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March 26, 2014

Ms. Patricia Body
Board President
Syracuse City School District
725 Harrison Street
Syracuse, NY 12306

Report: SD-0114-08

Dear Ms. Body:

I am writing to transmit the final results of our recently completed audit of the Syracuse 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

Unallowed 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.

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. The District claimed \$1,743 (\$1,494 and \$249) that should not have been reimbursed through RTTT because they were for Network Team Institute (NTI) registration fees. The two amounts were for a conference that was held on August 13-17, 2012.

Procurement Controls

Districts purchase thousands of products and services each year. A district's purchasing process should ensure maximum value is received for each dollar spent and helps protect against misuse of taxpayer dollars. As part of an effective control system, the use of purchase orders helps ensure that purchases are authorized and budget appropriations are available before making commitments.

In our testing of other than personal service costs, we found eight instances where the District expended a total of \$59,251 without the use of purchase orders.

Typically, a district enters into contractual agreements with a service provider before services are delivered. The contract should clearly stipulate the services to be provided and a timeframe for the deliverables. We found one instance where the District paid \$50,000 to a vendor without a contract. The vendor was hired to conduct a District diagnosis of current data driven instructional practices.

Compliance with Federal Grant Requirements

We did not find any audit exceptions.

Recommendations

1. Only claim allowable costs.
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 \$1,743 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 that expenditures of District funds are authorized through properly executed purchase orders.
4. Ensure that contracts are in place before procuring services.

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,

A handwritten signature in black ink, appearing to read 'Maria C. Guzman', written in a cursive style.

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), S. Contreras (Superintendent), J. Manning (DS OCM BOCES)



SYRACUSE CITY SCHOOL DISTRICT

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Sharon L. Contreras
Superintendent of Schools

March 19, 2014

Maria C. Guzman
Director
Office of Audit Services
The State Education Department
The University of the State of New York
Albany, NY 12234

RE: Response to: SD-0114-08 – Audit of Syracuse City School District’s Race to the Top (RTTT) Grant for the period of July 1, 2012 to June 30, 2013

Dear Ms. Guzman:

We would like to extend our thanks to you and your staff for the professional manner in which the audit was conducted and for the recommendations provided.

We are in agreement with the results of the audit and have implemented the recommendations.

Unallowable Expenditures:

The District will work with the Department’s Race to the Top Program Office to submit a revised Final Expenditure Report immediately for the \$1,743 of disallowed expenditures referenced in the audit report.

District staff were aware of the guidance issued regarding the Network Team Institute registration fees and appropriately planned and budgeted to pay for these registration fees utilizing other grant funding.

The hotel collecting the registration fees for this event was very late in invoicing the District. When the invoice from the hotel was received months after the conference had occurred and based on the description on the invoice, the fees appeared to be lodging fees for the Network Training Institute team members. Lodging fees are allowable expenditure for this grant so the apparent lodging fees were approved for payment. Upon further review, the fees were actually unallowable registration fees and were approved in error.

The District has reiterated with all staff involved with the grant that these types of registration fees are unallowable and I more closely inspect any hotel invoices going forward.

Procurement Controls:

The District is aware of the importance of adequate controls over the procurement process to ensure proper use of funds.

The District's purchasing process is complex, requiring approval from many sources such as the Budget Authority, Purchasing Officer, Board of Education and City of Syracuse. The complex nature of this process results in an extended length of time between the identification of a needed good or service and the possible execution of a purchase order or contract for this purpose. Situations arise where the urgency of the goods or services required to meet student and/or staff needs does not allow for the time necessary to complete this lengthy process, as was the case here.

The District will continue to closely monitor the use of purchase orders and contracts. The District has implemented a procedure where all payments without purchase orders be reviewed by the Chief Financial Officer to ensure that purchase orders and contracts are used properly and to identify and correct any instances where proper purchasing procedures were not followed.

We thank you for the opportunity to comment on the audit results and for the process improvement recommendations offered.

Sincerely,



Suzanne Slack
Chief Financial Officer
Syracuse City School District

cc: Patricia Body, Board President
Sharon Contreras, Superintendent of Schools
Karen Henry, Comptroller
Michael Puntschenko, Director of Special Programs
Julie Eurenus, Director of Accounting