December 16, 2010

Rev-119-230-901-06-2010

VIA UNITED STATES CERTIFIED MAIL

Mr. Scott Beene
Superintendent
Big Sandy ISD
P O Box 598
Big Sandy, TX 75755-0598

Subject: Final Letter of Findings

Dear Mr. Beene:

Auditors from the Division of Financial Audits conducted a review of the Title XIV ARRA grant (NOGA ID: 10557001230901) grant (the grant) awarded to Big Sandy ISD (CDN: 230-901) (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. Your response to the Preliminary Letter of Observations and Findings dated December 3, 2010 has been incorporated into the body of the final report as deemed appropriate, and is included as Attachments A and B.

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.

Sincerely,

Roger Hingorani
Director of Special Monitoring Unit
Division of Financial Audits

Rita Chase, Director of Financial Audits

December 16, 2010

Mr. Scott Beene
Superintendent
Big Sandy ISD

Subject: Final Letter of Findings, Page 2

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 below.

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), American Recovery and Reinvestment Act of 2009 (ARRA). The auditors' findings are discussed in Attachment B.

Questioned Costs

$0.00

General Conclusion

Based upon their observations, auditors concluded that the subrecipient did not generally comply with the requirements promulgated in 34 CFR 80.20 and reporting requirements of ARRA.

Subrecipient's Response

Refer to Attachment A and B.

Auditor's Addendum

Auditors reviewed the subrecipient's response dated December 3, 2010 to the preliminary letter of findings and the documentation submitted with the response. Auditors concurred with the subrecipient's response and the proposed corrective actions to address the findings noted below.

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Auditors' Findings

Observations on Subrecipient's Administration of ARRA awards: Auditors examined financial records 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 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)(1)(2). Specifically, auditors noted that the subrecipient's accounting records did not adequately comply with Section 1.4 of the Financial Accountability System Resource Guide (FASRG) and/or did not provide sufficient or adequate accounting data for the transactions recorded.

Specifically, auditors noted the following observations during their review of the subrecipient's expenditure reports and financial accounting records.

(1) Auditors noted a variance of 38% between the amounts reported on the expenditure reports filed for reimbursements (draw-downs) and the expenditures recorded on the detail general ledger for the grant. Since the total amount of draw-downs exceeded the expenditures recorded in the detailed general of the grant, auditors questioned the variance of $78,358.99 .

(2) Auditors noted that the payroll costs recorded on the detailed general ledger did not agree to the payroll costs recorded in the payroll journal.

Auditor's Addendum Auditors concur with the subrecipient's response and the proposed corrective actions to address Finding #1 noted above.

Specifically, auditors noted the following observation during their review of the subrecipient's financial accounting records and documentations in support of the quarterly reports filed with TEA.

(1) The subrecipient did not provide adequate documentation to support the number of FTEs it reported on the quarterly report submitted to TEA for the quarter ended March 31, 2010. Auditors could not determine if the subrecipient's FTE calculation was correct because all or some of the following data was not readily available:

- The number of regular hours worked by each grant-funded employee during the quarter.
- The number of extra duty hours and the amount of extra duty wages funded by the grant during the quarter.
- The number of substitute hours and the amount of substitute wages funded by the grant during the quarter.

Auditor's Addendum Auditors concur with the subrecipient's response and the proposed

corrections to address Finding #2 noted above.

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

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Mr. Scott Beene
Superintendent
Big Sandy ISD

Subject: Final Letter of Findings, Page 5

Attachment A

November 19, 2010

Mr. Scott Beene
Superintendent
Big Sandy ISD

Subject: Preliminary Letter of Observations, Page 6

Attachment C: Subrecipient's Response to Auditors' Report

SB (Please Initial) The subrecipient concurred with the auditors' observations, general conclusion, assessment of risk and recommendation. Additionally, the subrecipient enclosed the attached proposed corrective action to address the auditors' observations. Refer to Attachment D.

SB (Please Initial) The subrecipient did not concur with the auditors' observations, general conclusion, assessment of risk and recommendation and enclosed a written response discussing its disagreement. Insert your response as Attachment E. The subrecipient also enclosed copies of documents that support its disagreement with the auditors' preliminary letter of findings. Insert supporting documents as Attachment(s) F through ____.

SB (Please Initial) The subrecipient concurred with only the observations noted below and proposed the corrective actions noted on Attachment D to this response. However, the subrecipient did not concur with the other observations, as noted below, and has enclosed a written response discussing its disagreement. Insert your response as Attachment E. In this latter regard, the subrecipient has also enclosed copies of documents that support its disagreement with the contents of the preliminary letter of findings. Insert supporting documents as Attachment(s) F through ____.

Finding	Subrecipient Concurred	
	Yes	No
01		X
02		X

I, the undersigned, attest and affirm that our response above and the supporting attachments, _____ through _____, constitute an accurate and complete response from the subrecipient to the findings and recommendations discussed in the preliminary letter of findings dated November 19, 2010 from the Division of Financial Audits.

Superintendent's Signature

12/6/2010
Date Signed

December 16, 2010

Mr. Scott Beene
Superintendent
Big Sandy ISD

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Mr. Scott Beene
Superintendent
Big Sandy ISD

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Attachment B

Attachment D: Subrecipient's Proposed Corrective Action

Finding: 1

Actions taken or planned for correction:

See Attached.

Responsibilities and timetable for the above actions:

Mary Holley
Fiscal Contact Signature
(Preparer)

12/3/10
Date Signed

Superintendent's Signature
(Approver)

12/6/2010
Date Signed

December 16, 2010

Mr. Scott Beene
Superintendent
Big Sandy ISD

Subject: Final Letter of Findings, Page 8

Big Sandy ISD

Finding 01

The subrecipient did not demonstrate that it complied with the standards for financial management systems promulgated in 34 CRF 80.20(b)(1)(2). Specifically, auditors noted that the subrecipient's accounting records did not adequately comply with Section 1.4 of the Financial Accountability System Resource Guide (FASRG) and/or did not provide sufficient or adequate accounting data for the transactions recorded.

Specifically, auditors noted the following observations during their review of the subrecipient's expenditure reports and financial accounting records.

(1) Auditors noted a variance of 38% between the amounts reported on the expenditure reports filed for reimbursements (draw-downs) and the expenditures recorded on the detail general ledger for the grant. Since the total amount of draw-downs exceeded the expenditures recorded in the detailed general of the grant, auditors questioned the variance of $78,358.99.

(2) Auditors noted that the payroll costs recorded on the detailed general ledger did not agree to the payroll costs recorded in the payroll journal.

Required Action: The subrecipient should provide a copy of the detailed general ledger of the SFSF grant for the entire NOGA period.

We follow the Financial Accountability System Resource Guide for all financial transactions which in coordination with our Local Board Policy.

The variance which is reflected in the Payroll Journal for the requested period does not accurately reflect the total payroll expenditures for SFSF grant. The discrepancy is either a software issue or is tied to the manner in which the data was input into our computer system.

The employee earnings which are not reflected on the payroll journal are tied to an employee who was previously in another position and subsequently was coded to another fund. When the change was made, the payroll journal did not accurately reflect the information tied to the employee.

The employee earnings which are not reflected in the payroll journal are accurately shown on the detailed general ledger. A detailed general ledger for the entire grant period will be sent as requested.

Also, a copy of the general ledger summary which is used when funds are drawn-down will also

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Mr. Scott Beene
Superintendent
Big Sandy ISD

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Attachment D: Subrecipient's Proposed Corrective Action

Finding: 2

Actions taken or planned for correction:

See Attached

Responsibilities and timetable for the above actions:

Mary Holley
Fiscal Contact Signature
(Preparer)

12/3/10
Date Signed

Scott Beene
Superintendent's Signature
(Approver)

12/6/2010
Date Signed

December 16, 2010

Mr. Scott Beene
Superintendent
Big Sandy ISD

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Big Sandy ISD

Finding 02

The subrecipient did not demonstrate that it complied with the reporting requirements promulgated in Section 1512 © of the American Recovery and Reinvestment Act of 2009.

Specifically, auditors noted the following observation during their review of the subrecipent's financial accounting records and documentations in support of the quarterly reports filed with TEA.

(1) The subrecipient did not provide adequate documentation to support the number of FTE's it reported on the quarterly report submitted to TEA for the quarter ended March 31, 2010. Auditors could not determine if the subrecipient's FTE calculation was correct because all or some of the following data was not readily available:

- **The number of regular hours worked by each grant-funded employee during the quarter.**
- **The number of extra duty hours and the amount of extra duty wages funded by the grant during the quarter.**
- **The number of substitute hours and the amount of substitute wages funded by the grant during the quarter.**

The worksheet provided has been updated to reflect the regular hours worked, as well as any extra duty or substitute hours.

An additional report, The YTD Account Distribution Journal for those two employees paid from the SFSF Grant has been provided which show details of payroll transactions for each individual employee.

In addition to the reports previously mentioned, the pre-award submitted for payroll expenses incurred before the award date is also included.