
Audit Report

Rochester City School District
School Improvement Grant

For the Period

July 1, 2010 through September 30, 2011

SD-1111-01

January 28, 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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January 28, 2013

Mr. Malik Evans
Board President
Rochester City School District
131 W. Broad Street
Rochester, New York 14614

Dear Mr. Evans:

The following is our final report (SD-1111-01) for the review of the Rochester City School District's (District) School Improvement Grant for the period July 1, 2010 through September 30, 2011. The review 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 review. 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: Commissioner King, B. Berlin, S. Cates-Williams, K. Slentz, C. Szuberla, R. Reyes, J. Delaney, J. Conroy, K. Jacobs, B. Vargas, A. Timoney (DOB), J. Dougherty (OSC)

Executive Summary

Background and Scope of the Audit

The School Improvement Grant (SIG) is authorized by section 1003(g) of the Elementary and Secondary Education Act of 1965. SIG funds are used to finance reforms in the country's lowest-performing schools with the goal of improving student outcomes such as standardized test scores and graduation rates. Funding increases in the fiscal year 2009 spurred the United States Department of Education to make substantive changes to SIG funding. For example, the persistently lowest-achieving schools receiving SIG funding must now implement one of four intervention models, each with specific requirements for reform interventions. Under SIG, each school may receive up to \$2 million annually for three years to improve student outcomes.

The Rochester City School District (District) utilized SIG funds at five schools beginning in the 2010-11 school year. The Office of Audit Services conducted an audit to verify that the District appropriately expended federal SIG funds. We examined financial records and documentation to substantiate \$6,253,724 claimed in expenditures for the period July 1, 2010 through September 30, 2011. Our objectives were to verify the allowability and accuracy of amounts expended, determine if sufficient financial control systems were in place to track funds to individual schools, and to assess compliance with pertinent federal requirements for the use of these funds.

Audit Results

We found \$11,759 in non-salary expenditures that should not have been charged to SIG for the period July 1, 2010 through September 30, 2011. The disallowance and other issues identified by the audit were as follows:

- The District spent \$10,128 for a batting cage, swimwear, coffee cart, and an electronic safe, all of which were not contained in their approved application or in the associated budget.
- The District claimed \$1,631 in undocumented travel costs.

Comments of District Officials

District officials' comments about the findings and conclusions were considered in preparing this report. Their response to the draft is included as Appendix B.

Table of Contents

INTRODUCTION	1
BACKGROUND	1
OBJECTIVES, SCOPE, AND METHODOLOGY	1
COMMENTS OF DISTRICT OFFICIALS.....	2
NON-SALARY EXPENDITURES	3
UNAPPROVED	3
UNDOCUMENTED.....	3
RECOMMENDATIONS	4

Appendix A – Contributors to the Report

Appendix B – District’s Response

Introduction

Background

The School Improvement Grant (SIG) is authorized by section 1003(g) of the Elementary and Secondary Education Act of 1965. SIG funds are used to finance reforms in the country's lowest-performing schools with the goal of improving student outcomes such as standardized test scores and graduation rates. Funding increases in the fiscal year 2009 spurred the United States Department of Education to make substantive changes to the SIG funding. For example, the persistently lowest-achieving schools receiving SIG funding must now implement one of four intervention models, each with specific requirements for reform interventions. Under SIG, each school may receive up to \$2 million annually for three years to improve student outcomes.

States are required to award sub-grants to school districts competitively, rather than by formula. State educational agencies evaluate grant applications using several criteria, including the school's proposed intervention model and the district's budget and reform implementation plan, as well as their capacity to implement the reforms effectively. The SIG funds may be used for four different intervention models including the transformation, turnaround, restart, and closure models. Each model has specific requirements for reform interventions, such as replacing principals or turning over school management to a charter organization or other outside organization.

Objectives, Scope, and Methodology

The Rochester City School District (District) implemented the turnaround model at four schools and the transformation model at one school beginning in the 2010-11 school year. The Office of Audit Services conducted an audit to verify that the District appropriately expended federal SIG funds. We examined financial records and documentation to substantiate \$6,253,724 claimed in expenditures for the period July 1, 2010 through September 30, 2011. Our objectives were to:

- verify the allowability and accuracy of amounts expended;
- determine if sufficient financial control systems were in place to track funds to individual schools; 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 officials' comments about the findings and conclusions were considered in preparing this report. Their response to the draft is included as Appendix B.

Non-Salary Expenditures

The federal government's Office of Management and Budget's Circular A-87 states that 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.

School districts must maintain adequate documentation to support charges to federal grants, demonstrate adherence to the terms and conditions of the grant, and performance of the approved activities.

The District reported \$3.9 million in non-salary expenditures for SIG that represented 62 percent of their grant funding. We selected a sample of non-salary expenditures amounting to \$1.6 million and found that most of the claimed expenses were allowable and accurately accounted for, and that the District had sufficient financial controls to track funds to individual schools. However, we identified \$11,759 in expenditures that should not have been reimbursed through the grant because they were not approved or were undocumented.

Unapproved

The District claimed reimbursement for some items that were not contained in their approved application for SIG funding or in the associated budget. They paid \$6,120 for a batting cage and swimwear, \$3,610 for a coffee cart, and \$398 for an electronic safe. District personnel claimed the batting cage and swimwear were a part of "teacher incentives" and the safe was to be used to secure electronic devices not permitted on school grounds.

Undocumented

The District also claimed \$1,631 reimbursement for some travel expenses that were not supported by District documents. A travel expense of \$770 to New York City from May 21, 2011 through May 25, 2011 and another travel expense to Denver from July 10, 2011 through July 15, 2011 for \$861 were not adequately supported.

Recommendations

1. Submit a revised FS-10-F long form reflecting a reduction of \$11,759 for disallowed costs. The revised FS-10-F long form accompanied by a copy of this report or transmittal letter identifying this audit as the reason for the revision should be submitted within 30 days to:

The State Education Department
Grants Finance, Room 510W EB
Albany, NY 12234

Grants Finance will review the revised FS-10-F long form and send Form FS-80 Notice of Overpayment to your District, confirming the amount overpaid, and providing remittance instructions.

2. Ensure all items purchased with SIG funds are approved in the application for SIG funding or in the associated budget.
3. Ensure adequate supporting documentation is maintained for all non-salary expenditures.

Contributors to the Report
Rochester City School District
School Improvement Grant

- T. Stewart Hubbard III, Audit Manager
- Andrew Fischler, Auditor-in Charge
- Patrick Orton, Senior Auditor



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Every child is a work of art.
Create a masterpiece.

November 1, 2012

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

Dear Mr. Conway:

Thank you for the opportunity to review and comment on the results and recommendations included on the draft audit report (SD-1111-01) for the Rochester City School District's School Improvement Grant for the period July 1, 2010 through September 30, 2011. During this audit, your team examined financial records and documentation to substantiate \$6,253,724 claimed in expenditures.

The audit revealed \$11,759 in unapproved expenditures and \$1,631 in undocumented travel. Although \$6,120 in unapproved expenditures were part of teacher incentives in the East High School Transformation Model, you are correct in indicating that we did not receive prior approval for these types of incentives. We undoubtedly agree that the other two items are not approved expenditures.

The undocumented travel was due to a keying error where dates of travel were entered incorrectly into the project costing system and back-up documentation could not be located. Unfortunately, our travel process is still a manual process which leaves a chance for errors due to data entry.

We certainly agree to all of your recommendations and will be sending a revised FS10F reflecting a reduction of \$11,759 in disallowed costs. This audit has been reviewed by the Grant Monitor and will be discussed with the principals of the schools. We will revisit our travel process and complete a cost-benefit analysis of upgrading to an automated system.

We sincerely thank your staff for the professionalism and competence displayed during and after the audit. Please contact me at the above contact information if you have any further questions.

Sincerely,

A handwritten signature in black ink, appearing to read 'Karen A. Jacobs', is written over a horizontal line.

Karen A. Jacobs

xc: A. Murphy
W. Ansbro
S. Hasenauer-Curtis