



James A. Conway  
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Office of Audit Services  
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March 8, 2010

Mr. Gregory Wichlacz  
Board President  
Hamburg Central School District  
5305 Abbott Road  
Hamburg, NY 14075

Report: ARRA-1109-05

Dear Mr. Wichlacz:

This letter is our final audit report of the Hamburg 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) for the period July 1, 2009 through June 30, 2010. At the time of fieldwork, the District had submitted only one claim for ARRA-ESF.

To accomplish our objectives, we interviewed appropriate District officials, performed limited tests of transactions, and reviewed documents. These documents included the claim form 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.

## **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 only. The District reported actual project cash expenditures to date for ARRA-ESF in its claim. However, the amount reported was based on an estimate and not actual expenditures. We could not determine the amount of the actual expenditures as of October 14, 2009, which was the date when the claim was signed by the District.

In addition, the District included \$30,148 in costs for custodial staff and \$2,464 for maintenance staff in their expenditures. These costs were not included in the approved grant application.

### Financial Control System

Districts must account for ARRA revenues and expenditures separately from other funding. At the time the FS-25 was submitted for ARRA – ESF on October 14, 2009, the expenditures were not posted to separate ARRA account codes. The District did not start accounting for these funds separately until the middle of November.

### 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. The District had no process in place to certify time and efforts for employees who are paid from federal grants other than ARRA – ESF.

#### *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 was unaware of these requirements and 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 5-month period (July – November 2009) showed ending deficit balances which have been covered by transfers from the general fund. Accordingly, we concluded that the District did not earn interest exceeding \$100 during the 5-month period.

### **Recommendations**

1. Only report actual expenditures incurred on the appropriate line of the FS-25 Request for Funds.
2. Only include Department approved costs in your ARRA – ESF expenditures.
3. Post all future ARRA expenditures directly to the ARRA account codes.
4. Put in place a process to certify time and efforts for employees who are paid from federal grants other than ARRA – ESF.
5. Address federal requirements including:
  - 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, M. Crawford, D. Ogilvie



*Pursuing Excellence Through Partnership*

February 10, 2010

**CERTIFIED MAIL NO.: 7004 0750 0000 8675 4876**

James A. Conway, Director  
NYS Education Department  
Office of Audit Services, Room 524 EB  
89 Washington Avenue  
Albany, NY 12234

**RE: Audit Report: ARRA 1-09-05**

Dear Mr. Conway:

We would like to thank the State Education Department's Office of Audit Services for their professionalism and assistance to the Hamburg Central School District in understanding the federal requirements for expending ARRA and other federal grant areas. The District has been able to use the recommendations of the Office of Audit Services to establish procedures to bring the district into compliance.

Please consider the following the district's response to the recommendations of the auditors.

**Recommendations:**

**1. Only report actual expenditures incurred on the appropriate line of the FS-25 Request for Funds.**

Budget codes have been created to track actual expenditures so that these expenditures can be accurately reported on the FS-25 Request for Funds.

**2. Only include Department approved costs in your ARRA-ESF expenditures.**

Allowable costs have been assigned proper ARRA account codes and is reviewed by staff on a monthly basis.

Hamburg Administration Building  
5305 Abbott Road  
Hamburg, NY 14075-1699  
Telephone (716) 646-3200 • Fax (716) 646.3209

Armor Elementary  
5301 Abbott Road  
Hamburg, NY 14075-1698  
(716) 646-3350

Boston Valley Elementary  
7476 Back Creek Road  
Hamburg, NY 14075-7202  
(716) 646-3240

Charlotte Avenue Elementary  
301 Charlotte Avenue  
Hamburg, NY 14075-3895  
(716) 646-3370

Union Pleasant Elementary  
150 Pleasant Avenue  
Hamburg, NY 14075-4828  
(716) 646-3280

Hamburg Middle School  
360 Division Street  
Hamburg, NY 14075-4598  
(716) 646-3250

Hamburg High School  
4111 Legion Drive  
Hamburg, NY 14075-4595  
(716) 646-3300

James A. Conway, Director  
February 10, 2010  
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**3. Post all future ARRA expenditures directly to the ARRA accounts.**

ARRA payroll codes have been established and appropriate staff salaries have and are being posted to the designated ARRA codes.

**4. Put in place a process to certify time and efforts for employees who are paid from federal grants other than ARRA-ESF.**

Two forms have been created to certify teachers' time and efforts that are paid from federal grants. Form A is for teachers who are paid their full salary out of a federal grant. This form is signed by the supervisor for the current school year. Form B is utilized by teachers who are partially paid out of a federal grant and the remainder paid out of local funds. This form contains the FTE allocations for each funding source. Teachers sign this form on a monthly basis according to the final payroll run for each month. Forms are enclosed for your review.

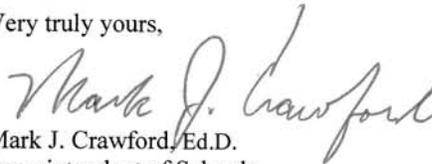
**5. Address federal requirements including:**

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

The district has reviewed federal requirements in order to ensure that the district's compliance with applicable guidelines.

I thank you for your time. If you have any questions regarding the district's response, please contact me at 716-646-3220.

Very truly yours,



Mark J. Crawford, Ed.D.  
Superintendent of Schools

MJC/jlk  
Encl.  
cc: Board of Education



Hamburg Central School District  
 Employee Payroll Certification Statement  
 Split-Funded Staff

Personnel Activity Report

Name: \_\_\_\_\_ Fiscal Year: 2009-2010  
 Building: \_\_\_\_\_ Assignment: \_\_\_\_\_

<u>Accounting Description</u>	<u>Account Number</u>	<u>Percent of Effort</u>
Project: A. Title I Regular	TL1.2110.150	
B. Title I ARRA	TL1.2110.150	
C. Title IIA	T2A.2110.150	
D. IDEA 611 Regular	TL6.2110.150	
E. IDEA 611 ARRA	TL6.2110.150.0A	
F. IDEA 619 Regular	PSI..2110.150	
G. IDEA 619 ARRA	PSI..2110.150.0A	
H. Local Funds		
<b>Total Effort</b>		<u>1.0</u>

I hereby certify that this report is an after-the-fact determination of actual effort expended for the period indicated and I have full knowledge of 100% of these activities.

Sept 25, 2009 _____	Feb 26, 2010 _____
Oct 23, 2009 _____	March 26, 2010 _____
Nov 20, 2009 _____	April 23, 2010 _____
Dec 18, 2009 _____	May 21, 2010 _____
Jan 29, 2010 _____	June 15, 2010 _____

- (1) Report must be prepared at least monthly and coincide with one or more pay periods.
- (2) Required for all split – funded positions.



**HAMBURG CENTRAL SCHOOL DISTRICT**

**PAYROLL CERTIFICATION FORM  
2009-2010**

**FUND**            **ARRA FUNDS**

**FROM:**            Gordon S. Kerr  
Associate Superintendent  
Hamburg Central School District  
5305 Abbott Road  
Hamburg, New York 14075

***PAYROLL ACTIVITY CERTIFICATION***

**EMPLOYEE NAME:**  
**BUILDING:**  
**POSITION:**  
**FUND:**  
**% OF TIME WORKED**

**STATEMENT OF CERTIFICATION  
JULY 1, 2009 - DECEMBER 31, 2009**

I hereby certify that this report is an after-the-fact determination of actual effort expended for the period indicated and I have full knowledge of 100% of these activities.

Signature (Immediate Supervisor)

Date

**STATEMENT OF CERTIFICATION  
JANUARY 1, 2010 - JUNE 30, 2010**

I hereby certify that this report is an after-the-fact determination of actual effort expended for the period indicated and I have full knowledge of 100% of these activities.

Signature (Immediate Supervisor)

Date