



State of New Jersey

DEPARTMENT OF EDUCATION

PO Box 500

TRENTON, NJ 08625-0500

CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

CHRISTOPHER D. CERF
Acting Commissioner

August 24, 2011

Mr. Joseph E. Martino, Interim Superintendent
Roselle Borough Board of Education
710 Locust Street
Roselle, NJ 07203-1919

Dear Mr. Martino:

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

Distribution List

Christopher Cerf
Bari Erlichson
David Corso
Barbara Gantwerk
Justin Barra
Glenn Forney
Anne Corwell
Karen Campbell
Patricia Gray
John Worthington
Roseann Lozinski
Joseph Passiment
Stephen M. Eells

STATE OF NEW JERSEY
DEPARTMENT OF EDUCATION
PO BOX 500
TRENTON, NJ 08625-0500

ROSELLE BOROUGH BOARD OF EDUCATION
710 LOCUST STREET
ROSELLE, NJ 07203-1919
PHONE: 908-298-2040



American Recovery & Reinvestment Act 2009

New Jersey K-12 Education

ARRA MONITORING REPORT

August 2011

District: Roselle Borough
County: Union
Dates on-Site: January 28 through 31, 2011
Case #: ARRA-072-09

FUNDING SOURCES

| Program | Funding Award |
|--|----------------------|
| State Fiscal Stabilization Fund – Education Stabilization Fund | \$3,642,431 |
| State Fiscal Stabilization Fund – Government Services Fund | 141,004 |
| ARRA-Title I | 400,690 |
| ARRA-Title I SIA, Part A | 13,756 |
| ARRA-IDEA Basic | 973,866 |
| ARRA-IDEA Preschool | 35,049 |
| Total ARRA Funds | <u>\$5,206,796</u> |
| Title I | \$615,578 |
| Title I SIA | 24,829 |
| IDEA Basic | 880,039 |
| IDEA Preschool | 46,740 |
| Total Non ARRA Funds | <u>\$1,567,186</u> |
| Total Funds | <u>\$6,773,982</u> |

**ROSELLE BOROUGH PUBLIC SCHOOLS
ARRA MONITORING REPORT
AUGUST 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 Roselle Borough 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 December 31, 2010. The monitoring also included a review of the 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 December 31, 2010:

- ESF expenditures totaling \$3,642,431 were reviewed;
- GSF expenditures totaling \$141,004 were reviewed;
- Title I expenditures totaling \$73,573 were reviewed;
- Title I SIA, Part A expenditures totaling \$20,829 were reviewed;
- ARRA-Title I expenditures totaling \$141,004 were reviewed;
- ARRA Title I SIA expenditures totaling \$400 were reviewed;
- IDEA Basic expenditures totaling \$221,205 were reviewed;
- IDEA Preschool expenditures totaling \$8,097 were reviewed;

**ROSELLE BOROUGH PUBLIC SCHOOLS
ARRA MONITORING REPORT
AUGUST 2011**

- ARRA-IDEA Basic expenditures totaling \$70,390 were reviewed; and
- ARRA-IDEA Preschool had not been expended at the time of the monitoring visit.

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

SFSF Funds

The district used ESF and GSF funds to pay for selected staff salaries and for benefits. The staff selected was appropriate to be used for these funds.

Title I, Title I SIA, ARRA-Title I and ARRA-Title I SIA

The district budgeted its 2009-2010 Title I allocation to implement mathematics and literacy programs designed to improve student achievement for eligible students in five of its six schools for grades K-7; Harrison Elementary School, Dr. Charles C. Polk School, Washington Elementary School, Leonard V. Moore Middle School and Grace Wilday Junior High School. Abraham Clark High School was eligible for the Title I program however; the district chose not to run the program in the 2009-2010 school year. One of the funded schools, Grace Wilday Junior High School, has been designated as a School in Need of Improvement (SINI). The district utilized their funds for the following activities at the targeted assistance schools:

- Connected Math and Read 180 - Students who qualified for the mathematics and literacy programs based on district criteria received additional support throughout the school day. Support included supplemental instruction in mathematics and/or language arts in addition to the standard classroom instruction. The supplemental instruction was two times a week for each content area. Fourteen teachers instructed Title I students, six at the elementary level and eight at the middle school level.
- After School Program - The after school program is a supplemental program to reinforce the curriculum and instruction in all content areas. The program was provided three times a week and was instructed by four Title I teachers.
- Diagnostic Reading Assessments (DRA) - Elementary school students identified as struggling in language arts were administered the DRA for leveling. Teachers analyzed student data, as well as documented the student progress.
- Provided professional development through coaching, to support the teachers as they implemented differentiated instruction and other targeted strategies in language arts literacy at the SINI school.

The district's expectations for success were measured through the NJ ASK, NJ PASS, DRA assessments and report cards.

**ROSELLE BOROUGH PUBLIC SCHOOLS
ARRA MONITORING REPORT
AUGUST 2011**

ARRA-IDEA Basic, ARRA-IDEA Preschool, IDEA Basic and IDEA Preschool

The district is serving 480 classified students, 70 students are placed out of the district. The district has recently resubmitted an ARRA-IDEA application, but the application had not received final approval at the time of this review. According to the ARRA plan, the funds are dedicated for leasing/constructing of an early preschool center, hiring a transition coordinator, and hiring a part time psychologist to work with the classified students. The district is planning to purchase Smart boards and laptops to enhance the instruction. At the time of this monitoring, the district had not made the final decision regarding this construction project and the district had not filed for the appropriate NJDOE construction permits. At the exit conference for this monitoring, the district administrators indicated there is ongoing discussion regarding the IDEA and ARRA-IDEA grant and the district may still amend the application again.

The district is providing services for 37 parentally placed students with disabilities in nonpublic schools. The Union County Educational Services Commission is contracted to provide services to these students. At the time of the monitoring, the district could locate the Individual Service Plans (ISP) for only some of the disabled students placed in the nonpublic schools.

DETAILED FINDINGS AND RECOMMENDATIONS

SFSF

Finding 1: The district was not able to provide the 1512 quarterly report at the time of the monitoring. The district's 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, Title I SIA, ARRA-Title I and ARRA-Title I SIA

Finding 2: The district budgetary records for FY 2010-2011 were not in agreement with the Grant application for Title I, and Title I SIA, Part A. Accounts given to the monitoring team for the carryover from the prior grants were not in agreement with the carryover for FY 2009-2010. The FY 2010-2011 budgetary accounts did not include the carryover.

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

**ROSELLE BOROUGH PUBLIC SCHOOLS
ARRA MONITORING REPORT
AUGUST 2011**

Required Action: The district must reconcile its budget to correspond to the Title I school-level allocations reflected in the FY 2009-2010 NCLB Consolidated Application for Title I funds (Eligibility Page, Step 4) and the ARRA-Title I Application. The revised district budget must be submitted to the NJDOE for review.

Finding 3: The district did not provide evidence of convening the Title I annual meeting for parents to inform them of the eligible schools' participation in Title I and the parental involvement requirements and rights.

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

Required Action: The district must submit the invitational letter/flyer, the agenda, sign in sheets, and meeting notes or minutes from the FY 2009-2010 meeting to the NJDOE for review. In subsequent school years, the district must convene and document that the annual meeting with the parents of Title I students was conducted.

Finding 4: While the district provided very thorough, detailed, and specific documentation on the initial consultation meeting with all nonpublic school officials, no documentation was provided to verify that this consultation remained ongoing, timely, and meaningful. Title I regulations stipulate that consultation must continue throughout the implementation and assessment of services.

Citation: NCLB § 1120 and § 9501 and §200.63 of the Title I Part A Regulations.

Required 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 ongoing contact with the nonpublic school officials. This can be accomplished by establishing procedures to track nonpublic school contact via certified return receipt letters, 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.

Finding 5: The district did not formally appoint Title I staff in the board minutes.

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: All staff charged against grants should be reappointed annually by board resolution.

ARRA-IDEA Basic, ARRA-Preschool, IDEA Basic and IDEA Preschool

Finding 6: The district does not have the required supporting documents to verify the activity of IDEA and ARRA-IDEA staff as required by federal law.

**ROSELLE BOROUGH PUBLIC SCHOOLS
ARRA MONITORING REPORT
AUGUST 2011**

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 FY 2009-2010 IDEA/ARRA-IDEA funded staff, salaries, funding percentages and time sheets to date, to the NJDOE for review (including administrative staffing).

Finding 7: 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/allocations included in the ARRA-IDEA Basic and ARRA-IDEA Preschool Plan.

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 can consider individual progress towards IEP goals and objectives, pre and post test scores, report cards and classroom observations.

Finding 8: The district was not in compliance with services to nonpublic schools with regard to their contract with an outside provider, communication of how requested services are handled and the list of students being serviced.

Citation: IDEA Regulation 34 CFR 300 and 301 (Assistance to States for the Education of Children With Disabilities and Preschool Grants for Children With Disabilities).

Required Action: The district must revise its contract with its nonpublic provider to provide for payments based on specific services provided; develop procedures to capture consultations specifically for IDEA and ARRA-IDEA services and obtain confirmation of consultation forms from the nonpublic schools; develop procedures for requests for additional services that come through the district and not the provider; have a specific list of students and services under IDEA and ARRA-IDEA; and revise the service plans to match these lists.

Finding 9: The district misclassified the accounting classification of a high school purchase and charged the ARRA-IDEA Preschool. The purchase occurred during FY 2009-2010 which was already audited.

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

**ROSELLE BOROUGH PUBLIC SCHOOLS
ARRA MONITORING REPORT
AUGUST 2011**

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 grants should be submitted to the NJDOE for review.

Finding 10: Purchase orders were found which did not identify the program (i.e., Title I, ARRA-Title I, IDEA, and 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.

Required 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 11: The review found an ARRA-IDEA Preschool purchase order altered without written documentation and authorization. Purchase order changes should be approved by the district authorizing employee and the business administrator.

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

Recommended Action: The district must implement internal controls over the purchasing function so that modifications to purchase orders always have the business administrator's signature. 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 12: The district has misclassified the accounting classification of equipment for items over \$2,000. Items purchased by the district for a nonpublic school should have been charged to Instructional Equipment accounts.

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 the ARRA-IDEA grant should be submitted to the NJDOE for review.

Finding 13: The district's ARRA-IDEA nonpublic tracking procedures for purchased technology were not operating as intended. The inventory list provided by the district did not identify ARRA-IDEA nonpublic technology expenditures.

**ROSELLE BOROUGH PUBLIC SCHOOLS
ARRA MONITORING REPORT
AUGUST 2011**

Citation: 34CFR §300.111.

Required Action: The district must implement tracking procedures for purchased nonpublic schools' technology equipment. The district must be able to at any time locate all the equipment that was purchased with federal grant funds for nonpublic schools.

Finding 14: The school improperly revealed the names of special education students. Student names were included on purchase orders going to outside consultants. The school does not have a procedure to eliminate unnecessary public labeling of its classified students when seeking services.

Citation: N.J.A.C. 6A: 32 *Subchapter 7: Student Records.*

Required Action: The school must establish a procedure to assign a student identification code to their classified students for the purpose of maintaining student confidentiality. This code should be used in all future purchases. The procedure to be followed must be submitted to the NJDOE for review.

Finding 15: The district did not appoint all federally funded grant staff in the board minutes. In some instances, there were appointments with start and end dates; however, some staff were paid before the approved period.

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: All staff charged against grants should be reappointed annually by board resolution.

Administrative

Recommendation 1: The district does not have formal written board policies for requesting reimbursement from the Electronic Web Enabled Grant system; however, the district's practices for requesting reimbursement were 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.

Recommended Action: The district must approve a policy at an upcoming board meeting and submit the policy to the NJDOE for review.

**ROSELLE BOROUGH PUBLIC SCHOOLS
ARRA MONITORING REPORT
AUGUST 2011**

Recommendation 2: The district's Purchasing Manual does not address the issue of contracting with disbarred vendors (even though this did not occur, 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 occurring. The district should establish Standard Operating Procedures and train appropriate staff to keep budgetary controls in place.

Recommendation 4: 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 LFN 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.

**ROSELLE BOROUGH PUBLIC SCHOOLS
ARRA MONITORING REPORT
AUGUST 2011**

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