



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*

Mr. Mark Miller, Superintendent  
Phillipsburg Board of Education  
445 Marshall Street  
Phillipsburg, NJ 08865-1656

Dear Mr. Miller:

The New Jersey Department of Education has completed a review of funds received and disbursed from one or more federal programs by the **Phillipsburg 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 Phillipsburg 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:Phillipsburg BOE Cover Letter  
Enclosures

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**American Recovery & Reinvestment Act 2009**

*New Jersey K-12 Education*

ARRA MONITORING REPORT  
DECEMBER 2010

**District:** Phillipsburg  
**County:** Warren  
**Dates on-Site:** October 4 through 8, 2010  
**Case #:** ARRA-066-09

**Funding Sources**

<b>Program</b>	<b>Funding Award</b>
State Fiscal Stabilization Fund - Education Stabilization Fund	\$4,353,362
State Fiscal Stabilization Fund - Government Services Fund	168,525
ARRA-Title 1	543,558
ARRA-IDEA Basic	744,763
ARRA-IDEA Preschool	26,770
<b>Total ARRA Funds</b>	<b>\$5,836,978</b>
Title I	\$1,232,369
Title II Part A	248,590
Title II Part D	14,436
Title III	32,897
Title IV	17,837
IDEA Basic	736,792
IDEA Preschool	15,302
<b>Total Non ARRA Funds</b>	<b>\$2,298,223</b>
<b>Total Funds</b>	<b>\$8,135,201</b>

**PHILLIPSBURG SCHOOL DISTRICT**  
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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 Phillipsburg 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 Funds (SFSF) including the Education Stabilization Fund (ESF) and Government Services Fund (GSF); Title I; ARRA-Title I; ARRA-IDEA Basic; ARRA-IDEA Preschool; Title I; Title II, Part A; Title II, Part D; Title III; Title IV; 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 \$4,353,362 were reviewed;
- GSF expenditures totaling \$168,525 were reviewed;
- ARRA-Title I expenditures totaling \$137,665 were reviewed;
- ARRA-IDEA Basic expenditures totaling \$395,350 were reviewed;
- ARRA-IDEA- Preschool funds had not been expended at the time of the monitoring visit;
- Title I expenditures totaling \$174,740 were reviewed;
- Title II Part A expenditures totaling \$ 37,610 were reviewed;
- Title II Part D expenditures totaling \$ 1,010 were reviewed;
- Title III expenditures totaling \$10,580 were reviewed;
- Title IV expenditures totaling \$4,192 were reviewed;
- IDEA Basic expenditures totaling \$1,211,518 were reviewed; and

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- IDEA Preschool expenditures totaling \$ 7,230 were reviewed.

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

The district used ESF and GSF funds to pay the Middle School and High School salaries. The staff selected was appropriate to be used for these funds. The district failed to maintain a copy of the 1512 Quarterly Report, but claimed that no new jobs were created with these funds as it was part of the Equalization Aid. There were numerous accounting processes that failed to take place according to GAAP accounting and will be reported in the findings below.

The district operates a schoolwide program in four of its funded Title I schools. The district opted not to serve its middle and two high schools with the funds. The district identified the Language Arts Literacy and Technology Literacy programs as a priority problem. The district used its Title I and ARRA-Title I funds for salaries, extended school year programs, professional development, balanced literacy initiative and to support Language Arts Literacy and Technology Literacy.

The district mainly used the IDEA and ARRA-IDEA funds for tuition for out-of-district students. The district also used a large portion ARRA-IDEA funds for a supplemental reading and mathematics programs for the special education students including Read 180, System 44 and Numbers World for mathematics. On-line professional development for a program entitled PD 360 related to behavioral management training was included.

The ARRA-IDEA funds were budgeted for tuition, staff salaries, programs, supplies and professional development. Funds are being used to initiate new reading and mathematics programs. The new programs purchased include: Read 180, System 44, Numbers World and PD 360, which provides on-line behavioral management training for staff. A bus will be purchased to provide transportation for classified students. The district is planning to expand the existing autism program. One teacher, two part-time aides, and a professional consultant in ABA therapy will be hired. The district plans to purchase instructional supplies, new technology and software to supplement instructional strategies for the autism classes. Funding will be provided for special education department leaders to oversee implementation of programs as required in student IEPs. The department leaders will oversee classified student scheduling to ensure compliance. IDEA and ARRA-IDEA funds are being used for a new dropout prevention program. Part of the funding was designated for an end of the year class trip to Dorney Park and a bowling alley trip.

A new parent's advocacy program was established to provide monthly training for special education parents. The needs of the nonpublic students with special needs are addressed directly by the district. The services are provided as required by the service plans developed by the district's child study team. The district hopes that the classified students' NJ ASK and HSPA results will improve as a result of the additional support and resources provided.

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**DETAILED FINDINGS AND RECOMMENDATIONS**

**SFSF**

**Finding 1:** The district's cash management report was not available for review at the time of the monitoring visit. The funds were requested from the state and received from September 30, 2009 until December 31, 2009. The district did not record the disbursement of the funds in the Budgetary System until June 2010, although payroll was processed in Fund 15 during this time. The district provided a plan to use contractual salaries, but failed to give evidence that specific amounts paid to staff during each period matched their reimbursement request. For example, the district requested \$483,706 during September, but presented payroll in Fund 15. No appropriate transfers took place linking the actual expenditures to the Fund 16 or 17 requests. Only recording the disbursement against Funds 16 and 17 once during the year is a misrepresentation of the true financial status of the district and the Board Secretary Reports, general ledger and expenditures were inaccurate.

**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 salaries and the backup necessary to support the reimbursements requested which are consistent with federal guidance. The district must submit to the NJDOE for review updated detailed information for staffing through December 31, 2009 that agrees with reimbursement requested.

**Finding 2:** The district was not able to provide the 1512 quarterly report at the time of the monitoring 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.

**ARRA-Title I and the Title I Consolidated Grant**

**Finding 3:** Budgetary records were not in agreement with the Grant application for Title I, Part A; Title IIA; Title IID; and Title III. Accounting records are such that it was impossible to determine which expenditures took place during the 2009-2010 grant period for carryover for Title I, Part A; Title IIA; Title IID; and Title III. The Electronic Web Enabled Grant (EWEG) application was submitted including the carryover, but the board did not take action on the 2008-2009 carryover funds until its August 9, 2010 meeting and inaccurately deemed the money

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carryover for 2009-2010 grants. Accounts given to the monitoring team for the carryover and Summer funds from the prior grants were not in agreement with the carryover for 2008-2009. The Budgetary Accounts did not include the carryover funds and do not match the 2009-2010 grant award. The district's budget allocation of Title I Consolidated Grant and ARRA-Title I funds to its schools does not agree with the Title I school allocations on the 2009-2010 application on the EWEG system.

**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 2009-2010 NCLB Consolidated Application for Title I funds (Eligibility Page, Step 4) and the ARRA-Title I Application. The revised budget must be submitted to the NJDOE for review.

**Finding 4:** The district staff charges to the NCLB consolidated grant were not approved by the district's board of education. In some instances, there were approvals. but in most cases, staff was not renamed annually.

**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 should have all staff charged to any federal grant approved by the board of education annually. The district should submit minutes showing the approval of staff funded by NCLB for the 2010-11 grant period to the NJDOE for review.

**Finding 5:** The district does not have the required supporting documents to verify the activity of ARRA-Title I funded staff (including administrative staff) as required by federal law.

**Citation:** OMB Circular A-87, Attachment B, Section 8(h): *Cost Principles for State, Local and Indian Tribal Governments (Compensation for personal services)*.

**Required Action:** The district must verify the time and activity of staff charged to the grant. The district must submit a list of 2009-2010 Title I funded staff salaries (including administrative staff), funding percentages and time sheets to date to the NJDOE for review.

**Finding 6:** The district did not have an equipment inventory for items purchased with federal grants (Title I and Consolidated).

**Citation:** EDGAR, PART 80--*Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*, Section 32, Equipment.

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**Required Action:** The district must have formal tracking of equipment purchased with federal grants. Although the state threshold for reporting equipment is \$2,000 in the EWEG system, the district may have its own lower threshold. The district must track any amount that is less expensive to track than it is to replace. All inventoried items should include tag number, cost, location, date of purchase and item description.

**Finding 7:** The district funded a consultant group, Standard Solutions, to work with staff on best practices in the area of student testing, without providing the required supporting documentation.

**Citation:** OMB Circular A-87, Attachment B, Section 8(h): *Cost Principles for State, Local and Indian Tribal Governments*.

**Required Action:** The district must provide a copy of the contract for Standard Solutions detailing how they will assist staff in developing strategies to assist in student testing.

**Finding 8:** The district funded a technology support position with the use of the ARRA-Title I, Part A funds, without presenting a formal plan for sustainability beyond the funded project period.

**Citation:** *The American Recovery and Reinvestment Act of 2009 (ARRA) (Public Law 111-5)*

**Required Action:** The district must put in place a formal plan for sustaining this additional position funded with ARRA-Title I funds.

**Finding 9:** The district presented an ARRA Stimulus Possibilities Worksheet-2009 listing proposed programs (Info Source Learning, My Access, and Naviance) to be purchased with the use of ARRA-Title I, Part A funds. These programs are unallowable as these programs are not limited to the funded Title I schools.

**Citation:** OMB Circular A-87, Attachment B, Section 8(h): *Cost Principles for State, Local and Indian Tribal Governments*.

**Required Action:** The district must reverse the charges for these unallowable activities and allocate state/local funds, rather than Title I funds, to support these unallowable expenditures.

**Finding 10:** The distribution date for the written parental involvement policy could not be verified. The documentation provided revealed that the policy was distributed in September 2009 as opposed to August 31, 2009, the date entered into the EWEG system.

**Citation:** NCLB §1118(a): *Parental Involvement (Local Education Agency Policy)*.

**Required Action:** The district must ensure that the distribution date of its written parent involvement policy matches the date entered on EWEG.



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**Finding 11:** The district could not provide documented evidence of parents attending various parent involvement activities.

**Citation:** NCLB §1118(a): *Parental Involvement (Local Education Agency Policy)*.

**Required Action:** The district must retain sign in sheets, agendas, and meeting minutes from all parental involvement activities held and funded out of Title I funds.

**Finding 12:** The district could not provide documented evidence (i.e. invitational letter, meeting minutes, and an agenda) of convening its annual consultation meeting for nonpublic services. However, the district's affirmation of consultation for St. Phillips School and St. James School was dated and signed on July 31, 2009.

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

**Required Action:** The district must maintain records that provide documented evidence that it has convened its annual consultation for its nonpublic schools.

**ARRA-IDEA Basic and IDEA Basic**

**Finding 13:** The IDEA grant included disbursements extended to salaries and consultants in the Tuition line. The district expended funds in accounts with no budget, \$13,140.75 was spent out of the tuition line for staff salaries, and \$9,204 from the tuition line for purchased professional services. IDEA Support Services lines were used for a teacher's salary.

**Citation:** EDGAR, PART 80--*Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*, Section 20, Standards for financial management systems. Uniform Minimum Chart of Accounts for New Jersey Public Schools.

**Required Action:** The district needs to revise expenditures and to resubmit the final report to the NJDOE for review.

**Finding 14:** The district has not established a method to provide evidence of the impact the ARRA-IDEA Basic and ARRA-IDEA Preschool funded services will have on students. They have not established expectations for success for activities included in the ARRA-IDEA Basic and ARRA-IDEA Preschool Plan.

**Citation:** IDEA Regulations 34CFR §300.202.

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

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**Finding 15:** The district spent federal funds on entertainment-related activities that are non-allowable under the federal cost principles. The district organized a trip for classified students to Dorney Park which was not a part of the instructional program.

**Citation:** OMB Circular A-87: *Cost Principles for State, Local and Indian Tribal Governments*, Section 14, Entertainment.

**Required Action:** The district should reverse the charges for this activity to allocate state/local funds, rather than IDEA funds, to support this trip.

**Finding 16:** The district has not maintained the required supporting documentation of the time and activity of IDEA and ARRA-IDEA funded staff. All grant-funded personnel must have time and activity reports that show dates and hours worked.

**Citation:** OMB Circular A-87, Attachment B, Section 8(h) *Cost Principles for State, Local and Indian Tribal Governments (Compensation for personal services)*.

**Required Action:** The district must verify the time and activity of staff charged to the grant. The district must submit a list of 2009-2010 ARRA-IDEA funded staff, salaries, funding percentages and time sheets to date, to the NJDOE for review (including administrative staffing).

**Finding 17:** A review of district documents revealed that, customized supplies purchased through the ARRA-IDEA grant were not reflected in current student IEPs. There was no demonstration of a link between the instructional supplies purchased and the delivery of services to students with disabilities in either segregated programs or included in the general education classes. Items purchased included computer peripherals, and infrastructure materials requested by the Technology department.

**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 IEPs. 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, general curriculum use.

**Finding 18:** The district did not have an equipment inventory for items purchased with federal grants (IDEA and ARRA-IDEA).

**Citation:** EDGAR, PART 80--*Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*, Section 32, Equipment.

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**Required Action:** The district must have formal tracking of equipment purchased with federal grants. Although the state threshold for reporting equipment is \$2,000 in the EWEG system, the district may have its own lower threshold. The district must track any amount that is less expensive to track than it is to replace. All inventoried items should include tag number, cost, location, date of purchase, and item description.

**Finding 19:** The district misclassified the accounting classification of equipment into the supply category for items over \$2,000.

**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.

**Finding 20:** At the time of the on-site visit, the district had not encumbered any of the funds for the ARRA-IDEA Preschool grant. Interviews with district administrative staff suggested that the ARRA spending plan recorded in the EWEG may be incomplete in describing the intended use of these funds for services to special education students.

**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 reconcile its local spending plan to the ARRA spending plan recorded in the EWEG system and, if necessary, amend the application to ensure concurrence between the grant application and the program expenditures.

**Finding 21:** The district staff charged to the IDEA Basic grant were not approved by the district's board of education. One teacher's entire salary amount was paid out of the grant, although her position was not in the 2009-2010 grant. Also the district had no board minutes to support these payments.

**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:** All staff charged to any federal grant must be approved by the board of education.

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**FINANCIAL MANAGEMENT AND REPORTING**

**Finding 22:** Our review revealed a number of State Contract sole source purchases. 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.

**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 require 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. 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 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. All professional services contracts awarded must contain a minimum level of detail which includes the services to be provided and rates for those services and the maximum amount to be paid through the contract.

**Finding 23:** The district failed to comply with state and federal procurement regulations. Our review uncovered four occurrences which exceeded the bid threshold (three ARRA-IDEA and one ARRA-Title I).

**Citation:** N.J.S.A. 18A:18A-4 *Contracts and agreements requiring advertising*, EDGAR, PART 80—*Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*, Section 36, Procurement.

**Required Action:** The district must ensure that it complies with the established Standard Operation Procedures to monitor the dollar threshold required for competitive bidding.

**Finding 24:** The district charged several expenditures to the incorrect general ledger accounts. The district does not comply with GAAP accounting, i.e. staff were reimbursed for supply purchases out of salary accounts, consultants were paid out of tuition lines, and equipment was paid for out of supply accounts.

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**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 must ensure that expenditures are charged to the appropriate general ledger account in accordance with the Uniform Minimum Chart of Accounts.

**Finding 25:** The review found two purchase orders (Title II and Title III) altered without written documentation and authorization. Also, our review revealed a purchase order (Title IV) which was neither signed nor accompanied by any purchasing documentation

**Citation:** N.J.S.A. 18A:19-2 *Requirements for payment of claims; audit of claims in general.*

**Required Action:** All payments to vendors should be supported by an original invoice from the vendor. Payments should not exceed the amount invoiced. Rigorous reviews of all purchase orders for authorization and documentation costs should be implemented in order to avoid unauthorized and/or incorrect purchases.

**Finding 26:** 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 must reflect the actual expenditures in the grants and expenditures must be adjusted to be reflective of actual payments to staff in the correct account code.

**Finding 27:** Purchase orders reviewed did not identify the program (i.e., Title I, ARRA-Title I, IDEA, ARRA-IDEA, Title II, Title III and Title IV) or the targeted group of students for whom the school purchased 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:** The district must implement internal controls over the purchasing function that identifies the program and location requesting the purchase of goods and services.

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**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. The district has a proposed policy 6112, Reimbursement of Federal and Other Grant Expenditures to be submitted for readings and adopted at a board meeting.

**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 proposed policy 6112 at an upcoming board meeting and submit the policy to the NJDOE for review.

**Recommendation 2:** The district's Purchasing Manual does not address the issue of contracting with disbarred vendors (even though this did not happen, there were no administrative controls in place to prevent it from occurring).

**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 and purchasing policies to prevent possible contracting errors from occurring.

**Recommendation 3:** The district's internal control policies and standard operating procedures need to be updated to prevent non-allowable costs from being charged to grants and improper use of budgetary accounts.

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

**Recommended Action:** The district must update internal control policies to prevent these errors from recurring. The district should establish Standard Operating Procedures and train appropriate staff to keep budgetary controls in place.

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](mailto:roseann.lozinski@doe.state.nj.us).