ARRA RACE TO THE TOP FUNDS

State Project/Program:
Race to the Top - Mini Grants (PRC 153)
Governor’s Teacher Network (PRC 154)
Race to the Top - ARRA (PRC 156)
Regional Leadership Academics (PRC 157)
Race to the Top- Recruitment Incentive Lowest Achieving Schools (PRC 158)
Race to the Top STEM (PRC 159)
Wireless Infrastructure (PRC 160)

U. S. Department of Education


N. C. Department of Public Instruction

Agency Contact Person – Program
Program
Adam Levinson, Director
Race to the Top Program
Adam.Levinson@dpi.nc.gov (919) 807-3283

Financial
Kathy Cooper, Section Chief
Monitoring and Compliance
Division of School Business
Kathy.Cooper@dpi.nc.gov (919) 807-3364

N.C. DPI Confirmation Reports:
Confirmation of Funds Expended and/or
Disbursed from the State Public School Fund
and Federal Programs 2015-16 will be
available at the NC DPI School Business
Division Annual Reports Application. The
system provides an electronic view of Year-to-
Date (YTD) financial reports in response to
requests for confirmation from independent
auditors.

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 (1) performs reasonable procedures to ensure that the requirements in the Supplement are current and to determine whether there are any additional provisions of contract and grant that should be covered by the audit, and (2) updates or augments the requirements contained in this Supplement, as appropriate. The grantor agency may elect to review audit working papers to determine that audit tests are adequate.
I. PROGRAM OBJECTIVES

To support and restore funding for elementary, secondary, and postsecondary education and, as applicable, early childhood education programs and services in states and local educational agencies.

II. PROGRAM PROCEDURES

Race to the Top State grants reward States that have made significant progress in improving the equitable distribution of qualified teachers; establishing longitudinal data systems; enhancing the quality of assessments; including English language learners and students with disabilities in State assessments; improving academic content and achievement standards; and providing effective support to schools identified for corrective action and restructuring. Each State receiving a Race to the Top grant shall use at least 50 percent of its grant to provide subgrants to school districts based on their relative shares of funding under Title I for the most recent year.

Funds are distributed according to the cash request procedures discussed in the DPI Cross-Cutting Requirements, DPI-0.

III. COMPLIANCE REQUIREMENTS

The NC Department of Public Instruction (DPI) mandates that the local auditor perform all testing in the DPI Cross-Cutting Requirements, DPI-0.

Other procedures that pertain to this program can be found in the US Department of Education Cross-Cutting requirements and the OMB Circular A-133 Compliance Supplement, Section A.

In addition to the Federal requirements, each SEA has the authority, in accordance with State law, to issue rules consistent with Federal statutes and regulations. These rules should be reviewed before beginning the audit.

A. Activities Allowed or Unallowed

Compliance Requirement – Funds may be used by a LEA, Charter School or other operating agency only in accordance with the approved State plan and only for those services or activities in its project application (budget). Expenditures must be reported to the SEA each month.

Audit Objective – To determine that expenditures are allowable and are properly recorded.

Suggested Audit Procedure - Obtain a copy of the Budget Balance Reconciliation Report (305/705) from the finance officer and compare to local accounting records for appropriateness. Test expenditure and related records to determine if expenditures were made only for those services or activities in the project application (budget).

- Examine expenditures for appropriate approval and documentation.
- Obtain a copy of the project plan and review expenditures to determine that expenditures are in accordance with the project plan.
• Determine that personnel paid from these funds do not exceed budgeted personnel in approved program budget.

B. Allowable Costs/Costs Principles

Addressed in the NC Department of Public Instruction Cross-cutting Requirements.

C. Cash Management

Addressed in the NC Department of Public Instruction Cross-cutting Requirements.

F. Equipment and Real Property Management

Addressed in the NC Department of Public Instruction Cross-cutting Requirements.

G. Matching, Level of Effort, Earmarking

1. Matching – Not applicable

2. Level of Effort – Not applicable

2. Earmarking – Not applicable

H. Period of Availability of Federal Funds

Funds from the Race to the Top program remain available for obligation by recipients and subrecipients through September 30, 2015.

I. Procurement and Suspension and Debarment

Addressed in the US Department of Education Cross-cutting Section and NC Department of Public Instruction Cross-cutting Requirements.

L. Reporting

Addressed in the US Department of Education Cross-cutting Section and NC Department of Public Instruction Cross-cutting Requirements.

M. Subrecipient Monitoring

This compliance requirement does not apply at the local level. No testing is required.

N. Special Tests and Provisions (excludes PRC 157)

Addressed in the US Department of Education Cross-cutting section.

Addressed in the DPI Cross-cutting section.

Funding provided by the Act is examined very closely by the Department of Public Instruction, the public, and the US Governmental Accountability Office (GAO), among others. The Office of Economic Recovery and Investment (OERI) provided the ARRA Management Directives for purchased services, goods, contracting provisions, competitive
bidding and reporting guidelines. The primary guidelines being reviewed are found in Management Directive #3 and include the following:

1. Use the Statewide Interactive Procurement System (IPS) for purchases over $5,000, to allow opportunities for formal and informal solicitations if recovery funds are being used for purchases of goods and services.
2. Use local newspapers for soliciting bids, proposals, and construction projects, including design services exceeding $5,000.
3. Use ARRA funding for travel only in the service area or county in which the project is located, unless: a) use outside the service area or county is specifically mandated by the Recovery Act or within approved plan activities or b) unless such travel is necessary to meet the performance requirements of the grant.
4. Report the Historically Underutilized Business (HUB) participation for goods, services and contract projects in accordance with the Directive.

- Information related to ARRA requirements is located at DPI’s website http://www.ncpublicschools.org/fbs/arra/, and specific guidance regarding technology purchases with Race to the Top funds is found at http://it.nwiseowl.org/UserFiles/Servers/Server_4500932/File/RttT/Sole-sourcing_RttT_Guidance.pdf
- The OERI Management Directives
- The Department of Public Instruction guidelines (Q&A) may be found attached to this document

Compliance Requirement - An LEA/Charter School must comply with the Management Directives issued by the NC Office of Economic Recovery and Investment (OERI). Management Directives #3, #3a, and #3b direct public schools in the use of Recovery Act funds for the purchase of goods and services, travel, and posting of jobs.

Audit Objective – To determine that the LEA adheres to follow the ARRA guidelines and Management Directives regarding the Recovery funds.

Suggested Audit Procedures:

- Review that all ARRA purchases of $5,000 or more, used the Statewide Interactive Purchasing System (IPS) and were advertised in local newsprint outlets, including minority and women owned outlets, in accordance with OERI Management Directive #3. The IPS and advertising requirements apply to the procurement of goods and services, as well as to construction-related activities.
- Determine that the LEAs did not use ARRA funds for travel outside the service area or county in which a project is located, except as stated in Section III paragraph N subsection 3 above. For Race to the Top, grant funds may be used to participate in regionally-based State-sponsored professional development activities, and other
activities outside the service area approved as part of the subrecipient’s Detailed Scope of Work (DSW).

- Review ARRA contractors against federal and state lists of disbarred organizations.
- Review the Use of Recovery Funds Report form to ensure Historically Underutilized Business participation in accordance with Directive #3.
- Ensure all vacant positions were posted with the local Employment Security Commission Office.
- For salaries paid by ARRA funds, refer to Cross-Cutting Requirements, Compliance Requirements III-B.

**Davis-Bacon Act**

- All construction, modernization, renovation, and repair activities are subject to the Davis-Bacon Act (Section 1606 of ARRA).
Department of Public Instruction ARRA Q&A

Purchasing and Contracting

1. Q. Are we to place all solicitations for purchases on IPS? Can we use state contracts for any of our purchases?
   A. All purchases exceeding $5,000 must be posted to IPS. State term contracts may be used after a documented determination of best value is made.

2. Q. For purchases $5,000 and greater in addition to posting on IPS do we also have to place an ad in the local newspapers or does IPS alone meet the requirement?
   A. Yes. You do have to place the ad in the local newsprint.

3. Q. Can we use our print shop for printing jobs or do we have to place on IPS?
   A. Yes. You may use your local print shop however it is no longer required to use Prison Enterprise where recovery funds are involved.

4. Q. Do contracted services for workshops, as an example, have to be posted on IPS?
   A. All purchases exceeding $5,000 must be posted to IPS. If the contracted service is less than $5,000 then a local means of competition must be used and documented, such as written quotes.

5. Q. Does using E-procurement for purchases and contracts suffice for meeting the HUB/local newspaper ads and IPS posting requirements?
   A. No. Using E-procurement does not satisfy the IPS or newspaper requirement.

6. Q. Certain published materials and periodicals are available only from the publisher. Can we order them direct or do we have to place them on IPS?
   A. Yes. Certain published materials may be obtained as a single source provided that the file is properly documented and the item must still be posted on IPS for 10 days.

7. Q. If we purchase items and warehouse the goods and then schools purchase from our warehouse, can we order supplies from our warehouse?
   A. Yes, ARRA funds may be used to purchase the goods from the warehouse as long as the initial purchase of the goods were made with state or local funds and the appropriate procurement processes were followed.
8. Q. Can we sole source computers or other goods?

A. Only if it is a requirement of the grant from the granting agency or only if there is one private sector vendor that sells that product. You must be able to justify any sole sourced purchases.

9. Q. May we sole source staff development with ARRA funds?

A. Only if it is a requirement of the grant from the granting agency or only if there is one private sector vendor that provides that type of staff development. You must be able to justify any sole sourced contractual agreements. Example - ARRA Education Technology funds require staff development to be provided by the Friday Institute at NC State University.

Staff Travel

10. Q. Can staff travel outside of the county using ARRA funds for reimbursement?

A. Yes, only if for a purpose required by the granting agency, or approved as part of the subrecipient’s Detailed Scope of Work (DSW) / plan. For staff development required in question 9 above, the ARRA Education Technology grant funds, travel costs may be incurred for travel outside of the county for training provided by the Friday Institute at NC State University.