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

Maria C. Guzman
Director
Office of Audit Services
Tel. (518) 473-4516
Fax (518) 473-0259
E-mail: maria.guzman@nysed.gov

May 19, 2015

Dr. Nader Sayegh
Board President
Yonkers Board of Education
One Larkin Center
Yonkers, NY 10701

Dear Dr. Sayegh:

I am writing to transmit the final results of our recently completed audit of the Yonkers City School District (District) use of the American Recovery and Reinvestment Act (ARRA) Race to the Top (RTTT) grant awarded for the July, 1 2013 – September 23, 2014 period. The total amount claimed by the District for this period was $701,892. 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 (FER) 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 their 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

According to OMB Circular A-87 (A-87), costs must be necessary and reasonable; consistent with policies, regulations, and procedures that apply to the award; accorded consistent treatment; and adequately documented in order to be allowable under federal awards. The District claimed personal service expenditures outside of the grant period. It also did not allocate a cost that benefitted another period, claimed an ineligible expenditure, and claimed costs of electronic equipment whose location we were not able to verify.

Personal Service Expenditures

During our review of the payroll records, we found personal service expenditures totaling $1,622 that should not have been claimed in the award period. These services were provided after the end of the award period and should have been included in the 2014-15 claim. We also calculated an additional $373 charged to the grant for employee fringe benefits related to the salaries above that are disallowed.

Unallocated Costs

The District claimed $26,512 for software licenses for the period July 1, 2014 through June 30, 2015. This expenditure was not allocated between the 2013-14 and 2014-15 award years that benefitted. The District should have claimed $6,174 for the 2013-14 school year and the remaining $20,338 to the 2014-15 school year.

Network Team Institute Fees

Guidance issued by the Department for reimbursement of Network Team Institute (NTI) costs for professional development states that no federal ARRA funds may be used to pay for the registration fee as a portion will be applied towards the cost of food. The District claimed $1,215 for an NTI conference held February 4-7, 2014. However, this expenditure should not have been reimbursed through RTTT.

Inventory Controls

During fieldwork, we conducted a physical inventory of 16 items judgmentally selected from the supplies and materials category within the FER to verify they exist and are being used for RTTT. We were unable to verify the location of two items totaling $1,296 consisting of a HP EliteBook laptop ($916) and a Nikon camera ($380). These items were included in the District's inventory list and reported to be located in the Administration building.

Indirect Costs Adjustment

The Department has issued guidance to grant recipients as to how to administer grants and claim indirect costs. Indirect costs are broadly defined as central administration costs and certain other organization-wide costs that are incurred in connection with a project, but that cannot be readily identified with the project. The total indirect costs generated for a project are calculated by applying the approved indirect cost rate to the modified direct cost base.

The modified direct cost base is calculated by taking all allowable costs, deducting certain costs such as contractual amounts greater than $25,000, amounts claimed for BOCES Services, and amounts claimed for equipment. Using Department guidance and excluding disallowed costs, we recalculated the modified direct cost base to determine allowable indirect costs as shown in Table 1 below. Consequently, $1,076 is disallowed of the $18,322 claimed for indirect costs.

Table 1
Indirect Costs

	2013-14
Total Claim	701,892
Less: Indirect Claim	(18,322)
Less: Subcontracts Greater Than $25,000	(19,978)
Less: Disallowances	(24,844)
Adjusted Allowed Direct Cost Base	638,748
Restricted Indirect Rate	.027
Indirect Cost Allowed	17,246
Less: Indirect Cost Claimed	(18,322)
Indirect Cost Disallowed	(1,076)

Source: OAS Analysis of Indirect Costs

Recommendations

1. Claim personal service expenditures in the period in which the services were provided.

2. Adequately allocate expenditures according to the time period benefited.

3. Only claim allowable costs.

4. The District should strengthen control over its assets especially mobile equipment such as laptop and other electronics.

5. Contact the Department's Grants Finance Office for instructions, referencing this report, and submit a revised Final Expenditure Report through the ARRA online management portal reflecting a reduction of $25,920 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.

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

Attachment

c: B. Berlin, S. Cates-Williams, K. Wagner, D. Juron, J. Delaney, M. Zollo, C. Szuberla, J. Conroy (DOB), J. Dougherty (OSC), M. Yazurlo (Superintendent), C. Jarufe (Budget Analyst)

Appendix A

YONKERS PUBLIC SCHOOLS

Achieving Excellence Together

One Larkin Center
Yonkers, New York 10701
Tel. 914 376-8086
Fax 914 423-0518
equezada@yonkerspublicschools.org

Dr. Michael Yazurlo
Superintendent of Schools

Dr. Edwin Quezada
Deputy Superintendent

May 14, 2015

New York State Education Department
Office of Audit Services
Maria Guzman
Director of Audit Services
Education Building, Room 524
89 Washington Avenue
Albany, NY 12234

Dear Ms. Guzman:

Enclosed please find the Yonkers Public Schools' response to the preliminary findings related to the American Recovery and Reinvestment Act (ARRA) Race to the Top (RTTT) Grant Audit.

Please do not hesitate to call me or Dr. Quezada at (914) 376-8086 with any questions you may have.

Thank you for your assistance.

Sincerely,

Edwin Quezada
Deputy Superintendent

John A. Liszewski
Commissioner of Finance

EQ.JL:cj
Attachments
C: C. Jarufe
M. Tavares
M. Yazurlo

Yonkers City School District
American Recovery and Reinvestment Act (ARRA) Race to the Top (RTTT) Grant
District Response to SED Preliminary Audit Findings
July 1, 2013 – September 23, 2014

Preliminary Audit Finding 1
Personal Service Expenditures
During our review of the payroll records, we found personal service expenditures totaling $1,622 that should not have been claimed in the award period. These services were provided after the end of the award period and should have been included in the 2014-15 claim. We also calculated an additional $373 charged to the grant for employee fringe benefits related to the salaries above that are disallowed.

The District agrees with the recommendation and has made the appropriate changes.

Preliminary Audit Finding 2
Unallocated Costs
The District claimed $26,512 for software licenses for the period July 1, 2014 through June 30, 2015. This expenditure was not allocated between the 2013-14 and 2014-15 award years that benefitted. The District should have claimed $6,174 for the 2013-14 school year and the remaining $20,338 to the 2014-15 school year.

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Preliminary Audit Finding 3
Network Team Institute Fees
Guidance issued by the Department for reimbursement of Network Team Institute (NTI) costs for professional development states that no federal funds may be used to pay for the registration fee as a portion will be applied towards the cost of food. The District claimed $1,215 for an NTI conference held February 4-7, 2014. This expenditure should not have been reimbursed through RTTT.

The District was originally notified that we could claim reimbursement for all NTI costs through RTTT. The guidance that was later released disallowing the registration costs was not properly communicated.

Preliminary Audit Finding 4
Inventory Controls
During fieldwork, we conducted a physical inventory of 16 items judgmentally selected from the supplies and materials category within the FER to verify they exist and are being used for RTTT. We were unable to verify the location of two items totaling $1,296 consisting of a HP Elite Book laptop ($916) and a Nikon camera ($380). These items were included in the District's inventory list and reported to be located in the Administration building.

During the physical inventory the District could not verify the location of one Elite Book laptop and one Nikon camera. The equipment was delivered to Central Office for that particular grant along with numerous others, totaling hundreds of devices. All devices were identified but unfortunately not in time for the physical inventory. Going forward, when hardware is received, specifically related to grant purchases, the Division of Teaching and Learning, in conjunction with the Technology Department, will more rigorously enforce the equipment inventory process to ensure that all grant purchases are delivered to the appropriate location according to their respective funding source. This will help to alleviate any future confusion particularly when we are in the midst of a mass deployment of equipment funded through various sources.

Preliminary Audit Finding 5

Indirect Costs Adjustment

The Department has issued guidance to grant recipients as to how to administer grants and claim indirect costs. Indirect costs are broadly defined as central administration costs and certain other organization-wide costs that are incurred in connection with a project but that cannot be readily identified with the project. The total indirect costs generated for a project are calculated by applying the approved indirect cost rate to the modified direct cost base. Consequently, $1,076 is disallowed of the $18,322 claimed for indirect costs.

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