

March 5, 2010

Dr. Clarence C. Hoover III, Superintendent
East Orange Board of Education
715 Park Avenue
East Orange, NJ 07017-1004

Dear Dr. Hoover:

The New Jersey Department of Education has completed a review of funds received and disbursed from one or more federal programs by the **East Orange Board of Education**. The funding sources reviewed include titled programs for the American Recovery and Reinvestment Act (ARRA) in particular, and/or No Child Left Behind Act (NCLB), the Individuals with Disabilities Education Act (IDEA) and State Fiscal Stabilization Funds (Education Stabilization Fund and Government Stabilization Fund). The review covered the period July 1, 2009 through January 19, 2010. The resulting report is enclosed. Please provide a copy of the report to each board member.

Utilizing the process outlined in the attached "Procedures for LEA/Agency Response, Corrective Action Plan and Appeal Process," the East Orange Board of Education is required, pursuant to N.J.A.C. 6A:23A-5.6, to publicly review and discuss the findings in this report at a public board meeting no later than 30 days after receipt of the report. Within 30 days of the public meeting, the board must adopt a resolution certifying that the findings were discussed in a public meeting and approving a corrective action plan which addresses the issues raised in the undisputed findings and/or an appeal of any **monetary** findings in dispute (emphasis added). A copy of the resolution and the approved corrective action plan and/or appeal must be sent to this office within 10 days of adoption by the board. Direct your response to my attention.

Also, pursuant to N.J.A.C. 6A:23A-5.6(c), you must post the findings of the report and the board's corrective action plan on your school district's website.

By copy of this report, your auditor is requested to comment on all areas of noncompliance and recommendations in the next certified audit submitted to the New Jersey Department of Education. If you have any questions, please contact Ronald Fisher at (609) 777-3723.

Sincerely,

Robert J. Cicchino, Director
Office of Fiscal Accountability and Compliance

RJC/LDM/tc:East Orange Board of Education Cover Letter
Enclosures

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American Recovery & Reinvestment Act 2009
New Jersey K-12 Education

**ARRA MONITORING REPORT
MARCH 2010**

District: East Orange Board of Education
County: Essex
Dates On-Site: January 19 & 20, 2010
Case #: ARRA-003-09

FUNDING SOURCES

Program	Funding Award
State Fiscal Stabilization Fund - Education Stabilization Fund	\$22,989,022
State Fiscal Stabilization Fund - Government Services Fund	889,939
ARRA -Title I	3,725,401
ARRA - Title I SIA	78,598
ARRA - IDEA – Basic	3,073,549
ARRA - IDEA – Preschool	110,400
Total ARRA Funds	30,876,909
Title I	5,065,137
Title I SIA	-
IDEA – Basic	2,550,197
IDEA – Preschool	75,744
Total Non-ARRA Funds	7,691,078
Total Funding	\$38,557,987

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BACKGROUND:

The *American Recovery and Reinvestment Act of 2009 (ARRA)* and other federal laws require local education agencies (LEAs) to provide programs and services to their schools based on the requirements specified in each of the authorizing statutes (ESEA, IDEA and ARRA). The laws further require that state education agencies such as the New Jersey Department of Education (NJDOE) monitor the implementation of federal programs by sub recipients and determine whether the funds are being used by the district for their intended purpose and achieving the overall objectives of the funding initiatives.

INTRODUCTION:

The NJDOE visited the East Orange Board of Education to monitor the district's use of *ARRA* funds and the related program plans, where applicable, to determine whether the district's programs are meeting the intended purposes and objectives, as specified in the current year applications and authorizing statutes, and to determine whether the funds were spent in accordance with the program requirements, Federal and state laws, and applicable regulations. The on-site visit included staff interviews and documentation reviews related to the requirements of the following programs: State Fiscal Stabilization Funds (SFSF) including the Education Stabilization Fund (ESF) and Government Services Fund (GSF); Title I; Title I SIA; ARRA-Title I; ARRA-Title I SIA; IDEA Basic; IDEA Preschool; ARRA-IDEA Basic; and ARRA-IDEA Preschool for the period July 1, 2009 through January 19, 2010. The monitoring also included a review of the district's most recent ARRA section 1512 and SFSF cash management quarterly reports to determine whether ARRA expenditures, jobs estimates and related information were reported accurately.

The scope of work performed included the review of documentation including grant applications, program plans and needs assessments, grant awards, annual audits, board minutes, payroll records, accounting records, purchase orders and current district policies and procedures. The monitoring team members also conducted interviews with district personnel, reviewed the supporting documentation for a sample of expenditures and conducted internal control reviews.

EXPENDITURES REVIEWED:

The following dollar amounts of expenditures were reviewed for each program monitored for the period of July 1, 2009 through January 19, 2010:

- Education Stabilization Fund (ESF) salary and benefit expenditures totaling \$4,499,234 were reviewed;
- Government Services Fund (GSF) salary expenditures totaling \$326,471 were reviewed;
- Title I salary expenditures totaling \$13,124 were reviewed;
- ARRA Title I had not been expended at the time of the monitoring visit;
- ARRA Title I SIA had not been expended at the time of the monitoring visit;
- IDEA Basic salary expenditures totaling \$206,441 were reviewed;
- IDEA Preschool had not been expended at the time of the monitoring visit;
- ARRA IDEA Basic had not been expended at the time of the monitoring visit; and

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- ARRA IDEA Preschool had not been expended at the time of the monitoring visit.

GENERAL DISTRICT OVERVIEW OF USES OF TITLE I AND IDEA FUNDS

ARRA Title I Projects

The East Orange School District has proposed to utilize its Title I *ARRA* grant award for the purchase of technology supplies and equipment (i.e., software and hardware) in order to update the district's data systems infrastructure, as well as hire two professional analysts to support this enhanced infrastructure and provide teachers with professional development on the integration of technology into the classroom. In addition, the funds will be utilized for the implementation of summer programs and an "Artist in Residence" program in the elementary schools being served with the Title I *ARRA* funds.

In preparation for the 2009-2010 school year, staff members of the East Orange School District met to identify the needs of the district and to design a plan for addressing these needs. The area of technology was identified as one of the most critical needs for the district. Specifically, it was determined that the district needed a way to collect, analyze, and use student and teacher data in a more comprehensive manner as this relates to instructional practices. The technology supplies and equipment to be purchased with the Title I *ARRA* funds include, but are not limited to the following items: smart boards with a professional development training component, student information software, testing evaluation software, network diagnostic software, network servers, and switches. Gains in student learning and achievement will be measured through the following ways: state assessments, teacher observations, student work, classroom assessments, report cards, and walk-through evaluations as recommended by the district's administration.

Beginning in the summer of 2010, the East Orange School District will provide academic enrichment programs for all Title I eligible students across all grades. These students were identified based on assessment scores and academic performance. Eligible elementary and middle school students will be provided five hours of enhanced instruction in language arts literacy and reading and mathematics for 20 days. Eligible high school students will be provided a reading program which will run for approximately 25 days. The district will assess gains in student achievement through multiple measures to include the following: state assessments, student work, and classroom and benchmark assessments.

The district also proposes to utilize the Title I *ARRA* funds for an "Artist in Residence" program in the district's elementary schools, as a way to teach mathematics and literacy language arts and reading content standards through dance and theater. Specifically, 3rd grade students will receive additional instruction on the way numeracy and literacy skills are embedded in the art of dance, and 5th grade students will receive additional instruction on the ways in which these content standards are embedded in the art of theater. The East Orange School District will measure gains in student learning and achievement through the following ways: state assessments, teacher observations, classroom assessments, and student performances.

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ARRA Title I SIA Projects

The Title I SIA Part (a) *ARRA* funds will be utilized for the implementation of a professional development program for teachers in each school identified as a school in need of improvement (SINI). The focus of the professional development will include, but is not limited to the following topics: classroom management, effective behavior support, differentiated instruction, and the integration of technology into the classroom. Teachers will be required to implement these new instructional strategies in their daily lessons, which will be observed by administrative staff in each school. The district will measure gains in student learning and achievement through multiple measures to include the following: state assessments, classroom and benchmark assessments, walk-through evaluations as recommended by the district's administration, student work, and report cards.

Title I Projects

The East Orange School District will utilize a large majority of the FY 2010 Title I funds for school-wide programs. In addition, the district will provide a comprehensive professional development program for teachers, which will focus on the integration of technology in the classroom, implementation of enhanced instructional strategies, and the analysis of data as it relates to student learning and teacher instruction. The remaining funds will be utilized for salaries for teacher coaches and supplemental educational services.

In its annual needs assessment, the East Orange School District identified the need for ongoing and sustained professional development, to include the ability of teachers to work regularly with teacher coaches. The professional development opportunities to be offered include topics such as: classroom management strategies, data analysis approaches to inform teaching and learning, differentiated instruction, and effective behavior support. Pairing teachers with coaches will afford teachers the opportunity to work in collaboration with master teachers as they implement and assess new instructional strategies. Gains in achievement will be assessed through multiple measures to include the following: continual data analysis across grades and curricular areas, state and local assessments, benchmark assessments, teacher accountability, technology assessments, collaborative teacher planning, parent feedback, and walk-through evaluations as recommended.

ARRA IDEA Projects Basic & Preschool

The district is using the ARRA-IDEA Basic grant to enter into a partnership with Kean University to enhance professional development for staff that provides services to students with disabilities in the areas of:

- Differentiating instruction;
- Modifying instruction; and
- Effective inclusion strategies.

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The second partnership for professional development is with Youth Development Clinic for educators serving students with Autism. The training areas include:

- Research on Autism;
- Behavior management strategies;
- Setting educational goals;
- Learning techniques;
- Classroom set-up and structure;
- Crisis prevention intervention training; and
- Social skills group.

In addition to professional development, Youth Development Clinic will provide direct counseling services to students in need.

The third partnership is with Montclair University to provide professional development for the nonpublic schools in East Orange. The professional development areas are:

- Differentiating Instruction;
- Modifying Instruction;
- Effective Inclusion Strategies;
- Data driven instruction; and
- Infusing technology.

Further planned program activities include the professional development for staff on the utilization of purchased assistive technology and the incorporation of the technology into the curriculum and classroom. Additional program activities are: the development of a high school transition course for students with disabilities, tuition for students scheduled to begin their junior year in 2009, summer extension services, database enhancement, consultation services for Special Education Medicaid Initiative (SEMI), and computer technology for disabled students and special education staff.

The district is using IDEA ARRA-Preschool funds for non-instructional materials and instructional equipment.

IDEA Projects Basic & Preschool

The IDEA-B Basic grant activities include: general supplies for teachers, speech therapy for students, and tutorial services. Program staff resourced under the IDEA Basic program include: a Transition Specialist, two Behavioral Specialists, a Program Specialist, an Inclusion Specialist, two secretaries and a bus driver. Additional activities include: staff development, parent involvement activities, contracted intervention service, non-instructional supplies, Child Study Team (CST) computer replacement, and CST Testing Materials. The district also provides counseling services for nonpublic students through a contract with Catholic Charities.

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The IDEA-B preschool grant program activities include preschool and speech therapy general supplies, occupational and physical therapy services and evaluations. Activities also include non-instructional supplies including a printer replacement and CST testing materials.

DETAILED FINDINGS AND RECOMMENDATIONS

ARRA Title I Findings and Recommendations

Finding 1:

Condition: The East Orange School District did not correctly complete the Eligibility Step 4 section of the Title I Part A – *ARRA* Consolidated Application. In this section, the district marked as not served for the Wahlstrom Early Childhood Academy, the East Orange Campus 9 School, and the East Orange Campus High School. However, the district allocated funds to each of these three school attendance centers. Title I Part A regulations stipulate that if a district elects not to serve an eligible school attendance center, zero funds must be allocated to that school attendance center. Conversely, if a district elects to allocate funds to an eligible school attendance center, the designation of “not served” cannot be utilized for that school attendance center.

Citation: *NCLB* §1113 Eligible School Attendance Areas.

Required Action: The Title I Part A – *ARRA* Consolidated Application will be reopened to allow the district to revise the information in the Eligibility Step 4 section for the Wahlstrom Early Childhood Academy, the East Orange Campus 9 School, and the East Orange Campus High School, so that: 1) the three school attendance centers are designated as not served and allocated zero funds; **or** 2) the three school attendance centers are designated as served and provided individual school allocations calculated by per pupil amounts that are either the same or in descending order based on low-income poverty percentages for the eligible school attendance centers. Upon completion of these revisions, the district will resubmit the application.

Finding 2:

Condition: As part of the technology enhancements, the district proposed to utilize \$80,000 of the Title I *ARRA* funds to purchase an “applicant tracking system” in order for the Human Resources department to collect and evaluate resume information for the sole purpose of hiring teacher candidates who can teach students with disabilities, English language learners, and low-achieving students. An “applicant tracking system” used solely by the Human Resources Department to conduct standard district personnel business is an unallowable use of the Title I *ARRA* funds.

Citation: OMB Circular A-87, Attachment B, *Cost Principles for State, Local and Indian Tribal Governments*; *NCLB* §1120A(b) Fiscal Requirements, Federal Funds To Supplement, Not Supplant, Nonfederal Funds.

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Required Action: The Title I Part A regulations stipulate that funds must be utilized to address the educational/academic needs of income eligible students as identified by the needs assessment and articulated in the district's comprehensive plan. The East Orange School District agreed to remove the proposed \$80,000 for the "applicant tracking system" from the Title I *ARRA* budget and re-budget these funds for other Title I allowable activities, as well as modify its program plan to reflect the removal of this technology cost.

Finding 3:

Condition: The Title I Part A – *ARRA* funds will be used for the implementation of a program entitled "Artist in Residence," as a way to teach mathematics and language arts literacy and reading skills to 3rd and 5th graders through the art of dance and theater. The district did not provide lesson plans or schedules to show the ways in which academic components are embedded in this program. In addition, the district did not provide evidence of a signed contract with each artist in residence who will provide instruction to the students.

Citation: *NCLB* §1114 Schoolwide Programs and *NCLB* §1116 Academic Assessment and Local Educational Agency and School Improvement.

Required Action: The East Orange School District must provide to the NJDOE for review the class schedules and lesson plans, which outline the academic components for mathematics and language arts literacy and reading as taught through the "Artist in Residence" program. In addition, the district must provide to the NJDOE for review the contract for this program that demonstrates the selection process for these artists, as well as incorporate information on the "Artist in Residence" program through the revision of the unified plans for each applicable elementary school in need of improvement. The Title I *ARRA* application does not contain file upload capability; therefore, these revised unified plans must be uploaded to the FY 2010 *NCLB* application. It is recommended that an "as of" date be included in the file name for each revised unified plan.

ARRA Title I SIA Findings and Recommendations

Finding 1:

Condition: The East Orange School District proposes to utilize the Title I SIA (a) *ARRA* funds solely for professional development services in all served Schools In Need of Improvement (SINIs); however the program plan describing the uses of these funds did not match the budgeted line items in the Title I *ARRA* application.

Citation: *NCLB* §1116 Academic Assessment and Local Education Agency and School Improvement.

Required Action: The East Orange School District must revise its program plan information in the Title I SIA (a) section of the Title I *ARRA* application, to include specific details on the planned professional development services in all served SINIs. In addition, the district must revise the Title I SIA (a) budget detail to ensure the budgeted costs support the program plan.

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Title I Findings and Recommendations

Finding 1:

Condition: The East Orange School District did not correctly complete the Title I Eligibility Step 4 section of the FY 2010 *NCLB* Consolidated Application. In this section, the district marked as not served the Wahlstrom Early Childhood Academy, the East Orange Campus 9 School, and the East Orange Campus High School. However, the district allocated funds to each of these three schools. Title I Part A regulations stipulate that if a district elects not to serve an eligible school attendance center, zero funds must be allocated to that school attendance center. Conversely, if a district elects to allocate funds to an eligible school attendance center, the designation of “not served” cannot be utilized for that school attendance center.

Citation: *NCLB* §1113 Eligible School Attendance Areas.

Required Action: The FY 2010 *NCLB* Consolidated Application will be reopened to allow the district to revise the information in the Title I Eligibility Step 4 section for Wahlstrom Early Childhood Academy, the East Orange Campus 9 School, and the East Orange Campus High School, so that: 1) the three school attendance centers are designated as not served and allocated zero funds; **or** 2) the three school attendance centers are designated as served and provided individual school allocations calculated by per pupil amounts that are either the same or in descending order based on low-income poverty percentages for the eligible school attendance centers. Upon completion of these revisions, the district will resubmit the application.

Finding 2:

Condition: The district did not have completed Affirmation of Consultation forms for seven (7) nonpublic schools eligible for FY 2010 Title I Part A services.

Citation: *NCLB* § 1120 and § 9501 and §200.63 of the Title I regulations.

Required Action: The district must submit to the NJDOE for review the completed Affirmation of Consultation forms for the following nonpublic schools eligible to receive FY 2010 Title I Part A services: Our Lady Help of Christians; Clark School; Madrasatu Ahlis Sunnah; Al-Hidaayah Academy; St. Joseph School; James Children’s University; and St. John School.

Finding 3:

Condition: The district did not provide sufficient documentation to verify that consultation with all eligible nonpublic school officials was ongoing, timely, and meaningful.

Citation: *NCLB* §1120 and §9501 and §200.63 of the Title I regulations.

Recommended Action: In order to ensure ongoing, timely, and meaningful nonpublic school consultation, it is required that the district institute steps to enhance its record keeping of its initial contact, as well as its ongoing contact, with nonpublic school officials. This can be

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accomplished by establishing procedures to track nonpublic school contact via letters sent by certified mail, telephone logs, and e-mail logs, as well as to include meeting agendas and sign-in sheets in the district's internal nonpublic audit files.

ARRA IDEA Basic and Preschool Findings and Recommendations

Finding 1:

Condition: The district did not consistently provide verification of consultation with nonpublic schools for both IDEA Basic and ARRA IDEA Basic. The district was not able to produce a separate list of nonpublic students who received services under IDEA Basic and IDEA ARRA nonpublic program activities. Additionally, the list for Chapter 192-193 students and nonpublic services did not match the services listed in the grant. The Individual Service Plans (ISP) did not specify the services provided by separate funding sources; specifically IDEA Basic proportionate share and IDEA ARRA nonpublic proportionate share. We also noted that the current ISPs combine Chapter 193 and IDEA services.

Citation: IDEA Regulations 34CFR §300.130-300.144.

Required Action: The district must develop procedures to consistently capture consultation with nonpublic schools and obtain confirmation of consultation. The district must develop separate lists of nonpublic students and services under both IDEA Basic and ARRA IDEA Basic grants. The individual service plans must be revised to reflect the funding source and services.

Finding 2:

Condition: The district budgeted a summer extension program using IDEA Basic ARRA funds. This program appears to have also been budgeted in the special education local district budget.

Citation: IDEA Regulations 34CFR §300.204-300.205.

Required Action: The district's Special Education Director and School Business Administrator must review the local special education district budget to ensure that the proposed summer extension program is in fact supplementing and not supplanting existing services. The Special Education Director and School Business Administrator participated in a telephone conference call with the Department of Education, Office of Special Education Programs which provided guidance for their review.

IDEA Basic and Preschool Findings and Recommendations

Finding 1:

Condition: The IDEA BASIC application did not select the Early Intervening Services option; however, the grant indicated expenditures for intervention services to be provided to "students identified by the I&RS" in the 200-500 budget line.

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Citation: IDEA Regulations 34CFR §300.205 (d); §300.226 (a-d).

Required Action: The IDEA BASIC application plan must be revised to include Early Intervening Services or amended to remove services to at-risk students.

Finding 2:

Condition: The district's resolution form references tuition for out-of-district placements however, funds are not budgeted in the 100-500 tuition line. The IDEA BASIC grant also listed two secretaries and a bus driver under 200-100 TPAF eligible.

Citation: EDGAR 80.20.

Required Action: If funds are to be used for out-of-district tuition it must be reflected in a revised grant application. The two secretaries and the bus driver under 200-100 TPAF eligible must be moved to 200-100 FICA only. The district amended the 200-100 line during this on-site monitoring.

Financial Management and Reporting Findings and Recommendations

Finding 1:

Condition: Our testing of a sample of expenditure transactions disclosed that the district had awarded two professional services contracts using IDEA Basic funds as the funding source. The contracts were awarded without obtaining any price or rate quotes or an open competitive bid process. The amount of each contract exceeded \$100,000, the current federal simplified acquisition threshold.

Citations: Education Department General Administration Regulations (EDGAR), PART 80 - Uniform Administration Requirements for Grants and Cooperative Agreements to State and Local Governments, Section 36, Procurement. The federal procurement regulations under this section requires districts to follow the New Jersey Public School Contracts Law (PSCL) except where the federal standards detailed in 80.36 are in conflict or more restrictive. The federal standards do not include all the exemptions allowed under the PSCL, specifically professional services. Therefore, districts are required to use formal competitively bid contract procedures for all goods and services using federal funds for contracts that exceed the federal simplified acquisition threshold. In addition, subsection (f) of 80.36 requires districts to conduct an independent price analysis and include such documentation in the contract files that demonstrates the district ensured the costs were reasonable. This becomes considerably more important when formal bidding or competitive contracting was not followed.

Required Action: The district should review EDGAR Part 80.36 on procurement standards and requirements and include federal procurement provisions in their purchasing policy. Specific emphasis should be placed on: the awarding of contracts in a manner providing for full and open

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competition where at all possible; and performing and documenting a cost or price analysis and justification that demonstrates the contract price was reasonable.

Finding 2:

Condition: Through our interview process the district indicated that federal funds are deposited into interest bearing accounts along with state and local revenue. We were unable to determine if the district has exceeded the \$100 threshold of interest on the federal funds. However, a review of the amount of funds received versus expended concluded that the interest has likely exceeded the \$100 limit.

Citation: 34 CFR 80.21(i) requires that "...Grantees and sub-grantees shall promptly, but at least quarterly, remit interest earned on advances to the Federal agency. The grantee or sub-grantee may keep interest amounts up to \$100 per year for administrative expenses."

Required Action: We recommend that the district analyze the interest earned attributable to federal funds to date and return excess interest earned if applicable. Additionally, the district should develop procedures to determine and remit interest earnings on federal funds.

Finding 3:

Condition: During our interview and upon review of districts negotiated labor contracts we found that recently negotiated contracts mileage reimbursement provisions exceed \$.31 per mile. The district has Board of Education (BOE) Policy and Regulations that clearly state that the district will follow established State guidelines that require mileage reimbursement rates not to exceed \$.31 per mile.

Citation: New Jersey Administrative Code (NJAC) 6A:23A-7.1 and New Jersey Department of Treasury, Office of Management and Budget (OMB) Circulars 08-19-OMB and 08-14-OMB.

Required Action: The district must in future negotiated agreements adhere to BOE policy and regulations as well as NJAC and OMB Circular Letters.

The NJDOE thanks you for your time and cooperation during the monitoring visit and looks forward to a successful resolution of all findings and implementation of all recommendations contained in this report.

If you have any questions, please contact Ronald Fisher at (609) 777-3723 or via email at Ronald.Fisher@doe.state.nj.us.