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May 20, 2011

Mr. Michael Hale, Sr.
Board President
Altmar-Parish-Williamstown Central School District
P.O. Box 97, 639 County Route 22
Parish, NY 13131

Report: ARRA-1010-22

Dear Mr. Hale:

This letter is our final report of the Altmar-Parish-Williamstown 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 ARRA funding provided through the Education Stabilization Funds (ESF) (also referred to as State Fiscal Stabilization Funds, SFSF), Individual Disabilities Education Act (IDEA 611/619), and Title I of the Elementary and Secondary Education Act. At the time of fieldwork, the District had submitted claims for most of their approved ARRA-ESF, ARRA-IDEA 611/619, and ARRA-Title I funding.

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

After a grant application is approved by the Department, grantees receive payments by submitting requests for funding (FS-25) throughout the grant period. For ARRA ESF, the amount of funds requested at any one time may only include actual expenditures to date. We found that the amount of project cash expenditures to date, claimed by the District on their June 25, 2010 FS-25 for ARRA-ESF, included both encumbered and expended amounts for a project to upgrade the District's security system. In addition, we found that one of the claimed security system expenditures was \$225 greater than what was documented on the vendor's invoice.

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 semi-annually by the employee or supervisory official with first hand knowledge of the work performed by the employee. Salaries of employees who work on multiple activities or cost objectives (multiple funding streams) must be supported by personnel activity reports. These personnel activity reports must be prepared at least monthly and coincide with one or more pay periods; reflect an after-the-fact distribution of the actual activity of the employee; account for a full FTE; and be signed by the employee. The District did not prepare semi-annual certifications for two employees whose salaries were being paid with ARRA-IDEA 611. In addition, the District did not prepare personnel activity reports for one employee whose salary was partially paid from ARRA-IDEA 619, 13 employees whose salaries were partially paid from ARRA-ESF, and 49 employees whose salaries were partially paid from ARRA-Title I.

Section 1512 Reporting

Under Section 1512 of ARRA, recipients of ARRA funds must submit a quarterly report that describes how the entity used those funds and an estimate of the number of jobs saved/created. 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 saved/created. The District's Title I ARRA Program Narrative and Summary Report for June 30, 2010 reported two positions saved/created in the program narrative section and zero positions saved in the reporting summary; however, District records show approximately three positions saved/created. In addition, the ESF's ARRA Program Narrative and Summary Report for June 30, 2010 reported 9.5 positions saved/created in the program narrative section but a total of 16.5 positions in the reporting summary. Our review of district records show 11.25 positions saved/created at the district.

See Auditor's Note 1

Cash Management

According to Title 34 of the Code of Federal Regulations 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; however, they can keep interest amounts up to \$100 per year for administrative expenses. Our analysis of revenue received and expenditures incurred for all federal funds during fiscal year 2009-10 showed the District earned interest amounting to \$170.58 during this period.

Recommendations

1. Ensure that requests for funding from ARRA-ESF grants only include actual expenditures to date.
2. Submit a revised ESF Final Expenditure Report reflecting a reduction of \$225 for the undocumented ESF costs.
3. Ensure that personnel activity reports for employees who are paid from more than one funding stream are prepared at least monthly and coincide with one or more pay periods; reflect an after-the-fact distribution of the actual activity of the employee; account for a full FTE; and are signed by the employee.
4. 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 supporting documentation maintained at the District.
5. Return interest on federal funds, amounting to \$70.58. Please make the check payable to the U.S. Department of Education and send it to:

U.S. Department of Education
P.O. Box 979053
St. Louis, MO 63197-9000

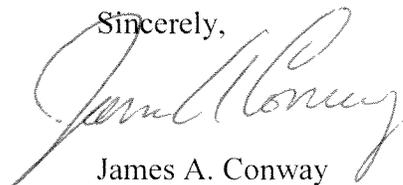
The remittance should be accompanied by a letter stating that it is for “interest earned on federal funds” and should include the DUNS number.

See Auditor's Note 2

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,

A handwritten signature in cursive script, appearing to read "James A. Conway".

James A. Conway

c: V. Grey, J. King, J. Delaney, B. Porter, C. Szuberla, K. Slentz, M. Lavare, M. Zollo, M. Plotzker, R. Reyes, A. Timoney, J. Dougherty, G. Hudson, J. Camerino (Oswego County BOCES DS)

Altmar Parish Williamstown Central Schools

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Victor Holl, School Business Official

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May 5, 2011

James A. Conway, Director
Office of Audit Services
NYS Education Department
jconway@mail.nysed.gov

Dear Mr. Conway:

RE: Report: ARRA-1010-22

The following is our district response to your draft results for the above captioned audit:

Allowability and Accuracy of Reported Expenditures

1. In the future, the district will include only cash expenditures to date on all FS-25 forms filed for ARRA-ESF grant funds.
2. The district has filed a Long Form FS-10f to reduce our claimed expenditures in the amount of \$225.00. We note that the NYSED has received and acted upon our FS-10f and that the on-line ARRA Reporting System Budget Summary now reflects receipt of our amendment (copy attached).

Compliance with Federal Grant Requirements

Time and Effort Reporting

1. The district did and was in the practice of obtaining Employee Certifications twice each year in compliance with our independent auditor's recommendations. During the ARRA Auditors visit we learned of the requirement for monthly certifications. We immediately implemented a monthly certification procedure and have made it a permanent part of our Federal Grant Compliance Plan.

Section 1512 Reporting

2. Based upon our understanding of these new and unfamiliar grant compliance and reporting procedures, we provided documentation for all job created and saved. We note that the format provided for reporting statistics on written grant reports differs from the format required by the ARRA web site. Because we were required to file our initial application and all quarterly status reports on the ARRA web site, we have focused our efforts on the web based statistics. We believe that the small variance in our written reports, noted by your auditors, is the result of the above mentioned difference in format. The district is committed to maintaining the most accurate records possible and will continue to capture and report accurate data.

Cash Management

3. The district was previously unaware of the Federal Requirement for the quarterly reporting and remittance of interest earnings in excess of \$100.00. During their visit, your auditors graciously provided us with a sample reporting spreadsheet which we implemented during their visit. Since the audit visit we have calculated all ARRA related interest earnings and remitted all amounts due to date on a quarterly basis. The district has adopted the monthly tabulation and quarterly remittance of grant related interest earnings.

Recommendations

The district has acted upon and fully complied with each of the five recommendations listed in your draft report.

We appreciated the information and guidance provided by your auditors during their visit, and will be happy to provide any additional information required.

Sincerely,

Victor Holl
School Business Administrator

Auditor's Notes

Note 1

The original language from the draft report was modified in order to be consistent. The final audit report reflects the use of ESF's ARRA Program Narrative and Summary Report (1512 quarterly report) for June 30, 2010, instead of ESF Final Expenditure Report for 2009-10.

Note 2

The language of the recommendation was revised to more accurately reflect the proper procedure for cost adjustment. The District already took the appropriate steps to correct this exception.