

May 19, 2011

VIA UNITED STATES CERTIFIED MAIL 7010 1060 0002 2773 6718

Dr. Jesus Chavez
Superintendent
Round Rock Independent School District
1311 Round Rock Ave
Round Rock, TX 78681-4941

Subject: Final Letter of Observations and Findings

Dear Dr. Chavez:

Auditors from the Division of Financial Audits conducted a review of the initial onsite review of the fiscal controls over federal grants awarded to Round Rock Independent School District (CDN: 246-909) (the subrecipient). The review focused on the grants awarded to the subrecipient pursuant to the American Recovery and Reinvestment Act of 2009 (ARRA). The review was limited to the representations and records provided by the subrecipient in response to the auditors' formal correspondence dated November 19, 2010 and during the onsite visit conducted by auditors on December 15, 2010 through December 16, 2010. Your response to the preliminary letter of observations and findings dated April 14, 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

May 19, 2011

Dr. Jesus Chavez
Superintendent
Round Rock Independent School District

Subject: Final Letter of Observations and Findings, Page 2

Cc: Yolanda Cantu, Director, Division of Formula Grants Administration
Rita Chase, Director, Division of Financial Audits
Kathy Clayton, Senior Director, Division of IDEA Coordination
Cory Green, Senior Director, Division of NCLB Program Coordination
Earin Martin, Chief Grants Administrator

May 19, 2011

Dr. Jesus Chavez
Superintendent
Round Rock Independent School District

Subject: Final Letter of Observations and Findings, Page 3

Table of Contents

Background.....	4
General Observations	4
Acronyms and Abbreviations Used In This Letter.....	14
Appendix A	15
Appendix B	17
Attachment A: Subrecipient's Response to Auditors' Report	19
Attachment B: Subrecipient's Proposed Corrective Action	20

May 19, 2011

Dr. Jesus Chavez
Superintendent
Round Rock Independent School District

Subject: Final Letter of Observations and Findings, Page 4

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 Round Rock Independent School District (CDN: 246-909) pursuant to ARRA. Due to heavy emphasis on accountability and transparency on ARRA funded Grants, the primary focus of this review was to inquire about the subrecipient's fiscal controls in effect over ARRA funded awards and about the activities, functions, programs and services implemented by the subrecipient to provide a reasonable assurance of compliance with laws, rules, regulations, and guidance pertaining to the ARRA grants awarded to the subrecipient. Generally, auditors limited their review to the subrecipient's records supporting its compliance with grant requirements and accounting for its receipt and expenditures of grant funds of ARRA funded grants awarded to the subrecipient. As of November 15, 2010 the subrecipient filed expenditure reports to claim a total of \$8,674,205.14 in expenditures from the total of \$21,181,059.00 ARRA funded grants awarded to the subrecipient.

TABLE A			
NOGAs Awarded to Round Rock Independent School District as of November 15, 2010			
NOGA ID	NOGA Description	Amount Awarded	Amount Expended
10554001246909	IDEA B Formula – ARRA-LEA	\$7,607,319.00	\$6,368,281.32
10555001246909	IDEA B Pre-School – ARRA-LEA	\$196,593.00	\$99,940.91
10551001246909	Title I, Part A – ARRA/STIMULUS	\$1,870,267.00	\$1,109,033.95
10553001246909	ARRA - Title II, D Technology	\$58,914.00	\$43,696.25
11557001246909	ARRA Title XIV SFSF	\$11,447,966.00	\$1,053,252.71
Total Amounts		\$21,181,059.00	\$8,674,205.14

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 Finding #1 to #3)

May 19, 2011

Dr. Jesus Chavez
Superintendent
Round Rock Independent School District

Subject: Final Letter of Observations and Findings, Page 5

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 compliance with the reporting requirements promulgated in Section 1512 (c) of American Recovery and Reinvestment Act of 2009. (refer to Finding #4)
3. **Observations on ARRA Infrastructure Expenditures:** The subrecipient did not have any expenditures for infrastructure projects budgeted from ARRA funds.

Overall Conclusion

Based upon their review of the subrecipient's records, auditors observed that in certain instances the subrecipient did not adequately implement an internal 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

\$5,514.19

Recommendations

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

Summary of subrecipient's Response

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

Auditor's Addendum

Auditors reviewed the subrecipient's response dated May 17, 2011 to the preliminary letter of observations and findings and the documentation submitted with the response. Auditors concur with the subrecipient's response and the proposed corrective action plan to address the findings reported in the preliminary letter of observations and findings.

May 19, 2011

Dr. Jesus Chavez
Superintendent
Round Rock Independent School District

Subject: Final Letter of Observations and Findings, Page 6

Auditors Observations and Findings

Observations on Subrecipient's Administration of ARRA awards

Finding # 1: The subrecipient obligated grant funds for expenditures incurred outside of the grant period approved in the grant application as amended.

Statement of Fact

Auditors selected a total sample of seventeen (17) non-payroll transactions including four (4) transactions from IDEA-B Formula – ARRA, (fund code 283), one (1) transaction from IDEA-B Preschool – ARRA, (fund code 284), four (4) transactions from Title I, Part A – ARRA (fund code 285), four (4) transactions from Title II, Part D – ARRA (fund code 279), and four (4) transactions SFSF (fund code 266), and examined the documentation in support of the expenditures charged to the applicable grant.

Based on their examination of documentation in support of expenditures noted above, auditors observed the following instance of noncompliance and/or weakness in internal controls.

- a. In one instance, the subrecipient obligated the ARRA - Title II, D Technology grant funds prior to the beginning date (November 11, 2009) of the NOGA period, which is not allowed as per the federal law, regulations and applicable grant application requirements. Specifically, auditors noted that the subrecipient originally purchased a DVD and PC Software set from another funding source (fund code 255) on July 14, 2009. The subrecipient subsequently reclassified expenditures from fund code 255 to fund code 279 (refer to item #8 of Appendix A).

Based on their examination of the subrecipient's accounting and other grant records, auditors noted that of the 17 non-payroll transactions tested, 1 transaction failed the above attribute that would have demonstrated compliance with 34 CFR 80.20(b)(5) and (b)(6). Accordingly, auditors questioned \$974.40 in non-payroll costs charged to the grant. Refer to Appendix A.

Conclusion

The subrecipient's failure to implement an adequate system of internal controls may place grant funds at risk of being misused and impeded the subrecipient's ability to expend grant funds for the purposes stipulated and costs allowed in federal law and rules.

Finding Type

Compliance/Internal Control

Questioned Costs

\$974.40

Recommendations

May 19, 2011

Dr. Jesus Chavez
Superintendent
Round Rock Independent School District

Subject: Final Letter of Observations and Findings, Page 7

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.

Subrecipient's Response

The subrecipient concurred with the auditors' finding and subsequently provided a corrective action plan. See attachment A and attachment B.

Auditor's Addendum

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

May 19, 2011

Dr. Jesus Chavez
Superintendent
Round Rock Independent School District

Subject: Final Letter of Observations and Findings, Page 8

Finding # 2: The subrecipient obligated grant funds for a payroll cost that was not approved as a line item in the program budget summary of the grant application as amended.

Finding # 3: The subrecipient did not 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.

Statements of Fact

Auditors selected a total sample of eleven (11) payroll transactions including four (4) transactions from IDEA-B Formula – ARRA, (fund code 283), one (1) transaction from IDEA-B Preschool – ARRA, (fund code 284), four (4) transactions from Title I, Part A – ARRA (fund code 285), one (1) transaction from Title II, Part D-ARRA (fund code 279), one (1) transaction SFSS (fund code 266), and examined the documentation in support of the payroll costs charged to the applicable grant (refer to Appendix B).

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

- a) A full time teacher who was paid out of IDEA B Formula ARRA funds (object code 6119) was not approved in the program budget summary of the applicable grant application as amended. Auditors observed the program budget summary of the grant application as amended and noted that it indicated 12 educational aides, 6 technology specialists and extra duty/substitute pay but did not include teachers budgeted out of the program. Accordingly, auditors questioned the \$4,539.79 charged to the grant (refer to item # 2 of Appendix B).
- b) In several instances, job descriptions did not clearly identify the function and activities performed by the employee for the applicable fund source(s) or cost objective.

Auditors reviewed the requirements promulgated in OMB A-87 and noted the following:

- a) The subrecipient did not have written policies and procedures which describe the circumstances under which personnel will be required to prepare periodic certifications or personnel activity reports and prescribe the form and content of a periodic certification or personnel activity report.
- b) The subrecipient's policies and procedures did not include a description of the process that subrecipient personnel are required to follow in order to comply with time and effort requirements promulgated in OMB circular A-87.

Based on their examination of the subrecipient's accounting and other grant records, auditors noted that of the eleven payroll transactions tested, one transaction failed various attributes that would have demonstrated compliance with 34 CFR 80.20(b)(5) and (b)(6). Accordingly, auditors questioned \$4,539.79 in payroll costs charged to the grant (refer to Appendix B).

Conclusion

May 19, 2011

Dr. Jesus Chavez
Superintendent
Round Rock Independent School District

Subject: Final Letter of Observations and Findings, Page 9

The subrecipient's failure to implement budgetary controls may place grant funds at risk of being misused and impeded the subrecipient's ability to expend grant funds for the purposes stipulated and costs allowed in federal law and rules.

Finding Type

Compliance/Internal Control

Questioned Costs

\$4,539.79

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.

Subrecipient's Response

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

Auditor's Addendum

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

May 19, 2011

Dr. Jesus Chavez
Superintendent
Round Rock Independent School District

Subject: Final Letter of Observations and Findings, Page 10

Observations on ARRA Reporting Requirements:

Finding # 4: The subrecipient did not demonstrate that it complied with the reporting requirements promulgated in Section 1512 of the American Recovery and Reinvestment Act of 2009.

Statements 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 examined the payroll records and noted that several split funded employees were reported as full FTEs for the quarter ended September 30, 2010. The subrecipient failed to prorate the FTEs as per the percentages of their payroll costs charged to the grant, i.e. FTE positions which were split funded were counted as 1 FTE.

Conclusion

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

None

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 subrecipient 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.

May 19, 2011

Dr. Jesus Chavez
Superintendent
Round Rock Independent School District

Subject: Final Letter of Observations and Findings, Page 11

<http://www.tea.state.tx.us/arrastimulus/reporting/>

Subrecipient's Response

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

Auditor's Addendum

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

May 19, 2011

Dr. Jesus Chavez
Superintendent
Round Rock Independent School District

Subject: Final Letter of Observations and Findings, Page 12

Summary of Audit Scope, Objectives and Methodology

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
10554001246909	IDEA B Formula – ARRA – LEA	06/16/2009	09/30/2011
10555001246909	IDEA B Pre-School – ARRA – LEA	06/16/2009	09/30/2011
10551001246909	Title I, Part A- ARRA/Stimulus	06/24/2009	09/30/2011
10553001246909	ARRA – Title II, D Technology	11/11/2009	09/30/2011
11557001246909	ARRA Title XIV SFSF	09/01/2010	09/30/2011

Methodology and Timeline

After completing certain desk audit procedures, auditors conducted an onsite visit on December 15, 2010 through December 16, 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.

1. Auditors researched the federal and state laws and rules and the grant and program requirements applicable to the grants listed in Table A.

May 19, 2011

Dr. Jesus Chavez
Superintendent
Round Rock Independent School District

Subject: Final Letter of Observations and Findings, Page 13

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.

May 19, 2011

Dr. Jesus Chavez
Superintendent
Round Rock Independent School District

Subject: Final Letter of Observations and Findings, Page 14

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

May 19, 2011

Dr. Jesus Chavez
 Superintendent
 Round Rock Independent School District

Subject: Final Letter of Observations and Findings, Page 15

Appendix A						
Item No.	Ref. Number	Trans. Date	Payee	Costs Examined	Amount Questioned	Attribute Failed
ARRA Title XIV SFSF, NOGA ID 11557001246909 (Fund 266)						
1	1051996	9/2/2010	PEDERNALES ELECTRIC COOPERATIVE INC.	\$55,182.19	\$0.00	
2	1052177	9/9/2010	CITY OF AUSTIN UTILITIES	\$131,415.76	\$0.00	
3	1055933	10/28/2010	GDF SUEZ ENERGY	\$247,164.21	\$0.00	
4	1056287	11/2/2010	ATMOS ENERGY	\$3,443.06	\$0.00	
Title II, Part D – ARRA, NOGA ID: 10553001246909 (Fund 279)						
5	1046028	5/5/2010	DELL MARKETING LLC	\$20,096.00	\$0.00	
6	1044018	3/30/2010	TURNING TECHNOLOGY	\$9,864.06	\$0.00	
7	1045131	3/26/2010	CCS PRESENTATION	\$8,100.00	\$0.00	
8	13-246	8/17/10	INSTRUCTIONAL ADMIN	\$974.00	\$974.40	I
IDEA B Formula – ARRA – LEA, NOGA ID 10554001246909 (Fund 283)						
9	1048260	6/7/2010	AUSTIN MARRIOTT	\$14,000.00	\$0.00	
10	1040398	2/9/2010	DELL MARKETING LLC	\$274,008.00	\$0.00	
11	13-082	7/21/2010	JULY PCARD	\$11,872.14	\$0.00	
12	1051413	8/25/2010	EDGE ENTERPRISES	\$3,839.00	\$0.00	
IDEA B Preschool – ARRA – LEA, NOGA ID 10555001246909 (Fund 284)						
13	1028761	8/10/2009	CHILDRENS HOSPITAL	\$5,000.00	\$0.00	
Title I, PART A, ARRA/Stimulus NOGA ID: 10551001246909 (Fund 285)						
14	1048416	6/9/2010	WILLIAMS & THOMA	\$20,830.81	\$0.00	
15	1053313	9/23/2010	HOUGHTON MIFFLIN	\$2,223.78	\$0.00	
16	10-094	4/22/2010	FIELD TRIP-MARCH	\$627.00	\$0.00	
17	1043698	3/31/2010	CCS PRESENTATION	\$28,645.12	\$0.00	
Total Questioned Costs					\$974.40	

Attributes Tested

Test of Internal Controls

- A. The subrecipient did not maintain an original and complete internal accounting record (e.g., purchase order) to support this transaction.

May 19, 2011

Dr. Jesus Chavez
Superintendent
Round Rock Independent School District

Subject: Final Letter of Observations and Findings, Page 16

- B. The subrecipient did not maintain an original and complete third-party record (e.g., itemized invoice/receipt).
- C. The accounting record did not indicate that the transaction was approved by authorized individuals.
- D. The fully executed contract for contracted services was not provided.
- E. The purchase order was dated after the date of the vendor's invoice.
- F. The subrecipient did not provide documentation to support the costs allocated to the applicable grant.

Compliance with Law, Rule and/or Regulation

- G. The documentation did not support specific goals and objectives in line with Individual Education Plans (IEPs) of individual students as outlined in the lesson plans.
- H. The line item was not approved in the budget as amended in the applicable grant application.
- I. The amount was not disbursed within the effective dates of the grant (Period of Availability, 34 CFR 80.23).
- J. The amount was not allowable in accordance with applicable grant requirements.
- K. The subrecipient did not maintain source documentation to support the disbursement of grant funds in accordance with 34 CFR 80.20(b)(6).

May 19, 2011

Dr. Jesus Chavez
 Superintendent
 Round Rock Independent School District

Subject: Final Letter of Observations and Findings, Page 17

Appendix B						
Item No.	Title	Transaction Date	Payee	Costs Examined	Amount Questioned	Attribute Failed
IDEA B Formula – ARRA – LEA, NOGA ID 10554001246909 (Fund 283)						
1	Educational Assistant	9/30/2009	SAMANTA FRANCES EZELL	\$2,093.35	\$0.00	
2	Teacher	11/30/2010	PAIGE PRICE COX	\$4,539.79	\$4,539.79	D
3	Teacher	9/30/2010	STACY K TARRY	\$1,126.68	\$0.00	
4	Teacher	5/31/2010	CANDACE ANN BIXLER	\$3,153.72	\$0.00	
IDEA B Preschool – ARRA – LEA, NOGA ID 10555001246909 (Fund 284)						
5	Educational Assistant	8/31/2010	SHANIKA LASHON WARE	\$1,070.34	\$0.00	
Title I, PART A, ARRA/Stimulus NOGA ID: 10551001246909 (Fund 285)						
6	Academic Dean	9/30/2010	SUNNY RENE WREN	\$5,779.61	\$0.00	
7	Teacher	5/31/2010	JESSICA A NELLIS	\$465.95	\$0.00	
8	Teacher	11/30/2009	BRENDA G FENDRICK	\$2,174.54	\$0.00	
9	Teacher	4/30/2010	ALEXANDRIA KRISTINE MURUSKY	\$1,781.00	\$0.00	
Title II, Part D – ARRA, NOGA ID: 10553001246909 (Fund 279)						
10	Teacher	10/31/2010	TRACI RAE FLINT	\$45.86	\$0.00	
ARRA Title XIV SFSF, NOGA ID 11557001246909 (Fund 266)						
11	Librarian	9/30/2010	EMILY KATHLEEN DEJONG	\$4,455.74	\$0.00	
Total Questioned Costs					\$4,539.79	

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.
- E. The Ed-Flex waiver was not supported with a contemporaneous job description as required under Appendix 12, Education Flexibility Partnership (Ed-Flex), Section 1.

May 19, 2011

Dr. Jesus Chavez
Superintendent
Round Rock Independent School District

Subject: Final Letter of Observations and Findings, Page 18
Statewide Administrative Waivers.

May 19, 2011

Dr. Jesus Chavez
Superintendent
Round Rock Independent School District

Subject: Final Letter of Observations and Findings, Page 19

Attachment A: Subrecipient's Response to Auditors' Report

Attachment A: Subrecipient's Response to Auditors' Report

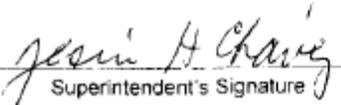
  The subrecipient concurred with the auditors' observations, general conclusion, assessment of risk and recommendation. Additionally, the subrecipient enclosed the attached proposed corrective action to address the auditors' observations. Refer to Attachment B.
(Please Initial)

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

 The subrecipient concurred with only the observations noted below and proposed the corrective actions noted on Attachment B to this response. However, the subrecipient did not concur with the other observations, as noted below, and has enclosed a written response discussing its disagreement. Insert your response as Attachment C. In this latter regard, the subrecipient has also enclosed copies of documents that support its disagreement with the contents of the preliminary letter of findings. Insert supporting documents as Attachment(s) D through .
(Please Initial)

Finding	Subrecipient Concurred	
	Yes	No
01		
02		
03		
04		

I, the undersigned, attest and affirm that our response above and the supporting attachments, 1 through 4 constitute an accurate and complete response from the subrecipient to the findings and recommendations discussed in the preliminary letter of observations and findings dated April 18, 2011 from the Division of Financial Audits.


Superintendent's Signature

5/17/2011
Date Signed

May 19, 2011

Dr. Jesus Chavez
Superintendent
Round Rock Independent School District

Subject: Final Letter of Observations and Findings, Page 20

Attachment B: Subrecipient's Proposed Corrective Action

Finding: _____

Actions taken or planned for correction:

Please see attached.

Responsibilities and timetable for the above actions:

Fiscal Contact Signature
(Preparer)

Date Signed

Jesus H. Chavez

Superintendent's Signature
(Approver)

5/17/2011

Date Signed

May 19, 2011

Dr. Jesus Chavez
Superintendent
Round Rock Independent School District

Subject: Final Letter of Observations and Findings, Page 21

Attachment B: Subrecipient's Proposed Corrective Action

Finding: #1

Actions taken or planned for correction:

On invoice 3878 dated July 14, 2009, materials were purchased for a private non-profit school in collaboration with Title II, Part A. The following August, upon review of the expenses for private schools, it was determined that some of the materials purchased could have been classified as technology expenses. In an effort to correctly reflect categories of expenditures, two items for \$674.55 and \$299.85 were reclassified to reflect Title II, Part D (ARRA) expenses. An error was made in the validation of the date of the original invoice. The purchase occurred prior to the receipt of our District's NOGA for Title II, Part D (ARRA). When the error was realized, our accounting department could not reverse the re-classed charge due to the expenditure occurring in the prior fiscal year.

Responsibilities and timetable for the above actions:

Procedures are currently in place to verify dates for grant expenditures. Steps will be taken to verify invoice dates for goods or services on instances in which expenditures are required to be reclassified to the proper grant fund. This responsibility will fall under the Director of Special Education and Grant Accountant which will then be approved by the Accounting Supervisor within the Financial Services Department.

Finding #2

Actions taken or planned for correction:

Auditors observed that the program budget summary of the IDEA-B ARRA/stimulus grant application did not have a full time teacher who was paid out of these funds included in the application, however a teacher salary was being charged to the grant. The teacher was added for the 2010-11 grant, but the grant had not yet been officially amended. This was an oversight and the grant has subsequently been amended on 12/16/2010 to reflect a teacher position. See attached documentation of the budget amendment from the eGrants application system

Responsibilities and timetable for the above actions:

To prevent this type of error in the future, periodic reviews of the payroll costs and actual payroll rosters will be completed by the Director of Special Education. The first review will occur at the beginning of September.

Finding #3

Actions taken or planned for correction:

Policies are now in place to describe the circumstances under which district personnel are required to prepare personnel activity reports. In addition procedures are in place for district personnel to record time and effort requirements promulgated in OMB circular A-87. Previously time and effort requirements were only collected during mid-year and end of year periods but that has been changed to include all semester periods.

Responsibilities and timetable for the above actions:

The Director of Special Education and her staff will compile personnel activity reports and maintain time and effort requirements for employees funded by ARRA grant monies. The above actions are currently in place.

May 19, 2011

Dr. Jesus Chavez
Superintendent
Round Rock Independent School District

Subject: Final Letter of Observations and Findings, Page 22

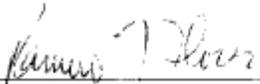
Finding #4

Actions taken or planned for correction:

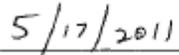
The number of hours associated with extra duty/substitute pay is now included in the calculations of FTE's reported on the quarterly reports submitted to TEA. Hours are determined and payroll reports are generated to determine the FTE equivalent for extra duty/substitutes which are then added to FTE hours calculated for regular pay. Also, split funded employees are now reported in the correct percentage FTE in accordance with the percentage of payroll costs funded with grant funds.

Responsibilities and timetable for the above actions:

The Director of Special Education will provide a list of employees whose payroll costs should be funded by ARRA funds to the grant accountant at the time of reporting. The grant accountant will verify the list of employees with the Human Resources Department. After employee verification is made the grant accountant will then run payroll reports to determine extra duty/substitute hours. This data will then be provided to the Director of Financial Services who will then use spreadsheets provided by the auditors to calculate the correct FTE's. The Director of Financial Services will then submit the calculated FTE information to TEA. These procedures are currently in place and were first applied with the fourth quarter of 2010 reporting period.



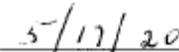
Fiscal Contact Signature
(Preparer)



Date Signed



Superintendent's Signature
(Approver)



Date Signed