

STATE OF NEW JERSEY  
DEPARTMENT OF EDUCATION

STATE AID/GRANT COMPLIANCE SUPPLEMENT

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**DEPARTMENT OF EDUCATION****State Aid – Public**

Core Curriculum Standards Aid	495-034-5120-022
Supplemental Core Curriculum Standards Aid	495-034-5120-023
Special Education Aid	495-034-5120-011
Additional Formula Aid	495-034-5120-058
Education Opportunity Aid	495-034-5120-049
High Expectations for Learning Proficiency	495-034-5120-059
Above Average Enrollment Growth	495-034-5120-063
Bilingual Education Aid	495-034-5120-008
Stabilization Aid	495-034-5120-030
Stabilization Aid 2	495-034-5120-038
Stabilization Aid 3	495-034-5120-047
Adult and Postsecondary Education Grants	495-034-5120-039
County Vocational Program Aid	495-034-5120-013
Consolidated Aid	495-034-5120-057

(See Section II-SA of The Audit Program issued by the Department of Education for a comprehensive listing of state aid accounts.)

**I. PROGRAM OBJECTIVES**

To establish a stable funding source for school districts in accordance with CEIFA for fiscal year 2004-05.

**II. PROGRAM PROCEDURES**

For Fiscal Year 2004-05, most state aid categories were level-funded based on funds disseminated in school year 2001-02. Several new aid categories were added since then, such as Consolidated Aid, added in 2003-04, and High Expectations for Learning Proficiency (HELP), Above Average Enrollment Growth (AAEG) and Additional Formula Aid, added in 2004-05. Education Opportunity Aid (EOA) replaced Abbott Parity Remedy Aid.

For budgetary purposes, revenue amounts for state aid are shown on the 2004-05 SA1NET printout (March 3, 2005 print) in the General Fund Aid section with the following exceptions:

- Districts receiving HELP or AAEG were notified by letter issued September 17, 2004.

For GAAP purposes, the amount of revenue reflected in the last state aid payment of 2003-04 (received July, 2004) is recognized as revenue for 2004-05. The last state aid payment of 2004-05 (received July, 2005) is not recognized as revenue until 2005-06.

**III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES****A. TYPES OF SERVICES ALLOWED OR UNALLOWED****1. Compliance Requirements**

Core Curriculum Standards Aid, Supplemental Core Curriculum Standards Aid, Education Opportunity Aid, Additional Formula Aid, High Expectations for Learning Proficiency, Above Average Enrollment Growth, Special Education Aid, Bilingual Education Aid, Stabilization Aid, Stabilization Aid 2, Stabilization Aid 3, County Vocational Program Aid, and Consolidated Aid are general fund revenue sources.

Suggested Audit Procedures

- Verify that aid received is recorded as general fund revenue on the district's accounting records and approved budget and that, if applicable, the accounting records reflect the accounts receivable for any aid category having an increase after adjustment.

B. ELIGIBILITY

1. Compliance Requirements

The district must complete the Application for State School Aid (A.S.S.A.) in accordance with the instructions provided by the Division of Finance. The district must complete a set of workpapers that document the compilation of data and provide an audit trail for testing the enrollments reported on the A.S.S.A. The district must also have on file written procedures that provide a description of the count process. The workpapers and internal procedures must be maintained on file for seven years.

Suggested Audit Procedures

- In accordance with instructions and audit procedures in *The Audit Program* issued by the Department of Education, verify enrollments reported on the district's A.S.S.A. printout with the pupil counts on the district's workpapers.

C. MATCHING, LEVEL OF EFFORT AND/OR EARMARKING REQUIREMENTS

None.

D. REPORTING REQUIREMENTS

None.

E. SPECIAL TESTS AND PROVISIONS

1. Compliance Requirement

Expenditures, which exceed the bid or quote threshold, must be made in accordance with the requirements of the Public School Contracts Law (*N.J.S.A. 18A: 18A et seq.*). Refer to Section I, Chapter 5, of *The Audit Program*, Bids & Contracts/Purchasing.

Suggested Audit Procedure

- Test expenditures to determine compliance with advertising for bids and obtaining quotes as required by *N.J.S.A. 18A: 18A-3, 18A-4 and 18A-37.*

2. Compliance Requirements

The Board Secretary and Treasurer of School Moneys must prepare and submit financial reports in accordance with *N.J.S.A. 18A: 17-9* and *N.J.S.A. 18A:17-36*, respectively.

Suggested Audit Procedures

- Review board minutes for acceptance of reports and the inclusion of the reports or a summary thereof.
- Verify the reports are in agreement with the financial records of the district.

3. Compliance Requirement

A district board of education shall not incur any obligation or approve any payment in excess of the amount appropriated by the district board of education in the applicable line item account or program category account. (*N.J.A.C. 6A:23-2.11*)

Suggested Audit Procedure

- Review budgetary appropriation ledger for over-expenditures.
- Review board minutes for approval of transfers and to assure transfers were approved prior to the overexpenditure of any line item account.

4. Compliance Requirement

For Abbott districts, the commissioner shall approve any transfer of funds from instructional accounts to non-instructional accounts. In addition, if the commissioner directs the reallocation of funds from or between instructional accounts or from or between non-instructional accounts in the proposed budget, the district shall not transfer any funds to or from those accounts that were subject to reallocation without prior approval of the commissioner. (*N.J.S.A. 18A:7F-6c*)

Suggested Audit Procedure

- Verify that the proper commissioner approvals were received for specific transfers of funds.

5. Compliance Requirement

Effective July 1, 2004, P.L.2004, c.73 (S1701) amended *N.J.S.A. 18A:22-8.1*, applicable for regular non-vocational districts, requiring commissioner approval (or county superintendent as commissioner's designee) for line-item transfers from any general fund appropriation account that on a cumulative basis exceed 10% of the amount of the account included in the budget certified for taxes. The district must also obtain two-thirds affirmative vote of the authorized membership of the school board. The department adopted commissioner regulations effective December 2004, to provide further guidance regarding the implementation of S1701 transfers (*N.J.A.C. 6A:23A-2.3*) and provided an excel worksheet for the districts to complete at least monthly to track transfers.

County approval is deemed to have been received by the district if, after 10 working days of receipt of the request by the county superintendent, no approval or denial has been provided to the district. The district must obtain supporting documentation that the request was received by the county superintendent.

Suggested Audit Procedures

- Review the monthly transfer worksheets prepared by the district and determine that the district received the appropriate approvals, including documentation of county superintendent receipt when applicable.

6. Compliance Requirement

Commissioner regulations adopted December 2004 (*N.J.A.C. 6A:23A-2.3(f)*) pursuant to P.L.2004, c.73 (S1701), require regular non-vocational districts to receive county superintendent approval (commissioner's designee) for any transfer to an advertised appropriation account identified as administration that exceeds, on a cumulative basis, 10 percent of the amount of the account included in the districts budget certified for taxes. These administration accounts include general administration, school administration, central services, administrative information technology or other support services.

Suggested Audit Procedure

- Review the monthly transfer worksheets prepared by the district and determine that the district received the appropriate approvals.

7. Compliance Requirement

*N.J.S.A. 18A:7G* and *N.J.A.C. 6A:23-8.4*, requires voter or board of estimate approval of the local funding for a capital project (school facility project or other capital project) in the budget certified for taxes, at a special election (type II districts) or by special resolution (type I districts), or by withdrawal from capital reserve in accordance with *N.J.A.C. 6A:26-9*. Commissioner regulations adopted December 2004 (*N.J.A.C. 6A:23A-2.3(g)*), require county superintendent approval for all transfers to capital outlay, excluding equipment, to either augment projects previously approved in accordance with *N.J.A.C. 6A:23-8.4* or for an "emergent circumstance" after an on-site inspection by the county superintendent.

Suggested Audit Procedure

- Review the monthly transfer worksheets prepared by the district and determine that the district received the appropriate approvals.

8. Compliance Requirement

Effective July 2004, P.L.2004, c.73 (S1701) amended *N.J.S.A. 18A:7G-31(c)* and *N.J.S.A. 18A:7G-13* by deleting the authority that permitted districts, by board resolution, to transfer undesignated general fund balance to either the capital reserve account or maintenance reserve account at anytime during the budget year. Districts are now only permitted to make deposits into a capital reserve account or maintenance reserve account if included in the district's original

budget certified for taxes or approved at a special election (type II districts) or by the board of school estimate (type I districts).

Suggested Audit Procedure

- Review deposits into the capital reserve account to determine if the transfer was either included in the original budget certified for taxes or if the district received voter approval at one of the special elections (type II districts) or by the board of school estimate (type I districts).
- Review deposits into the maintenance reserve account to determine if the transfer was either included in the original budget certified for taxes or if the district received voter approval at one of the special elections (type II districts) or by the board of school estimate (type I districts).

9. Compliance Requirement

Effective July 1, 2004, P.L.2004, c.73 (S1701) amended *N.J.S.A.* 18A:22-8.1, applicable for regular non-vocational districts, limiting transfers from surplus or under budgeted or unbudgeted revenue to those amounts approved in the districts original budget, unless commissioner approval is obtained. The department adopted commissioner regulations, effective December 2004, providing further guidance regarding the implementation of S1701 for appropriation of surplus (*N.J.A.C.* 6A:23A-2.3). Appropriations between April 1 and June 30 require approval from the regional assistant commissioner and/or county superintendent. Prior to April 1, approval is granted by the commissioner or regional assistant commissioner, as the commissioner's designee, only for an emergent circumstance.

Below are six exceptions that do not require department approval:

- approval is granted in the department's notification of a state grant
- appropriation of unbudgeted and under budgeted tuition revenue from a school district-specific program that is not part of a formal sending-receiving relationship
- appropriation of unbudgeted and under budgeted school transportation revenue generated as part of the district's or Coordinated Transportation Services Agency's role as host provider
- restricted miscellaneous local revenue
- appropriation of federal revenue
- appropriation of surplus generated from any federal or state revenue excluded from the prebudget year excess surplus calculation

Suggested Audit Procedures

- Review the general fund beginning and ending fund balance and any additional appropriations of revenue or other underbudgeted or unbudgeted revenue during the year in conjunction with the monthly transfer

worksheets to determine whether proper approval was obtained for any appropriation of surplus not included in the original budget certified for taxes, which did not meet one of the six exceptions noted above.

- Verify that the district expended the additional appropriation of funds for the approved intended purpose.

#### 10. Compliance Requirement

For regular school districts (excluding non-operating and vocational school districts), the 2004-05 NJ Appropriations Act established administrative cost limits. School districts are required to budget and appropriate total administrative costs within the administrative cost limit, as calculated and established by the Department of Education. School districts total administrative cost is defined by the Comparative Spending Guide as total administrative costs calculated in the Advertised Per Pupil Cost Report of the districts budget statement and include the functions for general administration, school administration, central services, and administrative information technology functions, excluding judgments against the school district, interest on lease purchases, and interest on bond anticipation notes. School districts are required to account for all appropriations, administration as well as other expenditures, consistent with guidance issued in the Chart of Accounts and in Appendix F of the budget guidelines. Proper supporting documentation should be maintained for permissible allocation of salaries. Reference Section I-6 of The Audit Program for guidance on classification and allocation of administrative expenditures. School districts are also required to update their 2004-05 accounting records for account misclassifications corrected on supporting documentation 14 of their 2005-06 budget statement without consequence of exceeding their 2004-05 administrative limit.

#### Suggested Audit Procedures

- Review administrative cost functions for significant fluctuations from prior year to determine compliance with coding of expenditures.
- Trace employment contracts for the chief school administrator, business administrator, and principal/vice principal to the amounts recorded in general administration, central services and school administration. The salary for these functions may only be allocated to direct classroom instruction if part of the regular teaching curriculum of the district.
- Verify that proper supporting documentation is maintained for administrative salaries that are allocated to other functions (ex: for allocation to instruction, request the teaching roster or another form of documentation, such as timesheets and inquiry of district personnel, to support the teaching position as a regular part of the curriculum).
- Inquire if any salaries were reclassified from an administrative to a non-administrative function from the prior year, and determine if their job description and/or duties have changed.

- Verify that any 2004-05 coding misclassifications as detailed on supporting documentation 14 of their 2005-06 budget statement, are properly reflected in their 2004-05 revised appropriations.
- Trace professional contracts, such as legal and audit, to the detailed ledgers to determine proper account classifications.
- Review district prepared schedule detailing all staff requiring school administrative, business administrative and principal certification in conjunction with the district prepared questionnaire on administrative classifications as a tool in planning the audit and verifying coding accuracy of administrative salaries. Include a finding and recommendation when district prepared schedule and/or questionnaire is substantially incomplete or inaccurate.

**DEPARTMENT OF EDUCATION**

**Transportation Aid**

495-034-5120-014

I. PROGRAM OBJECTIVES

To provide funding to school districts to provide transportation to and from school for all eligible public, nonpublic and special education students.

II. PROGRAM PROCEDURES

Transportation aid is “level funded” based upon the preceding year cash payments. Data from the District Report of Transported Resident Students (DRTRS) is used for purposes such as the district’s transportation efficiency rating.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. TYPES OF SERVICES ALLOWED OR UNALLOWED

1. Compliance Requirements

State aid is provided for transporting high school pupils residing in excess of 2 1/2 miles from school, and for elementary pupils residing in excess of 2 miles from school. The mileage requirements do not apply to special education students when transportation is required by the student’s I.E.P. (*N.J.A.C. 6A: 27-5.1*). Aid is only provided for transporting students to and from school. (*N.J.A.C. 6A:27-1.2.*)

Suggested Audit Procedure

- Review district procedures used to determine that the student counts are correct and that students transported meet the mileage requirements for to and from school.

2. Compliance Requirements

School districts shall provide transportation or Aid in Lieu of Transportation, to eligible students in nonprofit private schools, based upon proper registration and certification of attendance by the nonprofit private school. (*N.J.A.C. 6A:27-2.4.*). Districts were notified in June 2005 of the amount for additional nonpublic school transportation aid and instructed to record this as Other State Aid, account 10-3190 in 2004-05.

Suggested Audit Procedures

- Verify the district has properly completed B6T forms on file, completed by parent or guardian to register student for transportation. Verify attendance at private school by review of completed B8T forms. These forms must be completed whether or not a student is transported by the district, or if Aid in Lieu payments are made to the parent or guardian.
- Review the accounting records to determine that any additional nonpublic school transportation aid, if received, was properly recorded.

B. ELIGIBILITY

1. Compliance Requirements

The district must complete a District Report of Transported Resident Students (DRTRS) utilizing the data collection software. The district should either maintain a paper copy of the report produced by the software or the information can be viewed online utilizing the DRTRS data collection software. The district must also have on file written procedures that provide a description of the count process. The workpapers and internal procedures must be maintained on file for seven years.

Suggested Audit Procedures

- In accordance with instructions and audit procedures in The Audit Program issued by the Department of Education, verify the on-roll status of students reported on the DRTRS Eligibility Summary Report produced by the department with the pupil counts on the district's workpapers.

C. MATCHING, LEVEL OF EFFORT AND/OR EARMARKING REQUIREMENTS

None.

D. REPORTING REQUIREMENTS

None.

E. SPECIAL TESTS AND PROVISIONS

1. Compliance Requirement

The district must prepare transportation bid specifications for transportation services that meet the minimum requirements prescribed by *N.J.A.C. 6A:27-9.3*.

Suggested Audit Procedure

- Verify that specifications meet the requirements as prescribed by the administrative code.

2. Compliance Requirement

Bus purchases must be properly bid and awarded pursuant to *N.J.S.A. 18A:18A et seq.*

Suggested Audit Procedure

- Verify that bidding procedures for bus purchases comply with the Public School Contracts Law (*N.J.S.A. 18A:18A et seq.*). Please refer to Section I, Chapter 5 of *The Audit Program*, “Bids & Contracts/Purchasing”.

3. Compliance Requirements

All transportation contracts and renewals must be supported by a signed County Superintendent’s Approval Memo and a certified copy of the board minutes approving the contract. Contracts may not be bid for a term exceeding four years. Contracts may be renewed annually with a negotiated “cost of living” increase not to exceed the current Consumer Price Index (CPI). For the 2004-05 school year, the CPI is 2.64%. The CPI increase is calculated on the prior contract cost. For the 2005-06 school year the CPI is 3.01 %. The contract cost is defined as the final cost to the board of education for those items included in the bid. (Please note that effective May 5, 2003, P.L.2003, c.69 amended this provision of *N.J.S.A. 18A:39-3* to clarify that the CPI increase when a contract is extended is based on the previous contract, not the original contract). In addition to this negotiated increase, contract renewals may also increase or decrease according to the terms of the original contract (such as additional mileage). An addendum to the contract (prescribed form) must be used for this type of change. (*N.J.S.A.18A:39-3*, amended)

Suggested Audit Procedure

- Verify that all contracts for transportation and renewals meet the requirements as prescribed by the administrative code.

4. Compliance Requirements

The district must advertise for bids to provide transportation for nonprofit private school students eligible to receive transportation services. However, the district is not required to advertise for bids when another board of education or Coordinated Transportation Services Agency (CTSA) has bid on the board’s behalf, or they can provide transportation utilizing a district owned vehicle or through a contract renewal. If the district has advertised for bids, and no bids are received or the bids exceed the statutory limit of \$771 per pupil, the district must then delegate the bidding process to another Board of Education or Coordinated Transportation Services Agency (CTSA). If no bids are then received, or if the cost generated by those bids would exceed the statutory limit of \$771, the district may provide the parent or guardian with Aid in Lieu of Transportation. (*N.J.S.A. 18A:39-1* and *N.J.A.C. 6A:27-10.1*)

Suggested Audit Procedures

- Verify that the school district advertised for bids. If the district did not advertise for bids, verify that another board of education or CTSA advertised for bids on their behalf. If the district advertised for bids, but did not receive any qualified responses or the bids exceeded the statutory limit, verify that the district referred the bidding process to another Board of Education or CTSA, or that a CTSA provided the actual transportation services.
- If Aid in Lieu of Transportation payments were made to parents, verify that the lowest qualified bid received exceeded the state maximum of \$771, or that no bids were received pursuant to the solicitation by the district. Further verify that in this situation the district referred the bidding to a CTSA and the CTSA did not generate any qualified bids not in excess of the statutory limit.
- If the district is a constituent district and has costs for transportation of nonpublic pupils, verify that the regional district transports nonpublic school pupils. (The pupils below the grade level of the regional district are to be transported by the transporting regional district and the costs pro-rated among the constituent districts on a per pupil basis.)
- If the district is not a constituent district and provided transportation for nonpublic school pupils or aid in lieu of transportation for nonprofit private school students, verify that the only other transportation between home and school offered by the district is remote transportation for vocational school, charter schools, and special education students.
- Verify consistency between reported costs and student counts reported on the DRTRS summary report parts A and B line 5.

**DEPARTMENT OF EDUCATION**

**Extraordinary Aid**

495-034-5120-044

**I. PROGRAM OBJECTIVES**

Extraordinary Aid

The program objectives are to provide assistance to school districts in those instances in which the cost of providing education for individual pupils that have actual costs, excluding transportation costs, which exceed \$40,000 within a single fiscal year.

Additional Extraordinary Aid Designated for Tax Relief

Districts were notified in July 2003 of additional extraordinary aid. The 2003-04 State Budget required that districts use this additional extraordinary aid for property tax relief in either the 2003 or 2004 local tax year, which refers to either the 2003-04 or 2004-05 fiscal year, respectively.

**II. PROGRAM PROCEDURES**

The streamlined application process requires that districts complete one on-line form for each child that is eligible for aid. The Chief School Administrator must certify all applications on-line. The department's extraordinary aid application for 2004-05, and related instructions were available on-line at <http://homeroom.state.nj.us>. Instructions for establishing user accounts for on-line applications are available at <http://www.state.nj.us/njded/data/collections/>.

**III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES**

**A. TYPES OF SERVICES ALLOWED OR UNALLOWED**

Compliance Requirements

Aid is provided to districts in those instances in which the cost of providing education for an individual pupil exceeds \$40,000. Only direct educational costs are allowable costs. Typical allowable costs include tuition and related services. Unadjusted in-district tuition rates cannot be used to claim educational expenses for in-district students, since they include many non-educational components. All costs to implement the IEP are eligible. Unallowable costs include transportation, administrative costs, and costs associated with the development of the IEP. In addition, beginning in the 2004-05 fiscal year, the cost of litigation to implement the Least Restrictive Environment is no longer allowed to be claimed under EXAID.

Suggested Audit Procedures

- Verify that districts prepared EXAID workpapers for the students that they applied for.
- Verify that actual allowable costs were incurred during the fiscal year 2004-05 for the purposes included in the application for extraordinary aid. Costs incurred for multiple years can not be combined in order to reach cost eligibility limits.

B. ELIGIBILITY

Compliance Requirements

The district must complete the application process in accordance with the instructions provided by the Division of Finance. The district must also have on file supporting workpapers such as EXAID-1 for all in-district and out-of-district students, as well as an updated district "Budget Supporting Document 6B.2". The application and supporting documentation must be maintained on file for seven years. For EXAID applications in 2004-2005, the applicant student must have a birthdate between 7/01/1983 to 6/30/2002.

Suggested Audit Procedures

- In accordance with sampling instructions for A.S.S.A testing in the Audit Program verify that the student is reported on the district's School Register. Verify that the student name and birth date is reported correctly, i.e., agree to the school register. Verify that the student's birthdate is between 7/01/1983 to 6/30/2002.
- Verify that the student is classified and in an approved placement.
- Verify that workpapers are in order and supported with cost documentation. In-district costs must be pro-rated if they are incurred for multiple students.
- For out-of-district placements to a private school for the disabled, verify that tuition stated in the application agrees to the contracted amount in the private schools for the disabled mandated tuition contract for the individual students.

C. MATCHING, LEVEL OF EFFORT AND/OR EARMARKING REQUIREMENTS

None.

D. REPORTING REQUIREMENTS

Compliance Requirements - Extraordinary Aid (2004-05)

Districts were notified of the amount of extraordinary aid in March 2005 and were instructed to record this as Other State Aid, account 10-3190 in 2004-05. The amount is reported on line E of the “2004-05 Extraordinary Aid” notice. Districts do not have the option to record this in any other fiscal year.

Suggested Audit Procedure - Extraordinary Aid (2004-05)

- Verify that the 2004-05 award is recorded in the correct account as revenue for 2004-05.

Compliance Requirement - Additional Extraordinary Aid Designated for Tax Relief

Districts were notified of the amount of the additional extraordinary aid for the purpose of property tax relief as shown on line F of the “2002-03 Extraordinary Aid – Revised” notice issued by the department in July 2003. In a July 25, 2003 letter from the department, districts were instructed to record the additional extraordinary aid in 2003-04 as “Other State Aid” in account 10-3190, regardless of which year the property tax reduction occurred. The July 2003 letter is available at <http://www.nj.gov/njded/finance/fp/af/extraordinaryaid.pdf>. The legislature, in the State Budget language, specifically directed districts to use the additional 2002-03 aid either to reduce the 2003-04 certified tax levy (2003 local tax year) or the 2004-05 certified tax levy (2004 local tax year). Districts had the option to reduce either general fund or debt service tax levy.

Districts that were unable to achieve property tax relief in 2003-04 were instructed to record the additional aid as revenue in 2003-04 without any corresponding increase in appropriations. The surplus created by the additional revenue must have been reserved and designated for tax relief in either the general fund or debt service fund in 2004-05. This is in addition to the normal excess surplus calculation.

Districts at the minimum tax levy in 2003-04 had no option but to record the additional aid as revenue in 2003-04, let it lapse to surplus and designate it for tax relief in 2004-05.

Suggested Audit Procedure - Extraordinary Aid (2003-04)

- Verify that any amount reserved and designated at June 30, 2004 for tax relief in 2004-05 was used for tax relief in 2004-05.

**SPECIAL TESTS AND PROVISIONS**

None.

**DEPARTMENT OF EDUCATION**

**Discretionary Education Opportunity Aid (Supplemental Funding)**

495-034-5120-049

**I. PROGRAM OBJECTIVES**

To provide supplemental funding to Abbott school districts for programs, services and positions that the Commissioner of Education determines are essential to the provision of a thorough and efficient education in those school districts, after determining whether some or all of the additional funds sought by the school district could be achieved by reallocating non-instructional expenditures or by achieving economies and efficiencies in the delivery of services and programs.

**II. PROGRAM PROCEDURES:**

For the 2004-05 school year, the Abbott school districts had the option to request Discretionary Education Opportunity Aid (DEOA) if, after preparation of the budget, the school districts found that anticipated local, state, and 100% of actual federal revenue budgeted in 2001-02 were insufficient to provide a thorough and efficient education in their school district.

The 2004-05 Appropriations Act restricted undesignated general fund balances stating, “In making any adjustment to the supplemental award, the commissioner shall consider all of the district’s available resources and any appropriate reallocations, including, but not limited to, a reallocation of the district’s undesignated general fund balances in excess of two percent.” The approved requests for additional funds were incorporated into the 2004-05 certified budget on line 360 and detailed on supporting documentation item 8.

The Abbott regulations, N.J.A.C. 6A:10A, set forth certain conditions Abbott school districts must comply with to receive DEOA funding in 2004-05.

**III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES**

**A. TYPES OF SERVICES ALLOWED OR UNALLOWED**

**1. Compliance Requirement – All DEOA Awards**

Abbott school districts were required to use DEOA, a general fund revenue, to ensure the provision of a thorough and efficient education and implementation of court-ordered reforms in an effective and efficient manner. Abbott school districts receiving DEOA were required to meet certain minimal, customary, and statutory standards of efficient financial management and business operations and to follow customary, basic and required instructional standards, policies and practices as detailed in N.J.A.C 6A:10A-7.1 and the attachment to the Department’s May 28, 2004 decision of the initial 2004-05 DEOA award letter.

Suggested Audit Procedures – All DEOA Awards

- Review the final DEOA approval letter (December 2004 or January 2005) incorporating the June 30, 2004 CAFR adjustments received from the Department.
- Agree the amount of aid recorded as general fund revenue on the school district's accounting records with the amount noted in the final DEOA approval letter incorporating the June 30, 2004 CAFR adjustments. Review the district's accounting records to ensure the carryovers (ECPA, DEPA, and DLNA) and excess surplus included in the final approval letter have been recorded correctly in the district's accounting records.
- Review the June 30, 2004 CAFR to determine if there were any material qualifications or an adverse opinion. If there were material qualifications or an adverse opinion, determine whether the reasons for the qualified or adverse audit opinion have been corrected. Include a comment on this matter in the Auditor's Management Report.
- Review the June 30, 2004 CAFR to determine whether the school district incurred a deficit in that year. If the school district incurred a deficit in that year, review the plan that the district filed with the Department demonstrating that the conditions producing the deficit were corrected and that sufficient financial controls are in place to prevent a recurrence. Determine whether the conditions identified in that plan as producing the deficit have been corrected and whether sufficient financial controls are in place to prevent a recurrence. Include a comment on this matter in the Auditor's Management Report.
- Review the board minutes to determine whether the school district participates in the following cost-savings programs: Alliance for Competitive Energy Services, the Alliance for Competitive Telecommunications, the New Jersey School Boards Association Insurance Group, and the New Jersey State Health Benefits Plan. School districts that were not members of these cost-saving programs were directed to document their membership by March 1, 2005 or demonstrate savings equal to or greater than members. If the school district does not participate in the cost-savings programs listed above, determine whether the school district is experiencing savings equal to or greater than members of those cost-savings programs. Include a comment in the Auditor's Management Report on the status of the school district's compliance with this requirement.
- Review the school districts E-rate claims and reimbursements to determine whether the school district is current on submitting all claims for reimbursable costs under the Federal E-rate program. Instances where the school district is not current on submitting all claims for reimbursable costs under the Federal E-rate program are to be documented in the Auditor's Management Report.
- Review the school district's outstanding debt to determine whether the district refinanced all outstanding debt for which a three percent net present value savings threshold was achievable. If a three percent net present value

savings could have been achieved and the debt was not refinanced, document the potential savings that would have been realized in a comment in the Auditor's Management Report.

- Review the school district's procedures for enrolling eligible students in the Special Education Medicaid Initiative (SEMI) program to determine whether the school district has maximized its participation in the program. Deficiencies in the school district's program should be documented in a comment in the Auditor's Management Report.
- Review the school district's June 30, 2003 CAFR to determine whether the enterprise fund operated at a deficit, requiring a general fund transfer to fund the enterprise fund. Districts that operated enterprise fund deficits in Fiscal Year 2003 were required to submit a plan for reducing the deficit to zero by Fiscal Year 2006 and by at least fifty percent by the end of Fiscal Year 2005. Review the activity in the enterprise fund against the school district's plan for reducing the deficit to zero by Fiscal Year 2006 to determine whether the plan is effective.
- Obtain the school district's roster of position control. Test the position control roster against the payroll records to determine its completeness and accuracy. Discrepancies noted between the position control roster and the payroll records are to be summarized in a comment in the Auditor's Management Report.
- Review the monthly Board Secretary and Treasurer reports to determine when they were completed and presented to the board. All instances where the reports were not completed within 45 days of the month's end are to be noted in the Auditor's Management Report.
- The Annual Report is required to be completed by August 1, pursuant to N.J.S.A. 18A:17-10. Review the Annual Report and board minutes to determine compliance with N.J.S.A. 18A:17-10. If the school district did not comply with N.J.S.A. 18A:17-10, include a comment in the Auditor's Management Report.
- Review the school district's implementation and management of Federal grant programs to determine whether they were applied for and implemented in a timely and appropriate manner. All instances of non-compliance should be included in the Auditor's Management Report.
- All disbursements issued from March 1 through the conclusion of fieldwork that are selected for audit testing are required to be reviewed to identify whether the school district incurred penalties or interest for late payments and whether the school district took full advantage of discounts offered for prompt payment. If penalties and interest payments are identified for late payments, the dollar amount of the penalties and interest payments are required to be documented in a comment in the Auditor's Management Report. If the district did not take full advantage of discounts offered for prompt payment, the cost savings forfeited are required to be documented in a comment in the Auditor's Management Report.

### Compliance Requirement – Mid-Year Awards

If during the school year, the school district board of education determines that, due to unanticipated expenditures or unforeseen circumstances, additional funds are required to implement the Department-approved programs in the school district three-year operational plan, a separate request could be filed consistent with the provisions of N.J.A.C. 6A:10A-7.1(e). Abbott school districts requesting mid-year DEOA awards were required to document the nature of the unanticipated expenditures or unforeseen circumstances; the impact on the current approved budget; the specific budget lines and account numbers the additional funds were to be used to fund and that all available resources, reallocations, reductions and cost efficiencies had been implemented before submitting a request for a mid-year award. Mid-year award funds were required to be used for the specific purposes the award was issued, and all transfers into or out of the budget line items affected by the award required Department approval from the date of the request for the mid-year award through June 30, 2005. (One school district applied for and was awarded a mid-year DEOA award in accordance with N.J.A.C. 6A:10A-7.1(e) in 2004-05.)

### Suggested Audit Procedures –Mid-Year Awards

- Review the mid-year DEOA approval letter issued by the Department.
- Agree the amount of DEOA recorded as general fund revenue on the school district's accounting records with the amount noted in the mid-year DEOA approval letter.
- Review all transfers out of line 2705 (A/C 11-190-100-805) to the individual lines the mid-year DEOA was awarded to fund to ensure each transfer has been approved by the Department.
- Review all transfers into and out of the accounts funded by the mid-year DEOA award, from the date of the request for additional funds through June 30, 2005, to ensure each transfer has been approved by the Department. The date of the request for additional funds is documented in the mid-year DEOA approval letter.
- Any unspent or unencumbered amount in line 2705 (A/C 11-190-100-805) is due back to the Department. Any unspent or unencumbered amount in the accounts the mid-year DEOA award was awarded to fund is also due back to the Department. See the Abbott Addendum to The Audit Program for guidance on how to reflect this amount in the June 30, 2005 CAFR.
- Review all encumbrances at June 30, 2005 that relate to the individual appropriation lines the mid-year DEOA award was awarded to fund to ensure they are valid encumbrances at June 30, 2005.

B. ELIGIBILITY

1. Compliance Requirement

The budget was to be amended to reflect the final DEOA award as outlined in the Department letter (December 2004 or January 2005) incorporating the June 30, 2004 CAFR adjustments. For school districts receiving DEOA, Education Opportunity Aid (EOA), formerly parity aid, adjustments were offset by increases or decreases, as appropriate, in DEOA. Final 2004-05 EOA (formerly parity aid) awards are reflected on the CEIFA-BUD page of the 2005-06 State School Aid notices dated March 3, 2005. Separate letters were not issued for 2004-05 final EOA awards.

Suggested Audit Procedure

- Verify that the adjustment noted in the Department letter (December 2004 or January 2005) is properly reflected in the amount of DEOA recorded in the school district's accounting records.
- Verify that the amount of EOA recorded in the school district's accounting records agrees to the final 2004-05 EOA award reflected on the CEIFA-BUD page of the 2005-06 State School Aid notice dated March 3, 2005.

C. MATCHING, LEVEL OF EFFORT AND/OR EARMARKING REQUIREMENTS

None.

D. REPORTING REQUIREMENTS

None.

E. SPECIAL TESTS AND PROVISIONS

None.

**DEPARTMENT OF EDUCATION**

**Reimbursed TPAF Social Security Contributions**

100-034-5095-051

I. **PROGRAM OBJECTIVES**

To reimburse school districts for the employers' share of social security (FICA) contributions on TPAF members' regular wages.

II. **PROGRAM PROCEDURES**

School districts utilize the Department of Education Network (DOENET) to report FICA contributions for TPAF members' regular wages. Districts are reimbursed for the employers' share of FICA contributions calculated on TPAF members' regular wages via an electronic funds transfer (EFT) to the district bank account.

III. **COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES**

A. **TYPES OF SERVICES ALLOWED OR UNALLOWED**

1. **Compliance Requirements**

Reimbursement is provided for the employers' share of FICA contributions calculated on TPAF members' regular wages.

**Suggested Audit Procedure**

- Verify that only TPAF members' regular wages are utilized for reimbursement. FICA reimbursement is not made for extra compensation wages.

B. **ELIGIBILITY**

1. **Compliance Requirements**

Reimbursement is made for TPAF members only.

**Suggested Audit Procedures**

- Test that only TPAF members are included for reimbursement.

C. **MATCHING, LEVEL OF EFFORT AND/OR EARMARKING REQUIREMENTS**

None.

D. **REPORTING REQUIREMENTS**

None.

E. SPECIAL TESTS AND PROVISIONS

1. Compliance Requirement

All applicable requests for reimbursement must be recorded by the district as revenue in the current school year and appropriate reimbursements requested and not received as of June 30 are to be recorded as an account receivable at the end of the school year.

Suggested Audit Procedure

- Verify that accounts receivable recorded as of June 30 were subsequently received in the next school year.

## DEPARTMENT OF EDUCATION

### Demonstrably Effective Program Aid

495-034-5064-002

#### I. PROGRAM OBJECTIVES

The program objectives are to provide instructional, school governance, and health and social service programs to pupils in the schools for which the aid eligibility and amount was determined. Demonstrably effective programs are those programs, strategies or services pursuant to *N.J.S.A. 18A:7F-18* that are established through state resources and are researched based or have demonstrated through strong, logical, empirical, research evidence that improvement in academic performance is educationally significant. These programs, strategies or services are either expressly identified in *N.J.S.A. 18A:7F-18* or are approved by the State Board in accordance with *N.J.A.C. 6A:23-5.5*.

*Auditor's Note – This italicized section applies when auditing a district with whole school reform (WSR) schools implementing school based budgeting. Restricted State Aids, which are permitted to be combined in Fund 15 to implement WSR are DEPA, ECPA and DLNA (DLNA is limited to carryover as it was combined into Consolidated Aid beginning in 2003-04). See “Procedures for Auditing Fund 15 Expenditures” in the Abbott Addendum to The Audit Program for specific procedures to be performed when auditing districts with WSR schools.*

*A WSR program is not a separate Federal program as defined in OMB A-133, or a separate State program. Therefore, expenditures incurred in WSR programs must be included in the total expenditures of the program contributing the funds when determining Type A and Type B Programs for Single Audit testing selection determination. The Schedules of Expenditures of Federal and State Awards must include the total expenditures of the program funds for WSR schools and non-WSR schools.*

#### II. PROGRAM PROCEDURES

Under CEIFA, Demonstrably Effective Program Aid (DEPA) is generated by individual schools based upon their concentration of low-income pupils as reported on the annual Application for State School Aid (A.S.S.A.). Low-income pupils are pupils from households with a household income at or below 130 percent of the most recent federal poverty guidelines. Aid is only provided for districts with a concentration of low-income pupils equal to or greater than twenty percent. Additionally, CEIFA requires that county vocational school districts and limited purpose regional school districts meeting the criteria for Early Childhood Program Aid (ECPA) receive their aid as DEPA rather than as ECPA.

For Fiscal Year 2004-05, DEPA was level-funded based on funds disseminated in school year 2001-02. Districts' revenue is based upon 2001-02 cash payments. The budgetary revenue and GAAP revenue may differ due to state reporting requirements of the last state aid payment. For budgetary purposes, state aid equals the amount shown on the 2004-05 SAINET in the Special Revenue Fund Aid section. For GAAP financial reporting, revenue equals the amount reported on the 2004-05 SAINET increased by the first cash payment of July 2004 and decreased by the last state aid payment for June 30, 2005 (paid in July 2005, but not recognized until the subsequent year).

DEPA is a restricted state aid that is accounted for in the special revenue fund. Programs operate from July 1<sup>st</sup> to June 30<sup>th</sup>. Unexpended or unencumbered funds at June 30<sup>th</sup> shall be classified as deferred revenue and 1) appropriated in the subsequent year when identified prior to the preparation of the subsequent year budget, 2) appropriated during the subsequent year with the approval of the Commissioner, or 3) retained as deferred revenue until the second subsequent year budget. Funds carried over to the next fiscal year or second subsequent fiscal year must be used at the location that generated the revenue. For non Abbott districts, carryover of DEPA balances must be in compliance with procedures described under “ECPA/DEPA Carryover and Request” in the Carryover Requests links to Instructions and to Forms on the website the <http://www.nj.gov/njded/finance/fp/af/>.

Transfers of DEPA for non-Abbott districts must have been in compliance with procedures described under “ECPA/DEPA Carryover and Request” in the Transfers Requests links to Instructions and to Forms on the website the <http://www.nj.gov/njded/finance/fp/af/>.

### III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

#### A. TYPES OF SERVICES ALLOWED OR UNALLOWED

##### 1. Compliance Requirement

DEPA must be utilized exclusively for demonstrably effective programs in the schools for which the aid eligibility and an amount were determined. These programs, strategies or services are either expressly identified in *N.J.S.A.* 18A:7F-18 or are approved by the State Board in accordance with *N.J.A.C.* 6A:23-5.5(a). The Budget Guidelines contains a listing of demonstrably effective programs/services. Such programs are to be documented on a school-level operational plan that has been approved by the department.

##### Suggested Audit Procedure

- Verify the existence of demonstrably effective programs and that the expenditures are consistent with those outlined in the school-level operational plan.

#### B. ELIGIBILITY

##### 1. Compliance Requirement

All school districts with schools with specific concentrations of low-income students are eligible based on filing the annual Application for State School Aid (A.S.S.A.). The district must complete the A.S.S.A. in accordance with the instructions provided by the Division of Finance. The district must complete a set of workpapers that document the compilation of data and provides an audit trail for testing the enrollments reported on the A.S.S.A. The district must also have on file written internal procedures that provide a description of the count process. The workpapers, original supporting documentation and internal procedures must be maintained on file for seven years.

Suggested Audit Procedure

- In accordance with instructions and audit procedures in The Audit Program issued by the Department of Education, verify enrollments reported on the district's A.S.S.A. printout with the pupil counts on the district's workpapers.

C. MATCHING, LEVEL OF EFFORT AND/OR EARMARKING REQUIREMENTS

1. Compliance Requirement

If the expenditures incurred by the school district by location are less than the amount of DEPA for that location, unexpended or unencumbered funds must be carried over and expended in the subsequent fiscal year when identified prior to the preparation of the subsequent year budget, appropriated during the subsequent year with the approval of the Commissioner or his or her designee, or retained as deferred revenue until the second subsequent year budget. All DEPA deferred revenue must be used for approved demonstrably effective programs, strategies or services pursuant to *N.J.A.C. 6A:23-5.5(a)* at the location that generated the revenue.

Suggested Audit Procedure

- Verify that any unexpended funds are properly reflected as DEPA deferred revenue at year-end.
- Verify that accurate DEPA carryover balances were utilized (by location) in the 2004-05 records and/or adjustments were made if the estimated amount anticipated was incorrect.
- If the district adjusted the anticipated carryover budgeted in 2004-05 or requested the use of unanticipated carryover in the 2004-05 budget, verify that there was proper authorization by board resolution and that DOE approval was obtained on the 2003-04 Carryover Funds form.

D. REPORTING REQUIREMENTS

1. Compliance Requirements

Pursuant to *N.J.A.C. 6A:23-5.5(b)* eligible districts are required to prepare and submit budgetary supporting documentation and a school-level operational plan to the department for approval as part of the budget review process. The operational plan shall include goals, objectives, activities, annual benchmarks and an evaluation process.

The district's June 30 Comprehensive Annual Financial Report must contain DEPA budgetary comparison schedules for each location as well as a district-wide summary statements. In addition, a summary of the 2003-04 DEPA carryover included in the 2004-05 budget compared to the actual carryover calculated at June 30, 2004 is required. Beginning in 2003-04, districts were no longer required to budget and account for in their financial records appropriations by program/strategy, only by school. The total DEPA deferred revenue per the district-wide schedule may differ from the DEPA deferred revenue reported on the Schedule of Expenditures of State Financial Assistance (Schedule B) due to the adjustment for the last state aid payment. If the adjustment for the last state

aid payment brings the amount below zero, the difference will fall to a deficit in the fund balance.

Suggested Audit Procedures

- Review plans for compliance with reporting procedures and due dates.
- Test amounts reported with accounting records.

E. SPECIAL TESTS AND PROVISIONS

1. Compliance Requirements

Districts receiving DEPA are required to account for funds received at the school-level in the special revenue fund using the uniform grant project budget statement coding structure. All board approved transfers and plan revisions must be documented on a transfer notification form, and prior written approval from the department must be obtained when necessary. For the Abbott districts, all applicable transfers and plan revisions must be approved by the department. For non-Abbott districts, the transfer notification form must be submitted to the county superintendent for review and, if necessary, approval. See The Audit Program for specific requirements.

Suggested Audit Procedures

- Verify that the aid is recorded in the special revenue fund on the district's accounting records by location.
- Review board minutes for approval of transfers and revisions.
- Verify that the transfer notification forms are on file and written approval was obtained when necessary and that transfers are in compliance with the above requirements.

2. Compliance Requirement

Expenditures, which exceed the bid or quote threshold, must be made in accordance with the requirements of the Public School Contracts Law (*N.J.S.A. 18A:18A et seq.*). Please refer to Section I, Chapter 5, "Bids & Contracts/Purchasing" of The Audit Program.

Suggested Audit Procedure

- Test expenditures to determine compliance with advertising for bids and obtaining quotes as required by *N.J.S.A. 18A:18A-3, 18A-4 and 18A-37*.

**DEPARTMENT OF EDUCATION**  
**Early Childhood Program Aid and Preschool Expansion Aid**

495-034-5120-025  
 495-034-5120-055

**I. PROGRAM OBJECTIVES**

The program objective is for all districts with high concentrations of low-income students to establish and maintain preschool and full-day kindergarten programs for all four and five year-olds in the district. Districts with a concentration of low-income students equal to or greater than 20% of the total enrollment must provide preschool and full day kindergarten for all four and five year olds and other early childhood programs and services. Districts with a concentration of low-income students greater than 40% may expand instructional services to three year-olds or provide transition and social services to primary grade students after the above programs are provided to all four and five year-olds.

For 2004-05, Abbott school districts received Preschool Expansion Aid amounts which were to be used to fund the increase in approved budgeted costs from 2001-02 to 2004-05 for the projected expansion of preschool programs. Districts were notified of any adjustments to this aid based on actual October 15, 2004 ASSA data and audit by the department. The Preschool Expansion Aid was to be recorded in the special revenue fund in account 20-3215. The expenditures are not separately tracked but are included as part of the entire Early Childhood Program expenditures in the special revenue fund.

Beginning in 2004-05, non-Abbott districts were given accounting and budgeting guidance in the 2004-05 Budget Guidelines in the Supporting Documentation 15 section (p.113) to track and report ECPA by three main programs (i.e., preschool, kindergarten, and grades 1-3). Districts are required to prepare separate schedules for each program and a district-wide schedule in the CAFR. The schedules must include the actual versus budgeted expenditures for each program in place. The calculation of the 2004-05 Available & Unbudgeted funds and Actual Carryover as of June 30, 2005 is required only on the district-wide schedule. In order to prepare these year end statements by program, districts had the option to either program their existing software or track these expenditures outside their accounting software. The department recommended a monthly reconciliation between the individual program reporting and the summary account.

*Auditor's Note – This italicized section applies when auditing a district with whole school reform (WSR) schools. Restricted State Aid permitted to be combined in Fund 15 to implement whole school reform are DEPA, ECPA and DLNA. (DLNA is limited to carryover as it was combined into Consolidated Aid beginning in 2003-04.) See “Procedures for Auditing Fund 15 Expenditures” in the Abbott Addendum to The Audit Program for specific procedures to be performed when auditing districts with WSR schools.*

*A WSR program is not a separate Federal program as defined in OMB A-133, or a separate State program. Therefore, expenditures incurred in WSR programs must be included in the total expenditures of the program contributing the funds when determining Type A and Type B Programs for Single Audit testing selection determination. The Schedules of Expenditures of Federal and State Awards must include the total expenditures of the program funds for WSR schools and non-WSR schools.*

## II. PROGRAM PROCEDURES

Under CEIFA, Early Childhood Program Aid (ECPA) is calculated for districts with high concentrations of low-income pupils as reported on the annual Application for State School Aid (A.S.S.A.). Low-income pupils are pupils from households with a household income at or below 130 percent of the most recent federal poverty guidelines. Aid is only provided to districts other than county vocational school and limited purpose regional school districts with a concentration of low-income pupils equal to or greater than twenty percent. Additionally, CEIFA requires that county vocational school districts and limited purpose regional school districts meeting the criteria for ECPA receive their aid as Demonstrably Effective Program Aid (DEPA) rather than as ECPA.

For Fiscal Year 2004-05, ECPA was level-funded based on funds disseminated in school year 2001-02. Districts' revenue is based upon 2001-02 cash payments. The budgetary revenue and GAAP revenue may differ due to state reporting requirements of the last state aid payment. For budgetary purposes, state aid equals the amount shown on the 2004-05 SA1NET in the Special Revenue Fund Aid section. For GAAP financial reporting, revenue equals the amount reported on the 2004-05 SA1NET increased by the first cash payment of July 2004 and decreased by the last state aid payment for June 30, 2005 (paid in July 2004, but not recognized until the subsequent year).

ECPA is a restricted state aid that is accounted for in the special revenue fund. Programs operate from July 1<sup>st</sup> to June 30<sup>th</sup>. Unexpended or unencumbered funds at June 30<sup>th</sup> shall be classified as deferred revenue and 1) appropriated in the subsequent year when identified prior to the preparation of the subsequent year budget, 2) appropriated during the subsequent year with the approval of the Commissioner, or 3) retained as deferred revenue until the second subsequent year budget.

For non Abbott districts, carryover of ECPA balances must be in compliance with procedures described under "ECPA/DEPA Carryover and Request" in the Carryover Requests links to Instructions and to Forms on the website the <http://www.nj.gov/njded/finance/fp/af/>. Transfers of ECPA for non-Abbott districts must have been in compliance with procedures described under "ECPA/DEPA Carryover and Request" in the Transfers Requests links to Instructions and to Forms on the website the <http://www.nj.gov/njded/finance/fp/af/>.

Abbott school districts receiving Discretionary Education Opportunity Aid (DEOA) in 2004-05 were requested to budget actual June 30, 2004 ECPA carryover and reduce 2004-05 DEOA. Abbott school districts receiving DEOA were notified of these amounts in letters from the Department dated December 2004 or January 2005 depending on the district. Abbott school districts not receiving DEOA in 2004-05 were required to comply with N.J.A.C. 6A:10A-8.1(a)6.

## III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

### A. TYPES OF SERVICES ALLOWED OR UNALLOWED

#### 1. Compliance Requirements

The school district was required to establish preschool and full-day kindergarten for all four and five year-olds by the 2002-03 school year and maintain them thereafter.

Suggested Audit Procedures

- Verify the existence of early childhood programs and that the expenditures are consistent with those outlined in the Early Childhood Operational Program Plan.

B. ELIGIBILITY

1. Compliance Requirements

All school districts with specific concentrations of low-income students are eligible based on filing the annual Application for State School Aid (A.S.S.A.). The district must complete the A.S.S.A. in accordance with the instructions provided by the Division of Finance. The district must complete a set of workpapers that document the compilation of data and provides an audit trail for testing the enrollments reported on the A.S.S.A. The district must also have on file written internal procedures that provide a description of the count process. The workpapers, original supporting documentation and internal procedures must be maintained on file for seven years.

Suggested Audit Procedure

- In accordance with instructions and audit procedures in The Audit Program issued by the Department of Education, verify enrollments reported on the district's A.S.S.A. printout with the pupil counts on the district's workpapers.

C. MATCHING, LEVEL OF EFFORT AND/OR EARMARKING REQUIREMENTS

1. Compliance Requirements

If the expenditures incurred by the school district are less than the amount of Early Childhood Program Aid, unexpended or unencumbered funds must be carried over and 1) expended in the subsequent fiscal year when identified prior to the preparation of the subsequent year budget, 2) appropriated during the subsequent year with the approval of the Commissioner or his or her designee, or 3) retained as deferred revenue until the second subsequent year budget. All deferred revenue must be used for the purpose of early childhood programs.

Suggested Audit Procedure

- Verify that any unexpended or unencumbered funds are properly reflected as ECPA deferred revenue at year-end.
- Verify that the accurate ECPA carryover balance was utilized in the 2004-05 records and/or an adjustment was made if the estimated amount anticipated was incorrect.
- Verify that Abbott school districts not receiving DEOA in 2004-05 utilized June 30, 2004 carryover in accordance with N.J.A.C. 6A:10A-8.1(a)6.
- For Abbott districts receiving DEOA, verify that the June 30, 2004 ECPA carryover was budgeted in 2004-05 and DEOA was reduced by the amount of unbudgeted ECPA carryover at June 30, 2004. Abbott school districts were notified of these amounts in letters from the Department in December 2004 or January 2005, depending on the district.

- If the district adjusted the anticipated carryover budgeted in 2004-05 or requested the use of unanticipated carryover in the 2004-05 budget, verify that there was proper authorization by board resolution and that DOE approval was obtained on the 2003-04 Carryover Funds form.

#### D. REPORTING REQUIREMENTS

##### 1. Compliance Requirements

Eligible districts are required to submit fiscal and program operational plans to the county superintendent for review and approval.

The district's June 30, 2005 Comprehensive Annual Financial Report must contain a summary schedule of ECPA expenditures, including a summary of the estimated 2004-05 ECPA carryover included in the 2005-06 budget compared to the actual carryover calculated at June 30, 2005. The district should report each segment of the program on supporting schedules - Preschool, Kindergarten, and Grades 1-3 which in total will agree to the summary ECPA schedule. It is not necessary to report the calculation of Available & Unbudgeted funds and Actual Carryover as of June 30, 2005 on each supporting schedule. Abbott districts should refer to the Abbott Addendum to the Audit Program for unique and specific guidance.

##### Suggested Audit Procedures

- Review plans for compliance with reporting procedures and due dates.
- Test amounts reported with accounting records.

#### E. SPECIAL TESTS AND PROVISIONS

##### 1. Compliance Requirements

All board approved transfers and plan revisions must be documented on a transfer notification form, and prior written approval from the department must be obtained when necessary. For the Abbott districts, all applicable transfers and plan revisions must be approved by the department. For non-Abbott districts, the transfer notification form must be submitted to the county superintendent for review and, if necessary, approval. See The Audit Program for specific requirements. ECPA must be budgeted and accounted for in the special revenue fund using the uniform grant project budget statement coding structure.

##### Suggested Audit Procedures

- Verify that the aid is recorded in the special revenue fund on the district's accounting records and approved budget.
- Review board minutes for approval of transfers and revisions.
- Verify that the transfer notification forms are on file and written approval was obtained when necessary and that all transfers are in compliance with the above requirements.

2. Compliance Requirement

Expenditures which exceed the bid or quote threshold must be made in accordance with the requirements of the Public School Contracts Law, *N.J.S.A.* 18A:18A et seq. Please refer to Section I, Chapter 5, “Bids & Contracts/Purchasing”, of The Audit Program.

Suggested Audit Procedure

Test expenditures to determine compliance with advertising for bids and obtaining quotes as required by *N.J.S.A.* 18A:18A-3, 18A-4 and 18A-37.

**DEPARTMENT OF EDUCATION**

**Instructional Supplement Aid**

495-034-5120-029

I. **PROGRAM OBJECTIVES**

The program objectives are to provide supplemental services for students from low-income families, the same purpose as Demonstrably Effective Program Aid. Supplemental services are demonstrably effective programs, strategies or services which are either expressly identified in *N.J.S.A. 18A:7F-18* or approved by the State Board in accordance with *N.J.A.C.6A:23-5.5*. Funds are used for instructional and support services activities.

II. **PROGRAM PROCEDURES**

Under CEIFA, Instructional Supplement Aid is generated by school districts and county vocational school districts in which the concentration of low-income pupils based on filing the annual Application for State School Aid (A.S.S.A.) is equal to or greater than 5% and less than 20%. Low-income pupils are pupils from households with a household income at or below 130 percent of the most recent federal poverty guidelines. For Fiscal Year 2004-05, Instructional Supplement Aid was level-funded based on funds disseminated in school year 2002-03. Districts' revenue is based upon 2002-03 cash payments. The budgetary revenue and GAAP revenue may differ due to state reporting requirements of the last state aid payment. For budgetary purposes, state aid equals the amount shown on the 2004-05 SA1NET in the Special Revenue Fund Aid section. For GAAP financial reporting, revenue equals the amount reported on the 2004-05 SA1NET increased by the first cash payment of July 2004 and decreased by the last state aid payment for June 30, 2005 (paid in July 2005, but not recognized until the subsequent year).

Instructional Supplement Aid is a restricted aid that is accounted for in the special revenue fund. Programs operate from July 1 to June 30<sup>th</sup>. Unused funds may be carried over to the next fiscal year.

III. **COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES**

A. **TYPES OF SERVICES ALLOWED OR UNALLOWED**

1. **Compliance Requirement**

Instructional Supplement Aid is available to provide supplemental services for students from low-income families. Allowable supplemental services are those demonstrably effective programs, strategies or services either expressly identified in *N.J.S.A. 18A:7F-18* or approved by the State Board in accordance with *N.J.A.C. 6A:23-5.5*. Districts are not required to track expenditures by individual program and the expenditure of funds is not restricted to the location that generated the revenue.

**Suggested Audit Procedure**

- Verify the existence of supplemental services.

B. ELIGIBILITY

1. Compliance Requirement

All school districts and county vocational school districts with specific concentrations of low-income students are eligible based on filing the annual Application for State School Aid (A.S.S.A.). The district must complete the A.S.S.A. in accordance with the instructions provided by the Division of Finance. The district must complete a set of workpapers that document the compilation of data and provides an audit trail for testing the enrollments reported on the A.S.S.A. The district must also have on file written internal procedures that provide a description of the count process. The workpapers, original supporting documentation, and internal procedures must be maintained on file for seven years.

Suggested Audit Procedure

- In accordance with instructions and audit procedures in The Audit Program issued by the Department of Education, verify enrollments reported on the district's A.S.S.A. printout with the pupil counts on the district's workpapers.

C. MATCHING, LEVEL OF EFFORT AND/OR EARMARKING REQUIREMENTS

1. Compliance Requirement

If the expenditures incurred by the school district are less than the amount of Instructional Supplement Aid, unexpended or unencumbered funds must be carried over and expended in the subsequent fiscal year for allowable program expenditures.

Suggested Audit Procedure

- Verify that any unexpended funds are reflected as deferred revenue at year-end.

D. REPORTING REQUIREMENTS

None.

E. SPECIAL TESTS AND PROVISIONS

1. Compliance Requirement

Instructional Supplement Aid must be budgeted and accounted for in the special revenue fund using the instruction and support services functions of the uniform grant project budget statement coding structure.

Suggested Audit Procedure

- Verify that the aid is recorded in the special revenue fund on the district's accounting records and approved budget.

2. Compliance Requirement

Expenditures which exceed the bid or quote threshold must be made in accordance with the requirements of the Public School Contracts Law (*N.J.S.A. 18A: 18A et seq.* Please refer to Section I, Chapter 5, “Bids & Contracts/Purchasing”, of The Audit Program.

Suggested Audit Procedure

- Test expenditures to determine compliance with advertising for bids and obtaining quotes as required by *N.J.S.A. 18A: 18A-3, 18A-4 and 18A-37*.

**DEPARTMENT OF EDUCATION**

**Character Education Aid**

**495-034-5120-053**

I. PROGRAM OBJECTIVES

The program objectives are to provide funds to assist public school educators to adopt validated character education programs that will meet the developmental needs of students by promoting pro-social student behaviors and creating caring, disciplined school climates conducive to learning.

II. PROGRAM PROCEDURES

For the fifth year of the *New Jersey Character Education Partnership (NJCEP) Initiative*, the Governor's FY 2005 budget provided \$4.75 million for school district implementation and expansion of character education programs and services during the 2004-05 school year. All public school districts, approved charter schools, educational services commissions, special services school districts, jointure commissions, Katzenbach School for the Deaf, and state facilities were eligible for a minimum of \$4,000 in state aid for fiscal year 2005 to implement and/or expand character education programs. School districts with enrollments above approximately 1400 students received additional funds based on student enrollment data. Payments for character education aid were made in September 2004 to all districts. School districts were required to submit obtain DOE approval of the application to the Office of Program Support Services prior to expending the funds. Conditional approvals were sent in January 2005 to districts which had not yet received final approval. Districts with conditional approval were permitted to expend the funds. School districts could elect not to participate and were required to refund the full allocation to the state.

Any carry-over funds from fiscal year 2004 can be carried over and must be expended by June 30, 2005 for a purpose consistent with the character education initiative. No formal permission or request to the Department is required to carry-over funds. If a district received more than sufficient funds to implement a program, the use of the additional funds was restricted for use in the implementation and/or expansion of character education programs in other buildings. Additionally, surplus funds were restricted for the maintenance or expansion of existing character education programs.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. TYPES OF SERVICES ALLOWED OR UNALLOWED

1. Compliance Requirements

Funds must be used solely for the direct support of character education programs, services, and activities. Specifically, funds may be used for such items as: purchase of character education curriculum materials and educational supplies; printings and mailings related directly to the initiative; refreshments for a related event; staff development and training (to include costs for staff to attend workshop trainings after school hours and/or costs incurred for substitute coverage in order for district staff to attend trainings); purchase of general assembly programs for students/parents/staff/community members; participation

at local, state sponsored and national character education conferences and workshops (to include registration fees, hotel, mileage, meals, etc.); appropriate materials for service learning projects; teacher guides, and purchase of professional technical services, assessment surveys, and character education promotional materials such as pens, pads, posters, videos, tee-shirts, hats, etc.

Suggested Audit Procedure

- Review the application for NJCEP funding and determine that the program(s) and building(s) for which expenditures were made are consistent with the application.
- Verify that funds were used for the direct support of character education programs, services, and/or activities.

B. ELIGIBILITY

1. Compliance Requirements

All school districts, approved charter schools, educational services commissions, special services school districts, jointure commissions, Katzenbach School for the Deaf, and state facilities were eligible for funds, but were required to complete and submit the *New Jersey Character Education Partnership (NJCEP) Initiative Application for State Aid Funding*. Department approval of a district's application was required prior to the district expenditure of the funds.

Suggested Audit Procedures

- Verify that the school district received an approval letter or conditional approval from the department prior to expenditure of the funds.

C. MATCHING, LEVEL OF EFFORT AND/OR EARMARKING REQUIREMENTS

None.

D. REPORTING REQUIREMENTS

1. Compliance Requirement

Character Education Aid is identified in the special revenue fund as restricted state aid. The revenue code is 20-3290, Other Special State Projects. The program code range is 431-499, Other State Projects. Districts could assign their own program codes depending upon what other programs are implemented in the district.

Suggested Audit Procedures

- Verify that the revenue and expenditures were properly classified and recorded in the 2004-05 fiscal year.

E. SPECIAL TESTS AND PROVISIONS

1. Compliance Requirement

If a district elected not to participate in the character education aid program, the district was required to refund the amount received to the State.

Suggested Audit Procedure

- Verify that the refunded amount agrees with the amount received in September 2004.
- Determine that a refund to the State was recorded correctly.

**DEPARTMENT OF EDUCATION**

**Nonpublic Textbook Aid**

100-034-5120-064

I. **PROGRAM OBJECTIVES**

To provide funds to school districts for the purchase of textbooks for loan to pupils enrolled in a nonpublic school located within the district.

II. **PROGRAM PROCEDURES**

Nonpublic schools must forward their requests for textbooks to the school districts on or before March 1 for the next school year. Districts should have received full payment of state aid no later than July 31. The amount of state aid shall not exceed the State average budgeted textbook expense per public school pupil, for each student enrolled in grades kindergarten through 12 of a nonpublic school on the last school day prior to October 16 of the preceding year.

III. **COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES**

A. **TYPES OF SERVICES ALLOWED OR UNALLOWED**

1. **Compliance Requirements**

The textbooks that are loaned to students in grades kindergarten through 12 of any nonpublic school, shall be textbooks used in any public school of the state, or approved by any board of education.

The textbooks are to be loaned without charge, subject to rules and regulations approved by the board. These rules may contain requirements for reimbursement by nonpublic pupils to the school district for loss, damage or destruction of loaned textbooks. (*N.J.S.A. 18A:58-37.3, 18A:58-37.4, N.J.A.C. 6A:23-6.6*)

**Suggested Audit Procedures**

- Verify that the textbooks, which are loaned to nonpublic school pupils, are approved for use by the board.
- Verify that the school district loans textbooks without charge to nonpublic school pupils.
- Verify that charges for loss, damage or destruction of loaned textbooks to nonpublic school pupils are also applicable to public school pupils.

B. **ELIGIBILITY**

1. **Compliance Requirements**

A school district is eligible to receive state aid for the purchase and loan of textbooks to nonpublic school pupils.

The nonpublic school pupils must be residents of the state and attend a nonpublic school located within the district. In addition, the parents or legal guardians must maintain a residence in the state. (*N.J.S.A. 18A:58-37.5, N.J.A.C. 6A:23-6.1*)

Suggested Audit Procedures

- Verify by testing the residency status of the pupils, parents or legal guardians and that the nonpublic school, which received the textbooks, is located within the district.

C. MATCHING, LEVEL OF EFFORT AND/OR EARMARKING REQUIREMENTS

1. Compliance Requirements

A school district is not required to expend funds for the purchase and loan of textbooks in excess of the amount of state aid received. (*N.J.S.A. 18A:58-37.3*)

If the expenditures incurred by the school district for the purchase and loan of textbooks is less than the amount of state aid received, unexpended funds must be refunded to the state after the completion of the school year, but no later than December 1. (*N.J.S.A. 18A:58-37.7*)

The cost of textbooks for nonpublic school pupils must be entered in a separate line account. (*N.J.A.C. 6A:23-6.5*)

Suggested Audit Procedures

- Verify funds were expended for the purchase of textbooks for nonpublic school pupils.
- Verify that any unexpended funds were returned by the school district to the state no later than December 1 for the prior school year.
- Verify and compute the unexpended balance for the current year under audit.

D. REPORTING REQUIREMENTS

1. Compliance Requirements

The school district shall maintain an accounting system for nonpublic programs and file an annual End of the Year Report which details the amount expended for nonpublic school pupils serviced by the school district. (*N.J.A.C. 6A:14-6.3 and 6A:14-6.4*)

Suggested Audit Procedures

- Verify that the school district maintains a separate account for recording expenditures for eligible purchases for nonpublic school pupils.
- Verify that the End of the Year Report is filed timely and agrees with the school district's supporting documentation.

E. SPECIAL TESTS AND PROVISIONS

1. Compliance Requirements

All textbooks purchased for nonpublic school pupils shall remain the property of the school district, and the label on each book shall indicate ownership.

The school district is responsible for the collection and inventory of textbooks and may require the textbooks to be returned to the school district at the end of the school year or allow the nonpublic schools to store the textbooks. The school district shall not pay storage charges to the nonpublic school. (*N.J.A.C. 6A:23-6.4*)

Suggested Audit Procedures

- Verify by testing that textbooks are properly labeled and stored in the district. If the textbooks are stored in the nonpublic schools verify that the school district does not pay storage charges.

**DEPARTMENT OF EDUCATION**

**Nonpublic Auxiliary Services Aid (Chapter 192)**

100-034-5120-067

I. PROGRAM OBJECTIVES

School districts receive funds to provide Compensatory Education, English as a Second Language and home instruction to nonpublic school pupils who meet the eligibility criteria for these programs.

II. PROGRAM PROCEDURES

The school district must file an application for funds by November 5, which includes the number of pupils identified as eligible to receive each service during the previous school year.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. TYPES OF SERVICES ALLOWED OR UNALLOWED

1. Compliance Requirements

The school district must provide Compensatory Education and English as a Second Language to nonpublic school pupils who meet the eligibility requirements. Services are provided to pupils between the ages of five and twenty, who reside in New Jersey and are enrolled full-time in a nonpublic school within the district. (*N.J.S.A. 18A:46A-3*)

Suggested Audit Procedures

- Verify by testing that pupils receiving auxiliary services have a valid and signed Application for Individual Pupil Services (Form 407-1) on file, with the type of service requested.
- Verify by testing that pupils receiving services are between the ages of five and twenty, reside in New Jersey and are enrolled full-time in a nonpublic school within the district.

B. ELIGIBILITY

1. Compliance Requirements

Compensatory Education aid is available for those nonpublic school pupils who score below the minimum levels of proficiency (MLP) established by the New Jersey State Department of Education, as measured by testing conducted in the spring of the previous school year.

The nonpublic school must attach a copy of the pupil's standardized test results to the Form 407-1, must enter the appropriate test score on the form, enter the

appropriate subject area on the form and submit two forms if the pupil is to receive both communications and computation services.

Suggested Audit Procedures

- Take a test sample of 407-1's and determine if nonpublic school pupils meet eligibility criteria, based on test scores which are below the Minimum Level of Proficiency. Verify that required information is included on Form 407-1.
- Verify that the service provided to the nonpublic school pupil is based on service requested on Form 407-1.

2. Compliance Requirements

English as a Second Language aid is available for those nonpublic school pupils who score below the standard level of English proficiency as measured by a standardized test recommended by the New Jersey State Department of Education. The pupil's native language must be other than English.

The parent or guardian must identify the pupil's native language on the Form 407-1. The school district must attach a copy of the test results and record the score on Form 407-1.

Suggested Audit Procedures

- Verify by testing that the eligibility criteria based on the test score is met by nonpublic school pupils.
- Review a test sample of Forms 407-1 and verify that the native language, copy of test results and test score is included on Form 407-1.

3. Compliance Requirements

Home Instruction aid is available for nonpublic school pupils unable to attend school because of illness or injury. The pupil must be unable to attend school for at least two weeks because of illness or injury, and a letter from a physician must verify the illness or injury. Medical evidence must be attached to Form 407-1. Home instruction may be provided for a period not to exceed 60 calendar days in a school year, unless the pupil is classified by the child study team and an IEP indicates the need for home instruction.

Suggested Audit Procedures

- Verify by testing Form 407-1 that pupil is eligible for home instruction services, and that such service does not exceed 60 calendar days, unless such pupil is classified and has a valid IEP which indicates the need for home instruction.

C. MATCHING, LEVEL OF EFFORT AND/OR EARMARKING REQUIREMENTS

1. Compliance Requirements

The school district shall not use more than 6% of the aid received for administration costs, and no more than 18% can be used to rent facilities needed to implement the services. (*N.J.S.A. 18A:46A-8*)

Suggested Audit Procedures

- Review expenditures for administration and rental costs and verify that expenditures are within statutory limits.

2. Compliance Requirements

A school district shall provide Compensatory and English as a Second Language service to nonpublic school pupils at a cost not to exceed the amount of state aid funds. (*N.J.A.C. 6A:14-6.3*)

In the event that expenditures are less than the amount of state aid received, the school district shall refund the unexpended state aid after completion of the school year, but no later than December 1. (*N.J.S.A. 18A:46A-14*)

Suggested Audit Procedures

- Verify expenditures do not exceed the amount of state aid funds, and are for eligible services.
- Verify that the school district refunded the unexpended state aid from the prior school year, and verify the amount of refund, if any, due for the current year.

D. REPORTING REQUIREMENTS

1. Compliance Requirements

The school district shall maintain an accounting system for nonpublic programs and file an annual End of the Year Report that details the number of nonpublic school pupils serviced by the school district. (*N.J.A.C. 6A:14-6.3 and 6A:14-6.4*)

Suggested Audit Procedures

- Verify that the school district maintains a separate account for recording expenditures for eligible services for nonpublic school pupils.
- Verify that the End of the Year Report is filed timely and agrees with the school district's supporting documentation.

E. SPECIAL TESTS AND PROVISIONS

None.

**DEPARTMENT OF EDUCATION**

**Nonpublic Handicapped Aid (Chapter 193)**

100-034-5120-066

I. PROGRAM OBJECTIVES

To provide funds to school districts for the purpose of examination and classification of nonpublic school pupils in order to identify a pupil's educational handicap and to prescribe an individual educational plan to address the pupil's needs. Funds are also provided for speech correction and supplemental instruction services for nonpublic school pupils.

II. PROGRAM PROCEDURES

The school district must file an application by November 5, which includes the number of nonpublic school pupils identified as eligible to receive examination/classification, speech correction and supplemental instruction services during the previous school year.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. TYPES OF SERVICES ALLOWED OR UNALLOWED

1. Compliance Requirements

Examination/classification, speech correction and supplemental instruction services are provided to nonpublic school pupils whose parents or guardians reside in New Jersey. In addition, the pupils must be enrolled full time in a nonpublic school located in the district, be between the ages of 5 and 21, meet the eligibility criteria for service and have parental consent for the service. (N.J.S.A. 18A: 46-6, 18A:46-19.5)

Suggested Audit Procedures

- Verify that a valid Application for Individual Pupil Services (Form 407-1) is on file for each nonpublic school pupil indicating the service to be provided.
- Verify that services provided are only for examination/classification, speech correction or supplemental instruction services.

B. ELIGIBILITY

1. Compliance Requirements

Examination/classification services are provided for the purpose of identifying those with disabilities and developing Individualized Educational Plans (IEP).

Supplementary Instruction aid and speech correction aid are available for nonpublic school pupils with disabilities who need those services. The pupil must be classified as disabled by the child study team, and an Individual

Educational Plan (IEP) must be on file and indicate the need for supplementary instruction and/or speech correction as appropriate.

Suggested Audit Procedures

- Verify that pupils serviced have an IEP on file that indicates the need for the services rendered (examination/classification supplemental instruction and/or speech correction).
- Review Form 407-1 and verify parental or guardian consent for service provided.

C. MATCHING, LEVEL OF EFFORT AND/OR EARMARKING REQUIREMENTS

1. Compliance Requirements

A school district shall provide services to nonpublic school pupils at a cost not to exceed the amount of state aid funds. (*N.J.A.C. 6A:14-6.3*)

In the event that expenditures are less than the amount of state aid received, the school district shall refund the unexpended state aid after completion of the school year, but no later than December 1. (*N.J.S.A. 18A:46-19.8*)

Suggested Audit Procedures

- Verify expenditures do not exceed the amount of state aid funds and are for eligible services.
- Verify that the school district refunded the unexpended state aid from the prior school year, and verify the amount of refund, if any, due for the current year.

D. REPORTING REQUIREMENTS

1. Compliance Requirements

The school district shall maintain an accounting system for nonpublic programs and file an annual End of the Year Report that details the number of nonpublic school pupils serviced by the school district. (*N.J.A.C. 6A:14-6.3 and 6A:14-6.4*)

Suggested Audit Procedures

- Verify that the school district maintains a separate account for recording expenditures for examination, classification, speech correction and supplemental instruction services for nonpublic school pupils.
- Verify that the End of the Year Report is filed timely and agrees with the school district's supporting documentation.

E. SPECIAL TESTS AND PROVISIONS

None.

**DEPARTMENT OF EDUCATION**

**Nonpublic Nursing Services Aid (Chapter 226)**

100-034-5120-070

**I. PROGRAM OBJECTIVES**

To provide funds to school districts in order to provide basic nursing services for pupils enrolled full time in nonpublic school(s) located within the school district.

**II. PROGRAM PROCEDURES**

Nonpublic schools must submit their New Jersey resident enrollment as of the last school day prior to October 16 of each year and indicate their intent to participate in the program for the next budget year.

**III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES**

**A. TYPES OF SERVICES ALLOWED OR UNALLOWED**

**1. Compliance Requirements**

The school district must provide basic nursing services to pupils who meet the eligibility requirements. Services are provided to pupils enrolled in grades kindergarten through 12, who reside in New Jersey and are in a nonpublic school located within the school district.

**Suggested Audit Procedures**

- Verify by testing that pupils receiving services were enrolled in grades kindergarten through 12, reside in New Jersey and are enrolled full-time in a nonpublic school within the school district.

**B. ELIGIBILITY**

**1. Compliance Requirements**

A school district is eligible to receive state aid to provide nursing services to nonpublic school pupils.

**Suggested Audit Procedures**

- Verify by testing the residency status of the pupils, parents or legal guardians and that the nonpublic school is located within the district.

C. MATCHING, LEVEL OF EFFORT AND/OR EARMARKING REQUIREMENTS

1. Compliance Requirements

A school district is not required to expend funds for nursing services in excess of the amount of state aid received. If the expenditures incurred by the school district for nursing services are less than the amount of state aid received, unexpended funds must be refunded to the state after the completion of the school year, but no later than December 1. (*N.J.S.A. 18A:40-31*).

Suggested Audit Procedures

- Verify funds were expended for nursing services for nonpublic school pupils.
- Verify that the school district returned any unexpended funds to the state no later than December 1 for the prior year.
- Verify and compute the unexpended balance for the current year under audit.

D. REPORTING REQUIREMENTS

1. Compliance Requirements

The school district shall maintain an accounting system for nonpublic programs and file an annual End of the Year Report which details the amount expended for nonpublic school pupils serviced by the school district. (*N.J.A.C. 6A:14-6.3 and 6A:14-6.4*)

Suggested Audit Procedures

- Verify that the school district maintains a separate account for recording expenditures for eligible services for nonpublic school pupils.
- Verify that the End of the Year Report is filed timely and agrees with the school district's supporting documentation.

E. SPECIAL TESTS AND PROVISIONS

1. Compliance Requirements

Equipment purchased to provide nursing services shall remain the property of the school district, and ownership shall be so marked by labels or other appropriate methods of identification.

Suggested Audit Procedure

- Verify that equipment is properly labeled.

**DEPARTMENT OF EDUCATION**

**Nonpublic Technology Initiative Aid**

100-034-5120-373

I. PROGRAM OBJECTIVES

To provide funds to school districts in order to provide technology to all pupils attending a nonpublic school(s) located within the school district.

II. PROGRAM PROCEDURES

Nonpublic schools must submit their New Jersey resident enrollment as of the last school day prior to October 16 of each year and indicate their intent to participate in the program for the next budget year. The school district must submit to the county superintendent on or before October 31 of the budget year, (1) a written statement verifying a conference was held with the nonpublic school administrator, and (2) a copy of the agreement between the school district and the nonpublic school and the minutes of the board of education approving such agreement.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. TYPES OF SERVICES ALLOWED OR UNALLOWED

1. Compliance Requirements

The state aid provided to the school district for each participating nonpublic school in the district for the 2004-05 school year is an amount equal to the product of \$40.00 and the number of pupils on roll in the nonpublic school as of October 15, 2004 recorded on the Nonpublic School Enrollment Report.

The technology provided to nonpublic schools must not include providing instructional services directly to nonpublic school students. Allowable expenditures are listed on the accompanying list at the end of this section.

Suggested Audit Procedure

- Verify by testing that pupils included on the Nonpublic School Enrollment Report were enrolled full-time in a nonpublic school within the school district.
- Verify funds were expended for allowable technology initiative program expenditures and not expended for instructional services.

B. ELIGIBILITY

1. Compliance Requirements

The school district must submit to the county superintendent on or before October 31 (1) a written statement verifying a conference was held with the nonpublic school administrator, and (2) a copy of the agreement between the school district and the nonpublic school and the minutes of the board of education approving such agreement.

Suggested Audit Procedures

- Verify that the minutes of the board of education approved the agreement to provide technology to the nonpublic school(s).

C. MATCHING, LEVEL OF EFFORT AND/OR EARMARKING REQUIREMENTS

1. Compliance Requirements

A school district is not required to expend funds for technology services in excess of the amount of state aid received. If the expenditures incurred by the school district for technology are less than the amount of state aid received, unexpended funds must be refunded to the state after the completion of the school year, but no later than December 1.

The funds expended by the school district for the administrative costs related to providing technology for a participating nonpublic school must be limited to five (5) percent of the actual costs of providing the technology for the participating nonpublic school or five (5) percent of the funds allocated to the participating nonpublic school, whichever is less.

Suggested Audit Procedures

- Verify funds were expended for equipment, software, professional development and/or maintenance on equipment purchased.
- Verify that the school district returned any unexpended funds to the state by December 1 for the prior school year.
- Verify and compute the unexpended balance for the current year under audit.
- Verify that administrative costs did not exceed 5% of the actual costs or 5% of the funds allocated to the participating nonpublic school, whichever is less.

D. REPORTING REQUIREMENTS

1. Compliance Requirements

The school district shall maintain an accounting system for nonpublic programs and file an annual End of the Year Report which details the amount expended for nonpublic school pupils serviced by the school district.

Suggested Audit Procedures

- Verify that the school district maintains a separate account for recording expenditures for eligible purchases for nonpublic school pupils.
- Verify that the End of the Year Report is filed timely and agrees with the school district's supporting documentation.

E. SPECIAL TESTS AND PROVISIONS

1. Compliance Requirements

Equipment purchased to provide technology shall remain the property of the school district, and ownership shall be so marked by labels.

The school district is responsible for the inventory of the equipment and may require the equipment be returned to the school district at the end of the school year or allow the nonpublic schools to store the equipment. The school district shall not pay storage charges to the nonpublic school.

Suggested Audit Procedures

- Verify by testing that the equipment is properly labeled and stored in the district. If the equipment is stored in the nonpublic schools verify that the school district does not pay storage charges.

2. Compliance Requirement

Expenditures, which exceed the bid or quote threshold, must be made in accordance with the requirements of the Public School Contracts Law, *N.J.S.A. 18A: 18A et seq.* Please refer to Section I, Chapter 5, "Bids & Contracts/Purchasing", of The Audit Program.

Suggested Audit Procedure

- Test expenditures to determine compliance with advertising for bids and obtaining quotes as required by *N.J.S.A. 18A: 18A-3, 18A-4 and 18A-37*.

**NONPUBLIC TECHNOLOGY INITIATIVE AID**  
**Allowable Expenditures**  
**EXAMPLES**

**Equipment (hardware):**

- Computers:
- Multimedia
- Server computers for shared files, electronic mail and world wide web communication
- Digital and Video Cameras
- Projection Devices and other peripheral equipment shared by computer systems
- Data communications systems
- Local area networks (including multiple connects for every classroom)
- Wide area network:
- High-speed network links that connect schools together in each district
- High-speed Internet connection serving all schools in each district
- Satellite Dish
- Distance Learning ITV Classroom (full-motion interactive video classroom system)
- Transportable ITV System (full-motion interactive video equipment on a cart)
- Videoconferencing Equipment (e.g., PictureTel, Proshare, Swift Site)

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**Software:** programs available on disks, CD-ROMs, etc. used as applications in instructional programs. Software with a religious theme or content is prohibited.

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**Professional Development:** training that develops and enhances teachers' technology skills for instructional purposes so that teachers effectively use technology with their curriculum (for example, participating in sessions offered by the county-based Educational Technology Training Centers). Professional development training may also be provided to nonpublic school teachers- on-site in a nonpublic school.

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**Maintenance:** contracts or per diem support to make sure equipment purchased and loaned to a nonpublic school by a board of education is maintained and remains usable.

**DEPARTMENT OF EDUCATION**

**Evening School for Foreign Born**

100-034-5062-026

I. PROGRAM OBJECTIVES

To provide programmatic and fiscal support to local school districts for instruction to Foreign Born students in English language and in the form of government and the laws of this State and the United States. (N.J.S.A. 18A:49-3).

II. PROGRAM PROCEDURES

Local school districts submit a letter of intent for the fiscal year, districts receive an allocation notice for not more than \$5,000 and then submit an application to request funding.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. TYPES OF SERVICES ALLOWED OR UNALLOWED

1. Compliance Requirement

Provide English and citizenship training.

Suggested Audit Procedure

- Test expenditures and related records.

B. ELIGIBILITY

1. Compliance Requirement

All school districts are eligible for funds, based upon submitting a letter of intent and application.

Suggested Audit Procedure

- Review letter of intent and verify application approval by the department for funding.

C. MATCHING, LEVEL OF EFFORT AND/OR EARMARKING REQUIREMENTS

1. Compliance Requirement

The school district must match 100 percent the amount of funds received from the Department of Education.

Suggested Audit Procedure

- Verify the district match for funds received from the department.

D. REPORTING REQUIREMENTS

1. Compliance Requirement

- The school district is required to submit a Final Report to the Department of Education no later than 8/1/05.

Suggested Audit Procedure

- Verify submission and approval of the final report.

E. SPECIAL TESTS AND PROVISIONS

1. Compliance Requirement

The school district is required to maintain separate accounting records for revenue and expenditures in the Special Revenue Fund.

Suggested Audit Procedure

- Verify that the district maintains separate accounting records for the grant.

**DEPARTMENT OF EDUCATION**

**Title III Basic State Grants for Vocational Education**

495-034-5120-013

I. PROGRAM OBJECTIVES

To provide county vocational school postsecondary programs that develop more fully the academic and occupational skills of all segments of the population. The objectives of these grants will principally be achieved through concentrating resources on improving educational programs leading to academic and occupational skill competencies needed to work in a technologically balanced society. (*N.J.S.A. 18A:54-1 et seq.*)

II. PROGRAM PROCEDURES

Funds are provided to county vocational schools that do not have PELL students for postsecondary programs through submission of a general application.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. TYPES OF SERVICES ALLOWED OR UNALLOWED

1. Compliance Requirements

Grant requirements are to be in compliance with P. L. 105-332, Section 135 and shall provide vocational education programs that are of such size, scope and quality as to be effective; integrate academic and vocational education through a coherent sequence of courses; provide students with strong experience in and understanding of all aspects of an industry; develop, improve or expand the use of technology; provide professional development programs; develop and implement evaluations, including the assessment of how the needs of special populations are being met; initiate, improve, expand, and modernize programs; and link secondary and postsecondary programs. No more than 5 percent of the grant may be used for administrative costs.

The county vocational schools' request for funds must address labor market areas identified by the appropriate Workforce Investment Board (WIB) or other validated local market demands. Eligible recipients may expend funds in any of 14 authorized activities/areas:

- a) Improving or developing new courses
- b) Career guidance and counseling
- c) Teacher preparation programs that assist individuals with experience in business and others in becoming vocational and technical education teachers
- d) Leasing, purchasing, upgrading or adapting equipment
- e) Programs for special populations
- f) Nontraditional training and employment
- g) Work-related experience, such as internships, cooperative education, school-based enterprises, entrepreneurship, and job shadowing
- h) Involving parents, businesses, and labor organizations in the design, implementation, and evaluation of programs

- i) Local education and business partnerships
- j) Vocational student organizations
- k) Mentoring and support services
- l) Family and consumer sciences programs
- m) Vocational and technical education programs for adults and school dropouts to complete their secondary education
- n) Assisting participating students in finding employment and continuing their education

Suggested Audit Procedures

- Verification of submitted data (VEDS), five-year plan (PTM 1500.99) updates, one-year spending plan interim reports and final reports as described in the Perkins One-Year Spending Plan FY 2004 guidelines (PTM 1503.06).

B. ELIGIBILITY

1. Compliance Requirements

County vocational schools offering postsecondary programs.

Suggested Audit Procedures

- Verify that the schools designated meet the eligibility requirements in P. L. 105-332, Section 131(f).

C. MATCHING, LEVEL OF EFFORT AND/OR EARMARKING REQUIREMENTS

1. Compliance requirements

Federal match requirement to the Carl D. Perkins Vocational and Technical Education Act of 1998, P. L. 105-332.

Suggested Audit Procedure

- Verification of the number of non-PELL students.

D. REPORTING REQUIREMENTS

1. Compliance Requirement

The local education agency will be required to submit the following reports:

Enrollments in occupational programs;  
Five-year plan revisions, if applicable;  
One-year spending plan;  
Interim Report; and  
Final Report

Suggested Audit Procedure

- Verify data reported with agency fiscal and programmatic accounting records.

E. SPECIAL TEST PROVISIONS

1. Compliance Requirement

All students in vocational programs must be measured for attainment in occupational competencies as evidenced by results of certification and licensing examinations or nationally recognized examinations including NOCTI or other available tests as described in the New Jersey Program Performance Measures and Standards for Occupational and Technical Programs, 1992, PTM 1167.00.

Suggested Audit Procedure

- Verify pass rate of students in assessment process.

**DEPARTMENT OF EDUCATION**

**Debt Service Aid**

495-034-5120-125

I. **PROGRAM OBJECTIVES**

To provide aid to school districts for the payment of their current year's debt service.

II. **PROGRAM PROCEDURES**

Under CEIFA for Fiscal Year 2004-05 debt service was calculated based upon budget footnote language in the Appropriations Act for Fiscal Year 2004-05. Debt Service aid is calculated by multiplying the school district's debt service budget (including commissioner approved lease purchase agreements with terms in excess of five years) by its state funded share.

Debt Service aid for 2004-05 was adjusted. However, the actual debt service aid revenue and payments for the 2004-05 school year are not adjusted as actual debt service aid adjustments in 2004-05. These adjustments will be made during the 2005-06 school year for both increases and decreases by adding or subtracting the adjustment amount to the 2005-06 entitlement amounts. The accounting records should reflect all 2004-05 debt service aid **increase** adjustments as an accounts receivable and deferred revenue as of June 30, 2005. However, these adjustments (increase or decrease) **should not** be reflected in the budget since all debt service changes are deferred until 2005-06. Any entries made at June 30, 2004 for debt service aid increase adjustments from 2003-04 must be reversed.

For fiscal years 2004-05 and 2005-06 state aid, the CEIFA-SA17a and CEIFA-SA17b are the source documents. Auditors should refer to the Explanatory Notes for the SA17a and SA17b Reports, Debt Service Aid distributed with the debt service aid printouts. The debt service adjustment amount for fiscal year 2004-05 is printed as a footnote on the SA1NET printout.

III. **COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES**

A. **TYPES OF SERVICES ALLOWED OR UNALLOWED**

1. **Compliance Requirements**

Debt service aid is a restricted revenue and may only be used for payment of bond interest and principal, and payments for commissioner approved lease purchase agreements in excess of five years. Funds may not be transferred from debt service to any other fund or account group.

**Suggested Audit Procedures**

- Verify that aid is used only for repayment of principal and interest.
- Verify that aid is correctly reflected on school district's accounting records and approved budget.

- Verify that no funds are transferred from debt service to any other fund or account group.

B. ELIGIBILITY

1. Compliance Requirements

All school districts receiving core curriculum standards aid are eligible to receive Debt Service aid for debt issued prior to July 18, 2000. Aid is calculated by multiplying the school district's debt service budget by its state funded share.

For debt issued on or after July 18, 2000, all school districts are eligible for debt service aid if the debt was issued for a project approved by the Department of Education's Office of School Facilities Financing and the district chose debt service aid as the state funding option. Refer to the state aid explanatory notes for the aid calculation. Debt issued as the local share of a project receiving a state grant or a project constructed by the SCC is not eligible for debt service aid. Debt issued on or after July 18, 2000 but used for refunding debt issued prior to July 18, 2000 will continue to receive aid under the old formula. Under some circumstances, districts that issued debt prior to July 18, 2000 were eligible for aid under the new formula.

Suggested Audit Procedures

- Review the school district's approved budget for debt service and verify appropriations with the accounting records.
- Review the district's debt service obligation and whether the debt is eligible for aid. Compare the eligible debt service against the district's state aid notice.

C. MATCHING, LEVEL OF EFFORT AND/OR EARMARKING REQUIREMENTS

None.

D. REPORTING REQUIREMENTS

None.

E. SPECIAL TESTS AND PROVISIONS

None.

## DEPARTMENT OF EDUCATION

### Discretionary Grant Programs

FFA Statewide Leadership and Admin. Services	100-034-5062-032
Agriculture Education Development Initiative	100-034-5062-032
Nontraditional Career Resource Center (yr 1/3)	100-034-5062-032
Drug Abuse Education Fund (yr 3/3)	100-034-5064-147

*The grantee is required to retain a copy of the approved application, Notice of Grant Opportunity (NGO) and any applicable grant agreement and grant program information.*

#### I. PROGRAM OBJECTIVES

Refer to the Notice of Grant Opportunity (NGO) for specific program objectives.

#### II. PROGRAM PROCEDURES

The grantee must file an application in response to the specifications contained in the NGO. Applications are evaluated by a reader panel and determined eligible for funding. The department, through the issuance of an NGO also solicits non-competitive applications. Applications must conform to program and fiscal parameters indicated in the NGO.

#### III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

##### A. TYPES OF SERVICES ALLOWED OR UNALLOWED

###### 1. Compliance Requirements

Grant program and spending plans are approved by the New Jersey Department of Education (NJDOE) and contained in the grantees approved grant application.

Eligible and ineligible expenditures under this grant are published in the NGO. OMB Circulars for determining cost principles apply as indicated on the Grant Agreement.

###### Suggested Audit Procedures

- Review Grant Agreement for allowable program activities.
- Perform appropriate sampling of expenditures and related records.
- Ensure expenditures are in accordance with program plan and appropriate line item budget category.

##### B. ELIGIBILITY

###### 1. Compliance Requirements

Specific eligibility requirements are listed in the NGO.

Suggested Audit Procedures

- Verify that grantee meets eligibility requirements.

C. MATCHING, LEVEL OF EFFORT AND/OR EARMARKING REQUIREMENTS

1. Compliance Requirements

Applicable compliance requirements are published in the NGO.

Grantees approved Matching Funds Summary and Expenditure Report commits the grantee to matching grant expenditures.

Suggested Audit Procedures

- Perform tests to determine compliance with published requirements.
- Verify that grantee maintains accurate accounting for matching expenditures where required.

D. REPORTING REQUIREMENTS

1. Compliance Requirements

The grantee must submit program and fiscal reports that include elements indicated in the NGO and according to timelines indicated on page two of the Grant Agreement.

Suggested Audit Procedures

- Review reports for compliance with reporting procedures and due dates.
- Test amounts reported with accounting records.

E. SPECIAL TESTS AND PROVISIONS

1. Compliance Requirement

Per Attachment A: Grant Agreement Terms and Conditions<sup>1</sup>, grantees must request prior approval, under certain conditions, to modify their approved budget and program plan.

Suggested Audit Procedures

- Review procedures for grant agreement modification.
- Verify grantee compliance with modification procedures.

2. Compliance Requirements

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<sup>1</sup> Attachment A: Grant Agreement Terms and Conditions were revised effective July 1, 1997. See [http://www.nj.gov/njded/grants/discretionary/management/attacha\\_b.shtml](http://www.nj.gov/njded/grants/discretionary/management/attacha_b.shtml).

A grant recipient that uses grant funds for nonemployee compensation must comply with the terms and conditions detailed in Attachment A: Grant Agreement Terms and Conditions, of the New Jersey State Department of Education Grant Agreement.

Suggested Audit Procedures

- Review procedures for nonemployee compensation.
- Verify that a nonemployee compensation report, as applicable, has been submitted to the department.

3. Compliance Requirements

Per Attachment A: Grant Agreement Terms and Conditions, a grantee that generates program income<sup>2</sup> as a result of receiving a grant, must maintain separate accounts and report such income.

Suggested Audit Procedures

- Review procedures for program income accounting.
- Verify grantee compliance with reporting program income.

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<sup>2</sup> When appropriate, the DOE uses the additional cost use of program income as specified in EDGAR, 80.25, (g)(2).

## DEPARTMENT OF EDUCATION

### Governor's Schools

100-034-5063-226

Note: This section is applicable only to audits of the colleges and universities listed below, not to audits of local school districts. Funds are paid by the NJ Department of Education directly to these institutions, not to the local school districts.

#### I. PROGRAM OBJECTIVES

The New Jersey Governor's School is a tuition-free residential program, for gifted and talented high school students, that is held on seven college campuses for four weeks during the summer. The program permits approximately 400 exceptional New Jersey high school students to pursue certain fields of interest in a challenging environment and stimulates their further achievement by introducing them to similarly motivated colleagues and teachers. The seven institutions and their programs are:

- The College of New Jersey - Governor's School of the Arts
- The Richard Stockton College of New Jersey - Governor's School on the Environment
- Monmouth University - Governor's School on Public Issues
- Drew University - Governor's School in the Sciences
- Ramapo College of New Jersey - Governor's School on International Issues
- Rutgers, The State University, Camden – Governor's School for Business Education
- Rutgers, The State University - Governor's School of Engineering/Technology

A Board of Overseers, members of which are appointed by the Governor hold the Governor's Schools in trust for the citizens of New Jersey. The Board makes recommendations for program implementation and improvement, coordinates programs, reviews budgets, evaluates quality, fosters public awareness, and develops private support for the Governor's Schools.

#### II. PROGRAM PROCEDURES

The six institutions annually develop program plans and spending plans, which become the basis for contracts between the institutions and the Department of Education (DOE). Student participants are nominated by their high schools, and their applications are forwarded to the Governor's Office, which selects county finalists. Names of finalists are sent to county school superintendents, who forward them to the Governor's Schools.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. TYPES OF SERVICES ALLOWED OR DISALLOWED

Compliance Requirements

Funds may be used only to support direct program costs. Auditors should refer to the annual contract for specific information. In addition, the policies and recommendations of the Board of Overseers should be reviewed for requirements.

Suggested Audit Procedures

- Review institutional records pertaining to students served and services provided.
- Review institutions internal expenditure report.
- Perform appropriate sampling in accordance with generally accepted auditing standards.

B. ELIGIBILITY

Only the six institutions listed in I. above are eligible to receive funding under this program.

C. MATCHING, LEVEL OF EFFORT, AND/OR EARMARKING PROCEDURES

Refer to annual contract.

D. REPORTING REQUIREMENTS

Compliance Requirement

Institutions are required to submit annual program plans and spending plans. Auditors should refer to the annual contract for further detail. The requirements of New Jersey Office of Management and Budget (OMB) Circular 04-04 are applicable to this state aid and should be reviewed by auditors.

Suggested Audit Procedures

- Review institutional files to verify that appropriate reports have been submitted to the DOE according to contract.
- Review institutional files to verify that DOE staff have approved report submissions.
- Review and verify schedule of Federal and State Financial Assistance. Trace data to supporting documentation.

E. SPECIAL TESTS AND PROVISIONS

None.