**Illustrative Schedules of Findings and Questioned Costs, Corrective Actions Plans, and Summary Schedules of Prior Audit Findings**

**Set #6**

The following examples of this schedule are presented:

Page Example Schedule

35-E-6.1 1 Illustrative schedule of findings and questioned costs and corrective action plan for a municipality.

35-E-6.5 2 Illustrative schedule of findings and questioned costs and corrective action plan for a county.

35-E-6.10 3 Illustrative schedule of findings and questioned costs and corrective action plan for a board of education.

35-E-6.19 4 Illustrative summary schedule of prior audit findings.

# **Example 1**

# City of Dogwood, North Carolina

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2023

# **Section I. Summary of Auditor’s Results**

## Financial Statements

#### Type of report the auditor issued on whether the financial statements audited were prepared in accordance to GAAP: Unmodified

Internal control over financial reporting:

* Material weakness(es) identified? X yes \_\_\_\_no
* Significant Deficiency(s) \_\_\_\_yes X none reported

Noncompliance material to financial

statements noted? \_\_\_\_yes X no

### Federal Awards

Internal control over major federal programs:

* Material weakness(es) identified? \_\_\_\_yes X no

##### Significant Deficiency(s) identified \_\_\_\_yes X none reported

Type of auditor’s report issued on compliance for major federal programs: Unmodified.

Any audit findings disclosed that are

required to be reported in accordance

with 2 CFR 200.516(a)? \_\_\_\_yes X no

Identification of major federal programs:

|  |  |
| --- | --- |
| Assistance Listing Nos: | Names of Federal Program or Cluster |
| 21.027 | Coronavirus State and Local Fiscal Relief Funds |
| 66.458 | Capitalization Grants for Drinking Water State Revolving Fund |
| 97.036 | Disaster Grants - Public Assistance (Presidentially Declared Disasters) |

Dollar threshold used to distinguish

between Type A and Type B Programs $\_\_750,000

Auditee qualified as low-risk auditee? \_\_\_\_yes X no

**The major programs generally would be listed in the order that they appear on the SEFSA. The name of the program should be the federal program name and should be the same that is listed in the schedule of expenditures of federal and state awards. For cluster of programs audited as major, auditors are required to list the name of the cluster and not each individual program within the cluster. All the related Assistance Listing Nos. should be listed.**

# City of Dogwood, North Carolina

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2023

### State Awards

The only major State program for the City of Dogwood is the Disaster Grants - Public Assistance, which is a State match on a federal program. Therefore, this program has been included in the list of major federal programs above.

**Note to Preparer: In cases where there are major State programs that are not matches on federal programs, the applicable State information should be included in this Section. See illustrations for Carolina County and Carolina County Board of Education.**

**If the only the major State program(s) are federal programs with State matches, the auditor may only issue a federal report and it will serve as audited the State program.**

**Since Disaster Grants - Public Assistance** **(97.036) was audited as major federal, State matching funds meet the requirement of having forty percent (40%) of the State dollars audited as major.**

Section II – Financial Statement Findings

MATERIAL WEAKNESS

**2023 – 001** Segregation of Duties

**Criteria:** The assignment of responsibilities should be segregated so that one person is not responsible for the authorization and recording of a transaction and the custody of the related asset. There needs to be a reconciliation or control activity to provide reasonable assurance that transactions are handled appropriately.

**Condition:** Key duties and functions are not segregated among City personnel. This is especially a concern in the cash management, account receivable, purchasing, and payroll functions in all departments.

**Effect:** Transaction could be mishandled, due to errors or fraud that could lead to loss of assets or the reporting of misleading financial information.

**Cause**: There are a limited number of personnel for certain functions and lack of board oversight.

**Identification of a repeat finding**: This is a repeat finding from the immediate previous audit, 2022-001.

**Recommendation**: The duties should be separated as much as possible, by possibly training and utilizing non-financial personnel and utilizing alternative controls. The governing board should provide some of these controls.

Views of responsible officials and planned corrective actions: The city agrees with this finding and will adhere to the correction action plan on page 35-E-6.4 in this audit report.

# City of Dogwood, North Carolina

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2023

Section III – Federal Award Findings and Questioned Costs

None reported.

Section IV – State Award Findings and Questioned Costs

None reported.

**Note to preparer: Audit findings must include a reference number in the format meeting the requirements of the data collection form submission to allow for easy referencing audit findings during follow-up. Audit findings that relate to both the financial statement and federal and/or state awards must be reported in both section II and section III and/or section IV. However, the reference in one section may be in summary form with a reference to a detailed reporting in the other section of the schedule.**

**Note to Preparer: Uniform Guidance requires the auditor to include in the finding:**

1. **Information to provide perspective for judging the prevalence and consequences of the audit findings, such as whether the audit findings represent an isolated instance or a systematic problem.**
2. **If applicable, identification of whether the audit finding was a repeat of a finding in the immediately prior audit and if so, any applicable prior audit finding numbers.**

**Note to Preparer: For illustrations of compliance findings, see Carolina County and Carolina County Board of Education.**

|  |  |
| --- | --- |
| Image result for clip art dogwood tree | City of Dogwood |
| **City of Dogwood** **Since 1789** | **PO Box 328, 1131 Main Street, Dogwood, NC 27139****252-XXX-3259 (main), 252-XXX-4589 (fax)** |

Corrective Action Plan

For the Fiscal Year Ended June 30, 2023

Section II – Financial Statement Findings

MATERIAL WEAKNESS

**2023 –001** Segregation of Duties

Name of contact person: Name, Title

Corrective Action: Duties and functions will be reviewed to determine where segregation needs to occur. The duties will be separated as much as possible and alternative controls will be implemented to compensate for lack of segregation. However, the risk of not segregated certain duties are not worth the additional costs. Nonfinancial employees will be trained and provide some assistance.

Proposed Completion Date: The Board will implement the above procedure immediately.

Section III – Federal Award Findings and Questioned Costs

None reported.

Section IV – State Award Findings and Questioned Costs

None reported.

**Note to Preparer: The auditee must prepare a separate corrective action plan that addresses each current year finding that includes the names(s) of the contact person(s) responsible for corrective action, the corrective action planned, and the anticipated completion date. The correction action plan should be presented on a separate schedule and on auditee letterhead (OMB FAQ on Uniform Guidance, May 3, 2021)**

# **Example 2**

Carolina County, North Carolina

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2023

# **Section I. Summary of Auditor’s Results**

## Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance to GAAP: Unmodified

Internal control over financial reporting:

* Material weakness(es) identified? \_\_\_\_yes X no
* Significant Deficiency(s) identified \_\_\_\_yes X none reported

Noncompliance material to financial

statements noted X yes \_\_\_\_no

### Federal Awards

Internal control over major federal programs:

* Material weakness(es) identified? X yes \_\_\_\_no

##### Significant Deficiency(s) identified X yes \_\_\_\_no

Type of auditor’s report issued on compliance for major federal programs: Unmodified, for all federal programs except for Special Supplemental Food Program for Women, Infants, and Children, which was modified.

Any audit findings disclosed that are

required to be reported in accordance

with 2 CFR 200.516(a)? X yes \_\_\_\_no

Carolina County, North Carolina

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2023

Identification of major federal programs:

|  |  |  |
| --- | --- | --- |
| Assistance Listing No. | Names of Federal Program or Cluster | |
| 10.557 | | Special Supplemental Food Program for Women, Infants, and Children |
| 17.258, 17.259, 17.278 | | WIA/WIOA Cluster |
| 21.027 | | Coronavirus State and Local Fiscal Recovery Fund |
| 21.023 | | Emergency Rental Assistance Program |
| 66.468 | | Capitalization Grants for Drinking Water State Revolving Funds |
| 93.563 | | Child Support Enforcement |
| 93.778 | | Medical Assistance Program (Title XIX – Medicaid) |
| 97.036 | | Disaster Grants – Public Assistance |
| 97.039 | | Hazard Mitigation Grant |

**Note to Preparer: State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (10.561), Water and Waste Disposal Systems for Rural Communities (10.760), Aging Cluster (93.044, 93.045, 93.053) were not audited as major because it was audited as major in at least one of the last two most recent audit periods.**

**The major programs generally would be listed in the order that they appear on the SEFSA. The name of the program should be the federal program name and should be the same that is listed in the schedule of expenditures of federal and state awards. For cluster of programs audited as major, auditors are required to list the name of the cluster and not each individual program within the cluster. All the related Assistance Listing Nos. should be listed.**

Dollar threshold used to distinguish

between Type A and Type B Programs $750,000

**Note to Preparer: When a federal program providing loan or loan guarantees exceeds four times the largest non-loan program, it is considered a “large loan program,” and the auditor must consider this federal loan program a Type A program and exclude its values in determining other Type A programs.**

Auditee qualified as low-risk auditee? \_\_\_\_yes X no

Carolina County, North Carolina

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2023

### State Awards

Internal control over major State programs:

* Material weakness(es) identified? \_\_\_\_yes X no

##### Significant Deficiency(s) identified \_\_\_\_yes X none reported

Type of auditor’s report issued on compliance for major State programs: Unmodified

Any audit findings disclosed that are required

to be reported in accordance with the State

Single Audit Implementation Act \_\_\_\_yes X no

Identification of major State programs:

|  |  |
| --- | --- |
| Program Name |  |
| State Aid to Public Libraries |  |
| Industrial Development Fund |  |
| NC Revolving Loan and Grant Program |  |
| Juvenile Crime Prevention Programs |  |
| Opioid Settlement Fund |  |

Dollar threshold used to determine a

State major program $500,000

Auditee qualified as State low-risk auditee? \_\_\_\_yes X no

**Note to Preparer: In cases where there are major State programs that are not matches on federal programs, the applicable State information should be included in this Section. See illustrations for Carolina County and Carolina County Board of Education.**

**If the only the major State program(s) are federal programs with State matches, the auditor may only issue a federal report and it will serve as audited the State program.**

**Note to Preparer: 90% State Funds – In-Home Services, and Public School Building Capital Fund were not audited as major because they were audited as major in at least one of the last two most recent audit periods.**

**Note to Preparer: Even though NC DOJ does not consider Opioid Settlement Funds State Awards (refer to Note 5 to the notes of the SEFSA), they are subject to State Single Audit requirements. In this example, they were tested as a major and, for Single Audit purposes, are reported as a major State program. Expenditures for Opioid Settlement Funds program should be included in determining percentage of State expenditures audited as major. calculation.**

Carolina County, North Carolina

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2023

Section II – Financial Statement Findings

**Finding: 2023 - 001**

MATERIAL NONCOMPLIANCE / SIGNIFICANT DEFICENCY

Criteria: G.S. 159-28(a) states that no obligation may be incurred in a function accounted for in a fund included in the budget ordinance unless the budget ordinance includes an appropriation authorizing the obligation and 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.

Condition: Carolina County expended $100,000 more for public safety than appropriated in the annual budget ordinance.

Effect: Moneys were spent that had not been obligated and appropriated.

Cause: The County received and expended controlled substance tax that had not been budgeted for in the budget ordinance and a budget amendment was not adopted.

Recommendation: Before an obligation is to incur that will exceed the amount that was previously approved in the budget ordinance, an amendment to the budget should be adopted.

Views of responsible officials and planned corrective actions: The County agrees with this finding. Budget amendments will be adopted prior to making expenditures that exceed budgeted amounts. Please refer to the corrective action plan on page 35-E-6.9.

**Section III – Federal Award Findings and Questioned Costs**

**US Department of Health and Human Services**

Passed through the NC Dept. of Health and Human Services

Program Name: Medical Assistance Program (Medicaid; Title XIX)

Assistance Listing No.: 93.778

Grant Number: XXXX

**Finding: 2023 – 002**

SIGNIFICANT DEFICENCY/

MATERIAL NONCOMPLIANCE

Eligibility

Criteria: In accordance with 42 CFR 431.10 and in the State approved plan, the requirement applicable in this case, an applicant is not eligible for assistance unless the applicant's family income falls below the State-provided income standard.

Condition: Six applicants received assistance although their family incomes were above the State-provided income Standard.

Carolina County, North Carolina

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2023

**Finding: 2023 – 002 (cont.)**

Questioned Costs: $12,000. This amount was determined by totaling all the aid received by the six applicants who were not eligible.

Context: Of the 1204 case files, we examined 60 and determined that six applicants received assistance for which they were not eligible.

Effect: Six applicants received assistance for which they were not eligible.

Identification of a repeat finding: This is a repeat finding from the immediate previous audit, 2022-1.

Cause: Human error in reading the State-provided income Standard. Also, the department does not have any procedures in place to verify that the correct calculations and thresholds are used in the eligibility determination for this program.

Recommendation: Checks and balances should be in place for any numeric calculations or thresholds used in the determination of eligibility in this program.

Views of responsible officials and planned corrective actions: The county agrees with the finding and will implement adequate checks and balances to ensure that this problem does not recur. Please refer to the corrective action plan on page 35-E-6.9.

**US Department of Agriculture**

Passed through the NC Dept. of Health and Human Services

Program Name: Special Supplemental Food Program for Women, Infants, and Children

Assistance Listing No.: 10.557

Grant Number: XXXX

Finding: 2023 – 003

MATERIAL WEAKNESS

MATERIAL NONCOMPLIANCE

Eligibility

Criteria: In accordance with 7 CFR 246.7(c), the requirement applicable in this case, an applicant is not eligible for assistance unless the applicant's family income falls below the State-provided income standard.

Condition: Six applicants received assistance although their family incomes were above the State-provided income Standard.

Questioned Costs: $12,000. This amount was determined by totaling all the aid received by the six applicants who were not eligible.

Context: Of the 1204 case files, we examined 40 and determined that six applicants received assistance for which they were not eligible.

Effect: Six applicants received assistance for which they were not eligible.

Carolina County, North Carolina

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2023

**Finding: 2023 – 003 (cont.)**

Cause: Human error in reading the State-provided income Standard. Also, the department does not have any procedures in place to verify that the correct calculations and thresholds are used in the eligibility determination for this program.

Recommendation: Checks and balances should be in place for any numeric calculations or thresholds used in the determination of eligibility in this program.

Views of responsible officials and planned corrective actions: The county agrees with the finding and will implement adequate checks and balances to ensure that this problem does not recur.

Section IV – State Award Findings and Questioned Costs

Program Name: Medical Assistance Program (Medicaid; Title XIX)

Assistance Listing No.: 93.778

Grant Number: XXXX

SIGNIFICANT DEFICENCY/MATERIAL NONCOMPLIANCE: Finding 2023 – 002 also applies to State requirements and State Awards.

Program Name: Special Supplemental Food Program for Women, Infants, and Children

Assistance Listing No.: 10.557

Grant Number: XXXX

MATERIAL WEAKNESS/MATERIAL NONCOMPLIANCE: Finding 2023 – 003 also applies to State requirements.

**Note to preparer: Audit findings must include a reference number in the format meeting the requirements of the data collection form submission to allow for easy referencing audit findings during follow-up. Audit findings that relate to both the financial statement and federal and/or state awards should be reported in both section II and section III and/or section IV. However, the reference in one section may be in summary form with a reference to a detailed reporting in the other section of the schedule.**

**Note to Preparer: Uniform Guidance requires the auditor to include in the finding:**

1. **Information to provide perspective for judging the prevalence and consequences of the audit findings, such as whether the audit findings represent an isolated instance or a systematic problem.**
2. **Identification of whether the audit finding was a repeat of a finding in the immediately prior audit and if so, any applicable prior audit finding numbers.**

|  |  |  |
| --- | --- | --- |
| Image result for north carolina clipart | | CarolinaCounty |
| Carolina County **Since 1832** | **PO Box 422, 1251 Main Street, Dogwood, NC 27139****252-XXX-4553 (main), 252-XXX-3872 (fax)** | |

Corrective Action Plan

For the Fiscal Year Ended June 30, 2023

Section II – Financial Statement Findings

**Finding: 2023 - 001**

Name of contact person: Name, Title

Corrective Action: Public Safety officials will review procedures on how potential expenditures, such as control substance tax, will be included in the Public Safety’s Department budget ordinance and inform the Budget Officer. If any unexpected expenditure is to incur, Public Safety will inform the finance officer. Public Safety will review the budget-to-actual report prepared by the finance officer monthly and make any recommendations necessary.

Proposed Completion Date: The Board will implement the above procedure at their November 23, 2023 meeting.

**Section III – Federal Award Findings and Questioned Costs**

**Finding: 2023 - 002**

Name of Contact Person: Name, Title

Corrective Action: Automatic verification will be made available to caseworkers on the computer. The caseworker will verify their manual calculations with the automated calculations. The automated verification will also check the calculated family’s income against the State-provided income standard. A printout of the verifications will accompany the caseworker’s records in the file to be reviewed by a supervisor.

Proposed Completion Date: July 1, 2023.

**Finding: 2023 - 003**

Name of Contact Person: Name, Title

Corrective Action: Automatic verification will be made available to caseworkers on the computer. The caseworker will verify their manual calculations with the automated calculations. The automated verification will also check the calculated family’s income against the State-provided income standard. A printout of the verifications will accompany the caseworker’s records in the file to be reviewed by a supervisor.

Proposed Completion Date: July 1, 2023.

**Note to Preparer: The auditee must prepare a separate corrective action plan that addresses each current year finding that includes the names(s) of the contact person(s) responsible for corrective action, the corrective action planned, and the anticipated completion date. The correction action plan should be presented on auditee letterhead (OMB FAQ on Uniform Guidance, May 3, 2021)**

# **Example 3**

Carolina County Board of Education

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2023

# **Section I. Summary of Auditor’s Results**

## Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance to GAAP: Unmodified

Internal control over financial reporting:

* Material weakness(es) identified? \_\_\_\_yes X no
* Significant Deficiency(s) identified X yes \_\_\_\_none reported

Noncompliance material to financial

statements noted \_\_\_\_yes X no

### Federal Awards

Internal control over major federal programs:

* Material weakness(es) identified? X yes \_\_\_\_no

##### Significant Deficiency(s) identified \_\_\_\_yes X none reported

Type of auditor’s report issued on compliance for major federal programs: Unmodified for all federal programs, except for Magnet School Assistance which was qualified.

Any audit findings disclosed that are

required to be reported in accordance

with 2 CFR 200.516(a)? X yes \_\_\_\_no

Identification of major federal programs:

|  |  |
| --- | --- |
| Assistance Listing No.: | Names of Federal Program or Cluster |
| 10.553, 10.555,10.556,  10.559,10.579 | Child Nutrition Cluster |
| 84.010 | Title I Grants to Local Educational Agencies |
| 84.165 | Magnet School Assistance |
| 21.027 | Coronavirus State and Local Fiscal Recovery Funds |
| 84.425 | Education Stabilization Relief Fund – K12 Emergency Relief |

**Note to Preparer: Special Education Cluster (84.027, 84.173) was not audited as major because it was audited as major in at least one of the last two most recent audit periods.**

Carolina County Board of Education

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2023

Dollar threshold used to distinguish

between type A and type B Programs $\_\_750,000

Auditee qualified as low-risk auditee? \_\_\_\_yes X no

### State Awards

Internal control over major State programs:

* Material weakness(es) identified? \_\_\_\_yes X no
* Significant Deficiency(s) identified

that are not considered to be

material weaknesses X yes \_\_\_\_none reported

Type of auditor’s report issued on compliance for major State programs: Unmodified

Any audit findings disclosed that are required

to be reported in accordance with the State

Single Audit Implementation Act \_X yes \_\_\_\_no

Identification of major State programs:

|  |  |
| --- | --- |
| Program Name |  |
| State Public School Fund |  |
| School Technology Fund-SPSF |  |
| Vocational Education - State Months of Employment |  |
| School Buses Appropriations |  |

Dollar threshold used to determine a

State major program $500,000

Auditee qualified as State low-risk auditee? \_\_\_\_yes X no

**Note to Preparer: Public School Building Capital Fund and Textbooks were not audited as major because they were audited as major in at least one of the last two most recent audit periods.**

**Note to Preparer: Please refer to the City of Dogwood and Carolina County section of the illustrative Schedule of Findings and Questioned Cost for comments on presenting the Summary of Auditor’s Results.**

Carolina County Board of Education

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2023

Section II – Financial Statement Findings

**Finding: 2023 – 001**

SIGNIFICANT DEFICIENCY

Criteria: In accordance with North Carolina General Statutes 115C-441, if an obligation of the school systems is evidenced by a contract or agreement requiring the payment of money or by a purchase order for supplies and materials, the contract or purchase order shall include on its face a certificate stating that the instruments has been preaudited to ensure that sufficient funds have been appropriated and available in the current fiscal year to cover the sums obligated by the transaction for the current fiscal year. The preaudit certificate, which shall be signed by the finance officer, shall take substantially the following form: “This instrument has been preaudited in the manner required by the School Fiscal and Control Act.”

Condition: School Food Authority, After School Child Care, and the Bus garage did not preaudit purchase order documents that agreed to pay money for supplies and materials. The School Food Authority and After School Child Care did not preaudit checks used for disbursement of cash to pay for supplies and materials.

Effect: The School was in violation of the statue which could result in overspending the current year budget. Purchase orders could be considered a void contract.

Cause: Personnel responsible for purchasing and issuing checks were not informed of the requirements and no internal controls were in place to ensure compliance.

Recommendation: The finance officer should implement internal control procedures that will educate staff on the requirements of the School Fiscal and Control Act. All preprinted documents that require the preaudit certificate should contain the proper form described in the criteria above. A rubber stamp with the preaudit certificate should be available, if necessary, for the issuers of the documents or checks. The stamp should be kept in custody to prevent unauthorized use.

Views of responsible officials and planned corrective actions: The Board of Education agrees with the finding and will use the preaudit certificate when documents and checks are issued. Please refer to the corrective action plan on page 35-E-6.17.

Carolina County Board of Education

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2023

Section III – Federal Award Findings and Questioned Costs

**U.S. Dept. of Agriculture and U.S. Dept. of Education**

Passed through the N.C. Dept. of Public Instruction and Direct Programs

Program Names: Child Nutrition Cluster: School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children, Title I, Part A Cluster: Title I Grants to LEAs, Magnet School Assistance

Assistance Listing Nos.: 10.553, 10.555, 10.556, 10.559, 84.010, 84.165.

Grant Number: PRC 035

**Finding 2023 – 002**

MATERIAL WEAKNESS

Procurement and Suspension and Debarment

Criteria: Non-federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. Covered transactions include procurement contracts for goods or services equal to or in excess of $100,000 and all nonprocurement transactions (e.g. subawards to subrecipients)

Condition: Carolina County Board of Education does not have adequate internal control procedures in place to monitor compliance with the federal suspension and debarment requirements for contracts exceeding $100,000.

Effect: The Board of Education could contract with parties that have been suspended or debarred.

Cause: Employees were unaware of the federal suspension and debarment requirements.

Recommendation: We recommend that the Board implement procedures to ensure compliance with this regulation as it relates to federal programs.

Views of responsible officials and planned corrective actions: The Board of Education agrees with this finding. Please refer to the corrective action plan on page 35-E-6.17.

Carolina County Board of Education

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2023

**U.S. Dept. of Agriculture and U.S. Dept. of Education**

Direct Program

Program Name: Magnet School Assistance

Assistance Listing No: 84.165

**Finding 2023 – 003**

MATERIAL WEAKNESS

Allowable Cost / Cost Principles

Criteria: In accordance with 34CFR280, expenditures reimbursed with Magnet School Grant funds must be previously approved in the line-item budget submitted to the U.S. Department of Education prior to the beginning of the grant year.

Condition: Of the 25 transactions examined, three expenditures were not budgeted by the magnet school which expended the funds.

Effect: The Board of Education did not expend funds in accordance with the approved detailed line-item budget and possibly expended funds which did not contribute to the objective set forth for a particular magnet school.

Cause: The program director did not understand that the budget submitted to the U.S. Department of Education had to be complied with strictly.

Questioned Costs: $37,968. This is the total of the three invoices found to have been paid from unbudgeted line items.

Context: Of the 68 transactions, we examined 25, and found three instances of noncompliance.

Recommendation: The program director should agree each purchase order to the detailed line-item budget prior to approval to ascertain that such purchases were approved in the current year for the related magnet school. Requests for approval of expenditures not approved on the line-item budget should be submitted to the U.S. Department of Education prior to completing the purchase order.

Views of responsible officials and planned corrective actions: The Board of Education agrees with this finding. Please refer to the corrective action plan on page 35-E-6.17.

Carolina County Board of Education

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2023

Section IV – State Award Findings and Questioned Costs

**N.C. Department of Public Instruction**

Program Name: State Public School Fund

**Finding 2023 – 004`**

SIGNIFICANT DEFICIENCY

Special Tests and Provisions

Criteria: Local Education Agencies are required to refund allotment overdrafts as obligations are incurred to prevent a penalty from being incurred.

Condition: Carolina County Board of Education had five instances of overdraft allotments during the year.

Effect: Penalties of $2,000 were incurred.

Cause: Although the Board is reviewing Allotment Balance Reconciliation Reports monthly, it does not have procedures in place to identify overdrafts prior to receiving the Overdraft Report the following month.

Recommendation: We recommend that the Board implement procedures such as reviewing weekly accounts payable reports to identify possible overdrafts which could be refunded on a timely basis to avoid penalties.

Views of responsible officials and planned corrective actions: The Board of Education agrees with this finding. Please refer to the corrective action plan on page 35-E-6.18.

**Finding 2023-005**

SIGNIFICANT DEFICIENCY

Activities Allowed or Unallowed

Criteria: Local Education Agencies are required to request reimbursements for short-term disability (beyond the first six months) from the Retirement System on a timely basis.

Condition: Carolina County Board of Education is not filing for reimbursement of short-term disability payments (beyond the first six months) from the Retirement System on a timely basis.

Effect: The State Public School Fund is not being reimbursed from the Retirement System on a timely basis.

Cause: During the year Carolina County Board of Education was short staffed in this area. Please refer to the corrective action plan on page 35-E-6.18.

Carolina County Board of Education

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2023

Recommendation: We recommend that the Board implement procedures to ensure reimbursements are filed on a timely basis.

Views of responsible officials and planned corrective actions: The Board of Education agrees with this finding.

**Finding 2023-006**

SIGNIFICANT DEFICIENCY

Activities Allowed or Unallowed

Criteria: Local Education Agencies should calculate short-term disability payments correctly.

Condition: During our testing of termination and short-term disability payments, we noted five that were calculated incorrectly.

Effect: Incorrect short-term disability payments were made.

Cause: During the year Carolina County Board of Education was short staffed in this area.

Questioned Costs: $745. The correct amount of short-term disability payments for the five payments that were calculated incorrectly was $14,511. The amount calculated was $15,256. The net difference was $745.

Context: Out of 156 short-term disability payments, we tested 20, and found 5 that were calculated incorrectly.

Recommendation: We recommend that the Board implement procedures to verify the calculation of termination and short-term disability payments.

Views of responsible officials and planned corrective actions: The Board of Education agrees with this finding. Please refer to the corrective action plan on page 35-E-6.18.

**Note to Preparer: Please refer to the City of Dogwood and Carolina County section of the illustrative Schedule of Findings and Questioned Cost for comments on presenting findings.**

|  |  |
| --- | --- |
| Carolina County Public Schools **PO Box 222, 1252 Main Street, Dogwood, NC 27139** **252-XXX-3265 (main), 252-XXX-6254 (fax)** | Image result for cardinal clipart |

Corrective Action Plan

For the Fiscal Year Ended June 30, 2023

Section II – Financial Statement Findings

**Finding: 2023-001**

Name of contact person: Name, Title

Corrective Action: All purchase orders and checks issued will be preaudited.

Proposed Completion Date: June 30, 2023.

**Section III – Federal Award Findings and Questioned Costs**

**Finding: 2023-002**

Name of contact person: Name, Title

Corrective Action: A line will be added to all contracts and purchase orders exceeding $100,000 that states: “Acceptance of the contract or purchase order acknowledges that the company and/or its officers have not been suspended or disbarred from participating in federal or State bids and/or contracts.”

Proposed Completion Date: December 1, 2023.

**Finding: 2023-003**

Name of contact person: Name, Title

Corrective Action: All requisitions will be reviewed by the Executive Director for Magnet Programs. Verification will be made that the purchase relates to the intent and substance of the federal magnet grant, and that sufficient funds are available in the budget code specified.

Proposed Completion Date: Immediately.

Carolina County Board of Education

Corrective Action Plan

For the Fiscal Year Ended June 30, 2023

Section IV – State Award Findings and Questioned Costs

**Finding: 2023-004**

Name of contact person: Name, Title

Corrective Action: Each week, the accounting department will review accounts payable reports to identify any possible overdrafts. If any overdrafts are found, they will be refunded before a penalty is assessed.

Proposed Completion Date: December 1, 2023.

**Finding: 2023-005**

Name of contact person: Name, Title

Corrective Action: The Carolina County Board of Education has employed additional personnel in its benefits office to coordinate and comply with State guidelines for filing reimbursement of short-term disability payments. The benefits office is in the process of receiving information from the North Carolina Retirement System that will facilitate our processing of these claims.

Proposed Completion Date: February 15, 2023.

**Finding: 2023-006**

Name of contact person: Name, Title

Corrective Action: The Carolina County Board of Education has employed additional personnel in its benefits office to assist in the process of calculating short-term disability payments and longevity pay calculations. Personnel in the benefits office will be receiving training on how to make these calculations and will implement procedures on verification of calculations before submitting them to payroll.

Proposed Completion Date: February 15, 2023

**Note to Preparer: Please refer to the City of Dogwood and Carolina County section of the illustrative Schedule of Findings and Questioned Cost for comments on presenting corrective action plans.**

# **Example 4**

City of Dogwood, North Carolina

Summary Schedule of Prior Audit Findings

For the Fiscal Year Ended June 30, 2023

**Finding: 2020-001**

Status: The finding is no longer valid due to the following:

(i) Two years have passed since the audit report in which the finding occurred was submitted to the federal clearinghouse.

(ii) The US Department of Transportation is not currently following up with the City on this finding.

(iii) The US Department of Transportation never issued a management decision.

**Finding: 2021-001**

Status: Duties are being separated as much as possible and alternative controls are being implemented to compensate for lack of separation. The governing board is becoming more involved in providing some of these controls. Refer to finding 2023-001.

**Finding: 2021-002**

Status: Corrected.

**Finding: 2022-001**

Status: Duties are being separated as much as possible and alternative controls are being implemented to compensate for lack of separation. The governing board is becoming more involved in providing some of these controls. Refer to finding 2023-001.

**Finding: 2022-002**

Status: Day sheets are being verified for accuracy by another coworker; however, the supervisor is still not reviewing the day sheets on a weekly basis.

Corrective Action: The supervisors will be reviewing the daysheets on a weekly basis and initialing them when complete. The department head will verify that this procedure is being done.

**Finding: 2022-003**

Status: Reconciliation of the accounts receivable subsidiary ledgers are being reconciled on a timely basis. Originally, the ledgers were to be reconciled weekly; however, the City has decided that monthly reconciliations are sufficient.

**Note to preparer: To best serve the needs of the federal and State agencies and to avoid any potential future misunderstanding or allegation of nonconformity with the requirements of Uniform Guidance, the auditee may consider preparing a summary schedule that indicates no matters are reportable.**

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