



James A. Conway
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November 30, 2011

Ms. Cathy Lewis
Board President
Schenectady City School District
108 Education Drive
Schenectady, NY 12303

Report: ARRA-0411-26

Dear Ms. Lewis:

This letter is our final report of the Schenectady City 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 included Educational Stabilization Funds (ESF), ARRA-IDEA 611 and 619, and ARRA-Title I for the period July 1, 2009 through June 30, 2010. We also examined the equipment inventory control system as part of this audit.

To accomplish our objectives, we interviewed appropriate District officials, performed limited tests of transactions, and reviewed documents. These documents included the claim form submitted to the State Education Department (Department), certain District policies and procedures, and financial records including 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 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

After a grant application is approved by the Department, school districts request funds from a particular grant by submitting a claim (form FS-25, Request for Funds). The amount of funds requested at any one time may only include actual expenditures to-date plus, in some cases, anticipated expenditures for the next month. For ARRA-ESF, the request is limited to actual expenditures to-date only.

The District submitted a total of 13 FS-25s (4 for ARRA-IDEA 611, 4 for ARRA-IDEA 619, 1 for ARRA-Title I, and 4 for ARRA-ESF) during the year. Eight of them contained a claim for expenditures to-date (line 3) that was greater than the amount supported by District records. One claimed less than what could be supported.

Financial Control System

Tracking and Recording Expenditures

According to a field memorandum to all Superintendents of Schools issued by Johanna Duncan-Poitier, Senior Deputy Commissioner, State Education Department, on March 31, 2009, "All ARRA funds must be segregated and tracked separately."

Of the 12 employees in our sample, 6 had their salaries charged to non-ARRA budget codes (general and special aid) from the beginning of the school year. Later in the year (May 2010), adjustments were made to move the salaries to ARRA budget codes (IDEA 619 and Title I). This late adjustment prevented the District from producing accurate budget status amounts for ARRA funds during most of the grant period.

There were also two employees with less salary claimed on the final expenditure report (FS-10-Fs) than coded to ARRA budget codes in the payroll system. One of the two was reported as a full time equivalent (FTE) on the FS-10-F.

Compliance with Federal Grant Requirements

Time and Effort Requirements

OMB Circular A-87 (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 semiannually 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 prepared semi-annual payroll certifications for employees paid from one federal fund. However, the finding regarding the late salary adjustments in budget codes mentioned above (see Financial Control System section) rendered these payroll certifications inconsistent with the actual payroll records. For example, one staff's payroll certification shows that she worked 100 percent for Title I ARRA from July-December 2009 and January-June 2010; however, her salary was charged to a non-ARRA account from the beginning of the school year until May 2010, at which time the salary already paid was moved to Title I ARRA.

For employees that worked on multiple activities or cost objectives, the District prepared a certification similar to the semiannual certifications for employees paid from one funding stream. However, these certifications do not comply with A-87 as they were not prepared monthly or coincide with one or more pay periods, and did not reflect an after-the-fact distribution of the actual activity of the employee.

Cash Management

According to Title 34 of the Code of Federal Regulations Part 80.20(b)(7), procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. Further, 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.

We found the District does not have a process for ensuring compliance with federal requirements which includes:

- Minimizing time elapsing between receipt and disbursement of funds; and,
- Remitting interest earned on federal funds in excess of \$100 annually.

The District has separate interest bearing accounts where federal monies are deposited. Our analysis of these accounts showed that the District earned \$5,982 in excess of \$100 in interest on federal funds.

Section 1512 Reporting

Under Section 1512 of ARRA, recipients of funds must submit a quarterly report that describes how the entity used those funds and an estimate of the number of jobs created and saved. 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 created and saved. Part 2, Section 5.3 of M-10-08 issued December 18, 2009 by Office of Management Budget details how the number of jobs created and saved should be determined.

Instead of prorating staff FTE, supporting documentation for ESF showed 3 FTE for 3 different people who worked partly as clerk of the Board during the year. However, after adjustment, the audited count of 175.33 FTE was not materially different than the claimed FTE of 175.13.

For ARRA 611, the District reported that 4 new jobs were saved/created on the NYSED Reporting Portal, which was equal to the number of jobs saved/created identified in the Program Narrative. However, the FS-10-F shows 13 teachers at what appear to be 1 FTE each and 1 secretary at less than 1 FTE. Therefore, the District should have reported at least 13 jobs saved/created on the NYSED Reporting Portal for ARRA 611.

Equipment Inventory

According to Section 80.32 of Title 34 of the Code of Federal Regulations (34 CFR 80.32):

- (d) Management requirements. Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:
- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
 - (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
 - (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated.
 - (4) Adequate maintenance procedures must be developed to keep the property in good condition.

The District's procedures for equipment inventory do not sufficiently safeguard District assets. Physical inventory is only taken once every five years and the fixed asset database (Asset Works) is only updated for equipment acquisitions and disposals at the end of each fiscal year when asset custodians fill out a form updating the list of assets in their charge. There is no system to independently verify the information on the forms completed by asset custodians. There is also no process to track the movement of assets between rooms or buildings.

In addition to Asset Works, the District also maintains an information technology database (ITDB) for all information technology (IT) assets. ITDB is updated on an ongoing basis. The audit compared the information in Asset Works and ITDB for a sample of 17 IT assets and found that, although most of the information agreed:

- 3 of the 17 assets could not be found on the ITDB because tag numbers differed from Asset Works
- 11 of the 14 assets had different costs

- 3 of the 14 assets had different serial numbers
- 8 of the 14 assets were in different locations

The audit also physically verified the 17 IT assets and found:

- 2 of the 17 assets could not be located
- 1 of the 15 assets had a different tag number
- 4 of the 15 assets had different serial numbers
- 4 of the 15 assets were in a location that differed from the ITDB

Recommendations

1. Only report actual expenditures incurred on the appropriate line of the FS-25 for Cash Expenditures to Date.
2. Ensure that salaries for federal programs are charged to the appropriate account.
3. Ensure that salaries claimed on final expenditures reports agree with supporting payroll records.
4. For all employees that work on multiple activities or cost objectives, ensure that personnel activity reports 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 is signed by the employee.
5. Establish procedures to ensure compliance with the following federal requirements:
 - Minimizing time elapsing between receipt and disbursement of funds; and,
 - Remitting interest earned on federal funds in excess of \$100 annually.
6. Return the interest earned on federal funds of \$5,982. Please make your agency's check payable to the U.S. Department of Education and send it with a cover letter to:

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

In the cover letter, please indicate that it is for “interest earned on federal funds” and include the agency’s DUNS number. A copy of the letter should also be sent to SED-Grants Finance Office.

7. Report the appropriate number of jobs created and saved in accordance with federal guidelines.

8. Establish policies and procedures for equipment acquisitions and disposals to ensure compliance with Section 80.32 of Title 34 of the Code of Federal Regulations and to ensure District assets are properly safeguarded.

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,

James A. Conway

c: K. Slentz, S. Cates-Williams, J. Delaney, D. Cunningham, C. Szuberla, M. Lavare, M. Zollo, R. Reyes, A. Timoney, J. Dougherty, J. Yagielski



SCHENECTADY CITY SCHOOL DISTRICT

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SUPERINTENDENT'S OFFICE

John Yagielski
Interim Superintendent
Patricia Paser
Assistant to the Superintendent

November 23, 2011

James A. Conway
Director of Audit Services
New York State Education Department
Albany, New York 12234

Dear Mr. Conway,

I am writing in response to the recently completed draft results of the monitoring visit and the Schenectady City School District's (SCSD) use of American Reinvestment and Recovery Act (ARRA) awarded for the July 1, 2009-June 30, 2010 school year.

Upon review of the audit results and recommendations addressed in the draft, I have discussed and reviewed the corrective actions as well as the continued grants management of ARRA with my leadership team in the following areas:

- Allowability and Accuracy of Reported Expenditures;
- Financial Control System;
- Compliance with Federal Grant Requirements;
- Cash Management;
- Section 1512 Reporting; and
- Equipment Inventory.

NYSED Recommendations:

Recommendation #1: Only report actual expenditures incurred on the appropriate line of the FS25 for Cash Expenditures to date

Response #1: The Business Office has reviewed processes and procedures for FS25 submissions. The SCSD will ensure that the FS25 submitted to the NYSED for Cash Expenditures to date are actual expenditures only.

Recommendation #2: Ensure Salaries for federal programs are charged to appropriate accounts

Response #2: The SCSD is reviewing payroll records for all federal and state grants and making any necessary adjustments in a timely manner.

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Recommendation #3: Ensure that salaries claimed on final expenditures reports agree with supporting payroll records

Response #3: The SCSD is reviewing payroll records for all federal and state grants and making any necessary adjustments in a timely manner.

Recommendation #4: For all employees that work on multiple activities or cost objectives ensure that personnel activity reports are prepared at least monthly and coincide with one or many pay periods

Response #4: The SCSD has developed a form for staff that works on multiple activities or cost objectives. The employees will complete a personnel activity report at least monthly and coincide with one or many pay periods. Please see attached form.

Recommendation #5: Establish procedures to ensure compliance with the following federal requirements:

1. Minimizing time elapsing between receipt and disbursement of funds; and
2. Remitting interest earned on federal funds in excess of \$100 annually.

Response #5: The SCSD will review on a monthly basis all expenditures to date to ensure that the district is minimizing time elapsing between receipt and disbursement of funds from the federal funds.

Recommendation #6: Return interest earned on federal funds of \$5,982.

Response #6: The SCSD returned \$5,982 to the USDoE. Please see letter attached.

Recommendation #7: Report the number of jobs created and saved in accordance with federal guidelines.

Response #7: Final FTE reported we reviewed prior to submission. Technical Assistance was provided prior to the submission by the NYSED to ensure that the district reported accurately.

Thank you for the opportunity to review and comment on the results and recommendations made in the draft report prior to the final ARRA Monitoring Report.

Sincerely,



John Yagielski
Interim Superintendent, Schenectady City Schools

Cc:

C. Lewis, Board of Ed. President
D. Nolie, Director, Business Office, SCSD
L. McKenna, Director Planning and Accountability, SCSD
S. Tyrell, Deputy Treasurer, SCSD
K. Slentz, NYSED
J. Delaney, NYSED
D. Cunningham, NYSED
M. Lavare, NYSED
M. Zollo, NYSED
R. Reyes, NYSED

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 1252 Albany Street
 Schenectady, NY 12304
 (Office) 518-881-3405
 (Fax) 518-881-3409

Office of Planning and Accountability

Lori McKenna, District Director
 Linda Lombardi, Assistant Director
 Karen Swain, Supervisor
 Suzanne DeWald, Development Officer
 David Hoag, Compliance Officer

Personnel Activity Report For Split-Funded Staff (Salary from multiple sources)

Period Ending: _____ **Fiscal Year:** _____

Name: _____ **Division or Department:** _____

<u>Accounting Description</u>	<u>Account Number</u>	<u>Percent of Effort (FTE)</u>
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Project: A
 B
 C

Total Effort	
	1.0

I hereby certify that this report is an after-the-fact determination of actual effort expended for the period indicated and I have full knowledge of 100% of these activities.

(2) _____	_____	(3) _____	_____
Employee	Date	Responsible Official	Date

- (1) - Report must be prepared at least monthly and coincide with one or more pay periods.
- (2) - Required for all split-funded positions
- (3) - (Optional) Supervisory official having first hand knowledge of the activity performed by the employee. (Usually building principal)

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John Yagielski
Interim Superintendent
Patricia Paser
Assistant to the Superintendent

November 22, 2011

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

To Whom It May Concern:

Enclosed is the Schenectady City School District check in the amount of \$5,982 representing the interest earned on federal funds. Our agency's DUN number is #101289668.

If you have any question, feel free to call me at (518) 881-2000 ext. 40179.

Sincerely,

Dorothy Nolie
Interim Director of Business & Finance

cc: NYS Education Department – Grants Finance Office

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