



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*

January 26, 2010

Mr. Richard Tomko, Superintendent  
Elmwood Park Board of Education  
60 East 53<sup>rd</sup> Street  
Elmwood Park, NJ 07407-1622

Dear Mr. Tomko:

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

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

**ARRA MONITORING REPORT  
JANUARY 2011**

**District:** Elmwood Park Board of Education  
**County:** Bergen  
**Dates on-site:** September 21 and 22, 2010  
**Case #:** ARRA-029-09

**FUNDING SOURCES**

Program	Funding Award
State Fiscal Stabilization Fund – Education Stabilization Fund	\$ 164,449
State Fiscal Stabilization Fund – Government Services Fund	6,366
ARRA-IDEA Basic	614,585
ARRA-IDEA Preschool	22,171
Total ARRA Funds	<u>\$807,571</u>
IDEA Basic	563,530
IDEA Preschool	21,456
Total Non-ARRA Funds	<u>\$584,986</u>
Total Funding	<u>\$1,392,557</u>

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**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 Elmwood Park 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); 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 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 June 30, 2010:

- ESF 100% of expenditures totaling \$164,449 were reviewed;
- GSF 100% of expenditures totaling \$6,366 were reviewed;
- ARRA-IDEA Basic 100 % of expenditures totaling \$320,377 were reviewed;
- ARRA-IDEA Preschool had not been expended at the time of the monitoring visit;
- IDEA Basic 92% of expenditures totaling \$563,530 were reviewed; and
- IDEA Preschool 100% of expenditures totaling \$21,043 were reviewed.

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**GENERAL DISTRICT OVERVIEW OF USES OF IDEA FUNDS**

**IDEA Projects**

IDEA Basic and Preschool funding is utilized to offset the cost of tuition for students placed in private schools for the disabled. There is also a portion of the ARRA-IDEA funding designated for this purpose. ARRA-IDEA funding was used to upgrade special education student classrooms by installing HVAC units. This upgrade will allow the district to provide consistent services during the school year and during the summer months. The district also utilized funds to update and expand technology by purchasing computer carts, laptops and programs. A new data program was also purchased for the child study teams. This new data base (Real-Time) enables the district staff to improve compliance and provide data for state and federal reports. Of concern was the upgrading of the district's wireless capabilities. Discussions during the on-site visit revealed that the district had fully funded this initiative through special education funding. The district was provided with technical assistance and is required to revise their grant to split fund the wireless component. Further, nonpublic funds provide supplies and services through Bergen County Special Services School Districts and Bergen County Region 4, Council for Special Education. The district does not maintain the documentation required for nonpublic students.

**DETAILED FINDINGS AND RECOMMENDATIONS**

**IDEA**

**Finding 1:**

**Condition:** The district did produce a list of students identified for ARRA-IDEA and IDEA nonpublic services. However, the lists and Individual Service Plans (ISP) did not include all the services and the funding grant.

**Citation:** IDEA Regulations 34CFR §300.130-300.144.

**Required Action:** The district must develop a separate list of nonpublic students and services for the grant. The ISP must be revised to reflect the funding grant and specify the services provided.

**Finding 2:**

**Condition:** The district is not in compliance with IDEA regulations for services to nonpublic schools. The district does not have documentation of consultation and collaborative decision making with the nonpublic schools and does not communicate with the nonpublic schools directly regarding the delivery of services or new requests for services. They do not maintain service plans and lists of student services. Also, the contract with the service provider is not specific as to services being delivered and is

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structured to provide incremental payments, not reimbursement for actual services rendered as required.

**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 the contract with its nonpublic providers to provide for payments based on specific services provided; develop procedures to capture consultations specifically for IDEA services and obtain confirmation of consultation forms from the nonpublic school; develop procedures for requests for additional services that come through the district and not the provider; have a specific list of students and services under IDEA and ARRA-IDEA; and revise the service plans to match these lists. The district must submit its updated contract to the NJDOE for review.

**Finding 3:**

**Condition:** Components of the Instructional Equipment projects included in the ARRA-IDEA grant application are capital improvement or maintenance projects and are not permitted expenditures in the grant.

**Citation:** Section 605(a) of the Individuals with Disabilities Education Act of 2004 (IDEA 2004).

**Required Action:** The district must reclassify the costs of all regular education students utilizing equipment for wireless networking and the costs of the network server.

**Finding 4:**

**Condition:** The district did not have an equipment inventory for items purchased with federal grant ARRA-IDEA.

**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.

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**Financial Management and Reporting**

**Finding 1:**

**Condition:** The district is charging both ARRA-IDEA Basic and ARRA-IDEA Preschool to program code 453 in the general ledger. ARRA-IDEA Basic and ARRA-IDEA Preschool expenditures should be recorded under separate program codes and not be comingled.

**Citation:** Uniform Minimum Chart of Accounts for New Jersey Public Schools.

**Required Action:** The district must establish accounts using the appropriate program codes in the general ledger and transfer the balances from the incorrect accounts.

**Finding 2:**

**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 should be labeled as such and segregated in the district's fixed asset inventory.

**Finding 3:**

**Condition:** The district charged equipment purchases to incorrect general ledger accounts. Equipment purchases with a total unit cost in excess of \$2,000 were improperly charged to supplies and computers with a unit cost of less than \$2,000 were charged to equipment accounts. 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 should comply with existing regulations and district policy and charge all equipment purchases of \$2,000 or greater to an equipment account. Those expenditures charged to the wrong account should be reclassified.

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**Finding 4:**

**Condition:** The district is not verifying that unit costs charged by vendors selected through cooperative purchasing services are consistent with the vendor's contract with the cooperative.

**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:** On all purchases from vendors selected through a cooperative purchasing arrangement, the district should verify that the unit cost billed by the vendor is consistent with the vendors contracted unit cost with the cooperative before issuing payment.

**Finding 5:**

**Condition:** SFSF-ESF (Fund 16) and SFSF-GSF (Fund 17) expenditures were not shown in the district's Board Secretary Reports as of June 30, 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.

**Required Action:** Board Secretary Reports must accurately reflect the district's financial activities.

**Finding 6:**

**Condition:** The district is not in compliance with N.J.S.A. 18A:19-3 – Verification of claims. N.J.S.A. 18A:19-3 requires that "All claims and demands, that equal or exceed 15% of the bid threshold amount,...shall be verified by affidavit, or by a signed declaration in writing... to the effect that the same are correct in all particulars, that the articles have been furnished or services rendered as stated therein and that no bonus has been given or received." For tuition payments, the district is using a copy of a verification of claims from a previous month as support for payment.

**Citation:** N.J.S.A. 18A:19-3 *Verification of claims*.

**Required Action:** A separate verification of claims must be obtained to support each monthly tuition billing.



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**Finding 7:**

**Condition:** Inappropriate district staff certified receipt of goods and services. For example, the district's bookkeeper certified delivery of educational services by private educational provider.

**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 ensure that staff who are at the point of service delivery verify the actual receipt of services.

**Recommendation 1:** 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.

**Recommendation 2:** The district's current purchasing manual, dated 2006-2007, is outdated.

**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's purchasing manual should be updated and expanded to ensure compliance with current state and federal procurement regulations.

**Recommendation 3:** The district's internal control manual does not address the issue of contracting with disbarred vendors. Although this did not occur, 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 contracting errors from occurring.

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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 Steve Hoffmann via phone at (973) 621-2750 or via email at [steven.hoffmann@doe.state.nj.us](mailto:steven.hoffmann@doe.state.nj.us).