

September 16, 2011

VIA UNITED STATES CERTIFIED MAIL

Mrs. Elizabeth C. Saenz
Superintendent
West Oso Independent School District
5050 Rockford Drive
Corpus Christi, TX 78416-2530

Subject: Final Letter of Observations and Findings

Dear Mrs. Saenz:

Auditors from the Division of Financial Audits conducted a review of the fiscal controls over federal grants awarded to West Oso Independent School District (CDN: 178-915) (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 November 19, 2010 and during the onsite visit conducted by auditors on December 8, 2010 through December 9, 2010. Your response to the preliminary letter of observations and findings dated May 26, 2011 has been incorporated into the body of this final letter of observations and findings as deemed appropriate, and is included as Attachments A and B.

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 the undersigned at (512) 463-9095.

Sincerely,

Roger Hingorani
Director of Special Monitoring Unit
Division of Financial Audits

Cc: Janice Hollingsworth, Interim Director, Financial Audits Division
David Palacios, Business Manager, West Oso Independent School District,
dpalacios@westosoisd.esc2.net

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Background

As discussed in their notification letter dated November 19, 2010, auditors from the Division of Financial Audits of the TEA initiated an onsite review of the fiscal controls over federal grants awarded to West Oso Independent School District (CDN: 178-915) 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. Auditors limited the scope of 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 1, 2010 the subrecipient filed expenditure reports to claim a total of \$1,652,451.81 in expenditures from the total of \$2,414,047 ARRA funded grants awarded to the subrecipient.

TABLE A			
NOGAs Awarded to West Oso Independent School District as of 11/1/2010			
NOGA ID	NOGA Description	Amount Awarded	Amount Expended
10554001178915	IDEA B Formula – ARRA-LEA	\$448,032.00	\$305,939.93
10555001178915	IDEA B Pre-School – ARRA-LEA	\$11,568.00	\$0.00
10551001178915	Title I, Part A – ARRA/STIMULUS	\$471,901.00	\$407,558.34
10551003178915	Title I, Part D – ARRA/STIMULUS	\$15,840.00	\$13,856.02
10553001178915	ARRA - Title II, D Technology	\$14,865.00	\$14,865.00
11557001178915	ARRA Title XIV SFSF	\$595,499.00	\$53,890.52
10557001178915	ARRA Title XIV SFSF	\$856,342.00	\$856,342.00
Total Amounts		\$2,414,047.00	\$1,652,451.81

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

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subrecipient's internal controls over policies and procedures, quality of data, budgetary control of ARRA grants, cash management, time and effort reporting requirements and the use of ARRA funds. Based on their examination, auditors noted that in certain instances the subrecipient did not have adequate controls and/or maintain documentation to comply with certain federal requirements and standards of financial management. (refer to Finding #1 and Finding #2)

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 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)
3. **Observations on ARRA Infrastructure Expenditures:** The subrecipient expended SFSE grant funds for infrastructure investment projects (modernization, renovation, and repair of public school facilities). However, the subrecipient did not demonstrate that it complied with all laws, rules and regulations promulgated in the American Recovery and Reinvestment Act of 2009 for infrastructure investment projects. (refer to Finding #4)

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 B and C, and include any relevant documentation supporting its response.

Summary of Subrecipient's Response

The subrecipient concurred with Finding #2 and Finding #3. The subrecipient did not concur with Finding #1 and Finding #4. Refer to Attachments B, C and D of this letter.

Auditor's Addendum

Auditors concurred with the subrecipient's response and corrective action taken to address the findings reported in the preliminary letter of observations and findings.

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Observations on Subrecipient's Administration of ARRA awards:

Finding # 1: The subrecipient did not maintain effective budgetary control of grant expenditures. As a result, the subrecipient did not demonstrate that it adequately complied with the standards for financial management systems promulgated in 34 CFR 80.20 (b) (4).

Statements of Fact

Based on their examination of the subrecipient's accounting and other grant records, auditors noted the following instances of noncompliance and/or weaknesses in budgetary control.

- a) Auditors observed that the subrecipient expended grant funds to pay for contracted and professional services that were not approved in the program budget of the grant application as amended. Specifically auditors noted that the subrecipient expended Title XIV SFSF (Fund Code 266) grant funds totaling \$44,456.68 for contracted and professional services under object code 6219. However, the program budget summary of the Title XIV SFSF grant application as amended for the fiscal year 2009-2010 did not indicate any amount of expenditures approved under the object code 6200. Accordingly, auditors questioned \$44,456.68 charged to the grant under object code 6200.
- b) The total expenditures recorded in the general ledger for Title XIV SFSF (Fund Code 266) grant exceeded the total amount approved in the program budget of the grant application as amended. Specifically, auditors noted that the total amount of \$856,342 expenditures approved in the budget and claimed for reimbursement did not match with the total amount of \$895,011.77 expenditures recorded in the detailed general ledger, a variance of \$38,669.77.

Finding Type

Compliance/Internal Controls

Questioned Costs

\$0.00

Recommendation

The subrecipient should monitor the effective implementation of its internal controls over federal awards by ensuring that the individual responsible for the final approval of expenditures (i.e. purchase order, travel itineraries) and disbursement reviews the accounting records for each individual transaction to ensure that the subrecipient's internal controls were properly maintained.

The subrecipient should amend the grant application budget or reclassify the expenditures to other allowable and applicable funding sources.

Subrecipient's Response and Corrective Action Taken or Proposed

The subrecipient did not concur with the auditors' findings. Refer to Attachment B and

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Attachment D of this letter.

Auditors' Addendum

Although the subrecipient did not concur with the auditor's opinion that the subrecipient did not maintain adequate budgetary control of grant expenditures, the subrecipient did concur with the auditors statement of fact and reclassified the questioned costs to the expenditures approved in the grant application as amended. Auditors concur with the subrecipient's corrective action and adjusted the questioned costs accordingly. However, auditors reiterate that the subrecipient should maintain proper budgetary controls to avoid such reclassifications.

Finding # 2: The subrecipient failed to maintain time and effort records and policies and procedures that identified the processes and forms that it would use to ensure compliance with the time and effort requirements promulgated in OMB circular A-87.

Statement of Fact

Auditors selected a total sample of nine (9) payroll transactions including three (3) transactions from IDEA-B Formula – ARRA (fund code 283), five (5) transactions from Title I, Part A – ARRA (fund code 285), one (1) transaction from Title II, Part D – ARRA (fund code 279), and examined the documentation in support of the payroll costs 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 two instances, the subrecipient did not maintain personnel activity reports for the employees that were split funded between Title I, Part A grant and other revenue funding sources to comply with requirements promulgated in the OMB circular A-87. (refer to items #4 and #8 in Appendix A).
- b) In four instances, the subrecipient did not maintain periodic certification or an activity report for an employee who was solely funded from grant funds to comply with requirements promulgated in the OMB circular A-87. (refer to items #1, #5, #6 and #7 in Appendix A).
- c) Auditors reviewed the subrecipient's policies and procedures demonstrating subrecipient's compliance with the requirements promulgated in OMB A-87 and noted the following:
 - I. The subrecipient did not maintain policies and procedures describing the circumstances under which personnel was required to prepare periodic certifications or personnel activity reports to comply with the time and effort requirements promulgated in OMB Circular A-87.
 - II. The subrecipient claimed to use a substitute system in lieu of time and effort. However, the substitute system did not comply with the following requirements.

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Substitute systems for allocating salaries and wages to Federal awards may be used in place of activity reports. These systems are subject to approval if required by the cognizant agency. Such systems may include, but are not limited to, random moment sampling, case counts, or other quantifiable measures of employee effort.

Substitute systems which use sampling methods (primarily for Temporary Assistance to Needy Families (TANF), Medicaid, and other public assistance programs) must meet acceptable statistical sampling standards including;

The sampling universe must include all of the employees whose salaries and wages are to be allocated based on sample results except as provided in subsection (c).

The entire time period involved must be covered by the sample; and

The results must be statistically valid and applied to the period being sampled.

- III. The subrecipient's policies and procedures did not require preparation of an internal accounting record for each position that identified the individual employed, their functional title, and the amount of their salary and other compensation charged to each local, state or federal fund source/program.
- IV. The subrecipient's policies and procedures did not address or require that the personnel department authorize all changes to the payroll master file.

Based on their examination of the subrecipient's accounting and other grant records, Auditors noted that of the nine payroll transactions tested, six transactions failed various attributes that would have demonstrated compliance with 34 CFR 80.20(b)(5) and (b)(6). Accordingly, auditors questioned \$18,419.63 in payroll costs charged to the grant (refer to Appendix A).

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

\$0.00

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Recommendations

The subrecipient should maintain policies and procedures to comply with time and effort reporting requirements promulgated in OMB circular A-87. The subrecipient should implement effective time and effort reporting requirements to comply with OMB Circular A-87, to ensure reasonable assurance that it is managing federal awards appropriately and is complying with laws, regulations, and the provisions of grant agreements.

The subrecipient should ensure that all extra duty pay costs are supported by 1) contract for tutoring and/or extra duty pay/substitute pay agreement) and 2) employee timesheets supporting extra duty pay with description of "Title I" activities.

Subrecipient's Response

The subrecipient concurred with the auditors' findings and subsequently provided a corrective action plan. See Attachment B and Attachment C.

Auditor's Addendum

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

Observation #1: The subrecipient's policies and procedures did not include a description of the process that subrecipient personnel were required to follow for the expenditure of grant funds through corporate accounts and/or revolving lines of credit.

Observation #2: Auditors observed that the subrecipient did not have policies and procedures for the preparation, review, approval, and submission of expenditure reports for federal awards.

Observation #3: Auditors noted that the subrecipient did not have a detailed process that subrecipient personnel were required to follow for the expenditure of grant funds for the reimbursement of expenses incurred by an employee.

Recommendation

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

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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.

- a) The subrecipient did not report the correct number of jobs created/retained by ARRA. Specifically, auditors noted that the subrecipient's payroll cost 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 report submitted to TEA for the quarter ended September 30, 2010.
- b) Auditors noted that the subrecipient did not have a written methodology or documented process in place for the calculation and/or submission of FTEs to TEA.

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

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

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The subrecipient concurred with the auditors' findings and subsequently provided a corrective action plan. See Attachment C and Attachment D.

Auditor's Addendum

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

Observations on ARRA Infrastructure Expenditures:

Finding # 4: The subrecipient expended SFSP grant funds for infrastructure investment projects (modernization, renovation, and repair of public school facilities). However, the subrecipient did not demonstrate that it complied with all laws, rules and regulations promulgated in the American Recovery and Reinvestment Act of 2009 for infrastructure investment projects.

Statement of Fact

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

- a) Auditors examined the subrecipient's documentation in compliance with certification reporting requirements and noted that subrecipient did not comply with ARRA Title XV, Subtitle A, Section 1511 of ARRA which requires recipients of ARRA infrastructure investment funds to certify that their infrastructure investment has received the full review and vetting required by law prior to drawdown of funds for the infrastructure project prior to the drawdown of funds for infrastructure project. Auditors observed that the infrastructure project was completed on February 17, 2010 but the certification was posted on October 5, 2010.
- b) Auditors examined the documentation in reference to subrecipient's infrastructure project and noted that the subrecipient did not demonstrate that it complied with Buy American Act provisions, Section 1605 of ARRA which required the subrecipient to ensure that all iron, steel and manufactured goods used in the infrastructure investment project were produced in the United States.
- c) Auditors examined the documentation in reference to subrecipient's infrastructure project and noted that the subrecipient did not demonstrate that it complied with the Davis Bacon Act, Section 1606 Wage Rate Requirement of ARRA. The contractual agreement provided by the subrecipient for the project mentioned compliance with Texas Government Code - Section 2258.022 which requires prevailing wages to be paid in accordance with Davis Bacon Act. However, it did not entirely comply with Davis Bacon Act provision of section 1606 of ARRA. In addition to paying the prevailing wages, the Davis Bacon Act requires the contractor to maintain the following:

Basic Provisions/Requirements - The Davis-Bacon Act requires that all contractors and subcontractors performing on federal contracts (and contractors or subcontractors performing on federally assisted contracts under the related Acts) in excess of \$2,000 pay their laborers and mechanics not less than the prevailing wage rates and fringe benefits

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listed in the contract's Davis-Bacon wage determination for corresponding classes of laborers and mechanics employed on similar projects in the area. Davis-Bacon labor standards clauses must be included in covered contracts.

Contractors and subcontractors on prime contracts in excess of \$100,000 are required, pursuant to the Contract Work Hours and Safety Standards Act, to pay employees one and one-half times their basic rates of pay for all hours over 40 worked on covered contract work in a workweek. Covered contractors and subcontractors are also required to pay employees weekly and to submit weekly certified payroll records to the contracting agency (subrecipient).

Recordkeeping, Reporting, Notices and Posters - Every employer performing work covered by the labor standards of the DBRA must post the WH-1321 "Employee Rights Under the Davis-Bacon Act" poster(<http://www.dol.gov/whd/programs/dbra/wh1321.htm>) at the site of the work in a prominent and accessible place where it may be easily seen by employees. There is no particular size requirement. The wage determination must be similarly posted. Under the DBRA, covered contractors must maintain payroll and basic records for all laborers and mechanics during the course of the work and for a period of three years thereafter.

Records to be maintained include:

- Name, address, and Social Security number of each employee
- Each employee's work classifications
- Hourly rates of pay, including rates of contributions or costs anticipated for fringe benefits or their cash equivalents
- Daily and weekly numbers of hours worked
- Deductions made
- Actual wages paid

If applicable, detailed information regarding various fringe benefit plans and programs, including records that show that the plan or program has been communicated in writing to the laborers and mechanics affected.

Conclusion

The subrecipient's failure to implement and comply with infrastructure project expenditure requirements of ARRA impeded 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

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Subrecipient's Response

The subrecipient did not concur with the auditors' finding. See Attachment B and Attachment D

Auditor's Addendum

The subrecipient subsequently submitted a letter from Bay Area Contracting and Construction, Inc. certifying compliance with both the Buy American and the Davis Bacon provisions of ARRA. As a result, auditors removed the questioned costs for the infrastructure project charged to the grant.

Recommendations

The subrecipient should ensure that all actual expenditures for infrastructure projects comply with the rules and regulations of Section 1605 (Buy American Act) and Section 1606 (Davis Bacon Act) provisions of ARRA. Information regarding these two acts and their provisions can be found at the following web addresses:

Buy American Act Provisions (Section 1605):

<http://www.gpo.gov/fdsys/pkg/CFR-2010-title2-vol1/pdf/CFR-2010-title2-vol1.pdf>

Davis Bacon Act Provisions (Section 1606):

<http://www.gpo.gov/fdsys/pkg/CFR-2010-title29-vol1/pdf/CFR-2010-title29-vol1.pdf>

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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 A below for the grant periods indicated.

TABLE A Individual NOGAs Selected for Audit			
NOGA ID	NOGA Description	Begin Date	End Date
10554001178915	IDEA B Formula – ARRA-LEA	08/31/2009	9/30/2011
10555001178915	IDEA B Pre-School – ARRA-LEA	08/31/2009	9/30/2011
10551001178915	Title I, Part A – ARRA/STIMULUS	09/01/2009	9/30/2011
10551003178915	Title I, Part D, SP 2 - ARRA/STIMULUS	09/01/2009	9/30/2011
10553001178915	ARRA - Title II, D Technology	10/19/2009	9/30/2011
11557001178915	ARRA Title XIV SFSF	09/01/2010	9/30/2011
10557001178915	ARRA Title XIV SFSF	9/25/2009	9/30/2010

Methodology and Timeline

After completing certain desk audit procedures, auditors conducted an onsite visit on December 8, 2010 through December 9, 2010. 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

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	Trans. Date	Payee	Costs Examined	Amount Questioned	Attribute Failed
IDEA B Formula – ARRA-LEA, NOGA ID: 10554001178915 (Fund 283)						
1	111908	08-27-2010	OLVERA, EPIFANIA L	\$1,500.17	\$1,500.17	A
2	106571	10-30-2009	JONES, MEAGEN A	\$150.00	\$0.00	
3	106631	10-30-2009	RHODES, STEPHENIE R	\$150.00	\$0.00	
Title 1, Part A – ARRA, NOGA ID: 10551001178915 (Fund 285)						
4	111940	08-27-2010	CLAYTON, DIANE	\$638.52	\$638.52	B
5	110640	06-15-2010	SAENZ, ANNA L	\$14,457.56	\$14,457.56	A
6	109747	04-30-2010	SIFUENTES, DORA L	\$1,130.40	\$1,130.40	A
7	110668	06-15-2010	GARZA, ROSIE E	\$461.60	\$461.60	A
8	111706	08-13-2010	RHODES, STEPHENIE R	\$231.38	\$231.38	B
Title II, Part D, – ARRA, NOGA ID: 10551004178915 (Fund 279)						
9	107368	12-11-2009	OLVERA, EPIFANIA L	\$20.00	\$0.00	
Total Questioned Costs					\$18,419.63	

Payroll Attributes Tested

- A. The payroll transaction was not supported by periodic certification as required by OMB Circular A-87, Attachment B, Section 11, subsection h.
- B. The payroll transaction was not supported by personnel activity report as required by OMB Circular A-87, Attachment B, Section 11, subsection h.
- C. The payroll transaction for extra duty/substitute pay was not supported by source documentation (i.e. contract for tutoring and/or extra duty pay/substitute pay agreement).
- D. Payroll costs not approved in the budget as amended.

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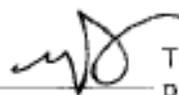
Attachment B: Subrecipient's Response to Auditors' Report

Attachment B: Subrecipient's Response to Auditors' Report

I, Michael Sandroussi, received the preliminary letter of findings dated April 29, 2011 from the Division of Financial Audits of the Texas Education Agency. I further represent that I, in conjunction with other staff and agents of West Oso Independent School District (the subrecipient) closely read the auditors' preliminary letter of observations and findings and thoughtfully considered the auditors' findings, general conclusion, assessment of risk and recommendation discussed therein. Accordingly, I hereby acknowledge that

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

_____ 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. Refer to Attachment D. The subrecipient also enclosed copies of documents that support its disagreement with the auditors' preliminary letter of observations and findings. Refer to 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. Refer to 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 observations and findings. Refer to Attachment(s) E through ____.

Finding	Subrecipient Concurred	
	Yes	No
01		X
02	X	
03	X	
04		X

I, Michael J. Sandroussi, the undersigned, attest and affirm that our response above and the supporting attachments, B through E-1, constitute an accurate and complete response from the subrecipient to the findings and recommendations discussed in the preliminary letter of

September 16, 2011

Mrs. Elizabeth C. Saenz
Superintendent
West Oso Independent School District

Subject: Final Letter of Observations and Findings, Page 18

Attachment C: Subrecipient's Proposed Corrective Action

Attachment C: Subrecipient's Proposed Corrective Action

Finding: 2

Actions taken or planned for correction:

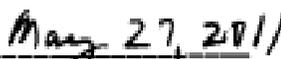
West Oso ISD has implemented the time and effort reporting requirements as outlined in OMB Circular A-87. The time and effort logs have been implemented to ensure reasonable assurance that it is complying with laws, regulations of grant agreements. These requirements are in place and comply with all federal requirements. West Oso ISD also ensures that all extra duty pay costs are supported by extra duty pay/substitute pay agreement; timesheets supported with description of Title I activities as well as the students eligible to be served.

Responsibilities and timetable for the above actions:

Time and effort logs are the responsibility of three key areas: Special Programs, Personnel, and Business Office. Each entity works together to ensure that compliance is in place. Special Programs assists in identifying WOISD personnel that should be job descriptions that are specific to Title I services, (teachers, teacher assistants, and/or extra duty tutorials). Personnel is responsible for job descriptions and ensuring that there is an extra duty pay agreement forwarded to the Business Office. Business Office has copies of job descriptions, extra duty pay agreement, and time-sheets.) These activities are completed prior to the employee beginning their job responsibility.



Fiscal Contact Signature



Date Signed



Superintendent's Signature
(Approver)



Date Signed

September 16, 2011

Mrs. Elizabeth C. Saenz
Superintendent
West Oso Independent School District

Subject: Final Letter of Observations and Findings, Page 19

Attachment C: Subrecipient's Proposed Corrective Action

Finding: # 3

Actions taken or planned for correction:

District jobs paid by ARRA funds are being expressed as FTE's. Since the onsite visit by the TEA Auditors, the district has changed the formula in calculating FTE's to total hours worked divide by the number of hours in a full time schedule.

Responsibilities and timetable for the above actions:

Since the TEA Auditors onsite visit in December 2010, the district revised the formula for calculating FTE's to total hours worked divided by the number of hours in a full time schedule.

David Palacios 

Fiscal Contact Signature

May 27, 2011

Date Signed

Michael Santroussi 

Superintendent's Signature
(Approver)

May 27, 2011

Date Signed

September 16, 2011

Mrs. Elizabeth C. Saenz
Superintendent
West Oso Independent School District

Subject: Final Letter of Observations and Findings, Page 20

Attachment D: Subrecipient's Supporting Documentation

Attachment D

May 26, 2011

Mr. Michael J. Sandroussi
Superintendent
West Oso Independent School District

Dear Mr. Roger Hingorani and Dr. Raul Butland,

Observations on Subrecipient's Administration of ARRA awards:

Finding # 1:

In our opinion, the district did maintain adequate budgetary control of grant expenditures. As a result, the district (subrecipient) did demonstrate that it complied with the standards for financial management systems as required.

The district concurs with the Statements of Fact for Finding # 1 as stated on the April 29, 2011 report, but the auditors observations were conducted during the onsite visit on December 8, 2010 and December 9, 2010. prior to the district's final review and before the field work and subsequent final report from the district's external auditor's Lowvorn & Kieschnick, LLP.

We agree that the district should review all transactions (federal awards) to ensure internal controls were properly maintained.

The district staff reclassified the expenditure of \$44,456.68 in Fund Code 266 for contracted and professional services object code 6219 to Fund Code 266 Capital Outlay object code 6629, which the grant reflected expenditure approval for this object code. See attachment D-3 and D-4 page 47 and 48 of the detailed approved audit report ending August 31, 2011.

The district staff reclassified the expenditure of \$38,669.77 in Fund Code 266 for certified salaries object code 6119 to Fund Code 199 certified salaries object code 6119, agreeing the budgeted amount approved for this grant Fund Code 266. See attachment D-3 and D-4 page 47 and 48 of the detailed approved audit report ending August 31, 2011.

Finding # 4:

The district expended SFSP grant funds for infrastructure investment projects (modernization, renovation, and repair of public school facilities). In our opinion, the district did demonstrate intent to comply with all laws, rules and regulations promulgated in the American Recovery and Reinvestment Act of 2009 for infrastructure investment projects.

September 16, 2011

Mrs. Elizabeth C. Saenz
Superintendent
West Oso Independent School District

Subject: Final Letter of Observations and Findings, Page 21

The district concurs with the Statements of Fact for Finding # 4 a as stated on the April 29, 2011 report, but does not concur with the Statements of Fact for Finding # 4 b and 4c. I, David Palacios, Business Manager had a conversation with Dr. Butland on Monday, May 23, 2011 and with Mr. Hingorani on Tuesday, May 24, 2011 concerning the contracts, submittal binders for all items purchased for this Life Skills classroom project and discussion concerning this project totaling less than \$100,000 as well as providing all four auditors a tour of the renovated Life Skills classroom.

I have also included as attachment E-1, a letter from the owner Mr. Ron Garcia, of Bay Area Contracting & Construction, Inc. which states Bay Area Contracting & Construction, Inc certifies compliance with the Buy America Act provisions, as well as, certifying compliance with the Davis Bacon Act requirements.

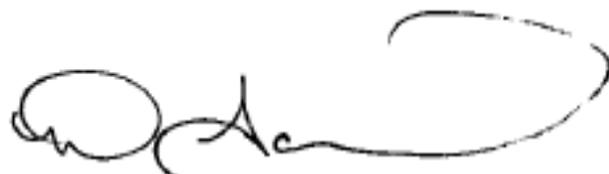
Based on these items discussed and provided, the administration requests to fund the infrastructure project from the SFSF grant.

Let me know if you have any questions about this matter.

Sincerely,



David Palacios,
Business Manager



Mr. Michael Sandroussi,
Superintendent of Schools