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

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December 26, 2013

Ms. Patricia Riedel
Board President
Rome City School District
409 Bell Road
Rome, NY 13440

Report: SD-1013-04

Dear Ms. Riedel:

I am writing to transmit the final results of our recently completed audit of the Rome City School District's (District) use of the American Recovery and Reinvestment Act (ARRA) Race to the Top (RTTT) grant awarded for the July, 1 2012 – June 30, 2013 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 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 your 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

For RTTT, districts submit an online budget to the Department for approval. The online budget delineates the anticipated costs by specific itemization of proposed project expenditures. After the budget is approved, districts request funds by submitting a claim (form FS-25, Request for Funds) which may only include actual expenditures to-date and could be up to 90 percent of the approved budget. Once the grant period has ended, districts file a Final Expenditure Report (FER) with the Department to receive the remaining unreimbursed expenditures.

Unapproved Training Costs

We were provided a list of employees that were reported to have attended various RTTT training events from which we selected a sample. We found that the District paid stipends to employees to attend a certain RTTT training event of which four were paid but did not actually attend. One of the four did not attend any training and three went to a non-RTTT training event. The total amount paid to these four individuals is $1,918 and is disallowed.

Anticipated Expenditures on FS-25

The District submitted an FS-25 to request funds for reimbursement of expenditures incurred for the period ending March 31, 2013. However, the claim included an amount anticipated for the following month which is not allowable under RTTT awards. Department controls prevented the payment of anticipated costs and the District was only reimbursed for actual expenditures to date.

Compliance with Federal Grant Requirements

Section 1512 Reporting

New York State compiles 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 reported as created or retained.

The District did not submit their 1512 Quarterly Reports for the periods ending December 31, 2012; March 31, 2013; and June 30, 2013.

On-line budget and FER Narratives

The online budget and FER each have a narrative section that allows districts to explain in detail what they have budgeted and spent with their RTTT funds. We found that the District reported having hired a distinguished educator to work on its Network Team. However, our analysis of professional salaries did not show the funding of this position. Salaries were only

claimed for substitutes to cover for teachers attending training and for District staff to attend training beyond their normal working hours.

Recommendations

1. Only claim expenditures approved by the Department as part of the budget or submit a budget amendment for approval.

2. Contact the Department's Race to the Top Program Office for instructions, reference this report, and submit a revised Final Expenditure Report through the ARRA online management portal reflecting a reduction of $1,918 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. Submit Request for Funds (FS-25) claims consistent with the guidelines issued by the Department by not including future anticipated expenditures for ARRA-RTTT.

4. Submit quarterly reports for each quarter as required under Section 1512.

5. Ensure that the narrative section of the on-line budget and FER contain factual information from the current year.

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

Attachments
c: J. King, B. Berlin, S. Cates-Williams, K. Slentz, K. Wagner, D. Juron, J. Delaney, M. Zollo, C. Szuberla, J. Conroy, A. Timoney (DOB), J. Dougherty (OSC), J. Simons (Superintendent), J. Starks (District Superintendent Madison-Oneida BOCES)

Appendix A

ROME CITY SCHOOL DISTRICT
409 Bell Road
Rome, New York 13440

JEFFREY P. SIMONS
Superintendent of Schools

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Memorandum

To: Maria C. Guzman, Office of Audit Services
From: Jeffrey P. Simons, Superintendent of Schools
Date: December 17, 2013
Re: Audit Report of RTTT Dated - November 20, 2013

Please accept this memorandum of response to the draft audit report received by the Rome City School District regarding the audit of the American Recover and Reinvestment Act (ARRA) Race to the Top.

The audit report identified four areas of concern that have been studied by Mr. Mezza, Mrs. Donabella, and my office. Collectively, we have reviewed the findings and supporting documents to understand the context of the identified areas and developed an action plan for each area.

The identified areas are:

- *Unapproved Training Costs*
  District Detail: Four time sheets were submitted by employees for payment of work that occurred on a "Snow Day". These timesheets were received and inaccurately coded with the wrong budget code by clerical staff.
  Corrective Action: These four timesheets were re-coded and funding has been carried over to be accessed during the 2013-2014 school year. Procedures have been refined and clarified that only the Coordinator of Grants will utilize the budget codes associated grants. Clerical staffs have been advised that any request for payment must be appropriately budget coded before payment can be processed or paid.

- *Anticipated Expenditures on FS-25*
  District Detail: The district anticipated and reported an expense to the grant before an amendment was made to the grant's budget.
  Corrective Action: The district will no longer assume allocations and costs. All amendments to the budget will be made prior to expenses being incurred. Mr. Mezza is adjusting internal procedures associated with this practice.

- *Section 1512 Reporting*
  District Detail: The district did not submit all required quarterly reports associated with the grant.
  Corrective Action: A calendar has been developed to ensure checks and balances between the Coordinator of Grant and Business Official. They have scheduled monthly meetings to review all aspects of grants from development through evaluation. Collectively, they will review timeframes and assure the district is meeting all schedules.

- <u>*On-line budget and FER Narratives*</u>
  District Detail: The author of this section of the grant proposed the inclusion of funding the services of a per-diem consultant with the as a designation of "distinguished educator". It was anticipated that this consultant would offer support in the area of curriculum and instruction. Upon the reorganization of the administrative team within the district, it was identified that the funds once anticipated to fund this position would be reallocated to pay for substitute teacher salaries who cover for teachers attending training during business hours.
  Corrective Action: The district will carefully review all future narratives and will agree upon anticipated allocations prior to the allocation. Should the district need to make adjustment, the adjustments will be clarified within the narrative portion of the grant.