



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

Making government work better

Official Audit Report-Issued December 12, 2012

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

For the period July 1, 2009 through September 30, 2011



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INTRODUCTION AND SUMMARY OF FINDINGS AND RECOMMENDATIONS

The Plymouth Public School District (PPSD) was established pursuant to the provisions of Chapter 71 of the Massachusetts General Laws. PPSD is considered a department of the Town of Plymouth and is governed by the local school committee, which comprises seven elected members. The committee, under the guidance of the Massachusetts Board of Education, is responsible for the general management and control of PPSD's educational and financial affairs. The Superintendent of Schools is the Chief Executive Officer of PPSD under the direction of the committee. During our audit period, in addition to other grant awards, PPSD 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 PPSD for the period July 1, 2009 through September 30, 2011. The objectives of our audit were to determine whether ARRA funds awarded to PPSD 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 PPSD was complying with ARRA accounting and reporting requirements.

Highlight of Audit Findings

- PPSD 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

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

PPSD consists of 13 schools hosting pre-kindergarten through twelfth grades: two high schools, two middle schools, and nine elementary schools. There are approximately 7,998 students enrolled, and PPSD employs a team of approximately 918 administrators, teachers, and staff. During our audit period, in addition to other grant awards, PPSD 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 PPSD'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 Plymouth was awarded \$3,582,464 to fund these ARRA programs operated by PPSD. MRRO also reported award expenditures totaling \$2,218,983 as of September 30, 2011. The following table, which includes data

on PPSD's allocations received based on its approved budgets, summarizes awards and expenditures¹ reported by MRRO:

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

As of September 30, 2011

Program	Award	Allocation	Expenditures
Education Jobs	\$1,428,409	\$ 714,205	\$ 64,928
IDEA-Part B (EEC)	81,066	81,066	81,066
IDEA-Part B (DESE)	<u>2,072,989</u>	<u>2,072,989</u>	<u>2,072,989</u>
Total	<u>\$3,582,464</u>	<u>\$ 2,868,260</u>	<u>\$2,218,983</u>

Education Jobs funds were budgeted to pay for support staff salaries. 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 36.6 FTE positions had been retained as of September 30, 2011.

¹ Expenditures reported by MRRO could include funds advanced by the state to PPSD 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 Plymouth Public School District (PPSD) for the period July 1, 2009 through September 30, 2011. The objectives of our audit were to determine whether American Recovery and Reinvestment Act of 2009 (ARRA) funds awarded to PPSD 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 PPSD 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 finding and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our finding 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 PPSD had controls in place to ensure that federal stimulus funds were adequately safeguarded against loss, theft, and misuse.
- Budgets prepared by PPSD 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 PPSD's federal stimulus reports to determine whether they were in compliance with reporting requirements.

- Cash management practices to ensure that PPSD 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 Plymouth, and the local school district. We compared this information with other source documents and interviewed knowledgeable PPSD 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, except as reported in the Audit Finding section of this report, for the period of July 1, 2009 to September 30, 2011, PPSD maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.

AUDIT FINDINGS

IMPROVEMENTS NEEDED IN DOCUMENTATION OF ARRA-SPECIFIC INTERNAL CONTROLS

Although the Plymouth Public School District (PPSD) followed its long-standing policies and procedures for the management of its grant programs and awards funded by the Department of Elementary and Secondary Education, it had not designed a system of internal controls that would (a) provide reasonable assurance of compliance with applicable laws, rules, and regulations affecting its Education Jobs program and Part B of the Individuals with Disabilities Education Act (IDEA-Part B) program awards funded by the American Recovery and Reinvestment Act of 2009 (ARRA) or (b) ensure that federal stimulus funds received for these two ARRA programs were safeguarded from loss, theft, and misuse. ARRA guidance issued by the U.S. Office of Management and Budget, the U.S. Department of Education (USDOE), and the Office of the State Comptroller (OSC) emphasize the importance of a proper system of internal controls for ensuring that ARRA funds are adequately administered and used in ways that comply with specific program requirements.

Agencies charged with administering ARRA programs have a responsibility to establish an adequate system of internal controls that will provide reasonable assurance of compliance with applicable laws, rules, and regulations and will ensure that funds are safeguarded from loss, theft, and misuse. Accordingly, USDOE, in its effort to assist and provide internal control guidance to agencies, conducted a series of webinars that stressed the need for effective oversight, management, and accountability of ARRA funds. Two of these webinars focused on the importance of ARRA internal controls and the need for organizations to make adjustments to their management approach and requirements so that they can spend ARRA funds quickly while adequately safeguarding assets and detecting and preventing fraud. In recognition of this need, the OSC's Control and Compliance Best Practices Working Group issued ARRA Internal Control Guidance, which states, in part:

Each department has a system of internal controls consisting of an Internal Control Plan that summarizes objectives, risks, controls, and a detailed set of control activities that mitigate risk. Each component of the internal control system must be updated to include coverage of ARRA funds.

Two of the key components of internal controls that auditors will be examining closely are the internal control environment and risk assessment.

In the absence of specific ARRA directives, memoranda, and guidance instructing local educational agencies such as PPSD of the need for ARRA-specific internal controls, prudent business practices warrant that all governmental agencies (federal, state, and municipal) employ reasonable internal controls to ensure compliance and safeguard funds from loss, theft, and misuse. However, our audit found that, although PPSD had developed an internal control document in calendar year 2008, the document had not been updated to include a system of internal controls designed specifically for ARRA funds that would (a) provide reasonable assurance of compliance with applicable laws, rules, and regulations or (b) ensure that federal stimulus funds were safeguarded from loss, theft, and misuse.

We brought this matter to the attention of PPSD personnel, who indicated that they were unaware of the need to develop any ARRA-specific internal controls and that they had never been instructed by any oversight agency to do so.

Recommendation

PPSD should develop internal controls and risk assessments specific to ARRA as a way to address the objectives and risks of handling ARRA funds. Particularly, the internal control documents should focus on the objectives and risks that affect compliance with ARRA regulations, performance and reporting requirements, fraud detection and prevention, and safeguarding of assets.

Auditee Response

As a result of this audit, the Plymouth Public Schools will document a system of internal controls to provide reasonable assurance of compliance with applicable laws and regulations affecting Education Jobs Program and IDEA –Part B awards and to ensure that ARRA funds are safeguarded from public loss, theft or misuse.