

October 25, 2011

Rev-33-212-903-5-2011

VIA UNITED STATES CERTIFIED MAIL

Mr. Stan M. Surratt  
Superintendent  
Lindale Independent School District  
505 Pierce Street  
Lindale, TX 75771-3336

Subject: Final Letter of Observations and Findings

Dear Mr. Surratt:

Auditors from the Division of Financial Audits conducted an initial onsite review of the fiscal controls over federal grants awarded to Lindale Independent School District (CDN: 212-903) (the subrecipient). The review focused on the grants awarded to the subrecipient pursuant to the American Recovery and Reinvestment Act of 2009 (ARRA). The review was limited to the representations and records provided by the subrecipient in response to the auditors' formal correspondence dated April 26, 2011 and during the onsite visit conducted by auditors on May 26, 2011. Your response to the preliminary letter of observations and findings dated October 11, 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 Lindale Independent School District (CDN: 212-903) pursuant to ARRA. Due to heavy emphasis on accountability and transparency on ARRA funded grants, the primary focus of this review was to inquire about the subrecipient's fiscal controls in effect over ARRA funded awards and about the activities, functions, programs and services implemented by the subrecipient to provide a reasonable assurance of compliance with laws, rules, regulations, and guidance pertaining to the ARRA grants awarded to the subrecipient. Generally, auditors limited their review to the subrecipient's records supporting its compliance with grant requirements and accounting for its receipt and expenditures of grant funds of ARRA funded grants awarded to the subrecipient. As of April 29, 2011 the subrecipient filed expenditure reports to claim a total of \$2,365,458.28 in expenditures from the total of \$2,887,959.00 ARRA funded grants awarded to the subrecipient.

As of the notification letter dated April 26, 2011 the subrecipient was awarded a total amount of \$2,887,959.00 grant funds for six ARRA grants (refer to Table A below).

<b>TABLE A</b>			
<b>Expenditures of NOGAs Awarded to Lindale ISD as of April 29, 2011</b>			
<b>NOGA ID</b>	<b>NOGA Description</b>	<b>Amount Awarded</b>	<b>Amount Expended</b>
10554001212903	IDEA B Formula – ARRA-LEA	\$657,243.00	\$584,529.12
10555001212903	IDEA B Preschool – ARRA-LEA	\$17,086.00	\$16,367.28
10551001212903	Title I, Part A – ARRA/STIMULUS	\$179,505.00	\$171,109.56
10553001212903	ARRA - Title II, D Technology	\$5,575.00	\$4,360.00
10557001212903	ARRA Title XIV SFSF	\$1,030,248.00	\$1,030,248.00
11557001212903	ARRA Title XIV SFSF	\$998,302.00	\$558,844.32
<b>Total Amount Awarded</b>		<b>\$2,887,959.00</b>	<b>\$2,365,458.28</b>

### General Observations

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

- 1. Observations on Subrecipient's Administration of ARRA awards:** Auditors examined financial records created and maintained by the subrecipient and assessed the subrecipient's internal controls over policies and procedures, quality of data, budgetary control of ARRA grants, cash management, time and effort reporting requirements and the

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use of ARRA funds. Auditors observed that in certain instances the subrecipient did not maintain certain fiscal controls to ensure the proper administration of the grant and to facilitate its compliance with the requirements promulgated by the United States Department of Education in Section 80.20 of Title 34 of the Code of Federal Regulations (34 CFR 80.20) and Office of Management and Budget (OMB) Circular A-87. Refer to Finding #1 and 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 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 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 three 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 11, 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:** Auditors noted that in several instances, the subrecipient failed to maintain adequate and sufficient source documentation to support the payroll costs charged to the grant funds.

#### Statements of Fact

Auditors selected a random sample of twelve (12) payroll transactions including; six (6) transactions from IDEA-B Formula – ARRA (fund code 283), one (1) transactions from IDEA-B Preschool – ARRA (fund code 284), three (3) transactions from Title I, Part A – ARRA (fund code 285), and two (2) transactions from Title XIV SFSF – ARRA (fund code 266). Auditors examined the documentation in support of the payroll costs charged to the applicable grant (refer to Appendix A).

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

- a. In seven instances, the subrecipient did not maintain signed and dated job descriptions (refer to items #3, #4, #6, #7, #9, #10, and #12 of Appendix A).
- b. In one instance, the payroll transaction was not supported by a signed supplemental pay agreement or contract that stipulated the program activity (refer to item #9 of Appendix A).
- c. In four instances, auditors observed that the employees' periodic certifications were improperly signed before the end date of the period stated on the certification (refer to items #3, #4, #6, and #10 of Appendix A).

Based on their examination of the subrecipient's accounting and other grant records, auditors noted that of the twelve (12) payroll transaction tested, seven (7) payroll 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 A).

### **Conclusion**

The subrecipient's failure to implement and comply with time and effort requirements promulgated in OMB Circular A-87 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 Control

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### **Questioned Costs**

\$0.00

### **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.

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

**Finding # 2:** 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; five (5) transactions from IDEA-B Formula – ARRA (fund code 283), four (4) transactions from IDEA-B Preschool – ARRA (fund code 284), seven (7) transactions from Title I, Part A – ARRA (fund code 285), two (2) transactions from Title II D Technology – ARRA (fund 279), two (2) transactions from Title XIV SFSF – ARRA (fund code 266) and examined the documentation in support of the expenditures charged to the applicable grant (refer to Appendix B).

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

- a. In two instances, the subrecipient expended Title XIV SFSF grant funds for unallowable costs. Specifically, auditors noted that the subrecipient expended grant funds to pay for utility costs which included utilities for athletic facilities which are unallowable as per the grant application guidelines rules and regulations. As per section 14003 of ARRA, the subrecipient cannot use SFSF funds for payment of maintenance costs for stadiums or other facilities primarily used for athletic contests or exhibitions or other events for which admission is charged to the general public. As a result, auditors questioned costs of \$2,051.93 (refer to item #19 and item #20 of Appendix B).
- b. In six instances the purchase orders were issued after the date of the invoice or other payment request was received (refer to items #1, #2, #6, #10, #19, and item #20 of Appendix B).

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- c. In three instances, auditors observed that the costs were incurred and goods or services were received before the start and/or after the end of the grant period. As a result, auditors questioned costs of \$27,835.00 (refer to item #1, item #2, and item #6 of Appendix B).

Based on their examination of the subrecipient's accounting and other grant records, auditors noted that of the twenty (20) non-payroll transactions tested, six (6) transactions failed various attributes that would have demonstrated compliance with 34 CFR 80.20 (b)(5)(6) and Public Law 107-910. As a result, auditors questioned \$29,886.93 charged to the respective grants (refer to Appendix B).

### **Conclusion**

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

### **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. Auditors recommend that the subrecipient reclassify the questioned expenditures to other appropriate funding sources.

### **Subrecipient's Response**

The subrecipient concurred with the auditors' finding and subsequently provided additional supporting documentation and a corrective action plan. Subrecipient also provided support documentation for the reclassification of questioned costs. See Attachment B and Attachment C.

### **Auditor's Addendum**

Auditors reviewed the subrecipient's reclassification of questioned costs and concur with the subrecipient's response and the proposed corrective action plan. As a result, auditors adjusted the questioned costs accordingly.

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**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:** Auditors noted that the subrecipient did not have written policies and procedures that require employees to maintain signed and dated job descriptions on file.

**Observation #2:** The subrecipient's policies for semi-annual certifications do not cover the summer school months. District employees who work during the summer months are not required to complete a Semi-Annual Certification.

**Recommendation #1.** The subrecipient should evaluate and implement policies and procedures for 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.

**Observations on ARRA Reporting Requirements:**

**Finding #3:** Auditors examined the documentation in reference to the subrecipient's Quarterly Reports and noted that the subrecipient did not comply with the requirements promulgated in Section 1512 of ARRA.

*Statements of Fact*

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

- a. The subrecipient did not use the correct methodology to calculate the number of Full Time Equivalents (FTEs) reported on the quarterly reports filed in order to comply with Section 1512 of ARRA. As a result, the FTEs reported on the Section 1512 Quarterly Reports were inaccurate, as reported.
- b. The subrecipient failed to compile, calculate, and accurately report all FTEs on the Section 1512 Quarterly Report for the quarter ended March 31, 2011 for IDEA B Formula – ARRA Fund 283.
- c. The subrecipient failed to compile, calculate, and accurately report all FTEs on the Section 1512 Quarterly Report for the quarter ended March 31, 2011 for IDEA B Preschool – ARRA Fund 284.
- d. The subrecipient failed to compile, calculate, and accurately report any FTEs for the Section 1512 Quarterly Reports for the quarter ended September 30, 2010 of the ARRA Title XIV SFSF 2009-2010 Fund 266 grant.

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### **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 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.

<b>TABLE B</b> <b>Individual NOGAs Selected for Audit</b>			
<b>NOGA ID</b>	<b>NOGA Description</b>	<b>Begin Date</b>	<b>End Date</b>
10554001212903	IDEA B Formula – ARRA-LEA	7/2/2009	9/30/2011
10555001212903	IDEA B Preschool – ARRA-LEA	7/2/2009	9/30/2011
10551001212903	Title I, Part A – ARRA/STIMULUS	7/29/2009	9/30/2011
10553001212903	ARRA - Title II, D Technology	10/20/2009	9/30/2011
10557001212903	ARRA Title XIV SFSF	9/28/2009	9/30/2011
11557001212903	ARRA Title XIV SFSF	9/1/2010	9/30/2011

### Methodology and Timeline

After completing certain desk audit procedures, auditors conducted an onsite visit on Thursday, May 26, 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**

<b>Acronym</b>	<b>Acronym Description</b>
ARRA	American Recovery and Reinvestment Act of 2009
CDN	County District Number
CFR	Code of Federal Regulations
34 CFR	Title 34 of the CFR  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.	Fund & Object code	Trans. Date	Payee	Costs Examined	Amount Questioned	Attribute Failed
<b>IDEA B Formula – ARRA-LEA, NOGA ID: 10554001212903 (Fund 283): Payroll</b>						
1	283-11-6112	11/23/2010	Williams, Louise	\$180.00	\$0.00	
2	283-11-6122	11/23/2010	Williams, Louise	\$60.00	\$0.00	
3	283-11-6119	11/23/2010	Lanier, James	\$3,106.83	\$0.00	B, G
4	283-11-6121	6/25/2010	Ishmael, Sophia G.	\$23.45	\$0.00	B, G
5	283-11-6122	11/23/2010	Crosby, Marika L.	\$60.00	\$0.00	
6	283-11-6129	11/23/2010	Bellar, Carrie A.	\$943.25	\$0.00	B, G
<b>IDEA B Preschool – ARRA-LEA, NOGA ID: 10555001212903 (Fund 284): Payroll</b>						
7	284-11-6129	5/26/2010	Phillips, S.	\$1,200.00	\$0.00	B
<b>Title I, Part A – ARRA, NOGA ID: 10551001212903 (Fund 285) : Payroll</b>						
8	285-11-6112	5/25/2010	Watkins, Mary A.	\$37.50	\$0.00	
9	285-11-6121	5/25/2010	Wiggins, Debra	\$3.92	\$0.00	B, F
10	285-11-6129	5/25/2010	Wiggins, Debra	\$915.83	\$0.00	B, G
<b>Title XIV SFSF - ARRA, NOGA ID: 10557001212903 (Fund 266) : Payroll</b>						
11	266-11-6112	10/25/2010	Evans, Christie M.	\$75.00	\$0.00	
12	266-11-6119	10/25/2010	Richardson, Denise E.	\$3,963.00	\$0.00	B
<b>Total Questioned Costs</b>					<b>\$0.00</b>	

**Payroll Attributes Tested**

- A. Position(s) approved in the budget.
- B. Signed and dated job description provided.
- C. Position supported by laws rules regulations and grant application.
- 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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- J. Signed and dated job description with source of funding provided in lieu of periodic certification as per ED flex waiver (Title I Only).

Appendix B						
Item No.	Ref Number	Transaction Date	Payee	Costs Examined	Amount Questioned	Attribute Failed
<b>IDEA B Formula – ARRA-LEA, NOGA ID: 10554001212903 (Fund 283): Non-Payroll</b>						
1	283-6219	3/18/2010	Brandi Little	\$3,840.00	\$3,840.00	F, K
2	283-6299	4/29/2010	Tyler ISD	\$23,020.00	\$23,020.00	F, K
3	283-6399	12/3/2009	Hands on Tasks	\$3,456.62	\$0.00	
4	283-6399	2/11/2010	Computerland	\$11,574.00	\$0.00	
5	283-6499	12/16/2009	Wayman Professional Services	\$650.00	\$0.00	
<b>IDEA B Preschool – ARRA-LEA, NOGA ID: 10555001212903 (Fund 284): Non-Payroll</b>						
6	284-6219	12/16/2009	Monica Kenney	\$975.00	\$975.00	F, K
7	284-6399	3/25/2010	Visual Techniques	\$2,000.00	\$0.00	
8	284-6399	3/3/2010	Computerland	\$3,585.00	\$0.00	
9	284-6219	2/9/2011	Judy Karrenbrock	\$945.00	\$0.00	
<b>Title I, Part A – ARRA, NOGA ID: 10551001212903 (Fund 285): Non-Payroll</b>						
10	285-6399	9/17/2009	Houghton Mifflin	\$6,965.14	\$0.00	F
11	285-6399	12/3/2009	CDW Government	\$15,767.99	\$0.00	
12	285-6399	3/25/2010	Visual Techniques	\$6,215.00	\$0.00	
13	285-6399	9/24/2009	Scholastic Education	\$11,400.00	\$0.00	
14	285-6399	11/5/2009	Houghton Mifflin	\$7,355.85	\$0.00	
15	285-6499	7/26/2010	Visa	\$600.00	\$0.00	
16	285-6499	8/16/2010	TEA	\$2,160.00	\$0.00	
<b>Title II, Part D, Technology – ARRA, NOGA ID: 10553001212903 (Fund 279): Non-Payroll</b>						
17	279-6399	6/30/2010	Visual Techniques	\$2,963.00	\$0.00	

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<b>Appendix B</b>						
<b>Item No.</b>	<b>Ref Number</b>	<b>Transaction Date</b>	<b>Payee</b>	<b>Costs Examined</b>	<b>Amount Questioned</b>	<b>Attribute Failed</b>
18	279-6499	11/11/2010	TCEA	\$165.00	\$0.00	
<b>Title XIV – ARRA-LEA, NOGA ID: 10557001212903 (Fund 266): Non-Payroll</b>						
19	266-6259	8/19/2010	Gexa Energy	\$50,821.87	\$2,035.16	A, F
20	266-6259	2/17/2011	Centerpoint Energy	\$7,513.57	\$16.77	A, F
<b>Total Questioned Costs</b>					<b>\$29,886.93</b>	

#### **Non-Payroll Attributes Tested**

Compliance with Law, Rule, and/or Regulation

- A. Per the statutory purpose of the grant, the use of funds was necessary and reasonable.
- B. The costs or services were chargeable to the grant in accordance with the relative benefits received.
- C. The activity was noted in District/Campus improvement plan as applicable.
- D. Capital outlay: did the purchase comply with ARRA reporting requirements.

#### **Test of Internal Controls**

- E. 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.
- 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, i.e. utility billing statement, itemized receipt, itemized invoice, bank deposit.
- H. The accounting record indicated that the transaction was approved by an authorized individual.
- I. The item was approved in the program budget as amended.
- J. The purchase adhered to the comparative bidding requirements as applicable.
- K. The costs were incurred and goods or services were received after the start and before the end of the grant period.



October 25, 2011

Mr. Stan Surratt  
Superintendent  
Lindale Independent School District

Subject: Final Letter of Observations and Findings, Page 17

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

Finding: 1

Actions taken or planned for corrections:

- a. Policy guidelines regarding internal controls will be put in place to document signed and dated job descriptions of each employee under single or multiple cost objectives to comply with OMB A-87.
- b. A supplemental pay agreement has been created to identify transactions of supplemental activity and will include the program activity and time on task.
- c. Certifications will be signed semi-annually and after the end date of the period stated on the certification.

Responsibilities and timetable for the above actions:

- a. Job descriptions will be developed and issued by the second semester and will be reissued at the beginning of each school year. The Deputy Superintendent will be responsible for ensuring this task is completed.
- b. Each supervisor will review and approve supplemental pay prior to work being performed.

The Director of Federal Programs and the Special Education Director will ensure certifications are completed during the entire grant period.

October 25, 2011

Mr. Stan Surratt  
Superintendent  
Lindale Independent School District

Subject: Final Letter of Observations and Findings, Page 18

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

Finding: 2

Actions taken or planned for corrections:

The District has reviewed the internal controls of federal awards with the Director of Finance, Special Ed Director, Accounts Payable Clerk, and Assistant Superintendent of Federal Programs to ensure that all future charges to federal awards follow the proper internal controls. Also, the District has reviewed all 2010-2011 charges to ARRA awards and made corrections prior to final expenditure reports being issued to TEA.

Responsibilities and timetable for the above actions:

The Director of Finance, Special Ed Director, and Assistant Superintendent of Federal Programs will review all federal purchases for current open grants and future grants to ensure they meet grant eligibility requirements.

Appendix B

2. Question cost of \$23,020 to Tyler ISD. District has recoded expense of \$23,020 from 283-6299 to 283-6492 as an eligible payment to fiscal agent

19. Questioned cost of \$2,035.16 to Gexa Energy on payment dated 8/19/2010. District has recoded this charge to 199-51 and is recoding the same amount from 06/16/2010 to Gexa Energy from 199-51 to 266-51 from an allowable charge for the High School academic building.

20. Questioned cost of \$16.77 to Center Point Energy on payment dated 2/17/2011. District has recoded this charge to 199-51 and is coding the same amount from 3/22/2011 to Center Point Energy to 266-51 from an allowable charge for the ECC (pre - K and K campus) building. See attached for documentation.

October 25, 2011

Mr. Stan Surratt  
Superintendent  
Lindale Independent School District

Subject: Final Letter of Observations and Findings, Page 19

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

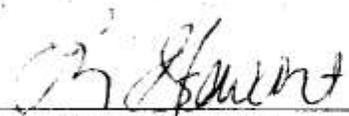
Finding: 3

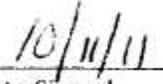
Actions taken or planned for corrections:

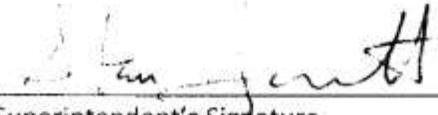
The District began using calculated FTEs based on total hours worked in the quarter beginning with the quarter ended after the initial onsite visit occurred. All future quarterly reports were calculated using this same FTE basis. The District has reviewed the quarterly reporting requirements with the Assistant Superintendent of Federal Programs, Director of Special Education, and Director of Finance to ensure that adequate internal controls exists to comply with the reporting requirements of ARRA funds.

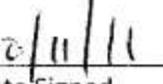
Responsibilities and timetable for the above actions:

The Director of Finance implemented the change with the current open quarter following the TEA on-site visit.

  
\_\_\_\_\_  
Fiscal Contact Signature

  
\_\_\_\_\_  
Date Signed

  
\_\_\_\_\_  
Superintendent's Signature

  
\_\_\_\_\_  
Date Signed