



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

February 10, 2016

The Honorable Rufino Mauricio
Secretary
Department of Education
Federated States of Micronesia
P.O. Box PS 87
Paliker, Pohnpei State
FM 96941

Dear Secretary Mauricio:

This letter is to inform you of the results of the Office of Special Education Programs' (OSEP's) monitoring of the Federated States of Micronesia's (FSM's) procedures for ensuring compliance with the fiscal requirements of Part B of the Individuals with Disabilities Education Act (IDEA), the American Recovery and Reinvestment Act (ARRA) of 2009, and related statutes and regulations. In conducting its monitoring, OSEP reviewed publicly available information, FSM-submitted documentation, and Office of Management and Budget (OMB) Circular A-133 and Office of Inspector General (OIG) audits. OSEP also conducted 13 on-site visits as part of the Continuous Improvement Visits (CIVs) and conducted telephone interviews with all States in 2012. The reviews were conducted between the fall of 2010 and the fall of 2012.¹

The conclusions summarized in the enclosure are based primarily on a review of the FSM's procedures for specific fiscal requirements and other State-reported information collected by OSEP through the following: (1) the ARRA Monitoring Inventory (AMI); (2) the Critical Elements Analysis Guide (CrEAG) discussed during CIVs or telephone interviews; and (3) Maintenance of State Financial Support discussions during CIVs or telephone interviews. As warranted, OSEP referenced open findings made under OMB Circular A-133 or OIG audits that relate to a criterion in the attached enclosure and were sustained in a program determination letter (PDL).

The enclosure reports the results of OSEP's review of FSM's fiscal procedures. It is organized by monitoring area and the criteria reviewed for each area. Each criterion includes the applicable regulatory or statutory requirements, and for any finding made, includes the source of information used in identifying noncompliance, and any required corrective actions. Because OSEP did not review all FSM-level data, OSEP cannot determine whether FSM's systems are fully effective in ensuring that the State educational agency (SEA) meets all fiscal requirements of the IDEA. If no findings are indicated for a particular monitoring area, OSEP did not identify noncompliance in that area and did not provide any further comment.

¹ ARRA monitoring occurred between September 2010 and September 2012. OSEP conducted CIVs during the summer and fall of 2011. Telephone interviews for both CrEAG and Maintenance of State Financial Support occurred throughout 2012 and, in some cases, 2013.

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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.

Effective July 1, 2015, for IDEA Part B FFY 2015 grant awards, IDEA Part B funds are subject to the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, codified in 2 CFR Part 200 and commonly referred to as the Uniform Guidance. The Uniform Guidance provisions in 2 CFR Part 200 replace provisions previously found in EDGAR in 34 CFR Parts 74 and 80 and prior OMB Circulars A-87 and A-133. Therefore, the “Finding” and “Citation” sections of the enclosure include citations to the provisions in the Education Department General Administrative Requirements (EDGAR) in 34 CFR Parts 74 and 80, prior OMB Circulars A-87 and A-133. However, because the “Further Action Required” section of the enclosure addresses corrective actions FSM must take after July 1, 2015, that section includes citations to the Uniform Guidance.

OSEP identified noncompliance in the review of the FSM’s fiscal systems as detailed in the enclosure, and has required corrective action. OSEP recognizes that, given the length of time between OSEP’s monitoring and this letter, FSM may have changed policies and/or procedures. If you believe that FSM has corrected the noncompliance identified in the enclosure, please inform us and provide any relevant documentation, and OSEP will follow up in writing with FSM.

While not addressed in the Fiscal Monitoring Inventory, the foreign travel requests that FSM submitted to OSEP for approval included expenditures that are not allowable costs under either former Office of Management and Budget (OMB) Circular A-87, codified in 2 CFR Part 225 (which applied to IDEA Part B grant awards issued for FFY 2014 and prior fiscal years), or Subpart E of the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, codified in 2 CFR Part 200 and commonly referred to as the Uniform Guidance (which applies to IDEA Part B grant awards issued for FFY 2015 and subsequent fiscal years). The revised provision on travel costs in the Uniform Guidance at 2 CFR §200.474 no longer requires prior approval from OSEP for foreign travel. As a result, OSEP required FSM to submit an assurance with its FFY 2015 IDEA Part B grant award that it will seek prior approval from OSEP before using IDEA Part B funds for foreign travel. OSEP recommends that FSM carefully review any forthcoming travel requests before submitting them to OSEP for approval, to ensure that the travel requests include the information required in the assurance and meet the requirements set forth in the Uniform Guidance, including the requirement in 2 CFR §200.403(a) that costs be “necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.”

Based upon the number of findings contained in this letter, OSEP encourages FSM to conduct a comprehensive review of its fiscal systems to ensure its effectiveness in maintaining appropriate internal controls.

With respect to the FSM’s procedures for calculating the amount of State financial support made available for special education and related services, OSEP has not identified any noncompliance based on our review of the documents and information provided by the SEA. However, OSEP has learned through monitoring, audits, and the review of requests for waivers of the requirement in section 612(a)(18)(A) of the IDEA to maintain State financial support, that staff within the SEA may not have access to all relevant information related to the FSM’s method for calculating the amount of State financial support made available for special education and related services. Therefore, OSEP is unable to conclusively determine that FSM’s method for calculating the amount of State financial support made available for special education and related services is in

compliance with the requirements of the IDEA. OSEP is available to provide technical assistance.

OSEP appreciates the cooperation and assistance provided by FSM's staff on our monitoring of the FSM's procedures for ensuring compliance with fiscal requirements related to IDEA Part B funds. If you have any questions or wish to request technical assistance, please do not hesitate to call your OSEP State Lead, Genee Norbert, at (202) 245-7326.

Sincerely,

/s/

Ruth E. Ryder

Acting Director

Office of Special Education Programs

Enclosure

cc: Arthur F. Albert
Chief, Division of Special Services