



Commonwealth of Massachusetts
Office of the State Auditor
Suzanne M. Bump

Making government work better

Official Audit Report-Issued December 17, 2012

Middleborough Public School District's Use of Certain American Recovery and Reinvestment Act Funds

For the period July 1, 2009 through January 31, 2012



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INTRODUCTION AND SUMMARY

The Middleborough Public School District (MPSD) was established pursuant to the provisions of Chapter 71 of the Massachusetts General Laws. MPSD is considered a department of the Town of Middleborough and is governed by the local school committee, which comprises six elected members. The committee, under the guidance of the Massachusetts Board of Education, is responsible for the general management and control of MPSD's educational and financial affairs. The Superintendent of Schools is the Chief Executive Officer of MPSD under the direction of the committee. During our audit period, in addition to other grant awards, MPSD received from the Massachusetts Department of Elementary and Secondary Education and the Massachusetts Department of Early Education and Care American Recovery and Reinvestment Act of 2009 (ARRA) grants under the Education Jobs and Part B of the Individuals with Disabilities Education Act (IDEA-Part B) programs.

In accordance with Chapter 11, Section 12, of the General Laws, we have conducted an audit of certain activities of MPSD for the period July 1, 2009 through January 31, 2012. The objectives of our audit were to determine whether ARRA funds awarded to MPSD for the Education Jobs and IDEA-Part B programs were used for their intended purposes and in compliance with program requirements, and to evaluate whether MPSD was complying with ARRA accounting and reporting requirements. Based on our audit, we have concluded that MPSD maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.

Highlight of Audit Findings

- MPSD had not designed a system of internal controls that would provide reasonable assurance of compliance with applicable laws and regulations affecting its Education Jobs and IDEA-Part B awards funded by ARRA or ensure that federal stimulus funds received for these two ARRA programs were safeguarded from possible loss, theft, or misuse.

Recommendations of the State Auditor

- MPSD should develop ARRA-specific internal controls and risk assessments to address the objectives and risks that affect compliance with ARRA regulations, performance and reporting requirements, fraud detection and prevention, and safeguarding of assets.

OVERVIEW OF AUDITED AGENCY

The Middleborough Public School District (MPSD) was established pursuant to the provisions of Chapter 71 of the Massachusetts General Laws. MPSD is considered a department of the Town of Middleborough and is governed by the local school committee, which comprises six elected members. The committee, under the guidance of the Massachusetts Board of Education, is responsible for the general management and control of MPSD's educational and financial affairs. The Superintendent of Schools is the Chief Executive Officer of MPSD and is responsible, along with other administrative staff, for the day-to-day management of MPSD under the direction of the committee.

MPSD consists of five schools hosting pre-kindergarten through twelfth grades: the high school, the middle school, and three elementary schools. There are approximately 3,373 students enrolled, and MPSD employs a team of approximately 360 administrators, teachers, and staff. During our audit period, in addition to other grant awards, MPSD received from the Massachusetts Department of Elementary and Secondary Education (DESE) an American Recovery and Reinvestment Act of 2009 (ARRA) grant under the Education Jobs and the Part B of the Individuals with Disabilities Education Act (IDEA-Part B) programs. The Commonwealth's Department of Early Education and Care (EEC) also provided ARRA funds for the IDEA-Part B program. The Education Jobs program is a one-time appropriation, which may be used through September 30, 2012, that the U.S. Department of Education (USDOE) awarded to save or create education jobs that provide educational and related services for early childhood, elementary, and secondary education. ARRA funding for the IDEA-Part B program provided by USDOE is to provide additional financial support in aiding MPSD's existing IDEA-Part B program's mission of providing students with disabilities, including children of ages three through five, with access to a free and appropriate education that meets their particular needs and prepares them for further education, employment, and independent living.

In order to comply with ARRA requirements and provide transparency on stimulus projects for which Commonwealth agencies distribute funds, the Massachusetts Recovery and Reinvestment Office (MRRO) gathers summary information and reports on what stimulus projects are funded and how stimulus funds are being spent. MRRO reported that the Town of Middleborough was awarded \$1,932,598 to fund these ARRA programs operated by MPSD. MRRO also reported award

expenditures totaling \$1,562,442 as of December 31, 2011¹. The following table, which includes data on MPSD's allocations received based on its approved budgets, summarizes awards and expenditures² reported by MRRO:

**Middleborough Public School District
Summary of ARRA Awards, Allocations, and Expenditures**

As of December 31, 2011

Program	Award	Allocation	Expenditures
Education Jobs	\$ 1,035,131	\$ 1,020,099	\$ 664,975
IDEA-Part B (EEC)	34,790	34,790	34,790
IDEA-Part B (DESE)	<u>862,677</u>	<u>862,677</u>	<u>862,677</u>
Total	<u>\$ 1,932,598</u>	<u>\$ 1,917,566</u>	<u>\$ 1,562,442</u>

Education Jobs funds were budgeted to pay a portion of instructors' salaries and fringe benefits. IDEA-Part B funds were budgeted to pay for professional and support staff salaries, training and travel, student transportation, and instructional materials and supplies. Budgeted amounts were for allowable expenditures under the terms of the ARRA program awards.

A requirement of ARRA funding is the submission of quarterly reports that help identify the impact of ARRA funds received and expended, including statistics on the creation and/or retention of personnel or full-time equivalent (FTE) positions. In addition to reporting the uses of program funds, information reported to MRRO indicated that 25.13 FTE positions had been retained as of December 31, 2011.

¹ Agency data is reported to MRRO on the last day of the quarter for March, June, September, and December.

² Expenditures reported by MRRO could include funds advanced by the state to MPSD through the budgeting process.

AUDIT SCOPE, OBJECTIVES, AND METHODOLOGY

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, we have conducted an audit of certain activities of the Middleborough Public School District (MPSD) for the period July 1, 2009 through January 31, 2012. The objectives of our audit were to determine whether American Recovery and Reinvestment Act of 2009 (ARRA) funds awarded to MPSD for the Education Jobs and Part B of the Individuals with Disabilities Education Act programs were used for their intended purposes and in compliance with program requirements, and to evaluate whether MPSD was complying with ARRA accounting and reporting requirements.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

To achieve our audit objectives, we reviewed the following:

- U.S. Department of Education, Massachusetts Department of Elementary and Secondary Education, Massachusetts Department of Early Education and Care, Office of the State Comptroller, and Massachusetts Recovery and Reinvestment Office rules, regulations, and directives to determine compliance with any ARRA-specific guidelines.
- Internal control plans to determine whether MPSD had controls in place to ensure that federal stimulus funds were adequately safeguarded against loss, theft, and misuse.
- Budgets prepared by MPSD to ensure that ARRA funds were expended for their intended purposes.
- Expenditures of ARRA funds to determine whether they were reasonable, allowable, and allocable under the terms of the program awards. A nonstatistical sampling approach based on the auditors' professional judgment was used to test ARRA expenditure compliance.
- Recordkeeping procedures to determine whether ARRA expenditures were properly authorized, supported by adequate documentation, and accounted for separately within the accounting records.
- The adequacy and timeliness of MPSD's federal stimulus reports to determine whether they were in compliance with reporting requirements.

- Cash management practices to ensure that MPSD limited the time between its request for and use of federal stimulus funds.

We obtained grant award, allocation and expenditure information from systems maintained by the federal government, the Commonwealth, the Town of Middleborough, and the local school district. We compared this information with other source documents and interviewed knowledgeable MPSD officials about the data. We determined that the data were sufficiently reliable for the purposes of this report.

Based on our audit, we have concluded that for the period of July 1, 2009 through January 31, 2012, MPSD maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.