

September 22, 2011

VIA UNITED STATES CERTIFIED MAIL

Dr. Cornelio Gonzalez  
Superintendent  
Mission Independent School District  
1201 Bryce Drive  
Mission, TX 78572

Subject: Final Letter of Observations and Findings

Dear Dr. Gonzalez:

Auditors from the Division of Financial Audits conducted an initial onsite review of the fiscal controls over federal grants awarded to Mission Independent School District (CDN: 108-908) (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 December 28, 2010 and during the onsite visit conducted by auditors on February 9, 2011. Your response to the preliminary letter of observations and findings dated August 8, 2011 has been incorporated into the body of this final letter of observations and findings as deemed appropriate, and is included as Attachments A, B, and C.

Although the records submitted by the subrecipient remain subject to review by appropriate federal and/or state oversight entities, auditors consider this review closed. You will be notified in the event a follow up to the review is scheduled.

Should you have any questions, please contact Mike Scott 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  
Cory Green, Senior Director, Division of NCLB Program Coordination

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### Background

As discussed in their notification letter dated December 28, 2010, auditors from the Division of Financial Audits of the TEA initiated an onsite review of the fiscal controls over federal grants awarded to Mission Independent School District (CDN: 108-908) 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 November 30, 2010 the subrecipient filed expenditure reports to claim a total of \$12,058,569.83 in expenditures from the total of \$20,246,774.00 ARRA funded grants awarded to the subrecipient.

As of the notification letter dated December 28, 2010 the subrecipient was awarded a total amount of \$20,246,774.00 grant funds for seven ARRA grants (refer to Table A below).

| <b>TABLE A</b>  |                                 |                        |                        |
|---|---------------------------------|------------------------|------------------------|
| <b>Expenditures of NOGAs Awarded to Mission ISD as of December 10, 2010</b> |                                 |                        |                        |
| <b>NOGA ID</b>  | <b>NOGA Description</b>         | <b>Amount Awarded</b>  | <b>Amount Expended</b> |
| 10554001108908  | IDEA B Formula – ARRA           | \$3,312,444.00         | \$1,925,215.45         |
| 10555001108908  | IDEA B Preschool - ARRA         | \$85,617.00            | \$0.00                 |
| 10551001108908  | Title I, Part A – ARRA/STIMULUS | \$6,205,497.00         | \$3,256,845.56         |
| 10553001108908  | ARRA - Title II, D Technology   | \$193,823.00           | \$149,177.83           |
| 10551004108908043   | Title I, SIP – ARRA/STIMULUS    | \$50,000.00            | \$30,261.85            |
| 10557001108908  | ARRA Title XIV SFSF             | \$5,631,429.00         | \$5,476,416.39         |
| 11557001108908  | ARRA Title XIV SFSF             | \$4,767,964.00         | \$1,220,652.75         |
| <b>Total Amount Awarded</b>   |                                 | <b>\$20,246,774.00</b> | <b>\$12,058,569.83</b> |

### 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 control of ARRA grants, cash management, time and effort reporting requirements and the

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use of ARRA funds. Auditors observed that in certain instances the subrecipient did not maintain certain fiscal controls to ensure the proper administration of the grant and to facilitate its compliance with the requirements promulgated by the United States Department of Education in Section 80.20 of Title 34 of the Code of Federal Regulations (34 CFR 80.20) and Office of Management and Budget (OMB) Circular A-87. Refer to Finding #1, Finding #2, and General Observations 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 it adequately demonstrated that it 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 was not awarded grant funds for infrastructure investment projects (modernization, renovation, and repair of public school facilities).

### **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 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' observations and findings 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 A and B, and include any relevant documentation supporting its response.

### **Summary of Subrecipient's Response**

The subrecipient partially concurred with the auditors' findings. The subrecipient concurred with Finding #1 and the General Observations of Internal Controls and provided corrective action plans to address these issues. The subrecipient did not concur with Finding #2 and subsequently provided additional supporting documentation to address their response. Refer to Attachments A, B, and C.

### **Auditor's Addendum**

Auditors reviewed the subrecipient's response dated August 18, 2011 to the Preliminary Letter of Observations and Findings and the documentation submitted with the response. Auditors concurred with the subrecipient's response to Finding #1 and the proposed action plans to

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address the finding and the General Observations of Internal Controls reported in the Preliminary Letter of Observations and Findings.

Auditors reviewed the subrecipient's response and additional supporting documentation submitted in response to Finding #2 and noted that it did not address the finding adequately. The auditors' response is discussed in the body of the letter.

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### **Auditors' Observations and Findings**

**Finding # 1:** Auditors noted that in several instances, the subrecipient failed to maintain adequate and sufficient source documentation to support the payroll costs charged to the grant funds.

#### Statements of Fact

Auditors selected a random sample of twelve (12) payroll transactions including; three (3) transactions from IDEA-B Formula – ARRA (fund code 283), two (2) transactions from IDEA-B Preschool – ARRA (fund code 284), five (5) transactions from Title I, Part A – ARRA (fund code 285), and two (2) transactions from Title XIV, SFSF - ARRA (fund code 266). Auditors examined the documentation in support of the payroll costs charged to the applicable grant (refer to Appendix B).

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

1. In one instance, the subrecipient did not maintain documentation such as time sheets that stipulated Title I work activities were performed by substitute teacher paid with Title I, Part A grant funds to comply with time and effort reporting requirements. Accordingly, auditors questioned the \$110.00 charged to the grant ( refer to item #6 of Appendix B).
2. In four instances, employees solely funded from applicable grants did not maintain periodic certifications to comply with time and effort requirements. Accordingly, auditors questioned payroll costs of \$11,009.31 (refer to item #4, item #5, item #7, and item #8 of Appendix B).
3. In one instance, auditors observed that an employee who maintained periodic certification because of being solely funded from IDEA-B ARRA was also compensated from non federal funding sources (fund code 181) either as split funded employee or for extra duty pay as a coach. However, the subrecipient did not maintain personnel activity report to comply with requirements promulgated in the OMB circular A-87 (refer to item #1 of Appendix B).
4. In most instances employees did not maintain signed and dated job description (refer to Appendix B).

Based on their examination of the subrecipient's accounting and other grant records, auditors noted that of the twelve (12) payroll transactions tested, eight (8) transactions failed various attributes that would have demonstrated compliance with OMB circular A-87 and 34 CFR 80.20(b)(6) – Source Documentation. As a result, auditors questioned costs of \$11,119.31 (refer to Appendix B).

### **Conclusion**

The subrecipient's failure to implement and comply with the source documentation for payroll procedures and time and effort requirements promulgated in OMB Circular A-87 placed grant

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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

### **Recommendations**

The subrecipient should monitor its payroll processes and time and effort reporting requirements in order to comply with OMB Circular A-87 and to provide reasonable assurance 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 additional supporting documentation and a corrective action plan. See Attachment A, Attachment B, and Exhibit #1 and Exhibit #2.

### **Auditor's Addendum**

Auditors concur with the subrecipient's response and the proposed corrective action plan. Based on the documentation provided, auditors adjusted the questioned costs from \$11,119.31 to \$0.00.

**Finding # 2:** 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 80.20 (b)(4).

### **Statements of Fact**

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

1. Based on their examination the detailed general ledger for the ARRA Title I SIP grant for the fiscal year 2009-2010, auditors noted that the subrecipient appropriated funds under object code 6200 Professional and Contracted Services for the grant which was not approved in program budget summary of the grant application as amended.
2. The detailed general ledger for the ARRA Title I SIP grant (fund code 285) for the fiscal year 2009-2010 indicated that the subrecipient has recorded all transactions under fund 214 which is not approved for this grant and reserved for future state

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definition as per FASRG.

### **Conclusion**

The subrecipient's failure to implement and comply with budgetary control requirements promulgated in 34 CFR 80.20 (b)(4) may place 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 implement effective budget control procedures to comply with 34 CFR 80.20 (b)(4), to ensure reasonable assurance that it is managing federal awards appropriately and is complying with laws, regulations, and the provisions of grant agreements. Furthermore, auditors recommend that the subrecipient correct the general ledger for the ARRA Title I SIP grant (fund 285) by re-classifying the transactions recorded in fund 214 into fund 285 with a local option code.

### **Subrecipient's Response**

The subrecipient did not concur with Finding #2. The subrecipient responded that the use of Fund 214 was in-lieu of local option codes, none of which were available. Refer to Attachment C.

### **Auditor's Addendum**

Auditors reviewed the subrecipient's response to Finding #2 and did not concur for the following reasons.

The subrecipient did not completely address all of the statements of fact noted in Finding #2. In the Preliminary Letter of Findings and Observations dated July 21, 2011 auditors observed that the subrecipient appropriated funds into an unapproved budget category. In their response to the Preliminary Letter of Findings and Observations dated July 21, 2011 the subrecipient did not respond to this issue.

Auditors noted that the subrecipient stated that the use of the restricted fund code 214 was only for local district use and any recorded expenditures were subsequently rolled into fund 285 for PEIMS reporting. As a result, subrecipient is non-compliant with the specific stipulations of the FASRG. Auditors refer the subrecipient to Update 14 of the Financial Accountability System Resource Guide, which states on page 230; "**Funds 214 - 217 Reserved for Future State**

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**Definition** – *These fund classifications are reserved for future state designation and are not to be used by the school district.”*

#### **Internal Controls: General Observations**

1. In one instance the purchase order was issued after the date of the invoice or other payment request was received (refer to item #1 of Appendix A).
2. For the expenditures charged to the Title I, Part A ARRA funds, the subrecipient did not provide documentation demonstrating that expenditures charged to the grant funds were aligned to the specific activities or goals identified as a result of needs assessment in the Campus Improvement plans (refer to Appendix A).

#### **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.

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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 B below for the grant periods indicated.

| <b>TABLE B<br/>Individual NOGAs Selected for Audit</b> |                                 |                   |                 |
|--|---------------------------------|-------------------|-----------------|
| <b>NOGA ID</b>   | <b>NOGA Description</b>         | <b>Begin Date</b> | <b>End Date</b> |
| 10554001108908   | IDEA B Formula – ARRA           | 05/01/2009        | 09/30/2011      |
| 10555001108908   | IDEA B Preschool - ARRA         | 05/01/2009        | 09/30/2011      |
| 10551001108908   | Title I, Part A – ARRA/STIMULUS | 05/19/2009        | 09/30/2011      |
| 10551004108908043                                      | Title I, SIP – ARRA/STIMULUS    | 9/25/2009         | 6/30/2010       |
| 10553001108908   | ARRA - Title II, D Technology   | 12/10/2009        | 09/30/2011      |
| 10557001108908   | ARRA Title XIV SFSF             | 09/28/2009        | 09/30/2011      |
| 11557001108908   | ARRA Title XIV SFSF             | 09/1/2010         | 09/30/2011      |

### Methodology and Timeline

After completing certain desk audit procedures, auditors conducted an onsite visit on Wednesday, February 9, 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 consistence 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**

| <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<br><br>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 | Trans. Date | Payee                     | Costs Examined | Amount Questioned | Attribute Failed |
| <b>IDEA B Formula – ARRA-LEA, NOGA ID: 10554001108908 (Fund 283) Non-payroll</b>          |             |             |                           |                |                   |                  |
| 1   | Ck #223248  | 10/7/2010   | Scientific Learning Corp. | \$6,000.00     | \$0.00            | D                |
| 2   | Ck #222098  | 8/26/2010   | Stetson and Associates    | \$934.79       | \$0.00            |                  |
| 3   | Ck #221889  | 8/19/2010   | National Professional     | \$726.26       | \$0.00            |                  |
| 4   | Ck #222516  | 9/16/2010   | Embassy Suites            | \$263.78       | \$0.00            |                  |
| 5   | Ck #215075  | 1/27/2010   | Dell Marketing            | \$218,533.45   | \$0.00            |                  |
| 6   | Ck #035496  | 2/12/2010   | Longhorn Bus Sales        | \$254,996.00   | \$0.00            |                  |
| <b>Title I, Part A – ARRA, NOGA ID: 10551001108908 (Fund 285) Non-payroll</b>             |             |             |                           |                |                   |                  |
| 7   | Ck #217862  | 3/29/2010   | South Texas College       | \$15,944.85    | \$0.00            | G                |
| 8   | Ck #213873  | 12/11/2009  | Network Cabling Service   | \$3,388.50     | \$0.00            | G                |
| 9   | Ck #214268  | 1/13/2010   | Borders Inc.              | \$10,513.44    | \$0.00            | G                |
| 10  | Ck #214359  | 1/13/2010   | Dell Marketing            | \$42,799.97    | \$0.00            | G                |
| 11  | Ck #218170  | 4/14/2010   | Gateway Printing          | \$1,034.12     | \$0.00            | G                |
| 12  | Ck #222117  | 8/26/2010   | Tyler Technologies        | \$19,278.00    | \$0.00            | G                |
| 13  | Ck #222394  | 8/31/2010   | Reliance Communications   | \$28,855.00    | \$0.00            | G                |
| <b>Title II, Part D – Technology ARRA, NOGA ID: 10553001108908 (Fund 279) Non-payroll</b> |             |             |                           |                |                   |                  |
| 14  | Ck #220211  | 6/9/2010    | E Instruction             | \$5,520.00     | \$0.00            | G                |
| <b>Total Questioned Costs</b>   |             |             |                           |                | <b>\$0.00</b>     |                  |

**Attributes Tested**

Test of Internal Controls

- A. The accounting record included an original and complete internal accounting document, i.e. executed contract, purchase order, payment authorization form, expense reimbursement form, travel reimbursement form, payroll schedule, payroll authorization

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form, Form W-4, employment contract, etc.

- B. The accounting record included an original and complete third party document, i.e. utility billing statement, itemized receipt, itemized invoice, bank deposit.
- C. The accounting record indicated that the transaction was approved by an authorized individual.
- D. The purchase order was issued prior to the date of the vendor's invoice.

Compliance with Law, Rule, and/or Regulation

- E. The item was approved in the budget.
- F. The activity was allowed as per the applicable program requirements.
- G. The activity was noted in District/Campus improvement plan as applicable.
- H. The amount was obligated within the grant period.
- I. Capital outlay: did the purchase comply with ARRA reporting requirements.

| Appendix B   |                    |                  |                     |                |                   |                  |
|--|--------------------|------------------|---------------------|----------------|-------------------|------------------|
| Item No.   | Fund & Object Code | Transaction Date | Payee               | Costs Examined | Amount Questioned | Attribute Failed |
| <b>IDEA B Formula – ARRA-LEA, NOGA ID: 10554001108908 (Fund 283) Payroll</b>     |                    |                  |                     |                |                   |                  |
| 1  | 283-6119           | 10/22/2010       | Henderson, Hosea    | \$3,441.67     | \$0.00            | C,H              |
| 2  | 283-6118           | 10/22/2010       | Rodriguez, Sarah    | \$90.00        | \$0.00            |                  |
| 3  | 283-6129           | 10/25/2010       | Guajardo, Elisandra | \$633.60       | \$0.00            |                  |
| <b>IDEA B Preschool – ARRA-LEA, NOGA ID: 10555001108908 (Fund 284) : Payroll</b> |                    |                  |                     |                |                   |                  |
| 4  | 284-6129           | 8/25/2009        | Ortega, Maria       | \$1,240.92     | \$1,240.92        | C, G             |
| 5  | 284-6119           | 8/25/2009        | Garcia, Madelina    | \$4,193.89     | \$4,193.89        | C, G             |
| <b>Title I, Part A – ARRA, NOGA ID: 10551001108908 (Fund 285) : Payroll</b>      |                    |                  |                     |                |                   |                  |
| 6  | 285-6112           | 9/24/2010        | Josephson, Eduvides | \$110.00       | \$110.00          | E                |
| 7  | 285-6119           | 9/24/2010        | Alejos, Cynthia     | \$4,698.25     | \$4,698.25        | C, G             |
| 8  | 285-6129           | 9/24/2010        | Gonzalez, Maria     | \$876.25       | \$876.25          | C, G             |
| 9  | 285-6117           | 4/23/2010        | Abbott, Irene       | \$880.00       | \$0.00            | C                |
| 10   | 285-6117           | 5/25/2010        | Abbott, Irene       | \$1,430.00     | \$0.00            | C                |
| <b>Title XIV – ARRA-LEA, NOGA ID: 10557001108908 (Fund 266) : Payroll</b>        |                    |                  |                     |                |                   |                  |

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| <b>Appendix B</b>             |                               |                         |                  |                       |                          |                         |
|-------------------------------|-------------------------------|-------------------------|------------------|-----------------------|--------------------------|-------------------------|
| <b>Item No.</b>               | <b>Fund &amp; Object Code</b> | <b>Transaction Date</b> | <b>Payee</b>     | <b>Costs Examined</b> | <b>Amount Questioned</b> | <b>Attribute Failed</b> |
| 11                            | 266-6112                      | 10/25/2010              | Palomin, Adela   | \$330.00              | \$0.00                   |                         |
| 12                            | 266-6119                      | 10/25/2010              | Garza, Armandina | \$3,745.83            | \$0.00                   |                         |
| <b>Total Questioned Costs</b> |                               |                         |                  |                       | <b>\$11,119.31</b>       |                         |

#### **Payroll Attributes Tested**

- A. Position(s) approved in the budget.
- B. Position supported by laws rules regulations and grant application.
- C. Signed and dated job description provided.
- D. Salary authorization and Personnel Action form provided.
- E. Time sheet provided for extra duty/substitute pay claimed.
- F. Signed supplemental contract that stipulated program, e.g. Title I work activities performed by the teacher for tutoring/extra duty pay.
- G. Periodic Certification provided for 100% funded employee.
- H. Activity Report provided for Split funded employees.
- I. After-the-fact distribution of work performed. Payroll records match with activity reports.

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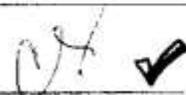
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**Attachment A: Subrecipient's Response to Auditors' Report**

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

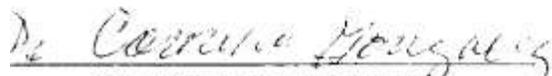
\_\_\_\_\_ The subrecipient concurred with the auditors' observations, general conclusion,  
(Please Initial) assessment of risk and recommendation. Additionally, the subrecipient  
enclosed the attached proposed corrective action to address the auditors'  
observations. Refer to Attachment B.

\_\_\_\_\_ The subrecipient did not concur with the auditors' observations, general  
(Please Initial) conclusion, assessment of risk and recommendation and enclosed a written  
response discussing its disagreement. Insert your response as Attachment 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          | <input checked="" type="checkbox"/> |                                     |
| 02          |                                     | <input checked="" type="checkbox"/> |
| Observation | <input checked="" type="checkbox"/> |                                     |
| 01          | <input checked="" type="checkbox"/> |                                     |

I, the undersigned, attest and affirm that our response above and the supporting attachments,  
A through C, constitute an accurate and complete response from the subrecipient to  
the findings and recommendations discussed in the preliminary letter of findings dated July 21,  
2011 from the Division of Financial Audits.

  
Superintendent's Signature

8/18/2011

Date Signed

Dr. Cornelio Gonzalez, Superintendent of Schools

September 22, 2011

Dr. Cornelio Gonzalez  
Superintendent  
Mission Independent School District

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

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

Finding:   1  

**Actions taken or planned for correction:**

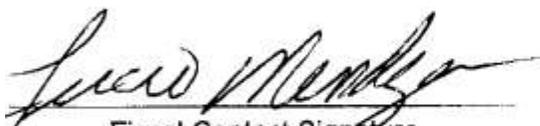
Appendix B Items numbers: 4 & 5 were coded to fund 284 FY9 which was previously used for a direct federal grant from the US Department of Education before the existence of ARRA Grants. Payroll information provided included USDE Grant payroll transactions. The District did not have ARRA expenditures prior to September 1, 2009. Starting September 1, 2009, the fund for IDEA B Preschool - ARRA is 284 FY0.  
(SEE ATTACHED EXHIBIT 1)

The questioned payroll cost as per Appendix B Item numbers: 6, 7, & 8 have been reclassified to General Fund  
Via journal entry. (SEE ATTACHED EXHIBIT 2)

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

Journal Entry for Appendix B Item numbers: 6, 7, & 8 was completed August 8, 2011.

The District will implement a centralized process for collecting semi-annual certifications and jobs descriptions signed and dated by employees starting 2011 - 2012 school year.

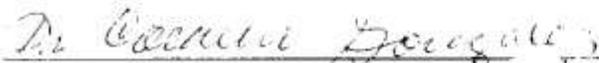


Fiscal Contact Signature  
(Preparer)

Lucio Mendoza, Asst. Supt. for Finance & Operation

8/18/2011

Date Signed



Superintendent's Signature  
(Approver)

Dr. Cornelio Gonzalez, Superintendent for Schools

8/18/2011

Date Signed

September 22, 2011

Dr. Cornelio Gonzalez  
Superintendent  
Mission Independent School District

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**Attachment C: Subrecipient's Response to Finding #2**

July 21, 2011

Dr. Cornelio Gonzalez  
Superintendent of Schools  
Mission Consolidated Independent School District

Subject: Preliminary Letter of Observations and Findings:

Attachment C:

Response to finding # 2:

Fund 214 was used to provide separate accounting between Title I, Part A - ARRA Grant and ARRA Title I SIP Grant as Local Option Codes were being used for other purposes. For PEIMS purposes Fund 214 is being rolled into Fund 185.