

**DRIVER TRAINING
STATE PUBLIC SCHOOL FUND (SPSF) – PRC 012
(LOCAL EDUCATION AGENCIES - LEAS)**

State Authorization: North Carolina General Statutes Chapter 20-88.1 and 115C-105.25(b)(4), 215, 216, and 566

N. C. Department of Public Instruction

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Program

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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

The objective of the Driver Training funding, State Public School Fund, program report code (PRC) 012, is to provide monies to the Local Education Agencies (LEAs) for the expenses necessary to install and maintain a course of training and instruction of eligible persons in the operation of motor vehicles. Each LEA must serve all students enrolled in a public or private high school, including charter schools, within the LEA boundaries who have not previously enrolled in the program.

II. PROGRAM PROCEDURES

The Driver Training program, State Public School Fund, PRC 012, is administered through the State Board of Education (SBE) and the Department of Public Instruction (DPI). The State Board of Education establishes policies and procedures to implement legislative requirements to provide the LEAs with a uniform system of accounting for and reporting on the appropriations and the current operating expenditures. Allotments in the form of dollars are provided to the LEAs by the Department of Public Instruction based on total ninth grade allotted average daily membership (ADM) of student population, which includes federal schools. Allotment reports are sent from the

Planning and Budget Section of the Division of School Business notifying the LEAs of the amount of State funds, including Driver Training funds, that they have available. The SBE shall adopt rules to permit LEAs, at their option, to contract with public or private entities to provide a program of driver education.

DPI publishes monthly Cash Certification Calendars establishing deadlines for requesting funds to assist the LEAs with their cash management efforts. The LEAs have access to request State funds five (5) days per week, except for banking holidays, so that funds may be deposited no more than two business days prior to the date of disbursement. The LEAs must enter requests for funds for a particular Funds Requirement Date (date of intended disbursement) according to the deadlines established on the Cash Certification Calendar. Once approval is received from the State Controller's Office, DPI processes the requests so that the funds are deposited into the respective LEAs State Treasurer account after 2:00 p.m. the day before the Funds Requirement Date.

III. COMPLIANCE REQUIREMENTS

1. Activities Allowed or Unallowed

Compliance Requirements

The LEAs must comply with the requirements of the North Carolina General Statutes and particularly Chapter 115C-105.25(b)(4), 215, 216, and 566. In addition, DPI has the authority to issue rules and regulations, such as the North Carolina Public Schools Allotment Policy Manual, Financial Policy and Procedures Manual, and letters/memos, with which they must comply. These rules and regulations can be obtained from the LEA finance officer and have the force of law governing procedures for disbursement of monies allocated to the LEAs by and through the State. (G.S. 115C-436(b))

Only those individuals certified by the Department of Motor Vehicles (DMV) or, if applicable, professionally certified by DPI can be paid with State Driver Training funds. DPI determines and fixes the salary for each grade and type of certificate, which it authorizes. Professionally certified and non-certified employees paid with State Public School funds are to be paid in accordance with the state salary schedule. (G.S. 20-88.1(b), 115C-272, 284, 285, 296, 302, 316, and 416)

Obligations must be incurred in accordance with state purchasing requirements. If an obligation is evidenced by a contract or agreement requiring payment of money or by a purchase order for supplies and materials, the contract, agreement, or purchase order shall include on its face a certificate signed by the finance officer stating that the instrument has been preaudited to assure that an unencumbered balance remains in the appropriation sufficient to pay in the current fiscal year the sums obligated by the transaction for the current fiscal year.

Payments of obligations must be made in accordance with requirements of the General Statutes, with generally accepted accounting procedures, and with rules and regulations issued by DPI. A bill, invoice, or other claim may not be paid unless it has been approved by the finance officer or by the local board of education. (G.S. 143-48 through 143-60, 143-62 through 143-64.5, 115C-441(a), 115C-441(b))

The North Carolina Public Schools Allotment Policy Manual and the North Carolina Public Schools Uniform Chart of Accounts, revised annually, should be used to monitor the appropriateness of expenditures and the proper use of allotments within the intent and limitations for which they are appropriated. School units are required to expend funds for the purposes they were allotted and to control their funds by the requirements and allotment basis for each category. The North Carolina Public Schools Allotment Policy Manual and the North Carolina Public Schools Uniform Chart of Accounts are distributed to each LEA and also available on the Internet at: www.ncpublicschools.org.

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

Suggested Audit Procedures:

- Obtain the payroll register for selected period(s) and select a sample of Driver Training (PRC 012) disbursements. Determine that payments from 1.5100.012.199 are being used only for salaries for Department of Motor Vehicle certified driving training instructors or other as-needed instructional staff that directly support the instructional process. Any individual paid from these funds has to provide a service to the student (i.e. Teaching, translating, adapting instruction or scheduling). Individuals who are DMV certified instructors have completed a licensed instructor course approved by the DMV, but are not professionally certified in driver education (certification area 096). Example of as-needed instructors would include sign language instructors to serve hearing impaired students or a translator to work with non-English speaking students. Payments from this code for clerical positions are non-allowable. Payments for any purpose other than time worked by allowed instructional employees are non-allowable. If instructors are professionally certified in driver education, certification area 096, they are to be paid from 1.5100.012.121. Make sure that anyone being paid from this PRC are teaching or providing services to the students.
- Determine whether expenditures exceeded the dollar amount allotted for PRC 012 and determine the status of any refunds due to DPI. The need for a refund should be included in the auditor’s recommendation. The status of any refund should be addressed in the management’s response.
- Select a sample of general expenditure disbursements made from PRC 012 and perform the following tests:
 - a) Determine that purchases met the state purchasing requirements (G.S. 143-48 through 143-64.5).
 - b) Trace posting of the disbursements to the general ledger noting the account codes used and determine if the disbursements represent allowable activities as defined in the North Carolina Public Schools Allotment Policy Manual and the North Carolina Public Schools Uniform Chart of Accounts.
 - c) Verify that 5100-012-418 was used to purchase items for Driver Training instructional use only.
 - d) Determine whether non-salary items are being charged to salary general ledger accounts.

Providing Service

Compliance Requirement

The program will be reasonably available on a year round basis to all eligible persons (GS 115C-216, GS 28-88.1, NCAC 06E.0301).

Audit Objective

To determine if districts are serving the students for which an allotment is received.

Suggested Audit Procedures

Draw a sample of ninth grade students and cross check the sample with a listing of students who have been offered a course in driver education. If there is a deviation of

10% or greater then a second sample is to be drawn. If there is a 10% or greater deviation in the second sample, a question cost should be determined.

3. Cash Management

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

6. Equipment & Real Property Management

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

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

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

2. Compliance Requirement – The disposition of cars purchased with Driver Training funds are required to be handled by the Department of Administration, Division of Auxiliary Services, State Surplus Property. Funds from the sale of all car models prior to 1992 are refunded to DPI. Funds received from State Surplus Property from the sale of all car models after 1991 are recorded as revenue for the LEA. All proceeds from the sale of property purchased with Driver Training funds must be used to support the LEA’s driver education program.

Audit Objective – To determine that the disposition of cars purchased with Driver Training funds are handled by the Department of Administration, Division of Auxiliary Services, State Surplus Property; that funds from the sale of all car models prior to 1992 are refunded to DPI; that funds received from State Surplus Property from the sale of only car models after 1991 are recorded as revenue for the LEA; and that all proceeds from the sale of property purchased with Driver Training funds have been used to support the LEA’s driver education program.

Suggested Audit Procedures

Review records from the disposition of cars purchased with Driver Training funds and perform the following tests:

- Determine that the disposition(s) were handled by the Department of Administration, Division of Auxiliary Services, and State Surplus Property.
- Verify that funds received from the disposition(s) were properly refunded to DPI or recorded as revenue for the LEA.
- For funds that are required to be recorded as revenue for the LEA, verify that the revenue was recorded to PRC 012, Driver Training.

7. Matching, Level of effort, Earmarking

Matching

This compliance requirement does not apply to this program.

Level of Effort

This compliance requirement does not apply to this program.

Earmarking

Compliance Requirement – No more than 10% of driver education funds may be used for computer purchases.

Audit Objective – To determine that no more than 10% of driver education funds may be used for computer purchases.

Suggested Audit Procedures:

- Determine the total amount of computer purchases.
- Compare total of computer purchases to driver education allotment.
- Determine whether the total expended for computer purchases exceeded 10% of driver education funds.

8. Period of Availability of State Funds

Compliance Requirement – An LEA may incur no obligation unless the budget resolution includes an appropriation authorizing the obligation sufficient to pay in the current fiscal year the sums obligated by the transaction for the current fiscal year. (115C-441)

Audit Objective – To determine that all sums obligated for the current fiscal year were expended in the current fiscal year.

Suggested Audit Procedure - Inspect the June vouchers to determine that the school unit ensured that all items were received prior to payment.

9. Procurement and Suspension and Debarment

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

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

Suggested Audit Procedure: Determine that purchases met the state purchasing requirements (G.S. 143-48 through 143-64.5).

2. Compliance Requirement – The SBE shall adopt rules to permit LEAs, at their option, to contract with public or private entities to provide a program of driver education. LEAs are prohibited from entering into a contract with a party that has been suspended or debarred by the State of North Carolina.

Audit Objective – To determine that the LEA has not entered into a contract with a party that has been suspended or debarred by the State of North Carolina.

Suggested Audit Procedure – Test a sample of contracts, if applicable, and verify that the LEA has not entered into a contract with a party that has been suspended or debarred by the State of North Carolina. A list of debarred parties can be found at:

<http://www.doa.state.nc.us/PandC/actions.htm>

12. Reporting

Compliance Requirement – The LEA shall comply with the reporting requirements established by the SBE in the Uniform Education Reporting System (UERS). (G.S. 115C-12(18))

Audit Objective – To determine that the LEA has complied with the reporting requirements established by the SBE in the Uniform Education Reporting System. (G.S. 115C-12(18)).

Suggested Audit Procedure - Determine that checks are being issued through a UERS approved financial software to the ultimate payee, ensuring that the financial software is being used to generate payments, not just to record payments already issued. Manual check entries should be few and documented as to why they were necessary.

14. Special Test and Provisions

Compliance Requirement – The program will be reasonably available on a year round basis to all eligible persons (GS 115C-216, GS 28-88.1, NCAC 06E.0301)

Audit Objective – To determine if districts are serving the students for which an allotment was received.

Suggested Audit Procedure – Draw a sample of ninth grade students and cross check the sample with a listing of students who have been offered a course in driver education. Determine if there are any questioned costs. If there is a deviation of 10% or greater then a second sample is to be drawn. Determine the question cost from the two samples.