



Public Schools of North Carolina

Monitoring & Compliance Update

FBS Conference

July 30, 2009 and July 22, 2010

Topics

- ARRA Compliance
 - Management Directives
- Common Monitoring Issues
 - Contracts
 - Time & Effort Documentation
 - Equipment Inventory
 - Internal Controls & Procedures
- Single Audit Update



ARRA

- Basic premises:
 - Competition
 - Transparency



OERI Management Directives

- Competition in all procurement transactions (goods and services) conducted using ARRA funds
 - Bidding
 - IPS
 - Advertise in local newsprint outlets
 - Post jobs with ESC
- NCrecovery.gov → “Compliance” tab



Common Monitoring Issues

- Contracts
- Time & Effort Documentation
- Equipment Inventory
- Internal Controls & Procedures



Contracts

- Object code 311 – must have a valid, written contract to use this code
- Invoice must be specific:
 - Who
 - What
 - When
 - Where



Time & Effort Documentation

- “Blanket” Certifications
- Federal Cost Objective
- Valid signatures and dates
- Supporting documentation for Personnel Activity Reports (PARs)
- Substitute System Revisions
- Reconciliation



Equipment Inventory

- List of inventoried items
 - Details (EDGAR 80.32 (d))
 - Captures “Significant Technology” items, even if below stated inventory threshold
- Physical Inventory
 - Required **at least** once every two years
 - Evidence of compliance



Internal Controls & Procedures

- Board Policies
 - Know where they are
- Written procedures
 - For all processes, especially procurement
- Evidence of compliance



Single Audit Update

- Auditor Independence
- Child Nutrition Issues
 - CN Bad Debts
 - Indirect Cost
 - Interest
 - Dual Employment



Auditor Independence

- The second Generally Accepted Auditing Standards is that the Auditor must maintain independence in mental attitude in all matters relating to the audit.



Independence (cont'd)

- All audit personnel on engagements should maintain independence in fact and in appearance, perform all professional responsibilities with integrity, and maintain objectivity in performing their professional responsibilities.



Child Nutrition Issues

- The final FC1A Child Nutrition Report must be in agreement with the Single Audit. This report is due to CN on August 1st. This is the responsibility of the Finance Officer (they can delegate this responsibility to others) and the information for the report comes off the General Ledger of the Child Nutrition's books. The auditor should be using this report for the annual audit.



CN's Bad Debts

- **A-87 Attachment B, Item 5 states Bad Debts which include losses (whether actual or estimated) arising from uncollectible accounts and other claims, related collection costs, and related legal costs. These are unallowable. This has been interpreted to mean the LEA must make sure there is no bad debt in the food service account. Regardless of the cause the SFA cannot write off debt, pay the debt off with new SY reimbursement funds or any other Federal funding. The LEA will have to take money from the general fund, PTA or some other source to compensate the school account for the debt. The LEA can then hire a debt collector or do whatever they deem best to recover the funds to make the general fund whole again.**
- **LEA's Need a Board Approved Charge Meal Policy**



Indirect Cost

- Indirect cost must be consistent over all Federal Programs (OMB A-87). You can't charge a cost indirect to one program and direct to another. **Just accept the indirect cost rate you are given from DPI. You are not going to change it.**
- **DPI has already obtained a verbal ruling on this from the Feds.**



Interest / Dual Employment

- Any interest earned on Child Nutrition funds should be credited to the Child Nutrition Accounts.
- Dual employment must be prorated based on the percentage of work in each department.
- Sales tax refunds should be credited to the proper funding source.
- Funds from the sale of CN's equipment must be credited to CN.



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