November 10, 2010

Rev-99-182-902-06-2010

VIA UNITED STATES CERTIFIED MAIL

Mr. Chance Welch
Superintendent
Graford ISD
400 W. Division
Graford, TX 76449-9701

Subject: Letter of Observations

Dear Mr. Welch:

Auditors from the Division of Financial Audits conducted a review of the Title XIV ARRA grant (NOGA ID: 10557001182902) grant (the grant) awarded to Graford ISD (CDN: 182-902) (the subrecipient). The review was conducted through written correspondence and was limited to the records provided by the subrecipient in response to the auditors' formal correspondence dated June 18, 2010 and other informal inquiries. This correspondence and its attachments constitute the auditor's letter of observations.

Although the records submitted by the subrecipient remain subject to review by appropriate federal and/or state oversight entities, auditors consider this review closed. You will be notified in the event a follow up to the review is scheduled. We appreciate your cooperation during the conduct of our correspondence review. Should you have any questions, please contact Lance McMillan (512) 463-9095.

Sincerely,

Roger Hingorani
Director of Special Monitoring Unit
Division of Financial Audits

Cc Rita Chase, Director of Financial Audits

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Superintendent
Graford ISD

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Attachment A: Summary of Audit Objectives, Scope and Methodology

Objectives

The review was focused on the following objectives:

1. Whether the subrecipient's financial records accurately and completely accounted for the obligation, receipt, expenditure, and use of the grant funds.

2. Whether the subrecipient obligated, expended, received, and used grant funds in accordance with the purpose for which those funds were appropriated or otherwise authorized by laws, rules and regulations.

3. Whether the subrecipient complied with the reporting requirements of ARRA.

Scope and Methodology

Auditors focused their review on the subrecipient's compliance with certain fiscal and reporting requirements applicable to the grant awarded to the subrecipient by the Texas Education Agency pursuant to American Recovery and Reinvestment Act of 2009 (ARRA). However, auditors did not intend to scrutinize and did not examine every facet of the subrecipient's administration of the grant. Accordingly, the auditors' inquiry was limited to the records provided by the subrecipient. Auditors reviewed the subrecipient's records to determine if the subrecipient's fiscal and reporting requirements applicable to the grant funds were met.

General Conclusion

Based upon their review of the subrecipient's records, auditors observed that the subrecipient adequately implemented certain fiscal controls to ensure the proper administration of the grant and to facilitate its compliance with the requirements promulgated by the United States Department of Education in Section 80.20 of Title 34 of the Code of Federal Regulations (34 CFR 80.20) and reporting requirements of ARRA.

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Attachment B: Auditors' Observations

Observations on Subrecipient's Administration of ARRA awards: Auditors examined the detailed general ledger created and maintained by the subrecipient and assessed the subrecipient's internal controls over quality of data, budgetary process and the use of ARRA funds. Based on their review of the documents provided by the subrecipient in response to their correspondence and other inquiries, auditors noted the following observations.

1. The subrecipient maintained a detailed general ledger that complied with FASRG and 34 CFR 80.20(b)(2).

2. The subrecipient utilized its budget and encumbrance accounting systems to maintain effective control over the obligation and expenditure of grant funds in accordance with 34 CFR 80.20(b)(4).

Observations on ARRA Reporting Requirements: Auditors reviewed documentation in support of the quarterly report filed for the quarter ended March 31, 2010 and noted that the subrecipient accurately compiled, calculated and reported the data on the quarterly report.

3. Auditors noted that the subrecipient provided adequate documentation to support the data reported in the quarterly report.

Observations on ARRA Infrastructure Expenditures: The subrecipient did not have any budgeted expenditures for infrastructure projects budgeted from ARRA funds.