



State of New Jersey

DEPARTMENT OF EDUCATION

PO Box 500

TRENTON, NJ 08625-0500

CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

DAVID C. HESPE
Acting Commissioner

August 18, 2014

Dr. William George, Superintendent
Middletown Township School District
PO Box 4170
Middletown, NJ 07748

Dear Dr. George:

The New Jersey Department of Education has completed a review of funds received and disbursed from one or more federal programs by the **Middletown Township Board of Education**. The funding sources reviewed include titled programs for the Elementary and Secondary Education Act (ESEA) and the Individuals with Disabilities Education Act (IDEA). The review covered the period July 1, 2012 through November 14, 2013. The resulting report is enclosed. Please provide a copy of the report to each board member. All issued Consolidated Monitoring Reports will be posted on the department's website at <http://www.state.nj.us/education/finance/jobs/monitor/consolidated>.

Utilizing the process outlined in the attached "Procedures for LEA/Agency Response, Corrective Action Plan and Appeal Process," the Middletown Township Board of Education is required, pursuant to N.J.A.C. 6A:23A-5.6, to publicly review and discuss the findings in this report at a public board meeting no later than 30 days after receipt of the report. Within 30 days of the public meeting, the board must adopt a resolution certifying that the findings were discussed in a public meeting and approving a corrective action plan which addresses the issues raised in the undisputed findings and/or an appeal of any **monetary** findings in dispute (emphasis added). A copy of the resolution and the approved corrective action plan and/or appeal must be sent to this office within 10 days of adoption by the board. Direct your response to my attention.

Also, pursuant to N.J.A.C. 6A:23A-5.6(c), you must post the findings of the report and the board's corrective action plan on your district's website.

By copy of this report, your auditor is requested to comment on all areas of noncompliance and recommendations in the next certified audit submitted to the New Jersey Department of Education. If you have any questions, please contact Lori Ramella at (609) 984-0937.

Sincerely,

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

RJC/LR/dk:Middletown Township BOE Cover Letter /consolidated monitoring
Enclosures

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**STATE OF NEW JERSEY
DEPARTMENT OF EDUCATION
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MIDDLETOWN TOWNSHIP PUBLIC SCHOOLS
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New Jersey K-12 Education

**CONSOLIDATED MONITORING REPORT
AUGUST 2014**

District: Middletown Township Public Schools
County: Monmouth
Dates On-Site: November 13 and 14, 2013
Case #: CM-040-13

FUNDING SOURCES

Program	Funding Award
Title I, Part A	\$ 335,815
Title II, Part A	222,319
Title III	18,695
IDEA Basic	2,690,729
IDEA Preschool	90,520
Race To The Top	32,892
Total Funds	<u>\$ 3,390,970</u>

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BACKGROUND

The Elementary and Secondary Education Act (ESEA) and the Individuals with Disabilities Act (IDEA) and other federal laws require local education agencies (LEAs) to provide programs and services to their districts based on the requirements specified in each of the authorizing statutes (ESEA, IDEA, Race to the Top and Carl D. Perkins). The laws further require that state education agencies such as the New Jersey Department of Education (NJDOE) monitor the implementation of federal programs by sub recipients and determine whether the funds are being used by the district for their intended purpose and achieving the overall objectives of the funding initiatives.

INTRODUCTION

The NJDOE visited the Middletown Township Public Schools to monitor the district's use of federal funds and the related program plans, where applicable, to determine whether the district's programs are meeting the intended purposes and objectives, as specified in the current year applications and authorizing statutes, and to determine whether the funds were spent in accordance with the program requirements, federal and state laws, and applicable regulations. The on-site visit included staff interviews and documentation reviews related to the requirements of the following programs: Title I, Part A (Title I); Title II, Part A (Title II); Title III; IDEA Basic and Preschool; and Race to the Top for the period July 1, 2012 through November 14, 2013.

The scope of work performed included the review of documentation including grant applications, program plans and needs assessments, grant awards, annual audits, board minutes, payroll records, accounting records, purchase orders, and current district policies and procedures. The monitoring team members reviewed the supporting documentation for a sample of expenditures and conducted internal control reviews, as well as conducted interviews with program administrators and other district personnel as required. Additionally, the IDEA grant review included a review of student records, classroom visitations and interviews with instructional staff to verify implementation of Individualized Education Programs (IEP), a review of student class and related service schedules, and interviews of child study team members and speech-language specialists.

EXPENDITURES REVIEWED

The grants that were reviewed included Title I, Title II, Title III, IDEA Basic and Preschool, and Race to the Top for the period July 1, 2012 through November 14, 2013. A sampling of purchase orders was taken from the entire population and later identified as to the grant that was charged.

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**GENERAL DISTRICT OVERVIEW OF USE OF TITLE I, TITLE II, TITLE III, IDEA
AND RACE TO THE TOP FUNDS**

Title I

The district operates Targeted Assistance programs in all of its nine Title I funded schools. The district has identified English Language Arts and Mathematics for all students as its priority problems.

Title II

The district used its Title II funds for class size reduction and professional development.

Title III

The district used Title III funds for technology at the school where there is the largest population of English Language Learners (ELLs).

IDEA (Special Education)

The district used IDEA funds to reduce district tuition costs for students receiving special educational services in other public school districts and approved private schools for students with disabilities, extended school year staff salaries for teachers and paraprofessionals, instructional supplies for special education classroom use, consultants and professional development. Additional IDEA Basic and Preschool funds support community based instructional opportunities, as well as nonpublic services for students attending nonpublic schools located in the district.

Race to the Top

The district used Race to the Top funds to implement the Common Core State Standards in mathematics for grades 3-5 through professional development and curriculum alignment.

DETAILED FINDINGS AND RECOMMENDATIONS

Title I

Finding 1: The district is not tracking Title I expenditures by school attendance areas in its accounting system. School-level disaggregation is necessary to ensure funds spent for Title I schools are consistent with each attendance area's allocation, as recorded on the Title I Eligibility Page - Step 4 of the FY 2013-2014 ESEA-NCLB Consolidated Application.

Citation: ESEA §1113: *Eligible School Attendance Areas*; ESEA §9306 (a)(5): *Other General Assurance (Assurances)*; 34 CFR §80.20: *Standards for financial management systems*.

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Required Action: The district must expend Title I funds in a manner consistent with its school-level allocations reflected on the FY 2013-2014 ESEA-NCLB Consolidated Application, Title I Eligibility Page - Step 4. Documentation evidencing this tracking for FY 2013-2014 must be submitted to the NJDOE for review.

Finding 2: The district's use of Title I funds for the following expenditures supplants state/local funds:

- Leveled Literacy Intervention Kits (non-funded schools) - PO # 13-003055, 13-002523;
- Christian Brothers Academy (AP Summer Institute) - PO# 13-002240; and
- Discovery Streaming License (St. Mary's School) - PO# 13-002269.

For schools operating a Title I targeted assistance program, services may only benefit targeted students who meet the established criteria defined by the district/school. Services funded by Title I may not benefit the entire school. Rather these funds must be used to supplement the existing educational program of the school, by devising programs and services to bolster the academic performance of low-achieving students.

Citation: ESEA §1120A(b)(1): *Federal Funds to Supplement, Not Supplant, Non-Federal Funds.*

Required Action: The district must reverse the charges and reallocate state/local funds to support these expenditures. The district must submit documentation of the adjusting journal entry reversing these charges to the NJDOE for review.

Finding 3: The notification letters sent to the parents/guardians of identified Title I students did not include clearly defined entrance and exit criteria in its parental notification letters. The parents/guardians of identified Title I students must be informed of the multiple educationally related criteria, as well as benchmark assessment scores used to identify their child/children for Title I services.

Citation: ESEA §1115(b): *Targeted Assistance Programs (Eligible Children from Eligible Population).*

Required Action: The district must include clearly defined entrance and exit criteria in its parental notification letters. The district must provide a copy of its revised parental notification letter for FY 2014-2015 to the NJDOE for review.

Finding 4: The district could not provide documentation that its Title I funded schools convened their annual Title I parent meetings. The parents/guardians of identified Title I students are entitled to be informed about the school's participation in Title I programs, legislative requirements, and how they can be involved in helping their child/children succeed academically.

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Citation: ESEA §1118(c)(1): *Parental Involvement (Policy Involvement)*.

Required Action: The district's Title I schools must convene their FY 2014-2015 annual Title I parent meeting for the parents/guardians of identified Title I students no later than October 15, 2014. The district must submit evidence of said meeting (e.g., (invitational letter/flyer, agenda, minutes, and sign in sheets) to the NJDOE for review.

Finding 5: The district could not provide documentation of its consultation process with all nonpublic schools that enroll resident students. The district must perform its due diligence in meeting with the nonpublic school officials to ensure that eligible students from its attendance area are receiving appropriate Title I services. Consultation meetings must include a discussion of the following: collection of poverty data, student identification, services for eligible students, parents, and teachers.

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

Required Action: For FY 2014-2015, the district must formalize its nonpublic consultation process. The district must retain signed/certified receipts of its correspondence to nonpublic schools, copies of Affirmation of Consultation forms signed by all consulted parties, and refusal forms. The district must also provide copies of meeting agendas, minutes, and sign in sheets. The district must submit verification of the above notices to the NJDOE for review.

Title II

Finding 6: The district used its Title II funds to pay for a Child Assault Prevention Program (CAP) that included students receiving instruction. Other than for Class Size Reduction, student instruction is not an allowable use of Title II funds.

Citation: ESEA §2123: *Local Use of Funds*.

Required Action: Funds associated with the student instruction in the CAP program must be removed from the FY 2013-2014 Title II budget. These funds must be reallocated to allowable uses of Title II funds.

Recommendation 1: The completed appropriate New Jersey Highly Qualified Teacher Approved Forms www.state.nj.us/education/profdev/nclb should be included in every teacher's personnel file along with a copy of any supporting documentation(s) such as; teaching certificate(s), Praxis scores, transcripts, and/or National Board Certification.

Recommendation 2: Highly qualified forms and documentation should be kept in the personnel file in a secure location, at the district's Board of Education Office.

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Title III

A review of the expenditures charged to the Title III grant yielded no findings.

IDEA (Special Education)

A review of the IDEA program yielded no findings.

Race to the Top

A review of the expenditures charged to the Race to the Top grant yielded no findings.

Administrative

Finding 7: The district lacked oversight and management of awards that is sufficient to ensure compliance with the requirements of the awards and to safeguard federal funds. For example, the district's internal controls lacked adequate documentation relative to federal grant purchases, inventory control and identification of suspended and debarred vendors.

Citation: EDGAR, PART 80--*Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*, Section 36, Procurement and Section 20, Standards for financial management systems. N.J.S.A. 18A:18A(2)(v) *Public School Contracts Law*.

Required Action: The district must adopt board policies and procedures, as indicated above, for related federal programs to ensure guidelines are complete and safeguard federal funds.

Finding 8: The district does not have a comprehensive equipment inventory for items purchased with federal grant funds. The inventory is necessary to ensure that grant funded equipment is easily identifiable and readily available for activities to address the intent and purpose of the legislation.

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

Required Action: The district must develop a system to track equipment purchased with federal grants. Although the state threshold for reporting equipment is \$2,000, the district may have its own lower threshold. The district must track any amount that is less expensive to track than it is to replace. The inventory must include a list of all items with the corresponding tag number, cost, location, purchase date, grant source that funded the purchase and a description of the item. The district must submit a comprehensive inventory of all equipment purchased to the NJDOE for review.

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Finding 9: The district does not have internal control policies and procedures to prevent contracting with disbarred vendors.

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

Required Action: The district must have formal policies and procedures to prevent contracting with disbarred vendors.

Finding 10: The district recorded various NCLB funded expenditures in incorrect general ledger accounts. For example, the district miscoded instructional supplies under support supplies and services (function code 100 versus 200).

Citation: N.J.A.C. 6A:23A-16.2: *Principles and directives for accounting and reporting*.

Required Action: The district must charge expenditures to the appropriate general ledger account. The district should review its NCLB expenditures for FY 2013-2014 and transfer all improperly recorded transactions to the appropriate accounts prior to submitting its FY 2013-2014 Final Expenditure Report.

Finding 11: On several occasions, the district failed to issue a purchase order prior to services being rendered (confirming orders). District policy and state regulations require that a properly executed purchase order be issued prior to services being rendered.

Citation: 34 CFR §80.20: *Standards for financial management systems*; and N.J.S.A 18A:18A 2(v): *Public School Contracts Law*.

Required Action: The district must implement a process to ensure that purchase orders are issued prior to receiving goods and services from vendors.

The NJDOE thanks you for your time and cooperation during the monitoring visit and looks forward to a successful resolution of all findings and implementation of all recommendations contained in this report.

If you have any questions, please contact Lori Ramella via phone at (609) 984-0937 or via email at lori.ramella@doe.state.nj.us.