Audit Report

Buffalo City School District
Title I Grant

For the Period

September 1, 2009 through August 31, 2012

SD-0413-07

April 1, 2014

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

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

April 1, 2014

Dr. Barbara Seals Nevergold
Buffalo City School District
712 City Hall
Buffalo, New York 14202

Dear Dr. Nevergold:

I have enclosed the final audit report (SD-0413-07) for the Buffalo City School District's Title I Grant for the period September 1, 2009 through August 31, 2012. The audit was conducted pursuant to Education Law Section 305 and the Board of Regents/State Education Department Strategic Plan – Goal #5 which states: "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 audit. 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 audit recommendation.

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

Sincerely,

Maria C. Guzman

Enclosure

c: Commissioner King, S. Cates-Williams, K. Slentz, R. Reyes, C. Szuberla, J. Delaney, J. Conroy, R. Thompson, A. Timoney (DOB), J. Dougherty (OSC), P. Brown (Superintendent), D. Oglivie (Erie I District Superintendent)

Executive Summary

Background and Scope of the Audit

The Title I program is authorized by the Elementary and Secondary Education Act of 1965 (ESEA). Title I provides financial assistance to local educational agencies (LEAs) and schools with high numbers or high percentages of children from low-income families to help ensure that all children meet challenging state academic standards. Use of funds varies depending on whether a school is operating a school-wide program or a targeted assistance program. A school with at least a 40 percent poverty rate may choose to operate a school-wide program, which allows Title I funds to be combined with other federal, state, and local funds to upgrade the school's overall instructional program. School-wide program schools must receive the amount of non-federal resources they would have received in the absence of Title I funds. All other participating schools must operate targeted assistance programs, which provide extra instruction to those children failing, or most at risk of failing, to meet challenging state academic achievement standards. Targeted assistance programs must ensure that Title I services supplement, not supplant the regular education programs normally provided with non-federal funds by LEAs.

The Buffalo City School District (District) had a total of 62 schools in 2009-10; 59 schools in 2010-11; and 55 schools in 2011-12. The number of Title I schools was 52, 54, and 51 for those years, respectively.

The Office of Audit Services conducted an audit to verify that the District appropriately expended Title I funds. We examined financial records and documentation to substantiate $89.3 million claimed in expenditures for the period September 1, 2009 through August 31, 2012. Our objectives were to; determine if sufficient financial control systems were in place to appropriately expend funds, including purchased services, and to track funds to individual schools; verify the allowability and accuracy of amounts expended; and assess compliance with pertinent federal requirements for the use of these funds.

Audit Results

We found $87,385 in non-salary related expenditures that should not have been charged to Title I for the period September 1, 2009 through August 31, 2012. The disallowance and other areas needing improvement were:

- The District did not always calculate comparability correctly, could not provide support as to how it was calculated, and lacked any written procedures in how to calculate it and therefore; failed to meet the requirements set forth by Section 1120A(c) of ESEA.
- Funds amounting to $85,078 in non-salary related expenditures should not have been reimbursed through the grant because they were unapproved, inadequately documented, not supplemental or went to non-Title I schools, or because of unused or unlocated items. Correspondingly, an additional amount of $2,307 of indirect costs is disallowed.
- Instances of services received or space occupied before contracts or leases were put in place, or amount spent exceeded the contract amount for one vendor, or contract was not provided.

- Inventory weaknesses, where a smart board was purchased in 2009-10 for use in a non-public Title I school, but was never used; in addition, seven computers from our sample (38) could not be located during inventory testing. District staff later indicated that they found two, but those found did not match the serial number assigned to the two. The remaining five were disposed, according to District officials, but this is not supported by computer disposal documents provided.
- Although the District was largely in compliance, there were numerous instances where they did not meet the requirements set forth by OMB Circular A-87 requiring that salaries be supported by periodic certifications.

Comments of District Officials

District officials' comments about the findings were considered in preparing this report. Their response to the draft report is included as Appendix B.

Table of Contents

Introduction

Background

The Title I program is authorized by the Elementary and Secondary Education Act of 1965 (ESEA). Title I provides financial assistance to local educational agencies (LEAs) and schools with high numbers or high percentages of children from low-income families to help ensure that all children meet challenging state academic standards. Use of funds varies depending on whether a school is operating a school-wide program or a targeted assistance program. A school with at least a 40 percent poverty rate may choose to operate a school-wide program, which allows Title I funds to be combined with other federal, state, and local funds to upgrade the school's overall instructional program. School-wide program schools must receive the amount of non-federal resources they would have received in the absence of Title I funds. All other participating schools must operate targeted assistance programs, which provide extra instruction to those children failing, or most at risk of failing, to meet challenging state academic achievement standards. Targeted assistance programs must ensure that Title I services supplement, not supplant the regular education programs normally provided with non-federal funds by LEAs. The Buffalo City School District (District) has schools operating either school-wide or targeted assistance programs.

The District had a total of 62 schools in 2009-10; 59 schools in 2010-11; and 55 schools in 2011-12. The number of Title I schools was 52, 54, and 51 for those years respectively.

Objectives, Scope and Methodology

The Office of Audit Services conducted an audit to verify that the District appropriately expended Title I funds. We examined financial records and documentation to substantiate $89.3 million claimed in expenditures for the period September 1, 2009 through August 31, 2012. Our objectives were to:

- determine if sufficient financial control systems were in place to appropriately expend funds, including purchased services, and to track funds to individual schools;

- verify the allowability and accuracy of amounts expended; 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 were considered in preparing this report. Their response to the draft report is included as Appendix B.

Comparability

Districts are required to ensure that Title I funds are used to provide services that are in addition to the regular services normally provided with State and local funds. The District submitted comparability reports to the Department for each of the three years under audit for its, on average, 58 school buildings.

District Comparability

Section 1120A(c) of the ESEA provides that a LEA may receive Title I, Part A funds only if it uses State and local funds to provide services in Title I schools that, taken as a whole, are at least comparable to the services provided in schools that are not receiving Title I funds. In addition, it requires that LEAs must develop procedures for complying with the comparability requirements. Non-regulatory guidance state that these procedures should be in writing and should at a minimum, include the LEA's timeline for demonstrating comparability, identification of the office responsible for making comparability calculations, the measure and process used to determine whether schools are comparable, and how and when the LEA makes adjustments in schools that are not comparable. While an LEA is only required to document compliance with the comparability requirement biennially (once every two years), it must perform the calculations necessary every year to demonstrate that all of its Title I schools are in fact comparable and make adjustments if any are not.

We found that the District did not always calculate comparability correctly, could not provide support as to how it was calculated, and lacked written procedures. In our audit of the District's use of Title I funds we tested comparability requirements by selecting 16 Title I schools for both 2009-10 and 2011-12, 15 schools for 2010-11, and all of their non-Title I schools. We compared the student count per the Comparability Report submitted to the Department by the District to the student count reported in the Basic Education Data System. We also compared non-federally funded instructional employee full time equivalents (FTEs) reported on District records. We found that student enrollment data and non-federally funded instructional FTEs were generally over-reported, but in a few cases under-reported. Based on the information provided, we recalculated the average ratio of non-pre-kindergarten (non-pre-k) pupil enrollment to non-pre-k instructional staff not federally funded from the District's non-Title I schools in order to establish a ceiling. When a Title I school exceeds the ceiling, it means that the district is providing less State and local funds per student than the average of the non-Title I schools. We found that 9 Title I schools in 2009-10, 10 Title I schools in 2010-11, and 4 Title I schools in 2011-12 exceeded the audited ceiling.

Table 1
Comparability

	2009-10	**2010-11**	**2011-12**
Student Count per School (not pre-k):			
Number of Schools over reporting	15	13	14
Number of Schools under reporting	3	6	0
Number of Schools Reporting Correctly	9	1	6
Non-federally funded instructional FTEs (not pre-k):			
Number of Schools over reporting	22	19	20
Number of Schools under reporting	5	1	0
Total number of schools audited	27	20	20

Source: OAS Calculation of non-pre-k student count and non-pre-k not federally funded FTEs

We also found that there were no written procedures to demonstrate compliance with comparability requirements. There were also no adjustments or written calculations to show how the District derived its reported amounts.

Recommendations

1. Comply with ESEA Section 1120A(c) to demonstrate that State and local funds used to provide services in Title I schools are at least comparable to the services provided in schools that are not receiving Title I funds.

2. Develop procedures for complying with comparability requirements and maintain the supporting documents used to demonstrate compliance.

Non-Salary Expenditures

OMB Circular A-87 requires that only materials and supplies actually used for the performance of a federal award may be charged as direct costs. 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 consistent treatment; and adequately documented.

According to ESEA Section 1115, Title I Part A funds for a school operating a targeted assistance program are to be used only for supplementary educational services for eligible children who are failing or most at risk of failing to meet State standards. In contrast, according to ESEA Section 1114(a)(2), a school operating a school-wide program does not need to show that Part A funds are paying for supplemental services that would otherwise not be provided.

As part of the grant claiming process, districts submit a budget (FS-10) to the Department for approval prior to the beginning of the grant period. The FS-10 delineates the anticipated costs by itemizing expenditures. The District's approved budgets included $30 million for non-salary expenditures for the three-year audit period.

We found the District generally had sufficient controls over the grant claiming process. However, as discussed below, $85,078 or 1.6% of the $5.44 million other than personal service (OTPS) expenditures sampled should not have been reimbursed through the grant. They were either unapproved, inadequately documented, not supplemental, went to non-Title I schools, unused, or unlocated. Consequently, of the $1,993,226 claimed for indirect costs for the three-year audit period, $2,307 is also disallowed.

Unapproved

The District claimed $27,747 for some items that were not approved in their applications for Title I funding or in the FS-10s.

For instance, $9,000 was claimed for photography and video consultant services and $1,815 for registration fees for 33 non-public teachers to attend an instructional seminar on student behavioral complications. However, neither of these expenditures were approved as part of the District's Title I budgets.

Title I funds were also used to pay for parental involvement field trips such as $329 to an antiques center, $675 to the Shrine Circus, $170 to Leaps N' Bounce, $181 to Bounce Magic, and $28 for a student in a summer program to go to Six Flags Darien Lake. The Title I budgets had approval for cultural and educational field trips, however, no support was provided to show that any of these costs were Title I related or that they were cultural or educational in nature.

Registration fees were also paid for 10 employees to attend a Network Team Institute (NTI) conference at a cost of $2,490. However, NTI is not Title I related, but is directly related to the federal Race to the Top grant.

In addition, the District claimed $10,000 for the development of a parental involvement website to promote District activities, $2,109 for six chairs for the District's Title I office, and $950 for window blinds for one of the leased properties. These were also not approved as part of the Title I budgets.

Inadequately Documented

The District claimed $44,785 for expenditures that were not adequately supported such as with detailed invoices or other documentation.

For instance, the District claimed $27,000 for transportation for non-public Title I students to attend an after school program. However, documentation provided only supports $20,554, a difference of $6,446 because they included a non-Title I related program at another non-public school. Also, a contract cost of $19,000 was claimed in 2009-10 for supplemental reading and math instruction to Title I students at St. Ambrose Catholic Academy. However, the invoices provided for these services only support $18,600.

During 2009-10 and 2010-11, the District claimed $16,000 and $13,000, respectively, for building maintenance and usage fees at a non-public school academic center located at 2925 Genesee Street. In addition, student registration fees for $7,500 were claimed for programs at another non-public school academic center located at 75 Hickory Street. However, the documentation provided in both instances did not include support as to how these sites were used for Title I related activities.

Two separate purchases of postage stamps for $902 from the U.S. Postal Service were claimed; however, receipts for these expenditures were not provided. Also claimed was $537 for 1.5 volt alkaline batteries that were shipped to a school being used as a warehouse for supplies. Documentation was not provided showing the subsequent distribution of these items that would support a Title I relationship.

Items Not Supplemental or in Non-Title I Schools

The District claimed expenditures of $12,038 for books and other items that were not supplemental and went into targeted assistance schools or did not go into Title I schools.

The District purchased 2,000 algebra and geometry books for $5,000 (1,000 books for each subject at $2,500). The documentation provided shows that the geometry books went to various District schools; however, 345 books were distributed to non-Title I schools. The documentation provided did not account for the 1,000 algebra books. Therefore, $862 is disallowed for the geometry books and the full amount of $2,500 is disallowed for the algebra books.

English Language Arts books were purchased for $57,000 and sent to various schools. Of the 6,000 books purchased, 360 went to targeted assistance schools and 200 to alternative schools. Documentation provided did not show that these items were supplemental in nature. Therefore, a proportionate amount of $5,320 is disallowed. Furthermore, $125 was paid for a paper shredder that went to a targeted assistance school's main office and is therefore disallowed.

The District claimed $7,250 for 2,900 science books of which 975 were shipped to non-Title I schools. As a result, a proportionate value of $2,438 is disallowed. During 2011-12, the District claimed $19,960 for 17,875 summer resource guides for reading and math. However, 710 guides went to two non-Title I schools. As a result, a proportionate value of $793 is disallowed.

Items Not Used or Located

The District claimed $508 for items that were never used or could not be located and disallowed by this audit. It purchased Dreamweaver and Microsoft Office software in 2011-12 for $383 with Title I funds for a writing program at a non-public Title I school. The computer hardware at the school for which this was purchased could not support the software so it was never used. Once it had been determined that there was no use for this item, it should have been returned to the original vendor, but was not, and is therefore disallowed. In addition, one paper shredder for $125 could not be located.

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 an approved indirect cost rate to an allowable direct cost base. We made adjustments to the indirect costs claimed based on allowable costs.

The direct cost base is calculated by taking all allowable costs and by deducting any costs that are not part of the base. Since disallowed costs are not allowable, they are not to be included as part of the base. As shown in Table 1 below, we recalculated the direct cost base to determine the correct indirect costs that should have been claimed. Consequently, of the $1,993,226 claimed for indirect costs for the 3-year audit period, $2,307 is disallowed.

Table 2
Indirect Costs

	2009-10	2010-11	2011-12
Total Claim	29,618,361	24,407,308	35,278,473
Less: Indirect Claim	(674,189)	(533,887)	(785,150)
Less: BOCES Services	(68,405)	(107,125)	(234,377)
Less: Subcontracts Greater Than $25,000	(3,905,789)	(3,992,674)	(6,217,865)
Less: OTPS Disallowance	(32,330)	(41,693)	(11,055)
Adjusted Allowed Direct Cost Base	24,937,648	19,731,929	28,030,026
Restricted Indirect Rate	.027	.027	.028
Indirect Cost Allowed	673,316.50	532,762	784,841
Less: Indirect Cost Claimed	(674,189)	(533,887)	(785,150)
Indirect Cost Disallowed	(873)	(1,125)	(309)

Source: OAS Analysis of Indirect Costs

Schedule A at the end of this report, summarizes the disallowances for all three years audited.

Recommendations

3. Please submit revised FS-10-F long forms reflecting reductions of $87,385 for disallowed costs. The revised FS-10-F long forms accompanied by a copy of this report or transmittal letter identifying this audit as the reason for the revisions should be submitted within 30 days to:

   The State Education Department
   Grants Finance, Room 510W EB
   Albany, NY 12234

   Grants Finance will review the revised FS-10-F long forms and send Form FS-80s Notice of Overpayment to your District, confirming the amount overpaid, and provide remittance instructions.

4. Only claim expenditures on the Final Expenditure Reports that are approved in the FS-10s and grant applications.

5. Ensure all items purchased with Title I funds are used exclusively for the purpose of the grant and in accordance with grant requirements. In addition, ensure that adequate supporting documentation is maintained for purchases as well as equipment purchased with grant funds.

Internal Controls

Internal controls are a combination of attitudes, policies, procedures and efforts of the people within an organization working together to achieve its objectives and mission. A strong system of internal controls benefits all aspects of operations; it improves the reliability of organizational operations, provides confidence that an organization is using funds and resources efficiently and effectively, and provides assurance that assets and resources are well protected and managed.

Sound internal controls call for districts to enter into contractual or lease agreements with service providers or landlords before services are delivered or space is occupied. This helps assure that proper authorization and approvals were obtained prior to commencement of contract. Further, the contract or lease should be documented and should clearly stipulate the services to be provided or space occupied; a timeframe for the delivery of services or space to be occupied; the cost of providing the services or space; and the timing and method of payment.

Inventory controls over all assets are needed to safeguard property against loss, establish effective utilization, determine needs, and identify surplus items. Adequate controls include maintaining complete and accurate records; tagging assets with ownership and identification labels; and periodically conducting physical inventories.

In general, the District has adequate internal controls in place; however, we found instances where contracts or leases were dated after the commencement of services or space occupied; an instance where the amount spent for the services of one vendor was more than the contract; and an instance where a contract was not provided. We also found weaknesses related to equipment inventory.

Contracts/Leases Weaknesses

During our review of supporting documentation for the OTPS expenditure sample, we found an expenditure of $135,704 for Title I services provided by the Erie I BOCES for neglected and delinquent students being held at the Erie County Youth Detention Center from September 2011 through August 2012. However, the contract was not dated until November of 2011.

We also found two 2010-11 rental expenditures of $11,000 and $25,000 for space at 75 Hickory Street to be used for professional development, parental involvement, and other Title I programs. However, space was occupied starting in September of 2010, but the lease was not dated until January of 2011.

We found two expenditures related to space at 2925 Genesee Street. One expenditure for $16,000, was for maintenance, snow removal, utilities, and copier services for 2009-10 and the other cost was for 2010-11 rent for $13,000. However, the District received invoices for the 2009-10 costs related to January and February, but the agreement was signed March 1, 2010. The District received invoices for space that was initially occupied in September of 2010 but that lease was not dated until January of 2011.

A rental expenditure for $5,000 was incurred for the District Parent Coordinating Council covering the period of September 2011 through June 2012. However, the lease was not dated until May of 2012.

We found a 2009-10 expenditure of $19,000 for a non-public provider of supplemental Title I reading and math instruction. However, the contract for this vendor was dated September 24, 2009, whereas services commenced September 7, 2009. Also, the contract stated a maximum amount of $9,750 to be paid, but was not amended.

We found a 2010-11 expenditure of $115,000 for a Supplemental Education Services provider, but a contract was not provided.

Table 3, shown on the next page, summarizes our analysis of service/space usage and contract/lease dates.

Table 3
Contract/Lease Dates

Vendor	Expenditure Amount	Service Commencement	Contract/Lease Date
Erie I BOCES	135,704	09/01/2011	11/03/2011
Crossroads Resources, Inc.	36,000	09/01/2010	01/03/2011
S. Spinuzza	16,000	01/2010	03/01/2010
S. Spinuzza	13,000	09/06/2010	01/03/2011
Gateway Longview Family Resource Center	5,000	09/01/2011	05/07/2012
B. Bartosik	$19,000	09/07/2009	09/24/09
Concerned Ecumenical Ministry	115,000	11/01/2010	Unknown, no contract provided.

Source: OAS Analysis of Contract Costs

Inventory Weaknesses

The District purchased a Smart Board system in 2009-10 for $3,098 with Title I funds for use in a non-public Title I school. We found that the hardware was still in its original box that had never been opened. As a result of this audit, the item has now been placed into use.

From a sample of 38 items that were paid from the Title I grant funds, seven computers could not be located during our inventory testing. Two of these seven were located by the District subsequent to our initial testing; however, they did not have the same serial numbers as the ones selected in our sample. According to the District, the remaining five were disposed of; however, the documentation provided which shows the serial numbers of the computers for disposal did not include the serial numbers assigned to the five. Although we did not disallow the corresponding costs, they are indications of control weaknesses.

Recommendations

6. Ensure that contracts or leases are dated and approved by the Board before the commencement of services or space occupied.

7. Ensure that contracts are amended and in place, when required.

8. Ensure that equipment purchased with grant funds are placed into use to fulfill the objectives of the grant and document when items are re-distributed. Implement

necessary controls for monitoring the status of equipment including recording any new acquisitions, transfers, or disposals on the District inventory system.

Compliance

OMB Circular A-87 requires salaries of employees who are charged to federal grants be supported by periodic certifications or personnel activity reports. This requirement applies to all federal grants including Title I. Where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.

Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which must meet the following standards; they must account for the total activity for which each employee is compensated, they must be prepared at least monthly coinciding with one or more pay periods, and they must be signed by the employee. We found that the District has a process in place to certify time and efforts for employees, but it was not always followed.

Time and Effort Requirements

We selected 50 employees from 2009-10, 49 employees from 2010-11, and 42 employees from 2011-12 from lists of employees paid from Title I to determine if personal service costs are supported with payroll certifications or personnel activity reports to ensure they meet federal requirements.

We found that although the District was largely in compliance, there were numerous instances where they were not for all three years. We found instances where certifications or personnel activity reports did not cover the entire period, were not prepared for each month, did not cover 100 percent of the entire activity of the employee, were not signed and or dated with an appropriate signature, or were not prepared at all.

Recommendations

9. Comply with OMB Circular A-87 in regard to time and effort requirements.

Schedule A
Total Disallowed

Schedule A shows what is disallowed in total for each year for both OTPS and Indirect costs. The total disallowed for all three years is $87,385.

	2009-10	2010-11	2011-12	Total
OTPS Disallowed	$32,330	$41,693	$11,055	$85,078
Indirect Disallowed	873	1,125	309	2,307
Total Disallowed	$33,203	$42,818	$11,364	$87,385

Source: OAS Calculation of Total of Disallowed Costs

Appendix A

Contributors to the Report
Buffalo City School District
Title I Grant

- T. Stewart Hubbard III, Audit Manager
- Patrick Orton, Auditor in Charge
- James Schelker, Senior Auditor
- Mark Finlayson, Auditor
- Daniel Flynn, Auditor

BUFFALO PUBLIC SCHOOLS
Office of Curriculum, Assessment & Instruction
Room 701, City Hall
Buffalo, New York 14202
Phone (716) 816-3531

March 6, 2014

T. Stewart Hubbard III
Principal Auditor
Office of Audit Services
The State Education Department
The University of the State of New York
Albany, NY 12234

Dear Mr. Hubbard:

Re: Draft Title I Grant Audit Report, District Response

The Buffalo City School District offers the comments below on the results and recommendations of the State Education Department's Draft Audit Report for the Buffalo City School District's Title I Grant for the Period September 1, 2009 through August 31, 2012.

In general, the District does not dispute the results. The period in question does show need for improvement in the District's work on comparability; its maintenance of controls to ensure that expense items are approved, appropriately used, supplemental, and adequately documented; its practices with regard to contracted services; its inventory procedures; and its collection of periodic employee certifications. The District will work to determine and take any corrective action that may still be needed going forward.

The Buffalo City School District staff worked closely with the New York State Education Department auditors in the review of disallowance findings. Of the outstanding findings, the District would request further consideration of one item: $2,980 for 5 desktop computers which were used by the non-public Timon/St. Jude High School. The computers' purchase was well documented, they were in use at the school for several years, and there are records of their then having been shipped to the District's service center for possible redeployment but ultimately marked for disposal. The record that they were indeed recycled is missing; however, given that they were clearly in use and only their final disposition is unknown; the District is requesting that the disallowance of their entire purchase amount be reconsidered.

See Auditor's Note 1

Generally, the District considers the numbered Recommendations that appear throughout the Audit Report to be reasonable. District response follows numbered recommendation.

Recommendation 1 and 2:	**Title I schools are at least comparable to the services provided in schools that are not receiving Title I funds. Develop procedures for complying with comparability requirements and maintain the supporting documents used to demonstrate compliance.**
Response:	Comparability-related procedures are now documented, and supporting documents demonstrating compliance are archived by the District.

Recommendation 3:	**Please submit revised FS-10-F long forms reflecting reductions of $90,445 for disallowed costs. The revised FS-10-F long forms accompanied by a copy of this report or transmittal letter identifying this audit as the reason for the revisions should be submitted within 30 days to:** **The State Education Department** **Grants Finance, Room 510W EB** **Albany, NY 12234** **Grants Finance will review the revised FS-10-F long forms and send Form FS-80s Notice of Overpayment to your District, confirming the amount overpaid, and provide remittance instructions.**
Response:	The District will submit final claims to reflect reductions for disallowed costs.

Recommendation 4:	**Only claim expenditures on the Final Expenditure Reports that are approved in the FS-10s and grant applications.**
Response:	Controls are in place and are continually under review to ensure that all expenditures claimed on Final Expenditure Reports are approved in the FS-10s and grant applications.

Recommendation 5:	**Ensure all items purchased with Title I funds are used exclusively for the purpose of the grant and in accordance with grant requirements. In addition, ensure that adequate supporting documentation is maintained.**
Response:	Continual collaboration among the District's various instructional program and operations departments is designed to refine procedures to guarantee both appropriate use of Title I purchases and adequate supporting documentation for such use. The District's Office of Federal and State Programs develops the records that fully indicate programmatic compliance. Electronic attachment of supporting documentation in the BCSD's business system is a focus of Finance and Operations

	throughout procurement.
Recommendation 6 and 7:	**Ensure that contracts or leases are dated and approved by the Board before the commencement of services or space occupied. Ensure that contracts are amended and in place, when required.**
Response:	The District strives to maintain fiscal and legal controls which stress the importance of getting contracts in place prior to commencement of service, and making appropriate and timely adjustments to contracts in order to align with services.

Recommendation 8:	**Ensure that equipment purchased with grant funds are placed into use to fulfill the objectives of the grant and document when items are re-distributed. Implement necessary controls for monitoring the status of equipment including recording any new acquisitions, transfers, or disposals on the District inventory system.**
Response:	Purchases, transfers, and disposals are recorded. Inventory control procedures are periodically revisited in order to prevent the movement of equipment through unofficial channels, especially in the case of equipment that moves to non-public schools that are not under the District's direct control.

Recommendation :	**Comply with OMB Circular A-87 in regard to time and effort requirements.**
Response:	District Time and Effort certification procedures are designed to comply with requirements listed in OMB Circular A-87.

We appreciate your assistance.

Best Regards,

Yamilette Williams

Yamilette Williams, Ed.D.
Chief, Curriculum, Assessment & Instruction

Appendix C

Auditor’s Note

Note 1:

Upon reconsideration, we are not disallowing the $2,980 for the five desktop computers. Instead, we moved the finding to the Internal Controls section of the report under the Inventory Weaknesses sub-heading. The purchase of the computers and the tagging at the non-public school were documented. However, we did not see any document giving an indication of how long they were in use at the school. In addition, although there are some records of other computers shipped to the District’s service center, the serial numbers assigned to these five desktops are not included.