



*State of New Jersey*

DEPARTMENT OF EDUCATION

PO Box 500

TRENTON, NJ 08625-0500

CHRIS CHRISTIE  
*Governor*

KIM GUADAGNO  
*Lt. Governor*

DAVID C. HESPE  
*Commissioner*

April 7, 2015

Dr. Gloria Scott, Superintendent  
East Orange School District  
199 Fourth Avenue  
East Orange, NJ 07017

Dear Dr. Scott:

The New Jersey Department of Education has completed a review of funds received and disbursed from one or more federal programs by the **East Orange Board of Education**. The funding sources reviewed include titled programs for the Elementary and Secondary Education Act (ESEA), the Individuals with Disabilities Education Act (IDEA), School Improvement Grant, (SIG), English Language Art Mathematics Grant (ELAM) and Carl D. Perkins. The review covered the period July 1, 2012 through June 30, 2014. The resulting report is enclosed. Please provide a copy of the report to each board member. A copy of this report 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 East Orange 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 Steven Hoffmann at (973) 621-2750.

Sincerely,

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

RJC/SH/dk:East Orange BOE Cover Letter /fiscal review  
Enclosures

### Distribution List

David C. Hespe  
Robert Bumpus  
Susan Martz  
Marie Barry  
Anne Corwell  
Michael Yapple  
Karen Campbell  
Peggy McDonald  
Kimberly Murray  
Steven Hoffmann  
Joseph Zarra  
Stephen M. Eells

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

**EAST ORANGE BOARD OF EDUCATION**  
199 FOURTH AVENUE  
EAST ORANGE, NJ 07017  
PHONE: (973) 266-5700



*New Jersey K-12 Education*

**FISCAL REVIEW REPORT  
APRIL 2015**

**District:** East Orange School District  
**County:** Essex  
**Case #:** CM-063-13

**FUNDING SOURCES**

Program	Funding Award
Title I	\$ 4,511,762
IDEA Basic	2,340,804
IDEA Preschool	71,408
Title II, Part A	950,220
Title III	102,960
School Improvement Grant	1,499,103
English Language Art Mathematics Grant	21,603
Race to the Top	377,187
Carl D. Perkins	116,674
Total Funds	<u>\$9,991,721</u>

**EAST ORANGE SCHOOL DISTRICT  
FISCAL REVIEW REPORT  
APRIL 2015**

**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, School Improvement Grant (SIG), 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 East Orange Public Schools to review 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; Title III Immigrant; IDEA Basic and Preschool; SIG; Race to the Top; English Language Art Mathematics (ELAM) and Carl D. Perkins for the period July 1, 2012 through June 30, 2014.

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, 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, interviews of child study team members and speech-language specialists and an interview of the program administrator regarding the IDEA grant, as well as current district policies and procedures. The monitoring team members also conducted interviews with district personnel, reviewed the supporting documentation for a sample of expenditures and conducted internal control reviews.

**EXPENDITURES REVIEWED**

The grants reviewed included Title I, Title II, Title III, Title III Immigrant, IDEA Basic and Preschool, SIG, Race to the Top, English Language Art Mathematics and Carl D. Perkins from July 1, 2012 through June 30, 2014. A sampling of purchase orders and/or salaries was taken from each program reviewed.

**EAST ORANGE SCHOOL DISTRICT  
FISCAL REVIEW REPORT  
APRIL 2015**

**DETAILED FINDINGS AND RECOMMENDATIONS**

**Title I**

**Finding 1:** The district failed to prepare Title I Schoolwide Plans for John L. Costley Middle School, Patrick F. Healy Middle School and Cicely L. Tyson Community School of Performing and Fine Arts. The schools must maintain a plan that reflects how the schoolwide program is implementing interventions and strategies to meet the intent and purpose of the Title I legislation. Based on the FY 2012-2013 NCLB Consolidated Grant Application, a total of \$3,382,586 was budgeted in the 520-930, "Schoolwide Blended" line item and subsequently transferred into Fund 15 for schoolwide expenditures. According to Step 4, Title I Eligibility Page, \$739,343 of this amount represents the three schools identified above. Additionally, based on the FY 2012-2013 Final Expenditure Report (FER), a total of \$1,252,811 was expended as part of the priority/focus intervention reserve, which was comprised of the three aforementioned schools. Therefore, Title I expenditures totaling \$1,992,154 (\$739,343 + \$1,252,811) are deemed to be recoverable by the SEA, due to lack of approved schoolwide plans.

**Citation:** ESEA §1114: *Schoolwide Programs*.

**Required Action:** The district must prepare Title I Schoolwide Plans for all schools operating schoolwide programs. The district must remit Title I funds in the amount of \$1,992,154 and identify state/local funds for these expenditures. The district must send documentation of the adjusting journal entry to the NJDOE for review.

**Title II**

**Finding 2:** For FY 2012-2013 and FY 2013-2014, district officials provided limited schedules for two class size reduction teachers funded 100 percent with Title II funds. The district officials acknowledged that they do not have supporting documents as required by federal law, to verify the activities of the two class size reduction teachers.

Furthermore, for FY 2013-2014, the district did not have supporting documentation to substantiate the activity performed by substitute teachers funded with Title II funds. The substitutes were hired to replace a class size reduction teacher on extended leave. Specifically, the district could not provide evidence that the activity of the substitute teachers supplements, not supplants the use of local funds, otherwise used for such substitutes.

Moreover, for FY 2012-2013 and FY 2013-2014, district officials could not consistently provide adequate, documented evidence (i.e. monthly reports) to substantiate the time and activity of four teacher trainers funded with Title II funds. Documentation must reflect what the staff is doing, when and where, and must match their funded percentage.

**Citation:** OMB Circular A-87, Attachment B, Section 8(h): *Cost Principles for State, Local, and Indian Tribal Governments (Compensation for personal services)*.

**EAST ORANGE SCHOOL DISTRICT  
FISCAL REVIEW REPORT  
APRIL 2015**

**Required Action:** The district must verify the time and activity of staff charged to the grant to ensure that funded staff is actually performing allowable Title II grant activities. The district must submit a list of FY 2013-2014 Title II funded staff, salaries, funding percentages and appropriate time sheets to date to the NJDOE for review.

**Finding 3:** The district expended Title II funds on several unallowable costs during the 2013-2014 grant year:

- \$5,200.75 of salary expense for an employee who did not work on grant funded activities;
- \$4,639.11 for unallowable classroom supplies; and
- \$8,668 for a consultant to conduct in-service training for media specialists. These services were charged to local funds in prior years and accordingly the expenditure supplants local funds.

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

**Required Action:** The district must remit Title II funds in the amount of \$18,507.86 and charge these items through local funds. The district must send documentation of the adjusting journal entry to the NJDOE for review.

### **Title III**

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

### **IDEA**

**Finding 4:** In the FY 2013-2014 grant year, the district expended IDEA funds for purchase order 14004918 in the amount of \$5,160.07 and purchase order 14004917 in the amount of \$5,160.07 with vendor CDW Government for promethean boards. These purchases are disallowed based on the delivery date beyond June 30, 2014.

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

**Required Action:** The district must remit IDEA funds in the amount of \$10,320.14 and charge these items through local funds.

**Finding 5:** In the FY 2013-2014 grant year, the district expended IDEA funds for purchase order 14005214 in the amount of \$13,676.86 with vendor Super Duper for instructional supplies. These purchases are disallowed based on the delivery date beyond June 30, 2014.

**EAST ORANGE SCHOOL DISTRICT  
FISCAL REVIEW REPORT  
APRIL 2015**

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

**Required Action:** The district must remit IDEA funds in the amount of \$13,676.86 and charge these items through local funds.

**Finding 6:** In the FY 2013-2014 grant year, the district expended IDEA funds for purchase order 14005147 in the amount of \$535,949.33 with vendor Apple Computers for computers for the PARCC. These purchases are disallowed based on the delivery date beyond June 30, 2014; the grant was not amended to support the purchase, and supplanting.

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

**Required Action:** The district must remit IDEA funds in the amount of \$535,949.33 and charge these items through local funds.

**School Improvement Grant**

**Finding 7:** The district used SIG funds to purchase Apple Gift Cards totaling \$8,750.00 (200 cards @ \$25 in FY 2013/2014 and 50 cards @ \$75 in FY 2012/2013). These gift cards are unallowable as they were not educational in nature. In addition, the district purchased computers under the grant after the budget period had ended and accordingly are unallowable. The cost of the computers was previously disallowed by the NJDOE and the funds were recovered.

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

**Required Action:** The district must remit SIG funds in the amount of \$8,750.00 and identify state/local funds for this expenditure. The district must send documentation of the adjusting journal entry to the NJDOE for review.

**English Language Art Mathematics Grant**

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

**Race to the Top**

The Race to the Top grant was reported on separately by the NJDOE in a report dated July 2014.

**EAST ORANGE SCHOOL DISTRICT  
FISCAL REVIEW REPORT  
APRIL 2015**

**Carl D. Perkins**

**Finding 8:** The district did not provide evidence of course scheduling practices that will allow students to complete a Career and Technical Education (CTE) program or program of study.

**Citation:** N.J.S.A. 18A:26-2; N.J.S.A. 18A:54-1 et seq.; N.J.A.C. 6A:19-1 et seq.; N.J.A.C. 6A:8-2.2,.23,3.2.

**Required Action:** The district must organize the course selection process to allow students the opportunity to complete the CTE program or program of study. All CTE programs must consist of a coherent sequence of at least three courses. The district's Five Year Plan must be updated to reflect the currently approved courses. The district's High School Course Descriptions booklet for the 2015-2016 school year must reflect a sequence of courses, with prerequisites noted, for each approved program. Student data reported through NJ SMART must correctly reflect student enrollment in each of the courses comprising the sequence of courses in a CTE program or program of study.

**Fiscal Year 2012-2013**

**Finding 9:** The district failed to provide invoices and/or adequate documentation to: 1) support multiple payroll and non-payroll related expenditures charged to the FY 2012-2013 Perkins grant and/or 2) permit verification of the claims as required under state statutes, as follows:

**All Documentation Absent**

- Reimbursement to district of payroll – \$19,044;
- Sandra Trim-Costa – \$8,000 (PO #13003074);
- The Fair Recruitment Agency – \$8,000 (PO #13003438);
- Reimbursement to district of FICA – \$1,457.14;
- Gregory Jenkins – \$275 (PO #13004968); and
- Reimbursement to district for supplies – \$233.40.

**Invoice Missing**

- Schillinger Educational – \$1,700 (PO #13003267).

**Proof of Payment Missing**

- Tele-Measurements – \$31,718 (PO #13003270);
- Tele-Measurements – \$3,600 (PO #13002889);
- Tele-Measurements – \$2,277.60 (PO #13004741); and
- Action Office Supplies – \$134.91 (PO #13003544).

**EAST ORANGE SCHOOL DISTRICT  
FISCAL REVIEW REPORT  
APRIL 2015**

Additionally, the district failed to provide supplemental information (e.g. agendas, building sign in/sign out logs, attendance sheets) for all costs in connection with professional development provided by the following vendors:

- The Writer's Edge – \$17,000 (PO #13003392);
- Sandra Trim-Costa – \$8,000 (PO #13003074);
- The Fair Recruitment Agency – \$8,000 (PO #13003438);
- Schillinger Educational – \$3,400 (PO #13003267); and
- Alonzo Perry – \$2,000 (PO #13003259).

As a result, it could not be determined if the costs were reasonable, necessary or allocable to the federal award. All costs must be adequately documented to be considered allowable in accordance with federal cost principles.

**Citation:** 2 CFR 225 (OMB Circular A-87) Attachment A § C.1.: *Cost Principles for State, Local, and Indian Tribal Governments (Basic Guidelines – Factors affecting allowability of costs)*; 34 CFR 80.20: *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments* (Standards for financial management systems); N.J.S.A. 18A:19-2: Requirements for payment of claims; audit of claims in general; Perkins One-Year Grant Applications Guidelines (Perkins Guidelines), § E: *Responsibility for Monitoring, Inspection, Verification, and Record Keeping*.

**Required Action:** The district must remit all unsupported charges to the NJDOE.

**Finding 10:** The district was unable to produce certain items for inspection which demonstrate that the following costs pertained to an allowable activity that furthered the statutory purpose of the Perkins program and/or the costs incurred conformed to the requirements of OMB Circular A-87:

- Tele-Measurements: four whiteboard systems and three smart document cameras with a total cost of \$31,718 (PO #13003270); and
- Dell Computers: six personal computers and one color printer with a total cost of \$8,081.84 (PO #13003802).

The necessity of items which cannot be located or remain unused during the project period or multiple periods is questionable.

**Citation:** 2 CFR 225 (OMB Circular A-87) Attachment A § C.1.: *Cost Principles for State, Local, and Indian Tribal Governments (Basic Guidelines – Factors affecting allowability of costs)*; 34 CFR 80.20(b)(3): *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments* (Standards for financial management systems – Internal control).

**EAST ORANGE SCHOOL DISTRICT  
FISCAL REVIEW REPORT  
APRIL 2015**

**Required Action:** The district must reverse all disallowed amounts not previously remitted under a separate finding and submit evidence of the reversal to the NJDOE for review.

**Finding 11:** The district supplanted other funding sources in its use of Perkins grant funds to provide common core staff training and to purchase four whiteboard systems and 10 smart document cameras to support Language Arts Literacy and Mathematics teachers in general classrooms, as follows:

Common Core Training

- The Writer's Edge – \$17,000 (PO #13003259); and
- Schillinger Educational – \$3,400 (PO #13003267).

Equipment and Training

- Tele-Measurements – \$31,718 (PO #13003270);
- Tele-Measurements – \$3,600 (PO #13002889);
- Tele-Measurements – \$3,036.80 (PO #13004740); and
- Tele-Measurements – \$2,277.60 (PO #13004741).

It also appears that the district used Perkins grant funds totaling approximately \$8,000 (PO #13003438) in connection with a resume writing workshop which it hosted with The Fair Recruitment Agency and which was open to the general public.

Perkins grant funds are to be expended to carryout CTE activities and to support CTE students. A rationale for charging these costs to the Perkins grant, as opposed to another funding source, was not provided. Further the district failed to document the extent to which these expenditures supplemented the district's approved CTE programs. The district cannot use federal funding sources to provide services required under other federal, state or local laws.

**Citation:** P. L. 109-270 (Perkins Act) § 311(a): *Carl D. Perkins Career and Technical Education Act of 2006 (Fiscal Requirements – Supplement Not Supplant)*; 2 CFR 225 (OMB Circular A-87) Attachment A § C.1.: *Cost Principles for State, Local, and Indian Tribal Governments (Basic Guidelines – Factors affecting allowability of costs)*; Perkins One-Year Grant Application Guidelines July 1, 2012 – June 30, 2013 (Guidelines) § D 3: *One Year Grant Application (Non-Allowable Costs)*.

**Required Action:** The district must reverse all disallowed amounts not previously remitted under a separate finding and submit evidence of the reversal to the NJDOE for review.

**Finding 12:** The district purchased consumable general office supplies and a compact refrigerator without any indication of an academic purpose, as follows:

**EAST ORANGE SCHOOL DISTRICT  
FISCAL REVIEW REPORT  
APRIL 2015**

- Supplies – \$2,666.40 (PO #13004120);
- Derby Appliance – \$250 (PO #13004018); and
- Action Office Supplies – \$134.91 (PO #13004073).

The documentation provided gave no indication of intended use. It is unclear how the use of Perkins grant funds for these items strengthens the educational, career and technical skills of the district's CTE students.

**Citation:** P. L. 109-270 § 311(a): *Carl D. Perkins Career and Technical Education Act of 2006 (Fiscal Requirements – Supplement Not Supplant)*; 2 CFR 225 (OMB Circular A-87) Attachment A § C.1.: *Cost Principles for State, Local, and Indian Tribal Governments (Basic Guidelines – Factors affecting allowability of costs)*.

**Required Action:** The district must reverse all disallowed amounts not previously remitted under a separate finding and submit evidence of the reversal to the NJDOE for review.

**Finding 13:** During FY 2012-2013, the district failed to comply with certain implementing regulations and program specific requirements, as follows:

- Equipment purchased by the district using Perkins funds during FY 2012-2013 was not received, installed and available for student instruction by April 30<sup>th</sup>, as required. (Guidelines § D: *Planning for Purchases of Equipment*;
- The district transferred funds from an approved line item category to an unapproved line item category without filing an amendment to the approved application, as required. (Guidelines § E 1.: *Amendments*);
- The sum of all changes (measured cumulatively throughout the fiscal year) to the district's approved budget exceeded 10 percent of the total approved budget without an amendment to the approved application, as required. (Guidelines § E 1.: *Amendments*); and
- District purchase orders did not contain the required information. For example, purchase orders did not contain the intended location of equipment, personal computers and/or other portable devices. (Guidelines § E 2.1: *Records for Monitoring*).

**Citation:** 34 CFR 76.700: *State Administered Programs* (General Administrative Responsibilities – Compliance with statutes, regulations, State plan, and applications).

**Required Action:** The district must implement procedures to ensure personnel assigned to administer the Perkins grant comply with the program specific requirements applicable to each project period.

**Finding 14:** The district failed to adhere to New Jersey Public School Contracts Law (PSCL) and federal regulations when purchasing audio visual equipment from Tele-Measurements. The dollar amount of these purchases in the aggregate exceeded the bid threshold and required

**EAST ORANGE SCHOOL DISTRICT  
FISCAL REVIEW REPORT  
APRIL 2015**

competitive contracting under PSCL. The district awarded these contracts without conducting the required competitive contracting process.

The district also failed to obtain any price quotes when it hired consultants to provide professional development. Documentation was not provided evidencing execution of contracts between the district and these consultants, method of procurement used, or vetting. Accordingly, the exact nature of the services to be provided, as well as the rate and projected cost for these services were undeterminable.

**Citation:** 34 CFR § 80.36: *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments (Procurement)*; N.J.S.A. 18A:18A-4: Contracts and agreements requiring advertising; and N.J.S.A. 18-18A-40: Form and Execution of Contracts and Bonds.

**Required Action:** The district must use a competitive contracting process or a public bidding process when contracting for professional development services in excess of the bid threshold.

**Finding 15:** On numerous 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:** Purchase orders should be issued to all vendors prior to goods or services being provided.

**Finding 16:** There was no indication the district properly verified its vendors were not debarred or suspended from receiving federal funds before seeking the provision of materials or services.

**Citation:** 34 CFR 80.35: *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments* (Subawards to debarred and suspended parties).

**Required Action:** The district must develop and maintain complete written policies and internal controls to ensure that initial and periodic verifications are performed to identify any vendors suspended or debarred from participation in federal programs.

**Fiscal Year 2013-2014**

**Finding 17:** The district failed to provide invoices and/or adequate documentation to: 1) support multiple expenditures charged to the FY 2013-2014 Perkins grant and/or 2) permit verification of the claims as required under state statutes for PO #14005216 issued to Tele-Measurements, Inc. in the amount of \$5,398.40.

**EAST ORANGE SCHOOL DISTRICT  
FISCAL REVIEW REPORT  
APRIL 2015**

Additionally, the district failed to provide supplemental information (e.g. agendas, building sign in/sign out logs, attendance sheets) for all costs in connection with professional development provided by the following vendors:

- Alonzo Perry – \$7,000 (PO #14002234 and PO #14004134);
- 14 Karat Soul Enterprise – \$17,000 (PO #14002780);
- Sandra Trim-Costa – \$5,000 (PO #14004147);
- Tele-Measurements - \$4,050 (PO #14003296); and
- ASCD – \$5,500 (PO #14004313).

As a result, it could not be determined if the costs were reasonable, necessary or allocable to the federal award. All costs must be adequately documented to be considered allowable in accordance with federal cost principles.

**Citation:** 2 CFR 225 (OMB Circular A-87) Attachment A § C.1.: *Cost Principles for State, Local, and Indian Tribal Governments (Basic Guidelines – Factors affecting allowability of costs)*; 34 CFR 80.20: *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments* (Standards for financial management systems); N.J.S.A. 18A:19-2: Requirements for payment of claims; audit of claims in general; Perkins One-Year Grant Applications Guidelines (Perkins Guidelines), § E: *Responsibility for Monitoring, Inspection, Verification, and Record Keeping*.

**Required Action:** The district must (1) provide to NJDOE adequate documentation supporting these charges, or (2) reverse all unsupported charges and submit evidence of the reversal to the NJDOE for review.

**Finding 18:** The district was unable to produce certain items for inspection which demonstrate that the following costs pertained to an allowable activity that furthered the statutory purpose of the Perkins program and/or the costs incurred conformed to the requirements of OMB Circular A-87:

- Apple Computers: 24 laptop computers with software and tracking system with cost totaling \$32,445.60 (PO #14004136 and PO #14004517); and
- Tele-Measurements: interactive whiteboard system with a cost of \$5,398.40 (PO #14005216).

The necessity of items which cannot be located or remain unused during the project period or multiple periods is questionable.

**Citation:** 2 CFR 225 (OMB Circular A-87) Attachment A § C.1.: *Cost Principles for State, Local, and Indian Tribal Governments (Basic Guidelines – Factors affecting allowability of costs)*; 34 CFR 80.20(b)(3): *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments* (Standards for financial management systems – Internal control).

**EAST ORANGE SCHOOL DISTRICT  
FISCAL REVIEW REPORT  
APRIL 2015**

**Required Action:** The district must reverse all disallowed amounts not previously reversed under a separate finding and submit evidence of reversal to the NJDOE for review.

**Finding 19:** The district issued PO #14003169 to Classroom Direct for consumable general office supplies during FY 2013-2014 without any indication of academic purpose. The consumable supplies included pens, correction fluid, pencils, and colored paper with a total cost of \$519.82. The documentation provided gave no indication of intended use. It is unclear how the use of Perkins grant funds for these items strengthens the educational, career and technical skills of the district's CTE students.

**Citation:** P. L. 109-270 § 311(a): *Carl D. Perkins Career and Technical Education Act of 2006 (Fiscal Requirements – Supplement Not Supplant)*; 2 CFR 225 (OMB Circular A-87) Attachment A § C.1.: *Cost Principles for State, Local, and Indian Tribal Governments (Basic Guidelines – Factors affecting allowability of costs)*.

**Required Action:** The district must reverse the disallowed amount and submit evidence of the reversal to the NJDOE for review.

**Finding 20:** A portion of the expenditures for three year access to Apple's computer tracking system charged to the FY 2013-2014 Perkins grant provided no benefit during the project period, as follows:

<b>Purchase Order #</b>	<b>Begin</b>	<b>End</b>	<b>Cost</b>	<b>Amount Disallowed</b>
14004136	04/04/2014	04/03/2017	\$ 1,553.30	\$ 1,430.00
14004517	05/09/2014	05/08/2017	1,109.50	1,056.86
Total				\$ 2,486.86

The disallowed amount was allocable to subsequent project periods, rather than to FY 2013-2014 project period. Costs which do not benefit the project period are not allocable to that project period.

**Citation:** 2 CFR 225 (OMB Circular A-87) Attachment A § C.3.: *Cost Principles for State, Local, and Indian Tribal Governments (Basic Guidelines – Allocable costs)*.

**Required Action:** The district must reverse all disallowed amounts not previously remitted under a separate finding and submit evidence of the reversal to the NJDOE for review.

**EAST ORANGE SCHOOL DISTRICT  
FISCAL REVIEW REPORT  
APRIL 2015**

**Finding 21:** The district issued PO #14004136 to purchase 14 service contracts for Apple computer equipment. The district charged the FY 2013-2014 Perkins grant for all of the associated costs, \$2,562. The term of the service contracts is from April 4, 2014 through April 3, 2015. The district was only authorized to charge service contract costs of \$203.37 from the beginning date through the project period end, June 30, 2014 to the FY 2013-2014 Perkins grant. As a result, costs associated with coverage beyond the applicable grant year of \$2,358.63 are disallowed costs.

**Citation:** Guidelines § D.3.: *One-Year Grant Application (Non-Allowable Costs)*.

**Required Action:** The district must reverse all disallowed amounts not previously remitted under a separate finding and submit evidence of the reversal to the NJDOE for review.

**Finding 22:** The district routinely recorded Perkins funded expenditures in an incorrect general ledger account. For example, the district recorded non-instructional supplies as other instructional purchased services and as instructional supplies.

**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 Perkins 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 23:** During FY 2013-2014, the district failed to comply with certain implementing regulations and program specific requirements, as follows:

- Equipment purchased by the district using Perkins funds during FY 2013-2014 was not received, installed and available for student instruction by June 30<sup>th</sup>, as required. (Guidelines § D: *Planning for Purchases of Equipment*);
- The sum of all changes (measured cumulatively throughout the fiscal year) to the district's approved budget exceeded 10 percent of the total approved budget without an amendment to the *approved application, as required*. (Guidelines § E 1.: *Amendments*); and
- District purchase orders did not contain the required information. For example, purchase orders did not contain approved Classification and Instructional Programs codes and the intended location of equipment, personal computers and/or other portable devices. (Guidelines § E 2.1: *Records for Monitoring*).

**Citation:** 34 CFR 76.700: *State Administered Programs (General Administrative Responsibilities* – Compliance with statutes, regulations, State plan, and applications).

**EAST ORANGE SCHOOL DISTRICT  
FISCAL REVIEW REPORT  
APRIL 2015**

**Required Action:** The district must implement procedures to ensure personnel assigned to administer the Perkins grant comply with the program specific requirements applicable to each project period.

**Finding 24:** The amounts appropriated for the FY 2013-2014 Perkins grant in the district's accounting records could not be reconciled with corresponding amounts budgeted in the System for Administering Grants Electronically (SAGE) for the same period.

**Citation:** 34 CFR § 80.20: Standards for financial management systems.

**Required Action:** The district must implement a process to ensure that amounts awarded through a grant are recorded appropriately in the financial records and accurately reported.

**Finding 25:** The district failed to adhere to New Jersey Public School Contracts Law (PSCL) and federal regulations when hiring consultants to provide professional development. Documentation was not provided evidencing execution of contracts between the district and these consultants, method of procurement used, or vetting. Accordingly, the exact nature of the services to be provided, as well as the rate and projected cost for these services were undeterminable.

**Citation:** 34 CFR § 80.36: *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments (Procurement)*; N.J.S.A. 18A:18A-4: Contracts and agreements requiring advertising; and N.J.S.A. 18-18A-40: Form and Execution of Contracts and Bonds.

**Required Action:** The district must use a competitive contracting process or a public bidding process when contracting for professional development services in excess of the bid threshold.

**Administrative**

**Finding 26:** On several occasions, the district failed to issue a purchase order prior to goods being purchased or services being rendered (confirming order). District policy and state regulations require that a properly executed purchase order be issued prior to the purchase of goods or the rendering of services.

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

**Required Action:** Purchase orders should be issued to all vendors prior to goods or services being provided.

**EAST ORANGE SCHOOL DISTRICT  
FISCAL REVIEW REPORT  
APRIL 2015**

**Finding 27:** The district failed to formally appoint all individuals charged to the federal programs by board resolution.

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

**Required Action:** All staff charged to federal grants should be reappointed annually by board resolution.

**Finding 28:** There was no indication the district properly verified its vendors were not debarred or suspended from receiving federal funds before seeking the provision of materials or services.

**Citation:** 34 CFR 80.35: *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments* (Subawards to debarred and suspended parties).

**Required Action:** The district must develop and maintain complete written policies and internal controls to ensure that initial and periodic verifications are performed to identify any vendors suspended or debarred from participation in federal programs.

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 Steven Hoffmann via phone at (973) 621-2750 or via email at [steven.hoffmann@doe.state.nj.us](mailto:steven.hoffmann@doe.state.nj.us).

**EAST ORANGE SCHOOL DISTRICT  
FISCAL REVIEW REPORT  
APRIL 2015**