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

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September 17, 2015

Mr. John McNelis
Board President
Hornell City School District
25 Pearl Street
Hornell, NY 14843

Report: SD-0315-08

Dear Mr. McNelis:

I am writing to transmit the final results of our recently completed audit of the Hornell 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 – June 30, 2014 school year. The total amount claimed by the District for this period was $80,414. 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 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. Generally, the District charged the RTTT grant appropriately, as reported on the final expenditure report. However, we found some small amounts of unallowed expenditures resulting from claiming costs that benefitted another period or was entered in error.

*Unallowed Expenditures*

The District claimed $1,322 for subscriptions to educational magazines for instructional purposes. According to the supporting documentation, the subscriptions were for the 2014-15 school year.

We also found that the District made two payments for one employee to attend two different training events on the same date. One of the entries was made in error according to the District. As such, one of the entries for $104 is disallowed.

Compliance with Federal Grant Requirements

We did not find any audit exceptions.

## Recommendations

1. Only claim expenditures in the period in which services are rendered or goods are received.

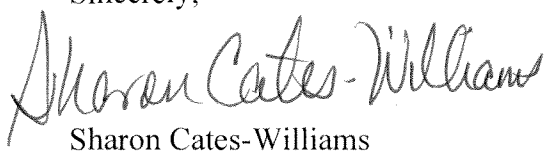
2. Enhance internal controls so that personal service expenditures are not duplicated.

3. Contact the Department's Race to the Top Program Office for instructions, referencing this report, and submit a revised Final Expenditure Report through the ARRA online management portal reflecting a reduction of $1,426 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,



Sharon Cates-Williams
Deputy Commissioner
Performance Improvement Management Services

c: M. Elia, B. Berlin, D. Juron, J. Delaney, M. Zollo, C. Szuberla, J. Conroy (DOB), J. Dougherty (OSC), D. Wyant (Superintendent), S. Brown (District Treasurer)

Appendix A

HORNELL CITY SCHOOL DISTRICT

25 Pearl Street • Hornell • New York • 14843

Douglas H. Wyant, Jr., Superintendent
Phone 607.324.1302
FAX 607.324.4060

**Schools**

| | |
|---|---|
| Senior High | 324-1303 |
| Intermediate | 324-1304 |
| Bryant | 324-2171 |
| N. Hornell | 324-0014 |


September 4, 2015

State Education Department
Office of Audit Services

RE: SD-0315-08

Dear Ms. Cates-Williams:

We would first like to thank you for conducting the audit of our 2013-14 American Recovery and Reinvestment Act Race To The Top grant. The two gentlemen who spent a week with us to audit the $80,414 were certainly very thorough in their work and findings. We were pleased with the results and would like to take this opportunity to provide comments as well as corrective actions to the 3 unallowed expenditures that were found.

1. With respect to the subscriptions for educational magazines, we understand that purchasing the subscriptions for a future year is not allowed and have taken measures to ensure this does not happen in the future.
2. With respect to the purchase of bead bracelets, these kits were ordered specifically for an activity for the kids to reinforce learning the number 10. Each child used the beads during lessons to make groupings of beads that would add up to ten. At the end of the lesson, each student was then allowed to complete the bracelet with 10 beads (5 white and 5 red) which was supposed to go home with them to show their parents what they had learned in the classroom. We would respectfully argue that this expense was directly tied to instruction and the celebration of student success in the learning process as well as providing parental involvement through the children re-teaching the newly learned concepts to their parents in the home environment.
3. With respect to the employee who was paid twice for the same day of work, I would like the department to know that the district had recently taken payroll functions back from an outsourced situation. The District has implemented a procedure of checks and balances requiring extra work of teachers to be approved ahead of time in writing using a district created form. When hours are submitted, they are checked against the prior approval and noted. This procedure will ensure a situation such as this should not happen in the future.

See Auditor's Note 1

Again, we would like to thank the State Education Department for providing such a thorough audit of our grant spending. We ask that you accept the explanations above as part of our ever continuing plan to improve and realize greater efficiencies.

Sincerely,

Patrick N. Flaitz
Business Manager

Auditor's Note

1. The District has explained the purpose of the bead bracelets and their relationship to the RTTT grant. As such, we are not disallowing $113 that was spent for the bead bracelets.