



State of New Jersey

DEPARTMENT OF EDUCATION

PO Box 500

TRENTON, NJ 08625-0500

CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

July 16, 2010

BRET SCHUNDLER
Commissioner

Mr. Nicholas Perrapato, Superintendent
Garfield Board of Education
125 Outwater Lane
Garfield, NJ 07026-2637

Dear Dr. Perrapato:

The New Jersey Department of Education has completed a review of funds received and disbursed from one or more federal programs by the **Garfield Board of Education**. The funding sources reviewed include titled programs for the American Recovery and Reinvestment Act (ARRA) in particular, and/or No Child Left Behind Act (NCLB), the Individuals with Disabilities Education Act (IDEA) and State Fiscal Stabilization Funds (Education Stabilization Fund and Government Stabilization Fund). The review covered the period July 1, 2009 through September 30, 2009. The resulting report is enclosed. Please provide a copy of the report to each board member. All issued ARRA monitoring reports will be posted on the department's website at <http://www.nj.gov/education/arra/>.

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

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

By copy of this report, your auditor is requested to comment on all areas of noncompliance and recommendations in the next certified audit submitted to the New Jersey Department of Education. If you have any questions, please contact Steven Hoffmann at (973) 621-2750.

Sincerely,

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

RJC/LDM/tc:Garfield Board of Education Cover Letter
Enclosures

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

ARRA MONITORING REPORT
JULY 2010

District: Garfield Board of Education
County: Bergen
Case #: ARRA-004-09

FUNDING SOURCES

Program	Funding Award
State Fiscal Stabilization Fund – Education Stabilization Fund	\$ 7,685,335
State Fiscal Stabilization Fund – Government Services Fund	297,511
ARRA- Title I	531,184
ARRA – Title I SIA	53,962
ARRA – IDEA –Basic	1,183,740
ARRA – IDEA –Preschool	42,541
ARRA – Food Service Equipment Grant	27,000
Total ARRA Funds	<u>9,821,273</u>
 Title I	 825,308
Title I SIA	-
IDEA – Basic	1,071,390
IDEA – Preschool	26,183
Total Non-ARRA Funds	<u>1,922,881</u>
Total Funding	<u>\$11,744,154</u>

**GARFIELD SCHOOL DISTRICT
ARRA MONITORING REPORT
JULY 2010**

BACKGROUND:

The *American Recovery and Reinvestment Act of 2009 (ARRA)* and other federal laws require local education agencies (LEAs) to provide programs and services to their schools based on the requirements specified in each of the authorizing statutes (ESEA, IDEA and ARRA). The laws further require that state education agencies such as the New Jersey Department of Education (NJDOE) monitor the implementation of federal programs by sub recipients and determine whether the funds are being used by the district for their intended purpose and achieving the overall objectives of the funding initiatives.

INTRODUCTION:

The NJDOE visited the Garfield Board of Education to monitor the district's use of *ARRA* funds and the related program plans, where applicable, to determine whether the district's programs are meeting the intended purposes and objectives, as specified in the current year applications and authorizing statutes, and to determine whether the funds were spent in accordance with the program requirements, federal and state laws, and applicable regulations. The on-site visit included staff interviews and documentation reviews related to the requirements of the following programs: State Fiscal Stabilization Funds (SFSF) including the Education Stabilization Fund (ESF) and Government Services Fund (GSF); ARRA-Title I; ARRA-Title I SIA; ARRA-IDEA Basic; and ARRA-IDEA Preschool for the period July 1, 2009 through September 30, 2009. The monitoring also included a review of the district's most recent ARRA section 1512 and SFSF cash management quarterly reports to determine whether ARRA expenditures, jobs estimates and related information were reported accurately.

The scope of work performed included the review of documentation including grant applications, program plans and needs assessments, grant awards, annual audits, board minutes, payroll records, accounting records, purchase orders and current district policies and procedures. The monitoring team members also conducted interviews with district personnel, reviewed the supporting documentation for a sample of expenditures and conducted internal control reviews.

EXPENDITURES REVIEWED:

The following dollar amounts of expenditures were reviewed for each program monitored for the period of July 1, 2009 through September 30, 2009:

- ESF 39% of expenditures for tuition totaling \$474,010 were reviewed;
- GSF 81% of expenditures for tuition totaling \$57,345 were reviewed;
- ARRA - IDEA Basic had not been expended at the time of the monitoring visit;
- ARRA - IDEA Preschool had not been expended at the time of the monitoring visit;
- ARRA - Title I 100% of expenditures totaling \$17,600 were reviewed;
- ARRA - Title I SIA had not been expended at the time of the monitoring visit; and
- ARRA Food Service Equipment Grant 100% of expenditures totaling \$27,000 were reviewed.

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GENERAL DISTRICT OVERVIEW OF USES OF ARRA FUNDS

ARRA Title I Projects

The district has identified the priority needs of students, staff, and the school community at large, and has focused its grant funds to address the apparent concerns facing the district. The main issues being addressed are closing the achievement gap, improving student performance on Math and Language Arts assessments, providing high quality professional development to the staff, addressing student behavior, and making efforts towards improving parental involvement.

The target populations outlined in the needs assessment for Math and Language Arts are all students, Limited English Proficient, Disabled, and those students that are Economically Disadvantaged. These needs were also identified by a Collaborative Assessment and Planning for Achievement team and recommendations were made to address them. A majority of the ARRA -Title I funds were concentrated in Thomas Jefferson Middle School and Garfield High School implementing math coaches, Wilson Reading, and extended school year programs, in an effort to reach their goal of making safe harbor by reducing the number of students scoring partially proficient by 10%.

The goal of the extended year programs is to have 100% of the 190 students that did not receive credit for courses taken during the year achieve passing grades, and to have credit reinstated. Expenditures are consistent with these goals and in meeting the needs of the Title I students throughout the district. Salaries of \$129,888 for extended year programs are budgeted with expenditures to begin in the summer of 2010.

Teachers have been receiving professional development to address interpersonal conflicts, persistent or serious discipline problems, and to change the climate and environment of the school. The district has employed the Princeton Technical Leadership Training for Family Advocacy and is also developing Small Community Learning Centers to work in tandem to address these concerns.

Serious systemic issues regarding the final reporting of federal funds exists impacting the current year budget along with prior fiscal years 2009 and 2008.

ARRA-IDEA

The district noted that an internal needs assessment was conducted, which identified five areas that ARRA funds are likely to have the greatest impact on the delivery of special education services. The first is to increase classroom capacity at the preschool and high school settings, through the addition of three or four temporary classroom units. This should reduce out-of-district segregated placements and increase in-district program options for students on the autism spectrum.

The second area of identified need was to upgrade the instructional technology available to special education students across the district. The anticipated outcomes and evaluative measures

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for this project are to increase access to technology driven instruction in special education classes, as is available in general education classes.

The third area of need identified was to upgrade the non-instructional technology within the special services department. New desktop computers were purchased for each member of the special services department. The anticipated outcomes for this project are to acquire the ability to generate reports tracking student outcomes, identifying relative strengths and weaknesses across classifications, programs and buildings. The long term goal is to utilize data in evaluating performance and guiding decision making for students, programs and buildings by June 2011.

The fourth area of need is to provide comprehensive professional development across the district in order to increase educational outcomes for special education students. The anticipated outcomes for this project are to increase achievement within the special education population during the school year that will be measured by test scores, local and state assessment scores and staff evaluations.

The district also plans to utilize ARRA funds to increase the number of speech and language staff and provide additional resources for service delivery, in addition to, reducing the district's percentage of Communication Impaired classification. The anticipated outcomes for this project is to hire an additional speech language specialist to provide services as noted in students Individual Education Plans (IEP).

DETAILED FINDINGS AND RECOMMENDATIONS:

Title I

Finding 1:

Condition: Nonpublic school enrollments reported in the Electronic Web Enabled Grant (EWEG) system were inaccurately listed in the Title I Eligibility section of the application.

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: Revise step one of the Title I Eligibility section within the EWEG application to accurately reflect nonpublic enrollments.

Finding 2:

Condition: NCLB Final Reports have not been submitted in a timely manner. Budget detail has not been provided to support expenditures. Carry-over funds for the past two grant cycles have not been utilized as a result.

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

Required Action: The district must submit evidence to the NJDOE to verify that funds were expended on allowable uses during the 2007-2008 project period. The district must also complete and submit their 2009 final report.

Finding 3:

Condition: The district conducted an assembly on bullying using Title I funds. This program was not identified in the district's unified program plan and therefore the expenditure should have been charged to Title IV or local funds.

Citation: OMB Circular A-87, Attachment B, *NCLB Policy Manual*, p.65.

Required Action: The district should update internal control policies to prevent these errors from recurring. In addition, the district should reverse this entry in Title I and charge the expenditure to Title IV.

Financial Management and Reporting

Finding 4:

Condition: The district failed to adhere to New Jersey Public School Contracts Law (PSCL) and federal regulations when hiring professional development providers.

- On August 18, 2009, the district issued the Princeton Center for Leadership Training (PCLT) a payment of \$80,625 for professional development services from July 2009 through June 2010. These professional development services exceeded the bid threshold for public advertising and did not qualify for an allowable exemption under the PSCL. The district failed to publicly bid these services as required by PSCL.
- The district contracted with LL Teach Inc. to provide professional development services at a cost of \$26,400. The district could provide no evidence that they had received competitive quotes before awarding the contract as required by PSCL and federal regulation.
- PSCL requires that a board of education make no payment against claims unless "the articles have been furnished or services rendered." The district paid PCLT in advance of services being rendered. The vendor was paid in full on August 18, 2009 for services which are to be provided through June 2010.
- No contract was issued between the Garfield Public Schools and PCLT. Accordingly, monitors were unable to determine exactly what services were to be provided by the

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vendor. Sound business practice and PSCL require that contracts be issued. N.J.S.A. 18A:18A-40 requires that “all contracts for the provision or performance of goods or services shall be in writing.”

Citation: N.J.S.A. 18A:18A-4 *Contracts and agreements requiring advertising*, EDGAR, PART 80—*Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*, Section 36, Procurement, N.J.S.A. 18A:19-3 *Verification of claims*, N.J.S.A. 18A:18A-40 *Form and execution of contracts and bonds*.

Required Action: The district must comply with current federal and state procurement regulations. Payments to vendors must be made after goods have been furnished or services have been provided. Contracts should be executed with vendors detailing the terms of the agreement. The costs related to these purchases should be charged against local rather than federal funds.

Finding 5:

Condition: The district failed to comply with state and federal procurement regulations when purchasing Smart Boards.

PSCL, N.J.S.A 18A:18A-4, requires that “Every contract for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold (\$29,000), shall be awarded only by resolution of the board of education to the lowest responsible bidder after public advertising for bids and bidding therefor.” In addition, the PSCL exempts districts from the requirement to advertise for bids if the goods or services are purchased from a vendor under state contract.

The district has purchased 84 Smart Boards at a total cost of \$329,588.50 from a single vendor. The Smart Board purchases were charged to the following programs:

	<u>No. of Smart Boards</u>	<u>Cost</u>
ARRA-Title 1	50	\$ 202,537.00
ARRA-IDEA	27	114,573.50
General Fund	7	<u>12,478.00</u>
Total		<u>\$ 329,588.50</u>

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The vendor used by the district had previously had a state contract for the sale of Smart Boards. However, the vendor does not have a state contract for the current year. The district erroneously placed the order with the vendor with the belief the vendor was still under state contract. The district's failure to purchase the Smart Boards under a valid state contract or publicly bid the purchase is a violation of PSCL and federal procurement regulations.

Citation: N.J.S.A. 18A:18A-4 *Contracts and agreements requiring advertising*, EDGAR, PART 80—*Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*, Section 36, Procurement.

Required Action: The district must comply with current federal and state procurement regulations. No additional purchases should be made from this vendor unless a contract is awarded through advertised bids. In addition, the district should establish contract files which contain documentation that demonstrates that the district has complied with procurement regulations and costs are reasonable. The costs related to these purchases should be charged against local rather than federal funds.

Finding 6:

Condition: The district charged Smart Boards purchases totaling \$202,537 with ARRA - Title 1 funds to the incorrect general ledger account. The Smart Boards have a total per unit cost of approximately \$4,000. New Jersey regulations require that equipment with a per unit cost greater than \$2,000 be charged as equipment rather than supplies. The district inappropriately charged \$182,632 of Smart Boards purchased with ARRA funds to the supplies account in the general ledger.

Citation: Uniform Minimum Chart of Accounts for New Jersey Public Schools, EDGAR, PART 80—*Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*, Section 32, Equipment.

Required Action: The district should comply with existing regulations and charge all equipment purchases with a per unit cost greater than \$2,000 to an equipment account. Those expenditures charged to the wrong account should be reclassified. In addition, all equipment should be tagged using an inventory identification system to account for all items purchased with federal grant money.

Finding 7:

Condition: Total SFSF expenditures reported on the ARRA Cash Management Report for the quarter ended September 30, 2009 did not agree to the district's general ledger or Board Secretary Report. Total SFSF expenditures for the quarter totaled \$1,271,898. The district reported \$1,307,773 on the Cash Management Report. The \$35,875 difference was the result of a second quarter expenditure being included in the first quarter report in error.

Citation: ARRA Section 1512.

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Recommended Action: The district should ensure that amounts reported on the quarterly ARRA Cash Management Reports are in agreement with the district general ledger and financial reports.

Finding 8:

Condition: The district overpaid a tuition invoice. A purchase order was created for services on July 1, 2009 in the amount of \$131,400. On August 12, 2009, the vendor invoiced the district \$115,400 for actual costs incurred. On September 17, 2009, the district paid the vendor the full purchase order amount of \$131,400 resulting in a \$16,000 overpayment. The district will seek a credit from the vendor.

Citation: N.J.S.A. 18A:19-2 *Requirements for payment of claims; audit of claims in general.*

Required Action: All payments to vendors should be supported by an original invoice from the vendor. Payments should not exceed the amount invoiced. The district must obtain a credit from the vendor.

Finding 9:

Condition: The district failed to competitively contract the purchase of \$27,000 of kitchen equipment purchased under an ARRA Food Service Grant. PSCL as well as the grant agreement require that the vendor be selected through a competitive contracting process. The district could provide no evidence that competitive quotes were obtained.

Citation: N.J.S.A. 18A:18A-4.1 *Use of competitive contracting by boards of education,* N.J.S.A. 18A:18A-37 *Award of purchases, contracts or agreements.*

Required Action: The district must comply with current federal and state procurement regulations. The district should establish contract files which contain documentation that demonstrates that the district has complied with procurement regulations and costs are reasonable.

Recommendation 1:

Although the district does not have formal written policies for requesting reimbursement from the EWEG system, the district's practices for requesting reimbursement were verified through questions concerning the district's internal controls.

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

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

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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 Steve Hoffmann via phone at (973) 621-2750 or via email at steven.hoffmann@doe.state.nj.us.