



James A. Conway
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March 5, 2010

Mr. Steven Cerne
Board President
Eden Central School District
3150 Schoolview Road
Eden, NY 14057

Report: ARRA-1109-07

Dear Mr. Cerne:

This letter is our final audit report of the Eden 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 Education Stabilization Funds (ESF) and Individual Disabilities Education Act (IDEA) for the period July 1, 2009 through June 30, 2010. At the time of fieldwork, the District had only submitted claims for ARRA-ESF and ARRA-IDEA (Preschool and School Age).

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

The results of this audit have been discussed with District officials and your 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.

ARRA-ESF

For ARRA-ESF, the request for funds is limited to actual expenditures to-date only. The District included in its claim an amount of \$80,000 for anticipated expenditures for the following month.

ARRA-IDEA 611

The District's initial FS-25 reported actual project cash expenditures of \$24,482. Our review of the documentation supporting the claim identified an expenditure of \$2,445 for a 19" LCD with camera that was not included in the budget approved by the Department.

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 reports for employees whose salaries are paid by multiple cost objectives were not prepared at least monthly to coincide with one or more pay periods 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. The grantee or subgrantee may keep interest amounts up to \$100 per year for administrative expenses. We found the District was unaware of these requirements and did not have a process for ensuring compliance with federal requirements regarding cash management 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 revenues 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. Submit Request for Funds (FS-25) claims consistent with the guidelines issued by the Department by not including future anticipated expenditures for ARRA-ESF.
2. Submit claims which only include costs that are approved in the budget.
3. 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, are prepared at least monthly to coincide with one or more pay periods as required in OMB Circular A-87.
4. 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. Plotzker, M. Lavare, A. Timoney, J. Dougherty, R. Buggs, R. Guiffreda

Eden Central School District

Business Office

3150 Schoolview Road, Eden, New York 14057

Lisa A. Almasi
Director of Finance

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February 12, 2010

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

RE: Report ARRA-1109-07

Dear Mr. Conway,

Thank you for providing us with the opportunity to review and respond to the results and recommendations made in your audit report. Please consider this letter as the District's response to your audit report.

Allowability and Accuracy of Reported Expenditures

ARRA-ESF

While the initial FS-25 requested an amount for the following months anticipated expenditures, the District corrected this issue and all future FS-25 requests have been for only actual expenditures to date.

ARRA-IDEA611

As suggested by the auditor, the District recently submitted an FS-10-A listing the 19" LCD with camera for a visually impaired student as an item we wish to include in this budget. In the future, the District will file an FS-10-A if items not on the approved budget are needed.

Compliance with Federal Grant Requirements

Time and Effort Requirements

Beginning in November 2009, the Business Office has prepared monthly listings of all employees paid with federal funds. The listings designate if the employee needs to sign payroll certifications monthly (if paid from multiple funds) or semi-annually (if paid from a single federal fund). The part time clerk typist in the Business Office then prepares payroll certification letters, which are reviewed and signed by the Director of Finance, and then sent to each employee with their pay check or direct deposit stub. The part time clerk typist in the Business Office tracks the receipt of the payroll certifications and follows up with the employee if the payroll certification is not received in a timely basis.

Cash Management

The District thanks the Office of Audit Services for making us aware of the federal requirements regarding cash management. The District will work with Erie 1 BOCES Policy Services to see if they can assist us in writing a policy and procedures for:

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

Currently, the District does loan General fund monies to the Federal fund to cover grant expenditures when expenditures exceed federal funds received. It doesn't appear that there is a federal requirement addressing interest lost on these General fund monies. Once federal fund monies are received, they are transferred into our checking account, which earns a minimal amount of interest. The District Treasurer has begun to track potential interest earned on all federal funds. We do not anticipate that interest in excess of \$100 annually will be earned on these funds.

If you have any questions, or need additional information, please contact me at 716-992-3606 or at lalmasi@edencsd.wnyric.org.

Sincerely,



Lisa A. Almasi
Director of Finance