

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	100-034-5120-480
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
School Choice Aid	495-034-5068-001
Abbott Bordered District Aid	495-034-5120-067

(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 2006-07.

**II. PROGRAM PROCEDURES**

For Fiscal Year 2006-07, most state aid categories were level funded based on funds disseminated in school year 2001-02. 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. Abbott-Bordered District Aid was added in 2005-06.

For budgetary purposes, revenue amounts for state aid are shown on the 2006-07 SAINET printout (February 26, 2007) "Adjusted 2006-07 State School Aid" in the General Fund Aid section with the following exceptions:

- Districts receiving HELP or AAEG were notified by letter issued March 23, 2006.
- Notices for additional 2006-07 HELP Aid were sent to several districts in July 2006. Auditors should inquire whether the district received a revision for HELP Aid.

Although districts record state aid in the year funded, for GAAP purposes, the amount of revenue reflected in the last state aid payment of 2005-06 (received July, 2006) is recognized as revenue for 2006-07. The last state aid payment of 2006-07 (received July, 2006) is not recognized as revenue until 2007-08.

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, Abbott Bordered District 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. Abbott districts are required, pursuant to *N.J.A.C. 6A:1-2.1(d)10* to produce timely and accurate monthly Board Secretary and Treasurer of School Moneys reports within 45 days of month's end and pursuant to *N.J.S.A. 18A:17-10*, the Annual Report by August 1.

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.
- For Abbott districts, verify the district prepared its monthly Board Secretary and Treasurer of School Moneys reports within 45 days of month's end.

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 non-Abbott districts, Assistant Commissioner for Abbott Implementation as the Commissioner's designee from October 24, 2006 through March 31, 2007 and the Assistant Commissioner for Finance as the Commissioner's designee from April 1, 2007 through June 30, 2007 for Abbott districts) 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:23-2.11) and provided an excel worksheet for the districts to complete at least monthly to track transfers. Abbott districts are required to comply with *N.J.A.C.* 6A:10A-8.2 adopted October 24, 2006.

County or assistant commissioner, as applicable, approval as applicable is deemed to have been received by the district if, after 10 working days of receipt of the request by the county superintendent or assistant commissioner, as applicable, 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 or assistant commissioner, as applicable.

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 or assistant commissioner, as applicable, receipt when applicable.

6. Compliance Requirement

*N.J.A.C.* 6A:23-2.11(g) requires regular non-vocational districts to receive county superintendent approval (Commissioner's designee for non-Abbott districts, Assistant Commissioner for Abbott Implementation as the Commissioner's designee from October 24, 2006 through March 31, 2007 and the Assistant Commissioner for Finance as the Commissioner's designee from April 1, 2007 through June 30, 2007 for Abbott districts) 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. Abbott districts are required to comply with *N.J.A.C.* 6A:10A-8.2 adopted October 24, 2006.

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:23-2.11(h)), require county superintendent approval for non-Abbott districts, Assistant Commissioner for Abbott Implementation as the Commissioner's designee from October 24, 2006 through March 31, 2007 and the Assistant Commissioner for Finance as the Commissioner's designee from April 1, 2007 through June 30, 2007 for Abbott districts) 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. Abbott districts are required to comply with *N.J.A.C.* 6A:10A-8.2 adopted October 24, 2006.

Suggested Audit Procedure

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

8. Compliance Requirement

*N.J.S.A.* 18A:7G-31(c), *N.J.S.A.* 18A:7G-13, and *N.J.A.C.* 6A:23-2.13(capital reserve) and *N.J.A.C.* 6A:23-2.14 (maintenance reserve) permit districts to make deposits into a capital reserve account or maintenance reserve account only 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. *N.J.A.C.* 6A:23-2.11 provides further guidance regarding the implementation of S1701 for appropriation of surplus. Appropriations between April 1 and June 30 require approval from the regional assistant commissioner and/or county superintendent for non-Abbott districts, or Assistant Commissioner for Abbott Implementation as the Commissioner's designee from October 24, 2006 through March 31, 2007 and the Assistant Commissioner for Finance as the Commissioner's designee from April 1, 2007 through June 30, 2007 for Abbott districts). Prior to April 1 approval is granted only for an emergent circumstance by the Commissioner or regional assistant commissioner, as the Commissioner's designee for non-Abbott districts, or Assistant Commissioner for Abbott Implementation as the Commissioner's designee from October 24, 2006 through March 31, 2007 and the Assistant Commissioner for Finance as the Commissioner's designee from April 1, 2007 through June 30, 2007 for Abbott districts).

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), P.L. 2004, C.73 (*N.J.S.A. 18A:7F-5(c)*) 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. Auditors should refer to Section I-6 of The Audit Program for guidance on classification and allocation of administrative expenditures.

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.
- 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.

11. Compliance Requirement

P.L. 2007, c.53 (A5) established specific guidelines for district travel policies and procedures. This statute (*N.J.S.A.18A:11-12*) expands on PL 2006, c.45 (the 2007 Appropriations Act) which provided that the Commissioner of Education may reduce State aid payments to any district by any amounts found to be in violation of restrictions placed on travel expenditures in accordance with regulations adopted by the Commissioner. Pursuant to P.L. 2005, c.132 (the 2006 Appropriations Act) *N.J.A.C. 6A:23B-1.2(a)*, Travel and Related Expense Reimbursement, was adopted in October 2005 and required that each district board of education adopt a formal policy and procedures pertaining to travel and expense reimbursement for its employees and board members by December 31, 2005. Guidance regarding travel policies was issued by the department in November 2005 and is available on the website: <http://www.nj.gov/njded/finance/fp/af/travel.pdf>. Abbott school districts are required to comply with *N.J.A.C. 6A:10A-8.3*, which was adopted October 24, 2006, *N.J.A.C. 6A:10-2* which was adopted on March 19, 2007 and department policy.

Suggested Audit Procedures

- Determine that the board has adopted a travel and expense reimbursement policy and procedures in accordance with the regulations by December 31, 2005.
- Ensure that the district has not exceeded their board established annual travel maximum and that the district has accounting for travel separately.
- Test that the district has complied with the Board of Education travel and expense policy.

Section 15 of P.L. 2007, c. 53 (A5), approved by the Governor on March 15, 2007, expands on the requirements for school district travel policies and procedures. Regulations are currently being developed to address implementation of these changes. The Compliance Supplement may be updated in subsequent years for additional suggested audit procedures and/or guidance as deemed necessary.

**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 July of the amount for additional nonpublic school transportation aid and instructed to record this as Other State Aid, account 10-3190 in 2006-07.

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 2005-06 school year, the CPI is 4.04%. The CPI increase is calculated on the prior contract cost. For the 2006-07 school year the CPI is 3.99 %. 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 \$826 per pupil, the district must attempt to utilize the services of a 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 \$826, 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 attempted to utilize the services of a 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 \$826, 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.)
- Verify consistency between reported costs and student counts reported on the DRTRS summary report part A lines 6 and 7.

**DEPARTMENT OF EDUCATION**

**Extraordinary Aid**

100-034-5120-473

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.

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 2006-07, 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, facility costs such as building maintenance, heating, and cleaning, and costs associated with the development of the IEP. In addition, 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 2006-07 for the purposes allowed 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. The district may also have 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 2006-2007, the applicant student must have a birthdate between 7/01/1985 to 6/30/2004.

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 7/01/1985 to 6/30/2004.
- Verify that the student is classified and in an approved placement.
- Verify that workpapers are in order and supported with cost documentation. 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

Districts were notified of the amount of extraordinary aid in March 2007 and were instructed to record this as Extraordinary Aid revenue, account 10-3131 in 2006-07. The amount is reported on line B of the "2006-07 Extraordinary Aid" notice. Districts do not have the option to record this in any other fiscal year.

Suggested Audit Procedure - Extraordinary Aid

- Verify that the 2006-07 award is recorded in the correct account as revenue for 2006-07.

SPECIAL TESTS AND PROVISIONS

None.

**DEPARTMENT OF EDUCATION**

**Education Opportunity Aid (Including Additional State Aid referred to as Discretionary Education Opportunity Aid (DEOA) and the Incremental Costs of Opening a New School Facility)**

495-034-5120-049

**I. PROGRAM OBJECTIVES**

To equalize spending between “I” and “J” districts and Abbott districts and to provide aid to fund additional needs of Abbott districts, including the incremental costs of opening a new school facility. The amount of EOA awarded to each Abbott district in their state aid printouts on March 23, 2006 was calculated as the greater of the amount to equalize spending between “I” and “J” districts or the district’s final adjusted 2005-2006 Education Opportunity Aid (EOA), including any supplemental award, less any required general fund tax levy increase (i.e. flat funding). Districts required to raise general fund tax levy in 2005-2006 were notified of the amount of the required increase in March 23, 2006 letters from the Commissioner. Affected districts were Asbury Park, Garfield, Jersey City, Long Branch, Neptune, New Brunswick, Newark and Perth Amboy.

Districts were also awarded EOA to fund the incremental cost of opening new facilities. The new school facilities portion of the EOA award was required to be recorded in the special revenue fund and accounted for and spent in accordance with the spreadsheet that accompanied the budget approval/award letter. The portion of EOA awarded to fund the incremental costs of opening a new school facility was to provide the Abbott districts with the funds necessary to hire teachers, and purchase items necessary to open the school for student use once construction was complete.

Abbott districts that found that a flat-funded budget substantially impaired one or more demonstrably needed program, position or service, could have submitted a written application for additional funds to restore such program, position or service. Written applications and budgets were reviewed to determine the amount of additional funds that were needed, after identifying reallocations within the budget, to fund the demonstrably needed programs, positions or services requested. Awards of additional EOA referred to as Discretionary Education Opportunity Aid (DEOA) were included in the budget approval/award letters of the applicant districts.

**II. PROGRAM PROCEDURES:**

Education Opportunity Aid was awarded as the greater of the amount to equalize spending between “I” and “J” districts or the district’s final adjusted 2005-2006 Education Opportunity Aid (EOA), including any supplemental award, less any required general fund tax levy increase (i.e. flat funding).

Abbott districts that found that a flat-funded budget substantially impaired one or more demonstrably needed program, position or service, could have submitted a written application for additional funds to restore such program, position or service. Written applications and budgets were reviewed to determine the amount of additional funds that were needed, after identifying reallocations within the budget, to fund the demonstrably needed programs, positions or services requested. Awards of additional EOA referred to as Discretionary Education Opportunity Aid (DEOA) were included in the budget approval/award letters of the applicant districts. The

districts were required to adjust revenues and appropriations to reflect the additional approved programs, positions or services and the areas identified for reallocations. The adjustments were required to be made in accordance with the spreadsheets attached to the budget approval letters entitled “Program Analysis for the Application for Additional Funds” and “Reallocations for the Application for Additional Funds.” The spreadsheet titles may vary from district to district. In receiving the additional funds, the district was restricted to use the funds for the specific purposes outlined in the attachments referred to above. Districts were directed to record this additional funding on line 287 Discretionary Education Opportunity Aid in the budget software and account for the funds in general fund revenue account 10-3118. Districts were required to use the appropriate general fund appropriation accounts, and to maintain and have available for audit, the budget to actual detailed expenditures by accounting for these funds separately either through their existing accounting system or a separate electronic system/database. The districts are required to separately account for the full amount of the approved programs, positions and services, which may be greater than the amount of DEOA awarded. The additional funding awarded was reduced based upon the department’s review of the June 30, 2006 Comprehensive Annual Financial Report (CAFR) for available resources including but not limited to audited excess surplus, DEPA carryover, ECPA carryover and DLNA carryover. Districts were notified of the reduced awards based on CAFR adjustments in December 2006. A new schedule (Exhibit D-4) is required to be included in the CAFR detailing the budget to actual expenditures for each DEOA approved program, position or service.

Abbott districts that submitted 2007-08 budgets within the 3% state aid (or parity) increase were granted an expedited budget review process and the ability to place estimated surplus into a capital, maintenance or emergency reserve account pursuant to applicable rules and regulations. This is an allowable use of unexpended DEOA or other general fund monies for an Abbott district that submitted a 2007-08 budget within the 3% state aid (or parity) increase. Districts that requested DEOA in 2007-08 shall return any funds spent in a manner not consistent with the intent of the approval letter, or funds remaining at the end of the 2007 fiscal year, are required to be returned to the State of New Jersey, Department of Education, Budget and Accounting, P.O. Box 500, Trenton, New Jersey 08625-0500 in a check payable to Treasurer, State of New Jersey.

Abbott districts opening a new school facility in the 2006-07 school year were eligible for additional EOA funds to fund the incremental cost of opening that new school facility. These costs include the hiring of new teachers, other professional staff and non-professional staff, as well as, other non-salaried incremental costs and were required to be recorded in the special revenue fund. Funds were awarded as part of the budget approval and were included in the budget approval/award letters. Funds were to be recorded in the special revenue fund and accounted for and spent in accordance with the spreadsheet that accompanied the budget approval/award letter. Unspent funds or funds not spent in accordance with the award are required to be returned to the State of New Jersey, Department of Education, Budget and Accounting, P.O. Box 500, Trenton, New Jersey 08625-0500 in a check payable to Treasurer, State of New Jersey.

### III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

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

##### 1. Compliance Requirement

Abbott districts were required to use EOA funding, including additional EOA referred to as DEOA, to ensure every district is at parity and to fund demonstrably needed programs, positions and services.

The 2006-2007 Appropriations Act requires the district's allocation of EOA to be reduced by the amount of proceeds received from the sale of district surplus property, which shall be appropriated by the district for regular education operations. Surplus property means that property which is not being replaced by other property under a grant agreement with the New Jersey Schools Construction Corporation.

Abbott districts that received additional EOA to fund the incremental cost of opening a new school facility were required to budget those funds on line 430, Other Restricted Entitlements, and account for them separately (by school) in the special revenue fund in accordance with the spreadsheet that accompanied the budget approval/award letter.

#### Suggested Audit Procedures

- Review the final DEOA approval letter, dated December 2006, incorporating the June 30, 2006 CAFR adjustments received from the department. CAFR adjustments were applied to reduce DEOA.
- Agree the amount of aid recorded as general fund revenue on the district's accounting records with the amount noted in the final DEOA approval letter incorporating the June 30, 2006 CAFR adjustments. Review the district's accounting records to ensure the carryovers (ECPA, DEPA, and DLNA) included in the final approval letter have been recorded correctly in the district's accounting records.
- For districts that received DEOA in 2006-07, review the district's accounting records to ensure the 2006-07 DEOA funds were spent in accordance with the attachments included with the approval letter awarding the additional funds.
- Districts that requested DEOA in 2007-08 are required to return any funds spent in a manner not consistent with the intent of the approval letter, or funds remaining at the end of the 2007 fiscal year, are required to be returned to the State of New Jersey, Department of Education, Budget and Accounting, P.O. Box 500, Trenton, NJ 08625-0500 in a check payable to the Treasurer, State of New Jersey. These funds are required to be recorded as a payable at June 30, 2007.
- Review the district's accounting records and board minutes to determine whether the district has sold surplus property during the audit year. If the district has sold surplus property during the audit year, determine the amount of proceeds generated and record that amount as a payable to the State of New Jersey. The proceeds generated from the sale of surplus property are to be remitted to the State of New Jersey, Department of Education, Budget and Accounting, P.O. Box 500, Trenton, New Jersey 08625-0500 in a check payable to Treasurer, State of New Jersey.
- Review the June 30, 2006 CAFR to determine if there were any material qualifications or an adverse opinion. If there were material qualifications, an adverse opinion or disclaimer of opinion, determine whether the reasons for

the qualified, adverse or disclaimer of audit opinion have been corrected. Include a comment on this matter in the Auditor's Management Report.

- Review the June 30, 2006 CAFR to determine whether the district incurred a deficit in that year. If the 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 district continues to participate in all available cost-savings programs that include the Alliance for Competitive Energy Services, the Alliance for Competitive Telecommunications, the New Jersey School Boards Association Insurance Group or a joint insurance fund, and the New Jersey State Health Benefits Plan or continues to demonstrate savings equal to or greater than the savings that would have been generated by participating in these cost savings programs. If the district does not participate in the cost-savings programs listed above, determine whether the 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 district's compliance with this requirement.
- Review the districts E-rate claims and reimbursements to determine whether the district is current on submitting all claims for reimbursable costs under the Federal E-rate program. Instances where the 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.
- Obtain the 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. The following items are required components of the position control roster pursuant to *N.J.A.C. 6A:10-2.1(d)9*:
  - i. A permanent position tracking number
  - ii. A substitute control number for each location and amount for that location, which shall agree to the detail provided pursuant to *N.J.A.C. 6A:10-2.5(f)*;
  - iii. An overtime control number for each location and amount for that location, which shall agree to the detail provided pursuant to *N.J.A.C. 6A:10-2.5(f)*;
  - iv. An extra pay control number for each location and amount for that location, which shall agree to the detail provided in pursuant to *N.J.A.C. 6A:10-2.5(f)*;
  - v. The status of the position (filled, vacant, abolished, etc.);
  - vi. An indication of whether the employee is retiring in the budget year including costs associated with the retirement such as contractual buyouts;
  - vii. The certified position title;
  - viii. The assignment position title;

- ix. Separately identified base salary, step, lane, longevity, guide, stipends by type, overtime and other extra compensation for the most recent audit year (actual), the pre-budget year (revised budget) and the budget year (projected);
- x. The benefits paid by the school district, net of employee reimbursement, by type of benefit and FICA;
- xi. The expenditure account codes including the special revenue fund and the enterprise funds;
- xii. The position's full-time equivalent value;
- xiii. The date the position was filled;
- xiv. The date the position was originally created by the board. If the date the position was originally created by the board is not available, this item shall represent the date the person currently filling that position was approved by the board;
- xv. The building the position is assigned to;
- xvi. The employee name; and
- xvii. The date of hire.

- 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 district did not comply with *N.J.S.A. 18A:17-10* for the 2007 Annual Report, include a comment in the Auditor's Management Report.
- Review the 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 are required to be included in the Auditor's Management Report.
- All disbursements issued from July 1, 2006 through the conclusion of fieldwork that are selected for audit testing are required to be reviewed to identify whether the district incurred penalties or interest for late payments and whether the 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.
- Review the district's procedures for enrolling eligible students in the Special Education Medicaid Initiative (SEMI) program and Easy IEP to maximize Medicaid enrollment of eligible students to determine whether the district has maximized its participation in the program. Deficiencies in the district's program are required to be documented in a comment in the Auditor's Management Report.

- Review the 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.

Suggested Audit Procedures for Additional EOA to Fund the Incremental Costs of Opening a New School Facility

- Review the general ledger to ensure the award was set up in the special revenue fund (by school) in accordance with the spreadsheet that accompanied the district's budget approval/award of additional EOA to fund the incremental cost of opening a new school facility.
- Auditors are required to audit 100% of the actual expenditures charged against the award to ensure that the funds were spent in accordance with the approved budget.
- Audit expenditures charged to the award to ensure they are in accordance with the award. Expenditures are not to exceed the individual line items in the "New Facility Spreadsheet." The expenditures are also not to exceed the "Unit Cost New" for the particular line item included in the "New Facility Spread Sheet." For example: If a district was authorized to hire 4 kindergarten teachers at \$30,000 per teacher, the district cannot hire 3 kindergarten teachers at \$40,000 per teacher. No kindergarten teacher can be charged to the award at a cost higher than \$30,000 in this example. Expenditures charged to this grant that are not in accordance with the adjusted award are to be documented in the Auditor's Management Report.

B. ELIGIBILITY

1. Compliance Requirement

The budget was to be amended to reflect the EOA included in the state aid printouts, adjusted for parity adjustments if applicable, additional EOA to fund the incremental cost of opening a new school facility and additional EOA referred to as Discretionary Education Opportunity Aid (DEOA) included in the budget approval letters incorporating the June 30, 2006 CAFR adjustments included in letters to the districts in December 2006.

Suggested Audit Procedure

- Verify that the adjustment noted in the department final approval letter is properly reflected in the amount of DEOA recorded in the district's accounting records.
- Verify that the amount of EOA recorded in the district's accounting records agrees to the final 2006-07 EOA award reflected in the letters issued by the Assistant to the Commissioner in the Division of Finance for districts that received EOA under the parity aid formula and not under the flat funding formula.

- For districts that received DEOA in 2006-07, verify that the 2006-07 DEOA funds were spent in accordance with the attachments included with the approval letter awarding the additional funds. DEOA should only be used for the demonstrably needed programs, positions and services it was awarded to fund.
- For districts that received DEOA in 2006-07, verify that the reallocations included in the 2006-07 DEOA award letter and attachments included with the award letter have been properly recorded in the district's accounting records.

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**

495-034-5095-002

**I. PROGRAM OBJECTIVES**

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

**II. PROGRAM PROCEDURES**

Beginning in February 2007, school districts utilize a new web-based system available on the Department of Education's Homeroom Page to report FICA contributions for TPAF members' regular wages. Prior to February 2007, districts utilized the Department of Education Network (DOENET) for this purpose. 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 2006-07, 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 2006-07 SAINET in the Special Revenue Fund Aid section. For GAAP financial reporting, revenue equals the amount reported on the 2006-07 SAINET increased by the first cash payment of July 2006 and decreased by the last state aid payment for June 30, 2006 (paid in July 2007, 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 Transfer Requests” in the Carryover Requests link 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 Transfer Requests” in the Transfers Requests link 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 2006-07 records and/or adjustments were made if the estimated amount anticipated was incorrect.
- If the district adjusted the anticipated carryover budgeted in 2006-07 or requested the use of unanticipated carryover in the 2006-07 budget, verify that there was proper authorization by board resolution and that DOE approval was obtained on the 2004-05 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 statement. In addition, a summary of the 2005-06 DEPA carryover included in the 2006-07 budget compared to the actual carryover calculated at June 30, 2006 is required. Beginning in 2003-04, districts are 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.

Abbott districts provide full-day, full-year preschool programs for three and four year old children and are required to record the early childhood appropriations and expenditures for these programs in the special revenue fund and the appropriations and expenditures for the kindergarten programs in the school-based budgets of the school containing the classrooms. If an early childhood center contains preschool and kindergarten classes, the preschool appropriations and expenditures are recorded in Fund 20 and the kindergarten appropriations and expenditures are recorded in Fund 15.

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 2006-07 Available & Unbudgeted funds and Actual Carryover as of June 30, 2007 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.

Beginning in 2004-05, Abbott districts were required to separately budget and account for the costs for regular preschool education, preschool special education inclusion classroom costs and preschool self contained and other special education costs. A line was also included in the 2004-05 budget for Other: preschool costs. Supporting documentation item 15 was enhanced to allow for this level of budgeting detail. Abbott districts were required to account for these four preschool programs separately in their accounting records to allow for end of year reporting in the CAFR. This requirement continues in 2006-07. The year-end CAFR reporting must reflect this budgeting detail as well as include a column for transfers between line items. An ECPA restricted aid schedule is required for each program budgeted separately on supporting documentation item 15 and a summary schedule of all programs is also required to be prepared. The all programs schedule will include lines for the contribution to charter schools and contribution to whole school reform as well as the calculation of budget and carryover, which are not included on the individual preschool program schedules.

For 2006-07, Abbott districts received Preschool Expansion Aid which was to be used to fund the increase in approved preschool 3 year old and 4 year old regular budgeted costs from 2001-02 to 2006-07 for the projected expansion of preschool programs. Districts were notified of any adjustments to this aid based on actual October 15, 2006 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 Preschool—Abbott Full Day 3 Yr & 4 Yr- Regular Early Childhood Program expenditures in the special revenue fund.

*Auditor's Note – This italicized section applies when auditing a district with whole school reform (WSR) schools. Restricted State Aids 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 schools 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 2006-07, 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 2006-07 SAINET in the Special Revenue Fund Aid section. For GAAP financial reporting, revenue equals the amount reported on the 2006-07 SAINET increased by the first cash payment of July 2006 and decreased by the last state aid payment for June 30, 2007 (paid in July 2007, 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 districts that were awarded additional funds in excess of the Education Opportunity Aid included in the state aid printouts (Additional EOA) were required to budget actual June 30, 2006 ECPA carryover in 2006-07 and reduce 2006-07 Additional EOA by the same amount. Abbott districts were notified of these amounts in letters from the department dated December 2006. Abbott districts not receiving Additional EOA 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 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 for non-Abbott districts and in the Preschool Operational Plan for Abbott districts.

#### B. ELIGIBILITY

##### 1. Compliance Requirements

All 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 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 2006-07 records and/or an adjustment was made if the estimated amount anticipated was incorrect.
- Verify that Abbott districts not receiving additional funds in excess of the Education Opportunity Aid included in the state aid printouts utilized June 30, 2006 carryover in accordance with *N.J.A.C. 6A:10A-8.1(a)5*.
- For Abbott districts receiving additional funds in excess of the Education Opportunity Aid included in the state aid printouts, verify that the June 30, 2006 ECPA carryover was budgeted in 2006-07 and that the additional funds in excess of the Education Opportunity Aid included in the state aid printouts were reduced by the amount of unbudgeted ECPA carryover at June 30, 2006. Abbott districts were notified of these amounts in letters from the department in December 2006.
- If the district adjusted the anticipated carryover budgeted in 2006-07 or requested the use of unanticipated carryover in the 2006-07 budget, verify that there was proper authorization by board resolution and that DOE approval was obtained on the Carryover Funds form.

D. REPORTING REQUIREMENTS

1. Compliance Requirements

Eligible non-Abbott districts are required to submit fiscal and program operational plans to the county superintendent for review and approval. Abbott districts are required to submit Preschool Operational Plans and annual budgets to the Office of Early Childhood Education for review and approval.

The district's June 30, 2007 Comprehensive Annual Financial Report must contain a summary schedule of ECPA expenditures, including a summary of the estimated 2006-07 ECPA carryover included in the 2007-08 budget compared to the actual carryover calculated at June 30, 2007. Non-Abbott districts 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, 2007 on each supporting schedule.

Abbott districts should report each segment of the program on supporting schedules – Preschool-Abbott Full Day 3 Yr & 4 Yr – Regular; Preschool-Abbott Special Education Inclusion Classroom Costs; Preschool-Abbott Special Education Self Contained & Other Special Education Costs; and, Other. 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 2006-07, Instructional Supplement Aid 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 -07 SA1NET in the Special Revenue Fund Aid section. For GAAP financial reporting, revenue equals the amount reported on the 2006-07 SA1NET increased by the first cash payment of July 2006 and decreased by the last state aid payment for June 30, 2007 (paid in July 2007, 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. Note that the program was not funded after June 30, 2006 and the procedures and requirements below are applicable to use of carry over funds during school fiscal year 2006-07.

II. PROGRAM PROCEDURES

The *New Jersey Character Education Partnership (NJCEP) Initiative*, provided funds for school district implementation and expansion of character education programs and services during the 2005-06 school year, the last year of this initiative. 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 2006 to implement and/or expand character education programs.

Any unexpended funds from fiscal year 2006 could be carried over and must be expended by June 30, 2007 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

- Verify that funds were used for the direct support of character education programs, services, and/or activities.

B. ELIGIBILITY

None

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 2006-07 fiscal year.

E. SPECIAL TESTS AND PROVISIONS

None

**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 2006-07 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, 2006 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 8/31/07.

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 2007 guidelines (<http://www.nj.gov/education/voc/perkins/200707.doc>)

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 2006-07 debt service was calculated based upon budget footnote language in the Appropriations Act for Fiscal Year 2006-07. 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 2006-07 was adjusted. However, the actual debt service aid revenue and payments for the 2006-07 school year are not adjusted as actual debt service aid adjustments in 2006-07. These adjustments will be made during the 2007-08 school year for both increases and decreases by adding or subtracting the adjustment amount to the 2007-08 entitlement amounts. The accounting records should reflect all 2006-07 debt service aid **increase** adjustments as an accounts receivable and deferred revenue as of June 30, 2007. However, these adjustments (increase or decrease) **should not** be reflected in the budget since all debt service changes are deferred until 2007-08. Any entries made at June 30, 2006 for debt service aid increase adjustments from 2005-06 must be reversed.

For fiscal years 2005-06 and 2006-07 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 2006-07 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

Vocational Student Organizations (Year 2/3)	100-034-5062-032
Agriculture Education Development Initiative	100-034-5063-032
FFA Statewide Leadership and Admin. Services	100-034-5063-032
LEADS (Literacy is Essential to Adolescent Development and Success)	100-034-5069-010
LEADS (Governor's Literacy Portion)	100-034-5063-228
LEADS	100-034-5063-288
High Schools That Work (Yr 2/2)	100-034-5062-032
The Governor's Initiative on Autism	100-034-5065-090
The Governor's Initiative: Enhancing and Expanding In-district Options for Students with Disabilities	100-034-5065-091
IDEAL (Initiative for the Development of Early Achievement in Literacy)	100-034-5063-288

*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 grantee's 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

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>1</sup> Attachment A: Grant Agreement Terms and Conditions were revised effective August, 2006. See [http://www.nj.gov/njded/grants/discretionary/management/attacha\\_b.shtml](http://www.nj.gov/njded/grants/discretionary/management/attacha_b.shtml).

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