
Audit Report

Syracuse City School District
School Improvement Grant

For the Period

July 1, 2010 to September 30, 2011

SD-0112-01

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. Stephen Swift
Board President
Syracuse City School District
725 Harrison St.
Syracuse, NY 13210

Dear Mr. Swift:

The following is our final report (SD-0112-01) for the review of the Syracuse 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, J. Eurenus, S. Contreras, 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 3 years to improve student outcomes.

The Syracuse City School District (District) implemented the transformation model at three 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 \$5,492,732 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 expenditure disallowances (\$670) and that improvements are needed in the areas of personnel activity reports:

- Claiming \$200 for an expenditure for goods that were not received and \$470 for an expenditure that benefited a non-SIG building.
- Failing to meet the requirements set forth by OMB Circular A-87 requiring that salaries be supported by personnel activity reports.

Comments by District's 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.

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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 3 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.

Audit Scope, Objectives, and Methodology

The Syracuse City School District (District) implemented the transformation model at three 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 \$5,492,732 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 also includes examining, on a test basis, evidence supporting transactions recorded in the accounting and operational records and applying other procedures considered necessary. An audit 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.

Expenditure Allowability

The Department approved the District's plan to transform three poor performing school buildings using SIG funds. The approved budget called for expending \$1.3 million or 22 percent of total approved grant funding in non-salary expenditures. 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. A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received. 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 charged the SIG grant for two items that were not allowable. As a result, we found \$670 in disallowed expenditures.

Documentation

The District claimed \$200 for the purchase of gift cards. However, the vendor never cashed the District's check and the cards were never received. We also found that the District claimed \$470 for a field trip from Nottingham High School. Though Nottingham is one of the District's schools, it was not one of the three District schools that had been approved by the Department to receive 2010-11 SIG funding. The District has subsequently resubmitted its Final Expenditure Report without including these costs.

Recommendations

1. Only claim expenditures on the Final Expenditure Reports that meet the requirements of each grant, specifically SIG requirements in this case.

Time and Effort Requirements

The approved SIG budget called for expending \$4.7 million or 78 percent of total approved grant funding in salaries and related fringe benefits. Personal service expenditures must be incurred in compliance with federal grant regulations and guidance. We found the District failed to support salaries of employees paid from SIG funds through personnel activity reports (PARs).

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 PARs. 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 must be supported by PARs. They 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 the full FTE; and be signed by the employee.

We examined employees salaries funded through SIG to determine if personal service costs were supported with payroll certifications or PARs to ensure they meet federal requirements. We found that the District has a process in place to document and support the efforts of employees whose salaries are paid for from federal grants. However, support for efforts of service for some employees whose salaries paid were the result of substituting or for an extension of service were not provided.

Some employees who worked on multiple activities did not certify their time monthly as required. They signed their PARs for their extension of service for the nine months of the school year at the end of the grant year all on the same date. In addition, the PARs did not account for the full efforts of service for each employee as required.

Recommendations

2. Comply with A-87 in regards to PARs.

Contributors to the Report
Syracuse City School District
School Improvement Grant

- T. Stewart Hubbard III, Audit Manager
- Susan DuFour, Auditor-in Charge
- Patrick Orton, Senior Auditor



SYRACUSE CITY SCHOOL DISTRICT

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Sharon L. Contreras
Superintendent of Schools

November 19, 2012

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

RE: Response to: SD-0112-01 – Audit of Syracuse City School District's School Improvement Grant (SIG)
for the period July 1, 2010 to September 30, 2011

Dear Mr. Conway:

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.

Expenditure Allowability

We have submitted a revised Final Expenditure Report excluding the \$670 of disallowed expenditures referenced in the audit report. These expenditures were included due to a coding error in the accounts payable system for a fieldtrip and a vendor not accepting the District's check as payment.

All accounts payable staff have been reminded of the importance of accurate data entry for each and every expenditure and continue to be committed to this goal going forward.

Time and Effort Requirements

We understand the importance of time and effort certification. The actions taken by the U.S. Department of Education to help reduce the burden of time and effort reporting and to clarify what is required under 2 C.F.R. Part 225 provided in September 2012 will be of substantial assistance to our District in minimizing the effort necessary to comply with the applicable requirements.

We have changed the procedure for accounting for substitutes to ensure substitutes for employees on leave with pay are not charged to grants as identified in the audit report.

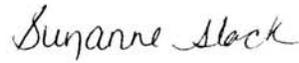
We have also modified our procedures to ensure that all employees, including those working an additional teaching period such as the additional 1/6th instructional block, are included on the reports used to monitor and prepare time and effort certifications to ensure monthly certification as needed.

Time and Effort Requirements – Continued

The additional 1/6th instructional block was newly implemented at Fowler High School as part of our grant funding. The reports used to monitor and prepare time and effort certification did not include those working on this initiative. As soon as the issue with the report was identified, we obtained time and effort certifications for these employees.

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

- c: Stephen Swift, Board President
Sharon Contreras, Superintendent of Schools
Michael Puntschenko, Director of Special Programs
Julie Eurenus, Assistant Director of Accounting