

April 1, 2010

Dr. Joseph Canataro, Superintendent
Deptford Township Board of Education
2022 Good Intent Road
Deptford, NJ 08096

Dear Dr. Canataro:

The New Jersey Department of Education has completed a review of funds received and disbursed from one or more federal programs by the **Deptford 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 March 17, 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 Deptford 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:DeptfordTwp. Board of Education Cover Letter
Enclosures

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

DEPTFORD TOWNSHIP BOARD OF EDUCATION
2022 GOOD INTENT ROAD
DEPTFORD, NJ 08096
PHONE: (856) 227-7473



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

ARRA MONITORING REPORT
APRIL 2010

District: Deptford Township Board of Education
County: Gloucester
Dates On-Site: March 17 and 18, 2010
Case #: ARRA-021-09

FUNDING SOURCES

Program	Funding Award
State Fiscal Stabilization Fund – Education Stabilization Fund	3,379,630
State Fiscal Stabilization Fund – Government Services Fund	130,831
ARRA – IDEA –Basic	1,083,478
ARRA – IDEA –Preschool	39,056
Total ARRA Funds	<u>\$4,632,995</u>
IDEA - Basic	1,093,883
IDEA - Preschool	34,668
Total Non-ARRA Funds	<u>1,128,551</u>
Total Funds	<u><u>\$5,761,546</u></u>

DEPTFORD TOWNSHIP SCHOOL DISTRICT
ARRA MONITORING REPORT
APRIL 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 Deptford 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, fiscal year 2009-2010, fiscal year 2009-2010 IDEA and fiscal year 2009-2010 IDEA Preschool for the period July 1, 2009 through March 17, 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:

- ESF expenditures for salary of \$2,196,759;
- GSF expenditures for salary of \$85,040;
- ARRA IDEA Basic expenditures of \$569,469;
- ARRA IDEA Preschool expenditures of \$17,900;
- IDEA expenditures of \$756,882; and
- IDEA Preschool expenses have not been encumbered as of the date of the monitoring

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

DEPTFORD TOWNSHIP SCHOOL DISTRICT
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GENERAL DISTRICT OVERVIEW OF USES OF IDEA FUNDS

ARRA IDEA Projects

The district is using the IDEA ARRA funds to further its two initiatives related to special education. In order to reduce the number of placements of classified students in segregated settings, the district is acquiring more technology (laptops and smart boards) to be used in self-contained and inclusive classrooms by students with disabilities. This equipment will also support the use of new instructional software which is being used to provide supplemental instruction for classified students who continue to struggle to be successfully included in typical grade level programs and to offer pre-referral academic intervention to general education students determined to be at-risk for referral to the child study team. Professional development activities are being offered to the teachers working in the supplemental programs and to staff working to better differentiate instruction in general education to support the students with disabilities. High school career software will be used to try to retain students with disabilities until graduation and to help meet the goals of their transition plans. Preschool curriculum is being revised to better meet the needs of classified preschool students with the self-contained program and to move them into general education preschool classes. Some of these goals will be met by using the maintenance of effort reduction to acquire supplies which will be used for consistency across grade or school special education and inclusive programs.

DETAILED FINDINGS AND RECOMMENDATIONS

SFSF FUNDS:

Finding 1: The district's reporting and tracking of jobs created and jobs saved did not have the required supporting detail to identify the jobs reported for ESF and GSF funding on the 1512 Report.

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 have formal tracking of SFSF funding and the necessary backup documentation to support that the information submitted is consistent with the federal guidance recently issued on jobs created and jobs saved. The district must submit updated information with detailed staffing data through March 31, 2010 to the NJDOE for review.

Finding 2: The district's reporting and tracking of SFSF funding did not have the required supporting detail. The district needs to charge direct salaries to Fund 16 and Fund 17 with an identified list of staffing that reconciles to the ESF and GSF Cash Management Report.

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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 have formal tracking of SFSF funding and the necessary backup documentation to support that the information submitted is consistent with the federal guidance recently issued on tracking ARRA funds. The district must submit updated information with detailed staffing data through March 31, 2010 to the NJDOE for review.

IDEA:

Finding 3: The district does not have the required supporting documents to verify the activity of ARRA IDEA 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 district must verify the time and activity of staff charged to the grant. The district must submit a list of 2009-2010 ARRA IDEA funded staff, salaries, funding percentages and time sheets to date to the NJDOE for review (including administrative staffing).

Finding 4: The district did not have detailed equipment inventory for items purchased with ARRA IDEA funds. The missing items include the cost and date of purchase.

Citation: EDGAR, PART 80--*Uniform Administrative Requirements for grants and cooperative agreements to state and local governments*, Section 32, Equipment.

Required Action: The district must have formal tracking of equipment purchased with federal grants. Although the state threshold for reporting equipment is \$2,000 in the Electronic Web Enabled Grant (EWEG) system, the district may have its own lower threshold. The district must track any amount that is less expensive to track than it is to replace. All inventoried items should include tag number, cost, location, date of purchase, and item description.

Finding 5: The district is using IDEA funds for Coordinated Early Intervening Services (CEIS), but does not have an approved CEIS plan.

Citation: IDEA Regulation 34 CFR 300.226 (*Early Intervening Services*).

Required Action: The district must submit a revised grant application asking for CEIS permission and reallocate their budget to these costs and send to the NJDOE for review.

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Finding 6: The district is charging ineligible costs for instructional software that is being used across general programs in the district and is not solely for the benefit of students with disabilities. Amounts charged must be only to pay the excess costs of providing special education and related services to children with disabilities

Citation: IDEA Regulation 34 CFR 300.202(a)(2) (*Use of Funds*).

Required Action: The district must remove the ineligible costs and submit adjusting entries showing the removal and board approval for the adjustments. A detail listing of all adjusted costs must be submitted and sent to the NJDOE for review.

Finding 7: The district was not in compliance with the requirements for the provision of services to nonpublic schools. The contract with the service provider agency has not been executed by the district and does not specify the frequency of invoices/bills to be issued by the provider agency. Also, the district was not able to provide affirmations of the consultation with the nonpublic representative although evidence of a meeting was on file.

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 submit a copy of the fully executed contract with the nonpublic service provider, develop procedures to capture consultations specifically for IDEA and IDEA ARRA services, and obtain confirmation of consultation forms from the nonpublic schools.

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: The district does not have formal written policies for requesting reimbursement from the EWEG system; however, the district's practice for requesting reimbursement was 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.

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

Recommendation 3: 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 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 LFN 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.

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.