



THE STATE EDUCATION DEPARTMENT / THE UNIVERSITY OF THE STATE OF NEW YORK / ALBANY, NY 12234

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April 10, 2015

Ms. Lianne Merchant  
Board President  
New Rochelle City School District  
515 North Ave  
New Rochelle, NY 10801

Report: SD-1115-04

Dear Ms. Merchant:

I am writing to transmit the final results of our recently completed audit of the New Rochelle City School District (District) use of the American Recovery and Reinvestment Act (ARRA) Race to the Top (RTTT) grant awarded for the July, 1 2013 – June 30, 2014 school year. The total amount claimed by the District for this period was \$157,324. 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 and accuracy of amounts reported in the Final Expenditure Report in the ARRA Reporting System and to assess compliance with pertinent federal requirements for the use of these funds.

To accomplish our objectives, we reviewed applicable laws, regulations, policies and procedures; interviewed District and State Education Department (Department) management and staff; and examined records and supporting documentation.

The audit was conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States. An audit includes examining, on a test basis, evidence supporting transactions recorded in the accounting and operational records and applying other procedures considered necessary. It also includes assessing the estimates, judgments, and decisions made by management. We believe that the audit provides a reasonable basis for our findings, conclusions, and recommendations.

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

#### *Unallowed Expenditures*

For RTTT, districts submit an online budget to the Department for approval. After the budget is approved, districts request funds by submitting a claim (form FS-25, Request for Funds). Once the grant period has ended, districts file a Final Expenditure Report (FER) with the Department. According to the Office of Management and Budget's Circular A-87 (Cost Principles for State, Local and Indian Tribal Governments), the District's claims for reimbursement should include costs that are in accordance with generally accepted accounting principles (GAAP) and allocable to the grant. GAAP for school districts requires the use of modified accrual basis of accounting which recognizes expenditures when incurred and not when paid. In addition, a cost is allocable to a grant if the goods or services involved are chargeable or assignable to such grant in accordance with the relative benefits received.

The District claimed expenditures totaling \$35,300 for a software license agreement related to the enhancement of its data systems and the development of student assessments. This expenditure was approved by the Department as part of the District's budget for 2013-14. However, according to the contract, the term of the license is for the period July 1, 2014 through June 30, 2015. Therefore, the benefit is to be realized during the 2014-15 school year. The audit is disallowing this cost. We also found that the District paid \$15,175 to a BOCES for teacher evaluation software licenses and configuration fees. This expenditure was approved by the Department as part of their budget for 2013-14. However, the COSER agreement stipulates that services are to be performed during the 2014-15 school year, therefore, the cost is also disallowed.

#### *Procurement Controls*

Sound internal controls call for districts to enter into contractual agreements with service providers before services are delivered. This helps assure that proper authorization and approvals were obtained prior to commencement of contract. Further, the contract should clearly stipulate the services to be provided; a timeframe for the delivery of services; the cost of providing the services; and the timing and method of payment.

We found the District paid \$43,000 to a vendor for the implementation of new math programs for its elementary schools. The contract was signed by the District on March 11, 2014 after services had already commenced on November 4, 2013.

### Compliance with Federal Grant Requirements

#### *Section 1512 Reporting*

New York State compiles ARRA data from each of its sub-recipients of ARRA awards and submits it to the federal government. 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.

The District did not submit their 1512 Quarterly Report for the period ending December 31, 2013.

### **Recommendations**

1. Only claim expenditures in the period in which services are rendered.
2. Contact the Department's Race to the Top Program Office for instructions, referencing this report, and submit a revised Final Expenditure Report through the ARRA online management portal reflecting a reduction of \$50,475 for disallowed costs for RTTT. The Grants Finance Office will send Form FS-80, Notice of Overpayment to your District confirming the amount overpaid, and provide remittance instructions.
3. Ensure contracts are in place and signed before procuring goods or services.
4. Submit quarterly reports for each quarter as required under Section 1512. Please note however, this is no longer a requirement as of February 1, 2014, making December 31, 2013, the last time recipients will report on the status of their awards.

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,



Maria C. Guzman

### Attachment

c: B. Berlin, S. Cates-Williams, C. Tangorra, K. Wagner, D. Juron, J. Delaney, M. Zollo, C. Szuberla, J. Conroy (DOB), J. Dougherty (OSC), B. Osborne (Superintendent), L. Greenbaum (Business Manager), H. Coles (DS Southern Westchester BOCES)



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RECEIVED

March 23, 2015

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OFFICE OF AUDIT SERVICES

Maria C. Guzman, Director  
Office of Audit Services  
The State Education Department  
89 Washington Avenue  
Albany, NY 12234

Re: Report SD-1115-04

Dear Ms. Guzman:

The City School District of New Rochelle submits their formal response to the draft audit report of the district's use of the American Recovery and Reinvestment Act (ARRA) Race to the Top (RTTT) grant awarded for the July 1, 2013-June 30, 2014.

The district reviewed the draft report and recommendations. Below are the district's responses to the recommendations:

*Recommendation 1: Only claim expenditures in the period in which services are rendered.*

*Recommendation 2: Contact Department's Race to the Top Program Office for instructions, referencing this report, and submit a revised Final Expenditure Report through the ARRA online management portal reflecting a reduction of \$50,475 for disallowed costs for RTTT.*

1) The City School District of New Rochelle sought advice from the RTTT program office on how to claim expenditures with an extended deadline period for the 2013-14 fiscal year. Upon counsel from the program office, the district submitted reimbursement for the 2013-14 fiscal year for software that would be used in the 2014-15 school year. Through the assistance of the RTTT program office, the district rectified this situation by deducting \$50,475 from the 2013-14 budget and then accurately charged the costs to the 2014-15 RTTT budget.

*Recommendation 3: Ensure contracts are in place and signed before procuring goods or services.*

2) The City School District of New Rochelle will ensure contracts are in place before procuring services.

*Recommendation 4: Submit quarterly reports for each quarter as required under Section 1512. Please note however, this is no longer a requirement as of February 1, 2014, making December 31, 2013, the last time recipients will report on the status of their awards.*

3) The City School District of New Rochelle submitted all quarterly reports. However, it appeared that the system did not record our submission. In the future, the district will submit quarterly reports as required and seek confirmation of receipt.

Thank you for the recommendations and guidance. If you have any questions or require additional information, please do not hesitate to contact me.

Sincerely,

Brian G. Osborne, Ed.D.  
Superintendent