

## **CESA CONTRACTS USING FEDERAL FUNDS**

1

### **What you need to know: Contracting with CESAs under the Federal Uniform Grant Guidance**

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## **CESA SERVICES**

3

### **Wis. Stat. §116.032**

- For the purpose of providing services to students, a CESA may contract with school districts, UW system institutions, technical colleges, private schools, tribal schools, and agencies or organizations that provide services to students.

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## **WHAT IS CESA**

2

### **Cooperative Educational Service Agencies**

- Established in Wisconsin Statute Chapter 116
- Created as a “service unit” between the school district and the state superintendent
- Each of the 12 agencies is governed by a board of control composed of members of school boards of school districts within the agency’s jurisdiction
- Non-profit status – governmental subdivision

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## **TODAY’S FOCUS**

4

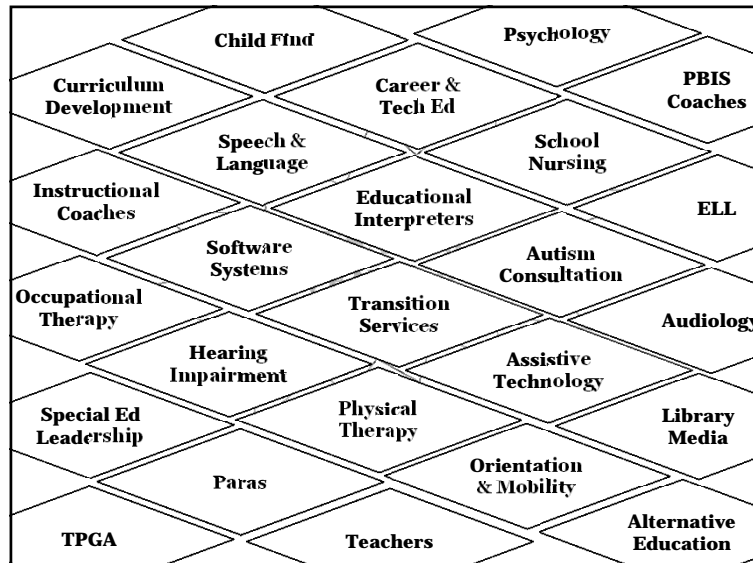
### **CESA as a “Vendor” of Educational Services**

- CESA provides a range of services including instructional services, special education related services, professional development, and administrative guidance.

### **CESA as a “Third Party Grant Administrator”**

- CESA takes on the administrative role for a district in regards to applying and managing a Federal grant awarded by DPI to the district.

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## Uniform Grant Guidance - Procurement

7

### §200.320(f) Procurement by noncompetitive proposals

May be used only when (3) The Federal awarding agency or pass-through entity expressly authorizes noncompetitive proposals in response to a written request from the non-Federal entity

Subrecipients make this request when identifying CESA contracts on their Federal grant budget, DPI then approves the request because our state statute gives CESAs the authorization to contract with districts for educational services

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## Uniform Grant Guidance - Procurement

6

§200.319 Competition – all procurement transactions must be conducted by open competition consistent with the regulation standards

### §200.320 Methods of procurement to be followed

- Small Purchase (\$3,500 - \$150,000) – price or rate quotes must be obtained from an adequate number of qualified sources
- Procurement by sealed bids or competitive proposals (any contract greater than \$150,000)

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8

### Special Education Services

Districts and CESAs are currently entering into two different models of contracts for special education services –

- “Retainer”
- “Actual Costs”

*Occupational Therapy*  
*Physical Therapy*  
*Orientation & Mobility*  
*Hearing Impairment*  
*Visual Impairment*  
*Alternative Education*  
*Speech & Language*

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## “Retainer” Type Contracts

9

The LEA enters into a contract with a vendor in which the cost is set for a certain set of services, although the services may not be used entirely.

The LEA may use Federal funds for this type of contract (2 CFR §200.459) as long as the contract includes the service description, estimate of time required, rate of compensation, and termination provisions. The vendor must also have evidence that the services (when needed) are available.

## “Actual Cost” Type Contracts

11

For this session, we are going to specifically look at “Consortium Agreements” –

1. LEAs and CESAs estimate what annual services will be needed and generate a projected cost
2. CESAs invoice LEAs during the year based on this projected cost
3. At the fiscal year end, if the LEA did not use all of the reserved services, CESA provides a refund for the difference (or if more services were used, the LEA would pay additional funds)

## Retainer Service Examples

10

The IDEA grant can pay for the following –

- At the beginning of the year, the LEA purchases three “seats” in an alternative program run by CESA – but the LEA only ends up using two
- Sharing a cost of a Visual Impairment teacher among the other LEAs in the cooperative even though no current student in the LEA needs VI instruction
- Purchasing a set amount of hours for physical therapy at the beginning of the year but not using all of the hours available by the end of the fiscal year

## Actual Cost Model Timeline

12

July 1 - June 30	July - August	Sept. 17	Sept. 30
LEA was invoiced in September, December and May based on projected costs	LEA closes books as of June 30, bases final payment to CESA on estimate	LEAs go through audits; CESAs closing books and finalizing actual LEA costs	LEAs submit PI 1505 and SE 1505 annual reports
			Final Grant Claims Due
		When do CESAs send additional bills or refunds?	

## Why CESA Reconciliations are Not Aligned

13

- Services provided to districts run through June and include payroll and staff travel. Final costs cannot be determined until after June 30th.
- CESAs finalize the collection of student information, including attendance, and then analyze number of units / service provided to determine actual costs.
- Difficulty getting accurate student information from even a single district can delay the reconciliation for the entire cooperative and impacts the timeline for all districts.

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## “Actual Cost” model accounting issues

15

**Action:** After June 30 and the completion of the LEA’s audit, CESA sends a refund to the LEA because fewer services were used than projected. Throughout the year, the LEA had used IDEA funds to pay for the CESA services.

**Concern:** If Federal funds were used but then a refund was provided, the LEA is *required* to send back the Federal funds to DPI. DPI would lower the final claim to reflect actual expenditures and the returned amount would be added to the LEA’s carryover. The LEA should never be booking the refund as revenue and not returning it.

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## “Actual Cost” model accounting issues

14

**Action:** After June 30 and the completion of the LEA’s audit, CESA sends a bill to the LEA for an amount in excess of the original projected amount. The LEA uses IDEA funds to pay for the additional cost.

**Concern:** Is the LEA booking the expenditure in the correct year? If the obligation took place prior to June 30, the expenditure needs to be booked in the prior year even if the LEA has already closed its books.

- ✦ The LEA’s Schedule of Assistance may need to be updated if the refund can be considered material

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## “Actual Cost” model accounting issues

16

**Action:** After June 30 and the completion of the LEA’s audit, CESA sends a refund to the LEA because fewer services were used than projected. Throughout the year, the LEA had used local funds to pay for the CESA services.

**Concern:** If the LEA counted on the full projected cost as a means to meet IDEA MOE compliance, the refund has now put that into jeopardy. Because the refund was sent after the close of the year, the LEA must make grant adjustments prior to September 30 to remain in compliance.

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## “Actual Cost” model accounting issues

17

DPI aid calculations are based on the aggregate of all LEA's annual reports. If LEAs are resubmitting annual reports based on late expenditures or revenues from actual cost type contracts, it requires all of the aid calculations to be run over and over again...impacting all LEAs.

## CESA 6 – Blended Model Model

19

- CESA 6 model is a blended model of Actual and Retainer.
- Daily or Unit rate is set for the annual contract in June and the rate does not change during the year.
- Invoice changes happen throughout the year based on a student's add/drop dates or changes in the IEP.
- Final invoice in June based on final units or days of services provided.
- No additional charge for service loss, service gain is saved as fund balance to adjust future charges.

## Benefits to Retainer Model Contracts

18

Contract amount would be set for a year and the cost never changes – no additional charges or refunds after the close of the year.

Consortium costs become more consistent from year to year, so LEAs can have better future projections for planning (very important for IDEA MOE compliance).

Most IDEA MOE compliance issues dealing with decreases in purchased services are a result of actual cost type contracts, never retainer type contracts.

## **Third Party Grant Administration**

*New considerations  
in light of the  
Uniform Grant Guidance*

## What is a TPGA?

21

A Third Party Grant Agreement exists when the CESA has taken on the administrative responsibility for the LEA in regards to managing the Federal grant.

- Completing the grant application and budget
- Processing invoices and submitting claims on behalf of the district
- Monitoring grant expenditures

## TPGA Contract Provisions

23

Written contracts should include:

- Specific services or programs
- How costs are determined
- Funds are only used for allowable costs under 2 CFR Part 200, Subpart E – Cost Principles
- Confidentiality of pupil records
- Retention of grant related records

## TPGA Contract Requirement

22

To enter into a Third Party Grant Agreement, the CESA and LEA must have a written contract in place

- Demonstrate LEAs are not subgranting
- Establishing financial relationships and ensure accountability
- Clearly define responsibilities of parties
- Permit administration by LEA, auditing by local auditors, and monitoring by DPI

## ALLOWABILITY OF COSTS

Per 2 CFR §200.302(b)(7), a subrecipient must have written procedures outlining how the subrecipient will ensure that costs on the federal grant, and ultimately claimed, are allowed under the individual Federal program *and* in accordance with the cost principles established in the Uniform Grant Guidance

When involved in a TPGA relationship, what should the subrecipient's written procedures on allowable costs look like?

### **Written Procedures / Allowable Costs**

Sample questions to ask when writing procedures:

- Who, for each Federal program, works with CESA to create the budget?
- Who verifies the budget submitted by CESA aligns with the district's ledger?
- Who verifies allowability of each cost under the Federal program and the Uniform Grant Guidance? Is this the responsibility of the CESA, and is it addressed in the TPGA contract?

25

### **Written Procedures / Allowable Costs**

Sample questions to ask when writing procedures determining district staff salary charges to grant:

- Who identifies each staff person with a status of single cost objective or multiple cost objective?
- How is this status determined?
- How often is this information reviewed and updated?
- Where is this information stored?
- How is this communicated between the district and CESA?

27

### **Written Procedures / Allowable Costs**

- For each Federal program, who is the informed contact for CESA questions?
- When cost changes occur within the program, what is the timeline for notifying CESA?
- After CESA receives notification of changes at the district, what is the timeline for submitting budget amendments to DPI?
- Who verifies allowability of each amended cost under the Federal program and Uniform Grant Guidance?

26

### **Written Procedures / Allowable Costs**

For district staff with multiple cost objectives:

- How is the amount of staff person's time budgeted on the grant determined?
- What documentation or process is used to support the amount budgeted?
- How often is this information reviewed and updated?
- Where is this information stored?
- Who verifies charged amounts against supporting documentation prior to a claim being made?
- How is this communicated to CESA?

28

## Written Procedures / Allowable Costs

For short-term work such as substitute staffing, extended school year, stipends, etc.:

- Does the time sheet identify the Federal funding source or cost objective?
- Who verifies the short-term work is an allowable cost under the Federal program?
- Who verifies the short-term work is completed by licensed individuals (if required)?
- Who verifies the work was completed prior to submitting a claim?
- How is this communicated to CESA?

29

## Written Procedures / Obligor Funds

Sample questions to ask when writing procedures:

- Who determines a purchase is an allowed cost?
- What information is used to make the determination it is an allowed cost?
- Who verifies that the goods or services have been budgeted on the Federal grant?
- Who verifies the goods have been received or service performed?

31

## CASH MANAGEMENT

In addition to written procedures on allowable costs, the subrecipient must also have written procedures on Cash Management (§200.302(b)(6)). These written procedures will also need to address how the requirements are met when the process is shared between the CESA and the district through the TPGA.

The following considerations are specific to CESA's role in cash management.

## Written Procedures / Liquidation

Sample questions to ask when writing procedures:

- Who determines the service was timely performed and how is it verified?
- How is an invoice approved for payment? Who gives final approval before it is sent to CESA?
- What is the payment process?
- What supporting documentation is required prior to payment?

32



## Written Procedures / Claiming Process

Sample questions to ask when writing procedures:

- Who at CESA prepares the claim?
- How are costs compared to approved budget?
- How are costs determined allowable?
- Who approves the claim?
- Who signs the claim?

33



**QUESTIONS?**

35

## Claim Submission in WISEgrants

34

All claims for IDEA and ESSA will require a District Authorizer to login into WISEgrants and electronically sign the claim prior to submission

- This process should be part of your written procedures
- Provides the district with an internal control to do a final review of the federal grant claim for accuracy before it is submitted for payment
- The district *should not* identify a CESA employee as a District Authorizer