

DEED PROGRAM 15 – CAPITAL IMPROVEMENT PROJECTS FOR SCHOOL DISTRICTS FUNDED WITH STATE G.O. BONDS

I. PROGRAM OBJECTIVES

Authorized under AS 14.07.020(13), AS 14.11.005, and AS 14.11.007, funds are appropriated to the Department of Education & Early Development for construction and rehabilitation of educational facilities in school districts throughout the State.

II. PROGRAM PROCEDURES

Following enactment of the enabling legislation, the Department executes a grant agreement with the school district or other entity to construct the project in accordance with the language of the legislation.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

Compliance requirements are contained in the grant agreement and in 4 AAC 31.

A. TYPES OF SERVICES ALLOWED OR UNALLOWED -

Compliance Requirement: Grant funds can be expended only for the purpose stipulated in the enabling legislation and as specified in the grant agreement.

Suggested Audit Procedures: Test transactions to determine whether expenditures are necessary and reasonable for the performance and administration of the program and are authorized or not prohibited under the grant agreement and other applicable guidelines and regulations.

B. ELIGIBILITY -

Compliance Requirement: Only public school districts in the state with projects listed in the enabling legislation and subsequent ballot initiative are eligible for this program.

Suggested Audit Procedures: None.

C. MATCHING, LEVEL OF EFFORT AND/OR EARMARKING REQUIREMENTS -

Compliance Requirement: Participating share requirements for grants beginning after FY 1993 are specified in AS 14.11.008, except as excluded by the enabling legislation.

Suggested Audit Procedures: Review the legislation and statute to identify the participating share requirements; and verify that the requirements were met.

D. REPORTING REQUIREMENTS -

1. Compliance Requirement: The results of operations of capital projects that extend over two or more fiscal years must be presented on a dual basis. In accordance with the codification of Governmental Accounting and Financial Reporting Standards 1300.124, the Statement of Revenues,

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Expenditures, and Changes in Fund Balance must be presented for both the current year and on a cumulative basis since inception of the project.

Suggested Audit Procedures: Verify that project expenditures are presented both for the current year and on a cumulative, inception to date, basis. Cumulative expenditures may be presented in a schedule to support the financial statements or in a special purpose report.

2. **Compliance Requirement:** The grant agreement will specify the reporting requirements required of the grantee.

Suggested Audit Procedures:

- a) Review the grant agreement to determine reporting requirements;
- b) Review procedures for preparing required reports and evaluate adequacy;
- c) Review a sampling of reports for completeness and timeliness of submission;
- d) Trace data in selected reports to the supporting documentation; and
- e) Evaluate adjustments, if any, for propriety.

3. **Compliance Requirement:** Districts must report the Capital Improvement Projects for School Districts Funded with State G.O. Bonds revenues and expenditures in a capital projects fund.

Suggested Audit Procedures: Review financial reporting to determine correct reporting of Capital Improvement Projects for School Districts Funded with State G.O. Bonds funds.

E. SPECIAL TESTS AND PROVISIONS -

1. **Compliance Requirement:** Districts may request reimbursement for expenses already incurred or obligations that will be paid within five workdays of the receipt of funds. Reimbursement should occur monthly, but no more than once in a 20-day period, as specified in the grant agreement. Districts are required to submit to the Department quarterly reconciliations of actual expenses to reimbursement payments.

Suggested Audit Procedures:

- a) Review procedures for preparing reimbursement requests and quarterly reconciliation reports and evaluate adequacy;
- b) Review a sampling of reports for completeness and timeliness of submission;
- c) Trace data in selected reports to the supporting documentation; and
- d) Evaluate adjustments, if any, for propriety.

2. **Compliance Requirement:** The grant agreement may contain specific provisions to which the grantee is to adhere.

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Suggested Audit Procedures: Review the grant agreement; identify any special provisions or requirements; and verify that the requirements were met.

3. **Compliance Requirement:** Construction management costs are limited as per AS 14.11.020(c).

Suggested Audit Procedures: Review financial and related records to ensure that construction management costs have not exceeded statutory limits; and review to evaluate policies and procedures for ensuring compliance with this statute.

4. **Compliance Requirement:** According to 4 AAC 31.080, construction under this program must be performed under a written contract awarded on the basis of competitive sealed bids not to exclude approved alternative construction delivery methods or limited force-account construction. The award will be made to the lowest responsible bidder with no preference to local bidders.

Suggested Audit Procedure: Review procurement documents to determine compliance with the provisions of 4 AAC 31.080.

5. **Compliance Requirement:** Expenditures for equipment must be accounted for in the manner specified by AS 14.11.017(a)(3) and 4 AAC 31.020(a)(4).

Suggested Audit Procedures: Review financial and related records to determine whether equipment purchases exceed the amount in the approved budget; and whether the district has entered purchased equipment as required by 4 AAC 31.020(a)(4) in the district's fixed asset inventory system.

6. **Compliance Requirement:** District-owned facility capital betterments must be accounted for and included on the depreciation schedule.

Suggested Audit Procedures: Review financial and related records to determine whether district-owned capital improvements were entered at substantial completion or project close; and whether the documented capitalized costs include appropriate categories as determined by GAAP and district policies and procedures.