



James A. Conway
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February 1, 2011

Mr. Russell Petrozzi
Board President
Niagara Falls City School District
630 66th Street
Niagara Falls, NY 14304

Report: ARRA-0710-20

Dear Mr. Petrozzi:

This letter is our final report of the Niagara Falls City 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 all 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

We did not find any audit exceptions.

Compliance with Federal Grant Requirements

Time and Effort Requirements

OMB Circular A-87 requires salaries of employees who are charged to federal grants be supported by periodic certifications or personnel activity reports. 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 (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 semi-annual payroll certifications for four employees whose salaries were being paid for with ARRA-IDEA 611. In addition, personnel activity reports were not prepared for three employees; one was partially paid from ARRA-IDEA 611, another one was partially paid from ARRA-IDEA 619, and the other was partially paid from ARRA-Title I. Furthermore, personnel activity reports that were prepared for two employees did not coincide with payroll or reflect an after-the-fact distribution of the activity, and one did not account for the full FTE.

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 in excess of \$100 annually on federal funds.

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 in some detail the use of funds and the reporting summary which indicates the number of jobs created and saved. The District's ARRA-IDEA 611 Program Narrative and Summary Report for June 30, 2010 reported 15.4 positions saved/created; however, District records show 18.4 positions saved/created.

Recommendations

1. Ensure that semi-annual payroll certifications are prepared for employees who are paid from one funding stream.
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.
3. Establish procedures to 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, C. Bianco, C. Godshall (Orleans-Niagara BOCES)



School District of the City of Niagara Falls, New York

630 66th Street ♦ Niagara Falls, NY 14304 ♦ (716) 286-4211 ♦ Fax: (716) 286-4283

January 7, 2011

Mr. James A. Conway, Director
Office of Audit Services, Room 524 EB
The State Education Department
The University of the State of New York
Albany, NY 12234

Dear Mr. Conway:

I have enclosed the Niagara Falls City School District's required Corrective Action Plan that details our recommended action plan with regard to the use of American Recovery and Reinvestment Act (ARRA) funds for the July 1, 2009 – June 30, 2010 school year. This submission complies with your request of November 9, 2010.

The Niagara Falls City School District agrees with the findings presented in the audit letter dated November 9, 2010. We have implemented action steps for the recommendations stated.

The Niagara Falls City School District would again like to express its appreciation to the New York State Department of Education, Office of Audit Services, for its professional performance in preparation of the Audit and examination report of the District's use of American Recovery and Reinvestment Act (ARRA) funds for the July 1, 2009 – June 30, 2010 school year.

If you are in need of any additional information, please feel free to contact my office at (716) 286-4205.

Sincerely,

Cynthia Bianco
Superintendent of Schools

Niagara Fall City School District
Niagara Falls, New York

Corrective Action Plan American Recovery and Reinvestment Act (ARRA) Funds
July 1, 2009 – June 30 2010

Recommendation Number	Finding	NFCSD Response	Completion Date	Responsible Party
1	Ensure that semi-annual payroll certifications are prepared for employees who are paid from one funding stream.	The District Human Resources Office will mail and collect the payroll certification form in August and on February of each school year. Bi-monthly meetings have been established to review any changes in staffing or duties so certification can be reviewed and updated accordingly.	9/1/10 and on-going	Human Resource Manager Principal Account Clerk
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.	The District has established a procedure to obtain personnel activity reports at the end of each month for persons partially funded or paid from multiply funded federal sources. The personnel activity report has been updated to account for a full FTE, is signed by each employee who is under this category, and reflects an after the fact distribution.	11/1/10 and on-going	Principal Account Clerk
3	Establish procedures to 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.	The District has created a procedure and template to record the cash flow of federal money with interest calculations on a monthly basis. Interest will be returned accordingly. Any annual interest in excess of \$100 shall be remitted back to the federal government in a timely manner.	11/1/10 and on-going	District Budget Manager
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.	The District "ARRA" team has established a procedure to meet 10 days prior to the mandated quarterly reporting deadline. Program narratives and reporting summaries are reviewed for accuracy and completeness. Inputting is cross checked by at least three members of the "ARRA" team.	9/30/10 12/20/10 3/21/11 6/20/11 9/19/11	Deputy Superintendent Budget Manager Title I Director 611 & 619 IDEA Dir. MTIP Director Principal Account Clerk

CERTIFIED

NIAGARA FALLS CITY SCHOOL DISTRICT
Niagara Falls, New York

Regular Board Meeting

January 27, 2011

**6.11 APPROVAL OF THE 2010-2011 COMPREHENSIVE ACTION PLAN FOR THE
AMERICAN REINVESTMENT AND RECOVERY ACT (ARRA) FUNDS WITH THE
NEW YORK STATE OFFICE OF AUDIT SERVICES**

BACKGROUND INFORMATION:

Pursuant to Section 305 of the Education Law, the New York State Office of Audit Services has completed a comprehensive audit of all funds maintained by the Niagara Falls City School District for the 2009-10 American Reinvestment and Recovery Act. Furthermore, the Board of Education shall adopt a resolution accepting the audit report and shall file a copy of their comprehensive action plan with the Office of Audit Services.

This action item was prepared by Mr. Mark Laurrie, Deputy Superintendent, and the proposed resolution was reviewed by Mr. Angelo Massaro, School District Attorney.

Mr. Laurrie will answer questions pertaining to this action item.

RECOMMENDATION:

A motion is recommended for the approval of the following resolution: Approval of the 2010-2011 Comprehensive Action Plan for the American Reinvestment and Recovery Act (ARRA) Funds with the New York State Office of Audit Services

WHEREAS, Pursuant to Section 305 of the Education Law, the New York State Office of Audit Services has completed a comprehensive audit of all funds maintained by the Niagara Falls City School District for the 2009-10 American Reinvestment and Recovery Act; and

WHEREAS, The New York State Office of Audit Services has completed the audit and staff has presented it to the Board of Education; therefore be it

RESOLVED, That the Board of Education accept the 2010-2011 Comprehensive Action Plan for the American Reinvestment and Recovery Act (ARRA) Funds with the New York State Office of Audit Services; and
RESOLVED, That a certified copy of the resolution and a copy of the audit be filed with the New York State Office of Audit Services.

Certificate of Clerk

I, RUTHEL D. DUMAS, Clerk of the Board of Education of the City School District of the City of Niagara Falls, New York, DO HEREBY CERTIFY that the aforementioned resolution *on Approval of the 2010-2011 Comprehensive Action Plan for the American Reinvestment and Recovery Act (ARRA) Funds With the New York State Office of Audit Services* is a true copy of a resolution duly adopted by said Board of Education on the *27th* day of *January, 2011* and of the whole thereof, and that the said resolution remains in full force and effect.

IN WITNESS WHEREOF, I have hereunto affixed the seal of said School District and subscribed this certificate on the *27th* day of *January, 2011*.



A handwritten signature in cursive script, appearing to read "Ruthel D. Dumas".

Ruthel D. Dumas, District Clerk