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February 10, 2011

Ms. Roberta Coniglio  
Board President  
Fredonia Central School District  
425 East Main Street  
Fredonia, NY 14063

Report: ARRA-0710-19

Dear Ms. Coniglio:

This letter is our final report of the Fredonia Central 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 was limited to ARRA funding provided through the Education Stabilization Funds (ESF) (also referred to as State Fiscal Stabilization Funds, SFSF), Individual Disabilities Education Act (IDEA 611/619), and Title I of the Elementary and Secondary Education Act. At the time of fieldwork, the District had submitted claims for most of their approved ARRA-ESF, ARRA-IDEA 611/619, and ARRA-Title I funding.

To accomplish our objectives, we interviewed District officials; tested transactions; and reviewed District policies/procedures and financial records, which included 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 their comments have been considered in preparing this report. The District's corrective action plan to the draft report is included as Appendix A.

## **Audit Results**

### Allowability and Accuracy of Reported Expenditures

We did not find any audit exceptions.

### Financial Control System

#### *Tracking and Recording*

Commissioner's Regulations, Section 170.1(f), require that district obligations be kept within available appropriations. In addition, a field memorandum to all Superintendents of Schools issued by the Department on April 10, 2009, states that State Fiscal Stabilization Funds (SFSF) expenditures must be accounted for in the General Fund, but identified and tracked separately. Further, in December 24, 2009, the Federal Department of Education issued Guidance for Grantees and Auditors which states that an entity that receives SFSF funds must maintain records that separately track and account for those funds.

The District did not separately account for ESF expenditures in its accounting system, nor did they establish separate ESF expenditure codes in the General Fund. Personal service costs incurred were also not tracked separately in the accounting system. Since separate expenditure codes were not established, appropriations could also not be made which does not allow for tracking of the budget for this fund.

The District did track ESF general fund expenditures on a separate document. Using that separate document, we were able to test the expenditures for allowability and compliance with the approved budget.

### Compliance with Federal Grant Requirements

#### *Time and Effort Requirements*

OMB Circular A-87 requires that 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 did not prepare personnel activity reports for four employees whose salaries were being partially paid for with ARRA-Title I funding.

#### *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 in excess of \$100 earned on federal awards advances. We found the District did 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.

However, our analysis of revenue received and expenditures incurred for all federal funds during 2009-10 fiscal year showed the District did not earn interest exceeding \$100 during this period.

### *Section 1512 Reporting*

Under Section 1512 of ARRA, recipients of ARRA 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 the use of funds and the reporting summary, which indicates the number of jobs created and saved. The District's ESF Program Narrative and Summary Report for June 30, 2010 reported 20 positions saved/created; however, District records and the Supplemental Application show 26 positions saved/created. In addition, the ARRA-Title I Program Narrative and Summary Report for June 30, 2010 reported 4 positions saved/created, but District records show .75 of a position saved/created.

### **Recommendations**

1. Establish an appropriation for all ARRA funds as required.
2. Ensure that personnel activity reports for employees who are paid from more than one funding stream 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 are signed by the employee.
2. Address federal requirements regarding the preparation of procedures for minimizing time elapsing between receipt and disbursement of funds and remitting interest earned in excess of \$100 annually on federal funds.
4. Verify that the number of jobs created/saved in the 1512 quarterly report is consistent between the program narrative and the reporting summary section of the report and reconciles with the supporting documentation.

Section 170.12 of the Regulations of the Commissioner of Education requires the submission of a corrective action plan, approved by the Board, with response to any finding. We have received and accepted your Board approved corrective action plan to the draft report for the findings and recommendations of this audit.

I appreciate the cooperation and courtesies extended to our staff during the audit.

Sincerely,

James A. Conway

c: V. Grey, J. King, J. Delaney, B. Porter, C. Szuberla, K. Slentz, M. Lavare, M. Zollo, M. Plotzker, R. Reyes, A. Timoney, J. Dougherty, P. DiFonzo, R. Guiffreda (Erie 2 DS)

Mr. Paul J. DiFonzo  
Superintendent of Schools

Mr. John A. Forbes  
Business Administrator

Mr. Joseph P. Reyda  
Director of Instruction/CIO

**Fredonia Central School District**  
425 East Main Street • Fredonia, New York 14063 • Phone (716) 679-1581



Mrs. Amy S. Piper  
Elementary Principal

Mr. Andrew T. Ludwig  
Middle School Principal

Mr. Todd A. Crandall  
High School Principal

Mrs. Kristen L. Ferro  
Director of Special Education

February 9, 2011

New York State Education Department  
Office of Audit Services  
Attn: Mr. James Conway, Director  
Albany, NY 12234

Dear Mr. Conway:

Fredonia Central School District is in receipt of your letter dated December 17, 2010, regarding the recently completed audit of the American Recovery and Reinvestment Act of 2009 Funding for the District. As a result of your audit, the District acknowledges the following recommendations as follows:

**ARRA ESF Budget Coding**

**FINDING:**

Education Law, Section 2522 requires that no expenditure shall be made unless an amount has been appropriated and is available; it states that a separate account be maintained for each appropriation, which shows the amount of the appropriation, encumbrances, amounts expended, and unencumbered account balances. The District did not have an appropriation status report showing amounts appropriated for ARRA ESF, although other supporting documentation was maintained by the District, and available to the audit team.

**DISTRICT RESPONSE:**

During 2009-10, the District maintained and monitored a list of employees funded by the ARRA ESF monies. In addition, the district has revised its 2009-10 accounting records to add an additional budget code within General Fund to track these employees, and has separated out the total amounts of salary paid for by the ARRA ESF monies in 2009-10. The District has also implemented the appropriate budget codes for the 2010-11 school year.

**Title I Payroll Certifications**

**FINDING:**

According to the federal OMB Circular A-87, employees whose salaries are paid out of a single federal funding stream must have their salaries and wages supported by periodic certifications at least semi-annually, which must be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee. The District did not prepare semi-annual payroll certifications for four employees whose salaries were being partially paid for with AARA Title I funding.

**DISTRICT RESPONSE:**

The District collected a certification form from each employee paid from the federal funding stream in 2009-10 that is still employed by the District. The auditors have supplied the District with a sample document to be used to collect this information semi-annually, which the District has implemented for the 2010-11 school year.

"The Fredonia Central School District and community will maintain a continuing partnership to provide an educational environment for the children of the community which will insure that all children are valued, all children learn and all children possess the knowledge and attitudes needed to reach their full potential intellectually, personally, socially and productively".

Business Office Fax (716) 673-9449	Elementary School Fax (716) 679-9043	Middle School Fax (716) 672-2686	High School Fax (716) 672-8687	District Office Fax (716) 679-1555
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**Cash Management**

**FINDING:**

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 US Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. The audit found that the District did not minimize the time elapsing between receipt and disbursement of funds, nor were procedures in place to remit any interest earned in excess of the \$100 Federal maximum, although the District did not exceed that amount.

**DISTRICT RESPONSE:**

Fredonia Central School District receives all Federal/State funds, including school lunch aid, general state aid, and ARRA grants electronically into the General Fund.

In order to conform with Title 34 Code of Federal Regulations, the District has revised Administrative Regulation #2072 so that the Business Administrator shall transfer all Federal and ARRA funds to the District's Federal Fund upon receipt from New York State, whenever possible. In addition, the District's Federal Fund shall be maintained in a non-interest bearing account.

**1512 Quarterly Report**

**FINDING:**

Under Section 1512 of the American Recovery and Reinvestment Act of 2009 (ARRA), recipients of ARRA funds are required to submit a quarterly report that describes how the entity has used the funds, and an estimate of the number of jobs created and saved. During the audit review, it was noted that there were inconsistencies between the ESF Program Narrative; the ARRA-Title I Program Narrative and District records as to how many reported positions were saved/created.

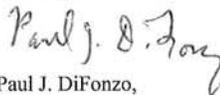
**DISTRICT RESPONSE:**

The District will verify that the number of jobs saved/created in the 1512 Quarterly Report is consistent between all Narrative Reports and District records.

Thank you very much for the suggestions you have made to improve the grant monitoring process at Fredonia CSD. We greatly appreciate the professionalism of your staff while conducting your audit and follow up.

Please do not hesitate to contact me if you need any additional information.

Sincerely,



Paul J. DiFonzo,  
Superintendent

**FREDONIA CENTRAL SCHOOL**  
Board of Education Regular Meeting Minutes  
Tuesday, February 8, 2011  
High School Room 636

Present: Mrs. Roberta Coniglio, President; Mrs. Rosie Joy, Vice President; Mr. Michael Bobseine, Mrs. Edith Byrne, Mr. David Giambrone, Mr. Tom Hawk and Mrs. Karen Mosier, Board Members.

Also Present: Mr. Paul DiFonzo, Superintendent; Mr. John Forbes, Business Administrator; Ms. Wendy Heslink, District Clerk; Mr. Andrew Ludwig and Mrs. Amy Piper, Principals; and Mrs. Kristen Ferro, Director of Special Education.

- I. Call to Order/Salute to Flag at 6:32 PM by President Roberta Coniglio.

Moment of Silence for former FCSD Board of Education Member, Robert Gloor

- II. Approval of Agenda

**Moved by Bobseine, seconded by Hawk to approve the agenda for the Workshop Meeting of February 8, 2011, as specified hereafter. Motion carried 7-0.**

- III. Hear from the Public on Agenda Items

**NOTE:** The Board has reserved this time to hear comments from the audience. Those wishing to address the board are asked to stand, give their name/address and limit their comments to five minutes or less per individual/group. Concerns and comments during this session should be directly related to items listed on the approved agenda for this meeting. No one addressed the Board at this time.

- IV. Items for Action

- A. Financial/Treasurer's Report

1. Approve resolution to approve the purchase of a new boiler radiator as an unanticipated, ordinary contingent expense related to the preservation of property of the District. This purchase is to replace an irreparable radiator.

**Moved by Hawk, seconded by Joy to approve the purchase of a new boiler radiator as an unanticipated, ordinary contingent expense related to the preservation of property of the District. Motion carried 7-0.**

2. Approve Audit Committee Minutes from the meeting held December 16, 2010.

**Moved by Mosier, seconded by Byrne to approve the minutes from the Audit Committee Meeting held December 16, 2010, as submitted. Motion carried 7-0.**

3. Discussion Regarding Audit Committee Charter/Membership Changes

**Moved by Bobseine, seconded by Byrne to permit Karen Mosier, David Giambrone and/or Tom Hawk to attend the Audit Committee meeting as non-voting spectators at the Audit Committee Meeting to be held February 28, 2011. Motion carried 7-0.**

4. Award Bid for Transportation Services
  - a. Award bid to Buffalo Bus Lines, 32 North Prince Drive, Depew, NY, for a cost of \$249/day to provide daily transportation for up to three (3) special education students of the Fredonia School District to Southside Academy, Eric 2 BOCES Program, 300 Glead Avenue, East Aurora, NY. Service shall be from students' homes to service site daily and back to students' homes daily and is considered to be curb to curb.

**Moved by Joy, seconded by Bobseine to award a transportation bid to Buffalo Bus Lines, 32 North Prince Drive, Depew, NY, for a cost of \$249/day to provide daily transportation for up to three (3) special education students of the Fredonia School District to Southside Academy, Eric 2 BOCES Program, 300 Glead Avenue, East Aurora, NY. Service shall be from students' homes to service site daily and back to students' homes daily and is considered to be curb to curb. Motion carried 7-0.**

5. Review/Approve Claims Auditor Reports dated October and November, 2010

**Moved by Bobseine, seconded by Byrne to approve the Claims Auditor Reports dated October and November, 2010. Motion carried 7-0.**

B. Personnel Changes

1. Approve Appointment of Personnel on a Long-Term, Continuing, Temporary or Per Diem Substitute Basis
  - a. Approve appointment of the following per diem substitutes:

Paula Epolito	Certified / Tutor (Retro to 11/1/10)
Andrea Winkler	Certified
Lisa Allnatt	Uncertified & Classified
Tim Antonacci	Uncertified
Jessica Tenamore	Uncertified
Lisa Wenke	Uncertified
2. Approve Resignations/Terminations/Leaves of Absence for Personnel
  - a. Approve an unpaid Leave of Absence for Cindy Fox, Teacher Aide, from February 7, 2011 through March 4, 2011, for personal reasons.
  - b. Approve resignation of Kristen Emley, Certified Occupational Therapy Assistant, effective February 8, 2011. Ms. Emley has taken a different position out of the area.
  - c. Approve the resignation of Janet Schmonsky, Elementary Teacher, for the purpose of retirement, effective July 1, 2011.

**Moved by Bobseine, seconded by Joy to approve all items in B. Personnel Items, as submitted, in one omnibus motion. Motion carried 7-0.**

C. New Business

1. Approve Minutes from CSE Meetings held on January 15, 19, 20, 21, 25, and February 1, 2011, as well as Minutes from a CPSE Meeting held February 3, 2011.

**Moved by Bobseine, seconded by Mosier to approve the minutes from CSE meetings held on January 15, 19, 20, 21, 25, and February 1, 2011, as well as Minutes from a CPSE Meeting held February 3, 2011. Motion carried 7-0.**

2. Approve request to film Middle School students for the ABC News "What Would You Do?" program, with parental permission, as submitted.

**Moved by Byrne, seconded by Hawk to approve the request to film Middle School students for the ABC News "What Would You Do?" program, with parental permission, as submitted. Motion carried 7-0.**

3. Review first draft of the 2011-2012 School Calendar

V. Workshop Items

- A. Cafeteria Renovations Report – Mr. John Forbes, Business Administrator and Mrs. Judy Oakes, Cafeteria Manager
- B. ARRA Audit Report and Response – Mr. John Forbes, Business Administrator and Mr. Joe Reyda, Director of Instruction/CIO

**Moved by Bobseine, seconded by Joy to accept the findings of the NYS Education Department ARRA Audit Report, dated December 17, 2010. Motion carried 7-0.**

- C. Governor Cuomo's Executive Budget Proposal
- D. First Draft of 2011-2012 BOCES Budget

VI. Hear from the Public

**NOTE:** The Board has reserved this time to hear comments from the audience. Those wishing to address the board are asked to stand, give their name/address and limit their comments to five minutes or less per individual/group.

Dan Ihasz, 20 Ryan Place, Fredonia, spoke regarding upcoming programming cuts

VII. Announcements/Board Correspondence

- A. Next Audit Committee Meeting will be held Monday, February 28, 2011, at 5:15 PM in Room 600.
- B. Next regular meeting of the Board of Education will be Tuesday, March 8, 2011, at 6:30 PM in Room 636.

- C. Next workshop meeting of the Board of Education will be Tuesday, March 22, 2011, at 6:30 PM in Room 636.

VIII. Executive Session

- A. We anticipate the need to enter into Executive Session to discuss matters regarding specific personnel.

**Moved by Byrne, seconded by Mosier to move into Executive Session. Motion carried 7-0.**

Moved to Executive Session at 8:13 PM.

IX. Return from Executive Session

- A. Approve Return to Public Session

**Moved by Bobseine, seconded by Giambrone to return to regular session at 9:08 PM. Motion carried 7-0.**

X. Adjournment

Being no further business, the meeting was adjourned at 9:09 PM.

Respectfully submitted,



Wendy L. Heslink  
District Clerk