



Public Schools of North Carolina

Charter School Fiscal Monitoring – What to Expect and How to Prepare

CHARTER SCHOOL LEADERSHIP INSTITUTE

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Agenda

- ▶ Purpose of fiscal monitoring
- ▶ Format of a fiscal monitoring visit
- ▶ Documentation reviewed
- ▶ Fiscal monitoring instrument
- ▶ Corrective action
- ▶ Questions?



What is fiscal monitoring?



Purpose:

- ▶ Federal and state laws require the North Carolina Department of Public Instruction (NC DPI) to monitor implementation of federal programs operated by local educational agencies(LEAs) and charter schools.
- ▶ LEAs and charter schools are responsible for creating and maintaining programs which meet requirements.



Purpose of the Fiscal Monitoring Visit



Purpose of the Fiscal Monitoring Visit



- EDGAR: “to assure *compliance* with applicable Federal requirements and that *performance* goals are being achieved”
- To support schools in carrying out their mission to help all students succeed
- Assure that funds are being received, expended, and accounted for properly and in support of school goals
- Prepare for audit or federal monitoring

Who is monitored?

- ▶ Risk-based assessment used to identify schools with higher fiscal risk indicators are chosen
- ▶ May overlap with program monitoring, or be fiscal only
- ▶ 10-15 charter schools each year
- ▶ May be monitored several years in a row, or not for a number of years – no set schedule

Who is monitored – Risk Assessment

- ▶ Single Audit Findings
- ▶ Previous monitoring review and identified deficiencies
- ▶ Noncompliance Status
- ▶ Issues or problems (late reporting, fund balance deficit, declining ADM etc.)
- ▶ Management request
- ▶ Excessive Carryover
- ▶ Suspension of payments for any reason
- ▶ Amount of Federal Funds allocated
- ▶ New Entity (Charter School/LEA)
- ▶ Federal funds returned to DPI
- ▶ Not meeting Maintenance of Effort (MOE)
- ▶ New School Director, Federal Program Coordinator, Finance Officer, etc.

Who monitors you?

- ▶ Monitoring and Compliance Section within DPI Division of School Business for Consolidated Federal Fiscal Monitoring
- ▶ Exceptional Children Programmatic and/or Fiscal Monitors for IDEA grants
- ▶ CTE Programmatic and/or Fiscal Monitors
- ▶ School Nutrition monitors all Nutrition grants

What federal grants will be monitored in FY 2019?

- ▶ ESSA formula grants
- ▶ Title I, Part A
- ▶ Title I, Part C
- ▶ Title II, Part A
- ▶ Title III, Part A
- ▶ Title IV, SSAE
- ▶ 21st Century grants



How do we monitor?



Prior to onsite visit:

- ▶ Notice of impending onsite fiscal monitoring visit
 - ▶ Electronic mail
 - ▶ Finance Officer / Principal / School Director
 - ▶ Board Chair

- ▶ List of documentation to provide prior to or at the time of the visit



Format of the Fiscal Monitoring Visit

Format of a fiscal monitoring visit

- ▶ Length of visit may be 1 to 2 days
- ▶ Fiscal monitoring often requires a shorter visit than program
- ▶ No classroom involvement
- ▶ No student or parent interaction

Format of a fiscal monitoring visit

▶ Sample agenda

- ▶ Entrance conference with Director, Administration, finance officer, and monitoring team
- ▶ Individual meetings as needed with program and/or fiscal staff
- ▶ Provide sample selection for review
- ▶ Document review
- ▶ Physical verification for inventory compliance
- ▶ On-going meetings with fiscal staff as questions or issues arise
- ▶ Monitor completes Consolidated Federal Fiscal Monitoring instrument
- ▶ Exit conference with Director and other school leadership as applicable



Format of a fiscal monitoring visit



- ▶ Fiscal monitoring tool is completed for all visits
- ▶ Preparation and issuance of final Consolidated Federal Fiscal Review report
- ▶ Areas of compliance recognized
- ▶ Improvement recommendations – areas for improvement but not out of compliance
- ▶ Required corrective action plan (CAP) for items found to be out of compliance
 - ▶ Identified deficiencies
 - ▶ Action steps
 - ▶ Required documentation
 - ▶ Deadline for completion



What do we
monitor?

Fiscal Monitoring – General Fiscal Requirements

- ▶ Documentation that policies and procedures were followed
- ▶ Documentation that funds were obligated and liquidated within the approved grant period
- ▶ Federal funds are accounted for separately
- ▶ BAAS budget matches school's general ledger

What do we monitor?

- ▶ Time & Effort
- ▶ Contracted Services and Procurement
- ▶ Inventory and Equipment
- ▶ Internal Controls
- ▶ Cash Management

What do we monitor?

- ▶ Review the following for all applicable federal grants:
 - ▶ Budgets and revisions
 - ▶ Travel
 - ▶ Procurement
 - ▶ Contracts
 - ▶ General fiscal requirements
 - ▶ Use of Funds
 - ▶ Personnel

Fiscal Monitoring – Personnel

- ▶ Position counts are consistent with approved budget/application in CCIP/BAAS
- ▶ FTEs are calculated appropriately for the job category/assignment
- ▶ Semi-annual certifications or PARS are on file for all federally funded employees (required if any part of the salary is paid from federal funds)



What We Monitor - Equipment and Inventory



Inventory and Supplies

- ▶ Capture “significant technological” items, regardless of threshold
- ▶ Must maintain effective control and accountability
- ▶ Must adequately safeguard all such property against loss, damage, or theft
- ▶ Must assure that it is used solely for authorized purposes
- ▶ Physical inventory needs to be taken and documented at least every two years
- ▶ Maintenance procedures in place
- ▶ Disposition procedures in place



What We Monitor - Contracted Services and Procurement



Review to determine expenditures are:

- Allowable
 - Allowable under the relevant program
 - Consistent with federal cost principles
 - Consistent with EDGAR
- ▶ Reasonable and Necessary
 - ▶ Necessary for the performance or administration of the grant
 - ▶ Does not exceed that which would be incurred by a prudent person
 - ▶ Follows sound business practices
 - ▶ Reflects market prices for comparable goods or services
- ▶ Allocable
 - ▶ Can only charge in proportion to the value received by the program
- ▶ Adequately documented

What we monitor – Internal Controls

- ▶ Written policies and procedures that are in compliance with Uniform Grants Guidance (UGG)
 - ▶ Should be submitted electronically to School Business prior to the visit
 - ▶ Allows review by monitoring team before on-site visit
- ▶ Written evidence of strong internal controls
 - ▶ May be provided prior to the visit
- ▶ Evidence that policies, procedures, and internal controls are being followed in daily operations

What we monitor – Internal Controls

- ▶ UGG required policies and procedures
 - ▶ Travel Reimbursement Policy
 - ▶ Conflict of Interest Policy
 - ▶ Cash Management Procedures
 - ▶ Allowability of Cost Procedures
 - ▶ Procurement Procedures must be in place by July 1, 2017



What We Monitor - Cash Management

Cash Management Improvement Act (CMIA)

- Implemented to prevent interest earnings on federal funds.
- Grantee (DPI) must monitor for adherence to CMIA
- LEA/charter school must calculate and remit interest earned on any federal funds at least quarterly to the federal agency (through the Department). Up to \$500 per year may be retained by the school for administrative expenses.

EDGAR Part 80.2 (b)

- Methods and procedures for payment shall minimize the time elapsing between the transfer of funds and disbursement by the DPI and the LEA/charter school.



What We Monitor - Cash Management



Review of documentation including:

- ▶ LEA/charter school's cash management policies and procedures
- ▶ General ledger for documentation of revenue and expenditures to ensure:
 - ▶ Disbursement transactions are recorded on the LEA/charter school's books and funds delivered within 3 days of drawdown
 - Journal voucher entries (in instances when expenditures made with state and local funds need to be charged to federal funds) completed within three days of the federal funds receipt

Fiscal Monitoring Instrument – sample page

- ▶ Checks for policy or procedure
- ▶ Asks for evidence of implementation
- ▶ Selected grants noted
- ▶ CAP items noted if applicable
- ▶ Notes by the monitor to provide additional information

Fiscal Monitoring

Consolidated Federal Fiscal Monitoring

CITATION	REQUIREMENTS	DOCUMENTATION ON FILE AT THE LEA/TO BE PROVIDED TO THE (SEA) DEPARTMENT TO VERIFY COMPLIANCE	DOCUMENTATION ON FILE AT THE SEA (DEPARTMENT) TO VERIFY COMPLIANCE
5. INTERNAL CONTROLS, EXPENDITURES, INVENTORY, DRAWDOWNS, COST PRINCIPLES – ALL PROGRAMS OF TITLE I, TITLE II, TITLE III, TITLE IV, TITLE V, and SCHOOL IMPROVEMENT 1003(a) and 1003(g)			
<u>Internal Controls / Expenditures</u> <u>Internal Control Requirements</u> 2 CFR §200.61 2 CFR §200.62(a) 2 CFR §200.62(b)(1-2) 2 CFR §200.303 <u>Internal Controls Required in Writing</u> <ul style="list-style-type: none"> Allowability 2 CFR §200.302(b)(7) Procurement 2 CFR §200.318 2 CFR §200.319 2 CFR §200.320 Time and Effort 2 CFR §200.430 Travel Policy 2 CFR §200.474(a) Segregation of Duties GAO-14-704G 10.03, 10.12-10.14 <u>Adherence to</u> <u>2 CFR Part 200, ESSA, and IDEA</u> <u>Requirements</u> <ul style="list-style-type: none"> Program Authorization 2 CFR §200.302 (b)(4) Reconciliation 2 CFR §200.302 (b)(5) Allowable 	<u>5.1 Internal Controls / Expenditures</u> <u>Internal Controls</u> a. Evidence that all LEA Internal Controls specific to LEA expenditures required to be in writing by 2 CFR Part 200 (Allowability, Procurement, Time and Effort, Travel, Segregation of Duties, Stipends) are present and meet requirements for internal controls: <ol style="list-style-type: none"> Effectiveness and efficiency of operations; Reliability of reporting for internal and external use; Compliance with applicable laws and regulations. Ability to meet the following objectives for Federal Awards: <ol style="list-style-type: none"> Transactions are properly recorded and accounted for, in order to 1) Permit the preparation of reliable financial statements and Federal reports; 2) Maintain accountability over assets Transactions are executed in compliance with 1) Federal statutes, regulations, and the terms and conditions of the Federal award that could have a direct and material effect on a Federal program; and 2) Any other Federal statutes and regulations that are identified in the Compliance Supplement <u>Expenditures</u> b. Evidence that the LEA maintains accounting records that are supported by source documentation	<u>5.1 Internal Controls / Expenditures</u> <u>Internal Controls</u> a. Evidence that Internal Controls required to be in writing by 2 CFR Part 200 <ol style="list-style-type: none"> Written Allowability Procedures - 2 CFR §200.302(b)(7) Written Procurement Procedures - 2 CFR §200.319(c) Written Method for Conducting Technical Evaluations of Proposals and Selecting Recipients - 2 CFR §200.320(d)(3) Written Compensation and Leave Policies - 2 CFR §200.430 Written Conflict of Interest Policy - 2 CFR §200.318(c) Written Travel Policy - 2 CFR §200.474(b) <u>Expenditures</u> b. Copy of FY17 and FY18 Payroll & Expenditure Detail Reports for every program organized by site,	<u>5.1 Internal Controls / Expenditures</u> Previous Consolidated or Program Specific Monitoring Reports Evidence of Resolution of Outstanding Audits, Complaints, and Previous Monitoring Findings Approved FY18 grant Approved FY17 and FY18 Budgets w Attachments (Job Descriptions, Class Size Reduction Worksheets)



After the Fiscal Monitoring Visit

After the site visit

- ▶ Monitor reports are reviewed by Section Chief and School Business Assistant Director prior to issuance
- ▶ If no deficiencies, school receives report with cover letter stating all programs no deficiencies in compliance with federal laws and regulations noted during site visit and FY 2018 cycle closed
- ▶ If deficiencies noted and school is out of compliance:
 - ▶ School receives report with cover letter with indicating required Corrective Action Plan and due date
 - ▶ When corrective actions have been completed, school receives a FY 2018 federal fiscal monitoring cycle closure notification



After the site visit



- ▶ Consolidated Federal Fiscal Monitoring Review Report written, processed and reviewed by management and issued within 45 days of last day of site visit
- ▶ Report addressed to school Finance Officer / Principal / School Director with copies to Board Chair and appropriate DPI staff
- ▶ Report identifies:
 - ▶ Deficiencies noted
 - ▶ Corrective actions required
 - ▶ Repayments due (if applicable)
 - ▶ General recommendations
- ▶ LEA/ Charter School's written response, including requested documentation, due 30 days from date of report
- ▶ Closure notification



Common Fiscal Monitoring Findings

Common Fiscal Monitoring Findings

▶ Time and Effort

- ▶ Semi annual certifications or personnel activity reports are not on file
- ▶ Semi annual certifications or personnel activity reports are not in compliance (e.g. not signed, signed/dated prior to end of time covered)

▶ Procurement

- ▶ Lack of Documentation - Support for events not sufficient enough to determine that it is allowable, reasonable and necessary.
- ▶ Unallowable - Activity or events are not for the benefit of funding program or targeted recipient

Common Fiscal Monitoring Findings (continued)

▶ **Contracted Services:**

- ▶ Contracts not on file
- ▶ Contracts lacking critical elements
 - ▶ Scope of services,
 - ▶ Defined compensation,
 - ▶ Signatures of all parties,
 - ▶ Defined period of performance,
 - ▶ Inclusion of remedy, termination and/or state language clauses
- ▶ Lack of Documentation
 - ▶ No support for services such as detailed invoices

Common Fiscal Monitoring Findings (continued)

▶ **Equipment and Inventory:**

- ▶ Improper Coding
- ▶ Prior approval not obtained from Board
- ▶ Not tagged
- ▶ Not inventoried
- ▶ Cannot be located
- ▶ Not used for the purpose of the grant

▶ **Internal controls:**

- ▶ Conflicting policies
- ▶ Outdated policies and procedures
- ▶ Non-existent policies

Common Fiscal Monitoring Findings (concluded)

▶ Cash management

- ▶ Cash requested prior to disbursement held longer than three business days
- ▶ Interest on cash held longer than three business days not calculated
- ▶ Interest due not repaid

Questions?

