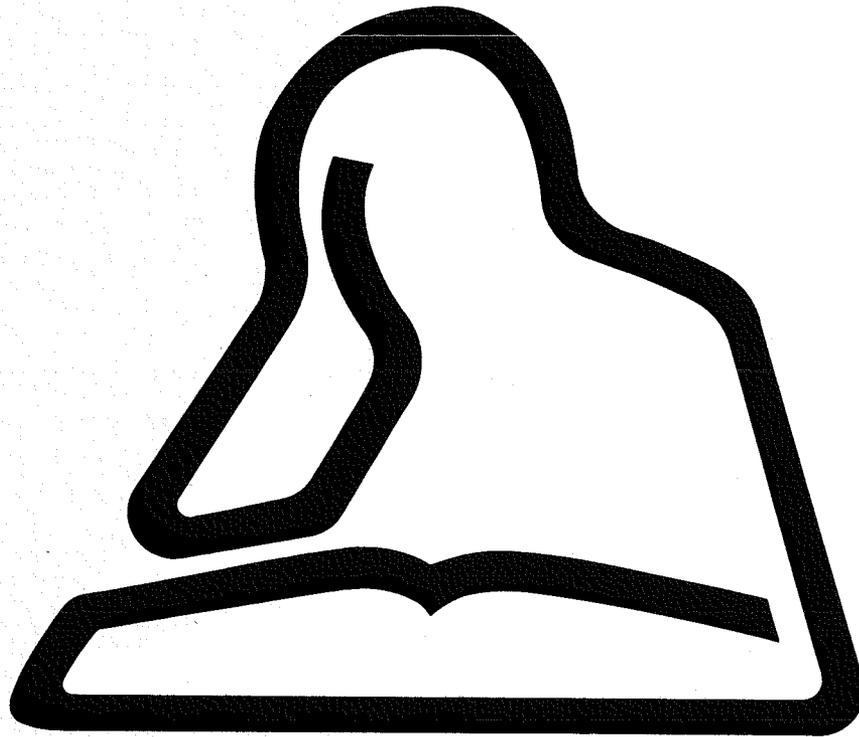


**Education Consolidation
and
Improvement Act
Chapter 1
Audit Guide**



**General Operations Services
Arizona Department of Education
Carolyn Warner, Superintendent
Dr. Jim Hartgraves, Deputy Superintendent
Dr. Ray Ryan, Deputy Superintendent
September 1982**

Revised October 1982

EDD 288: E 28 / 1982

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**AUDIT GUIDE FOR REVIEW
OF
LOCAL EDUCATIONAL AGENCY PROGRAMS FOR
EDUCATIONALLY DEPRIVED CHILDREN
CHAPTER 1 OF THE EDUCATION CONSOLIDATION
AND IMPROVEMENT ACT OF 1981**

Prepared by the Arizona Department of Education

Audit Division

Eugene E. Dudo

Audit Manager

Revised October 1982

ARIZONA DEPARTMENT OF EDUCATION



Carolyn Warner, Superintendent

Dr. Jim Hartgraves

Deputy Superintendents

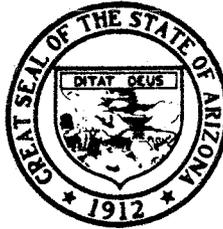
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**AUDIT GUIDE FOR REVIEW
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LOCAL EDUCATIONAL AGENCY PROGRAMS FOR
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CHAPTER 1 OF THE EDUCATION CONSOLIDATION
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I. INTRODUCTION

The purpose of Chapter 1 is to provide federal assistance to Local Educational Agencies (LEAs) with educationally deprived children in areas having a high concentration of low-income families. The objective of Chapter 1 is to upgrade the educational opportunities for disadvantaged children. It is a supplementary program and is not intended to provide general aid to education.

The effective implementation of the Chapter 1 program requires a high degree of Federal-State-Local coordination. At the the national level, the program is administered by the U. S. Education Department (USED) whose responsibilities include (1) approving state applications for participation in the program, (2) making funds available for approved programs, (3) developing program regulations and guidelines, (4) assessing program progress, and (5) consulting with the states regarding their responsibility.

The State Educational Agencies (SEAs) must formally apply to USED for participation in the program and assure that the program will be administered in accordance with the provisions of the law and federal regulations. The major SEA responsibilities include (1) assisting LEAs in the development of their projects, (2) approving project applications submitted by LEAs after determining that the proposed projects are designed to meet the special educational needs of educationally deprived children in low-income areas, (3) assuring that Chapter 1 funds are utilized only for SEA approved projects, and (4) adopting adequate fiscal control and fund accounting procedures to assure proper use and accountability for program funds.

The LEAs are responsible for developing and implementing projects to fulfill the intent of Chapter 1. This responsibility includes (1) ensuring parent and teacher involvement, (2) performing needs assessment, (3) determining school attendance areas eligible for participation, (4) selecting target areas for actual participation including private school participation, (5) selection of Chapter 1 participants and identification of their special needs, (6) submitting grant applications to the SEA, (7) carrying out the projects in accordance with SEA approved applications and applicable rules and regulations, and (8) maintaining adequate accountability over program funds.

II. PURPOSE AND SCOPE

The primary purpose of this guide is to (1) familiarize the auditors with the significant provisions of the Chapter 1 program, (2) direct attention to areas of LEA program and financial management that, on the basis of prior reviews have needed improvement, and (3) provide audit procedures for determining the effectiveness of LEA programs and projects in meeting the objectives of Chapter 1.

The scope of the guide is not intended to be all inclusive or to describe the minimum review desired by the SEA. In determining the scope of review, the auditor should exercise professional judgement giving full consideration to (1) local conditions and new developments not covered in the guide, (2) the number and quality of other recent audits, (3) the adequacy of program and fiscal internal controls, and (4) any other audit procedures considered necessary under the circumstances.

This audit guide is based on final regulations (REGs) published in the Federal Register on July 29, 1982, the Education Division General Administrative Regulations (EDGAR) dated May 9, 1980 for 34 CFR part 74, and applicable State Chapter 1 guidelines.

III. FUNDING PROCEDURES

The SEA receives a grant from the federal government based upon an application submitted by the SEA. This is a grant for administrative costs of the SEA, and programs funds allocable to LEA's. The basic grant money is allocated to every district in the state based in part upon the number of children aged 5 to 17 in families residing in the school district of the LEA and having an annual income of less than the low-income factor as determined by Bureau of Census 1970 criteria. Districts are usually notified in April of the basic grant allocation for the coming fiscal year. Districts wishing to participate in a Chapter 1 program submit projects to the SEA for approval. Copies of the approved projects are distributed to the County School Superintendent and the LEA. A project application may be amended to make changes or additions. However, the deadline for submitting amendments is 90 days prior to the current year's project ending date.

An LEA must submit a project application for a three year period and have it approved by the SEA. The three year applications must be updated annually by sending, at a minimum, information on the amount of funds to be carried over and the amount requested for the next year, a budget of expenditures per object code for the next year, the number of public and private school children who will participate by goal and grade level, the type of staff to be employed and a brief statement regarding the instructional setting.

Amendments must be submitted for any substantial changes or additions to the project such as, number of project schools, an extension of a service to other grade levels, and new goal.

Within an application are a budget and estimated needs section (Attachment A). The estimated needs section is a summary showing the years in which requested funds were appropriated. LEA's have available to them for FY 83 funds appropriated in fiscal years 82 and 83. Identity of these funds is maintained by funding year by the SEA. The budget section incorporates all parts of Chapter 1 funding for the current year's projects. Attachment B contains the goal descriptions and is also the signature page.

Funds should be spent in the following order: (1) FY 82, and then (2) FY 83 basic grant. The objective of this procedure is to assure that any funds left at the end of the current project period are only FY 83 funds.

Districts are required to be in compliance with the state adopted accounting system for federal funds. This system is in an accounting manual entitled the Uniform System of Financial Records or the USFR. Every district has a copy of this manual.

The estimated needs payment schedule (Section E) is used by the SEA on a monthly basis to disburse funds to districts. Claims are prepared from these estimates from which warrants are prepared by the State Department of Finance. These warrants, with a transmittal card, are sent to the County School Superintendent for deposit to the County Treasurer to the credit of the district. Transmittal cards are sent to the LEA by the SEA notifying them of this deposit. The County School Superintendent and the school district maintain a separate fund (#'s 110-129) for each Chapter 1 project. A district submits vouchers, accompanied by an invoice to the County School Superintendent for preparation of warrants. The warrants are returned to the district for distribution to vendors. The districts should amend their projects when they anticipate a line item overexpenditure. At the end of the project period, the district must submit a completion report to the SEA. An exception must be taken for any item which is overexpended by 10% or \$200, whichever is greater. The completion report is the same form as the budget page (Attachment A). This report must be certified by the County School Superintendent.

IV. REPORTING REQUIREMENTS

A. Preliminary Report

The objective of the audit requirement is to determine that the projects are in compliance with Federal Regulations. In order to properly administer the Chapter 1 program, audit information must be available on a timely basis. The SEA requires a memorandum preliminary report, not a formal opinion, by January 15, 1983 as to the condition of the project as determined by applicable preliminary work. The purpose of this preliminary report is to alert the SEA of any possible problem areas in the project before the project is completed. If a district has problem areas, the SEA will provide technical assistance to the LEA before the final audit report in order to assure compliance to federal regulations. By January the following areas can effectively be tested and must be mentioned in the preliminary report:

1. Selection of attendance areas
2. Selection of Chapter 1 Participants
3. Parent and Teacher consultation
4. Participation of children enrolled in private schools
5. Preliminary testing of expenditures
6. Comparability
7. Equipment

B. Final Report

The final report will consist of two sections, a financial report and a narrative report and shall be presented in accordance with generally accepted auditing standards as established by the AICPA. An opinion must be expressed on the fair presentation of the financial statements. The opinion may be stated in substantially the following manner. "In our opinion, based on examination of documents made available to us on inquiry and observation, John Doe School district was substantially in compliance with the federal Chapter 1 requirements as established by the Arizona Department of Education in the Audit Guide For Review of Local Educational Agency Programs For Educationally Deprived Children Chapter I of the Education Consolidation and Improvement Act of 1981." The financial statements must contain a statement in the form of Attachment C.

The narrative report must summarize how the LEA is functioning in all compliance areas.

A checklist is included as Attachment D. This is the list the SEA audit section will use to evaluate all audit reports. Each item must be addressed even if it is not applicable.

The final audit report is due 90 days after the project ends. The final report must be approved by the Department of Education, Audit Division before final payment may be made. Three copies of the final report should be mailed to:

Mr. Eugene E. Dudo
Audit Manager
Arizona Department of Education
1535 West Jefferson Street
Phoenix, AZ 85007

If problems develop during the audit, please contact Mr. Dudo at (602)255-3715.

C. Audit Fee

The audit fee for the project year must be specified in the financial report. The total fee may be disclosed in a footnote because the amount may differ from the cash expenditures. The completion report should reflect such cash expenditures which may include the final payment for FY 82 and a progress payment for FY 83.

D. Working Papers

Working papers and reports must be retained for a minimum of three years from the date of the audit report unless the auditor is notified in writing by the Department of Education of the need to extend the retention period. In our effort to ensure that the objectives of the audit are met, the Department will annually select a sample of the firms conducting Chapter 1 audits for reviews of working papers.

ATTACHMENT A
ARIZONA DEPARTMENT OF EDUCATION (ADE) SPECIAL PROJECTS
BUDGET/FISCAL REPORT/ESTIMATED NEEDS PAYMENT SCHEDULE

INSTRUCTIONS: Submit an original to ADE Program Office. For Completion Report, route through the County Superintendent.

A. PROJECT IDENTIFICATION

1. Applicant/Agency	2. County	3. School No.	4. Project No.
5. Funding Source (Chapter 1, etc.)	6. 3-Year Application Term Begin _____ End _____		7. Date Submitted to ADE
8. Project Name (if Any)	9. Project Director/Contact		Phone No.
10. Check ONE: <input type="checkbox"/> New <input type="checkbox"/> Renewal Application; <input type="checkbox"/> Completion Report <input type="checkbox"/> Amendment <input type="checkbox"/> 1st <input type="checkbox"/> 2nd <input type="checkbox"/> 3rd; Periodic Report <input type="checkbox"/> 1st <input type="checkbox"/> 2nd <input type="checkbox"/> 3rd <input type="checkbox"/> 4th			

B. PROJECT BUDGET FOR PERIOD TO

FUNCTION	OBJ. CODE	BUDGET (1)	REQUESTED CHANGES (2)	AMENDED BUDGET (3)	EXPENDITURE TO DATE (4)	BUDGET BALANCE (5)
ADMINISTRATION 100						
11. Salaries—Certified	5100					
12. Salaries—Classified	5200					
13. Supplies and Materials	5400					
14. Other Expenses	5700					
INSTRUCTION 200						
15. Salaries—Certified	5100					
16. Salaries—Classified	5200					
17. Supplies and Materials	5400					
18. Tuition	5600					
19. Other Expenses	5700					
INSTRUCTION SUPPORT 300						
20. Salaries—Certified	5100					
21. Salaries—Classified	5200					
22. Supplies and Materials	5400					
23. Other Expenses	5700					
OPERATION 400						
24. Salaries—Classified	5200					
25. Employee Benefits	5300					
26. Supplies and Materials	5400					
27. Utilities & Communications	5500					
28. Other Expenses	5700					
29. SUBTOTAL						
30. Indirect Cost (% x line 29)						
31. Capital Outlay — 100-000	5800					
CASH BALANCE (For Completion Report Purposes)						

C. COMPLETION REPORT/PERIODIC REPORT SIGNATURES

I hereby certify that this report has been reconciled with records in the (District/Agency)(County) office and is a reasonable statement of total expenditures for this project.

District/Agency Authorized Agent	Date	County School Superintendent	Date
----------------------------------	------	------------------------------	------

D. SUMMARY OF AVAILABLE FUNDS INCLUDED IN BUDGET ABOVE

FY _____ County C/O + FY _____ State C/O + FY _____ (New) + _____ Other = _____ TOTAL

E. ESTIMATED NEEDS PAYMENT SCHEDULE

	Column 1 FY _____ Carryover Funds	Column 2 FY _____ Funds	Column 3 Other _____
July	_____	_____	_____
August	_____	_____	_____
September	_____	_____	_____
October	_____	_____	_____
November	_____	_____	_____
December	_____	_____	_____
January	_____	_____	_____
February	_____	_____	_____
March	_____	_____	_____
April	_____	_____	_____
May	_____	_____	_____
June	_____	_____	_____
TOTAL	_____	_____	_____

ATTACHMENT B

P.L. 97-35 EDUCATION CONSOLIDATION AND IMPROVEMENT ACT
CHAPTER I APPLICATION/AMENDMENT PROGRAM ASSURANCES

The _____ School District, No. _____ assures the Arizona Department of Education that it will implement appropriate supplemental activities and maintain adequate documentation for audit and monitoring of the following statutory program responsibility areas (P.L. 97-35): (Definitions of these areas and suggested documentation formats are contained in the Arizona Chapter I Application Booklet.) (1) Needs Assessment, (2) Target School Selection, (3) Participant Selection, (4) Program Design (Size, Scope, and Quality) (Supplement not Supplant), (5) Parent and Teacher Consultation, (6) Equipment, Materials, and Construction, (7) Evaluation, (8) Service to Non-Public School students, (9) Comparability, and (10) Maintenance of Effort.

SUPPLEMENTAL PROGRAM DESCRIPTION

Goal 1 Check one item in each group: A. [] Public [] Non-Public B. [] Regular Term [] Summer Term C. [] Reading [] Mathematics [] Language Development [] Administration [] (Other) _____
Grade Levels _____; No. of Target Schools _____; Estimate No. of Participants _____; Involves Chapter I Paid [] Teachers [] Instructional Aide [] (Other) _____
Instructional Setting Statement: _____

Goal 2 Check one item in each group: A. [] Public [] Non-Public B. [] Regular Term [] Summer Term C. [] Reading [] Mathematics [] Language Development [] Administration [] (Other) _____
Grade Levels _____; No. of Target Schools _____; Estimate No. of Participants _____; Involves Chapter I Paid [] Teachers [] Instructional Aide [] (Other) _____
Instructional Setting Statement: _____

Goal 3 Check one item in each group: A. [] Public [] Non-Public B. [] Regular Term [] Summer Term C. [] Reading [] Mathematics [] Language Development [] Administration [] (Other) _____
Grade Levels _____; No. of Target Schools _____; Estimate No. of Participants _____; Involves Chapter I Paid [] Teachers [] Instructional Aide [] (Other) _____
Instructional Setting Statement: _____

Goal 4 Check one item in each group: A. [] Public [] Non-Public B. [] Regular Term [] Summer Term C. [] Reading [] Mathematics [] Language Development [] Administration [] (Other) _____
Grade Levels _____; No. of Target Schools _____; Estimate No. of Participants _____; Involves Chapter I Paid [] Teachers [] Instructional Aide [] (Other) _____
Instructional Setting Statement: _____

(Use a continuation sheet for additional goals)

Signature - District/Agency Authorized Agent _____ Date _____

Typed Name and Title _____

The Arizona Department of Education approves the attached program budget based on the availability of Chapter I funds and the appropriate program assurances submitted by the applicant school district/agency.

Signature: _____ ADE Program Authorized Agent _____ Date of Signature _____

Signature: _____ ADE Business Services Authorized Agent _____ Date of Signature _____

Signature: _____ ADE Superintendent (or Authorized Representative) _____ Date of Signature _____

ATTACHMENT C

ESEA CHAPTER 1 FINANCIAL REPORT

For the period beginning _____ and ending _____

Function	(1) Budget	(2) Expenditures Per Completion Report	(3) Audit Adjustments	(4) Adjusted Expenditures	(5) Budget Balance
ADMINISTRATION 100					
Salaries – Certified					
Salaries – Classified					
Supplies & Materials					
Audit Fee (1)					
Other Expenses					
INSTRUCTION 200					
Salaries – Certified					
Salaries – Classified					
Supplies & Materials					
Tuition					
Other Expenses					
INSTRUCTION SUPPORT 300					
Salaries – Certified					
Salaries – Classified					
Supplies & Materials					
Other Expenses					
OPERATION 400					
Salaries – Classified					
Employee Benefits					
Supplies & Materials					
Utilities & Communications					
Other Expenses					
SUBTOTAL					
Indirect Cost					
Capital Outlay 100					
Capital Outlay 200					
Capital Outlay 300					
Capital Outlay 400					
Capital Outlay 000					
TOTAL					

Beginning Cash Balance
 FY _____ Funds Received
 FY _____ Funds Received
 FY _____ Funds Received
 FY _____ Funds Received
 Total Available Funds
 Less: Expenditures
 Ending Cash Balance

(1) This must be the total accrued fee for the audit of this project.

ATTACHMENT D

ECIA CHAPTER 1 AUDIT REPORT CHECKLIST

District _____ Reviewer _____ Date _____ CPA Firm _____

Acceptable Additional
Information
Necessary

FINANCIAL

- | | | |
|--------------------------|--------------------------|--|
| <input type="checkbox"/> | <input type="checkbox"/> | 1. Does the scope paragraph state that all applicable procedures in the audit guide were performed? |
| <input type="checkbox"/> | <input type="checkbox"/> | 2. Has an opinion been expressed? |
| <input type="checkbox"/> | <input type="checkbox"/> | 3. Does the report disclose the audit cost? |
| <input type="checkbox"/> | <input type="checkbox"/> | 4. Is the cash balance separately stated? |
| <input type="checkbox"/> | <input type="checkbox"/> | 5. Does the report take exception to expenditures that exceed the budget by more than 10% or \$200 whichever is greater on each line item? |
| <input type="checkbox"/> | <input type="checkbox"/> | 6. Do the financial statements compare budgeted and actual revenues and expenditures? |
| <input type="checkbox"/> | <input type="checkbox"/> | 7. Are any audit adjustments separately disclosed? |

COMPLIANCE - does the report draw conclusions regarding compliance with the following requirements.

<u>Acceptable</u>	<u>Additional Information Necessary</u>
-------------------	---

SELECTION OF ATTENDANCE AREAS

- | | | |
|--------------------------|--------------------------|--|
| <input type="checkbox"/> | <input type="checkbox"/> | 1. Has the district maintained worksheets to support the low-income figures used in the selection process? |
| <input type="checkbox"/> | <input type="checkbox"/> | 2. Were the low-income figures traced to the source data and was it in accordance with the approved project? |
| <input type="checkbox"/> | <input type="checkbox"/> | 3. Can the district adequately support the attendance area selection and was the method used reasonable to determine the eligibility of the attendance area? |
| <input type="checkbox"/> | <input type="checkbox"/> | 4. Was the selection method disclosed? |

SELECTION OF CHAPTER 1 PARTICIPANTS

- | | | |
|--------------------------|--------------------------|--|
| <input type="checkbox"/> | <input type="checkbox"/> | 1. Has the district identified the area(s) of greatest educational needs? |
| <input type="checkbox"/> | <input type="checkbox"/> | 2. Were lists of participants available and on file in the district Chapter 1 office? |
| <input type="checkbox"/> | <input type="checkbox"/> | 3. Was there additional documentation to support any participants selected based on teacher recommendations? |

<u>Acceptable</u>	<u>Additional Information Necessary</u>
-------------------	---

4. Do the participants reside in the target attendance area?

5. Were the most educationally deprived selected to participate in accordance with the district criteria established? Also, were any potentially eligible groups of students excluded in the selection process?

PARENT AND TEACHER CONSULTATION

1. Has the district consulted with parents of participants, including private school participants, and teachers in the design and implementation of the current project?

2. Has the district maintained adequate documentation to support the consultation activities?

PRIVATE SCHOOL PARTICIPATION

1. Were the private schools in the area all given the opportunity to participate if they have eligible children?

2. Were the most educationally deprived children living in the target areas selected to participate in accordance with the district criteria and in a similar manner as the public school children?

3. Do the participants reside in the attendance area of a target school?

<u>Acceptable</u>	<u>Additional Information Necessary</u>
-------------------	---

4. Is the level of funding provided per student in the private school comparable to that at the public school level?

5. Are Chapter 1 funds used to pay private school employees compensation for duties performed only for Chapter 1 participants?

6. Is the equipment loaned to the private school adequately accounted for and controlled?

7. Has the district adequately managed and supervised the Chapter 1 resources used at the private school?

COMPARABILITY

1. Were the district worksheets used to compute comparability available?

2. Does the district demonstrate that services provided with state and local funds in target schools are comparable to those provided with such funds in non-target schools or, if applicable, where all school attendance areas are project areas, that services provided with State and local funds are substantially comparable in each school?

<u>Acceptable</u>	<u>Additional Information Necessary</u>
-------------------	---

EQUIPMENT

1. Was equipment purchased in the current year of benefit to the Chapter 1 program?
2. Was the equipment received in time to have an impact on the current project?
3. Is equipment used primarily by Chapter 1 participants with only incidental, non-routine use by non-Chapter 1 participants and in a manner that does not interfere with the effectiveness of the Chapter 1 program?
4. Is equipment properly labeled and essential to the project?
5. If equipment was lost or stolen, was documentation of the investigation available for review?
6. Do the equipment records conform with 34 CFR Part 74.140a?

PROJECT EXPENDITURES AND RECEIPTS

1. Is the Instructional Staff aware of the identities of Chapter 1 participants?
2. Were materials purchased in quantities sufficient to meet the needs of the participants, and were they appropriate for the program being conducted?

<u>Acceptable</u>	<u>Additional Information Necessary</u>	
<input type="checkbox"/>	<input type="checkbox"/>	3. Were purchased (contracted) services appropriate for the Chapter 1 program being conducted?
<input type="checkbox"/>	<input type="checkbox"/>	4. Were items ordered and received by Chapter 1 staff?
<input type="checkbox"/>	<input type="checkbox"/>	5. Were items ordered early enough to arrive in time to have an impact on the current project?
<input type="checkbox"/>	<input type="checkbox"/>	6. Are the materials purchased used primarily by Chapter 1 participants?
<input type="checkbox"/>	<input type="checkbox"/>	7. Did the district use the Chapter 1 funds to supplement the required instruction and not supplant state and local funds in all grade levels served?
<input type="checkbox"/>	<input type="checkbox"/>	8. Were the expenditures directly attributable to the program and not of an indirect cost nature?
<input type="checkbox"/>	<input type="checkbox"/>	9. Has the most recently approved indirect cost rate been applied?
<input type="checkbox"/>	<input type="checkbox"/>	10. Were the receipts in accordance with the needs sheet?

<u>Acceptable</u>	<u>Additional Information Necessary</u>
-------------------	---

<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------

11. Was the cash balance in agreement with the county school office?

<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------

12. Has excess cash accumulated in the Chapter 1 fund?

GENERAL

<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------

1. Have prior audit findings been appropriately resolved?

V. DEFINITIONS

"Attendance area" means, in relation to a particular public school, the geographical area in which the children who are normally served by that school reside. However, if a child's school attendance area cannot be determined on a geographical basis, the child is considered to be in the school attendance area of the school to which the child is assigned or would be assigned if the child were not attending a private school or another public school on a voluntary basis.

"Chapter 1" means Chapter 1 of the Education Consolidation and Improvement Act of 1981.

"Children" means persons:

- (1) Not above age 21 who are entitled to a free public education not above grade 12;
or
- (2) Who are of preschool age.

"Educationally deprived children" means children whose educational attainment is below the level that is appropriate for children of their age.

"Fiscal year" means the Federal fiscal year - a period beginning on October 1 and ending the following September 30 - or another twelve-month period normally used by the State educational agency for recordkeeping.

"Preschool children" means children who are:

- (1) Below the age and grade level at which the LEA provides free public education;
and
- (2) Of the age or grade level at which they can benefit from an organized instructional program provided in a school or instructional setting.

"Project area" means an attendance area in which a high concentration of children from low-income families reside, and that is selected by an LEA without regard to the locality of the project itself, as an area from which children are to be selected to participate in a Chapter 1 project.

"Public," as applied to an agency, organization, or institution, means under the administrative supervision or control of a government other than the Federal Government.

VII. SELECTION OF ATTENDANCE AREAS

Objective

To determine that the method used to select school attendance areas is reasonable, accurate and in accordance with regulations and guidelines.

REG: An LEA that receives Chapter 1 funds shall operate Chapter 1 projects that are:

- (a) Conducted in attendance areas of the LEA having the highest concentrations of low-income children;
- (b) Located in all attendance areas of the LEA if the LEA has a uniformly high concentration of low-income children; or
- (c) Designed to utilize part of the Chapter 1 funds for services that promise to provide significant help for all low-income children served by the LEA. 34 CFR Section 200.49

GUIDELINES: Using the most recent and best available data source, count the children from low-income families in each attendance area (by grade span - K-6, 7-8, 9-12, etc.) and compute the percentage of concentration of these students for each school building. Rank these schools in descending order of concentration by number and by percentage of low-income children. FY '83 Chapter 1 State Guidelines, page 3B

NOTE TO AUDITOR: If there is only one school in each grade span identified by the district, all schools qualify as target areas and selection is not necessary.

Date Auditor W/P

- 1. Obtain the LEA worksheets used in selecting the attendance areas. Determine that the data used was the most recent available.

FINDINGS:

- 2. Trace the low-income and enrollment figures on the worksheets to the source of data as indicated. If free and reduced lunch applications are used, verify the amounts with the District Food Services Office. Also verify enrollments with the school attendance offices as of the date obtained.

FINDINGS:

Date Auditor W/P

3. Recompute the percentage of concentration of low-income students by school and determine that the rankings were accurately prepared.

FINDINGS:

GUIDELINES: Target Schools may be selected for services IN RANK ORDER according to one of the following options:

- A) Serve one or all schools with a concentration index (numbers of students, or percentage of students) above the district average.
- B) Serve all schools in a grade span if they only vary slightly from each other in terms of the percentage index. For purposes of this option, no-wide variance formula is as follows: The "distance" from the lowest to the highest percentage is equal to or less than $1/3$ the district average percentage.
- C) Serve all buildings in the district where there are concentrations of low-income children. Funds are to be allocated as follows: Percentage-wide, any amount may be utilized in buildings with concentrations above the district average as determined in Option A; amounts allocated to other buildings, below the district average, may not exceed those building's individual percentages of children from low-income families in the whole district. Services to such buildings should meet all requirements for program size, scope, and quality. Minimal amounts of money should not be allocated to buildings merely for the sake of saying that a building is included in the district Chapter 1 program. Districts are urged to contact the Chapter 1 program office for technical assistance if they elect to implement Option C. FY '83 Chapter 1 State Guidelines, pages 3b and 4a

Date Auditor W/P

4. For those schools selected for Chapter 1 services, indicate which option was utilized in the selection process.

FINDINGS:

5. Determine that the selected option was correctly applied and that the proper schools were selected.

(NOTE TO AUDITOR: If the data was determined to be inaccurate per step two of this section, determine the proper selection of schools based on the audited data and also determine if these schools differ from the ones originally selected by the district.)

FINDINGS:

CONCLUSION:

VIII. SELECTION OF CHAPTER 1 PARTICIPANTS

Objective

To determine that the district has annually identified the area(s) of greatest educational needs.

To determine that Chapter 1 participants have been specifically identified, reside in the project area, and have the greatest educational need.

REG: An LEA that receives Chapter 1 funds shall base its Chapter 1 project on an annual assessment of educational needs that identifies educationally deprived children in all eligible attendance areas, including educationally deprived children in private schools; permits, but does not require, the selection of those educationally deprived children in the greatest need of special assistance; and determines the educational needs of the children selected to participate with sufficient specificity to ensure concentration on those needs. 34 CFR Section 200.50

Date Auditor W/P

1. Obtain the final needs assessment data from the most recent available and determine that the areas served from Chapter 1 funds are the areas of substantiated educational need.

(NOTE TO AUDITOR: State guidelines permit the needs to be identified by a school or grade if the results of the assessment indicate a material variation from the overall district average for the school or grade identified.)

FINDINGS:

Date Auditor W/P

2. Interview project director to determine procedures used to select participants. Summarize the procedures below or obtain a copy where the procedures are in written form. (Adherence to these procedures is to be evaluated by the auditor while performing steps 3, 4 and 5 of this section.)

FINDINGS:

3. Obtain a list of program participants and their test scores or other rating scores. Compare scores of participants to scores of the general population of the target areas. Determine that the lowest scoring children have been selected for the program. Also determine that no potentially eligible group of students was excluded in the selection process.

FINDINGS:

Number not selected because:

Parent or guardian documented request: _____

Student placed in Special Ed program: _____

Teacher recommendation: _____

Student moved from district: _____

Student tested out of Chapter 1: _____

Other reasons: Identify _____

Total number of students who scored low
but were not selected: _____

Date Auditor W/P

4. For students placed on a recommendation by the teacher; determine that quantitative documentation is available in each case to support the recommendation.

FINDINGS:

5. Determine that selected participants meet the district criteria. (For districts with over seventy-five participants, this step may be performed on a sample basis.) Indicate the number of participants that exceeded the stated criteria.

FINDINGS:

6. Select at random Chapter 1 participants and trace to addresses in student files to determine that their residence is located in the project area.

METHOD OF SELECTION:

FINDINGS:

CONCLUSION:

IX. PARENT AND TEACHER CONSULTATION

Objective

To determine if the project was designed and implemented in consultation with parents and teachers of the participants.

REG: An LEA that receives Chapter 1 funds shall design and implement its Chapter 1 project in consultation with parents and teachers of the children being served, including parents and teachers of children in private schools, if applicable. NPR 34 CFR Section 200.53(a)

Date Auditor W/P

1. Review documentation to determine that the district has involved parents, including parents of private school children, and teachers in designing the current project. The activities may include: workshops, orientation meetings, surveys, individual conferences, or any other activity in which Chapter 1 information and concerns are shared and discussed.

(NOTE TO AUDITOR: Parent and teacher consultation in the design of the Chapter 1 project will generally occur in the fiscal year preceding the project year.)

FINDINGS:

2. Review documentation to determine that the district implemented the current project in consultation with parents and teachers of project participants including private school participants.

FINDINGS:

CONCLUSION:

X. PARTICIPATION BY CHILDREN ENROLLED IN PRIVATE SCHOOLS

Objective

To ascertain that the LEA has implemented adequate management priorities and controls for assuring that the use of Chapter 1 resources for providing services to children in private schools is consistent with the requirements of federal regulations.

REG: An LEA shall provide educationally deprived children residing in a project area of the LEA who are enrolled in private elementary and secondary schools with special educational services. 34 CFR Section 200.70(a)(1)

Date Auditor W/P

1. Interview project director to determine procedures performed and examine available documents as evidence that the LEA has given all the private schools in their area an opportunity to participate in Chapter 1.

FINDINGS:

2. Review the procedures used to select private school children and determine that the procedures are comparable to those used for public school children. Also, determine that the most educationally deprived have been selected.

FINDINGS:

Date Auditor W/P

3. Randomly select private school students participating in the Chapter 1 program and determine that they reside in the public school attendance area or areas designated as the project area. (The sample should be at least 10% of the participant population.)

METHOD OF SELECTION:

FINDINGS:

REG: Expenditures for educational services and arrangements for educationally deprived children in private schools must be equal (taking into account the number of children to be served and the special educational needs of such children) to expenditures for children enrolled in the public schools of the LEA. 34 CFR Section 200.71(a)

Date Auditor W/P

4. Determine on a reasonable basis that children in private schools are provided with a comparable level of Chapter 1 funding per pupil as children in public schools.

FINDINGS:

REG: The LEA shall exercise administrative direction and control over Chapter 1 funds and property that benefit educationally deprived children in private schools. 34 CFR Section 200.70 (c)

Date Auditor W/P

5. Interview the project director concerning the LEA's plans for supervising the private school activity. Determine that procedures are adequate to comply with the above regulation.

FINDINGS:

REG: The public agency shall insure that the equipment or supplies placed in a private school are used for Chapter 1 purposes and can be removed from the private school without remodeling the private school facility.

The public agency shall remove equipment or supplies from a private school if the equipment or supplies are no longer needed for Chapter 1 purposes or removal is necessary to avoid use of the equipment or supplies for other than Chapter 1 purposes. 34 CFR Section 200.74 (c)(d)

6. If Chapter 1 equipment is being used by the private school, determine that the public school is exercising administrative control of the property. This administrative control includes maintaining title to, maintaining records of, assuring itself that the property is being used for the purposes of the project, removing the equipment when it is no longer necessary to the project, and maintaining the equipment in serviceable operating condition.

FINDINGS:

REG: An LEA may use Chapter 1 funds to make public employees available in other than public facilities to the extent necessary to provide equitable Chapter 1 services designed for children in a private school and if those services are not normally provided by the private school. 34 CFR Section 200.73

Date Auditor W/P

7. Interview personnel paid from Chapter 1 funds and determine that:

a. Chapter 1 funded personnel made available to participants attending the private school on the private school's premises are available only for those special services not normally provided by the private school.

FINDINGS:

b. Any payments to personnel employed by the private school are for services performed outside their regular hours of duty and under the public school's supervision.

FINDINGS:

CONCLUSION:

XI. COMPARABILITY OF SERVICES

Objective

To determine that services provided with State and local funds in project areas are at least comparable to services provided with such funds in non-Chapter 1 project areas based upon enrollment and instructional salaries.

To determine that services provided with State and local funds are substantially comparable in each project area where all attendance areas are selected to participate.

REG: An LEA may receive Chapter 1 funds only if it uses State and local funds to provide services in project areas that, taken as a whole, are at least comparable to services being provided in school attendance areas that are not receiving Chapter 1 funds.

If an LEA selects all its school attendance areas as project areas, the LEA may receive Chapter 1 funds only if it uses State and local funds to provide services that, taken as a whole, are substantially comparable in each project area. 34 CFR Section 200.63 (a) & (b)

NOTE TO AUDITOR: The law applies to all districts with multiple sites in any grade span, whether some buildings are target schools, some are not, or all are target schools.

GUIDELINES: The district must have established:

- A) a districtwide salary schedule
- B) a policy to ensure equivalence among schools in teachers, administrators, and auxiliary personnel
- C) a policy to ensure equivalence among schools in the provision of curriculum materials and instructional supplies. FY '83 Chapter 1 State Guidelines pp. 6 A & B.

Date Auditor W/P

1. Obtain LEA workpapers and written policies used to compute comparability. Determine if the LEA has established A), B) & C) in the above guideline. Also, determine the mathematical accuracy of the workpapers by footing and testing calculations.

FINDINGS:

Date Auditor W/P

2. a. Obtain the district's enrollment data used in computing comparability.

b. Trace the data obtained in (a) above to the client's workpapers obtained in step 1 and note any significant differences.

FINDINGS:

3. Obtain the district's salary schedule for the current year and verify its approval by the school board by reviewing the board minutes.

FINDINGS:

4. Determine that the allocation of curriculum materials to schools is reasonable and accurate.

FINDINGS:

GUIDELINES: The law now tolerates changes in comparability status over the academic year; a district is not required to maintain a strict comparability standing each month. Districts should pick a data point during the first twelve weeks of school to determine formally if the policies in B and C above were actually implemented and then make any necessary adjustments to accomplish comparability. Without benefit of a provision for specific margin in the law, we shall continue to observe the former Title I 5% margins (above for pupil-personnel ratios and below for supplies). FY '83 Chapter 1 State Guidelines p. 6B.

Date Auditor W/P

5. Determine that the schools which serve project areas are within the 105% and 95% limits for numbers of children and amounts of supplies and materials respectively; based on the amounts audited.

FINDINGS:

6. For those districts where all schools in a particular grade span are participating in the project, determine that each school in the grade span is within the 105% and 95% limits for the numbers of children and amounts of supplies and materials respectively; when compared to the lower 1/2 of the participating schools in the applicable grade span.

FINDINGS:

REG: Unpredictable changes in student enrollment or personnel assignments that occur after the beginning of a school year shall not be included as a factor in determining compliance with the comparability of services. 34 CFR 200.63 (c)

Date Auditor W/P

7. If changes in personnel and student enrollment have been excluded from the determination of comparability; determine the exclusions are justifiable under the conditions of the above regulation.

(NOTE TO AUDITOR: To be justifiable, the changes must be unpredictable and occur after the beginning of the school year.)

FINDINGS:

CONCLUSION:

XII. EQUIPMENT

Objective

To insure that equipment purchased with Chapter 1 funds is essential to the project, used primarily by Chapter 1 children and that records comply with applicable property management standards.

Date Auditor W/P

1. Obtain requisition/purchase order/invoice(s) for all current equipment purchases to determine if they are of benefit to the Chapter 1 Program. This step should be done at the same time as PROJECT EXPENDITURES AND RECEIPTS.

FINDINGS:

2. If funds for equipment were approved in the current budget, determine that all equipment has been received and arrived in sufficient time to make an impact on the current program for FY '83.

FINDINGS:

REG: Basic rule. Equipment shall be used by the recipient in the project or program for which it was acquired as long as needed, whether or not the project or program continues to be supported by Federal funds. When no longer needed for the original project or program, the recipient shall use the equipment, if needed, in other projects or programs currently or previously sponsored by the Federal Government.

Shared use. If equipment is being used less than full time in the project or program for which it was originally acquired, the recipient shall make it available for use in other projects or programs currently or previously sponsored by the Federal Government: Provided, such other use will not interfere with the work on the original project or program. First preference for such other use shall be given to other projects or programs sponsored by same granting agency. 34 CFR 74.137(a) and (b)

A physical inventory of equipment shall be taken and the results reconciled with the property records at least once every two years to verify the existence, current utilization, and continued need for the equipment. A statistical sampling basis is acceptable. Any differences between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the causes of the differences. 34 CFR part 74.140(b)

3. Obtain a listing of the last physical inventory of Chapter 1 equipment and ascertain the following:

Date Auditor W/P
____ _____ _____

- A. Is equipment used primarily by Chapter 1 children? If not, has it been loaned so as to not interfere with the Chapter 1 Program?

FINDINGS:

____ _____ _____

- B. Is the equipment actually in use and labeled as Title I (if purchased prior to FY 1983), or Chapter 1 (if purchased in the current year) equipment?

FINDINGS:

Date Auditor W/P

- c. Has a physical inventory been taken and reconciled to the district property records within the last two years?

FINDINGS:

REG: A control system shall be in effect to insure adequate safeguards to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft of equipment shall be investigated and fully documented. 34 CFR part 74.140(c)

Date Auditor W/P

- 4. Determine if equipment has been lost, stolen, or damaged; and if so, review documentation of investigation.

FINDINGS:

- 5. Inspect insurance policies for adequate coverage of current and prior year purchases of Chapter 1 equipment. If the policies contain a deductible, coinsurance clause or the district has no insurance, determine from an appropriate official that the district will take full responsibility for the portions not currently covered in the event a loss should occur.

FINDINGS:

REG: When original or replacement equipment is no longer to be used in projects or programs currently or previously sponsored by the Federal Government, disposition of the equipment shall be made as follows:

- (a) Equipment with a unit acquisition cost of less than \$1,000 and equipment with no further use value. The equipment may be retained, sold, or otherwise disposed of, with no further obligation to the Federal Government.
- (b) All other equipment.
 - (1) The equipment may be retained or sold, and the Federal Government shall have a right to an amount calculated by multiplying the current market value or the proceeds from sale by the Federal share of the equipment (see 74.142). If part of the Federal share in the equipment came from an award under which the exemptions in 74.135 were applicable, the amount due shall be reduced pro rata. In any case, if the equipment is sold, \$100 or 10 percent of the total sales proceeds, whichever is greater, may be deducted and retained from the amount otherwise due for selling and handling expenses.
 - (2) If the grantee's project or program for which or under which the equipment was acquired is still receiving grant support from the same Federal program and if the granting agency approves, the net amount due may be used for allowable costs of that project or program. Otherwise, the net amount must be remitted to the granting agency by check. 34 CFR part 74.139

Date Auditor W/P

6. If equipment has been disposed of determine if proper disposition procedures have been followed.

FINDINGS:

REG: Procedures for managing equipment (including replacement equipment) until transfer, replacement, or disposition takes place shall, as a minimum, meet the following requirements:

- (a) Property records shall be maintained accurately. For each item of equipment, the records shall include:
 - (1) A description of the equipment including manufacturer's model number, if any.
 - (2) An identification number, such as the manufacturer's serial number.

- (3) Identification of the grant under which the recipient acquired the equipment.
- (4) The information needed to calculate the Federal share of the equipment. (See 74.142.)
- (5) Acquisition date and unit acquisition cost.
- (6) Location, use, and condition of the equipment and the date the information was reported.
- (7) All pertinent information on the ultimate transfer, replacement, or disposition of the equipment. 34 CFR part 74.140(a)

Date Auditor W/P

- 7. Determine that property records are maintained and provide for:
 - a. A description of the property including model number, if any.
 - b. Manufacturer's serial number or other identification number.
 - c. Acquisition date and cost.
 - d. Source of funding. (Identification of the grant)
 - e. Percentage of federal funds used in the purchase of the property.
 - f. Location, use and condition of the property and the date this information was reported.
 - g. Ultimate disposition data including sales price or method used to determine current FMV if the grantee reimburses the grantor agency for its share if applicable.

FINDINGS:

CONCLUSION:

XIII. NONSUPPLANTING

Objective

To determine that the funds provided by this project are being used to supplement rather than supplant services provided by non-federal funds.

REG: An LEA may use Chapter 1 funds only to supplement and, to the extent practical, increase the level of non-federal funds that would, in the absence of Chapter 1 funds, be made available for the education of pupils participating in Chapter 1 projects, and in no case may Chapter 1 funds be used to supplant those non-federal funds. 34 CFR Section 200.62 (a)

GUIDELINES: Chapter 1 funds may not be used to replace district funds or provide state mandated services. Chapter 1 is intended to give additional help, another chance, reinforcement, slower pacing, etc., etc. Chapter 1 services may be provided in the regular classroom but on a supplemental, excess cost basis. FY '83 Chapter 1 State Guidelines p. 4B

Date Auditor W/P

_____ _____ _____

1. Determine that the Chapter 1 funds used in the district do not replace district funded or state mandated services in all grade levels served. If the services are provided in the regular classroom, determine that these services are on an "excess costs" basis. i.e., above what would regularly be provided by local funds and primarily intended for Chapter 1 participants.

If the services are provided on a "pull-out" basis, determine that the students are pulled-out from non-mandated instructional programs.

FINDINGS:

CONCLUSION:

XIV. PROJECT EXPENDITURES AND RECEIPTS

Objective

To determine that the district records provide adequate accountability of the receipts and expenditures.

To determine that expenditures are documented and represent reasonable and actual charges for essential goods and services provided for the project.

To determine that the district has assigned staff to planned areas of responsibility, and that staff concentrate their efforts on Chapter 1.

To determine that the proper indirect cost rate has been applied to the project.

To determine that excess cash is not accumulating in the Chapter 1 fund.

To estimate the expenditures from the audit date through the end of the project year and determine that they will not exceed the project budget in total or any particular budget line item by more than 10% or 200, whichever is greater.

Date Auditor W/P

- | | | | |
|-------|-------|-------|---|
| _____ | _____ | _____ | 1. Obtain expense ledgers or other record of budgeted versus actual expenditures from business office. |
| _____ | _____ | _____ | 2. Set up a summary by object code showing: 1) Budget, 2) Actual Expenditures to Date, 3) Budget Balance, 4) Projected Expenditures, 5) Total to Year End, 6) Budget Balance and Deviation. Complete the schedule for items 1, 2 and 3 above. Review any areas which might be potential problems and needing expanded audit work. |

FINDINGS:

- | | | | |
|-------|-------|-------|---|
| _____ | _____ | _____ | 3. Obtain payroll records and verify the gross pay of all personnel paid from Chapter 1 by reference to contracts or time slips and approved rates. |
|-------|-------|-------|---|

(NOTE TO AUDITOR: At large districts (over 20 Chapter 1 employees) this step may be performed on a sample basis.)

FINDINGS:

Date Auditor W/P

4. Compute the estimated salary expense to year end by reference to contract or commitment balance per the payroll records. (The amount paid to date may include supplementary amounts over and above the contract.) Enter estimated salary expense by line item on the Summary and compute the budget balance and deviation.

FINDINGS:

5.
 - a. Interview instructional staff paid from Chapter 1 funds who deal directly with participants and determine that they can identify the Chapter 1 participants.
 - b. Observe in the classroom that instructional staff paid from Chapter 1 funds concentrate their efforts on the Chapter 1 selected participants.

FINDINGS:

6. Obtain a ledger of employee benefits and determine if the appropriate amounts have been charged to the project budget.

FINDINGS:

Date Auditor W/P

7. Estimate employee benefits to the end of the project by applying the appropriate percentages to the salaries estimated in Step #4. Enter estimate on summary and compute budget balance and deviation.

FINDINGS:

8. From the detail ledger of expenditures for supplies, materials, and capital outlay, select items for testing as considered necessary, including some items selected at random in addition to large dollar items. (All purchases of capital outlay should be selected. See section XII for additional audit steps to be performed on these items.)

Scope:

No. of Items

\$ Value

Total expenditures to date
Total selected items:
Percent selected:

_____ (approx)

9. Obtain all available documentation for the selected items in Step #8 (requisitions, purchase order, vendor's invoice, etc.). Examine documentation, verify amount of expenditure, and review product or service description and determine that it is applicable to the project. Note the approval of a program director or designee.

FINDINGS:

Date Auditor W/P

10. Note the quantity and type of items purchased to determine if appropriate for the Chapter 1 program being conducted and the number of participants.

FINDINGS:

11. Interview Chapter 1 personnel to determine if they received the materials and observe that use is primarily for Chapter 1 selected participants.

FINDINGS:

12. From the detail ledger of other expenditures, select items for testing as considered necessary including some items selected at random in addition to large dollar items.

Scope:

No. of Items

\$ Value

Total expenditures to date

(approx)

Total selected items:

Percent selected:

13. Obtain all available documentation for the selected items in Step #12 (requisitions, purchase order, vendor's invoice, etc.). Examine documentation, verify amount of expenditure, review service description and determine that it is applicable to the Chapter 1 program. Note the approval for purchase by the program director or designee. Also, determine if they were appropriate for the Chapter 1 program being conducted.

FINDINGS:

STATE BOARD OF
EDUCATION RULE:

- 1) All school districts must obtain sealed competitive bids for all purchases of supplies, materials and equipment that have an estimated cost of \$5,000 per transaction.
- 2) School districts contracting for outside professional services which require a total payment of more than \$5,000 shall request bids for those services.

See Rule R7-2-701
(USFR III-H-7 thru III-H-12)

Date Auditor W/P

14. a. Review supplies and equipment purchases to determine if any transaction exceeded \$5,000. If so, determine if proper bidding procedures were followed as stated in the USFR.

FINDINGS:

14. b. Review outside services contracts and determine if the total to be paid exceeds \$5,000 in the fiscal year being audited. If so, determine if proper bidding procedures were followed as stated in the USFR.

FINDINGS:

Date Auditor W/P

15. Obtain from a reliable source an estimate of expenditures to the end of the project. Enter estimates on summary and compute budget balance and deviation. A suggested method for estimating expenditures to year end is to obtain the encumbrances from the expense ledgers. Ask project director or other appropriate person if any other expenditures are planned which have not yet been encumbered (purchase order issued). If amount appears unreasonable in view of project timelines, investigate and obtain documentation.

FINDINGS:

State Guidelines

A district is eligible to claim indirect costs if it has a State approved indirect cost rate. The district applies the rate to actual expenditures less capital outlay of the project.

The SEA recommends that at the beginning of the project period 75% of allowable indirect costs be transferred to an indirect cost fund. As expenditures exceed 75% of the total budget, additional funds may be transferred to the indirect cost fund with a final adjustment at the end of the project period.

For the purposes of Chapter 1, indirect cost is defined as (a) costs incurred for a common or joint purpose benefiting more than one cost objective, and (b) not readily assignable to the cost objectives specifically benefited, without effort disproportionate to the results achieved. These costs are further defined as auxiliary functions necessary to sustain the direct effort involved in administering a grant program or an activity providing service to the grant program. These services may be centralized in the grantee department or in some other agency and include procurement, payroll, personnel functions, maintenance and operation of space, data processing, accounting, budgeting, auditing, mail and messenger service.

Date Auditor W/P

16. Confirm indirect cost rate in the project with the SEA.

FINDINGS:

Date Auditor W/P

____ _____ _____

17. Determine that the rate has been applied to actual expenditures less capital outlay, at the end of the project period, or that the amount charged does not exceed 75% of the total budgeted indirect costs and is reasonable based on the estimate of expenditures at the end of the project.

FINDINGS:

____ _____ _____

18. Determine that the LEA has not directly charged to the project, expenditures which would appear indirect.

(NOTE TO AUDITOR: This step is applicable for all Chapter 1 projects regardless of findings in steps 15 and 16 above.)

FINDINGS:

____ _____ _____

19. Obtain the revenue ledger from the district and list the monthly receipts as of the audit date.

____ _____ _____

20. Compare the above list to the Estimated Needs section submitted with the project application.

____ _____ _____

21. Subtract the total amount expended to date of the audit, from the total of cash received to compute the current cash balance. Compare with the county school office records.

FINDINGS:

Date Auditor W/P

22. Obtain each month's ending cash balance from the cash flow ledgers or computer printouts and determine if the balances on hand were in excess of the average expenditures for two months, excluding capital outlay.

FINDINGS:

23. If the LEA has excess cash as of the audit date, determine what steps the district plans to take to reduce the cash balance.

FINDINGS:

24. For school districts that are required to transfer district funds to the Chapter 1 fund, as required in the Estimated Needs Section, determine that the transfer has taken place by review of applicable documentation of journal entries.

(NOTE TO AUDITOR: If the transfer has not taken place, advise the district that it should be done within 60 days of submission of the completion report.)

FINDINGS:

CONCLUSION:

XV. EXIT CONFERENCE AND PRIOR AUDIT REPORT

Date Auditor W/P

1. Arrange an exit conference with the officials of the auditee to discuss the results of the audit findings and proposed recommendations except when there are compelling reasons (fraud, embezzlement, theft, forgery) for not discussing specific items below the state agency level. Findings should include auditee's reaction to the audit findings and recommendations.

Persons Attending Exit Conference

FINDINGS:

2. Examine prior audit reports to determine that prior audit findings have been appropriately resolved and audit recommendations have been implemented. (This step is applicable only if an audit was performed in one of the three preceding fiscal years.)

FINDINGS: