



State of New Jersey

DEPARTMENT OF EDUCATION

PO Box 500

TRENTON, NJ 08625-0500

CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

August 24, 2010

BRET SCHUNDLER
Commissioner

Mr. Fredrick Nickles, Superintendent
Atlantic City Board of Education
1300 Atlantic Avenue
Atlantic City, NJ 08401

Dear Mr. Nickles:

The New Jersey Department of Education has completed a review of funds received and disbursed from one or more federal programs by the **Atlantic City 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 June 1, 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 Atlantic City 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:Atlantic City Board of Education Cover Letter
Enclosures

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

ARRA MONITORING REPORT
AUGUST 2010

District: Atlantic City Board of Education
County: Atlantic
Dates On-Site: June 2 and 3, 2010
Case #: ARRA-014-09

FUNDING SOURCES

Program	Funding Award
ARRA - Title I	2,320,751
ARRA – Title I SIA	186,992
Total ARRA Funds	<u>\$2,507,743</u>
 Title I	 2,731,618
Title I - SIA	293,990
Total Non-ARRA Funds	<u>3,025,608</u>
Total Funds	<u><u>\$5,533,351</u></u>

**ATLANTIC CITY SCHOOL DISTRICT
ARRA MONITORING REPORT
AUGUST 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 Atlantic City 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: ARRA-Title I; ARRA-Title I SIA, Title I, Title I SIA, for the period July 1, 2009 through June 1, 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. 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

Elements comprising the review included the following:

- ARRA - Title I expenditures of \$ 869,074;
- ARRA - Title I SIA funds had not been expended at the time of the monitoring visit;
- Title I expenditures of \$1,806,074; and
- Title I SIA funds had not been expended at the time of the monitoring visit.

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

**ATLANTIC CITY SCHOOL DISTRICT
ARRA MONITORING REPORT
AUGUST 2010**

GENERAL DISTRICT OVERVIEW OF USES OF TITLE I AND IDEA FUNDS

ARRA - Title I Projects

The district has earmarked the ARRA-Title I, Part A funds to support the salaries of six teachers and a social worker as part of an intervention strategy for at-risk ninth grade students. The program provides academic and social interventions for 75 high school students identified as at-risk based on their performance in the eighth grade.

Additionally, high school students benefit from a Saturday SAT preparation program hosted at three neighborhood schools and a tutorial program held during the first period.

Professional development activities focus on differentiated instruction, reading in the content area and the Literacy Collaborative at Lesley University.

The district uses a portion of the FY 2010 Title I funds to support its parent center. The grant funds staff, including five parent center educators.

DETAILED FINDINGS AND RECOMMENDATIONS

Title I:

Finding 1: The district does not have the required supporting documents to verify the activity of ARRA-Title I funded staff (including administrative 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 district must verify the time and activity of staff charged to the grant. The district must submit a list of 2009-2010 Title I funded staff salaries (including administrative staff), funding percentages and time sheets to date to the NJDOE for review.

Finding 2: The district's budget allocation of Title I and ARRA-Title I funds to its schools does not agree 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 the ARRA-Title I Application. The revised budget must be submitted to the NJDOE for review.

**ATLANTIC CITY SCHOOL DISTRICT
ARRA MONITORING REPORT
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Finding 3: The district generated purchase orders, listing the nonpublic schools as the vendor, to reimburse the nonpublic schools for expenditures. .

Citation: NCLB section 1120(d)(2), Provision of Services

(A) PROVIDER.—The provision of services under this section shall be provided—

(i) by employees of a public agency; or

(ii) through contract by such public agency with an individual, association, agency, or organization.

(B) REQUIREMENT.—In the provision of such services, such employee, individual, association, agency, or organization shall be **independent of such private school and of any religious organization, and such employment or contract shall be under the control and supervision of such public agency.**

Required Action: The district must stop reimbursing the nonpublic schools, pay the vendors directly and remove the approval process from the nonpublic schools.

Finding 4: The district is using Title I funds to benefit all students at the high school. However, the high school is not a designated Title I school-wide program.

Citation: NCLB §1115 (b). Targeted Assistance Schools (Eligible Children).

Required Action: The district must complete the necessary Application to Operate a Title I School-wide Program to have the high school approved to operate a Title I school-wide program.

Finding 5: In the 2009-2010 NCLB Consolidated Application, the district has not identified its resident high school students that attend nonpublic schools. The nonpublic enrollment for the high school attendance area is reported as “0.”

Citation: 34 CFR § 200.62 *Responsibilities for providing services to private school children.*

Required Action: The district must locate resident high school students that attend nonpublic schools both inside and outside the district’s boundaries. The 2010-2011 NCLB Consolidated Application must reflect the number of resident high school students who are enrolled in nonpublic schools, as well as the number of these students who meet the poverty criteria.

Finding 6: The approved Time and Activity Reports of the district’s teachers assigned to the nonpublic schools are not consistent with the percentage of the teachers’ salary that is supported with Title I, Part A funds.

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

**ATLANTIC CITY SCHOOL DISTRICT
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Required Action: The district must implement the necessary internal controls to ensure that the Time and Activity Reports submitted by the teachers in the nonpublic schools, and subsequently approved by the district, accurately reflect the percentage of the salary supported by the grant. For instance, if Title I, Part A contributes 10% of the teacher's salary, the district must ensure that 10% of the teacher's daily duties support the Title I program in the nonpublic school.

ADMINISTRATIVE

Recommendation 1: The district's internal controls should be updated to include policies and procedures to prevent non-allowable costs from being charged to grants, prevent contracting with disbarred vendors and perform competitive contracting.

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 these errors from recurring.

Recommendation 2: Under the New Jersey's Public School Contracts Law (PSCL), districts are not required 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 NJDOE 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. See Local Finance Notice 2010-3 issued January 15, 2010 for more information on competitive contracting for school districts and professional development services.

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

ATLANTIC CITY SCHOOL DISTRICT
ARRA MONITORING REPORT
AUGUST 2010

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.

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.