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June 18, 2010

Mr. Richard Strong  
Board President  
Syracuse City School District  
725 Harrison Street  
Syracuse, NY 13210

Report: ARRA-0410-12

Dear Mr. Strong:

This letter is our final audit report of the Syracuse 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 funds 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

After a grant application is approved by the Department, school districts request funds from a particular grant by submitting a claim (form FS-25, Request for Funds). We found that an employee was paid entirely from the General Fund even though part of her duties was to provide services for the ARRA IDEA Section 611 program. This error resulted in the District under-claiming a small amount (.20 FTE) of personal service costs. The District became aware of this and was in the process of fixing this error as of the end of field work.

### Financial Control System

We did not find any audit exceptions.

### 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. This requirement applies to all federal grants including ARRA related, but does not apply to ARRA-ESF. However, if an employee's salary is supported by multiple cost objectives, one of which is a federal grant other than ARRA-ESF, the requirement for personnel activity reports applies. The District's personnel activity report for an employee whose salary was paid by multiple cost objectives did not account for the entire activity for which the 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 (i) states that grantees and subgrantees shall promptly, but at least quarterly, remit interest earned on advances to the Federal agency.

We found the District did not have a procedure in place to calculate interest earned on federal funds in excess of \$100 annually. However, the District addressed the requirements to minimize the time elapsing between receipt and disbursement of federal funds by only requesting reimbursement of funds already spent to date.

Our analysis included an examination of the daily balances of federal funds for the 10-month audit period (July 2009 - April 2010). We determined that the District did not earn interest in excess of \$100 on federal funds.

## **Recommendations**

1. Verify that all employee salaries are being accurately charged and posted to the programs for which they are providing services.
2. 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.
3. Ensure that a procedure is in place to periodically calculate interest earned on federal funds and to remit any amount 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 this audit.

Sincerely,

James A. Conway

c: J. King, T. Savo, J. Delaney, B. Porter, C. Szuberla, M. Lavare, A. Timoney, J. Dougherty, D. Lowengard



725 Harrison Street  
Syracuse, NY 13210

Suzanne Slack  
Chief Financial Officer

June 9, 2010

Mr. James Conway  
Director of Audit Services  
The State Education Department  
The University of New York  
Albany, New York 12234

Report: ARRA – 0410 – 12

Dear Mr. Conway,

I am writing in formal response to your letter dated May 24, 2010 to Superintendent Lowengard of the Syracuse City School District regarding the draft results of the American Recovery and Reinvestment Act (ARRA) funds awarded for the July 1, 2009 – June 30, 2010 school year. On behalf of the District Administration and Board of Education, I respectfully submit the following responses to the three recommendations resulting from your audit.

**Audit Result: Allowability and Accuracy of Reported Expenditures**

**Response:** The District will regularly review payroll files to ensure that staff are appropriately charged and posted to the programs to which they are providing services. This will be conducted by an account clerk in the Special Programs Department throughout the course of the school year. In addition, staff responsible for monitoring grants will regularly review program budgets and expenses to ensure that staff is accurately charged to the appropriate grants. The error cited in the field work was immediately corrected and all staff is now charged accurately and appropriately.

**Audit Result: Compliance with Federal Grant requirements – Time and Effort**

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**Response:** The District is maintaining Time and Effort records and will modify these records in order to account for the entire activity for which the employee was compensated as required by A-87. This adjustment will detail all the cost objectives for the employee, not just the portion attributed to federal funds.

**Audit Result: Compliance with Federal Grant requirements – Cash Management**

**Response:** The District will develop and implement a procedure to periodically calculate interest earned on federal funds and to remit any amount in excess of \$100 annually. This procedure is as follows and is currently being implemented;

*Remittance of Interest Earned on Federal Funds Exceeding \$100 Annually*

See  
Auditor's  
Note 1

Interest from federal funds exceeding \$100 annually must be returned to the federal government through the State per the Federal Education Department General Administrative Regulations (EDGAR) Part 80. Interest will be calculated once annually after the fiscal year end, June 30<sup>th</sup>. To calculate interest, the special programs department will run a detail ledger report with both expenses and revenues sorted in date order for all federal grant programs combined and calculate the daily balances. Calculate interest on positive daily balances only.

The calculation is as follows:  
 $(\text{Daily Balance} * \text{Interest Rate}) / 365 * \text{Number of Days at that Daily Balance}$

Larry Young, City of Syracuse Treasurer provides the average annual interest rate. The interest calculation is reviewed by the Director of Accounting or Director of Fiscal Services. A warrant request for the amount of interest earned in excess of \$100 is prepared and sent to the Accounts Payable Department. This is expensed to the General Fund.

A check for the amount in excess of \$100 will be made payable to the U.S. Department of Education and sent with a cover letter to:

Margaret Zollo  
Grants Finance  
New York State Education Department  
Room 510 West EB  
Albany, N.Y. 12234

The cover letter must include the time period covered by the interest being returned. A copy of the interest calculation and cover letter (if applicable) will be saved in the Accounting Drive.

I trust that these measures satisfactorily meet the recommendations of your audit report. I appreciate you continued support and guidance as the regulations for the ARRA funding develops and I look forward to the return of your audit staff.

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Sincerely,



Suzanne Slack  
Chief Financial Officer

Enc.

cc: Daniel G. Lowengard, Superintendent of School  
Richard Strong, President – Board of Education  
B. Porter, State Education Department  
C. Szuberla, State Education Department  
M. Zollo, State Education Department  
Michael Puntschenko, Director  
Karen Henry, Director  
Nancy Squairs, Director  
Gail Kinsella, Testone Marshall & Discenza

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## Auditor's Note 1

According to Title 34 of the Code of Federal Regulations Part 80.21 "grantees and subgrantees shall promptly, but at least quarterly, remit interest earned on advances to the federal agency." In order for Syracuse to remit interest at least quarterly, if necessary, interest must be calculated more often than once annually.