

November 24, 2010

Rev-107-209-901-06-2010

VIA UNITED STATES CERTIFIED MAIL

Mr. Shane Fields
Superintendent
Albany Independent School District
P O Box 2050
Albany, TX 76430-0188

Subject: Final Letter of Observations

Dear Mr. Fields:

Auditors from the Division of Financial Audits conducted a review of the Title XIV ARRA grant (NOGA ID: 10557001209901) grant (the grant) awarded to Albany Independent School District (CDN: 209-901) (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 findings.

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 at (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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Attachment A: Summary of Auditors' Observations

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. 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 fiscal and reporting requirements applicable to grant funds were met. The auditors' findings are discussed in this attachment and in Attachment B.

General Finding

Based upon their review of the subrecipient's records, auditors observed that the subrecipient did not adequately implement 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). The auditors' findings are discussed in Attachment B.

Questioned Costs

Based on the results of their review procedures, auditors questioned \$26,753.90 in costs charged to the grant awarded to the subrecipient.

Recommendation to Subrecipient

Please review this letter carefully and take appropriate corrective actions to address the auditors' observations, recommendations and required actions.

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Attachment B: Auditors' Findings

Observations on Subrecipient's Administration of ARRA awards: Auditors examined financial records created and maintained by the subrecipient and assessed 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 observed the following issues.

Finding 01. The subrecipient did not demonstrate that it complied with the standards for financial management systems promulgated in 34 CFR 80.20(b)(4).

Specifically, auditors noted the following observations during their review of the subrecipient's expenditure reports, detailed general ledger, and other related documents.

- (1) The detailed general ledger did not include encumbrances. Specifically, auditors noted that the detailed general ledger did not include journal entries for encumbered purchase order transactions and did not include subsequent journal entries that adjusted the encumbered amounts when the invoice was received or paid.
- (2) The expenditures recorded on the detailed general ledger did not agree to the budget approved by the TEA. Auditors noted that the subrecipient expended grant funds from object code 6200 which was not approved in the program budget summary of the grant application as amended. The subrecipient is required to file an amendment to do the following.
 - Add a class/object code not previously budgeted on the **Program Budget Summary**.
 - Increase or decrease the amount budgeted in any class/object code on the **Program Budget Summary** by more than 25% of the current amount approved in the class/ object code (for discretionary grants) or of the total approved budget (for formula grants).
 - Add a new item that requires specific approval in the itemized costs or for Debt Service.

As a result auditors questioned \$26,753.90 in costs charged to the grant for expenditures not approved in the budget.

Recommendation

The subrecipient should update and/or implement adequate internal controls to ensure reasonable assurance that it is managing federal awards appropriately and is complying with laws, regulations, and the provisions of grant agreements.

Observations on ARRA Reporting Requirements: Auditors reviewed documentation in

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support of the quarterly report filed for the quarter ended March 31, 2010 and noted that the subrecipient accurately reported the data on the quarterly reports.

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