

part of the usual local audit required in most States on an annual basis. The audit may be performed by the independent accountant who usually conducts the local audits, or by a representative of the State auditor's office, or by a staff member of the State educational agency. In any case, the local audit function is one which requires a qualified fiscal officer or accountant. In developing a workable audit program, the audit steps outlined on page eight of Financial Management of Federal-State Educational Programs<sup>3</sup> should be followed. It is not necessary to develop elaborate and expensive audit procedures. However, a local audit report which will assure the proper use of Federal funds under Title II of ESEA is necessary. Auditing standards should include:

1. A means of informing auditors of the program requirements sufficient to permit certification that local expenditures are eligible for Federal financial participation;
2. A reconciliation of the local expenditures shown in the audit report with records of the State agency;
3. Assurance that audit exceptions are brought to the attention of the State officials responsible for this program, and that appropriate adjustments are made.

It is recognized that basic fiscal documents required for an accurate and expeditious audit of local accounts may be retained at places other than those where official local accounts are maintained, so long as those places are clearly identified. The public agency in which title to the materials acquired for the use of children and teachers is vested, however, must maintain an inventory record of such items, and revise it annually. The methods for inventorying and maintaining inventory records are subject to the approval of the State agency. One set of procedures for conducting an inventory and preparing an inventory record is suggested in Chapter V of these Guidelines. Provision must be made for substantiating the inventories by on-site inspection, if necessary.

#### Audit of State Agencies

In order that local audits may be of maximum use at the time Title II programs are audited by a Federal auditor at the State level, the local audit reports should be available and maintained on a current basis. The Office of Audit of the U.S. Department of Health, Education, and Welfare will conduct periodic audits (annually if possible) of the Title II accounts maintained at the agency named in the State plan. Federal grant programs may also be audited by the General Accounting Office, an independent agency in the legislative branch of the Federal Government.

<sup>3</sup> Financial Management of Federal-State Education Programs. U.S. Department of Health, Education, and Welfare, OE-10019. Washington: U.S. Government Printing Office, 1962. 11 p.