



State of New Jersey

DEPARTMENT OF EDUCATION

PO Box 500

TRENTON, NJ 08625-0500

CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

August 4, 2010

BRET SCHUNDLER
Commissioner

Mr. Robert Corbett, Superintendent
East Newark Board of Education
501-11 North Third Street
East Newark, NJ 07029

Dear Mr. Corbett:

The New Jersey Department of Education has completed a review of funds received and disbursed from one or more federal programs by the **East Newark 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 31, 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 East Newark 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:East Newark Board of Education Cover Letter
Enclosures

Distribution List

Bret Schundler
Willa Spicer
Barbara Gantwerk
Yut'se Thomas
Alan Guenther
Suzanne Ochse
Anne Corwell
Patricia Gray
John Worthington
Steven Hoffmann
Tim Brennan

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

EAST NEWARK BOARD OF EDUCATION
501-11 NORTH THIRD STREET
EAST NEWARK, NJ 07029
PHONE: (973)481-6800



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

**ARRA MONITORING REPORT
AUGUST 2010**

District: East Newark Board of Education
County: Hudson
Dates on-Site: May 24 and 25, 2010
Case #: ARRA-024-09

FUNDING SOURCES

Program	Funding Award
Fiscal Stabilization Fund – Education Stabilization Fund	\$518,429
State Fiscal Stabilization Fund – Government Services Fund	20,069
ARRA – Title I	103,227
ARRA – IDEA Basic	97,742
ARRA - IDEA Preschool	3,514
Total ARRA Funds	742,981
 Title I	 168,147
IDEA – Basic	79,527
IDEA – Preschool	2,839
Total Non-ARRA Funds	250,513
Total Funding	\$993,494

EAST NEWARK PUBLIC SCHOOL
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 East Newark 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); Title I, IDEA Basic; IDEA Preschool; ARRA-Title I; ARRA-IDEA Basic and ARRA-IDEA Preschool for the period July 1, 2009 through March 31, 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

The following dollar amounts of expenditures were reviewed for each program monitored for the period of July 1, 2009 through March 31, 2010:

- ESF 100% of expenditures totaling \$408,098 were reviewed;
- GSF 100% of expenditures totaling \$12,364 were reviewed;
- Title I 46 % of expenditures totaling \$87,894 were reviewed;
- ARRA-IDEA-Basic 44% of expenditures totaling \$76,690 were reviewed;
- ARRA-IDEA-Preschool had not been expended at the time of the monitoring visit;
- IDEA-Basic 100% of expenditures totaling \$42,748 were reviewed; and
- IDEA-Preschool had not been expended at the time of the monitoring visit.

**EAST NEWARK PUBLIC SCHOOL
ARRA MONITORING REPORT
AUGUST 2010**

GENERAL DISTRICT OVERVIEW OF USES OF IDEA FUNDS

ARRA-Title I Projects

The East Newark School district operates as a single attendance area of 235 students with 83% of the student body eligible for free and reduced lunch. The district provides targeted assistance for the Title I eligible students. They employ the use of both Title I and ARRA-Title I funds to support before, during, and after school remediation programs targeting math and language arts literacy. Students and parents are given a clear exit and entrance criteria and instruction is designed to meet the individual needs of their students.

The majority of the funds allocated to the district have been designated for salaries and stipends to conduct these remedial programs. Funds are also allocated to provide professional development to support the teachers as they implement differentiated instruction and other targeted strategies in math and language arts literacy.

The school has consistently made Annual Yearly Progress (AYP). The district has also maintained a strong community and parent involvement practice that actively engages in practices beyond those required of a district not in AYP status.

While time and activity reports are maintained, there were some discrepancies as to those employees that were partially or fully charged to the grant. The payroll records reflected that most of the employees engaged in remedial instruction were paid from local funds and not from the grant. The salaried employees listed as being paid from the grant did not have accompanying records nor was a detailed schedule presented that demonstrated that they were working with Title I eligible students.

Records of professional development workshops clearly indicated that all employees were attending these sessions with dates, times, agendas, and attendance sheets provided. However, payroll records are not accurately reflected as most of the teachers that were in attendance for these professional development sessions are recorded as employees not being charged to the grant.

ARRA-IDEA Projects

The ARRA-IDEA plan identified the use of funds for two existing staff salaries and benefits. The preschool funds were allocated to support tuition; however, they were not noted in the ARRA-IDEA plan. Services identified in the plan were already in place prior to the ARRA-IDEA funding availability. In addition, the district did not conduct any assessment to identify the needs of special education students or how the ARRA-IDEA funds could improve the educational outcomes for students with disabilities.

**EAST NEWARK PUBLIC SCHOOL
ARRA MONITORING REPORT
AUGUST 2010**

DETAILED FINDINGS AND RECOMMENDATIONS

Title I

Finding 1:

Condition: The district does not have the required supporting documents to verify the activity of Title I and ARRA-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 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, funding percentages and time sheets to date to the NJDOE for review (including administrative staffing).

Finding 2:

Condition: The district expended Title I funds to benefit staff providing professional development to employees not participating in the Title I program.

Citation: NCLB Section 1120A(b) *Fiscal Requirements, Federal Funds To Supplement, Not Supplant, Nonfederal Funds*.

Required Action: The district must accurately charge the salaries of teachers either partially or fully funded with Title I or ARRA-Title I funds in Fund 20. The district must provide evidence that the teachers that attended professional development are participating in the Title I program and funded by the grant.

Finding 3:

Condition: The district does not include appointment of grant staff in the board minutes.

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. The resolution should include the employees name, salary, and program being charged.

**EAST NEWARK PUBLIC SCHOOL
ARRA MONITORING REPORT
AUGUST 2010**

IDEA

Finding 1:

Condition: The district has not established a method to provide evidence of the impact the ARRA-IDEA Basic and ARRA-IDEA Preschool funded services will have on students. They have not established expectations for success for activities included in the ARRA-IDEA Basic and ARRA-IDEA Preschool Plan.

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 IEP goals and objectives, pre and post test scores, report cards and classroom observations. They may also consider data to track math and reading scores using the purchased programs.

Finding 2:

Condition: At the time of the on-site visit, interviews with district administrative staff acknowledged that the ARRA spending plan recorded in the Electronic Web Enabled Grant (EWEG) system may be incomplete in describing the intended use of these funds for services to special education students.

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 should review its local spending plan against the ARRA spending plan recorded in EWEG and, if necessary, amend the application to assure concurrence between the grant application and the program expenditures.

Finding 3:

Condition: The district supplanted existing staff salaries and benefits costs for two employees and failed to request maintenance of effort (MOE) reduction.

Citation: IDEA Regulation 34 CFR §300.204-300.205 *Adjustments to Local Fiscal Efforts in Certain Fiscal Years*.

Required Action: The district should create an amendment to the ARRA-IDEA application in order to correctly document the MOE reduction of local funds supporting special education costs. In addition, the district should complete the appropriate MOE tabs to account for the freed up funds and budgeted ARRA funds.

**EAST NEWARK PUBLIC SCHOOL
ARRA MONITORING REPORT
AUGUST 2010**

SFSF FUNDS

Finding 1:

Condition: The district's 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.

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.

Finding 2:

Condition: The district's reporting of jobs created and jobs saved for ESF and GSF funding was incorrectly calculated on the 1512 report. The district has reported no ESF or GSF jobs created or jobs saved even though approximately 20 employees were fully funded with SFSF funds.

Citation: *American Recovery and Reinvestment Act (ARRA) section 1512.*

Required Action: The jobs created and jobs saved calculation must be properly revised on the districts fourth quarter 1512 report.

FINANCIAL MANAGEMENT AND REPORTING

Finding 1:

Condition: On several occasions the district failed to issue a purchase order prior to services being rendered (confirming order). District policy and state regulations require that a properly executed purchase order be issued prior to services being rendered.

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 should be issued to all vendors prior to goods or services being provided.

EAST NEWARK PUBLIC SCHOOL
ARRA MONITORING REPORT
AUGUST 2010

Finding 2:

Condition: The district's Board Secretary Reports were inaccurate and incomplete. Monitors noted discrepancies between various appropriation and expenditure amounts in the general ledger and amounts reported on the Board Secretary Reports. Per the district, the differences were the result of programming errors in their systems. In addition, SFSF-ESF (fund 16) and SFSF-GSF (Fund 17) expenditures were not shown in the Board Secretary Reports. The district is in the process of transitioning to a new general ledger system.

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: Board Secretary Reports must accurately reflect the districts financial activities.

Finding 3:

Condition: The district charged several expenditures to the incorrect general ledger accounts.

Citation: *Uniform Minimum Chart of Accounts (Handbook 2R2)*. 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 should ensure that expenditures are charged to the appropriate general ledger account in accordance with the Uniform Minimum Chart of Accounts.

Recommendation 1: The district does not have formal written board policies for requesting reimbursement from the EWEG system; however, 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.

Recommendation 2: The District does not have a purchasing manual that details procedures for the procurement of goods and services.

EAST NEWARK PUBLIC SCHOOL
ARRA MONITORING REPORT
AUGUST 2010

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.A.C. 6A:23A-6.6 Standard operating procedures for business functions.

Recommended Action: The district should prepare and adopt a detailed purchasing manual to ensure compliance with current state and federal procurement regulations.

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.hoffman@doe.state.nj.us.