

October 27, 2011

Rev-41-101-903-6-2011

VIA UNITED STATES CERTIFIED MAIL

Mr. H. D. Chambers
Superintendent
Alief Independent School District
P.O. Box 68
Alief, TX 77411-0068

Subject: Final Letter of Findings and Observations

Dear Mr. Chambers:

Auditors from the Division of Financial Audits conducted an initial onsite review of the fiscal controls over federal grants awarded to Alief Independent School District (CDN:101-903) (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 May 11, 2011 and during the onsite visit conducted by auditors on June 16, 2011. Your response to the preliminary letter of findings dated October 12, 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 Audit

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Superintendent
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Background

As discussed in their notification letter dated May 11, 2011, auditors from the Division of Financial Audits of the TEA initiated an onsite review of the fiscal controls over federal grants awarded to Alief Independent School District (CDN:101-903) 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 May 6, 2011 the subrecipient filed expenditure reports to claim \$56,050,093.48 in expenditures from a total of \$75,040,617.00 ARRA funded grants awarded to the subrecipient (refer to Table A below).

TABLE A			
Expenditures of NOGAs Awarded to Alief ISD as of May 6, 2011			
NOGA ID	NOGA Description	Amount Awarded	Amount Expended
10554001101903	IDEA B Formula – ARRA-LEA	\$9,480,419.00	\$9,124,053.20
10555001101903	IDEA B Pre-School – ARRA-LEA	\$246,485.00	\$120,317.83
10551001101903	Title I, Part A – ARRA/STIMULUS	\$13,008,180.00	\$8,020,894.23
10553001101903	ARRA - Title II, D Technology	\$409,759.00	\$300,838.75
10557001101903	ARRA Title XIV SFSF	\$22,297,820.00	\$22,297,820.00
11557001101903	ARRA Title XIV SFSF	\$29,597,954.00	\$16,186,169.47
Total Amount Awarded		\$75,040,617.00	\$56,050,093.48

General Observations

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

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

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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 #1, #2 and Observation #1 in the body of the letter.)

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:** The subrecipient did not have any budgeted expenditures for infrastructure projects budgeted from ARRA funds.

Overall Conclusion

Based upon their review of the subrecipient's records, auditors observed that, except in a few instances, 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

The subrecipient provided a response and corrective actions to their preliminary letter of findings and observations dated October 12, 2011. See Attachments B and C.

Auditor's Addendum

Auditors noted that in their response and corrective action plans, the subrecipient made the necessary corrections to address the auditors' findings and observations. As a result, auditors removed the questioned costs accordingly.

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Attachment A: Summary of Auditors' Findings

Observations on Subrecipient's Administration of ARRA awards

Finding #1: The subrecipient did not demonstrate that it adequately complied with the standards for financial management systems promulgated in 34 CFR 80.20(b)(4), (b)(5) and/or 34 CFR 80.23.

Statements of Fact

Auditors selected a total sample of twenty (20) non-payroll transactions including six (6) transactions from IDEA-B Formula – ARRA, (fund code 283), three (3) transactions from IDEA-B Preschool – ARRA (fund code 284), six (6) transactions from Title I, Part A – ARRA (fund code 285), three (3) transactions from Title II, Part D – ARRA (fund code 279) two (2) transactions 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 two (2) instances, auditors noted that the subrecipient expended grant funds for costs not approved in the grant application, as amended. Specifically, the subrecipient expended IDEA-B Formula ARRA (fund code 283) grant funds for operating expenses (6400) that were not approved in the grant application. As a result, auditors questioned the costs of these expenditures in the amount of \$3,490.00. (Refer to items #5 and #6 in Appendix A)
- b) In one (1) instance, auditors reviewed the general ledger and noted that the subrecipient obligated grant funds outside the grant period. Specifically, the subrecipient obligated grant funds from Title I, Part A ARRA to the vendor THE FLIPPEN GROUP LLC that was outside the grant period. The grant's NOGA begin date indicated an award start date of June 30, 2009 although the contract was signed on June 2, 2009. (Refer to item #10 in Appendix A)
- c) In one (1) instance, auditors reviewed the general ledger and noted expenditures for costs not allowed per the grant provisions. Specifically, auditors noted that the subrecipient expended Title XIV SFSF ARRA funds on utility costs for athletic and other non-instructional facilities. However, the subrecipient indicated that the local process was to charge all costs to the grant, then remove them subsequently. While onsite, auditors recommended that the subrecipient not charge the grant until the excluded costs are removed. Subsequent to the onsite visit, the subrecipient removed the disallowed costs from the Title XIV SFSF ARRA grant. (Refer to item #20 in Appendix A)
- d) In 3 (three) instances, auditors noted that an invoice was received prior to an approved purchase order being issued. (Refer to items #1, #10, and #15 in Appendix A)

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Based on their examination of the subrecipient's accounting and other grant records, auditors noted that of the twenty (20) non-payroll transactions tested, six (6) transactions failed attributes that would have demonstrated compliance with 34 CFR 80.20(b)(4) and (b)(5) and/or 34 CFR 80.23. As a result, auditors questioned costs of \$3,490.00. Refer to Appendix A.

Conclusion

The subrecipient's internal control weaknesses may adversely affect its ability to comply with 34 CFR 80.20(b)(4), (b)(5) and/or 34 CFR 80.23 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 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. Specifically, the subrecipient should ensure that all expenditures are compared to approved budgets in the grant application and are within the grant period.

Summary of subrecipient's Response

See Attachments B and C.

Auditor's Addendum

Auditors noted that in their response and corrective action plans, the subrecipient amended the program budget to include the expenditures (IDEA-B Formula ARRA, 6400) that were not previously approved. The subrecipient also updated their policies, procedures, and/or process for the other identified issues. As a result, auditors removed the questioned costs.

Finding #2: The subrecipient expended grant funds for payroll costs that were not approved in the grant application or had missing or incomplete supporting documentation as promulgated in OMB A-87.

Statements of Fact

Auditors selected a total sample of nine (9) payroll transactions including four (4) transactions

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from IDEA-B Formula – ARRA (fund code 283), two (2) transactions from IDEA-B Preschool – ARRA (fund code 284), two (2) transactions from Title I, Part A – ARRA (fund code 285), and one (1) transaction from Title II, Part D – ARRA (fund code 279), and examined the documentation in support of the payroll expenditures charged to the applicable grant.

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

- a) In one (1) instance, the subrecipient charged payroll costs to a grant for a position not approved in the grant application, as amended. Specifically, the subrecipient expended grant funds from IDEA-B Formula ARRA for a Speech Therapist, which was not an approved position in the grant application. As result, auditors questioned the payroll costs in the amount of \$5,200.00. (Refer to item #4 in Appendix B)
- b) In one (1) instance, the subrecipient failed to provide an activity report for a split funded employee. Specifically, the subrecipient expended grant funds from IDEA-B Preschool ARRA for a substitute that was split funded. The subrecipient did not provide a personnel activity report. As a result, auditors questioned the payrolls costs in the amount of \$150.00. (Refer to item #6 in Appendix B)
- c) In three (3) instances, the subrecipient did not maintain a timesheet for extra duty/substitute pay claimed. (Refer to items #2, #4, and #9 in Appendix B)
- d) In two (2) instances, the employees' semi-annual (periodic) certifications did not include the funding sources (grant name). (Refer to items #7 and #8 in Appendix B)

Based on their examination of the subrecipient's accounting and other grant records, auditors noted that of the nine (9) payroll transactions tested, six (6) transactions failed attributes that would have demonstrated compliance with the grant application or OMB-A-87. As a result, auditors questioned costs of \$5,350.00. Refer to Appendix B.

Conclusion

The subrecipient's failure to implement and comply with source documentation requirements promulgated in OMB Circular A-87 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

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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. Specifically, the subrecipient should maintain time and effort documentation to support the payroll charges (Personnel Activity Reports for split funded employees and Timesheets for extra duty/substitutes).

Summary of subrecipient's Response

See Attachments B and C.

Auditor's Addendum

Auditors noted that in their response and corrective action plans, the subrecipient amended the program budget to include the position not previously approved in the grant application (IDEA-B Formula ARRA, Speech Therapist). The subrecipient also indicated that they had updated their policies, procedures, and/or process for the other identified issues. As a result, auditors removed the questioned costs accordingly.

Internal Controls: General Observations

Observation #1: The subrecipient's policies and procedures should describe whether the subrecipient permits the use of corporate accounts (e.g., VISA) and/or revolving lines of credit (e.g., Office Depot account) for the purchase of supplies and materials and miscellaneous operating costs, including travel expenses for federal awards and how the cards/accounts are safeguarded and reconciled.

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.

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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
10554001101903	IDEA B Formula – ARRA-LEA	06/15/2009	09/30/2011
10555001101903	IDEA B Pre-School – ARRA-LEA	06/15/2009	09/30/2011
10551001101903	Title I, Part A – ARRA/STIMULUS	06/30/2009	09/30/2011
10553001101903	ARRA - Title II, D Technology	10/07/2009	09/30/2011
10557001101903	ARRA Title XIV SFSF	09/29/2009	09/30/2011
11557001101903	ARRA Title XIV SFSF	90/1/2010	09/30/2011

Methodology and Timeline

After completing certain desk audit procedures, auditors conducted an onsite visit on June 16, 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 B.
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.

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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

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Appendix A						
Item No.	Ref. Number	Transaction Date	Payee	Costs Examined	Amount Questioned	Attribute Failed
IDEA-B Formula - ARRA, NOGA ID: 10554001101903						
1	812169	10/2/09	08025-MARIANNE ALAINE BIANCHI Contract Services	\$1,925.00	\$0.00	F
2	839122	3/12/10	61479-MINAL SHAH Contract Services	\$2,000.00	\$0.00	
3	K1JM59	8/20/10	18664-DELL MARKETING LP Dell XT2 Tablets/SPEC ED/Jn	\$41,676.86	\$0.00	
4	KM4X35	7/8/10	18664- DELL MARKETING LP	\$7,116.74	\$0.00	
5	811106	9/25/09	Registration	\$1,400.00	\$1,400.00	I
6	N/A	4/26/11	Transportation Charges	\$2,090.00	\$2,090.00	I
IDEA-B Preschool - ARRA, NOGA ID: 10555001101903						
7	222308	2/26/10	39800-LAKESHORE	\$7,810.14	\$0.00	
8	88528A	4/8/11	30677A – HATCH ASSOCIATES INC Classroom Materials	\$17,485.30	\$0.00	
9	88528C	4/8/11	30677A – HATCH ASSOCIATES INC Classroom Materials	\$8,770.15	\$0.00	
Title I, Part A – ARRA, NOGA ID: 10551001101903						
10	803467	8/21/09	24393-THE FLIPPEN GROUP LLC	\$24,800.00	\$0.00	F, K
11	213559	8/28/09	11559-CPO Science Materials	\$16,510.00	\$0.00	
12	08415	8/27/10	Adjust Agile Minds Payment	\$68,100.00	\$0.00	
13	215609	10/9/09	17797-D & H DISTRIBUTING Navigator 32 System	\$20,916.00	\$0.00	

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Appendix A						
Item No.	Ref. Number	Transaction Date	Payee	Costs Examined	Amount Questioned	Attribute Failed
14	216791	01/29/10	71295-TROXELL COMMUNICATIONS INC Digital Proj.	\$12,036.00	\$0.00	
15	876359	12/03/10	56944E- RENEWAL COACHING	\$70,250.00	\$0.00	F
Title II, Part D – ARRA, NOGA ID: 10553001101903						
16	376485	11/19/10	71295-TROXELL COMMUNICATIONS INC Document Cameras	\$17,325.00	\$0.00	
17	217247	04/30/10	58855E-SKC COMMUNICATION PRODUCTS LLC Equipment for CC2	\$7,610.00	\$0.00	
18	4412	04/26/10	RC CCS Presentation	\$14,700.00	\$0.00	
Title XIV SFSF – ARRA, NOGA ID: 1x557001101903						
19	855194	06/17/10	19391B-Direct Energy Electricity	\$100,237.95	\$0.00	
20	894113	04/08/11	19391B-Direct Energy Electricity	\$49,020.48	\$0.00	A
Total Non-Payroll Questioned Cost					\$3,490.00	

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 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.:

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- 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	Payee	Payroll Date	Costs Examined	Amount Questioned	Attribute Failed
IDEA-B Formula - ARRA, NOGA ID: 10554001101903						
1	283-6119	Aaron, Sonya	12/15/2009	\$2,345.08	\$0.00	
2	283-6121	Bayne, Virna M	05/14/2010	\$325.00	\$0.00	E
3	283-6119	Palmer, Ella	07/29/2010	\$2,374.96	\$0.00	
4	283-6129	Drews, Lorraine C	02/15/2011	\$5,200.00	\$5,200.00	A, D, E
IDEA-B Preschool - ARRA, NOGA ID: 10555001101903						
5	284-6119	Cohen, Patricia	09/30/2010	\$1,984.75	\$0.00	
6	284-6112	Jackson, Latoya	12/15/2010	\$150.00	\$150.00	E, H
Title I, Part A - ARRA, NOGA ID: 10551001101903						
7	285-6119	Cusano, Nicole	08/31/2009	\$2,030.00	\$0.00	G
8	285-6119	Porter, Montray	03/31/2010	\$2,124.15	\$0.00	G
Title II, Part D – ARRA, NOGA ID: 10553001101903						
9	279-6118	Gaskins, Gretchen	04/15/2011	\$253.00	\$0.00	E
Total Payroll Questioned Cost					\$5,350.00	

Payroll Attributes Tested

- A - Position(s) approved in the budget.
- B - Signed and dated job description provided.
- C - Position supported by laws, rules, regulation, and grant application.
- D - Salary authorization and personnel action forms provided.
- E - Time sheet provided for extra duty/substitute pay claimed.
- F - Signed supplemental contract that stipulated the program (e.g. Title I work activities) performed by the teacher for tutoring/extra duty pay.
- G - Periodic Certification provided for 100 % funded employee (includes funding source)
- H - Activity Reported provided for split funded employees.
- I - Time allocation agrees to cost allocation
- J - Signed and Dated Job Description with source of funding provided in lieu of periodic certification as per ED flex waiver (Title I Only)

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Attachment B: Subrecipient's Response to Auditors' Report

I, Mr. Chambers, received the preliminary letter of findings dated October 12, 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 Alief 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

_____ 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.

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

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

I, the undersigned, attest and affirm that our response above and the supporting attachments, p. 1 through p. 47, constitute an accurate and complete response from the subrecipient to the findings and recommendations discussed in the preliminary letter of findings dated October 12, 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 May 11, 2011.

H. D. Chambers
Superintendent's Signature

10/24/11
Date Signed

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Attachment C: Subrecipient's Proposed Corrective Action

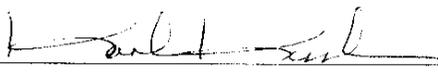
Finding / Observation: Finding #1 and #2, Observation #1

Actions taken or planned for correction:

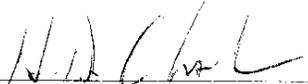
See attached

Responsibilities and timetable for the above actions:

See attached


Fiscal Contact Signature
(Preparer)

10/24/11
Date Signed


Superintendent's Signature
(Approver)

10/24/11
Date Signed

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Attachment C: Subrecipient's Proposed Corrective Action

Finding #1:

a) Item Numbers 5 and 6

Issue: Auditors noted costs were not approved in the program budget.

Response: Questioned costs are allowable expenditures and have been approved by TEA retroactively, as allowed by program guidelines (approved application available in TEASE).

Corrective Action: The Federal Programs Department will, on a quarterly basis, compare IDEA expenditures to the approved application.

b) Item Number 10

Issue: Auditors noted contract was signed prior to the start of the grant period.

Response: Contract cost was re-classed from Fund 285 in August 2010 (attached general ledger and summary Excel spreadsheet). However, policies and procedures (attached) concerning the obligation of funds within approved program periods have been reiterated through professional development (attached).

c) Item Number 20

Issue: Auditors noted that utility costs for administrative facilities were claimed.

Response: District electricity bills, which include administrative facilities, were coded in their entirety to the grant with the expectation of re-classing administrative facility expenses at year-end. The re-class had not yet occurred at the time of the auditors visit.

Corrective Action: Electricity costs for administrative facilities have been re-classed (attachment).

d) Item Numbers 1, 10 and 15

Issue: Auditors noted that contracted services were paid through check requisitions as opposed to purchase orders.

Corrective Action: Based upon recommendations made by TEA auditors, Alief ISD district policies and procedures have been revised to clarify the use of purchase orders for contracts (*Alief ISD Accounting Department Policies and Procedures, September 2011, page 6*).

Response to Conclusion: It is Alief ISD's position that internal controls, both at the district level and at the federal program level, are sufficient to adequately administer grant funds as allowed in federal law and rules. At least four (4) of the seven (7) items above should not be considered noncompliant or weaknesses in internal controls. Specifically, Item Numbers 1, 10 and 15, while not paid via purchase order as preferred by auditors, were purchased utilizing approved district practice. Moreover, Item Number 10 was re-classed in August 2010 and should not have been included in the auditor's test.

October 27, 2011

Mr. H. D. Chambers
Superintendent
Alief Independent School District

Subject: Final Letter of Findings and Observations, Page 18

Attachment C: Subrecipient's Proposed Corrective Action

Finding #2

a) Item Number 4

Issue: Auditors noted that grant funds were expended for a position not approved in the grant application.

Response: The questioned cost is an allowable expenditure and has been approved by TEA retroactively, as allowed by program guidelines (approved application available in TEASE).

Corrective Action: The Federal Programs Department will, on a quarterly basis, compare IDEA positions / expenditures to the approved application.

b) Item Number 6

Issue: Auditors noted that grant funds were expended for a substitute that was split-funded and that a personnel activity report was not provided.

Response: Attached are the teacher's signed Semi-Annual Certification, the substitute's signed Substitute Professional/Paraprofessional Job Description, and the Alief Absence System report which documents that the substitute did, in fact, substitute for the teacher. Please note Performance Responsibility #6 in the Job Description which states that the substitute, "Implements teacher lesson plans as designated".

It is the position of the district that sufficient documentation exists to establish the substitute / teacher relationship and that, by the very nature of this relationship, the substitute is performing the job/function for which the teacher is paid. Further, the district contends that having daily substitutes sign time and effort records, in addition to the records currently available, is not the intent of the law and that such a requirement would set an unreasonable expectation for a district to track down, on a daily basis, each individual who substitutes for a federally funded employee in order to obtain a signed statement of performance when that performance is already established through the teacher's lesson plans.

c) Item Numbers 2, 4, and 9

Issue: Auditors noted that a timesheet for extra duty/substitute pay was not maintained.

Response: In each instance, signed supplemental pay contracts/forms which includes a description of the job, as well as signed timesheets were provided at the time of audit (attached). In addition, timesheets have been revised to include grant name (attached)

d) Item Numbers 7 and 8

Issue: Auditors noted that employee's semi-annual (periodic) certifications did not include the funding sources (grant name).

Response: In each instance, signed semi-annual certifications were provided at the time of audit (attached). Employees indicate their position title (i.e., Response to Intervention) rather than funding source.

Corrective Action: Semi-annual certification forms have been revised to include grant name. Changes have been communicated via e-mail and training (attached).

Response to Conclusion: The district's compliance with source documentation requirements promulgated in OMB Circular A-87 are sufficient to expend grant funds for the purposes stipulated and costs allowed in federal law and rules. It is the district's position that the lack of the grant name on a certification is insufficient, in and of itself, to place grant funds at-risk. However, the district has strengthened its procedures to address auditors' concerns.

October 27, 2011

Mr. H. D. Chambers
Superintendent
Alief Independent School District

Subject: Final Letter of Findings and Observations, Page 19

Attachment C: Subrecipient's Proposed Corrective Action

Observation #1

The district has developed the Business + Alief ISD Purchasing User Guide to require a User Acknowledgement Form for all credit card purchases and a more detailed explanation (pp. 45-48). A copy was provided in the district's July 25, 2011 correspondence. Also, Board Policy CH (Exhibit) was approved August 30, 2011 to address the use of district credit cards.