



State of New Jersey

DEPARTMENT OF EDUCATION

PO Box 500

TRENTON, NJ 08625-0500

CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

December 16, 2010

ROCHELLE R. HENDRICKS
Acting Commissioner

Dr. Robert Holster, Superintendent
Passaic City Board of Education
101 Passaic Avenue
Passaic, NJ 07055-4828

Dear Dr. Holster:

The New Jersey Department of Education has completed a review of funds received and disbursed from one or more federal programs by the **Passaic City 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 June 30, 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 Passaic City 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 Roseann Lozinski at (609) 292-4452.

Sincerely,

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

RJC/LDM/tc:Passaic City BOE Cover Letter
Enclosures

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PASSAIC CITY BOARD OF EDUCATION

101 Passaic Avenue
Passaic, NJ 07055-4828
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American Recovery & Reinvestment Act 2009

New Jersey K-12 Education

**ARRA MONITORING REPORT
DECEMBER 2010**

District: Passaic City
County: Passaic
Dates on-Site: October 25 -28, 2010
Case #: ARRA-063-09

FUNDING SOURCES

Program	Funding
State Fiscal Stabilization Fund - Education Stabilization Fund	\$28,602,351
State Fiscal Stabilization Fund - Government Services Fund	1,107,240
ARRA-Title 1	5,073,395
ARRA-Title I SIA- Part A	257,992
ARRA-IDEA Basic	4,349,459
ARRA-IDEA Preschool	156,164
Total ARRA Funds	<u>\$39,546,601</u>
Title I	\$6,501,902
Title I SIA	544,503
IDEA Basic	4,460,270
IDEA Preschool	190,632
Total Non ARRA Funds	<u>\$11,697,307</u>
Total Funds	<u>\$51,243,908</u>

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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 Passaic City School District to monitor the district's use of *ARRA* funds and the related program plans, where applicable, to determine whether the school'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 Fund (SFSF) including the Education Stabilization Fund (ESF) and Government Services Fund (GSF); Title I; ARRA-Title I; and ARRA-IDEA Basic; ARRA-IDEA Preschool; Title II, Part A; IDEA Basic; and IDEA Preschool for the period July 1, 2009 through June 30, 2010.

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 June 30, 2010:

- ESF expenditures totaling \$28,602,351 were reviewed;
- GSF expenditures totaling \$1,107,240 were reviewed;
- ARRA-Title I expenditures totaling \$739,008 were reviewed;
- ARRA-Title I SIA- Part A expenditures totaling \$31,617 were reviewed;
- ARRA-IDEA Basic expenditures totaling \$257,636 were reviewed;
- ARRA-IDEA- Preschool expenditures totaling 2,746 were reviewed;
- Title I expenditures totaling \$1,554,568 were reviewed;
- Title I SIA- Part A funds had not been expended at the time of the monitoring visit;
- IDEA Basic expenditures totaling \$2,975,450 were reviewed; and
- IDEA Preschool expenditures totaling \$14,665 were reviewed.

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GENERAL DISTRICT OVERVIEW OF USES OF SFSF, TITLE I AND IDEA FUNDS

The district used its SFSF funds for Bilingual, Guidance, Librarians, School Administration, Special Education, Child Study Team Services, Attendance and Social Work Services and Other Support Services. Payments were processed through newly established fund 16 and 17 accounts. Money was charged to these accounts appropriately throughout the school year. The district reported that there were no additional jobs created as these funds replaced previously anticipated Equalization Aid.

The district operates schoolwide programs in all of its funded Title I schools with the exception of Schools, 15, 16, 17, and 19 which run Targeted Assistance programs. The district has identified the following areas as its priority problems: Closing the Achievement Gap for its Limited English Proficient students; Language Arts Literacy for all students, Limited English Proficient students, and Disabled students; Mathematics for all students and Technology Literacy for all students. The district was advised and sent a schoolwide application, in an effort to receive conditional approval for its Schools 15, 16, 17, and 19.

The district has designated the funds from IDEA and ARRA-IDEA Basic and Preschool funds for: professional development for special education teachers; general education teachers and parents of students with disabilities; the purchase of technology for classrooms, such as computers and Smart Boards; the purchase of computer software programs to support reading; out-of-district tuitions; the creations of two compliance monitors for the district as a consequence of OSEP oversight monitoring; a guidance counselor for special education students; a transition facilitator; expansion of the autism programs; the upgrading of a data base system for child study team IEP case management; staffing for extended school year and early intervening summer programs; and various supplies and materials for resource centers and special education classrooms.

The district contracts services for the nonpublic schools with the Essex Regional Educational Services Commission. The Commission provides instructional materials, technology equipment and supplemental instructors for the nonpublic schools. The district also contracts with independent providers for related services such as: speech, occupational, and physical therapy.

The district was designated by the NJDOE as a District In Need of Improvement and is required to provide coordinated early intervening services to general education students who are considered at-risk. The district established criteria for students to participate in this program were standardized test scores and teacher recommendation. Thirty students were deemed eligible and received a summer program. The district proposes to continue services after the winter break. At this time, the district did provide the tracking logs; however, there is no documentation of the effectiveness of the program.

The district has established pre and post testing protocol to ensure that the projects funded by this grant measure student achievement. Although the grant is responsive to identified district needs, the district did not communicate specific targeted goals or benchmarks for students. The hiring of additional staff to support students with disabilities and compliance with state and federal

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regulations will hopefully address the district's identified needs to expand programs within the district and correct identified noncompliance.

DETAILED FINDINGS AND RECOMMENDATIONS

SFSF

Finding 1: The district was not able to provide the 1512 quarterly reports except for the final report and could not provide support for the reimbursement amounts for both ESF and GSF. The districts reporting and tracking of jobs created and jobs retained could not be reviewed.

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 maintain formal tracking of SFSF funding and ensure that the backup documentation to support jobs created and jobs retained is in compliance with issued federal guidance.

Title I, Part A

Finding 2: The district did not have a clear and distinguishable Title I Targeted Assistance program in Schools 15, 16, 17, and 19.

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

Required Action: The district must submit a detailed description of its Title I Targeted Assistance program(s) in Schools 15, 16, 17, and 19 to ensure that it fully meets the intent of the Title I legislation with emphasis on providing supplemental services to all of its Targeted Assistance Schools. The program description must include the multiple measures used to identify participating Title I students, how students will be assessed, and the frequency of these assessments. Lastly, the description must provide the criteria used to enter and exit students in the program. The district must submit the updated program description to the NJDOE for review.

Finding 3: The district did not send notification letters to the parents of children in Schools 15, 16, 17 and 19 regarding their child's participation in the Title I program.

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

Required Action: The district must devise parent notification letters explaining the Title I program in Schools 15, 16, 17, and 19; multiple measures used to identify the students as well as clearly defined exit criteria. The district must provide a copy of the devised parent notification letter to the NJDOE for review.

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Finding 4: The district's Parents' Right-to-Know letter, the notification to parents of their right to inquire about the professional qualifications of their child's teachers, was not completely dated as required by the grant.

Citation: NCLB §1111 (h) (6)(A): *State Plans (Reports)*.

Required Action: The district must revise its Parent's Right-to-Know Letter with the month, day, and year. The district must ensure that its Parent's Right-to-Know letter is distributed to parents at the beginning of the school year.

Finding 5: The district could not provide documented evidence of its *school-parent compacts* for Schools 15, 16, 17, and 19.

Citation: NCLB §1118(d): *State Plans (Parental Involvement)*.

Required Action: The district is required to develop and distribute *school-parent compacts* detailing the respective roles and responsibilities of the school staff, parents, and students in striving to raise student achievement for Schools 15, 16, 17, and 19. The devised *school-parent compacts* must be distributed to parents of identified Title I students. The district must provide copies of the *school parent compacts* for Schools 15, 16, 17, and 19 to the NJDOE for review.

Finding 6: The district could not provide evidence of a mechanism used to distribute its written parental involvement policy.

Citation: NCLB §1118 (a)(2) and (b)(1): *Parental Involvement (Local Educational Agency Policy)*.

Required Action: The distribution date of the parent involvement policy must be consistent with the distribution date reflected in the 2009-2010 NCLB Consolidated Application on the Electronic Web Enabled Grant system (EWEG). The district must submit documented evidence to the NJDOE as to how and when its written parental involvement policy was distributed.

Finding 7: The district could not provide documentation to substantiate the contents of its required Annual Title I Parent Meeting.

Citation: NCLB §1118(c)(1) (2): *Parental Involvement (Policy Involvement)*.

Required Action: The district must reconvene its required Annual Title I Parent Meeting. The district must submit the required meeting minutes/notes, sign in sheet and the agendas from this meeting to the NJDOE for review.

Finding 8: The district could not provide documented evidence of its consultation with private school officials. However, the district did provide evidence of a meeting agenda dated May 27, 2009.

Citation: NCLB §1120(b): *Participation of Children Enrolled in Private Schools (Consultation)*

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Required Action: The district must provide evidence of invitational letters sent to private school officials inviting them to its annual consultation meeting. The district must also provide meeting notes from these meetings to ensure that the services provided to the nonpublic schools meet the statutory requirements. The district must submit the required invitational letter and meeting minutes/notes from the nonpublic schools consultation meetings to the NJDOE for review.

Finding 9: The district could not provide evidence that it distributed its military “opt-out” policy to the parents of its high school students.

Citation: NCLB §9528(1): *Armed Forces Recruiter Access to Students and Student Recruiting Information.*

Required Action: The district must provide evidence that it has distributed its “opt-out” form to parents and adult students. The district must also provide evidence that it maintains records of parents and students that have requested to “opt-out” of complying with requests from military recruiters, college recruiters, and employers. The district must submit a copy of the “opt-out” letter to the NJDOE for review.

ARRA-IDEA Basic and IDEA Basic

Finding 10: The district is not in compliance with the requirements for services to nonpublic schools. Although the district has a compliant contract with the Essex Regional Educational Services Commission that requires the district to comply with federal regulations with regard to purchasing, documentation indicates that the district does not provide the appropriate oversight required by law.

Citation: IDEA Regulation 34 CFR300 and 301 (Assistance to States for the Education of Children with Disabilities and Preschool Grants for Children with Disabilities).

Required Action: The district must conduct oversight activities with the nonpublic schools and develop procedures to participate in a collaborative decision making process with these schools. In communication with the nonpublic schools, the district must clarify how services will be delivered and ensure that the decisions made are for individual student needs and not for the benefit of the nonpublic school in general. The district must develop control procedures for oversight.

Finding 11: The district has not established specific goals and desired outcomes for their projects in IDEA or ARRA-IDEA. Further, the district has not established a method to provide evidence of the impact the ARRA-IDEA Basic and ARRA-IDEAPreschool funded services will have on students. They have not established expectations for success for activities included in the IDEA/ARRA Basic and Preschool Plan. For example, the district has included professional development for the general and special education staff as part of the IDEA and ARRA-IDEA plan. The district did not articulate how they would evaluate the effectiveness of the training. These goals should be incorporated into the plan to ensure that topics are directly related to student needs and can be measured either by standardized test scores, reduction of discipline reports or any other evaluative means. The district needs to establish expectations for the new

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positions established (transition coordinator, compliance monitors, school counselors) and a method to evaluate the effectiveness of these positions.

Citation: IDEA Regulations 34CFR §300.202.

Required Action: The district must have a plan for the evaluation of each activity specified in the ARRA Plan. The district should consider individual progress towards Individualized Educational Program goals and objectives, pre and post test scores, report cards, classroom observations and data to track math and reading scores using the purchased programs.

Finding 12 : The district is using IDEA and ARRA-IDEA funds for Coordinated Early Intervening Services (CEIS), but does not have evidence of the required criteria to identify general education students for CEIS. The district does not have a mechanism to track the progress of the students being serviced. Further, the district is currently servicing about 30 students. The district needs to expand its program to include more students who can benefit from the program.

Citation: IDEA Regulation 34 CFR 300.226 (*Early Intervening Services*).

Required Action: The district must develop criteria for identifying at-risk students and referring them for early intervening services. The district must also develop a mechanism to track their progress when services are provided and submit a copy of the criteria and logs to the NJDOE for review.

Finding 13: Based on a representative document review, although customized supplies purchased through the ARRA-IDEA grant are reflected in current student ISPs, there was no demonstration of a link between the instructional supplies purchased and the direct delivery of services to students with disabilities. The ISPs contained a check off list of instructional supplies (computers, fast forward reading programs, specialized mathematics program, and smart boards) in all student ISPs. The district must maintain appropriate documentation that purchases are consistent with the grant requirements in order to show that they are not supplanting federal funds by purchasing materials intended for schoolwide use.

Citation: IDEA Regulation 34 CFR 300.208 (*Permissive Use of Funds*).

Required Action: At the next regularly occurring annual review meetings, the district must list specialized materials and devices purchased to support instructional programs for students with disabilities in their ISPs.

Finding 14: The district has misclassified the accounting classification of equipment for items over \$2,000. Items that were purchased on the district's behalf for nonpublic schools by Essex Regional Educational Services Commission should have been charged to Instructional Equipment accounts.

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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 update its applications and corresponding accounting records to classify expenses according to their function. The revised budget summary for both the ARRA IDEA and IDEA Basic grants should be submitted to the NJDOE for review.

Financial Management and Reporting

Finding 15: Purchase Orders reviewed did not identify the program (i.e., Title I, ARRA-Title I, IDEA, ARRA-IDEA) or the targeted group of students for whom the school was purchasing the goods or services.

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: Internal Controls over the purchasing function must be enhanced with an audit trail that identifies the program and location requesting the purchase of goods and service.

Finding 16: The federal government does not recognize the State of New Jersey Contract List as an automatic default of best price for purchases that are to be made utilizing ARRA Funds. The federal government requires additional documentation to ensure that the best possible price is being attained for goods and services purchased with ARRA funds. In the case of the purchases made by the Essex Regional Educational Services Commission and Dell purchases made by the district, it was not possible to determine this review was satisfied.

Citations: 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. 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. Contracts awarded for professional services must contain the specific services to be provided, rates for the services and a maximum amount to be paid through the contract.

Required Action: The district must 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

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

Finding 17: The district payroll inaccurately pays contractual salaries and stipends in the same account. Grants appropriations for salaries are submitted for FICA and TPAF salaries, or FICA only, and should be maintained separately.

Citation: OMB Circular A-87, Attachment B, Section 8(h) *Cost Principles for State, Local and Indian Tribal Governments (Compensation for personal services)*. Uniform Minimum Chart of Accounts (Handbook 2R2)

Recommended Action: Teacher stipends should be charged to Other Salaries as required by the Uniform Minimum Chart of Accounts and to more clearly align stipends to the appropriate grant allocation. Final reports for grants should reflect the actual expenditures in the grants and expenditures should be adjusted to be reflective of actual payments to staff in the correct account code.

Finding 18: The district payroll records have numerous disbursement adjustments that could not be reasonably verified. There were no internal documents readily available to justify transfers and the underlying control process to verify that distributions were not apparent. The district initially inaccurately charged staff to the wrong accounts (Secretary charged to 100-100); staff was acknowledged to be transferred in the May 2010 board minutes (Teachers charged to IDEA should have been charged to Title III); and staff charged to IDEA should have been charged to the General Fund according to the board minutes. In each of these samples, adjustments have not been adjusted correctly as of the time of this review (five out of 11 tests). Likewise, payments for tuition contracts, were paid through the General Fund based on board approval, then payments made through IDEA 20-250-200-500 with a manual adjustment to the purchase order and then later adjusted in March 2010 to charge the correct account 20-250-100-500.

Citation: Uniform Minimum Chart of Accounts for New Jersey Public Schools, 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 should ensure that expenditures are charged to the appropriate general ledger account in accordance with the Uniform Minimum Chart of Accounts.

Recommendation 1: The district does not have formal written board policies for requesting reimbursement from the EWEG system; however, the district's practices for requesting reimbursement were verified through questions concerning the district's internal controls.

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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 approve a policy for requesting reimbursement from the EWEG system at an upcoming board meeting and submit the policy to the NJDOE for review.

Recommendation 2: The district's Purchasing Manual does not address contracting with disbarred vendors although there were administrative controls in place to prevent it from occurring in the general bid specifications used by the district.

Citation: EDGAR, PART 80--*Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*, Section 22 and NJAC 6A:23A-6.

Recommended Action: The district should update internal control and purchasing policies to prevent possible contracting errors from occurring.

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 Roseann Lozinski at 609-292-4452 or via email at roseann.lozinski@doe.state.nj.us.