



State of New Jersey

DEPARTMENT OF EDUCATION

PO Box 500

TRENTON, NJ 08625-0500

CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

October 29, 2010

ROCHELLE R. HENDRICKS
Acting Commissioner

Dr. Clifford Janey
State District Superintendent
Newark Public Schools
2 Cedar Street
Newark, NJ 07102-3015

Dear Dr. Janey:

The New Jersey Department of Education has completed a review of funds received and disbursed from one or more federal programs by the **Newark 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 December 31, 2009. 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 Newark Public Schools 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:Newark Public Schools Cover Letter ARRA
Enclosures

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American Recovery & Reinvestment Act 2009

New Jersey K-12 Education

**ARRA MONITORING REPORT
OCTOBER 2010**

District: Newark Public Schools
County: Essex
Case #: ARRA 010-09

FUNDING SOURCES

Program	Funding Award
State Fiscal Stabilization Fund – Education Stabilization Fund	\$110,688,800
State Fiscal Stabilization Fund – Government Services Fund	4,284,943
ARRA – Title I	25,743,680
ARRA – Title I SIA	861,203
ARRA – Title I Neglected & Delinquent	262,580
ARRA – IDEA Basic	13,252,885
ARRA – IDEA Preschool	475,845
ARRA - Food Service Grant	110,919
Total ARRA Funds	<u>155,680,855</u>
Title I	27,526,227
Title I SIA	1,561,514
Title I Neglected & Delinquent	436,192
IDEA - Basic	10,592,871
IDEA - Preschool	276,676
Total Non-ARRA Funds	<u>40,393,480</u>
Total Funding	<u>\$196,074,335</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 Newark Public Schools 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; Title I SIA; Title I Neglected & Delinquent; ARRA-Title I; ARRA-Title I SIA; ARRA-Title I Neglected & Delinquent; IDEA Basic; IDEA Preschool; ARRA-IDEA Basic; and ARRA-IDEA Preschool for the period July 1, 2009 through December 31, 2009. 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 December 31, 2009:

- ESF 21% of expenditures totaling \$ 52,469,288 were reviewed;
- GSF 25% of expenditures totaling \$ 2,403,451 were reviewed;
- Title I 8% of expenditures totaling \$16,026,973 were reviewed;
- Title I N&D 100% of expenditures totaling \$436,192 were reviewed;
- ARRA-Title I 100% of expenditures totaling \$2,891,887 were reviewed;
- ARRA-Title I N&D had not been expended at the time of the monitoring visit;
- ARRA-Title I-SIA had not been expended at the time of the monitoring visit;
- IDEA Basic 91% of expenditures totaling \$2,828,909 were reviewed;
- IDEA – Preschool 100% of expenditures totaling \$93,871 were reviewed;

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- ARRA-IDEA Basic 89% of expenditures totaling \$1,375,143 were reviewed;
- ARRA-IDEA Preschool had not been expended at the time of the monitoring visit; and
- ARRA- Food Service Grant 100% of expenditures totaling \$92,858 was reviewed.

GENERAL DISTRICT OVERVIEW OF USES OF TITLE I FUNDS AND IDEA FUNDS

ARRA-Title I Projects

The following is a brief Adequate Yearly Progress summary of the 71 schools in the district:

- 38 out of 71 schools are designated as a School in Need of Improvement (SINI).
- 28 out of the 38 designated SINI schools are in year four or above and are in corrective action or restructuring status.
- Two schools out of 71 in the district are not served by Title I funds; Regional Day School and Renaissance Academy.
- The two Targeted Assistance Schools use local funds to serve the eligible students in these attendance centers as well as providing for the students attending nonpublic schools.
- 69 out of 71 schools are designated as schoolwide with all students eligible to receive Title I funded services.

Unified Plans for each school in the district outline the programs and implantation plan required for schoolwide programs. One of the repeated themes throughout each plan is the need to use data to drive instruction. Coupled with the district's needs assessment in the Electronic Web Enabled Grant Application (EWEG), the district clearly identifies the priority problems and target populations that are the focus of their effort. Closing the achievement gap, Language Arts Literacy and Reading, Mathematics, Science, and Effective Classroom use of Technology are cited as priority problems.

In addition, the district struggles with delinquency, drug and gang related activities, truancy, and the response to efforts being made to strengthen parent and community involvement have been less than encouraging.

The district is looking to improve the scores on the State's Standardized Assessments in both Language Arts Literacy and Mathematics. The district has been implementing scientifically-based researched programs ~~and~~ which are listed in their EWEG application. Balanced Literacy, Connected and Everyday Mathematics, and Read 180 are being fully implemented in all schoolwide schools to address their academic concerns.

The district also identified eight summer programs which they began implementing during the summer of 2009 which include: Pre-AP prep courses, secondary mathematics reform, progressive science initiative, scientist in residence program, extended learning for off-task students, Newark Works Learns and Earns – College and Career Readiness, School Leadership for Results, and School-Based Data Coach initiative. Expenditures were consistent with the

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launching of these initiatives at the start of the ARRA project period and in advance of their regular Title I project period.

The district has also advanced 20 other initiatives designed to meet the needs of English Language Learners students, address drop-out concerns, advancing college readiness, and focusing on professional development to effectively implement all of these programs.

Professional Development

Several of the programs designated for students that were previously mentioned are coupled with professional development initiatives. Professional development has been earmarked for both the instructional and administrative staff in order to ensure its effectiveness, provide feedback and direction and to monitor and adjust where needed.

School-based data coaches are leading the way and providing data interpretation to the instructional staff to assist in reaching all students and their specific areas of academic concern. A district-wide technology initiative is assisting in both administrative functions as well as in instructional practice. Staff and administration are receiving support towards meeting the goals for advancing college readiness through enhanced student support services. Staff indicates that this initiative is meeting with great success.

Training for language arts and reading instructors is in place to support the district's Children's Literacy Initiative.

School Leadership for Results is being continued and the district believes that it is having a positive effect on elevating staff awareness of the need to produce results.

In addition to Title I, Part A and ARRA-Title I the district also receives ARRA-Title I, Part D, and Title I SIA, Part A, most of which was budgeted for professional development, salaries, and supplies.

The district is focusing these funds for additional in-class support, extended year, middle school initiatives, and mentoring.

Parental Involvement

The district covers a large geographic area and serves a diverse demographic. Many of the parents of students attending the district speak a variety of different languages at home and this continues to prove to be one of the greatest hurdles to overcome in establishing meaningful parental involvement. Socio-economic issues also impede the district's ability to reach parents, many of whom are working well into the afternoon and evening hours and many that hold more than one job. For many parents and students in the district, the reality is that older siblings are responsible for looking after and caring for younger siblings.

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The district's, parent involvement efforts include activities to reach the community and to inform the parents of events and school agenda's district-wide. Invitations are sent to parents in multiple languages and unfortunately attendance by parents varies greatly by school and grade span. Evidence suggests that back-to-school nights were the most widely attended parent function and the Parent Teacher Association and parent involvement committees meet regularly and define goals and objectives in getting the word out to other parents. They meet frequently with district administrators and are constantly engaging them as they address accountability issues and concerns. The district is receptive and responsive to their concerns.

The district does produce an annual booklet that contains a host of communications directed to parents and the community. It publishes this nearly 40-page document and posts it on the district website. No evidence was presented that it was also provided to each student and that it reached the parents directly. The district was cited in December 2009 during a United States Department of Education monitoring that Barringer High School had not convened an annual parent meeting. Also cited in December 2009 was the fact that there was no evidence that the school's parent involvement policy was developed in collaboration with the parents of participating children and distributed to the parents of participating students. While the district has made an effort to address these concerns they have not yet been satisfied and documentation was still not available at the time of the ARRA monitoring visit.

Instructional Supplies

Instructional Supplies are consistent with the program plan and needs assessment and are allowable.

IDEA and ARRA-IDEA Projects

ARRA-IDEA Projects

The district anticipated expending ARRA-IDEA funds for the following initiatives: a summer program application to support existing Extended School Year program for students with disabilities for the summer of 2009 that included salaried positions of staff; purchase assistive technology for students such as pulse pens and Read 180; professional development for paraprofessionals who work with students with disabilities and to improve instruction for medically involved students; training of staff and purchasing of Wilson Reading programs; additional instructional support for students with disabilities who attend Alternative High School programs; building capacity through professional development, hiring staff and purchasing supplies to support the seven new autism classes and two new behavioral disabilities programs, purchasing equipment for medically involved students to support them in the LRE such as Hoyer lift, minimerc and vestibulator. ARRA-IDEA preschool funds will support a new autism class through the hiring of a new teacher and teacher's aide. Jobs were also saved for one school year as part of this plan.

Additional funds in the amount of \$1,275,894 were reportedly budgeted to support turning around low-performing schools that enroll students with disabilities. Also \$133,605 will

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contribute to the purchase of multiple computer servers for the district-wide PowerSchool Data Tracking System and the amount of \$1,471,929 will be used for data collection systems for tracking students with disabilities.

The district's plan for Early Intervening Services involves contracting with UMDNJ-UBHC to provide mental health services for identified students at risk. It is anticipated that students who attend nonpublic schools will receive supplemental services provided by vendors.

IDEA Projects

The 2010 IDEA approved application allocated Basic and Preschool funds to support special education salaried positions such as instructional staff, paraprofessionals, child study team and related services staff, and a child study supervisor. Additional areas budgeted are for instructional and non-instructional supplies, field trip fees, travel for staff and field trip bus rentals. Nonpublic funds were allocated to support contracts with approved vendors to provide supplemental instructional and related services to eligible students.

DETAILED FINDINGS AND RECOMMENDATIONS

Title I

Finding 1:

Condition: To date, Barringer High School has not convened an annual parent meeting. There also remains no evidence that the school's parent involvement policy or parent-teacher-student compact was developed in collaboration with the parents of participating children and distributed to the parents of participating students.

Citation: NCLB §1118 (b) through (f).

Recommendation: The district's central administration must work with building level administration to ensure that the school announces an annual school meeting. In addition, this announcement, along with the agenda, attendance records, and minutes of the meeting should be recorded as evidence that this meeting has occurred. In the future this meeting should be conducted in September. Also, the district administrators need to invite input from the parents of eligible students in the development of their parent involvement policies, and show that the collaborative efforts yielded an agreed upon policy. Evidence that this policy was distributed to the parents must also be made available.

Finding 2:

Condition: The district assigned teachers who are not highly qualified to the Title I program. The monitors' test sample identified 15 teachers who had no content certification although they possessed valid substitute certificates and 10 teachers who had

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no content certification and an expired substitute certification on file. Also the sample identified five teachers with no content area certification related to their current assignment.

Citation: NCLB §1119: *Qualifications for Teachers and Paraprofessionals.*

Required Action: The district must confirm that all teachers are highly qualified. The district may use the High Objective Uniform State Evaluation standard as another alternative to ensure that teachers are highly qualified.

Finding 3:

Condition: The district was unable to provide evidence that parental involvement required reserves were distributed at the school-level.

Citation: NCLB §1118(a)(3)(A) and (C).

Required Action: The district must demonstrate that 95% of the parent involvement required one percent reserve are allocated at the school-level. The district must report this information in their EWEG application for the 2010-11 school year.

Finding 4:

Condition: The district did not ensure that equitable services were provided to eligible students attending nonpublic schools from the beginning of the school year.

Citation: NCLB §1120 (*Participation of Children Enrolled In Private Schools.*)

Required Action: The district must develop a corrective action plan that outlines how equitable services will reach eligible students from the start of the school year and how it will advance the level of participation in the nonpublic consultation process.

ARRA- IDEA

Finding 1:

Condition: The district has not established a method to provide evidence of the impact the ARRA-IDEA Basic and Preschool funded services will have on students. They have not established expectations for success for activities included in the ARRA-IDEA Basic and 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 the Individualized Education Program goals and objectives, pre and post test scores, report

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cards and classroom observations. They may also consider data to track mathematics and reading scores using the purchased programs.

Finding 2:

Condition: **Condition:** The ARRA IDEA plan recorded in EWEG system did not match the intended use of these funds for services to special education students. This was discovered through document review and interviews with district administrative staff.

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 the ARRA-IDEA plan recorded in EWEG and, if necessary, amend the application to assure concurrence between the grant application and allowable program expenditures for IDEA.

Finding 3:

Condition: The district was not in compliance with the requirements for the provision of services to nonpublic schools. The contract with the service provider agency(s) has not been executed. Also, the district was not able to provide affirmations of the consultation with the nonpublic representative as the district advised that the meetings have not been held.

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 ARRA-IDEA services, and obtain confirmation of consultation forms from the nonpublic schools. The district must submit its updated contract(s) and control procedures to the NJDOE for review.

Finding 4:

Condition: The district is not in compliance with the requirements for services to nonpublic schools. The district does not participate in consultation and collaborative decision making with the nonpublic schools; communicate directly with the nonpublic schools regarding the delivery of service and new requests for service; maintain a list of students being served; and current 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*).

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Required Action: The district must conduct consultation activities with the nonpublic schools and develop procedures to participate in a collaborative decision making process with the nonpublic schools. In its communication with the nonpublic schools, the district must clarify how services will be delivered and the process for authorizing new requests for services that come through the district and not the provider. Additionally, the district must generate a list of students receiving services under ARRA-IDEA, and revise the students' service plans to match the list.

Finding 5:

Condition: The ARRA-IDEA consolidated application on the EWEG system is missing the verification of affirmation of consultation for nonpublic preschools located within the district.

Citation: IDEA Regulations 34CFR §300.130-300.144.

Required Action: The ARRA-IDEA consolidated grant must be revised to include the nonpublic preschools consulted with, in addition to the decision making rationale pertaining to why parentally placed preschool students are not receiving services.

Finding 6:

Condition: The district did not have detailed equipment inventory for items purchased with ARRA-IDEA funds.

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 EWEG system, the district may have its own lower threshold. All inventoried items should include tag number, cost, location, purchase date, and item description.

Finding 7:

Condition: The district is charging ineligible costs for instructional software that is being used across general education programs in the district and is not solely for the benefit of students with disabilities. Amounts charged must only pay for 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*).

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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 to the NJDOE for review.

Finding 8:

Condition: The district is charging ineligible costs for electronic hardware including 12 servers that are being used for district wide programming and are not solely for the benefit of students with disabilities. Amounts charged must only pay for the excess costs of providing special education 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 to the NJDOE for review.

Finding 9:

Condition: The district has assigned an employee to an unrecognized job title. Employee #37593 is certificated as an elementary school teacher and also a teacher of the handicapped. This employee is assigned to an unrecognized job title of "Crisis Teacher." Position assignment is inconsistent with certification.

Citation: N.J.A.C. 6A:23-4.2(r).

Required Action: In accordance with the administrative code, the district must use recognized titles and assign employees to positions commensurate with their certifications.

SFSF Funds

Finding 1:

Condition: The salaries of two employees of the Newark Internal Audit Unit were inappropriately charged to GSF funds and included in the district jobs created and jobs retained calculation reported on the September 30, 2009 quarterly 1512 report. The internal auditors salaries are borne by the State of New Jersey and accordingly their salaries should not have been charged to SFSF funds nor should their positions be included in the jobs created and jobs retained calculation.

Citation: *American Recovery and Reinvestment Act (ARRA) Section 1512. EDGAR, PART 80--Uniform Administrative Requirements for Grants and Cooperative*

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Agreements to State and Local Governments, Section 20, Standards for financial management systems.

Required Action: Only eligible expenditures should be charged against SFSF funds.

Finding 2:

Condition: The salaries charged to ESF and GSF were understated on the first quarter ESF/GSF cash management report. This was a result of an error in the report prepared by the district to calculate the salaries of individuals charged to ESF/GSF. The report failed to include compensation for vacation, personal and sick days. At the request of the monitors, the district ran a corrected report which identified additional ESF/GSF salaries of \$523,975 for the first quarter. Revised salaries were submitted with the district's second quarter cash management report.

Citation: *American Recovery and Reinvestment Act (ARRA) Section 1512. 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 condition was corrected with December 31, 2009 reporting.

Financial Management and Reporting

Finding 1:

Condition: The number of hours worked used to calculate jobs created and jobs retained on the September 30, 2009 1512 quarterly report were not always correct. This was the result of the district calculating hours based on pay/rate rather than using actual hours. Employee hours were both overstated and understated. The errors resulted in net Title I employee hours being overstated by 1,355.28 hours and IDEA employee hours understated by 1,162.15 hours.

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

Required Action: Jobs created and jobs retained reported on the quarterly 1512 report should be calculated based on actual hours worked. The district must submit updated information based on actual hours worked.

Finding 2:

Condition: The district was not properly tagging applicable equipment purchases that were purchased with federal funds.

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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.

Finding 3:

Condition: Some employees charged to ARRA were charged to the incorrect general ledger function code. The following ARRA instructional employees (function 100) were incorrectly charged to non-instructional accounts (function 200):

Quarter ended September 30, 2009:

Title I

Six summer teachers and two summer teacher aides.

IDEA

23 summer teachers and 11 summer teacher aides.

Quarter ended December 31, 2009:

Title I

Two summer teachers.

IDEA

18 summer teachers, six summer teacher aides, four special education teachers, three per diem teacher aids and three teacher aides.

The following ARRA non-instructional employees (function 200) were incorrectly charged to instructional accounts (function 100):

Quarter ended September 30, 2009:

Title I

17 summer project coordinators, 14 summer school clerks, three summer guidance counselors, 25 summer resource teacher coordinators, and two summer social workers.

IDEA

One summer social worker, five summer nurse's aides and one summer LPN.

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Quarter ended December 31, 2009:

Title I

One Supervisor central office, nine summer project coordinators, three summer school clerks, three summer guidance counselors, nine resource teacher/coordinators, one summer social worker and one summer resource teacher.

IDEA

12 per diem personal aides, one summer nurse, seven nurses aids, one speech specialist, one nurse, one occupational therapist, one resource teacher/coordinator and one social worker.

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 20, Standards for financial management systems.

Required Action: Employee salaries charged to the incorrect accounts should be reclassified. Employees must be charged to the appropriate general ledger accounts in accordance with the Uniform Minimum Chart of Accounts.

Finding 4:

Condition: The district failed to formally appoint by board resolution, six individuals charged to ARRA-Title I. Board minutes do not indicate which employees were funded by the ARRA program.

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. Employees charged against ARRA funds should be indicated as such in the minutes.

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Finding 5:

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. Two large unauthorized purchases were among the confirming orders noted:

	P.O. #	Amount	<u>P.O. Date</u>	<u>Initial Service Date</u>
Naviance	10-0009735	\$127,694.49	11/20/09	03/11/09
Blackboard Connect	10-0012152	\$103,000.00	01/21/10	10/01/09

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 Contracts Law*.

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

Finding 6:

Condition: As of December 31, 2009, the ARRA-IDEA Preschool account (#20-468-200-176-415) was over budget by \$9,157.38. This was the result of a district employee (ID#14688) being incorrectly charged to ARRA. Through March 9, 2010, \$27,472.14 had been incorrectly charged to this account. The erroneous posting was corrected by journal entry on March 9, 2010.

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 20, Standards for financial management systems.

Required Action: Employees must be charged to the appropriate general ledger accounts in accordance with the Uniform Minimum Chart of Accounts.

Finding 7:

Condition: The district was inconsistent in their calculation of jobs created and jobs retained for the fourth quarter. For SFSF the calculation was correctly based on estimated salaries through December 31, 2009. Salaries used in the calculation of jobs data for ARRA-Title I and ARRA-IDEA were based wages paid through December 10, 2009. No accrual was made for payrolls on December 11, 2009 and December 23, 2009.

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

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Required Action: Salaries should be estimated through the end of the reporting period as required by ARRA and in accordance with the instructions the district received from the Essex County Business Administrator.

Finding 8:

Condition: The district had not received any Title I SIA funding as of the date of our monitoring. However, monitors noted \$15,595.18 of salary expenditures erroneously charged to Title I SIA in the district's general ledger.

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 salaries charged to Title I SIA should be reclassified to the appropriate account.

Finding 9:

Condition: The district failed to bid printing charges from a single vendor (One Source Solutions) which in aggregate exceeded the New Jersey Public School Contracts Law (PSCL) bid threshold. The PSCL requires that services of a similar nature from the same vendor which exceed the bid threshold be publicly bid. The district did obtain multiple quotes for these services.

Citation: N.J.S.A 18A:18A-1 *Public School Contracts Law*.

Required Action: Purchases should be bid in accordance with the PSCL whenever any specific item, class of item, and/or services of a similar nature exceed the bid threshold in aggregate, unless a specific PSCL exception to bidding applies.

Finding 10:

Condition: The district is supplanting by using federal funds to reimburse tuition expenses for teachers. The district is contractually obligated to reimburse these expenses with local funds. In addition, the district, despite its own written policy which limits tuition reimbursement to accredited U.S. institutions, provided reimbursement for non-allowable tuition expenses.

Citations: OMB Circular A-87, Attachment B, *Cost Principles for State, Local and Indian Tribal Governments*; NCLB §1120A(b) *Fiscal Requirements, Federal Funds To Supplement, Not Supplant, Nonfederal Funds*. 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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Required Action: Tuition reimbursement should be provided in accordance with district policy for tuition expenses for teachers completing coursework at accredited U.S. institutions using local funds which the district is contractually obligated to use in the absence of federal funds.

Finding 11:

Condition: Monitors noted several ARRA-Title I and ARRA-IDEA general ledger accounts that were expended over budget as of December 31, 2009.

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: Accounts should not be expended beyond the available budgeted balance.

Finding 12:

Condition: Monitors noted six employees charged to ARRA in the quarter ended September 30, 2009, where the summer hourly pay was inconsistent with the individual's job code. At the monitor's request, the district investigated and determined the following:

- Three of the six were in the incorrect job code but were paid the proper rate.
- Two of the six were in the correct job code but were underpaid \$189.75.
- One of the six was in the correct job code but was overpaid \$850.30.

In addition, monitors noted three summer teachers who were not paid at the correct rate of \$38 per hour. Two were paid at \$34 per hour and one was paid at \$36 per hour. Once notified, the district paid the employees a total of \$393.50 in back wages on January 8, 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: The district must ensure that employees are paid at the appropriate rate.

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.

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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.

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.

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 Steven Hoffmann via phone at (973) 621-2750 or via email at steven.hoffmann@doe.state.nj.us.