



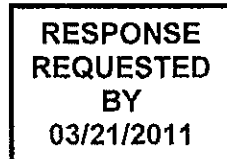
TEXAS EDUCATION AGENCY

1701 North Congress Ave. • Austin, Texas 78701-1494 • 512 463-9734 • 512 463-9838 FAX • www.tea.state.tx.us

Robert Scott  
Commissioner

MAR 10 2011

March 7, 2011



VIA UNITED STATES POSTAL SERVICE  
VIA ELECTRONIC MAIL: jclements@kisd.org

Mr. Jody Clements  
Superintendent  
Kilgore Independent School District  
301 North Kilgore  
Kilgore, Texas 75662-5499

Subject: Survey of the Administration of Federal Award

Dear Mr. Clements:

Auditors from the Division of Financial Audits have initiated a survey of the administration of the Public Law 107-110 – Title 1, Part A – Improving Basic Programs (NOGA ID: 10610101092902) (the grant) awarded to Kilgore Independent School District (CDN: 092-902) (the subrecipient) for the 2009-2010 school year. The survey will be conducted through written correspondence. If an onsite visit is deemed necessary, auditors will contact you at a later date.

### **Monitoring Requirement**

Office of Management and Budget (OMB) Circular A-133, Subpart D, § 400(d)(3) and Section § 80.40(a) of Title 34 of the Code of Federal Regulations (34 CFR 80.40(a)) require that the Texas Education Agency (TEA) monitor the activities of subrecipients to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. Similarly, pursuant to 34 CFR 76.770, the TEA is required to perform administrative responsibilities to ensure compliance with applicable statutes and regulations.

### **Statutory Authority**

Pursuant to Section 7.021(b)(1) of the Texas Education Code (TEC), in conjunction with §§ 7.028(a)(1) and 7.028(a)(2), the TEA is authorized to monitor compliance with requirements applicable to a process or program and the use of funds to ensure compliance with federal law and regulations and financial accountability, including compliance with grant requirements. Additionally, Section 44.008(e) of the TEC grants the Commissioner of Education access to all vouchers, receipts, district fiscal and financial records, and other school records as the commissioner considers necessary and appropriate.

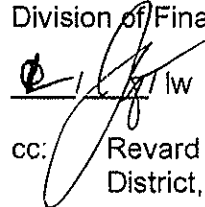
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Superintendent  
Kilgore Independent School District  
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Should you have any questions, please contact me at (512) 463-9095.

Sincerely,



Larry G. Waterhouse  
Auditor  
Grant Audits Section  
Division of Financial Audits



cc: Revard Pfeffer, Assistant Superintendent for Finance, Kilgore Independent School District, via [revard@kisd.org](mailto:revard@kisd.org)

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**Attachment A: Request for Documents**

Auditors request that the subrecipient make available the documents enumerated in Table B for the grant identified in Table A and that were in effect and used during the 2009-2010 school year. With the exception of Document Request Number 01 and 12, the documents enumerated below should constitute readily available documents (i.e., the records already exist and simply need to be copied to the requested file format). In the event that the records requested are not readily available because they did not exist prior to the receipt of this letter, auditors request that the subrecipient simply acknowledge this fact and prepare a corrective action plan. Although auditors request that the subrecipient provide the documents enumerated below in electronic (portable document format or PDF) form, the subrecipient may forward hard copies instead if the requested electronic records cannot be readily provided and would result in an unreasonable administrative burden. The subrecipient's response may be indexed or identified using the Document Request Number (DRN).

Table A: Federal Grant Selected for Survey			
NOGA ID	10610101092902		
Grant Title	Public Law 107-110, Title 1, Part A – Improving Basic Programs		
Beginning Date	Ending Date	Amount Awarded	Amount Expended
08/03/2009	09/30/2010	\$ 754,606.00	\$ 631,169.82

Table B: Listing of Requested Documents	
Document Request Number	Description of Document Requested
01	The completed Attachment B.
02	The original signed and dated Attachment C.
03	<p>An electronic copy (i.e., portable document format or PDF file) of the locally developed and approved administrative procedures manual in effect during the 2009-2010 school year. At a minimum, the administrative procedures manual must address the following fiscal and fiscally-related activities.</p> <ul style="list-style-type: none"> <li>a. Accounting for property and supplies purchased with federal funds</li> <li>b. Budgeting and accounting for federal grants</li> <li>c. Financial reporting and cash management for federal grants</li> <li>d. Authorized uses for federal funds</li> <li>e. Maintenance and retention of records pertaining to federal grants</li> <li>f. Monitoring and reporting program performance for federal grants</li> <li>g. Procurement of goods and services using federal grants</li> <li>h. Program income generated from activities supported by federal grants</li> <li>i. Support of salaries, wages and related costs charged to federal grants</li> <li>j. Travel reimbursement requirements applicable to federal grants</li> </ul>

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Table B: Listing of Requested Documents	
Document Request Number	Description of Document Requested
04	Inquiry not made.
05	An electronic copy (PDF file) of the chart of accounts listing all general ledger account codes including all locally defined general ledger account codes.
06	An electronic copy (PDF or other file) of the working papers used to prepare the budget submitted to and approved by the TEA via eGrants. The amounts on these source documents should agree to the amounts submitted on the applicable schedules of the grant application.
07	An electronic copy (PDF or other file) of the working papers used to prepare the expenditure report for the drawdown request made on 09/02/2010. The payroll and non-payroll amounts on these source documents should agree to the amounts reported to the TEA. These source documents should include the individual transactions and personnel whose costs were charged to the grant at the time that the expenditure report was filed.
08	An electronic copy (PDF file) of the detailed general ledger for the grant and grant period noted in Table A above. Note: At a minimum, the detailed general ledgers should include the following information for each recorded transaction: (1) a reference number (e.g., check number, purchase order number, journal voucher number); (2) transaction date; (3) the vendor's name; (4) a brief description of the transaction; (5) the general ledger account code; (6) the amount encumbered or obligated; and (7) the amount paid and/or unencumbered. Additionally, for each account code used to account for grant expenditures, the detailed general ledger should include budgeted expenditures, the encumbrances and the actual expenditures.
09	An electronic copy (Microsoft Excel or equivalent file) of the detailed general ledger requested at DRN 08. Note: The file should list the transaction data in columns and rows to facilitate the analysis of grant expenditures.
10	An electronic copy (PDF file) of the payroll journal for the grant and grant period noted in Table A above. Note: At a minimum, the payroll journal should include the employee's first and last name, social security number, gross salary and other income, deductions and net earnings. For each pay period, the payroll journal should also include the check date, check number and fund code to which the payroll costs were charged.
11	An electronic copy (Microsoft Excel or equivalent file) of the payroll journal requested at DRN 10. Note: The file should list the transaction data in columns and rows to facilitate the analysis of grant expenditures.

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Table B: Listing of Requested Documents	
Document Request Number	Description of Document Requested
12	An electronic schedule (Microsoft Excel or equivalent file) that reconciles any variances between the payroll costs recorded on the payroll journal and the detailed general ledger requested above. If the payroll costs recorded on the payroll journal agree to the amounts recorded on the detailed general ledger, provide a schedule that demonstrates that the amounts agreed.

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**Attachment B: Survey of Subrecipient Administrative Procedures**

Auditors request that the subrecipient use the locally developed and approved administrative procedures manual (APM) requested in Table B of Attachment A and referenced as DRN 03 to complete the following survey. The subrecipient should clearly identify the specific information that is responsive to the information solicited in the survey. Auditors will use the information provided to determine if the subrecipient is at high risk of having used federal funds in a manner other than in compliance with federal law or rule or with grant requirements or of having inadequately reported expenditures pertaining to federal grants.

Inquiry Number (IN)	Inquiry	Answer		Inquiry is Addressed in the APM at Page Number (Paragraphs)
		Yes	No	
00	This is an illustrative example of how to demonstrate that the inquiry was addressed in the APM in the last column to this table.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Pg. 8 (3rd, 4th)
01	Did the subrecipient's governing body (e.g., board of trustees) and/or its chief administrative officer (e.g., superintendent) formally adopt the APM? Note: If the APM does not include a copy of the resolution adopted by the governing body and/or the chief administrative officer's signature and date indicating his/her approval of the APM, attach a copy of the resolution and/or the chief administrative officer's approval to this survey.	<input type="checkbox"/>	<input type="checkbox"/>	
02	Did the APM include procedures specific to the subrecipient's administration of Federal grants?	<input type="checkbox"/>	<input type="checkbox"/>	
03	Did the APM include a specific administrative procedure that addressed the preparation, review, approval and submission of expenditure reports for federal awards?	<input type="checkbox"/>	<input type="checkbox"/>	
04	Did the APM identify the financial accounting system report used to prepare the expenditure reports (i.e., draw down requests) submitted to the Texas Education Agency (TEA)?	<input type="checkbox"/>	<input type="checkbox"/>	
05	Did the APM describe the process used to ensure the accuracy of the financial accounting system report? Note: Refer to IN 04.	<input type="checkbox"/>	<input type="checkbox"/>	

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Inquiry Number (IN)	Inquiry	Answer		Inquiry is Addressed in the APM at Page Number (Paragraphs)
		Yes	No	
06	Did the APM identify the fiscal and program staff (by functional title) responsible for reviewing the financial accounting system report and for approving the expenditures on the report? Note: Refer to IN 04.	<input type="checkbox"/>	<input type="checkbox"/>	
07	Did the APM identify the specific personnel (by functional title) responsible for reporting grant expenditures (i.e., staff with ER access)?	<input type="checkbox"/>	<input type="checkbox"/>	
08	Did the APM include a specific administrative (accounting) procedure that addressed the use of encumbrances for purchase orders and other obligations?	<input type="checkbox"/>	<input type="checkbox"/>	
09	Did the APM include a list of the types of accounting reports routinely used to monitor payroll and non-payroll costs?	<input type="checkbox"/>	<input type="checkbox"/>	
10	Did the APM include a representative sample of each accounting report used to monitor payroll and non-payroll costs? Note: Refer to IN 09	<input type="checkbox"/>	<input type="checkbox"/>	
11	Did the APM include a specific administrative procedure requiring both fiscal and program staff to verify that a cost is allowable under the applicable statute, regulations and other grant requirements?	<input type="checkbox"/>	<input type="checkbox"/>	
12	Did the APM include a specific administrative procedure that listed or specifically identified the costs that were allowed from grant funds or reference a specific guidance or regulatory record that identified or listed allowable costs?	<input type="checkbox"/>	<input type="checkbox"/>	
13	Did the APM include a specific administrative procedure requiring both fiscal and program staff to verify that a cost is an authorized expenditure in the approved grant budget as amended?	<input type="checkbox"/>	<input type="checkbox"/>	
14	For purchases of goods or services from a sole source vendor, did the APM include a specific administrative procedure requiring both fiscal and program staff to document why a specific good or service was selected and how the price was determined to be reasonable?	<input type="checkbox"/>	<input type="checkbox"/>	

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Inquiry Number (IN)	Inquiry	Answer		Inquiry is Addressed in the APM at Page Number (Paragraphs)
		Yes	No	
15	Did the APM include a specific administrative procedure requiring both fiscal and program staff to monitor if the vendor is performing the services or providing the goods called for in the applicable contract?	<input type="checkbox"/>	<input type="checkbox"/>	
16	Did the APM include a specific administrative procedure requiring subrecipient personnel to document the receipt of goods and/or services on the purchase order, invoice, receiving report or other record?	<input type="checkbox"/>	<input type="checkbox"/>	
17	Did the APM include a specific administrative procedure requiring subrecipient personnel to identify any items missing, damaged or otherwise not received or rejected on the purchase order, invoice, receiving report or other record?	<input type="checkbox"/>	<input type="checkbox"/>	
18	Did the APM include a specific administrative procedure requiring subrecipient personnel to compare the marked purchase order, receiving report or other record to the vendor's invoice to ensure that the vendor did not charge the subrecipient for items not received or rejected?	<input type="checkbox"/>	<input type="checkbox"/>	
19	Did the APM include a specific administrative procedure describing the third-party documentation (e.g., invoices) required to support the disbursement of grant funds?	<input type="checkbox"/>	<input type="checkbox"/>	
20	Did the APM include a specific administrative procedure that discussed the degree to which the vendor is required to describe the goods and/or services provided to the subrecipient (e.g., the dates, total hours and number of students to whom the contractor provided therapy)?	<input type="checkbox"/>	<input type="checkbox"/>	
21	Did the APM include a specific administrative (accounting or purchasing) procedure describing the use of purchase requisitions and/or purchase orders?	<input type="checkbox"/>	<input type="checkbox"/>	
22	Did the APM include a specific administrative procedure that identified the personnel (by functional title) for initiating and approving transactions (i.e., purchases) and the related disbursement of funds?	<input type="checkbox"/>	<input type="checkbox"/>	

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Inquiry Number (IN)	Inquiry	Answer		Inquiry is Addressed in the APM at Page Number (Paragraphs)
		Yes	No	
23	Did the APM include a specific administrative procedure for travel reimbursements?	<input type="checkbox"/>	<input type="checkbox"/>	
24	Did the APM include a specific administrative procedure describing the subrecipient's travel authorization and travel reimbursement process?	<input type="checkbox"/>	<input type="checkbox"/>	
25	Did the APM include a specific administrative procedure that identified the allowable costs and the amounts that would be reimbursed for each type of travel cost?	<input type="checkbox"/>	<input type="checkbox"/>	
26	Did the APM include a specific administrative procedure that identified the personnel (by functional title) responsible for initiating and approving travel and the related disbursement of funds?	<input type="checkbox"/>	<input type="checkbox"/>	
27	Did the APM include a specific administrative procedure that identified the required forms and third-party source records that must be attached to a travel reimbursement request?	<input type="checkbox"/>	<input type="checkbox"/>	
28	Did the APM include a sample travel itinerary form and a sample travel voucher?	<input type="checkbox"/>	<input type="checkbox"/>	
29	Did the APM include a specific administrative procedure describing the subrecipient's property management policy and property disposal policy?	<input type="checkbox"/>	<input type="checkbox"/>	
30	Did the APM include a specific administrative procedure requiring the filing of written correspondence with the TEA regarding the disposal of personal or real property purchased with federal funds?	<input type="checkbox"/>	<input type="checkbox"/>	
31	Did the APM include a specific administrative procedure for general expense reimbursements?	<input type="checkbox"/>	<input type="checkbox"/>	
32	Did the APM include a specific administrative procedure describing the subrecipient's expense authorization and expense reimbursement process?	<input type="checkbox"/>	<input type="checkbox"/>	
33	Did the APM include a specific administrative procedure that identified the types of costs that would be reimbursed?	<input type="checkbox"/>	<input type="checkbox"/>	

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Inquiry Number (IN)	Inquiry	Answer		Inquiry is Addressed in the APM at Page Number (Paragraphs)
		Yes	No	
34	Did the APM include a specific administrative procedure that addressed the subsequent approval of any expenditure that exceeded the approved amount?	<input type="checkbox"/>	<input type="checkbox"/>	
35	Did the APM include a specific administrative procedure that identified personnel (by functional title) responsible for initiating and approving expense authorizations and the disbursement of funds?	<input type="checkbox"/>	<input type="checkbox"/>	
36	Did the APM include a specific administrative procedure that identified the required forms and third-party source records that must be attached to a general expense reimbursement request?	<input type="checkbox"/>	<input type="checkbox"/>	
37	Did the APM include a sample expense authorization form and a sample expense reimbursement voucher?	<input type="checkbox"/>	<input type="checkbox"/>	
38	Did the APM include a specific administrative procedure that described the process that subrecipient personnel were required to follow for the expenditure of grant funds through corporate accounts and/or revolving lines of credit?	<input type="checkbox"/>	<input type="checkbox"/>	
39	If the subrecipient's policies permitted the use of corporate accounts and/or revolving lines of credit, did the APM include a specific administrative procedure that identified who was authorized to use this type of account?	<input type="checkbox"/>	<input type="checkbox"/>	
40	If the subrecipient's policies permitted the use of corporate accounts and/or revolving lines of credit, did the APM include a specific administrative procedure that required subrecipient personnel to document the business related reason for using this form of payment?	<input type="checkbox"/>	<input type="checkbox"/>	
41	If the subrecipient's policies permitted the use of corporate accounts and/or revolving lines of credit, did the APM include a specific administrative procedure that identified who was responsible for the amounts charged to the corporate account or line of credit?	<input type="checkbox"/>	<input type="checkbox"/>	

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Inquiry Number (IN)	Inquiry	Answer		Inquiry is Addressed in the APM at Page Number (Paragraphs)
		Yes	No	
42	If the subrecipient's policies permitted the use of corporate accounts and/or revolving lines of credit, did the APM include a specific administrative procedure that described how control was maintained over the corporate account or line of credit?	<input type="checkbox"/>	<input type="checkbox"/>	
43	If the subrecipient's policies permitted the use of corporate accounts and/or revolving lines of credit, did the APM include a specific administrative procedure that required subrecipient personnel to file original, itemized third-party invoices or receipts and a standard internal accounting form (e.g., payment authorization form, purchase order or expense reimbursement form)?	<input type="checkbox"/>	<input type="checkbox"/>	
44	If the subrecipient's policies permitted the use of corporate accounts and/or revolving lines of credit, did the APM include a specific administrative procedure that required subrecipient personnel to attend periodic training on the proper use of corporate accounts and revolving lines of credit and the required record-keeping?	<input type="checkbox"/>	<input type="checkbox"/>	
45	If the subrecipient's policies permitted the use of corporate accounts and/or revolving lines of credit, did the APM include a specific administrative procedure that required the monitoring of corporate account and/or revolving line of credit activities to mitigate the risk of inappropriate use?	<input type="checkbox"/>	<input type="checkbox"/>	
	Did this procedure identify the form, frequency and documentation of monitoring?	<input type="checkbox"/>	<input type="checkbox"/>	
46	Did the APM include a specific administrative procedure acknowledging or denying the use of debit cards or gift cards to disburse grant funds?	<input type="checkbox"/>	<input type="checkbox"/>	
47	Did the APM include a specific administrative procedure that required the retention of grant records for a period of five years?	<input type="checkbox"/>	<input type="checkbox"/>	

Inquiry Number (IN)	Inquiry	Answer		Inquiry is Addressed in the APM at Page Number (Paragraphs)
		Yes	No	
48	Did the APM include a specific administrative procedure that described the medium that the subrecipient used to retain records (e.g., paper records, electronic files, both), the location of its archived records (e.g., central administrative office, offsite storage facility), and the process for the inventory and disposal of records, including the individual(s) authorized to approve the disposal of records?	<input type="checkbox"/>	<input type="checkbox"/>	
49	Did the APM include a specific administrative procedure that described the process used by the subrecipient to develop and amend the budget including how the budget was aligned to the plan?	<input type="checkbox"/>	<input type="checkbox"/>	
50	<p>Did the APM include a specific administrative procedure that required the grant budget to be amended if the amendment met one or more of the following criteria.</p> <ul style="list-style-type: none"> <li>i. The amendment resulted in a line item change that exceeded 25 percent of the total grant budget.</li> <li>ii. The amendment resulted in an increase or decrease in the number and composition of the positions funded.</li> <li>iii. The amendment resulted in the classification of an amount to a line item not previously budgeted.</li> <li>iv. The amendment resulted in an increase or decrease in budgeted capital outlays.</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	
51	Did the APM include a specific administrative procedure that described the circumstances under which personnel were required to prepare periodic certifications or personnel activity reports and that prescribed the frequency, form and content of a periodic certification or personnel activity report?	<input type="checkbox"/>	<input type="checkbox"/>	
52	Inquiry not made.	<input type="checkbox"/>	<input type="checkbox"/>	

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Mr. Jody Clements

Superintendent

Kilgore Independent School District

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Inquiry Number (IN)	Inquiry	Answer		Inquiry is Addressed in the APM at Page Number (Paragraphs)
		Yes	No	
53	Did the APM include a specific administrative procedure that required that the employee disclose an after-the-fact distribution of 100 percent of the actual time spent on each activity and each fund source on the personnel activity report?	<input type="checkbox"/>	<input type="checkbox"/>	
54	Did the APM include a specific administrative procedure that required the allocation of payroll costs to federal awards based upon the actual time reported by each employee paid from a federal award?	<input type="checkbox"/>	<input type="checkbox"/>	
55	Did the APM include a sample periodic certification and a sample personnel activity report?	<input type="checkbox"/>	<input type="checkbox"/>	
56	Inquiry not made.	<input type="checkbox"/>	<input type="checkbox"/>	
57	Did the APM include a specific administrative procedure that required each employee and their immediate supervisor to sign and date a detailed job description?	<input type="checkbox"/>	<input type="checkbox"/>	
58	Did the APM include a specific administrative procedure that required that each job description describe the work performed by the employee for each program/fund source?	<input type="checkbox"/>	<input type="checkbox"/>	
59	Did the APM include a specific administrative procedure that required the preparation of an internal accounting record (e.g., payroll authorization form, personnel action form) for each position?	<input type="checkbox"/>	<input type="checkbox"/>	
60	Did the APM include a sample internal accounting record for positions funded from grants?	<input type="checkbox"/>	<input type="checkbox"/>	
	Did the record included fields identifying the individual employed, their functional title, position number, and the amount of their salary and other compensation charged to each local, state or federal fund source/program?	<input type="checkbox"/>	<input type="checkbox"/>	
61	Did the APM include a specific procedure(s) to approve expenditures for program activities or strategies that were reasonable to carry out the intent and purpose of the program?	<input type="checkbox"/>	<input type="checkbox"/>	

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Inquiry Number (IN)	Inquiry	Answer		Inquiry is Addressed in the APM at Page Number (Paragraphs)
		Yes	No	
62	Did the APM include a specific procedure(s) to approve expenditures for program activities that were addressed as a need previously identified in the campus comprehensive needs assessment?	<input type="checkbox"/>	<input type="checkbox"/>	
63	Did the APM include a specific procedure(s) that could ensure all Title I, Part A expenditures were approved subsequent to being identified in the campus or district improvement plan?	<input type="checkbox"/>	<input type="checkbox"/>	
64	Did the APM include a specific procedure(s) to evaluate how expenditures were measured to determine the positive impact on student achievement?	<input type="checkbox"/>	<input type="checkbox"/>	
65	Did the APM include a specific procedure(s) that could ensure Title I, Part A funding is supplemental for both school wide and/or targeted assistance programs?	<input type="checkbox"/>	<input type="checkbox"/>	
66	Did the APM include a specific administrative procedure that ensures all teachers in the district, assigned to teach core subjects in Title I programs, are Highly Qualified at the time of hire?	<input type="checkbox"/>	<input type="checkbox"/>	