



James A. Conway  
Director  
Office of Audit Services  
Tel. (518) 473-4516  
Fax (518) 473-0259  
E-mail: [jconway@mail.nysed.gov](mailto:jconway@mail.nysed.gov)

March 8, 2010

Mr. Jules LaPoint  
Board President  
Saranac Central School District  
32 Emmons Street  
Dannemora, NY 12929

Report: ARRA-1109-08

Dear Mr. LaPoint:

This letter is our final audit report of the Saranac 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 June 30, 2010. At the time of fieldwork, the District had submitted two claims for ARRA-ESF and completed one claim for ARRA-IDEA (school age).

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.

## **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. 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, did not account for the entire activity for which employees were compensated, and, in some cases, certification was not after the fact as required by A-87.

#### *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 the number of jobs retained. For the reporting period ending September 2009, the District reported 19.8 jobs saved for ARRA – ESF. Based on the supporting documentation, the District actually funded 21.3 jobs with 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. 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, account for the entire activity for which employees are compensated, and certifications are prepared after the fact.
2. Verify that the number of jobs created/saved reconciles with the supporting documentation prior to submission of quarterly reports.
3. 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, K. Cringle, C. King

Administration: Kenneth O. Cringle, Superintendent of Schools ~ Danielle McAfee, Business Manager  
Officers of Board: Linda Tedford, Clerk ~ Linda Martin, Treasurer  
Board of Education: Jules LaPoint, Pres. ~ Tracy Allen-Waite, Vice-Pres. ~ Lori Saunders ~ Charlene Favaro ~ Robert Brooks ~ Michael Rascoe ~ Samantha Cross

# **Saranac Central School District**

PO Box 8, Saranac, New York 12981  
Tel. (518) 565-5600 ~ Fax (518) 565-5617

February 23, 2010

Mr. James Conway, Director  
Office of Audit Services  
NYS Education Department  
89 Washington Avenue, Room 534EB  
Albany, NY 12234

RE: Letter of Corrective Action  
Report ARRA-1109-08

Dear Mr. Conway:

The District has addressed your ARRA audit recommendations for the award period July 1, 2009-  
June 30, 2010 as follows:

1. **Time and Effort Requirements:**  
OMB Circular A-87 requires salaries of employees who are chartered 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, did not account for the entire activity for which employees were compensated and, in some cases, certification was not after the fact as required by A-87.

*Corrective Response: Effective January 1, the District has revised the payroll certification forms to account for the entire activity for which an employee is compensated. Employees and the building principal will sign the form on the last payroll of each month.*

2. **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 number of jobs created and the number of jobs retained. For the reporting period ending September 2009, the District reported 19.8 jobs saved for ARRA-ESF. Based on the supporting documentation, the District actually funded 21.3 jobs with ARRA-ESF.

*Corrective Response: The original application included positions that were not filled until later in the school year. The quarterly reports will continue to verify the number of jobs created/saved accompanied with appropriate supporting documentation.*

3. 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 annual.

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.

*Corrective Response: To date, the District has not received an advance of ARRA-ESF funds. Only funds addressing immediate need will be requested. The Board of Education is currently updating the Board's policy manual and has included language regarding procedures to follow if \$100 or more is earned in interest on federal funds.*

If you have any questions, don't hesitate to contact me at 518-565-5612 or via email at [kcringle@saranac.org](mailto:kcringle@saranac.org).

Sincerely,



Kenneth O. Cringle  
Superintendent of Schools

cc: Board of Education  
Danielle McAfee, Business Administrator