



UNITED STATES DEPARTMENT OF EDUCATION  
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES

July 1, 2023

Honorable Dionne Wells-Hedrington  
Commissioner  
Virgin Islands Department of Education  
1834 Kongens Gade  
St. Thomas, Virgin Islands 00802

Dear Commissioner Wells-Hedrington:

We have approved the Virgin Islands' application for Federal fiscal year (FFY) 2023 funds under Part B of the Individuals with Disabilities Education Act (IDEA Part B). The effective date of this grant award is July 1, 2023.

Our approval is based on our review of the IDEA Part B application submitted by the Virgin Islands Department of Education to the U.S. Department of Education (Department), Office of Special Education Programs (OSEP), on May 24, 2023, including the assurances provided in Section II and incorporated by reference to this letter as noted in Enclosure A. Our approval is also based on the Virgin Islands' certification in Section II.D of its FFY 2023 application (Enclosure B) that the Virgin Islands' provisions meet the requirements of IDEA Part B as found in Public Law 108-446, and that the Virgin Islands will operate its Part B program in accordance with all of the required assurances and certifications, consistent with 34 C.F.R. § 76.104.

In addition, our approval is based on the Virgin Islands' submission of the form required under Section 427 of the General Education Provisions Act (GEPA). Going forward, for future IDEA grant applications, the Virgin Islands must annually review and, if necessary and appropriate, revise its GEPA Section 427 form and submit the revised form as part of its grant application.

Please note that OSEP Memorandum 23-02, dated February 24, 2023, explained the impact of recent amendments to the Copyright Act, 17 U.S.C. § 121, on certain terms relevant to Assurance 23a or 23b related to accessible instructional materials as reflected in the Virgin Islands' FFY 2023 application for funds under IDEA Part B. As a result, the term "blind and other persons with print disabilities" has been removed from the Copyright Act and replaced with "eligible person," and the term "specialized format" has been removed and replaced with the term "accessible format." Although at this time Congress has not made conforming amendments to Section 612(a)(23) of IDEA, the Department construes Assurances 23a and 23b as incorporating the terms "eligible person" and "accessible format."

The Virgin Islands' FFY 2023 IDEA Part B grant award is being released subject to the Specific Conditions that are identified in the Department's June 28, 2023, letter to the Virgin Islands, which is included as Enclosure D to this grant letter and hereby expressly incorporated into the terms of the Virgin Islands' FFY 2023 IDEA Part B grant. These Specific Conditions and the Virgin Islands' designation as a high-risk grantee are being imposed pursuant to the Department's authority in 2 C.F.R. §§ 200.208 and 3474.10 on all Department grants awarded to the Virgin Islands (including the enclosed IDEA Part B grant award) to ensure the Virgin Islands' fiscal accountability of Department grant funds. By accepting this grant award, the

Virgin Islands expressly agrees to comply with the Specific Conditions identified in Enclosure D throughout the period the Virgin Islands uses its FFY 2023 IDEA Part B funds.

Please note that as part of its application for FFY 2023 IDEA Part B funds, the Virgin Islands has provided a certification, pursuant to 34 C.F.R. § 76.104, that its application meets the requirements of IDEA Part B and that the Virgin Islands will operate its Part B program in accordance with all of the required assurances and certifications. Any changes made by the Virgin Islands, after OSEP approval, to information that is a part of the Virgin Islands' Part B application, must meet the public participation requirements in 34 C.F.R. § 300.165.

Enclosed is the Virgin Islands' FFY 2023 grant award for funds currently available under the Consolidated Appropriations Act, 2023 (Public Law 117-328) for the IDEA Part B Section 611 (Grants to States) program. These funds are available for obligation by States and entities from July 1, 2023, through September 30, 2025, in accordance with 34 C.F.R. § 76.709.

The amount shown in the Virgin Islands' award for the Section 611 program is only part of the total funds that will be awarded to it for FFY 2023. Of the \$14,193,704,000 appropriated for Section 611 in FFY 2023, \$4,910,321,000 is available for awards on July 1, 2023, and \$9,283,383,000 will be available for awards on October 1, 2023.

Under the Section 611 formula, the Secretary reserves not more than one percent of the amount appropriated for FFY 2023 to provide assistance to the outlying areas in accordance with their respective populations of individuals aged three through 21 and to provide each freely associated State a grant in the amount that such freely associated State received in fiscal year 2003 under Part B of the IDEA.

Enclosure C provides a short description of how Section 611 funds were allocated and how those funds can be used. In addition, Table I in Enclosure C shows funding levels for distribution of Section 611 funds and the parameters for within-State allocations.

Under IDEA Section 605, the Office of Management and Budget Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (OMB Uniform Guidance) in 2 C.F.R. Part 200, and 34 C.F.R. § 300.718, the Virgin Islands must request prior approval from OSEP for certain State-level activities or expenses.<sup>1</sup> The Virgin Islands did not submit a participant support cost request with its grant application. If the Virgin Islands plans to use its FFY 2023 IDEA Part B grant funds for such costs, and those costs fall outside of the scope of the 2019 FAQs, it must submit a request for prior approval to which OSEP will respond separate from the grant letter.

Under Section 608(a)(2) of the IDEA, each State that receives funds under IDEA Part B is required to inform in writing local educational agencies located in the State of any State-imposed rule, regulation, or policy that is not required by IDEA or Federal regulations. A State may use the same list of State-imposed rules, regulations, and policies that it was required to submit to the Department in Section IV of its IDEA Part B application for this purpose.

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<sup>1</sup> States may find the following guidance helpful: (1) [OSEP's Guidance for Common Prior Approval Requests under IDEA Parts B and C](#) (January 3, 2023), and (2) [Frequently Asked Questions \(FAQs\) Prior Approval – OSEP and RSA Formula Grants](#) (October 29, 2019) ("2019 FAQs").

In Section V.A of its IDEA Part B application, pursuant to the authority in IDEA Section 618(a)(3), the Virgin Islands was required to submit data on the total amount of the Virgin Islands financial support made available for special education and related services for children with disabilities in the Virgin Islands’ State fiscal year (SFY) 2021 and SFY 2022. If OSEP receives information through audits, fiscal monitoring or other means that raises questions about the data the Virgin Islands has provided in Section V.A, OSEP will follow up with the Virgin Islands.

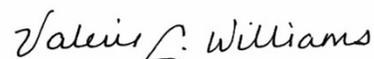
Section 604 of the IDEA provides that “[a] State shall not be immune under the 11th amendment to the Constitution of the United States from suit in Federal court for a violation of this [Act].” Section 606 provides that each recipient of assistance under the IDEA make positive efforts to employ and advance in employment qualified individuals with disabilities in programs assisted under the IDEA. Therefore, by accepting this grant, the Virgin Islands is expressly agreeing as a condition of IDEA funding to a waiver of Eleventh Amendment immunity and to ensuring that positive efforts are made to employ and advance employment of qualified individuals with disabilities in programs assisted under the IDEA.

The enclosed grant award of FFY 2023 funds is made with the continued understanding that this Office may, from time to time, require clarification of information within your application, if necessary. These inquiries may be necessary to allow us to appropriately carry out our administrative responsibilities related to IDEA Part B.

As a reminder, all prime recipients of IDEA Part B funds must report subaward information as required by the Federal Funding Accountability and Transparency Act of 2006 (FFATA), as amended in 2008. First-tier subaward information must be reported by the end of the following month from when the award was made or obligated. FFATA guidance is found at <https://www.fsrs.gov/>. Please contact your State’s [Fiscal Accountability Facilitator](#) if you have further questions.

We appreciate your ongoing commitment to the provision of quality educational services to children with disabilities.

Sincerely,



Valerie C. Williams  
Director  
Office of Special Education Programs

Enclosures

- Enclosure A (Sections II.A-C. of the Virgin Islands’ application)
- Enclosure B (Section II.D. of the Virgin Islands’ application)
- Enclosure C
- Enclosure D (Departmentwide Specific Conditions)

cc: State Director of Special Education

## Enclosure A

### A. Assurances Related to Policies and Procedures

The State makes the following assurances that it has policies and procedures in place as required by Part B of the Individuals with Disabilities Education Act. (20 U.S.C. 1411-1419; 34 CFR §§300.100-300.174)

<p><b>Yes</b> (Assurance is given Place a check as applicable.)</p>	<p><b>No</b> (Assurance cannot be given. Provide date on which State will complete changes in order to provide assurance.)  Enter date(s) as applicable</p>	<p><b>Assurances Related to Policies and Procedures</b></p>
<p>X</p>		<p>1. A free appropriate public education is available to all children with disabilities residing in the State between the ages of 3 and 21, inclusive, including children with disabilities who have been suspended or expelled, in accordance with 20 U.S.C. 1412(a)(1); 34 CFR §§300.101-300.108.</p>
<p>X</p>		<p>2. The State has established a goal of providing a full educational opportunity to all children with disabilities and a detailed timetable for accomplishing that goal. (20 U.S.C. 1412(a)(2); 34 CFR §§300.109-300.110)</p>
<p>X</p>		<p>3. All children with disabilities residing in the State, including children with disabilities who are homeless or are wards of the State and children with disabilities attending private schools, regardless of the severity of their disabilities, and who are in need of special education and related services, are identified, located, and evaluated and a practical method is developed and implemented to determine which children with disabilities are currently receiving needed special education and related services in accordance with 20 U.S.C. 1412(a)(3); 34 CFR §300.111.</p>
<p>X</p>		<p>4. An individualized education program, or an individualized family service plan that meets the requirements of section 636(d), is developed, reviewed, and revised for each child with a disability in accordance with 34 CFR §§300.320 through 300.324, except as provided in §§300.300(b)(3) and 300.300(b)(4). (20 U.S.C. 1412(a)(4); 34 CFR §300.112)</p>
<p>X</p>		<p>5. To the maximum extent appropriate, children with disabilities, including children in public or private institutions or other care facilities, are educated with children who are not disabled, and special classes, separate schooling, or other removal of children with disabilities from the regular educational environment occurs only when the nature or severity of the disability of a child is such that education in regular classes with the use of supplementary aids and services cannot be</p>

		achieved satisfactorily in accordance with 20 U.S.C. 1412(a)(5)(A)-(B); 34 CFR §§300.114-300.120.
X		6. Children with disabilities and their parents are afforded the procedural safeguards required by 34 CFR §§300.500 through 300.536 and in accordance with 20 U.S.C. 1412(a)(6); 34 CFR §300.121.
X		7. Children with disabilities are evaluated in accordance with 34 CFR §§300.300 through 300.311. (20 U.S.C. 1412(a)(7); 34 CFR §300.122)
X		8. Agencies in the State comply with 34 CFR §§300.610 through 300.626 (relating to the confidentiality of records and information). (20 U.S.C. 1412(a)(8); 34 CFR §300.123)
X		9. Children participating in early intervention programs assisted under Part C, and who will participate in preschool programs assisted under this part, experience a smooth and effective transition to those preschool programs in a manner consistent with section 637(a)(9). By the third birthday of such a child, an individualized education program or, if consistent with 34 CFR §300.323(b) and section 636(d), an individualized family service plan, has been developed and is being implemented for the child. The local educational agency will participate in transition planning conferences arranged by the designated lead agency under section 635(a)(10). (20 U.S.C. 1412(a)(9); 34 CFR §300.124)
X		10. Agencies in the State, and the SEA if applicable, comply with the requirements of 34 CFR §§300.130 through 300.148 (relating to responsibilities for children in private schools), including that to the extent consistent with the number and location of children with disabilities in the State who are enrolled by their parents in private elementary schools and secondary schools in the school district served by a local educational agency, provision is made for the participation of those children in the program assisted or carried out under this part by providing for such children special education and related services in accordance with the requirements found in 34 CFR §§300.130 through 300.148 unless the Secretary has arranged for services to those children under subsection (f) [By pass]. (20 U.S.C. 1412(a)(10); 34 CFR §§300.129-300.148)
X		11. The State educational agency is responsible for ensuring that the requirements of Part B are met including the requirements of 34 CFR §§300.113, 300.149, 300.150 through 300.153, and 300.175 and 300.176 and that the State monitors and enforces the requirements of Part B in accordance with 34 CFR §§300.600-300.602 and 300.606-300.608. (20 U.S.C. 1412(a)(11); 34 CFR §300.149)
X		12. The Chief Executive Officer of a State or designee of the officer shall ensure that an interagency agreement or other mechanism for interagency coordination is in effect between each public agency described in subparagraph (b) of 34 CFR §300.154 and the State educational agency, in order to ensure that all services described in paragraph (b)(1)(i) that are needed to ensure a free appropriate public education are provided, including the provision of such services during the pendency of any dispute under §300.154(a)(3). Such agreement or

		mechanism shall meet the requirements found in 20 U.S.C. 1412(a)(12)(A)-(C); 34 CFR §300.154.
X		13. The State educational agency will not make a final determination that a local educational agency is not eligible for assistance under this part without first affording that agency reasonable notice and an opportunity for a hearing. (20 U.S.C. 1412(a)(13); 34 CFR §300.155)
X		14. The State educational agency has established and maintains qualifications to ensure that personnel necessary to carry out this part are appropriately and adequately prepared and trained, including that those personnel have the content knowledge and skills to serve children with disabilities as noted in 20 U.S.C. 1412(a)(14)(A)-(E), as amended by the Every Student Succeeds Act; 34 CFR §300.156.
X		15. The State has established goals for the performance of children with disabilities in the State that meet the requirements found in 20 U.S.C. 1412(a)(15)(A)-(C), as amended by the Every Student Succeeds Act; 34 CFR §300.157.
X		16. All children with disabilities are included in all general State and districtwide assessment programs, including assessments described under section 1111 of the Elementary and Secondary Education Act of 1965, with appropriate accommodations and alternate assessments where necessary and as indicated in their respective individualized education programs as noted in 20 U.S.C. 1412(a)(16)(A)-(E); as amended by the Every Student Succeeds Act; 34 CFR §300.160.
X		17. Funds paid to a State under this part will be expended in accordance with all the provisions of Part B including 20 U.S.C. 1412(a)(17)(A)-(C); 34 CFR §300.162.
X		18. The State will not reduce the amount of State financial support for special education and related services for children with disabilities, or otherwise made available because of the excess costs of educating those children, below the amount of that support for the preceding fiscal year, unless a waiver is granted, in accordance with 20 U.S.C. 1412(a)(18)(A)-(D); 34 CFR §§300.163 through 300.164.
X		19. Prior to the adoption of any policies and procedures needed to comply with this section (including any amendments to such policies and procedures), the State ensures that there are public hearings, adequate notice of the hearings, and an opportunity for comment available to the general public, including individuals with disabilities and parents of children with disabilities. (20 U.S.C. 1412(a)(19); 34 CFR §300.165)
X		20. In complying with 34 CFR §§300.162 and 300.163, a State may not use funds paid to it under this part to satisfy State-law mandated funding obligations to local educational agencies, including funding based on student attendance or enrollment, or inflation. (20 U.S.C. 1412(a)(20); 34 CFR §300.166)
X		21. The State has established and maintains an advisory panel for the purpose of providing policy guidance with respect to special education and related services for children with disabilities in the State as found in 20 U.S.C. 1412(a)(21)(A)-(D); 34 CFR §§300.167-300.169.

X		22. The State educational agency examines data, including data disaggregated by race and ethnicity, to determine if significant discrepancies are occurring in the rate of long-term suspensions and expulsions of children with disabilities in accordance with 20 U.S.C. 1412(a)(22)(A)-(B); 34 CFR §300.170.
X		23a. The State adopts the National Instructional Materials Accessibility Standard for the purposes of providing instructional materials to blind persons or other persons with print disabilities, in a timely manner after the publication of the National Instructional Materials Accessibility Standard in the Federal Register in accordance with 20 U.S.C. 1412(a)(23)(A) and (D); 34 CFR §300.172.
		23b. <i>(Note: Check either "23b.1" or "23b.2" whichever applies.</i>
X		23b.1 The State educational agency coordinates with the National Instructional Materials Access Center and not later than 12/03/06 the SEA as part of any print instructional materials adoption process, procurement contract, or other practice or instrument used for purchase of print instructional materials enters into a written contract with the publisher of the print instructional materials to: <ul style="list-style-type: none"> <li>• require the publisher to prepare and, on or before delivery of the print instructional materials, provide to the National Instructional Materials Access Center, electronic files containing the contents of the print instructional materials using the National Instructional Materials Accessibility Standard; or</li> <li>• purchase instructional materials from the publisher that are produced in, or may be rendered in, specialized formats. (20 U.S.C. 1412(a)(23)(C); 34 CFR §300.172)</li> </ul>
		23b.2 The State educational agency has chosen not to coordinate with the National Instructional Materials Access Center but assures that it will provide instructional materials to blind persons or other persons with print disabilities in a timely manner. (20 U.S.C. 1412(a)(23)(B); 34 CFR §300.172)
X		24. The State has in effect, consistent with the purposes of the IDEA and with section 618(d) of the Act, policies and procedures designed to prevent the inappropriate overidentification or disproportionate representation by race and ethnicity of children as children with disabilities, including children with disabilities with a particular impairment described in 34 CFR §300.8. (20 U.S.C 1412(a)(24); 34 CFR §300.173)
X		25. The State educational agency shall prohibit State and local educational agency personnel from requiring a child to obtain a prescription for a substance covered by the Controlled Substances Act (21 U.S.C. 812(c)) as a condition of attending school, receiving an evaluation under 34 CFR §§300.300 through 300.311, or receiving services under the IDEA as described in 20 U.S.C. 1412(a)(25)(A)-(B); 34 CFR §300.174.

## B. Other Assurances

The State also makes the following assurances:

Yes	Other Assurances
X	1. The State shall distribute any funds the State does not reserve under 20 U.S.C. 1411(e) to local educational agencies (including public charter schools that operate as local educational agencies) in the State that have established their eligibility under section 613 for use in accordance with this part as provided for in 20 U.S.C. 1411(f)(1)-(3); 34 CFR §300.705.
X	2. The State shall provide data to the Secretary on any information that may be required by the Secretary. (20 U.S.C. 1418(a)(3); 34 CFR §§300.640-300.645.)
X	3. The State, local educational agencies, and educational service agencies shall use fiscal control and fund accounting procedures that insure proper disbursement of and accounting for Federal funds. (34 CFR §76.702)
X	4. As applicable, the assurance in OMB Standard Form 424B (Assurances for Non-Construction Programs), relating to legal authority to apply for assistance; access to records; conflict of interest; merit systems; nondiscrimination; Hatch Act provisions; labor standards; flood insurance; environmental standards; wild and scenic river systems; historic preservation; protection of human subjects; animal welfare; lead-based paint; Single Audit Act; and general agreement to comply with all Federal laws, executive orders and regulations.

## C. Certifications

The State is providing the following certifications:

Yes	Certifications
X	<p>1. The State certifies that ED Form 80-0013, <i>Certification Regarding Lobbying</i>, is on file with the Secretary of Education.</p> <p>With respect to the <i>Certification Regarding Lobbying</i>, the State recertifies that no Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the making or renewal of Federal grants under this program; that the State shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," when required (34 CFR Part 82, Appendix B); and that the State Agency shall require the full certification, as set forth in 34 CFR Part 82, Appendix A, in the award documents for all sub awards at all tiers.</p>
X	2. The State certifies that the arrangements to establish responsibility for services pursuant to 20 U.S.C. 1412(a)(12)(A)-(C); 34 CFR §300.154 (or 20 U.S.C. 1412(a)(12)(A)); 34 CFR §300.154(a) are current. This certification must be received prior to the expenditure of any funds reserved by the State under 20 U.S.C. 1411(e)(1); 34 CFR §300.171.

**Enclosure B**

**D. Statement**

I certify that the State of VIRGIN ISLANDS can make the assurances checked as 'yes' in Section II.A. and II.B. and the certifications required in Section II.C. of this application. These provisions meet the requirements of Part B of the Individuals with Disabilities Education Act (IDEA) as found in PL 108-446 and the implementing regulations. The State will operate its IDEA Part B program in accordance with all of the required assurances and certifications.

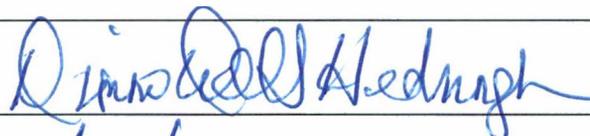
If any assurances have been checked 'no', I certify that the State will operate throughout the period of this grant award consistent with the requirements of the IDEA, as found in PL 108-446 and any applicable regulations, and will make such changes to existing policies and procedures as are necessary to bring those policies and procedures into compliance with the requirements of the IDEA, as amended, as soon as possible, and not later than June 30, 2024. (34 CFR § 76.104)

I, the undersigned authorized official of the

VIRGIN ISLANDS DEPARTMENT OF EDUCATION,

*(Name of State and official name of State agency)*

am designated by the Governor of this State to submit this application for FFY 2023 funds under Part B of the IDEA.

Printed/Typed Name of Authorized Representative of the State:	<b>Dionne Wells-Hedrington, Ed.D.</b>
Title of Authorized Representative of the State:	<b>Commissioner, Virgin Islands Department of Education</b>
Signature:	
Date:	<b>5/19/23</b>

**Enclosure C**  
**IDEA Grants to States Program**  
**(Part B, Section 611)**

**Explanation of the Federal Fiscal Year (FFY) 2023 Allocation Table**

**Total Grant Award (Column B)**

Column B shows your total grant award for the Grants to States program for FFY 2023 under the Consolidated Appropriations Act, 2023 (Public Law 117-328).

State total grants are calculated in accordance with several factors. First, each State is allocated an amount equal to the amount that it received for fiscal year 1999. If the total program appropriation increases over the prior year, 85 percent of the remaining funds are allocated based on the relative population of children aged 3 through 21 who are in the age range for which the State ensures the availability of a free appropriate public education (FAPE) to children with disabilities. Fifteen percent of the remaining funds are allocated based on the relative population of children aged 3 through 21 living in poverty who are in the age range for which the State ensures the availability of FAPE to children with disabilities. The statute also includes several maximum and minimum allocation requirements when the amount available for distribution to States increases.

If the amount available for allocation to States remains the same from one year to the next, States receive the same level of funding as in the prior year. If the amount available for allocation to States decreases from the prior year, any amount available for allocation to States above the fiscal year 1999 level is allocated based on the relative increases in funding that the States received between fiscal year 1999 and the prior year. If there is a decrease below the amount allocated for 1999, each State's allocation is ratably reduced from the fiscal year 1999 level.

**Section 611 Base Allocation to LEAs (Column C)**

Column C is the portion of the local educational agency (LEA) flow-through amount that must be distributed to LEAs based on the amounts that the LEAs would have received from FFY 1999 funds had the State educational agency (SEA) flowed through 75 percent of the State award to LEAs. Note that this amount is less than the minimum amount that States were required to provide to LEAs from FFY 1999 funds. The Part B regulations at 34 CFR §300.705(b)(2) clarify how adjustments to the base payment amounts for LEAs are made.

**Maximum Set-Aside for Administration (Column D)**

Column D includes the maximum State set-aside amount for administration. A State may reserve for State administration up to the greater of the maximum amount the State could reserve for State administration from fiscal year 2004 funds, or \$800,000, increased by inflation as reflected by the Consumer Price Index for All Urban Consumers (CPIU). The maximum State set-aside amount available for administration for FFY 2023 is a 6.0 percent increase over the maximum amount that was available for FFY 2022. Each outlying area may reserve for each fiscal year not more than 5 percent of the amount the outlying area receives under this program or \$35,000, whichever is greater.

**Maximum Set-Aside Available for Other State-Level Activities (Columns E - H)**

The maximum level of funding that may be set aside from a State's total allocation for State-level activities, other than administration, is contingent upon the amount that the State actually sets aside for administration and whether the State opts to establish a LEA high-risk pool under IDEA, section 611(e)(3). For FFY 2023:

- (1) If the actual amount a State will set aside for State administration is over \$850,000 and the State will use funds from its award to support a high-risk pool, the maximum amount the State may set aside of its total award for State-level activities (other than administration) is 10.0 percent of its FFY 2006 award as adjusted for inflation based on the CPIU.
- (2) If the actual amount a State will set aside for State administration is over \$850,000 and the State will not use funds from its award to support a high-risk pool, the maximum amount the State may set aside of its total award for State-level activities (other than administration) is 9.0 percent of its FFY 2006 award as adjusted for inflation based on the CPIU.
- (3) If the actual amount a State will set aside for State administration is \$850,000 or less and the State will use funds from its award to support a high-risk pool, the maximum amount the State may set aside of its total award for State-level activities (other than administration) is 10.5 percent of its FFY 2006 award as adjusted for inflation based on the CPIU.
- (4) If the actual amount a State will set aside for State administration is \$850,000 or less and the State will not use funds from its award to support a high-risk pool, the maximum amount the State may set aside of its total award for State-level activities (other than administration) is 9.5 percent of its FFY 2006 award as adjusted for inflation based on the CPIU.

SEAs are required to use some portion of these State set-aside funds on monitoring, enforcement, and complaint investigation and to establish and implement the mediation process required by section 615(e), including providing for the costs of mediators and support personnel. In addition, States setting aside funds for a high-risk pool, as provided for under section 611(e)(3), must reserve at least 10 percent of the amount the State reserved for State-level activities for the high-risk pool.

SEAs also may use State set-aside funds: (1) for support and direct services, including technical assistance, personnel preparation, and professional development and training; (2) to support paperwork reduction activities, including expanding the use of technology in the individualized education program process; (3) to assist LEAs in providing positive behavioral interventions and supports and mental health services to children with disabilities; (4) to improve the use of technology in the classroom by children with disabilities to enhance learning; (5) to support the use of technology, including technology with universal design principles and assistive technology devices, to maximize accessibility to the general education curriculum for children with disabilities; (6) for development and implementation of transition programs, including coordination of services with agencies involved in supporting the transition of students with disabilities to postsecondary activities; (7) to assist LEAs in meeting personnel shortages; (8) to support capacity building activities and improve the delivery of services by LEAs to improve results for children with disabilities; (9) for alternative programming for children with disabilities who have been expelled from school, and services for children with disabilities in correctional facilities, children enrolled in State-operated or State-supported schools, and children with disabilities in charter schools; (10) to support the development and provision of appropriate accommodations for children with disabilities, or the development and provision of alternate assessments that are valid and reliable for assessing the performance of children with disabilities, in accordance with sections 1111(b) and 1201 of the Elementary and Secondary Education Act of 1965 (ESEA); and (11) to provide technical assistance to schools and LEAs, and direct services, including direct student services described in section 1003A(c)(3) of the ESEA to children with disabilities, in schools or LEAs implementing comprehensive support and improvement activities or targeted support and improvement activities under section 1111(d) of

the ESEA on the basis of consistent underperformance of the disaggregated subgroup of children with disabilities, including providing professional development to special and regular education teachers, who teach children with disabilities, based on scientifically based research to improve educational instruction, in order to improve academic achievement based on the challenging academic standards described in section 1111(b)(1) of the ESEA.

### **Section 611 Population/Poverty**

The minimum amount that a State must flow through to LEAs based on population/poverty equals the total award (Column B) minus the LEA base allocation (Column C), the maximum amount available for administration (Column D), and the maximum amount available for other State-level activities (Column E, F, G, or H). Of this amount, 85 percent must be distributed on a pro-rata basis to LEAs according to public and private elementary and secondary school enrollment, and 15 percent on a pro-rata basis to LEAs according to the number of children in LEAs living in poverty, as determined by the State.



UNITED STATES DEPARTMENT OF EDUCATION  
OFFICE OF FINANCE AND OPERATIONS  
OFFICE OF ACQUISITION, GRANTS, AND RISK MANAGEMENT

June 28, 2023

The Honorable Albert Bryan, Jr.  
Governor of the United States Virgin Islands  
Office of the Governor  
No. 21 Kongens Gade  
Charlotte Amalie  
St. Thomas, Virgin Islands 00802

Dear Governor Bryan,

This letter serves to inform you of the specific conditions which the U.S. Department of Education (Department or ED) is imposing on all grants awarded to the Government of the United States Virgin Islands and/or its agencies (Virgin Islands) for Federal fiscal year (FFY) 2023. These specific conditions apply to all grants awarded by the Department to the Virgin Islands on or after the date of these specific conditions.

In addition to applying to all grants awarded to the Virgin Islands for FFY 2023, the specific conditions also apply to all Department grants under the following programs awarded to any Virgin Islands agencies for FFY 2024: Vocational Rehabilitation (Title I of the Rehabilitation Act of 1973 (Rehabilitation Act)), Supported Employment (Title VI of the Rehabilitation Act), Client Assistance Program (section 112 of the Rehabilitation Act), Protection and Advocacy of Individual Rights (section 509 of the Rehabilitation Act), and the Independent Living Services for Older Individuals Who Are Blind (Title VII, Chapter 2 of the Rehabilitation Act) (collectively, Rehabilitation Act programs).

These specific conditions are also applicable to grant funds previously awarded by the Department to the Virgin Islands that are still available for obligation or liquidation as of the date of these specific conditions.

These specific conditions are largely maintained from FFY 2022 because, despite the noted progress, the Virgin Islands has not fully demonstrated that it has effectively developed and implemented its own procedures for resolving the systemic fiscal deficiencies that have affected its ability to properly administer and manage Department funds.

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*The Department of Education's mission is to promote student achievement and preparation for global competitiveness by fostering educational excellence and ensuring equal access.*

The Honorable Albert Bryan, Jr.

The conditions are imposed in accordance with applicable regulations governing specific conditions and "high-risk" grantees in 2 CFR §§ 200.207 and 3474.10 of the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

We believe the services of an Agent continue to be necessary to ensure that the Virgin Islands is managing and administering Department funds in accordance with applicable Federal requirements. This is because VI still has not fully addressed several of the specific conditions and continues to demonstrate inefficient implementation of documented processes.

These specific conditions describe the responsibilities of the Virgin Islands and its agencies to continue working with the Agent in administering Department funds. As with the FY 2022 specific conditions, failure of the Virgin Islands and/or its agencies to comply with any of the specific conditions – including working cooperatively and in a timely manner with the Agent to implement the activities described in these specific conditions, and notifying the Department if a dispute arises and remains unresolved between the Agent and the Virgin Islands and/or its agencies concerning implementation of the contract or the administration of grant funds – will negatively impact the ability of the Virgin Islands and/or its agencies to continue to receive Department grants.

These specific conditions also prescribe requirements for the Virgin Islands to continue to make significant improvements in all aspects of its fiscal management of Department grant funds. These improvements include ongoing updates to the Corrective Action Plan (CAP), submitted through VIOMB's Federal Grants Specialized Processing Unit/Self-Contained Model (FGSPU/SCM), designed to address tasks not completed under previous versions of the CAP, as well as any ongoing tasks, and issues identified by the Agent as part of its assessment of the Virgin Islands' readiness to reassume management of the Federal funds awarded by the Department.

In July 2015, the Virgin Islands Post Compliance Agreement Task Force (PCAT) implemented the FGSPU/SCM as the approach for coordinating financial management across Virgin Islands agencies. In May 2019, the VIOMB developed the SCM Transition Implementation Plan (Plan) which was presented to ED as the proposed multi-phased strategy for reassuming financial oversight of Department grant funds. Implementation of the FGSPU/SCM was suspended in FFY 2020. In FFY 2021, the newly contracted Agent assessed the feasibility of the FGSPU/SCM to operate as designed. After the Agent's review and recommendations, the VIOMB made the decision to reinstate the unit in FFY 2021. The current Agent will continue to assist the Virgin Islands with validating and monitoring the implementation of the model until VIOMB implements Phase 6 of its plan.

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Under these specific conditions, the Virgin Islands, VIDE, the Virgin Islands Department of Human Services (VIDHS), and VIOMB must continue to update the CAP to include, among other things, the tasks, and actions to be completed as part of the Virgin Islands' implementation of the FGSPU/SCM and any other initiatives that they are undertaking to build fiscal management capabilities and capacity within the Virgin Islands and VIDE. The specific conditions also require the Virgin Islands to submit detailed quarterly reports documenting its progress with meeting the requirements of the CAP. Fully implementing the CAP includes completing and implementing effectively any planned initiatives, tasks, and actions included in the CAP. Additionally, the Virgin Islands must resolve any issues and findings from A-133 single audits, resolve any issues and findings from ED's Office of Inspector General (OIG) audits and/or alert memoranda, and continue to implement improved fiscal management procedures and controls, including those previously required by the 2002 Compliance Agreement. The responsibilities undertaken by the Agent, as prescribed under the specific conditions, may not be carried out by, or transferred to, the FGSPU/SCM or any other Virgin Islands entity or unit until such time as the Department has given approval after determining that the Virgin Islands and VIDE have demonstrated the capacity to ensure fiscal management of Department funds without the services of an Agent.

Additionally, these specific conditions require VIDE's, the Virgin Islands Department of Health's (VIDH), and VIDHS's compliance with regulations enforced by the Department's Office for Civil Rights (OCR) and cooperation with OCR on all complaint investigations involving VIDE and/or the VIDHS. VIDH has separate grant specific conditions under Part C of the Individuals with Disabilities Education Act (IDEA). The Agent does not manage VIDH's IDEA Part C grant funds and is responsible only for the VIDH property procurement and management functions required to be performed under the Uniform Guidance (see Attachment A).

As noted under Section II.A of the conditions, before the Virgin Islands may expend Department grant funds under the grant awards to which these specific conditions are attached, the Virgin Islands must incorporate these specific conditions as an addendum to the current contract between the Virgin Islands and McConnell & Jones LLC. This approach enables us to provide funds to the Virgin Islands, while the Virgin Islands continues its efforts to complete and maintain the implementation of systemic improvements. The result we continue to seek is that, with the assistance of the Agent, the Virgin Islands will be able to regain fiscal management responsibilities for, and effectively manage, Department grant funds in the future. The Department continues its commitment to providing essential funding as well as to working closely with you to improve the delivery of Federally supported education programs and other

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services and will continue to provide technical assistance as needed and/or requested. We will be reaching out to you to coordinate follow up activities and to share specific feedback.

If you have any questions, please contact Kim Hicks at (202) 453-6127 or at [kim.hicks@ed.gov](mailto:kim.hicks@ed.gov).

Sincerely yours,

Kerry Neal  
Deputy Assistant Secretary  
Office of Acquisition, Grants, and Risk Management

Enclosures

Electronic cc:

Honorable Albert Bryan Jr., Governor  
Ms. Dionne Wells-Hedrington, Commissioner, Department of Education  
Ms. Jenifer O'Neal, Director, Office of Management and Budget  
Ms. Lisa M. Alejandro, Acting Commissioner, Department of Property and Procurement  
Ms. Bosede Bruce, Commissioner, Department of Finance  
Ms. Justa Encarnacion, Commissioner, Department of Health  
Mrs. Kimberly Causey-Gomez, Commissioner, Department of Human Services

U.S. Virgin Islands  
Virgin Islands Department of Education  
Virgin Islands Department of Health  
Virgin Islands Department of Human Services  
Federal Fiscal Year (FFY) 2023 and 2024<sup>1</sup> Specific Conditions

PREAMBLE: These specific conditions are imposed on all program grants made available by the U.S. Department of Education (Department or ED) to the U.S. Virgin Islands (Virgin Islands), the Virgin Islands Department of Education (VIDE), the Virgin Islands Department of Health (VIDH), and the Virgin Islands Department of Human Services (VIDHS) on or after the date of these specific conditions. Additionally, these specific conditions apply to all grant funds previously awarded by the Department to the Virgin Islands, VIDE, VIDH, and VIDHS that are still available for obligation or liquidation on the date of these specific conditions.

These grant awards are made in accordance with regulations governing specific conditions and “high-risk” grantees in 2 CFR §§ 200.207 and 3474.10 in the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). These specific conditions are imposed because, as explained further below, the Virgin Islands has not been able to demonstrate that it has the capacity to ensure fiscal management of Department grant funds to ensure compliance with Federal grant requirements and fiscal accountability without the use of a third-party fiduciary agent. Therefore, these specific conditions are imposed to help ensure that grant funds awarded by the Department to the Virgin Islands, VIDE, VIDH, and VIDHS are expended in accordance with applicable legal requirements and the appropriate fiscal accountability measures and management practices and controls.

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## I. BACKGROUND

As a result of serious, systemic, and recurring deficiencies in the administration of ED programs by the Virgin Islands, in 2002 the Department entered into a three-year Compliance Agreement (Agreement) with the Virgin Islands. Under the terms of the Agreement, the Virgin Islands agreed to develop integrated and systemic solutions to address problems identified in the management of ED funds and programs, so that the Virgin Islands would be fiscally accountable in managing these programs and would administer and implement the programs in a manner that would benefit people in the Virgin Islands, in accordance with Federal requirements.

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<sup>1</sup> These specific conditions are considered FFY 2024 specific conditions only for purposes of the following programs: Vocational Rehabilitation (Title I of the Rehabilitation Act of 1973 (Rehabilitation Act)), Supported Employment (Title VI of the Rehabilitation Act), Client Assistance Program (section 112 of the Rehabilitation Act), Protection and Advocacy of Individual Rights (section 509 of the Rehabilitation Act), and Independent Living Services for Older Individuals Who Are Blind (Title VII, Chapter 2 of the Rehabilitation Act) (collectively, Rehabilitation Act programs). For all other programs to which they apply, they are considered FFY 2023 specific conditions.

The Virgin Islands has not yet demonstrated that it has fully and effectively developed and implemented its own procedures for resolving the systemic fiscal deficiencies; therefore, the Department is continuing these specific conditions on all Department grant awards made to the Virgin Islands, except as expressly otherwise noted in this document, and continuing to require the Virgin Islands to procure the services of a third-party fiduciary agent to manage these funds. These conditions are set forth in further detail below. In addition, because the Virgin Islands has not met the requirements in the former Part 80 of the Education Department General Administrative Regulations (EDGAR), and now the Uniform Guidance in 2 CFR Part 200, regarding the management of Department funds by States, these specific conditions require the Virgin Islands to comply with the provisions of the Uniform Guidance in 2 CFR Part 200 that apply to grantees other than States.

## II. SPECIFIC CONDITIONS

### A. Requirement for the Virgin Islands, VIDE, and VIDHS to Use a Third-Party Fiduciary Agent and Responsibilities for Administration of Grant Funds

To continue to receive Department funds, the Virgin Islands must have a third-party fiduciary agent (Agent) in place (i.e., under contract and capable of performing all duties and responsibilities thereunder), and acceptable to the Department, to administer all Department grant funds that are available to the Virgin Islands for obligation or liquidation. On December 4, 2020, the Virgin Islands executed a new contract with McConnell & Jones LLC.

The Virgin Islands, and all its agencies, including VIDE, VIDHS, the Virgin Islands Department of Finance (VIDF), the Virgin Islands Department of Property and Procurement (VIDPP), and the Virgin Islands Office of Management and Budget (VIOMB) must adhere to specific conditions and other requirements described in Sections II.A, II.B, and II.D under the contract with McConnell & Jones LLC. The requirement for a third-party fiduciary agent remains in effect under these specific conditions; therefore, when the current contract with McConnell & Jones LLC ends, the Virgin Islands must continue to use the services of an Agent and must have a new contract in place for third-party fiduciary agent services, or an extension of the current contract if appropriate, at that time. The Department shall have final review and approval of any Agent selected by the Virgin Islands. The Department does not and will not authorize the obligation, liquidation and/or expenditure of Department funds unless an Agent is in place, and operating under a fully executed contract, for the full period of these specific conditions.

In working with the Agent, the Virgin Islands must do the following:

1. The Virgin Islands, VIDE, and VIDHS are responsible for: (i) executing their respective drawdowns of funds under the grants from the Department's Grants Management System (G5) so that funds are deposited into the separate bank account established and maintained by the Agent; and (ii) providing to the Agent, for deposit into the separate bank account established by the Agent, any matching funds required for the grants. The Virgin Islands, VIDE, and VIDHS understand and agree that they must draw down funds and provide any applicable matching funds to the Agent within 24 hours of receipt of the written notice from the Agent. Further, the Virgin Islands, VIDE, and VIDHS must develop and implement a

standard operating procedure that documents and delineates the policy, processes, and procedures for drawdowns of Department funds, thus providing reasonable assurance of appropriate internal controls. Failure by the Virgin Islands, VIDE, or VIDHS to comply with this condition concerning the time within which they must draw down funds and the development and implementation of a drawdown standard operating procedure, may result in the Department requiring the transfer of drawdown authority for that entity (e.g., VIDE, or VIDHS) to the Agent for that entity. In the event of the Virgin Islands', VIDE's, or VIDHS' failure to draw down funds in accordance with this condition, the Agent must notify the Department immediately, and the Department will determine whether drawdown authority must be transferred to the Agent. If so, then immediately upon written notice of this decision from the Department, the Virgin Islands, VIDE, or VIDHS, as appropriate, must take all steps necessary to provide the Agent with full authority to perform drawdowns, including providing any information and authorization that the Department needs to recognize the Agent as the entity with drawdown authority.

2. The Virgin Islands, VIDE, VIDH, and VIDHS must develop and implement a standard operating procedure that documents the use and application of fiscal controls and accounting procedures that ensure proper disbursement of, and accounting for, Federal funds, in accordance with 34 CFR § 75.702 (discretionary grants) and § 76.702 (formula grants), and that meet the requirements imposed on non-Federal entity grantees in 2 CFR §§ 200.302, 200.303, and 200.305(b). The Virgin Islands, VIDE, VIDH, and VIDHS must use fiscal controls and accounting procedures that ensure proper disbursement of, and accounting for, Federal funds, in accordance with 34 CFR § 75.702 (discretionary grants) and § 76.702 (formula grants), and, if applicable, that meet the requirements imposed on non-Federal entity grantees in 2 CFR §§ 200.302, 200.303, and 200.305(b).
3. The Virgin Islands, VIDE, VIDH, and VIDHS must develop and implement a standard operating procedure and guidance for payroll functions involving salaries paid with ED grant funds and establish and maintain an effective and accurate process for tracking and reporting time and effort spent by all employees whose salaries are paid under ED grants, including, but not limited to, maintaining accurate and up-to-date employee staffing lists and notices of personnel actions; distributing time among different funding sources for split-time employees; and properly allocating salary costs among ED grants, based on records that accurately and properly record the distribution of each employee's work on multiple cost objectives, the time the employee attends work, and, for those employees who work on a single cost objective, semiannual certifications. The Virgin Islands, VIDE, and VIDHS must carry out these responsibilities consistent with Federal requirements in 2 CFR Part 200, Subpart E, and more specifically, 2 CFR §§ 200.430 and 200.431.
4. The Virgin Islands, VIDE, VIDH, and VIDHS must implement its standard operating procedure for procurement functions involving ED grant funds (including obtaining ED's prior approval for the use of ED grant funds to purchase equipment, when applicable) and provide effective oversight for proposed procurements, including, but not limited to, training all staff (SEA and LEA) on, and reviewing all requisitions against, local and ED requirements for procuring goods and services, to facilitate the review and approval by the Agent (if appropriate) in a timely manner

of purchase orders and to reduce the number of requisitions that are disallowed by the Agent for not meeting these requirements.

5. Virgin Islands, VIDE, or VIDHS, as appropriate, must develop and implement a process that within three business days of receipt of a vendor's invoice, either electronically or via the regular mail, staff verifies receipt of the goods or services to either reject or approve the invoice for payment. After an approval is made, the Virgin Islands, VIDE, or VIDHS must (i) perform a three-way match for consistency against the related purchase order, receiving report/service acceptance and payment authorization certification, and invoice, and (ii) promptly process the payment after the invoice is vouched by the accounts payable staff and all variances are addressed and corrected. The Virgin Islands, VIDE, or VIDHS, as applicable, must, within 24 hours of receipt of the written request from the Agent, draw down the funds for the vendor payment for deposit into the separate bank account(s) maintained by the Agent.
  
6. The VIDE, VIDH, and VIDHS must develop and implement a standard operating procedure for fixed asset functions involving assets acquired with ED grant funds and work with the Agent to ensure that all tangible personal property procured under all ED grants is managed in accordance with the requirements of 2 CFR §§ 200.313(a) and (c)-(e) to ensure that such property with a purchase price of \$500 or greater is properly inventoried, maintained, and stored to prevent loss, damage, or theft of such property. The standard operating procedure must include specific provisions for the safeguarding and handling of fixed assets acquired with ED grant funds in the event of a natural disaster. The Virgin Islands (through VIDPP or another agency designated by the Governor) must conduct a physical inventory of its equipment (as defined in 2 CFR § 200.1) with a purchase price of \$500 or greater that was acquired with ED grant funds at any time and provide a copy of the inventory to the Agent upon completion. A copy of the inventory report shall be provided to the Department upon request.

#### B. FGSPU/SCM and SCM Transition Implementation Plan

The VIOMB has adopted the FGSPU/SCM for coordinating financial management across Virgin Islands agencies. The current Agent, McConnell & Jones, is supporting the implementation of this unit.

The VIOMB must provide detailed quarterly reports on the status of the SCM with respect to building its capacity to transition all duties currently being performed by the Agent to the FGSPU or back to the respective Virgin Islands agencies, as appropriate. Each quarterly report must provide an update on the progress made toward the full implementation of the SCM; a description of activities and progress for identified tasks during the reporting period; documentation of measures of performance and results; evidentiary information (emails, memorandums, Standard Operating Procedures (SOPs), etc.) that support the completion status of tasks; and other data or documentation. The Department will not undertake the review and validation of the FGSPU/SCM until the Virgin Islands requests reconsideration of the specific conditions in writing, as set forth in Section II.H below.

Finally, each quarterly report must also include updates on the status of the specific conditions in section II.A and the status of the additional condition in section C, paragraph 1 below.

The due dates for the quarterly reports are as follows:

- Quarter 1 Report: Date of FFY 2023 Departmental Specific Conditions October 13, 2023, to December 31, 2023 – Due on or before January 12, 2024.
- Quarter 2 Report: January 1, 2024, to March 31, 2024 – Due on or before April 12, 2024.
- Quarter 3 Report: April 1, 2024, to June 30, 2024 – Due on or before July 12, 2024.
- Quarter 4 Report: July 1, 2024, to September 30, 2024 – Due on or before October 11, 2024.

Quarterly reports must be submitted on time. In the event of an extraordinary circumstance that may prevent the timely submission of a quarterly report, the Virgin Islands must formally request approval for an extension; see Section II.I below for correspondence contact information.

### C. Program-Specific Conditions

The following program-specific conditions must be met:

#### 1. Program Planning, Monitoring, and Implementation

The Virgin Islands, VIDE, and VIDHS must conduct comprehensive programmatic monitoring, in accordance with the Uniform Guidance at 2 CFR §§200.329 and 200.332, which require grantees to monitor activities under Federal awards to assure compliance with applicable Federal requirements and that performance expectations are being achieved, and to evaluate the risk of noncompliance. The Virgin Islands and VIDHS must develop and implement a risk-based monitoring protocol, monitoring tools and instruments, and standard operating procedures for monitoring, that includes a risk assessment process designed to effectively prevent, detect, and respond to program mismanagement and potential fraud associated with ED grant programs and funds. The Virgin Islands, VIDE, and VIDHS must report implementation progress in the quarterly report submission, as required under Section II.B above.

#### 2. IDEA Part C Grant to VIDH

The Department's grant awards to VIDH under Part C of the Individuals with Disabilities Education Act (IDEA) for FFYs 2002 through 2023 include special or

specific conditions, which are attached to, and specified in, the respective IDEA Part C grant award letters (IDEA Part C Special or Specific Conditions) for those years. The FFYs 2021 through FFY 2023 IDEA Part C Grant Specific Conditions require VIDH to continue to use a separate third-party fiduciary agent, which has been Lutheran Social Services (LSS), to ensure the fiscal accountability of IDEA Part C funds and the timely payment of early intervention service providers for the timely provision of IDEA Part C services to infants and toddlers with disabilities and their families in the Virgin Islands. VIDH is responsible for all general supervision and monitoring activities under IDEA section 635(a)(10) and 34 CFR § 303.120. Under these Department-wide specific conditions, VIDH's IDEA Part C grant funds may be used to pay for the services of LSS but may not be used to pay any costs charged by the Agent for work performed pursuant to these Department-wide Specific Conditions.

### 3. Consolidated Grants to Insular Areas

In accordance with 34 CFR § 76.132(a)(5), the Virgin Islands and VIDE must submit an annual performance report to the Department, as required under 2 CFR § 200.329, for each of the programs for which they are using funds received under the Consolidated Grant. Each report must contain a comparison of actual accomplishments to the objectives established in the approved Consolidated Grant plans and the reasons why established goals were not met, if appropriate.

Additional program-specific conditions may be imposed on grant awards made under one or more programs, in addition to the specific conditions that are contained herein, because in certain program areas, the Virgin Islands may be a high-risk grantee and require significant improvements in the administration of program requirements. Each such program-specific condition will be incorporated into the appropriate notification of grant award from the Department to the Virgin Islands, VIDE, VIDH or VIDHS.

#### D. Requirements for the Virgin Islands, VIDE, VIDH, and VIDHS to engage with the Third-Party Fiduciary Agent

1. The Virgin Islands, and its agencies, including VIDF, VIDPP, VIOMB, VIDE, and VIDHS must work cooperatively and in a timely manner with the Agent to implement the activities and responsibilities described in these specific conditions. The Virgin Islands and its agencies, including VIDF, VIDPP, VIOMB, VIDE, and VIDHS, acknowledge that regular communication among the Virgin Islands, the Department, and the Agent is necessary to ensure proper financial management of grant funds, consistent with approved grant applications, budgets, and applicable program statutes, regulations, and the cost principles in 2 CFR Part 200, Subpart E. Therefore, the Virgin Islands and its agencies, including, VIDPP, VIOMB, VIDE, and VIDHS, agree that, as the Department deems necessary and appropriate, the Department shall include the Agent in communications, both written and oral, between the Virgin Islands and the Department. VIDE also agrees that, with respect to the Consolidated Grant to Insular Areas (Consolidated Grant), VIDE must consult with, and obtain assistance from, the Agent in preparing the budgets that

accompany the annual Consolidated Grant application.

2. The Virgin Islands and its agencies, including VIDF, VIDPP, VIOMB, VIDE, and VIDHS, must permit, in a timely manner, the Agent's personnel to have access to all financial books, records, and reports related to funds made available to the Virgin Islands, VIDF, VIDPP, VIDE, VIDH and VIDHS by the Department, or used to meet matching requirements, and access to Virgin Islands, VIDF, VIDPP, VIDE, and VIDHS personnel for discussion regarding the services the Agent must perform under these specific conditions, as provided for in the contract between the Virgin Islands and the Agent.
3. The Virgin Islands, VIDE, VIDH and VIDHS must notify the Department when any dispute arises and remains unresolved between the Agent and the Virgin Islands, VIDE, VIDH, VIDHS or VIOMB concerning the implementation or continuation of the contract with the Agent, or the implementation of activities supported by Department grants, including the financial management of grant funds. The Virgin Islands, VIDE, VIDH, VIDHS and VIOMB agree to the Department's assistance in the resolution of any such unresolved dispute and agree that this assistance may require compliance with the Department's requests for additional information from the Virgin Islands, VIDE, VIDH, VIDHS, VIDF, VIDPP and/or VIOMB and from the Agent, conference calls among representatives from these entities, and decisions or advice from the Department in resolution of the unresolved dispute. This does not preclude the Virgin Islands and the Agent from exercising formal dispute resolution mechanisms in their contract.
4. The Virgin Islands, VIDE, VIDH, and VIDHS must comply with all Federal laws and regulations that apply to the receipt and use of funds awarded under Department grants, including requirements that apply under the Uniform Guidance at 2 CFR Part 200, Parts 75 and 76 of EDGAR, and applicable Federal program statutes and regulations.
5. The Virgin Islands, VIDE, and VIDHS remain responsible for the provision of program services under the respective grants, including the review and approval (where applicable) of local educational agency (LEA) applications for subgrants under State formula grant programs, determination of LEA allocations, and notification to the LEAs regarding their allocations under the grants.
6. The Virgin Islands, VIDE, or VIDHS, prior to any drawdowns or disbursements, in a timely manner, must provide the Agent with a line-item budget for the total amount of each grant and subgrant, if applicable, that has been approved and verified by the Department. The line-item budget must include amounts for State administration, State-level program activities, and LEA program activities. For purposes of the Consolidated Grant to Insular Areas (Consolidated Grant), the Virgin Islands and VIDE must provide the Agent with line-item budgets for each of the programs under which the Virgin Islands and VIDE will use Consolidated Grant funds. The line-item budget for each of these programs must be based on the total amount of Consolidated Grant funds to be used for each program and include amounts for State administration, State-level program activities, and LEA program activities. The Virgin Islands, VIDE, and VIDHS acknowledge that the Department will provide the Agent with the applications, budgets, and budget narratives

that the Department has approved for their grant awards to ensure that the Agent has these documents for purposes of executing its financial management responsibilities on behalf of the Virgin Islands under these grants. The line-item budgets must be available to the Department staff upon request.

7. The Virgin Islands, VIDE, and VIDHS must coordinate with the Agent the timing of drawdowns and disbursements to ensure that payments to staff, vendors and providers are prompt and timely. To the greatest extent feasible, the Virgin Islands, VIDE, and VIDHS must draw down funds in a timely manner so that funds under the grants are deposited to the separate bank account(s) maintained by the Agent on the same day that funds are drawn from the account(s) to liquidate obligations under the grants. The Virgin Islands, VIDE, or VIDHS, as appropriate and at the Agent's direction, must draw down sufficient funds under a grant to cover each approved request for payment.
8. The Virgin Islands, VIDE, and VIDHS must expend Federal and matching funds only for costs that are allowable under the respective grant programs, in accordance with the regulations and cost principles in 2 CFR Part 200, Subpart E. Additionally, for purposes of the Consolidated Grant, the Virgin Islands, VIDE, and VIDHS must expend Federal and matching funds only for allowable costs under, and included in, Department-approved Consolidated Grant plans. The Virgin Islands, VIDE, and VIDHS acknowledge that the Agent also has the duty to ensure that Department funds are used only for allowable costs, including costs that are necessary, reasonable, and allocable to the respective grants as required by 2 CFR Part 200, Subpart E, and that are procured in accordance with applicable procurement requirements in 2 CFR §§ 200.318-200.327. Where there is a question as to whether a cost is allowable, the Agent must raise this question with the appropriate entity, Virgin Islands, VIDE, or VIDHS and, if the Agent deems it necessary, may also request assistance from the Department in determining the allowability of any expenditure.
9. The Virgin Islands, VIDE, and VIDHS must charge their grants only for costs resulting from obligations that were properly made during the period of availability for the funds, including any carryover period. To ensure against the lapsing of Department funds, the Virgin Islands, VIDE, and VIDHS must provide the Agent with the amount and nature of all obligations in a timely manner to ensure that the obligations are liquidated no later than 90 days after the end of the funding period or during any extension of that period authorized by the Department, in accordance with 2 CFR § 200.344(b).
10. The Virgin Islands, VIDE, and VIDHS must work with the Agent to ensure that the charging of direct and indirect costs against the respective Department grants is consistent with the applicable restricted and unrestricted indirect cost rates negotiated with, and approved by, the U.S. Department of Interior (the Virgin Islands' cognizant Federal agency), and that copies of any indirect cost rate proposals or agreements are provided to the Agent and comply with the applicable requirements of 2 CFR Part 200, Subpart E, and 34 CFR §§ 75.560-564 (discretionary grants) and 34 CFR §§ 76.560-569 (formula grants).
11. The Virgin Islands, including VIDF, VIDPP, VIDE, and VIDHS and its Agent must comply with the provisions for procurement set forth in 2 CFR §§ 200.318- 200.327.

12. All transactions under the contract between the Virgin Islands and the Agent must be consistent with all applicable Federal requirements, including those in the Uniform Guidance at 2 CFR Part 200 and EDGAR at 34 CFR Part 75 or 76, as appropriate.
13. The Virgin Islands, including VIDF, VIDPP, VIOMB, VIDE, and VIDHS, must work with the Agent to assist in training the appropriate Virgin Islands employees and providing transition assistance (including, but not limited to, transferring all necessary data from the Agent to the new CFMS, and communicating information from the Agent to the contractor implementing the new CFMS) when the Virgin Islands implements a new CFMS. The Virgin Islands, VIDE, VIDHS, and VIOMB acknowledge that the Agent maintains responsibility for managing and administering Department grant funds awarded to the Virgin Islands, VIDE, and VIDHS, in accordance with these specific conditions. The Virgin Islands, VIDE, VIDHS and VIOMB shall avoid any actions that may impact the Agent's role and responsibilities under these specific conditions, which do not include oversight of any current and/or proposed fiscal initiatives of the Virgin Islands, including, but not limited to, the Federal Grants Specialized Processing Unit/Self Contained Model (FGSPU/SCM) and the proposed SCM Transition Implementation Plan. The Agent may assist the Virgin Islands' FGSPU/SCM and/or other similar financial management capacity building efforts, to the extent that this assistance does not compromise or interfere with the autonomous execution of its responsibilities under these specific conditions.
14. Except as noted herein, the Virgin Islands, VIDE, VIDH, and VIDHS shall comply with all applicable provisions of EDGAR.
15. The Virgin Islands, VIDE, and VIDHS may include any other terms in the contract with the Agent, consistent with those above, as are necessary to ensure timely liquidation of all Department funds, timely payment to staff, providers and vendors, and general financial management consistent with applicable Federal regulations, under the Department's grants.

E. Notification and Approval of Amendments to Contract Between Virgin Islands and Agent

The Virgin Islands must notify the Department of any proposed amendment to the contract between the Virgin Islands and the Agent and must submit the proposed amendment to the Department for approval prior to execution of the amendment by the parties.

F. Failure to Comply with Conditions

Failure of the Virgin Islands, including VIDF, VIDPP, VIOMB, VIDE, VIDH, or VIDHS to comply with any of these specific conditions as to any Department grant award will negatively impact the ability of the Virgin Islands, VIDE, VIDH, or VIDHS to continue to receive grant funds from the Department. These terms and conditions do not preclude the Department from taking any otherwise authorized enforcement actions at any time.

G. Reconsideration and Modifications

At any time, the Virgin Islands, VIDE, VIDH, VIDHS or VIOMB may request reconsideration of the above specific conditions by contacting the Department and stating in writing the reasons why they believe the conditions should be modified or are no longer needed. Further, the Department may impose additional specific conditions or modify these specific conditions as appropriate. The Department will remove the specific conditions at such time as the Virgin Islands fully demonstrates, to the Department's satisfaction, the ability to manage the Department's funds and property purchased for use under the grants in a manner that complies with applicable Federal requirements concerning accountability and funds management.

H. Incorporation of Specific Conditions as Addendum to Contract

Upon receipt of these specific conditions, and before the Virgin Islands may expend funds under grants subject to these conditions, the Virgin Islands and the Agent must incorporate these specific conditions as a further addendum to the contract between the Virgin Islands and the Agent and must provide written notice to the Department that the conditions have been so incorporated. The terms of these specific conditions supersede the terms of the specific conditions issued on June 29, 2022, to the extent that any provisions in these specific conditions have been modified and are now inconsistent with those prior conditions.

I. U.S. Department of Education Contact

All communications with the Department regarding these specific conditions, including submission of notices, requests, or reports shall be directed to:

Kim Hicks  
U.S. Department of Education  
Attn: Grants Risk Management Services Division  
U.S. Department of Education LBJ Building, 5<sup>th</sup> Floor  
400 Maryland Ave; S.W. Washington, D.C. 20202  
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## Attachment A

### Responsibilities and Requirements for the Third-Party Fiduciary Agent (to be incorporated into any contract for services with the Agent)

The responsibilities and requirements for the Agent under these specific conditions are as follows:

1. The Agent must work cooperatively and in a timely manner with the Virgin Islands and all its agencies, including VIDF, VIDPP, VIOMB, VIDE, VIDH, and VIDHS to implement the activities and responsibilities described in these specific conditions. The Agent acknowledges that regular communication among the Virgin Islands, the Department, and the Agent is necessary to ensure proper financial management of grant funds, consistent with approved grant applications, budgets, and applicable program statutes, regulations, and the cost principles in 2 CFR Part 200, Subpart E. Therefore, the Agent understands and agrees that, as the Department deems necessary and appropriate, the Department shall include the Agent in communications, both written and oral, between the Virgin Islands and the Department.
2. The Agent's role encompasses financial management responsibilities concerning the grants, including, but not limited to, processing payments and disbursements, maintaining financial records, financial reporting, instituting, and applying procurement, inventory, and payroll procedures that comply with applicable Federal requirements, and other duties as more fully described below. In addition, with respect to the Consolidated Grant, the Agent agrees to provide assistance to VIDE as it prepares the budgets that accompany the annual Consolidated Grant application.
3. For purposes of the IDEA Part C FFYs 2002 through 2023 grants, the Agent has been and is responsible only for the property procurement and management functions that are required to be performed under the Uniform Guidance at 2 CFR Part 200 (including 2 CFR §§ 200.311, 200.313, 200.314, and 200.318-200.327) by VIDPP, and any financial management functions needed to be performed by VIDF for the IDEA Part C grants, and which are not being performed already under the separate contract between VIDH and LSS. The Department's grant awards to VIDH under IDEA Part C for FFYs 2002 through 2023 include specific conditions requiring VIDH to use LSS to ensure the continued fiscal accountability of IDEA Part C funds and the timely payment of early intervention service providers for the timely provision of IDEA Part C services to infants and toddlers with disabilities and their families. Because VIDH's IDEA Part C grants for FFYs 2002 through 2023 include specific conditions requiring the use of a third-party fiduciary agent (LSS) that carries out VIDH's financial management and recordkeeping responsibilities in accordance with the applicable provisions of IDEA Part C and EDGAR, the Agent performing services under these Department-wide specific conditions, McConnell & Jones LLC, is not required to assume responsibilities other than the responsibilities described above in this subsection. In addition, VIDH's IDEA Part C grant funds may not be used to pay any costs charged by the Agent

(McConnell & Jones LLC) to the Virgin Islands or VIDH under the contract between the Virgin Islands and the Agent.

4. The Virgin Islands, VIDE, or VIDHS, prior to any drawdowns or disbursements, in a timely manner, must provide the Agent with a line-item budget for the total amount of each grant and subgrant, if applicable, that has been approved and verified by the Department. The line-item budget must include amounts for State administration, State-level program activities, and LEA program activities. For purposes of the Consolidated Grant, the Virgin Islands and VIDE must provide the Agent with line-item budgets for each of the programs under which the Virgin Islands and VIDE will use Consolidated Grant funds. The line-item budget for each of these programs must be based on the total amount of Consolidated Grant funds to be used for each program and include amounts for State administration, State-level program activities, and LEA program activities. The Agent must use the line item budgets to track projected and actual expenditures for the programs under the grants. The Agent must ensure that the expenditures proposed are only for allowable costs under each grant. The Agent will also receive from the Department copies of the applications, budgets, and budget narratives that the Department has approved for the Virgin Islands' grant awards to ensure that the Agent has these documents for purposes of executing its financial management responsibilities on behalf of the Virgin Islands under these grants.
5. The Agent must establish, maintain, and manage a separate bank account for all the funds under the grants from the Department. The Agent must provide the Virgin Islands, VIDE, and VIDHS, as appropriate, with written notice (e.g., copy of invoice) of when funds are needed for a disbursement under a particular grant.
6. The Agent must acknowledge that the Virgin Islands, VIDE, and VIDHS have drawdown authority and that they understand and agree that they must draw down funds and provide any applicable matching funds to the Agent within 24 hours of receipt of the written notice from the Agent. Failure by the Virgin Islands, VIDE, or VIDHS to comply with this condition concerning the time within which they must draw down funds may result in the Department requiring the transfer of drawdown authority to the Agent for that entity. In the event of the Virgin Islands', VIDE's, or VIDHS' failure to draw down funds in accordance with this condition, the Agent must notify the Department, and the Department will determine whether drawdown authority must be transferred to the Agent. If so, then immediately upon written notice of this decision from the Department, the Virgin Islands, VIDE or VIDHS, as appropriate, must take all steps necessary to provide the Agent with full authority to perform drawdowns, including providing any information and authorization that the Department needs to recognize the Agent as the entity with drawdown authority.
7. The Agent must use fiscal control and accounting procedures that meet the requirements imposed on non-Federal entity grantees in accordance with 2 CFR §§ 200.302, 200.303, and 200.305(b).
8. The Agent must expend funds only for costs that are allowable under the respective grant programs, in accordance with 2 CFR Part 200, Subpart E. Additionally, for purposes of

the Consolidated Grant, the Agent must expend funds only for allowable costs under, and included in, Department-approved Consolidated Grant plans. If the Agent questions whether an expenditure is allowable, the Agent must raise this question with the appropriate entity, the Virgin Islands, VIDE, or VIDHS. If the Agent deems it necessary, the Agent may also request assistance from the Department in determining the allowability of any expenditure.

9. The Agent must determine the value of any in-kind property or services donated to or provided by the Virgin Islands, VIDE, and VIDHS that are used to meet cost sharing or matching requirements as required by 2 CFR § 200.306 and must maintain records sufficient to document the bases for those valuations.
10. The Agent must take steps to prevent the lapsing of funds available under the grants, including ensuring timely disbursement of funds using methods and procedures for payment that minimize the time elapsing between the transfer of funds and disbursement of those funds as specified in the Virgin Islands' Treasury-State agreement, as required under the Cash Management Improvement Act and Treasury regulations at 31 CFR Part 205. For grant funds not included in the Virgin Islands' Treasury-State agreement, the Agent must meet the requirements in 2 CFR § 200.305(b). The Virgin Islands, VIDE, VIDHS, and the Agent must coordinate the timing of drawdowns and disbursements to ensure that payments to staff, vendors and providers are prompt and timely. To the greatest extent feasible, the Virgin Islands, VIDE, VIDHS, or the Agent, if it has undertaken drawdown responsibility, must draw down funds in a timely manner so that funds under the grants are deposited to the separate bank account maintained by the Agent on the same day that funds are drawn from the account to liquidate obligations under the grants. The Agent must ensure that any interest earned on grant funds not subject to the Treasury-State agreement is repaid annually, as required by 2 CFR § 200.305(b)(9).
11. The Agent must charge Department grants only for costs resulting from obligations that were properly made during the period of availability for the funds, including any carryover period. To ensure against the lapsing of Department funds, the Agent must liquidate obligations no later than 90 days after the end of the funding period or during any extension of that period authorized by the Department, in accordance with 2 CFR § 200.344(b).
12. The Agent may seek approval from the Department to charge allowable pre-award costs incurred by the Virgin Islands, VIDE, or VIDHS against any grant award to which these specific conditions apply. The Agent must submit any request for pre-award costs to the Department in writing and may not reimburse any pre- award costs unless it receives written approval from the Department.
13. The Agent must establish and maintain a process for tracking and reporting time and effort spent by all employees whose salaries are paid under ED grants, including distribution of time among different funding sources for split-time employees, and for properly allocating salary costs among ED grants, based on records that accurately and properly record the distribution of each employee's work on multiple cost objectives, the

time the employee attends work, and, for those employees who work on a single cost objective, semiannual certifications. The Agent must carry out these responsibilities consistent with Federal requirements in 2 CFR Part 200, Subpart E, and more specifically, 2 CFR §§ 200.430 and 200.431.

14. In disbursing funds for allowable costs under the grants, the Agent must distinguish between direct and indirect costs and use accurate methods to allocate funds correctly between these two cost categories. The Agent must ensure that the charging of direct and indirect costs against the respective Department grants is consistent with the applicable restricted and unrestricted indirect cost rates negotiated with, and approved by, the U.S. Department of Interior (the Virgin Islands' cognizant Federal agency), and that copies of any indirect cost rate proposals or agreements comply with the applicable requirements of 2 CFR Part 200, Subpart E, and 34 CFR §§ 75.560-564 (discretionary grants) and 34 CFR §§ 76.560-569 (formula grants).
15. The Agent must establish contacts and working relationships with prospective vendors that can provide goods and services that the Virgin Islands, VIDE, and VIDHS need under the grants. The Virgin Islands, VIDE, and VIDHS, and, as appropriate, VIDH, must comply with the provisions for procurement set forth in 2 CFR §§ 200.318-200.327.
16. Within 24 hours of the Agent's receipt of a vendor invoice, the Agent must provide a copy of the invoice to the Virgin Islands, VIDE, or VIDHS, and ensure that the goods or services delivered are available for inspection and acceptance or rejection by the appropriate Virgin Islands, VIDE, or VIDHS, staff requesting the goods or services. The Agent must pay vendors for the delivered goods or services and must, to the extent reasonably possible, disburse funds to the vendors on the same day that funds are deposited into the separate bank account(s) maintained by the Agent. The Agent must make payments by electronic funds transfer (EFT) or by paper draft only if EFT is not available or possible for a particular vendor.
17. The Agent must manage all tangible personal property procured under the grants, with a purchase price of \$500 or greater, in accordance with the requirements of 2 CFR §§ 200.313(a) and (c)-(e). In particular, the Agent must establish and maintain a process for managing such property consistent with the requirements of 2 CFR § 200.313(d), including reconciling the inventory conducted by the Virgin Islands under Section II.A.6 of these specific conditions with existing property records; developing a system for maintaining property records and for identifying property acquired with ED grant funds; and establishing a control system to prevent loss, damage, or theft of the property.
18. The Agent must maintain records that fully show the amount of funds made available under each of the grants; how the Virgin Islands, VIDE, or VIDHS uses the funds; the total cost of each project; the share of that cost provided from other sources; and other records to facilitate an effective audit, in accordance with 34 CFR § 75.730 (discretionary

grants) and § 76.730 (formula grants). The Agent, acting on behalf of the Virgin Islands, VIDE and VIDHS, must retain records in accordance with the provisions of 2 CFR § 200.334.

19. In general, the Agent must use fiscal control and fund accounting procedures that ensure proper disbursement of, and accounting for, Federal funds, in accordance with 34 CFR § 75.702 (discretionary grants), § 76.702 (formula grants), and 2 CFR §§ 200.302, 200.303, and 200.305(b).
20. The Agent must maintain insurance as required under the terms of the contract.
21. All transactions under the contract between the Virgin Islands and the Agent must be consistent with all applicable Federal requirements, including the Uniform Guidance at 2 CFR Part 200 and EDGAR at 34 CFR Part 75 or 76, as appropriate.
22. The Agent must comply generally with the requirements of 2 CFR § 200.328 (Financial Reporting. More specifically, the Agent should produce quarterly reports concerning financial transactions of the Virgin Islands, VIDE, VIDHS and VIOMB for submission to those entities and the Department, detailing for each grant awarded to the Virgin Islands, VIDE, and VIDHS, including for each individual program for which the Virgin Islands and VIDE are using Consolidated Grant funds: a) the date of receipt, and the amount, of each approved payment request; b) the date and amount of each draw down deposit; c) the date and amount of each payment or disbursement by the Agent; and d) any interest or other funds remaining in the account at the end of the quarter. These amounts must also be grouped by and comparable with the projections in the line-item budgets described in Section II.E.6 of the specific conditions and must be reconciled with the Department's grants management system. This reconciliation must include drawdown dates, drawdown amounts and available balances, by award. These reports shall be due within 10 working days after the end of each quarter. The Agent must work with the Virgin Islands, VIDE, VIDHS, VIDF, VIDPP, and VIOMB to assist in the training of employees and to provide transition assistance (including, but not limited to, transferring all necessary data from the Agent to the new credible financial management system (CFMS), communicating information from the Agent to the contractor implementing the new CFMS, and providing feedback to the Virgin Islands, VIDE, and the Department on the Virgin Islands' implementation of the new CFMS), as the Virgin Islands implements and fully transitions staff to the new CFMS.
23. The Agent is responsible for managing and administering Department grant funds awarded to the Virgin Islands, VIDE, and VIDHS, in accordance with these specific conditions. The Agent's role and responsibilities under these specific conditions do not include oversight of any current and/or proposed fiscal initiatives of the Virgin Islands, including, but not limited to, the FGSPU/SCM and the SCM Implementation Plan. The Agent may assist the Virgin Islands with the full implementation of the FGSPU/SCM and the SCM Implementation Plan, as the proposed strategy for the management and oversight of Department grant funds and/or other similar financial management capacity

building efforts (including training, mentoring and/or shadowing), to the extent that this assistance does not compromise the execution and autonomy of its responsibilities under these specific conditions.

24. The Agent recognizes that, except as noted herein, the Virgin Islands, VIDE, VIDH, VIDHS and VIOMB must comply with all applicable provisions of EDGAR, and all actions that the Agent takes on their behalf in accordance with services provided under these specific conditions, must be in compliance with all applicable provisions of EDGAR.