

American Recovery and Reconciliation Act (ARRA) funds (Education Stabilization Fund (ARRA-ESF) and Government Services Fund (ARRA-GSF) were used to fund a portion of districts' Equalization aid. The State Aid Summary – Revised “NET” posted July 10, 2009 shows the EQUALIZATION Aid portions attributable to ARRA ESF (line A-1b) and ARRA GSF (line A-1c). These amounts combined are shown on the 2009-10 General Fund and Special Revenue Fund State Aid Payments/ Payment Schedule in a column titled “ESF & GSF Deduction” (column P-1). ARRA funds were to be recorded in general fund subfunds - Fund 16 (ARRA-ESF) and Fund 17 (ARRA-GSF). Only districts which received Equalization Aid received ARRA – ESF and ARRA-GSF.

Districts received the first two ARRA ESF and GSF payments in September 2009. Districts submitted a cash management report to the department through a web based program at the end of each quarter, October 15, January 15, and April 15. Beginning in October 2009, if the expenditures reported by the district exceeded 90% of what a district had received, the installment payments were continued. Other districts were required to request a monthly drawdown based on expenditures. For purposes of the Single Audit, ARRA funds are treated as high risk and auditors should consult OMB Circular A-133 for guidance. Further information on ARRA can be found at this website: <http://www.state.nj.us/education/arra/>

The deferral of the June 8 and 22, 2010 state aid payments should be recorded as revenue in 2009-10 for budgetary purposes. For GAAP purposes, the amount of revenue reflected in the deferred last state aid payments of June 8 & 22, 2009 (received July, 2009) is recognized as revenue in 2009-10. The June 8 and 22, 2010 state aid payments received in July, 2010 are not recognized as revenue until 2010-11. This is reported in the aggregate in the Required Supplementary Information (Exhibit C-3 of the CAFR) and not itemized by state aid category.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. TYPES OF SERVICES ALLOWED OR UNALLOWED

1. Compliance Requirements

The state aid categories listed at the beginning of this chapter are general fund revenue sources. ARRA funds were to be recorded and reported separately.

Suggested Audit Procedures

- Verify that the correct amount of state aid for 2009-10 is recorded as general fund revenue on the district's accounting records and approved budget and that, if applicable, the accounting records reflect the accounts receivable for any aid category having an increase after adjustment.
- Determine that the ARRA-ESF and ARRA-GSF were recorded in Fund 16 and Fund 17 respectively.

B. ELIGIBILITY

1. Compliance Requirements

The district must complete the Application for State School Aid (A.S.S.A.) in accordance with the instructions provided by the Division of Finance. The district must complete a set of workpapers that document the compilation of data and provide an audit trail for testing the enrollments reported on the A.S.S.A.

The district must also have on file written procedures that provide a description of the count process. The workpapers and internal procedures must be maintained on file for seven years.

Beginning with the October 2008 A.S.S.A., districts obtain the A.S.S.A. printout from the district's individual account on the school aid notice website. The Schedule of Audited Enrollments has been revised for June 30, 2010 to reflect the compression of special education tiers and enrollments of LEP low income and LEP not low income students in accordance with the October 2009 ASSA. Questions about the ASSA or obtaining the printout should be addressed to assa@doe.state.nj.us.

Suggested Audit Procedures

- In accordance with instructions and audit procedures in *The Audit Program*, Section I-3 and III-4, issued by the Department of Education, verify enrollments reported on the district's A.S.S.A. printout with the pupil counts on the district's workpapers.

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

None.

D. REPORTING REQUIREMENTS

None.

E. SPECIAL TESTS AND PROVISIONS

1. Compliance Requirements

Expenditures, which exceed the bid or quote threshold, must be made in accordance with the requirements of the Public School Contracts Law (*N.J.S.A. 18A: 18A et seq.*). Refer to Section I, Chapter 5, of *The Audit Program*, Bids & Contracts/Purchasing.