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July 1, 2010

Mr. Michael D. Kealey  
Board President  
Connetquot Central School District  
780 Ocean Avenue  
Bohemia, NY 11716

Report: ARRA-0410-13

Dear Mr. Kealey:

This letter is our final audit report of the Connetquot Central 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 Educational Stabilization Funds (ESF) and Individual Disabilities Education Act (IDEA) for the period July 1, 2009 through April 30, 2010. At the time of fieldwork, the District had submitted two claims for ARRA-ESF and one claim for ARRA-IDEA (school age).

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's response to the draft report is included as Appendix A.

## **Audit Results**

### Allowability and Accuracy of Reported Expenditures

We did not find any audit exceptions.

### 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. 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. The District did not have time certifications for the five employees paid with ARRA IDEA Section 611 funding.

#### *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. 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 number of jobs created and saved. For ARRA-ESF's quarterly reporting period ending March 31, 2010, the District's program narrative has the same language as the original application and was not changed. It states that 75 positions will be saved; however, the reporting summary indicated 91 positions were saved. For the ARRA-IDEA 611 quarterly report ending March 31, 2010, there is also discrepancy in the program narrative and the reporting summary. The District reported seven teacher positions saved in the program narrative and five teacher positions saved in the reporting summary.

#### *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 process for ensuring compliance with federal requirements which includes:

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

However, our analysis of revenue received and expenditures incurred for all federal funds during a ten and a half month period (July 2009 - middle of May 2010) showed the District did not earn interest exceeding \$100 during this period.

### **Recommendations**

1. Ensure that the personnel activity reports for employees who work on a federal grant are prepared at least semiannually by the employee or supervisory official with first-hand knowledge of the work performed by the employee.
2. Verify that the number of jobs created/saved in the 1512 quarterly report is consistent between the program narrative and the reporting summary section of the report and reconciles with the supporting documentation.
3. Address federal requirements for minimizing time elapsing between receipt and disbursement of funds and 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

Enclosure

c: J. King, T. Savo, J. Delaney, B. Porter, C. Szuberla, M. Lavare, A. Timoney, J. Dougherty, A. Groveman, E. Zero



**CONNETQUOT CENTRAL SCHOOL DISTRICT OF ISLIP**  
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*Director of Accounting & District Treasurer*  
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June 28, 2010

James A. Conway, Director  
Office of Audit Services  
The State Education Department  
89 Washington Avenue  
Albany, NY 12234

Dear Mr. Conway:

Thank you for the draft results of your recently completed audit of the Connetquot Central School District's use of American Recovery and Reinvestment Act (ARRA) funds awarded for the July, 1, 2009—June 30, 2010 school year.

Following is our Plan of Corrective Action which will be presented to our Board of Education on July 13, 2010 for approval.

**Auditors' Recommendation Number 1:**

*Ensure that the personnel activity reports for employees who work on a federal Grant are prepared at least semiannually by the employee or supervisory official with first-hand knowledge of the work performed by the employee.*

**District Response to Recommendation:**

Although the District has a procedure in place to ensure that Personnel Activity Reports (PARs) are prepared as required, the certifications for the five employees paid with ARRA IDEA Section 611 funding were not completed due to an oversight. The District has enhanced its procedures to include additional review of PARs forms to ensure all certifications are obtained.

**Auditors' Recommendation Number 2:**

*Verify that the number of jobs created/saved in the 1512 quarterly report is consistent between the program narrative and the reporting summary section of the report and reconciles with the supporting documentation.*

**District Response to Recommendation:**

The District has implemented this recommendation as of the June 30, 2010 reporting period.

**Auditors' Recommendation Number 3:**

*Address federal requirements for minimizing time elapsing between receipt and Disbursement of funds and remitting interest earned on federal funds in excess of \$100 annually.*

**District Response to Recommendation:**

Although our **monthly** Federal fund cash balance analysis evidenced that the District was at no point during the audit year in a position where advances exceeded disbursements, the Accounting Department created and is maintaining a **daily** Federal fund cash balance analysis to comply with the Auditors' recommendation.

Thank you for the opportunity to review and comment on the results and recommendations made in the report.

If you have any questions, please contact me at the number shown above.

Sincerely,

Sharon Donnelly  
Director of Accounting & District Treasurer

Cc: Dr. Alan Groveman, Superintendent  
Kevin O'Brien, Assistant Superintendent for Business