

Robert Scott  
Commissioner

March 16, 2011



CERTIFIED MAIL  
Return Receipt Requested

**ATTENTION REQUESTED**

Ms. Elizabeth Abernethy  
Executive Director  
Education Service Center, Region VII  
1909 North Longview St.  
Kilgore, TX 75662

Subject: Letter of Observations Desk Monitoring of ARRA Grant Expenditures

Dear Ms. Abernethy:

Staff from the Texas Education Agency's (TEA's) Fiscal Accountability and Federal Reporting Unit (FAFRU) in the Office for Planning, Grants and Evaluation (OPGE) conducted a desk monitoring of expenditures for the ARRA-TT II, D – Disc grant awarded to Education Service Center, Region VII (CDN: 092-950) (the grantee). The review focused on the grant awarded to the grantee pursuant to the American Recovery and Reinvestment Act of 2009 (ARRA). The desk review was limited to the representations and records provided by the grantee in response to the FAFRU formal correspondence dated March 26, 2010. Included with this letter is an attachment that describes the FAFRU staff's observations and their recommendations.

This correspondence and its attachment constitute a final letter of the FAFRU staff's observations. The grantee should review Attachment A and at the local level implement corrective actions, if applicable. Although the records and working papers submitted by the grantee remain subject to review by appropriate federal and/or state oversight entities, FAFRU staff considers this desk review closed.

For additional information or clarification, please contact me at (512) 463-8992.

Sincerely,

A handwritten signature in black ink that appears to read "Mary Aleman".

Mary Aleman  
Director, Fiscal Accountability and Federal Reporting Unit  
Office of Chief Grants Administrator

Ms. Elizabeth Abernethy, Executive Director  
Education Service Center VII  
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Cc: Rita Chase, Director, Division of Financial Audits  
Cory Green, Director, Division of NCLB Program Coordination  
Nora Ibáñez Hancock, Ed.D., Associate Commissioner, Planning, Grants and Evaluation  
Earin Martin, Ed.D., Chief Grants Administrator

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**Attachment A: Summary of Desk Monitoring**

Scope, Objectives and Methodology

FAFRU staff focused their desk review on the grantee's compliance with the fiscal requirements in Section 80.20 of Title 34 of the Code of Federal Regulations (CFR), Standards for financial management systems applicable to the grant listed in Table A below for the grant period indicated. The desk review objectives were to determine whether:

1. The grantee obligated, expended, and used grant funds in accordance with:
  - a. the purpose authorized by law for those funds;
  - b. the fiscal, program, and other requirements applicable to the funds, and;
  - c. any limitations, restrictions, conditions, or mandatory directions imposed by law
2. That grant expenditures were properly supported by the grantee's source documentation.

Table A			
NOGA ID	NOGA Description	Begin Date	End Date
105530027110012	ARRA - TT II, D – Disc Grants	10/1/2009	9/30/2011

Accordingly, the FAFRU staff's inquiry was limited to the records provided by the grantee. FAFRU staff reviewed the grantee's records to determine if the fiscal requirements applicable to federal awards were met. The FAFRU staff's observations are discussed in this attachment.

Observations

Based upon their limited review of the grantee's records, FAFRU staff did not note any issues of noncompliance.

Table B				
Standard (34 CFR 80.20)		Adequately Documented	Inadequately Documented	Not Documented
(a)	A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to:			
(1)	Permit preparation of reports required by this part and the statutes			

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<b>Table B</b>				
<b>Standard (34 CFR 80.20)</b>		<b>Adequately Documented</b>	<b>Inadequately Documented</b>	<b>Not Documented</b>
	authorizing the grant (i.e., detailed general ledger and payroll journal, if applicable), and	✓		
(2)	Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes (i.e., General Ledger is in compliance with FAR).	✓		
(b)	The financial management systems of other grantees and subgrantees must meet the following standards:			
(1)	Financial reporting. Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant (i.e., Funds drawn down were supported in general ledger).	✓		
(2)	Accounting records. Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income (i.e., general ledger supported the required minimum 15-digit account code structure).	✓		
(4)	Budget control. Actual expenditures or outlays must be compared with budgeted amounts for each grant or			

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Table B				
Standard (34 CFR 80.20)		Adequately Documented	Inadequately Documented	Not Documented
	subgrant. Financial information must be related to performance or productivity data, including the development of unit cost information whenever appropriate or specifically required in the grant or subgrant agreement. If unit cost data are required, estimates based on available documentation will be accepted whenever possible (i.e., general ledger expenditure(s) agreed to approved budget).	✓		
(5)	Allowable cost. Applicable OMB cost principles, agency program regulations, and the terms of grant and subgrant agreements will be followed in determining the reasonableness, allowability, and allocability of costs (i.e., general ledger expenditure(s) were approved activities, reasonable, allocable and necessary to implement program).	✓		
(6)	Source documentation. Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc. (i.e., General Ledger expenditure(s) were supported with invoice/receipt, cancelled checks, time and effort records, etc.).	✓		
(7)	Cash management. Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. Grantees must			

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<b>Table B</b>				
<b>Standard (34 CFR 80.20)</b>		<b>Adequately Documented</b>	<b>Inadequately Documented</b>	<b>Not Documented</b>
	<p>establish reasonable procedures to ensure the receipt of reports on subgrantees' cash balances and cash disbursements in sufficient time to enable them to prepare complete and accurate cash transactions reports to the awarding agency. When advances are made by letter of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees (i.e., general ledger expenditure(s) were made within a reasonable amount of time from the date funds were drawn down. Grant guidelines state that they can request cash no more than 6-7 business days before it is to be paid out. Grantees may request no more than 3 days' cash needs.).</p>	✓		

<b>Table C</b>				
<b>ARRA Section 1512</b>		<b>Adequately Documented</b>	<b>Inadequately Documented</b>	<b>Not Documented</b>
(1)	Did the grantee submit the 1512 report to the agency not later than 5 days after the end of each calendar quarter?	✓		
(2)	Did the certification contain the required information and statements as required by ARRA Section 1512, including:			

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<b>Table C</b>				
<b>ARRA Section 1512</b>		<b>Adequately Documented</b>	<b>Inadequately Documented</b>	<b>Not Documented</b>
(a)	The total amount of Recovery funds received,	✓		
(b)	The amount of funds that were expended or obligated to projects or activities;	✓		
(c)	The number of jobs created/retained and funded by ARRA.	✓		
(d)	The description of jobs created/retained and funded by ARRA	✓		
(e)	The amount of ARRA funds expended on infrastructure investments.	N/A		
(f)	The description of infrastructure investment.	N/A		
(g)	The vendors receiving payments of \$25,000 or more.	✓		

Questioned Costs

None

Recommendation(s)

None