

Understanding Monitoring Reviews: Guidance for LEAs and Charter Schools

North Carolina Department of Public Instruction (NCDPI)
School Business Services (SBS)
Monitoring and Compliance (MAC)

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Meet the Team



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School Business Services Monitoring and Compliance Team (MAC Team) is comprised of Finance and Business Compliance Analysts, Accountants and Auditors.

Monitoring and Compliance Team

Irwin Benjamin - irwin.benjamin@dpi.nc.gov

Michael Jordan – michael.jordan@dpi.nc.gov

Tina Moore - tina.boyce@dpi.nc.gov

Albert Woelfle - albert.woelfle@dpi.nc.gov

Vanessa Sanders – vanessa.sanders@dpi.nc.gov

MAC Team - Monitoring@dpi.nc.gov

Amanda Fratrik, Senior Director

Alexus Schauss, Chief Financial Officer

Key Topics

Today's session will cover essential aspects NCDPI Monitoring Reviews, including these key topics:

- Purpose and Role of NCDPI Monitoring Reviews
- How Monitoring Reviews Add Value
- Monitoring Reviews vs. Audits
- 13 Objectives That Drive Accountability
- A Proactive Approach to Compliance
- Programmatic and Fiscal Reviews
- Types of Monitoring Reviews
- Comparison of Review Types
- The Monitoring Review Process
- Warning Signs of Financial Insolvency
- The Importance of Monitoring Reviews
- Key Audit Changes for Local Education Agencies (LEAs) and Charter Schools
- Key Takeaways

Purpose and Role of NCDPI Monitoring Reviews



Purpose and Role of NCDPI Monitoring Reviews

NCDPI Monitoring Reviews help ensure Local Education Agencies (LEAs) and Charter Schools use federal and state funds correctly and follow rules, while also identifying and fixing issues early.

Purpose of Monitoring Reviews

Reviews proactively identify risks, enable corrective actions, and promote fiscal sustainability and transparency.

Role of Monitoring Reviews

Monitoring reviews ensure responsible management of public funds and compliance with laws by local education agencies and charter schools.

How Monitoring Reviews Add Value



How Monitoring Reviews Add Value

Monitoring reviews by NCDPI add value by promoting accountability, ensuring compliance, and supporting continuous improvement for charter schools and LEAs.

- Ensure compliance with laws and regulations
- Verify proper use of funds (Fiscal Oversight)
- Evaluate program implementation (Programmatic Oversight)
- Assess internal controls and risk
- Identify issues early (Preventive Function)
- Strengthen accountability and transparency

A large, light blue circle is positioned on the left side of a dark blue background. The circle is partially cut off by the left edge of the frame. The text 'Monitoring Reviews vs. Audits' is written in white, sans-serif font, centered within the circle. The text is arranged in three lines: 'Monitoring' on the first line, 'Reviews vs.' on the second line, and 'Audits' on the third line.

Monitoring
Reviews vs.
Audits



Monitoring Reviews vs. Audits

Monitoring Reviews = Improvement
Audits = Accountability

How They Work Together:

- NCDPI reviews all audit reports and findings
- Audit findings drive risk-based monitoring and follow-up
- Monitoring ensures corrective actions are implemented and resolved
- Together they provide continuous oversight and independent assurance

Area	Monitoring Review	Annual Audit
Timing	Ongoing / Current Year	After Year-End
Performed by	NCDPI (SBS -Monitoring & Compliance)	Independent Auditor
Focus	Compliance + Risk Prevention	Compliance + Financial Accuracy
Approach	Collaborative + Informal	Independent + Formal
Output	Monitoring Report + CAP (Corrective Action Plan)	Audit Report + Opinion

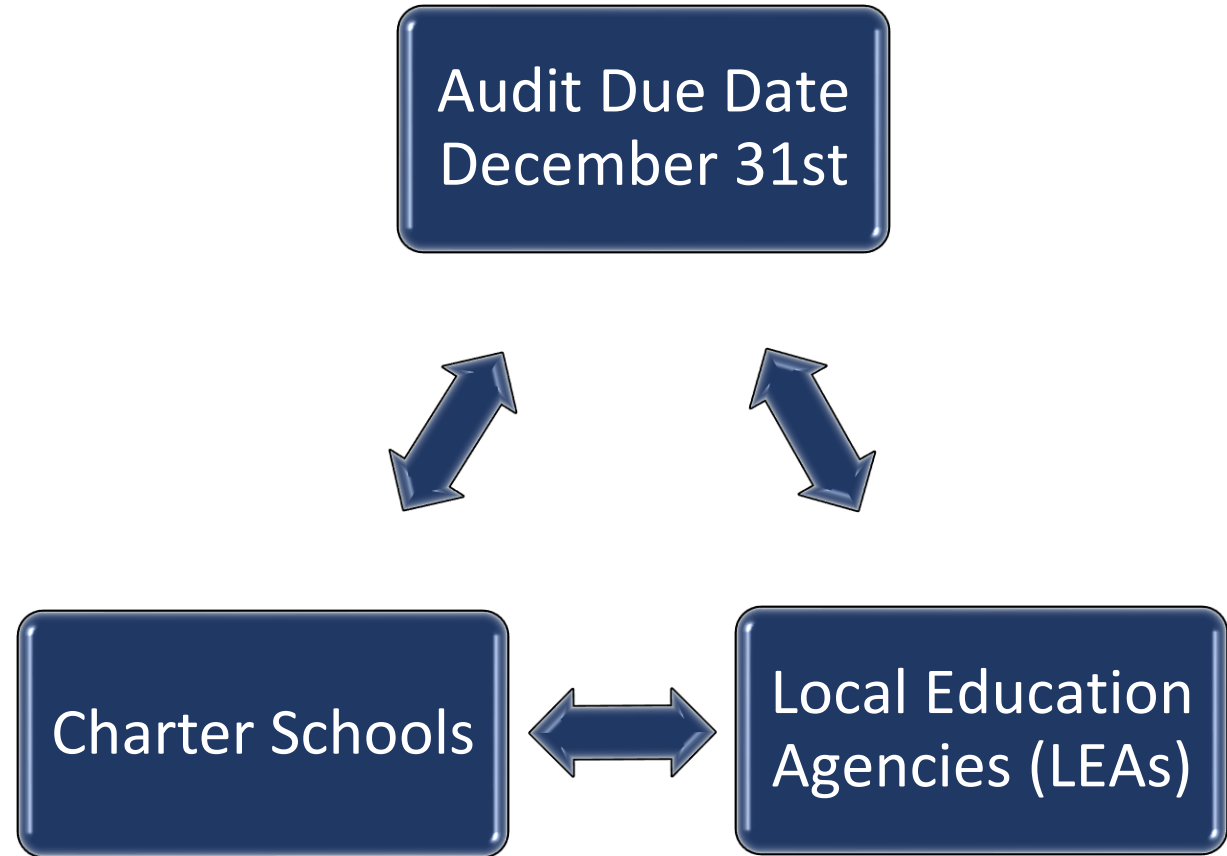
Audit Due Date Alignment for LEAs and Charter Schools

Key Change:

The state budget aligned audit submission deadlines for LEAs and charter schools. Charter school audits are now due December 31, 2026, resulting in a single audit deadline for all public-school units.

Why It Matters:

- Establishes one statewide audit submission deadline.
- Simplifies planning and monitoring for LEAs, charter schools, auditors, and NCDPI



✓ One Deadline • ✓ Greater Consistency • ✓ Simplified Planning

13 Objectives That Drive Accountability



What We Review: 13 Objectives, One Goal.

Ensuring compliance, accountability, and responsible stewardship of public funds.



School Policies



Conflict of
Interest



Board Policies



Budget to
Actual



Financial
Transactions



Cash
Management &
Reconciliation



Suspense
Accounts



Internal
Controls



Contracts &
Controls



Procurement



Activities /
Allowable Costs



Time & Effort



Equipment

The Four Pillars of Monitoring Reviews

Internal Controls & Compliance

Focus: Evaluating controls that reduce risk and support compliance.

Federal Programs & Grant Requirements

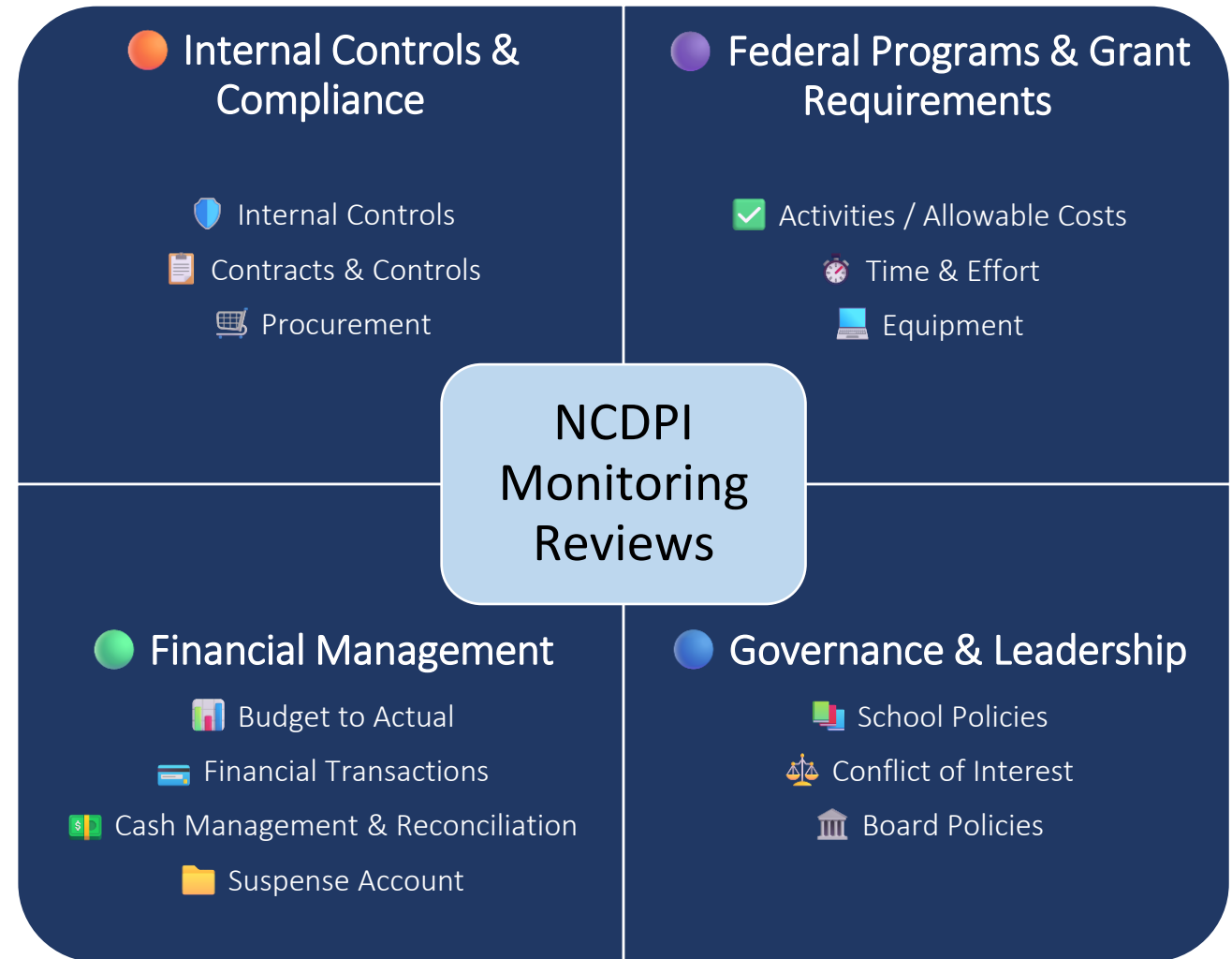
Focus: Verifying compliance with federal requirements and safeguarding program resources.

Financial Management

Focus: Ensuring public funds are managed, documented, and reported accurately.

Governance & Leadership

Focus: Establishing effective governance, ethical practices, and organizational accountability.



A Proactive Approach to Compliance



A Proactive Approach to Compliance

Monitoring Reviews provide an opportunity to address issues before they become audit findings.



See It. Solve It. Strengthen It.

Programmatic & Fiscal Reviews



Programmatic & Fiscal Reviews

Programmatic reviews assess whether a program achieves its goals, while fiscal reviews ensure funds are used properly and in compliance with requirements.

Ensuring Effective Services and Proper Use of Funds

Programmatic Monitoring	Fiscal Monitoring
✔ Impelemented as designed ✔ Program compliance ✔ Interviews & observations ✔ Early gap detection ✔ Continuous improvement	✔ Appropriate use of funds ✔ Allowability & reasonableness ✔ Documentation & records ✔ Internal controls ⚠ Early risk identification ! Prevent audit findings

Types of Monitoring Reviews

Full Monitoring Reviews

Desk Monitoring Reviews

Sample Monitoring Reviews



Types of Monitoring Reviews:

Full Monitoring Reviews

Desk Monitoring Reviews

Sample Monitoring Reviews

The review types vary in depth, speed, and assurance, helping decide appropriate use based on risk and resources.

Full Monitoring Review

Full reviews provide comprehensive, end-to-end assessments with highest assurance through in-depth testing and stakeholder engagement.

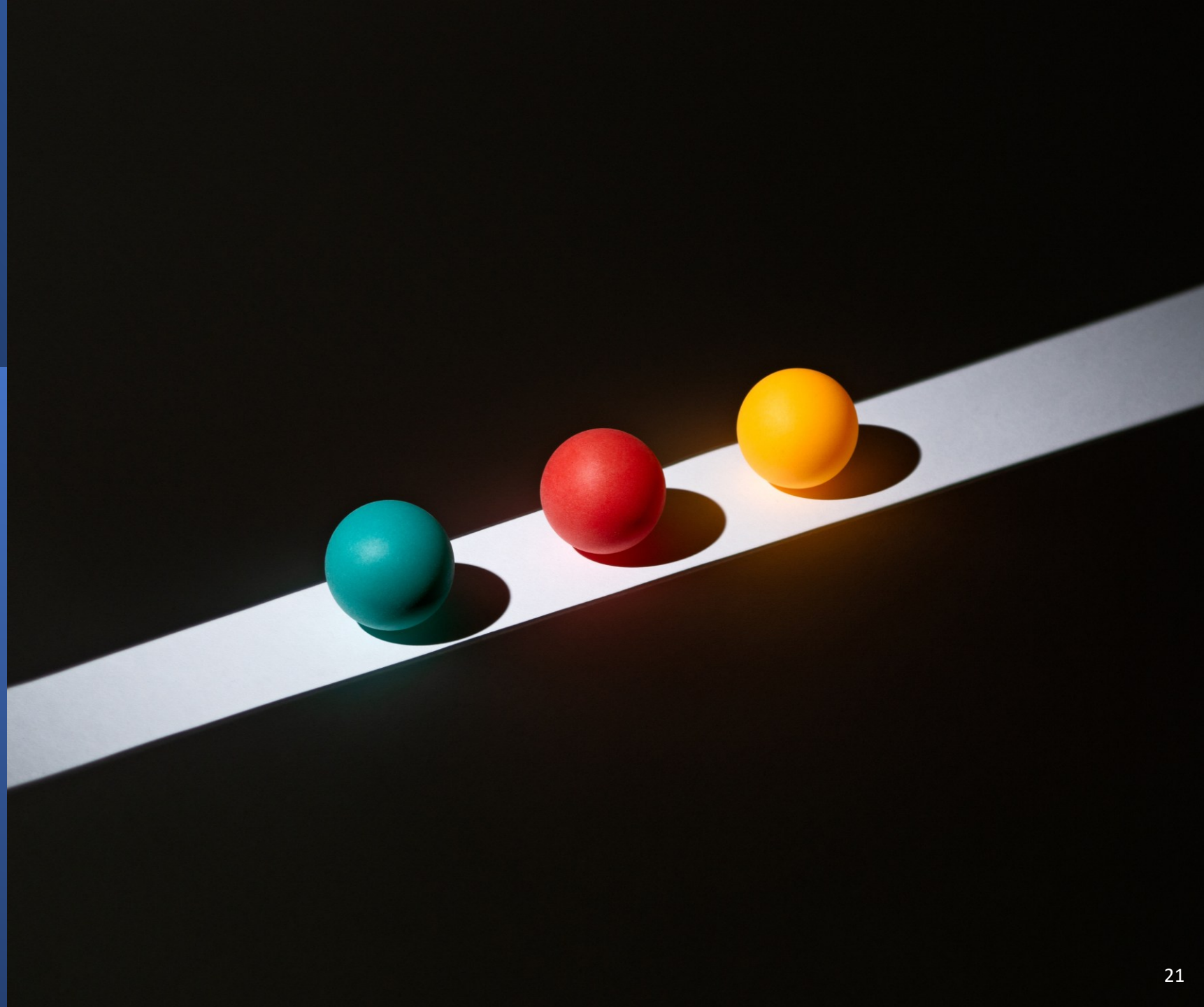
Desk Monitoring Review

Desk reviews are off-site, document-focused checks offering moderate assurance efficiently without direct observation.

Sample Monitoring Review

Sample reviews test selected transactions to validate controls practically, balancing assurance and resource effort.

Comparison of Monitoring Review Types



Comparison of Monitoring Review Types

Monitoring Review types differ in depth, location, and sample size, enabling the appropriate approach to be selected based on risk and available resources.

Full Review	Desk Review	Sample Review
Most Comprehensive	Moderate Depth	Targeted Review
Broad and In-Depth	Moderate and Focused	Highly Target
On-site interview & campus tour	Virtual interview via MS Teams	No interviews
Large, risk-based sample with financial transaction testing	Smaller sample with financial transaction testing	Minimal sample with no financial transaction testing

The Monitoring Review Process



Monitoring Review Process

The monitoring process determines scope, communicates requirements, evaluates responses, conducts interviews, and ensures findings are resolved and verified.



Step 1: Review Determination

Uses a risk-based approach to define scope based on past audits and current context.



Step 2: Initial Communication

Announcement letters and questionnaires establish expectations and timelines.



Step 3: Questionnaire Review

Responses are evaluated to assess controls and identify strengths or concerns.



Step 4: Interview Stage

Interviews clarify responses and support dialogue during full or desk reviews.



Closure Outcomes

Findings and corrective actions are finalized through resolution and verification.

Warning Signs of Insolvency



Warning Signs of Insolvency

When reviewing charter schools and Local Education Agencies (LEAs) for financial health, there are several recurring warning signs of potential insolvency or fiscal distress. These typically fall into liquidity, budgeting, governance, and compliance categories.

10 WARNING SIGNS OF INSOLVENCY FOR CHARTER SCHOOLS & LEAs



**Less than 60 days
cash on hand**
(<30 days = critical)



**Declining
ADM**



**Eroding fund
balance**
($<8\%$ unassigned /
 $<5\%$ high risk)



**Increasing
debt burden**



**Board or
governance
concerns**



**Recurring
audit findings**



**Noncompliance
with grant
requirements**



**2+ years of
operating
deficits**



**Staff layoffs
or program cuts**

The Importance of Monitoring Reviews



The Importance of Monitoring Reviews

Monitoring reviews are critical in identifying financial risks at an early stage, enabling timely intervention before issues escalate. They also serve to safeguard public funds and promote stable, compliant operations that support continuity for students.

Importance of Compliance

- Compliance with fiscal laws protects funding and public trust while ensuring sustainable educational programs.

Capacity Building Through Monitoring

- Monitoring identifies weaknesses and provides guidance to prevent financial or operational issues from escalating.

Promoting Accountability and Equity

- Consistent monitoring ensures equity, transparency, and accountability across educational institutions.

Supporting Continuous Improvement

- Effective reviews strengthen internal controls and help schools responsibly manage resources for student success.

Key Audit Changes for LEAs and Charter Schools



Key Audit Changes for LEAs and Charter Schools



LOGOS (Local Government Online System)

- Local Government Commission's (LGC) online financial reporting and audit review platform.
- Replaces the Excel-based Data Input Workbook for FY 2025 audits.
- Used to submit audit data, review reports, and support LGC audit reviews.
- Requires user access and accurate reconciliation to audited financial statements.

Charter School Oversight (*Charter Schools Only*)

- Increased CSRB oversight and accountability requirements.
- Greater emphasis on governance, board documentation, and financial transparency

Updated Procurement Thresholds

- As of August 2025: Informal threshold increased to \$31,000 (Previously \$29,500)
- Review quote documentation, approvals, and purchasing procedures.

Examples

\$29,500 furniture purchase → Informal procurement. ✓

\$32,000 software contract → Formal procurement may be required. ⚠

Key Takeaways



Key Takeaways

A structured, risk-based monitoring process ensures effective oversight, supports informed decision-making, and promotes timely resolution and continuous improvement.

- Monitoring reviews use a risk-based approach to ensure appropriate oversight
- A structured process supports consistency, transparency, and compliance
- Collaboration and communication are essential throughout the review
- The goal is to strengthen controls and support continuous improvement

Questions

