

**STATE PUBLIC SCHOOL FUND
(LOCAL EDUCATION AGENCIES - LEAS)**

State Authorization: North Carolina General Statutes Chapter 115C, Articles 1 – 31
Governor’s Executive Approval Memo dated March 24, 2020: New
COVID-19 Allotment and Public School Budget Flexibility

**N. C. Department of Public Instruction
Division of School Business**

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N.C. DPI Confirmation Reports:

Confirmation of Funds Expended and/or Disbursed from the State Public School Fund and Federal Programs 2020-21 will be available at the [NC DPI School Business Division Annual Reports Application](#). The system provides an electronic view of Year-to-Date (YTD) financial reports in response to requests for confirmation from independent auditors.

The auditor should **not** consider the Supplement to be “safe harbor” for identifying audit procedures to apply in a particular engagement, but the auditor should be prepared to justify departures from the suggested procedures. The auditor **can** consider the supplement a “safe harbor” for identification of compliance requirements to be tested if the auditor performs reasonable procedures to ensure that the requirements in the Supplement are current. The grantor agency may elect to review audit working papers to determine that audit tests are adequate.

I. PROGRAM OBJECTIVES

The objective of the State Public School Fund is to provide monies to the Local Education Agencies (LEAs) and Public Charter Schools for the basic education, enrichment and strengthening of educational opportunities for the children of the State of North Carolina.

II. PROGRAM PROCEDURES

The State Public School Fund is administered through the State Board of Education (SBE) and the Department of Public Instruction (DPI). The State Board of Education establishes policies and procedures to implement legislative requirements to provide the LEAs with a uniform system of accounting for and reporting on the appropriations and the current operating expenditures. Allotments in the form of dollars, positions, and/or months of employment are provided to the LEAs by the Department of Public Instruction based on average daily membership (ADM) of LEA student population. Certain categorical programs are funded based on applications submitted by the LEAs. Allotment reports are sent from the School Allotment Section of the Division of School Business notifying the LEAs of the amount of State funds that they have available. DPI publishes monthly Cash Certification Calendars

establishing deadlines for requesting funds to assist the LEAs with their cash management efforts and needs. The LEAs have access to request State funds five (5) days per week, except for banking holidays, so that funds may be deposited no more than two business days prior to the date of disbursement. The LEAs must enter requests for funds for a particular Funds Requirement Date (date of intended disbursement) according to the deadlines established on the Cash Certification Calendar. Once approval is received from the State Controller's Office, DPI processes the requests so that the funds are deposited into the respective LEAs State Treasurer account after 2:00 p.m. the day before the Funds Requirement Date.

Update 10/20: In response to the COVID-19 crisis, Governor Cooper declared a state of emergency in North Carolina. To assist LEAs and other public school units in supporting students during this unprecedented time financial flexibility and relief were provided within the State Public School Fund to address unanticipated needs resulting from COVID-19, including remote learning, school nutrition, sanitation of facilities and buses, protective equipment, and child care. The Governor's executive approval is documented in a [memo dated March 24, 2020](#).

The State Board of Education approved the NCDPI proposed allocation methods to be used for the STATE COVID-19 SUPPLEMENTAL FUNDS and program report code (PRC) 154. Approved eligibility and the approved allocation methods are as follows:

Eligibility: Each LEA, charter school, innovative school, regional school and lab school which does not provide virtual education as its primarily instructional delivery method.

Allocation Methodology: All available funds are distributed to LEAs and other public schools based on one of the following:

- Fifty percent of the funds are distributed based on ADM multiplied by a low wealth percentage.
- Fifty percent of the funds are distributed based on allotted ADM.
- Month 1 ADM is used for eligible public schools that are not within a LEA.
- Charters are calculated using the attributes of the county in which the school is located.

III. COMPLIANCE REQUIREMENTS

Noted below in the following matrix are the types of compliance requirements that are applicable to the federal program. These Types are determined by the State agency noted by "Y."

If the Matrix indicates "Y," the auditor must determine if a particular type of compliance requirement has a direct and material effect on the State program for the auditee.

CC	1	2	3	4	5	6	7	8	9	10	12	13	14
Cross-cutting requirements	Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Conflict of Interest	Eligibility	Equipment/ Real Property Management	Matching, Level of Effort, Earmarking	Period Of Performance	Procurement Suspension & Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions
N	Y	N	N	Y	Y	Y	N	Y	Y	N	Y	N	Y

1. Activities Allowed or Unallowed

A. Compliance Requirement – The LEAs must comply with the requirements of the North Carolina General Statutes and particularly Chapter 115C (Public School Laws of North Carolina), Articles 1 through 31. In addition, SBE has the authority to issue rules and regulations with which they must comply. These rules and regulations have the force of law governing procedures for disbursement of monies allocated to the LEAs by and through the State. (G.S. 115C-436(b))

Only those individuals in positions allotted by the SBE and, if applicable, professionally certified by DPI can be paid with State Public School funds. The Department of Public Instruction determines and fixes the salary for each grade and type of certificate, which it authorizes. Certified and non-certified employees paid with State Public School funds are to be paid in accordance with the state salary schedule. (G.S. 115C-272, 115C-284 and 285, 115C-296 and 302.1, 115C-316, and 115C-416)

The [North Carolina Public Schools Allotment Policy Manual](#) and the [North Carolina Public Schools Uniform Chart of Accounts](#), revised annually, should be used to monitor the appropriateness of expenditures and the proper use of allotments within the intent and limitations for which they are appropriated. School units are required to expend funds for the purposes they were allotted and to control their funds by the requirements and allotment basis for each category. The North Carolina Public Schools Allotment Policy Manual is available on the Internet at: <https://www.dpi.nc.gov/districts-schools/district-operations/financial-and-business-services/allotments-funding-public-school-units> and the North Carolina Public Schools Uniform Chart of Accounts is available on the Internet at:

<https://www.dpi.nc.gov/districts-schools/district-operations/financial-and-business-services/school-district-finance-operations/chart-accounts>

Update 10/20: The Governor's executive approval provided the following flexibility and to public schools for additional expenditures related to school nutrition, childcare, remote learning and sanitation incurred due to school building closure for COVID-19:

- PRC 130/131 - Textbooks and Digital Resources and School Technology allocations may be used for devices, online subscriptions and training for instructional personnel for digital and remote learning.
- PRC 056- Flexibility is granted for the Transportation, At-Risk Student Services, Disadvantaged Student Supplemental Funding, and Low-Wealth Supplemental Funding allotments to permit expenditures associated with school nutrition, school and community-based child care, sanitation of facilities and buses, protective equipment, and remote learning

The [North Carolina Public Schools COVID Allotment Policy Manual](#) should be used to monitor the appropriateness of expenditures and the proper use of the allotment related to PRC 154. The North Carolina Public Schools COVID Allotment Policy Manual 2020-2021 is available on the Internet at:

<https://www.dpi.nc.gov/media/10624/download?attachment>.

Audit Objective – To determine that the LEA is complying with the requirements of the applicable North Carolina General Statutes, maintaining their records according to generally accepted accounting procedures, expending state allotted funds for the purpose for which they were allotted, and controlling their funds by the requirements and allotment basis for each category of funds.

Suggested Audit Procedures:

General:

Evaluate internal controls for all financial functions, including the payroll cycle.

Salaries for Certified Employees:

Obtain the payroll register for selected period(s) and select a sample of disbursements to certified individuals. Perform the following tests:

- Trace the payline gross salaries of the individuals to the certified list (408A Operating Budget) provided by the Division of School Business, at DPI, through the Internet based [Licensure/Salary](#) system.
- Determine that payline gross salaries from each funding source are in agreement with the certified salary for those individuals being paid from multiple sources (i.e., state and federal funds).
- Examine proper authorizations for payroll withholdings and voluntary deductions and verify appropriateness of amounts withheld.
- Examine cancelled checks (if available): compare date, check number, name of payee, and net pay to the payroll register, note propriety of signature(s) and compare endorsement to the signed W-4. If cancelled checks are not available, compare check register to bank reconciliations for appropriate amounts, pull selected sample file copies to verify payee and amount.
- Determine that individuals are serving in positions consistent with their assigned duties, area(s) of certification and the expenditure coding within the allotments from

which their positions are funded. (This procedure could be performed by interview or confirmation.)

- Obtain the LEA's Salary Exception List provided to them from the Division of School Business through the Internet based LicSal system for the fiscal year being audited. This list reflects certified individuals who have been overpaid or underpaid based on their assigned certified salary as compared to their payline gross.
- Identify individuals with exceptions by the fund source. State funded positions will reflect a 1 in the fund code position of the expenditure code, and federally funded positions will reflect a 3 in the fund code position of the expenditure code.
- Determine that action is taken by the LEA to resolve underpaid or overpaid individuals. Overpaid individuals must be refunded to DPI at gross salary paid plus matching benefits. Underpaid individuals must have payment made to adjust their salary as a prior year adjustment. The need for a refund or salary adjustment should be included in the auditor's recommendation. The status of any refund or salary adjustment should be addressed in the management's response.
- Determine that associate superintendents, assistant superintendents, supervisors, and assistant principals are employed in accordance with DPI allotment policies (reference the [North Carolina Public Schools Allotment Policy Manual](#) for the appropriate fiscal year.)
- Ensure that superintendents, associate superintendents, assistant superintendents and finance officers are paid from state funds within the range allowable as stated in the North Carolina Public School Benefits and Employment Policy Manual for the appropriate fiscal year located on the Internet at:
<https://www.dpi.nc.gov/200522-benefitsmanual-final/download>
- Ensure that superintendents, associate superintendents, assistant superintendents and finance officers are paid consistent with their signed contracts.
- Ensure that if there is a decrease between last year's (FY 17-18) salary schedule and this year's (FY 18-19) salary schedule; the difference is tied to object code 129 Salary-Held Harmless Salary and should not be more than last year's salary, including longevity.
- Ensure any salary paid in PRC 012 falls within the pay grades established for Driver's Education. If salary is outside this pay range, ensure the individual was employed in the LEA prior to July 1, 2018 at the salary being paid in the current year.
- Ensure the principals not being paid on the principal salary schedule meet the criteria to be paid based on the teacher salary schedule.

Salaries for Non-Certified Employees:

Obtain the payroll register for the selected period(s) and select a sample of disbursements to non-certified individuals. Perform the following tests:

- Determine that the salary rates are in agreement with the state salary schedule and that the pay level placements are proper for the particular job classifications.
- Determine that the gross salaries from each fund source are in agreement with authorizing documents for those individuals being paid from multiple sources (i.e., state and federal funds).
- Examine proper authorizations for payroll withholdings and voluntary deductions and verify appropriateness of amounts withheld.

- Examine cancelled checks (if available): compare date, check number, name of payee, and net pay to the payroll register, note propriety of signature(s) and compare endorsement to the signed W-4. If cancelled checks are not available, compare check register to bank reconciliations for appropriate amounts, pull selected sample file copies to verify payee and amount.
- Determine that overtime pay is properly computed and paid from the appropriate overtime code(s) for employee's subject to Fair Labor Standards Act (FLSA). See the North Carolina Public School Benefits and Employment Policy Manual for the appropriate method of computing and recording overtime compensation located on the Internet at:

<https://www.dpi.nc.gov/200522-benefitsmanual-final/download>

Other Salary Related Procedures: (Certified and Non-Certified Employees)

- Select a sample of part time substitute teachers and determine whether their salaries and wages were properly authorized and approved.
- Select a sample of substitute teachers to determine whether wages were properly coded. (1) Substitute wages should be coded to Program Report Code (PRC) 003 in the case of teachers paid from position controlled allotments (i.e., 01, 07, etc.) (2) The coding of substitute wages should correspond with the coding of teacher salaries when paid from dollar controlled allotments (i.e., PRC 032). Select a sample of terminated employees and recompute the termination payments. Determine if longevity payments and/or annual leave payments were due and appropriately paid.
- Examine the adequacy of documentation for selected longevity payments and verify that the payments are based on the correct percentage (depending on years of service), paid at the proper time, based on the proper salary base, and paid from the proper funding source.
- Evaluate the accuracy and the adequacy of the unit's system for accruing and recording annual leave.
- Determine whether the number of positions or months of employment used exceeded the number of positions or months of employment allotted by DPI. The need for a refund should be included in the auditor's recommendation. The status of any refund should be addressed in the management's response.
- Examine any payroll checks being held by the school unit and determine the disposition of unclaimed wages.
- Select a sample of void/stop payment payroll checks to determine whether void/rewrite situations were properly processed and interfaced with the LEA's automated accounting system.
- Determine that individuals are serving in the capacity reflected by their expenditure coding and with the allotment being utilized. Examples: nurses should carry a "5840" purpose code; PRC 012 should only reflect expenses related to Driver's Education.
- Determine that employees who are receiving payment for Worker's Compensation or short-term disability are not receiving regular salary payments in addition to these benefits.
- Review to determine that the LEA is requesting reimbursements for short-term disability (beyond the first six months) from the Retirement System at the end of the short-term disability benefit period or at the conclusion of the disability, whichever is earlier. These reimbursement requests must be filed on a timely basis.

B. Compliance Requirement – Each LEA shall operate under an annual balanced budget resolution adopted and administered in accordance with G.S. 115C, Article 31. A budget resolution is balanced when the sum of estimated net revenues and appropriated funds balances is equal to appropriations. All monies (except funds of the individual schools) received and expended by an LEA should be included in its budget resolution. (G.S. 115C-425)

Audit Objective – To determine the LEA incurred no obligation unless the budget resolution included an appropriation authorizing the obligation.

Suggested Audit Procedures:

- Review the budget resolution and any subsequent amendments to determine whether they were properly approved and recorded.
- Determine whether expenditures exceeded the approved budget resolution as adjusted for amendments.
- Examine the approved budget resolution as adjusted for amendments to determine if disbursement amendments were authorized in the approval budget prior to the disbursement occurring.
- Determine whether expenditures exceeded the dollar amounts allotted by the State Public School Fund (for allotments controlled by dollars) and determine the status of any refunds due to DPI. The need for a refund should be included in the auditor's recommendation. The status of any refund should be addressed in the management's response.

C. Compliance Requirement – If an obligation is evidenced by a contract or agreement requiring payment of money or by a purchase order for supplies and materials, the contract, agreement, or purchase order shall include on its face a certificate signed by the finance officer stating that the instrument has been pre-audited to assure that an unencumbered balance remains in the appropriation sufficient to pay in the current fiscal year the sums obligated by the transaction for the current fiscal year.

Payments of obligations must be made in accordance with requirements of the General Statutes, with generally accepted accounting procedures, and with rules and regulations issued by DPI in the [North Carolina Public Schools Allotment Policy Manual](#), and letters/memos. These rules and regulations can be obtained from the LEA finance officer and have the force of law governing procedures for disbursement of monies allocated to the LEAs by and through the State. A bill, invoice, or other claim may not be paid unless it has been approved by the finance officer or by the local board of education. (G.S. 143-48 through 143-60, 143-62 through 143-64.5, 115C-436(b), 115C-441(a), 115C-441(b).

The [North Carolina Public Schools Allotment Policy Manual](#) and the [North Carolina Public Schools Uniform Chart of Accounts](#), revised annually, should be used to monitor the appropriateness of expenditures and the proper use of allotments within the intent and limitations for which they are appropriated. School units are required to expend funds for the purposes they were allotted and to control their funds by the requirements and allotment basis for each category. The North Carolina Public Schools Allotment Policy Manual is available on the Internet at: <https://www.dpi.nc.gov/media/9164/download> and the North Carolina Public Schools Uniform Chart of Accounts is available on the Internet at:

<https://www.dpi.nc.gov/districts-schools/district-operations/financial-and-business-services/school-district-finance-operations/chart-accounts>

Audit Objective – To determine that payment of obligations was made in accordance with General Statutes and rules and regulations issued by DPI, and records were maintained according to generally accepted accounting procedures.

Suggested Audit Procedures:

Select a sample of general expenditure disbursements made from State Public School funds, review all applicable letters/memos and policies issued from DPI, and perform the following tests:

- Examine invoices or other claims for propriety.
- Inspect the contract, agreement or purchase order for evidence of the pre-audit certificate signed by the finance officer.

Inspect other supporting documents for evidence as to the receipt of goods prior to payment.

- Inspect the invoices, claims and other supporting documentation for evidence of approval of payment by the finance officer to agree with amount on check stub.
- Determine that the invoices or other claims were effectively canceled when paid.
- Examine the approved budget resolution as adjusted for amendments to determine if expenditures were authorized prior to the expenditure occurring.
- Examine the cancelled checks (if available) noting agreement with invoices or other claims as to payee, amount, signature, and endorsement. If cancelled checks are not available, compare check register to bank reconciliation for appropriate amount, pull selected sample file copies to verify payee and amount.
- Select a sample of void/stop payment general expense checks to determine whether void/rewrite situations were properly processed and interfaced with the LEA's automated accounting system.

Determine that disbursements for travel were made in accordance with state travel requirements.

- Trace posting of the disbursements to the general ledger, noting the expenditure account codes used, to verify if the disbursements represent allowable activities for their respective PRC.
- Determine whether non-salary items are being charged incorrectly to salary expenditure codes.
- Determine whether salary items are being charged incorrectly to non-salary expenditure codes.
- Determine that disbursements for At-Risk Student Services/Alternative Schools program meet applicable program requirements ([North Carolina Public Schools Allotment Policy Manual](#) and [North Carolina Public Schools Uniform Chart of Accounts](#)).

3. Cash Management

Compliance Requirement – The local auditor is not required to test compliance with this requirement. Cash request procedures detailed in the Program Procedures is for information only.

4. Conflict of Interest

Compliance Requirement – The local Board of Education is required to have a conflict of interest policy approved and on file governing transactions of the LEA.

Audit Objective – To determine the local Board of Education has a conflict of interest policy approved and on file.

Suggested Audit Procedure – Verify that the local Board of Education has an approved conflict of interest policy on file.

5. Eligibility

Compliance Requirement – The SBE has the authority to apportion and equalize over the State all state school funds for assistance to educational programs within or sponsored by the public school system of the State. (G.S. 115C-12(5))

The state funds allocated as part of the State Public School Fund to serve children with special needs are intended to provide the additional costs of such programs beyond the regular program costs intended for the benefit of all children. These additional funds may be used for children with special needs who are between the ages of three through twenty-one. Special needs include handicapped, academically gifted, and pregnant. (Federal funds may only be used for students with disabilities.) Funds may be used for children with special needs from birth through age four and for age twenty-one on a permission basis. A child with special needs cannot be counted twice in the head count for state or federal funding. (G.S. 115C-106 to 115C-146.4)

State Board of Education policy LICN-002 requires the designation of appropriate licensure prior to employment for positions requiring licensure. Formal documentation indicating agreement by DPI, Division of Human Resources Management to the certified area(s) appropriate for the proposed program employment should be present.

The disbursements for children with special needs (PRC 032) must be made in accordance with Policies Governing Services for Children with Disabilities – Amended – July 2014 (Section NC 1506-1.13 “Transportation”). Available on the Internet at DPI’s website <https://ec.ncpublicschools.gov/policies/nc-policies-governing-services-for-children-with-disabilities>. While these procedures allow for funds to be used for transportation costs, they specifically prohibit funds being used to support the general system of transportation for students. These funds may only be used to transport special needs children (such as contract transportation for special needs children.)

Audit Objective – To determine that documentation on each child supports the inclusion as a special needs child on the headcount in question, to ensure that appropriately licensed teachers are serving the children with special needs, and to determine that the disbursements for children with special needs (PRC 032) were made in accordance with Policies Governing Services for Children with Disabilities – Amended – July 2014 (Section NC 1500-2.14 “Highly Qualified Special Education Teacher”). Available on the Internet at DPI’s website <https://ec.ncpublicschools.gov/policies/nc-policies-governing-services-for-children-with-disabilities>

Suggested Audit Procedures:

- Determine that teachers for children with special needs are appropriately licensed according to North Carolina licensure standards for children with special needs, serving in positions consistent with their assigned duties, and that the expenditure code is appropriate for these duties.

- Select a sample of general expenditures from PRC 032. Determine that disbursements for the Children with Special Needs Program which includes the State Handicapped program were made in accordance with Policies Governing Services for Children with Disabilities – Amended – July 2014. (Section NC 1502 “Local Educational Agency Eligibility”; Section NC 1506 “Authorization, Allotment, Use of Funds, and Authorization of Appropriation”; and Section NC 1507 “Preschool Grants for Children with Disabilities”)
- Review all expenditures for transportation paid from PRC 032. Determine that any transportation expenditures were for the transportation of children with special needs.
- Select a sample of children with special needs and perform the following tests:
- Determine if evidence of an Individualized Education Program (IEP) is in place on the headcount date.
 1. Determine if there is Permission to Place form (DEC 6 [if placement is after school year 1997-98] or DEC 7 [if placement was prior to school year 1997-98]).
 2. The student is appropriately classified on the headcount roster, i.e., a student classified as OH in the student record is classified as OH on the headcount roster.
 3. A student record is available for each student selected for review.

6. Equipment & Real Property Management

Compliance Requirement – All assets such as moveable equipment are to be maintained on the LEA’s fixed asset system and recorded on the LEA’s financial records according to the LEA’s capitalization policy, available from the finance officer or assets manager.

Audit Objective – To determine asset acquisitions such as moveable equipment were maintained on the LEA’s fixed asset system and recorded on the LEA’s financial records according to the LEA’s capitalization policy.

Suggested Audit Procedure – Review LEA’s fixed asset reports and procedures and their capitalization policy. Determine that asset acquisitions such as moveable equipment were recorded and maintained on the LEA’s fixed asset system and recorded on the LEA’s financial records according to the LEA’s capitalization policy.

8. Period of Performance

A. Compliance Requirement – An LEA may incur no obligation unless the budget resolution includes an appropriation authorizing the obligation sufficient to pay in the current fiscal year the sums obligated by the transaction for the current fiscal year. (115C-441)

Audit Objective – To determine all sums obligated for the current fiscal year were expended in the current fiscal year.

Suggested Audit Procedure - Inspect the June vouchers to determine that the school unit ensured that all items were received prior to payment.

B. Compliance Requirement – Funds from PRC 154 are available March 1, 2020 through June 30, 2020. Expenditures may not be incurred before the period begins or after the

period ends. Any expenditures prior to the beginning date or after the end date are considered unallowable and must be refunded to NCDPI.

Audit Objective - Determine that no expenditures were incurred prior to the date the period began or after the period ends.

Suggested Audit Procedure - Review transactions to verify that no expenditures were incurred prior to or after the approved period of availability.

9. Procurement and Suspension and Debarment

A. Compliance Requirement – Obligations must be incurred in accordance with state purchasing requirements.

Audit Objective – To determine obligations were incurred in accordance with state purchasing requirements.

Suggested Audit Procedure: Determine purchases met the state purchasing requirements (G.S. 143-48 through 143-64.5).

B. Compliance Requirement – LEAs are prohibited from entering into a contract with a party that has been suspended or debarred by the State of North Carolina.

Audit Objective – To determine the LEA has not entered into a contract with a party that has been suspended or debarred by the State of North Carolina.

Suggested Audit Procedure – Verify the LEA has not entered into a contract with a party that has been suspended or debarred by the State of North Carolina. A list of debarred parties can be found at <https://ncadmin.nc.gov/government-agencies/procurement/contracts/debarred-vendors>.

12. Reporting

Compliance Requirement – The LEA shall comply with the reporting requirements established by the SBE in the Uniform Education Reporting System (UERS). (G.S. 115C-12(18))

Audit Objective – To determine that the LEA has complied with the reporting requirements established by the SBE in the Uniform Education Reporting System. (G.S. 115C-12(18)).

Suggested Audit Procedure - Determine that checks are being issued through UERS approved financial software to the ultimate payee, ensuring that the financial software is being used to generate payments, not just to record payments already issued. Manual check entries should be few and documented as to why they were necessary.

14. Special Tests and Provisions

A. Compliance Requirement – The “Allotment Balance Reconciliation Report” (JHA351EG) is transmitted electronically monthly to the LEAs by the Division of School Business at DPI. The LEAs should adjust and reconcile their account records to the “Allotment Balance Reconciliation Report.” (The “Allotment Balance Reconciliation Report” contains the 11th and 12th month installment expenditures in a collapsed summary.)

Audit Objective – To determine the LEA is reconciling its account records to the monthly “Allotment Balance Reconciliation Report” and making necessary adjustments in a timely manner.

Suggested Audit Procedures:

- Review evidence that the LEA is reconciling its account records to the monthly “Allotment Balance Reconciliation Report” (JHA351EG) and making necessary adjustments in a timely manner. While we do not mandate a schedule for reconciliation, we do recommend that reconciliation be performed monthly.
- Determine that the LEA is refunding allotment overdrafts as obligations are incurred to prevent penalties from being incurred. Ensure that the LEA is paying any penalties for overdrafts monthly as incurred.

B. Compliance Requirement – The “Cash Certification Summary Report” (JHA856EG) is transmitted electronically monthly to the LEAs by the Division of School Business at DPI. The LEAs should reconcile their cash balance records and bank reconciliations to the “Cash Certification Summary Report”.

Audit Objective – To determine the LEA is reconciling its cash records to the “Cash Certification Summary Report” and bank reconciliations, and making necessary adjustments in a timely manner.

Suggested Audit Procedures:

Review evidence that the LEA is reconciling its cash records to the “Cash Certification Summary Report” (JHA856EG) and bank reconciliations in a timely manner. While we do not mandate a schedule for reconciliation, we do recommend that reconciliation be performed monthly.

C. Compliance Requirement – Certain state funds expended as part of the State Public School Fund are intended for specific purposes and individuals. It is the intention of the General Assembly and the State Board of Education that all funds be expended for the purposes intended. The LEA must comply with the applicable rules and regulations governing use of state funds.

Audit Objective – To determine the LEA is complying with the requirements of the applicable rules, regulations, and purpose of the funds expended, and to ensure expenditures are for the appropriate personnel and/or utilization.

Suggested Audit Procedures:

- NBPTS (National Board of Professional Teaching Standards) – Obtain a list of individuals who are receiving a 12% NBPTS salary differential. For those who are not guidance counselors or media coordinators obtain class schedules for these personnel, signed by the teacher. Verify that the individuals paid this salary differential are doing classroom instruction at least 70% of their time. Ensure that Lead Teacher (Object 135) did not receive the 12% NBPTS salary differential.

<https://www.dpi.nc.gov/documents/fbs/finance/legislation/salarypersonnel/guidelines-for-national-board-for-professional-teaching-standards-nbpts-pay-differential>

- Longevity Payments- Obtain a list of individuals who received longevity pay. Obtain payroll history information for these individuals. Verify that the individuals receiving longevity pay from PRC 009 are paid with state funds (fund 1).
 - Annual Leave Payoff and Bonus Leave Payoff – Obtain a list of individuals who received annual leave payoff and/or bonus leave payoff when terminating. Obtain payroll history information for these individuals. Verify that the individuals receiving their leave termination payments from PRC 009 are paid salary with state funds (fund 1) and not from salary paid from federal funds (fund 3).
 - Disadvantaged Student Supplemental Funding – Ensure that no more than 35% of the approved plan budget may be used for teacher bonuses and supplement expenditures. Ensure that total expenditures from PRC 024 did not exceed the approved plan budget.
 - Driver Training – Ensure that no more than 10% of driver education funds may be used for computer expenditures (computer equipment and computer hardware).
 - Charter School ADM Funding – Determine if the LEA provides ADM funds to a charter school. If so, verify that the dollars per ADM provided to the charter school is in accordance with Statute GS115C-238.29H (d).
 - Questioned Costs - List the state and/or federal Program Report Codes (PRCs) associated with the questioned costs. Also, if the LEAs are refunding state questioned costs, the amount of overage that is refunded, the BUD numbers and dates of the prior year state refunds should be included. For federal refunds, the check number(s) and date(s) of check that is mailed to the Department of Public Instruction.
 - Unemployment Insurance - Federal funds cannot include the direct payment of unemployment insurance claims. However, ensure that the unemployment insurance costs used in federal PRCs are to pay the 1% reserve as required per Session Law 2013-2 (House Bill 4) and not direct payment of unemployment insurance.
 - Summer Reading Camps – Ensure that all expenditures for summer reading camps were spent on the current year reading camp and not purchasing supplies and materials for a future year reading camp.
 - Teacher Legislated Bonuses – Senate Bill 169 authorized three retroactive bonuses for teachers based on test results to be paid out of PRC 048.
 - Third-Grade Teacher Performance Bonus (Section 9.7)
 - Advanced Placement and IB Bonuses (Section 8.8)
 - Industry certifications and credentials Bonuses (Section 8.9)
- Obtain a list of teachers paid these bonuses to ensure eligibility pursuant to Session Law and the [North Carolina Public Schools Allotment Policy Manual](#).
- Teacher Legislated Bonuses – Session Law 2017-57 authorized several bonuses for teachers based on test results to be paid out of PRC 048.

- Advanced Placement and IB Bonuses (Section 8.8B)
- Industry certifications and credentials Bonuses (Section 8.9)
- Fourth and Fifth-Grade Reading Teacher Bonus (Section 8.8D)
- Fourth and Fifth-Grade Math Teacher Bonus (Section 8.8E)

Obtain a list of teachers paid these bonuses to ensure eligibility pursuant to Session Law and the [North Carolina Public Schools Allotment Policy Manual](#)

- Teacher Legislated Bonuses – Session Law 2017-57 authorized bonuses for teachers based on test results to be paid out of PRC 046.
 - Third-Grade Teacher Performance Bonus (Section 8.8B)

Obtain a list of teachers paid these bonuses to ensure eligibility pursuant to Session Law and the [North Carolina Public Schools Allotment Policy Manual](#)

- Teacher Legislated Bonuses – Session Law 2017-57 authorized bonus for Veteran teachers to be paid out of PRC 045.
 - Veteran Teacher Bonus (Section 8.8A)

Obtain a list of teachers paid these bonuses to ensure eligibility pursuant to Session Law and the [North Carolina Public Schools Allotment Policy Manual](#)

- Principal Legislated Bonuses – Session Law 2017-57 authorized several bonuses for principals based on performance results to be paid out of PRC 048.
 - Principal Bonuses (Section 8.4)

Obtain a list of principals paid these bonuses to ensure eligibility pursuant to Session Law and the [North Carolina Public Schools Allotment Policy Manual](#)

D. Compliance Requirement – Gfeller-Waller Concussion Awareness Act (Required by Session Law 2011-147) The local Board of Education is required to create, disseminate and post information related to concussions and head injuries.

Audit Objective – To determine that the local Board of Education has complied with all aspects of Session Law 2011-147.

Suggested Audit Procedures:

- Receive a copy of the information sheet related to concussion and head injuries
- Gain evidence that the information sheet was provided to and signed by all coaches, school nurses, athletic directors, first responders, volunteers, students who participate in middle or high school interscholastic athletic activities.
- Gain evidence that all coaches, school nurses, athletic directors, first responders, volunteers, students who participate in middle or high school interscholastic activities signed the information sheet and return it to the coach before they can

participate in interscholastic athletic activities, including tryouts, practices or competition.

- Gain evidence that the information sheet was provided to and signed by the parents or guardians of those students participating in middle and high school interscholastic athletics.
- Gain evidence that the information sheet that was provided to and signed by the parents or guardians of those students participating in middle and high school interscholastic athletics is returned to the coach before their children can participate in any interscholastic athletic activities.

Ensure that the information sheet includes:

- (a) The definitions and symptoms of concussions and other head injuries;
- (b) A description of the physiology and the potential short-term and long-term effects of concussions and other head injuries;
- (c) The medical return-to-play protocol for post-concussion participation in interscholastic athletic activities; and
- (d) Any other information deemed necessary by the local board of education,

Test to ensure that each school has a venue-specific emergency action plan to deal with serious injuries and acute medical conditions in which the condition of the patient may deteriorate rapidly.

This plan must be:

- (a) In writing;
- (b) Reviewed by an athletic trainer licensed in North Carolina;
- (c) Approved by the principal of the school;
- (d) Distributed to all appropriate personnel;
- (e) Posted conspicuously for community and parental awareness at all athletic-sponsored venues; and
- (f) Reviewed and rehearsed annually by all licensed athletic trainers, first responders, coaches, school nurses, athletic directors, and volunteers for interscholastic athletic activities.

The plan shall include:

- (a) A delineation of roles;
- (b) Methods of communication;
- (c) Available emergency equipment; and
- (d) Access to and plan for emergency transport.