





June 20, 2011

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Superintendent  
Life School of Dallas

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### Background

As discussed in their notification letter dated December 17, 2010, auditors from the Division of Financial Audits of the TEA initiated an onsite review of the fiscal controls over federal grants awarded to Life School of Dallas (CDN: 057-807 ) pursuant to ARRA. Due to heavy emphasis on accountability and transparency on ARRA funded grants, the primary focus of this review was to inquire about the subrecipient's fiscal controls in effect over ARRA funded awards and about the activities, functions, programs and services implemented by the subrecipient to provide a reasonable assurance of compliance with laws, rules, regulations, and guidance pertaining to the ARRA grants awarded to the subrecipient. Generally, auditors limited their review to the subrecipient's records supporting its compliance with grant requirements and accounting for its receipt and expenditures of grant funds of ARRA funded grants awarded to the subrecipient. As of December 17, 2010 the subrecipient filed expenditure reports to claim a total of \$1,015,297.00 in expenditures from the total of \$2,207,422.00 in ARRA funded grants awarded to the subrecipient (refer to Table A below).

<b>TABLE A</b>			
<b>Expenditures of NOGAs Awarded to Life School of Dallas as of December 17, 2010</b>			
<b>NOGA ID</b>	<b>NOGA Description</b>	<b>Amount Awarded</b>	<b>Amount Expended</b>
10554001057807	IDEA B Formula – ARRA-LEA	\$598,122.00	\$190,466.00
10555001057807	IDEA B Pre-School – ARRA-LEA	\$15,458.00	\$1,900.00
10551001057807	Title I, Part A – ARRA/STIMULUS	\$477,422.00	\$295,366.00
10553001057807	ARRA - Title II, D Technology	\$15,039.00	\$13,539.00
11557001057807	ARRA Title XIV SFSF	\$575,583.00	\$0.00
10557001057807	ARRA Title XIV SFSF	\$525,798.00	\$514,026.00
<b>Total Amount Awarded</b>		<b>\$2,207,422.00</b>	<b>\$1,015,297.00</b>

### General Observations

Based upon their review of the subrecipient's records, auditors observed the following:

- 1. Observations on ARRA Infrastructure Expenditures:** 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

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of 2009 for infrastructure investment projects (refer to Findings #1, #2, and #3).

- 2. 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 policies and procedures, quality of data, budgetary control of ARRA grants, cash management, time and effort reporting requirements and the use of ARRA funds. Based on their examination, auditors noted that in certain instances the subrecipient did not have adequate controls and/or maintain documentation to comply with certain federal requirements and standards of financial management (refer to Findings #4, #5, and #6).
- 3. Observations on ARRA Reporting Requirements:** Auditors reviewed the quarterly reports filed by the subrecipient and the documentation in support of the data accumulated and reported to TEA and noted that it did not demonstrate that it complied with the reporting requirements promulgated in Section 1512 (c) of American Recovery and Reinvestment Act of 2009 (refer to Finding #7).

### **Overall Conclusion**

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 did not demonstrate that it complied with the infrastructure investment project and reporting requirements promulgated in American Recovery and Reinvestment Act of 2009 (ARRA). The subrecipient did not adequately demonstrate compliance with the requirements promulgated by the United States Department of Education in Section 74.21 of Title 34 of the Code of Federal Regulations (34 CFR 74.21) and Office of Management and Budget (OMB) Circular A-122. The auditors' findings and observations are discussed in the body of the letter.

### **Questioned Costs**

\$306,951.86

### **Recommendations**

The subrecipient should review this letter and provide its response on Attachments A and B, and include any relevant documentation supporting its response.

### **Summary of subrecipient's Response**

The subrecipient concurred with the auditors' findings and subsequently provided corrective action plans. See Attachment A and Attachment B.

### **Auditor's Addendum**

**Auditors reviewed the subrecipient's response dated June 8, 2011 to the Preliminary Letter of Observations and Findings and the actions taken or planned for correction submitted with the response. Auditors concur with the subrecipient's responses and the proposed action plans to address Finding #1 through Finding #7 reported in the Preliminary Letter of Observations and Findings.**

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## **Auditors Observations and Findings**

### **Observations on ARRA Infrastructure Expenditures:**

**Finding # 1:** Auditors examined the documentation in reference to the subrecipient's infrastructure project and noted that the subrecipient did not comply with the certification requirements promulgated in section 1511 of ARRA.

**Finding # 2:** The subrecipient did not demonstrate that it complied with Buy American Act provisions of ARRA promulgated in 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.

**Finding # 3:** The subrecipient did not demonstrate that it complied with Davis Bacon Act provisions of ARRA, promulgated in section 1606 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 benefits paid on projects of a similar character.

### Statements of Fact

Specifically, auditors observed the following instances of noncompliance and/or weakness in the subrecipient's infrastructure documentation.

- a. The subrecipient did not comply with Section 1511 of ARRA which required the subrecipient to ensure that all certification requirements pertaining to the infrastructure project were completed prior to drawdown of funds for the project. Auditors observed that the infrastructure project was completed in July 2009. However, the subrecipient completed the certification on November 29, 2010 after the project was completed.
- b. Auditors examined documentation provided by the subrecipient for the infrastructure project and noted it did not demonstrate compliance with Buy American Act provisions of ARRA (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.
- c. Auditors examined documentation provided by the subrecipient for the infrastructure project and noted that it did not demonstrate compliance with the Davis Bacon Act, Section 1606 Wage Rate Requirement of ARRA. As per Davis Bacon and Related Acts (DBRA), the subrecipient is required 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 benefits paid on projects of a similar character and maintain payroll and basic records of all laborers and mechanics during the course of the work and for a period of three years thereafter.
- d. Subsequent to the onsite visit, as per auditors' recommendation, the subrecipient amended the program budget for the ARRA Title XIV SFSF grant to remove the

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infrastructure investment project. As a result, auditors did not question costs charged to the grant.

### **Conclusion**

The subrecipient's internal control weaknesses adversely affected its ability to comply with ARRA requirements.

### **Finding Type**

Compliance/Internal Control

### **Questioned Costs**

\$0.00

### **Recommendation**

The subrecipient should review its financial management system and existing policies and procedures and update and/or implement adequate internal controls to ensure that it is managing federal awards appropriately and is complying with laws, regulations, and the provisions of grant agreements.

### **Subrecipient's Response**

The subrecipient concurred with the auditors' finding and subsequently provided a corrective action plan. See Attachment A and Attachment B.

### **Auditor's Addendum**

Auditors concur with the subrecipient's response and the proposed corrective action plan.

### **Observations on Subrecipient's Administration of ARRA awards:**

**Finding # 4:** Auditors noted that the subrecipient did not maintain effective budgetary control of grant expenditures. As a result, the subrecipient did not demonstrate that it adequately complied with the standards for financial management systems promulgated in 34 CFR 74.21(b)(4).

### **Statement of Fact**

Specifically, auditors observed the following instance of noncompliance and/or weakness in internal controls.

The detailed general ledger did not include budgeted expenditures. Auditors noted that the detailed general ledger did not include an initial appropriation at the beginning of the grant period (e.g., opening entries recorded on the general ledger) and subsequent adjustments to budgeted amounts (e.g., adjusting entries that increase or decrease the budgeted



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various attributes that would have demonstrated compliance with 34 CFR 74.21(b)(6) and (b)(7) (refer to Appendix A).

### **Conclusion**

The subrecipient's failure to implement an adequate system of internal controls placed grant funds at risk of being misused and impeded the subrecipient's ability to expend grant funds for the purposes stipulated and costs allowed in federal law and rules.

### **Finding Type**

Compliance/Internal Control

### **Questioned Costs**

\$0.00

### **Recommendation**

The subrecipient should monitor the effective implementation of its internal controls over federal awards by ensuring that the individual responsible for the final approval of expenditures (i.e. purchase order, travel itineraries) and disbursement reviews the accounting records for each individual transaction to ensure that the subrecipient's internal controls were properly maintained.

### **Subrecipient's Response**

The subrecipient concurred with the auditors' finding and subsequently provided a corrective action plan. See Attachment A and Attachment B.

### **Auditor's Addendum**

Auditors concur with the subrecipient's response and the proposed corrective action plan.

**Finding # 6:** Auditors noted that the subrecipient failed to maintain adequate and sufficient source documentation to support the payroll costs charged to the grant funds and ensure compliance with the support of salaries and wages requirements promulgated in OMB circular A-122.

### **Statements of Fact**

Auditors selected a sample of payroll costs of twelve (12) employees paid with grant funds which included three (3) employees paid from IDEA-B Formula – ARRA (fund code 283) and nine (9) employees paid from Title I, Part A – ARRA (fund code 285) and examined the documentation in support of the payroll costs charged to the applicable grant (refer to Appendix B and C).

Specifically, auditors observed the following instances of noncompliance and/or weakness in

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internal controls.

- a) None of the employees' job descriptions in fiscal year 2009 – 2010 were signed and dated as per the subrecipient's policies and procedures.
- b) Of the twelve (12) employees tested, eight (8) did not have payroll distribution/authorization (employee job profiles) sheets indicating the source of funds for employees' wages.
- c) Auditors noted many inconsistencies with the personnel activity reports filled out by employees, and therefore did not comply with the support of salaries and wages requirements promulgated in OMB A-122. Auditors noted the following discrepancies:
  - As per the policies and procedures maintained by the subrecipient to comply with time and effort reporting requirements, the subrecipient indicated that employees were required to maintain personnel activity reports on a daily basis and were reviewed and approved by their respective supervisor on a weekly basis. However, in most instances the employees did not adhere to these policies and procedures.
  - In many instances, employees prepared activity reports up to three months after the work was performed or prepared them prior to performing the work. For example, an employee paid 100% from IDEA-B Formula funds prepared weekly personnel activity reports on January 4, 2011 for the work performed by the employee during August 2010 through December 2010.
  - With only two exceptions, none of the employees paid with grant funds maintained time and effort reporting documentation in compliance with requirements promulgated in OMB circular A-122, Cost Principles for Non-Profit Organizations. Accordingly, auditors questioned most of the payroll cost of \$268,893.18 and \$38,058.68 charged to Title I, Part A ARRA and IDEA-B Formula ARRA funds, respectively (refer to Appendix B and Appendix C).

Based on their examination of the subrecipient's payroll, accounting and other grant records, auditors noted discrepancies in the payroll costs of all twelve (12) selected employees charged to Title I, Part A ARRA and IDEA-B ARRA and the various attributes that would have demonstrated compliance with 34 CFR 74.21(b)(6) and (b)(7) and OMB Circular A-122. Accordingly, auditors questioned a total of \$306,951.86 in payroll costs charged to the grant (refer to Appendix B and Appendix C).

## **Conclusion**

The subrecipient's failure to implement and comply with the support of salaries and wages requirements promulgated in OMB Circular A-122 placed grant funds at risk of being misused and impeded the subrecipient's ability to expend grant funds for the purposes stipulated and costs allowed in federal law and rules.

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### **Finding Type**

Compliance/Internal Control

### **Questioned Costs**

\$306,951.86

### **Recommendations**

The subrecipient should implement and maintain an effective time and effort reporting system to comply with the support of salaries and wages requirements promulgated in OMB circular A-122, Cost Principles for Non-Profit organizations

OMB Circular A-122, Attachment B, Section 8 compensation for Personal Services, subsection m - support of salaries and wages:

“m. Support of salaries and wages.

(1) Charges to awards for salaries and wages, whether treated as direct costs or indirect costs, will be based on documented payrolls approved by a responsible official(s) of the organization. The distribution of salaries and wages to awards must be supported by personnel activity reports, as prescribed in subparagraph (2), except when a substitute system has been approved in writing by the cognizant agency. (See subparagraph E.2 of Attachment A.)

(2) Reports reflecting the distribution of activity of each employee must be maintained for all staff members (professionals and nonprofessionals) whose compensation is charged, in whole or in part, directly to awards. In addition, in order to support the allocation of indirect costs, such reports must also be maintained for other employees whose work involves two or more functions or activities if a distribution of their compensation between such functions or activities is needed in the determination of the organization's indirect cost rate(s) (e.g., an employee engaged part-time in indirect cost activities and part-time in a direct function). Reports maintained by non-profit organizations to satisfy these requirements must meet the following standards:

(a) The reports must reflect an after-the-fact determination of the actual activity of each employee. Budget estimates (i.e., estimates determined before the services are performed) do not qualify as support for charges to awards.

(b) Each report must account for the total activity for which employees are compensated and which is required in fulfillment of their obligations to the organization.

(c) The reports must be signed by the individual employee, or by a responsible supervisory official having firsthand knowledge of the activities performed by the employee, that the distribution of activity represents a reasonable estimate of the actual work performed by the employee during the periods covered by the reports.





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**Observations on ARRA Reporting Requirements:**

**Finding # 7:** Auditors examined the documentation in reference to the subrecipient's Quarterly Reports and noted that the subrecipient did not comply with the requirements promulgated in Section 1512 of ARRA.

Statements of Fact

Specifically, auditors observed the following instances of noncompliance and/or weakness in internal controls.

- a. The subrecipient did not report the correct number of jobs created/retained by ARRA. Specifically, auditors noted that the subrecipient's payroll cost of grant funds included payments for HB 3646 pay raises with ARRA funds. However, the subrecipient did not include the number of hours associated with pay raises due to HB 3646 in its calculations of FTEs reported on the quarterly reports submitted to TEA for the quarters ended September 30, 2010 and December 31, 2010.
- b. The subrecipient did not report all vendors that received payments exceeding \$25,000 from grant funds within the reporting period. Specifically, auditors examined the detailed general ledger and noted a vendor payment of \$30,000 that was not included in the quarterly report submitted to TEA for the quarter ended June 30, 2010.

**Conclusion**

The subrecipient's failure to implement and comply with the reporting requirements promulgated in Section 1512 of the American Recovery and Reinvestment Act of 2009 may impede the subrecipient's ability to expend grant funds for the purposes stipulated and costs allowed in federal law and rules.

**Finding Type**

Compliance/Internal Control

**Questioned Costs**

\$0.00

**Recommendation #1.** The subrecipient should update and/or implement adequate internal controls to ensure reasonable assurance that it is complying with reporting requirements of ARRA, laws, regulations, and the provisions of grant agreements.

**Recommendation #2.** The estimate of the number of jobs required by the ARRA should be expressed as FTEs, which is calculated as total hours worked in jobs created or retained divided by the number of hours in a full-time schedule, as defined by the recipient within the reporting quarter. These FTEs are then adjusted to count only for the portion of the job

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funded by ARRA. Refer to the following web-link for Section 1512  
reporting requirements of ARRA.  
<http://www.tea.state.tx.us/arrastimulus/reporting/>

**Subrecipient's Response**

The subrecipient concurred with the auditors' finding and subsequently provided a corrective action plan. See Attachment A and Attachment B.

**Auditor's Addendum**

Auditors concur with the subrecipient's response and the proposed corrective action plan.

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## Summary of Audit Scope, Objectives and Methodology

### Objectives, Scope, Methodology and Timeline

The review focused on the following objectives.

- Whether the subrecipient developed written policies and procedures for the effective control of ARRA funds.
- Whether the subrecipient's financial records accurately and completely accounted for the obligation, receipt, expenditure, and use of the ARRA grant funds.
- Whether financial, program, and other reports filed by the subrecipient were fairly presented and properly supported by the subrecipient's source documentation.

### Scope

Consistent with the objectives of the review identified above, auditors limited the scope of their work to the subrecipient functions and activities implemented in support of the intent and objectives of the grant noted in the Table A below for the grant periods indicated.

<b>TABLE A</b> <b>Individual NOGAs Selected for Audit</b>			
<b>NOGA ID</b>	<b>NOGA Description</b>	<b>Begin Date</b>	<b>End Date</b>
10554001057807	IDEA B Formula – ARRA-LEA	7/28/2009	9/30/2011
10555001057807	IDEA B Pre-School – ARRA-LEA	7/28/2009	9/30/2011
10551001057807	Title I, Part A – ARRA/STIMULUS	8/13/2009	9/30/2011
10553001057807	ARRA - Title II, D Technology	9/18/2009	9/30/2011
11557001057807	ARRA Title XIV SFSF	9/1/2010	9/30/2011
10557001057807	ARRA Title XIV SFSF	9/29/2009	9/30/2010

### Methodology and Timeline

After completing certain desk audit procedures, auditors conducted an onsite visit on January 18, 2011 through January 19, 2011. Subsequent to their onsite visit, auditors continued to perform desk audit procedures. Auditors conducted inquiries and reviewed the subrecipient's records to determine if the fiscal requirements applicable to federal awards were met. In general, auditors performed the following audit procedures.

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1. Auditors researched the federal and state laws and rules and the grant and program requirements applicable to the grants listed in Table A.
2. Auditors reviewed organizational charts and local policy and procedure manuals and other authoritative records to understand the subrecipient's organizational structure and identify internal controls and processes.
3. Auditors reviewed financial and accounting records created and maintained by the subrecipients to ensure that included budgetary data consistency with budget approved by TEA for each grant and maintained financial accounting system that enabled the subrecipient personnel to compare budgeted amounts for each grant to the expenditures incurred and outlays of grant funds.
4. Auditors examined the documentation in support of quarterly reports filed by the subrecipient pursuant to Section 1512 of ARRA reporting requirements to ensure accuracy of data reported to TEA.
5. Auditors examined documentary evidence for post-payment of selected ARRA fund expenditures including, but not necessarily limited to; payroll records, time and effort records, financial accounting reports, original third-party documents such as billing statements, invoices and receipts, personnel files, contracts, and policies and procedures.
6. Auditors examined the documentation in support of Infrastructure project (if applicable) paid with ARRA funds to ensure that the subrecipient complied with certification requirements pursuant to Section 1511 of ARRA, Buy American provisions of ARRA pursuant to Section 1605 of ARRA and Davis Bacon Act pursuant to Section 1606 of ARRA.
7. Auditors interviewed subrecipient personnel and other agents about the activities, functions, programs and services implemented for the grant and the records created and maintained for the grant.
8. Auditors conducted an onsite visit and completed work programs and the related working papers.
9. Auditors applied certain criteria including, but not necessarily limited to, the requirements discussed in the Financial Accountability System Resource Guide, Title 34 Code of Federal Regulations 74.21, the American Recovery and Reinvestment Act of 2009, PL-111-5 (Recovery Act), OMB Circulars A-122, and A-133, and the applicable request for application and approved grant application, as amended. (for charter schools)

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### **Acronyms and Abbreviations Used In This Letter**

<b>Acronym</b>	<b>Acronym Description</b>
ARRA	American Recovery and Reinvestment Act of 2009
CDN	County District Number
CFR	Code of Federal Regulations
34 CFR	Title 34 of the CFR  Note: This acronym is usually followed by the section of the CFR referenced in the report. For instance, section 74.21 of 34 CFR is referenced as 34 CFR 74.21.
FASRG	Financial Accountability System Resource Guide
ID	Identification
IDEA	Individuals with Disabilities Education Improvement Act of 2004
ISD	Independent School District
NCLB	No Child Left Behind Act of 2001
NOGA	Notice of Grant Award
OMB	Office of Management and Budget (Circular A-122)
P.L.	Public Law
SFSF	State Fiscal Stabilization Fund
TEA	Texas Education Agency
TEC	Texas Education Code
Title I, Part A	Title I, Part A of the Elementary and Secondary Education Act of 1965, as amended

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Appendix A						
Item No.	Ref. Number	Trans. Date	Payee	Costs Examined	Amount Questioned	Attribute Failed
<b>IDEA B Formula – ARRA-LEA, NOGA ID: 10554001057807 (Fund 283) Non-payroll</b>						
1	0910-0065	9/9/2009	Cambium Learning, Inc. Sorpis West	\$6,460.00	\$0.00	--
2	0910-2387	7/13/2010	Vicki Sells	\$700.00	\$0.00	E
3	Nov 1, 2009	11/1/2009	James Ball	\$2,000.00	\$0.00	--
4	0910-0459	10/22/2009	Read Naturally	\$6,871.50	\$0.00	--
5	0910-0375	10/22/2009	Abraham, Kimberly J	\$120.69	\$0.00	E
6	1011-0348	10/20/2010	Data Projections, Inc	\$11,467.18	\$0.00	--
<b>IDEA B Preschool – ARRA-LEA, NOGA ID: 10555001057807 (Fund 284) Non-payroll</b>						
7	0910-0023	9/1/2009	NCS Pearson, Inc	\$1,750.00	\$0.00	--
<b>Title 1, Part A – ARRA, NOGA ID: 10551001057807 (Fund 285) : Non-payroll</b>						
8	00086530	5/27/2010	Sylvan Learning Center	\$4,200.00	\$0.00	A
9	0910-1038	3/4/2010	Sylvan Learning Center	\$15,000.00	\$0.00	--
10	0910-1281	6/11/2010	Data Projections, Inc	\$30,000.00	\$0.00	--
11	0910-0307	11/11/2009	Kilgo Consulting, Inc	\$450.00	\$0.00	--
<b>ARRA - Title II, D Technology, NOGA ID: 10553001057807 (Fund 279) : Non-payroll</b>						
12	0910-2121	7/15/2010	Data Projections, Inc	\$6,474.32	\$0.00	--
13	INV331325	9/28/2010	Data Projections, Inc	\$1,000.00	\$0.00	--
<b>Total Questioned Costs</b>					<b>\$0.00</b>	

**Attributes Tested**

Test of Internal Controls

- A. The subrecipient did not maintain an original and complete internal accounting record (e.g., purchase order/contract) to support this transaction.
- B. The subrecipient did not maintain an original and complete third-party record (e.g., itemized invoice/receipt) to support the transaction.

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- C. The accounting record did not indicate that the transaction was approved by authorized individuals.
- D. The fully executed contract for contracted services was not provided to support the transaction.
- E. The purchase order was dated after the date of the vendor's invoice.

Compliance with Law, Rule and/or Regulation

- F. The subrecipient did not provide documentation to support the costs allocated to the activities allowable in accordance with applicable grant requirements.
- G. The line item was not approved in the budget as amended in the applicable grant application.
- H. The amount was not disbursed within the effective dates of the grant (Period of Availability, 34 CFR 74.28)
- I. No supporting documentation provided for selected transactions.

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Appendix B						
Item No.	Ref. Number	Payroll Records	Payee	Costs Examined	Amount Questioned	Attribute Failed
<b>IDEA B Formula – ARRA, NOGA ID: 10554001057807 (Fund 283) : Payroll</b>						
1	283-11-6119-00-001	Complete payroll distr.	Cox, Courtney	\$14,070.60	\$10,552.95	C, D, E
2	283-11-6119-00-001	Complete payroll distr.	Abraham, Kimberly	\$10,450.85	\$10,450.85	C, D, E
3	283-11-6119-00-001	Complete payroll distr.	Reynolds, Gary	\$17,054.88	\$17,054.88	C, D, E
<b>Title 1, Part A – ARRA, NOGA ID: 10551001057807 (Fund 285) : Payroll</b>						
4	285-11-6129-00-001	Complete payroll distr.	LaRue, Jeremy	\$10,436.23	\$9,529.17	C, D, E
5	285-11-6129-00-001	Complete payroll distr.	Alexander, Twylla	\$11,456.96	\$11,456.96	C, E
6	285-11-6119-00-001	Complete payroll distr.	Whitman, Lisa	\$74,259.83	\$74,259.83	C, D, E
7	285-11-6119-00-001	Complete payroll distr.	Spann, Jackie	\$66,053.00	\$66,053.00	C, D, E
8	285-11-6119-00-001	Complete payroll distr.	Dilday, Penny	\$76,706.78	\$76,706.78	C, D, E
9	285-11-6129-00-001	Complete payroll distr.	Burns, Tiffany	\$3,030.77	\$3,030.77	C, E
10	285-11-6129-00-001	Complete payroll distr.	Collins, David	\$9,273.07	\$9,273.07	C, E
11	285-11-6129-00-001	Complete payroll distr.	Frenzel, Kimberly	\$14,601.21	\$14,601.21	C, E
12	285-11-6129-00-001	Complete payroll distr.	Shaw, Sarah	\$3,982.39	\$3,982.39	C, E
<b>Total Questioned Costs</b>					<b>\$306,951.86</b>	

**Payroll Attributes Tested**

- A. Position approved in the budget.
- B. Position supported by laws, rules, regulations, and the grant application.
- C. Signed and dated job description.
- D. Salary authorization and Personnel Action form identifying all sources of funding.
- E. The payroll transaction was not supported by personnel activity reports as required by OMB Circular A-122. (Activity reports reflecting; after the fact distribution of work performed, total activity, signed by the employee, and prepared at least monthly.)

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<b>Appendix C</b>						
<b>Item No.</b>	<b>Payee</b>	<b>Payroll Period</b>	<b>Costs Examined</b>	<b>Payroll Credit</b>	<b>Amount Questioned</b>	<b>Documents Provided</b>
<b>IDEA B Formula – ARRA, NOGA ID: 10554001057807 (Fund 283) : Payroll</b>						
1	Cox, Courtney	September to December 2010.	\$14,070.60	\$3,517.65	\$10,552.95	A
2	Abraham, Kimberly	October and November 2009.	\$10,450.85	\$0.00	\$10,450.85	
3	Reynolds, Gary	Through January 9, 2011.	\$17,054.88	\$0.00	\$17,054.88	
<b>Title 1, Part A – ARRA, NOGA ID: 10551001057807 (Fund 285) : Payroll</b>						
4	LaRue, Jeremy	Through January 9, 2011	\$10,436.23	\$907.06	\$9,529.17	B
5	Alexander, Twylla	Through January 9, 2011	\$11,456.96	\$0.00	\$11,456.96	
6	Whitman, Lisa	FY 2009 – 2010 & 2010 - 2011	\$74,259.83	\$0.00	\$74,259.83	
7	Spann, Jackie	FY 2009 – 2010 & 2010 - 2011	\$66,053.00	\$0.00	\$66,053.00	
8	Dilday, Penny	FY 2009 – 2010 & 2010 - 2011	\$76,706.78	\$0.00	\$76,706.78	
9	Burns, Tiffany	FY 2009 – 2010	\$3,030.77	\$0.00	\$3,030.77	
10	Collins, David	FY 2009 – 2010	\$9,273.07	\$0.00	\$9,273.07	
11	Frenzel, Kimberly	FY 2009 – 2010	\$14,601.21	\$0.00	\$14,601.21	
12	Shaw, Sarah	FY 2009 – 2010	\$3,982.39	\$0.00	\$3,982.39	
					<b>\$306,951.86</b>	

**Partial Supporting Payroll Documents Provided**

- A. Personnel Activity Report (Period 9/3/2010 to 10/1/2010)
- B. Timesheet (3/23/2010 to 4/2/2010 & 5/22/2010 to 5/28/2010)

June 20, 2011

Dr. Thomas Wilson  
Superintendent  
Life School of Dallas

Subject: Final Letter of Observations and Findings, Page 23

**Attachment A: Subrecipient's Response to Auditors' Report**

  *TW*    
(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 B.

            
(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 C. The subrecipient also enclosed copies of documents that support its disagreement with the auditors' preliminary letter of findings. Insert supporting documents as Attachment(s) D through \_\_\_\_.

            
Please Initial) The subrecipient concurred with only the observations noted below and proposed the corrective actions noted on Attachment B 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 C. 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) D through \_\_\_\_.

Finding	Subrecipient Concurred	
	Yes	No
01		
02		
03		
04		
05		
06		
07		

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 May 12, 2011 from the Division of Financial Audits

June 20, 2011

Dr. Thomas Wilson  
Superintendent  
Life School of Dallas

Subject: Final Letter of Observations and Findings, Page 24

A handwritten signature in black ink, appearing to read 'T. Wilson', written over a horizontal line.

Superintendent's Signature

A handwritten date '6/8/11' in black ink, written over a horizontal line.

Date Signed

June 20, 2011

Dr. Thomas Wilson  
Superintendent  
Life School of Dallas

Subject: Final Letter of Observations and Findings, Page 25

**Attachment B: Subrecipient's Proposed Corrective Action**

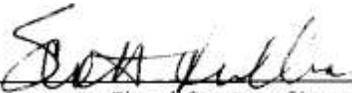
Finding: 1, 2, 3

**Actions taken or planned for correction:**

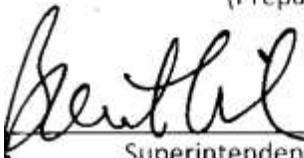
Life School, upon recommendation of TEA auditors, amended the budget for the SFSF Title XIV  
09/10 grant to remove the pre-award construction costs for the ROHS infrastructure project.  
Life School will have no future infrastructure projects paid with federal funds. If there is a  
remote possibility of federal funding, all bids will include provisions for Buy America, Davis  
Bacon, and proper certification.

**Responsibilities and timetable for the above actions:**

Immediately after the TEA on-site review, Life School worked on the above mentioned  
budget amendment. The SFSF Title XIV 09/10 grant was amended on 2/17/2011 and we  
received the NOGA on 3/17/2011. All final reports have been submitted.

  
\_\_\_\_\_  
Fiscal Contact Signature  
(Preparer)

10-8-11  
\_\_\_\_\_  
Date Signed

  
\_\_\_\_\_  
Superintendent's Signature  
(Approver)

6-8-11  
\_\_\_\_\_  
Date Signed

June 20, 2011

Dr. Thomas Wilson  
Superintendent  
Life School of Dallas

Subject: Final Letter of Observations and Findings, Page 26

**Attachment B: Subrecipient's Proposed Corrective Action**

Finding:           4          

**Actions taken or planned for correction:**

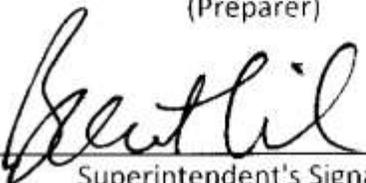
Budgets for all federal funds were maintained by Life School, but not in the detailed general ledger. The budget module of the general ledger software was not activated, nor was personnel trained to utilize. All potential expenditures were reconciled to the initial allocation before federal funds were actually spent. Life School will utilize the module and maintain the budget for the entire district, not just federal funds, through our accounting software.

**Responsibilities and timetable for the above actions:**

Corrective action is complete. Immediately after the TEA on-site review, Life School activated the budget module. Finance personnel have been trained on proper usage, and the budget for the current fiscal year is being maintained through the detailed general ledger.

  
Fiscal Contact Signature  
(Preparer)

6-8-11  
Date Signed

  
Superintendent's Signature  
(Approver)

6-8-11  
Date Signed

June 20, 2011

Dr. Thomas Wilson  
Superintendent  
Life School of Dallas

Subject: Final Letter of Observations and Findings, Page 27

**Attachment B: Subrecipient's Proposed Corrective Action**

Finding: 5

**Actions taken or planned for correction:**

It is Life School policy that no expenditure is to be made without an approved purchase order.  
In cases where the purchase order was "after-the-fact", it was most commonly seen with  
travel and mileage reimbursement. Purchase order addendums should have sufficient  
documentation, either notated on the purchase order or with paper documentation from the  
vendor. Life School will revise this policy to reflect the compliance measure.

**Responsibilities and timetable for the above actions:**

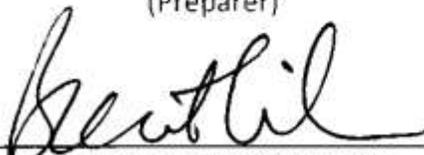
Corrective action has been implemented. Immediately after the TEA on-site review, we  
revised the purchase and reimbursement policy to reflect the requirement for pre-approval  
before action is taken. Staff is being retrained to follow the policy and the Business Office  
will ensure that the policy is being enforced.



Fiscal Contact Signature  
(Preparer)

6-8-11

Date Signed



Superintendent's Signature  
(Approver)

6-8-11

Date Signed

June 20, 2011

Dr. Thomas Wilson  
Superintendent  
Life School of Dallas

Subject: Final Letter of Observations and Findings, Page 28

**Attachment B: Sub recipient's Proposed Corrective Action**

Finding:         6        

**Actions taken or planned for correction:**

Based upon information obtained through training by LifeSchool employees, it was noted that we were  
not in compliance with several payroll issues. LifeSchool will retrain all employees paid with federal  
funds, in the correct manner of maintaining time & effort documentation. All payroll documentation  
& pay notices will notate the fund source. LifeSchool did have employees fill out 90 records with this  
information, but this was not submitted to the TEA auditors during their visit. All employees paid  
with federal funds have signed their job descriptions.

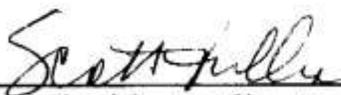
**Responsibilities and timetable for the above actions:**

LifeSchool has implemented corrective action. Job descriptions are signed, and funding  
sources are notated on all wage documents. Employees have been re-trained in time &  
effort recordkeeping. Timesheets are now turned into payroll in a timely manner.

\_\_\_\_\_

\_\_\_\_\_

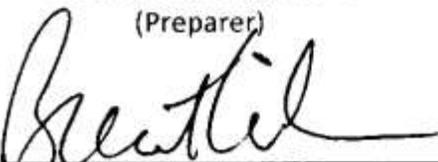
\_\_\_\_\_



Fiscal Contact Signature  
(Preparer)

6-8-11

Date Signed



Superintendent's Signature  
(Approver)

6-8-11

Date Signed

June 20, 2011

Dr. Thomas Wilson  
Superintendent  
Life School of Dallas

Subject: Final Letter of Observations and Findings, Page 29

**Attachment B: Subrecipient's Proposed Corrective Action**

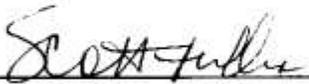
Finding: 7

**Actions taken or planned for correction:**

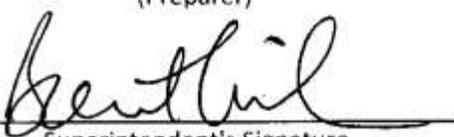
LifeSchool reported FTE's based on new jobs created and jobs retained. This did not include  
the HB3646 pay raises based on initial trainings attended by monitoring personnel. Because the  
"To the Administrator" letter was not received by LS personnel, the change in guidelines throughout  
the life of the grant period was not implemented. Federal fund personnel will routinely monitor the  
TEA website to ensure updates & changes are received and implemented by the appropriate monitors.  
All report submissions will be prepared & reviewed by separate employees to ensure correctness.

**Responsibilities and timetable for the above actions:**

Federal Program coordinator will monitor all TEA website correspondence as a weekly job duty function.  
Director of Finance will review all reports prepared before submission to TEA. These actions have been  
implemented immediately.

  
Fiscal Contact Signature  
(Preparer)

6-8-11  
Date Signed

  
Superintendent's Signature  
(Approver)

6-8-11  
Date Signed