STATE OF CONNECTICUT

DEPARTMENT OF EDUCATION

Revised July 8, 2019

Dr. Matthew Conway
Superintendent of Schools
Derby Public Schools
35 Fifth Street
Derby, CT 06418

Re: Board of Education Appropriations
Connecticut State Department of Education - Alliance District Grant Funds

Dear Dr. Conway:

The Connecticut State Department of Education (CSDE) Office of Internal Audit conducted a review of the district's documentation in support of the Board of Education's (BOE) appropriation and expenditures for FY 2017-2018 and FY 2018-2019. Our review also included the receipt and reporting of BOE grant funds including the CSDE's Alliance District grant for FY 2017-2018.

Based on our review, we noted the following:

2017-2018 BOE – Operating & Grant Budgets

The BOE appropriation for FY 2017-2018, which was approved by the City of Derby's Board of Apportionment & Taxation on May 30, 2017, was $18,389,806. City transfers of funds from the City's bank account to the BOE's bank account occurred during each month of the fiscal year, covered BOE operating, and grant related expenses. The BOE also drew down grant funds from CSDE during the entire fiscal year, grant funds were deposited into the City's bank account, City transfers of grant funds from the City's bank account to the BOE's bank account occurred primarily during the second half of the fiscal year, covered BOE operating, and grant related expenses. OIA could not distinguish grant funds from operating funds based on transfers from the City to the BOE bank account in reviewing the BOE bank account statements, because monies were combined into one bank account. OIA relied on the BOE's general ledger for the operating budget and grant budget details of expenditures.

The BOE's general ledger for their operating budget indicates that $18,368,865.33 was expended during FY 2017-2018 leaving a fund balance of $20,940.67. The grant fund budget for FY 2017-2018 was $5,016,650.76. The BOE's grant fund general ledger indicates that $4,524,786.78 was expended during FY 2017-2018 leaving a carry-over balance of $491,863.98. OIA also noted that the 2017-2018 Alliance District grant funds of $1,036,699.00 were accounted for within the BOE's 2017-2018 grant fund general ledger. Alliance District grant expenditures totaled $956,923.67 leaving a grant carry-over amount of $79,775.33.

We believe that monies appropriated to the BOE by the Board of Apportionment & Taxation for FY2017-2018 for $18,389,806 was transferred from the City's bank account to the BOE's bank account and $18,368,865.33 was expended by the BOE. In addition, total grant funds of $4,524,786.78 were transferred from the City's bank account to the BOE's bank account and were expended by the BOE.

2017-2018 Alliance District grant funds of $956,923.67 were expended by the BOE and were reported as such on the BOE's ED141 expenditure report submitted to CSDE.

2017-2018 and 2018-2019 City Budget

The City's budget overestimated CSDE grant revenues in the 2017-2018 fiscal year for the Education Cost Sharing grant and the CSDE Alliance District grant. Revenue line item "Education Block grant" included "ECS grant and Alliance District grant estimates" and revenue line item "ECS Alliance grant" included "ECS Alliance District grant estimate". The overestimate of grant revenues caused a shortfall in City revenues for 2017-2018 but did not affect the BOE's operating budget/expenditures nor their grant related budget/expenditures for 2017-2018. We note that the City overestimated CSDE grant revenues for FY 2018-2019 as well.

Corrective Action Plan

City personnel has corrected their budget revenue process so that estimated Alliance District grant funds will not be reported twice for budget purposes. In addition, the BOE is currently working on setting up a separate bank account for grant purposes. When the BOE requests grant funds from CSDE or other agencies, grant funds will be deposited into the City's bank account and then transferred to the BOE's grant bank account. Grant funds and operating funds will be maintained separately in the BOE's bank accounts and transactions will be recorded in the BOE's general ledger system as they occur.

We appreciate the cooperation extended by the BOE and City during our review process.

If you have any questions, please contact me at (860) 713-6536.

Sincerely,

Nora Chapman

Nora Chapman
Supervising Accounts Examiner
Office of Internal Audit

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xc: Desi Nesmith, Interim Commissioner, CSDE
Kathy Demsey, Chief Financial Officer, CSDE
Justin Cleary, Associate Accounts Examiner, CSDE
Kevin Chambers, Consultant, CSDE
Salvatore Coppola, Finance Director, City of Derby
Mark Izzo, Business Manager, Derby Public Schools
Tom Markoski, Accounting Career Trainee, CSDE
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