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September 21, 2011

Mrs. Shirley Baker  
Board President  
Wyandanch Union Free School District  
1445 Dr. Martin L. King Jr. Blvd.  
Wyandanch, NY 11798

Report: ARRA-0211-25

Dear Mrs. Baker:

This letter is our final report of the Wyandanch Union Free School District's (District) use of American Recovery and Reinvestment Act (ARRA) funds awarded for the July, 1 2009 – June 30, 2010 school year. The audit was conducted pursuant to the Commissioner of Education's authority under Section 305 of the Education Law. Our audit objectives were to: verify the allowability of amounts expended to-date and the appropriateness of any requests for additional funding, determine if the District has sufficient financial control systems in place to administer ARRA funds, and assess compliance with pertinent federal requirements for the use of federal funds.

Our audit scope was limited to ARRA funding provided through the Education Stabilization Funds (ESF) (also referred to as State Fiscal Stabilization Funds, SFSF), Individual Disabilities Education Act (IDEA 611), and Title I of the Elementary and Secondary Education Act. At the time of fieldwork, the District had submitted claims and final expenditure reports for all of their approved ARRA-ESF, ARRA-IDEA 611, and ARRA-Title I funding.

To accomplish our objectives, we interviewed District officials; tested transactions; and reviewed District policies/procedures and financial records, which included reports generated by the District's computerized financial database.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The results of this audit have been discussed with District officials and their comments have been considered in preparing this report. The District was provided many opportunities, but did not provide a written response to the draft audit recommendations.

## **Audit Results**

### Allowability and Accuracy of Reported Expenditures

OMB Circular A-87 (A-87) requires that all charges to federal grants are reasonable and adequately documented. We found that the Teacher's Retirement System rate applied to ARRA-Title I was 7.5 percent instead of the correct rate of 6.19 percent, resulting in a \$2,346 overstatement of reported expenditures. In addition, we found that the District deducted \$580 from one employee's ARRA-ESF payroll amount; however, this expenditure was included in the total amount reported for ARRA-ESF.

### Financial Control System

Education Law, Section 1718 requires that no district shall incur a liability in excess of the amount appropriated. The District did not establish an appropriation for the ARRA-ESF funds. Since there was no appropriation made, the unencumbered balance of the ESF account inaccurately appeared as negative. We also found that although the District had an approved budget of \$275,524 for ARRA-IDEA 611, the District only appropriated \$234,195 to that fund. Consequently, the unencumbered balance for ARRA-IDEA 611 in the District's accounting system inaccurately appeared as negative \$41,324.

According to a field memorandum to all Superintendents of Schools issued by Johanna Duncan-Poitier, Senior Deputy Commissioner, State Education Department, on April 10, 2009, "It is important to note that SFSF expenditures must be accounted for in the General Fund, but identified and tracked separately." Further, on December 24, 2009, the Federal Department of Education issued Guidance for Grantees and Auditors on the State Fiscal Stabilization Fund Program which states that an entity that receives SFSF funds must maintain records that separately track and account for those funds. The District claimed salaries and benefits in their SFSF Final Expenditure Report. However, the benefit portion of what was reported was not posted to the SFSF account codes.

### Compliance with Federal Grant Requirements

#### *Time and Effort Requirements*

OMB Circular A-87 requires salaries of employees who are charged to federal grants be supported by periodic certifications or personnel activity reports. Employees whose salaries are paid from one federal funding stream must have their time certified at least semiannually by the employee or supervisory official with first hand knowledge of the work performed by the employee. Salaries of employees who work on multiple activities or cost objectives (multiple funding streams) must be supported by personnel activity reports. These personnel activity reports must be prepared at least monthly and coincide with one or more pay periods; reflect an after-the-fact distribution of the actual activity of the employee; account for a full FTE; and be signed by the employee.

Periodic certifications were not prepared semiannually for each of the seven employees being paid in full from one federal funding stream. All seven were prepared for the period July 1, 2009 through June 30, 2010.

The District paid one employee in part from ARRA-IDEA 611 and from the general fund. The personnel activity report for this employee was for July 1, 2009 through June 30, 2010 and was signed April 1, 2011 by the principal/supervisor. Personnel activity reports for this employee were not prepared at least monthly to coincide with one or more pay periods, did not account for the total activity for which the employee was compensated, and were not signed by the employee as required by A-87.

### *Section 1512 Reporting*

Under Section 1512 of ARRA, recipients of ARRA funds must submit a quarterly report that describes, among other things, how the entity used those funds, including the estimate of the number of jobs created and saved (i.e. jobs funded). The quarterly report has two parts, the program narrative which describes in some detail the use of funds and the reporting summary which indicates the total number of jobs funded. On the District's ARRA-ESF quarterly report for the period ending June 30, 2010, the program narrative had the same language as the original application and was not changed. It stated that 13 positions would be funded; however, the reporting summary indicated 20.2 positions were funded.

### *Cash Management*

According to Title 34 of the Code of Federal Regulations Part 80.20(b)(7), procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. Further, Part 80.21 paragraph (i) states that grantees and subgrantees shall promptly, but at least quarterly, remit interest in excess of \$100 earned on federal awards advances. We found the District did have a process for minimizing time elapsing between receipt and disbursement of funds, but did not have a process to address the remittance of any interest earned annually in excess of \$100 on federal funds.

Our analysis of revenue received and expenditures incurred for all federal funds during the 2009-10 school year showed that the District did not earn interest exceeding \$100 for that period.

## **Recommendations**

1. For ARRA-Title I, submit a revised FS-10-F long form reflecting a reduction of \$2,346 for disallowed costs. The revised FS-10-F long form accompanied by a copy of this report or transmittal letter identifying this audit as the reason for the revision should be submitted within 30 days to:

The State Education Department  
Grants Finance, Room 510W EB  
Albany, NY 12234

Grants Finance will review the revised FS-10-F long form and send Form FS-80 Notice of Overpayment to your District, confirming the amount overpaid, and providing remittance instructions.

2. Contact the Department's Grants Management Office at (518) 474-3136 for instructions, and submit a revised final expenditure report through the ARRA on-line management portal. The revised report should reflect a reduction of \$580 for undocumented ESF costs. The Grants Finance Office will send the Form FS-80 (Notice of Overpayment) to your District which confirms the amount overpaid and provides remittance instructions.

3. Ensure that all budget transfers are made timely so that unencumbered balance is accurately reflected in the accounting records.
4. Ensure that all ARRA-ESF costs are posted to the appropriate codes.
5. Ensure that the personnel activity reports for employees who work solely on one federal grant are prepared at least semiannually by the employee or supervisory official with first-hand knowledge of the work performed by the employee.
6. Ensure that the personnel activity reports for employees, who work on more than one federal grant account for their full FTE, are prepared monthly, coincide with one or more pay periods, and are signed by the employee.
7. Update the program narrative so that it accurately reflects the number of jobs funded as shown in the 1512 quarterly report and that both reconcile with the supporting documentation.
8. Address federal requirements for remitting interest earned on federal funds in excess of \$100 annually.

Section 170.12 of the Regulations of the Commissioner of Education requires the submission of a Board approved corrective action plan, in response to all the findings, within ninety days of the issuance of this report. The corrective action plan should include the expected date of implementation, where appropriate.

I appreciate the cooperation and courtesies extended to our staff during the audit.

Sincerely,

James A. Conway

c: K. Slentz, S. Cates-Williams, J. Delaney, B. Porter, C. Szuberla, M. Lavare, M. Zollo, R. Reyes, A. Timoney, J. Dougherty, P. Dickerson, T. Rogers (Western Suffolk BOCES)