

November 4, 2011

Rev-42-152-901-8-2011

VIA UNITED STATES CERTIFIED MAIL

Dr. Karen Garza
Superintendent
Lubbock Independent School District
1628 19th Street
Lubbock, TX 79401-4895

Subject: Final Letter of Findings and Observations

Dear Dr. Garza:

Auditors from the Division of Financial Audits conducted an initial onsite review of the fiscal controls over federal grants awarded to Lubbock Independent School District (CDN 152-901) (the subrecipient). The review focused on the grants awarded to the subrecipient pursuant to the American Recovery and Reinvestment Act of 2009 (ARRA). The review was limited to the representations and records provided by the subrecipient in response to the auditors' formal correspondence dated July 15, 2011 and during the onsite visit conducted by auditors on August 15th and 16th, 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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Lubbock Independent School District

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Background

As discussed in their notification letter dated July 15, 2011, auditors from the Division of Financial Audits of the TEA initiated an onsite review of the fiscal controls over federal grants awarded to Lubbock Independent School District (CDN 152-901) pursuant to ARRA. Due to heavy emphasis on accountability and transparency on ARRA funded grants, the primary focus of this review was to inquire about the subrecipient's fiscal controls in effect over ARRA funded awards and about the activities, functions, programs and services implemented by the subrecipient to provide a reasonable assurance of compliance with laws, rules, regulations, and guidance pertaining to the ARRA grants awarded to the subrecipient. Generally, auditors limited their review to the subrecipient's records supporting its compliance with grant requirements and accounting for its receipt and expenditures of grant funds of ARRA funded grants awarded to the subrecipient. As of July 13, 2011 the subrecipient filed expenditure reports to claim \$28,113,013.54 in expenditures from a total of \$38,694,436.00 ARRA funded grants awarded to the subrecipient (refer to Table A below).

TABLE A			
Expenditures of NOGAs Awarded to Lubbock ISD as of July 13, 2011			
NOGA ID	NOGA Description	Amount Awarded	Amount Expended
10554001152901	IDEA – Part B Formula - ARRA	\$5,812,435.00	\$3,708,068.66
10555001152901	IDEA – Part B Preschool - ARRA	\$15,114.00	\$54,971.38
10551001152901	Title I, Part A – ARRA/STIMULUS	\$6,291,117.00	\$5,075,706.28
10551003152901	Title I, Part D – ARRA/STIMULUS	\$159,484.00	\$126,885.20
10553001152901	Title II, Part D, Subpart 1 – ARRA	\$197,892.00	\$192,324.58
10557001152901	Title XIV – ARRA Title XIV SFSF	\$11,608,212.00	\$11,608,212.00
11557001152901	Title XIV – ARRA Title XIV SFSF	\$9,940,838.00	\$7,346,845.44
11550101152901	Education Jobs Fund Program	\$4,669,344.00	\$0.00
Total Amount Awarded		\$38,694,436.00	\$28,113,013.54

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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. 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 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 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 with the exception of three 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

\$50,490.00

Recommendations

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

Summary of subrecipient's Response

In their response to the preliminary letter of findings and observations dated October 12, 2011, the subrecipient partially concurred with the auditors' findings and observations. and made corrections, or provided additional information to support, all the issues identified. See

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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 Finding #2, Finding #3, and Observation #1. The subrecipient did not concur with Finding #1. Based on additional information provided by the subrecipient, auditors determined that the use of funds identified in Finding #1 are still unallowable. As a result, auditors did not adjust the question costs in Finding #1.

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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)(5) and 34 CFR 80.23.

Statements of Fact

Auditors selected a total sample of eleven (11) non-payroll transactions including five (5) transactions from IDEA-B Formula – ARRA, (fund 283), one (1) transaction from IDEA-B Preschool – ARRA (fund 284), four (4) transactions from Title I, Part A – ARRA (fund 285), and one (1) transaction from Title II, Part D – ARRA (fund 279) and examined the documentation in support of the expenditures charged to the applicable grant. Refer to Appendix A.

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

- a) In one (1) instance, auditors noted that the subrecipient expended grant funds for expenditures that were not reasonable and necessary per the program guidelines as the benefits received were not cost allocated to the grant accordingly between the program and other funding sources. Specifically, the subrecipient expended IDEA-B Formula ARRA (fund code 283) grant funds for Maps 101. The product was a district-wide subscription for 55 campuses, however the subrecipient failed to aggregate the costs for the expenditure amongst applicable funding sources based on the needs and populations served. Therefore, auditors question the use of the funds based on the costs charged to the grant. As a result, auditors question the total costs for this expenditure in the amount of \$50,490.00 (Refer to item #5 in Appendix A)
- b) In the same transaction listed above (Maps 101 – Item #5 in Appendix A), the subrecipient purchased a three (3) year subscription, itemized by year. The second (2nd) and third (3rd) years of the subscription (2011-2012 and 2012-2013) are beyond the grant award period, which ended September 30, 2011. (Refer to item #5 in Appendix A)
- c) In 2 (two) instances, auditors noted that an invoice was received prior to an approved purchase order being issued. (Refer to items #7 and #8 in Appendix A)

Based on their examination of the subrecipient's accounting and other grant records, auditors noted that of the eleven (11) non-payroll transactions tested, three (3) transactions failed attributes that would have demonstrated compliance with 34 CFR 80.20(b)(5) and/or 34 CFR 80.23. As a result, auditors questioned costs of \$50,490.00. Refer to Appendix A.

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Conclusion

The subrecipient's internal control weaknesses may adversely affect its ability to comply with 34 CFR 80.20(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

\$50,490.00

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. Specially, the subrecipient should ensure that all expenditures are approved in the grant application, reasonable and necessary to further the statutory purpose of the grant, costs were chargeable or assignable to the grant in accordance with the relative benefits received for the program, and that the costs are obligated and incurred within the grant award period, as per the NOGA.

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 did not concur with the auditor's finding that the expenditures for Maps 101 were not reasonable and necessary. After further review, auditors also noted the specific expenditures were not approved in the grant application, as amended, for Early Intervention Services (EIS). As a result, the questioned costs remain the same.

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. Refer to Appendix B.

Statements of Fact

Auditors selected a total sample of ten (10) payroll transactions including two (2) transactions from IDEA-B Formula – ARRA (fund 283), four (4) transactions from Title I, Part A – ARRA (fund

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285), four (4) transactions from Title XIV – SFSF ARRA (fund 266) 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 expended grant funds that did not benefit the program. Specifically, the subrecipient expended grant funds from Title I, Part A ARRA for a substitute that was substituting for a general education teacher. Additionally, the subrecipient did not provide a supplemental pay agreement and/or time sheet indicating Title I activities conducted. During the onsite visit, the subrecipient reclassified the cost back to the general fund. As a result, auditors did not question the costs charged to the program. (Refer to items #3 in Appendix B)
- b) In two (2) instances, the subrecipient maintained a semi-annual certification for 100% employees but the document was not signed and dated by both the supervisor and the employee, as stipulated in the subrecipient's own policy and procedures. (Refer to items #1 and #6 in Appendix B.)
- c) In five (5) instances, the subrecipient did not maintain a current signed and dated job description. Specifically, the subrecipient did provide a job description for each of the employees selected, as applicable, however, in four instances, they were not signed or dated. (Refer to items #1, #2, #4, #5, and #6 in 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, eight (8) transactions failed attributes that would have demonstrated compliance with the grant application and/or OMB-A-87. 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

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

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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 reviewed the subrecipient's response and corrective action plan and noted that the subrecipient updated the process/forms that grant funded employees must complete in order to comply with the Time and Effort requirements of OMB A-87. The subrecipient also indicated that job descriptions for grant funded employees would be updated annually. **Auditors concur with the subrecipient's response and corrective actions.**

Internal Controls: General Observations

Observation #1: The subrecipient's policies and procedures should describe if the subrecipient permits the use of corporate accounts (e.g., VISA), revolving lines of credit (e.g., Office Depot account), and/or petty cash 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.

Observations on ARRA Reporting Requirements

Finding #3: The subrecipient did not demonstrate that it complied with the reporting requirements promulgated in Section 1512 of American Recovery and Reinvestment Act of 2009.

Statement of Fact

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

The subrecipient did not report the correct number of jobs created/retained by ARRA based on the Quarterly Reports dated March 31, 2011. Specifically, auditors noted that the subrecipient's payroll cost of grant funds included payments for extra

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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 report submitted to TEA for the quarter ended

Conclusion

The subrecipient's failure to implement and comply with reporting requirements promulgated in Section 1512 of may impede 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 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.

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

See Attachments B and C.

Auditor's Addendum

Auditors reviewed the subrecipient's response and corrective action plan and noted that the subrecipient implemented procedures to calculate FTEs for substitute and/or extra duty pay. Auditors concur with the subrecipient's response and corrective actions.

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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
10554001152901	IDEA – Part B Formula - ARRA	04/16/2009	09/30/2011
10555001152901	IDEA – Part B Preschool - ARRA	05/18/2009	09/30/2011
10551001152901	Title I, Part A – ARRA/STIMULUS	06/18/2009	09/30/2011
10551003152901	Title I, Part D – ARRA/STIMULUS	08/11/2009	09/30/2011
10553001152901	Title II, Part D, Subpart 1 – ARRA	09/24/2009	09/30/2011
10557001152901	Title XIV – ARRA Title XIV SFSF	09/02/2009	09/30/2010
11557001152901	Title XIV – ARRA Title XIV SFSF	09/01/2010	09/30/2011
10550101152901	Education Jobs Fund Program	08/10/2010	09/30/2012

Methodology and Timeline

After completing certain desk audit procedures, auditors conducted an onsite visit on August 15th and 16th, 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						
Item No.	Ref. Number	Transaction Date	Payee	Costs Examined	Amount Questioned	Attribute Failed
IDEA-B Formula - ARRA, NOGA ID: 10554001152901						
1	103317	04/07/2011	Spinks, Janis	\$2,555.50	\$0.00	
2	8803	10/23/2009	Target	\$508.45	\$0.00	
3	29675	02/08/2010	Dell Marketing	\$42,666.59	\$0.00	
4	65316	08/27/2010	C G Consulting	\$7,100.00	\$0.00	
5	72210	10/15/2010	Maps 101	\$50,490.00	\$50,490.00	A, B, K
IDEA-B Preschool - ARRA, NOGA ID: 10555001152901						
6	25000	01/13/2010	Learning Services	\$4,385.00	\$0.00	
Title I, Part A – ARRA, NOGA ID: 10551001152901						
7	93656	02/14/2011	Battelle For Kids	\$21,200.00	\$0.00	F
8	117645	07/13/2011	Education Service Center	\$3,000.00	\$0.00	F
9	14903	06/08/2010	Ward, Charlotte M.	\$812.52	\$0.00	
10	21095	06/30/2010	American Express	\$187.40	\$0.00	
Title II, Part D – ARRA, NOGA ID: 10553001152901						
11	45653	04/26/2010	Apple Inc.	\$8,700.00	\$0.00	
Total Non-Payroll Questioned Cost					\$50,490.00	

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.: 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.

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Appendix B						
Item No.	Ref. Number	Payee	Payroll Date	Costs Examined	Amount Questioned	Attribute Failed
IDEA-B Formula - ARRA, NOGA ID: 10554001152901						
1	283-61xx	Foster, Connie R	09/30/2010	\$1,924.85	\$0.00	B, G
2	283-61xx	Lopez, Manuela	09/30/2010	\$1,168.13	\$0.00	B
Title I, Part A - ARRA, NOGA ID: 10551001152901						
3	285-61xx	Price, Kristilin Bree	09/30/2010	\$850.00	\$0.00	F, H
4	285-61xx	Gordon, Sandy Lin	02/23/2011	\$3,938.67	\$0.00	B
5	285-61xx	McNamara, Lachelle Rene	02/23/2011	\$1,301.52	\$0.00	B
6	285-61xx	Andrews, Cynthia	02/23/2011	\$6,427.24	\$0.00	B, G
Title XIV SFSF – ARRA, NOGA ID: 1x557001152901						
7	266-61xx	Barnes, Mary	02/23/2011	\$2,380.54	\$0.00	
8	266-61xx	Craig, Marsha Lee	02/23/2011	\$75.04	\$0.00	
9	266-61xx	Healy, John	09/30/2010	\$2,472.93	\$0.00	
10	266-61xx	Nelson, Hayley Rush	02/23/2011	\$700.00	\$0.00	
Total Payroll Questioned Cost					\$850.00	

Payroll Attributes Tested

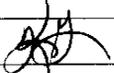
- A - Position(s) approved in the budget.
- B - Signed and dated job description provided.
- C - Position supported by laws, rules, regulation, and grant application.
- D - Salary authorization and personnel action forms provided.
- E - Time sheet provided for extra duty/substitute pay claimed.
- F -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

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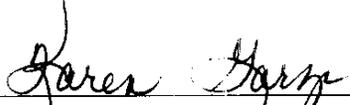
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Attachment B: Subrecipient's Response to Auditors' Report

(Please Initial)	The subrecipient concurred with the auditors' observations, general conclusion, assessment of risk and recommendation. Additionally, the subrecipient enclosed the attached proposed corrective action to address the auditors' observations.														
(Please Initial)	I disagree with the findings, recommendations and required actions and have included a written response, including copies of supporting documentation, discussing my disagreement with the findings in this preliminary letter of findings.														
 (Please Initial)	The subrecipient concurred with only the observations noted below and enclosed the attached proposed corrective action to address the auditors' findings. However, the subrecipient did not concur with the other finding, as noted below, and has enclosed a written response discussing its disagreement. In this latter regard, the subrecipient has also enclosed copies of documents that support its disagreement with the contents of the preliminary letter of findings. <table border="1" data-bbox="613 892 1177 1129"><thead><tr><th rowspan="2">Finding</th><th colspan="2">Subrecipient Concurred</th></tr><tr><th>Yes</th><th>No</th></tr></thead><tbody><tr><td>01</td><td>1b</td><td>1a & 1c</td></tr><tr><td>02</td><td>Yes</td><td></td></tr><tr><td>03</td><td>Yes</td><td></td></tr></tbody></table>	Finding	Subrecipient Concurred		Yes	No	01	1b	1a & 1c	02	Yes		03	Yes	
Finding	Subrecipient Concurred														
	Yes	No													
01	1b	1a & 1c													
02	Yes														
03	Yes														

I, the undersigned, attest and affirm that our response above and the supporting attachments, 1 through 5, 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.



Superintendent's Signature

10-24-11

Date Signed

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Attachment C: Subrecipient's Proposed Corrective Action

Finding / Observation: Finding #1 _____

Actions taken or planned for correction:

1a. This expenditure was reasonable and necessary per the IDEA-B Program Guidelines as outlined in TEA Guidance and was, as such, an allowable expenditure under IDEA. As of the reauthorization of 2004, IDEA has allowed LEAs to essentially carve out up to 15% of its total IDEA-B funds to provide Early Intervening Services (EIS) to students who are not yet identified as needing special education services, including programs that are part of the school district's Response to Intervention (RTI) Program. IDEA regulations define EIS as services to students who have not been identified as needing special education or related services, but who need increased academic and behavioral support to succeed in general education.

The TEA website provides the following guidance:

An LEA may use up to 15 percent of Individuals with Disabilities Education Act, Part B (IDEA-B) funds for any fiscal year to develop and implement coordinated, early intervening services (EIS) for students in kindergarten through grade 12 (with a particular emphasis on students in kindergarten through grade 3) who are not currently identified as needing special education or related services but who need additional academic and behavioral support to succeed in a general education environment. [20 U.S.C. §1413(f), 34 C.F.R. §300.226] ...

All applicable requirements of the IDEA-B regulations, other applicable laws and regulations, and Office of Management and Budget (OMB) circulars (such as OMB Circular A-87, related to cost principals for State, local, and Indian tribe governments; and OMB Circular A-133, related to audits conducted under the Single Audit Act) apply to the use of ARRA IDEA-B funds.

The "MAPS 101" program was purchased as part of the district's initiative to implement a coordinated early intervention service (EIS) for struggling students in LISD who are not currently identified as needing special education or related services but who needed additional academic support to succeed in a general education environment. The MAPS 101 program and was provided to all social studies teachers for the purpose of providing Tier 2 intervention support in the regular social studies classroom as part of LISD's RTI Program. This purchase was an appropriate expenditure for EIS and thus a reasonable and necessary, allowable expenditure of IDEA B ARRA

1b. Corrective action was taken to reverse charges from the grant for the year that was beyond the grant end dates. The auditors said that the 2nd year was allowable because the school year will be in progress before the end of the grant period. (Attachment 1)

1c. Items #7 and #8 were pre-approved before the each of the purchase requisitions was created. The accounts for which each of these expenditures were from a 6200 account. A copy of each of the contracts related to each of these expenditures is attached for evidence of pre approval.

In Lubbock ISD, a contract is approved and then after the services are provided the vendor submits an invoice from which a purchase requisition is then entered into the system. The Lubbock ISD using this system to track expenditures to each vendor.

A review of this procedure has been conducted and the District contends that if the contract is approved before an invoice is submitted then a pre-approval has taken place. However, the internal procedures have

November 4, 2011

Dr. Karen Garza
Superintendent
Lubbock Independent School District

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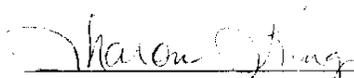
Attachment C: Subrecipient's Proposed Corrective Action

been amended so that more information is provided on the purchase requisition and purchase order so that the computer paperwork will highlight the fact that this is an invoice to pay a pre-approved expense.

Copies of the approved contracts are attached to show compliance. (Attachment 2 & 3)

Responsibilities and timetable for the above actions:

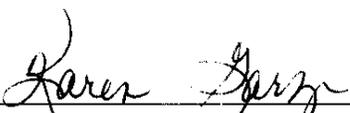
Program Accountant moved the charges for the year beyond the grant at the time the auditors were here back in June 2011. Special Education Director oversees the EIS guidelines pertaining to the Maps 101. School Support Director had the prior approval on the contracts before the invoice was ever enter into the system as a Purchase Order.



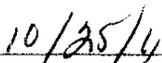
Fiscal Contact Signature
(Preparer)



Date Signed



Superintendent's Signature
(Approver)



Date Signed

November 4, 2011

Dr. Karen Garza
Superintendent
Lubbock Independent School District

Subject: Final Letter of Findings and Observations, Page 19

Attachment C: Subrecipient's Proposed Corrective Action

Finding / Observation: #2

Actions taken or planned for correction:

The Lubbock ISD has reviewed its existing policies and procedures and updated them to correct this finding.

2a. In order to maintain time and effort documentation to support substitute payroll charges, a new form has been created by the payroll department and indicates that the duties performed by the substitute were in accordance with the approved grant activities from which the substitute is paid. The supervisor of the substitute will sign the form and return to the payroll office semi-monthly.

b. The Lubbock ISD found that our policy was more restrictive than the actual requirement for the documentation of Semi-Annual Certifications for personnel paid 100% from the grant. The District also found inconsistency in forms used among different grants. One form will be created and will be implemented consistently among the grant programs by the grant administrators by the first half of the year. Signatures will be obtained twice a year.

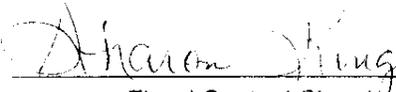
c. A procedure to have all grant funded personnel sign and date an annual job description has been added to the Grants Management Procedure Manual and implemented in the current year.

Responsibilities and timetable for the above actions:

2a. The Payroll Coordinator has completed this form and this process is currently in place in the district.

2b. The Semi Annual Certification form will be completed by Human Resources and available across all programs at the end of the first semester. The Grants Management Procedures Manual has been updated to reflect the new language that the employee or supervisor signature is required.

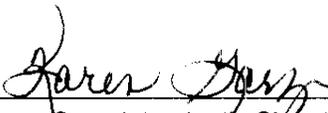
2c. The update Grants Management Procedures Manual of the has been completed. Updated job descriptions will be given to supervisors by November 15th and must be signed and dated by employees by November 30, 2011. These forms will be kept on file in the Human Resources department.



Fiscal Contact Signature
(Preparer)

10/25/11

Date Signed



Superintendent's Signature
(Approver)

10/25/11

Date Signed

November 4, 2011

Dr. Karen Garza
Superintendent
Lubbock Independent School District

Subject: Final Letter of Findings and Observations, Page 20

Attachment C: Subrecipient's Proposed Corrective Action

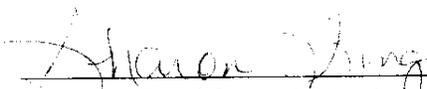
Finding / Observation: ___#3___

Actions taken or planned for correction:

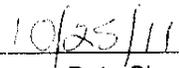
3a. Correction was made on the way of Calculation of FTE's. All earnings, including extra duty and Substitutue pay was used in figuring the FTE's on all the quarterly reports.

Responsibilities and timetable for the above actions:

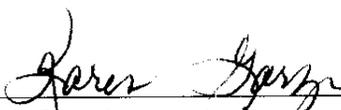
Program Accountant corrected the way of calculation and executed the corrected way with the quarterly reports that were due for September 30,2011.



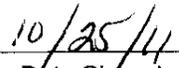
Fiscal Contact Signature
(Preparer)



Date Signed



Superintendent's Signature
(Approver)



Date Signed

November 4, 2011

Dr. Karen Garza
Superintendent
Lubbock Independent School District

Subject: Final Letter of Findings and Observations, Page 21

Attachment C: Subrecipient's Proposed Corrective Action

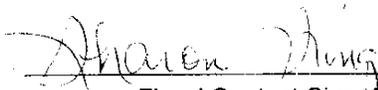
Finding / Observation: Observation # 1 _____

Actions taken or planned for correction:

Our Policy Manuel describes our procedures on District Credit Cards and Petty Cash Funds.
Our Credit Card statement is reconciled every month and has account numbers verified and signed off on by program accountant. (Attachment 5)

Responsibilities and timetable for the above actions:

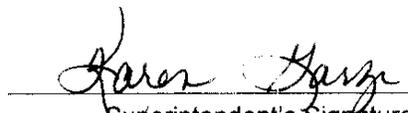
Program Accountant oversees all account numbers on the credit card statement and verifies th
account numbers. Petty cash reimbursement is held to the \$25.00 max.



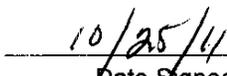
Fiscal Contact Signature
(Preparer)



Date Signed



Superintendent's Signature
(Approver)



Date Signed