

April 1, 2010

Ms. Lydia Silva, Superintendent
Lakewood Township Board of Education
1771 Madison Avenue, Route 9
Lakewood, NJ 08701-2895

Dear Ms. Silva:

The New Jersey Department of Education has completed a review of funds received and disbursed from one or more federal programs by the **Lakewood Township 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 January 6, 2010. The resulting report is enclosed. Please provide a copy of the report to each board member.

Utilizing the process outlined in the attached "Procedures for LEA/Agency Response, Corrective Action Plan and Appeal Process," the Lakewood 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 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 Anthony Hearn at (609) 633-2492.

Sincerely,

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

RJC/LDM/tc:LakewoodTwp. Board of Education Cover Letter
Enclosures

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

**ARRA MONITORING REPORT
APRIL 2010**

District: Lakewood Township Board of Education
County: Ocean
Dates On-site: January 6, 7 and 8, 2009
Case #: ARRA-006-09

FUNDING SOURCES

Program	Funding Award
State Fiscal Stabilization Fund – Education Stabilization Fund	2,608,401
State Fiscal Stabilization Fund – Government Services Fund	100,975
ARRA- Title I	5,934,358
ARRA – Title I SIA	136,686
ARRA – IDEA –Basic	4,596,186
ARRA – IDEA –Preschool	165,929
Total ARRA Funds	\$13,542,535
Title I	6,852,047
Title I - SIA	-
IDEA - Basic	3,607,892
IDEA - Preschool	241,778
Total Non-ARRA Funds	10,701,717
Total Funds	\$24,244,252

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BACKGROUND:

The *American Recovery and Reinvestment Act of 2009 (ARRA)* and other federal laws require districts/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 Lakewood Township 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-IDEA Basic; ARRA-IDEA Preschool; Title I; IDEA; and IDEA Preschool for the period July 1, 2009 through January 6, 2010. 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. Monitoring team members also conducted interviews with district personnel, reviewed the supporting documentation for a sample of expenditures and conducted internal control reviews.

Scope of Review

Elements comprising the review included the following:

- ESF expenditures for salary of \$1,159,288 for staff of 103 employees;
- GSF expenditures for salary of \$44,880;
- ARRA IDEA Basic expenditures of \$4,096,092;
- ARRA IDEA Preschool expenditures of \$165,929;
- ARRA Title I expenditures of \$120,005;
- ARRA Title I SIA expenditures of \$67,364;
- FY 2010 Title I expenditures of \$334,255;
- FY 2010 IDEA Basic expenditures of \$2,944,276; and
- FY 2010 IDEA Preschool expenditures of \$241,778.

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In addition, the team reviewed the district's plans for spending the balance of the funding.

GENERAL DISTRICT OVERVIEW OF USES OF ARRA FUNDS

ARRA IDEA Projects

IDEA and ARRA IDEA funds are used to cover the costs of special education services to children with disabilities. Public IDEA/ARRA funds are used for tuition of district students in out-of-district placements and nonpublic IDEA/ARRA funds are used to provide services to students with disabilities in accordance with the student's service plan.

The district has established methods to provide evidence of the impact this has on students via multiple criteria; i.e. report cards, student portfolios, progress reports, etc. In addition, Management Evaluation Associates, Inc. has evaluated the program via surveys and interviews to staff, parents and administrators to the efficacy of the IDEA programs.

ARRA Title I Projects

Title I and ARRA Title I funds are used for the following:

- Title I teacher salaries to offer supplemental support instruction to identified Title I students;
- Classroom teacher salaries [ARRA] to prevent loss of positions due to budget constraints;
- Ongoing imbedded professional development in language arts literacy and mathematics;
- Parental involvement activities;
- Supplemental Education Services to offer the parents of eligible students additional educational services from state-approved providers; and
- Preschool to help identified at-risk students gain the skills and knowledge needed to succeed in school.

DETAILED FINDINGS:

TITLE I:

Finding 1: The district does not have the required supporting documents to verify the activity of Title I funded staff as required by federal law.

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

Required Action: The time sheets did not clearly articulate the grant-related duties of the staff. The district must verify the time and activity of staff charged to the grant. The

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district must submit a list of 2009-2010 Title I funded staff, salaries, funding percentages, job descriptions, job location and time sheets for December 2009 to the NJDOE for review.

Finding 2: The district appears to be supplanting by using ARRA funds to cover positions that were previously funded by local funds in the 2008-2009 budget. The district was unable to demonstrate that these positions would have been eliminated if they did not have the ARRA funds or demonstrate that these positions were doing something different from the prior year and supplemental in the nature of the services.

Citation: OMB Circular A-87, Attachment B, *Cost Principles for State, Local and Indian Tribal Governments*, NCLB Section 1120A(b) *Fiscal Requirements, Federal Funds To Supplement, Not Supplant, Nonfederal Funds*. 34CFR § 200.26 *Core elements of a schoolwide program*.

Required Action: The district must provide documentation that these positions were eliminated, new duties were assigned and how the funds are being used for supplemental programs in the eligible schools. This information must be submitted for review by the NJDOE.

Finding 3: The district's allocation of Title I and ARRA Title I funds to its schools does not concur with the Title I school allocations on the 2009-2010 *NCLB* Consolidated Application for Title I funds (Eligibility Page, Step 4).

Citation: *NCLB* §9306(a)(5): *Other General Assurances (Assurances)*.

Required Action: The district must reconcile its budget to correspond to the Title I school-level allocations reflected in the 2009-2010 *NCLB* Consolidated Application for Title I funds (Eligibility Page, Step 4) and Title I ARRA funding. The revised budget must be submitted to the NJDOE for review.

Finding 4: The district does not have a mechanism to track mandatory reserves (including school-level reserves and SES per pupil costs) in its accounting system to ensure the accuracy of the final reports.

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 track its restricted reserves to ensure and verify spending of restricted amounts. The district must submit a list of account numbers being used for this purpose with a description of the accounts to the NJDOE for review.

Finding 5: The district is required to inform parents of its Title I program selection criteria, why the child met the selection criteria and the course of action that the school has determined to

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remediate the child. All of these elements must be included in the notification letter to parents about their child's participation in the Title I program. The October 30, 2009 letter to parents of eligible students is missing the following components: entrance criteria, exit criteria, type of services offered and the option to refuse services.

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

Required Action: The district must revise its parent notification letter to include the required legislative components and distribute the revised letter to the parents of its Title I students. The district must provide a copy of the revised parent notification letter to the NJDOE for review.

Finding 6: All Title I schools have a Title I parental involvement policy, but some are missing required components. Specifically, many of the policies do not explain how or what mechanisms the school will use to implement the required parent involvement components. Additionally, it is not clear how the school distributes the policy to the parents of Title I students.

Citation: NCLB §1118(b): *School Parental Involvement Policy*, United States Department of Education's Title I, Part A Parent Involvement Non-Regulatory Guidance (Item D-1).

Required Action: The district should provide technical assistance to the schools in the development of school-level parent involvement policies and ensure the schools work with their respective School Leadership Council to revise their school-level parent involvement policy. Spruce Street School's policy is an exemplar that can be used to guide the revision of the policies. The schools must distribute the revised school parent involvement policy to parents of the Title I students and send a copy of the revised school-level parent involvement policies to the NJDOE for review.

Finding 7: It was not evident that every Title I funded school had developed a School-Parent Compact. The Compact for Spruce Street School and Clifton Avenue School were not available for review. Also, the schools should revise their compacts to state the actions of the "school" rather than the "teacher."

Citation: NCLB §1118(b): *School Parental Involvement Policy*.

Required Action: The district must ensure that each of the Title I funded schools has developed a School-Parent Compact. Once the policy is developed, the schools must distribute the policy to the parents of their Title I students.

Finding 8: The district could not provide evidence of a process to plan parental involvement activities to address the specific needs of the parents of Title I students. The documentation reviewed indicates that parental involvement activities are sponsored by the Parent Teacher Organization and open to the parents of all students and not specifically designed to address the needs of the Title I parents.

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

Required Action: The district must develop a process to plan and implement parental involvement activities that is specifically designed to address the needs of the parents of the Title I students. The district must send copies of the agenda, sign-in sheets and minutes from the annual parent meeting to the NJDOE for review.

Finding 9: The list of nonpublic students receiving Title I services includes students that are identified using a single eligibility criterion, the Catapult Learning Criterion Referenced Test (CLCRT). In some cases, these students have above average scores on this test (e.g., 85%, 92%). The district did not have evidence of using multiple educationally-related objective criteria to identify students as at-risk academically when they are performing at high levels on the CLCRT.

Citation: NCLB §1120. *Participation of Children Enrolled In Private Schools.*

Required Action: The district must review its roster of nonpublic students receiving Title I services to verify that each student has been identified as academically at-risk using “multiple, educationally-related objective criteria.” The district may not provide Title I services to any nonpublic student that is identified using a single criterion.

Finding 10: The district could not provide evidence of a process to determine equitable participation for the parents and teachers of nonpublic students receiving Title I services. The district does use Title I, Part A funds to support the nonpublic schools’ requests to implement parent involvement and professional development activities, but there is no evidence of a process to plan activities that address the needs of the parents and teachers of participating Title I students in nonpublic schools.

Citation: NCLB §1120. *Participation of Children Enrolled In Private Schools*
CFR § 200.65: *Determining equitable participation of teachers and families of participating private school children.*

Required Action: The district must develop a process to plan and implement parental involvement and professional development activities that are specifically designed to address the needs of the parents and teachers of participating Title I nonpublic students. The district must send documentation; e.g., copies of agendas, sign-in sheets, flyers, to verify implementation of these activities.

Finding 11: The district did not complete the four-week follow-up Parents’ Right-to-Know letter for staff who are not highly qualified that replace staff during extended periods of absences.

Citation: 34CFR §200.61 Parents’ Right-to-Know, NCLB §1111(h)(6): *State Plans.*

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Required Action: The district must develop the Parents' Right-to-Know follow-up letter, and distribute a copy to the parents of the impacted students. The district must also send a copy of the letter to the NJDOE for review.

Finding 12: The Title I Unified Plans for the schools in need of improvement have been submitted in various phases of completion. In many cases, the plans do not address the reallocation of resources to support the program and do not contain baseline data to assess the effectiveness of some strategies/programs that will be implemented. Additionally, outcomes for previously implemented strategies/programs are not included as the district is waiting the release of the 2009 adequate yearly progress results. The district should have interim measures to assess the effectiveness of programs/strategies.

Citation: *NCLB §1114(b)(2): Schoolwide Program, CFR §200.26: Core elements of a schoolwide programs.*

Required Actions: The district must provide technical assistance to its schools in need of improvement as they revise their Title I Unified Plans and ensure that the schools work with their assigned Collaborative Assessment and Planning for Achievement (CAPA) consultant to revise their Unified Plans. The revised plans must be uploaded to the district's Title I application on the Electronic Web Enabled Grant (EWEG) system.

Recommendation 1: The district's program description for its Title I services to eligible nonpublic students does not indicate an assessment used to determine eligibility for K-12 students. However, the list of students receiving service includes the CLCRT as one of the eligibility criteria for students in grades K-12.

Recommended Action: The district should ensure that its eligibility criteria to identify nonpublic students for Title I services is consistent with the information provided by Catapult Learning, the service provider.

IDEA:

Finding 13: The district was not in compliance with services to nonpublic schools with regard to their contracts with outside providers (billing in installments vs. billing for actual services), communication of how requested services are handled and list of students being served.

Citation: *IDEA Regulation 34 CFR 300 and 301 (Assistance to States for the Education of Children with Disabilities and Preschool Grants for Children with Disabilities).*

Required Action: The district must revise its contract with its nonpublic providers to provide for payments based on specific services provided; develop procedures to capture consultations specifically for IDEA and IDEA ARRA services and obtain confirmation of consultation forms from the nonpublic schools; develop procedures for requests for additional services that come through the district and not the provider; have a specific list

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of students and services under IDEA and IDEA ARRA; and, revise the service plans to match these lists. The district must submit its updated contract to the NJDOE for review.

Finding 14: The district recorded expenses for a prior period grant, which are unallowable.

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 needs to adjust unsupported and unallowable charges and send a detailed list of 2009-2010 charges for the ARRA IDEA and IDEA funds to the NJDOE for review.

SFSF FUNDS:

Finding 15: The district's reporting and tracking of jobs created and jobs saved did not have the required detail. The district needs to charge direct salaries to Fund 16 and Fund 17 with identified list of staffing.

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 formal tracking of SFSF funding and the backup necessary to support the charges consistent with the federal guidance issued with regard to jobs created and jobs saved. The district must submit an updated list of charges with detail staffing up through December 31, 2009.

ADMINISTRATIVE INFORMATION

Recommendation 2: 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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Recommendation 3: The district's internal control manual should address the issue of contracting with disbarred vendors (even though this did not happen, there were no administrative controls in place to prevent it from occurring).

Citation: EDGAR, PART 80--*Uniform Administrative Requirements for grants and cooperative agreements to state and local governments*, Section 36, Procurement.

Recommended Action: The district should update internal control policies to prevent possible errors from occurring.

Recommendation 4: The district's reimbursement rate for staff mileage exceeds the amount that New Jersey authorizes and needs to be updated to reflect current state regulations.

Citation: NJAC 6A:23A-78-19 and State Office of Management and Budget Travel Regulations.

Recommended Action: The district should update their contract with the teachers' union upon renewal of the contract.

Recommendation 5: Under the New Jersey's Public School Contracts Law (PSCL) districts do not need to advertise for bids or competitively contract the provision of goods and services by vendors on the state contract list. In accordance with the PSCL (N.J.S.A. 18A:18A:10(a)), a board of education may place its order with a vendor offering the lowest price, including delivery charges, that best meets the requirements of the board of education. However, for ARRA and all federal funds, districts need to review 34 CFR Part 80.36 on procurement requirements. The federal procurement regulations under this section do not include all the exemptions allowed under the PSCL and therefore, it is our understanding these federal regulations require districts to competitively contract or bid all goods and services over the bid threshold, whether exempt under PSCL or not. The federal rules do include provisions for procurement by "noncompetitive proposals" but only under certain circumstances. The department has requested clarification from the federal government regarding vendors on the state contract list and we are still waiting for a definitive response. It is the department's position and recommendation to the federal government that such contracts do not need any additional documentation beyond the statutory requirement under N.J.S.A. 18A:18A:10(c) that prior to placing orders, the board of education shall document with specificity that the goods and services selected best meet the requirements of the board of education.

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

Recommended Action: The district should review 34 CFR Part 80.36 and use open and competitive procedures where at all possible. The district should also analyze and include documentation in its files that demonstrates the district ensured the costs were reasonable.

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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 Anthony Hearn via phone at (609) 633-2492 or via email at anthony.hearn@doe.state.nj.us.