

State and Federal Fiscal Monitoring

**"Funding Forward: Strengthening Fiscal Health in
North Carolina LEAs"**

Monitoring and Compliance Updates

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Meet the Team

- Monitoring and Compliance Team
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- Brittany S. McLaurin, Manager
- Jennifer Bennet, Senior Director
- Alexis Schauss, Director – Chief Finance Officer

DPI Monitoring & Compliance Staff

- Review all audits to identify findings and corrective action plans
- Evaluate the adequacy of management's response and corrective action plan for each finding
- Follow up on all proposed response and corrective action plans to verify implementation
- Communicate acceptance or non-acceptance of response(s) and corrective action plans and if resolution is closed for that audit

DPI Fiscal Oversight

What is fiscal monitoring?

- Review and analysis of the PSU's activities to ensure Federal & State awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements
- What are some examples?
 - On-site reviews
 - Time and Effort
 - Inventory
 - Contracted Services
 - Internal Controls
 - Desk reviews
 - Budget to actual expenditure review
 - Sole source authorization
 - Other key red flag indicators
 - Other Audits
 - Salary Audits
 - Student Audits

FY 25-26 Monitoring Efforts

- Shifting towards a more consolidated approach
- Expect more onsite visits and random desk monitoring
 - Inventory
 - Contracts
 - Cash flow
 - Time and effort
- Current year monitoring vs. End of Year
 - Increase current fiscal year monitoring efforts

School Business: Monitoring & Compliance Section

- Fiscal Reviews
- Single Audit Resolution
- Improper Payment Study
- Grant Compliance
- Technical and Advisory Services

Single Audit Resolution FY24

- 38/115 LEAs had audit findings
- 76 Audit Findings
 - Untimely/Incomplete Bank Recons
 - Failure to reconcile accounts to monitor cash balances
 - Securing purchase order after expenditure
 - Failure to pre-audit
 - Fixed Asset Management
 - Expenditure Exceeded Budget Resolution
 - Lack of internal control procedures
 - Lack of documentation to support purchases to provide a proper audit trail
 - Untimely audit submission
- Resolution Expectations:
 - Explain what has been done to correct the situation
 - Describe the policy or procedures implemented
 - Provide evidence of implementation

Common Fiscal Monitoring Results

- Undocumented Policies and Procedures
 - Allowable Cost Determinations
 - Compensation Services (Time and Effort)
 - Initial set-up and approval for salary employees
 - Controls over substitute pay
 - Split-funded employees (budget v. cost objective)
 - Policies are not up to date
- Unallowable costs:
 - Reimbursement for expense outside of Period of Availability
 - Undocumented transaction for a stipend payment
- Debarred individuals and vendors not checked, or no evidence exists
- Physical inventory and reconciliation not conducted in the last two years
- Adequate property records for equipment and inventory do not exist
- ESSER and federal property requirement.
 - Current Focus: What is purchased?
 - Better Focus: Why it is purchased?

Monitoring Lessons Learned

- Frequent Trends Observed:
 - Late audits
 - Overuse of sole source procurement without justification
 - Delays in resolving audit findings
 - Inventory logs not updated or reconciled
 - Failure to reconcile accounts and cash

Types of Fiscal Monitoring

	Scope of Work:	Selection Process:	Results:	Timeline
Full Reviews	Allowable Costs Procurement Contracts Equipment Cash Management Related Internal Controls	Sub-recipient Selection Based on Annual Risk Assessments	Report Follow-up, if applicable	November - September
Desk Reviews	Allowable Costs Related Internal Controls	Sub-recipient Selection Based on Annual Risk Assessments	Report Follow-up, if applicable	November - September
Transaction Reviews and Improper payment Study	Allowable Costs Equipment Construction Contract Services	Transactions tested will be randomly selected on a periodic basis	Memo, if deficiency	Ongoing
Ongoing Monitoring	Salary audit Student account audit	Continuous efforts Adverse ADM trends	Memo, if deficiency	Ongoing

Why Compliance Matters

- Legal frameworks:
 - **2 CFR Part 200** (Uniform Guidance)
 - **NCGS § 143C-6-23** – State grant oversight
 - **09 NCAC 03M** – State grants administration
 - **NCGS § 115C-437** – LEA financial audits
- Impact of non-compliance
 - Repayments (Questioned Cost)
 - Findings and corrective actions
 - Reputational damage

What Can LEAs Do?

- Conduct internal fiscal self-assessments
- Develop or update written policies and procedures
- Use checklists and templates
- Train staff regularly on compliance responsibilities
- Contact NCDPI with questions
- Reconcile accounts consistently
- Be more transparent with local BOE

Vision for 2025-2026 Monitoring

“Our focus is proactive compliance, not punitive oversight. We aim to build resilient fiscal systems across LEAs through risk-informed monitoring, capacity-building, and transparent communication.”

- Ensure LEAs meet federal (2 CFR 200) and State (NCGS § 143C-6-23, 09 NCAC Subchapter 03M) fiscal requirements
- Identify and reduce risks before they become audit findings
- Provide targeted technical assistance for improvement
- Promote equity and consistency in oversight across all LEAs
- Strengthen internal controls and fiscal sustainability

LEA Responsibilities in this Process

- Respond to document requests on time
- Participate in interviews and provide access to systems
- Address findings in a timely, constructive manner
- Maintain up-to-date fiscal policies and procedures
- Ask questions and request assistance as needed

Capacity-Building & Support

- **Webinars & Office Hours** for fiscal staff
- **DART Reporting Tool**
- **Increased Technical Assistance**
- **More compliance related newsletter** submissions with tips and deadlines

Audit Deadlines

- **Extended to December 31**
 - Still aim for earlier submission

Questions?

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