



State of New Jersey

DEPARTMENT OF EDUCATION

PO Box 500

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Acting Commissioner

November 29, 2010

Mr. Paul Spaventa, Superintendent
Gloucester City Board of Education
520 Cumberland Street
Gloucester City, NJ 08030

Dear Mr. Spaventa:

The New Jersey Department of Education has completed a review of funds received and disbursed from one or more federal programs by the **Gloucester 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 August 24, 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 Gloucester 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 Anthony Hearn at (609) 633-2492.

Sincerely,

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

RJC/LDM/tc:Gloucester City BOE Cover Letter ARRA
Enclosures

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

**ARRA MONITORING REPORT
NOVEMBER 2010**

District: Gloucester City Board of Education
County: Camden
Dates On-Site: August 24 and 25, 2010
Case #: ARRA-032-09

FUNDING SOURCES

Program	Funding Award
State Fiscal Stabilization Fund – Education Stabilization Fund	3,378,830
State Fiscal Stabilization Fund – Government Services Fund	130,800
ARRA-Title I	397,254
ARRA-Title I SIA	6,941
Total ARRA Funds	\$3,913,825
Title I	919,683
Title I - SIA	32,024
Total Non-ARRA Funds	951,707
Total Funds	\$4,865,532

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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 Gloucester City 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; and Title I SIA for the period July 1, 2009 through August 24, 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 salary of \$ 3,378,830;
- GSF expenditures for salary of \$ 130,800;
- ARRA-Title I expenditures of \$ 353,258;
- ARRA-Title I SIA expenditures of \$ 6,941;
- Title I expenditures of \$ 825,720; and
- Title I SIA expenditures of \$ 1,835

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

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GENERAL DISTRICT OVERVIEW OF USES OF TITLE I AND IDEA FUNDS

ARRA-Title I Projects

The Gloucester City Public Schools' FY 2010 I, Part A allocation was \$919,683. In its original FY 2010 NCLB Consolidated Application, the district dedicated \$141,165 of its Title I, Part A allocation for the following purposes: \$45,984 for administrative expenses, \$9,197 for parent involvement, \$44,550 for district professional development and \$183,937 for supplemental educational services. The balance of the funds (\$778,518) was allocated to the district's three schools. In April 2010, the district amended its FY 2010 Application to reallocate \$143,937 of the SES funds for use in its schoolwide Title I programs.

The district's FY 2010 Application identifies priority problems in the areas of closing the achievement gap among student subgroups, student achievement in language arts literacy and mathematics, and professional development in the areas of language arts literacy, mathematics and standards-based assessment. To address these problems, the district utilized the FY 2010 Title I, Part A funds for salaries and benefits, professional development for both teachers and administrators, curriculum development, the printing of community outreach materials, and supplies including novels, books, Weekly Readers, and science kits.

The district's ARRA-Title I allocation was \$397,254. In its ARRA-Title I, Consolidated Application, the district reserved \$123,150 (31%) for dedicated uses. Specifically uses of the dedicated fund are \$19,863 (5%) for administrative expenses, \$19,863 (5%) for district professional development, \$3,973 (1%) for parent involvement and \$79,451 (20%) for supplemental educational services. The balance of \$274,104 was allocated to the district's three schools. The district is using the ARRA-Title I, Part A funds for salaries and benefits, an extended year program (summer school), curriculum writing, professional development, technology (wireless network), student/family support services, and instructional supplies such as novels and science materials.

The district's overall goal is to use the FY 2010 and ARRA Title I, Part A funds to provide instruction and academic experiences that strengthen students' literacy and mathematical skills. A decrease in the number of partially proficient students on the NJ ASK (by 10-15%) is the district's measure for determining the impact of the funds on student achievement. The district's evaluation plan includes reviewing Cycle II NJ ASK data to determine the effectiveness of programs, activities and strategies on student achievement. Specifically, the district's plan incorporates the analysis of cluster area data and subgroup performance data to ascertain areas of strength and weakness. In addition, the district collects and analyzes student performance data from in-house benchmarks and course grades as another means to inform instruction and increase student achievement.

DETAILED FINDINGS AND RECOMMENDATIONS

SFSF

Finding 1: The districts reporting and tracking of jobs created and jobs retained did not reconcile with the required supporting detail to identify the jobs reported for ESF and GSF funding on the 1512 Report.

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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: In order to be in compliance with the federal guidance recently issued with regard to jobs created and jobs retained, the district must have formal tracking of SFSF funding and the backup necessary to support the information submitted.

Title I

Finding 2: The district does not have a mechanism to track mandatory reserves such as School In Need of Improvement (SINI) professional development and parental involvement in its accounting system to ensure accuracy of final reports.

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 track its restricted reserves to ensure and verify spending of restricted amounts. The district must submit a list of account numbers being used for this purpose with a description of the accounts.

Finding 3: The district's budget allocation of Title I and ARRA Title I funds to its schools are not being monitored for matching the Title I school allocations on the 2009-2010 NCLB Consolidated Application for Title I funds (Eligibility Page, Step 4). Although general ledger accounts are in place for each location it does not appear to be monitored by anyone in the district.

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

Required Action: The district must monitor 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 ARRA-Title I funding.

Finding 4: The district's lack of internal controls allowed confirming orders. The district issued a contract to the provider and after getting invoiced issued a purchase order for the 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 and N.J.S.A 18A:8A(2)(v) *Public School Contracts Law*.

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Required Action: The district must increase internal controls to ensure a system of checks and balances from the requesting of services, through contract issuance, purchase order and payment.

Finding 5: The district appears to be supplanting by expending funds on non-allowable uses such as textbooks, CPR classes, Power School for the nonpublic schools, and new teacher consulting for nonpublic schools. The district was unable to document these as supplemental in nature and that they met the intent of the Title I program.

Citation: OMB Circular A-87, Attachment B, *Cost Principles for State, Local and Indian Tribal Governments*, NCLB Section 1120A(b) *Fiscal Requirements, Federal Funds To Supplement, Not Supplant, Nonfederal Funds*. 34 CFR § 200.26 *Core elements of a schoolwide program*.

Required Action: The district must back out these expenditures from the grant and review all other similar expenditures. The district must provide a list of the expenses being removed, show adjusting entries and a plan on how to prevent these costs from occurring in the future.

Finding 6: A review of documentation for 13 paraprofessionals revealed that two paraprofessionals did not fully meet Title I requirements, and one paraprofessional's transcript did not include the name of the institution granting the credits.

Citation: ESEA §1119(d): *Qualifications for Teachers and Paraprofessionals*
34 CFR §200.58: *Qualifications of paraprofessionals*.

Required Action: The district must provide evidence to the NJDOE that the three paraprofessionals have fully met the Title I requirements for paraprofessionals. The district must provide documentation that paraprofessionals participating in the portfolio assessment option have met the required professional development hours. The district must also present evidence that the other paraprofessional attended an accredited institution of higher education. If the district is unable to verify that these employees have met the Title I requirements, the district must immediately reassign the employees to full-time non-instructional positions, or terminate their employment with the district.

Finding 7: In Fund 20, the district is using Title I funds to support the salaries of staff that are not assigned to activities that address the needs of low-performing students. Title I funds are being used for salaries of staff participating in activities such as arts and crafts, a skating trip, and conducting sports physicals. Additionally, the district has approved time and activity reports that do not indicate the activity for which the employee is being paid (column for Activity Summary is blank-Michael J. Lifsted (6/30/09).

Citation: OMB Circular A-87, Attachment B, *Cost Principles for State, Local and Indian Tribal Governments*, NCLB Section 1120A(b) *Fiscal Requirements, Federal*

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Funds To Supplement, Not Supplant, Nonfederal Funds. 34 CFR § 200.26 Core elements of a schoolwide program.

Required Action: The district must back out these expenditures from the grant and review all other similar expenditures. The district must provide a list of the expenses being removed, show adjusting entries and a plan on how to prevent these costs from occurring in the future.

Finding 8: The district's contract with EIRC to operate an extended day program does not demonstrate that the program meets the intent and purpose of a Title I schoolwide program. There is no evidence that the program includes activities to "ensure that students who experience difficulty mastering the proficient or advanced levels of academic achievement standards." The contract states that the program consists of "a variety of educational, cultural, and enrichment classes as well as homework club and SAT preparation."

Citation: ESEA §1114(b): *Schoolwide Programs (Components of a Schoolwide Program).*

Required Action: The district must ensure that the extended day program focuses on meeting the academic and instructional needs of the low-performing students. The district's contract with the extended day program provider must specify the mechanism that will be used to evaluate and remediate the needs of the low-performing students.

Finding 9: There is no evidence that the Title I funded teacher in the St. Mary's School is providing Title I services to eligible students. District documentation classifies the teacher as a Preschool Aide with 100% of her salary funded through the district's Title I grant. A review of her daily schedule and time/activity reports reflects that she is assigned to the preschool classroom for 100% of the day to provide instructional assistance to all students in the classroom, including assistance with religious-themed activities (e.g., Pray for World Peace, Happy Birthday Jesus Celebration.).

Citation: ESEA§1120(a): *Participation of Children Enrolled in Private Schools (General Requirement)*

Required Action: The district must cease using Title I, Part A funds to support the salary of the Preschool Aide at the St. Mary's School.

Finding 10: The district's use of Title I funds designated to support low-achieving students at Gloucester Catholic High School is not allowable. The district expended Title I, Part A funds for Gloucester Catholic High School teachers to attend the National Teachers of Science Association Conference, to provide a research database for the school's library and to purchase an AP calculus guide. These expenditures are not for the exclusive benefit of the school's low-performing students.

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Citation: ESEA §1120A(b): Fiscal Requirements (*Federal Funds To Supplement, Not Supplant, Non-Federal Funds*)

Required Action: The district must ensure that purchases for nonpublic students exclusively benefit eligible students from Gloucester City that have been identified as low-performing using multiple, objective educationally related criteria.

Finding 11: A review of district records showed no evidence that the district met the nonpublic consultation requirements.

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

Required Action: The district must immediately begin the process of locating its resident students who attend nonpublic schools within and outside the district's boundaries. Upon locating these students, the district must consult with the appropriate nonpublic schools to identify the academic and instructional needs of identified low-performing students.

ADMINISTRATIVE

Recommendation 1: The district's internal controls and standard operating procedures 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 (EWEG) 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.

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

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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 department 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.