



## Fiscal Procedures for the Use of IDEA, Part B Funds

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### A. Purpose

The purpose of these procedures is to provide guidance in the allocation, expenditure, and monitoring of funds under IDEA Part B. The FSM Department of Education (NDOE) is the grant recipient for IDEA Part B funds. NDOE administers the expenditure of funds consistent with the National FSM Fiscal Management Regulations (FMR). To ensure compliance with the U.S. regulations regarding the use of Part B funds (OMB Circular A-87, Circular 102 and OMB Circular 133), NDOE establishes the following procedures that must be implemented in addition to the FSM Fiscal Management Procedures.

### B. Definitions

1. **Allowable Costs** – Funds under IDEA Part B are to be used for expenditures associated with the provision of a Free Appropriate Public Education (FAPE) for eligible children with disabilities. Examples of allowable costs include:
  - i. Employment of special education teachers who work with students with IEPs.
  - ii. Purchase of educational supplies, materials, curriculum, and software directly involved with implementing IEPs for students with IEPs.
  - iii. Employment of related service providers who work with students with IEPs.
  - iv. Contracting for additional related service personnel to directly support students with IEPs.
  - v. Purchase of educational supplies, materials, software, technology and curriculum supporting services and devices for students with IEPs.
2. **Budget Modifications** – Any changes to the annual approved budget must be made with the approval of the Chief of Special Services upon written request from the State Special Education Coordinator. The Budget Modification request must be approved and signed by State Director of Education.
3. **Local Performance Reports (LPP)** - Each FSM State will submit an annual Local Performance Plan (LPP) as part of their LEA Application for funding under IDEA Part B. The LPP will include a detailed budget.
4. **Quarterly Progress Reports** – Each FSM State will submit Quarterly Progress Reports detailing progress made towards implementation of their approved LPP. The Quarterly Progress Report will include a Fiscal Status Report.
5. **Advise of Allotment** – Used to release funds to each State DOE based on their approved budget.

### C. LEA Application for Funding

1. **Assurances, Local Performance Plan (LPP), and Budget** – The FSM Department of Education is the recipient of IDEA Part B funds. Each year, NDOE notifies each FSM State of the IDEA Part B Grant Award and provides guidance in applying for funding.

To receive funding, each State must submit an LEA Application. The LEA Application includes Assurances the State must make in following applicable IDEA Part B Regulations, a Local Performance Plan (LPP), and a detailed budget.

2. **NDOE Review** –NDOE reviews the LEA Application and if acceptable, approves the application based on the budget submitted. NDOE may also “Conditionally Approve” the application in which case, the State must comply with any conditions placed on their sub grant award.
3. **Award of Sub Grant to States** - Upon approval or conditional approval, NDOE notifies the State and submits an Advise of Allotment to National Department of Finance and Administration (DFA) for processing. DFA establishes an account and notifies the State that funds are available.

#### **D. Budget Modifications**

1. Once a State has received approval of their LEA application and budget, changes to the budget must be made by the State Special Education Coordinator submitting a written Budget Modification Request to NDOE, Executive Director of Special Education. Budget Modification requests can only be submitted during the first six months of the fiscal year. Budget Modification requests may include new line items with detailed justification.
2. Any budget modification requests will be reviewed by NDOE to determine if the modification is consistent with the approved State LEA Application and with IDEA regulations. If approved, the State will be notified in writing and a revised Approved Budget will be transmitted to the State DOE, State Finance Office, and National Finance Office.

#### **E. LEA Quarterly Progress Reports and Quarterly Release of Funds**

1. **Quarterly Progress Reports** – Each State must submit Quarterly Progress Reports that detail progress being made towards implementing Improvement Activities within their LPP as well as progress being made towards the timely correction of any identified findings of non compliance made during both on-site and off-site monitoring.
2. **Financial Status Reports** – As part of the Quarterly Progress Report, each State must submit a Fund Status Report using the 132B or related reporting form. This report must detail expenditures made to date. Additionally, if, at the end of a quarter, a State is experiencing any significant delays in the expenditure of IDEA Part B funds, they must include a description of the cause and actions that will be taken to correct the delay and expend funds in a timely manner.

#### **F. Procurement – All procurement using IDEA Part B funds must comply with the following procedures:**

##### **1. Prior Approval –**

- a. **FSM National Department of Education (NDOE) receives funding under Part B of the U.S. Individuals with Disabilities Education Act (IDEA). Regulations governing the expenditure of funds under this program are covered within the U.S. Education Department General Administrative Regulations (EDGAR).**

1. **EDGAR – 34 CFR §80.42b – Expenditures relating to the acquisition of equipment with a useful life of more than one year and acquisition costs in excess of \$5,000 per unit require prior approval from the grantor agency.**
2. **To comply with §80.42b NDOE requires that all fixed asset procurements, using IDEA Part B funds, in excess of \$5,000 per unit to obtain prior grantor approval from the U.S Department of Education, Office of Special Education (OSEP).**

- b. **State IDEA Part B Budgets** – NDOE annually makes available to each FSM State an LEA Application package that, in part, requires each State to develop a budget for the utilization of IDEA Part B funds. The detailed budget requires justification for all fixed asset procurements.
    1. Prior to the final approval of an LEA Application that contains a budget request for equipment in excess of \$5,000 per unit, NDOE will submit a written request to OSEP requesting for approval. If OSEP approves of the procurement, the State will be notified.
    2. If approval is denied, NDOE will notify the State to amend their budget request.
    3. Each LEA requesting approval for procurement of equipment in excess of \$5,000 per unit must provide full written justification describing how the procurement is reasonable, necessary, and allowable under the requirements of IDEA, Part B.
    4. If a State needs to procure equipment in excess of \$5,000 per unit during a fiscal year, a specific written request must be submitted to NDOE to modify the approved Part B budget. The provisions of b.3 must be followed within the written request.
  - c. **NDOE Special Education** – prior to the procurement of any equipment in excess of \$5,000 per unit, NDOE Special Education will submit a written request to OSEP that includes the provision of b.3.
    1. No procurement of equipment in excess of \$5,000 per unit will be made using IDEA, Part B funds unless prior approval from OSEP has been received.
    2. Documentation of prior approval from the grantor agency must be attached to all procurement documents involving equipment in excess of \$5,000 per unit.
2. **Request for Proposals (RFP)** –
1. **Purpose** – FSM National Department of Education (NDOE) receives funding under Part B of the U.S. Individuals with Disabilities Education Act (IDEA). Regulations governing the expenditure of funds under this program are covered within the U.S. Education Department General Administrative Regulations (EDGAR). EDGAR requires public announcement of RFPs to solicit competitive bids from potential vendors. These regulations require public announcement of Requests for Proposals (RFP) for procurement using IDEA, Part B funding.
  2. **Verification of RFP Dissemination** - NDOE ensures that potential applicants, for RFPs issued by the NDOE under IDEA, Part B funding, will receive the RFP by utilizing an email dissemination system with a return receipt requested. The NDOE will send RFPs to a list of potential providers using Microsoft Outlook and will utilize the “return receipt” function to verify that the potential provider received the RFP. In this manner, RFPs are announced via email messages using a list of provider organizations. The return receipt function will give NDOE documentation that each organization actually received the RFP.
  3. **Public Announcement of RFPs** – NDOE requires that all Request for Proposals using IDEA, Part B funding be publically announced on the NDOE website for a



minimum of 30 days prior to closing. This ensures all RFPs are publicly announced. All current RFPs can be reviewed by accessing the follow URL: <http://www.tsmad.fr/index.htm> or [www.fsmsped.org/dashboard](http://www.fsmsped.org/dashboard). All RFPs announced by the NDOE appear on these websites to ensure public dissemination.

### 3. Purchasing -

1. **Purchase Requisition** – A Purchase Requisition Form (See Appendix) is used for any procurement over \$1,000.
  - i. Requestor provides a written description and justification of the equipment to be procured. This must include documentation of prior approval if the equipment will have a purchase price of over \$5,000 pursuant to F.1
  - ii. Special Education Fiscal Officer solicits 3 written bids from vendors.
  - iii. Potential vendors submit written price quotations for the specified equipment.
  - iv. The Special Education Fiscal Officer selects the lowest bid. Exceptions to the lowest bid may be occur if there are other factors to be considered such as availability and past performance of the vendor. In such cases, any exception to the lowest bid must have a detailed written justification.
  - v. The Special Education Fiscal Officer completes a Purchase Requisition Form and attaches the three written price quotes with the recommended vendor.
  - vi. The Chief of Special Services reviews and initials the Purchase Requisition Form which is then transmitted to the NDOE Secretary for approval.
  - vii. NDOE Secretary reviews and approves the Purchase Requisition Form which is then transmitted to Department of Finance (DFA) for fund certification
  - viii. If the procurement involves a vehicle, including a boat, the Purchase Requisition Form is transmitted to the FSM President for approval.
  - ix. DFA prepares the Purchase Order with an assigned Local Purchase Order Number.
  - x. DFA transmits the Purchase Order to the Special Education Program
  - xi. The Special Education Fiscal Officer receives the Purchase Order and transmits the original copy to the Vendor. A file copy of the Purchase Order is retained for documentation along with the Purchase Requisition and written request
  - xii. Vendor delivers the equipment to Special Education.
  - xiii. The Special Education Fiscal Officer receives the equipment and signs receipt on the Purchase Order. This constitutes proof of receipt of the equipment.
  - xiv. The Vendor transmits the completed Purchase Order to DFA for payment.
  - xv. DFA prepares and transmits payment to the Vendor.
  - xvi. The Special Education Fiscal Officer works with DFA Supply Section to assign an inventory number to the equipment and places the equipment on the official inventory list.
  - xvii. The Special Education Fiscal Officer maintains a record of all procurements that includes: original request, Purchase Requisition Form, copies of written price quotations, Purchase Order Form – including signed receipt copy, Inventory Sheet, and copy of payment check.
2. **Miscellaneous Payment Request Transmittal Form (MS)** – The MS is used for any procurement that is less than \$1,000. An MS is also used for payments made on contracts that are already obligated and to pre-paid accounts.
  - i. **Contract Payments:**

- a. Contractor submits progress report and invoice for payment pursuant to the provisions of an approved contract.
  - b. MS is prepared by the Special Education Fiscal Officer.
  - c. Payment amount, Contractor Name, and Account Number is indicated on the MS.
  - d. The Chief of Special Services reviews and initials the MS which is transmitted to the NDOE Secretary for approval.
  - e. NDOE Secretary reviews and approves MS which is then transmitted to the DFA for payment.
  - f. DOR prepares a payment check and transmits it to the Special Education Fiscal Officer.
  - g. The Special Education Fiscal Officer makes a copy of the check for file documentation and mails out the payment to the Contractor via certified mail.
- ii. Office Supplies Less than \$1,000.
- a. Requestor provides a written description and justification of the supplies to be procured.
  - b. Special Education Fiscal Officer solicits 3 written bids from vendors.
  - c. Potential vendors submit written price quotations for the specified supplies.
  - d. The Special Education Fiscal Officer selects the lowest bid. Exceptions to the lowest bid may occur if there are other factors to be considered such as availability and past performance of the vendor. In such cases, any exception to the lowest bid must have a detailed written justification.
  - e. The Special Education Fiscal Officer completes a MS and attaches the three written price quotes with the recommended vendor.
  - f. The Chief of Special Services reviews and initials the MS which is then transmitted to the NDOE Secretary for approval.
  - g. NDOE Secretary reviews and approves the MS which is then transmitted to Department of Finance (DFA) for fund certification.
  - h. DFA transmits the MS to the Special Education Program.
  - i. The Special Education Fiscal Officer receives the MS and transmits the original copy to the Vendor. A file copy of the MS is retained for documentation along with the written request.
  - j. Vendor delivers the supplies to Special Education.
  - k. The Special Education Fiscal Officer receives the supplies and signs receipt on the MS. This constitutes proof of receipt of the supplies.
  - l. The Vendor prepares an invoice which is signed by the program representative. The invoice is transmitted to DFA for payment.
  - m. DFA prepares and transmits payment to the Vendor.
  - n. The Special Education Fiscal Officer maintains a record of all procurements that includes; original request, MS, copies of written price quotations, MS including signed receipt copy, and copy of payment check.
- iii. Electricity:
- a. Sole Source, price quotations are not required.

- b. The Special Education Fiscal Officer completes a MS.
  - c. The Chief of Special Services reviews and initials the MS which is then transmitted to the NDOE Secretary for approval.
  - d. NDOE Secretary reviews and approves the MS which is then transmitted to Department of Finance (DFA) for fund certification.
  - e. DFA prepares a payment check and transmits it to Special Education.
  - f. Special Education delivers the check to PUC for credit.
  - g. Whenever Cash Power authorization is needed, an Authorization slip or Purchase Request Form will be completed and signed by the Chief of Special Services or his designee. The form will indicate: Amount, Meter No. Names of receiver from PUC and individual authorized to pick up the voucher.
  - h. Cash Power Voucher is released to Special Education and amount is entered into the meter.
  - i. Cash Power Voucher is logged into the PUC ledger.
    - a. Note: Special Education Fiscal Officer prepares monthly electricity consumption reports that are reviewed on a monthly and quarterly basis.
- iv. Petroleum, Oil, and Lubrication (POL)
- a. Requestor provides a written description and justification of the POL to be procured.
  - b. Special Education Fiscal Officer solicits 3 written bids from vendors.
  - c. Potential vendors submit written price quotations for the specified POL.
  - d. The Special Education Fiscal Officer selects the lowest bid. Exceptions to the lowest bid may occur if there are other factors to be considered such as availability and past performance of the vendor. In such cases, any exception to the lowest bid must have a detailed written justification.
  - e. The Special Education Fiscal Officer completes a PO and attaches the three written price quotes with the recommended vendor.
  - f. The Chief of Special Services reviews and initials the PO which is then transmitted to the NDOE Secretary for approval.
  - g. NDOE Secretary reviews and approves the PO which is then transmitted to Department of Finance (DFA) for fund certification.
  - h. DFA prepares the PO with assigned Local PO Number.
  - i. The Special Education Fiscal Officer receives the PO and transmits the original copy to the Vendor. A file copy of the PO is retained for documentation along with the written request.
  - j. POL authorization slips need to be approved by the Chief of Special Services or his designee each time POL is procured.
  - k. The authorization slip is taken to the authorized fuel station.
  - l. Fuel Station supplies the authorized POL. An invoice is provided which is signed by the authorized representative.
  - m. Vendor submits signed invoice and authorization to DOR DFA for payment.
  - n. The Special Education Fiscal Officer maintains a record of all procurements that includes; original request, PO, copies of written price

quotations, PO including signed receipt copy, and copies of authorizations and signed receipts.

- o. All signed receipts are logged into the Vehicle Use Log.
- ii. **Travel**
  - a. As a recipient of funds under IDEA, Part B, provisions within EDGAR require compliance with U.S. Federal program requirements and establishment of internal controls to ensure that adequate competitive procurement documentation is on file. Grant recipients must ensure they follow all required procedures for obtaining bids and quotations for all procurements including travel. All travel beyond Hawaii or Guam absolutely requires documentation of three bids being obtained to ensure the lowest fare.
3. **Contracts** - Each FSM State Department of Education and NDOE may enter into contracts for the provision of services that are allowable under IDEA Part B funding. The offering of a contract must follow the RFP procedures in Section 2. Additionally, for contracts in excess of \$100,000 the following procedures must be followed:
  - i. For contracts in excess of \$100,000, administrative, contractual, or legal remedies in instances where contractors violate or breach contract terms, and the provision of such sanctions and penalties as appropriate;
  - ii. For contracts in excess of \$100,000, termination for cause and for convenience by the Grantee or Sub-Grantee including the manner by which it will be effected and the basis for settlement; Compliance with local statutes regarding kickbacks and corrupt practices;
  - iii. Access by the Government of the Federated States of Micronesia and its Sub-Grantees, the Government of the United States, or any of their duly authorized representatives to any books, documents, papers, and records of the contractor which are directly pertinent to the contract for the purpose of making audit, examination, excerpts, and transcriptions;
  - iv. Retention of all required records for three years after Grantees or Sub-Grantees make final payments and all other pending matters are closed;
  - v. Compliance with all applicable standards, orders, or requirements issued under local environmental laws.
  - vi. All contracts in excess of \$100,000 will be reviewed for compliance to these provisions as part of the CIMS Annual On-Site Verification Monitoring visit.

#### **G. Timely Obligation and Liquidation of Part B Funds**

1. **Budget Approval** - FSM NDOE requires each of its four states to submit a budget request with its annual local performance plan. FSM NDOE reviews the budgets for allowable uses of IDEA Part B funds and other fiscal requirements and notifies each state of its budget approval or any needs for revisions. LPP and budget approval occur during annual SPP/APR meeting before the next fiscal year beginning of October 1<sup>st</sup> of each year.
2. **Fiscal Reports** - Each FSM State DOE submits quarterly fiscal reports to FSM NDOE. The NDOE Special Education Fiscal Officer reviews each of three reports submitted:
  - a. State Fund Status Reports, submitted by each state to NDOE.
  - b. Obligation and liquidation of funds from NDFA by state.
  - c. Draw down of funds from the U.S. DOE by NDFA.

3. **Timely Obligation** – To ensure timely obligation of Part B funds, NDOE will make the quarterly release of Part B funds to States subject to the timely expenditure of the previous quarterly release of funds. Prior to the quarterly release of Part B funds to States, NDOE will review the timely obligation of funds. The previous quarter Fund Status Report will be reviewed to determine if funds are being expended in a timely manner. Within two weeks of receipt of the Quarterly Fund Status Report, NDOE will take the following actions:
  1. If any state has more than 25% of funds remaining unobligated at that time, NDOE will reduce the amount of Part B funds released to the State by that amount.
  2. The State will be required to submit, within 30 days, a revised budget and justification for not spending Part B funds in a timely manner.
  3. At the end of the third quarter, NDOE will review the expenditure of Part B Funds for all States. For States where the Quarterly Release of Funds has resulted in a reduction in the amount released, there will be a determination of whether or not the State will be able to reasonably expend the approved Part B funds for their State prior to the end of the fiscal year. If NDOE determines that the State will not be able to expend the funds in a timely manner, the unreleased balance will be reallocated to other priority areas consistent with Part B regulations.
  4. NDOE will review the drawdown of funds from the U.S. DOE by NDFA in comparison with the state-expended funds. If the amounts do not match, NDOE will request an immediate drawdown by NDFA via letter from the Secretary of NDOE to the Secretary of NDFA.
  
4. **Timely Liquidation** - By September 30 each year, FSM NDOE notifies each state and NDFA of the December 30 deadline for liquidation of Part B funds. NDOE also takes the following the actions:
  1. NDOE will monitor the timely liquidation of Part B funds by each State. States will be notified by October 30 and November 30 of remaining expenditure balances that must be liquidated by December 30 of each year.
  2. Each State must submit monthly liquidation reports by November 15 and December 15 detailing any remaining Part B funds that have not been liquidated.
  3. States with any remaining Part B funds that have not been liquidated by December 30 will be required to submit a report and justification to NDOE Secretary of Education detailing the status of any funds that have not been liquidated. NDOE may decide to grant an extension for liquidation or to reduce the sub grant amount consistent with the funds that have not been liquidated.
  
- H. **Audits** – The FSM complies with the U.S. OMB Circular 133 Audit provisions. Each year, IDEA Part B funds will be audited. Additionally, State sub grants may be audited as well. Each State and the NDOE must comply with all U.S. audit provisions and must also comply with any “local” State audit provisions that may occur.
- I. **Inventory** – Each State and the NDOE must maintain an inventory of all equipment purchased using IDEA Part B funds. The inventory must provide for an annual verification of the location and condition of all equipment.
- J. **Maintenance of Records** - NDOE and each State must maintain all fiscal records for a period of three years. Outdated fiscal records must be surveyed using the approved procedures for Records Management.

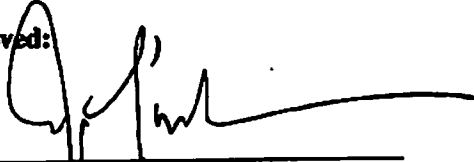


**K. Monitoring** – NDOE will implement Fiscal Monitoring procedures to ensure the Fiscal procedures are fully implemented. The Fiscal Monitoring procedures will include:

- a. Timely obligation and liquidation of funds.
- b. Equipment Maintenance.
- c. State Fiscal Status Reports.
- d. NDFA Fiscal Status Reports.
- e. NDFA U.S Drawdown Reports.

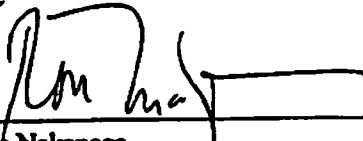
The Fiscal Procedures for use of IDEA, Part B funds become effective upon approval of the Secretary of Education and Secretary of Finance and Administration. The procedures may be modified as needed with the approval of both Secretaries.

Approved:



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Casiano Shonber  
Secretary of Education

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Date



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Rose Nakanaga  
Acting Secretary of Finance and Administration

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Date

1/05/11