



State of New Jersey

DEPARTMENT OF EDUCATION

PO Box 500

TRENTON, NJ 08625-0500

CHRIS CHRISTIE
Governor

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Lt. Governor

CHRISTOPHER D. CERF
Acting Commissioner

February 10, 2011

Dr. Eric Hibbs, Superintendent
Mount Holly Township Board of Education
331 Levis Drive
Mount Holly, NJ 08060

Dear Dr. Hibbs:

The New Jersey Department of Education has completed a review of funds received and disbursed from one or more federal programs by the **Mount Holly Township 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 August 31, 2010. The resulting report is enclosed. Please provide a copy of the report to each board member. All issued ARRA monitoring reports will be posted on the department's website at <http://www.nj.gov/education/arra/>.

Utilizing the process outlined in the attached "Procedures for LEA/Agency Response, Corrective Action Plan and Appeal Process," the Mount Holly Township 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 Anthony Hearn at (609) 633-2492.

Sincerely,

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

RJC/LDM/tc:Mount Holly Township BOE Cover Letter ARRA

Enclosures

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

ARRA MONITORING REPORT
FEBRUARY 2011

District: Mount Holly Township Board of Education
County: Burlington
Dates On-Site: January 19, 2011
Case #: ARRA-052-09

FUNDING SOURCES

Program	Funding Award
State Fiscal Stabilization Fund – Education Stabilization Fund	\$1,346,120
State Fiscal Stabilization Fund – Government Services Fund	52,110
ARRA- Title I	170,631
ARRA- Title I SIA	8,942
Total ARRA Funds	\$1,577,803
Title I	\$444,148
Title I SIA	17,346
Title I SIA G	3,174
Total Non-ARRA Funds	\$464,668
Total Funds	\$2,042,471

MOUNT HOLLY TOWNSHIP SCHOOL DISTRICT
ARRA MONITORING REPORT
FEBRUARY 2011

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 Mount Holly Township 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); ARRA-Title I; ARRA-Title I SIA; Title I, Title I SIA and Title I SIA G; for the period July 1, 2009 through August 31, 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

Elements comprising the review included the following:

- ESF expenditures for salaries of \$1,346,120;
- GSF expenditures for salary of \$52,110;
- ARRA-Title I expenditures of \$77,813;
- ARRA-Title I SIA expenditures of \$8,942;
- Title I expenditures of \$337,285;
- Title I SIA expenditures of \$17,346; AND
- Title I SIA G expenditures of \$3,174.

In addition, the team reviewed the district's plans for spending the balance of the funding.

**MOUNT HOLLY TOWNSHIP SCHOOL DISTRICT
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GENERAL DISTRICT OVERVIEW OF USES OF TITLE I AND IDEA FUNDS

ARRA-Title I and Title I Projects

The district's Comprehensive Needs Assessment, as documented in the 2009-2010 Electronic Web Enabled Grants (EWEG) system, identifies language arts literacy and mathematics as the two priority areas to be addressed utilizing Title I and ARRA-Title I resources. The district is a single attendance area and operates three targeted assistance programs in the Brainerd School (grades pre-K to two), the Folwell School (grades three to five) and the Holbein School (grades six to eight). Title I Funds were used to meet the needs of identified at-risk students through the following funded activities:

- At the Brainerd and Folwell Schools, students receive Title I instruction during a 90-minute reading block in small groups, three to five times a week. Mathematics instruction is provided in an extended day program.
- At the Holbein School, students are pulled out of language arts literacy and mathematics instruction during a special instructional block. Students also receive instruction in an extended day program.
- Title I and ARRA-Title I funds were used for salaries to support Title I teachers during both the day and extended day programs. Title I funds also supported the Mathematics/Language Arts Literacy Supervisor and teachers to implement the program.
- Promethean Boards are used by Title I teachers during pull-out instruction at the Holdbein School to enhance learning. The boards accommodate multiple learning styles, allow teachers and students to interact with websites, and facilitate instruction in small group settings.
- BrainPop and BrainPop Jr., web-based remedial instructional and assessment programs are used to enhance student learning and teacher instruction.
- Family Involvement: Title I funds were used to develop family involvement programs. Twelve evening sessions were implemented including family science and mathematics.
- Professional development included educational consultants who provided instructional modeling and writing workshops, and revised units of study.

The district's expectations for the success of the activities are the reduction of at-risk students served and the increase in scores on assessments.

**MOUNT HOLLY TOWNSHIP SCHOOL DISTRICT
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DETAILED FINDINGS AND RECOMMENDATIONS

SFSF Funds

Finding 1: The district's reporting and tracking of jobs created and jobs retained did not have the required detailed documentation.

Citation: EDGAR, PART 80--*Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*, Section 20, Standards for financial management systems.

Recommended Action: The district must have formal tracking of SFSF funding and the backup necessary to support the charges consistent with the federal guidance issued with regard to jobs created and jobs retained. The district should update their records to include all names, salary charges and position for each staff member charged to the grant.

Finding 2: The district's cash management report did not reconcile to the district's financial records (Board Secretary Reports and general ledger).

Citation: EDGAR, PART 80--*Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*, Section 20, Standards for financial management systems.

Required Action: The district must have formal tracking of SFSF funding and the backup necessary to support the charges and cash draw downs consistent with the federal guidance issued.

Title I

Finding 3: Currently, the district is servicing its identified students by operating a combination of in-class support, extended day programs and a pull-out program; however, this construct does not fully meet the intent of a Title I Targeted Assistance program. Title I students must benefit from the full academic program and all Title I services provided must be above and beyond the entitled academic program.

Citation: NCLB §1115(c) *Targeted Assistance Programs, Components of a Targeted Assistance Program*

Required Action: The district must update its Title I program to reflect the dissolution of its pull-out services for identified Title I students. The district must submit a detailed description of its updated Title I program with emphasis on providing supplemental services to identified participating students (i.e. in class support, before/after school program, summer program, or test preparation program) to the NJDOE for review.

**MOUNT HOLLY TOWNSHIP SCHOOL DISTRICT
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Finding 4: The district's budget allocation of Title I and ARRA-Title I funds to its schools does not agree with the Title I school allocations on the 2009-2010 NCLB Consolidated Application for Title I funds (Eligibility Page, Step 4).

Citation: NCLB §9306(a)(5): *Other General Assurances (Assurances)*.

Required Action: The district must reconcile its budget to correspond to the Title I school-level allocations reflected in the 2010-2011 NCLB Consolidated Application for Title I funds (Eligibility Page, Step 4) and the ARRA-Title I Application. The budget must be submitted to the NJDOE for review.

Finding 5: The district has not consulted with nonpublic schools in 2009-2010 outside the district boundaries that enroll students living within the district's eligible attendance areas.

Citation: NCLB §1120 (*Participation of Children Enrolled In Private Schools*).

Required Actions: The district must write letters to all surrounding districts' nonpublic schools to see if they have any of the district's students and offer services if required.

Finding 6: The district is supplanting state/local funds to operate its program by spending grant money on costs that do not meet the intent of the Title I program or are not allowable expenditures. The unallowable expenses include:

- Mark Kistler's Imagination Station
- Earle B. Lewis

Citation: NCLB §1120A(b): Fiscal Requirements (*Federal Funds to Supplement, Not Supplant, Non-Federal Funds*). OMB Circular A-87, Attachment B, Section 14: *Cost Principles for State, Local and Indian Tribal Governments (Entertainment Costs)*.

Required Action: The district must review all charges and back out unallowable amounts based on technical assistance provided and provide a list of the items that are being removed.

Finding 7: The district did not inform parents of its Title I program selection criteria, the reason the child met the selection criteria, the course of action that the school has determined to remediate the child and the exit criteria. All of these elements must be included in the notification letter to parents concerning their child's participation in the Title I program.

Citation: NCLB §1118(c): *Parental Involvement (Policy Involvement)*.

Required Action: The district must revise its parent notification letter to include the required legislative components and distribute the revised letter to the parents of its Title I students. The district must provide a copy of the revised parent notification letter to the NJDOE for review.

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Finding 8: The district is charging administrative salary costs in the ARRA-Title I Program of \$75,923 plus benefits for 2010-2011 and is in excess of the 5% administrative cap.

Citation: EDGAR, PART 80--*Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*, Section 20, Standards for financial management systems.

Recommended Action: The district must amend its ARRA-Title I application to remove excess administrative costs and submit Title I Eligibility Page, Step 4 to show that all schools are being serviced.

Finding 9: The district is spending ARRA-Title I funds at two schools that were not identified as being serviced in the application because the district chose “at or above district poverty” as opposed to “single attendance area.”

Citation: EDGAR, PART 80--*Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*, Section 20, Standards for financial management systems.

Recommended Action: The district must amend its ARRA-Title I application to reflect the spending plan the district had decided upon and submit Title I Eligibility Page, Step 4 to show that all schools are being serviced.

Administrative

Recommendation 1: The district’s internal controls should be updated to include policies and procedures to prevent non-allowable costs from being charged to grants, prevent contracting with disbarred vendors and perform competitive contracting.

Citation: EDGAR, PART 80--*Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*, Section 36, Procurement.

Recommended Action: The district should update internal control policies to prevent these errors from recurring.

Recommendation 2: The district does not have formal written policies for requesting reimbursement from the Electronic Web Enabled Grant system; however, the district’s practice for requesting reimbursement was verified through questions concerning the district’s internal controls.

Citation: EDGAR, PART 80--*Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*, Section 20, Standards for financial management systems.

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Recommended Action: The district must have a formal board policy concerning the reimbursement of grant funds and must submit this to the NJDOE for review.

Recommendation 3: Under the New Jersey's Public School Contracts Law (PSCL), districts are not required to advertise for bids or competitively contract the provision of goods and services by vendors on the state contract list. In accordance with the PSCL [N.J.S.A. 18A:18A:10(a)], a board of education may place its order with a vendor offering the lowest price, including delivery charges, that best meets the requirements of the board of education. However, for ARRA and all federal funds, districts need to review 34 CFR Part 80.36 on procurement requirements. The federal procurement regulations under this section do not include all the exemptions allowed under the PSCL and therefore, it is our understanding these federal regulations require districts to competitively contract or bid all goods and services over the bid threshold, whether exempt under PSCL or not. The federal rules do include provisions for procurement by "noncompetitive proposals," but only under certain circumstances.

The NJDOE has requested clarification from the federal government regarding vendors on the state contract list and we are still waiting for a definitive response. It is the department's position and recommendation to the federal government that such contracts do not need any additional documentation beyond the statutory requirement under N.J.S.A. 18A:18A:10(c) that prior to placing orders, the board of education shall document with specificity that the goods and services selected best meet the requirements of the board of education. See Local Finance Notice 2010-3 issued January 15, 2010 for more information on competitive contracting for school districts and professional development services.

Citation: EDGAR, PART 80--*Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*, Section 36, Procurement.

Recommended Action: The district should review 34 CFR Part 80.36 and use open and competitive procedures where at all possible. The district should also analyze and include documentation in its files that demonstrates the district ensured the costs were reasonable.

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 Anthony Hearn via phone at (609) 633-2492 or via email at anthony.hearn@doe.state.nj.us.