



State of New Jersey

DEPARTMENT OF EDUCATION

PO Box 500

TRENTON, NJ 08625-0500

CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

CHRISTOPHER D. CERF
Acting Commissioner

July 5, 2011

Mr. Kevin W. Ahearn, Superintendent
Carteret Borough Public Schools
599 Roosevelt Avenue
Carteret, NJ 07008

Dear Mr. Ahearn:

The New Jersey Department of Education has completed a review of funds received and disbursed from one or more federal programs by the **Carteret Borough Public Schools**. 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 30, 2010. 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 Carteret Borough 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/M:\ARRA-carteretcoverletter.docx
Enclosures

Distribution List

Christopher Cerf
Barbara Gantwerk
Yut'se Thomas
Alan Guenther
Karen Campbell
Anne Corwell
Patricia Gray
John Worthington
Steven Hoffmann
Samuel Stewart
Stephen M. Eells

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

CARTERET BOARD OF EDUCATION
599 ROOSEVELT AVENUE
CARTERET, NJ 07008
PHONE: (732) 541-8960



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

**ARRA MONITORING REPORT
JULY 2011**

District: Carteret Board of Education
County: Middlesex
Dates on-site: April 4 and 5, 2011
Case #: ARRA-019-09

FUNDING SOURCES

Program	Funding Award
State Fiscal Stabilization Fund – Education Stabilization Fund	\$3,953,956
State Fiscal Stabilization Fund – Government Services Fund	153,064
ARRA-IDEA Basic	1,079,930
ARRA-IDEA Preschool	38,834
Total ARRA Funds	<u>\$5,225,784</u>
IDEA Basic	\$910,884
IDEA Preschool	27,495
Total Non-ARRA Funds	<u>\$938,379</u>
Total Funding	<u>\$6,164,163</u>

**CARTERET PUBLIC SCHOOLS
ARRA MONITORING REPORT
JULY 2011**

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 Carteret 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 onsite 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); IDEA Basic; IDEA Preschool; ARRA-IDEA Basic and ARRA-IDEA Preschool for the period July 1, 2009 through June 30, 2010. The monitoring also included a review of the district's 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 June 30, 2010:

- ESF 100% of expenditures totaling \$3,953,956 were reviewed;
- GSF 100% of expenditures totaling \$153,064 were reviewed;
- ARRA-IDEA Basic 72% of expenditures totaling \$815,927 were reviewed;
- ARRA-IDEA Preschool 52% of expenditures totaling \$32,443 were reviewed;
- IDEA Basic 89% of expenditures totaling \$790,800 were reviewed; and
- IDEA Preschool 98% of expenditures totaling \$20,868 were reviewed.

**CARTERET PUBLIC SCHOOLS
ARRA MONITORING REPORT
JULY 2011**

GENERAL DISTRICT OVERVIEW OF USES OF IDEA FUNDS

IDEA Projects

The district intended to use the IDEA funds to increase special education student performance. This was to be achieved by purchasing instructional software and implementing professional development activities that focused on differentiated instruction, co-teaching and other instructional strategies and techniques in hopes to positively impact student achievement. Child study team staff and instructional aides were hired to meet the needs of services for special education students. Nonpublic proportionate share funding was to provide related services and assistive technology through a contract with the Middlesex Regional Educational Services Commission (MRESC).

The district also opted to reduce their maintenance of effort (MOE). The freed up funds were to be used to implement a district-wide Response to Intervention (RTI) program and purchase technology such as computers, Smart boards, Sentos and software for general education use. The money transferred in from the ARRA-IDEA funding was to support tuition for out-of-district students.

DETAILED FINDINGS AND RECOMMENDATIONS

IDEA

Finding 1:

Condition: Through district staff disclosure it was discovered that a number of anticipated expenses were nonallowable. The district incorrectly completed the maintenance of effort tab on the grant application. Rather than utilizing freed up public funds, the district planned to use the ARRA-IDEA funds to pay for RTI training and other nonallowable costs that would not have any indirect benefit for students with disabilities.

Citation: IDEA Regulation 34 CFR § 300.1 and 34 CFR § 300.8.

Required Action: The district immediately initiated an ARRA-IDEA amendment to properly allocate allowable expenditures and make corrections to the grant. The district transferred the nonallowable expenditures out of Fund 20 into Fund 10 and reallocated ARRA-IDEA monies for special education student benefit.

Finding 2:

Condition: The district purchased technology for special education students, and provided an assigned list of the purchased items and corresponding classrooms. The list was reviewed and classrooms were visited, and it was discovered that equipment and

CARTERET PUBLIC SCHOOLS
ARRA MONITORING REPORT
JULY 2011

supplies were not placed in classrooms for special education student use. A sample of 90% of the classrooms visited were strictly general education and ESL classrooms; none of which included any students with disabilities. This was confirmed by the instructional staff interviewed in those classrooms. Non-classified students can benefit from the purchase as long as the items are intended for special education purposes.

Citation: IDEA Regulation 34 CFR 300.208 (*Permissive Use of Funds*).

Required Action: The district shall either reallocate the use of technology purchased with ARRA-IDEA funds into classrooms for special education student use or refund the funds used to purchase the equipment and supplies.

Finding 3:

Condition: The district purchased customized supplies through the ARRA-IDEA grant that were not reflected in current student IEPs. Based on documents reviewed, there was no demonstration of a link between the instructional supplies purchased and the delivery of services to students with disabilities in either segregated programs or included in the general education classes. The district must maintain appropriate documentation that purchases are consistent with the grant requirements in order to show that they are not supplanting federal funds by purchasing materials intended for school wide, general curriculum use.

Citation: IDEA Regulation 34 CFR 300.208 (*Permissive Use of Funds*).

Required Action: At the next regularly occurring annual review meeting, the district must list specialized materials and devices purchased to support instructional programs for students with disabilities in their IEPs.

Finding 4:

Condition: The district has not established a method to evaluate the impact the ARRA-IDEA Basic and ARRA-IDEA Preschool funded services will have on students.

Citation: IDEA Regulations 34CFR §300.202.

Required Action: The district must have a plan for the evaluation of each activity specified in the ARRA Plan. The district can consider individual progress towards Individualized Education Program (IEP) goals and objectives, pre and post test scores, report cards and classroom observations. They may also consider including tracking post secondary outcomes and proficiency on statewide testing.

**CARTERET PUBLIC SCHOOLS
ARRA MONITORING REPORT
JULY 2011**

Finding 5:

Condition: The plan for ARRA-IDEA does not specify the expenditures for nonpublic funds.

Citation: IDEA Regulations 34CFR §300.130-300.144.

Required Action: The plan for the ARRA-IDEA must be revised to include how nonpublic funds will be expended.

Finding 6:

Condition: The district produced a list of students that are eligible for both IDEA Basic nonpublic services and ARRA-IDEA Basic nonpublic services. The list of nonpublic services did not match the service plans. The service plans did not specify the services provided by a separate funding source for ARRA-IDEA nonpublic proportionate share.

Citation: IDEA Regulations 34CFR §300.130-300.144.

Required Action: The individual service plans must be revised to reflect all funding sources and specify the services provided, including assistive technology.

Finding 7:

Condition: The district was not in compliance with services to nonpublic schools regarding communication of how the requested services are handled. Requests for services for nonpublic students were made to the vendor rather than the district and in many circumstances the district information did not match the service plans.

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 clarify with the nonpublic schools how services will be delivered and the process for authorizing new requests for services that come through the district and not the provider.

Finding 8:

Condition: The district was not in compliance with services to nonpublic schools with regard to their contract with an outside provider. The contract period was for five years, whereas all contracts may not exceed the obligation period of the funding source, including the Tydings Amendment period.

Citation: IDEA Regulation 34 CFR Subtitle A Part 76.709 (*Obligation Period of State Administered Federal Grants*).

**CARTERET PUBLIC SCHOOLS
ARRA MONITORING REPORT
JULY 2011**

Required Action: The district must develop an addendum to all contracts, including the ARRA, indicating that services are only contracted for the grant period of obligation. The district must submit the addendum and control procedures to the NJDOE for review.

Finding 9:

Condition: Contracted services for nonpublic schools were billed in advance rather than on actual services delivered. For example, the 6% administrative fee was billed quarterly, regardless if services were provided. The fee was based on the total amount of the nonpublic proportionate share, rather than actual services delivered.

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 develop internal financial controls to assure that payments to contracted vendors are based on actual services delivered. These controls must include internal checks and balances between the department of special services and the business office that services are based on student service plans and are noted in the plans, prior to reimbursement being made. The district must submit its control procedures to the NJDOE for review.

Finding 10:

Condition: The district's ARRA-IDEA and IDEA Basic and Preschool nonpublic expenditures under the 200-300 account indicate "Consultants Professional, Technical" rather than "Agreements with approved contract providers." When the information is provided on the correct line a text box will open allowing the district to list the agency used for nonpublic services and any administrative costs.

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 immediately initiated an ARRA-IDEA amendment to correct the ARRA-IDEA Basic and Preschool nonpublic expenditures under the 200-300 account to reflect "Agreements with approved contract providers." Also, the associated agency, contracted services and administrative costs must be documented in the text box.

**CARTERET PUBLIC SCHOOLS
ARRA MONITORING REPORT
JULY 2011**

Financial Management and Reporting

Finding 1:

Condition: The district failed to formally appoint, by board resolution, individuals charged to IDEA and Title I.

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 against grants should be reappointed annually by board resolution.

Finding 2:

Condition: 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 Contract Law*.

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

Finding 3:

Condition: The district charged equipment purchases to the incorrect general ledger account. Equipment purchases with a total unit cost in excess of \$2,000 were improperly charged to supplies. In determining the total unit cost of equipment the district did not include ancillary costs incurred that were necessary to place the asset in its intended location and in condition where it is ready for use. New Jersey regulations and district policy require that equipment with a unit cost greater than \$2,000 be charged as equipment.

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 must charge all equipment purchases of \$2,000 or greater to an equipment account. Ancillary costs, such as installation and delivery, should be included in the unit cost.

CARTERET PUBLIC SCHOOLS
ARRA MONITORING REPORT
JULY 2011

Finding 4:

Condition: The district was not tagging applicable equipment purchases as being purchased with federal funds. In addition, the district did not segregate fixed assets purchased with federal funds in their fixed asset inventory.

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

Required Action: Equipment purchased with federal funds must be labeled as such and segregated in the districts fixed asset inventory.

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.