charter school LEA may be eligible to participate, including notice of any upcoming competitions under the program. An SEA is not required to make allocations within 5 months of the date a charter school LEA opens for the first time or significantly expands if the charter school LEA, or its charter authorizer, fails to provide to the SEA proper written notice of the school's opening or expansion.
For a covered program in which an SEA awards subgrants on a competitive basis, the SEA must provide an eligible charter school LEA that is scheduled to open on or before the closing date of any competition a full and fair opportunity to apply to participate in the program. However, the SEA is not required to delay the competitive process in order to allow a charter school LEA that has not yet opened or expanded to compete (Section 4306 of ESEA (20 USC 7221e); 34 CFR sections 76.785 through 76.799).

Audit Objective (SEA/LEA, depending on which entity is responsible for funding charter schools) – Determine whether new or significantly expanding charter schools received the amount of Federal formula funds for which they were eligible in a timely manner.

Suggested Audit Procedures (SEA/LEA, depending on which entity is responsible for funding charter schools)

a. Determine if the entity was responsible for providing Federal formula funds under the applicable covered program to any charter school LEAs/charter schools that opened for the first time or significantly expanded enrollment on or before November 1 of the academic year.

b. Determine if the entity was responsible for providing Federal formula funds under the applicable covered program to any charter school LEAs/charter schools that opened for the first time or significantly expanded enrollment between November 1 and February 1 of the academic year.

c. Review the entity's procedures for allocating Federal formula funds under the applicable covered program to determine whether eligibility to participate in the program was based on enrollment or eligibility data from a prior year. If prior-year data were used for allocations, determine whether the entity properly based

the new or expanding charter school LEA's/charter school's eligibility and allocation amount on actual eligibility or enrollment data for the year in which the school opened or expanded.

d. Review documentation to identify the opening or expansion date for each eligible charter school LEA/charter school that opened or significantly expanded its enrollment on or before November 1 of the academic year. Determine whether the charter school LEA/charter school was given access to all of the funds for which it was eligible, in the proper amount, within 5 months of the opening or expansion date (provided that SEA or LEA notification, data submission, and application requirements were met).

e. Review documentation to identify the opening or expansion date for each eligible charter school LEA/charter school that opened or significantly expanded its enrollment between November 1 and February 1 of the academic year. Determine whether the charter school LEA/charter school was given access to the *pro rata* portion of the funds for which the school was eligible, in the proper amount, on or before the date the SEA or LEA made allocations to other LEAs/public schools under the program for the succeeding academic year (provided that SEA or LEA notification, data submission, and application requirements were met).

f. Review documentation to determine whether the SEA or LEA made necessary adjustments to account for over- or under-allocations once actual eligibility and enrollment data became available.

g. For Title I, Part A, review documentation to determine whether the SEA applied section 4306(c) of the ESEA, as amended by ESSA, to calculate a hold-harmless base for the prior year that reflects the new or significantly expanded enrollment of the charter school LEA.

IV. OTHER INFORMATION

Consolidation of Administrative Funds (SEAs and LEAs)

ESEA programs in this Supplement to which this section applies are: Title I, Part A (84.010); MEP (84.011); CSP (84.282); 21st CCLC (84.287); Title III, Part A (84.365); MSP (84.366) (at the LEA level only); Title II, Part A (84.367); and Title IV, Part A (84.424).

State and local administrative funds that are consolidated (as described in III.A.1, "Activities Allowed or Unallowed – Consolidation of Administrative Funds (SEAs and LEAs")) should be included in the audit universe and the total expenditures of the programs from which they originated for purposes of (1) determining Type A programs, and (2) completing the Schedule of Expenditures of Federal Awards (SEFA). A footnote showing, by program, amounts of administrative funds consolidated is encouraged.

Schoolwide Programs (LEAs)

ESEA programs in this Supplement to which this section applies are: Title I, Part A (84.010); MEP (84.011); 21st CCLC (84.287); Title III, Part A (84.365); MSP (84.366); Title II, Part A (84.367); and Title IV, Part A (84.424).

This section also applies to IDEA (84.027 and 84.173) and CTE (84.048).

Since schoolwide programs are not separate Federal programs, as defined in 2 CFR section 200.42, expenditures of Federal funds consolidated in schoolwide programs should be included in the audit universe and the total expenditures of the programs from which they originated for purposes of (1) determining Type A programs and (2) completing the SEFA. A footnote showing, by program, amounts consolidated in schoolwide programs is encouraged.

Transferability (SEAs and LEAs)

ESEA programs in this Supplement to which this section applies are: Title IV, Part A (84.424); 21st CCLC (84.287) (SEAs only); and Title II, Part A (84.367).

Expenditures of funds transferred from one program to another (as described in III.A.3, "Activities Allowed or Unallowed – Transferability (SEAs and LEAs)") should be included in the audit universe and total expenditures of the receiving program for purposes of (1) determining Type A programs, and (2) completing the SEFA. A footnote showing amounts transferred between programs is encouraged.

Prima Facie Case Requirement for Audit Findings

Section 452(a)(2) of the General Education Provisions Act (20 USC 1234a(a)(2)) requires that ED officials establish a *prima facie* case when they seek recoveries of unallowable costs charged to ED programs. When the preliminary ED decision to seek recovery is based on an audit under 2 CFR part 200, subpart F, upon request, auditors will need to provide ED program officials audit documentation. For this purpose, audit documentation (part of which is the auditor's working papers) includes information the auditor is required to report and document that is not already included in the reporting package.

The requirement to establish a *prima facie* case for the recovery of funds applies to all programs administered by ED, with the exception of Impact Aid (CFDA 84.041) and programs under the Higher Education Act, i.e., the Family Federal Education Loan Program (CFDA 84.032) and the other ED programs covered in the Student Financial Assistance Cluster in Part 5 of the Supplement.

DEPARTMENT OF EDUCATION

CFDA 84.010 TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES (Title I, Part A of the ESEA)

I. PROGRAM OBJECTIVES

The objective of this program is to improve the teaching and learning of children who are at risk of not meeting challenging academic standards and who reside in areas with high concentrations of children from low-income families.

II. PROGRAM PROCEDURES

The Department of Education (ED) provides Title I, Part A funds through each State educational agency (SEA) to local educational agencies (LEAs) through a statutory formula based primarily on the number of children ages 5 through 17 from low-income families. This number is augmented by annually-collected counts of children ages 5 through 17 in foster homes, locally operated institutions for neglected or delinquent children, and families above poverty that receive assistance under Temporary Assistance for Needy Families (TANF) (CFDA 93.558), adjusted to account for the cost of education in each State. To receive funds, an SEA must submit to ED for approval either (1) an individual State plan as provided in Section 1111 of the Elementary and Secondary Education Act (ESEA) (20 USC 6311), or (2) a consolidated plan that includes Part A, in accordance with Section 8302 of the ESEA (20 USC 7842). The individual or consolidated plan, after approval by ED, remains in effect for the duration of the State's participation in Title I, Part A under the current ESEA authorization. The plan must be updated to reflect substantive changes. ED is reviewing State plans during the 2017–2018 school year, and SEAs were not required to have approved State plans in order to receive ESEA funds for the 2017–2018 school year.

In general, to receive Title I, Part A funds, LEAs must have on file with the SEA an approved plan that includes the descriptions required under Section 1112(b) of the ESEA (20 USC 6312(b)). In lieu of an individual program plan, however, an LEA may include Part A as part of a consolidated application submitted to the SEA under Section 8305 of the ESEA (20 USC 7845). Because most SEAs would not have an approved consolidated State plan by the beginning of the 2017-2018 school year, ED permitted an SEA to choose not to collect LEA plans prior to awarding FY 2017 funds for the 2017-2018 school year so long as the SEA collected the assurances included in section 8306 of the ESEA for each LEA. For more detail, see *Transitioning to the Every Student Succeeds Act (ESSA) Frequently Asked Questions A-10 and A-11* (Jan. 18, 2017) (https://www2.ed.gov/policy/elsec/leg/essa/essaguidance160477.pdf).

LEAs allocate Title I, Part A funds to eligible school attendance areas based on the number of children from low-income families residing within the attendance area. A school at or above 40 percent poverty or a school that receives a waiver from the SEA may use its Part A funds, along with other Federal, State, and local funds, to operate a schoolwide program to upgrade the instructional program in the whole school (20 USC 6314(a)). Otherwise, a school operates a targeted assistance program in which the school identifies students who are failing, or most at risk of failing, to meet the State's challenging student academic achievement standards and who

have the greatest need for assistance. The school then designs, in consultation with parents, staff, and the LEA, an instructional program to meet the needs of those students (20 USC 6315).

Source of Governing Requirements

This program is authorized by Title I, Part A of the ESEA, as amended by the ESSA (Pub. L. No. 114-95 (20 USC 6301 through 6339 and 6571 through 6576)). Program regulations are found at 34 CFR part 200. The ED requirements of 34 CFR part 299 (General Provisions) apply to this program.

Availability of Other Program Information

A number of documents posted on ED's website contain information pertinent to the Title I, Part A requirements in this Compliance Supplement. They are:

a. Transitioning to the Every Student Succeeds Act (ESSA) Frequently Asked Questions (Jan. 18, 2017) (https://www2.ed.gov/policy/elsec/leg/essa/essatransitionfaqs11817.pdf

b. ESSA Fiscal Changes & Equitable Services (November 2016) (https://www2.ed.gov/policy/elsec/leg/essa/essaguidance160477.pdf)

c. ESSA Schoolwide Guidance (September 2016) (https://www2.ed.gov/policy/elsec/leg/essa/essaswpguidance9192016.pdf)

d. Letter from the Secretary on Test Security (June 2011) (http://www2.ed.gov/policy/elsec/guid/secletter/110624.html)

e. Local Educational Agency Identification and Selection of School Attendance Areas and Schools and Allocation of Title I Funds to Those Areas and Schools (August 2003) (http://www.ed.gov/programs/titleiparta/wdag.doc)

f. Title I Services to Eligible Private School Children (October 17, 2003) (http://www.ed.gov/programs/titleiparta/psguidance.doc)

g. The American Recovery and Reinvestment Act of 2009 (ARRA): Using Title I, Part A ARRA Funds for Grants to Local Educational Agencies to Strengthen Education, Drive Reform, and Improve Results for Students (September 2, 2009) (http://www.ed.gov/policy/gen/leg/recovery/guidance/titlei-reform.doc)
Note: Although the period of availability for Title I ARRA funds has expired, this guidance remains generally applicable to the use of Title I, Part A funds provided through a regular appropriation.

h. Implementing Response to Intervention (RTI) using Title I, Title III, and CEIS (Coordinated Early Intervening Services) Funds (August 2009) (http://www.ed.gov/programs/titleiparta/rti.html)

i. Serving Preschool Children Through Title I, Part A of the Elementary and Secondary Education Act of 1965, as Amended (April 16, 2012) (http://www2.ed.gov/policy/elsec/guid/preschoolguidance2012.pdf)

j. The Community Eligibility Provision and Selected Requirements Under Title I, Part A of the Elementary and Secondary Education Act of 1965, as Amended (Revised March 2015) (http://www2.ed.gov/programs/titleiparta/15-0011.doc)

k. Letter to State Title I and Homeless Education Coordinators on use of Title I funds to support homeless children and youth (August 2015) (http://www2.ed.gov/programs/homeless/homelesscoord0815.pdf)

Additional information is provided in the "Availability of Other Program Information" part of the ED Cross-Cutting Section.

III. COMPLIANCE REQUIREMENTS

In developing the audit procedures to test compliance with the requirements for this Federal program, the auditor must determine, from the following summary (also included in Part 2, "Matrix of Compliance Requirements"), which of the 12 types of compliance requirements apply, and then determine which of the applicable requirements is likely to have a direct and material effect on the Federal program at the auditee. For each such requirement, the auditor must use Part 3 (which includes generic details about each compliance requirement other than Special Tests and Provisions) and this program supplement (which includes any program-specific requirements) to perform the audit.

Compliance Requirements											
A	B	C	E	F	G	H	I	J	L	M	N
Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Eligibility	Equipment/ Real Property Management	Matching, Level of Effort, Earmarking	Period of Performance	Procurement/ Suspension and Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions
Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y

Certain compliance requirements that apply to multiple programs are discussed once in the ED Cross-Cutting Section of this Supplement (page 4-84.000-1) rather than being repeated in each

individual program. Where applicable, this section references the ED Cross-Cutting Section for these requirements. Also, as discussed in the ED Cross-Cutting Section, SEAs and LEAs may have been granted waivers from certain compliance requirements.

Auditors should ascertain from the audited SEAs and LEAs whether the SEA or the LEA or its schools are operating under any approved waivers.

A. Activities Allowed or Unallowed

See also ED Cross-Cutting Section.

SEAs

SEAs must use regular FY 2017 funds to provide subgrants to LEAs through their FY 2017 LEA allocation process. SEAs may use funds for State administration and Direct Student Services and must reserve funds for school improvement activities in accordance with the statutory requirements (Title I, Sections 1003, 1003A (if applicable), and 1004. of ESEA (20 USC 6303,6303b (if applicable), and 6304). (See also III.G.3.a, "Matching, Level of Effort, Earmarking – Earmarking," below, and ED Cross-Cutting Section, 84.000, III.G.3.a.)

B. Allowable Costs/Cost Principles

See ED Cross-Cutting Section.

C. Cash Management

See ED Cross-Cutting Section.

E. Eligibility

1. Eligibility for Individuals - Not Applicable

2. Eligibility for Group of Individuals or Area of Service Delivery

a. *School Attendance Areas or Schools* (LEAs with either schoolwide programs or targeted assistance programs)

An LEA must determine which school attendance areas are eligible to participate in Part A. A school attendance area is generally eligible to participate if the percentage of children from low-income families is at least as high as the percentage of children from low-income families in the LEA as a whole or at least 35 percent. An LEA may also designate and serve a school in an ineligible attendance area if the percentage of children from low-income families enrolled in that school is equal to or greater than the percentage of such children in a participating school attendance area. When determining eligibility, an LEA must select a poverty measure from among the following data sources: (1) the number of children ages 5–17 in poverty counted in the most recent census; (2) the number of

children eligible for free and reduced price lunches; (3) the number of children in families receiving TANF; (4) the number of children eligible to receive Medicaid assistance; or (5) a composite of these data sources. The LEA must use that measure consistently across the district to rank all its school attendance areas according to their percentage of poverty.

An LEA must serve eligible schools or attendance areas in rank order according to their percentage of poverty. An LEA must serve those areas or schools above 75 percent poverty, including any middle or high schools, before it serves any with a poverty-percentage at or below 75 percent. After an LEA has served all areas and schools with a poverty rate above 75 percent or, at its discretion, high schools at or above 50 percent, the LEA may serve lower-poverty areas and schools either by continuing with the district-wide ranking or by ranking its schools at or below 75 percent poverty according to grade-span grouping (e.g., K-6, 7-9, 10-12). If an LEA ranks by grade span, the LEA may use the district-wide poverty average or the poverty average for the respective grade-span grouping. An LEA may serve, for one additional year, an attendance area that is not currently eligible but that was eligible and served in the preceding year.

An LEA may elect not to serve an eligible area or school that has a higher percentage of children from low-income families only if (1) the school meets the Title I, Part A comparability requirements; (2) the school is receiving supplemental State or local funds that are spent according to the requirements in Sections 1114 or 1115 of Title I; and (3) the supplemental State and local funds expended in the area or school equal or exceed the amount that would be provided under Part A. An LEA with an enrollment of fewer than 1,000 students or with only one school per grade span is not required to rank its school attendance areas (Title I, Section 1113(a)-(b) of ESEA (20 USC 6313(a)-(b)); 34 CFR section 200.78(a)).

b. *Allocating funds to eligible school attendance areas and schools* (LEAs with either schoolwide programs or targeted assistance programs)

From its total Part A allocation and before reserving any funds for allowable activities or allocating Part A funds to participating public school attendance areas or schools, an LEA must reserve, to provide equitable services to eligible private school students, the proportionate share generated by students from low-income families who reside in participating public school attendance areas and who attend private schools. For the purpose of determining the proportionate share (see ED Cross-Cutting Section),the LEA must use the same poverty data, if available, as the LEA uses to count public school children. If the same data are not available, the LEA may use comparable data from a survey of families of private school students. If an LEA uses a survey of families of private school children, the LEA may extrapolate from the survey, based on a representative sample of private school children, the number of

children from low-income families who attend private schools. An LEA may also correlate sources of data, or apply the low-income percentage of each participating public school attendance area to the number of private school children who reside in that school attendance area. If an LEA selects a public school to participate on the basis of enrollment, rather than because it serves an eligible school attendance area, the LEA must, in consultation with private school officials, determine an equitable way to count private school children from low-income families in order to calculate the proportionate share of Title I, Part A funds available to serve private school children. An LEA may count private school children from low-income families every year or every 2 years.

After reserving Part A funds to provide equitable services to eligible private school students, homeless children, children in local institutions for neglected children, and any other allowable reservations, an LEA must allocate Part A funds to each participating school attendance area or school, in rank order, on the basis of the number of children from low-income families residing in the area or attending the school.

If an LEA serves any attendance area with less than a 35 percent poverty rate, the LEA must allocate to all its participating areas an amount per child from a low-income family that equals at least 125 percent of the LEA's Part A allocation per child from a low-income family. (An LEA's allocation per child from a low-income family is the total LEA allocation under subpart 2 of Part A divided by the number of children from low-income families in the LEA according to the poverty measure selected by the LEA to identify eligible school attendance areas. The LEA then multiplies this per-child amount by 125 percent.) If an LEA serves only areas with a poverty rate greater than 35 percent, the LEA must allocate funds, in rank order, on the basis of the total number of children from low-income families in each area or school, but is not required to allocate a per-pupil amount of at least 125 percent. If an LEA serves areas or schools below 75 percent poverty by grade-span groupings, the LEA may allocate different amounts per child from a low-income family for different grade-span groupings as long as those amounts do not exceed the amount per child from a low-income family allocated to any area or school above 75 percent poverty. Amounts per child from a low-income family within grade spans may also vary as long as the LEA allocates higher amounts per child from a low-income family to higher-poverty areas or schools within the grade span than it allocates to lower-poverty areas or schools.

(Title I, Section 1113(c) of the ESEA (20 USC 6313(c)), and Title I, Section 1117(a)(4) of ESEA (20 USC 6320(a)(4)); 34 CFR sections 200.77 and 200.78).

c. *Serving homeless children in participating and non-participating schools and children in local institutions for neglected or delinquent children*

(1) Before allocating Title I, Part A funds to school attendance areas and schools and based on its total allocation, an LEA must reserve funds to provide services comparable to those provided to children in participating school attendance areas and schools to serve:

(a) Children in local institutions for neglected children; and

(b) Homeless children, including providing educationally related support services to children in shelters and other locations where homeless children may live and services nor ordinarily provided to other children served by Title I, Part A.

(2) An LEA may reserve funds to provide services comparable to those provided to children in participating school attendance areas and schools to serve:

(a) Children in local institutions for delinquent children; and

(b) Neglected and delinquent children in community day school programs.

(Title I, Section 1113(c) of ESEA (20 USC 6313(c)); 34 CFR section 200.77).

3. Eligibility for Subrecipients (SEAs)

ED allocates funds by formula for basic grants, concentration grants, targeted grants, and education finance incentive grants, through SEAs, to each eligible LEA for which the Bureau of the Census has provided data on the number of children from low-income families residing in the school attendance areas of the LEA (the "Census list"). If there is an LEA in a State that is not on the Census list (see III.G.3.a, "Matching, Level of Effort, Earmarking - Earmarking," below), the SEA must determine that the LEA is eligible under each formula as follows:

a. Basic grants – an eligible LEA must have at least 10 formula children (i.e., the Census estimate of low-income children, children in neglected facilities and in publicly supported foster homes, and children from families that receive an annual payment from the Temporary Assistance for Needy Families program (CFDA 93.558) that exceeds the Federal poverty level) and the number of formula children must exceed two percent of the LEA's total population of children ages 5 through 17.

b. Concentration grants – an eligible LEA must be eligible for basic grants and the number of formula children must exceed 6,500 children or 15 percent of the ages 5 through 17 population.

c. Targeted grants – an eligible LEA must have at least 10 formula children and the number of those children must equal or exceed five percent of the LEA's total population of children ages 5 through 17.

d. Education finance incentive grants – an eligible LEA must have at least 10 formula children and the number of those children must equal or exceed five percent of the LEA's total population of children ages 5 through 17.

(Title I, Sections 1124-1125A of ESEA (20 USC 6333-6337; 34 CFR section 200.71)

G. Matching, Level of Effort, Earmarking

1. Matching – Not Applicable

2.1 Level of Effort – *Maintenance of Effort*

See ED Cross-Cutting Section.

2.2 Level of Effort – *Supplement Not Supplant*

See ED Cross-Cutting Section.

3. Earmarking

See ED Cross-Cutting Section and the following:

a. *Allocation of Funds to LEAs (SEAs)*

ED provides LEA allocation tables to SEAs for basic grants, concentration grants, targeted grants, and education finance incentive grants based on LEA-level data from the Bureau of Census (Census list).

(1) If there is an LEA in a State that is not on the Census list (e.g., charter school LEAs), the SEA must adjust the initial allocations provided by ED for any eligible LEA that is not on the Census list (see III.E.3, "Eligibility - Eligibility for Subrecipients," above) (34 CFR section 200.72).

(2) In making the adjustments, the SEA must ensure that no eligible LEA is reduced below its hold harmless level. An LEA's hold harmless level is 85, 90, or 95 percent of the amount it was allocated in the preceding year depending on its percentage of formula children (34 CFR section 200.73).

(3) In making the adjustments, the SEA must apply section 4306(c) of the ESEA, as amended by the ESSA, which requires the SEA, for purposes of implementing the hold-harmless protections in section 1122(c) and 1125A(f)(3) of the ESEA for a newly opened or significantly expanded charter school LEA, to calculate a hold-harmless base for the prior year that reflects the new or significantly expanded enrollment of the charter school LEA (20 USC 7221e(c)). For more information see pages 4-7 in the ESSA Fiscal Changes & Equitable Services guidance (November 2016) (https://www2.ed.gov/policy/elsec/leg/essa/essaguidance160477.pdf).

b. *Targeting School Improvement Funds (SEAs)*

Each SEA must ratably reduce the allocations of all LEAs to reserve for school improvement activities the greater of:

- Seven percent of the SEA's FY 2017 Title I award; or
- The sum of the total amount that the SEA reserved for school improvement under section 1003(a) from its FY 2016 Title I award (generally, 4 percent of that award) and the amount of the SEA's FY 2016 School Improvement Grants (SIG) allocation under section 1003(g).

Of the amount reserved, the SEA must allocate not less than 95 percent directly to LEAs on a formula or competitive basis to support school improvement activities in identified low performing schools. However, the SEA may, with the approval of its LEAs, provide directly for these activities or arrange for them to be provided by other entities such as school support teams or educational service agencies.
If, after consulting with LEAs, the SEA determines that the amount of funds reserved is greater than needed, the SEA must allocate the excess amount to LEAs (1) in proportion to their allocations under subpart 2 of Part A, or (2) in accordance with the SEA's reallocation procedures under Section 1126(c) of the ESEA (Title I, Section 1003(a)-(e) of ESEA (20 USC 6303(a)-(e)); 34 CFR section 200.100(a)).

c. *Funds Reserved for State Administration (SEAs)*

From the amount received by the SEA for Title I, Part A, to administer Title I, an SEA may reserve no more than the greater of one percent of what the SEA would have received for Title I, Part A, if the appropriation for Parts A, C, D of Title I were $14 billion (as indicated on a State administrative allocation table that ED provides to SEAs) or $400,000 ($50,000 for outlying areas). (Title I, Section 1004 (20 USC 6304); 34 CFR section 200.100(b)).

d. *Funds Reserved for Direct Student Services (SEAs: optional)*

After meaningful consultation with geographically diverse LEAs, an SEA may, but is not required to, reserve a maximum of three percent of its Title I allocation for direct student services by ratably reducing the allocations of all LEAs. (Title I, Section 1003A (20 USC 6303b).

H. Period of Performance

See ED Cross-Cutting Section.

L. Reporting

1. Financial Reporting

See ED Cross-Cutting Section.

2. Performance Reporting - Not Applicable

3. Special Reporting

See ED Cross-Cutting Section.

N. Special Tests and Provisions

1. Participation of Private School Children

See ED Cross-Cutting Section.

2. Access to Federal Funds for New or Significantly Expanded Charter Schools

See ED Cross-Cutting Section.

3. Annual Report Card, High School Graduation Rate - (*OMB No. 1810-0581*) (SEAs/LEAs)

Compliance Requirements – An SEA and its LEAs must report graduation rate data for all public high schools at the school, LEA, and State levels using the 4-year adjusted cohort rate. For reporting during the 2017-2018 school year, graduation rates would reflect data from the 2016-2017 school year. Accordingly, the requirements for calculating and reporting graduation rates under the ESEA, as amended by the No Child Left Behind Act of 2001 (NCLB), would continue to apply. Under these requirements, graduation rate data must be reported both in the aggregate and disaggregated by each subgroup described in 34 CFR section 200.13(b)(7)(ii) using a 4-year adjusted cohort graduation rate. Only students who earn a regular high school diploma may be counted as a graduate for purposes of calculating the 4-year adjusted cohort graduation rate. The term "regular high school diploma" means the standard high school diploma that is awarded to students in the State and that is fully aligned with the State's academic content standards or a higher diploma and does not include a General Educational

Development (GED) credential, certificate of attendance, or an alternative award. To remove a student from the cohort, a school or LEA must confirm, in writing, that the student transferred out, emigrated to another country, or is deceased. To confirm that a student transferred out, the school or LEA must have official written documentation that the student enrolled in another school or in an educational program that culminates in the award of a regular high school diploma. A student who is retained in grade, enrolls in a GED program, or leaves school for any other reason may not be counted as having transferred out for the purpose of calculating graduation rate and must remain in the adjusted cohort (Title I, Sections 1111(b)(2) and (h) of the ESEA, as amended by NCLB (20 USC 6311(b)(2) and (h)); 34 CFR section 200.19(b)).

Audit Objective: Determine whether SEAs and LEAs have implemented appropriate policies and procedures for documenting the removal of a student from the regulatory adjusted cohort.

Suggested Audit Procedures

SEAs

Review SEA policies and procedures that ensure that LEAs are maintaining appropriate documentation to confirm when students have been removed from the regulatory adjusted cohort.

LEAs

Verify that the LEA maintains appropriate written documentation to support the removal of a student from the regulatory adjusted cohort.

4. Assessment System Security - (SEAs/LEAs)

Compliance Requirements – States, in consultation with LEAs, are required to establish and maintain an assessment system that is valid, reliable, and consistent with relevant professional and technical standards. Within their assessment system, SEAs must have policies and procedures to maintain test security and ensure that LEAs implement those policies and procedures (Section 1111(b)(2)(B)(iii) of the ESEA (20 USC 6311(b)(2)(B)(iii))).

Audit Objective: Determine whether SEAs and LEAs have implemented policies and procedures regarding test security for the assessments.

Suggested Audit Procedures

SEAs

a. Review SEA policies and procedures for ensuring that the SEA and LEAs implement test security measures.

b. Verify that the SEA has implemented the relevant policies and procedures.

LEAs

a. Ascertain that the LEA has policies and procedures for ensuring that the LEA and its schools implement test security measures.

b. Verify that the LEA and its schools implemented test security measures, for example, by reviewing documentation and interviewing LEA officials and school administrators and teachers.

DEPARTMENT OF EDUCATION

CFDA 84.011 MIGRANT EDUCATION - STATE GRANT PROGRAM (Title I, Part C of ESEA)

I. PROGRAM OBJECTIVES

The objectives of the Migrant Education - State Grant Program (Migrant Education Program or MEP) are to (1) assist States in support high-quality and comprehensive educational programs and services during the school year and, as applicable, during summer or intersession periods, that address the unique educational needs of migratory children; (2) ensure that migratory children who move among the States are not penalized in any manner by disparities among the States in curriculum, graduation requirements, and challenging State academic standards; (3) ensure that migratory children receive full and appropriate opportunities to meet the same challenging State academic standards that all children are expected to meet; (4) to help migratory children overcome educational disruption, cultural and language barriers, social isolation, various health-related problems, and other factors that inhibit the ability of such children to succeed in school, ; and (5) help migratory children benefit from State and local systemic reforms.

II. PROGRAM PROCEDURES

MEP funds are allocated to a State educational agency (SEA), under either an approved consolidated application or an approved individual program application, in order for the SEA to provide MEP services and activities either directly, or through local operating agencies. The amount of funding an SEA receives annually depends, in part, on the number of eligible migratory children that the SEA determined reside within the State. Local operating agencies (LOAs) can be (1) a local educational agency (LEA) to which a SEA makes a subgrant, (2) a public or private agency with which a SEA or the Secretary makes an arrangement, or (3) a SEA if the State educational agency operates the State's migrant education program or projects directly.. Because an SEA may choose to provide MEP services directly or through a local operating agency, some of the suggested audit procedures will apply for an SEA or local operating agency, depending on which agency provides the services and where the records are maintained.

Source of Governing Requirements

This program is authorized by Title I, Part C of the Elementary and Secondary Education Act of 1965, as amended (ESEA) (20 USC 6391 through 6399). Requirements in 34 CFR part 200, subparts C (34 CFR sections 200.81 through 200.89) and E (34 CFR sections 200.100 through 200.103), 34 CFR part 76, and 34 CFR part 299 also apply.

III. COMPLIANCE REQUIREMENTS

In developing the audit procedures to test compliance with the requirements for this Federal program, the auditor must determine, from the following summary (also included in Part 2, "Matrix of Compliance Requirements"), which of the 12 types of compliance requirements apply, and then determine which of the applicable requirements is likely to

have a direct and material effect on the Federal program at the auditee. For each such requirement, the auditor must use Part 3 (which includes generic details about each compliance requirement other than Special Tests and Provisions) and this program supplement (which includes any program-specific requirements) to perform the audit.

Compliance Requirements											
A	B	C	E	F	G	H	I	J	L	M	N
Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Eligibility	Equipment/ Real Property Management	Matching, Level of Effort, Earmarking	Period of Performance	Procurement/ Suspension and Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions
Y	Y	Y	Y	N	Y	Y	N	N	Y	Y	Y

Certain compliance requirements that apply to multiple ESEA programs are discussed once in the ED Cross-Cutting Section of this Supplement (page 4-84.000-1) rather than being repeated in each individual program. Where applicable, this section references to the ED Cross-Cutting Section for these requirements. Also, as discussed in the ED Cross-Cutting Section, SEAs and LEAs may have been granted waivers from certain compliance requirements.

A. Activities Allowed or Unallowed

See also ED Cross-Cutting Section.

1. *SEAs* – SEAs may use funds to operate the program directly or through contracts or subgrants to LEAs or other local operating agencies, and pay for State administration. In general, funds available under the MEP may be used only to (a) identify eligible migratory children and their needs; and (b) provide educational and support services (including, but not limited to, preschool services, professional development, advocacy and outreach, parental involvement activities and the acquisition of equipment) that address the identified needs of the eligible children.

   An SEA may also use MEP funds to carry out administrative activities that are unique to the program. These activities include, but are not limited to, Statewide identification and recruitment of migratory children, interstate and intrastate program coordination, transfer of student records, collecting and using information to make subgrants, and direct supervision of instructional or support

staff (Title I, Part C, Sections 1301, 1304(c) and 1306(b) of ESEA (20 USC 6392, 6391(c), and 6396(b)); 34 CFR section 200.82).

2. *LEAs or Other Local Operating Agencies* – LEAs or other local operating agencies use funds in accordance with the agreement with the SEA to (a) identify eligible migratory children and their needs; and (b) provide educational and support services that address the identified needs of the eligible children.

B. Allowable Costs/Cost Principles

See ED Cross-Cutting Section.

C. Cash Management

See ED Cross-Cutting Section.

E. Eligibility

1. Eligibility for Individuals

In general, only eligible migratory children may receive MEP services. A "migratory child" means a child or youth who made a qualifying move-in the preceding 36 months as a migratory agricultural worker or migratory fisher; or with, or to join, a parent or spouse who is a migratory agricultural worker, or a migratory fisher. A qualifying move is a move due to economic necessity (a) from one residence to another residence; and (b) from one school district to another, except in the case of a State that is comprised of a single school district, wherein a qualifying move is from one administrative area to another within such district, or in the case of a school district of more than 15,000 square miles, wherein a qualifying move is a distance of 20 miles or more to a temporary residence . (Title I, Part C, Section 1309(2)(5)(20 USC 6399(2)(5)). 34 CFR section 200.81 further defines the following key terms: "agricultural work," "fishing work," "temporary employment," "seasonal employment," "personal subsistence," and "qualifying work." An SEA and its local operating agencies are required to use the National Certificate of Eligibility (COE) form *(OMB Control No. 1810-0662)* to document the SEA's determination of a child's eligibility for the program. ED has identified Required Data Elements and Required Data Sections and provided Instructions and Questions & Answers for the National COE at https://www2.ed.gov/programs/mep/coe2017.docx (Title I, Part C, Sections 1302 and 1304(b)(1) of ESEA (20 USC 6392 and 6394(b)(1)); 34 CFR sections 200.81 and 200.89(c)).

SEAs have the discretionary authority to implement the "continuation of services" provision of ESEA, which lists three specific ways in which a child who is no longer eligible for the MEP may continue to receive MEP services: (a) a child who ceases to be a migratory child during a school term shall be eligible for services until the end of such term; (b) a child who is no longer a migratory child may continue to receive services for 1 additional school year, but only if

comparable services are not available through other programs; and (c) secondary school students who were eligible for services in secondary school may continue to be served through credit accrual programs until graduation (Title I, Part C, Section 1304(e) of ESEA (20 USC 6394(e)).

See III.N.6, "Special Tests and Provisions – Child Counts – Quality Control Process," for testing controls related to compliance with eligibility requirements.

2. Eligibility of Group of Individuals or Area of Service Delivery – Not Applicable

3. Eligibility for Subrecipients – Not Applicable

G. Matching, Level of Effort, Earmarking

1. Matching – Not Applicable

2.1 Level of Effort – *Maintenance of Effort* – Not Applicable

2.2 Level of Effort – *Supplement Not Supplant*

See ED Cross-Cutting Section.

3. Earmarking (SEAs)

See ED Cross-Cutting Section.

H. Period of Performance

See ED Cross-Cutting Section.

L. Reporting

1. Financial Reporting

See ED Cross-Cutting Section.

2. Performance Reporting – Not Applicable

3. Special Reporting

a. *State Per Pupil Expenditure (SPPE) Data* (*OMB No 1850-0067*) (SEAs/LEAs)

See ED Cross-Cutting Section.

b. *Consolidated State Performance Report, Part II, Migrant Child Counts (OMB No. 1810-0614)*

(1) Counts of Migratory Children Eligible for Funding Purposes (SEAs)

The SEA is required—for allocation purposes—to assist ED in determining the number of eligible migratory children who reside in the State, using such procedures as ED requires. Each SEA annually provides unduplicated Statewide counts (and the procedures used to develop these counts) of eligible migratory children in each of two categories: (a) children ages 3 through 21 who resided in the State for one or more days during the preceding September 1-August 31; and (b) such children who were served one or more days in a MEP-funded project conducted either during the summer term or an intersession period (i.e., when a year-round school is not in session). The SEA's report of State child counts is based on data submitted to it by the LEAs or other local operating agencies in the State, and is prepared based on data for the school year prior to the year that is subject to audit. For example, for the audit covering school year 2013-2014, the migrant child count data to be audited is in Section 2.3.1 of the Consolidated State Performance Report, Part II on school year 2012-2013 submitted to ED in February 2014.

SEAs provide an assurance that they will assist ED in determining the number of migratory children in the State so that ED may determine the correct size of the State's annual MEP allocation. The statute and MEP regulations define who is a migrant (or migratory) child (Title I, Part C, Section 1309(2)(5) (20 USC 6399(2)(5)); 34 CFR section 200.81). ED's regulations also specify minimum requirements for quality control systems relative to the determination of a child's program eligibility (see also III.N.6, "Special Tests and Provisions – Child Counts – Quality Control Process") (34 CFR section 200.89(d)).

(2) Reporting the number of eligible migratory children to the SEA (LEAs or other local operating agencies, and SEAs providing direct services)

LEAs or other local operating agencies, and SEAs providing direct services, must implement procedures, based on the eligibility documentation they are required to collect and maintain under 34 CFR section 200.89(c), to count and report eligible children in the two categories specified in III.L.3.b.(1) Reporting - Special Reporting (Title I, Part C, Section 1304(c)(8) of ESEA (20 USC 6394(c)(8)); 34 CFR sections 76.730 and 76.731).

(3) An SEA must annually report population and program performance data that includes the unduplicated number of migratory children who were identified within the State as eligible to be served by the MEP, and who were identified within the State as having priority for services as defined in Title I, Part C, Section 1304(d) of ESEA (20 USC 6394(d)). The reported data are for the school year prior to the year that is subject to audit. For example, for the audit covering school year 2015-2016, the Consolidated State Performance Report, Part II to be audited would be in Section 2.3 of the report on school year 2014-2015 submitted to ED in February 2016.

Key Line Items – The following line item contains critical information:

Part II, Section 2.3 , Education of Migratory Children (Title I, Part C), Table 2.3.1.1, Eligible Migrant Children, the line titled "Total," and Table 2.3.2.1, Priority for Service, the line titled "Total." (Information by age/grade level does not need to be tested.)

N. Special Tests and Provisions

1. Participation of Private School Children (SEAs/LEAs)

See ED Cross-Cutting Section.

2. Priority for Services

Compliance Requirement – SEAs and LEAs or other local operating agencies must give priority for MEP services to migratory children who made a qualifying move within the previous 1-year period; and are failing, or most at risk of failing, to meet the challenging State's academic standards, or have dropped out of school (Title I, Part C, Section 1304(d) of ESEA (20 USC 6394(d)).

Audit Objective – (*SEAs providing services directly and LEAs or other local operating agencies*) – Determine whether the SEA or LEA or other local operating agency is defining, and properly identifying and counting, "priority for services" migratory children

so that priority in the provision of MEP services is given to those migratory children who made a qualifying move within the previous 1-year period; and are failing, or most at risk of failing, to meet the challenging State's academic standards, or have dropped out of school (priority children).

Suggested Audit Procedures – (*SEAs providing services directly and LEAs or other local operating agencies*)

a. Review the SEA's or LEA's or other local operating agency's definition of what constitutes a qualifying move within the previous 1-year period; failing, or most at risk of failing, to meet the challenging State academic standards, and dropped out of school.

b. Review the SEA's or LEA's or other local operating agency's procedures to identify those individual migratory children who meet the applicable definition of priority for services.

c. Review the SEA's or LEA's or other local operating agency's procedures to accurately count and report the unduplicated number of migratory children with "priority for services" who were identified and served. See the *Consolidated State Performance Report*: Part II, Section 2.3, Education of Migratory Children (Title I, Part C), Table 2.3.2.1.

d. Review the SEA or LEA's or other local operating agency's process for selecting children to receive MEP services.

e. Select a sample of migratory children who were identified as priority children. Review program records to determine if these children were provided MEP services. (In rare instances, a local project may not have any "priority for services" children in its service area, in which case the suggested audit procedures would not apply.)

3. Subgrant Process (SEAs)

Compliance Requirement – SEAs may provide MEP services either directly, or through LEAs or other local operating agencies. Where the SEA awards subgrants, in order to target program funds appropriately, the SEA is required determine the amount of the subgrants by taking into account (1) the numbers of migratory children, (2) the needs of migratory children, (3) the "priority for services" requirement in section 1304(d) of ESEA (20 USC 6394(d)), and (4) the availability of funds from other Federal, State, and local programs. How the SEA takes into consideration the availability of funds is left to SEA discretion (Title I, Part C, Sections 1301 and 1304(b)(5) of the ESEA (20 USC 6391 and 6394(b)(5))).

Audit Objective – Determine whether the SEA's process to determine the amount of MEP subgrants takes into account current information on numbers of migratory children, needs of migratory children, need to serve priority children, and the availability of funds from other Federal, State, and local programs.

Suggested Audit Procedures

Review the SEA's process for awarding MEP funds to subgrantees to ascertain if the process:

a. Uses current information.

b. Takes into account the following: (1) numbers of migratory children; (2) needs of migratory children; (3) "priority for services" requirement in Section 1304(d) of ESEA; and (4) availability of funds from other Federal, State, and local programs.

4. Child Counts – Quality Control Process

Compliance Requirement – In Section 2.3.1.3.4 of the Consolidated State Performance Report, Part II (See III.L.3.b., "Reporting – Special Reporting - Consolidated State Performance Report, Part II, Migrant Child Counts"), SEAs are required to describe their quality control process for ensuring that the SEA properly determines and documents the eligibility of each child in the reported count of eligible children. In preparing Section 2.3.1, SEAs may require LEAs and other local operating agencies to submit information to the SEA and comply with specified procedures concerning the child count. The quality control process is described in Section 2.3.1.3.4 of the Consolidated State Performance Report, Part II. This process includes requirements for prospective re-interviewing to validate current-year child eligibility determinations through the re-interview of a randomly selected sample of children previously identified as migratory (34 CFR section 200.89(b)(2)) and other required components, including training recruiters on eligibility requirements; supervision and annual review and evaluation of identification and recruitment practices; resolving eligibility questions raised by recruiters and communicating this information to all local operating agencies; examining each COE by qualified personnel to verify eligibility; validating that eligibility determinations were made properly; and implementing corrective action if the SEA, internal auditors, or other auditors for the Secretary identify COEs that do not sufficiently document a child's eligibility. (20 USC 6394(c)(7); 34 CFR sections 200.89(c) and (d); ED has identified Required Data Elements and Required Data Sections and provided Instructions and Questions & Answers for the National COE at https://www2.ed.gov/programs/mep/coe2017.docx.

Audit Objectives – Determine whether the SEA and LEAs and other local operating agencies (1) established, (2) implemented, and (3) accurately reported in the Consolidated State Performance Report, Part II a quality control process that ensures an accurate eligible child count and meets the requirements of ED regulations.

Suggested Audit Procedures

SEAs

a. Verify that the SEA established a quality control process that ensures an accurate count of eligible children.

b. Verify that the SEA's quality control process meets the requirements of ED regulations, including processes for prospective re-interviewing of a sample of children.

c. Ascertain whether the quality control process was actually conducted in the manner described.

d. Verify that the SEA accurately reported the quality control process over the count of eligible children in Section 2.3.1.3.4 of the Consolidated State Performance Report, Part II.

LEAs and Other Local Operating Agencies

a. Determine if the LEAs and other local operating agencies were required to submit information to the SEA relating to Section 2.3.1.3.4 of the Consolidated State Performance Report, Part II, and if so, what information was required, the processes for obtaining it, and how quality was ensured.

b. Ascertain whether the LEAs and other local operating agencies complied with the SEA's requirements relating to obtaining, processing, and submitting accurate data required for Section 2.3.1.3.4 of the Consolidated State Performance Report, Part II.

DEPARTMENT OF EDUCATION

CFDA 84.282 CHARTER SCHOOLS

I. PROGRAM OBJECTIVES

The objectives of the Expanding Opportunity Through Quality Charter Schools Program (CSP), authorized under Title IV, Part C of the Elementary and Secondary Education Act of 1965 (ESEA), as amended by the Every Student Succeeds Act (ESSA), are to expand opportunities for all students, particularly traditionally underserved students, to attend charter schools and meet challenging State academic standards; provide financial assistance for the planning, program design, and initial implementation of public charter schools; increase the number of high-quality charter schools available to students across the United States; evaluate the impact of charter schools on student achievement, families, and communities; share best practices between charter schools and other public schools; encourage States to provide facilities support to charter schools; and support efforts to strengthen the charter school authorizing process.

II. PROGRAM PROCEDURES

The ESEA was reauthorized by the ESSA (Pub. L. No 114-95) on December 10, 2015. In accordance with Section 4(a)(1)(B) of the ESSA and section 4302(c) of the ESEA, as amended by the ESSA, CSP grants awarded in Fiscal Year (FY) 2016 and earlier years operate in accordance with the requirements of the ESEA, as amended by NCLB. New CSP grants awarded in FY 2017 and later years are subject to the provisions of the ESEA, as amended by the ESSA. Prior to FY 2017, CSP funds generally were awarded on a competitive basis to State educational agencies (SEAs). Beginning with new awards in FY2017, eligible entities under the CSP are State entities (SEs) (i.e., SEAs, State charter school boards, Governors, and charter school support organizations) in States with statutes specifically authorizing charter schools. For CSP grants awarded in FY2016 and earlier, SEAs were authorized to use their CSP funds to award subgrants to eligible applicants for planning, program design, and initial implementation of charter schools; and to support the dissemination of information about, and successful practices in, charter schools. For CSP grant awards in FY2017 and later years, SEs are authorized to use CSP funds to award subgrants to eligible applicants to open and prepare for the operation of new charter schools; open and prepare for the operation of replicated high-quality charter schools; or expand high-quality charters schools. If an eligible SEA or SE elects not to participate in this program, or its application is not approved, eligible applicants, including charter schools that operate in the State may apply directly to the Secretary.

Under the requirements of the ESEA, as amended by NCLB , a charter school is limited to receiving not more than one grant or subgrant for planning and initial implementation activities and not more than one grant or subgrant for dissemination activities, unless the charter school is granted a waiver. A charter school may apply to the SEA for funds to carry out dissemination activities if the charter school has been in operation for at least 3 consecutive years and has demonstrated overall success, including substantial progress in improving student achievement; high levels of parent satisfaction; and the management and leadership necessary to overcome initial start-up problems and establish a thriving, financially viable charter school. A charter

school may receive a dissemination grant or subgrant, whether or not the charter school has applied for or received funds under the CSP for planning or implementation.

CSP planning and initial implementation grants and subgrants are awarded for a period not to exceed 3 years, of which not more than 18 months may be used for planning and program design, and not more than 2 years may be used for initial implementation. Grants or subgrants to charter schools for dissemination activities are made for a period not to exceed 2 years.

Under the ESEA, as amended by the ESSA, an SE awards subgrants for a period of not more than five years, of which an eligible applicant may use not more than 18 months for planning and program design. An eligible applicant may not receive more than on subgrant for each individual charter school for a five-year period, unless the eligible applicant demonstrates that such individual charter school has at least three years of improved educational results for students enrolled in such charter school, with respect to the elements described in section 4310(8)(A) and (D) of the ESEA, as amended by the ESSA.

The Consolidated Appropriations Act, 2010 (Pub. L. No. 111-117, 123 Stat. 3264, December 16, 2009) authorized the Secretary of Education to make awards to non-profit charter management organizations (CMOs) and other not-for-profit entities for the replication and expansion of successful charter school models. This authority was extended in subsequent appropriations acts through FY 2016. Similar authority is now codified in statute under the ESEA, as amended by the ESSA. Under the new law, the Secretary is authorized to award competitive grants to non-profit CMOs to enable them to open and prepare for the operation of one or more replicated high-quality charter schools or to expand one or more high-quality charter schools.

Source of Governing Requirements

This program was authorized by Title V, Part B, Subpart 1 of the ESEA, as amended by NCLB (20 USC 7221-7221j), for awards made in FY 2016 and earlier years. Replication and Expansion grants were authorized under the Consolidated Appropriations Act, 2016 (Pub. L. No. 114-113). Beginning with FY 2017 grant awards, this program is authorized by Title IV, Part C of the ESEA, as amended by the ESSA (20 USC 7221-7221j). There are no program-specific regulations. However, 34 CFR sections part 76, subpart H prescribes administrative requirements that States and local educational agencies must follow when allocating funds to new or expanding charter schools under ED's formula grant programs.

The transition provisions under the ESEA, as amended by the ESSA, as clarified by the Consolidated Appropriations Act, 2016 (Pub. L. No. 114-113), also apply.

Availability of Other Program Information

Information on this program can be found in the following documents posted on ED's website:

a. Charter Schools Program, Nonregulatory Guidance (January 2014) (http://www2.ed.gov/programs/charter/fy14cspnonregguidance.doc)

b. Guidance on the Use of Funds to Support Preschool Education (December 2014) (http://www2.ed.gov/programs/charter/csppreschoolfaqs.doc) and

c. Dear Colleague Letter on Flexibility for Recipients of Charter Schools Program Grants in FY 2016 and Earlier (https://innovation.ed.gov/files/2017/12/CSP-DCL.pdf).

III. COMPLIANCE REQUIREMENTS

In developing the audit procedures to test compliance with the requirements for this Federal program, the auditor must determine, from the following summary (also included in Part 2, "Matrix of Compliance Requirements"), which of the 12 types of compliance requirements apply, and then determine which of the applicable requirements is likely to have a direct and material effect on the Federal program at the auditee. For each such requirement, the auditor must use Part 3 (which includes generic details about each compliance requirement other than Special Tests and Provisions) and this program supplement (which includes any program-specific requirements) to perform the audit.

Compliance Requirements											
A	B	C	E	F	G	H	I	J	L	M	N
Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Eligibility	Equipment/ Real Property Management	Matching, Level of Effort, Earmarking	Period of Performance	Procurement/ Suspension and Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions
Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N

Certain compliance requirements that apply to multiple ESEA programs are discussed once in the ED Cross-Cutting Section of this Supplement (page 4-84.000-1) rather than being repeated in each individual program. Where applicable, this section references the ED Cross-Cutting Section for these requirements. Also, as discussed in the ED Cross-Cutting Section, SEAs and LEAs, including charter school LEAs, may have been granted waivers from certain compliance requirements.

A. Activities Allowed or Unallowed

See also ED Cross-Cutting Section.

1. *Use of Funds by SEAs*

Funds must be used to award subgrants to eligible applicants. For grants awarded under the ESEA, as amended by NCLB, funds may also be used to establish a revolving loan fund for eligible applicants that have received implementation

subgrants, for State dissemination activities, and for administrative costs of the program. For grants awarded under the ESEA, as amended by the ESSA, funds may be used for administration, which may include providing technical assistance to subgrantees and authorized public chartering agencies. See III.G.3, "Matching, Level of Effort, Earmarking – Earmarking," for limitations on amounts that can be used for these activities (20 USC 7221c(f)(1), (4), and (5)).

2. *Use of Funds by Eligible Applicants*

a. ESEA, as amended by NCLB

i. Each eligible applicant may use these funds in accordance with its approved application to plan and implement a charter school, or to disseminate information about the charter school and successful practices in charter schools (20 USC 7221c(f)(2)).

ii. An eligible applicant receiving a CSP grant or subgrant may use funds for:
(1) post-award planning and design of the educational program, which may include:
(a) refinement of the desired educational results and of the methods for measuring progress toward achieving those results; and
(b) professional development of teachers and other staff who will work in the charter school; and
(2) initial implementation of the charter school, which may include:
(a) informing the community about the school;
(b) acquiring necessary equipment and educational materials and supplies;
(c) acquiring or developing curriculum materials; and
(d) other initial operational costs that cannot be met from State or local sources (20 USC 7221c(f)(3)).

iii. A charter school receiving funds for dissemination activities may use funds to assist other schools in adapting the charter school's program (or certain aspects of the charter school's program), or to disseminate information about the charter school, through such activities as:
(1) assisting other individuals with the planning and start-up of one or more new public schools, including charter schools, that are independent of the assisting charter school and the assisting charter school's developers, and that agree to be held to at least as high a level of accountability as the assisting charter school;
(2) developing partnerships with other public schools, including charter schools, designed to improve student

performance in each of the schools participating in the partnership;

(3) developing curriculum materials, assessments, and other materials that promote increased student achievement and are based on successful practices within the assisting charter school; and

(4) conducting evaluations and developing materials that document the successful practices of the assisting charter school and that are designed to improve student performance in other schools (20 USC 7221c(f)(6)(B)).

b. ESEA, as amended by the ESSA

i. Each eligible applicant may use the funds in accordance with its approved application to open and prepare for the operation of a new charter school, open and prepare for the operation of a replicated high-quality charter school, or expand a high-quality charter school.

ii. In addition, an eligible applicant receiving a CSP grant or subgrant must use the funds for one or more of the following activities:

(1) Preparing teachers, school leaders, and specialized instructional support personnel, including through paying the costs associated with:

(a) providing professional development; and

(b) hiring and compensating, during the eligible applicant's planning period specified in the application for subgrant funds that is required under this section, one or more of the following:

(i) Teachers.

(ii) School leaders.

(iii) Specialized instructional support personnel.

(2) Acquiring supplies, training, equipment (including technology), and educational materials (including developing and acquiring instructional materials).

(3) Carrying out necessary renovations to ensure that a new school building complies with applicable statutes and regulations, and minor facilities repairs (excluding construction).

(4) Providing one-time, startup costs associated with providing transportation to students to and from the charter school.

(5) Carrying out community engagement activities, which may include paying the cost of student and staff recruitment.

(6) Providing for other appropriate, non-sustained costs related to the activities described in subsection (b)(1) when such costs cannot be met from other sources.

3. *Grants for the Replication and Expansion of High-Quality Charter Schools*

a. Grant funds may be used to replicate or expand a high-quality charter school. Specifically, for grants awarded under the ESEA, as amended by NCLB, funds may be used for (i) post-award planning and design of the educational program; and (ii) initial implementation of the charter school (see paragraph 2.b, above). For grants awarded under the ESEA, as amended by the ESSA, funds may be used to open and prepare for the operation of new charter schools and replicated high-quality charter schools, and expand high-quality charter schools.

b. For grants awarded under the ESEA, as amended by NCLB, grant funds also may be used for initial operational costs associated with the expansion or improvement of the entity's oversight or management of its schools (see III.G.3.c, "Matching, Level of Effort, Earmarking – Earmarking"), provided that the specific schools being created or expanded under the grant are beneficiaries of such expansion or improvement.

c. A charter school that has received replication and expansion of high-quality charter schools funds is not eligible to receive funds for the same purpose under section 5202(c)(2) of the ESEA (i.e., other funding under this program), including for planning and program design or the initial implementation of a charter school (20 USC 7221c(f)(3); Program Announcements issued in the *Federal Register* May 24, 2010 (75 FR 28789-28795); July 12, 2011 (76 FR 40890-40898); March 6, 2012 (77 FR 13304-13311); June 20, 2014 (79 FR 35323-35333); June 12, 2015 (80 FR 33499-33510); and May 10, 2016 (81 FR 28837-28847)).

B. Allowable Costs/Cost Principles

See ED Cross-Cutting Section.

C. Cash Management

See ED Cross-Cutting Section.

E. Eligibility

1. Eligibility for Individuals – Not Applicable

2. Eligibility for Group of Individuals or Area of Service Delivery – Not Applicable

3. Eligibility for Subrecipients

a. An eligible applicant (i.e., non-SEA eligible applicant) is a charter school developer that has applied to an authorized public chartering authority to

operate a charter school, and has provided that authority with adequate and timely notice of its application for funding under the CSP.

b. A "charter school" is a public school that:

(1) in accordance with a specific State statute authorizing the granting of charters to schools, is exempt from significant State or local rules that inhibit the flexible operation and management of public schools;
(2) is created by a developer as a public school, or is adapted by a developer from an existing public school, and is operated under public supervision and direction;
(3) operates in pursuit of a specific set of educational objectives determined by the authorized public chartering agency;
(4) provides a program of elementary or secondary education, or both;
(5) is nonsectarian in its programs, admissions policies, employment practices, and all other operations, and is not affiliated with a sectarian school or religious institution;
(6) does not charge tuition;
(7) complies with Federal civil rights laws;
(8) is a school to which parents choose to send their children and admits students on the basis of a lottery, if more students apply than can be accommodated;
(9) agrees to comply with the same Federal and State audit requirements as do other elementary and secondary schools in the State, unless such requirements are specifically waived for the purpose of this program;
(10) meets all applicable Federal, State, and local health and safety requirements;
(11) operates in accordance with State law;
(12) has a written performance contract with the authorized public chartering agency in the State that includes a description of how student performance will be measured in charter schools pursuant to State assessments that are required of other schools and pursuant to any other assessments mutually agreeable to the authorized public chartering agency and the charter school; and
(13) may serve children in early childhood education programs or postsecondary students. Under the ESEA, as amended by the ESSA, a charter school may automatically enroll students who are in the immediate prior grade of an affiliated charter school, as long as the charter school complies with the lottery requirement when admitting other students.

(c) The term "developer" means an individual or group of individuals (including a public or private nonprofit organization), which may include teachers, administrators, and other school staff, parents, or other members of the local community in which a charter school project will be carried

out. A for-profit entity does not qualify as an eligible applicant for purposes of the CSP. However, a CSP grant recipient may enter into a contract with a for-profit entity for the day-to-day management of the charter school (20 USC 7221i).

d. A high-quality charter school is a charter school that:

(1) shows evidence of strong academic results, which may include strong student academic growth, as determined by the State;

(2) has no significant issues in the areas of student safety, financial and operational management, or statutory or regulatory compliance;

(3) has demonstrated success in significantly increasing student academic achievement, including graduation rates where applicable, for all students served by the charter school; and

(4) has demonstrated success in increasing student academic achievement, including graduation rates where applicable, for each of the subgroups of students, as defined in section 1111(c)(2) of the ESEA, as amended by the ESSA.

G. Matching, Level of Effort, Earmarking

1. Matching – Not Applicable

2. Level of Effort – Not Applicable

3. Earmarking

a. Under the ESEA, as amended by NCLB, each SEA receiving a grant may reserve not more than 5 percent of these funds for administrative expenses associated with the charter school grant program (20 USC 7221c(f)(4)). For grants awarded under the ESEA, as amended by the ESSA, SEs may reserve up to 3 percent of grant funds for administrative costs (20 USC 7221b(c)(1)(C)).

b. For grants awarded under the ESEA, as amended by NCLB, the SEA must provide at least 95 percent of the grant funds to eligible applicants in the State for planning and initial implementation activities or for dissemination activities. Not more than 10 percent of the grant amount may be used to establish a revolving loan fund for eligible applicants that have received a CSP grant and not more than 10 percent of the grant amount may be reserved for dissemination activities (20 USC 7221c(f)(1) and (5)). Under the ESEA, as amended by the ESSA, SEs must use at least 90 percent of the grant funds to award subgrants to eligible applicants to enable them to open and prepare for the operation of new charter schools and replicated high-quality charter schools, and to expand high-quality charter schools. SE's must reserve not less than 7 percent of grant

funds to provide technical assistance to eligible applicants and authorized public chartering agencies in carrying out such activities, and work with authorized public chartering agencies in the State to improve authorizing quality, including developing capacity for, and conducting, fiscal oversight and auditing of charter schools.

c. Grantees that received FY 2010 awards for replication and expansion of high-quality charter schools may not expend more than 15 percent of grant funds for initial operational costs associated with the expansion or improvement of the eligible entity's oversight or management of its schools (see III.A.3.b, "Activities Allowed or Unallowed") (Program Announcement issued in the *Federal Register* May 24, 2010 (75 FR 28789-28795)). This initial operational costs limitation was increased to 20 percent for replication and expansion grants awarded in FY 2011 through FY 2016 (Program Announcements issued in the *Federal Register* July 12, 2011 (76 FR 40890-40898); March 6, 2012 (77 FR 13304-13311); June 20, 2014 (79 FR 35323-35333); June 12, 2015 (80 FR 33499-33510); and May 10, 2016 (81 FR 28837-28847)).

H. Period of Performance

See ED Cross-Cutting Section.

L. Reporting

1. Financial Reporting

See ED Cross-Cutting Section.

2. Performance Reporting – Not Applicable

3. Special Reporting – Not Applicable

DEPARTMENT OF EDUCATION

CFDA 84.365 ENGLISH LANGUAGE ACQUISITION STATE GRANTS

I. PROGRAM OBJECTIVES

The objective of Title III, Part A of the Elementary and Secondary Education Act (ESEA) is to improve the education of English learners (ELs) by helping them attain English proficiency and meet challenging state academic standards. The program also provides enhanced instructional opportunities for immigrant children and youths.

II. PROGRAM PROCEDURES

The Department of Education (ED) provides Title III, Part A funds to each State Educational Agency (SEA) on the basis of a statutory formula that takes into account the number of ELs and immigrant children and youth in each State. To receive funds, an SEA must submit to ED for approval either (1) an individual State plan as provided under Section 3113 of the ESEA (20 USC 6823), or (2) a consolidated plan that includes Part A of Title III in accordance with Section 9302 of the ESEA (20 USC 7842). The plan must be updated to reflect substantive changes.

SEAs use Title III, Part A funds for administration, to carry out State activities, and to make two types of subgrants to LEAs. The two types of subgrants are (1) for school districts that have experienced a significant increase in the number of immigrant children and youth in their schools, and (2) for school district to use to serve EL children. In order to receive one of these subgrants, an LEA must submit to the SEA a plan under either Section 3116 of the ESEA (20 USC 6826) or an approved consolidated plan under Section 8302 of the ESEA (20 USC 7842) (20 USC 6821).

LEAs that receive immigrant subgrants use those funds to pay for enhanced instructional opportunities for immigrant children. LEAs receiving EL subgrants must support activities that increase the English proficiency and academic achievement of ELs by providing effective language instruction educational programs, supplemental activities, and professional development for teachers and school leaders relating to ELs. (20 USC 6825). In addition, LEAs receiving subgrants under Part A of Title III are required to assess the English language proficiency of the ELs they serve (20 USC 6823). SEAs are required to develop statewide entrance and exit procedures for ELs, and assist subgrantees in meeting the state's long-term goals for progress towards English language proficiency.

Source of Governing Requirements

This program is authorized by Title III, Part A of the ESEA (20 USC 6821 through 6849, 7011 through 7014). The requirements in 34 CFR part 299 also apply.

Availability of Other Program Information

Additional program information is available at http://www2.ed.gov/programs/sfgp/index.html.

III. COMPLIANCE REQUIREMENTS

In developing the audit procedures to test compliance with the requirements for this Federal program, the auditor must determine, from the following summary (also included in Part 2, "Matrix of Compliance Requirements"), which of the 12 types of compliance requirements apply, and then determine which of the applicable requirements is likely to have a direct and material effect on the Federal program at the auditee. For each such requirement, the auditor must use Part 3 (which includes generic details about each compliance requirement other than Special Tests and Provisions) and this program supplement (which includes any program-specific requirements) to perform the audit.

Compliance Requirements											
A	B	C	E	F	G	H	I	J	L	M	N
Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Eligibility	Equipment/ Real Property Management	Matching, Level of Effort, Earmarking	Period of Performance	Procurement/ Suspension and Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions
Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y

Certain compliance requirements which apply to multiple ESEA programs are discussed once in the ED Cross-Cutting Section of this Supplement (page 4-84.000-1) rather than being repeated in each individual program. Where applicable, this section references the ED Cross-Cutting Section for these requirements. Also, as discussed in the ED Cross-Cutting Section, SEAs and LEAs may have been granted waivers from certain compliance requirements.

A. Activities Allowed or Unallowed

See also ED Cross-Cutting Section.

1. ***SEA***

   a. *Subgrants to LEAs* (20 USC 6821(b)(1)) , 6824).

   b. *State administration* (20 USC 6821(b)(3)).

c. *State activities* – Funds may be used carry out one or more of the following State activities for this program (20 USC 6821(b)(2)):

(1) Establishing and implementing Statewide entrance and exit procedures for ELs.

(2) Professional development and other activities, which may include assisting personnel in meeting State and local certification and licensing requirements for teaching ELs.

(3) Planning, evaluation, administration, and interagency coordination related to LEA subgrants.

(4) Providing technical assistance and other forms of assistance to LEA subgrantees.

(5) Providing recognition, which may include providing financial awards, to subgrantees that have significantly improved EL achievement and progress in meeting the State ELP goal and academic standards.

2. ***LEA*** – There are two types of subgrants to LEAs:

a. *Immigrant Subgrants* – Subgrants to LEAs that have experienced significant increases in immigrant children and youth. LEAs receiving subgrants under Section 3114(d) (20 USC 6824(d)) shall use the funds awarded to pay for activities that provide enhanced instructional opportunities for immigrant children and youth. These activities include (20 USC 6825(e)):

(1) Family literacy, parent and family outreach, and training activities designed to assist parents and families to become active participants in the education of their children.

(2) Support for personnel, including teacher aides who have been specifically trained, or are being trained, to provide services to immigrant children and youth.

(3) Provision of tutorials, mentoring, and academic or career counseling for immigrant children and youth.

(4) Identification and acquisition of curricular materials, educational software, and technologies to be used in the program carried out with funds.

(5) Basic instruction services that are directly attributable to the presence in the school district of immigrant children and youth, including the payment of costs of providing additional classroom

supplies, costs of transportation, or such other costs as are directly attributable to such additional basic instruction services.

(6) Other instruction services that are designed to assist immigrant children and youth to achieve in elementary schools and secondary schools in the United States, such as programs of introduction to the educational system and civics education.

(7) Activities, coordinated with community-based organizations, institutions of higher education, private sector entities, or other entities with expertise in working with immigrants, to assist parents and families of immigrant children and youth by offering comprehensive community services.

b. *EL Subgrants* (20 USC 6824(a), 6825)

(1) *Administrative Costs* (20 USC 6825(b)).

(2) *Required Activities* – An LEA is required to use EL subgrant funds to (20 USC 6825(c)):

(a) Increase the English proficiency of ELs by providing effective language instruction educational programs that meet the needs of ELs and demonstrate success in increasing English proficiency and student academic achievement (20 USC 6825(c)(1)).

(b) Provide effective professional development to classroom teachers (including teachers in classroom settings that are not the settings of language instruction educational programs), principals, administrators, and other school or community-based organizational personnel (20 USC 6825(c)(2)).

(c) Provide and implement other effective activities that supplement language instruction educational programs, which must include parent, family, and community engagement activities, and may include coordination with related programs. (20 USC 6825(c)(3)).

(3) *Authorized Activities* – An LEA receiving an EL subgrant may, but is not required to, use those funds for the following activities (20 USC 6825(d)):

(a) Upgrading program objectives and effective instruction strategies.

(b) Improving the instruction program for ELs by identifying, acquiring, and upgrading curricula, instruction materials, educational software, and assessment procedures.

(c) Providing tutorials and academic or vocational education for ELs and intensified instruction.

(d) Developing and implementing effective preschool, elementary school or secondary school language instruction educational programs that are coordinated with other relevant programs and services.

(e) Improving the English proficiency and academic achievement of ELs.

(f) Providing community participation programs, family literacy services, and parent and family outreach and training activities to ELs and their families to improve the English language skills of ELs and to assist parents and families in helping their children to improve their academic achievement and becoming active participants in the education of their children.

(g) Improving the instruction of ELs, which may include ELs with disabilities, by providing for (i) the acquisition or development of educational technology or instructional materials; (ii) access to, and participation in, electronic networks for materials, training, and communication; and (iii) incorporation of these resources into curricula and programs.

(h) Offering early college, high school, or dual or concurrent enrollment courses designed to help ELs achieve success in postsecondary education.

B. Allowable Costs/Cost Principles

See ED Cross-Cutting Section.

C. Cash Management

See ED Cross-Cutting Section.

G. Matching, Level of Effort, Earmarking

1. **Matching** – Not Applicable

2.1 **Level of Effort –** *Maintenance of Effort*

See ED Cross-Cutting Section.

2.2 Level of Effort – *Supplement Not Supplant*

See ED Cross-Cutting Section.

3. Earmarking (SEAs)

a. *SEA Reserved Funds* – SEAs can reserve up to 5 percent of their entire grant to carry out State activities and for administration. (Please note, however, discussion under SEA administration below, which indicates that there are circumstances under which an SEA can have a reservation for administration that exceeds 5 percent) (20 USC 6821(b)(2)):

(1) *State Activities* – SEA reserved funds not used for administration can be used to carry out one or more of the State activities (see III.A.1.c, "Activities Allowed or Unallowed") (20 USC 6821(b)(2)).

(2) *SEA Administration* – SEA's are authorized to reserve up to 2.5 percent of their grant, or $175,000, whichever is greater, for planning and direct administrative cost. Because SEAs can use up to $175,000 of their grant for administration, they may, because of that option, reserve more than 5 percent of their grant for administration (20 USC 6821(b)(3)).

b. *Subgrants to LEAs* – A SEA must expend at least 95 percent for subgrants to LEAs that submit approvable plans under either Section 3116 of the ESEA, (20 USC 6826) or an approvable consolidated plan under Section 8305 of the ESEA (20 USC 7845) as follows (20 USC 6821, 6824(a)):

(1) *Immigrant Subgrants* – SEAs are required to reserve not more than 15 percent of their grants for subgrants to LEAs that have experienced a significant increase, as compared to the average of the 2 preceding fiscal years, in the percentage or numbers of immigrant children and youth, who have enrolled, during the fiscal year for which the grant is made, in public and nonpublic elementary and secondary schools in the geographic areas served by the LEA. In awarding these subgrants, SEAs must equally consider LEAs that have limited or no experience in serving immigrant children and youth and the quality of the local plans that the LEAs submit under Section 3116 of the ESEA (20 USC 6826). SEAs have discretion to award these subgrants on a competitive, formula, or some other basis (20 USC 6824(d)).

(2) *EL Subgrants* – SEAs are required to use funds not used for State activities, SEA administration, and immigrant subgrants as described above, to award subgrants to LEAs to serve ELs. SEAs

shall allocate EL subgrants to their LEAs on a formula basis. The formula is based on the number of ELs in schools served by a particular LEA as a percentage of the number of such ELs in the entire State. The SEA, however, shall not award a subgrant if the amount of the subgrant, under the statutory formula for EL subgrants, would be less than $10,000 (20 USC 6824).

c. *LEA Administrative Costs* – An LEA receiving an EL subgrant may use no more than 2 percent of that subgrant for direct administrative costs (20 USC 6825(b)).

H. Period of Performance

See ED Cross-Cutting Section.

L. Reporting

1. Financial Reporting

See ED Cross-Cutting Section.

2. Performance Reporting – Not Applicable

3. Special Reporting – Not Applicable

N. Special Tests and Provisions

1. Participation of Private School Children

See ED Cross-Cutting Section.

2. Access to Federal Funds for New or Significantly Expanded Charter Schools

See ED Cross-Cutting Section.

DEPARTMENT OF EDUCATION

CFDA 84.367 SUPPORTING EFFECTIVE INSTRUCTION STATE GRANTS (formerly Improving Teacher Quality State Grants)

I. PROGRAM OBJECTIVES

The objective of the Supporting Effective Instruction State Grant program (formerly Improving Teacher Quality State Grants program) in Title II, Part A of the Elementary and Secondary Education Act (ESEA) of 1965, as amended by the Every Student Succeeds Act (ESSA) (Pub. L. No. 114-95), is to provide funds to State educational agencies (SEAs), and local educational agencies (LEAs), to: (1) increase student achievement consistent with the challenging State academic standards, (2) improve the quality and effectiveness of teachers, principals, and other school leaders, (3) increase the number of teachers, principals, and other school leaders who are effective in improving student academic achievement in schools, and (4) provide low-income and minority students greater access to effective teachers, principals, and other school leaders.

II. PROGRAM PROCEDURES

Funds are obtained by a State on the basis of the Department of Education's (ED) approval of either (1) an individual State plan as provided in Section 2101 of the ESEA (20 USC 6611) or (2) a consolidated application that includes the program, in accordance with Section 8302 of the ESEA (20 USC 7842). Separate grants are provided to SEAs and SAHEs. (Note: Under the ESEA, as amended by the ESSA, the SAHE program is no longer funded, but grantees may obligate the prior year's funds until September 30, 2018).

Equitable Service

After timely and meaningful consultation with appropriate private school officials, LEAs must provide services to teachers and other appropriate staff in private schools that are equitable to the level of services provided to teachers and appropriate staff in the public schools the LEA administers. For more information about what constitutes equitable services for private school staff, and when their participation is equitable, see *Non-Regulatory Guidance: Fiscal Changes and Equitable Services Requirements Under the Elementary and Secondary Education Act of 1965 (ESEA), as amended by the Every Student Succeeds Act (ESSA)* available at https://www2.ed.gov/policy/elsec/leg/essa/essaguidance160477.pdf; see also Section G of *Non-Regulatory Guidance: Improving Teacher Quality State Grants ESEA Title II, Part A,* which is available at http://www2.ed.gov/programs/teacherqual/guidance.pdf.

Source of Governing Requirements

This program is authorized by Title II, Part A, of the ESEA, as amended by the ESSA (Pub. L. No. 114-95) (20 USC 6611-6614). The program purpose and definitions in Title II, Part A of the ESEA, Sections 2101 and 2102 (20 USC 6601 and 6602) also apply to this program.

While there are no program regulations, general ESEA requirements in 34 CFR part 299 apply. Rules governing the amount of funds available to both the SEA and to the SAHE for the costs of

administration and planning were announced in a notice published in the *Federal Register* on May 22, 2002 (67 FR 35967, 35977).

Availability of Other Program Information

a. Building Systems of Support for Excellent Teaching and Leading – Non-Regulatory Guidance (September 27, 2016) (https://www2.ed.gov/policy/elsec/leg/essa/essatitleiipartaguidance.pdf)

b. Improving Teacher Quality State Grants – Non-Regulatory Guidance (October 5, 2006) (http://www.ed.gov/programs/teacherqual/guidance.doc)

c. Non-Regulatory Guidance: Fiscal Changes and Equitable Services Requirements Under the Elementary and Secondary Education Act of 1965 (ESEA), as Amended by the Every Student Succeeds Act (ESSA) (November 21, 2016) https://www2.ed.gov/policy/elsec/leg/essa/essaguidance160477.pdf

III. COMPLIANCE REQUIREMENTS

In developing the audit procedures to test compliance with the requirements for this Federal program, the auditor must determine, from the following summary (also included in Part 2, "Matrix of Compliance Requirements"), which of the 12 types of compliance requirements apply, and then determine which of the applicable requirements is likely to have a direct and material effect on the Federal program at the auditee. For each such requirement, the auditor must use Part 3 (which includes generic details about each compliance requirement other than Special Tests and Provisions) and this program supplement (which includes any program-specific requirements) to perform the audit.

Compliance Requirements											
A	B	C	E	F	G	H	I	J	L	M	N
Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Eligibility	Equipment/ Real Property Management	Matching, Level of Effort, Earmarking	Period of Performance	Procurement/ Suspension and Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions
Y	Y	Y	Y	N	Y	Y	N	N	Y	Y	Y

Certain compliance requirements that apply to multiple ESEA programs are discussed once in the Department of Education (ED) Cross-Cutting Section of this Supplement (page 4-84.000-1) rather than being repeated in each individual program. Where applicable, this section references the Cross-Cutting Section for these requirements. Also, as discussed in the Cross-Cutting Section, SEAs and LEAs may have been granted waivers from certain compliance requirements.

A. Activities Allowed or Unallowed

See also ED Cross-Cutting Section.

1. ***State Use of Funds***

a. Subgrants to LEAs (Section 2101(c) of the ESEA (20 USC 6613(c)(1))).

(i) SEAs must reserve not less than 95 percent of their Title II allocation for subgrants to LEAs (Section 2101(c)(1) of the ESEA).

(ii) Additionally, SEAs may reserve not more than 3 percent of the amount reserved for subgrants to LEAs under Section 2101(c)(1) for one or more of the activities for principals or other school leaders described in Section 2101(c)(4). For more information, about this additional SEA reservation of funds, please see Part 3 of the *Non-Regulatory Guidance for Title II, Part A: Building Systems of Support for Excellent Teaching and Leading*, available at https://www2.ed.gov/policy/elsec/leg/essa/essatitleiipartagu idance.pdf (Section 2101(c)(3) of the ESEA).

b. State Administration (Section 2101(c)(2)) of the ESEA (20 USC 6613(c)(2))). SEAs may use not more than 1 percent of their Title II allocation for state administration.

c. *State Activities* – Allowable State-level activities are identified in Section 2101(c)(4) of the ESEA. Examples of allowable activities include (1) carrying out programs that establish, expand, or improve alternative routes for State certification of teachers, principals, or other school leaders; (2) carrying out activities that focus on ensuring teachers have the necessary subject-matter knowledge and teaching skills, as demonstrated through measures determined by the State, and principals or other school leaders have the instructional leadership skills to help teachers teach and to help students meet such challenging State academic standards ; (3) reforming and teacher, principal, or other school leader certification, recertification, licensing, or tenure systems or preparation program

standards and approval processes to ensure that they are aligned with such challenging State standards; (4) developing, or assisting local educational agencies in, developing career opportunities and advancement initiatives that promote professional growth and emphasize multiple career paths; and; (5) developing, or assisting local educational agencies in developing, strategies that provide differential pay, or other incentives, to recruit and retain teachers in high-need academic subjects and teachers, principals, or other school leaders, in low-income schools and school districts; (Section 2103(c)(4) of the ESEA (20 USC 6611(c)(4))).

2. ***LEA Use of Funds***

After conducting meaningful consultation, as required by Section 2102(b)(3) of the ESEA, LEAs may use funds for a broad span of activities designed to improve teacher quality that are identified in Section 2103(b) of the ESEA. Examples of allowable activities include (1) providing "professional development" (as the term is defined in Section 8101(42) of the ESEA (20 USC 7801(42)) to teachers, instructional leadership teams, principals, or other school leaders that is focused on improving teaching and student learning and achievement; (2) developing and implementing initiatives to recruit, hire, and retain teachers, principals, and other school leaders;; (3) providing training, technical assistance, and capacity-building in local educational agencies to assist teachers, principals, or other school leaders with selecting and implementing formative assessments, designing classroom-based assessments, and using data from such assessments to improve instruction and student academic achievement ; and (5) carrying out initiatives that provide teacher, paraprofessional, principal, or other school leader advancement and professional growth, and an emphasis on leadership opportunities, multiple career paths, and pay differentiation. LEAs also may use funds to hire teachers to reduce class size (Sections 2103(b) (20 USC 6613)).

3. ***Subrecipients of SAHEs – Eligible Partnerships Use of Funds***
(Note: Under the ESEA, as amended by the ESSA, the SAHE program is no longer funded, but grantees may still finish spending the prior year's funds until September 30, 2018)

Eligible Partnerships must use the funds for the following activities:

a. Professional development activities (as the term is defined in Section 9101(34) of the ESEA (20 USC 6602(34)) in core academic subjects to ensure that teachers and "highly qualified paraprofessionals" (as the term is defined in Section 2102(4) of the ESEA (20 USC 6602(4))), and, if appropriate, principals have subject matter knowledge in the academic subjects the teachers teach, and principals have instructional leadership skills that will help them work effectively with teachers (Sections 2101 and 2134(a)(1) of the ESEA (20 USC 6601 and 6634(a)(1))).

b. Developing and providing assistance to LEAs and to their teachers, highly qualified paraprofessionals, or principals for sustained, high-quality

professional development activities that (Sections 2101 and 2134(a)(2) of the ESEA (20 USC 6601 and 6634(a)(2)):

(1) Ensure the use of challenging State academic content standards, student achievement standards, and State assessments to improve instruction.

(2) May include intensive programs designed to prepare these individuals to return to school to provide instruction related to their professional development to others in the school.

(3) May include activities of partnerships between one or more LEAs, schools or IHEs in order to improve teaching and learning in low-performing schools, as the term is used in Section 1116 of the ESEA.

B. Allowable Costs/Cost Principles (All grantees)

See ED Cross-Cutting Section.

C. Cash Management

See ED Cross-Cutting Section.

E. Eligibility

1. Eligibility for Individuals – Not Applicable

2. Eligibility for Group of Individuals or Area of Service Delivery – Not Applicable

3. Eligibility for Subrecipients

a. LEAs apply to the SEAs for program funds. The amount of each LEA's allocation that an SEA provides is based solely on the following formula:

(1) 20 percent of the funds must be distributed to LEAs based on the relative numbers of individuals ages 5 through 17 who reside in the area the LEA serves (based on the most recent Census data, as determined by the Secretary); and

(2) 80 percent of the funds must be distributed to LEAs based on the relative numbers of individuals ages 5 through 17 who reside in the area the LEA serves and who are from families with incomes below the poverty line (based on the most recent Census data, as determined by the Secretary). (Section 2102(a) of the ESEA).

a. For the SAHE program that is no longer funded, but for which grantees may still finish spending the prior year's funds until

September 30, 2018, a subgrant to an "Eligible Partnership" must be made on a competitive basis and the Eligible Partnership must include all of the following (Sections 2131(1)(A) and 2132(a) of the ESEA (20 USC 6631(1)(A) and 6632(a))):

(1) A private or State IHE and the division of the institution that prepares teachers and principals.

(2) A school of arts and sciences.

(3) A "high-need LEA" (as the term is defined in Section 2102(3) of the ESEA (20 USC 6602(3))).

b. An Eligible Partnership may include other entities, such as an LEA that is not a high-need LEA, a public charter school, an elementary school or secondary school, an educational service agency, a non-profit educational organization, another IHE, a non-profit cultural organization, a teacher or principal organization, or a business (Section 2131(1)(B) of the ESEA (20 USC 6631(1)(B))).

G. Matching, Level of Effort, Earmarking

1. **Matching** (LEAs) – Not Applicable

2.1 **Level of Effort** – *Maintenance of Effort* (SEAs/LEAs)

See also ED Cross-Cutting Section.

In calculating the amount of Title II, Part A funds that an LEA must reserve for equitable services (see II, "Program Procedures") to teachers and other staff in private schools, an LEA must consider the relative numbers and needs of public and private school students. In doing so, an LEA may calculate the amount of Title II, Part A funds to be made available for equitable services on a per-pupil basis, considering only the relative enrollment of public and private school students, on the assumption that these numbers also accurately reflect the relative needs of students and teachers in public and private schools. An LEA also may use other factors relating to need and not base equal expenditures only on relative enrollments, although it may not use relative poverty of the students alone as a factor. For more information on this calculation see *Non-Regulatory Guidance: Fiscal Changes and Equitable Services Requirements, Under the Elementary and Secondary Education Act of 1965 (ESEA), as amended by the Every Student Succeeds Act (ESSA),* available at https://www2.ed.gov/policy/elsec/leg/essa/essaguidance160477.pdf.

2.2 **Level of Effort** – *Supplement Not Supplant* (SEAs/LEAs)

See ED Cross-Cutting Section. Supplement Not Supplant is not applicable to the SAHEs and their subgrants to Eligible Partnerships (Section 2134 of the ESEA, as

amended by NCLB (20 USC 6634)). (Note: Under the ESEA, as amended by the ESSA, the SAHE program is no longer funded, but grantees may still finish spending the prior years' funds until September 30, 2018).

3. Earmarking

See ED Cross-Cutting Section.

H. Period of Performance (All grantees)

See ED Cross-Cutting Section.

L. Reporting

1. Financial Reporting

See ED Cross-Cutting Section.

2. Performance Reporting – Not Applicable

3. Special Reporting – Not Applicable

N. Special Tests and Provisions

1. Participation of Private School Children (SEAs/LEAs)

See also ED Cross-Cutting Section.

An SEA may transfer up to 100 percent of its non-administrative Title II, Part A funds to other specified programs or to Title I, Part A. Likewise, an LEA may transfer up to 100 percent of its Title II, Part A funds to certain other programs. Before an SEA or LEA may transfer funds from a program subject to equitable services requirements, it must engage in timely and meaningful consultation with appropriate private school officials (Section 5103(e)(2) of ESEA (20 USC 7305b(e)). With respect to the transferred funds, the SEA or LEA must provide private school students and teachers equitable services under the program(s) to which, and from which, the funds are transferred, based on the total amount of funds available to each program after the transfer. See *Non-Regulatory Guidance: Fiscal Changes and Equitable Services Requirements, Under the Elementary and Secondary Education Act of 1965 (ESEA), as amended by the Every Student Succeeds Act (ESSA)*, available at https://www2.ed.gov/policy/elsec/leg/essa/essaguidance160477.pdf.

2. Access to Federal Funds for New or Significantly Expanded Charter Schools

See ED Cross-Cutting Section.

IV. OTHER INFORMATION

Funds under the Small, Rural School Achievement (SRSA) Program (CFDA 84.358A) may be used for activities allowed under other programs, including this program (CFDA 84.367). Expenditures for allowable activities under CFDA 84.367 from funds awarded for the SRSA Funds Program should be included in the audit universe and total expenditures of CFDA 84.358A (i.e., from the program from which they originated) for purposes of (1) determining Type A programs, and (2) completing the Schedule of Expenditures of Federal Awards (SEFA).

DEPARTMENT OF EDUCATION

CFDA 84.424 STUDENT SUPPORT AND ACADEMIC ENRICHMENT PROGRAM

I. PROGRAM OBJECTIVES

The objective of the Student Support and Academic Enrichment Grant program in Title IV, Part A of the Elementary and Secondary Education Act (ESEA) of 1965, as amended by the Every Student Succeeds Act (ESSA) (Pub. L. No. 114-95), is to provide funds to State educational agencies (SEAs) and local educational agencies (LEAs) to improve students' academic achievement by increasing the capacity of States, LEAs, schools, and local communities to: 1) provide all students with access to a well-rounded education; 2) improve school conditions for student learning; and 3) improve the use of technology in order to improve the academic achievement and digital literacy of all students.

II. PROGRAM PROCEDURES

Funds are obtained by a State on the basis of the Department of Education's (ED) approval of either (1) an individual State plan as provided in Section 4103 of the ESEA (20 USC 7113) or a consolidated application that includes the program, in accordance with Section 8302 of the ESEA (20 USC 7842).

Equitable Services

After timely and meaningful consultation with appropriate private school officials, LEAs must provide services to teachers and other appropriate staff in private schools that are equitable to the level of services provided to teachers and appropriate staff in the public schools the LEA administers. For more information about what constitutes equitable services for private school staff, and when their participation is equitable, see *Non-Regulatory Guidance: Fiscal Changes and Equitable Services Requirements Under the Elementary and Secondary Education Act of 1965 (ESEA), as amended by the Every Student Succeeds Act (ESSA)* available at https://www2.ed.gov/policy/elsec/leg/essa/essaguidance160477.pdf

Source of Governing Requirements

This program is authorized by Title IV, Part A of the ESEA, as amended by the ESSA (Pub. L. No. 114-95) (20 USC 7101-7122). The program purpose and definitions in Title IV, Part A of the ESEA, Sections 4101 and 4102 (20 USC 7111 and 7112) also apply to this program. While there are no program regulations, general ESEA requirements in 34 CFR part 299 apply.

Availability of Other Program Information

a. Student Support and Academic Enrichment Grants Non-Regulatory Guidance (October, 2016) https://www2.ed.gov/policy/elsec/leg/essa/essassaegrantguid10212016.pdf

b. Provisions in the Consolidated Appropriations Act of 2017 That Relate to the Title IV, Part A Student Support and Academic Enrichment Grant Program https://safesupportivelearning.ed.gov/sites/default/files/ProvisionsConsolidatedAppropri

ationsAct2017_Title%20IVASSAE.pdf

c. Non-Regulatory Guidance: Fiscal Changes and Equitable Services Requirements Under the Elementary and Secondary Education Act of 1965 (ESEA), as Amended by the Every Student Succeeds Act (ESSA) (November 21, 2016) https://www2.ed.gov/policy/elsec/leg/essa/essaguidance160477.pdf

III. COMPLIANCE REQUIREMENTS

In developing the audit procedures to test compliance with the requirements for this Federal program, the auditor must determine, from the following summary (also included in Part 2, "Matrix of Compliance Requirements"), which of the 12 types of compliance requirements apply, and then determine which of the applicable requirements is likely to have a direct and material effect on the Federal program at the auditee. For each such requirement, the auditor must use Part 3 (which includes generic details about each compliance requirement other than Special Tests and Provisions) and this program supplement (which includes any program-specific requirements) to perform the audit.

Compliance Requirements											
A	B	C	E	F	G	H	I	J	L	M	N
Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Eligibility	Equipment/ Real Property Management	Matching, Level of Effort, Earmarking	Period of Performance	Procurement/ Suspension and Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions
Y	Y	Y	Y	N	Y	Y	N	N	Y	Y	Y

Certain compliance requirements that apply to multiple ESEA programs are discussed once in the Department of Education (ED) Cross-Cutting Section of this Supplement (page 4-84.000-1) rather than being repeated in each individual program. Where applicable, this section references the Cross-Cutting Section for these requirements. Also, as discussed in the Cross-Cutting Section, SEAs and LEAs may have been granted waivers from certain compliance requirements.

A. Activities Allowed or Unallowed

See also ED Cross-Cutting Section.

1. *State Use of Funds*

a. *Subgrants to LEAs* (Section 4104(a)(1) of the ESEA (20 USC 7114(a)(1))) – SEAs must reserve not less than 95 percent of their Title IV, Part A allocation for subgrants to LEAs.

b. *State Administration* (Section 4104(a)(2) of the ESEA (20 USC 7114(a)(2))) – SEAs may reserve up to 1 percent of their Title IV, Part A allocation for administrative costs.

c. *State Activities* (Section 4104(a)(3) of the ESEA (20 USC 7114(a)(3))) – States may reserve the remainder of funds not reserved for subgrants or administrative costs for State activities. Examples of allowable State-level activities are identified in Section 4104(b) of the ESEA and may include monitoring and providing technical assistance and capacity building to LEAs; identifying and eliminating State barriers to the coordination and integration of programs, initiatives, and funding streams that meet the purposes of the program; and otherwise supporting LEAs in carrying out activities in the three Title IV, Part A program content areas: well-rounded education, safe and healthy students, and effective use of technology.

2. *LEA Use of Funds*

LEAs may use funds for a broad span of activities designed to improve student academic achievement by improving conditions for learning in three areas: well-rounded education (examples of allowable activities in section 4107 of the ESEA), safe and healthy students (examples of allowable activities in section 4108 of the ESEA), and effective use of technology (examples of allowable activities in section 4109 of the ESEA).

Under Section 4106(e)(2)(C)(E) of the ESEA, an LEA or consortium of LEAs that receives $30,000 or more in Title IV, Part A funds, must use:

1) Not less than 20 percent of funds to support one or more of the activities authorized under section 4107 pertaining to well-rounded educational opportunities;
2) Not less than 20 percent of funds to support one or more activities authorized under section 4108 pertaining to safe and healthy students; and
3) A portion of funds to support one or more activities authorized under section

4109(a t3r) pertaining to the effective use of technology, including an assurance that it will not use more than 15 percent of the remaining portion for purchasing technology infrastructure as described in section 4109(b).

LEAs or consortia of LEAs that receive less than $30,000 must use Title IV, Part A funds in at least one of the three content areas: well-rounded educational opportunities (section 4107 of the ESEA), safe and healthy students (section 4108 of the ESEA), or effective use of technology (section 4109 of the ESEA).

In addition, for the 2018-2019 school year, SEAs may choose to award subgrants on a competitive rather than formula basis (see E.3. Eligibility below). LEAs receiving a competitive subgrant may use not more than 25 percent of the subgrant funds for purchasing technology infrastructure as described in section 4109(b) of the ESEA (2017 Consolidated Appropriations Act, Pub. L. 115-31 https://safesupportivelearning.ed.gov/sites/default/files/ProvisionsConsolidatedAppropriationsAct2017_Title%20IVASSAE.pdf)

B. Allowable Costs/Cost Principles (All grantees)

See ED Cross-Cutting Section.

C. Cash Management

See ED Cross-Cutting Section.

E. Eligibility

1. Eligibility for Individuals – Not Applicable

2. Eligibility for Group of Individuals or Area of Service Delivery – Not Applicable

3. Eligibility for Subrecipients

a. LEAs or consortia of LEAs are the eligible subrecipients (section 4106(a)-(b) of the ESEA).

b. LEAs apply to the SEAs for program funds. The amount of each LEA's allocation that an SEA provides is determined by formula in the same proportion as to the LEA's prior year's Title I, Part A allocation (Section 4105(a)(1) of the ESEA

c. However for the 2018-2019 school year, SEAs have the option of awarding subgrants on a competitive basis pursuant to authority provided in the 2017 Consolidated Appropriations Act, Pub. L. 115-31 available here: https://safesupportivelearning.ed.gov/sites/default/files/ProvisionsConsolidatedAppropriationsAct2017_Title%20IVASSAE.pdf. Such competitive subgrants must be not less than $10,000.

G. Matching, Level of Effort, Earmarking

1. **Matching** (LEAs) – Not Applicable

2.1 **Level of Effort** – *Maintenance of Effort* (SEAs/LEAs)

Not Applicable

2.2 **Level of Effort** – *Supplement Not Supplant* (SEAs/LEAs)

See ED Cross-Cutting Section.

3 **Earmarking**

See ED Cross-Cutting Section.

H. **Period of Performance** (All grantees)

See ED Cross-Cutting Section.

L. Reporting

1. **Financial Reporting**

See ED Cross-Cutting Section.

2. **Performance Reporting** – Not Applicable

3. **Special Reporting** – Not Applicable

N. Special Tests and Provisions

1. **Participation of Private School Children** (SEAs/LEAs)

See also ED Cross-Cutting Section.

An SEA may transfer up to 100 percent of its non-administrative Title IV, Part A funds to other certain authorized programs including Title I, Part A. Likewise, an LEA may transfer up to 100 percent of its Title IV, Part A funds to certain authorized programs (See Earmarking section in crosscutting section of the compliance supplement). Before an SEA or

LEA may transfer funds from a program subject to equitable services requirements, it must engage in timely and meaningful consultation with appropriate private school officials (Section 5103(e)(2) of the ESEA (20 USC 7305b(e)). With respect to the transferred funds, the SEA or LEA must provide private school students and teachers equitable services under the program(s) to which, and from which, the funds are transferred, as applicable, based on the total amount of funds available to each program after the transfer. See *Non-Regulatory Guidance: Fiscal Changes and Equitable Services Requirements, Under the Elementary and Secondary Education Act of 1965 (ESEA), as amended by the Every Student Succeeds Act (ESSA)*, available at https://www2.ed.gov/policy/elsec/leg/essa/essaguidance160477.pdf.

2. Access to Federal Funds for New or Significantly Expanded Charter Schools

See ED Cross-Cutting Section.

IV. OTHER INFORMATION

Funds under the Small Rural Schools Achievement (SRSA) Alternative Uses of Funds Program (CFDA 84.358A) may be used for activities allowed under other programs, including this program. Expenditures under CFDA 84.424 from funds awarded for the SRSA Alternative Uses of Funds Program should be included in the audit universe and total expenditures of CFDA 84.424 (i.e., from the program from which they originated) for purposes of (1) determining Type A programs, and (2) completing the Schedule of Expenditures of Federal Awards (SEFA).

DEPARTMENT OF HEALTH AND HUMAN SERVICES

CFDA 93.224 HEALTH CENTER PROGRAM (COMMUNITY HEALTH CENTERS, MIGRANT HEALTH CENTERS, HEALTH CARE FOR THE HOMELESS, AND PUBLIC HOUSING PRIMARY CARE)
CFDA 93.527 GRANTS FOR NEW AND EXPANDED SERVICES UNDER THE HEALTH CENTER PROGRAM

I. PROGRAM OBJECTIVES

The purpose of the Health Center Program (HCP) is to improve the health of the Nation's underserved communities and vulnerable populations by assuring continued access to comprehensive, culturally competent, quality primary health care services. HCP grants support a variety of community-based and patient-directed public and private nonprofit organizations that provide primary and preventive health care services to the Nation's underserved.

II. PROGRAM PROCEDURES

The purpose of the HCP grants is to support the costs of operating health centers that serve medically underserved populations.

Administration and Services

HCP grants (Section 330 grants) are awarded and administered at the Federal level by the Bureau of Primary Health Care (BPHC), HRSA, HHS. Based on applications submitted to and approved by HRSA, grants are provided to public and private non-profit organizations including tribal, faith-based and community-based organizations. Factors considered include the population to be served and the current availability of services in the geographical area to be served. Grantees may enter into service and care arrangements via contracts or other formal referral arrangements.

The authorizing statute for the HCP requires health centers to annually develop and submit to HRSA a budget that reflects expenses and revenues (including the Section 330 grant) necessary to accomplish the health center project service delivery plan. As such, the total budget must include projections from all revenue sources, including fees, premiums, and third-party reimbursements reasonably expected to be received to support operations, and State, local, private and other operational funding provided to the health center. The amount of the Section 330 grant funding to be provided by HRSA may not exceed the amount by which the projected cost of operations exceeds the projected non-grant revenue sources (42 USC 254(e)(5)(A), (k)(3)(D), and (k)(3)(I)(i) and 42 CFR section 51c.106).

Source of Governing Requirements

The HCP is authorized under Section 330 of the Public Health Service Act, as amended by Section 10503 of The Patient Protection and Affordable Care Act (Pub. L. No. 111-148). The statutory provisions are codified at 42 USC 254b. The implementing program regulations for Community Health Centers (CHCs) and Migrant Health Centers (MHCs) are codified at 42 CFR

parts 51c and 56, respectively. The Health Care for the Homeless (HCH) and Public Housing Primary Care (PHPC) components do not have program-specific regulations.

Availability of Other Program Information

Additional program information is available from the BPHC website at http://www.bphc.hrsa.gov/ and http://www.bphc.hrsa.gov/programrequirements/index.html.

III. COMPLIANCE REQUIREMENTS

In developing the audit procedures to test compliance with the requirements for this Federal program, the auditor must determine, from the following summary (also included in Part 2, "Matrix of Compliance Requirements"), which of the 12 types of compliance requirements apply, and then determine which of the applicable requirements is likely to have a direct and material effect on the Federal program at the auditee. For each such requirement, the auditor must use Part 3 (which includes generic details about each compliance requirement other than Special Tests and Provisions) and this program supplement (which includes any program-specific requirements) to perform the audit.

Compliance Requirements											
A	B	C	E	F	G	H	I	J	L	M	N
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Y	Y	Y	N	Y	N	Y	Y	N	Y	N	Y

A. Activities Allowed or Unallowed

1. *Activities Allowed*

a. Required primary health services include:

(1) Basic health services related to family medicine, internal medicine, pediatrics, obstetrics, or gynecology that are furnished by physicians and, where appropriate, by physician assistants, nurse practitioners, and nurse midwives (42 USC 254b(b)(1)(A)(i)(I)).

(2) Diagnostic laboratory and radiological services (42 USC 254b(b)(1)(A)(i)(II)).

(3) Preventive health services, including prenatal and perinatal services; appropriate cancer screening; well-child services; immunizations against vaccine-preventable diseases; screenings for elevated blood lead levels, communicable diseases and cholesterol; pediatric eye, ear, and dental screenings; voluntary family planning services; and preventive dental services (42 USC 254b(b)(1)(A)(i)(III)).

(4) Emergency medical services (42 USC 254b(b)(1)(A)(i)(IV)).

(5) Pharmaceutical services, as may be appropriate for particular centers (42 USC 254b(b)(1)(A)(i)(V)).

(6) Referrals to providers of medical services, (including specialty referral when medically indicated) and other health-related services (including substance abuse and mental health services) (42 USC 254b(b)(1)(A)(ii)).

(7) Patient case management services (including counseling, referral, and follow-up services) and other services designed to assist health center patients in establishing eligibility for and gaining access to Federal, State, and local programs that provide or financially support the provision of medical, social, educational, housing, or other related services (42 USC 254b(b)(1)(A)(iii)).

(8) Services that enable individuals to use the services of the health center (including outreach and transportation services and, if a substantial number of the individuals in the population served by the center are of limited English-speaking ability, the services of appropriate personnel fluent in the language spoken by a predominant number of such individuals) (42 USC 254b(b)(1)(A)(iv)).

(9) Education of patients and the general population served by the health center regarding the availability and proper use of health services (42 USC 254b(b)(1)(A)(v)).

(10) Substance abuse services for grantees with HCH grants (42 USC 254b(h)(2)).

b. Additional health services that may be provided as appropriate to meet the health needs of the population to be served include:

(1) Behavioral and mental health and substance abuse services 42 USC 254b(2)(A).

(2) Recuperative care services (42 USC 254b(b)(2)(B)).

(3) Environmental health services, including the detection and alleviation of unhealthful conditions associated with water supply, chemical and pesticide exposures, air quality, or exposure to lead; sewage treatment; solid waste disposal; rodent and parasitic infestation; field sanitation; housing; and other environmental factors related to health (42 USC 254b(b)(2)(C)).

(4) For MHCs, special occupation-related health services for migratory and seasonal agricultural workers, including screening for and control of infectious diseases (including parasitic diseases) and injury prevention programs (including prevention of exposure to unsafe levels of agricultural chemicals including pesticides) (42 USC 254b(b)(2)(D)).

c. Funds may be used for the reimbursement of members of the grantee's governing board, if any, for reasonable expenses incurred by reason of their participation in board activities (42 CFR sections 51c.107(b)(3) and 56.108(b)(3)).

d. Funds may be used for the cost of insurance for medical emergency and out-of-area coverage (42 CFR section 51c.107(b)(6)).

e. Funds may be used for the acquisition and lease of buildings and equipment (including the costs of amortizing the principal of, and paying the interest on, loans for equipment) (42 USC 254b(e)(2)).

f. Funds may be used for the costs of providing training related to the provision of required primary health care services and additional health services and to the management of health center programs (42 USC 254b(e)(2)).

2. *Activities Unallowed*

a. Federal funds awarded under the HCP may not be expended for any abortion. These limitations do not apply to an abortion (1) if the pregnancy is the result of an act of rape or incest; or (2) in the case where a woman suffers from a physical disorder, physical injury, or physical illness, including a life-endangering physical condition caused by or arising from the pregnancy itself, that would, as certified by a physician, place the woman in danger of death unless an abortion is performed (Consolidated Appropriations Act, 2017, Pub. L. No. 115-31), Division H, Title V, Sections 506 and 507).

b. Federal funds awarded under the HCP may not be used to purchase sterile needles or syringes for the hypodermic injection of any illegal drug, provided that this limitation does not apply to the use of funds for elements

of a program other than making such purchases if the relevant State or local health department, in consultation with the Centers for Disease Control and Prevention, determines that the State or local jurisdiction, as applicable, is experiencing, or is at risk for, a significant increase in hepatitis infections or an HIV outbreak due to injection drug use, and such program is operating in accordance with State and local law (Consolidated Appropriations Act, 2016 (Pub. L. No. 114-113), Division H, Title V, Section 520, and subsequent appropriations, as applicable).

B. Allowable Costs/Cost Principles

Costs charged to Federal funds under the HCP award funds must comply with the cost principles at 45 CFR part 75, subpart E, and any other requirements or restrictions on the use of Federal funding.

L. Reporting

1. Financial Reporting

a. SF-270, *Request for Advance or Reimbursement* – Not Applicable

b. SF-271, *Outlay Report and Request for Reimbursement for Construction Programs* – Not Applicable

c. SF-425, *Federal Financial Report* – Applicable

2. Performance Reporting – Not Applicable

3. Special Reporting – *Uniform Data System (UDS) (OMB No. 0915-0193)* – This system is comprised of two separate sets of reports, the Universal Report and Grant Reports. The conditions for their use are:

a. Grantees that receive a single grant under the HCP or that receive CHC funding only are required to complete the *Universal Report* only.

b. Grantees that receive multiple awards (in addition to or other than CHC funding) must complete a *Universal Report* for the combined grants and individual *Grant Reports* for their HCH, MCH, and PHPC funding, if applicable.

Key Line Items – The following line items contain critical information:

See the Calendar Year 2016 UDS Reporting Manual for additional detail available at:
http://bphc.hrsa.gov/datareporting/reporting/2016udsreportingmanual.pdf

Total accrued cost before donations and after allocation of overhead (Table 8A Line 17 Column c)

Total number of patients (Table 4 Line 6 Column a)

Total accrued medical staff and other medical cost after allocation of overhead excluding medical lab and x-ray cost (Table 8A, Line 1, Column c and Table 8A, Line 3, Column c)

Non-nursing medical visits (excludes nursing (RN) visits) (Table 5, Line 15, Column b and Table 5, Line 11, Column b)

Total accrued BPHC section 330 grants drawn-down for the period from January 1 to December 31, of the calendar measurement year (Table 9E, Line 1g, Column a)

Total number of patients (Table 4, Line 6, Column a)

N. Special Tests and Provisions

1. Sliding Fee Discounts

Compliance Requirement

Health centers must prepare and apply a sliding fee discount schedule (SFDS) so that the amounts owed for health center services by eligible patients are adjusted (discounted) based on the patient's ability to pay as follows:

a. Sliding fee discounts are applied to fees for health center services provided to all individuals and families with annual incomes at or below 200 percent of the Federal Poverty Guidelines (FPG);

b. A full discount is applied to fees for health center services provided to individuals and families with annual incomes at or below 100 percent of the FPG, or the health center applies only a nominal charge;

c. Fees for health center services are discounted based on gradations in family size and income for individuals and families with incomes above 100 and at or below 200 percent of the FPG; and

d. No sliding fee discount is applied to fees for health center services provided to individuals and families with annual incomes above 200 percent of the FPG

(42 USC 254(k)(3)(E), (F), and (G); 42 CFR sections 51c.303(e), (f), and (g); and 42 CFR sections 56.303(e), (f), and (g)).

Audit Objective

Determine whether the health center has applied sliding fee discounts to patient charges consistent with its sliding fee discount schedule.

Suggested Audit Procedures

a. Review the health center's sliding fee discount schedule(s).

b. Review a sample of financial records for patients treated during the audit period to determine whether patient charges were appropriately adjusted based on income and family size by applying the health center's sliding fee discount schedule. (**Note:** Auditors are not required to test any documentation used to establish or verify income.)

2. Activities Unallowed

Compliance Requirement

Federal funds awarded under the HCP may not be expended for any abortion. These limitations do not apply to an abortion (1) if the pregnancy is the result of an act of rape or incest; or (2) in the case where a woman suffers from a physical disorder, physical injury, or physical illness, including a life-endangering physical condition caused by or arising from the pregnancy itself, that would, as certified by a physician, place the woman in danger of death unless an abortion is performed (Consolidated Appropriations Act, 2017, Pub. L. No. 115-31 Division H, Title V, Sections 506 and 507).

Audit Objective

Determine whether the health center (HC) performs abortions and if so, whether it has policies and procedures in place to ensure compliance with the Consolidated Appropriations Act, 2017, Pub. L. No. 115-31 Division H, Title V, Sections 506 and 507.

Suggested Audit Procedures

a. Inquire of the HC staff and examine the accounting records to determine whether any abortions were performed during the audit period. If yes, proceed to b.

b. Gain an understanding if policies and procedures are in place that address the appropriate use of federal funds awarded under the HCP, specifically related to not utilizing the HCP grant for abortion activities unless one of the exceptions in the Consolidated Appropriations Act is met. If yes, proceed to c.

c. Plan the testing of internal control to support a low assessed level of control risk for the activities precluded under the Consolidated Appropriations Act and perform the testing of internal control as planned. If internal control over the precluded activities are likely to be ineffective, see the alternative procedures in 2 CFR section 200.514(c)(4), including assessing the control risk at the maximum and considering whether reporting is required because of ineffective internal control.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

CFDA 93.575 CHILD CARE AND DEVELOPMENT BLOCK GRANT
CFDA 93.596 CHILD CARE MANDATORY AND MATCHING FUNDS OF THE CHILD CARE AND DEVELOPMENT FUND

I. PROGRAM OBJECTIVES

The Child Care and Development Fund (CCDF) provides funds to States, Territories, and Indian tribes (tribe) to increase the availability, affordability, and quality of child care services. Funds are used to subsidize child care for low-income families where the parents are working or attending training or educational programs, as well as for activities to promote overall child care quality for all children, regardless of subsidy receipt. The CCDF consolidates the Child Care and Development Block Grant (CCDBG) and funding formerly provided to States through the child care programs under Title IV-A of the Social Security Act.

II. PROGRAM PROCEDURES

The CCDF consists of three distinct funding sources: the Discretionary Fund (CFDA 93.575), the Mandatory Fund (CFDA 93.596), and the Matching Fund (CFDA 93.596). Additionally, under the Temporary Assistance for Needy Families (TANF) program (CFDA 93.558), a State may transfer TANF funds to CCDF and, if so, the funds transferred in are treated as Discretionary Funds (42 USC 604(d); 45 CFR section 98.54(a)).

Administration and Services

The Office of Child Care (OCC), Administration for Children and Families (ACF), Department of Health and Human Services (HHS), administers the CCDF. To receive funds, a State, Territory, or tribe must submit a plan containing specific information and assurances. The plan serves as the application for funding for States, Territories, and tribes, and is effective for a 3-year period (**Note**: previously, the plans were effective for a 2-year period). For States and Territories, the first 3-year plans cover the period FY 2016-2018. For tribes, the FY 2014-15 plans were extended for an additional year to cover FY 2016. For Tribes, the first 3-year plans will cover FY 2017-2019.

Following ACF approval of the plan, funds are awarded to the designated State, territorial or tribal entity (generally referred to as the Lead Agency) based on statutory/regulatory formulas. State awards are not adjusted by separate direct Federal funding of counterpart tribal programs within the State. As long as statutory and regulatory requirements are met (e.g., that the States and Territories offer parents certificates for the purchase of child care services), grantees have flexibility in designing programs and offering services. For example, CCDF funds may be used in collaborative efforts with Head Start (CFDA 93.600), including Early Head Start, programs to provide comprehensive child care and development services for children who are eligible for both programs. In fact, the coordination and collaboration between Head Start/Early Head Start and the CCDF is strongly encouraged by sections 640(g)(1)(D) and (E), 640(h), 641(d)(2)(H)(v), and 642(e)(3) of the Head Start Act in the provision of full working day, full calendar year comprehensive services. In order to implement such collaborative programs, which share, for

example, space, equipment or materials, grantees may layer several funding streams so that seamless services are provided.

See IV, "Other Information - Tribal CCDF grantees under a Pub. L. No. 102-477 Demonstration Project (477)," for guidance on whether this CCDF Cluster or the 477 Cluster is applicable for an audit of a CCDF Cluster program included in an Indian tribal government's approved 477 Plan.

Tribes may operate the CCDF program under a consolidated Pub. L. No. 102-477 demonstration project. Pub. L. No. 102-477 refers to the Indian Employment, Training, and Related Services Demonstration Act of 1992, the purpose of which is to provide for the integration of employment, training, and related services to improve the effectiveness of those services. Under Pub. L. No. 102-477, funds received from a program must be used and spent in accordance with the applicable rules for that program, subject to any waivers granted by the Secretary of HHS. The auditing of these funds should be based on determining that the funds were spent in compliance with the applicable approved plan. Tribes participating under a Pub. L. No. 102-477 project submit alternative plans and reports to the Department of the Interior, which serves as the lead Federal agency for Pub. L. No. 102-477.

Source of Governing Requirements

The Discretionary Fund (CFDA 93.575) is authorized by the CCDBG Act of 1990, as amended (most recently by the CCDBG Act of 2014 (Pub. L. No. 113-186), discussed further below), and codified at 42 USC 9858 *et seq*. The Mandatory and Matching Funds (CFDA 93.596) are authorized under section 418 of Title IV-A of the Social Security Act as amended, and codified at 42 USC 618. The CCDF (i.e., CFDAs 93.575 and 93.596) is subject to the regulations at 45 CFR parts 98 and 99.

The CCDBG Act of 2014 made a number of substantive changes to program requirements, including provisions related to eligibility of children, consumer education, and health and safety (including monitoring inspections and criminal background checks). For provisions that were effective upon enactment of the CCDBG Act of 2014, States and Territories were required to complete implementation based on a reasonable interpretation of the law by September 30, 2016 unless the State or Territory submitted and received approval for a temporary extension under a waiver (**Note**: a copy of any approval letter may be obtained from the Lead Agency). Some provisions have later effective dates specified in the law.

On September 30, 2016, HHS published a final rule to update the CCDF regulations at 45 CFR parts 98 and 99 based on the reauthorized Act. States and Territories have until the start of the next CCDF plan period (i.e., October 1, 2018) to comply with any provisions of the rule that go beyond the State's/Territory's reasonable interpretation of the Act.

The reauthorized Act did not address how most of its provisions apply to tribes, so this was clarified in the final rule. Under the rule, tribes are subject to a tiered set of requirements based on the size of their CCDF funding allocation. Tribes have until the start of the next tribal plan period (i.e., October 1, 2019) to comply with the new provisions (with the exception of the quality expenditure requirements that apply to all tribes beginning in FY 2017). Therefore, tribes do not have to implement the majority of the new requirements within the timeframe covered by

the 2017 Supplement. Pending compliance with the final rule, tribes must implement their CCDF programs in accordance with their approved CCDF plans.

Other than 2 CFR section 200.202 and sections 200.330 through 200.332, as implemented by 45 CFR sections 75.202 and 75.351 through 75.353, CCDF is not subject to the post Federal award or cost principles requirements in 2 CFR part 200, subparts D and E, respectively, or the associated HHS implementing regulations at 45 CFR part 75.

Availability of Other Program Information

OCC's website (http://www.acf.hhs.gov/programs/occ/) provides general information on this program.

III. COMPLIANCE REQUIREMENTS

In developing the audit procedures to test compliance with the requirements for this Federal program, the auditor must determine, from the following summary (also included in Part 2, "Matrix of Compliance Requirements"), which of the 12 types of compliance requirements apply, and then determine which of the applicable requirements is likely to have a direct and material effect on the Federal program at the auditee. For each such requirement, the auditor must use Part 3 (which includes generic details about each compliance requirement other than Special Tests and Provisions) and this program supplement (which includes any program-specific requirements) to perform the audit.

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Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y

A. Activities Allowed or Unallowed

1. Funds may be used for child care services in the form of certificates, grants, or contracts (42 USC 9858c(c)(2)(A)).

2. Funds may be used for activities that improve the quality or availability of child care services, consumer education, and parental choice (42 USC 9858e).

3. Funds may be used for activities that improve access to child care services, including the use of procedures to permit enrollment of homeless children (after an initial eligibility determination) while required documentation is obtained; training and technical assistance on identifying and serving homeless children and their families; and specific outreach to homeless families (42 USC 9858c(c)(3)(B)(i)).

4. Funds may be used for any other activity that the State deems appropriate to (a) promote parental choice; (b) provide comprehensive consumer education information to help parents and the public make informed choices about child care services and promote involvement by parents and family members in the development of their children in child care settings; (c) deliver high-quality, coordinated early childhood care and education services to maximize parents' options and support parents trying to achieve independence from public assistance; (d) improve the overall quality of child care services and programs by implementing the health, safety, licensing, training and oversight standards established in the CCDBG Act and in State law and regulations; (e) improve child care and development of participating children; and (f) increase the number and percentage of low-income children in high-quality child care settings (42 USC 9857 and 9858c(c)(3)(B)).

5. No funds may be expended through any grant or contract for child care services for any sectarian purpose or activity, including sectarian worship or instruction (42 USC 9858k(a)).

6. With regard to services to students enrolled in grades 1 through 12, no funds may be used for services provided during the regular school day, for any services for which the students receive academic credit toward graduation, or for any instructional services that supplant or duplicate the academic program of any public or private school (42 USC 9858k(b)).

7. Except for tribes, no funds can be used for the purchase or improvement of land, or for the purchase, construction, or permanent improvement (other than minor remodeling) of any building or facility (42 USC 9858d(b)).

   Tribes may use funds for the construction and major renovation of child care facilities with ACF approval (42 USC 9858m(c)(6); 45 CFR section 98.84).

   "Construction" is defined as the erection of a facility that does not currently exist. "Major renovation" is considered permanent improvement and is defined as:
   (1) structural changes to the foundation, roof, floor, exterior or load-bearing walls of a facility, or the extension of a facility to increase its floor area; or
   (2) extensive alteration of a facility such as to significantly change its function and purpose, even if such renovation does not include any structural change (45

CFR section 98.2). Improvements or upgrades to a facility which are not specified under the definitions of construction or major renovation may be considered minor remodeling and are, therefore, not prohibited.

8. Except for sectarian organizations, funds may be used for the minor remodeling of child care facilities. For sectarian organizations, funds may be used for the renovation or repair of facilities only to the extent that it is necessary to bring the facility into compliance with the health and safety standards required by 42 USC 9858c(c)(2)(F) (42 USC 9858d(b)).

B. Allowable Costs/Cost Principles

As indicated in Appendix I to the Supplement, "Federal Programs Excluded from the A-102 Common Rule and Portions of 2 CFR Part 200," grantees (Lead Agencies) expend and account for CCDF funds in accordance with the laws and procedures they use for expending and accounting for their own funds (45 CFR section 98.67).

C. Cash Management

For the Matching Fund's (CFDA 93.596) requirement, the drawdown of Federal cash should not exceed the federally funded portion of the State's Matching Funds, taking into account the State matching requirements. For example, the total Matching Fund expenditures for a year—both State and Federal shares—for a fiscal year are $100. Of this $100, the State share of the Matching Fund is $40. For any period, the amount of Federal funds drawn down should not exceed 60 percent of the total expenditures for that period (31 CFR section 205.15(d)).

As described in III.N.3, "Special Tests and Provisions - Accountability, Deposit, and Investment of Lump-Sum Drawdowns," special provisions apply to Tribal CCDF grantees participating in Pub. L. No. 102-477 demonstration projects.

E. Eligibility

1. Eligibility for Individuals

Lead Agencies must have in place procedures for documenting and verifying eligibility in accordance with the following Federal requirements, as well as the specific eligibility requirements selected by each State/Territory/tribe in its approved Plan. A Lead Agency is the designated State, territorial or tribal entity to which the CCDF grant is awarded and that is accountable for administering the CCDF program.

a. Children must be under age 13 (or up to age 19, if incapable of self care or under court supervision), who reside with a family whose income does not exceed 85 percent of State/territorial/tribal median income for a family of the same size, and reside with a parent (or parents) who is working or attending a job-training or education program; or are in need of, or are receiving, protective services. Lead Agencies may choose to provide

services during periods of job search. Tribes may elect to use State or tribal median income (42 USC 9858n(4); 45 CFR sections 98.20(a) and 98.81(b)).

b. States and Territories must establish minimum 12-month eligibility periods before re-determining eligibility of CCDF families, and must consider a child to be eligible between eligibility re-determinations, regardless of (1) changes in income (as long as income does not exceed 85 percent of State median income); or (2) temporary changes in participation in work, training, or education activities. If a parent experiences a non-temporary loss of job, education, or training that affects eligibility, States have the option—but are not required—to terminate assistance prior to the next re-determination (i.e., prior to the end of the minimum 12-month eligibility period). However, if a State exercises this option, the State must provide (prior to terminating the subsidy) a period of continued assistance of at least 3 months to allow parents to engage in job search, resume work, or attend an education or training program as soon as possible. States and Territories must have implemented these eligibility provisions by September 30, 2016 unless the State or Territory requested and received approval for a temporary extension under a waiver (42 USC 9858c(c)(2)(N)).

c. Because a child meeting eligibility requirements at the most recent eligibility determination or re-determination is considered eligible between re-determinations as described in paragraph b. above, any payment for such a child shall not be considered an error or improper payment due to a change in the family's circumstances (45 CFR sections 98.21(a)(4) and 98.68(c)(2)). There is no Federal requirement for Lead Agencies to recoup CCDF overpayments, except in instances of fraud (45 CFR section 98.68(b)(2)).

d. States and Territories must have procedures to permit enrollment of homeless children (after an initial eligibility determination) while required documentation is obtained. States and Territories must also have a grace period that allows children experiencing homelessness and children in foster care to receive services while providing families a reasonable time to take any necessary action to comply with immunization and health and safety requirements.

e. Lead Agencies must establish a sliding fee scale, based on family size, income, and other appropriate factors, that provides for cost sharing by families that receive CCDF child care services (42 USC 9858c(c)(3)(B)(i); 45 CFR section 98.45(k)). Lead Agencies may exempt families meeting criteria established by the Lead Agency from making copayments and must establish a payment rate schedule for child care providers caring for subsidized children (45 CFR section 98.45).

f. Lead Agencies must, to the extent practicable, implement enrollment and eligibility policies that support the fixed costs of providing child care services by delinking provider reimbursement rates from an eligible child's occasional absences (42 USC 9858c(c)(2)(S)). Lead Agencies are not required to limit authorized child care services strictly based on the work, training, or educational schedule of the parent(s) or the number of hours the parent(s) spend in work, training, or educational activities (45 CFR section 98.21(g)).

2. Eligibility for Group of Individuals or Area of Service Delivery

The award of CCDF funds to a tribe shall not affect the eligibility of any Indian child to receive CCDF services in the State or States in which the tribe is located (42 USC 9858m(c)(5); 45 CFR section 98.80(d)).

3. Eligibility for Subrecipients – Not Applicable

G. Matching, Level of Effort, Earmarking

The matching and MOE requirements apply only to the Matching Fund (CFDA 93.596). The State's matching and MOE expenditures are closely related. For a State to receive the allotted share of the Matching Fund, the State must meet the MOE requirement and obligate the Mandatory Fund by year end (see III.H, "Period of Performance"). The matching and MOE amounts are reported on the CCDF Financial Report (ACF-696) (see III.L.1, "Reporting – Financial Reporting").

1. Matching

a. A State is eligible for Federal matching funds (limit specified in 42 USC 618 and 45 CFR section 98.63) only for those allowable State expenditures that exceed the State's MOE requirement, provided all of the Mandatory Funds (CFDA 93.596) allocated to the State are also obligated by the end of the fiscal year (45 CFR section 98.53).

b. State expenditures will be matched at the Federal Medical Assistance Percentage (FMAP) rate for the applicable fiscal year. This percentage varies by State and is available at http://www.aspe.hhs.gov/health/fmap.htm. To be eligible an activity must be allowable and be described in the approved State plan (45 CFR section 98.53).

c. Private or public donated funds may be counted as State expenditures for this purpose subject to the limitations in 45 CFR section 98.53.

d. No more than 30 percent of State matching claims may be for pre-kindergarten services (45 CFR section 98.53(h)(3)). The same expenditure may not be used for both MOE and matching purposes (45 CFR sections 98.53(d) and 98.53(h)).

2.1 Level of Effort – *Maintenance of Effort*

If a State requests Matching Funds (CFDA 93.596), State MOE (non-Federal) funds for child care activities must be expended in the year for which Matching Funds are claimed in an amount that is at least equal to the State's share of expenditures for FY 1994 or 1995 (whichever is greater) under former Sections 402(g) and (i) of the Social Security Act (42 USC 618). Private or public donated funds may be counted as State expenditures for this purpose (45 CFR section 98.53).

No more than 20 percent of the MOE requirement may be met with State expenditures for pre-kindergarten services. The same expenditure may not be used for both MOE and matching purposes (45 CFR sections 98.53(d) and 98.53(h)).

2.2 Level of Effort – *Supplement Not Supplant* – Not Applicable

3. Earmarking

a. *Administrative Earmark* – A State/Territory may not spend on administrative costs more than five percent of total CCDF awards expended (i.e., the total of CFDAs 93.575 and 93.596) and any State expenditures for which Matching Funds (CFDA 93.596) are claimed (42 USC 9858c(c)(3)(C); 45 CFR section 98.52).

Tribes are allowed 15 percent of the amount expended under CFDAs 93.575 and 93.596 for administrative costs. Tribes with at least 50 children under age 13 are provided a base amount, which may be expended for any purpose consistent with the purpose and requirements of the CCDF. Tribes with fewer than 50 children who are members of a consortium receive a pro rata amount of the base amount in proportion to the number of children under age 13 in relation to 50. The base amount is not included in the amount against which the administrative earmark is calculated. For FY 2016 and earlier fiscal years, the base amount was $20,000; the base amount was increased to $30,000 starting in FY 2017 (45 CFR sections 98.61(c), 98.83(h), and 98.83(i)).

The following activities are not considered administrative costs (45 CFR section 98.54(b)):

(1) Eligibility determination and redetermination.

(2) Preparation and participation in judicial hearings.

(3) Child care placement.

(4) Recruitment, licensing, inspection, review and supervision of child care placements.

(5) Rate-setting.

(6) Resource and referral services.

(7) Training of child care staff.

(8) Establishment and maintenance of computerized child care information systems.

(9) Establishment and operation of a certificate program.

b. *Quality Earmark* – For FY 2015 and earlier fiscal years, States and Territories must spend on quality and availability activities, as provided in the State/territorial plan, not less than four percent of CCDF funds expended (i.e., the total of CFDAs 93.575 and 93.596 funds) and any State expenditures for which Matching Funds (CFDA 93.596) are claimed (45 CFR section 98.53). For FY 2016 and FY 2017, States and Territories must spend no less than seven percent on quality activities.

For FY 2016 and earlier fiscal years, only those tribes receiving grants over $500,000 must spend at least four percent of CCDF funds expended on quality activities as described in the tribal plan/application. In FY 2017, all tribes must spend at least four percent on quality activities. The base amount (discussed in paragraph 3.a above, *Administrative Earmark*) is not included in the amount against which the quality earmark is calculated (45 CFR sections 98.53(a), and 98.83(g)).

- *Targeted Funds* – Congress may also specifically target funds for certain purposes. For example, in the FY 2016 HHS appropriation, Congress specified that amounts be used for activities that improve the quality of infant and toddler care.

H. Period of Performance

1. Discretionary Funds (CFDA 93.575) must be obligated by the end of the succeeding fiscal year after award, and expended by the end of the third fiscal year after award (42 USC 9858h(c); 45 CFR section 98.60).

2. Mandatory Funds (CFDA 93.596) for States must be obligated by the end of the fiscal year in which they are awarded if the State also requests Matching Funds (CFDA 93.596). If no Matching Funds are requested for the fiscal year, then the Mandatory Funds (CFDA 93.596) are available until liquidated (45 CFR section 98.60(d)).

3. Mandatory Funds (CFDA 93.596) for tribes must be obligated by the end of the succeeding fiscal year after award, and liquidated by the end of the third fiscal year after award (45 CFR section 98.60(e)).

4. Matching Funds (CFDA 93.596) must be obligated by the end of the fiscal year in which they are awarded, and liquidated by the end of the succeeding fiscal year after award (45 CFR section 98.60(d)).

For example, availability periods for FY 2016 funds awarded on any date in FY 2016 (October 1, 2015 through September 30, 2016):

If Source of Obligation Is --	**Obligation must Be Made by End of --**	**Obligation must Be Liquidated by End of --**
FY 2016 Discretionary[1, 2] (CFDA 93.575)	FY 2017 (i.e., by 9/30/17)	FY 2018 (i.e., by 9/30/18)
FY 2016 Mandatory (State) (CFDA 93.596)	FY 2016 (i.e., by 9/30/16 but ONLY if Matching Funds are used)	No requirement for liquidation by a specific date
FY 2016 Mandatory (Tribes)[2] (CFDA 93.596)	FY 2017 (i.e., by 9/30/17)	FY 2018 (i.e., by 9/30/18)
FY 2016 Matching (CFDA 93.596)	FY 2016 (i.e., by 9/30/16)	FY 2017 (i.e., by 9/30/17)

[1] TANF funds (CFDA 93.558) transferred to the CCDF during a fiscal year are treated as Discretionary Funds of the year they are transferred for purposes of the period of availability (45 CFR section 98.54(a)(1)).

[2] In lieu of the obligation and liquidation requirements cited above, tribes are required to liquidate CCDF funds used for construction or major renovation by the end of the second fiscal year following the fiscal year for which the grant is awarded (45 CFR section 98.84(e)).

L. Reporting

1. Financial Reporting

a. SF-270, *Request for Advance or Reimbursement* – Not Applicable

b. SF-271, *Outlay Report and Request from Reimbursement for Construction Programs* – Not Applicable

c. SF-425, *Federal Financial Report* – Not applicable for financial status; Applicable for cash status

d. ACF-696, *Child Care and Development Fund Financial Report (OMB No 0970-0163)* is due quarterly from States and Territories. The ACF-696T, *Child Care and Development Fund Financial Report for Tribes* (*OMB No. 0970-0195)* is due annually from tribes except for tribes operating their CCDF program under a Pub. L. No.102-477 project. These reports are in

lieu of the SF-425, *Federal Financial Report* (financial status). Each fiscal year's expenditure report must be separate, therefore, multiple reports may be required if awards from more than one fiscal year are expended in a given quarter. Any funds transferred from TANF are treated as Discretionary Funds for reporting on the ACF-696 (42 USC 604(d); 45 CFR section 98.54(a)).

2. Performance Reporting – Not Applicable

3. Special Reporting – Applicable only to Tribal Lead Agencies administering child care programs under CCDF that have used CCDF funds for the construction or major renovation of child care facilities.

SF-429 – *Real Property Status Report* and SF-429-A *General Reporting (OMB No. 4040-0016)* - These forms are filed on an annual basis at the same time as the ACF-696T Financial Report. A separate SF-429-A must be completed for each parcel of real property reported and accompany the annual SF-429. OCC issued program instruction CCDF-ACF-PI-2017-06 "Electronic Submission of Real Property Standard Form (SF)-429 and Attachments" (https://www.acf.hhs.gov/occ/resource/ccdf-acf-pi-2017-06) to assist Tribal Lead Agencies in submitting the SF-429 forms electronically.

Key Line Items – The following line items contain critical information:

SF-429

1. Federal Agency and Organizational Element to Which Report is Submitted

2. Federal Grant(s) or Other Identifying Number(s) Assigned by Federal Agency(ies)

3. Recipient Organization Name

4b. EIN

7. Report End Date

SF-429-A

13. Period and type of Federal interest

14a. Description of Real Property

14b. Address of Real Property

14f. Real Property Cost

14g. Has a deed, lien, covenant, or other related documentation been recorded to establish Federal interest in this real property? Note: a Notice of Federal Interest is not required if the facility is located on tribal lands held in trust by the U.S. government.

14h. Has federally required insurance coverage been secured for this real property?

15. Has a significant change occurred with the real property, or is there an anticipated change expected during the next reporting period?

Note: If the response to the question is "Yes," but only in anticipation of an expected change, the auditor is not expected to review this line item.

16. Real Property Disposition Status

M. Subrecipient Monitoring

Lead Agencies that use other governmental or non-governmental subrecipients to administer the program must have written agreements in place outlining roles and responsibilities for meeting CCDF requirements. Lead Agencies shall oversee the expenditure of funds by sub-grantees, monitor programs and services, and ensure that sub-grantees that determine individual eligibility operate according to rules established by the program (45 CFR section 98.11).

N. Special Tests and Provisions

1. Health and Safety Requirements

Compliance Requirement – As part of their CCDF plans, Lead Agencies must certify that procedures are in effect (e.g., monitoring and enforcement) to ensure that providers serving children who receive subsidies comply with all applicable health and safety requirements. This includes verifying and documenting that child care providers (unless they meet an exception, e.g., family members who are caregivers or individuals who object to immunization on certain grounds) serving children who receive subsidies meet requirements pertaining to health and safety. Prior to September 30, 2016, these requirements included prevention and control of infectious diseases, building and physical premises safety, and basic health and safety training for providers. Starting September 30, 2016 (unless the State received a temporary extension under a waiver), these requirements must address 10 specific areas—including first aid and CPR, safe sleeping practices, and administration of medication—and child care workers must be trained in these areas (42 USC 9858c(c)(2)(I); 45 CFR section 98.41).

Audit Objective – Determine whether Lead Agencies ensure that child care providers serving children who receive subsidies meet applicable health and safety requirements.

Suggested Audit Procedures

a. Request that the Lead Agency identify State health and safety requirements for child care providers serving children who receive subsidies.

b. Review the Lead Agency's procedures, including any monitoring and enforcement procedures, for ensuring child care provider compliance with relevant health and safety requirements for those providers serving children who receive subsidies. This review should include, at a minimum, relevant information in the Lead Agency's CCDF Plan.

c. Review a sample of Lead Agency payments to child care providers serving children who receive subsidies to verify that the Lead Agency followed its procedures for ensuring child care provider compliance with relevant State health and safety requirements, including training requirements.

2. Fraud Detection and Repayment

Compliance Requirement – Lead Agencies shall recover child care payments that are the result of fraud. These payments shall be recovered from the party responsible for committing the fraud (45 CFR section 98.60).

Audit Objective – Determine if the Lead Agency correctly identified and reported fraud and took steps to recover payment.

Suggested Audit Procedures

a. Review the Lead Agency's procedures for identifying and recovering payments resulting from fraud, including the Lead Agency's definition of fraudulent child care payments.

b. Request documentation of any fraudulent payments that have been identified by the Lead Agency. If fraudulent payments occurred, review a sample of those payments to verify that proper procedures were followed to authenticate that a payment was actually fraudulent and, as applicable, recover payment.

3. Accountability, Deposit, and Investment of Lump-Sum Drawdowns

Compliance Requirement - Effective October 1, 2011, once program funds are available, Tribal CCDF grantees participating in a Pub. L. No. 102-477 demonstration project may draw down the full amount of available Pub. L. No. 102-477 CCDF demonstration project funding. Lump-sum drawdown/payments must be retained in clearly identifiable cash or investment accounts which are readily accessible for payment of allowable expenditures in accordance with the approved Pub. L. No. 102-477 plan from which it was derived and in compliance with applicable requirements and, to the extent practical, earn interest. This does not require a Tribal CCDF grantee to open a separate account with a financial institution or an investment manager. All eligible funds deposited in an appropriate account and earmarked as Pub. L. No. 102-477 demonstration

funds must be identified as such. Investments of lump-sum payments must comply with 25 USC 450e-3, "Investment of Advance Payments: Restrictions." All interest earned must be used on allowable expenditures in accordance with the approved Pub. L. No. 102-477 plan from which it was derived and in compliance with applicable requirements. (Tri-Agency 477 Tribal Leader Letter 9-30-11, Tri-Agency Letter to Committee on Appropriations 10-7-11, and Frequently Asked Questions Regarding P.L. 102-477 (Questions 2 through 4) found at http://www.indianaffairs.gov/WhoWeAre/AS-IA/IEED/DWD/index.htm).

Tribal CCDF grantees receiving lump-sum drawdown/payments under a Pub. L. No. 102-477 demonstration project may invest these payments (some recipients refer to these advance payments as "deferred revenue") before such funds are expended in accordance with the approved Pub. L. No. 102-477 plan, as long as such funds are (1) invested only in obligations of the United States or in obligations or securities that are guaranteed or insured by the United States, or mutual (or other) funds registered with the Securities and Exchange Commission and which only invest in obligations of the United States or securities that are guaranteed or insured by the United States or (2) deposited only in accounts that are insured by an agency or instrumentality of the United States, or are fully collateralized to ensure protection of the advance funds, even in the event of a bank failure (25 USC 450e-3).

Audit Objective – Determine whether the Tribal CCDF grantee participating in a Pub. L. No. 102-477 demonstration project has properly accounted for, deposited, and invested lump-sum drawdowns/payments received under a Pub. L. No. 102-477 demonstration project and unexpended funds are identifiable and readily accessible for use to carry out the approved Pub. L. No. 102-477 plan.

Suggested Audit Procedures

a. Obtain and review the Tribal CCDF grantee policies and procedures and verify that those procedures comply with the requirements for lump-sum drawdowns/payments under a Pub. L. No. 102-477 demonstration project.

b. Test lump-sum drawdowns/payments and ascertain if they were properly accounted for, deposited, and invested throughout the audit period.

c. Review unused/unexpended CCDF lump-sum drawdowns/payments at year-end, and verify that they are properly invested/deposited and are identifiable and readily accessible for use to carry out the work outlined in the approved Pub. L. No. 102-477 Plan.

4. Tribal Lead Agencies - Protection of Federal Interest in Real Property and Facilities

Compliance Requirements

The requirements for construction and renovation of child care facilities by Tribal Lead Agencies are described in 45 CFR section 98.84. As required by this section, OCC

established uniform procedures in program instruction CCDF-ACF-PI-2016-05, "Procedures for Requests for Tribal Lead Agencies to Use Child Care and Development Fund (CCDF) Funds for Construction or Renovation of Child Care Facilities" (https://www.acf.hhs.gov/occ/resource/ccdf-acf-pi-2016-05).

Facilities activities (construction, major renovation, and disposition) are initiated through the submission of Form SF-429 (cover sheet) and applicable Attachments B (*Request to Acquire, Improve or Furnish)* or C (*Disposition or Encumbrance Request*).

The Federal government has a continuing reversionary interest in property that is constructed or renovated with Federal funds. At the commencement of construction or major renovation of a facility with CCDF funds, the Tribal Lead Agency must record a Notice of Federal Interest in the appropriate official records of the jurisdiction in which the facility will be located (unless the facility will be located on Tribal lands held in trust by the U.S. government). The full requirements for the protection of the Federal interest are described in program instruction CCDF-ACF-PI-2016-05.

Audit Objectives – Determine whether the Federal interest in real property and facilities is protected by the required Notice of Federal Interest and language content and the required prior written approvals were obtained from ACF.

Suggested Audit Procedures

a. Review the appropriate documentation (e.g., Tribal Lead Agency's general ledger accounts and the meeting minutes of its governing body) and inquire of the Tribal Lead Agency's management to identify if any of the following transactions, which are subject to the requirements for protecting the Federal interest, occurred during the audit period and, if so, that the required prior written approvals were obtained from ACF:

    (1) Construction or major renovation of a facility, including a modular unit.

    (2) Sale, lease, or encumbrance, such as a mortgage of real property or a facility (including modular units).

    (3) Changes in approved use of facilities.

b. For construction, or major renovation during the audit period, ascertain if the required Notice of Federal Interest was properly recorded in the locality's official real property records and, for a modular unit, if this Notice was properly posted in a conspicuous place.

c. Review the Notices of Federal Interest and mortgage agreements and other security instruments executed during the audit period to ascertain if the documents include the required language content.

d. For sales, leases, and encumbrances and property used for a different purpose during the audit period, review the change in use to ascertain if the Tribal Lead

Agency obtained and complied with the requirement for ACF prior written approval.

IV. OTHER INFORMATION

Under the TANF program (CFDA 93.558), a State may transfer TANF funds to CCDF and the funds transferred are treated as Discretionary Funds under CCDF (42 USC 604(d); 45 CFR section 98.54(a)). The amounts transferred into CCDF should be included in the audit universe and in total expenditures of CCDF when determining Type A programs. On the Schedule of Expenditures of Federal Awards (SEFA), the amount transferred in should be shown as CCDF expenditures when expended.

Tribal CCDF Grantees under a Pub. L. No. 102-477 Demonstration Project

Audits of Indian tribal governments with Tribal CCDF in their approved 477 Plan with reporting under Version 2 forms (75 FR 57970 (September 26, 2014)) must follow the guidance in the 477 Cluster found in the Department of the Interior's section of Part 4 of this Supplement. See the "Note" at the beginning of the 477 Cluster for additional information.

Audits of Indian tribal governments with Tribal CCDF in their approved 477 Plan with reporting under Version 1 forms must follow the CCDF Cluster, including the following (per Tri-Agency 477 Tribal Leader Letter 9-30-11, Tri-Agency Letter to Committee on Appropriations 10-7-11, and Frequently Asked Questions Regarding P. L. 102-477 (Questions 5 through 9) found at http://www.indianaffairs.gov/WhoWeAre/AS-IA/IEED/DWD/index.htm):

1. the auditor should use the approved Pub. L. No. 102-477 plan in determining compliance requirements to be tested;

2. the auditor is permitted to audit the Pub. L. No. 102-477 demonstration project as a cluster of programs; and

3. the Tribal CCDF grantee may present demonstration project expenditures in its Schedule of Expenditures of Federal Awards (SEFA) in the same manner in which it had been presenting these expenditures in the period immediately prior to this Supplement or in the same manner in which it had been presenting these expenditures in the period immediately prior to the 2009 Compliance Supplement.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

CFDA 93.600 HEAD START

I. PROGRAM OBJECTIVES

The objective of the Head Start program (including Early Head Start and Early Head Start-Child Care Partnerships) is to promote school readiness of low-income children (including American Indians, Alaska Natives, and migrant and seasonal farm workers) by enhancing children's cognitive, social, and emotional development.

Comprehensive services are provided to enrolled children, pregnant women and their families, which include health, nutrition, social, and other services determined to be necessary by family needs assessments, in addition to education and cognitive development services.

II. PROGRAM PROCEDURES

Administration and Services

The Office of Head Start (OHS), Administration for Children and Families (ACF), a component of the Department of Health and Human Services (HHS), administers the Head Start program.

Services for children ages 3–5 are funded by a Head Start award and services for pregnant women and children ages 0–3 are funded by an Early Head Start award. Early Head Start services may include those delivered through a partnership with existing child care centers or family child care homes under funding specially designated as an Early Head Start – Child Care Partnership award. Grantees may receive one-time awards, primarily for facilities activities, and during FY 2017, funds were offered on a non-competitive basis for programs eligible to increase the duration (length of service day and number of annual service days) of program services.

Comprehensive center-based or home-based services are provided to enrolled children, pregnant women, and their families. These include health, nutrition, social, and other services determined to be necessary by a family needs assessment, in addition to education and cognitive development services. Services are designed to be responsive to each child's and family's ethnic, cultural, and linguistic heritage.

OHS makes Head Start awards to local public, nonprofit agencies, and for-profit entities known as Head Start Agencies (HSA). The awards are made for a period not-to-exceed 5 years. A HSA may enter into an agreement with a delegate agency (subrecipient) for delivery of Head Start services; however, the HSA (pass-through entity) retains legal and fiscal responsibility for the grant. Delegate agencies may be public, non-profit, or for-profit organizations. HSAs must establish and implement procedures for the ongoing monitoring of each delegate agency (42 USC 9836a(d) and 45 CFR sections 1303.30 and 32).

Program Design and Management – Upon receiving designation as a HSA, the entity must establish and maintain a formal structure for program governance, oversight of quality services for children and families, and decision-making related to program design and implementation. Such a structure must include (1) a governing body, with legal and fiscal responsibility for the Head Start award; and (2) a policy council responsible for aspects of program design and operation and long-and short-term planning and goals and objectives. A majority of the members of the policy council must be parents of children who are currently enrolled in the Head Start program. The policy council may also include members at large of the community served by the HSA. Policy committees at the delegate agency level perform the functions of a policy council and have the same composition requirements.

Designation Renewal System – In 2011, OHS implemented regulations for a designation renewal system to determine whether HSAs deliver high-quality and comprehensive services to meet the educational, health, nutritional, and social needs of the children and families they serve; meet the program and financial requirements and standards described in 42 USC 9840A(a)(1); and qualify to be designated for funding for 5 years without competing for such funding as required under 42 USC 9836 and 42 USC 9840A(b)(12) and (d).

Source of Governing Requirements

The Head Start program is authorized under the Improving Head Start for School Readiness Act of 2007 (Pub. L. No. 110-134 (42 USC 9831-9852).

On September 7, 2016, OHS promulgated new regulations governing program operations, referred to as the Head Start Program Performance Standards (HSPPS) (45 CFR parts 1301 through 1305). HSPPS became effective beginning November 7, 2016, although some provisions are deferred as described in PI-HS-16-04, Head Start Program Performance Standards (HSPPS) Final Rule (https://eclkc.ohs.acf.hhs.gov/policy/pi/acf-pi-hs-16-04). The full implementing program regulations are 45 CFR parts 1301 through 1310.

Availability of Other Program Information

The Early Childhood Learning and Knowledge Center (http://eclkc.ohs.acf.hhs.gov/hslc) is the OHS website that provides information about this program.

III. COMPLIANCE REQUIREMENTS

In developing the audit procedures to test compliance with the requirements for this Federal program, the auditor must determine, from the following summary (also included in Part 2, "Matrix of Compliance Requirements"), which of the 12 types of compliance requirements apply, and then determine which of the applicable requirements is likely to have a direct and material effect on the Federal program at the auditee. For each such requirement, the auditor must use Part 3 (which includes generic details about each compliance requirement other than Special Tests and Provisions) and this program supplement (which includes any program-specific requirements) to perform the audit.

Compliance Requirements											
A	B	C	E	F	G	H	I	J	L	M	N
Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Eligibility	Equipment/ Real Property Management	Matching, Level of Effort, Earmarking	Period of Performance	Procurement/ Suspension and Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions
Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y

A. Activities Allowed or Unallowed

1. Funds may be used for the following program services consistent with HSPPS:

   a. Providing for the direct participation of parents of children in the development, conduct, and program direction at the local community level (42 USC 9833 and 42 USC 9837(b)(1));

   b. Training and technical assistance activities which may include the establishment of local or regional agreements with community experts, institutions of higher education, or private consultants, to make program improvements (42 USC 9835(a)(2)(C));

   c. Improving the compensation (including benefits) of educational personnel, family service workers, and child counselors to—

      (1) ensure that compensation is adequate to attract and retain qualified staff;

      (2) improve staff qualifications and assist with the implementation of career development programs for staff that support ongoing improvement of their skills and expertise; and

      (3) provide educational and professional development to enable teachers to meet professional standards, including providing assistance to complete post-secondary course work, improve the qualifications and skills of educational personnel to become certified and licensed as bilingual education teachers, or as teachers of English as a second language, and improve the qualifications and skills of educational personnel to teach and

provide services to children with disabilities (42 USC 9835(a)(5)(A) and 42 USC 9835(j));

d. Supporting staff training, child counseling, and other services necessary to address the challenges of children from immigrant, refugee, and asylee families, homeless children, children in foster care, limited English proficient children, children of migrant or seasonal farmworker families, children from families in crisis, children referred to Head Start programs by child welfare agencies, and children who are exposed to chronic violence or substance abuse (42 USC 9835(a)(5)(B)(i));

e. Ensuring the physical environment is conducive to providing effective program services to children and families and are accessible to children and others with disabilities (42 USC 9835(a)(5)(B)(ii));

f. Employing additional qualified classroom staff to reduce the child-to-teacher ratio in the classroom and additional qualified family service workers to reduce the family-to-staff ratio for those workers (42 USC 9835(a)(5)(B)(iii));

g. Ensuring that programs have qualified staff that promote the language skills and literacy growth of children and that provide children with a variety of skills that have been identified, through scientifically based reading research, as predictive of later reading achievement. (42 USC 9835(a)(5)(B)(iv);

h. Increasing hours of program operation, including the conversion of part-day programs to full-working day programs and increasing the number of weeks of operation in a calendar year (42 USC 9835(a)(5)(B)(v));

i. Improving community-wide strategic planning and needs assessments and collaboration efforts, including outreach (42 USC 9835(a)(5)(B)(vi));

j. Transporting children safely except that not more than 10 percent of designated quality improvement funds may be used for transportation costs (42 USC 9835(a)(5)(B)(vii) and 45 CFR part 1310);

k. Establishing and implementing procedures to evaluate the performance of delegate agencies and ensure corrective action for deficiencies identified through such evaluations (42 USC 9836a(d));

l. Correcting areas of noncompliance or deficiencies and developing quality improvement plans (42 USC 9836a(e));

m. Carrying out activities related to operation of the governing body. This includes activities related to administering and overseeing the Head Start grant; developing or implementing practices that ensure, active,

independent, and informed governance of the HSA; and ensuring the necessary membership on the governing body (42 USC 9837(c)(1));

n. With the consultation and participation of policy councils, and as appropriate, policy committees and community members, the conduct of an annual self-assessment of the HSA's effectiveness and progress in meeting program goals and objectives as well as in implementing and complying with HSPPS (42 USC 9836a(g));

o. Offering directly, or through referral to local entities, family literacy services, parenting skills training, substance abuse counseling, including information on the effect of drug exposure on infants and fetal alcohol syndrome (42 USC 9837(b)(4) and 42 USC 9837(b)(5));

p. Provision of family needs assessments that include consultation with parents (including foster parents, grandparents, and kinship caregivers) (42 USC 9837(b)(7));

q. Outreach and information to parents of limited English proficient children in an understandable and uniform format (42 USC 9837(b)(11));

r. Collaboration and coordination with public and private entities to improve the availability and quality of services to Head Start children and families, including outreach to the schools in which children participating in Head Start programs will enroll (42 USC 9837(e) and 42 USC 9837A(a));

s. Implementation of a research-based early childhood curriculum (42 USC 9837(f)(3)); and

t. In the case of an Early Head Start program or program component, provision, either directly or through referral, of early continuous, intensive, and comprehensive child development and family support services that enhance the physical, social, emotional, and intellectual development of children under the age of 3 (42 USC 9840A(b)).

2. Funds may be used for development and administrative costs, subject to the limitation in III.G.3, "Matching, Level of Effort, Earmarking – Earmarking." The term "development and administrative costs" means costs incurred in accordance with an approved Head Start budget that do not directly relate to the provision of program component services, as described under paragraph 1, above (42 USC 9839(b) and 45 CFR section 1301.32 (a)).

3. With ACF prior written approval, HSAs may use funds for capital expenditures (including paying the cost of amortizing the principal, and paying interest on, loans), such as construction of new facilities, purchase of new or existing facilities, major renovations of existing facilities, and purchase of vehicles used for programs conducted at the Head Start facilities (42 USC 9839(f) and (g)).

4. Funds may not be used by HSAs to engage in any partisan or nonpartisan political activity associated with a candidate, or contending faction or group, in an election for public or party office or any activity to provide voters or prospective voters with transportation to the polls or similar assistance in connection with any such election (42 USC 9851(b)(1)). These prohibitions do not apply to the use of Head Start facilities during hours of operation for any nonpartisan organization to increase the number of eligible citizens who register to vote in elections for Federal office (42 USC 9851(b)(2)).

5. HSAs and delegate agencies must use funds from USDA's Child and Adult Care Food Program (CFDA 10.558) as the primary source of payment for children's nutritional services (meals and snacks). Head Start funds may be used only to cover those allowable costs not covered by USDA (45 CFR section 1302.44(b)).

6. Funds may be used for professional medical and oral health services when no other funding source is available. When funds are used for such services, HSAs and delegate agencies must have written documentation of their efforts to access other available sources of funding (45 CFR section 1302.42(e)(2)).

B. Allowable Costs/Cost Principles

Indirect costs attributable to common or joint use of facilities or services by Head Start programs and other programs must be fairly allocated among the various programs that utilize such services (42 USC 9839(c)).

E. Eligibility

1. Eligibility for Individuals – Not Applicable

2. Eligibility for Group of Individuals or Area of Service Delivery – Not Applicable

3. Eligibility for Subrecipients

A HSA must not make a subaward to a delegate agency unless there is a written agreement and OHS approves the agreement before the HSA makes the subaward to the delegate agency (45 CFR section 1303.31).

G. Matching, Level of Effort, Earmarking

1. Matching

Grantees are required to contribute at least 20 percent of the costs of the program through cash or in-kind contributions, unless a lesser amount has been approved by OHS, referred to as a waiver of non-Federal share (42 USC 9835(b)).

2. Level of Effort – Not Applicable

3. Earmarking

a. *Administrative earmark*. The costs of developing and administering a Head Start program shall not exceed 15 percent of the annual total program costs, including the required non-Federal contribution to such costs (i.e., matching/non-Federal share), unless a written waiver has been granted by OHS. Development and administrative costs include, but are not limited to, the cost of organization-wide planning, coordination and general-purpose direction, accounting and auditing, purchasing and personnel functions, and the cost of operating and maintaining space for these purposes (42 USC 9839(b)(2); 45 CFR section 1301.32).

b. *Targeted earmark*. A program must ensure that at least 10 percent of its total funded enrollment is filled by children eligible for service under the Individuals with Disabilities Education Act, unless a waiver has been approved in writing by OHS (42 USC 9835(d) and 45 CFR section 1302.14(b)).

L. Reporting

1. Financial Reporting

a. SF-270, *Request for Advance or Reimbursement* – Not Applicable

b. SF-271, *Outlay Report and Request for Reimbursement for Construction Programs* – Not Applicable

c. SF-425, *Federal Financial Report* – Applicable

2. Performance Reporting – Not Applicable

3. Special Reporting

SF-429 – *Real Property Status Report* and SF-429-A *General Reporting (OMB No. 4040-0016)* - These forms are filed annually based upon the end of the budget period. A separate SF-429-A must be completed for each parcel of real property reported and accompany the annual SF-429. OHS issued program instruction ACF-PI-HS-17-03, "Electronic Submission of Real Property Standard Form (SF)-429 and Attachments," (https://eclkc.ohs.acf.hhs.gov/policy/pi/acf-pi-hs-17-03) to assist HSAs in submitting the SF-429 forms electronically.

Key Line Items – The following line items contain critical information:

SF-429

1. Federal Agency and Organizational Element to Which Report is Submitted

2. Federal Grant(s) or Other Identifying Number(s) Assigned by Federal Agency(ies)

3. Recipient Organization Name

4b. EIN

7. Report End Date

SF-429-A

13. Period and type of Federal interest

14a. Description of Real Property

14b. Address of Real Property

14f. Real Property Cost

Any non-Federal match associated with facilities activities becomes part of the Federal share of the facility (45 CFR section 1303.44(c) and 45 CFR section 1305.2 definition of Federal interest).

14g. Has a deed, lien, covenant, or other related documentation been recorded to establish Federal interest in this real property?

14h. Has federally required insurance coverage been secured for this real property?

15. Has a significant change occurred with the real property, or is there an anticipated change expected during the next reporting period?

Note: If the response to the question is "Yes," but only in anticipation of an expected change, the auditor is not expected to review this line item.

16. Real Property Disposition Status

M. Subrecipient Monitoring

HSAs must establish and implement procedures for the ongoing monitoring of their own Head Start and Early Head Start operations, as well as those of their delegate agencies, to ensure that these operations effectively implement Federal regulations, including procedures for evaluating delegate agencies and procedures for defunding them. Grantees must inform delegate agency governing bodies of any identified deficiencies in delegate agency operations identified in the monitoring review and assist them in developing plans, including timetables, for addressing identified problems (42 USC 9836a(d) and 45 CFR sections 1304.51(i)(2) and (3)).

N. Special Tests and Provisions

1. Protection of Federal Interest in Real Property and Facilities

Compliance Requirements

Head Start uses specific terms related to real property and facilities, which are defined at 45 CFR section 1305.2, including construction, facility, Federal interest, major renovation, and modular unit.

Facilities activities (purchase, construction, major renovation, subordination of a Federal interest, refinancing, and disposition) are initiated through the submission of Form SF-429 (cover sheet) and applicable Attachments B (*Request to Acquire, Improve or Furnish)* or C (*Disposition or Encumbrance Request*).

With written prior approval from ACF, a HSA may use Head Start funds to purchase, construct, or renovate (major) a facility, including using Head Start funds to pay ongoing purchase costs which include principal and interest on approved loans (45 CFR sections 1303.40 through 1303.44).

A HSA that uses Head Start funds to purchase real property or purchase, construct, or renovate (major) a facility appurtenant to real property (either owned or leased) must record a Notice of Federal Interest (also referred to as "reversionary interest") (45 CFR sections 1303.46). The Notice of Federal Interest must include the required language content from 45 CFR section 1303.47(a) and be properly recorded in the official real property records for the jurisdiction where the facility is or will be located. A similar Notice of Federal Interest is required for leased facilities on land the HSA does not own (45 CFR section 1303.47(b)).

A HSA that uses Head Start funds to purchase or renovate (major) a modular unit must post a Notice of Federal Interest which includes the required language content in clearly visible locations on the exterior and the interior of the modular unit (45 CFR sections 1303.46(b)(4) and 47(c)).

A HSA cannot mortgage, use as collateral for a credit line or for other loan obligations, or sell or transfer to another party, a facility, real property, or a modular unit it has purchased, constructed, or renovated (major) with Head Start funds, without the prior written approval of ACF (45 CFR sections 1303.48 and 1303.51). A HSA must include specific language in any mortgage agreement or other security instrument that encumbers real property or a modular unit constructed or purchased with Head Start fund to ensure protection of ACF interests (45 CFR section 1303.49).

A HSA must have written approval from ACF before it can use real property, a facility, or a modular unit subject to Federal interest for a purpose other than that for which the HSA's application was approved (45 CFR section 1303.48(b)).

Audit Objectives – Determine whether the Federal interest in real property and facilities is protected by the required Notice of Federal Interest and language content and the required prior written approvals were obtained from ACF.

Suggested Audit Procedures

a. Review the HSA's general ledger accounts and the meeting minutes of its governing body and inquire of HSA management to identify if any of the following transactions, which are subject to the requirements for protecting the Federal interest, occurred during the audit period and, if so, that the required prior written approvals were obtained from ACF:

   (1) Purchase of real property or purchase, construction, or major renovation of a facility, including a modular unit.

   (2) Sale, lease, or encumbrance, such as a mortgage of real property or a facility (including modular units).

   (3) Changes in approved use of facilities.

b. For purchase, construction, or major renovation during the audit period, ascertain if the required Notice of Federal Interest was properly recorded in the locality's official real property records and, for a modular unit, if this Notice was properly posted on the exterior and interior of the modular unit.

c. Review the Notices of Federal Interest and mortgage agreements and other security instruments executed during the audit period to ascertain if the documents include the required language content.

d. For sales, leases, and encumbrances and property used for a different purpose during the audit period, review the change in use to ascertain if the HSA obtained and complied with the requirement for ACF prior written approval.

2. Program Governance

Compliance Requirement

OHS has found a high correlation between HSAs that fail to comply with the program governance requirements and HSAs that have serious fiscal problems, which puts both the HSA and the Head Start programs they administer at risk.

The governing body has legal and fiscal responsibility for the HSA. The HSA governing body must include not less than one member with a background and expertise in fiscal management or accounting and not less than one licensed attorney familiar with issues that come before the governing body. If the types of persons described above are not available to serve as members of the governing body, the governing body must use a consultant, or another individual(s) with relevant expertise who must work directly with the governing body (42 USC 9837(c)(1)(B)).

A HSA must share accurate and regular financial information with the governing body and the policy council, including monthly financial statements, including credit card expenditures and the financial audit (42 USC 9837(d)(2)(A) and (E)).

The HSA must make available to the public a report published at least once in each fiscal year that discloses for the most recently concluded fiscal year (a) the total amount of public and private funds received and the amount from each source; (b) an explanation of budgetary expenditures and proposed budget for the fiscal year; and (c) the financial audit (42 USC 9839(a)(2)(A), (B), and (D)).

Audit Objectives – Determine whether the entity complied with the program governance requirements for (a) composition and qualifications of board members, and (b) providing financial information to the governing body and the public.

Suggested Audit Procedures

1. Identify the HSA's governing body member who is an attorney and ascertain if that individual is licensed and has the required familiarity with issues that come before the governing body, or that the governing body used a consultant, or another individual with relevant expertise with the required qualifications who worked directly with the governing body.

2. Identify the HSA's governing body member with fiscal management or accounting expertise and ascertain if that individual has the required background and expertise or that the governing body used a consultant, or another individual with the required qualifications who worked directly with the governing body.

3. Ascertain if the HSA shared the required monthly financial information with the governing body and the policy council.

4. Ascertain if the HSA made available to the public the required annual financial information.

IV. OTHER INFORMATION

Monitoring of HSAs and delegate agencies by OHS has identified the following areas of risk for deficiencies in internal controls and non-compliance.

A. Activities Allowed or Unallowed

1. Paying meal services costs which were eligible for funding by the USDA Child and Adult Care Food Program.

2. Paying for professional medical and oral health services when other sources of funding are available.

B. Allowable Costs/Cost Principles

1. Many Head Start grantees, such as community action agencies, have multiple funding streams and few revenue sources other than Federal awards. Federal programs only cover costs that are reasonable, allowable, and allocable for the accomplishment of the program objectives leaving the entity with limited options to cover unallowable costs.

2. The Head Start program is usually the largest funding source with a risk that shared costs are over-allocated or billed entirely to Head Start. For example, costs of central services, such as equipment, information and communications systems, and rent are charged entirely to Head Start when the costs should be allocated to all benefiting programs.

3. A large portion of Head Start costs are payroll and grantees may fail to maintain adequate documentation of shared staff time or charge those costs based on the application budget rather than reconciling to actual hours worked. For example:

   a. A teacher working for both Head Start and Child Care or a director for multiple programs erroneously charged entirely to Head Start.

   b. Charging the same costs as both direct costs and indirect costs (e.g., administrative staff).

   c. Double charging the same costs by including them in the indirect cost rate and direct charging them through allocation.

   d. Large dollar costs charged through journal entries to move costs between programs or between program years without adequate support.

   e. Rent charged at full fair market value instead of depreciation or use allowance under capital or related party leases.

4. Transactions with related parties resulting in excessive charges. For example, in the area of professional services (e.g., financial services, information technology, mental health professionals, and nutrition consultants), grantees awarding contracts to related parties without competitive procurement or paying rental rates in excess of fair market value.

C. Cash Management

Head Start funds drawn in advance of cash needs of the Head Start program in order to pay costs of other programs awaiting reimbursement or a general overspending of other programs.

G. Matching, Level of Effort, Earmarking

1. Economic conditions reducing donations.

2. Property and services claimed as matching not complying with cost principles, e.g., inadequate documentation of volunteer services or using Federal funds as match.

3. Misclassifying administrative costs as program costs to circumvent the 15 percent administrative earmark requirement.

H. Period of Performance

1. Failure to properly allocate payrolls that span fiscal years or shifting expenses from the end of one fiscal year into the next fiscal year to address budget shortages.

2. Bank account reconciliations showing unissued checks as outstanding at year end or large dollar checks issued at year end not clearing promptly.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

CFDA 93.508 AFFORDABLE CARE ACT (ACA) TRIBAL MATERNAL, INFANT, AND EARLY CHILDHOOD HOME VISITING GRANT PROGRAM

CFDA 93.872 TRIBAL MATERNAL, INFANT, AND EARLY CHILDHOOD HOME VISITING PROGRAM

I. PROGRAM OBJECTIVES

The goals of the Tribal Maternal, Infant, and Early Childhood Home Visiting (Tribal MIECHV) Grant Program include both supporting the development of healthy, happy, successful American Indian and Alaska Native (AIAN) children and families through a coordinated, high-quality, evidence-based home visiting strategy and expanding the evidence base around home visiting programs for AIAN populations. Home visiting programs are intended to promote outcomes such as improvements in maternal and prenatal health, infant health, and child health and development; reduced child maltreatment; improved parenting practices related to child development outcomes; improved school readiness; improved family socio-economic status; improved coordination of referrals to community resources and supports; and reduced incidence of injuries, crime, and domestic violence. It is envisioned that this program will support and strengthen cooperation and coordination and promote linkages among various programs that serve pregnant women, expectant fathers, young children, and families in tribal communities and result in high-quality, comprehensive early childhood systems in every community.

The Tribal MIECHV program supports critical maternal, infant, and early childhood home visiting services for AIANs in tribal communities, including Indian tribes or urban Indian centers (as defined by Section 4 of the Indian Health Care Improvement Act, Pub. L. No. 94-437).

II. PROGRAM PROCEDURES

Agency Administration and Services

The Administration for Children and Families (ACF) and the Health Resources and Services Administration (HRSA) are jointly funding this program, with awards made by ACF.

Phase 1: Needs Assessment, Planning, and Capacity-Building (Year 1)

Grantees must (1) conduct a comprehensive community needs assessment, and (2) develop a plan and begin to build capacity to respond to identified needs through an evidence-based home visiting program (including a plan for measuring and reporting on program participants' progress toward meeting legislatively mandated benchmarks and a plan for rigorous evaluation of the home visiting program). For Tribal MIECHV Implementation and Expansion Grants awarded under 93.872, existing home visiting services are also to be provided in Year 1.

Phase 2: Implementation Phase (Years 2-5 or 6)

Grantees will implement the various components of their approved plan to respond to identified needs (submitted at the end of Phase 1) and work closely with ACF and HRSA to ensure high-quality, evidence-based home visiting programs in their community.

Cooperative Agreements

Cooperative agreements are awarded to tribes (or a consortium of tribes), tribal organizations, or urban Indian organizations to conduct needs assessments; develop the infrastructure needed for the widespread planning, adopting, implementing, and sustaining of evidence-based maternal, infant, and early childhood home visiting programs; provide high-quality, evidence-based home visiting services to pregnant women and families with young children aged birth to kindergarten entry; measure program participants' progress toward meeting legislatively mandated benchmarks; and conduct a rigorous evaluation of the implemented home visiting program. The project period for these cooperative agreements is 5-6 years.

Source of Governing Requirements

This program is authorized under Section 511(h)(2)(A) of Title V of the Social Security Act, as added by Section 2951 of the Patient Protection and Affordable Care Act (Affordable Care Act) (Pub. L. No. 111-148), and amended by the Protecting Access to Medicare Act of 2014 (Pub. L. No. 113-93) and the Medicare Access and CHIP Reauthorization Act of 2015 (Pub. L. No. 114-10).

Availability of Other Program Information

A copy of the FY 2012 Funding Opportunity Announcement under CFDA 93.508 for the Tribal Maternal, Infant, and Early Childhood Home Visiting Program is available at the following website: https://www.acf.hhs.gov/ecd/home-visiting/tribal-home-visiting/reports-and-resources.

A copy of the FY 2016 Funding Opportunity Announcements under CFDA 93.872 for the Tribal Maternal, Infant, and Early Childhood Home Visiting Program are available at the following websites:

Tribal MIECHV Implementation and Expansion Grants:
https://ami.grantsolutions.gov/files/HHS-2016-ACF-OCC-TH-1162_0.pdf.

Tribal MIECHV Development and Implementation Grants:
https://ami.grantsolutions.gov/files/HHS-2016-ACF-OCC-TH-1161_0.pdf.

The ACF website provides general information on this program at
http://www.acf.hhs.gov/programs/ecd/home-visiting/tribal-home-visiting.

III. COMPLIANCE REQUIREMENTS

In developing the audit procedures to test compliance with the requirements for this Federal program, the auditor must determine, from the following summary (also included

in Part 2, "Matrix of Compliance Requirements"), which of the 12 types of compliance requirements apply, and then determine which of the applicable requirements is likely to have a direct and material effect on the Federal program at the auditee. For each such requirement, the auditor must use Part 3 (which includes generic details about each compliance requirement other than Special Tests and Provisions) and this program supplement (which includes any program-specific requirements) to perform the audit.

Compliance Requirements											
A	B	C	E	F	G	H	I	J	L	M	N
Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Eligibility	Equipment/ Real Property Management	Matching, Level of Effort, Earmarking	Period of Performance	Procurement/ Suspension and Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions
Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N

A. Activities Allowed or Unallowed

1. *Activities Allowed*

Funds may be used to

a. conduct a needs and readiness assessment of the tribal community (or communities) that considers community characteristics and the quality and capacity of existing home visiting programs and other supportive services, examines community readiness to implement a quality home visiting program, is coordinated with other relevant needs assessments, and involves community stakeholders as appropriate;

b. engage in collaborative planning efforts to address identified needs by developing capacity and infrastructure to fully plan for, adopt, implement, and sustain high-quality home visiting programs that have strong fidelity to evidence-based models;

c. provide evidence-based home visiting services to pregnant women, expectant fathers, and parents and primary caregivers of young children aged birth to kindergarten entry;

d. develop a data system and mechanism to measure, track, and report on progress toward meeting legislatively mandated benchmarks for participating children and families with reliability and validity; and

e. conduct or participate in rigorous program evaluation activities that may include examining effectiveness of home visiting models in serving tribal populations, adaptations of home visiting models for tribal communities, or questions regarding implementation or infrastructure necessary to support implementation of home visiting programs in tribal communities.

(FY 2016 Funding Opportunity Announcements for the Tribal Maternal, Infant, and Early Childhood Home Visiting Program)

2. *Activities Unallowed*

a. Pre-award costs may not be paid under this program.

b. Construction is not an allowable activity.

c. Purchase of real property is not an allowable activity

(FY 2016 Funding Opportunity Announcements, Section IV.6).

E. Eligibility

1. Eligibility for Individuals – Not Applicable

2. Eligibility for Group of Individuals or Area of Service Delivery

a. Eligible families in at-risk AIAN communities include pregnant women, expectant fathers, parents, and primary caregivers of children aged birth through kindergarten entry, including grandparents or other relatives of the child, foster parents who are serving as the child's primary caregiver, and non-custodial parents who have an ongoing relationship with, and at times provide physical care for, the child (Section 511(k)(2) of Title V of the Social Security Act).

b. Grantees are required to give priority to serving high-risk groups, including (1) eligible families who reside in communities in need of such services, as identified in the needs assessment; (2) low-income eligible families; (3) eligible families who are pregnant women who have not attained age 21; (4) eligible families that have a history of child abuse or neglect or have had interactions with child welfare services; (5) eligible families that have a history of substance abuse or need substance abuse treatment; (6) eligible families that have users of tobacco products in the home; (7) eligible families that are or have children with low student achievement; (8) eligible families with children with

developmental delays or disabilities; and (9) eligible families who, or that include individuals who, are serving or formerly served in the Armed Forces, including such families that have members of the Armed Forces who have had multiple deployments outside of the United States (Section 511(d)(4) of Title V of the Social Security Act).

c. For the purposes of this program, in order to reflect the diverse circumstances of tribal populations, ACF and HRSA take a broad and inclusive view of the definition of "at-risk community." Grantees may define an at-risk community in the following ways:

(1) An entire tribe within a discrete geographic region (i.e., on a reservation) could be considered an at-risk community;

(2) Subgroups of a tribe within a discrete geographic region (i.e., on a reservation) could be considered at-risk communities; or

(3) Members of a tribe(s) could live scattered throughout a larger, non-tribal geographic area interspersed with non-tribal members (i.e., Indians living in an urban environment) and be considered an at-risk community.

d. The award of home visiting funds to an Indian tribe, tribal organization, or urban Indian organization shall not affect the eligibility of any eligible families in at-risk AIAN communities to receive home visiting services in the State or States in which the grantee is located.

3. Eligibility for Subrecipients – Not Applicable

H. Period of Performance

Funds are available for expenditure by a grantee through the end of the second succeeding fiscal year after award (Section 511(j)(3) of the Social Security Act (42 USC 711(j)(3)).

L. Reporting

1. Financial Reporting

a. SF-270, *Request for Advance or Reimbursement* – Not Applicable

b. SF-271, *Outlay Report and Request for Reimbursement for Construction Programs* – Not Applicable

c. SF-425, *Federal Financial Report* – Applicable

2. Performance Reporting – Not Applicable

3. Special Reporting – Not Applicable

SOCIAL SECURITY ADMINISTRATION

CFDA 96.001 SOCIAL SECURITY—DISABILITY INSURANCE (DI)
CFDA 96.006 SUPPLEMENTAL SECURITY INCOME (SSI)

I. PROGRAM OBJECTIVES

The Social Security Administration (SSA) is responsible for administering the Disability Insurance (DI) and the Supplemental Security Income (SSI) programs. The DI program was established in 1954 under Title II of the Social Security Act and provides benefits to disabled wage earners and their families in the event the family wage earner becomes disabled (Section 201 *et seq*. of the Social Security Act). In 1974, Congress enacted Title XVI, the SSI program, which provides payments to financially needy individuals who are aged, blind, or disabled (Section 1601 *et seq*. of the Social Security Act).

II. PROGRAM PROCEDURES

The disability process begins when a person, referred to as a "claimant," completes an application for DI benefits or SSI payments. SSA field office staff verifies the claimant's non-medical eligibility. The claim is then forwarded to the State Disability Determination Services (DDS) for a medical determination of disability. To assist in making proper disability determinations, the DDS is authorized to purchase medical examinations, x-rays, and laboratory tests on a consultative basis to supplement evidence obtained from the claimants' physicians or other treating sources.

SSA pays the DDS for 100 percent of the costs incurred in making disability determinations. Each year the State DDS submits a budget request to SSA for review and approval. The DDS is notified of budget approval by Form SSA-872, *State Agency Obligational Authorization for SSA Disability Programs*. Once approved, the DDS is allowed to withdraw Federal funds through the Department of the Treasury's Automated Standard Application for Payment system to meet immediate program expenses. At the end of each quarter of each fiscal year, the DDS submits a Form SSA-4513, *State Agency Report of Obligations for SSA Disability Programs*, to account for program disbursements and obligations and a Form SSA-4514, *Time Report of Personnel Services for Disability Determination Services*, to account for employee time.

III. COMPLIANCE REQUIREMENTS

In developing the audit procedures to test compliance with the requirements for this Federal program, the auditor must determine, from the following summary (also included in Part 2, "Matrix of Compliance Requirements"), which of the 12 types of compliance requirements apply, and then determine which of the applicable requirements is likely to have a direct and material effect on the Federal program at the auditee. For each such requirement, the auditor must use Part 3 (which includes generic details about each compliance requirement other than Special Tests and Provisions) and this program supplement (which includes any program-specific requirements) to perform the audit.

Compliance Requirements											
A	B	C	E	F	G	H	I	J	L	M	N
Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Eligibility	Equipment/ Real Property Management	Matching, Level of Effort, Earmarking	Period of Performance	Procurement/ Suspension and Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions
Y	Y	Y	N	Y	N	Y	Y	N	Y	N	Y

A. Activities Allowed or Unallowed

DDSs make disability determinations based on the law and regulations and on written guidelines issued by SSA. Each State making disability determinations is entitled to receive from the Trust funds reimbursement for the cost of making those disability determinations for SSA. Activities shall be in accordance with the budget request approved by SSA. Purchased medical services, such as Medical Evidence of Record (MER) and Consultative Examinations (CE), must be in accordance with the DDS's fee schedule for purchased medical services. Activities allowed under the disability programs include personnel services, purchased medical services, indirect costs and other non-personnel costs (42 USC 421(e) and (f); 20 CFR sections 404.1626 and 416.1026).

B. Allowable Costs/Cost Principles

1. *Direct Costs* – The SSA Program Operations Manual System (POMS) contains guidance on direct costs for both the DI and SSI programs. Personnel services (POMS DI 39518) include personnel costs and employee benefits. Purchased medical services (POMS DI 39545) include MER and CE. Other non-personnel costs include travel (POMS DI 39524), space (POMS DI 39527), equipment (POMS DI 39530), and contracted services (POMS DI 39542).

2. *Indirect Costs* – Indirect costs which may be charged to the disability program generally arise from three sources: (a) administrative costs of the parent agency related to DDS; (b) business costs associated with the accounting, billing, and procurement services provided by the parent agency for the DDS; and (c) automated services provided to the DDS that are operated by the parent agency. Indirect costs charged to the disability program should be based on the rate approved by the cognizant Federal agency as evidenced by a written agreement.

3. *Non-SSA Work* – Some DDSs make disability determinations for claims not related to SSA benefits. When a DDS performs non-SSA work, a Memorandum of Understanding should exist between the State and the SSA Regional Commissioner that outlines the specifics of the non-SSA work. The SSA should not be charged the costs on the non-SSA program work (POMS DI 39563.210).

L. Reporting

1. Financial Reporting

a. SF-270, *Request for Advance or Reimbursement* – Not Applicable

b. SF-271, *Outlay Report and Request for Reimbursement for Construction Programs* – Not Applicable

c. SF-425, *Federal Financial Report* – Not Applicable

d. SSA-4513, *State Agency Report of Obligations for SSA Disability Programs* – This report is due quarterly for each fiscal year still open in order to account for program disbursements and unliquidated obligations (POMS DI 39506.202).

e. SSA-4514, *Time Report of Personnel Services for Disability Determination Services* – This report is due quarterly to account for employee time (POMS DI 39506.230).

2. Performance Reporting – Not Applicable

3. Special Reporting – Not Applicable

N. Special Tests and Provisions

Consultative Examinations Process

Compliance Requirement - Each State agency is responsible for comprehensive oversight management of its CE process and for ensuring accuracy, integrity, and economy of the CE process (20 CFR sections 404.1519s and 416.919s, and POMS DI 39545.075). As part of these duties, DDSs must provide procedures for performing medical license verifications to ensure only qualified providers perform CEs for DDSs (POMS DI 39545.075). By "qualified," SSA means that the medical source must (1) be currently licensed in the State and have the training and experience to perform the type of examination or test the DDS requests; and (2) not be barred from participation in Medicare or Medicaid programs or other Federal or federally assisted programs (20 CFR sections 404.1519g and 416.919g). Prior to using the services of any CE provider, the DDS must (1) check the System for Award Management (SAM) website; and (2) verify medical licenses, credentials, and certifications with state medical boards. In addition, DDSs must conduct periodic license checks of CE providers used by the DDS, including providers who perform CEs near and across the borders of neighboring States. DDSs are

required to
(1) review the SAM website for each CE provider at least annually, and (2) verify license renewals (POMS DI 39569.300).

Audit Objective – Determine whether the State agency performed the required reviews to ensure that only qualified providers perform CEs.

Suggested Audit Procedures

1. Determine whether the State agency has written procedures for verifying--before engaging the services of a provider and periodically thereafter—whether providers have valid medical licenses and are not currently excluded, suspended, or barred from participation in federal or federally-assisted programs; and whose license to provide health care is not currently lawfully revoked or suspended by any state licensing authority for reasons of fraud, abuse, or professional misconduct, as identified on the SAM website.

2. Select a sample of CE service agreements entered into during the audit period and determine whether, before using the services of the CE provider, the State agency checked the SAM website; and
(2) verified medical licenses, credentials, and certifications with state medical boards.

3. Determine whether (a) the State agency performed a periodic review for each CE; (b) the results were adequately documented; and (c) as appropriate, actions were taken to terminate CE agreements.

IV. OTHER INFORMATION

Disbursements for the DI and SSI programs are not accounted for separately. Expenditures for both programs should be reported on the Schedule of Expenditures of Federal Awards under DI (CFDA 96.001).

STUDENT FINANCIAL ASSISTANCE PROGRAMS

Department of Education

Department of Health and Human Services

CFDA 84.007	**FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS (FSEOG)**
CFDA 84.033	**FEDERAL WORK-STUDY PROGRAM**
CFDA 84.038	**FEDERAL PERKINS LOAN (FPL)—FEDERAL CAPITAL CONTRIBUTIONS**
CFDA 84.063	**FEDERAL PELL GRANT PROGRAM**
CFDA 84.268	**FEDERAL DIRECT STUDENT LOANS**
CFDA 84.379	**TEACHER EDUCATION ASSISTANCE FOR COLLEGE AND HIGHER EDUCATION GRANTS (TEACH Grants)**
CFDA 84.408	**POSTSECONDARY EDUCATION SCHOLARSHIPS FOR VETERAN'S DEPENDENTS (Iraq and Afghanistan Service Grant (IASG))**
CFDA 93.264	**NURSE FACULTY LOAN PROGRAM (NFLP)**
CFDA 93.342	**HEALTH PROFESSIONS STUDENT LOANS, INCLUDING PRIMARY CARE LOANS AND LOANS FOR DISADVANTAGED STUDENTS (HPSL/PCL/LDS)**
CFDA 93.364	**NURSING STUDENT LOANS (NSL)**
CFDA 93.925	**SCHOLARSHIPS FOR HEALTH PROFESSIONS STUDENTS FROM DISADVANTAGED BACKGROUNDS - SCHOLARSHIPS FOR DISADVANTAGED STUDENTS (SDS)**

I. PROGRAM OBJECTIVES

The objective of the student financial assistance programs is to provide financial assistance to eligible students attending institutions of postsecondary education.

II. PROGRAM PROCEDURES

Institutions must apply to either the Secretary of Education or Secretary of Health and Human Services to participate in their particular SFA programs. Some applications must be filed annually, others upon initial entry and once approved, periodically thereafter. Institutions may be approved to participate in only one program or a combination of programs. Institutions are responsible for: (1) determining student eligibility; (2) verifying student data (when required); (3) calculating, as required, the amount of financial aid a student can receive; (4) completing and/or certifying parts of various loan applications and/or promissory notes; (5) drawing funds from the Federal Government and disbursing or delivering SFA funds to students directly or by crediting students' accounts; (6) making borrowers aware of loan repayment responsibilities; (7) submitting, as requested, data on borrowers listed on National Student Loan Data System (NSLDS) roster; (8) returning funds to students, lenders and programs, as appropriate, if students withdraw, drop out or are expelled from their course of study; (9) collecting SFA overpayments; (10) establishing, maintaining and managing (including collecting loan repayments) a revolving

loan fund for applicable programs; and (11) reporting the use of funds. Institutions may contract with third-party servicers to perform many of these functions.

Title IV Programs - General

The Title IV programs cited in this cluster that are administered by the Department of Education (ED) (those with CFDAs beginning with 84) are authorized by Title IV of the Higher Education Act of 1965, as amended (HEA), and collectively are referred to as the "Title IV programs." Because they are administered at the institutional level, the Federal Perkins Loan Program, Federal Work-Study Program and Federal Supplemental Educational Opportunity Grant Program are referred to collectively as the "campus-based programs."

For Title IV programs, students complete a paper or electronic application (Free Application for Federal Student Aid (FAFSA) (*OMB No. 1845-0001*) and send it to a central processor (a contractor of ED that administers the Central Processing System). The central processor provides Student Aid Reports (SARs) to applicants and provides Institutional Student Information Records (ISIRs) to institutions. Among other things, the SAR contains the applicant's Expected Family Contribution (EFC). Students take their SARs to the institution (or the institution uses the ISIR) to help determine student eligibility, award amounts, and disbursements. (**Note**: The central processor is a service organization of ED, not of the schools. Therefore, AU-C Section 402, *Audit Considerations Relating to an Entity Using a Service Organization*, does not apply when auditing the schools.)

Federal Pell Grant (Pell) (CFDA 84.063)

The Federal Pell Grant program provides grants to students enrolled in eligible undergraduate programs and certain eligible post-baccalaureate teacher certificate programs, and is intended to provide a foundation of financial aid. The program is administered by ED and postsecondary educational institutions. Maximum and minimum Pell grant awards are established by statute. ED provides funds to the institution based on actual and estimated Pell expenditures.

Postsecondary Education Scholarships for Veteran's Dependents (Iraq and Afghanistan Service Grant (IASG)) (CFDA 84.408)

The Higher Educational Technical Corrections, Pub. L. No. 111-39, amended the HEA to allow an eligible student whose parent or guardian died as a result of U.S. military service in Iraq or Afghanistan after September 11, 2001, to receive this non-needs-based grant if he or she was not receiving a Pell grant.

Federal Perkins Loan (FPL) (CFDA 84.038)
Health Professions Student Loans (HPSL)/Primary Care Loans (PCL)/Loans for Disadvantaged Students (LDS) (CFDA 93.342)
Nursing Student Loans (NSL) (CFDA 93.364)

The FPL, HPSL/PCL/LDS and NSL programs provide long-term low-interest loans to students who demonstrate the need for financial aid to pursue their course of study at postsecondary educational institutions. Revolving loan funds are established and maintained at institutions through applications to participate in the programs. The funds are started with the Federal

Capital Contribution (FCC) and a matching Institutional Capital Contribution (ICC). Repayments of principal and interest, new FCC, and new ICC are deposited in the revolving funds. The institution is fully responsible for administering the program (i.e., approving, disbursing and collecting the loans). A borrower may have all or part of his or her Perkins loan cancelled for qualifying employment as a teacher, as a law enforcement or corrections officer, or in certain other public service occupations. A Perkins borrower also may receive loan cancellation for eligible active duty military service and certain volunteer service. In addition, Perkins loans may be discharged if the borrower becomes disabled, dies, or declares bankruptcy, or the school which he or she attended closes. Primary Care Loans are a segment of HPSL/PCL/LDS loan funds that impose certain restrictions on new borrowers as of July 1, 1993. First-time recipients of these funds after July 1, 1993 must agree to enter and complete a residency training program in primary health care, not later than 4 years after the date on which the student graduates from medical school, and, for new loans issued after March 23, 2010, must practice in such care for 10 years (including residency training in primary health care) or through the date on which the loan is paid in full, whichever occurs first. Students who received their first HPSL/PCL/LDS before July 1, 1993 are exempt from this requirement, and may continue to borrow HPSL/PCL/LDS loans under their applicable health-related course of study.

Nurse Faculty Loan Program (NFLP) (CFDA 93.264)

The purpose of the Nurse Faculty Loan Program (NFLP), as authorized by Title VIII of the Public Health Service Act (PHS Act), Section 846A, as amended by the Patient Protection and Affordable Care Act of 2010, Pub. L. No. 111-148, Section 5311, is to increase the number of qualified nursing faculty. The NFLP provides funding to schools of nursing to support the establishment and operation of a distinct NFLP loan fund at the institution. The award to the school, the FCC award, must be deposited into the NFLP loan fund. The school is required to deposit the ICC that is equal to no less than one-ninth of the FCC award. Participating schools make loans from the regular NFLP loan fund to eligible graduate (master's and doctoral) nursing students to complete the nursing education program. Accredited collegiate schools of nursing are eligible to apply for funding. Eligible schools must offer an advanced education nursing degree program(s) that will prepare the graduate student to teach. The institution is fully responsible for administering the program (i.e., approving, disbursing, and collecting the loans).

All funds awarded for the specified budget or project period should be drawn down from the Payment Management System (PMS) account and deposited in an appropriate loan fund. It is expected that loan activity will be conducted though the institutional NFLP loan fund rather than drawdowns from the PMS account.

Active NFLP grantees are permitted to maintain their loan fund balances in the revolving institutional NFLP loan fund account without fiscal year restriction. The loan fund balance should continue to be disbursed (expended) through the current budget or project period.

Program guidance is available at http://bhw.hrsa.gov/nursing/grants/nflp.html

Federal Work-Study (FWS) (CFDA 84.033)

The FWS program provides part-time employment to eligible undergraduate and graduate students who need the earnings to help meet costs of postsecondary education. This program also authorizes the establishment of the Job Location and Development (JLD) program, the purpose of which is to expand off-campus part-time or full-time employment opportunities for all students, regardless of their financial need, who are enrolled in eligible institutions and to encourage students to participate in community service activities. FWS recipients may also use their funds for the Work-Colleges program, whose purpose is to recognize, encourage, and promote the use of comprehensive work-learning programs as a valuable educational approach when it is an integral part of the institution's educational program and a part of a financial plan that decreases reliance on grants and loans and to encourage students to participate in community service activities (34 CFR section 675.43).

Funds are provided to institutions upon submission of an annual application, *Fiscal Operations Report and Application to Participate* (FISAP) (*OMB No*. 1845-0030) (this application covers all campus-based programs), and in accordance with statutory formulae. Institutions must provide matching funds unless they are an eligible Title III or Title V institution, or unless the student is employed in a position which is authorized for payment with 100 percent of Federal funds (34 CFR section 675.26(d)). The institution determines the award amount, places the student in a job, and pays the student or arranges to have the student paid by an off-campus employer. The institution may use a portion of FWS funds for a JLD program.

Federal Supplemental Educational Opportunity Grants (FSEOG) (CFDA 84.007)

The FSEOG program provides grants to eligible undergraduate students. Priority is given to Pell recipients who have the lowest expected family contributions. Federal funds are matched with institutional funds (34 CFR section 676.21).

Teacher Education Assistance for College and Higher Education Grants (TEACH Grants) (CFDA 84.379)

The TEACH Grant program is a non-need-based grant program for students who are enrolled in an eligible program, and who agree to serve as a full-time teacher, in a high-need field, in a school serving low-income students for at least 4 years within 8 years of completing the program for which the TEACH Grant was awarded (34 CFR section 686.1). If the grant recipient fails to complete the required teaching service, the TEACH Grant is treated as a Federal Direct Unsubsidized Stafford Loan (Federal Direct Unsubsidized Loan) (34 CFR section 686.43).

Federal Direct Student Loans (Direct Loan) (CFDA 84.268)
(Includes subsidized Stafford, unsubsidized Stafford, and PLUS loans)

The Direct Loan program makes interest subsidized or unsubsidized Stafford loans available to students, or PLUS loans to graduate or professional students or to parents of dependent students, to pay for the cost of attending postsecondary educational institutions. Direct Loans are made by the Secretary of Education. The student's SAR or ISIR, along with other information, is used by

the institution to originate (for Direct Loan) a student's loan. The financial aid administrator is also required to provide and confirm certain information.

Under the Direct Loan program, institutions participate in loan origination Option 1, Option 2, or Standard origination. Functions performed by loan origination option vary and are described in the *Direct Loan School Guide*. Direct Loan is an electronic program, except that borrowers have the option of signing paper promissory notes or electronically signing the promissory note completed online. Except for electronically signed promissory notes, electronic records are created, batched, transmitted (exported) through Common Origination and Disbursement (COD) and acknowledged by (imported from) COD, on a cycle approach. A cycle is not complete until the last activity in it is finished, i.e., an action has been accepted by COD and the school's system reflects the acceptance. Direct Loan has four types of cycles: Loan Origination Records (one for each loan), Promissory Notes, Disbursement Records, and Change Records. For a loan to be "booked" the institution must have electronically transmitted to COD, and COD must have accepted these records: (1) the loan origination record; (2) the Promissory Note; and (3) the first disbursement of loan proceeds. The borrower's original accepted promissory note is maintained at COD; the institution is not required to keep a copy.

Scholarships for Health Professions Students from Disadvantaged Backgrounds - Scholarships for Disadvantaged Students (SDS) (CFDA 93.925)

The SDS program provides grants to eligible health professions and nursing schools to award scholarships to financially needy full-time students from disadvantaged backgrounds who are attending schools of medicine, osteopathic medicine, dentistry, nursing, pharmacy, podiatric medicine, optometry, veterinary medicine, public health, chiropractic or allied health; schools offering graduate programs in behavioral and mental health practice; or entities providing programs for the training of physician assistants. For purposes of this program, HHS defines disadvantaged as a student who (1) comes from an environment that has inhibited the individual from obtaining the knowledge, skills, and abilities required to enroll in and graduate from a health professions school, or from a program providing education or training in an allied health profession; or (2) comes from a family with an annual income below a level based on low-income thresholds according to family size published by the U.S. Bureau of the Census, adjusted annually for changes in the Consumer Price Index, and adjusted by the Secretary of HHS for use in health professions and nursing programs.

Submission of Financial Statement Information to ED

All institutions receiving grants or loans from ED under the specified Title IV programs are required to input annual financial statement information to ED using *eZ-Audit (OMB No. 1845-0072).* The eZ-Audit is the methodology used for reporting an institution's financial statement information. Registration instructions are available at https://ezaudit.ed.gov/EZWebApp/common/login.jsp. Once an institution has registered, additional guidance on how to input financial statement information is provided.

Source of Governing Requirements

The ED programs are authorized by Title IV of the Higher Education Act (HEA) of 1965, as amended (20 USC 1001 *et seq*.). The regulations are found in 34 CFR parts 600 and 668-690.

The HHS programs in this cluster are authorized by the Public Health Service Act (PHS Act). The PHS Act was amended by the Health Professions Education Partnership Act of 1998, Pub. L. No. 105-392 and, for the NFLP, further amended by the Patient Protection and Affordable Care Act of 2010 (Affordable Care Act), Pub. L. No. 111-148, Section 5311.

Availability of Other Program Information

ED annually publishes the Federal Student Aid Handbook (*FSA Handbook)*, which provides detailed guidance on administering the Title IV programs. This handbook and other guidance material are available at http://ifap.ed.gov/.

HHS publishes the Student Financial Aid Guidelines, which provide detailed guidance on administering the Title VII and VIII programs. This and other materials are available at http://bhpr.hrsa.gov/.

III. COMPLIANCE REQUIREMENTS

In developing the audit procedures to test for compliance with the requirements for the SFA cluster, the auditor must determine, from the following summary (also included in Part 2, "Matrix of Compliance Requirements"), which of the 12 types of compliance requirements apply, and then determine which of the applicable requirements is likely to have a direct and material effect on the SFA cluster at the auditee. For each such requirement, the auditor must use Part 3 (which includes generic details about each compliance requirement other than Special Tests and Provisions) and this cluster supplement (which includes any cluster-specific requirements) to perform the audit.

Compliance Requirements											
A	B	C	E	F	G	H	I	J	L	M	N
Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Eligibility	Equipment/ Real Property Management	Matching, Level of Effort, Earmarking	Period of Performance	Procurement/ Suspension and Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions
Y	N	Y	Y	N	Y	N(ED) Y (HHS)	N	Y	Y	N	Y

Note: While the programs included in this cluster are generally similar in their intent, administration and documentation, etc., there are differences among them. Because of space considerations, this cluster supplement does not list all of the differences, exceptions to general rules or nuances pertaining to specific programs. Auditors should use regulations and guidance applicable to the year(s) being audited when auditing the SFA programs.

A. Activities Allowed or Unallowed

SFA funds can be awarded only to students enrolled in eligible programs. Eligible programs are listed on an institution's Eligibility and Certification Approval Report (ECAR). Other programs can be added after the school's most recent certification without obtaining ED's approval if they lead to an associate, baccalaureate, professional, or graduate degree or are at least 8 semester hours, 12 quarter hours, or 600 clock hours, and they prepare students for gainful employment in the same or a related occupation of a previously ED-designated eligible program (34 CFR section 600.10(c)(2)).

SFA funds can be used for making awards to students, for administration of the programs, and other allowable uses for specific programs as follows:

Federal Perkins Loan (CFDA 84.038)

Certain billing, collection, and litigation costs must first be charged to the borrower and cannot be charged to the loan fund. If amounts recovered from the borrowers are not sufficient to pay these collection costs, program funds can be used to pay these costs with certain limits (34 CFR sections 674.8 and 674.47).

A school may transfer up to a total of 25 percent of its FCC for an award year to either or both the FSEOG and FWS programs (34 CFR section 674.18(b)(1)). A school may transfer up to 100 percent of its initial and supplemental allocations to an approved Work Colleges program (34 CFR section 675.18(b)(2)). Transferred funds must be used according to the requirements of the program to which they are transferred. A school that transfers funds to the FWS, FSEOG, or Work Colleges programs must transfer any unexpended funds back to the Federal Perkins Loan program at the end of the award year (34 CFR section 674.18(b)(5)).

Federal Work-Study (CFDA 84.033)

The institution may use FWS funds only for awards to students, a Job Location and Development (JLD) Program, Work-Colleges Program (as defined in 34 CFR section 675.41(a)), administrative costs, and transfers to FSEOG (34 CFR sections 675.18 and 675.33).

Federal Supplemental Educational Opportunity Grant (CFDA 84.007)

An institution may transfer up to 25 percent of its FSEOG financial allotment to the institution's FWS program (Section 488 of HEA (20 USC 1095)).

Health Professions Student Loans/Primary Care Loans /Loans for Disadvantaged Students (CFDA 93.342) and Nursing Student Loans (NSL) (CFDA 93.364)

Funds from both programs may also be used for capital distribution in Sections 728 and 839, or, as agreed to by the Secretary of HHS for costs of litigation; costs associated with membership in credit bureaus and, to the extent specifically approved by the Secretary, for other collection costs that exceed the usual expenses incurred in the collection of loan funds (HPSL/PCL/LDS, 42 CFR section 57.205(a); NSL, 42 CFR section 57.305(a)).

Nurse Faculty Loan Program (NFLP) (CFDA 93.264)
Funds may be used for capital distribution under Section 846A of the PHS Act, Title VIII, as further amended by the Patient Protection and Affordable Care Act of 2010, Pub. L. No. 111-148, Section 5311or, as agreed to by the Secretary of HHS for costs of litigation; costs associated with membership in credit bureaus and, to the extent specifically approved by the Secretary, for other collection costs that exceed the usual expenses incurred in the collection of NFLP loan funds.

C. Cash Management

ED provides funds to an institution under the advance, reimbursement, or cash monitoring payment methods.

The advance payment method is the most widely used payment method. It permits, but does not require, institutions to draw down Title IV funds prior to disbursing funds to eligible students and parents. The institution's request must not exceed the amount immediately needed to disburse funds to students or parents. A disbursement of funds occurs on the date an institution credits a student's account or pays a student or parent directly with either SFA funds or institutional funds. The institution must make the disbursements as soon as administratively feasible, but no later than 3 business days following the receipt of funds. Any amounts not disbursed by the end of the third business day are considered to be excess cash and generally are required to be promptly returned to ED (34 CFR section 668.166(a)(1)). Excess cash includes any funds received from ED that are deposited or transferred to the institution's Federal account as a result of an award adjustment, cancellation, or recovery. However, an excess cash balance tolerance is allowed if that balance (1) is less than one percent of its prior-year drawdowns; and (2) is eliminated within the next 7 calendar days (34 CFR sections 668.166(a) and (b)). Except for FPL program earnings, aggregate interest earnings greater than $500 must be remitted to the Department of Health and Human Services (HHS). FPL earnings are reinvested in the FPL fund (34 CFR sections 674.8(a)(6) and 668.163(c)).

Under the *reimbursement* payment method, the institution must disburse funds to the students before requesting funds from ED. Under the *cash monitoring* payment method, the institution must disburse funds to students before requesting funds from ED under either the advance payment method (limited to the actual disbursement amount, known as "Heightened Cash Monitoring 1") or a process similar to the reimbursement method (known as "Heightened Cash Monitoring 2"). (See Chapter 1, "Requesting & Managing

FSA Funds" in Volume 4, of the *FSA Handbook*, for guidance on the funding methods. The handbook may be accessed from links at: https://ifap.ed.gov/ifap/byAwardYear.jsp?type=fsahandbook).

Institutions request funds from ED by (1) creating a payment request using the G5 System through the Internet; or (2) if the grantee is placed on the reimbursement or cash monitoring 2 payment method, submitting a Form 270, *Request for Title IV Reimbursement or Heightened Cash Monitoring 2 (HCM2)* (*OMB No.* 1845-0089) to an ED program or regional office. When creating a payment request in G5, the grantee enters the drawdown amounts, by award, directly into G5. Direct Loan schools and grantees can redistribute drawn amounts between grant awards by making adjustments in G5 to reflect actual disbursements for each award as long as the net amount of the adjustments is zero. When requesting funds using the other two methods, institutions provide drawdown information to the hotline operator or on the Form 270, as applicable.

To assist institutions in reconciling their internal accounting records with the G5 System, using their DUNS (Data Universal Numbering System) number, institutions can obtain a G5 External Award Activity Report (https://www.g5.gov/; under the "Payment" tab) showing cumulative and detail information for each award. The External Award Activity Report can be created with date parameters (Start and End Dates) and viewed on-line. To view each draw per award, the G5 user may click on the award number to view a display of individual draws for that award.

For the HHS programs, requests for new FCC must only be made when needed. Any monies associated with the fund must be deposited in an income-producing account and all excess cash, including interest earned in excess of $500 in the aggregate, must be returned to HHS.

For HPSL/PCL/LDS, and NSL, the school must maintain all monies relating to each individual fund in interest bearing accounts. If the school integrates the funds with other school resources for investment purpose, the school must maintain separate accountability and reimburse the funds for any losses that occur (HPSL/PCL/LDS 42 CFR sections 57.203 and 57.205; NSL, 42 CFR sections 57.303 and 57.305).

For NFLP (CFDA 93.294), the school must maintain all monies relating to each individual fund in interest-bearing accounts. Any monies associated with the fund must be deposited in an income-producing account and all excess cash, including any interest earned in excess of $500 in the aggregate, must be returned to HHS. Unused loan funds should be retained in the loan fund for making additional loans. However, unused NFLP funds must be used within 18 calendar months from the end of the NFLP designated budget period. The unused accumulation (cash balance) in the NFLP fund must be reported annually. The NFLP loan fund may be voluntarily or involuntarily terminated if the unused accumulation is deemed excessive. If a school is determined to have an excessive unused accumulation, future awards may be affected (Program Guidance, Overview of Institutional Management of NFLP Funds).

E. Eligibility

1. Eligibility for Individuals

Most of the requirements for student eligibility are contained in Appendix A (located after Section IV, "Other Information," of this Part 5).

In the process of a student applying for ED Federal financial aid, an Institutional Student Information Record (ISIR) normally is sent electronically to the institution and a Student Aid Report (SAR) may be sent to the student. The original ISIR or SAR for an award year may contain codes that relate to student eligibility requirements numbers 2, 4, 5, 9, 10, and 12 in Appendix A. If the original ISIR or SAR does not contain codes relating to those eligibility requirements, and the institution has no information indicating otherwise, the student can be considered to have met them. The *ISIR Guide* contains all the ISIR and SAR codes and is available at http://www.ifap.ed.gov/ifap/byAwardYear.jsp?type=isirguide. The ISIR Guide changes annually and should be obtained and reviewed for the period under audit.

Calculation of Benefits

In addition to the requirements and limits described below, awards must be coordinated among the various programs and with other Federal and non-Federal aid (need and non-need based aid) to ensure that total aid is not awarded in excess of the student's financial need (34 CFR section 668.42, FPL, FWS, and FSEOG, 34 CFR sections 673.5 and 673.6; Direct Loan, 34 CFR section 685.301; HPSL, PCL, and LDS, 42 CFR section 57.206; NSL, 42 CFR section 57.306(b)); NFLP, Affordable Care Act, Section 5311 and Program Guidance). The TEACH Grant is a non-need based grant and may replace a student's EFC, but the amount of the grant that exceeds the student's EFC is considered estimated financial assistance (34 CFR section 686.21(d)). An IASG-eligible student who has an EFC that does not meet the needs-based criteria for a Pell grant can receive a non-needs based IASG and the maximum amount of a Pell award available, but the (1) award may not exceed the student's cost of attendance (COA) and (2) IASG is not considered estimated financial assistance (20 USC 1070h).

The determination of SFA award amounts is based on financial need. Financial need is generally defined as the student's COA minus financial resources reasonably available. In determining the financial resources available for the HHS programs, the school must use one of the need analysis systems or any other procedures approved by the Secretary of Education. The school must also take into account other information that it has regarding the student's financial status. For Title IV programs, the financial resources available is generally the Expected Family Contribution (EFC) that is computed by the central processor and included on the student's SAR and the ISIR provided to the institution.

An institution may (1) exclude, from both estimated financial assistance and the COA, financial assistance provided by a State if that assistance is designated by the State to offset a specific component of the COA; (2) include the one-time cost of a student obtaining his or her first professional license or certificate; and (3) include room and board in a student's COA for students who are less than half-time students (Sections 480(j)(3), 472(13), and 472(4)(C) of HEA; (20 USC 1087vv(j)(3), 20 USC 1087ll(13) and (4)(C))).

For Title IV programs, the COA is generally the sum of the following: tuition and fees; an allowance for books, supplies, transportation and miscellaneous personal expenses; an allowance for room and board; where applicable, allowances for costs for dependent care; costs associated with study abroad and cooperative education; costs related to disabilities; and fees charged for student loans. There are exceptions for students attending less than half-time, correspondence students, and incarcerated students. The financial aid administrator also has authority to use professional judgment to adjust the COA or alter the data elements used to calculate the EFC on a case-by-case basis to allow for special circumstances.

For the HHS programs, the costs reasonably necessary for the student's attendance include any special needs and obligations which directly affect the student's ability to attend the school. The school must document the criteria used for determining these costs.

(20 USC 1087ll-1087mm; FPL, 34 CFR section 674.9; FWS, 34 CFR section 675.9; FSEOG, 34 CFR section 676.9; Direct Loan, 34 CFR sections 685.200 and 301; Pell, 34 CFR section 690.75; HPSL/PCL/LDS, 42 USC 293a(d)(2); 42 CFR section 57.206(b); NSL, 42 USC 297n-1(c)(2); 42 CFR section 57.306(b)); NFLP, Affordable Care Act, Section 5311 and Program Guidance)

Health Professions Student Loans/Primary Care Loans)/Loans for Disadvantaged Students (CFDA 93.342), Nursing Student Loans (CFDA 93.364)

For periods prior to November 13, 1998, the total amount of HPSL/PCL/LDS loans made to a student for a school year may not exceed $2,500 plus the cost of tuition (42 CFR section 57.207). For students who are applying for a HPSL/PCL/LDS loan, the school must make its selection based on the order of greatest financial need, taking into consideration the other resources available to the student. The resources may include summer earnings, educational loans, veteran (G.I.) Benefits, and earnings during the school year (HPSL/PCL/LDS, 42 CFR section 57.206(c)). For periods after November 13, 1998, the total amounts of HPSL/PCL/LDS loans to a student for a school year may not exceed the cost of attendance (including tuition, other reasonable educational expenses, and reasonable living expenses). The amount of the loan may, in the case of the third or fourth year of a student at a school of medicine or osteopathic medicine, be increased to pay balances of loans that were made to the individual for attendance at the school (42 USC 722(a)(1) (section 722(a)(1) of PHS Act); Pub. L. No. 105-392, sections 134 (1) and (2)). The total amount of NSL loans

made to a student for an academic year may not exceed $3,300 except that for each of the final 2 academic years of the program the total must not exceed $5,200. The total of all NSL loans may not exceed $17,000 (Section 5202 (a) of the Affordable Care Act).

Nurse Faculty Loan Program (NFLP) (CFDA 93.264)

The total amount of NFLP loans made to a student for a school year may not exceed $35,500 for a maximum of 5 years to support the cost of tuition, fees, books, laboratory expenses and other reasonable education expenses. NFLP loans do not include stipend support (i.e., living expenses, student transportation cost, room/board, personal expenses). For students who are applying for a NFLP loan, the student must be enrolled full-time or part-time in an eligible graduate (master's and doctoral) nursing education program at the school. The school must make its selection of NFLP student applicants to receive loan funds by taking into consideration the other resources available to the student. Section 847(f) added a funding priority for Sections 847 and 846A of the PHS Act. This funding priority is awarded to school of nursing student loan funds that support doctoral nursing students. Schools that receive the doctoral funding priority should fund new doctoral student applicants ahead of new master's student applicants (Title VIII, Section 846A, PHS Act, as amended by the Patient Protection and Affordable Care Act of 2010, Pub. L. No.111-148, Section 5311).

Scholarships for Disadvantaged Students (CFDA 93.925)

Individual student awards must be at least 50 percent of the student's annual tuition costs. The maximum amount of $30,000 must be awarded for students whose tuition is more than $60,000; however, no student can be awarded SDS funds greater than $30,000 in a given year. Scholarships will be awarded by schools to any full-time student who is from a disadvantaged background; has a financial need for a scholarship; and is enrolled (or accepted for enrollment) in a program leading to a degree in a health profession or nursing. Such scholarships may be expended only for tuition expenses, other reasonable educational expenses, and reasonable living expenses incurred in the attendance of such school (42 USC 293a; Section 737, PHS Act).

Federal Pell Grant (CFDA 84.063)

Each year, based on the maximum Pell grant established by Congress, ED provides to institutions Payment and Disbursement Schedules for determining Pell awards (https://ifap.ed.gov/dpcletters/GEN1619.html). The Payment or Disbursement Schedule provides the maximum annual amount a student would receive for a full academic year for a given enrollment status, EFC and COA. The Payment Schedule is used to determine the annual award for a full-time student. There are separate Disbursement Schedules for three-quarter time, half-time, and less-than-half-time students. All of the Schedules, however, are based on the COA of a full-time student for a full academic year (see Chapter 3 in

Volume 3, Calculating Pell and Iraq & Afghanistan Service Grant Awards, of the *FSA Handbook* for the year(s) being audited for guidance on selecting formulas for calculating cost of attendance, prorating costs for programs less or greater than an academic year, and determining payment periods).

Students that receive Pell or IASG may not receive more than six Scheduled Awards (12 semesters, or the equivalent) as measured by the percentage of "lifetime eligibility used" (LEU) field in COD (tracked by ED) (20 USC 1070a(c)(5)).

The steps to determine Pell awards are as follows:

(1) Determine the student's enrollment status (full-time, three-quarter time, half-time, or less than-half-time).

(2) Calculate the cost of attendance. This is always based on the cost for a full-time enrollment status for a full academic year. If the student is enrolled in a program or enrollment period that is longer or shorter than an academic year, the costs must be prorated so that they apply to one full academic year. There are two allowable proration methods. Costs can be on an actual cost-per-student basis or an average cost for groups of similar students. If the student is enrolled less than half-time, the only allowable cost components are tuition and fees, allowance for books and supplies, transportation allowance, allowance for dependent care, and room and board.

(3) Determine the annual award, based on the cost of attendance calculated above and the EFC, from the Payment or Disbursement Schedule for the student's enrollment status (i.e., full-time, three quarter-time, half-time, or less than half-time).

(4) Determine the payment period. For term programs (semester, trimester, quarter), the payment period is the term.

(5) Calculate the payment for the payment periods. The calculation of the payment for the payment period may vary depending on the formula used, the length of the program compared to the academic year, and whether the institution uses an alternative calculation for students who attend summer terms (34 CFR sections 690.61 through 690.67. Also see Chapter 3 in Volume 3, Calculating Pell and Iraq & Afghanistan Service Grant Awards, of the *FSA Handbook.*

(6) Disburse funds at prescribed times (This is tested under III.N.3, "Special Tests and Provisions – Disbursements To or On Behalf of Students") (34 CFR sections 690.61 through 690.67, and 690.75 through 690.76; Pell Grant Payment Schedules; General Provisions regulations, part 668, subpart K, and *FSA Handbook*).

Postsecondary Education Scholarships for Veteran's Dependents (Iraq and Afghanistan Service Grant) (CFDA 84.408)

A non-Pell eligible student whose parent or guardian died as a result of U.S. military service in Iraq or Afghanistan after September 11, 2001, can receive an IASG grant. The student must have been less than 24 years old or, if 24 years old or older, enrolled in at an institution of higher education when the parent or guardian died. The amount of the grant is the same as the Pell Grant the student would be eligible for if they had a zero EFC. All other Pell requirements apply but, unlike Pell Grants, these non-need-based grants do not count as estimated financial assistance (20 USC 1070h; *FSA Handbook*, Volume 1, Chapter 6; and electronic announcement dated November 6, 2009 (http://ifap.ed.gov/eannouncements/110609DODMatch.html)).

Campus-Based Programs (FPL, FWS, FSEOG) (CFDA 84.038, CFDA 84.033, CFDA 84.007)

The maximum amount that can be awarded under the campus-based programs is equal to the student's financial need (COA minus EFC) minus aid from other SFA programs and other resources. For programs of study or enrollment periods less than or greater than an academic year, the COA for loans and campus-based aid is based on the student's actual costs for the period for which need is being analyzed, rather than being prorated to the costs for a full-time student for a full academic year. The financial aid administrator has discretion in awarding amounts from each program, subject to certain limitations.

Federal Supplemental Educational Opportunity Grants (CFDA 84.007)

The FSEOG program provides grants to eligible undergraduate students. Priority is given to Federal Pell recipients who have the lowest expected family contributions. The institution decides the amount of the grant, which can be up to $4,000 but not less than $100, for an academic year. The maximum amount may be increased to $4,400 for a student participating in a study abroad program that is approved for credit by the student's home institution (34 CFR sections 676.10 and 676.20).

TEACH Grants (CFDA 84.379)

The TEACH Grant is a non-need-based grant that provides annual grants of up to $4,000 to eligible undergraduate and graduate students who agree to teach specified high-need subjects at schools serving primarily disadvantaged populations for 4 years within 8 years of graduation. The aggregate amount of TEACH Grants that a candidate may receive for undergraduate or post-baccalaureate study may not exceed $16,000. The aggregate amount that a graduate student may receive may not exceed $8,000. If the student is enrolled less than full-time, including less than half-time, the amount of the annual TEACH Grant that he or she may receive must be reduced in accordance with

34 CFR section 686.21. The amount of the TEACH Grant, in combination with other assistance the student may receive, may not exceed the cost of attendance. If the TEACH Grant and other aid exceeds the cost of attendance for an academic year, the student's aid package must be reduced. The TEACH Grant may replace a student's EFC, but the amount of the grant that exceeds the student's EFC is considered estimated financial assistance. (34 CFR section 686.21)

Federal Perkins Loan (CFDA 84.038)

Annual loan maximums for the FPL program are $5,500 for a student who has not successfully completed a program of undergraduate education; and $8,000 for a graduate or professional student. The aggregate loan maximums for the FPL program are $11,000 cumulative for a student who has not successfully completed 2 years of a program leading to a bachelor's degree; $27,500 cumulative for a student who has successfully completed 2 years of a program leading to a bachelor's degree, but who has not completed the work necessary for the degree; and $60,000 cumulative for a graduate or professional student, including loans borrowed as an undergraduate student (34 CFR section 674.12 and the *FSA Handbook* and Pub. L. No. 110-315, Section 464(a) (20 USC 1087dd(a))).

The Perkins Loan Extension Act of 2015 (Extension Act) (Pub. L. No. 114-105) extended the FPL program through September 30, 2017. Under the Extension Act, schools may not award Perkins Loans to graduate students after September 30, 2016. Schools may not make subsequent disbursements of Perkins Loans to graduate students after June 30, 2017. Schools may not award Perkins Loans to undergraduate students after Sept. 30, 2017. Schools may not make subsequent disbursements to undergraduate students after June 30, 2018. The Extension Act also established additional requirements for the awarding of Perkins Loans. ED issued a Dear Colleague Letter, dated February 17, 2016 (GEN-16-05), explaining these additional requirements. GEN-16-05 is available at http://ifap.ed.gov/dpcletters/GEN1605.html.

Federal Direct Student Loans (CFDA 84.268)

In determining loan amounts for subsidized Stafford loans, the financial aid administrator subtracts from the COA, the EFC and the estimated financial assistance for the period of enrollment that the student (or parent on behalf of the student) will receive from Federal, State, institutional or other sources. Unsubsidized Stafford loans, PLUS loans, loans made by a school to assist the student, and State-sponsored loans may be used to substitute for EFC (34 CFR sections 685.102 and 685.200(d)). A financial aid administrator may use discretion to offer an unsubsidized Stafford loan to a dependent student whose parents do not support the student and who refuse to complete a FAFSA (20 USC 1087tt(a)).

The annual loan limits apply to the length of the school's academic year. Except for PLUS loans and for graduate or professional students, proration of a loan is required when a program is less than an academic year as measured in either clock hours or credit hours or number of weeks; or when a program exceeds an academic year but the remaining portion of the program is less than an academic year in length. Effective May 16, 2013, there is a limit on Direct Subsidized Loan eligibility for new borrowers on or after July 1, 2013. Specifically, a new borrower on or after July 1, 2013 becomes ineligible to receive additional Direct Subsidized Loans if the period during which the borrower has received such loans exceeds 150 percent of the published length of the borrower's educational program. The borrower also becomes responsible for accruing interest during all periods as of the date the borrower exceeds the 150 percent limit (34 CFR section 685.200(f)). For the purpose of determining loan limits for a borrower who received an Associate or Bachelor degree and has re-enrolled in another eligible program for which the prior degree is a prerequisite, the number of years that a student has completed in a program of undergraduate study includes any prior enrollment.

Annual Limits for Subsidized Loans

For an undergraduate student who has not yet successfully completed the first year of study, the annual loan limit is $3,500 for a program of study at least an academic year in length. For a program of less than an academic year, the loan must be prorated. Programs less than one-third of an academic year are not eligible for these loans.

For an undergraduate student who has successfully completed the first year but has not successfully completed the second year of an undergraduate program: (1) up to $4,500 for a program of study at least an academic year in length, and (2) for programs with less than an academic year remaining, the loan must be prorated. Programs less than one-third of an academic year are not eligible for these loans.

For an undergraduate student who has successfully completed the first and second year of study but has not successfully completed the remainder of the program or for a student in a program who has an associate or baccalaureate degree which is required for admission into the program: (1) up to $5,500 for a program of study at least an academic year in length, and (2) for programs with less than an academic year remaining, the loan must be prorated.

Annual Limits for Unsubsidized Loans

A student may receive an unsubsidized loan for the amount that is the difference between the subsidized amount for which he or she was eligible and the subsidized amount that he or she received. For dependent undergraduate students, the unsubsidized loan is the difference between the student's cost of attendance

and the student's estimated financial assistance (including a subsidized loan if the student qualifies for one).

Additional eligibility for unsubsidized loans, beyond the base subsidized/unsubsidized amount, is available to all independent students and to dependent students if the financial aid administrator determines that the dependent students' parents are likely to be precluded by exceptional circumstances from receiving a PLUS loan.

An undergraduate dependent student, in any year of study, may receive an additional $2,000 in unsubsidized loans for each year of study (except for dependent students whose parents are unable to obtain a PLUS loan, which should be noted in the student file). (Dear Colleague Letter GEN-08-08 which is located at http://ifap.ed.gov/dpcletters/061908GEN0808.html and Dear Colleague Letter GEN-11-07 which is located at http://www.ifap.ed.gov/dpcletters/GEN1107.html (Section 2 of Pub. L. No. 110-227, which amended Section 428H(d) of HEA (20 USC 1078-8(d))).

For an independent student (and dependent students whose parents cannot borrow a PLUS loan) who has not successfully completed the first 2 years of undergraduate study: (1) up to an additional $6,000 for a program of study at least an academic year in length, and (2) for programs with less than a full academic year remaining, the loan must be prorated.

For a student who has successfully completed the first and second years of an undergraduate program but who has not successfully completed the remainder of the program: (1) up to an additional $7,000 for a program of study at least an academic year in length, and (2) for programs with less than a full academic year remaining, the loan must be prorated.

Graduate or professional students may borrow up to $20,500 per academic year in unsubsidized loans.

Exceptions: Annual increased unsubsidized loan limits for certain health professions students who previously borrowed under the HEAL program are authorized. (See Volume 3, Chapter 5, of the *FSA Handbook*. The *FSA Handbook* is available at http://ifap.ed.gov.)

Aggregate Loan Limits for Subsidized and Unsubsidized Loans

Aggregate loan limits for subsidized and unsubsidized loans are: $31,000 for a dependent undergraduate student (except for dependent students whose parents cannot borrow a PLUS loan) (subsidized loan portion may not exceed $23,000 of the aggregate limit amount); $57,500 for an independent student and for a dependent student whose parents cannot borrow a PLUS loan (subsidized loan portion may not exceed $23,000 of the aggregate limit amount); and $138,500 for a graduate or professional student (subsidized portion limited to $65,500). This $138,500 limit includes loans for undergraduate study.

Direct PLUS (PLUS)

PLUS loans are limited to parent borrowers of dependent undergraduate students and graduate and professional students. A parent must meet the same citizenship and residency requirements as a student. Similarly, a parent who owes a refund on an SFA grant or is in default on an SFA loan is ineligible for a PLUS loan unless satisfactory arrangements have been made to repay the grant or loan. A PLUS loan may not exceed the student's estimated cost of attendance minus other financial aid awarded during the period of enrollment for that student (34 CFR sections 685.101(b), 685.200, and 685.203).

2. Eligibility for Group of Individuals or Area of Service Delivery – Not Applicable

3. Eligibility for Subrecipients – Not Applicable

G. Matching, Level of Effort, Earmarking

1. Matching

Federal Perkins Loan (CFDA 84.038)

The institution's matching share (ICC) is one third of the FCC (34 CFR section 674.8). Beginning with award year 2005-06, Congress has not appropriated FCC for the FPL program. In years when no FCC is appropriated, schools are not required to provide ICC.

Federal Supplemental Educational Opportunity Grants (CFDA 84.007)

The Federal share of awards may not exceed 75 percent of the total FSEOG awards made by the school, unless a higher amount (up to 100 percent) has been authorized by ED (34 CFR section 676.21).

Federal Work-Study (CFDA 84.033)

Generally, the Federal share of FWS compensation paid a student employed other than by a private for-profit organization may not exceed 75 percent of the total FWS awards made by the school. However, the Federal share may exceed 75 percent, but not exceed 90 percent, for up to 10 percent of the students compensated by FWS during the academic year, if, consistent with regulations of the Secretary, the student is employed at a non-profit private organization or a government agency that (1) is not a part of, and is not owned, operated, or controlled by, or under common ownership, operation, or control with, the institution; (2) is selected by the institution on an individual case-by-case basis for such student; and (3) would otherwise be unable to afford the costs of such employment (42 USC 2753(b)(5); 34 CFR section 675.26(a)).

The Federal share of FWS for work at private-for-profit organizations is limited to 50 percent (34 CFR section 675.26(a)(3)).

However, a Federal share of 100 percent is allowable when the work is performed by the student for the institution, a public agency, or a private non-profit organization and:

a. The institution is under the Tribally Controlled Colleges and Universities Program or the Historically Black Colleges and Universities Program;

b. The institution received a waiver of the matching requirement from ED (see http://www2.ed.gov/about/offices/list/ope/idues/eligibility.html) under one of the following eligible programs:

(1) Developing Hispanic-Serving Institution Program,

(2) Strengthening Institutions Program,

(3) Alaskan Native and Native Hawaiian-Serving Institutions Program,

(4) Asian American and Native American Pacific Islander-Serving Institutions Program,

(5) Native American-Serving Nontribal Institutions Program,

(6) Hispanic-Serving Institutions and Articulation Program,

(7) Promoting Postbaccalaureate Opportunities for Hispanic Americans Program, or

(8) Predominantly Black Institutions Program; or

c. The student is (1) employed as a reading tutor for preschool-age children or elementary school children, (2) employed as a mathematics tutor for children in elementary school through ninth grade, (3) employed in a community service activity and performing civic education and participation activities in a project, or (4) performing family literacy activities in a family literacy project that provides services to families with preschool-age children or elementary school children (34 CFR section 675.26(d); ED Notice, November 3, 2014, *Federal Register* (79 FR 65197); *FSA Handbook*, Volume 6, Chapter 1

Health Professions Student Loan/Primary Care Loans/Loans for Disadvantaged Students (CFDA 93.342), Nursing Student Loan (CFDA 93.364)

The institution's ICC is one-ninth of the FCC and must be deposited in a health professions student loan fund (42 CFR sections 57.202 and 57.302).

Nurse Faculty Loan Program (NFLP) (CFDA 93.264)

Schools that receive a FCC grant award must contribute an ICC amount equal to not less than one-ninth of the total FCC grant award. The institution's ICC must be deposited in a NFLP loan fund at the school (Section 5311 of the Affordable Care Act and Program Guidance, Section III.2).

2. Level of Effort - Not Applicable

3. Earmarking

Federal Work-Study (CFDA 84.033)

An institution must use at least seven percent of the sum of its initial and supplemental FWS allocations for an award year to compensate students employed in community service activities unless waived by the Secretary of Education. The institution can only use up to 10 percent of its FWS or $75,000, whichever is less, for a JLD program (Section 446(a)(1) of the HEA (42 USC 2756); 34 CFR section 675.18).

J. Program Income

Federal Perkins Loan (CFDA 84.038)

Principal and interest repayments made by students and reimbursements received for canceled loans are reinvested in the FPL revolving fund (34 CFR section 674.8).
Note: Many institutions engage third-party servicers for billing and collection of principal and interest repayments and reimbursements for canceled loans. Although these institutions remain responsible for compliance, auditors of these institutions may exclude testing of the portion of the program income compliance requirement performed by third-party servicers.

L. Reporting

1. Financial Reporting

a. SF-270, *Request for Advance or Reimbursement* – Applicable to ED programs (using the G5 System)

b. SF-271, *Outlay Report and Request for Reimbursement for Construction Programs* – Not Applicable

c. SF-425, *Federal Financial Report* – Not Applicable for ED programs; Applicable for HHS programs

d. Form 270, *Request for Title IV Reimbursement or Heightened Cash Monitoring 2 (HCM2) (OMB No. 1845-0089)* – Applicable only to institutions placed on reimbursement payment method or Heightened Cash Monitoring 2 by ED.

e. *Common Origination and Disbursement (COD) System (OMB No. 1845-0039)* –All schools receiving Pell grants submit Pell payment data to the Department of Education through the COD System.

Schools submit Pell origination records and disbursement records to the COD. Origination records can be sent well in advance of any disbursements, as early as the school chooses to submit them for any student the school reasonably believes will be eligible for a payment. A school follows up with a disbursement record for that student no earlier than (1) 7 calendar days prior to the disbursement date under the Advance or Heightened Cash Monitoring 1 payment methods, or (2) the date of the disbursement under the Reimbursement or Heightened Cash Monitoring 2 payment methods (see ED Notice, June 27, 2017, *Federal Register* (82 FR 29061). The disbursement record reports the actual disbursement date and the amount of the disbursement. ED processes origination and/or disbursement records and returns acknowledgments to the school. The acknowledgments identify the processing status of each record: Rejected, Accepted with Corrections, or Accepted. In testing the Pell Payment origination and disbursement data, the auditor should be most concerned with the data ED has categorized as accepted or accepted with corrections. Institutions must report student payment data within 15 calendar days after the school makes a payment, or becomes aware of the need to make an adjustment to previously reported student payment data or expected student payment data. Schools may do this by reporting once every 15 calendar days, bi-weekly or weekly, or may set up their own system to ensure that changes are reported in a timely manner.

Key items to test on origination records are: Social Security Number, award amount, enrollment date, verification status code, transaction number, cost of attendance, and academic calendar. Key items to test on disbursement records are disbursement date and amount. The information may be accessed by the institution for the auditor (34 CFR section 690.83; *FSA Handbook*, technical references on obtaining reports for each award year are located at https://ifap.ed.gov/ifap/byAwardYear.jsp?type=codtechref&display=single, COD Technical Reference, choose the award year, Volume VI, Appendices, Section 8).

2. Performance Reporting – Not Applicable

3. Special Reporting

ED Form 646-1, *Fiscal Operations Report and Application to Participate (FISAP) (OMB No. 1845-0030)* - This electronic report is submitted annually to receive funds for the campus-based programs. The school uses the *Fiscal Operations Report* portion to report its expenditures in the previous award year and the *Application to Participate* portion to apply for the following year. By September 29, 2017, the institution should submit its FISAP that includes the *Fiscal Operations Report* for the award year 2016-2017 and the *Application to Participate* for the 2018-2019 award year (FPL, FWS, FSEOG 34 CFR section 673.3; *Instruction Booklet for Fiscal Operations Report and Application to Participate*).

Key Line Items – The following line items contain critical information:

Part I, Identifying Information

Part II, Application

- *Information on enrollment*
- *Assessments and expenditures*
- *Information on eligible aid applicants*

Part III, Federal Perkins Loan Program

- *Fiscal Report (Trace material line items)*
- *Fund Activity (Annual) During the XXXX-XX Award Year*
- *Cumulative Repayment Information*
- *Cohort Default Rate*

Part IV, Federal Supplemental Educational Opportunity Grant Program

- *All sections*

Part V, Federal Work-Study (FWS) Program

- *All sections*

Part VI, Program Summary for Award Year

- *Distribution of Program Recipients and Expenditures by Type of Student (Trace a sample of line items)*

N. Special Tests and Provisions

1. Separate Funds (HPSL/PCL/LDS, NSL, FPL)

Compliance Requirement – The institution must maintain a separate fund account for each program (HPSL/PCL/LDS, 42 CFR section 57.205; NSL, 42 CFR section 57.305; and FPL, 34 CFR sections 674.8 and 674.19).

Audit Objective – Determine whether separate fund account(s) were established.

Suggested Audit Procedures

Review accounting records to verify that a separate fund was established for each program.

2. Verification

Compliance Requirements – An institution may participate under an ED-approved Quality Assurance Program (QAP) that exempts it from verifying those applicants selected by the central processor, provided that the applicants do not meet the institution's own verification selection criteria (20 USC 1094a; HEA Section 487A) (*FSA Handbook*, Application and Verification Guide, Chapter 4). An institution not participating under an ED-approved QAP is required to establish written policies and procedures that incorporate the provisions of 34 CFR sections 668.51 through 668.61 for verifying applicant information. Such an institution shall require each applicant whose application is selected by ED to verify the information required for the Verification Tracking Group to which the applicant is assigned. Dear Colleague Letter GEN-16-07 explains the 2017-2018 Verification Tracking Groups and the information required to be verified for each group. GEN-16-07 is available at https://ifap.ed.gov/dcpletters/GEN1607.html. However, certain applicants are excluded from the verification process as listed in 34 CFR section 668.54(b). Specified verification items and acceptable documentation will be listed in the *Federal Register*. For award year 2017-2018, the *Federal Register* notice was published April 1, 2016 (https://ifap.ed.gov/fregisters/attachments/FR040116FAFSA20172018BeVerified) (also see Appendix B to this Part 5).

The institution shall also require applicants to verify any information used to calculate an applicant's EFC that the institution has reason to believe is inaccurate (34 CFR section 668.54(a); *FSA Handbook* Application and Verification Guide, Chapter 4).

Acceptable documentation for the verification is listed in 34 CFR section 668.57 and in the annual *Federal Register* update and in Appendix B located after Section IV, "Other Information," of this Part 5.

Audit Objectives – Determine whether the institution established policies and procedures to verify information in student aid applications, and verified all required information of selected applications in accordance with the requirements.

Suggested Audit Procedures

a. Review the institution's policies and procedures for verifying student applications and verify that they meet the requirements either of 34 CFR section 668.53 or, if applicable, the institution's QAP.

b. If the institution has a QAP, select a sample of applications and review records to ensure that the processes required under the approved QAP were applied.

c. If the institution does not have a QAP, select a sample of applications that were selected by ED for verification and review the student aid files for those applications to ascertain that the institution (1) obtained acceptable documentation to verify the information required for the Verification Tracking Group to which the applicant is assigned; (2) matched information on the documentation to the student aid application; and, (3) if necessary, submitted data corrections to the central processor and recalculated awards.

3. Disbursements to or on Behalf of Students

Compliance Requirements

Title IV Programs - General

a. The payment period for a student enrolled in an eligible program that measures progress in credit hours and has standard academic terms (semesters, trimesters, or quarters), or has non-standard terms that are substantially equal in length, is the academic term (34 CFR section 668.4(a)). (Non-standard terms are substantially equal in length if no term is more than 2 weeks of instructional time longer than any other term (34 CFR section 668.4(h)).

b. The payment period for a student enrolled in an eligible program that measures progress in credit hours and uses non-standard terms that are not substantially equal in length is as follows (34 CFR section 668.4(b)):

(1) For Pell Grant, IASG, FSEOG, Perkins, and TEACH Grants, the payment period is the academic term.

(2) For Direct Loans,

(a) If the program is one academic year or less in length, (i) the first payment period is the period of time in which the student successfully completes half the number of credit hours in the program and half the number of weeks of instructional time in the program, and (ii) the second payment period is the period of time in which the student completes the program.

(b) If the program is more than one academic year in length–

(i) For the first academic year and any subsequent full academic year:

(A) The first payment period is the period of time in which the student successfully completes half the number of credit hours in the academic year and half the number of weeks of instructional time in the academic year; and

(B) The second payment period is the period of time in which the student completes the academic year.

(ii) For any remaining portion of an eligible program that is more than half, but less than a full, academic year in length:

(A) The first payment period is the period of time in which the student successfully completes half the number of credit hours in the remaining portion of the program and half the number of weeks of instructional time in the remaining portion of the program; and

(B) The second payment period is the period of time in which the student successfully completes the remainder of the program.

(iii) For any remaining portion of an eligible program that is not more than half an academic year, the payment period is the remainder of the program.

c. The payment period for a student enrolled in an eligible program that measures progress in credit hours and does not have academic terms or for a program that measures progress in clock hours (34 CFR section 668.4(c)):

(1) If the program is one academic year or less in length, (a) the first payment period is the period of time in which the student successfully completes half the number of credit or clock hours in the program and half the number of weeks instructional time in the program; and (b) the second payment period is the period of time in which the student successfully completes the program.

(2) If the program is more than one academic year in length–

(a) For the first academic year and any subsequent full academic year, (i) the first payment period is the period of time in which the student successfully completes half the number of credit or clock hours in the academic year and half the number of weeks of instructional time in the academic year, and (ii) the second

payment period is the period of time in which the student successfully completes the academic year.

(b) For any remaining portion of an eligible program that is more than half but less than a full academic year in length, (i) the first payment period is the period of time in which the student successfully completes half the number of credit or clock hours in the remaining portion of the program and half the number of weeks of instructional time in the remaining portion of the program, and (ii) the second payment period is the period of time in which the student successfully completes the remainder of the program.

(c) For any remaining portion of an eligible program that is not more than half an academic year, the payment period is the remainder of the program.

d. If an institution is unable to determine when a student has successfully completed half of the credit hours in a program, academic year, or remainder of a program, the student is considered to begin the second payment period of the program, academic year, or remainder of a program at the later of (i) the date the institution determines the student has completed half of the academic coursework in the program, academic year, or remainder of the program; or (ii) half the number of weeks of instructional time in the program, academic year, or remainder of the program (34 CFR section 668.4(c)(3)).

If a student withdraws from a credit-hour program that does not have academic terms or a clock-hour program during a payment period and reenters the same program within 180 days, the student remains in that same payment period upon reentry and is eligible to receive, subject to conditions established by ED, any Title IV funds for which they were eligible prior to withdrawal, including funds returned as a result of a return of funds calculation (34 CFR section 668.4(f)).

If a student withdraws from a credit-hour program that does not have academic terms or a clock-hour program during a payment period and reenters the same program after 180 days or transfers into another program (either at the same institution or at a different institution) at any time, the student generally starts a new payment period (34 CFR section 668.4(g)). (See exception to this general rule in 34 CFR section 668.4(g)(3)).

e. The institution may not make a disbursement to a student for a payment period until the student is enrolled in classes for that payment period, unless the student is registered at least half-time (34 CFR section 668.32(a)(2)) and the loans are disbursed by electronic funds transfer (EFT) to an account of the school or by master check. In those situations, the school must obtain the student's (or in the case of parent a PLUS loan, the parent borrower's) written authorization for the release of the initial and any subsequent disbursement of each loan, unless authorization was provided in the loan application or Master Promissory Note.

The institution must deliver the proceeds to the student or borrower or credit the student's account, notifying the student or parent borrower in writing (34 CFR section 668.165). The earliest an institution may disburse SFA funds (other than FWS) (either by paying the student directly or crediting the student's account) is 10 days before the first day of classes of the payment period for which the disbursement is intended (34 CFR section 668.164(i)). (If an institution uses its own funds, i.e., funds not drawn down from ED, earlier than 10 days before the first day of classes, ED considers that the institution made that disbursement on the 10th day before the first day of classes (34 CFR section 668.164(a)(2)). There are two exceptions to this rule. First, institutions may not disburse or deliver the first installment of Direct Loans to first-year undergraduates who are first time borrowers until 30 days after the student's first day of classes (34 CFR section 668.164(i)(2)), unless the institution has low default rates as discussed in the next paragraph. The second exception applies to a student who is enrolled in a clock hour educational program or a credit hour program that is not offered in standard academic terms. The earliest the institution may disburse funds is the later of 10 days before the first day of classes for the payment period or, except for certain circumstances under the Direct Loan program, the day the student completed the previous payment period (34 CFR section 668.164(i)(1)). The excepted circumstances for Direct Loan programs are described in 34 CFR sections 685.303(d)(3)(ii), (d)(5), and (d)(6) (34 CFR section 668.164(i)).

f. The exceptions for institutions to disburse loans for first-year undergraduates who are first-time borrowers are (1) an institution with cohort default rates of less than 15 percent for each of the 3 most recent fiscal years for which data are available does not have to wait the 30 days, and (2) an institution that is an eligible home institution that certifies a loan to cover the student's cost of attendance in a study-abroad program and has a cohort default rate of less than 5 percent for the single most recent fiscal year for which data are available does not have to wait the 30 days (34 CFR section 685.303(b)(5)).

g. The institution must notify the student, or parent, in writing of (1) the date and amount of the disbursement; (2) the student's right, or parent's right, to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan or the TEACH Grant payments returned to ED; and (3) the procedure and time by which the student or parent must notify the institution that he or she wishes to cancel the loan, TEACH Grant, or TEACH Grant disbursement. The notification requirement for loan funds applies only if the funds are disbursed by EFT payment or master check (34 CFR section 668.165). Institutions that implement an affirmative confirmation process (as described in 34 CFR section 668.165 (a)(6)(i)) must make this notification to the student or parent no earlier than 30 days before, and no later than 30 days after, crediting the student's account at the institution with Direct Loan, FPL funds, or TEACH Grants. Institutions that do not implement an affirmative confirmation process must notify a student no earlier than 30 days before, but no later than 7 days after, crediting the student's account and must give the student 30 days (instead of 14) to cancel all or part of the loan.

h. An institution must return to ED (notwithstanding any State law, such as a law that allows funds to escheat to the State) any Title IV funds, except FWS program funds, that it attempts to disburse directly to a student or parent but they do not receive or negotiate those funds. For FWS program funds, the institution is required to return only the Federal portion of the payroll disbursements. If the institution attempted to disburse the funds by check and the check is not cashed, the funds must be returned no later than 240 days after the date it issued the check. If a check is returned, or an EFT is rejected, the institution may make additional attempts to disburse the funds, provided that the attempts are made no later than 45 days after the funds were returned or rejected. If the institution does not make an additional attempt to disburse the funds, the funds must be returned before the end of the 45-day period and no later than 240 days from the date of the initial attempt to disburse the funds (34 CFR section 668.164(l)).

i. If a student received financial aid while attending one or more other institutions, schools are required to request financial aid history using the NSLDS Student Transfer Monitoring Process. Under this process, a school informs NSLDS about its transfer students. NSLDS will "monitor" those students on the school's "inform" list and alert the school of any relevant financial aid history changes. A school must wait 7 days after it "informs" NSLDS about a transfer student before disbursing Title IV aid to that student. However, a school does not have to wait if it receives an alert from NSLDS during the 7-day period or if it obtains the student's financial aid history by accessing the NSLDS Financial Aid Professional website. When a school receives an alert from NSLDS, before making a disbursement of Title IV aid, it must determine if the change to the student's financial aid history affects the student's eligibility (34 CFR section 668.19).

j. For students whose applications were selected for verification, if the institution has reason to believe that information included in the application is inaccurate, the institution may not (1) disburse any Pell or campus-based aid, (2) employ the applicant in its FWS program, or (3) originate Direct Loans (or process proceeds of previously originated loans) until the applicant verifies or corrects the information. If the institution does not have any reason to believe that the information is inaccurate, the institution may withhold payment of Pell or Campus-based aid, or may make one interim disbursement of Pell or Campus-based aid, employ or allow an employer to employ an eligible student under FWS for the first 60 consecutive days after the student's enrollment and may originate the Direct Loan, but cannot process the proceeds. If the verification process is not complete within the time period specified, the institution shall return loan proceeds. In addition, the institution is liable for an interim disbursement if verification shows that a student received an overpayment or if the student fails to complete verification (34 CFR sections 668.58, 668.60(b)(3), and 668.61)).

Pell

To disburse Pell funds, the institution must have received a valid ISIR from the central processor or a valid SAR from the student by the earlier of the student's last date of enrollment or the deadline date established by the Secretary in a notice published in the *Federal Register* (the deadline date is normally in the month of September following the end of the award year). Late disbursements of Pell for ineligible students are allowed if, before the date the student became ineligible, an ISIR or SAR was processed that contained an official expected family contribution. The institution has discretion in disbursing funds within a payment period, but generally must disburse the full amount before the end of the payment period.

The institution must review and document the student's eligibility before it disburses funds each payment period (34 CFR sections 690.61, 690.75, 690.76, and 668.164(b)(3)). (Requirements for student eligibility are found in Appendix A.)

IASG

IASG disbursements follow Federal Pell grant regulations (20 USC 1070h). (Requirements for student eligibility are found in Appendix A.)

TEACH Grant

To disburse TEACH Grant funds, the institution must ensure that the student (a) is eligible (per 34 CFR section 686.11), (b) has completed the initial or subsequent counseling (required by 34 CFR section 686.32), (c) has signed an agreement to serve (required by 34 CFR section 686.12), (d) is enrolled in a TEACH grant-eligible program, and (e) if enrolled in a credit-hour program without terms or a clock-hour program, has completed the payment period, as defined in 34 CFR section 668.4, for which he or she will be paid a grant (34 CFR section 686.31). (Requirements for student eligibility are found in Appendix A.)

FPL

If the institution is making a loan for a full academic year and uses standard academic terms, the institution must advance a portion of the loan during each payment period. If standard academic terms are not used, it must advance funds at least twice during the academic year - once at the beginning and once at the midpoint. Loan payments must be supported by a signed promissory note (34 CFR section 674.16). (Requirements for student eligibility are found in Appendix A.)

Direct Loan

Except in the case of an allowable late disbursement (34 CFR section 685.303(d)), before disbursing the loan proceeds, the institution must determine that the student maintained continuous eligibility from the beginning of the loan period. An institution under the advance payment method may not disburse loan proceeds until they have obtained a legally enforceable promissory note. An institution under reimbursement or cash

monitoring payment method must have obtained a legally enforceable promissory note and may request funds only for those that they have already disbursed funds to students (34 CFR sections 685.301 and 685.303). (See III.C, "Cash Management," for discussion of payment methods.) (Requirements for student eligibility are found in Appendix A.)

HPSL/PCL/LDS and NSL

Student loans may be paid to or on behalf of student borrowers in installments considered appropriate by the school, except that a school may not pay to or on behalf of any borrowers more than the school determines the student needs for any given installment period (e.g., semester, term, or quarter). However, effective November 13, 1998, the amount of the loan may be increased, in the case of the third or fourth year of a student at a school of medicine or osteopathic medicine, to pay balances of loans that were made to the individual for attendance at the school (42 USC 292r(a)(2); Section 722r(a)(2) of the PHS Act; Pub. L. No. 105-392, Section 134(a)(2)). At the time of payment a HPSL/PCL/LDS borrower must be a full-time student, a NSL borrower must be at least a half-time student (HPSL/PCL/LDS, 42 CFR section 57.209; NSL, 42 CFR section 57.309). Each student loan must be evidenced by a properly executed promissory note (HPSL/PCL/LDS, 42 CFR section 57.208; NSL, 42 CFR section 57.308).

Nurse Faculty Loan Program (NFLP) (CFDA 93.264)

NFLP loans may be paid to or on behalf of student borrowers in installments considered appropriate by the school, except that a school may not pay to or on behalf of any borrowers more than the school determines the student needs for any given installment period (e.g., semester, term, or quarter). At the time of payment, a NFLP borrower must be enrolled full-time or part-time. Each student loan must be evidenced by a properly executed promissory note (Program Guidance, Repayment Provision).

FWS

The student's wages are earned when the work is performed. The institution shall pay the student at least once per month. The Federal share must be paid by check or similar instrument the student can cash on his or her endorsement, or as authorized by the student, by crediting FWS funds to a student's account or by EFT to a bank account designated by the student. The institution may only credit the account for tuition, fees, institutional room and board, and other school-provided goods and services (34 CFR section 675.16). (Requirements for student eligibility are found in Appendix A.)

Audit Objectives - Determine whether disbursements to students were made or returned to the funds provider in accordance with required time frames; and whether required reviews were made and required documents and approvals were obtained before disbursing SFA funds.

Suggested Audit Procedures

a. Review a sample of disbursements to students and verify that they were made or returned in accordance with required time frames, and for Direct Loan schools that are on the reimbursement or cash monitoring payment method, that the institution only requested funds from ED for students to whom the institution had already disbursed funds.

b. Review loan or other files to verify that the institution performed required procedures and obtained required documents prior to disbursing funds.

4. Return of Title IV Funds

Compliance Requirements - Applicable After a Student Begins Attendance

When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV aid earned by the student as of the student's withdrawal date. If the total amount of Title IV assistance earned by the student is less than the amount that was disbursed to the student or on his or her behalf as of the date of the institution's determination that the student withdrew, the difference must be returned to the Title IV programs as outlined in this section and no additional disbursements may be made to the student for the payment period or period of enrollment. If the amount the student earned is greater than the amount disbursed, the difference between the amounts must be treated as a post-withdrawal disbursement (34 CFR sections 668.22(a)(1) through (a)(5)).

Post-withdrawal Disbursements

Post-withdrawal disbursements must be made from available grant funds before available loan funds (34 CFR section 668.22(a)(6)). Post-withdrawal disbursements of grant funds may be credited to the student's account, without the student's authorization, for current-year outstanding charges for tuition, fees, and room and board (if contracted with the institution) on the student's account, up to the amount of those outstanding charges. For current-year outstanding charges other than tuition, fees, and room and board (if contracted with the institution), the institution must have the student's authorization to credit the student's account with grant funds. Any grant funds not disbursed to the student's account must be disbursed to the student no later than 45 days after the date of the institution's determination that the student withdrew (34 CFR section 668.22(a)(6)(ii)(B)(1)).

Post-withdrawal disbursements of loan funds may be credited to the student's account if current-year outstanding charges exist on the student's account, up to the amount of the current-year outstanding charges only after obtaining confirmation from the student, or parent in the case of a parent PLUS loan, that he or she still wishes to have some or all of the loan funds disbursed.

If the institution wishes to credit the student's account with a post-withdrawal disbursement of loan funds or wishes to pay a post-withdrawal disbursement of loan funds directly to the student, or parent in the case of a parent PLUS loan, the institution must, within 30 days of the date the institution determines that the student withdrew, send a written notification to the student, or parent in the case of a parent PLUS loan, that

a. Asks the student or parent if he or she wants a post-withdrawal disbursement of some or all of the loan funds credited to the student's account, or a post-withdrawal disbursement of some or all of the loan funds as a direct disbursement;

b. Explains that, if the borrower does not want the loan funds credited to the student's account, it is up to the school to decide whether it will disburse the loan funds as a direct disbursement to the borrower;

c. Explains the obligation of the borrower to repay any loan funds disbursed; and

d. Explains that no post-withdrawal disbursement will be made (other than a credit of grant funds to the student's account for tuition and fees and room and board, if contracted for with the institution, or a credit of grant funds for other institutional charges for which the institution has the student's authorization or a direct disbursement of grant funds) unless the student or parent responds within 14 days of the date the institution sent the notification (or a later time frame set by the institution), or the institution chooses to make a post-withdrawal disbursement based on a late response (34 CFR sections 668.22(a)(6) and 668.164(c)).

If a student or parent accepts a post-withdrawal disbursement of loan funds, the institution must make the disbursement within 180 days after the date of the institution's determination that the student withdrew and in accordance with the request of the recipient (34 CFR sections 668.22(a)(6)(iii)(C) and 668.164(c)(1), (c)(2), (c)(3), and (j)).

Subject to the above, an institution may credit a student's account for minor prior-award-year charges, if not more than $200 (34 CFR section 668.164(c)(3)).

Withdrawal Date

If an institution is required to take attendance the withdrawal date is the last date of academic attendance, as determined by the institution from its attendance records. An institution is required to take attendance if:

a. The institution is required to take attendance for some or all of its students by an entity outside of the institution (such as the institution's accrediting agency or State agency);

b. The institution itself has a requirement that its instructors take attendance; or

c. The institution or an outside entity has a requirement that can only be met by taking attendance or a comparable process, including, but not limited to, requiring that students in a program demonstrate attendance in the classes of that program or a portion of that program (34 CFR section 668.22(b)(3)).

If an institution is not required to take attendance, the withdrawal date is (1) the date, as determined by the institution, that the student began the withdrawal process prescribed by the school; (2) the date, as determined by the institution, that the student otherwise provided official notification to the school, in writing or orally, of his or her intent to withdraw; (3) if the student ceases attendance without providing official notification to the institution of his or her withdrawal, the midpoint of the payment period or, if applicable, the period of enrollment; (4) if the institution determines that a student did not begin the withdrawal process or otherwise notify the school of the intent to withdraw due to illness, accident, grievous personal loss or other circumstances beyond the student's control, the date the institution determines is related to that circumstance; (5) if a student does not return from an approved leave of absence, the date that the institution determines the student began the leave of absence; or (6) if the student takes an unapproved leave of absence, the date that the student began the leave of absence. Notwithstanding the above, an institution that is not required to take attendance may use as the withdrawal date, the last date of attendance at an academically related activity as documented by the institution (34 CFR sections 668.22(c) and (d)).

An institution that is required to take attendance, or requires that attendance be taken on only one specified day to meet a census reporting requirement, is not considered to take attendance (34 CFR section 668.22(b)(3)(iv).

Calculation of the Amount of Title IV Assistance Earned

The amount of earned Title IV grant or loan assistance is calculated by determining the percentage of Title IV grant or loan assistance that has been earned by the student and applying that percentage to the total amount of Title IV grant or loan assistance that was or could have been disbursed to the student for the payment period or period of enrollment as of the student's withdrawal date. A student earns 100 percent if his or her withdrawal date is after the completion of 60 percent of (1) the calendar days in the payment period or period of enrollment for a program measured in credit hours, or (2) the clock hours scheduled to be completed for the payment period or period of enrollment for a program measured in clock hours (34 CFR section 668.22(e)(2)). Otherwise, the percentage earned by the student is equal to the percentage (60 percent or less) of the payment period or period of enrollment that was completed as of the student's withdrawal date. The percentage of Title IV grant or loan assistance that has not been earned by the student is the complement of one of these calculations. Standard term-based institutions must always use the payment period as the basis for the determination.

The unearned amount of Title IV assistance to be returned is calculated by subtracting the amount of Title IV assistance earned by the student from the amount of Title IV aid that was disbursed to the student as of the date of the institution's determination that the student withdrew (34 CFR section 668.22(e)).

Use of Payment Period or Period of Enrollment

The treatment of Title IV grant or loan funds if a student withdraws must be determined on a payment period basis for a student who attended a standard term-based (semester, trimester or quarter) educational program. The treatment of Title IV grant or loan funds if a student withdraws may be determined on either a payment period basis or a period of enrollment basis for a student who attended a non-term based or a nonstandard term-based educational program. The institution must use the chosen period consistently for all students in the program, except that an institution may make a separate selection of payment period or period of enrollment for students that transfer to the institution or reenter the institution for students who attend a non-term-based or nonstandard term-based program (34 CFR section 668.22(e)(5)). An institution must use the payment period that ends later to calculate a "Return of Title IV Funds" when a student withdraws from a non-standard term credit hour program with terms that are not substantially equal in length, and the student was disbursed or could have been disbursed Title IV aid under more than one payment period definition (34 CFR section 668.22(e)(5)(iii)).

Percentage of Payment Period or Period of Enrollment Completed

The percentage of the payment period completed or period of enrollment completed is determined in the case of a program that is measured in (1) credit hours, by dividing the total number of calendar days in the payment period or period of enrollment into the number of calendar days completed in that period as of the student's withdrawal date; or (2) clock hours, by dividing the total number of clock hours in the payment period or period of enrollment into the number of clock hours scheduled to be completed as of the student's withdrawal date. The total number of calendar days in a payment or enrollment period includes all days within the period, except that institutionally scheduled breaks of at least 5 consecutive calendar days (including module programs that a student is not required to attend for 5 consecutive calendar days) and days in which the student was on an approved leave of absence are excluded from the total number of calendar days in a payment period or period of enrollment and the number of calendar days completed in that period (34 CFR section 668.22(f)).

Institution's Return of Unearned Aid

The institution must return the lesser of (1) the total amount of unearned Title IV assistance to be returned as described above, or (2) an amount equal to the total institutional charges incurred by the student for the payment period or period of enrollment multiplied by the percentage of Title IV grant or loan assistance that has not been earned by the student. If, for a non-term program an institution chooses to calculate the treatment of Title IV assistance on a payment period basis, but the institution charges for a period that is longer than the payment period, "total institutional charges incurred by the student for the payment period" is the greater of (1) the prorated amount of institutional charges for the longer period, or (2) the amount of Title IV assistance retained for institutional charges as of the student's withdrawal date (34 CFR section 668.22(g)).

Student's Return of Unearned Aid

The amount a student is responsible for returning is calculated by subtracting the amount of unearned aid that the institution is required to return from the total amount of unearned Title IV assistance to be returned. However, the student need only return 50 percent of the total grant assistance that was disbursed (and that could have been disbursed) for the payment period or period of enrollment. After the 50 percent rule is applied, a student does not have to return an overpayment amount of $50 or less.

In addition, the Secretary may waive grant overpayments that students are required to return if the students who withdrew were residing in, employed in, or attending an institution located in an area where the President has declared that a major disaster exists (34 CFR sections 668.22(g), 668.22(h)(3), and 668.22(h)(5)).

Allocation of Return of Title IV Funds

Returns of Title IV funds must be distributed in the order prescribed below. The prescribed order must be followed regardless of the school's agreements with other State agencies or private agencies (34 CFR section 668.22(i)).

a. Unsubsidized Federal Direct Stafford Loans

b. Subsidized Federal Direct Stafford Loans

c. Federal Perkins Loan

d. Federal Direct PLUS

e. Federal Pell Grant

f. Federal Supplemental Educational Opportunity Grants

g. Teacher Education Assistance for College and Higher Education Grants

h. Iran and Afghanistan Service Grant

Timing of Return of Title IV Funds

Returns of Title IV funds are required to be deposited or transferred into the SFA account or electronic fund transfers initiated to ED or the appropriate FFEL lender as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. Returns by check are late if the check is issued more than 45 days after the institution determined the student withdrew or the date on the canceled check shows the check was endorsed more than 60 days after the date the institution determined that the student withdrew (34 CFR section 668.173(b)).

An institution must determine the withdrawal date for a student who withdraws without providing notification to the institution no later than 30 days after the end of the earlier of the (1) payment period or period of enrollment, (2) academic year in which the student withdrew, or (3) educational program from which the student withdrew (34 CFR section 668.22(j)).

Compliance Requirements - Applicable for a Student Who Does Not Begin Attendance

When a recipient of Title IV grant or loan assistance does not begin attendance at an institution during a payment period or period of enrollment, all disbursed Title IV grant and loan funds must be returned. The institution must determine which Title IV funds it must return or if it has to notify the lender or the Secretary to issue a final demand letter (34 CFR section 668.21).

Not beginning attendance

A student is considered to have not begun attendance in a payment period or period of enrollment if the institution is unable to document the student's attendance at any class during the payment period or period of enrollment (34 CFR section 668.21(c)).

FPL, FSEOG, TEACH Grants, Pell Grant, and IASG program funds

The institution must return all FPL, FSEOG, TEACH Grants, Pell Grant, and IASG program funds that were credited to the student's account or disbursed directly to the student for that payment period or period of enrollment (34 CFR section 668.21(a)(1)).

Direct Loan Funds

The institution must return all Direct Loan funds that were

a. Credited to the student's account for that payment period or period of enrollment;

b. Payments made directly by or on behalf of the student to the institution for that payment period or period of enrollment, up to the total amount of the loan funds disbursed; or

c. Disbursed directly to the student if the institution knew that a student would not begin attendance prior to disbursing the funds directly to the student for that payment period or period of enrollment (e.g., the student notified the institution that he or she would not attend, or the institution expelled the student).

For remaining amounts of Direct Loan funds disbursed directly to the student for the payment period or period of enrollment (including funds disbursed directly to the student by the lender for a study-abroad program or for a student enrolled in a foreign school), the institution must immediately notify the lender or the Secretary, as appropriate, when it becomes aware that the student will not or has not begun attendance so that the lender

or the Secretary will issue a final demand letter to the borrower in accordance with 34 CFR section 685.211 (34 CFR section 668.21(a)(2)).

Deadline for return of funds by the institution

The institution must return those funds for which it is responsible as soon as possible, but no later than 30 days after the date that the institution becomes aware that the student will not or has not begun attendance (34 CFR section 668.21(b)).

Timely return of funds by the institution

An institution returns Title IV funds timely if:

a. The institution deposits or transfers the funds into the bank account it maintains under 34 CFR section 668.163 as soon as possible, but no later than 30 days after the date that the institution becomes aware that the student will not or has not begun attendance;

b. The institution initiates an EFT as soon as possible, but no later than 30 days after the date that the institution becomes aware that the student will not or has not begun attendance;

c. The institution initiates an electronic transaction, as soon as possible, but no later than 30 days after the date that the institution becomes aware that the student will not or has not begun attendance, that informs the lender to adjust the borrower's loan account for the amount returned; or

d. The institution issues a check as soon as possible, but no later than 30 days after the date that the institution becomes aware that the student will not or has not begun attendance; an institution does not satisfy this requirement if

    (1) The institution's records show that the check was issued more than 30 days after the date that the institution becomes aware that the student will not or has not begun attendance; or

    (2) The date on the cancelled check shows that the bank used by the Secretary endorsed that check more than 45 days after the date that the institution becomes aware that the student will not or has not begun attendance (34 CFR section 668.21(d)).

Audit Objectives - Determine whether the institution is making returns of Title IV funds in the proper amount and in a timely manner and is applying the return of Title IV funds to Federal programs as required.

Suggested Audit Procedures

a. Identify a sample of students who received Title IV assistance who withdrew, dropped out, or never began attendance during the audit period. Review return of Title IV funds determinations/calculations for conformity with Title IV requirements and recalculate.

b. Trace the return of Title IV funds to disbursement and accounting records (including canceled checks to ED and students) to verify that returned Title IV funds were applied to programs in the required order and were timely. Ascertain that within 45 days (or within 30 days for students that never began attendance) of becoming aware that the student had withdrawn, deposits or transfers were made into the Federal funds account, electronic transfers were initiated, or checks were issued. For returns made by check, examine canceled check endorsements and determine if the check was endorsed within the prescribed 60 days (or within 45 days for students that never began attendance).

c. For a sample of students who received Title IV assistance, for which no return of Title IV funds were made, review academic and enrollment records (including class attendance records if they are kept) to ascertain whether the students sufficiently completed the payment or enrollment period to earn the Title IV funds received. When doing this, for students who received all failing and/or all incomplete grades, review records to ascertain whether the students had attended the institution, or had attended but withdrawn.

5. Enrollment Reporting

Compliance Requirements - Under the Pell grant and ED loan programs, institutions must complete and return within 15 days the Enrollment Reporting roster file [formerly the Student Status Confirmation Report (SSCR)] placed in their Student Aid Internet Gateway (SAIG) (*OMB No. 1845-0002)* mailboxes sent by ED via NSLDS (*OMB No. 1845-0035*). The institution determines how often it receives the Enrollment Reporting roster file with the default set at a minimum of every 60 days. Once received, the institution must update for changes in student status, report the date the enrollment status was effective, enter the new anticipated completion date, and submit the changes electronically through the batch method or the NSLDS website (FPL, 34 CFR section 674.19; Pell, 34 CFR section 690.83(b)(2); FFEL, 34 CFR section 682.610; Direct Loan, 34 CFR section 685.309). (**Note**: The automated processes are described in the *NSLDS Enrollment Reporting Guide*, , which is available at https://ifap.ed.gov/ifap/byNSLDSType.jsp?type=NSLDS%20User%20Documentation. Institutions are responsible for timely reporting, whether they report directly or via a third-party servicer. NSLDS will send a Late Enrollment Reporting notification e-mail if no updates are received by batch or online within 22 days after the date the roster was sent to the school. The Enrollment Reporting Summary Report (SCHER1) on the NSLDS website can be created at the request of the institution. It shows the dates the roster files were sent and returned, the number of errors, date and number of online

updates, and the number of late enrollment reporting notifications sent for overdue Enrollment Reporting rosters.

A student's enrollment status determines eligibility for in-school status, deferment, and grace periods, as well as for the payment of interest subsidies to FFEL Program loan holders by ED. Enrollment Reporting in a timely and accurate manner is critical for effective management of the programs. Enrollment information must be reported within 30 days whenever attendance changes for students, unless a roster will be submitted within 60 days. These changes include reductions or increases in attendance levels, withdrawals, graduations, or approved leaves-of-absence.

ED issued a Dear Colleague Letter March 30, 2012 (GEN-12-06) that included enhancements to NSLDS Enrollment Reporting Process and reminders to institutions regarding their responsibilities for NSLDS Enrollment Reporting which are available at http://www.ifap.ed.gov/dpcletters/GEN1206.html. ED also issued a Dear Colleague Letter, dated April 14, 2014 (GEN-14-07), explaining changes to NSLDS Enrollment Reporting Process, which include changes to reporting of additional data, reporting at the academic program level, and more frequent reporting. GEN 14-07 is available at http://www.ifap.ed.gov/dpcletters/GEN1407.html.

Audit Objective – Determine whether the institution is promptly notifying ED, guaranty agencies, or lenders, as appropriate, and NSLDS of changes in student status in a timely and accurate manner.

Suggested Audit Procedures

a. Review, evaluate, and document procedures for updating student status for Pell grants and ED loan recipients, including how often the institution performs the updates.

b. Determine if the school is meeting reporting requirements by having the school access the NSLDS website and create the SCHER1. Compare the dates the roster files were sent to the return dates to verify that the school returned the roster files within 15 days, and report any discrepancies related to the timeliness of the roster files.

c. Test the accuracy and timeliness of the enrollment data certification by selecting a sample of students from the institution's records that had a reduction or increase in attendance levels, graduated, withdrew, dropped out, or enrolled but never attended during the audit period. Compare the data in the NSLDS Enrollment Detail to the students' academic files, and verify that the institution is reporting accurate attendance changes for students within 30 days (unless the roster file will be submitted within 60 days) and report discrepancies.

6. Student Loan Repayments (FPL, HPSL/PCL/LDS and NSL, and NFLP)

Compliance Requirements - FPL loans, and HPSL/PCL/LDS and NSL loans made prior to November 13, 1998, including accrued interest, are repayable in equal or graduated periodic installments in amounts calculated on the basis of a 10-year repayment period. For HPSL/PCL/LDS loans the repayment period is not less than 10 and not more than 25 years, at the discretion of the institution. For NSL loans after November 13, 1998, the 10-year repayment period may be extended for 10 years for any student borrower who, during the repayment period failed to make consecutive payments and who, during the last 12 months of the repayment period, has made at least 12 consecutive payments (42 USC 292r(c) and 297b(b)(8) (Sections 722(c) and 836(b)(8) of PHS Act); Pub. L. No. 105-392, Sections 133(a)(2) and 134(a)(3)). Except as required in 42 CFR section 57.210(a), a repayment of a HPSL/PCL/LDS loan must begin one year after the student ceases to be a full-time student. For a NSL loan, repayment must begin 9 months after the student ceases to be a full-time or half-time student, except as required in 42 CFR section 57.310(a). For a FPL loan, the institution must establish a repayment plan. The repayment period begins after an initial grace period of either 6 months or 9 months after the student ceases to be at least a half-time student at an institution of higher education, depending on when the loan was made (34 CFR section 674.31(b)(2)).

For NFLP, loans are repayable in equal or graduated periodic installments in amounts calculated on the basis of a 10-year repayment period. Following graduation from the nursing program, up to 85 percent of the principal and interest of an NFLP loan can be cancelled if the student borrower serves as full-time nurse faculty for 4 years. For this program, "full-time" is defined as either (1) a full-time faculty member at an accredited school of nursing; or (2) a part-time faculty member at an accredited school of nursing, in combination with another part-time faculty position or part-time clinical preceptor position affiliated with an accredited school of nursing that, together, equate to full-time employment. The loan cancellation over the 4-year period is as follows: (1) the school will cancel 20 percent of the principal and interest on the NFLP loan, as determined on the first day of employment, upon completion by the borrower of each of the first, second, and third years of full time employment as a faculty member in a school of nursing; and (2) the school will cancel 25 percent of the principal and interest on the NFLP loan, as determined on the first day of employment, upon completion of the fourth year of full-time employment as a faculty member in a school of nursing. Repayment on the remaining 15 percent of the loan balance is postponed during the cancellation period. NFLP loans are repayable and/or cancelled over a 10-year repayment period. NFLP loans accrue interest at a rate of three percent per annum for loan recipients who establish employment as full-time nurse faculty (Funding Opportunity Announcements https://bhw.hrsa.gov/fundingopportunities/default.aspx?id=bd03570b-3eb6-4a77-a1e3-4326ce292907).

FPL borrowers may be eligible for loan deferments under certain circumstances. Examples of when loan payments may be deferred are when the borrower is enrolled at least half-time at an eligible institution; enrolled in a graduate fellowship program; engaged in graduate or post-graduate fellowship-supported study outside the United States; or enrolled in a rehabilitation training program. A borrower of FPL may qualify

for a deferment if the borrower is seeking and unable to find full-time employment or is suffering an economic hardship. An FPL borrower also may qualify for a deferment for certain qualifying military service. In addition to these deferments, FPL borrowers who received their loans prior to July 1, 1993, may qualify for a variety of deferments. A borrower may receive a deferment for a period when the borrower is engaged in service that would qualify for a cancellation (34 CFR sections 674.34, 674.35, 674.36, and 674.37).

To qualify for a deferment of an FPL loan, the borrower is required to submit to the institution to which the loan is owed a request for the deferment, with documentation required by the institution, by the date established by the institution. A school may grant a deferment request if the school can confirm that the borrower has received a deferment on another FPL, FFEL, or Direct Loan for the same reason and the same time period. For an in-school deferment, the institution may grant the deferment based on student enrollment information showing that a borrower is enrolled as a regular student on at least a half-time basis, if the institution notifies the borrower of the deferment and of the borrower's option to cancel the deferment and continue paying on the loan (34 CFR section 674.38).

FPL loans may be canceled based on qualifying employment (1) as a teacher at certain schools or in specified fields; (2) as a nurse or medical technician; (3) in a public or private non-profit child or family service agency; (4) as a professional provider of early intervention services; (5) as a firefighter; (6) as a faculty member in a Tribal College or University; (7) as a librarian or speech pathologist with a master's degree; or (8) in an early childhood education program. FPL loans may be cancelled based on qualifying service as a law enforcement or corrections officer or for qualifying military service. FPL loans may be cancelled for service as volunteer in the Peace Corps or in Americorps Volunteers in Service to America. Cancellation rates (amount of loan that is canceled for each year of qualifying service) for FPL loans vary, depending on the criteria. Specific requirements for cancellation vary (34 CFR sections 674.51 through 674.60). FPL cancellations have not been reimbursed to institutions since the 2008-2009 award year. Although FPL service cancellations are not funded, schools must still offer and apply applicable cancellations to borrowers (ED memorandum on Perkins Cancellations which is available at (http://ifap.ed.gov/eannouncements/051314FederalPerkinsLoanServiceCancellationReimbursement20122013.html).

To qualify for a cancellation of an FPL loan, the borrower is required to submit to the institution to which the loan is owed a written request for the cancellation, with documentation required by the institution, by the date established by the institution (34 CFR section 674.52).

An FPL loan may be discharged due to school closure, bankruptcy of the borrower, or the death or total and permanent disability of the borrower (34 CFR sections 674.33(g), 674.49, and 674.61).

Loans under the HPSL/PCL/LDS, NSL, and NFLP programs may be cancelled only in the event that the borrower dies or becomes disabled.

(FPL, 34 CFR sections 674.33 through 674.40, and 674.51 through 674.62; HPSL/PCL/LDS; 42 CFR sections 57.211 and 57.213a; NSL; 42 CFR sections 57.311 and 57.313a; and NFLPAdministrative Guidelines, Disability and Death (https://bhw.hrsa.gov/loansscholarships/schoolbasedloans/nflp)).

Institutions must exercise due care and diligence in the collection of loans (HPSL/PCL/LDS, NSL, and NFLP, 42 CFR sections 57.210(b) and 57.310(b), and NFLP Program Guidance, Institutional Responsibility in Repayment Process, respectively). For the FPL, such due diligence procedures include the following:

a. A requirement to conduct an exit interview with the borrower before he or she leaves the institution and to contact the borrower a minimum of three times during the initial grace period for loans with 9-month grace periods or two times for loans with 6-month grace periods (34 CFR section 674.42).

b. Specific billing procedures to notify borrowers of overdue payments and to demand overdue amounts (34 CFR section 674.43).

c. Specific collection procedures to recover amounts from defaulted borrowers who do not respond satisfactorily to demands routinely made as part of the institution's billing procedures, including litigation procedures (34 CFR section 674.45).

Audit Objectives - Determine whether institutions are processing deferment and cancellation requests and servicing loans as required.

Suggested Audit Procedures

Note: Many institutions engage third-party servicers for billing, collection, and processing deferment and cancellation requests. Although these institutions remain responsible for compliance, auditors of these institutions may exclude the audit procedures below for the compliance requirements performed by a third-party servicer.

a. Select a sample of loans that entered repayment during the audit period and review loan records to verify that the conversion to repayment was timely, and that a repayment plan was established.

b. Review the institution's requirements for applying for and documenting eligibility for loan deferments and cancellations. Select a sample of loans that were deferred or cancelled during the audit period and review documentation to ascertain whether the deferments or cancellations were adequately supported.

c. Select a sample of loans that have defaulted during the year and review loan records to ascertain if the required interviews, contacts, billing procedures and collection procedures were carried out.

7. Federal Work-Study Agreements

Compliance Requirement – FWS students may be employed by the institution, a Federal, State, or local agency, a private not-for-profit organization, or a private for-profit organization but the employment must not (1) impair existing service contracts; (2) displace employees; (3) fill jobs that are vacant because the employer's regular employees are on strike; or (4) involve the construction, operation, or maintenance of any part of a facility used or to be used for religious worship or sectarian instruction. The institution must enter into a written agreement with any agency or organization providing employment under the FWS program (34 CFR sections 675.20 through 675.23).

Audit Objective – Determine whether written agreements with non-institutional employers are made as required.

Suggested Audit Procedure

Select a sample of participating students and ascertain if written agreements with the non-institutional employers were executed.

8. Borrower Data Transmission and Reconciliation (Direct Loan)

Compliance Requirement – Institutions must report all loan disbursements and submit required records to the Direct Loan Servicing System (DLSS) via the COD within 15 days of disbursement (*OMB No. 1845-0021*). Each month, the COD provides institutions with a School Account Statement (SAS) data file which consists of a Cash Summary, Cash Detail, and (optional at the request of the school) Loan Detail records. The school is required to reconcile these files to the institution's financial records. Since up to three Direct Loan program years may be open at any given time, schools may receive three SAS data files each month (34 CFR sections 685.102(b), 685.301, and 303). (**Note**: An electronic announcement dated December 21, 2017 describes the reconciliation process and is available at: https://ifap.ed.gov/eannouncements/122117WilliamDFordFedDirectLoanPrgmReconciliation.html.)

Audit Objectives - Determine whether the institution reconciled SAS data files to institution records each month. Determine whether dates and amounts of disbursements to borrowers recorded in the DLSS are supported by the institution's records on individual borrowers.

Suggested Audit Procedures

a. Test a sample of the SAS and ascertain that reconciliations are being performed. Instructions for obtaining specific borrower information are available at http://www.ed.gov/about/offices/list/oig/nonfed/sfa.html.

b. Test a sample of borrowers to verify that disbursement dates and amounts in the DLSS are supported by the institution's records.

9. Institutional Eligibility

Compliance Requirements

a. An institution is not eligible to participate in Title IV programs if for the *award year* (year ending June 30) that ended during the institution's fiscal year (34 CFR section 600.7):

(1) More than 50 percent of its courses were correspondence courses;

(2) 50 percent or more of its regular students (i.e., students enrolled for the purpose of obtaining a degree, certificate or diploma) were enrolled in correspondence courses;

(3) 25 percent or more of its regular students were incarcerated;

(4) More than 50 percent of its regular students were enrolled as "ability-to benefit students," i.e., without a high school diploma, the recognized equivalent *and* the institution did not provide a 4- or 2-year program for which it awards a bachelor's or associate degree, respectively.

(**Note**: "Correspondence course" is defined in 34 CFR section 600.2.)

b. The institution is prohibited for paying any commission, bonus, or other incentive payment based, in any part, directly or indirectly, upon success in securing enrollments or the award of financial aid, to any person or entity engaged in any student recruiting or admission activities, or in making decisions regarding the awarding of Title IV, HEA program funds. This limitation does not apply to the recruitment of foreign students residing in foreign countries who are not eligible to receive Title IV, HEA program funds (34 CFR section 668.14(b)(22)(i)). Title 34 CFR section 668.14(b)(22)(ii) describes specific activities and arrangements that an institution may carry out without violating this regulatory prohibition. It also contains a provision applying this same prohibition to any entity or person engaged by the institution to deliver services to it (34 CFR section 668.14(b)(22)(iii)(C)). The auditor should refer to the specific text of these regulations when auditing this compliance requirement.

c. Institutions must establish and publish reasonable standards for measuring whether eligible students are maintaining satisfactory progress in their educational program. The institution's standards are reasonable if the standards (34 CFR sections 668.16(e) and 668.34) do the following:

(1) Are the same as or stricter than the standards for a student enrolled in the same program that is not receiving Title IV student financial aid;

(2) Provide for consistent application of standards to all students within categories of students and educational programs;

(3) Provide for the student's academic progress to be evaluated

(a) at the end of each payment period if the educational program is either one academic year in length or shorter than an academic year; or

(b) for all other educational programs, at the end of each payment period or at least annually to correspond with the end of a payment period;

(4) Include a qualitative component, which generally consists of grades that are measurable against a norm, and a quantitative component that consists of a maximum time frame for completion of the educational program. That time frame must, for an undergraduate program, be no longer than 150 percent of the published length of the educational program;

(5) Provide a policy that, if at the time of each evaluation, the student has not achieved the required GPA or is not successfully completing their program of study at the required pace, they no longer are eligible for Title IV aid;

(6) Provide specific procedures for disbursements to students on financial aid warning status or financial aid probation status;

(7) If the institution permits the student to appeal a determination, provide specific procedures how the student may reestablish eligibility to receive Title IV; basis on which a student may file an appeal; and information that the student must submit regarding why they failed satisfactory academic progress and how they have changed that will now allow the student to make satisfactory academic progress at the next evaluation;

(8) If the institution does not permit the student to appeal a determination, provide a policy for a student to reestablish their eligibility to receive Title IV assistance; and

(9) Provide notification to the students of their results of an evaluation that impacts their eligibility for Title IV.

d. Each institution's most recent Eligibility and Certification Approval Report (ECAR) lists the institution's main campus and any additional approved locations. For any other locations at which a school offers 50 percent or more of an eligible program during the audit period, the institution must either submit an application for approval of that location or notify ED of that location (34 CFR sections 600.20(c) and 600.21(a)(3)).

Audit Objective – Determine whether the institution meets the above institutional eligibility requirements as applicable.

Suggested Audit Procedures

a. For the award year that ended during the fiscal year, obtain from the institution its calculation of its award year institutional eligibility ratios of correspondence courses, students enrolled in correspondence courses, and incarcerated and "ability-to-benefit students." Ascertain the proper classification and completeness of data and accuracy of the calculations.

b. Ascertain the methodologies used to recruit, admit, and enroll students, and award Federal financial aid, e.g., using employees, employment contracts, contracting with third parties or Internet providers, or combinations of these or other methods.

(1) For institutional employees who recruit, admit, and enroll students, and award federal financial aid, evaluate the compensation plans and all forms of compensation to the employees, to ensure that the institution is in compliance with the regulatory requirements.

(2) For contracts with third parties who recruit, admit, and enroll students, and award financial aid for the institution, read the contracts to identify any provisions indicating that third parties were to act in a manner contrary to regulations pertaining to paying commissions, bonuses or other incentive payments. Also, review payments made to third parties to determine if payments were made in excess of contractual provisions. Determine if excess payments were made to cover commissions, bonuses, or other incentive payments, made by the third-party servicer contrary to the regulations.

c. Ascertain from a review of the institution's published satisfactory progress standards that all required elements are included in the standards and, from the test of students sampled, ensure the students are making satisfactory academic progress, and if not, the regulations are followed.

d. Obtain the ECAR that was in effect for the audit period and identify the main campus and any additional locations. Ascertain if the institution is offering more than 50 percent of an eligible program at any locations not on the ECAR. If so, determine if the institution notified ED of the additional location or submitted an application for approval of the additional location.

10. Zone Alternative (Not applicable to public entities)

Compliance Requirements – For an institution to participate in any Title IV, HEA program, the institution must be financially responsible (34 CFR section 668.171(a)). (**Note**: Institutions become ineligible to participate in the Federal student aid programs if they have filed bankruptcy (34 CFR section 600.7(a)(2).) Limited participation under provisional certification from ED may be available to institutions that do not meet the financial responsibility standards, which also imposed the "zone alternative" requirement (34 CFR section 668.175(f)).

Under the zone alternative, an institution is required to make disbursements to students and parents under either the cash monitoring or reimbursement payment method (34 CFR section 668.175(d)(2)(i)). (See III.C, "Cash Management," above.) The institution must also notify the Secretary by certified mail, electronic, or facsimile transmission no later than 10 days after one of the following events occurs (34 CFR section 668.175(d)(3)(i)):

a. Any adverse action, including a probation or similar action, taken against the institution by its accrediting agency;

b. Any event that causes the institution, or related entity as defined in the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 850, *Related Party Disclosures*, to realize any liability that was noted as a contingent liability in the institution's or related entity's most recent audited financial statement;

c. Any violation by the institution of any loan agreement;

d. Any failure of the institution to make a payment in accordance with its debt obligations that results in a creditor filing suit to recover funds under those obligations or includes the institution filing for bankruptcy;

e. Any withdrawal of owner's equity from the institution by any means, including by declaring a dividend; or

f. Any extraordinary losses, as defined in accordance with FASB, ASC 225-20 (previously Accounting Principles Board (APB) Opinion No. 30) (34 CFR sections 600.7(h) and 668.175(d)(2)(ii)).

Audit Objectives – Determine whether, for the non-profit institution participating in Title IV, HEA programs under the zone alternative, ED was timely notified if any of the events identified in 34 CFR section 668.175(d)(2)(ii) occurred, and disbursements to students and parents complied with the requirements of the cash monitoring or reimbursement payment methods.

Suggested Audit Procedures

a. Obtain a written representation from management as to whether the institution is participating under the "zone alternative." (If it is not, no further procedures relating to this section must be performed. If it is, additional audit procedures must be performed – see suggested procedures below.)

b. Review the institution's disbursement methods and assess whether the institution complied with the cash monitoring or reimbursement method when making disbursements to students and parents.

c. Obtain a written representation from management as to whether any of the events specified at 34 CFR section 668.175(d)(2)(ii) occurred and, if so, whether they notified ED within 10 days in the required manner.

d. Review copies of correspondence received by accrediting agencies for evidence of the occurrence of any of the events specified at 34 CFR section 668.175(d)(2)(ii), including probation or similar action.

e. Obtain a representation from management as to whether, to their knowledge, any legal proceedings have been initiated against the institution for any violation of any loan agreements or any failure to pay creditors.

f. Include in your inquiry to the lawyer regarding litigation, claims, and assessments, a request for any information relating to any legal proceedings against the institution for any violation of any loan agreements or any failure to pay creditors.

g. Ascertain whether any contingent liabilities for the prior fiscal year have been realized.

h. Review accounting records for evidence of withdrawal of owner's equity, by any means, including declaring a dividend.

i. Review accounting records for evidence of extraordinary losses.

11. Written Arrangements with Another Institution, Consortium, or Organization to Provide Educational Programs

Compliance Requirements – An eligible institution may enter into a written arrangement with another eligible institution (or a consortium of eligible institutions) under which the other institution (or consortium) provides all or part of the educational program, if the program(s) provided by the other eligible institution (or consortium members) is (are) otherwise eligible.

If an eligible institution enters into a written arrangement with an institution or organization that is not an eligible institution under which the ineligible institution or organization provides part of the educational program of students enrolled in the eligible institution, that educational program is considered to be an eligible program if it otherwise satisfies the requirements for an eligible program *and* if the ineligible institution or organization has not

a. had its eligibility to participate in the SFA programs terminated by ED;

b. voluntarily withdrawn from participation in the SFA programs under a termination, show-cause, suspension, or similar type of proceeding initiated by the institution's State licensing agency, accrediting agency, guarantor, or ED;

c. had its certification to participate in Title IV revoked by ED; or

d. had its application for certification or recertification to participate in Title IV denied by ED.

If an institution enters into a written agreement with an ineligible institution or organization, the ineligible institution or organization may not provide more than 25 percent of the educational program. However, the ineligible institution or organization may provide more than 25 percent, but less than 50 percent, of the educational program, if

a. the eligible institution and the ineligible institution or organization are not owned or controlled by the same individual, partnership or corporation; and

b. the eligible institution's accrediting agency [or if the institution is a public postsecondary vocational educational institution, the regulating State agency designated per 34 CFR part 603] has specifically determined that the institution's arrangements meet the agency's standards for contracting for educational services (34 CFR section 668.5(c)).

Audit Objective – Determine whether educational programs that are contracted out to ineligible institutions, consortiums, or organizations to provide educational programs to its students do not exceed regulatory limits.

Suggested Audit Procedures

a. Ascertain if the institution has entered into an agreement for its students to complete part of their educational program at another institution, consortium, or organization.

b. If so, ascertain that the institution determined whether or not the contracted institution, consortium, or organization was an eligible institution.

c. If an agreement was entered into with an ineligible institution or organization, verify the percentage of the educational program provided by the contracted institution, consortium or organization.

d. If an ineligible institution or organization is providing more than 25 percent, but less than 50 percent of the program, ascertain that the eligible and ineligible institution or organization are not owned or controlled by the same individual, partnership, or corporation; and that the eligible institution's accrediting agency, or, if the institution is a public postsecondary vocational educational institution, the appropriate State agency specifically determined that the institution's arrangements meet the agency's standards for contracting for educational services.

12. Short Term Programs at Postsecondary Vocational Institutions

Compliance Requirements – For the Direct Loan Program, short-term eligible programs at a postsecondary vocational institution (as defined at 34 CFR section 600.6(a)) must be between 300 - 599 clock hours. They must have been provided for at least one year and must have a substantiated completion and placement rate of at least 70 percent for the most recently completed award year (34 CFR sections 668.8(d)(2)(ii), 668.8(d)(3)(ii), and

668.8(e)). Completion and placement rates must be calculated in accordance with 34 CFR sections 668.8(f) and (g).

An institution must have documentation supporting its placement rates for each student showing that the student obtained gainful employment in the recognized occupation for which he or she was trained or in a related comparable recognized occupation. Examples of satisfactory documentation of a student's gainful employment include, but are not limited to, (1) a written statement from the student's employer, (2) signed copies of State or Federal income tax forms, or (3) written evidence of payments of Social Security taxes (34 CFR section 668.8(g)(2)).

Audit Objective – If there are eligible short-term programs for which students received loans under the Direct Loan program, determine whether the institution's calculation of its completion and placement rates was in accordance with ED requirements.

Suggested Audit Procedures

a. Review the completion and placement calculation to determine that the calculations were computed as specified in 34 CFR sections 668.8(f) and (g).

b. Trace the students used in each of the calculations to records that support the numbers indicated.

c. Randomly select samples of students counted in the completion and placement components of the calculations and trace to records that support their inclusion in that component of the calculation, including records supporting students' gainful employment.

13. Federal Perkins Loan Liquidation

Compliance Requirements – For an institution that decided to stop participating in the Federal Perkins Loan program (Perkins) (CFDA 84.038), the institution is responsible for returning any unspent funds (34 CFR section 668.14(b)(25)). The institution must perform the end-of-participation procedures in which it must (a) notify ED of the intent to stop participating in Perkins (34 CFR section 668.26(b)(1)); (b) inform ED of how the institution will provide for the collection of any outstanding loans made under the program (34 CFR section 668.26(b)(4)); (c) purchase any outstanding loans left in its Perkins portfolios or assign them to ED (34 CFR sections 674.8(d), 674.17(a)(2), and 674.45(d)(2)); and (d) maintain program and fiscal records of all Perkins funds since the most recent Fiscal Operations Report (FISAP) was submitted, and reconcile this information at least monthly (34 CFR section 674.19(d)). The FISAP form is available at https://ifap.ed.gov/ifap/fisap_form.jsp. Additional information can be found in the Federal Perkins Loan Program Assignment and Liquidation Guide, available at https://ifap.ed.gov/cbpmaterials/attachments/PerkinsAssignmentandLiquidationGuide.pdf

Audit Objective – Determine whether the institution ceasing to participate in the Perkins loan program has properly performed end-of-participation procedures.

Suggested Audit Procedures

a. Review, evaluate, and document procedures that the institution used to notify ED of its intent to liquidate its Perkins loan portfolios.

b. If the institution has completed the liquidation of its Perkins loan portfolio, ascertain that the institution has either purchased or assigned to ED any Perkins loans with outstanding balances.

c. If the process of liquidating outstanding loans has not been completed, verify that the institution has informed ED of how the institution will provide for the collection of the outstanding loans made under the program.

d. Ascertain that the institution, as part of its procedures for maintaining program and fiscal records for all transactions that occurred after the most recent FISAP was filed, reconciled the following information:

   (1) All loans for the total number of borrowers that make up the portfolio have been accounted for, including retired loans (including loans purchased) and loans assigned to ED (including validation of the computed accumulated interest charged on the loans);

   (2) Service cancellation data that will be counted in Part III, *Fiscal Report* (Section A, lines 7-25 and 35-52), and all of the data that will be in Part III, *Cumulative Repayment Information* (Section C, lines 1.1 – 5.4);

   (3) The Federal Capital Contribution (FCC) that will be reported at the end of fiscal year under *Fund Activity* (Section B, lines 1-4);

   (4) The Institutional Capital Contribution (ICC) that will be reported at the end of fiscal year under *Fund Activity* (Section B, line 6); and

   (5) Overall cash-on-hand or excess cash amounts (this overall cash-on-hand amount would include payment to the Perkins fund for any loans the school may have purchased) (Section A, Line 1.1).

e. If the liquidation process is complete, validate that the distributional shares of the final capital distribution are calculated using the Over-time Calculation provided in page 9 of the Perkins Liquidation Procedures and that the Federal portion is returned to the U. S. Treasury.

IV. OTHER INFORMATION

All Pell Payment Data for an award year must be submitted by September 30 after the award year. Adjustments for Pell grants not claimed by September 30 can be made if the first audit report for the period in which the unclaimed Pell grants were made contains a finding that the institution made proper Pell awards for which it has not received either reimbursement or credit. Dear Colleague Letter (P-97-2) provides instructions to institutions for reporting the Pell adjustments and describes the auditor's responsibilities. (This information is provided to alert auditors that their clients may request them to perform such additional audit work in conjunction with the single audit, in order to claim Pell adjustments. Unless engaged by a client to do this additional work, it is not otherwise required.)

Part 4 of the Compliance Supplement includes requirements for use by auditors when auditing Guaranty Agencies and Lenders under the FFEL Program (CFDA 84.032). Part 4 requirements, rather than this section, should be used when auditing the FFEL program at guaranty agencies and lenders that are not schools. See below for requirements for schools that are lenders.

Some "statewide" entities are defined to include a guaranty agency and/or governmental lender under the FFEL Program (CFDA 84.032). For such entities, Part 4 should be used to identify pertinent compliance requirements. Auditors for such entities with large loan and loan guarantee programs must consider the provision of 2 CFR section 200.518(b)(3) in determining major programs. When those programs are determined to be major programs, coverage of the FFEL program for a guaranty agency and/or a lender should be identified and reported on separately and listed as a major program in the Summary of Auditor's Results section of the Schedule of Findings and Questioned Costs. In such cases, refer to the program as "CFDA 84.032 - FFEL - Guaranty Agencies" and/or "CFDA 84.032- FFEL - Lenders".

If the SFA Cluster was selected as a major Federal program for a school that is also a lender under the FFEL program, the auditor must also include in the audit coverage work sufficient to render an opinion, as part of the opinion on the SFA Cluster, on the school's compliance with the lender compliance requirements set forth in the Part 4 section for CFDA 84.032 for Lenders. Audit documentation must demonstrate sufficient coverage of those compliance requirements to support that requirement, as well as the compliance requirements set forth in the SFA Cluster. When the SFA Cluster is audited for a school that is a lender, the major program should be listed as a major program in the Summary of Auditor's Results section of the Schedule of Findings and Questioned Costs as "SFA Cluster (including CFDA 84.032 FFEL - Lenders)."

For schools that are lenders, if the SFA Cluster is not selected as a major program, CFDA 84.032 must be covered as a separate major program using the Part 4 section for CFDA 84.032 for Lenders. In such cases, the major program should be listed in the Summary of Auditor's Results section of the Schedule of Findings and Questioned Costs as "CFDA 84.032 - FFEL - Lenders."

APPENDIX A
STUDENT FINANCIAL ASSISTANCE PROGRAMS
STUDENT ELIGIBILITY COMPLIANCE REQUIREMENTS

	Requirements	PELL	IASG	FWS	FSEOG	TEACH	FPL	DIRECT LOAN	HPSL/PCL/LDS	NSL/NFLP	SDS
1.	A regular student enrolled or accepted for enrollment in an eligible program (34 CFR sections 600.2, 668.32(a)(1)(i), 690.75, 675.9, 676.9, 674.9, 685.200, 20 USC 1070h; 42 CFR sections 57.206(a) and 57.306(a), 42 USC 293a(d)(2))	X	X	X	X	X	X	X	X	X	X
2.	U.S. Citizen, National, or provides evidence from the U.S. Citizenship and Immigration Services that he or she is a permanent resident or in the U.S. with the intention of becoming a citizen or permanent resident. (34 CFR sections 668.32(d), 668.33(a), 690.75, 675.9, 676.9, 674.9, 685.200, and 20 USC 1070h) and, for HPL/PCL/LDS, an alien lawfully admitted for permanent residence in the U.S. or a citizen of the Commonwealth of the Northern Mariana Islands, the Republic of Palau, the Republic of the Marshall Islands, or of the Federated States of Micronesia (42 CFR sections 57.206(a) and 57.306(a))	X	X	X	X	X	X	X	X	X	X
3.	Has financial need and total awards do not exceed need (34 CFR 675.9(c), 676.9(c), 674.9(c), 685.200(a)(2)(i), 20 USC 1070a, 42 CFR sections 57.206(b) and 57.306(b); 42 USC 293a(d)(2)); 42 USC 297n-1(c)(2))	X		X	X		X	X[1]	X	X	X
4.	Does not owe a refund on a grant awarded under the Federal Pell Grant or FSEOG programs, or Federal Perkins loan overpayment (34 CFR sections 668.32(g)(4), 690.75, 675.9, 676.9, 674.9, 685.200, 20 USC 1070h; 42 CFR sections 57.206 and	X	X	X	X	X	X	X			

[1] Does not always apply to unsubsidized loans and parent loans.

	Requirements	PELL	IASG	FWS	FSEOG	TEACH	FPL	DIRECT LOAN	HPSL/PCL/LDS	NSL/NFLP	SDS
	57.306)										
5.	Not in default on any student loans (34 CFR sections 668.32(g)(1), 690.75, 675.9, 676.9, 674.9, 685.200, 20 USC 1070h; 42 CFR sections 57.206 and 57.306)	X	X	X	X	X	X	X	X	X	
6.	Has not obtained loan amounts that exceed annual or aggregate loan limits (34 CFR section 668.32(g)(2))	X	X	X	X	X	X	X		X	
7.	Does not have property subject to a judgment lien for a debt owed to the United States (34 CFR section 668.32(g)(3))	X	X	X	X	X	X	X			
8.	Must maintain good standing, or satisfactory progress (34 CFR sections 668.16, 668.32(f), 668.34, 690.75, 675.9, 676.9, 674.9, 685.200, 20 USC 1070h; 42 CFR section 57.306; 42 USC 293a(d)(2))	X	X	X	X	X	X	X	X	X	X
9.	Has registered under Section 3 of the Military Selective Service Act (34 CFR sections 668.32(j), 668.37, 690.75, 675.9, 676.9, 674.9, 685.200,20 USC 1070h; 42 CFR section, 57.206(a)(1)(iv))	X	X	X	X	X	X	X	X		
10.	Has a valid Social Security Number (34 CFR sections 668.32(i), 690.75, 675.9, 676.9, 674.9, 685.200, 20 USC 1070h)	X	X	X	X	X	X	X			
11.	Has a high school diploma, its recognized equivalent, or another indication of high school completion status as documented in 34 CFR 668.32(e) (34 CFR sections 668.32(e), 690.75, 675.9, 676.9, 674.9, 685.200, 20 USC 1070h)	X	X	X	X	X	X	X			
12.	Not been convicted of an offense involving the possession or sale of illegal drugs (34 CFR sections 668.32(l), 668.40, 20 USC 1070h)	X	X	X	X	X	X	X			
13.	Is not enrolled in either an elementary or secondary school (34 CFR section 668.32(b))	X	X	X	X	X	X	X			
14.	In the case of a student who has been convicted of, or has pled nolo	X	X	X	X	X	X	X			

	Requirements	PELL	IASG	FWS	FSEOG	TEACH	FPL	DIRECT LOAN	HPSL/PCL/LDS	NSL/NFLP	SDS
	contendere or guilty to, a crime involving Title IV funds, has completed the repayment of such assistance (34 CFR section 668.32(m))										
15.	For an undergraduate student, has not completed coursework for a first baccalaureate (34 CFR section 668.32(c))	X	X		X	X					
16.	An undergraduate student has received for award year, a SAR or determination of eligibility or ineligibility for a Federal Pell Grant (34 CFR sections 674.9(d), 685.200(a)(1)(iii), 690.75, 20 USC 1070h)	X	X				X	X			
17.	Is enrolled or accepted for enrollment as an undergraduate student at the institution (34 CFR sections 676.9(b), 690.75(a)(2))	X			X						
18.	Is not incarcerated (34 CFR sections 668.32(c)(2)(ii) and (c)(3))	X[2]					X	X			
19.	If the student is not a regular student enrolled or accepted for enrollment in an eligible program (see item 1 above), the student is enrolled in a course of study necessary for enrollment in an eligible program for not longer than one 12-month period (34 CFR section 668.32(a)(1)(ii))							X			
20.	If the student is not a regular student enrolled or accepted for enrollment in an eligible program (see item 1 above), the student is enrolled or accepted for enrollment as at least a half-time student at an eligible institution in a program necessary for a professional credential or certification from a State that is required for employment as a teacher in an elementary or secondary school in that State (34 CFR section			X			X	X			

[2] Students incarcerated in Federal and State penal institutions are not eligible for Pell Grants, but those incarcerated in local penal institutions are eligible.

	Requirements	PELL	IASG	FWS	FSEOG	TEACH	FPL	DIRECT LOAN	HPSL/PCL/LDS	NSL/NFLP	SDS
	668.32(a)(1)(iii))										
21.	Is enrolled or accepted for enrollment as an undergraduate, graduate, or professional student at the institution, (34 CFR sections 674.9(b), 675.9(b), and 685.101(b))			X			X[3]	X			
22	Is enrolled or accepted for enrollment, on at least a half-time basis in a school that participates in the Direct Loan Program (34 CFR sections 668.32(a)(2), 685.200(a)(1)(i))							X			
23.	In the case of a first-time borrower, has not met or exceeded the limitations on the receipt of Direct Subsidized Loans described in 34 CFR section 685.200(f), including not receiving subsidized loans for more than 150 percent of the published length of the borrower's educational program (34 CFR sections 685.200(a)(2)(i)(B), 685.200(f))							X			
24.	Parents can receive a PLUS loan if the conditions in items 2, 4, 5, 10, and 14 above are met by the parent and student (34 CFR section 685.200(c)(2))							X			
25.	Student is willing to repay the loan (34 CFR section 674.9(e))						X				
26.	Students met FSEOG selection criteria (34 CFR section 676.10)				X						
27.	Has submitted a completed application (34 CFR section 686.11(a)(1)(i))					X					
28.	Has signed an agreement to serve (34 CFR sections 686.11(a)(1)(ii) and 668.12)					X					
29.	Is enrolled in a TEACH Grant-					X					

[3] ED issued a Dear Colleague Letter, dated February 17, 2016 (GEN-16-05), explaining additional requirements for awarding Perkins Loans to undergraduate and graduate students. GEN-16-05 is available at http://ifap.ed.gov/dpcletters/GEN1605.html.

	Requirements	PELL	IASG	FWS	FSEOG	TEACH	FPL	DIRECT LOAN	HPSL/PCL/LDS	NSL/NFLP	SDS
	eligible institution in a TEACH Grant-eligible program (34 CFR section 686.11(a)(1)(iii))										
30.	Is completing coursework and other requirements necessary to begin a career in teaching or plans to complete such coursework and requirements prior to graduating (34 CFR section 686.11(a)(1)(iv))					X					
31.	For the purposes of a student in a first post-baccalaureate program, has not completed the requirements for a post-baccalaureate program as described in 34 CFR section 686.2(d) (34 CFR section 668.32(c)(4)(ii))					X					
32.	If first year of an undergraduate program, has a final cumulative secondary school GPA upon graduation of at least a 3.25; a cumulative GPA of at least 3.25 based on courses taken at the institution through the most-recently completed payment period; or a score above the 75th percentile (for that period the test was taken) on at least one of the nationally-normed standardized undergraduate admissions test, which may not include a placement test (34 CFR sections 686.11(a)(1)(v)(A) and (E))					X					
33.	If beyond the first year of an undergraduate program, or a graduate program, a cumulative GPA of at least 3.25 based on courses taken at the institution through the most-recently completed payment period; or a score above the 75th percentile (for that period the test was taken) on at least one of the nationally-normed standardized undergraduate, graduate, or post-baccalaureate admissions test, which may not include a placement test (34 CFR sections 686.11(a)(1)(v)(B) and (E))					X					
34.	If the student is a current or former teacher or a retiree, the student is					X					

	Requirements	PELL	IASG	FWS	FSEOG	TEACH	FPL	DIRECT LOAN	HPSL/PCL/LDS	NSL/NFLP	SDS
	applying for a grant to obtain a master's degree or pursuing certification through a high-quality alternative certification route (34 CFR section 686.11(b)(2))										
35.	The student is eligible if he or she was less than 24 years old when the covered parent or guardian died, or if 24 years old and over, was enrolled at an institution of higher education at the time of the covered parent or guardian's death (20 USC 1070h)		X								

APPENDIX B
STUDENT FINANCIAL ASSISTANCE PROGRAMS
VERIFICATION REQUIREMENTS

FAFSA information	Acceptable documentation
Income information for tax filers a. Adjusted Gross Income (AGI) b. U.S. Income Tax Paid c. Untaxed Portions of IRA Distributions d. Untaxed Portions of Pensions e. IRA Deductions and Payments f. Tax Exempt Interest Income g. Education Credits	For income information listed under items a. through g. for tax filers— (1) 2015 tax account information of the tax filer that the Secretary has identified as having been obtained from the Internal Revenue Service (IRS) through the IRS Data Retrieval Tool[1] and that has not been changed after the information was obtained from the IRS; or (2) A transcript[1] obtained from the IRS that lists 2015 tax account information of the tax filer or (3) A transcript[1] that was obtained at no cost from the relevant taxing authority of a U.S. Territory (Guam, American Samoa, the U.S. Virgin Islands) or Commonwealth (Puerto Rico and the Northern Mariana Islands), or a foreign central government that lists 2015 tax account information of the tax filer . (34 CFR section 668.57(a))
Income information for tax filers with special circumstances a. Adjusted Gross Income (AGI) b. U.S. Income Tax Paid c. Untaxed Portions of IRA Distributions d. Untaxed Portions of Pensions e. IRA Deductions and Payments f. Tax Exempt Interest Income g. Education Credits	(1) For a student or the parent(s) of a dependent student who filed a 2015 joint income tax return and whose income is used in the calculation of the applicant's expected family contribution and who at the time the FAFSA was completed was separated, divorced, widowed, or married to someone other than the individual included on the 2015 joint income tax return— (a) A transcript[1] obtained from the IRS or other relevant taxing authority that lists 2015 tax account information of the tax filer(s) ; and (b) A copy of IRS Form W–2[2] for each source of 2015 employment income received or an equivalent document.[2] (2) For an individual who is required to file a 2015 IRS income tax return and has been granted a filing extension by the IRS— (a) A copy of IRS Form 4868, ''Application for Automatic Extension of Time to File U.S. Individual Income Tax Return,'' that the individual filed with the IRS for tax year 2015; (b) If applicable, a copy of the IRS's approval of an extension beyond the automatic 6-month extension if the individual requested an additional extension of the filing time for tax year 2015; (c) A copy of IRS Form W–2[2] for each source of 2015 employment income received or an equivalent document;[2] and (d) If self-employed, a signed statement certifying the amount of AGI and U.S. income tax paid for tax year 2015. **Note:** An institution may require that, after the income tax return is filed, an individual granted a filing extension submit tax information using the IRS Data Retrieval Tool[1] or by obtaining a transcript[1] from the IRS that lists 2015 tax account information . When an institution receives such information, it must be used to reverify the FAFSA information contained on the transcript[1]. (3) For an individual who was the victim of IRS tax-related identify

	theft— (a) A Tax Return DataBase View (TRDBV) transcript obtained from the IRS; and (b) A statement signed and dated by the tax filer indicating that he or she was a victim of IRS tax-related identify theft and that the IRS has been made aware of the tax-related identify theft. **Note:** Tax filers may inform the IRS of the tax-related identify theft and obtain a TRDBV transcript by calling the IRS's Identify Protection Specialized Unit (IPSU) at 1-800-908-4490. Tax filers who cannot obtain a TRDBV transcript may instead submit another official IRS transcript or equivalent document provided by the IRS if it includes all of the income and tax information required to be verified. Unless the institution has reason to suspect the authenticity of the TRDBV transcript or an equivalent document provided by the IRS, a signature or stamp or any other validation from the IRS is not needed. (3) (4) For an individual who filed an amended tax return with the IRS— (a) A transcript obtained from the IRS that lists 2015 tax account information of the tax filer(s); and (b) A signed copy of the IRS Form 1040X that was filed with the IRS.
Income information for nontax filers a. Income earned from work	For an individual who has not filed and, under IRS or other relevant taxing authority rules (e.g., the Republic of the Marshall Islands, the Republic of Palau, the Federal States of Micronesia, a U.S. Territory or Commonwealth or a foreign central government), is not required to file a 2015 income tax return— (1) A signed statement certifying— (a) That the individual has not filed and is not required to file a 2015 income tax return ; and (b) The sources of income earned from work and amount of income from each source for tax year 2015; 2) A copy of IRS Form W–2[2] for each source of 2015 employment income received or an equivalent document:[2] and 3) Confirmation of non-filing from the IRS or other relevant taxing authority dated on or after October 1, 2016. (34 CFR section 668.57(a))
Number of Household Members	A statement signed by the applicant and, if the applicant is a dependent student, by one of the applicant's parents that lists the name and age of each household member for the 2017-2018 award year and the relationship of that household member to the applicant. **Note**: Verification of number of household members is not required if — • For a dependent student, the household size reported on the ISIR is two and the parent is single, separated, divorced, or widowed, or the household size indicated on the ISIR is three if the parents are married or unmarried and living together; or

	• For an independent student, the household size indicated on the ISIR is one and the applicant is single, separated, divorced, or widowed, or the household size indicated on the ISIR is two if the applicant is married. (34 CFR section 668.57(b))
Number in College	(1) A statement signed by the applicant and, if the applicant is a dependent student, by one of the applicant's parents listing the name and age of each household member who is or will be attending an eligible postsecondary educational institution as at least a half-time student in the 2018-2017 award year in a program that leads to a degree or certificate and the name of that educational institution. (2) If an institution has reason to believe that the signed statement provided by the applicant regarding the number of household members enrolled in eligible postsecondary institutions is inaccurate, the institution must obtain documentation from each institution named by the applicant that the household member in question is, or will be, attending on at least a half-time basis unless— (a) The applicant's institution determines that such documentation is not available because the household member in question has not yet registered at the institution the household member plans to attend; or (b) The institution has documentation indicating that the household member in question will be attending the same institution as the applicant. **Note:** Verification of the number of household members in college is not required if the number in college indicated on the ISIR is "1." (34 CFR section 668.57(c))
	(a)
High School Completion Status	The applicants high school completion status when the applicant attends the institution in 2017-2018. *(1) High School Diploma* (a) A copy of the applicant's high school diploma; (b) A copy of the applicant's final official high school transcript that shows the date when the diploma was awarded; or (c) A copy of the "secondary school leaving certificate" (or other similar document) for students who completed secondary education in a foreign country and are unable to obtain a copy of their high school diploma or transcript. **Note**: Institutions that have the expertise may evaluate foreign secondary school credentials to determine their equivalence to U.S. high school diplomas. Institutions may also use a foreign diploma evaluation service for this purpose. (2) *Recognized Equivalent of a High School Diploma*

	(a) General Educational Development (GED) Certificate or GED transcript; (b) A State certificate or transcript received by a student after the student has passed a State-authorized examination (HiSET, TASC, or other State-authorized examination) that the State recognizes as the equivalent of a high school diploma; (c) An academic transcript that indicates the student successfully completed at least a 2-year program that is acceptable for full credit toward a bachelor's degree at any participating institution; or (d) For a person who is seeking enrollment in an education program that leads to at least an associate degree or its equivalent and who excelled academically in high school but did not finish, documentation from the high school that the student excelled academically and documentation from the postsecondary institution that the student has met its written policies for admitting such students. (3) *Homeschool* (a) If the State where the student was homeschooled requires by law that such students obtain a secondary school completion credential for homeschool (other than a high school diploma or its recognized equivalent), a copy of that credential; or (b) If State law does not require the credential noted in 3(a), a transcript or the equivalent signed by the student's parent or guardian that lists the secondary school courses the student completed and documents the successful completion of a secondary school education in a homeschool setting. **Note**: In cases where documentation of an applicant's completion of a secondary school education is unavailable, e.g., the secondary school is closed and information is not available from another source, such as the local school district or a State Department of Education, or in the case of homeschooling, the parent(s)/guardian(s) who provided the homeschooling is deceased, an institution may accept alternative documentation to verify the applicant's high school completion status. (e.g. DD Form 214 Certificate of Release or Discharge from Active Duty that indicates the individual is a high school graduate or equivalent as alternative documentation.) When documenting an applicant's high school completion status, an institution may rely on documentation it has already collected for purposes other than the Title IV verification requirements if the documentation meets the criteria outlined above (e.g. high school transcripts maintained in the admissions office). Verification of high school completion status is not required if the institution successfully verified and documented the applicant's high school completion status for a prior award year. (34 CFR sections 600.2 and 668.32(e)(1) and (e)(4))
Identity/Statement of Educational Purpose	(1) An applicant must appear in person and present the following documentation to an institutionally authorized individual to verify the applicant's identity— (a) An unexpired valid government-issued photo identification such as, but not limited to, a driver's license, non-driver's identification card, other State-issued identification, or passport. The institution must maintain an annotated copy of the valid government-issued photo

identification that includes—

(i) The date the identification was presented; and

(ii) The name of the institutionally authorized individual who reviewed the identification; and

(b) A signed statement using the exact language as follows, except that the student's identification number is optional if collected elsewhere on the same page as the statement:

Statement of Educational Purpose

I certify that I _____(Print Student's Name) am the individual signing this Statement of Educational Purpose and that the Federal student financial assistance I may receive will be used only for educational purposes and to pay the cost of attending _____(Name of Postsecondary Educational Institution) for 2017-2018.

_____

(Student's Signature)

_____

(Date)

_____

(Student's ID Number)

(2) If an institution determines that an applicant is unable to appear in person to present a valid photo identification and execute the Statement of Educational Purpose, the applicant must provide the institution with—

(a) A copy of an unexpired valid government-issued photo identification such as, but not limited to, a driver's license, non-driver's identification card, other State-issued identification, or passport that is acknowledged in a notary statement or that is presented to a notary; and

(b) An original notarized statement signed by the applicant using the exact language as follows, except that the student's identification number is optional if collected elsewhere on the same page as the statement:

Statement of Educational Purpose

I certify that I _____(Print Student's Name) am the individual signing this Statement of Educational Purpose and that the Federal student financial assistance I may receive will be used only for educational purposes and to pay the cost of attending _____(Name of Postsecondary Educational Institution) for 2017-2018.

_____

(Student's Signature)

_____

(Date)

	_____ (Student's ID Number) (34 CFR section 668.57(d))

[1] An institution may accept a copy of the original 2015 income tax return for tax filers who are—

(a) Consistent with guidance that the Secretary may provide following the period after the IRS processes 2015 income tax returns, unable to use the IRS Data Retrieval Tool or obtain a transcript from the IRS.
(b) Unable to obtain a transcript at no cost from the taxing authority of a U.S. Territory (Guam, American Samoa, the U.S. Virgin Islands) or Commonwealth (Puerto Rico and the Northern Mariana Islands), or a foreign central government that lists tax account information of the tax filer ;

The copy of the 2015 income tax return must include the signature of the tax filer or of one of the filers of a joint income tax return or the signed, stamped, typed, or printed name and address of the preparer of the income tax return and the preparer's Social Security Number, Employer Identification Number, or Preparer Tax Identification Number. For a tax filer who filed an income tax return other than an IRS form, such as a foreign or Puerto Rican tax form, the institution must sue the income information (converted to U.S. dollars) from the lines of that form that correspond most closely to the income information reported on a U.S. income tax return.

An individual who did not return a copy of his or her 2015 tax account information and that information cannot be located by the IRS or other relevant taxing authority, must submit to the institution—

(a) Copies of all IRS Form W-2s or an equivalent document;
(b) Documentation from the IRS or other relevant taxing authority that indicates the individual's 2015 tax account information cannot be located; and
(c) A signed statement that indicates that the individual did not retain a copy of his or her 2015 tax account information.

[2] An individual who is required to submit an IRS Form W–2 or an equivalent document but did not maintain his or her copy should request a duplicate copy from the employer who issued the original or from the government agency that issued the equivalent document. If the individual is unable to obtain a duplicate W–2 or an equivalent document in a timely manner, the institution may permit that individual to provide a signed statement, in accordance with 34 CFR section 668.57(a)(6), that includes —

(a) The amount of income earned from work,
(b) The source of that income, and
(c) The reason that the IRS Form W–2 and an equivalent document is not available in a timely manner.

PART 5 – CLUSTERS OF PROGRAMS

OTHER CLUSTERS

Programs Included in this Supplement Deemed to Be Other Clusters

Agency	CFDA No.	Name of Other Cluster/Program
		Foreign Food Aid Donation Cluster
USDA	None	Food for Progress Program
	None	Section 416(b) Program
		SNAP Cluster
USDA	10.551	Supplemental Nutrition Assistance Program (SNAP)
	10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
		Child Nutrition Cluster
USDA	10.553	School Breakfast Program (SBP)
	10.555	National School Lunch Program (NSLP)
	10.556	Special Milk Program for Children (SMP)
	10.559	Summer Food Service Program for Children (SFSPC)
		Food Distribution Cluster
USDA	10.565	Commodity Supplemental Food Program
	10.568	Emergency Food Assistance Program (Administrative Costs)
	10.569	Emergency Food Assistance Program (Food Commodities)
		Forest Service Schools and Roads Cluster
USDA	10.665	Schools and Roads--Grants to States
	10.666	Schools and Roads--Grants to Counties
		Community Facilities Loans and Grants Cluster
USDA	10.766	Community Facilities Loans and Grants
	10.780	Community Facilities Loans and Grants (Community Programs)
		Economic Development Cluster
DOC	11.300	Investments for Public Works and Economic Development Facilities
	11.307	Economic Adjustment Assistance

Section 8 Project-Based Cluster

HUD	14.182	Section 8 New Construction and Substantial Rehabilitation
	14.195	Section 8 Housing Assistance Payments Program
	14.856	Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation
	14.249	Section 8 Moderate Rehabilitation Single Room Occupancy

CDBG - Entitlement Grants Cluster

HUD	14.218	Community Development Block Grants/Entitlement Grants
	14.225	Community Development Block Grants/Special Purpose Grants/Insular Areas

CDBG - Disaster Recovery Grants - Pub. L. No. 113-2 Cluster

HUD	14.269	Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)
	14.272	National Disaster Resilience Competition

HOPE VI Cluster

HUD	14.866	Demolition and Revitalization of Severely Distressed Public Housing (HOPE VI)
	14.889	Choice Neighborhoods Implementation Grants

Housing Voucher Cluster

HUD	14.871	Section 8 Housing Choice Vouchers
	14.879	Mainstream Vouchers

477 Cluster

DOI	15.025	Services to Indian Children, Elderly and Families
	15.026	Indian Adult Education
	15.113	Indian Social Services – Welfare Assistance
	15.114	Indian Education – Higher Education Grant
	15.130	Indian Education – Assistance to Schools
DOL	17.265	Native American Employment and Training
HHS	93.558	Temporary Assistance for Needy Families
	93.569	Community Services Block Grant
	93.575	Child Care and Development Block Grant
	93.594	Tribal Work Grants – Native Employment Works
	93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund

Note: The DOL and HHS programs listed above have separate program supplements in Part 4 of the Supplement. The 477 cluster or the program supplement applies as indicated at the beginning of the 477 cluster.

Fish and Wildlife Cluster

DOI	15.605	Sport Fish Restoration
	15.611	Wildlife Restoration and Basic Hunter Education

Employment Service Cluster

DOL	17.207	Employment Service/Wagner-Peyser Funded Activities
	17.801	Disabled Veterans' Outreach Program (DVOP)
	17.804	Local Veterans' Employment Representative (LVER) Program

WIOA Cluster

DOL	17.258	WIA/WIOA Adult Program
	17.259	WIA/WIOA Youth Activities
	17.278	WIA/WIOA Dislocated Worker Formula Grants

Highway Planning and Construction Cluster

DOT	20.205	Highway Planning and Construction
	20.219	Recreational Trails Program
	20.224	Federal Lands Access Program
	23.003	Appalachian Development Highway System

Federal Transit Cluster

DOT	20.500	Federal Transit—Capital Investment Grants
	20.507	Federal Transit—Formula Grants
	20.525	State of Good Repair Grants Program
	20.526	Bus and Bus Facilities Formula Program

Transit Services Programs Cluster

DOT	20.513	Enhanced Mobility for Seniors and Individuals with Disabilities
	20.516	Job Access and Reverse Commute Program
	20.521	New Freedom Program

Highway Safety Cluster

DOT	20.600	State and Community Highway Safety
	20.601	Alcohol Impaired Driving Countermeasures Incentive Grants I
	20.602	Occupant Protection Incentive Grants
	20.609	Safety Belt Performance Grants
	20.610	State Traffic Safety Information System Improvements Grants
	20.611	Incentive Grant Program to Prohibit Racial Profiling
	20.612	Incentive Grant Program to Increase Motorcyclist Safety
	20.613	Child Safety and Child Booster Seat Incentive Grants
	20.616	National Priority Safety Programs

CDFI Cluster

Treasury	21.020	Community Development Financial Institutions Program
	21.012	Native Initiatives

Clean Water State Revolving Fund Cluster

EPA	66.458	Capitalization Grants for Clean Water State Revolving Funds
	66.482	Disaster Relief Appropriations Act (DRAA) Hurricane Sandy Capitalization Grants for Clean Water State Revolving Funds

Drinking Water State Revolving Fund Cluster

EPA	66.468	Capitalization Grants for Drinking Water State Revolving Funds
	66.483	Disaster Relief Appropriations Act (DRAA) Hurricane Sandy Capitalization Grants for Drinking Water State Revolving Funds

Special Education Cluster (IDEA)

ED	84.027	Special Education--Grants to States (IDEA, Part B)
	84.173	Special Education--Preschool Grants (IDEA Preschool)

TRIO Cluster

ED	84.042	TRIO--Student Support Services
	84.044	TRIO--Talent Search
	84.047	TRIO--Upward Bound
	84.066	TRIO--Educational Opportunity Centers
	84.217	TRIO--McNair Post-Baccalaureate Achievement

Aging Cluster

HHS	93.044	Special Programs for the Aging—Title III, Part B--Grants for Supportive Services and Senior Centers
	93.045	Special Programs for the Aging—Title III, Part C--Nutrition Services
	93.053	Nutrition Services Incentive Program

Hurricane Sandy Relief Cluster

HHS	93.095	HHS Programs for Disaster Relief Appropriations Act–Non-Construction
	93.096	HHS Programs for Disaster Relief Appropriations Act-Construction

Health Center Program Cluster

HHS	93.224	Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)
	93.527	Grants for New and Expanded Services under the Health Center Program

Maternal, Infant, and Early Childhood Home Visiting Cluster

HHS	93.505	Affordable Care Act (ACA) - Maternal, Infant, and Early Childhood Home Visiting Program
	93.870	Maternal, Infant, and Early Childhood Home Visiting Grant Program

Tribal Maternal, Infant, and Early Childhood Home Visiting Program Cluster

HHS	93.508	Affordable Care Act (ACA) Tribal Maternal, Infant, and Early Childhood Home Visiting Grant Program
	93.872	Tribal Maternal, Infant, and Early Childhood Home Visiting Program.

TANF Cluster

HHS	93.558	Temporary Assistance for Needy Families (TANF) State Programs
	93.714	ARRA – Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Programs

CCDF Cluster

HHS	93.575	Child Care and Development Block Grant
	93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund

Medicaid Cluster

HHS	93.775	State Medicaid Fraud Control Units
	93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
	93.778	Medical Assistance Program

Foster Grandparent/Senior Companion Cluster

CNS	94.011	Foster Grandparent Program
	94.016	Senior Companion Program

Disability Insurance/SSI Cluster

SSA	96.001	Social Security--Disability Insurance (DI)
	96.006	Supplemental Security Income (SSI)

Foreign Food Aid Donation Cluster

USAID	98.007	Food for Peace Development Assistance Program
	98.008	Food for Peace Emergency Program

APPENDIX V
LIST OF CHANGES FOR THE 2018 COMPLIANCE SUPPLEMENT

This Appendix provides a list of changes from the 2017 Compliance Supplement, dated April 2017 for all parts except Part 3 and Appendix V which are dated July 2017.

Table of Contents

- The Table of Contents has been changed to:
  - Modify the program titles for the following program in Part 4 to make consistent with the name in the *Catalog of Federal Domestic Assistance* (CFDA):

    CFDA 84.367 – Supporting Effective Instruction State Grants
  - Explain when the 2018 Supplement adds to or amends the 2017 Supplement.
  - Delete from Part 4 CFDA 84.377 – School Improvement Grants.
  - Delete from Part 4 CFDA 84.395 – State Fiscal Stabilization Fund (SFSF) – Race-to-the-Top Incentive Grants, Recovery Act.
  - Add to Part 4 CFDA 84.424 – Student Support and Academic Enrichment Grants.
  - Add to Part 4 CFDA 93.872 – Tribal Maternal, Infant, and Early Childhood Home Visiting program to form a new cluster with CFDA 93.508, Affordable Care Act (ACA) Tribal Maternal, Infant, and Early Childhood Home Visiting Program.
  - Update the title of Appendix V.
  - Add Appendix VII-A, "Hurricane and NDAA Addendum."

Part 1 - Background, Purpose, and Applicability

- Explained how auditors must use the 2018 Supplement and the 2017 Supplement together to perform the audit.
- Updated for the effective date of the Supplement.
- Added reference to the Appendix VII Addendum.
- Updated for clarity and consistency with other parts of the Supplement.

Part 2 - Matrix of Compliance Requirements

- The 2018 Supplement does not include an updated Matrix of Compliance Requirements. For programs included in this 2018 Supplement the auditor must use the individual program matrices for the programs in Part 4 or the matrix included in the SFA Cluster Part 5 of this 2018 Supplement. Otherwise the auditor must use the matrices in the 2017 Supplement.

Part 3 - Compliance Requirements

- Updated 3.2.I, "Procurement and Suspension and Debarment," to provide information on the impact of the National Defense Authorization Acts (NDAA) of 2017 and 2018 regarding simplified acquisition and micro-purchase thresholds. Additional information on the NDAA is provided in Appendix VII-A, "Other Audit Advisories – Hurricane and NDAA Addendum," in this 2018 Supplement.

Part 4 - Agency Program Requirements

- **CFDAs 20.205, 20.219, 20.224, and 23.003** – Updated II, "Program Procedures," for the Fixing America's Surface Transportation (FAST) Act.

- **CFDA 20.319** – Updated II. "Program Procedures." Added "III.A.3 Activities Allowed or Unallowed." Updated "III.H, Period of Performance" related to the fiscal year 2010 Appropriations Act.

- **CFDAs 20.500, 20.507, 20.525, and 20.526** – Updated name of CFDA 20.526 to 'Bus and Bus Facilities Formula Program." Updated I. Program Objectives, II, "Program Procedures," III.A. "Activities Allowed or Unallowed," and III.G.3, "Matching, Level of Effort, Earmarking – Earmarking," related to Buses and Bus Facilities (Section 5339).

- **CFDA 84.000** – Updated "Introduction;" II, "Program Procedures;" and III.A.3, "Activities Allowed or Unallowed." Updated III.G.2.1, 2.2, and 3, "Matching, Level of Effort, Earmarking – Level of Effort and- Earmarking." Updated III.N.1, "Special Tests and Provisions – Participation of Private School Children." Deleted III.N.2, "Special Tests and Provisions – Schoolwide Programs," deleted III.N.3, "Special Tests and Provisions – Comparability," and renumbered remaining "Special Test and Provisions." The changes were made to reflect the effect of the Every Student Succeeds Act (ESSA) and the end of special waivers under the Elementary and Secondary Education Act of 1965 (ESEA flexibility). Deleted reference to CFDAs 84.377 and 84.395 which were deleted in the 2008 Supplement. Added CFDA 84.424 which was added to the 2018 Supplement throughout the Cross-Cutting Section.

- **CFDA 84.010** – Updated II, "Program Procedures." Updated III.A, "Activities Allowed or Unallowed," for the ESSA amendments. Changed III.E.1, "Eligibility for Individuals," to remove requirement to test eligibility for individuals.

Updated III.E.2, "Eligibility for Group of Individuals or Area of Service Delivery." Updated III.G.3, "Earmarking," for the ESSA amendments. Deleted III.N.2, "Special Tests and Provisions – Schoolwide Programs," deleted III.N.3, "Special Tests and Provisions – Comparability," and renumbered remaining "Special Test and Provisions." Deleted III.N.5, "Special Tests and Provisions - Qualifications of Paraprofessionals**.**" Updated the renumbered III.N.5, 'Special Tests and Provisions - Annual Report Card, High School Graduation Rate" compliance requirements. Updated citation in the renumbered III.N.6, 'Special Tests and Provisions – Assessment System Security."

- **CFDA 84.011 -** Updated I, "Program Objectives," II "Program Procedures," III.A, "Activities Allowed or Unallowed," III.E.1, "Eligibility for Individuals," III.L.3 Special Reporting, and renumbered III.N.2, "Priority for Services," for the ESSA amendments. Deleted III.N.2, "Special Tests and Provisions – Schoolwide Programs," deleted III.N.3, "Special Tests and Provisions – Comparability," and renumbered remaining "Special Test and Provisions."

- **CFDA 84.282 -** Updated I, "Program Objectives," II, Program Procedures," and III.G.3, "Earmarking," III.A, "Activities Allowed or Unallowed," III.E.3, "Eligibility for Subrecipients," and III.G.3, "Earmarking" for the ESSA amendments.

- **CFDA 84.365 -** Updated I, 'Program Objectives," II, "Program Procedures," III.A. "Activities Allowed or Unallowed," and III.G.3, 'Earmarking," for the ESSA amendments. Deleted III.N.2, "Special Tests and Provisions – Schoolwide Programs," and renumbered remaining "Special Test and Provisions."

- **CFDA 84.367** – Updated CFDA name. Updated I, 'Program Objectives," II, "Program Procedures," III.A, "Activities Allowed or Unallowed," E.3, "Eligibility for Subrecipients," III.G.2, "Level of Effort," and III.N.1, "Special Tests and Provisions – Participation of Private School Children" for the ESSA amendments. Deleted III.N.2, "Special Tests and Provisions – Schoolwide Programs," deleted III.N.4, 'Special Tests and Provisions – Assessment of Needs," and renumbered remaining "Special Test and Provisions." Clarified IV, "Other Information."

- **84.377 –** Deleted program from 2018 Supplement.

- **84.395** – Deleted program from 2018 Supplement.

- **84.424** – Added program to the 2018 Supplement.

- **CFDAs 93.224 and 93.527** – Updated weblink in II. Program Procedures = "Availability of Other Program Information." Added II.N.2, "Special Tests and Provisions – Activities Unallowed."

- **CFDA 93.508 and 93.872** – Added 93.872 which is a successor program to 93.508, to form a cluster during the transition period when 93.508 is being phased out. Updated II, "Program Procedures."

- **CFDAs 93.575 and 93.596** – Added III.L.3, "Special Reporting" to add the SF-429 as applicable to Tribal Lead Agencies. Added N.4, "Special Tests and Provisions – Tribal Lead Agencies – Protection of Federal Interest in Real Property and Facilities."

- **CFDA 93.600-** Updated III.L. "Special Reporting" for the SF-429 to add information on electronic submission and to add Key Line Item "7. Report End Date."

- **CFDAs 96.001 and 96.006** –Updated III.N, "Special Tests and Provisions - Consultative Examinations Process," for references in the Compliance Requirement and clarified the Suggested Audit Procedure 1 and 2.

Part 5 - Clusters of Programs

- **Student Financial Assistance Cluster**

  - *ED programs*— Updated link to FSA Handbook in III.C, "Cash Management." Updated III.E.1, "Eligibility – Eligibility for Individuals" with the link to the appropriate Pell Payment and Disbursement Schedule and removed the sentence on the Direct Loan aggregate undergraduate limit of $23,000. Updated III.L.1.e, "Reporting – Financial Reporting" to reference appropriate Federal Register for reporting dates and update link to FSA Handbook. Updated annual FISAP due dates in III.L.3, "Reporting – Special Reporting." In III.N, "Special Tests and Provisions," updated the following: N.2, "Verification," to reference changes to annual Verification Tracking Groups; N.5, "Enrollment Reporting," with a link to the updated Enrollment Reporting Guide; and N.8, "Borrower Data Transmission and Reconciliation (Direct Loan)," to reference a recently issued electronic announcement. Updated Appendix B with FAFSA information to be verified for 2017-2018 award year.

- **Other Clusters**

  - Updated list of other clusters to add a new cluster comprised of CFDAs 93.508 and 93.872.

Appendix V - List of Changes for this 2018 Compliance Supplement

- Updated to provide a list of changes from the Compliance Supplement, dated April and July 2017, to this 2018 Supplement.

Appendix VII -A - Other Audit Advisories – Hurricane and NDAA Addendum

- Added Appendix VII-A to provide guidance to the:
    - Auditor and auditee related to hurricanes Harvey, Irma, and Maria.
    - Auditor related to the National Defense Authorization Acts (NDAA) of 2017 and 2018 on the simplified acquisition and micro-purchase thresholds. Additional information related to the NDAA 2017 and 2018 is provided in Part 3.2.I, “Procurement and Suspension and Debarment” in the 2018 Supplement.

APPENDIX VII-A
OTHER AUDIT ADVISORIES – Hurricane and NDAA Addendum

I. Administrative Relief for Grantees Impacted in 2017 by Hurricanes Harvey, Irma, or Maria

This guidance is to assist auditees, auditors, pass-through entities, and Federal awarding agencies with ensuring appropriate administrative relief for audit related issues resulting from the impact of hurricanes Harvey, Irma, or Maria (Hurricanes) as provided in the memorandum to Federal agencies from the Office of Management and Budget, Office of Federal Financial Management (OFFM) dated October 26, 2017 - (https://cfo.gov/2017/11/17/administrative-relief-for-grantees-impacted-by-hurricane-harvey-irma-and-maria).

In the memorandum, OFFM identified 11 actions to relieve short-term administrative, financial management, and audit requirements under the Uniform Guidance at 2 C.F.R. Part 200 – "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" – without compromise to the grantee accountability requirements.

Regarding item 11 of the Memorandum related to the Single Audit relief for affected grantees, note the following.

1. When the auditee or auditor believe the effects of the Hurricanes caused non-compliance (including internal control deficiencies) cited in audit findings; such facts and circumstances should be explained in the audit finding, views of responsible officials, and the corrective action plan, as appropriate.
2. When the auditee believes the effects of the Hurricanes caused the reporting package to be submitted after the due date in 2 CFR 200.512(a)(1) (Late Submission), the auditee should describe the facts and circumstances in the notes to the Schedule of Expenditures of Federal Awards.
3. While the Uniform Guidance no longer authorizes Federal agencies to provide extensions to the report submission due date or authorizes waivers for the low-risk auditee criteria, Federal awarding agencies and pass-through entities should not impose sanctions for a Late Submission of one year or less when the Hurricanes were the cause of the Late Submission.
4. Federal awarding agencies and pass-through entities, including their program managers and audit resolution officials, should use cooperative audit resolution and give full consideration and appropriate relief when the Hurricanes were a contributing factor in an audit finding.

II. National Defense Authorization Acts (NDAA) of 2017 and 2018

This guidance is intended to assist auditors with reporting expectations related to the purchase threshold changes in the NDAA 2017 and 2018. Additional information is provided in Part 3.2.I, "Procurement and Suspension and Debarment" of the 2018 Supplement on the specific changes made by these Acts.

Although the NDAA of 2017 was enacted on December 23, 2016, it has not been codified by Federal agencies and an official memorandum establishing an effective date for the micro purchase threshold provisions has not been issued by OMB. There is some confusion as to whether the NDAA of 2017 was effective on December 23, 2016, or whether it is only effective once the NDAA of 2017 is codified in the Federal Acquisition Regulation. Therefore, auditors are not expected to develop audit findings for covered entities that implemented increased micro-purchase threshold provisions after December 23, 2016, as long as the entity documented the decision in their internal procurement policies.

Institutions of higher education, or related or affiliated nonprofit entities, nonprofit research organizations or independent research institutes, which had established micro-purchase thresholds up to the $10,000 prior to the enactment of the NDAA 2017, are allowed to continue the use of the same threshold as documented in their internal procurement policies.

The provisions of the NDAA of 2018 will not be effective until they are codified in the Federal Acquisition Regulation. If auditors determine auditees have early implemented the provisions of the NDAA of 2018 for the increased simplified acquisition and micro-purchase thresholds, they are expected to develop audit findings for noncompliance caused by this early implementation.

Additional information is provided in Part 3.2.I, “Procurement and Suspension and Debarment” of this 2018 Supplement.