
Audit Report

Niagara Falls City School District
Race to the Top Grant

For the Period

July 1, 2011 through June 30, 2012

SD-1212-01

June 21, 2013

The University of the State of New York
THE STATE EDUCATION DEPARTMENT
Office of Audit Services
Albany, New York 12234





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

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June 21, 2013

Ms. Carm Rotella
Board President
Niagara Falls City School District
630 66th Street
Niagara Falls, NY 14304

Dear Ms. Rotella:

The following is our final report (SD-1212-01) of the Niagara Falls City School District's Race to the Top Grant for the period July 1, 2011 through June 30, 2012. The audit was conducted pursuant to Section 305 of the Education Law in pursuit of Goal #5 of the Board of Regents/State Education Department Strategic Plan: "Resources under our care will be used or maintained in the public interest."

Ninety days from the issuance of this report, District officials will be asked to submit a report on actions taken as a result of this audit. This required report will be in the format of a recommendation implementation plan and it must specifically address what actions have been taken on each recommendation.

I appreciate the cooperation and courtesies extended to the staff during the review.

Sincerely,

James A. Conway

Enclosure

c: B. Berlin, S. Cates-Williams, K. Slentz, K. Wagner, D. Juron, J. Delaney, C. Szuberla, J. Conroy, A. Timoney (DOB), J. Dougherty (OSC), S. Warner, C. Bianco (Superintendent), C. Godshall (DS Orleans-Niagara BOCES)

Executive Summary

Background and Scope of the Audit

The Race to the Top (RTTT) is an unprecedented \$3.4 billion competitive federal grant program, the largest ever offered by the U.S. Department of Education. New York State is one of only four states eligible for the largest grants – up to \$700 million. It presents a unique opportunity for the State to build on the unrivalled experience and talents of educators across New York to accomplish the work necessary to fulfill the Regents' vision. RTTT is designed to reward states that are creating conditions for education innovation and reform and are achieving significant improvement in student outcomes including making substantial gains in student achievement, closing achievement gaps, improving high school graduation rates, ensuring student preparation for success in college and careers, and implementing ambitious plans in four core education reform areas:

- Adopting standards and assessments that prepare students to succeed in college and the workplace and to compete in the global economy;
- Building data systems that measure student growth and success, and inform teachers and principals about how they can improve instruction;
- Recruiting, developing, rewarding, and retaining effective teachers and principals, especially where they are needed most; and
- Turning around our lowest-achieving schools.

The Office of Audit Services conducted an audit of the Niagara Falls City School District's (District) use of federal RTTT funds. We examined financial records and documentation to substantiate \$134,142 claimed in expenditures for the period July 1, 2011 through June 30, 2012. Our objectives were to verify the allowability and accuracy of amounts reported in the Final Expenditure Report in the American Recovery and Reinvestment Act (ARRA) Reporting System and to assess compliance with pertinent federal requirements for the use of these funds.

Audit Results

We found that almost all of the expenditures claimed were allowable and the District was in compliance with the federal requirements. We did find the following minor exceptions:

- The District charged the grant \$532 for conferences held by the Network Team Institute (NTI) when this was not permitted according to guidance issued by the State Education Department (Department); and
- The District's policy regarding procurement of professional services is vague and does not indicate what procedures should be followed when competitive bidding is not required.

Comments of District Officials

District official's comments about the findings and conclusions were considered in preparing this report. District Officials generally agreed with our findings and recommendations; their response to the draft report is included as Appendix B.

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Introduction

Background

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Objectives, Scope, and Methodology

The Office of Audit Services conducted an audit of the Niagara Falls City School District's (District) use of federal RTTT funds. We examined financial records and documentation to substantiate \$134,142 claimed in expenditures for the period July 1, 2011 through June 30, 2012. Our objectives were to:

- verify the allowability and accuracy of amounts reported in the Final Expenditure Report in the

American Recovery and Reinvestment Act (ARRA) Reporting System; and

- 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.

Comments of District Officials

District official's comments about the findings and conclusions were considered in preparing this report. District Officials generally agreed with our findings and recommendations; their response to the draft report is included as Appendix B.

Expenditure Allowability

The Office of Management and Budget's Circular A-87 requires that to be allowable under federal grant awards, costs must be necessary and reasonable; consistent with policies, regulations, and procedures that apply to the award; accorded with consistent treatment; and be adequately documented.

For RTTT, districts submit an online budget to the Department prior to the beginning of the grant period. The online budget delineates the anticipated costs by specific itemization of proposed project expenditures and ensures that expenditures made by the districts have the prior approval of the Department. Once the grant period has ended, districts file a Final Expenditure Report with the Department to receive funds for expenditures claimed. Most District expenditures were allowable and supported except for certain registration fees.

Allowability

Guidance issued by the Department for reimbursement of Network Team Institute (NTI) costs for professional development states that no federal ARRA RTTT funds may be used to pay for the registration fee as a portion will be applied towards the cost of food.

We examined all 21 other than personal services (OTPS) expenditures, amounting to \$19,643, to ensure that they were accurate, allowable, and approved as part of the budget. We found that the District had sufficient controls over the grant claiming process. However, the District claimed \$532 in expenditures that should not have been reimbursed through RTTT because they were for NTI conference fees, which were not allowable. A breakdown of the claimed amount is as follows:

- \$80 registration fee for NTI conference November 2 and 3, 2011;
- \$122 registration fee for NTI conference January 17-19, 2012;
- \$137 registration fee for NTI conference March 12-14, 2012; and

- \$193 registration fee for NTI conference May 14 and 15, 2012.

Recommendation

1. Contact the Department's Grants Management Office for instructions, reference this report, and submit a revised Final Expenditure Report through the ARRA online management portal reflecting a reduction of \$532 for disallowed costs for RTTT. Grants Finance will send Form FS-80, Notice of Overpayment to your District confirming the amount overpaid, and provide remittance instructions.

Procurement

An effective procurement process helps the District obtain services, materials, supplies and equipment at the desired quality, appropriate quantity, and lowest cost, in accordance with applicable Board and legal requirements. This process helps the District ensure that it expends taxpayer dollars in the most efficient manner. The District had a procurement policy, but it was vague in one important area.

Requests for Proposals

General Municipal Law (Law) requires that the District adopt policies and procedures governing the procurement of goods and services when competitive bidding is not required (purchases or public works contracts not exceeding \$20,000 or \$35,000, respectively). The policy and procedure should ensure that the District seeks competition for such purchases, to provide for the acquisition of goods and services of maximum quality at the lowest possible cost, and to protect against favoritism toward specific vendors.

We found that the District's policy regarding procurement of professional services is vague and does not indicate what procedures should be followed when competitive bidding is not required. For example, the District expended \$13,500 of RTTT funds to pay for a professional service from NCS Pearson, Inc. without using a Request for Proposals (RFP) or another method. Although not a direct violation of the District's purchasing policy, it does not provide assurance that professional services are procured from a provider that is in the best interest of the District.

Recommendation

2. Strengthen the District's purchasing policy by adding requirements that RFPs be used in all instances for procuring professional services.

Contributors to the Report
Niagara Falls City School District
Race to the Top Grant

- T. Stewart Hubbard III, Audit Manager
- Patrick Orton, Auditor in Charge
- James Schelker, Senior Auditor



School District of the City of Niagara Falls, New York

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June 12, 2013

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

Dear Mr. Conway:

With regard to the Niagara Falls City School District audit of ARRA Race to the Top Funds for the school year 2011-12, the District understands the findings and has taken the following actions:

- Expenditures for meals will no longer be paid from the ARRA RTTT grant.
- We will review our purchasing policy at the annual Board of Education reorganizational meeting on July 2, 2013.

We again thank you for your review.

Sincerely,

Cynthia Bianco
Superintendent of Schools

cc: T. Hyland
R. Holody
S. Warner