

March 7, 2011

Rev-123-240-904-06-2010

VIA UNITED STATES CERTIFIED MAIL

Dr. David Jones
Superintendent
Webb Consolidated Independent School District
P O Box 206
Bruni, TX 78344-0206

Subject: Final Letter of Findings

Dear Dr. Jones:

Auditors from the Division of Financial Audits conducted a review of the Title XIV ARRA grant (NOGA ID #10557001240904) grant (the grant) awarded to Webb Consolidated Independent School District (CDN: 240-904) (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 findings provided December 20, 2010 has been incorporated into the body of the final letter of findings as deemed appropriate, and is included as Attachments C and D. This review is now considered closed. 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

March 7, 2011

Dr. David Jones
Superintendent
Webb Consolidated Independent School District

Subject: Final Letter of Findings, Page 2

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 ARRA Title XIV SFSF 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 subrecipient's fiscal and reporting requirements applicable to grant funds were met.

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

Questioned Costs

Based on the results of their review procedures, auditors questioned \$122,868.00 in costs charged to the grant awarded to the subrecipient.

Subrecipient's Response

Please refer to Attachments C and D.

Auditor's Addendum

Auditors reviewed the subrecipient's response provided December 20, 2010 and noted that the subrecipient's response and documentation submitted did not demonstrate compliance with Davis Bacon and Buy American Act provisions of the ARRA.

March 7, 2011

Dr. David Jones
Superintendent
Webb Consolidated Independent School District

Subject: Final Letter of Findings, Page 3

Attachment B: 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)(4). Specifically, auditors noted that the subrecipient's budget did not indicate that the subrecipient maintained effective budgetary control of grant expenditures.

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

- (1) Auditors observed that the subrecipient expended grant funds for an infrastructure project under object code 6629 which was not approved in the program budget summary of the grant application as amended. Additionally, the transfer of funds to capital outlay exceeded the twenty-five percent of the total grant budget. Both of these conditions required the subrecipient to file an amendment with TEA for an amended budget.

Finding 02. The subrecipient expended SFSF grant funds for infrastructure investment projects (modernization, renovation, and repair of public school facilities). However, the subrecipient did not demonstrate that it complied with all laws, rules and regulations promulgated in the American Recovery and Reinvestment Act of 2009 for infrastructure investment projects.

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

- (1) Auditors examined the documentation in reference to the subrecipient's infrastructure project and noted that the documentation (DRN 10) provided by the subrecipient did not demonstrate that the subrecipient met the requirements promulgated in Buy American Act provisions, section 1605 of ARRA, which required the subrecipient to ensure that all iron, steel and manufactured goods used in the infrastructure investment project were produced in the United States.
- (2) The subrecipient did not provide documentation indicating that the contractual agreements with the contractor and subcontractor required them to comply with the Davis Bacon provisions of ARRA and required them to submit documentation for verification. As a result, the subrecipient did not demonstrate that it complied with the Davis Bacon Act, Section 1606 Wage Rate Requirement of ARRA which required the subrecipient to ensure that under the provisions of the Act, contractors or their subcontractors are required to pay workers employed directly upon the site of the work no less than the locally prevailing wages and fringe

March 7, 2011

Dr. David Jones
Superintendent
Webb Consolidated Independent School District

Subject: Final Letter of Findings, Page 4

benefits paid on projects of a similar character.

Auditors Addendum: The subrecipient did not provide any additional documentation that demonstrated compliance of the Davis Bacon or Buy American Act provisions of ARRA. In the recipient's response, the LEA indicated they would incorporate these provisions in "subsequent" constructions projects. As a result, the finding remains unchanged.

Conclusion: The subrecipient's internal control weaknesses adversely affected its ability to comply with infrastructure investment project requirements of ARRA.

Required Action: Due to the noncompliance with the infrastructure investment project requirement of ARRA, auditors recommend that the subrecipient file for a budget amendment with TEA to remove the infrastructure project from SFSF grant and reclassify the project cost to another funding source. Please refer to TEA correspondence dated January 10, 2011 on the TEA web site for further guidance on removing infrastructure project from the grant <http://ritter.tea.state.tx.us/taa/arra01102011>. Failure to take any action on your behalf will result in questioned costs of the total project.

March 7, 2011

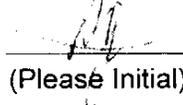
Dr. David Jones
Superintendent
Webb Consolidated Independent School District

Subject: Final Letter of Findings, Page 5

Attachment C: Subrecipient's Response to Auditors' Report

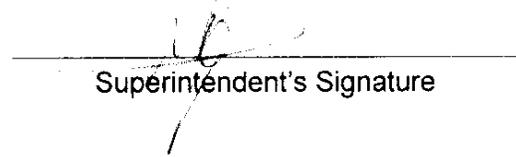
_____ The subrecipient concurred with the auditors' observations, general conclusion,
(Please Initial) assessment of risk and recommendation. Additionally, the subrecipient
enclosed the attached proposed corrective action to address the auditors' observations. Refer to Attachment D.

_____ The subrecipient did not concur with the auditors' observations, general
(Please Initial) 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 _____.

 _____ The subrecipient concurred with only the observations noted below and
(Please Initial) 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		✓
02	✓	

I, the undersigned, attest and affirm that our response above and the supporting attachments, C through G, 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

12/13/10

Date Signed

March 7, 2011

Dr. David Jones
Superintendent
Webb Consolidated Independent School District

Subject: Final Letter of Findings, Page 6

Attachment D: Subrecipient's Proposed Corrective Action

The District will comply with the requirements of the Buy American Act. Specifically, the General Conditions part of Construction Contracts for subsequent construction projects will contain provisions ensuring that all iron, steel, and manufactured goods used in a construction project be produced in the United States. The district will retain receipts and other forms of written documentation to demonstrate compliance with the Buy American Act.

The District will comply with the requirements of the Davis-Bacon Act. Specifically, the General Conditions part of Construction Contracts for subsequent construction projects will contain provisions ensuring that contractors and subcontractors must pay laborers and mechanics employed under the contract no less than locally prevailing wages for corresponding work on similar projects in the area. The district will use the most recent publications to establish the Prevailing Wage Rates for any construction project. The district will retain documentation from contractors and will monitor contractors for compliance with the Davis-Bacon Act Provisions.

The district business operations handbook will be amended to include the provisions described above. This amendment will contain the language to be used in the Bid Proposals and instructions for gathering documentation and monitoring the provisions described above. The instructions will include provisions for reviewing Construction Bid Proposals submitted by architects, engineers, or other consultants to ensure that they are up-to-date and in compliance with federal guidelines, specifically the Buy American Act and Davis-Bacon Act.