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July 28, 2010

Mrs. Mia Pfitzer  
Board President  
Saratoga Springs City School District  
3 Blue Streak Blvd.  
Saratoga Springs, NY 12866

Report: ARRA-0310-11

Dear Mrs. Pfitzer:

This letter is our final audit report of the Saratoga Springs City 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 the ARRA funding of Educational Stabilization Funds (ESF), Title 1, and IDEA for the period July 1, 2009 through June 30, 2010.

To accomplish our objectives, we interviewed appropriate District officials, performed limited tests of transactions, and reviewed documents. These documents included the claim forms submitted to the State Education Department (Department), certain District policies and procedures, and financial records including 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's response to the draft report is included as Appendix A. See Auditor's Note regarding District's response on calculation of interest earned on page 2 of Appendix A.

## **Audit Results**

### Allowability and Accuracy of Reported Expenditures

We did not find any audit exceptions.

### Financial Control System

#### *Tracking and Recording*

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 (State Fiscal Stabilization Funds) SFSF expenditures must be accounted for in the General Fund, but identified and tracked separately." Further, in 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 used ESF to pay for 5.71 percent of all salaries normally charged in the General Fund. However, as salary expenditures were incurred, they were not directly charged to ESF expenditure codes. Although separate ESF expenditure codes were set-up in the General Fund, the salary costs were tracked separately on Excel spreadsheets and journal entries were made once a month to move the cost from the General Fund to ESF codes. In addition, the District did not make an appropriation in the ESF account code in the General Fund. Since there is no appropriation made, the accounting system shows that the balance of ESF moves farther into the negative every time journal entries are made.

#### *Consultant Service Costs*

We selected a sample of other-than-personal-service expenditures to review their appropriateness and adequacy of supporting documentations. We found one expenditure where services were rendered before a contract was put in place. A consultant provided services on November 11, 2009 and again on December 2, 2009; however, the contract was signed on December 18, 2009.

### Compliance with Federal Grant Requirements

#### *Section 1512 Reporting*

Under Section 1512 of ARRA, recipients of the funds must submit a quarterly report that describes, among other things, how those funds were used, including the estimate of the number of jobs funded. We examined the reporting period ending December 31, 2009.

We found that for IDEA Section 611, the District reported one job funded when there were actually 1.89 jobs funded.

The District calculated ESF jobs funded by applying 5.71 percent to general fund FTEs. However, in doing so, the general fund FTE that was used was 22 higher than what could be supported by their documentation. As a result, the estimate of jobs funded through ESF was overstated by 1.26. In addition, the district used an outdated staffing report from December 2008 to identify the general fund employees. The District had a more recent staffing report available that could have been used and would provide a more accurate estimate of the number of jobs funded.

#### *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. This requirement applies to all federal grants including ARRA, but does not apply to ARRA-ESF. The District had a process in place to certify time and efforts for employees who work solely on a single federal award. However, the personnel activity reports for employees who work on multiple cost objectives, of which one part is funded by the General Fund, did not account for the total activity for which each employee was compensated as required by A-87.

#### *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 (h)(2)(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 that the District was unaware of the federal requirements to:

- Minimize time elapsing between receipt and disbursement of funds; and,
- Remit interest earned on federal funds in excess of \$100 annually.

However, our analysis of the daily balances of all federal funds, taking into account revenues received and expenditures incurred, for the 10-month audit period (July 2009 - April 2010) showed that the District did not earn interest in excess of \$100.

#### **Recommendations**

1. Separately account for ESF expenditures in the General Fund as required.
2. Make an appropriation in the ESF account code to correctly account for these funds.
3. Ensure that contracts are in place before services are rendered for all consultants.
4. Ensure that the reported estimate of the number of jobs funded in Section 1512 quarterly report is accurate and adequately supported.
5. Use the most recent staffing reports to accurately estimate the number of jobs funded in the Section 1512 quarterly reports.

6. Ensure that the personnel activity reports for employees who work on multiple cost objectives, one of which is a federal grant, other than ARRA-ESF, account for the entire activities for which employees are compensated.
7. Institute procedures to address the time elapsing between the receipt and disbursement of federal funds and to calculate and remit interest earned 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: J. King, T. Savo, J. Delaney, B. Porter, C. Szuberla, K. Slentz, M. Lavare, A. Timoney, J. Dougherty, J. White, C. Dedrick (Washington-Saratoga-Warren-Hamilton-Essex BOCES)

**SARATOGA SPRINGS CITY SCHOOL DISTRICT**

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*"Every One, Every Child, Every Day!"*

July 19, 2010

James A. Conway, Director  
NYSED - Office of Audit Services  
Room 524 EB  
89 Washington Avenue  
Albany, NY 12234

Re: Report ARRA-0310-11

Dear Mr. Conway:

We have reviewed the draft results of the audit of the Saratoga Springs City School District's use of American Recovery and Reinvestment Act funds awarded for the July 1, 2009 - June 30, 2010 school year. As indicated in our audit conference, the District believes that appropriate procedures have been in place as the details of these funding requirements became clear. Our interest has been to comply with all components expeditiously. Indicated below are the specific responses to the items referenced in this report.

Financial Control System:

*Tracking and Recording*

The District believes that the Education Stabilization Funds (ESF) were appropriately identified and tracked separately within the General Fund as required using the journal entries posted. The guidance provided did not specify that accounts had to be charged directly each time ESF funds were expended. However, for the 2010-2011 ESF funds, the Treasurer will directly code the funds within our payroll system to provide a stronger control over the funds expended.

Appropriations have been made by the Treasurer to the ESF codes through a budgetary transfer so that the accounting system does not show negative balances in these codes as of June 30, 2010.

*Consultant Services Costs*

The District has established a procedure to assure that contracts for services are signed prior to the date services are rendered. The grant administrator will send out contracts as soon as a determination has been made that outside services will be required. The administrator will be sure a contract is signed prior to scheduling any service dates.

Compliance with Federal Grant Requirements:

*Section 1512 Reporting*

The District has included all the additional hours worked by employees that are funded by the IDEA Section 611 ARRA grant in its calculation of the FTE reported for the quarter ended June 30, 2010.

The District has calculated the ESF grant FTE for the quarter ending June 30, 2010 based on the most recent staffing report available.

*Time and Effort Requirements*

The District has modified its existing personnel activity reporting form to include the percentage which is funded by the General Fund.

*Cash Management*

The District's Business Office will review on a quarterly basis the daily balances for all Federal Funds received to determine if there is any interest in excess of \$100.00 which should be remitted. Since the District usually advances funds from the General Fund to support Federal Fund expenditures prior to reimbursement, we do not consider this to be an exposure as was shown during the audit, which indicates nothing is due back to the Federal government.

See Auditor's Note 1
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The willingness of your office to coordinate this audit process with the compliance audit requested concurrently by the Office of Educational Management Services was appreciated. The representatives of your office were professional and flexible during their time in the District.

Sincerely,

*Janice M. White*

Janice M. White, Ed.D.  
Superintendent of Schools

JMW/sav

cc: Board of Education  
Kurt Jaeger, Asst. Supt. for Business  
Margaret Culp, Asst. Business Manager

## Auditor's Note 1

Title 34 of the Code of Federal Regulations Part 80.21(i) states that "grantees and subgrantees shall promptly, but at least quarterly, remit interest earned on advances to the federal agency. The grantee or subgrantee may keep interest amounts up to \$100 per year for administrative expenses." According to the District's response "The District's Business Office will review on a quarterly basis the daily balances for all Federal Funds received to determine if there is any interest in excess of \$100 which should be remitted." We would like to clarify that the \$100 is the cumulative total for the entire year and not a threshold for any one quarter. Even if one particular quarter being reviewed has interest earned that is less than \$100, the interest from any prior and succeeding quarters has to be added in to determine if the total interest earnings for the year has exceeded \$100.