

October 25, 2011

Rev-43-083-903-8-2011

VIA UNITED STATES CERTIFIED MAIL

Mr. Doug Harriman
Superintendent
Seminole Independent School District
207 S W 6th Street
Seminole, TX 79360

Subject: Final Letter of Findings and Observations

Dear Harriman:

Auditors from the Division of Financial Audits conducted an initial onsite review of the fiscal controls over federal grants awarded to Seminole Independent School District (CDN 083-903) (the subrecipient). The review focused on the grants awarded to the subrecipient pursuant to the American Recovery and Reinvestment Act of 2009 (ARRA). The review was limited to the representations and records provided by the subrecipient in response to the auditors' formal correspondence dated July 15, 2011 and during the onsite visit conducted by auditors on August 17, 2011. Your response to the preliminary letter of findings dated September 23, 2011 has been incorporated into the body of the final report as deemed appropriate, and is included as Attachments B and C. This correspondence and its attachments constitute a final letter of findings and 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.

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: Janice Hollingsworth, Interim Director, Division of Financial Audits

October 25, 2011

Mr. Doug Harriman
Superintendent
Seminole Independent School District

Subject: Final Letter of Findings and Observations, Page 2

Table of Contents

Background	3
General Observations.....	3
Attachment A: Summary of Auditors' Findings.....	5
Observations on Subrecipient's Administration of ARRA awards.....	5
Summary of Audit Objectives, Scope and Methodology	10
Acronyms and Abbreviations Used In This Letter	12
Appendix A.....	13
Appendix B.....	14
Attachment B: Subrecipient's Response to Auditors' Report.....	16
Attachment C: Subrecipient's Proposed Corrective Action.....	17

October 25, 2011

Mr. Doug Harriman
Superintendent
Seminole Independent School District

Subject: Final Letter of Findings and Observations, Page 3

Background

As discussed in their notification letter dated July 15, 2011, auditors from the Division of Financial Audits of the TEA initiated an onsite review of the fiscal controls over federal grants awarded to Seminole Independent School District (CDN: 083-903) 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 July 14, 2011 the subrecipient filed expenditure reports to claim \$1,994,773.51 in expenditures from a total of \$2,770,859.00 ARRA funded grants awarded to the subrecipient (refer to Table A below).

TABLE A			
Expenditures of NOGAs Awarded to Seminole ISD as of July 14, 2011			
NOGA ID	NOGA Description	Amount Awarded	Amount Expended
10554001083903	IDEA – Part B Formula - ARRA	\$462,769.00	\$426,317.14
10555001083903	IDEA – Part B Preschool - ARRA	\$12,030.00	\$2,402.33
10551001083903	Title I, Part A – ARRA/STIMULUS	\$493,578.00	\$464,139.37
10553001083903	Title II, Part D, Subpart 1 – ARRA	\$15,478.00	\$15,478.00
10557001083903	Title XIV – ARRA Title XIV SFSF	\$700,447.00	\$700,447.00
11557001083903	Title XIV – ARRA Title XIV SFSF	\$664,481.00	\$385,989.67
10550101083903	Education Jobs Fund Program	\$422,076.00	\$0.00
Total Amount Awarded		\$2,770,859.00	\$1,994,773.51

General Observations

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

October 25, 2011

Mr. Doug Harriman
Superintendent
Seminole Independent School District

Subject: Final Letter of Findings and Observations, Page 4

1. **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 Finding #1, #2, #3 and Observation #1)
2. **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 the subrecipient complied with the reporting requirements promulgated in Section 1512 (c) of American Recovery and Reinvestment Act of 2009.
3. **Observations on ARRA Infrastructure Expenditures:** Auditors examined the infrastructure project and noted the subrecipient adequately had controls and/or maintain documentation to comply with Section 1605 (Buy American) and Section 1606 (Davis Bacon) of ARRA.

Overall Conclusion

Based upon their review of the subrecipient's records, auditors observed that, with a few exceptions, the subrecipient generally 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), Office of Management and Budget (OMB) Circular A-87 and American Recovery and Reinvestment Act of 2009 (ARRA). The auditors' findings and observations are discussed in the body of the letter.

Questioned Costs

\$0.00

Recommendations

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

Summary of subrecipient's Response

In their response and corrective action letter, dated October 3, 2011, the subrecipient concurred with the auditors' findings and observations and subsequently corrected the issues identified. See Attachments B and C.

Auditor's Addendum

Auditors reviewed the subrecipient's response and corrective actions and concur with the subrecipient. As a result, the questioned costs have been removed.

October 25, 2011

Mr. Doug Harriman
Superintendent
Seminole Independent School District

Subject: Final Letter of Findings and Observations, Page 5

Attachment A: Summary of Auditors' Findings

Observations on Subrecipient's Administration of ARRA awards

Finding #1: 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).

Statements of Fact

Auditors selected a total sample of ten (10) non-payroll transactions including five (5) transactions from IDEA-B Formula – ARRA, (fund code 283), three (3) transactions from Title I, Part A – ARRA (fund code 285), one (1) transaction from Title II, Part D – ARRA (fund code 279), one (1) transaction from Title XIV SFSF – ARRA (fund code 266) and examined the documentation in support of the expenditures charged to the applicable grant.

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

- a) In five (5) transactions tested, the subrecipient expended grant funds for expenses not approved in the grant application. Specifically, the subrecipient expended grant funds from IDEA-B ARRA for travel expenses (Food/Hotel) that were not approved in the grant application. The subrecipient also expended grant funds in IDEA-B ARRA for professional services (object code 6200) that were not approved in the grant application, as amended. In the subrecipient's Title I, Part A grant, auditors noted the subrecipient expended grant funds for technology items that were not approved. For Title I, Part A ARRA grant, purchases of technology (hardware/software) require specific approval in the grant application. Due to the expenditures and/or object categories not being approved in the grant applications, as amended, as applicable, auditors questioned \$62,326.26 in costs. (See Items #1, #2, #3, #5, and #8 in Appendix A)
- b) In five (5) transactions tested, auditors noted that the subrecipient received an invoice (or payment request) prior to the date an approved purchase order was issued. (See Items #1, #2, #5, #8, and #9 in Appendix A)
- c) In four (4) transactions tested, auditors noted that the costs charged or assigned to the grant were incorrectly coded in the general ledger. Specifically, auditors noted the subrecipient coded travel related expenditures (6400) in the general ledger as supplies and materials (6300). Auditors also noted that the subrecipient coded professional services (6200) in the general ledger as supplies and materials (6300). (See Items #1, #2, #3, and #5 in Appendix A)
- d) In three (3) transactions tested, auditors noted that the subrecipient did not have on file an original or complete internal accounting record (e.g.: executed contract, purchase order etc). (See Items #3, #4, and #8 in Appendix A)

October 25, 2011

Mr. Doug Harriman
Superintendent
Seminole Independent School District

Subject: Final Letter of Findings and Observations, Page 6

Based on their examination of the subrecipient's accounting and other grant records, auditors noted that of the ten (10) non-payroll transactions tested, seven (7) transactions failed attributes that would have demonstrated compliance with 34 CFR 80.20(b)(4), therefore auditors questioned costs in the amount of \$62,326.26. Refer to Appendix A.

Conclusion

The subrecipient's internal control weaknesses may adversely affect its ability to comply with 34 CFR 80.20(b)(3) to properly administer grants funds. Consequently, the subrecipient's failure to implement an adequate system of internal controls may place grant funds at risk of being misused and 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 Controls

Questioned Costs

\$0.00

Recommendation

The subrecipient should ensure that all expenditures are compared to the approved budget in the grant application. 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.

Summary of subrecipient's Response

See Attachments B and C.

Auditor's Addendum

Auditors reviewed the corrective actions by the subrecipient and noted the subrecipient filed for a budget amendment with TEA to include the expenditures that were not originally approved in both the IDEA-B ARRA and Title I, Part A ARRA grants. Auditors concur with this and as a result remove the questioned costs. Auditors also noted that the subrecipient recoded expenditures that were incorrectly coded in the general ledger (travel or professional related expenses coded to supplies and materials).

Finding #2: The subrecipient expended grant funds for payroll costs that were not approved in the grant application.

Finding #3: The subrecipient expended grant funds for payroll costs that had missing or incomplete supporting documentation.

October 25, 2011

Mr. Doug Harriman
Superintendent
Seminole Independent School District

Subject: Final Letter of Findings and Observations, Page 7

Statements of Fact

Auditors selected a total sample of ten (10) payroll transactions including five (5) transactions from IDEA-B Formula – ARRA, (fund code 283), five (5) transactions from Title I, Part A – ARRA (fund code 285), and examined the documentation in support of the expenditures charged to the applicable grant.

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

- a) In five (5) payroll transactions tested, the subrecipient had positions/charges that were not approved in the grant application. Specifically, the subrecipient expended grant funds from IDEA-B ARRA for extra duty that was not approved in the grant application, therefore auditors questioned these costs in the amount of \$2,774.60. (See Item #1 through Item #5 in Appendix B)
- b) In ten (10) transaction tested, the subrecipient's supporting documentation lacked the funding source/program and activities performed. (See Items #1 through Item #10 in Appendix B)

Based on their examination of the subrecipient's accounting and other grant records, auditors noted that of the ten (10) non-payroll transactions tested, ten (10) transactions failed attributes that would have demonstrated compliance with OMB-A-87 and/or the 34 CFR 80.20(b)(4), therefore, auditors questioned the costs of \$2,774.60. Refer to Appendix B.

Conclusion

The subrecipient's failure to implement and comply with source documentation requirements promulgated in OMB Circular A-87 and/or 34 CFR 80.20 could place grant funds at risk of being misused and 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 Controls

Questioned Costs

\$0.00

Recommendation

The subrecipient should review its existing policies and procedures and update and/or implement adequate internal control policies and procedures to ensure reasonable assurance that it is managing federal awards appropriately and is complying with laws, regulations, and the provisions of grant agreements. Auditors noted that while onsite, the subrecipient was in the process of updating the subrecipient's Time and Effort process to include funding source and activity on extra duty/supplemental forms. In regards to the extra duty payroll charged to the

October 25, 2011

Mr. Doug Harriman
Superintendent
Seminole Independent School District

Subject: Final Letter of Findings and Observations, Page 8

IDEA-B ARRA grant, the subrecipient should amend the grant application with TEA to include those charges.

Summary of subrecipient's Response

See Attachments B and C.

Auditor's Addendum

Auditors reviewed the corrective actions by the subrecipient and noted the subrecipient filed for a budget amendment with TEA to include the payroll costs (extra duty pay) that were not originally approved in the IDEA-B ARRA grant. Auditors concur with this and as a result remove the questioned costs.

Observation #1. Auditors observed that the subrecipient did not maintain adequate policies and procedures to comply with the standards for financial management systems promulgated at 34 CFR 80.20(b)(3).

Statements of Fact

Specifically, auditors observed that the subrecipient did not maintain locally developed policies and procedures which described the following.

- a) The subrecipient did not have specific policies and procedures that addressed the preparation, review, approval and submission of expenditure reports for federal awards.
- b) The subrecipient has partially written policies and procedures that described the process that subrecipient personnel were required follow for the expenditure of grant funds for travel costs.
- c) The subrecipient has partially written policies and procedures that described the process that subrecipient personnel were required to follow for the expenditure of grant funds through corporate accounts and/or revolving lines of credit.
- d) The subrecipient did not have written policies and procedures about cash management. (Draw-downs)
- e) The subrecipient does not have an appropriate and adequate time and effort reporting system, including proper separation of duties, review and approval of time worked, payment rates, semi-annual certifications, and verify that time worked is properly charged to the correct cost accounting code(s).

Conclusion

The subrecipient's internal control weaknesses may adversely affect its ability to comply with 34 CFR 80.2074.21(b)(3) to properly administer grants funds. Consequently, the subrecipient's failure to implement an adequate system of internal controls may place grant funds at risk of being misused and impede the subrecipient's ability to expend grant funds for the purposes stipulated and costs allowed in federal law and rules.

October 25, 2011

Mr. Doug Harriman
Superintendent
Seminole Independent School District

Subject: Final Letter of Findings and Observations, Page 9

Recommendations

The subrecipient should review its existing policies and procedures and update and/or implement adequate internal control policies and procedures to provide reasonable assurance that it is managing federal awards appropriately and is complying with laws, regulations, and the provisions of grant agreements.

Grantees must have written procedures and internal controls for cash management that ensure that only the actual amount of cash needed will be requested, and the cash received will be paid out within three days of receipt. The subrecipient's procedures should evidence that the grantee plans carefully for cash flows for grant projects and reviews cash requirements before each request for payment.

October 25, 2011

Mr. Doug Harriman
Superintendent
Seminole Independent School District

Subject: Final Letter of Findings and Observations, Page 10

Summary of Audit Objectives, Scope and Methodology

Objectives

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 B below for the grant periods indicated.

TABLE B Individual NOGAs Selected for Audit			
NOGA ID	NOGA Description	Begin Date	End Date
10554001083903	IDEA – Part B Formula - ARRA	5/8/2009	9/30/2011
10555001083903	IDEA – Part B Preschool - ARRA	5/8/2009	9/30/2011
10551001083903	Title I, Part A – ARRA/STIMULUS	4/30/2009	9/30/2011
10553001083903	Title II, Part D, Subpart 1 – ARRA	9/25/2009	9/30/2011
10557001083903	Title XIV – ARRA Title XIV SFSF	9/25/2009	9/30/2010
11557001083903	Title XIV – ARRA Title XIV SFSF	9/1/2010	9/30/2011
10550101083903	Education Jobs Fund Program	8/10/2010	9/30/2012

Methodology and Timeline

After completing certain desk audit procedures, auditors conducted an onsite visit on August 17, 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.

1. Auditors researched the federal and state laws and rules and the grant and program requirements applicable to the grants listed in Table B.

October 25, 2011

Mr. Doug Harriman
Superintendent
Seminole Independent School District

Subject: Final Letter of Findings and Observations, Page 11

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 80.20, the American Recovery and Reinvestment Act of 2009, PL-111-5 (Recovery Act), OMB Circulars A-87, and A-133, and the applicable request for application and approved grant application, as amended.

October 25, 2011

Mr. Doug Harriman
Superintendent
Seminole Independent School District

Subject: Final Letter of Findings and Observations, Page 12

Acronyms and Abbreviations Used In This Letter

Acronym	Acronym Description
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 80.20 of 34 CFR is referenced as 34 CFR 80.20.
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
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

October 25, 2011

Mr. Doug Harriman
 Superintendent
 Seminole Independent School District

Subject: Final Letter of Findings and Observations, Page 13

Appendix A						
Item No.	Ref. Number	Transaction Date	Payee	Costs Examined	Amount Questioned	Attribute Failed
IDEA-B Formula - ARRA, NOGA ID: 10554001083903						
1	79836	3/11/10	Visa – Joe Allen’s Pit BBQ	\$52.79	\$52.79	B, F, I
2	79836	3/11/10	Visa – Hampton Inn	\$254.66	\$254.66	B, F, I
3	81003	5/19/10	GCS 2 Year Implementation	\$8,500.00	\$8,500.00	B, E, I
4	95544	2/24/11	Sharon Azar Inc	\$2,400.00	\$0.00	E
5	96534	4/14/11	JP Morgan Chase – Homewood Suites	\$276.06	\$276.06	B, F, I
Title I, Part A – ARRA, NOGA ID: 10551001083903						
6	75261	6/10/09	Apple Computer	\$30,000.00	\$0.00	
7	75423	6/17/09	Synetra, Inc.	\$33,585.93	\$0.00	
8	709	1/10/11	Reclass from fund 699	\$53,242.75	\$53,242.75	E, F, I
Title II, Part D – ARRA, NOGA ID: 10553001083903						
9	80989	5/19/10	Apple Computer	\$11,009.44	\$0.00	F
ARRA Title XIV SFSF, NOGA ID: 10557001083903						
10	All	All	All	\$1,086,486.67	\$0.00	
Total Non-Payroll Questioned Cost					\$62,326.26	

Non-Payroll Attributes Tested

- A – Use of funds was reasonable and necessary to further the statutory purpose of the grant.
- B – Costs were chargeable or assignable to the grant in accordance with the relative benefits received.
- C – Goods or services purchased were supported by the DIP/CIP.
- D – Did the purchase comply with ARRA requirements including prohibited costs (Section 14003), Buy American (Section 1605), Davis Bacon (Section 1606), and Web Posting (Section 1511) (capital outlay, if applicable).
- E – Accounting record included an original and complete internal accounting document (e.g.: executed contract, purchase order, payment authorization form, expense

October 25, 2011

Mr. Doug Harriman
 Superintendent
 Seminole Independent School District

Subject: Final Letter of Findings and Observations, Page 14

reimbursement, Form W-4, etc).

- F – The purchase order was issued prior to the date of the vendor’s invoice.
- G – The accounting record included an original and complete third party document (e.g.: invoice, itemized receipt, utility bill, bank deposit, etc).
- H – The accounting record indicated the transaction was approved by authorized individuals.
- I – The item was approved in the program budget, as amended. (Note: if the costs and/or activity was approved on a specific line item or schedule).
- J – The purchase adhered to the comparative bidding requirements (if applicable).
- K – Determine if the costs were incurred and good/services were received after the start and before the end of the grant period.

Appendix B						
Item No.	Ref. Number	Payroll Date	Payee	Costs Examined	Amount Questioned	Attribute Failed
IDEA-B Formula - ARRA, NOGA ID: 10554001083903						
1	283-6128	05/13/2010	Wende Nolen	\$485.00	\$485.00	A, D, I
2	283-6128	05/13/2010	Terri Faight	\$447.50	\$447.50	A, D, I
3	283-6128	05/27/2011	Mandy Matthews	\$65.60	\$65.60	A, D, I
4	283-6128	05/13/2011	Kimberly Crossland	\$444.50	\$444.50	A, D, I
5	283-6128	05/13/2011	Vickie Ann Taylor	\$1,332.00	\$1,332.00	A, D, I
Title I, Part A - ARRA, NOGA ID: 10551001083903						
6	285-6128	06/28/2010	Heidi Spruill	\$450.00	\$0.00	I
7	285-6128	06/28/2010	Teresa Garner	\$450.00	\$0.00	I
8	285-6128	08/27/2010	Denise Shirley	\$450.00	\$0.00	I
9	285-6128	08/27/2010	Nancy Gonzales	\$450.00	\$0.00	I
10	285-6128	09/06/2010	Viatrix Rodriguez	\$600.00	\$0.00	I
Total Payroll Questioned Cost					\$2,774.60	

Payroll Attributes Tested

- A - Position(s) approved in the budget.
- B - Signed and dated job description provided.

October 25, 2011

Mr. Doug Harriman
Superintendent
Seminole Independent School District

Subject: Final Letter of Findings and Observations, Page 15

- C - Position supported by laws, rules, regulation, and grant application.
- D - Salary authorization and personnel action forms provided.
- E - Periodic Certification provided for 100 % funded employee.
- F - Activity Reported provided for split funded employees.
- G - Time allocation agrees to cost allocation.
- H - Time sheet provided for extra duty/substitute pay claimed.
- I - Signed supplemental contract that stipulated the program (e.g. Title I work activities) performed by the teacher for tutoring/extra duty pay.

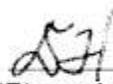
October 25, 2011

Mr. Doug Harriman
Superintendent
Seminole Independent School District

Subject: Final Letter of Findings and Observations, Page 16

Attachment B: Subrecipient's Response to Auditors' Report

I, Mr. Harriman, received the preliminary letter of findings dated September 23, 2011 from the Division of Financial Audits of the Texas Education Agency. I further represent that I, in conjunction with other staff and agents of Seminole ISD (the subrecipient) closely read the auditors' preliminary letter of findings and thoughtfully considered the auditors' findings, general conclusion, assessment of risk and recommendation discussed therein. Accordingly, I hereby acknowledge that

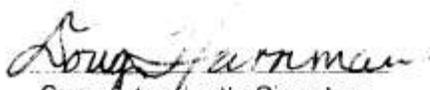

(Please Initial) The subrecipient concurred with the auditors' observations, general conclusion, assessment of risk and recommendation. Additionally, the subrecipient enclosed the attached proposed corrective action to address the auditors' observations.

(Please Initial) I disagree with the findings, recommendations and required actions and have included a written response, including copies of supporting documentation, discussing my disagreement with the findings in this preliminary letter of findings

(Please Initial) The subrecipient concurred with only the observations noted below and enclosed the attached proposed corrective action to address the auditors' findings. However, the subrecipient did not concur with the other finding, as noted below, and has enclosed a written response discussing its disagreement. 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.

Finding	Subrecipient Concurred	
	Yes	No
01		
02		
03		

I, the undersigned, attest and affirm that our response above and the supporting attachments, B through C constitute an accurate and complete response from the subrecipient to the findings and recommendations discussed in the preliminary letter of findings dated September 23, 2011 from the Division of Financial Audits. I further affirm that the subrecipient did not withhold any relevant information or documentation or otherwise failed to provide a complete and accurate response to the auditors' correspondence dated July 15, 2011.


Superintendent's Signature

10/3/11
Date Signed

October 25, 2011

Mr. Doug Harriman
Superintendent
Seminole Independent School District

Subject: Final Letter of Findings and Observations, Page 17

Attachment C: Subrecipient's Proposed Corrective Action

Finding / Observation All

Actions taken or planned for correction:

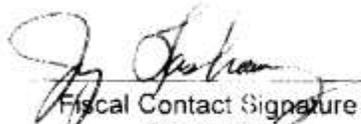
The District has amended its grant application for Title I, Part A ARRA Stimulus and IDEA Part B Formula-ARRA in order to address grant funds expended for payroll, travel, professional services, and technology items that were not approved in the grants.

The District has also updated its general ledger to correct errors in coding expenditures to supplies that should have been coded to professional services and travel. The District has updated its policies and procedures to include the missing ^{policy} for federal expenditure reporting and cash management. The District is in the process of reviewing its policies and procedures for travel and credit card use for federal grants.

In the future, the District will monitor its fiscal controls to ensure the proper administration of the grant and to facilitate its compliance with all federal laws and regulations.

Responsibilities and timetable for the above actions:

The District has received a Notice of Grant Award on 8/29/11 that reflects the amendment filed for Title I, Part A-ARRA Stimulus to amend for the technology purchase not approved. The District has also received a Notice of Grant Award on 9/20/11 that reflects the amendment filed for IDEA-Part B Formula-ARRA Stimulus to amend for payroll, professional services, and travel not previously approved. The District is reviewing its partial policies and procedures for travel and credit card use as it relates to federal grants and plans to update these during the 2011-2012 school year. Please see the supporting documentation attached.


Fiscal Contact Signature
(Preparer)

10/3/11
Date Signed


Superintendent's Signature
(Approver)

10/3/11
Date Signed