

North Carolina Performance Review Report FY 2017

10 5 2018

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U.S. Department of Education
Office of State Support
Office of Elementary and Secondary Education
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Washington, DC 20202

Office of State Support Performance Review Process

The Office of State Support (OSS) provides coordinated policy development, performance management, technical assistance, and data analysis services through a state support team structure that deepens partnerships with States and more effectively support their implementation of key reforms that will lead to improved outcomes for all students. OSS administers programs of financial assistance to State and local educational agencies and to colleges and universities. Under Title I of the Elementary and Secondary Education Act of 1965 (ESEA), as amended by the Every Student Succeeds Act (ESSA), OSS administers several Title I programs of supplementary instruction and other services. This includes the School Improvement Grants program authorized in section 1003(g) of Title I, Part A, of the ESEA, as amended by the No Child Left Behind Act of 2001 and the Improving Basic Programs Operated by Local Educational Agencies (LEAs) under Title I of the ESEA, as amended by ESSA. Under Title II, Part A of the ESEA, OSS administers the Improving Teacher Quality State Grants. Under Title III of the ESEA, OSS administers the State Formula Grant Program for English Language Acquisition and Language Enhancement. OSS also administers the State Assessment Grant, Innovative Assessment and Accountability Demonstration Authority, and Flexibility For Equitable Per-Pupil Funding programs authorized in section 1201, 1204, and 1501 of the ESEA.

OSS is organized specifically to provide high-quality performance management and support to SEAs in administering and leveraging the grant programs above, focusing on the State educational agencies' (SEAs') quality of implementation while continually reducing the burden of the Department's necessary stewardship and compliance role. Quarterly progress checks, Desk Reviews, and On-Site Reviews help ensure that SEAs are making progress toward increasing student achievement and improving the quality of instruction for all students through regular conversations about the quality of SEA implementation of OSS administered programs.

The goals of the OSS performance review process are to conduct a State-centered, performance-focused review of all OSS programs (Title I, Part A; Title II, Part A; Title III, Part A; and School Improvement Grants (§1003(g) of the Elementary and Secondary Education Act of 1965 (ESEA), as amended by the No Child Left Behind Act of 2001 (NCLB)) through a single, streamlined process that results in improved and strengthened partnerships between the United States Department of Education (the Department) and States and encourages States to develop and effectively implement integrated and coherent consolidated State plans. To accomplish these goals, the OSS performance review process is organized by areas, which reflect the programmatic and fiscal requirements and priorities of OSS programs.

Performance Review Report

The Performance Review Report summarizes the results of the July 10 - 14, 2017, OSS review of the North Carolina Department of Public Instruction's (NCDPI's) grant administration and fiscal management processes. The report is based on information provided through the review process, and other relevant qualitative and quantitative data. The primary goal of this review is to ensure that implementation of the four programs listed above is consistent with the fiscal, administrative, and select program requirements contained in the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance: 2 Code of Federal Regulations (CFR) Part 200), the Education Department General Administrative Requirements (EDGAR), and the ESEA, as amended by the NCLB, and where applicable, the Every Student Succeeds Act (ESSA). In addition, the review covers State internal controls related to data quality and reporting and encompasses those fiscal and data reporting requirements applicable to the covered programs under both NCLB and the ESSA.¹

¹ On December 10, 2015, the ESEA of 1965 (the most recent prior version of which was NCLB) was reauthorized. In order to ensure that the OSS performance review process did not interfere with a State educational agency's orderly transition to the new ESSA requirements, the OSS has chosen to focus only on those fiscal and select program requirements applicable to covered programs under both NCLB and ESSA, as well as the uniform administrative requirements and general management systems of State educational agencies (SEAs). In future fiscal years, the performance review process will cover all requirements included in ESSA. Because this report summarizes the results of a non-comprehensive set of NCLB and ESSA compliance requirements, the issuance of this report

Section I: State Overview

As part of this document the OSS includes relevant State background information as a way of providing context for the review conversation. All data presented in Section I are reported by grantees to either the National Center for Education Statistics (NCES), Common Core of Data (CCD), or through standard oversight activities.

Section II: Grant Administration and Fiscal Management Performance Evaluation

The information provided in Section II is intended to help a State quickly assess whether there are sufficient capacities, infrastructure, and resources allocated to State activities by area, in a manner that enables the State to achieve its strategic goals for the reviewed Federal programs. The section provides the State and the OSS' rating of performance on grant administration of applicable Title I, Part A; Title II, Part A; Title III, Part A; and School Improvement Grant programs in fiscal year 2017. Each area rating is a reflection of how a State is addressing fiscal and cross program requirements. The State rating column is populated based on the self-assessment completed by the State prior to the review. OSS' analysis for each area is primarily based on evidence submitted by the State in the form of answers to the self-assessment questions, documents submitted by the State prior to the review, and the responses provided to questions during the review.

OSS' rating is also informed by evidence collected through public sources and other components of the performance review process. In some cases area ratings may overlap (e.g., Risk Assessment and Procurement) and feedback is provided in the cross-cutting subsection that appears at the end of Section II.

Ratings are based on a four-point scale, for which "met requirements with commendation" represents high quality implementation where the grantee is exceeding expectations; "met requirements" indicates that work is of an acceptable quality and the grantee is meeting expectations; "met requirements with recommendations" indicates there are quality implementation concerns and some improvements could be made to ensure the grantee continues to meet expectations; and "action required" indicates there are significant compliance or quality concerns that require urgent attention by the SEA and will be revisited until the State has remedied the issue.

Section III: Met Requirements with Commendation



This section highlights the areas where the State has exceeded requirements and is commended on the grant administration and fiscal management as identified in Section II of this report (*i.e.*, those areas categorized as "met requirements with commendation"). In addition, this section provides an opportunity for the OSS to highlight those areas where the State has implemented an innovative or highly successful system or approach. In these areas, the OSS is not recommending or requiring the State to take any further action.

Section IV: Met Requirements



This section identifies those areas where the OSS has determined that the State has met basic requirements of grant administration and fiscal management and is implementing those requirements in a satisfactory manner as identified in Section II of this report (*i.e.*, those areas categorized as satisfactory quality, "met requirements"). The description of satisfactory implementation by relevant area and requirement is an indication of an acceptable implementation quality level. In these areas, the OSS is not recommending or requiring the State to take any further action.

Section V: Met Requirements with Recommendations



This section identifies those areas where the OSS has quality implementation concerns related to grant administration and fiscal management as identified in Section II of this report (*i.e.*, those areas categorized as quality concerns, “met requirements with recommendations”). In these instances, the OSS is determining that the State is currently complying with requirements, but that improvements could be made to improve the efficiency or effectiveness of operations. Identified issues are grouped according to relevant area and requirement, with citations provided. For each issue listed, the OSS will provide a recommendation for improvement, but is not requiring the State to take any further action.

Section VI: Action Required



This section identifies those areas where the OSS has “significant compliance and quality concerns” (corresponds to “action required” in Section II). For those issues the OSS will outline the current practice, the nature of noncompliance, and the required action. Documentation of required action must be provided to the OSS within thirty (30) business days of the receipt of the final Performance Review Report.

State Overview²



COVERED GRANT PROGRAMS

TITLE I, PART A; TITLE II, PART A (TITLE II); TITLE III, PART A (TITLE III), SCHOOL IMPROVEMENT GRANTS (SIG)



STUDENT CHARACTERISTICS

Enrolled:	1,544,934	Limited-English Proficiency:	7%
In Title I Schools: ³	44%	Eligible for Free & Reduced Lunch:	57%



RACIAL/ETHNIC BACKGROUND (%)

White:	49.8	Asian or Pacific Islander:	3
Hispanic:	16.2	American Indian/Alaskan Native:	1.3
Black:	25.8	Native Hawaiian/Other Pacific Islander:	0.1



SCHOOL & LEA CHARACTERISTICS

School Districts:	295	FTE Teachers:	99,355
Schools:	2,636	Per-Pupil Expenditures: ⁴	\$8,287
Charter Schools:	158		



FEDERAL FUNDING⁵

Total FY 2017:	\$511,147,339	Title III, Part A:	\$14,667,709
Title I, Part A:	\$450,967,479	SIG:	\$12,741,719 ⁶
Title II, Part A:	\$45,512,151		

² Data Source: U.S. Department of Education, Common Core of Data (CCD), 2015-2016 school year, unless otherwise noted (see <http://eddataexpress.ed.gov/> and <http://nces.ed.gov/ccd/elsi/> for additional information).

³ Schools eligible for Title I, Part A schoolwide programs are also included in the count of all Title I, Part A eligible schools. A Title I, Part A eligible school is one in which the percentage of children from low-income families is at least as high as the percentages of children from low-income families served by the local education agency (LEA) as a whole or because 35 percent or more of the children in the school are from low-income families. A schoolwide Title I, Part A eligible school has a percentage of low-income students that is at least 40 percent. Data is from 2014-2015.

⁴ Data Source: U.S. Department of Education, National Center for Education Statistics, Common Core of Data (CCD), "National Public Education Financial Survey (State Fiscal)", 2013-2014 (Fiscal Year 2014), v.1a. (see <http://nces.ed.gov/ccd/elsi/> for additional information).

⁵ FY 2017 funds included above are from OSS administered programs that allocate funds to States using a statutory formula. The totals do not reflect all Department of Education funds that flow to a State. States and other entities may also receive funds from grants that are awarded on a competitive basis. (See <https://www2.ed.gov/about/overview/budget/statetables/index.html>)

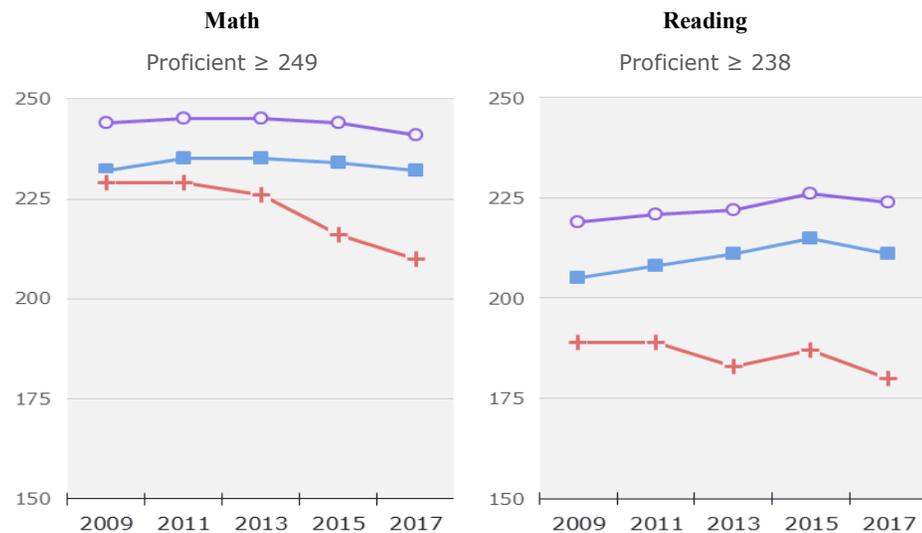
⁶ SIG amounts are from FY 2015, and are not included in the "Total FY 2017" amount listed.

NAEP Average Scale Scores by Grade & Year

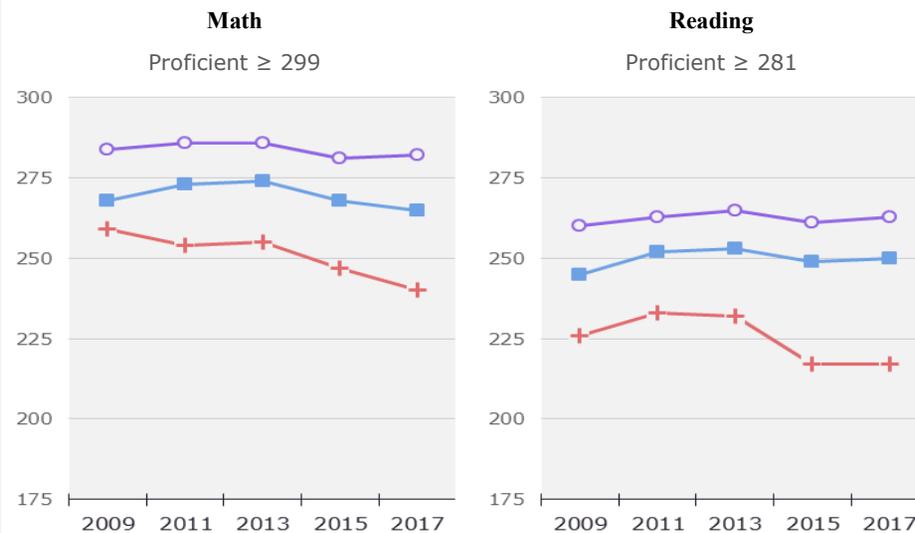
The National Assessment of Educational Progress (NAEP) is the largest nationally representative and continuing assessment of what America's students know. The NAEP mathematics and reading scales range from 0–500.

- All
- Low-income students
- + EL students

Grade 4



Grade 8



	All	Low-Income	EL
2009	244	232	229
2011	245	235	229
2013	245	235	226
2015	244	234	216
2017	241	232	210

	All	Low-Income	EL
2009	219	221	222
2011	205	208	211
2013	189	189	183
2015	219	221	222
2017	205	208	211

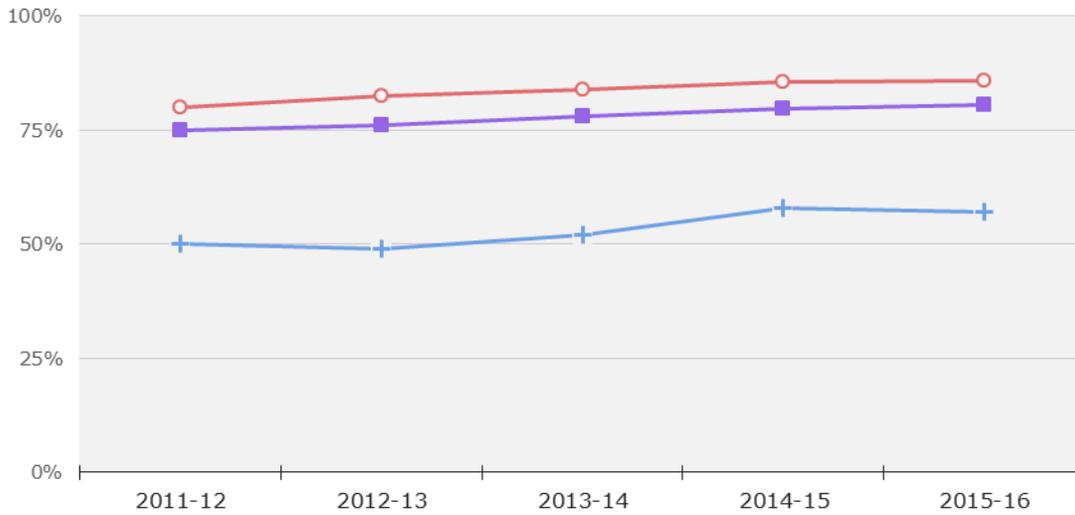
	All	Low-Income	EL
2009	284	286	286
2011	268	273	274
2013	259	254	255
2015	284	286	286
2017	268	273	274

	All	Low-Income	EL
2009	260	263	265
2011	245	252	253
2013	226	233	232
2015	260	263	265
2017	245	252	253

ADJUSTED COHORT GRADUATION RATE (ACGR) BY SCHOOL YEAR

The four-year adjusted cohort graduation rate is the number of students who graduate in four years with a regular high school diploma divided by the number of students who form the adjusted cohort for the graduating class. From the beginning of 9th grade (or the earliest high school grade), students who are entering that grade for the first time form a cohort that is “adjusted” by adding any students who subsequently transfer into the cohort and subtracting any students who subsequently transfer out, emigrate to another country, or die. There are some differences in State implementation of the ACGR requirements, leading to the potential for differences across in how rates are calculated. See <http://www2.ed.gov/admins/lead/account/consolidated/index.html> for additional information on interpreting this data)

- All
- Low-income students
- + EL students



	All	Low Income	EL
2011-12	80%	75%	50%
2012-13	83%	76%	49%
2013-14	84%	78%	52%
2014-15	86%	80%	58%
2015-16	86%	81%	57%

SECTION II

Grant Administration and Fiscal Management Evaluation

Dates of Review	July 10 - 14, 2017
Reviewers	<p>Andre Richardson (Office of State Support)</p> <p>Cynthia Wright (Office of State Support)</p> <p>John Keefer (Management Support Unit)</p> <p>Shane Morrisey (Management Support Unit)</p>
LEA Participants	<p>Guilford County Schools</p> <p>Rockingham County</p> <p>Pamlico County</p>
Current Grant Conditions	<p>Title I, Part A: One: Assessment Peer Review. North Carolina must submit supporting documentation in response to the letter from the Department dated December 2, 2016.</p> <p>Title II, Part A: None</p> <p>Title III, Part A: None</p> <p>SIG: None</p>
Outstanding Findings	<p>Title I, Part A: None</p> <p>Title II, Part A: None</p> <p>Title III, Part A: None</p> <p>SIG: None</p>
High Risk Status	Not Applicable

Assessment Criteria Key



Met requirements with commendation

High quality implementation & compliance.



Met requirements

Satisfactory implementation & compliance.



Met requirements with recommendation

Satisfactory compliance with quality concerns.



Action required

Significant compliance & quality concerns.

		SEA	OSS
Accounting Systems and Fiscal Controls	A	●●●●	●○○○
Period of Availability and Carryover	B	●●●○	●●○○
Audit Requirements	C	●●●●	●○○○
Internal Controls (Control Environment and Control Activities)	D	●●●●	●●●●
Risk Assessment	E	●●●○	●●●○
Records and Information Management	F	●●●○	●○○○
Equipment Management	G	●●●○	●●○○
Personnel	H	●●●○	●●○○
Procurement	I	●●○○	●●○○
Indirect Costs	J	●●●○	●●●○
Transparency Act Reporting	K	●○○○	●○○○
Charter School Authorization and Oversight	L	●●●●	●●●○
Reservations and Consolidation	M	●●●○	●●●○
Budgeting and Activities	N	●●●○	●○○○
Allocations	O	●●●○	●○○○
Maintenance of Effort (MOE)	P	●●●○	●●○○
Comparability	Q	●●●○	●○○○
Subrecipient Monitoring	R	●●●○	●●○○
Supplement Not Supplant	S	●●●○	●○○○
Equitable Services	T	●●●○	●●●○
LEA Support and Guidance	U	●●●○	●●●○
Transparency and Data Reporting	V	●●●○	●○○○
Data Quality	W	●●●○	●●●○

SECTION III

Met Requirements with Commendation

D.

INTERNAL CONTROLS



REQUIREMENT SUMMARY

The SEA shall establish and maintain a system of effective internal controls over Federal awards that provides reasonable assurance that the SEA is managing Federal awards in compliance with Federal statutes, regulations, and the terms and conditions of Federal awards. These internal controls should be in accordance with guidance stated in the "Standards of Internal Control in the Federal Government" (GAO Green Book) or the "Internal Controls Integrated Framework" (Treadway Commission).

Uniform Guidance 2 C.F.R. 200.303

DESCRIPTION OF COMMENDATION

During the review, NCDPI provided documentation outlining several elements of its internal controls framework, including the agency's control environment, internal risk assessment framework, and internal controls monitoring process. As evidence regarding the SEA's control environment, NCDPI provided documented materials describing the agency's segregation of duties policies, employee conduct standards, and sample materials from annual trainings related to ethical behavior required for all agency leadership.

Regarding its internal risk assessment process, NCDPI provided the Department with a sample of its Risk and Control Matrix (RACM), developed by the NC Office of State Comptroller (NC OSC). Annually, the SEA uses the RACM to evaluate internal risks facing the processes the agency has designed to meet established Federal compliance requirements. The RACM is structured around individual compliance requirements for each program; staff completing the process determine the types of risk associated with each compliance requirement and then describe and test the control activities in place to prevent or detect the identified risks. For each compliance requirement, the tool describes the requirement, rates the risk associated with the requirement (e.g., "moderate risk"), identifies a "control owner" or the staff member responsible for protecting against the risk, describes the active controls designed to mitigate the risk, distinguishes whether the control is manual or automated, and denotes of the intended frequency of the control activity. NCDPI staff then use the RACM tool to test the operation of each control listed in the tool to ensure that the control is functioning properly or whether additional controls are needed to more successfully detect or prevent the identified risks.

NCDPI also provided a copy of its "Internal Control Questionnaire (ICQ)" which the agency, in collaboration with the NC OSC, uses to annually review its internal controls system. Using the ICQ, NCDPI evaluates its internal controls across each component of the agency's internal

controls framework (e.g., control environment) and across several functional “cycles” selected by OSC (e.g., financial reporting cycle, budget reporting cycle, accounts receivable cycle, etc.). For each component or cycle, the ICQ clearly establishes the objectives of the component, the risk associated with weaknesses in the component, and an evaluation questionnaire that measures the agency’s performance against statewide standards for each components or cycle. Once the questionnaire is completed, SEA leadership can utilize the results to target specific enhancements to the SEA’s internal controls system.

SECTION IV

Met Requirements

E.

RISK ASSESSMENT



REQUIREMENT SUMMARY

In order to determine the appropriate method and level of subrecipient monitoring, an SEA shall evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward.

Uniform Guidance 2 C.F.R. 200.331(b)



DESCRIPTION OF SATISFACTORY IMPLEMENTATION

NCDPI performed its initial assessment in school year 2016-2017 to inform a four year monitoring cycle. Risk factors for the assessment include: number of federal programs, total amount of funds awarded, previous monitoring findings, results of single audits conducted, change of staff, and number of focus and priority schools. Based on the risk assessment results NCDPI monitored the highest risk entities in school year 2016-2017, and intends to monitor lower risk entities in subsequent years.

NCDPI continues to re-evaluate the use of its risk assessment, and it has made efforts to enhance the use of these assessments across offices responsible for monitoring and compliance. For example, NCDPI plans to develop a new risk assessment tool for school year 2017-2018, which it anticipates will result in a single risk score for each local educational agency (LEA).

J.

INDIRECT COSTS



REQUIREMENT SUMMARY

An SEA shall ensure that indirect costs are only charged at the correct indirect cost rate. An indirect cost is a cost that is incurred for the benefit of the entire organization.

Uniform Guidance 2 C.F.R. 200.414

EDGAR 34 C.F.R. 76.560-569



DESCRIPTION OF SATISFACTORY IMPLEMENTATION

NCDPI calculates and verifies the accuracy of indirect cost charges at several points during the grant life cycle. Initially, expected indirect cost charges are calculated using NCDPI's approved indirect cost rate during the budget development process at the start of an award period. During the award period, indirect cost charges are then applied to actual expenditures as they accrue to each grant award, ensuring that indirect costs are not charged in excess of the approved rate. Actual indirect cost charges can then be compared against the original budgeted indirect cost amounts to validate charges and monitor total indirect cost amounts.

L.

CHARTER SCHOOL AUTHORIZATION AND OVERSIGHT



REQUIREMENT SUMMARY

The SEA provides information on OSS programs (i.e., allocations; applications; and requirements, including requirements for proper disposition of equipment and property) to all charter schools and LEAs and Charter Management Organizations (CMOs) or Education Management Organizations (EMOs) that oversee charter schools, has established internal controls related to the charter schools' relationships with their CMOs/EMOs, and has clear procedures that are systematically monitored for orderly closure, where applicable.

EDGAR 34 C.F.R. 76.785-799

Uniform Guidance 2 C.F.R. 200.318(c), 200.343-344

Final Audit Report: ED-OIG/A02M0012



DESCRIPTION OF SATISFACTORY IMPLEMENTATION

In North Carolina, charter schools receive authorization from and operate as part of an LEA; charter schools are not permitted to operate as independent LEAs. As such, LEAs have the primary responsibility for ensuring proper administration of Federal programs at charter schools, for verifying student eligibility and program allocation amounts, and verifying compliance with all applicable federal and State requirements.

Under North Carolina State law, the North Carolina State Board of Education (SBE) is permitted to inform charter authorization criteria and requirements and to collect information from charters to monitor student performance. During the review, NCDPI provided the Department with templates of the State's original charter school application and the charter school renewal application, both of which include technical assistance and guidance for charter school operators regarding how to complete and submit the charter application. In addition, NCDPI provided samples of a charter school's annual report (capturing student enrollment, attendance, and other information) and annual financial report. NCDPI also provided a link to its charter schools webpage, which includes additional guidance and technical assistance materials regarding the State's charter school rules and regulations, federal grant opportunities for charter school operators, and details on charter school applications and funding.

M.

RESERVATIONS AND CONSOLIDATION



REQUIREMENT SUMMARY

The SEA shall ensure that the amount of program funds reserved for administration and other State activities does not exceed statutory limits for each program. SEAs are permitted to consolidate the administrative set-asides from several ESEA programs (Title I, Title IIA, Migrant Education Program, Negligent and Delinquent Youth Program, Rural and Low Income Schools Program, and the 21st Century Community Learning Centers Program) in order to administer them collectively.

ESEA §1003(a), §1003(g)(8), §1004(a)(1), §2113(c), §2113(d), §3111(b)(3), and §9201(a)

ESEA Regulations 34 C.F.R. 299.4



DESCRIPTION OF SATISFACTORY IMPLEMENTATION

NCDPI ensures that the amount of program funds reserved and utilized for administration and other State activities is accurate, and does not exceed statutory limits for each program by implementing a review and approval process. NCDPI's Budget Office initiates the process by calculating the administrative and State activities reservations for each program, utilizing formatted tools that apply the statutorily established percentages to each program's statewide allocation. Calculations are then approved by a Budget Office Section Chief to verify accuracy, after which NCDPI creates budgets for each of the reservations detailing planned uses of funds, and enters the budgets into the agency's financial management system to enable their use.

During the award period, NCDPI regularly tracks the fund balances for its administrative and State activities reservations within the agency's financial management system to ensure that it does not expend excess funds. NCDPI staff review weekly financial reports which contain the available balance for each reservation, as well as spending totals for each approved budget line item towards which the funds are applied.

T.

EQUITABLE SERVICES



REQUIREMENT SUMMARY

An SEA shall ensure that LEAs use Federal funds to provide benefits to eligible children enrolled in private schools and to ensure that teachers and families of participating private school children participate on an equitable basis.

ESEA §1117, §8501

ESEA Regulations 34 C.F.R. 299.6, 34 C.F.R. 299.9

Title I Regulations 34 C.F.R. 200.62-67

EDGAR 34 C.F.R. 76.661



DESCRIPTION OF SATISFACTORY IMPLEMENTATION

NCDPI provided the Department with documentation that the SEA provides guidance and technical assistance to LEAs regarding the provision of equitable services, as well as documented procedures for ensuring that LEAs provide equitable services in accordance with requirements. As a part of the NCDPI funding application, LEAs must submit an assurance that timely and meaningful consultation has occurred. Additionally, the LEA must submit a consultation affirmation for each participating private school. Program administrators review evidence that consultation requirements have been met during subrecipient monitoring.

U.

LEA SUPPORT AND GUIDANCE



REQUIREMENT SUMMARY

An SEA shall have procedures for providing technical assistance and evaluating how project funds were spent, if they were spent in compliance with statutes and regulations, and if expected outcomes were achieved as a result of spending.

EDGAR 34 CFR 76.770

DESCRIPTION OF SATISFACTORY IMPLEMENTATION

NCDPI provides many types of guidance and technical assistance to LEAs to support the Title I, Title II, Title III, and SIG program administration. The NCDPI Federal Program Monitoring and Support division (FPMS) is organized to provide technical assistance and support to LEAs that receive Federal funds each year. FPMS has a Section Chief/SIG Coordinator and one Program Administrator to serve each of the eight State regions, as well as a Private School Ombudsman who assists all non-public schools in the State with issues related to Federal programs. Outreach efforts by staff are based on LEA requests for information, statutory and regulatory changes, and changes in LEA personnel. NCDPI staff frequently meet to discuss common questions and issues raised by LEAs and to identify areas where statewide guidance or support might be useful.

Throughout each award year, NCDPI provides LEAs with multiple opportunities to obtain technical assistance and guidance. NCDPI provides frequent updates to all LEAs through a list-serve to ensure information is provided uniformly, and frequently posts guidance on the NCDPI website. NCDPI also conducts multiple regional meetings with LEAs throughout the year to discuss and share program information, and holds an annual conference in conjunction with the North Carolina Association of Compensatory Educators (NCACE). To obtain feedback on its guidance and technical assistance efforts, NCDPI administers an LEA survey following each event and analyzes the data to inform future outreach and support activities.

W.

DATA QUALITY



REQUIREMENT SUMMARY

An SEA is required to have appropriate procedures in place to ensure that the data reported to the public and the Department are high quality (i.e., timely, complete, accurate, valid, and reliable).

ESEA §1111(h) (4)

Government Accountability Office's "Standards for Internal Control in the Federal Government" (GAO Green Book)

Uniform Guidance 2 CFR 200.303 and 2 CFR 200.328(b)

OMB Circular A-133 Compliance Supplement: Department of Education Cross-cutting Section

Final Audit Report: ED-OIG/A0600001



DESCRIPTION OF SATISFACTORY IMPLEMENTATION

To improve data quality NCDPI established a Data Management Group (DMG) comprised of individual staff from each unit of the SEA, including representatives from the Title I, Title II, Title III, and SIG programs. The overall mission of the DMG is to support NCDPI's efforts to ensure data quality, accountability and timeliness and to encourage data-driven decision-making within the SEA.

Through the work of the DMG, NCDPI has instituted business rules and quality checks within its student information system (SIS), utilized by all schools and LEAs within the State to manage student information and student performance data. These business rules and quality checks are designed to identify data anomalies and system errors at the local levels during the data submission process. Data submitted through the SIS is then warehoused within the SEA's student longitudinal data system, CEDARS, which includes a separate suite of business rules and data quality checks to serve as a secondary level of automated controls. Once data are submitted through the SIS and CEDARS, NCDPI creates and reviews data reports to identify unreasonable variances and other data anomalies.

SECTION V

Met Requirements with Recommendation

B.

PERIOD OF AVAILABILITY AND CARRYOVER



REQUIREMENT SUMMARY

The SEA may only charge a grant program for allowable costs incurred during the period of availability and any pre-award costs that have been authorized by the Department. Unless the Department authorizes an extension, the SEA shall liquidate all obligation incurred under the award not later than 90 calendar days after the end date of the performance period. If the SEA fails to obligate all funds by the end of the award year, it can “carryover” the remaining funds for a period of one additional fiscal year. Any funds not obligated by the end of the carryover period shall be returned by the SEA to the Federal government as an unobligated balance.

Uniform Guidance 2 C.F.R. 200.309 and 200.343(b)

EDGAR 34 C.F.R. 76.707 and 76.709



ISSUE

During the review, NCDPI provided several examples of controls utilized to ensure that program funds are only obligated during the period of availability. NCDPI provided a copy of its “Allotment Policy Manual” which establishes internal procedures for administering both Federal and State funds, including information pertaining to the period of availability of Federal awards, as well as carryover limitations associated with the Title I program. Within the agency’s financial management system, each award’s fiscal year is part of its account code, which allows NCDPI staff to track each award by fiscal year to monitor carryover balances and to ensure that carryover funds are utilized prior to current year funds. NCDPI noted during the review that quarterly meetings are held between program staff and budget analysts to review grant balances and discuss carryover funds. NCDPI also provided evidence of communications with subrecipients covering period of availability and liquidation period dates for Federal programs.

While NCDPI was able to describe its process for monitoring award balances (including carryover balances) during the grant cycle to ensure compliance with period of availability requirements, NCDPI was unable to provide any documented procedures capturing the process, either in regards to the collaborative meetings between program staff and budgeting staff or the agency’s manual account prioritization process (i.e., “first in, first out” process). Without documented procedures capturing these processes, there is a risk that either process could be disrupted in the event of staff transition or operate inconsistently across grant

programs.

In addition, during the review NCDPI acknowledged that reversions of funds are periodically required for unobligated balances depending on circumstances at the district level. The Department has also recently received several late liquidation requests from NCDPI because of unliquidated program balances. While the Department acknowledges that NCDPI cannot directly control the spending patterns of its LEAs, NCDPI could not provide evidence of a process for conducting outreach to LEAs that are not drawing down program funds as expected to encourage more timely spending, or evidence of any other actions intended to encourage LEAs to spend program funds in a timely manner. More proactive steps on the part of the SEA to encourage more timely spending could minimize the amount of funds that must be returned to the Federal government (or minimize the frequency of late liquidation requests) and increase the overall amount of services provided to eligible students.



RECOMMENDATION

The Department recommends that NCDPI:

1. Develop standardized, documented procedures for monitoring award balances (and carryover funds specifically) for both SEA reservations and subrecipient allocations. These procedures could facilitate earlier detection of fund balances that are in danger of lapsing (or violating carryover limitations where applicable). Earlier identification of these situations should allow the SEA to take action to identify alternative spending opportunities for State reservation funds or to work with subrecipients to amend program plans and budgets to ensure that all funds are spent in a timely manner.
2. Conduct increased outreach to subrecipients regarding the importance spending program funds in a timely manner to avoid having to return unobligated balances. NCDPI could also consider creating incentives for LEAs to spend funds more timely; for example, NCDPI could add a risk indicator to its risk assessment for subrecipient monitoring that would increase the likelihood of on-site monitoring where an LEA has to return an unobligated balance. Such steps could help reduce the likelihood that LEAs would fail to utilize all funds during the period of availability, ensuring that funds are used for the full scope of intended services.

G.

EQUIPMENT MANAGEMENT



REQUIREMENT SUMMARY

An SEA shall use, manage and dispose of equipment and supplies purchased using Federal funds in accordance with all relevant State laws and procedures. SEAs shall also ensure that equipment and supplies are used only for authorized purposes of the project during the period of performance (or until no longer needed).

Uniform Guidance 2 C.F.R. 200.313-314

GAO Green Book Principle 10.03



ISSUE

NCDPI utilizes its Fixed Asset Tracking System to identify and monitor the location and condition of all technology items and items purchased using State and Federal funds with an acquisition value of greater than \$500. Once an item is received, the asset is tagged by the NCDPI Fixed Asset Officer, who then adds the item to the master inventory before assigning to a staff member or office for use. The Fixed Asset Tracking System master inventory includes, for each item, information pertaining to the asset number, a description of the item, the item's physical location, the serial number, a designation of an individual responsible for the item, the funding source, and the purchase price, among other details. Physical inventories are taken annually to verify the accuracy of the information in the master inventory listing and to confirm that all items are properly accounted for.

While NCDPI conducts a regular inventory of its equipment, it failed to provide evidence that it monitors the use of that equipment to ensure that all relevant policies and procedures are followed and that equipment is used only for authorized purposes. During the Department's review, NCDPI stated that there is no specific control to ensure that items funded for a single program are used only for that program. If equipment is not monitored for use, an SEA cannot ensure that equipment is being utilized according to requirements attached to the grant funds that were used for its purchase.

Additionally, while NCDPI regards computers and all assets with a value of greater than \$500 as fixed assets and includes them in the inventory process, once items are added to its inventory, NCDPI does not distinguish "vulnerable" assets from other inventoried items. Vulnerable assets can be described as items that are of higher value or are "walkable" (i.e., more prone to theft). Because of the nature of these items, there is a greater risk that they will be misappropriated or lost.



RECOMMENDATION

NCDPI should establish policies that differentiate how it handles vulnerable

assets as compared to how it handles other assets. As an example, some States have policies that require mobile technology to be stored in a more secure location than other items. Such procedures could help ensure that vulnerable items are properly accounted for and reduce the need for subsequent purchases to replace lost or stolen items.

Additionally, NCDPI should establish policies or procedures to ensure that equipment is only used for authorized purposes.

H.

PERSONNEL



REQUIREMENT SUMMARY

An SEA shall ensure that charges to Federal awards for salaries are based on records that accurately reflect the work performed. These records must be supported by a system of internal controls which provide reasonable assurance that the charges are accurate, allowable, and properly allocated.

Uniform Guidance 2 C.F.R. 200.430



ISSUE

To ensure that NCDPI is correctly charging Federal programs for employee time and effort, the SEA utilizes a Personnel Activity Reporting System that allows for semi-annual comparison and reconciliation between completed employee Personnel Activity Reports (PARs) and anticipated funding as detailed in each employee's position description. NCDPI performs reconciliations for each program using the reporting system; if the reconciliation process identifies variances in the actual and anticipated time and effort worked on an individual program, either staff time and effort must be redirected to other activities or an employee's formal position funding schedule must be adjusted.

However, during the review, NCDPI staff noted that issues identified by NCDPI accounting staff during the reconciliation process are not always timely communicated to program staff, resulting in the need for repeated reconciliations until either the individual time and effort or position funding schedule is adjusted. While the process described above would help protect against inappropriate charges to Federal programs, the process could be made more efficient by improved communication between NCDPI accounting and program offices where variances are identified.



RECOMMENDATION

The Department recommends that NCDPI amend its documented procedures to improve the communication process between NCDPI accounting staff and program staff where the reconciliations performed through the Personnel Activity Reporting System identify variances between time and effort reported through PARs and anticipated funding based on position descriptions. Such procedures could help mitigate the need for repeated reconciliations for the same positions by ensuring that identified changes are properly recorded earlier in the grant year.

I.

PROCUREMENT



REQUIREMENT SUMMARY

An SEA shall ensure that all relevant State procurement procedures are followed when procuring goods and services using Federal funds. An SEA must also maintain oversight to ensure that contractors perform in accordance with the terms, conditions, and specification of their contracts.

Uniform Guidance 2 C.F.R. 200.317, 200.322, and 200.326



ISSUE

NCDPI utilizes a thorough, documented set of procurement procedures when conducting procurement transactions using both State and Federal funds. These procedures establish basic rules for procurement transactions (including standards for competition and ethical behavior), list a set of purchasing priorities that must be considered when procuring goods and services, and provide solicitation and review procedures for procurement transactions based on value thresholds and competition standards. NCDPI provided the Department with sample templates for procurement transactions and an example of its contractor monitoring process.

NCDPI also provided the Department with evidence that it monitors subrecipient procurement procedures. During fiscal monitoring activities, NCDPI monitoring staff are required to request sample procurement transactions and copies of documented procurement procedures to test specific transactions and ensure that subrecipients are meeting all requirements. Conversations with LEA staff confirmed that NCDPI regularly tests procurement transactions as part of monitoring.

However, during conversations, LEA staff noted that the SEA has not recently provided guidance on procurement requirements, including the procurement requirements applicable to LEAs under the Uniform Guidance. NCDPI noted in the review that it was in the process of developing a model financial management procedures template that would include sample procurement procedures that would align with the Uniform Guidance, but that the template had not yet been finalized or distributed to LEAs. Because the new requirements imposed through the Uniform Guidance could require LEAs to change some of their established procurement procedures, support and guidance from NCDPI could significantly ease the transition to the new requirements for LEAs.



RECOMMENDATION

In order to ensure that LEAs understand and are able to meet all applicable Federal

and State procurement requirements, the Department recommends that NCDPI:

1. Provide subrecipients with guidance (either written guidance or information provided at workshops or conferences) outlining the new Uniform Guidance procurement requirements for LEAs, including the requirement that all LEAs maintain written procurement policies. This could include finalizing and disseminating the previously discussed model financial management procedures template.
2. Update its existing fiscal monitoring protocols to reflect the procurement requirements for subrecipients contained in the Uniform Guidance §200.318-326 (which replace the requirements contained in EDGAR Part 80).

P.

MAINTENANCE OF EFFORT



REQUIREMENT SUMMARY

An SEA shall ensure that each LEA shall have an amount of funding not less than 90% of the amount available the preceding year.

ESEA §9521

ESEA Regulations 34 C.F.R. 299.5



ISSUE

During the review, NCDPI provided evidence that, in determining maintenance of effort, the State considers LEA expenditures from State and local funds for free public education by comparing each LEA's prior year annual expenditure data to subsequent year annual expenditure data. NCDPI conducts a monthly data draw that is inputted into a database where the State monitors for compliance. The results of the data are manually verified and LEAs are notified if it fails to meet maintenance of effort (MOE). The State issues a notification letter to the LEA detailing that the LEA is noncompliant and the allocation for the next year's allotment will be reduced by the amount in which the LEA failed to meet MOE. The State also has policies and procedures for the LEA to request a waiver from the Department. The State provides the LEA with a form to complete with the required information that is submitted to the Department by the State on behalf of the LEA.

While the NCDPI was able to provide its process for determining if an LEA has maintained fiscal effort, LEA administrators interviewed were unable to describe how they collect and submit expenditure data for submission to NCDPI. LEA administrators also indicated that NCDPI has not provided feedback regarding compliance with MOE requirements and were unable to describe how it monitors expenditure levels during the fiscal year to help ensure that it will meet MOE requirements.



RECOMMENDATION

The Department recommends that NCDPI conduct increased outreach and technical assistance to subrecipients regarding:

1. NCDPI's policies and procedures for maintaining effort and how the State monitors expenditure levels to ensure effort is maintained.
2. The collection and submittal of expenditure data to NCDPI in calculating and determining if the LEA has failed to maintain effort.

R.

SUBRECIPIENT MONITORING



REQUIREMENT SUMMARY

An SEA shall monitor local educational agencies (LEAs) and any other entities, including external providers, receiving Federal funds from programs covered in the Consolidated State Plan to ensure that performance goals are achieved and that subawards are used for authorized purposes and in compliance with Federal statutes, regulations, and the terms and conditions of Federal awards.

Uniform Guidance 2 C.F.R. 200.331(d)



ISSUE

During the review NCDPI provided sample documentation of procedures and timelines to show how the State implements subrecipient monitoring activities. While NCDPI was able to describe its process for subrecipient monitoring and indicated that fiscal and programmatic subrecipient monitoring for each program is similar in approach, the documented procedures did not clearly describe how requirements unique to each program are monitored. Because there are differences in the program requirements, without clearly explaining and documenting those differences in written procedures, there is a risk that subrecipient monitoring may not be comprehensive.



RECOMMENDATION

To ensure implementation of a comprehensive subrecipient monitoring process, the Department recommends that NCDPI strengthen documented procedures so they clearly outline the program monitoring and fiscal monitoring process and requirements.

SECTION VI

Action Required

A.

ACCOUNTING SYSTEMS AND FISCAL CONTROLS



REQUIREMENT SUMMARY

An SEA shall expend and account for Federal funds in accordance with State laws and procedures for expending and accounting for State funds. State accounting systems must satisfy Federal requirements regarding the ability to track the use of funds and permit the disclosure of financial results. SEAs must have written procedures for determining cost allowability and must maintain effective control over all funds.

Uniform Guidance 2 C.F.R. 200.302

EDGAR 34 C.F.R. 76.702



ISSUE

Under Uniform Guidance §200.302, an SEA's financial management system must allow for identification of all Federal awards received and expended; effective control over, and accountability for, all funds, property, and other assets; and records that identify adequately the source and application of funds for Federally funded activities (2 C.F.R. 200.302(b)). An SEA must also maintain written procedures for determining the allowability of costs in accordance with the Uniform Guidance Cost Principles (2 C.F.R. 200.400-475).

Through the review, the Department identified two issues with North Carolina's financial management process:

1. **Insufficient documentation of account reconciliation procedures.** In March 2016, NCDPI submitted a late liquidation request that highlighted weaknesses within the SEA's accounting monitoring and reconciliation process. During the review, NCDPI staff confirmed that the agency had implemented a new review process for drawdowns to verify that the charges are correct and aligned with the correct program and specific award number. While NCDPI was able to describe this review process, including the staff involved, the SEA was unable to provide any standard operating procedures or other documentation capturing the process. In addition, NCDPI confirmed that, because of limitations associated with the agency's financial management system, much of the review process is manual and paper-based. Because of the number of manual steps involved in the review process, a lack of documented procedures creates a risk that the process will not operate correctly and fail to identify all inconsistencies. As such, it is important that such procedures are well documented to ensure

consistency in execution.

2. **Lack of written procedures for determining the allowability of costs.** During the review, NCDPI noted that the primary tool for ensuring that program funds are used for allowable purposes is the creation of spending plans that limit the range of potential uses of funds to only allowable categories of expenditures. However, NCDPI could not provide any documented criteria or procedures for cost allowability that could be used both to inform the creation of the spending plans and to evaluate the allowability of specific expenditures during the fiscal year.

REQUIRED ACTION

Within 30 days of receiving this report, NCDPI must provide the Department with evidence that it has:

1. Developed documented procedures for performing periodic reconciliations (monthly, quarterly, etc.) between subrecipient payment requests, NCDPI account balances and the amounts drawn down from G5 for each program. The procedures should require the verification of the accuracy of the grant codes used when making draws (including some sort of authorization or documented approval). While the Department acknowledges the challenges posed by the separation of the grants management and payment systems, such a process should help minimize the likelihood of human error that would result in the failure to identify mistaken draws.
2. Developed written policies regarding the allowability costs that include the criteria for cost allowability, details pertaining to specific items of cost as defined in the Uniform Guidance Cost Principles (2 C.F.R. 200.400-480), and program-specific considerations to help guide staff when developing annual spending plans for each fiscal year, when evaluating proposed program budgets, and when evaluating actual expenditures during the course of program administration or monitoring. Such documentation should help ensure that NCDPI staff are sufficiently considering the factors for cost allowability when evaluating proposed and actual program spending.

C.

AUDIT REQUIREMENTS



REQUIREMENT SUMMARY

An SEA is responsible for both resolving the audit findings of subrecipients and for conducting audit follow-up activities and corrective actions for findings from the SEA's yearly Single Audit. An SEA is also required to ensure that subrecipients who meet the audit threshold are audited and the audits are reported according to established timelines.

Uniform Guidance 2 C.F.R. 200.303(d)(2), 200.331(d)(3), 200.331(f), 200.511(a), 200.512, and 200.521(c)



ISSUE

Under Uniform Guidance §200.331(f), an SEA must verify that every subrecipient is audited when it is expected that the subrecipient's Federal awards expended during the fiscal year equals or exceeds the audit threshold set forth in §200.501 (greater than \$750,000). (2 C.F.R. 200.331(f); 2 C.F.R. 200.501). In addition, the SEA is responsible for following-up and ensuring that subrecipients take timely and appropriate action on all deficiencies pertaining to Federal awards identified through audits. (2 C.F.R. 200.331(d)(2)). Once an SEA has followed-up on subrecipient audit findings, the SEA must then issue a management decision for audit findings related to Federal awards that it makes to subrecipients. (2 C.F.R. 200.521(d)). The management decision must clearly state whether the audit finding is sustained, the reasons for the decisions, and the expected auditee actions to repay disallowed costs, make financial adjustments, or take other action. (2 C.F.R. 200.521(a)). Prior to issuing the management decision, the SEA may request additional information or documentation from the subrecipient. (2 C.F.R. 200.521(a)).

Through the review, the Department noted that NCDPI only requires documented corrective action for repeat findings or findings with questioned costs. NCDPI confirmed during the review that it only requires documentation as evidence of the implementation of corrective action where a finding is a repeat finding or contains questioned costs. NCDPI noted that follow-up activities are conducted for all audit findings but that evidence of corrective action implementation is only required for those two types of findings. While repeat findings and findings with questioned costs arguably represent greater severity and require greater scrutiny, NCDPI should ensure that it seeks evidence of corrective action for all findings prior to making a determination.



REQUIRED ACTION

Within 30 days of receiving this report, NCDPI must provide the Department with

evidence that it has amended its audit resolution procedures to require audit resolution staff to verify completion of all corrective actions. While the nature of corrective action (and the corresponding nature of evidence) will vary according to each individual finding, NCDPI should seek documentation as evidence wherever possible.

F.

INFORMATION AND RECORDS MANAGEMENT



REQUIREMENT SUMMARY

An SEA shall keep records that fully show the amount of funds under a grant award or subgrant, how the SEA used the funds, the total costs of federally supported projects, the share of costs provided from other sources, records to show compliance with program requirements, and any other records needed to facilitate an effective audit. An SEA shall also take reasonable measures to safeguard and protect personally identifiable information (PII). PII is information that can be used to distinguish or trace an individual's identity, either alone or when combined with other personal or identifying information that is linked or linkable to a specific individual

Uniform Guidance 2 C.F.R. 200.79, 200.303(e), 200.333, 200.336(a)

EDGAR 34 C.F.R. 76.730-731



ISSUE

Under Uniform Guidance §200.333, all financial records, supporting documents, statistical records, and any other records pertaining to Federal awards, must be retained for at least three years from the date of submission of the final expenditure report for the award. (2 C.F.R. 200.333). The Department, its Inspectors General, and the Comptroller of the United States must have the right of access to any documents, papers, or other records of an SEA that are pertinent to the administration of Federal awards. (2 C.F.R. 200.336). In order to ensure that it can fulfill these responsibilities for records management and access, an SEA should maintain documented procedures outlining its methods of storing, retaining, and monitoring its records.

In addition, under Uniform Guidance 200.303(e) an SEA must take reasonable measures to safeguard protected PII and other information the Federal awarding agency or pass-through entity designates as sensitive or the non-Federal entity considers sensitive consistent with applicable Federal, State, local, and tribal laws regarding privacy and obligations of confidentiality. (2 C.F.R. 200.303(e)).

During the review, the Department identified two issues with NCDPI's information and records management procedures:

1. **Lack of documented procedures for monitoring or evaluating information security systems.** NCDPI provided the Department with a number of documents related to information security and records management. Many of the documents were statewide policies that were relevant to the monitoring of information systems and identifying vulnerabilities, including a requirement that agencies conduct periodic risk impact analyses. However, NCDPI was unable to provide any of its own

evidence when asked how it monitors or evaluates the security of its information systems and how it responds to any identified vulnerabilities, including any evidence that it actually carries out risk impact analyses or other activities related to monitoring information systems. The failure of NCDPI to monitor its information systems or make attempts to identify vulnerabilities creates a significant risk that PII and other sensitive information could be compromised.

2. **Lack of evidence that NCDPI monitors or inventories records to ensure that all records are maintained and stored for required time periods.** NCDPI provided the Department with statewide records retention schedules that outlined the time periods for which the SEA must store and safeguard different categories of records, including records related to Federal program administration. However, NCPI was unable to provide documented records inventory policies or procedures, or any other evidence capturing the controls in place to ensure compliance with statewide records retention schedules. Without a procedure in place to monitor records management and storage, there is a risk that NCDPI could fail to maintain necessary records in accordance with State and Federal requirements.

While it is acceptable for another State agency to perform various responsibilities for an SEA, including establish policies for information technology or records retention, an SEA should nonetheless have documented policies and procedures for executing its responsibilities, or other evidence that State directives have been carried out.

REQUIRED ACTION

Within 30 business days of receipt of this report, NCDPI must provide the Department with:

1. Documented procedures requiring the completion the risk impact analyses required under State information security policies, or other periodic monitoring or evaluation of the security of SEA information systems. These procedures should also include the steps NCDPI will take to develop a response to any identified vulnerabilities.
2. Documented records management policies that include information about how NCDPI will periodically monitor or inventory its records to ensure that all applicable records are maintained and stored for required time periods. The SEA has the discretion to determine the frequency of such an inventory process and the methods to be used (including sampling or other methods).

K.

TRANSPARENCY ACT REPORTING



REQUIREMENT SUMMARY

An SEA is required to report information identifying subrecipients (name, address, DUNS number) and subawards (CFDA number, award number, title) if, at any point during the award period, the SEA subawards more than \$25,000 in program funds (cumulatively) to any single subrecipient.

Reporting Subaward and Executive Compensation Information (2 C.F.R. Part 170) 170.220(a), 170 Appendix A

Universal Identifier and Central Contractor Registration (2 C.F.R. Part 25) Appendix A

Uniform Guidance 2 C.F.R. 200.300(b)



ISSUE

The Federal Funding Accountability and Transparency Act (FFATA) requires an SEA to report subaward information (award number, title, CFDA number, and amount) for any subrecipient that, at any point during the award period, receives more than \$25,000 in program funds cumulatively. Subaward reports must include the name, address, DUNS number, and other information pertaining to every subrecipient that receives a qualifying subaward. Reports must be submitted by the end of the month following the month in which a qualifying subaward is made. NCDPI must ensure that all qualifying subaward reports are successfully reported in accordance with established timelines.

During the review, NCDPI noted that it had not completed subaward reporting as required under FFATA since funds authorized under the American Recovery and Reinvestment Act (ARRA) expired. NCDPI noted that staff who had previously completed this task during ARRA reporting had left the agency. NCDPI provided draft FFATA reporting procedures during the review and noted that it was in the process of developing procedures to regularly obtain unique entity identification numbers (DUNS numbers) from subrecipients.



REQUIRED ACTION

Within 30 days of receiving this report, NCPDI must provide the Department with evidence that it has:

1. Finalized its FFATA reporting procedures and designated responsible staff for completing required FFATA subaward reporting.
2. Finalized its process for collecting subrecipient unique entity identification numbers (DUNS numbers) either as part of the subaward application

process or through some other regular procedure.

3. Communicated subrecipient responsibilities for maintaining active DUNS numbers and active registration within the System for Award Management (SAM.gov), including a subrecipient's responsibility to ensure that all information in SAM is updated and accurate.
4. Completed all required FFATA reporting for Federal fiscal year 2017.

N.

BUDGETING AND ACTIVITIES



REQUIREMENT SUMMARY

An SEA and its subrecipients can only use program funds for allowable costs, as defined in the Uniform Administrative Requirements, Cost Principles, and Audit Requirements (2 C.F.R. §200), which include, among other things, the requirement that costs be reasonable and necessary for the accomplishment of program objectives.

Uniform Guidance 2 C.F.R. 200.403-408 and 200.420-475

EDGAR 34 C.F.R. 76.530



ISSUE

States and their subrecipients can only use program funds for allowable costs, as defined in the Uniform Administrative Requirements, Cost Principles, and Audit Requirements (Uniform Guidance), which include, among other things, the requirement that costs be reasonable and necessary for the accomplishment of program objectives. While NCDPI was able to describe its process, including the staff involved, for both preparing program budgets for State-level reservations and for reviewing LEA program budgets prior to the start of each grant period, the State did not provide the Department with evidence of the policies and procedures NCDPI uses to ensure that the State and subrecipients can only use program funds for allowable costs, as defined in the Uniform Guidance.



REQUIRED ACTION

Within 30 days of receiving this report, NCDPI must provide the Department with evidence that it has developed documented procedures to ensure that the State and subrecipients can only use program funds for allowable costs, as defined in the Uniform Guidance, which include, among other things, the requirement that costs be reasonable and necessary for the accomplishment of program objectives.

O.

ALLOCATIONS



REQUIREMENT SUMMARY

SEAs shall ensure that, when subawarding funds to LEAs or other subrecipients, it makes subawards in accordance with applicable statutory requirements (including requirements related to the process for subawarding funds and the amounts to be subawarded to individual subrecipients).

ESEA §1124, §1124A, §1125, §1126(b), §2121, §2122(a), §2132, §3111(b)(1), §3114, §3116(a), §1003(g)(5), and §1003(g)(7)

Uniform Guidance 2 C.F.R. 200.331(a)

EDGAR 34 C.F.R. 76.50-51, 76.300, and 76.789



ISSUE

Under Uniform Guidance §200.331(a), an SEA is required to ensure that every subaward includes the following information (among other items) at the time of the issuance of the subaward:

- Subrecipient name (which must match the name associated with its unique entity identifier);
- Subrecipient's unique entity identifier;
- Federal Award Identification Number (FAIN);
- Federal award date;
- Period of availability start and end date;
- Name of Federal awarding agency, pass-through entity, and contact information for the awarding official of the pass-through entity; and
- CFDA number and name.

When some of this information is not available, the SEA must provide the best information available to describe the Federal award and subaward. (2 C.F.R. 200.331(a)).

Prior to the review, NCDPI indicated that the State provides limited information required under the statute. The Grant Award Notification (GAN) letters provided as evidence for the fiscal review shows that there are required areas missing from the GAN across programs. For example, the SIG Award Notification provided to Charlotte-Mecklenburg Schools did not include:

- Subrecipient name (which must match the name associated with its unique entity identifier);
- Subrecipient's unique entity identifier;
- Federal Award Identification Number (FAIN);
- Federal award date.

Examination of each of the GANs provided as evidence reveals that notifications do not include all of the required information under Uniform Guidance §200.331(a).

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REQUIRED ACTION

NCDPI provided additional evidence after the 2017 Fiscal Performance Review that demonstrates the SEA is in compliance with Uniform Guidance §200.331 (2 C.F.R. 200.331(a)). While the initial deficiencies still result in a determination of “action required” for the purposes of the review and final report, no further action required at this time.

Q.

COMPARABILITY



REQUIREMENT SUMMARY

The SEA may only provide Title I, Part A funds to an LEA if State and local funds will be used in schools served by Federal programs to provide services that, on the whole, are at least comparable to services in schools that are not receiving Title I funds.

ESEA §1120A(c)



ISSUE

Under ESEA §1120A(c), an LEA may only receive Title I funds if State and local funds will be used in schools served by Federal programs to provide services that, on the whole, are at least comparable to services in schools that are not receiving funds. Each LEA is required to develop procedures for compliance with comparability requirements and maintain records that are updated biennially documenting such agency's compliance with requirements. In addition, because compliance with comparability requirements is a pre-requisite for an LEA to receive Title I, Part A funds, it is important that an LEA with non-comparable schools addresses any deficiencies as early in the school year as possible.

During the review, NCDPI noted that the SEA does not have a standardized process or timeline for ensuring that LEAs with noncomparable schools take steps to make schools comparable. Although NCDPI indicated that it is rare that an LEA fails to meet comparability requirements, it is still nonetheless important for the SEA to have a process in place to ensure that issues are addressed in a timely manner in the event that an LEA fails to meet requirements.



REQUIRED ACTION

Within 30 business days of receipt of this report, NCDPI must provide the Department with documented procedures for ensuring that any LEAs that have failed to meet comparability requirements take sufficient corrective action to address the issues and provide comparable services at Title I and non-Title I schools. These procedures must include a specific timeline for LEAs to resolve any issues (with deadlines for action as early in the school year as possible), an indication of the types of evidence that the LEA is required to submit to demonstrate completion of any corrective actions, consequences for the failure to take timely corrective action, and a designation of the NCDPI staff responsible for overseeing the process.

S.

SUPPLEMENT NOT SUPPLANT



REQUIREMENT SUMMARY

The State and its subgrantees must ensure that funds from the Title I, Part A, Title II, Part A and Title III, Part A programs are used to supplement not supplant State and local funds (as well as other Federal funds for the Title III, Part A program).

ESEA §1114(a)(2)(B), §1120A(b), §2113(f), §2123(b), and §3115(g)

Title I Regulations 34 C.F.R. 200.79



ISSUE

Under ESEA §1120A(b), as amended by NCLB, an SEA or LEA must use program funds only to supplement the funds that would, in the absence of such funds, be made available from non-Federal sources for the education of students participating in programs funded by the Title I program, and not to supplant such funds. Similar requirements apply to the Title II and Title III programs. During the review, NCDPI reported that comparability calculations for Title I are done each year with a review of State and local funding to ensure that Title I funds can be used as supplemental funds and that once an LEA has demonstrated comparability, the LEA has met supplement, not supplant (SNS) requirements. However, comparability calculations are not sufficient to demonstrate compliance with ESEA §1120A(b).



REQUIRED ACTION

Within 30 business days of receipt of this report, NCDPI must provide the Department with a description of how the SEA has changed the 2018-2019 school year monitoring process to ensure that comparability calculations are no longer considered a sufficient demonstration of LEA compliance with the Title I, Part A supplement, not supplant requirement.

V.

TRANSPARENCY AND DATA REPORTING



ISSUE

Under ESEA §1111(h), an SEA and its LEAs are required to prepare timely annual report cards that include information related to student and school performance within the State. Among other data, the State and LEA report cards must include:

- Information on student achievement on academic assessments at each level of achievement, both for all students and disaggregated by each major racial and ethnic group; economically disadvantaged students as compared to students who are not economically disadvantaged; children with disabilities as compared to children without disabilities; English proficiency status; gender; and migrant status;
- The four-year adjusted cohort high school graduation rates for all students and disaggregated by each major racial and ethnic group; economically disadvantaged students as compared to students who are not economically disadvantaged; children with disabilities as compared to children without disabilities; and English proficiency status and, if applicable, the extended-year adjusted cohort graduation rates;
- The percentage of students not assessed for all students and each subgroup of students;
- Information, both in the aggregate and disaggregated by high-poverty and low-poverty school, on the professional qualifications of teachers in the State, including the number and percentage of teachers teaching with emergency or provisional credentials.

The SEA failed to provide evidence that it disseminated a State report card for school years 2014-2015, 2015-2016, and 2016-2017. In addition, although the SEA disseminated LEA report cards for those school years, at <https://ncreportcards.ondemand.sas.com/src/index>, the LEA report cards do not include:

- Information on student achievement on academic assessments at each level of achievement, disaggregated by each major racial and ethnic group; economically disadvantaged students as compared to students who are not economically disadvantaged; children with disabilities as compared to

REQUIREMENT SUMMARY

An SEA and its LEAs are required to prepare and annually disseminate report cards that include all required elements to the public in a timely manner.

ESEA §1003(f) and §1111(h) (1)

Title I Regulations 34 C.F.R. 200.11, 200.19(b)

children without disabilities; English proficiency status; gender; and migrant status.

- The four-year adjusted cohort high school graduation rates for all students and disaggregated by each major racial and ethnic group; economically disadvantaged students as compared to students who are not economically disadvantaged; children with disabilities as compared to children without disabilities; and English proficiency status and, if applicable, the extended-year adjusted cohort graduation rates;
- The percentage of students not assessed for each subgroup of students;
- Information disaggregated by high-poverty and low-poverty schools, on the professional qualifications of teachers in the State, including the number and percentage of teachers teaching with emergency or provisional credentials.

REQUIRED ACTION

The SEA must, within 30 business days of receipt of this report, submit a plan that describes how the SEA will:

- 1) Disseminate complete State report cards for the 2015-2016, 2016-2017, and 2017-2018 school years by December 31, 2018; and
- 2) Ensure, for the 2017-2018 report cards, that:
 - a. The State report card includes all required elements under the ESEA, as amended by ESSA; and
 - b. LEA report cards include all required elements under the ESEA, as amended by ESSA, including, but not limited to:
 - i. Information on student achievement on academic assessments at each level of achievement, for all students and disaggregated by each major racial and ethnic group; economically disadvantaged students as compared to students who are not economically disadvantaged; children with disabilities as compared to children without disabilities; English proficiency status; gender; migrant status; homeless status, status as a child in foster care, and status as a student with a parent with is a member of the Armed Forces on active duty.
 - ii. The four-year adjusted cohort high school graduation rates for all students and disaggregated by each major racial and ethnic group; economically disadvantaged students as compared to students who are not economically disadvantaged; children with disabilities as compared to

children without disabilities; English proficiency status; homeless status, and status as a child in foster care, and, if applicable, the extended-year adjusted cohort graduation rates;

- iii. The percentage of students not assessed for all students and each subgroup of students;
- iv. Information disaggregated by high-poverty and low-poverty schools, on the professional qualifications of teachers in the State, including the number and percentage of inexperienced teachers, principals, and other school leaders; teachers teaching with emergency or provisional credentials; and teachers who are not teaching in the subject or field for which the teacher is certified or licensed.