

IDEA Third Party Grant Administration (TPGA)

General Information - IDEA Subgrantees

The U. S. Department of Education grants Individuals with Disabilities Education Act (IDEA) Part B funds to the State of Wisconsin. In turn, the Department of Public Instruction (DPI) subgrants IDEA entitlement, on a non-competitive basis, to approximately 440 subgrantee local educational agencies (LEAs). These entitlement funds are used to help offset the cost of providing a free appropriate public education (FAPE) to students with disabilities as required under IDEA. All LEAs in Wisconsin are eligible for flow-through funds, which are grants to pay for special education costs delivered to students ages 3 to 21. LEAs that serve 3 to 5 year old students are also eligible for preschool funds.

Under IDEA, a subgrantee is responsible for providing FAPE to students with disabilities enrolled in its schools and ensuring funds are expended in accordance with the applicable provisions of IDEA. An LEA is responsible for meeting the provisions in 34 CFR §§ 300.200 through 300.213, which include maintenance of local fiscal effort and supplement/not-supplant requirements. [Letter to Hokenson, Patricia J. Guard, Acting Director, Office of Special Education Programs, U.S. Department of Education, February 4, 2009, 53 IDELR 58323]. In Wisconsin, only school districts, independent (2r) charter schools, the Wisconsin Department of Corrections, and the Wisconsin Department of Health Services are required to provide FAPE to students with disabilities and to meet the requirements cited above [s. 115.76 (10)]. Therefore, in Wisconsin, DPI subgrants IDEA entitlement funds only to these agencies.

Neither IDEA nor the federal Education Department General Administrative Regulations (EDGAR) authorizes a subgrantee to further subgrant IDEA funds to other entities [Letter to Hokenson]. Therefore, school districts and other subgrantees may not further subgrant IDEA funds to Cooperative Educational Service Agencies (CESAs) or other entities. However, DPI's policy permits subgrantees to use Cooperative Educational Service Agencies (CESAs) and County Children with Disability Education Boards (CCDEBs) as third party grant administrators with respect to programs administered by DPI and funded by a variety of public and private sources, including the IDEA.

IDEA Entitlement Grant Applications

Before LEAs may encumber IDEA entitlement funds, subgrant applications for flow-through and preschool funds must be submitted to DPI in “substantially approvable form.” In order for an IDEA entitlement grant application to be in substantially approvable form, grant budgets and assurances must be submitted through the [WISEgrants](#) web portal. Each IDEA Part B formula grant must have certifications and assurances signed by an agency authorizer through a digital signature process completed in the web portal. An agency authorizer is an individual who has been authorized by a governing body, such as a board of control or school board, to enter into financial agreements on behalf of the subrecipient. This often, at a minimum, includes the district administrator and the district business manager.

Contracts

While LEAs may not subgrant all or a portion of their IDEA allocations, LEAs may purchase services with IDEA funds, including administration of grants, through valid written contracts. CESAs are authorized under state law to enter into contracts with school districts and other agencies and organizations that provide services to students. [§116.032(1), Wis. Stats.]. CESAs may not assess a cost against an LEA for a cooperative program unless the LEA enters into a contract for the service. [§116.03(4)]. LEAs that use the services of CESAs or other entities to provide IDEA-funded services must do so through written contracts that clearly identify the IDEA-funded services.

Written contracts between LEAs and CESAs or other entities are necessary to establish financial relationships, ensure accountability, and to document LEAs are not engaging in subgranting of IDEA funds. Contracts should establish clear expectations and permit monitoring of contract performance by LEAs and fiscal monitoring by DPI. Therefore, it is essential contracts describe the specific services offered and the terms in sufficient detail to permit LEAs to administer contracts and allow DPI to monitor grant requirements. Contracts should include the specific programs purchased and how participating agencies' costs are determined. In addition, federal regulations require the inclusion of certain provisions in subgrantees' contracts [2 CFR §200.326] when using federal funds. Technical assistance regarding subgrantee procurement, including required contract provisions, can be viewed in DPI's presentation on [property and procurement](#) using federal funds.

LEAs should not enter into contracts and use IDEA funds for items not allowed under IDEA and the federal Uniform Grant Guidance [2 CFR Part 200, Subpart E – Cost Principles].

Costs must be adequately documented to be allowed under federal grants [2 CFR §200.403(g)] Invoices should contain sufficient detail to allow the LEA to determine whether the commodities or services have been provided. Professional and consultant services by members of a particular profession who are not officers of or employed by the LEA are IDEA-allowable costs when there is an adequate contractual agreement for the service, e.g., description of the service, estimate of time required, rate of compensation, and termination provisions. [2 CFR §200.318(i)]

LEAs are responsible for ensuring all applicable state and federal requirements are observed. As subgrantees, LEAs are responsible for any harm done to a federal interest in the administration of IDEA flow-through and preschool entitlement funds, whether the harm occurred because of the acts of an LEA or the acts of a CESA or other entity acting on behalf of the LEA under a contract. LEAs should ensure provisions requiring CESAs and other entities to observe all applicable state and federal requirements are included in their contracts. In addition, the Uniform Grant Guidance requirement for subrecipient's [written procedures](#) on allowable costs and cash management should take into account the relationship between the vendor and the LEA when entering into third party grant administration contracts.

CESAs and other entities must make available to LEAs records demonstrating compliance with applicable requirements. Federal regulations require an LEA's contracts to include a provision ensuring access by the DPI, the LEA, the U.S. Department of Education, the Comptroller General of the United States, or any of their duly authorized representatives to any books, documents, papers, and records of the contractor for the purpose of audit, examination, excerpts or transcriptions. [2 CFR §200.336] The regulations

require contracts to include a provision ensuring retention of all required records for three years after the LEA makes final payments and all other pending matters are closed. [2 CFR §200.333]

Accounting

Communication between entities is very important, especially in third party grant administrator arrangements. Initial communication starts, but does not end, with the written contract and the IDEA budget application. Communication on how IDEA dollars are being spent also ensures appropriate activities are being funded by the grant, claims and reports are being filed in a timely fashion, and parties to the arrangement are properly accounting for activities on their ledgers.

The arrangement may contain several delivery methods. In some instances the LEA (subgrantee) will purchase an item or incur a cost and the third party grant administrator will file a claim with DPI. At other times, the third party grant administrator makes the purchase on behalf of the LEA, the LEA reimburses the third party grant administrator, and the third party grant administrator files the claim with DPI. In both instances, it is the LEA that receives reimbursement directly from DPI.

Third Party Grant Administrator Purchasing on behalf of LEA (Subgrantee)

The third party grant administrator will make a purchase on behalf of the LEA and will bill the LEA for that purchase. The LEA will pay the third party grant administrator and the third party grant administrator will file a claim with DPI. The LEA will receive the IDEA reimbursement from DPI. If the third party grant administrator purchases equipment on behalf of an LEA, the equipment will need to be tracked on the LEA's fixed assets list.

First Transaction: The third party grant administrator incurs a cost (i.e. salaries, travel, etc.) for the program that is part of the arrangement and bills the LEA for the cost.

Third party grant administrator ledger						
Fund	Account	Function	Object	Project	Debit	Credit
27	Expenditure	XXXXXXX	XXX	317	\$X,XXX.	
27	Cash					\$X,XXX.

Second Transaction: The LEA pays the third party grant administrator for the purchase the third party grant administrator made on behalf of the LEA.

LEA ledger						
Fund	Account	Function	Source/Object	Project	Debit	Credit
27	Expenditure	436000/2XXXXXX (436000 for purchased instruction)	386 or 383 (CESA / CCDEB)	34X (IDEA grant)	\$X,XXX	
27	Cash					\$X,XXX

Third Transaction: The third party grant administrator receives reimbursement of original cost from LEA. After LEA makes payment, third party grant administrator can file claim to DPI on behalf of LEA.

Third party grant administrator ledger						
Fund	Account	Function	Source	Project	Debit	Credit
27	Cash				\$X,XXX.	
27	Revenue		317			\$X,XXX.

Fourth Transaction: After the third party grant administrator submits a claim to DPI on behalf of the LEA, the LEA receives the IDEA reimbursement directly from DPI for the cost incurred above.

LEA ledger						
Fund	Account	Function	Source/Object	Project	Debit	Credit
27	Cash				\$X,XXX	
27	Revenue		730			\$X,XXX

LEA (Subgrantee) Purchasing with Third Party Grant Administrator Reimbursing

The LEA incurs and pays for a grant cost. The third party grant administrator receives a request from a participating LEA to enter a claim into the IDEA software at DPI for those costs incurred and paid by the LEA. The LEA will receive the payment directly from DPI.

The following transactions are recorded on the LEA general ledger as the transaction occurs:

First Transaction: LEA (subgrantee) incurs and pays for a grant cost. The LEA provides the third party grant administrator with the appropriate documentation and the third party grant administrator files a claim with DPI on behalf of the LEA.

LEA ledger						
Fund	Account	Function	Source/Object	Project	Debit	Credit
27	Expenditure	436000/2XXXXX (436000 for purchased instruction)	XXX	34X (IDEA grant)	\$X,XXX	
27	Cash					\$X,XXX

Second Transaction: LEA receives the reimbursement from DPI for the IDEA grant for cost incurred above.

LEA ledger						
Fund	Account	Function	Source/Object	Project	Debit	Credit
27	Cash				\$X,XXX	
27	Revenue		730			\$X,XXX

There are no transactions recorded on the third party grant administrator's general ledger when the LEA has expenditures in which they incur and pay.

Reporting

Grant Payments In (GPI) or Grant Payments Out (GPO) are recorded on the PI-1505 Special Education Annual Report (PI 1505 SE) in order to ensure that participating LEAs and third party grant administrators are not paid both federal and state categorical aid for the same expense. Since the grant reimbursements are paid directly to the LEA from DPI, there is no need to include these direct payments in Grant Payments In (GPI) or Grant Payments Out (GPO).

However, if the third party grant administrator incurs the original cost and bills the LEA for the purchase, the GPI and GPO will be recorded for the expenditure of the LEA paying the third party grant administrator. This transaction is reflected in the second transaction of the "Third Party Grant Administrator Purchasing on behalf of the LEA (Subgrantee)" section above. To report a grant payment paid to another entity, the paying entity (LEA) should:

- Report the total amount paid in required account GPO.000000.000.000;
- Complete the "Special Education Grant Payments Sent to Other Entities" addendum.

To report a grant payment received from another entity, the receiving entity (third party grant administrator) should:

- Report the total amount received in required account GPI.000000.000.000;
- Complete the "Special Education Grant Payments Received from Other Entities" addendum;
- Complete the "Grant Payment Received Expenditure Breakdown" addendum.

The amount reported as paid and received between the participating LEAs and the third party grant administrator should agree. A report titled "Reconcile Grant Payments" is available in the PI-1505SE Report, specifically in the link titled "Financial Data Reports." This report will display the amount recorded by the paying and receiving entity. If the amounts differ, the participating LEAs and the third party grant administrator will need to communicate, determine which amount is correct, and amend the report as necessary.

Example for recording GPI and GPO:

CESA incurred an expense for \$75,000 that is intended to be claimed on the district's IDEA grant. The CESA will bill the district for the cost. The district will make payment to the CESA. The CESA will have all the necessary documentation to submit a grant claim to DPI on behalf of the district. DPI will pay the reimbursement directly to the district.

CESA - Payment to Vendor and Cash Received From District:

- Original Expenditure \$75,000 – Debit to Expenditure, project 317, Credit to Cash
- Payment from District \$75,000 (**GPI**) – Debit to Cash, Credit to Revenue, source 317

District - Receipt from DPI and Cash Payment to CESA and receipt from DPI:

- \$75,000 (**GPO**) Debit to Expenditure, object 386, project 340
- \$75,000 received from DPI - Credit to Revenue, function 500000, source 730

Auditing

Under §120.14(1), Wis. Stats., at the close of each fiscal year, the school board of each school district must employ a licensed accountant to audit the school district accounts and certify the audit. The audits are performed in accordance with all applicable federal laws and regulations and Wisconsin statutes and administrative rules. Compliance regarding Individuals with Disabilities Education Act (IDEA) is required per the OMB Circular A-133. Auditors are required to use the Circular in determining the compliance requirements that could have a direct and material effect on the program. The district is the subgrantee of the funds and therefore, it is at the district level that the audit of IDEA funds takes place. The third party grant administrator is treated as a vendor for audit purposes.

Under OMB Circular A-133, the auditor determines 1) whether the district is required to have a federal single audit 2) which programs are major and will be tested. For districts with a required federal single audit, there is potential that IDEA funds will be selected for testing in any given year. To assist the audit process, the district should have available for the auditor the contract and statements or invoices received from the third party grant administrator. These documents will provide detail of the services received and paid for. From the detail, auditors will be able to determine whether compliance requirements are met including whether the costs are allowed costs under the IDEA grant.

Additional Resources

Accounting for [CESA refunds](#) to LEAs after the close of the fiscal year

Terminology

CESA – Cooperative Educational Service Agency. Twelve public regional agencies created under chapter 116, Wis. Stats., serve educational needs in all areas of Wisconsin by serving as a link both between school districts and between school districts and the state.

CCDEB – County Children with Disabilities Education Board. A board established by a county board of supervisors under § 115.817, Wis. Stats., to provide for one or more special schools, classes, treatment, or instruction centers for children with disabilities.

EDGAR – Education Department General Administrative Regulations (EDGAR) establishes cross-cutting rules that apply to all ED programs unless the program is exempt by statute or regulations.

IDEA – Individuals with Disabilities Education Act. The IDEA is the federal special education statute, which guarantees a free appropriate public education to children with disabilities; ensures the right of children with disabilities and their parents are protected; provides financial assistance to states, localities, educational service agencies, and Federal agencies; and assesses and ensures the effectiveness of efforts to educate children with disabilities.

LEA – Local Educational Agency. In Wisconsin local educational agencies are school districts, independent (2r) charter schools, the Wisconsin Department of Health Services, and the Wisconsin Department of Corrections.

OMB – Office of Management and Budget (OMB) is the largest component of the Executive Office of the President and reports directly to the President. OMB provides circulars that establish government-wide standards for specific issues such as allowable cost (2 CFR 200) or audits (A-133) of federal programs.

OSEP – Office of Special Education Program. The office in the U.S. Department of Education that is responsible for administering the IDEA.

Third Party Grant Administrator - employed contractually by an LEA to provide certain services. The services provided by a third party administrator can be varied. For purposes of this document, third party grant administrator refers to a cooperative educational service agency (CESA) or county childrens disabilities educational board (CCDEB).

Uniform Grant Guidance - The Office of Management and Budget's (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (commonly called "Uniform Guidance") was officially implemented in December 2014 by the Council on Financial Assistance Reform (COFAR). The guidance can be accessed [here](#).