

CFDA	<i>Types of Compliance Requirements</i>													
	A. Activities Allowed or Unallowed	B. Allowable Costs/Cost Principles	C. Cash Management	D. Reserved	E. Eligibility	F. Equipment and Real Property Management	G. Matching, Level of Effort, Earmarking	H. Period of Performance	I. Procurement and Suspension and Debarment	J. Program Income	K. Reserved	L. Reporting	M. Subrecipient Monitoring	N. Special Tests and Provisions
<b>66 – Environmental Protection Agency (EPA)</b>														
66.458 66.482	Y	Y	Y		N	N	Y	Y	Y	Y		Y	Y	Y
66.468 66.483	Y	Y	Y		N	N	Y	Y	Y	Y		Y	Y	Y
<b>81 – Department of Energy (DOE)</b>														
81.041	Y	Y	Y		N	N	Y	Y	Y	N		Y	Y	N
81.042	Y	Y	Y		Y	N	Y	N	Y	Y		Y	Y	N
<b>84 – Department of Education (ED)</b>														
84.002	Y	Y	Y		N	Y	Y	Y	Y	N		Y	Y	Y
84.010	Y	Y	Y		Y	Y	Y	Y	Y	N		Y	Y	Y
84.011	Y	Y	Y		Y	N	Y	Y	N	N		Y	Y	Y
84.027 84.173	Y	Y	Y		N	Y	Y	Y	Y	N		Y	Y	Y
84.032-G	Y	N	N		N	N	N	N	N	N		Y	N	Y
84.032-L	N	N	N		N	N	Y	N	Y	N		Y	N	Y
84.041	Y	Y	N		N	N	Y	N	N	N		Y	N	Y
84.042 84.044 84.047 84.066 84.217	Y	Y	Y		Y	Y	Y	Y	Y	N		Y	N	Y
84.048	Y	Y	Y		Y	N	Y	Y	Y	N		Y	Y	Y
84.126	Y	Y	Y		Y	N	Y	Y	Y	Y		Y	N	Y
84.181	Y	Y	Y		N	Y	Y	Y	Y	N		Y	N	N
84.282	Y	Y	Y		Y	Y	Y	Y	Y	N		Y	Y	N
84.287	Y	Y	Y		Y	N	Y	Y	N	Y		Y	Y	Y

## PART 3 – COMPLIANCE REQUIREMENTS

### INTRODUCTION

#### Overview

The objectives of most compliance requirements for Federal programs administered by States, local governments, Indian tribes, institutions of higher education, and nonprofit organizations (non-Federal entities) are generic in nature. For example, many programs have eligibility requirements for individuals or organizations to participate in the program. While the criteria for determining eligibility vary by program, the objective of the compliance requirement that only eligible individuals or organizations participate is consistent across programs.

Rather than repeat the compliance requirements, audit objectives, and suggested audit procedures for each of the programs contained in Part 4, “Agency Program Requirements,” and Part 5, “Clusters of Programs,” they are provided once in this part. For each program in this Supplement, Part 4 or Part 5 contains additional information about the program and the statutes and regulations governing its administration, and specifies the compliance requirements to be tested using the guidance in this part.

#### Transition Supplement

During the period covered by this Supplement, most non-Federal entities will have Federal awards expended that are subject to requirements from both the OMB Circulars (see below: Part 3.1 - Federal awards made prior to December 26, 2014) and the Uniform Guidance (see below: Part 3.2 - Federal awards made on or after December 26, 2014). The Uniform Guidance is effective for Federal awards made on or after December 26, 2014 and, as explained in FAQ .110-7, incremental funding where Federal agencies change the award terms and conditions. As explained in FAQ .110-11, the effective date of the Uniform Guidance for subawards is the same as the effective date of the Federal award from which the subaward is made. However, as specified in 2 CFR section 200.101(b)(3), with the exception of the audit requirements in 2 CFR part 200, subpart F, in any circumstances where the provisions of Federal statutes or regulations differ from the provisions of 2 CFR part 200, the provision of the Federal statutes or regulations govern. The applicability table in 2 CFR section 200.101, which is provided below, shows which requirements are applicable to the different types of Federal awards.

The Council on Financial Assistance Reform’s (COFAR) Frequently Asked Questions, updated September 2015, provide additional information on applicability to awards, subawards, and system changes.

#### .110-7 Effective Dates and Incremental Funding

How does the effective date apply to incremental funding? I have an award with three more years of expected funding. Normally I would keep the same account number for all five years, with the incremental funding for each year added as it comes in. Do I have to keep my funding subject to the old OMB Circulars in a separate account from the funding awarded after the Uniform Guidance goes into effect? Or can I just assume that the new

## F. EQUIPMENT AND REAL PROPERTY MANAGEMENT

### Compliance Requirements

#### *Equipment Management -- Grants and Cooperative Agreements*

Equipment means tangible personal property, including information technology systems, having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes or \$5,000 (2 CFR section 200.33). Title to equipment acquired by a non-Federal entity under grants and cooperative agreements vests in the non-Federal entity subject to certain obligations and conditions (2 CFR section 200.313(a)).

#### *States*

A State must use, manage, and dispose of equipment acquired under a Federal award in accordance with State laws and procedures (2 CFR section 200.313(b)).

#### *Non-Federal Entities Other than States*

Non-Federal entities other than States must follow 2 CFR sections 200.313(c) through (e) which require that:

1. Equipment, including replacement equipment, be used in the program or project for which it was acquired as long as needed, whether or not the project or program continues to be supported by the Federal award or, when appropriate, under other Federal awards; however, the non-Federal entity must not encumber the equipment without prior approval of the Federal awarding agency (2 CFR sections 200.313(c) and (e)).
2. Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the Federal award identification number), who holds title, the acquisition date, cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sales price of the property (2 CFR section 200.313(d)(1)).
3. A physical inventory of the property must be taken and the results reconciled with the property records at least once every 2 years (2 CFR section 200.313(d)(2)).
4. A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated (2 CFR section 200.313(d)(3)).
5. Adequate maintenance procedures must be developed to keep the property in good condition (2 CFR section 200.313(d)(4)).

**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.

<b>CFDA No.</b>	<b>Program Name</b>	<b>Listed as</b>
<b>ESEA Programs</b>		
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	Improving Teacher Quality State Grants	Title II, Part A
84.377	School Improvement Grants	SIG
<b>Other Programs</b>		
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

### **84.395 Race to the Top**

**RTT**

The ESEA was amended January 8, 2002 by the No Child Left Behind Act of 2001 (NCLB) (Pub. L. No. 107-110).

### **Waivers and Expanded Flexibility**

Under Title IX of the ESEA, State educational agencies (SEAs), Indian tribes, local educational agencies (LEAs), and schools through their LEA 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.

#### ***ESEA Flexibility***

On September 23, 2011, ED invited States to request flexibility on behalf of the State, its LEAs, and its schools to better focus on improving student achievement and increasing the quality of instruction (ESEA flexibility). This voluntary opportunity provides SEAs and LEAs, in States whose requests for ESEA flexibility have been approved, with waivers of specific requirements of the ESEA in exchange for rigorous and comprehensive State-developed plans designed to improve educational outcomes for all students, close achievement gaps, increase equity, and improve the quality of instruction. Those waivers applied through the end of the 2014-2015 school year. States could then request a renewal of ESEA flexibility with a 3-year extension through the 2017-2018 school year. Information on ESEA flexibility renewal is available at <http://www2.ed.gov/policy/elsec/guid/esea-flexibility/flex-renewal/index.html>. For a list of the waivers offered, see *ESEA Flexibility*. A list of the States that have requested ESEA flexibility is available at <http://www.ed.gov/esea/flexibility>.

*ESEA programs in this Supplement to which ESEA flexibility applies are: Title I, Part A (84.010); 21st CCLC (84.287); Title II, Part A (84.367); and SIG (84.377). See III.G.2.2, “Matching, Level of Effort, Earmarking – Level of Effort – Supplement Not Supplant;” III.G.3.b, “Matching, Level of Effort, Earmarking – Earmarking– Transferability;” III.N.2, “Special Tests and Provisions – Schoolwide Programs;” and the individual program supplements for testing related to ESEA flexibility.*

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

## **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 9302 of the ESEA, a consolidated plan to ED for approval.

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 funds from one or more applicable programs to one or more other applicable programs, or to Title I, Part A. Transferred funds are subject to all of the requirements, set-asides, and limitations of the programs into which they are transferred, except as modified under ESEA flexibility.

*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 four applicable programs for local activities authorized under one or more of seven 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” (III.N.2, “Schoolwide Programs;” and III.N.3, “Comparability”). 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 NCLB, is available with a hypertext index at <http://www.ed.gov/policy/elsec/leg/esea02/index.html>.

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 Supplement. They include:

- a. Guidance on the Transferability Authority (June 8, 2004) (<http://www.ed.gov/programs/transferability/finalsummary04.doc>)
- b. Guidance on the Rural Education Achievement Program (REAP) (June 2003) (<http://www.ed.gov/policy/elsec/guid/reap03guidance.doc>)
- c. 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>)
- d. 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/cschoools/cguidedec2000.doc>).
- e. Applying the Title I and School Improvement Hold-Harmless Requirements when Allocating Funds to Newly Opening and Significantly Expanding Charter School LEAs (September 23, 2013) (<http://www2.ed.gov/programs/titleiparta/legislation.html#policy>)
- f. Title I Services to Eligible Private School Children (October 17, 2003) (<http://www.ed.gov/programs/titleiparta/psguidance.doc>)
- g. 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/equitableservicesguidance.doc>)
- h. 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>)
- i. 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>)
- j. Designing Schoolwide Programs (March 2006) (<http://www.ed.gov/policy/elsec/guid/designingswpguid.doc>)
- k. ESEA Title I Schoolwide Guidance, Non-Regulatory Guidance (July 2015) (<http://www2.ed.gov/policy/elsec/guid/eseatitleiswguidance.pdf>)

- l. ESEA Flexibility (June 7, 2012)  
(<http://www.ed.gov/sites/default/files/esea-flexibility-acc.doc>)
- m. ESEA Flexibility Frequently Asked Questions (August 3, 2012)  
(<http://www2.ed.gov/policy/eseaflex/esea-flexibility-faqs.doc>)
- n. ESEA Flexibility Addendum to Frequently Asked Questions (March 5, 2013)  
(<http://www2.ed.gov/policy/eseaflex/faqaddendum.doc>)
- o. 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>).
- p. Letter and Enclosure on Flexibility in Schoolwide Programs (September 13, 2013)  
(<http://www2.ed.gov/programs/titleiparta/flexswp091313.pdf>)
- q. Non-Regulatory Guidance on Title I, Part A Waivers (July 2009)  
(<http://www.ed.gov/programs/titleiparta/title-i-waiver.doc>)
- r. Guidance on School Improvement Grants Under Section 1003(g) of the Elementary and Secondary Education Act of 1965 (Revised June 29, 2010)  
(<http://www2.ed.gov/programs/sif/sigguidance05242010.pdf>)
- s. **Guidance on Fiscal Year 2010 School Improvement Grants Under Section 1003(g) of the Elementary and Secondary Education Act of 1965 (March 1, 2012)**  
(<http://www2.ed.gov/programs/sif/sigguidance03012012.doc>).

### 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

Type of Allowed Activity: 1. ***Consolidation of Administrative Funds*** (SEAs/LEAs)

Which ESEA programs must comply with this requirement.

*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 SIG (84.377).*

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

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 for local activities authorized under one or more of the following four 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 Improving Teacher Quality State Grants (Title II, Part A)

(Section 6211(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.

**Compliance Requirement:**

**B. Allowable Costs/Cost Principles**

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

**Cost**

**Requirements:**

*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); and SIG (84.377).*

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)).

Guidance on  
Allowable Cost:

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); and SIG (84.377).*

*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 9201 or 9203 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

**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 9302 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.

To receive Title I, Part A funds, LEAs must have on file with the SEA an approved plan that includes descriptions of the general nature of services to be provided, how program services will be coordinated with the LEA's regular program of instruction, additional LEA assessments, if any, used to gauge program outcomes, and strategies to be used to provide professional development. An LEA may also include Part A as part of a consolidated application submitted to the SEA under Section 9305 of the ESEA (20 USC 7845).

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 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).

## **ESEA Flexibility**

ED offered each SEA the opportunity to request flexibility on behalf of itself, its LEAs, and its schools with respect to waivers of specific ESEA requirements, including certain Title I, Part A requirements, in exchange for a comprehensive State-developed plan to improve educational outcomes for all students, close achievement gaps, increase equity, and improve the quality of instruction. This initiative, known as ESEA flexibility, includes waivers of a number of Title I, Part A requirements – for example, redefining annual measurable objectives, meeting adequate yearly progress, identifying schools for improvement, corrective action, or restructuring, and providing public school choice and supplemental educational services. Those waivers applied through the end of the 2014-2015 school year. States could then request a renewal of ESEA flexibility with a 3-year extension through the 2017-2018 school year. Information on ESEA flexibility renewal is available at: <http://www2.ed.gov/policy/elsec/guid/esea-flexibility/flex-renewal/index.html>.

See references in this program supplement and also in the ED Cross-Cutting Section.

## **Source of Governing Requirements**

This program is authorized by Title I, Part A of the ESEA, as amended (Pub. L. No. 107-110 (20 USC 6301 through 6339 and 6571 through 6578)). 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. Letter from the Secretary on Test Security (June 2011)  
(<http://www2.ed.gov/policy/elsec/guid/secletter/110624.html>)
- b. 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>)
- d. Public School Choice (January 14, 2009)  
(<http://www.ed.gov/policy/elsec/guid/schoolchoiceguid.doc>)
- e. State and Local Report Cards, Title I, Part A of the Elementary and Secondary Education Act of 1965, as Amended (February 8, 2013)  
([http://www2.ed.gov/programs/titleiparta/state\\_local\\_report\\_card\\_guidance\\_2-08-2013.pdf](http://www2.ed.gov/programs/titleiparta/state_local_report_card_guidance_2-08-2013.pdf))
- f. Supplemental Educational Services (January 14, 2009)  
(<http://www.ed.gov/policy/elsec/guid/suppsvcsguid.doc>)
- g. Title I Paraprofessionals (March 1, 2004)  
(<http://www.ed.gov/policy/elsec/guid/paraguidance.doc>)

- h. Title I Services to Eligible Private School Children (October 17, 2003)  
(<http://www.ed.gov/programs/titleiparta/psguidance.doc>)
  - i. LEA and School Improvement (July 21, 2006)  
(<http://www.ed.gov/policy/elsec/guid/schoolimprovementguid.pdf>)
  - j. 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 applicable to the use of Title I, Part A funds provided through a regular appropriation.
- k. Non-Regulatory Guidance on Title I, Part A Waivers (July 2009)  
(<http://www.ed.gov/programs/titleiparta/title-i-waiver.doc>)
  - l. Implementing Response to Intervention (RTI) using Title I, Title III, and CEIS (Coordinated Early Intervening Services) Funds  
(<http://www.ed.gov/programs/titleiparta/rti.html>)
  - m. High School Graduation Rate Non-Regulatory Guidance (December 22, 2008)  
(<http://www2.ed.gov/policy/elsec/guid/hsgrguidance.pdf>)
  - n. 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>)
  - o. ESEA Flexibility (June 7, 2012)  
(<http://www2.ed.gov/policy/eseaflex/approved-requests/flexrequest.doc>)
  - p. ESEA Flexibility Frequently Asked Questions (August 3, 2012)  
(<http://www2.ed.gov/policy/eseaflex/esea-flexibility-faqs.doc>)
  - q. ESEA Flexibility Frequently Asked Questions Addendum (March 5, 2013)  
(<http://www2.ed.gov/policy/eseaflex/faqaddendum.doc>)
  - r. Approved ESEA Flexibility Requests  
(<http://www2.ed.gov/policy/elsec/guid/esea-flexibility/index.html>)
  - s. ESEA Flexibility One-Year Extension  
(<http://www2.ed.gov/policy/elsec/guid/esea-flexibility/extension/index.html>)
  - t. 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>)

- u. 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>)
- v. Designing Schoolwide Programs, Non-Regulatory Guidance (March 2006)  
(<http://www2.ed.gov/policy/elsec/guid/designingswpguid.doc>)
- w. ESEA Title I Schoolwide Guidance, Non-Regulatory Guidance (July 2015)  
(<http://www2.ed.gov/policy/elsec/guid/eseatitleiswguidance.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.**

<i>A. Activities Allowed or Unallowed</i>	<i>B. Allowable Costs/Cost Principles</i>	<i>C. Cash Management</i>	<i>E. Eligibility</i>	<i>F. Equipment and Real Property Management</i>	<i>G. Matching, Level of Effort, Earmarking</i>	<i>H. Period of Performance</i>	<i>I. Procurement and Suspension and Debarment</i>	<i>J. Program Income</i>	<i>L. Reporting</i>	<i>M. Subrecipient Monitoring</i>	<i>N. Special Tests and Provisions</i>
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 ESEA flexibility or any other approved waivers.

#### A. Activities Allowed or Unallowed

See also ED Cross-Cutting Section.

1. *LEAs* (Targeted assistance programs only. See III.N, “Special Tests and Provisions,” for schoolwide programs.)

In a targeted assistance school, funds available under Part A may be used only for programs that are designed to help participating children meet the State’s student academic achievement standards expected of all children. Allowable activities in

## PART 6 - INTERNAL CONTROL

Internal control is generally defined as a process effected by an entity's oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved.

The A-102 Common Rule, OMB Circular A-110 and 2 CFR section 200.303 require that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. 2 CFR section 200.514 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 of noncompliance for major programs, and, unless internal control is likely to be ineffective, 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 perform testing of internal control as planned.

The objectives of internal control over the compliance requirements for Federal awards as found in 2 CFR section 200.62, are as follows:

1. Transactions are properly recorded and accounted for in order to:
  - a. Permit the preparation of reliable financial statements and Federal reports;
  - b. Maintain accountability over assets; and
  - c. Demonstrate compliance with Federal statutes, regulations, and the terms and conditions of the Federal award;
2. Transactions are executed in compliance with:
  - a. Federal statutes, regulations, and the terms and conditions of the Federal award that could have a direct and material effect on a Federal program; and
  - b. Any other Federal statutes and regulations that are identified in the Compliance Supplement; and
3. Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

A system of internal control is expected to provide a non-Federal entity with reasonable assurance that these objectives relating to compliance with Federal statutes, regulations, and the terms and conditions of Federal awards will be achieved.

Internal control should be an integral part of the entire cycle of planning, budgeting, management, accounting, monitoring, and reporting. It should support the effectiveness and the integrity of every step of the process and provide continual feedback to management. Non-Federal entities' program managers must carefully consider the appropriate balance between

controls and risk in their grant award programs and operations. Too many controls can result in inefficient and ineffective operations; managers must ensure an appropriate balance between the strength of controls and the relative risk associated with particular grant award programs and operations. Additionally, the benefits of controls should outweigh the costs. Non-Federal entities should consider both qualitative and quantitative factors when analyzing costs against benefits.

2 CFR section 200.303 indicates that the internal controls required to be established by a non-Federal entity receiving Federal awards should be in compliance with guidance in “Standards for Internal Control in the Federal Government,” issued by the Comptroller General of the United States (Green Book) or the “Internal Control Integrated Framework” (revised in 2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). COFAR Frequently Asked Question (FAQ) 200.303-2 indicates that the word “should” is used in 2 CFR part 200 to indicate a best practice. In addition, COFAR FAQ 200.303-3 indicates that, while non-Federal entities must have effective internal control, there is no expectation or requirement that the non-Federal entity document or evaluate internal controls prescriptively in accordance with COSO, the Green Book, or this part of the Supplement, or that the non-Federal entity or auditor reconcile technical differences between them.

The Green Book and COSO are both organized by five components of internal control as shown in the exhibit below. COSO introduced the concept of 17 principles related to the five components of internal control, each of which has important attributes which explain the principles in greater detail. The Green Book adapts these principles for a government environment.

### Summary of Green Book and COSO Components and Principles of Internal Control

Components of Internal Control	Principles
A. Control Environment	<ol style="list-style-type: none"> <li>1. Demonstrate Commitment to Integrity and Ethical Values</li> <li>2. Exercise Oversight Responsibility</li> <li>3. Establish Structure, Responsibility and Authority</li> <li>4. Demonstrate Commitment to Competence</li> <li>5. Enforce Accountability</li> </ol>
B. Risk Assessment	<ol style="list-style-type: none"> <li>6. Define Objectives and Risk Tolerances</li> <li>7. Identify, Analyze, and Respond to Risks</li> <li>8. Assess Fraud Risk</li> <li>9. Identify, Analyze, and Respond to Change</li> </ol>
C. Control Activities	<ol style="list-style-type: none"> <li>10. Design Control Activities</li> <li>11. Design Activities for the Information System</li> <li>12. Implement Control Activities</li> </ol>
D. Information and Communication	<ol style="list-style-type: none"> <li>13. Use Quality Information</li> <li>14. Communicate Internally</li> <li>15. Communicate Externally</li> </ol>
E. Monitoring	<ol style="list-style-type: none"> <li>16. Perform Monitoring Activities</li> <li>17. Evaluate Issues and Remediate Deficiencies</li> </ol>

## APPENDIX V

### LIST OF CHANGES FOR THE 2016 COMPLIANCE SUPPLEMENT

This Appendix provides a list of changes from the 2015 Compliance Supplement, dated June 2015.

#### Global

- Because all audits using the 2016 Supplement will be performed under 2 CFR part 200, subpart F, i.e., audits of entity fiscal years beginning on or after December 26, 2014, the 2016 Supplement has removed references to OMB Circular A-133 that in 2015 were shown as dual references to A-133 and 2 CFR part 200. In some cases, e.g., in Part 3.1, certain references to OMB Circular A-133 have been retained because they include information that does not pertain specifically to the audit. These references have been footnoted where they occur.
- All parts and appendices were reviewed for use of the words “should” and “must,” both for consistency in usage and clarity of intent, and changes made, as appropriate. Also see Parts 1 and 3 below.
- In order to assist auditors in using Part 2 in conjunction with the program/cluster supplements in Parts 4 and 5, each program/cluster now includes the applicable row from Part 2. In addition, the **bold** introductory wording under III, “Compliance Requirements,” has been changed to indicate how the program/cluster supplement is to be used. This includes changing “should” to “must” concerning auditor use of the requirements specified in program/cluster supplements. As part of making this change, the **bold** introductory language has been removed from the BIA/BIE (15.000), DOT (20.000), and ED (84.000) Cross-Cutting sections because it is redundant and there is no corresponding row in the matrix in Part 2.

#### Table of Contents

- The Table of Contents has been changed to:
  - Modify the program titles for the following programs in Part 4 to make them consistent with the names as they appear in the *Catalog of Federal Domestic Assistance* (CFDA):
    - CFDA 14.231 - Emergency Solutions Grant Program
    - CFDA 17.258 - WIA/WIOA Adult Program
    - CFDA 17.259 - WIA/WIOA Youth Activities
    - CFDA 17.278 - WIA/WIOA Dislocated Worker Formula Grants.

- **CFDA 81.041** – Updated throughout to reflect the end of ARRA funding availability (other than through continuing revolving loan fund activity as described in IV, “Other Information”), including removal of III.N, “Special Tests and Provisions.” Modified “H,” Period of Performance,” to reflect a change in the funding process, and IV, “Other Information.”
- **CFDA 81.042** – Updated throughout to reflect current practice and end of ARRA funding, including removal of III.N, “Special Tests and Provisions” (see also 20.001). Modified III.A, “Activities Allowed or Unallowed,” and III.G.3, “Matching, Level of Effort, Earmarking – Earmarking,” to clarify the use of funds for administration and more appropriately reflect the applicable regulatory language.
- **CFDA 84.000** – Updated Introduction; II, “Program Procedures;” III.A.1 and 2, “Activities Allowed or Unallowed;” III.B, “Allowable Costs/Cost Principles;” III.G.2.1, “Matching, Level of Effort, Earmarking – Level of Effort;” III.H, “Period of Performance;” and III.N, “Special Tests and Provisions.” These changes are based on the end of ARRA funding, updated information on waivers under the Elementary and Secondary Education Act of 1965 (ESEA) (ESEA flexibility), and addition of a website. Also updated III.B, “Allowable Costs/Cost Principles,” to reflect requirements in 2 CFR part 200.
- **CFDA 84.010** – Updated ESEA flexibility information in II, “Program Procedures;” III.A.2, “Activities Allowed or Unallowed;” III.E.2.b, “Eligibility – Eligibility for Groups of Individuals or Area of Service;” III.G.3.b, “Matching, Level of Effort, Earmarking – Earmarking;” and, in III.N. “Special Tests and Provisions,” N.5, “Special Tests and Provisions - Identifying Schools and LEAs Needing Improvement,” and N.7, “Special Tests and Provisions – Annual Report Card, High School Graduation Rate.”
- **CFDA 84.011** - Updated references to subgrants in II, “Program Procedures – Source of Governing Requirements;” III.A.1, “Activities Allowed or Unallowed;” and III.N.5, “Special Tests and Provisions – Subgrant Process (SEAs).” Updated III.E.1, “Eligibility for Individuals;” III.L.3.b.(3), “Reporting – Special Reporting;” and III.N.4, “Special Tests and Provisions – Priority for Services.”
- **CFDAs 84.027 and 84.173** – Updated III.G.2.1, “Matching, Level of Effort, Earmarking – Level of Effort.” **No information on why it was updated.**
- **CFDA 84.032-G** – Updated websites in III.L.3, “Reporting – Special Reporting,” and III.N.14, “Special Tests and Provisions – Correct Handling of Loans Sold to the U.S. Department of Education.” In III.N, “Special Tests and Provisions,” updated N.1, “Current Records,” to add a test of the status date; updated citations in N.3, “Conditions of Reinsurance Coverage,” N.5, “Default Aversion Assistance,” N.6, “Collection Efforts,” and N.7, “Federal Share of Borrower Payments;” updated citations and deleted out-of-date material in N.9, “Federal