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 School Technology Fund, program report code (PRC) 015, State Public School Fund, is to provide funding to the Local Education Agencies (LEAs) and Charter Schools to develop and implement their local school technology plan.

II. PROGRAM PROCEDURES

The School Technology Fund, State Public School Fund, PRC 015, is administered through the State Board of Education (SBE) and the Department of Public Instruction (DPI). This supplement is only used to audit funds allotted to the LEAs in PRC 015. 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. In order to qualify for School Technology funds, LEAs and Charter Schools must have a local technology plan approved by the Information Resources Management Commission and the Instruction Technology Division, Instructional Technology Planning Section of DPI. Two or more LEAs may jointly expend funds to develop their individual local school technology plans. Funds must be expended in accordance with the local school technology plans. Allotments in the form of dollars are provided to the LEAs in PRC 015 and to the Charter School as part of their total State allotment by the Department of Public Instruction based on allotted average daily membership (ADM) of student population. Monthly allotment adjustments will be made to each LEA based on interest received on their account with the State Treasurer, on fined and penalties received from the
Office of State Budget and Management, and on transfers from the School Building Fund received from the Office of State Budget and Management. No monthly allotment adjustments are made to the Charter Schools’ allotment of School Technology funds. Allotment reports are sent from the Planning and Budget Section of the Division of School Business notifying the LEAs and Charter Schools of the amount of State funds, including School Technology 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. 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.

III. COMPLIANCE REQUIREMENTS

1. Activities Allowed or Unallowed

Compliance Requirements

The LEAs must comply with the requirements of the North Carolina General Statutes and particularly Chapter 115C-102.6C. In addition, DPI has the authority to issue rules and regulations, such as the North Carolina Public Schools Allotment Policy Manual, Financial Policy and Procedures Manual, and letters/memos, 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))

The only payroll expenditures allowed are those related to staff development activities, i.e., workshop participants, workshop instructors, substitutes for those attending the staff development activity, and related benefits.

Obligations must be incurred in accordance with state purchasing requirements. 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 preaudited 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. 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-441(a), 115C-441(b))

The approved local technology plan, the North Carolina Public Schools Allotment Policy Manual, and the North Carolina Public Schools Uniform Chart of Accounts, 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 in accordance with their local School Technology Plan and for the purposes they were allotted. The North Carolina Public Schools Allotment Policy Manual and the North Carolina Public Schools Uniform Chart of Accounts, revised annually, are distributed to each LEA and also available on the Internet at: www.ncpublicschools.org.

Audit Objective – To determine that obligations were incurred in accordance with state purchasing requirement, that the LEA is complying with the requirements of the applicable North
Carolina General Statutes and rules and regulations issued by DPI, that the LEA is maintaining their records according to generally accepted accounting procedures, and the LEA is expending funds for the purpose for which the were allotted according to their School Technology Plan.

**Suggested Audit Procedures:**

- Obtain the payroll register for selected period(s) and select a sample of School Technology (PRC 015) disbursements. Determine that no payments other than for staff development activities (purpose codes 5930 and 6930) and related benefits were made.

- Determine whether expenditures exceeded the dollar amount allotted for PRC 015 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.

- Select a sample of general expenditure disbursements made from PRC 015 and perform the following tests:
  
a) Determine that purchases met the state purchasing requirements (G.S. 143-48 through 143-64.5).
  
b) Trace posting of the disbursements to the general ledger noting the account codes used and determine if the disbursements represent allowable activities as defined in the Local School Technology Plan, the North Carolina Public Schools Allotment Policy Manual and the North Carolina Public Schools Uniform Chart of Accounts.
  
c) Determine whether non-salary items are being charged to salary general ledger accounts.

3. Cash Management

The local auditor is not required to test compliance with this requirement. Cash request procedures detailed in the Program Procedures is for information only. DPI monitors compliance with the Cash Management requirements.

6. Equipment & Real Property Management

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

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

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

8. Period of Availability of State Funds

**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 that 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.
9. Procurement and Suspension and Debarment

1. **Compliance Requirement** – Obligations must be incurred in accordance with state purchasing requirements.
   
   **Audit Objective** – To determine that obligation were incurred in accordance with state purchasing requirements.
   
   **Suggested Audit Procedure:** Determine that purchases met the state purchasing requirements (G.S. 143-48 through 143-64.5).

2. **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 that 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** – Test a sample of contracts, if applicable, and verify that 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:

   [http://www.doa.state.nc.us/PandC/actions.htm](http://www.doa.state.nc.us/PandC/actions.htm)

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 a 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.