



# Answering Your Questions on the Designation Renewal System 2020 Final Rule



# Basics of the Designation Renewal System (DRS)

---

Congress requires HHS to establish and periodically review a system for Head Start grant designation renewal:

- Grants demonstrating high-quality and comprehensive programs that do not meet one of the DRS conditions receive a new 5-year grant **non-competitively**.
- Grants that meet any of DRS conditions are subject to **open competition**.

# DRS Conditions Requiring Competition

The final rule makes changes to **3** of the 7 DRS conditions:

1. **Deficiency condition**
2. **CLASS condition**
3. Failed to establish and achieve School Readiness Goals
4. Revocation of License
5. Suspension by OHS
6. Debarment by another Federal or State agency or disqualification from CACFP
7. **Fiscal/audit condition**



# Final Rule Publication and Effective Date

---

- ❑ The final rule was published on Friday, August 28 in the *Federal Register*.
- ❑ The revised DRS conditions in the final rule go into effect 60 days after publication.
- ❑ The effective date of the final rule is:

October 27, 2020

# What does the competition process involve?

---

- ❑ Competition is not an adverse action. It's the norm for federal grants.
- ❑ Funding opportunity announcement (FOA) is posted with grant funding and service area to solicit applications.
  - *Grant Forecasts are previews of FOAs.*
- ❑ Eligible applicants may submit grant applications.
- ❑ Non-federal panel reviews applications.
- ❑ New 5-year grant awarded to one or more agencies.

# Do I Still Have to Compete?

---

Grantees that met one or more of the prior DRS conditions will have a second look to determine if they also meet the revised DRS conditions.

Prior DRS Conditions	Revised DRS Conditions	Result
Met prior condition	Also meet revised condition	<b>Required to compete</b> <i>FOA posted</i>
Met prior condition	Do <u>not</u> meet revised condition	Become preliminarily <b>non-competitive</b> <i>Grants forecast taken down</i>

Competition required only if meet *both* old and new DRS conditions.

# How soon will DRS redeterminations take place?

---

- ❑ **DRS Redetermination Letters** were sent in HSES Correspondence on Monday, August 31.
- ❑ **Forecasts** (*which are previews of expected funding opportunities*) are in process of being updated to reflect only those competitions that will be moving forward as funding opportunity announcements.
- ❑ **Funding Opportunity Announcements (FOAs)** are expected to be posted in early October for the competitive service areas.

# Where can I find the forecasted funding opportunities (forecasts) and FOAs?

---

- ❑ Forecasted funding opportunities (**forecasts**) can be found at: <https://www.acf.hhs.gov/ohs/funding> and on [www.Grants.gov](http://www.Grants.gov)
- ❑ Funding opportunity announcements (**FOAs**) can be found by searching Catalog of Federal Domestic Assistance (CFDA) Number 93.600 on [www.Grants.gov](http://www.Grants.gov)



# My service area was forecasted but the FOA has not been posted. Do I still need to compete?

---

- ❑ Grantees should first review their DRS redetermination letter in HSES Correspondence to know their competitive status based on the new final rule.
- ❑ The forecasts are in the process of being removed for grants and service areas that are no longer competitive. Once this process is complete (very soon), if your service area is still shown as a forecasted funding opportunity, OHS plans to post a FOA for that service area.

## Revised Deficiency Condition

---

**Two** or more deficiencies  
in any monitoring reviews  
over the 5-year grant period

# What happens if a child is left unattended and the grant receives a single deficiency?

---

- ❑ This grantee would not be required to compete. However, if a single serious incident is the result of multiple failures within a program, it may very well result in more than one deficiency.
- ❑ *Reminder:* OHS can suspend financial assistance if there is serious risk or harm to staff and/or children's health and safety, substantial injury to property or loss of project funds [ § 1304.4], or terminate a grantee with uncorrected deficiencies [ § 1304.5(a)(2)(iii)].

If a grant had a single deficiency and received a DRS letter with a designation to compete, but the FOA has not yet been posted, do they still have to compete?

---

- ❑ This program should have received a DRS redetermination letter in HSES indicating they were no longer required to compete as a result of this single deficiency, and the forecasted funding opportunity (forecast) should have been taken down.
- ❑ Please contact your Regional Office if you have any questions about your DRS redetermination letter.

If a grant had a single deficiency, but has not received a DRS letter yet, do they still have to compete?

---

- ❑ This grant will not be required to compete due to the deficiency condition so long as the grant does not receive another deficiency or meet another condition during the current 5-year project period.
  - *The existing single deficiency would count towards the “two or more deficiencies” threshold.*
- ❑ This grantee will not receive a DRS redetermination letter because these letters are only sent to grantees previously designated for competition.

## How are deficiencies counted when they occur across separate reviews or when they are corrected?

---

- ❑ The DRS condition counts the number of deficiencies during the project period for each grant.
  - For example, one deficiency in the first year of the grant and a new deficiency in the fourth year of the grant would total two deficiencies requiring competition.
- ❑ Corrected deficiencies are still counted, as before. Uncorrected deficiencies lead to termination.

# Revised CLASS Condition

---

Two sets of thresholds for CLASS: *competitive thresholds* and *quality thresholds*

- ❑ A score below a **competitive threshold** in any CLASS domain triggers competition
- ❑ A score below a **quality threshold** in any CLASS domain triggers OHS support for the grantee to implement quality improvement efforts

# What are the revised CLASS competitive thresholds?

---

Score below a **competitive threshold** in any CLASS domain requires competition:

- Emotional Support – below a 5
- Classroom Organization – below a 5
- Instructional Support – below a 2.3 through July 31, 2025, and below a 2.5 starting on August 1, 2025



# What are the CLASS quality thresholds?

---

Score below a **quality threshold** in any CLASS domain leads to support from OHS for grantee to implement quality improvement:

- Emotional Support – below a 6
- Classroom Organization – below a 6
- Instructional Support – below a 3

CLASS quality thresholds are not related to competition.

# Why did OHS establish two sets of CLASS thresholds in the DRS final rule?

---

- ❑ CLASS **quality thresholds** represent OHS expectations for the quality of all classroom learning environments
  - For grantees to strive for high quality environments and continuous improvement
- ❑ CLASS **competitive thresholds** were raised to continue to push up the floor for quality for all grantees
  - Nearly all grantees scored above the prior CLASS absolute thresholds

# How did OHS determine the revised CLASS thresholds?

---

- ❑ Research indicates:
  - CLASS scores need to be at least out of the low range to see impacts on child outcomes
  - Higher CLASS scores reflect higher quality learning environments and are better for child outcomes
- ❑ OHS used both research and national data on how programs generally score on CLASS to:
  - Set attainable thresholds
  - Continue to push up on quality

If a grantee falls below the competitive threshold for one CLASS domain, is this a deficiency? Does one low CLASS score trigger competition?

---

- CLASS scores are not related to deficiencies
- If a grantee has a CLASS score below a competitive threshold in one CLASS domain this does trigger competition

What if a grantee falls below the competitive threshold for one CLASS domain, and below the quality threshold for another CLASS domain?

---

- ❑ Grantee would be designated for competition due to a CLASS score below a competitive threshold
- ❑ Grantee would also receive TTA support from OHS to implement quality improvement efforts focused on improving teacher-child interactions

# What if a grantee achieves CLASS scores that are exactly equal to the competitive thresholds? Do they have to compete?

---

- ❑ No, the grantee would not have to compete due to CLASS scores
- ❑ Only scores below one or more of the CLASS competitive thresholds trigger competition:
  - Emotional Support - 5  
Scoring below a 5 triggers competition
  - Classroom Organization - 5  
Scoring below a 5 triggers competition
  - Instructional Support - 2.3 until July 31, 2025 and then raises to 2.5  
Scoring below a 2.3 (and in the future below a 2.5) triggers competition

## If a grantee's CLASS scores fall below a CLASS quality threshold, is there a deadline for quality improvement?

---

- ❑ CLASS quality thresholds represent shift to “growth mindset” in DRS
  - To support growth of classroom learning environments over time to support stronger child outcomes
- ❑ Grantees should take advantage of this opportunity to re-examine professional development, TTA systems, and overall support for education staff
- ❑ OHS will connect grantees with resources targeted to areas where improvement is most needed

# Does the CLASS condition of the DRS apply to Early Head Start programs?

---

- ❑ CLASS condition of the DRS does not apply to Early Head Start programs
- ❑ Programs can use a variety of professional development tools to support the quality of teacher-child interactions with infants and toddlers, such as:
  - Infant and Toddler versions of CLASS
  - Quality of Caregiver-Child Interactions for Infants and Toddlers (Q-CCIIT)



# How are CLASS scores calculated under the new DRS final rule?

---

- ❑ Approach to calculating CLASS scores has not changed as a result of the new DRS final rule
- ❑ CLASS is conducted at the classroom-level, and then those scores are used to calculate grant-level CLASS scores
- ❑ OHS does not round CLASS scores up or down when assessing scores against the thresholds

# What will OHS TTA support for CLASS look like?

---

- ❑ OHS will proactively connect grantees with resources that target areas of teacher-child interactions in need of improvement
- ❑ National TTA Centers and Regional TTA will support grantees through targeted TTA efforts to improve classroom quality
- ❑ Preview: OHS and DTL will host a webinar on using CLASS for quality improvement on September 16<sup>th</sup>

# Why can't grantees get TTA support before their CLASS review?

- ❑ They can and should!
- ❑ There are numerous TTA resources already available on the ECLKC that target improving classroom learning environments
  - Webinars, in-service suites, courses through the OHS Learning Management System (LMS)
- ❑ Regional TTA systems can support grantees and grantees can use their own TTA funds to access TTA of their choosing
- ❑ Encourage use of CLASS and other tools for PD within your programs to support teachers and improve teacher-child interactions over time

# Revised Fiscal Condition

A going concern is identified in an audit report during 5-year grant period

OR

A total of two or more audit findings of material weakness or questioned costs associated with its Head Start funds in audit reports for a financial period within the current project period

# What is the definition of a going concern?

---

- ❑ A determination of being “at risk of failing to continue as a going concern” means the organization is in such a dire financial situation that they are likely to no longer be a viable financial entity within 12 months.
- ❑ This determination is used by auditors in both private sector and federal grant audits.

# What is a questioned cost?

---

An auditor finds questioned cost when they observe expenses that indicate a violation or possible violation of a statute, regulation, or the terms and conditions of a Federal award.

# What do you mean by material weakness?

---

- ❑ A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected or corrected on a timely basis.
- ❑ Material weakness creates a likelihood that financial information is not accurate or sufficient for decision makers to make reasonable financial decisions.

# Does the new fiscal criterion for questioned costs mean 2 or more questioned costs? Or is the 2 only related to material weaknesses in the audit?

---

- ❑ The fiscal condition considers a total of 2 or more findings of questioned costs and/or material weaknesses related to Head Start funds.
- ❑ The 2 findings could be any combination of:
  - 2 material weaknesses,
  - 2 questioned costs, or
  - 1 of each finding.



# Do the two findings need to be repeat findings?

---

- No. A grantee can have two separate findings of material weakness or questioned costs. A grantee could also have a finding in one report that occurs again on a subsequent report and that would count as 2 findings and meet the fiscal condition for competition.
- The 2 findings that cause a grantee to compete can be in the same audit report or in different audit reports.

# How many audit years will be reviewed?

---

- ❑ All audit reports from a fiscal year during the 5-year grant period will be reviewed to determine whether the grantee meets one of the fiscal conditions.

# What does “financial period during the 5 year project period” mean?

---

- ❑ In the final rule, financial period means a grantee’s fiscal year reviewed in any audit report. Any audit report for a grantee’s fiscal years that fall within the 5-year project period will be reviewed.

# What is the difference between fiscal OHS monitoring deficiencies and audit findings?

---

- ❑ A grantee could receive a deficiency in an OHS monitoring report for failing to meet fiscal requirements. Fiscal deficiencies identified through OHS monitoring are considered for the **DRS deficiency condition** (two or more deficiencies during the 5-year project period would require competition).
- ❑ An audit finding is reported by an independent auditor hired by the grantee to conduct an in-depth annual audit. Audit findings are considered for one of the **DRS fiscal conditions** (2 questioned costs or material weaknesses related to Head Start funds).

# How do the new DRS conditions apply to agencies with multiple grants?

---

There are no changes in the DRS final rule on how the DRS conditions will apply to multi-grant agencies.

- ❑ Deficiencies are counted at the grant level to determine whether the “two or more deficiencies” condition is met. However, systemic deficiencies can affect multiple grants.
- ❑ CLASS scores are assigned at the grant level.
- ❑ All Head Start awards are examined together in an audit, so any audit findings applicable to Head Start would impact all Head Start grants.

# Additional Questions

---



