

## CROSS-CUTTING REQUIREMENTS

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<b>Authorization:</b>	<b>N. C. Department of Public Instruction</b>
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<b><u>Agency Contact Persons - Program and Financial:</u></b>	<b><u>N.C. DPI Confirmation Reports:</u></b>
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See individual supplements or Contact: Brittany McLaurin, Accounting Manager – Fiscal Compliance; (Brittany.McLaurin@dpi.nc.gov)	See individual supplements
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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.

Auditors may request documentation of monitoring visits by the State Agencies.

### I. PROGRAM OBJECTIVES

This document specifies the North Carolina Department of Public Instruction (DPI) compliance requirements applicable to more than one of the Federal grants funded through DPI. The applicable programs in Section B reference this Cross-Cutting Section. These procedures are in addition to the procedures included in Section “B” of the *North Carolina Federal/State Compliance Supplements*.

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### III. COMPLIANCE REQUIREMENTS

Noted below in the following matrix are the types of compliance requirements that are applicable to the federal program. These Types are determined by the State agency noted by "Y."

If the Matrix indicates "Y," the auditor must determine if a particular type of compliance requirement has a direct and material effect on the State program for the auditee.

CC	1	2	3	4	5	6	7	8	9	10	12	13	14
Cross-cutting requirements	Activities Allowed or Unallowed	Allowable Costs/ Cost Principles	Cash Management	Conflict of Interest	Eligibility	Equipment/ Real Property Management	Matching, Level of Effort, Earmarking	Period Of Performance	Procurement Suspension & Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions
N	Y	Y	Y	Y	N	Y	N	N	Y	N	Y	N	Y

#### 1. Activities Allowed or Unallowed

**Compliance Requirement –** The activities allowed or unallowed requirement applies to most federal programs and should be a part of the general testing procedures for entities that receive federal funds. The specific requirements for activities allowed or unallowed are unique to each Federal program and are found in the Federal statutes, regulations, and the terms and conditions of the Federal award.

General:

Evaluate internal controls for all financial functions, including the payroll cycle.

#### 2. Allowable Costs/Costs Principals

**Compliance Requirement –** The allowable cost/cost principals requirement applies to most federal programs and should be a part of the general testing procedures for entities that receive federal funds. The cost principles found in 2 CFR part 200, subpart E provide the allowable cost requirements associated with the administration of Federal awards.

#### 3. Cash Management

**Compliance Requirement –** The cash management requirement applies to most federal programs and should be a part of the general testing procedures for entities that receive federal funds. Additionally, an individual supplement may contain specific suggested procedures for testing.

**Bank Accounts must be properly reconciled. Material differences /variances need to be disclosed. A qualified opinion should be considered if variances are material.**

### 4. Conflict of Interest

**Compliance Requirement** - An LEA or charter school must also have written standards of conduct for staff engaged in procurement activities, covering conflicts of interest and governing the actions of its employees engaged in the selection, award and administration of contracts. (2 C.F.R. 200.318(c)(1)).

Any LEA or charter school that has a parent, affiliate, or subsidiary organization that is not a local government body (e.g., a charter LEA run by a charter management organization) must have written procedures covering organizational conflicts of interest. (2 C.F.R. 200.318(c)(2)).

**Audit Objective** – Determine if LEAs/charter schools have written documented standards covering conflict of interest as required by 2 C.F.R. 200.318(c).

**Suggested Audit Procedure:** Determine if LEA/charter school has documented conflict of interest standards that meet the requirements of 2 C.F.R. 200.318(c).

Material conflicts of interest should be disclosed in the Audit Report as outlined in N.C.G.S. 138A and N.C.G.S. 14.234 as appropriate.

### 5. Eligibility

**Compliance Requirement** – Not applicable

### 6. Equipment and Real Property Management

**A. Compliance Requirement (This Requirement only applies to the use of federal funds)** - The LEA/charter school must submit information regarding any capital expenditures, equipment, and capital assets to DPI for approval before expending any of the program funds as required by 2 C.F.R 200.439.

**Audit Objective** – Determine that capital expenditures, equipment, and capital assets received prior approval from DPI.

**Suggested Audit Procedure** – Identify capital expenditures, equipment, and capital asset purchases. Pull a sample to verify that the LEA/charter school had prior approval. For ESSER related purchases, prior approval is obtained if the project was included in an approved CCIP application.

**B. Compliance Requirement (This Requirement only applies to the use of federal funds)** – All assets, including equipment and capital assets, should be recorded on the LEA's/charter school's fixed asset system according to the LEA's/charter school's capitalization policy, available from the finance officer or assets manager.

Under Uniform Guidance §200.313(d), an LEA or charter school must ensure that, for all equipment acquired in whole or in part under a federal award, property records are maintained that include a description of the property, a serial number (or other identification number), a designation of the source of the funding for the property (including the Federal Award Identification Number), designation of the title holder for the property, the acquisition date, the cost of the property, the percentage of federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including date of disposal and sale price of the property. In addition, an LEA or charter school must ensure that a physical inventory is completed for all federally funded property and the results reconciled with the property records at least once every two years. An LEA or charter school must also ensure that adequate maintenance procedures are developed to keep all property in good condition, that a control system is developed to provide adequate safeguards against loss, damage or theft to property purchased with federal funds, and must investigate any loss, damage, or theft.

**Audit Objective** – Determine that equipment and capital assets were recorded and coded by PRC on the LEA's/charter school's fixed asset system according to the LEA's/charter school's capitalization policy.

**Suggested Audit Procedures** - Ensure capital asset and equipment purchases were recorded on the LEA's/charter school's fixed asset system according to the LEA's/charter school's capitalization policy and in accordance with Uniform Guidance §200.313(d).

**C. Compliance Requirement (This Requirement applies to State allocated funds) -**

Funds allocated by the State Board of Education may be used to enter into operational and financing leases for real property or mobile classroom units for use as school facilities for charter schools and may be used for payments on loans made to charter schools for facilities or equipment. However, State funds shall not be used to purchase, or to obtain a loan to purchase real property or mobile classroom units (G.S. 115C-218.105(b)).

**Audit Objective** – To determine whether any State funds have been used to obtain any interest, other than those defined in G.S. 115C-218.105(b), in real property or mobile classroom units and ensure the required state language is included in all contracts.

**Suggested Audit Procedure** - Evaluate all purchases of real property or mobile classroom units for compliance with this General Statute.

### 7. Matching, Level of Effort, Earmarking

**Compliance Requirement** – Not Applicable.

### 8. Period of Performance

**Compliance Requirement** – Not Applicable.

### 9. Procurement and Suspension and Debarment

**A. Compliance Requirement** – Obligations must be incurred in accordance with state purchasing requirements. (G.S. 143-48 through 143-64.5)

**Audit Objective** – To determine that obligations were incurred in accordance with state purchasing requirements.

**Suggested Audit Procedures** - Determine that purchases met the state purchasing requirements found in G.S. 143-48 through 143-64.5

**B. Compliance Requirement** – LEAs/charter schools 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/charter school has not entered into a contract with a party that has been suspended or debarred by the State of North Carolina.

**Suggested Audit Procedure** – For sampled expenditures, verify that the LEA/charter school 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.pandc.nc.gov/actions.aspx>.

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**C. Compliance Requirement** – LEAs/charter schools are prohibited from using federal funds for contracts expected to equal or exceed \$25,000 with a party that has been suspended or debarred by the federal government. 2 C.F.R. 180.220 and §180.300.

**Audit Objective** – To determine that the LEA/charter school has not used federal funds for contracts expected to equal or exceed \$25,000 with a party that has been suspended or debarred by the federal government.

**Suggested Audit Procedure** – For sampled expenditures, verify that the LEA/charter school has not used federal funds for contracts expected to equal or exceed \$25,000 with a party that has been suspended or debarred by the federal government. A list of debarred parties can be found at: [www.sam.gov](http://www.sam.gov).

**D. Compliance Requirement** - “No indebtedness of any kind incurred or created by the charter school shall constitute an indebtedness of the State or its political subdivisions, and no indebtedness of the charter school shall involve or be secured by the faith, credit, or taxing power of the State or its political subdivisions.” Every contract or lease into which a charter school enters shall include the previous sentence. The charter school may own land and buildings it obtains through non-State sources. Charter schools are not bound by any other purchasing requirements. (G.S. 115C-218.105(b))

**Audit Objective** – To determine that every contract or lease into which the charter school entered includes the sentence referenced above.

**Suggested Audit Procedure** – Review all contracts and determine that the referenced sentence is included in the contract.

### 10. Program Income

**Compliance Requirement** – Not Applicable.

### 12. Reporting

**Compliance Requirement** – Any financial, compliance, performance, or other required reporting will be identified at the program level. Unless otherwise instructed in an individual supplement no testing is required under this compliance requirement.

### 13. Subrecipient Monitoring - Not Applicable.

### 14. Special Tests and Provisions

**A. Compliance Requirement** – Budget amendments are required if a LEA/charter school has exceeded the cumulative budgeted line items by 10% or more of their current total approved budget. These amendments are submitted through the BUD system by LEAs, on form FPD 209 by charter schools, and approved by the individual program consultant at DPI.

**Audit Objective** – Determine that an approved budget amendment was submitted if the total over-expended line items are 10% or more of the total approved budget.

**Suggested Audit Procedures** – The following audit procedures apply to the following programs PRC 053, PRC 082, PRC110, PRC 112, PRC 115, PRC 119, PRC 160, and PRC 196.

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Review the approved budget and amendments to determine the total approved budget, compare the LEAs or Charter Schools' budget on BUD by line item to expenditures on the DPI SBS Dart reporting system. reports to determine any over-expended line items.

Verify that a budget amendment was submitted and approval received if the total over-expended line items are 10% or more of the total approved budget.

**B. Compliance Requirement** – The portion of any sales tax refunds received that pertain to the Federal Funds administered by DPI must be refunded to the appropriate Federal Program that paid the sales tax.

**Audit Objective** – To determine that the portion of any sales tax refunds received that pertain to the Federal Funds administered by DPI were refunded to the appropriate Federal Program that paid the sales tax.

### **Suggested Audit Procedures:**

- Review any sales tax refunds received and supporting documentation for the refund request.
- Determine that all refunds received that pertain to any Federal Program administered by DPI have been posted to the appropriate program.

**C. Compliance Requirement** – The Elementary & Secondary Education Act of 1965 (ESEA), as amended by the Every Student Succeeds Act (ESSA) in 2015 requires teachers to meet the requirements for full certification and have demonstrated competency in each of the subjects that they teach. Paraprofessionals performing instructional duties and working in programs supported by Title I funds on or before Jan. 8, 2002, must become highly qualified on or before Jan. 8, 2006. They must work under direct supervision of a highly qualified teacher and have at least a high school diploma or its equivalent. Paraprofessionals working primarily in translation or solely in parent involvement activities must meet the requirements for a high school diploma or its equivalent; however, paraprofessionals who do not perform any instructional duties are exempt from the requirements.

Newly-hired (after Jan. 8, 2002) paraprofessionals performing instructional duties working in programs supported by Title I funds must already have: (1) a high school diploma **and** at least two years of college, (2) have an associate's degree or higher, (3) have met a rigorous standard of quality and demonstrated through state/local formal assessment knowledge of and the ability to assist in instructing reading, writing and mathematics. Paraprofessionals not working in programs supported by Title I funds are not affected by the federal legislation unless they are working in a school that has a school-wide Title I program.

For additional information go to <http://www.ncpublicschools.org/succeeds/>.

**Audit Objective** – To determine if teachers and paraprofessional paid with Title I funds meet the qualifications set by Every Student Succeeds Act (ESSA) legislation. This requirement also applies to all teachers and paraprofessionals if the school has a Title I school-wide program.

### **Suggested Audit Procedure:**

- Review licensure records to determine if teachers and paraprofessional paid with Title I funds and if those who participate in a school-wide Title I program meet the requirements of ESSA.
  1. Review Title I fund expenditures for Teacher or Paraprofessional payroll expenses.
  2. Determine hire date of Title I paraprofessionals.
  3. Review licensure certifications to determine if qualifications have been met for teachers and that paraprofessionals have: (1) a high school diploma **and** at least two years of college, (2) have an associate's degree or higher, (3) have met a rigorous standard of quality and demonstrated through state/local formal assessment.

**D. Compliance Requirement** – [2 CFR Appendix II Part 200 - Contract Provision for Non-Federal Entity Contracts Under Federal Awards](#) provides the required provision to be covered in contracts entered into by non-Federal entities when using Federal funds.

As of November 2020, an additional three required contract provisions were implemented through [2 CFR 200.323 - Procurement of recovered materials](#), [2 CFR 200.216 - Prohibition on certain telecommunications and video surveillance services or equipment](#), and [2 CFR 200.322 - Domestic preferences for procurements](#).

With the granting of COVID relating funds LEA/Charter schools have the ability to use Federal funds for construction and two of three most recently implemented provisions are required for most contracts entered into as of November 12, 2020.

**Audit Objective:** To determine that the LEA/Charter School is in compliance with all required construction related contract provisions and with the two contract provisions required as of November 12, 2020, for contracts being entered into with the use of federal funds.

**Suggested Audit Procedures:** Review a sample of contracts to determine that the LEA/Charter School has included the following applicable contract provisions:

- Equal Employment Opportunity (2 CFR Appendix II Part 200(C))
- Davis-Bacon Act (2 CFR Appendix II Part 200(D))
- Contract Work Hours and Safety Standards Act (2 CFR Appendix II Part 200(E))
- Prohibition on Certain Telecommunications and Video Surveillance Services or Equipment (2 CFR 200.216)
- Domestic Preferences for Procurements (2 CFR 200.322)

**E. Compliance Requirement** – 34 CFR § 75.603 Use of federal funds for construction requires the school either own the facility or have legal right of access that is sufficient to ensure the grantee will have use and possession of the facility for 50 years or the useful life of the facility, whichever is longer (for example have a 50 year lease agreement).

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**Audit Objective:** To determine that the LEA/Charter School federally funded construction expenditures are in/on property for which the school either owns, or has a 50 year use agreement.

**Suggested Audit Procedures:** Review the schools federally funded construction expenditures and related facility documents to ensure compliance with 34 CRF 75.603.

**F. Compliance Requirement** – State Fiscal Recovery Funds are federal funds and must be treated as federal funds for testing and reporting purposes.

**Audit Objective:** To determine that the LEA/Charter School State Fiscal Recovery Fund expenditures are in compliance with requirements for federal funds.

**Suggested Audit Procedures:** Review the schools' State Fiscal Recovery Expenditures and ensure the expenditures are in compliance with federal fund regulations.