



James A. Conway
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September 20, 2011

Dr. Pless Dickerson
Board President
Westbury Union Free School District
2 Hitchcock Lane
Old Westbury, NY 11568

Dear Dr. Dickerson:

Report: ARRA-0411-28

This letter is our final report of the Westbury 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 the Educational Stabilization Funds (ESF), Individual Disabilities Education Act (IDEA 611/619), and Title I for the period July 1, 2009 through June 30, 2010. At the time of fieldwork, the District had submitted final claims for these funds for the audit period.

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.

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

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). The amount of funds requested at any one time may only include actual expenditures to-date plus, in some cases, anticipated expenditures for the next month. For ARRA-ESF, the request is limited to actual expenditures to-date. Westbury submitted their first claim for ESF for the 2009-10 school year on December 7, 2009, and claimed \$1,029,559 on line 3 as project cash expenditures to-date. We found that the amount claimed was based on an estimate and not actual expenditures. We could not determine the amount of the actual expenditures as of the date when the FS-25 was signed; however, Department control systems limited the payment to \$908,791 which was 70 percent of the approved budget.

Financial Control System

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." We found that the District did not post ARRA-ESF expenditures to ARRA cost centers until March 31, 2010, nine months after the start of the grant period.

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, but does not apply to ARRA-ESF. The District had a process in place to certify time and effort for employees. However, the personnel activity reports for one employee who worked on multiple cost objectives were not prepared at least monthly to coincide with one or more pay periods as required by A-87. This individual's personnel activity reports were all done on June 8, 2010 for the entire 2009-10 school year.

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.

The District's policy does not adequately address compliance with federal requirements that include a process for minimizing time elapsing between receipt and disbursement of funds and remitting interest earned on federal funds in excess of \$100 annually. Their guidelines state that in the unlikely event funds are received in excess of expenditures, then the federal requirement for

minimizing the time elapsing between receipt and disbursement of funds must be recognized. It does not give a process for how this requirement will be addressed or that this requirement is in effect for all funds, not just those exceeding costs. Their guidelines also do not provide a process for calculating or remitting interest earned.

However, 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 because all funds are held in a non-interest earning account.

Recommendations

1. Only report actual expenditures incurred on the appropriate line of the FS-25 Request for Funds.
2. Timely post any future ARRA expenditures directly to the ARRA account codes.
3. Ensure that the personnel activity reports for employees, who work on more than one federal grant, are prepared monthly, and coincide with one or more pay periods.
4. Put processes in place that adequately address federal requirements regarding time elapsing between receipt and disbursement of funds, and to 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: K. Slentz, S. Cates-Williams, J. Delaney, B. Porter, C. Szuberla, M. Lavare, M. Zollo, R. Reyes, A. Timoney, J. Dougherty, C. Clark-Snead, T. Rogers (D.S. Nassau BOCES)



WESTBURY UNION FREE SCHOOL DISTRICT

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CONSTANCE R. CLARK-SNEAD, Ed.D.
Superintendent of Schools

MARY A. LAGNADO
*Assistant Superintendent
for Business and
Management Services*

September 8, 2011

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

Dear Mr. Conway:

We thank the State Education Department for providing their recommendations to strengthen our internal controls regarding funding of grants. We do agree with the findings.

The following recommendations were implemented in the second year of the ARRA funding:

1. Only report actual expenditures incurred on the appropriate line of the FS-25 Request for Funds.
2. Post all future ARRA expenditures directly to the ARRA account codes timely.
3. Ensure that the personnel activity reports for employees, who work on more than one federal grant are prepared monthly, and coincide with one or more pay periods.

Processes have been put in place to address the remittance of potential interest earned on federal grant funds (recommendation #4).

Sincerely,

Mary A. Lagnado
Assistant Superintendent
Business Management Services

MAL/mk

cc: Dr. Constance R. Clark-Snead, Superintendent of Schools