

October 24, 2011

VIA UNITED STATES CERTIFIED MAIL

Rev-32-139-909-5-2011

Mr. Paul M. Trull
Superintendent
Paris Independent School District
1920 Clarksville
Paris, TX 75460

Subject: Final Letter of Observations and Findings

Dear Mr. Trull:

Auditors from the Division of Financial Audits conducted an initial onsite review of the fiscal controls over federal grants awarded to Paris Independent School District (CDN: 139-909) (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 April 26, 2011 and during the onsite visit conducted by auditors on May 24, 2011. Your response to the preliminary letter of observations and findings dated October 14, 2011 has been incorporated into the body of this final letter of observations and findings as deemed appropriate, and is included as Attachments 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

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Background

As discussed in their notification letter dated April 26, 2011, auditors from the Division of Financial Audits of the TEA initiated an onsite review of the fiscal controls over federal grants awarded to Paris Independent School District (CDN: 139-909) 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 April 25, 2011 the subrecipient filed expenditure reports to claim a total of \$4,154,701.18 in expenditures from the total of \$5,043,978.00 ARRA funded grants awarded to the subrecipient.

As of the notification letter dated April 26, 2011 the subrecipient was awarded a total amount of \$5,043,978.00 grant funds for six ARRA grants (refer to Table A below).

TABLE A			
Expenditures of NOGAs Awarded to Paris ISD as of April 25, 2011			
NOGA ID	NOGA Description	Amount Awarded	Amount Expended
10554001139909	IDEA B Formula – ARRA-LEA	\$789,817.00	\$594,940.26
10555001139909	IDEA B Preschool – ARRA-LEA	\$20,535.00	\$14,792.53
10551001139909	Title I, Part A – ARRA/STIMULUS	\$723,363.00	\$565,951.48
10553001139909	ARRA - Title II, D Technology	\$22,786.00	\$8,530.50
10557001139909	ARRA Title XIV SFSF	\$1,815,671.00	\$1,815,671.00
11557001139909	ARRA Title XIV SFSF	\$1,671,806.00	\$1,154,815.41
Total Amount Awarded		\$5,043,978.00	\$4,154,701.18

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 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

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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 Internal Controls - 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 that did not demonstrate that it complied with the reporting requirements promulgated in Section 1512 (c) of American Recovery and Reinvestment Act of 2009. Refer to Finding #3 in the body of the letter.
- 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 in a few instances 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 B and C, and include any relevant documentation supporting its response.

Summary of subrecipient's Response

The subrecipient concurred with the auditors' findings and the General Observations of Internal Controls and provided corrective action plans to address these issues.

Auditor's Addendum

Auditors reviewed the subrecipient's response dated October 14, 2011 to the Preliminary Letter of Observations and Findings and the documentation submitted with the response. Auditors concurred with the subrecipient's responses and the proposed action plans to address the findings and the General Observations of Internal Controls reported in the Preliminary Letter of Observations and Findings. As a result, auditors adjusted the questioned costs accordingly.

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Attachment A: Summary of Auditors' Findings

Observations on Subrecipient's Administration of ARRA awards:

Finding # 1: In several instances, the subrecipient failed to maintain adequate and sufficient source documentation to support the expenditures charged to the grants and reported to TEA as the basis for its reimbursement from the applicable grant program.

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), two (2) from IDEA-B Preschool – ARRA (fund code 284), one (1) from ARRA Title II, D Technology (fund code 279), four (4) from ARRA Title XIV SFSF (fund code 266) and seven (7) transactions from Title I, Part A – ARRA (fund code 285) and examined the documentation in support of the expenditures charged to the applicable grant (refer to Appendix A).

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

1. In one instance, the subrecipient did not demonstrate that the expenditure was for an allowed activity, as per the program requirements. Specifically, auditors observed that the subrecipient purchased food items, batteries, etc. However, the subrecipient did not provide support documentation which identified how the use of funds was necessary and reasonable. As a result, auditors questioned costs of \$2,521.24 (refer to item #18 of Appendix A).

Based on their examination of the subrecipient's accounting and other grant records, auditors noted that of the twenty (20) non-payroll transactions tested, one (1) transaction failed an attribute that would have demonstrated compliance with 34 CFR 80.20 (b)(5)(6) and Public Law 107-910.

Conclusion

The subrecipient's failure to implement an adequate system of internal controls 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

\$2,521.24

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.

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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.

The subrecipient should reclassify the questioned costs of \$2,521.24 of item #18 in Appendix A to an allowable funding source.

Subrecipient's Response

The subrecipient concurred with the auditors' finding and subsequently provided additional supporting documentation and a corrective action plan. See Attachment B and Attachment C.

Auditor's Addendum

Auditors concurred with the subrecipient's response and the proposed action plan to address the finding. As a result, auditors adjusted the questioned costs of \$2,521.24 accordingly.

Finding # 2: 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 ten (10) payroll transactions including; three (3) transactions from IDEA-B Formula – ARRA (fund code 283), one (1) transaction from IDEA-B Preschool – ARRA (fund code 284), one (1) transaction from ARRA Title II, D Technology (fund code 279), one (1) transaction from ARRA Title XIV SFSF (fund code 266) and four (4) transactions from Title I, Part A – ARRA (fund code 285). 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 payroll transaction was for an employee's position that was not approved in the grant. However, subsequent to the on-site review, the subrecipient reclassified this expenditure to another funding source and as a result no costs were questioned (refer to item #4 of Appendix B).
2. In one instance, the payroll transaction was not supported by source documentation (i.e. contract for tutoring and/or extra duty pay/substitute pay agreement). As a result, auditors questioned costs of \$166.68 (refer to item #3 of Appendix B).
3. In five instances, the job descriptions provided by the subrecipient for the payroll positions were unsigned, undated or missing (refer to items #1, #6, #7, #9 and #10 of Appendix B).

Based on their examination of the subrecipient's accounting and other grant records, auditors noted that of the ten (10) payroll transactions tested, seven (7) transactions failed various attributes that would have demonstrated compliance with OMB circular A-87 and 34 CFR 80.20(b)(6) – Source Documentation (refer to Appendix B).

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Conclusion

The subrecipient's failure to implement and comply with time and effort requirements promulgated in OMB Circular A-87 placed grant funds at risk of being misused and impeded the subrecipient's ability to expend grant funds for the purposes stipulated and costs allowed in federal law and rules.

Finding Type

Compliance/Internal Control

Questioned Costs

\$166.68

Recommendations

The subrecipient should monitor the 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.

The subrecipient should reclassify the questioned costs of \$166.68 of item #3 in Appendix B to an allowable funding source.

Subrecipient's Response

The subrecipient concurred with the auditors' finding and subsequently provided additional supporting documentation and a corrective action plan. See Attachment B and Attachment C.

Auditor's Addendum

Auditors concurred with the subrecipient's response and the proposed action plan to address the finding. As a result, auditors adjusted the questioned costs of \$166.68 accordingly.

Internal Controls: General Observations

Auditors noted that the subrecipient did not maintain adequate policies and procedures in order to comply with the standards for financial management systems promulgated at 34 CFR 80.20. Specifically, auditors observed that the subrecipient did not maintain locally developed policies and procedures which described the following.

Statement of Fact

The subrecipient does not entirely have specific policies and procedures that address the review, of expenditure reports for federal awards. In detail,

1. The subrecipient did not have procedures for ensuring the accuracy of expenditure reports prior to submission to WebER.

Recommendation: The subrecipient should update and/or implement adequate internal control policies and procedures which assure that semi-annual certifications are accurate prior to

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submission to WebER.

Observations on ARRA Reporting Requirements

Finding #3: The subrecipient did not report the correct number of jobs created/retained by ARRA per the quarterly reporting requirements promulgated in Section 1512 of American Recovery and Reinvestment Act of 2009.

Statements of Fact

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

1. The subrecipient did not report the correct number of jobs created/retained by ARRA. Specifically, auditors noted that the subrecipient's payroll costs of grant funds included payments for extra duty/substitute pay with ARRA funds. However, the subrecipient did not include the number of hours associated with extra duty/substitute pay in its calculations of FTEs reported on the quarterly reports.

Conclusion

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

Finding Type

Compliance/Internal Control

Questioned Costs

\$0.00

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

Recommendation #2. The estimate of the number of jobs required by the ARRA should be expressed as FTEs, which is calculated as total hours worked in jobs created or retained divided by the number of hours in a full-time schedule, as defined by the recipient within the reporting quarter. These FTEs are then adjusted to count only for the portion of the job funded by ARRA. Refer to the following web-link for Section 1512 reporting requirements of ARRA. <http://www.tea.state.tx.us/arrastimulus/reporting/>

Subrecipient's Response

The subrecipient concurred with the auditors' finding and subsequently provided additional

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supporting documentation and a corrective action plan. See Attachment B and Attachment C.

Auditor's Addendum

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

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Summary of Audit Scope, Objectives and Methodology

Objectives, Scope, Methodology and Timeline

The review focused on the following objectives.

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

Scope

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

TABLE B Individual NOGAs Selected for Audit			
NOGA ID	NOGA Description	Begin Date	End Date
10554001139909	IDEA B Formula – ARRA-LEA	6/1/2009	9/30/2011
10555001139909	IDEA B Pre-School – ARRA-LEA	6/1/2009	9/30/2011
10551001139909	Title I, Part A – ARRA/STIMULUS	7/3/2009	9/30/2011
10553001139909	ARRA - Title II, D Technology	10/15/2009	9/30/2011
10557001139909	ARRA Title XIV SFSF	9/29/2009	9/30/2011
11557001139909	ARRA Title XIV SFSF	9/01/2010	9/30/2011

Methodology and Timeline

After completing certain desk audit procedures, auditors conducted an onsite visit on Tuesday, May 24, 2011 and Wednesday May 25, 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.

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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 (Non-payroll)						
Item No.	Ref. Number	Trans. Date	Payee	Costs Examined	Amount Questioned	Attribute Failed
IDEA B Formula – ARRA-LEA, NOGA ID: 10554001139909 (Fund 283)						
1	CK 026771	8/20/2009	Joi Brumley	\$150.30	\$0.00	
2	CK 005033	2/10/2011	Mt. Pleasant ISD	\$25,376.25	\$0.00	
3	CK 004131	12/9/2010	Hatch	\$62,975.50	\$0.00	
4	CK 028622	11/20/2009	Dell Marketing	\$62,444.41	\$0.00	
5	CK 006259	4/21/2011	Wes Pope	\$660.00	\$0.00	
6	CK 032808	6/30/2010	Omni Hotel	\$487.23	\$0.00	
IDEA B Preschool – ARRA-LEA, NOGA ID: 10555001139909 (Fund 284)						
7	CK 027915	10/22/2009	Lakeshore Learning	\$9,261.06	\$0.00	
8	CK 028812	11/30/2009	L kelly Miller	\$524.70	\$0.00	
Title I, Part A – ARRA, NOGA ID: 10551001139909 (Fund 285)						
9	CK 027022	8/31/2009	Master Audio Visual	\$3168.00	\$0.00	
10	CK 026413	7/16/2009	University of Texas at Austin	\$10,850.00	\$0.00	
11	CK 002504	9/23/2010	Wireless Generation Inc.	\$4,400.00	\$0.00	
12	CK 027039	8/31/2009	Office Max Inc.	\$505.91	\$0.00	
13	CK 028362	11/12/2009	Hyatt	\$303.04	\$0.00	
14	CK 029728	1/28/2010	Seandra Gilbert	\$100.64	\$0.00	
15	CK 102010	10/28/2010	Mastercard	\$1,990.00	\$0.00	
Title II, Part D – Techn. ARRA, NOGA ID: 10553001139909 (Fund 279)						
16	PO 013999	3/30/2011	American Express	\$2,850.01	\$0.00	
Title XIV SFSF - ARRA, NOGA ID: 10557001139909 (Fund 266)						
17	GJ 000521	2/11/2010	Move exp. From 199 to SFSF	\$7,500.00	\$0.00	
18	CK 033209	7/29/2010	Walmart Community Brc	\$2,521.24	\$2,521.24	F
19	CK 031178	4/8/2010	Sandra Strom	\$1,935.00	\$0.00	
20	CK 004961	2/10/2011	Atmos Energy	\$8,350.01	\$0.00	
Total Questioned Costs					\$2,521.24	

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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 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.

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Appendix B Payroll						
Item No.	Fund & Object Code	Transaction Date	Payee	Costs Examined	Amount Questioned	Attribute Failed
IDEA B Formula – ARRA-LEA, NOGA ID: 1055400113909 (Fund 283)						
1	283-11-6129-00-109	1/25/2011	Edwards, Mary L.	\$983.33	\$0.00	C
2	283-11-6129-00-108-	12/21/2010	Wagner, Robbie A.	\$983.33	\$0.00	
3	283-11-6118-00-042	10/25/2010	Martin, Helen J.	\$166.68	\$166.68	H
IDEA B Preschool – ARRA-LEA, NOGA ID: 1055500113909 (Fund 284)						
4	284-11-6118-00-042	10/23/2009	Martin, Helen J.	\$166.68	\$0.00	A
Title II, Part D Techn. – ARRA, NOGA ID: 10530010113909 (Fund 279)						
5	279-12-6118-00-999	5/25/2010	Loughmiller, Dale L.	\$108.34	\$0.00	
Title I, Part A – ARRA, NOGA ID: 1055100113909 (Fund 285)						
6	285-13-6119-00-108	8/25/2009	Meredith, Melanie A	\$3,760.50	\$0.00	C
7	285-13-6118-00-108	8/25/2009	Brakebill, Jeri L.	\$200.00	\$0.00	C
8	285-13-6119-00-041	1/25/2009	Andoe, Jodi M.	\$1,571.91	\$0.00	
9	285-13-6119-00-041	8/25/2010	Gilbert, Seandra M.	\$1,803.29	\$0.00	C
Title XIV – ARRA-LEA, NOGA ID: 1055700113909 (Fund 266)						
10	266-23-6119-00-002	12/22/2009	Preston, Gary	\$23,432.32	\$0.00	C
Total Questioned Costs					\$166.68	

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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Attachment B: Subrecipient's Response to Auditors' Report

Attachment B: Subrecipient's Response to Auditors' Report

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

_____ (Please Initial) The subrecipient did not concur with the auditors' observations, general conclusion, assessment of risk and recommendation and enclosed a written response discussing its disagreement. Insert your response as Attachment D. The subrecipient also enclosed copies of documents that support its disagreement with the auditors' preliminary letter of findings. Insert supporting documents as Attachment(s) E through _____.

_____ (Please Initial) The subrecipient concurred with only the observations noted below and proposed the corrective actions noted on Attachment C 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 D. 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) E through _____.

Finding	Subrecipient Concurred	
	Yes	No
01		
02		
03		

I, the undersigned, attest and affirm that our response above and the supporting attachments, 1 through _____, constitute an accurate and complete response from the subrecipient to the findings and recommendations discussed in the preliminary letter of findings dated September 29, 2011 from the Division of Financial Audits.

Paul M. Trull
Superintendent's Signature

10/13/11
Date Signed

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Attachment C: Subrecipient's Proposed Corrective Action

Attachment C: Subrecipient's Proposed Corrective Action

Finding: _____

Actions taken or planned for correction:

See attached

Responsibilities and timetable for the above actions:

See attached

Kathleen G. Harman

Fiscal Contact Signature
(Preparer)

10/13/11

Date Signed

Paul M. Trull

Superintendent's Signature
(Approver)

10/13/11

Date Signed

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Attachment C: Finding #1 - Subrecipient's Proposed Corrective Action

Finding #1

Actions taken or planned for correction:

Prior to notification of the district's upcoming ARRA Audit, personnel from the Business Office attended TASBO training on State and Federal Compliance. Part of the training emphasized that multiple districts were unsure of ARRA guidelines and subsequently charged nonallowable items to the grant. As of the date of the training, grant year 2009-2010 had been reopened for amendments and PISD personnel began considering an amendment to "clean up" items charged to the local ARRA Title XIV SFSF grant. As a result of the ARRA Audit, some of the costs that the district were concerned about (those involving food and other items without proper documentation to illustrate that they were necessary and reasonable) were questioned and the district decided to pursue an amendment to the ARRA Title XIV SFSF grant. On June 22, 2011, amendment #2 was filed. The result of the amendment was to remove all 6300 and 6400 charges as well most 6200 charges from the grant. This would include the \$2,521.24 of questioned costs from the audit. New costs to be charged to the grant fell into 3 categories: utilities of instructional facilities, security contract with City of Paris Police Department for SROs, and salaries of district principals and assistant principals. The amendment was approved on July 13, 2011. Coding corrections were subsequently posted in the general ledger, thereby recoding the questioned costs to the General Fund.

From an internal control standpoint, purchasing procedures were modified to require specific documentation for grant purchases which will include "how the item or service will be used to meet grant guidelines and how the purchase is reasonable and necessary" (Administrative Procedures For Business and Support Services manual, pg. 27, #4). In the future, a more deliberate effort will be made to read and understand all guidelines for new grants by all parties involved (Business Manager, Compliance Officer, Director, etc.). Individual transactions will continue to be evaluated to ensure compliance. Also, since the dates of the audit, the purchase requisition/purchase order system has been upgraded and reconfigured to allow/require budget managers to approve requests electronically. This is allowing budget managers to manage their budgets and purchases in a much more hands-on manner, as well as consider and respond to requests in real time.

Responsibilities and timetable for the above actions:

ARRA Title XIV SFSF 2009-2010 grant has already been corrected to remove the \$2,521.24 of questioned costs. Internal control procedures are in place and must now be enforced monitored and updated as appropriate.

October 24, 2011

Mr. Paul M. Trull
Superintendent
Paris Independent School District

Subject: Final Letter of Observations and Findings, Page 19

Attachment C: Finding #2 - Subrecipient's Proposed Corrective Action

Finding #2

Actions taken or planned for correction:

The questioned cost of \$166.68 was one month of a 12-month stipend totaling \$2,000. As a result of the audit, the entire stipend was recoded to the General Fund.

From an internal control standpoint, grant procedures were modified to cover all aspects of time and effort requirements. Paris ISD Procedures for State and Federal Grants manual, pg. 5, letter H, now states "**Time and Effort Requirements:** The personnel roster will list employees paid with grant funds, their fund source(s) and the percentage of the salary or stipend paid by the fund source(s).

Personnel who are paid 100% of their salary from a single grant will sign a semi-annual certification document after each semester certifying that 100% of their time and effort was spent on "activities associated with objectives of the reported program/grant." The certification document is also signed by each employee's supervisor. This form is to be signed and dated at least one day after the end of each semester and submitted to the program director. A sample of the semi-annual certification document is provided on page 13.

Personnel who are paid from multiple grant funds will submit a monthly personal activity report which designates the percentage of salary paid from each grant fund and the daily activities performed for each fund. The report will include the following statement: "I certify that the above information accurately describes my work schedule for the dates shown." The personal activity report is to be signed and dated by the employee and supervisor at least one day after the end of each month. These reports will be verified and reconciled ensuring actual pay reflects time and effort. Adjustments will be made to payroll account codes, if necessary, in the following semester. A sample of the personal activity report is provided on page 14.

Signed job descriptions will be kept for all employees receiving state/federal compensation funds. Further, signed contracts/agreements stating the purpose and amount of stipends and extra-duty pay will be kept.

A personal activity report will not be kept for 10 or 11-month employees in July or August due to their contractual duties being completed in June."

These procedures were implemented at the end of the 2010- 2011 school year; correct time and effort documentation for that semester was therefore obtained. Grant personnel were diligent at the beginning of the 2011-2012 school year to make sure that all signed job descriptions as required by the procedures were obtained.

Responsibilities and timetable for the above actions:

IDEA-B Formula grant has already been corrected to remove the \$166.68 of questioned costs, along with the remainder of the \$2,000 stipend in question. Internal control procedures relating to time and effort documentation are in place and must now be enforced. monitored. and undated as appropriate.

October 24, 2011

Mr. Paul M. Trull
Superintendent
Paris Independent School District

Subject: Final Letter of Observations and Findings, Page 20

Attachment C: Internal Controls - Subrecipient's Proposed Corrective Action

Internal Controls

Actions taken or planned for correction:

Subsequent to the ARRA audit, the Administrative Procedures For Business and Support Services manual, pg. 15, was modified to read "Once the spreadsheet is updated, make sure the fund balances by subtracting total revenues, assets, and liabilities from total cumulative expenditures. The end result should be zero. The periodic expenditure spreadsheet should then be sent to the appropriate Director for approval. The director will examine the report for accuracy, ask for clarification and correction where necessary, and then stamp the spreadsheet Approved. Once approval has been received, login to TEA's Web ER and update the totals." The procedure manual was updated in June and every expenditure report since that time has been filed following that procedure.

Responsibilities and timetable for the above actions:

Internal control procedures relating to federal reporting are in place and must now be enforced, monitored, and updated as appropriate.

October 24, 2011

Mr. Paul M. Trull
Superintendent
Paris Independent School District

Subject: Final Letter of Observations and Findings, Page 21

Attachment C: Finding #3 - Subrecipient's Proposed Corrective Action

Finding #3

Actions taken or planned for correction:

Subsequent to the ARRA audit, the Administrative Procedures for Business and Support Services manual, pg. 15, was modified to read "If reporting requires the calculation of FTEs, a payroll distribution report is printed for personnel involved for that quarter. Take the number of hours worked from that report and divide by the total number of hours in a quarter for a full time schedule. This will give you the FTE for a particular employee. For example, a full-time employee works 7.5 hours per day for 5 days each week for 13 weeks in a quarter, for a total of 487.5 hours in a quarter. If a particular employee worked 130 hours in a quarter, that number divided by 487.5 would give a .27 FTE. If an employee is split-funded, take the FTE previously calculated (number of hours worked by a particular employee divided by total number of hours worked by a full-time employee in the quarter) and multiply by the percentage of the employee's fund distribution code for the grant involved. For example, if 40% of the particular employee's salary is paid from a grant fund, .27 FTE times 40% would give a .11 FTE for that fund. All 6100 payroll costs, including regular payroll, stipends, and extra duty pay, should be used in the calculation of FTEs. For stipends that are paid as a total amount rather than as an hourly rate for the number of hours worked, an hourly equivalent must be calculated based on the employee's average daily rate and the total amount of the stipend. For example, if a teacher with an average daily rate of \$250 is paid a stipend of \$1,000, the hourly equivalent for hours worked would be 4 (\$1,000 divided by \$250). These four hours would be added to the total regular hours worked during the quarter to calculate FTEs." The procedure manual was updated in June and all FTEs calculated since that time have been calculated following that procedure. A spreadsheet for calculating FTEs was shared with the district by the TEA auditors while they were on site. Use of that spreadsheet has also been incorporated into the process.

Responsibilities and timetable for the above actions:

Internal control procedures relating to the calculation of FTEs are in place and must now be enforced, monitored, and updated as appropriate.