



State of New Jersey

DEPARTMENT OF EDUCATION

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TRENTON, NJ 08625-0500

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*Governor*

KIM GUADAGNO  
*Lt. Governor*

CHRISTOPHER D. CERF  
*Acting Commissioner*

January 24, 2010

Mr. Joseph Zarra, Superintendent  
Nutley Board of Education  
315 Franklin Avenue  
Nutley, NJ 07110-2252

Dear Mr. Zarra:

The New Jersey Department of Education has completed a review of funds received and disbursed from one or more federal programs by the **Nutley 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 September 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 Nutley 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:Nutley 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:** Nutley Board of Education  
**County:** Essex  
**Dates on-Site:** October 27, 28 and 29, 2010  
**Case #:** ARRA-059-09

**FUNDING SOURCES**

Program	Funding Award
State Fiscal Stabilization Fund – Education Stabilization Fund	\$ 850,708
State Fiscal Stabilization Fund – Government Services Fund	32,932
ARRA-IDEA Basic	975,928
ARRA-IDEA Preschool	35,295
<b>Total ARRA Funds</b>	<b>\$1,894,863</b>
Title I	\$157,655
Title IIA	102,383
Title IID	1,592
Title III	45,615
Title IV	7,966
IDEA Basic	944,836
IDEA Preschool	39,323
<b>Total Non-ARRA Funds</b>	<b>\$1,299,370</b>
<b>Total Funding</b>	<b>\$3,194,233</b>

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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 Nutley 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; Title IIA; Title IID; Title III; Title IV; IDEA Basic; IDEA Preschool; ARRA-IDEA Basic; and ARRA-IDEA Preschool for the period July 1, 2009 through September 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 \$850,708 were reviewed;
- GSF 100% of expenditures totaling \$32,932 were reviewed;
- Title I 87% of expenditures totaling \$142,712 were reviewed;
- Title IIA 88% of expenditures totaling \$92,170 were reviewed;
- Title IID 100% of expenditures totaling \$107 were reviewed;
- Title III 95% of expenditures totaling \$45,419 were reviewed;
- Title IV 99% of expenditures totaling \$5,534 were reviewed;
- ARRA-IDEA Basic 33% of expenditures totaling \$808,218 were reviewed;
- ARRA-IDEA Preschool 84% of expenditures totaling \$35,295 were reviewed;
- IDEA Basic 79% of expenditures totaling \$844,349 were reviewed; and

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- IDEA Preschool 100% of expenditures totaling \$9,705 were reviewed.

**GENERAL DISTRICT OVERVIEW OF USES OF ARRA FUNDS**

**ARRA-Title I Projects**

The district has dedicated their 2009-10 Title I, Part A funds for the purpose of promoting small learning communities and to enhance the Balanced Literacy Program. The district has increased the instructional staff by committing nearly 95% of their allocation for salaries and benefits. The district has implemented extended day and extended year programs to supplement the basic skills program offered during the regular school day. The program aligns with the needs assessment and is focused on closing the achievement gap, improving standardized scores in Mathematics and Language Arts Literacy, and enhancing the educational strategies employed by the teachers.

The district reported the extended day program expenditures for stipends in their Electronic Web Enabled Grant (EWEG) application, although some stipends for this program were expended from local funds and is addressed in the fiscal findings regarding account coding for salaried employees.

**ARRA-IDEA Projects**

The district has elected to utilize the IDEA and ARRA-IDEA funds for out-of-district tuitions, retaining four special education teachers and 13 instructional aides and to hire new staff; specifically, a behaviorist and a physical therapist. Funds were also allocated for consultants working directly with students and to purchase instructional supplies and materials. Nonpublic students receive supplemental instruction, related therapies and in-class resource services. Supplies were also purchased for the nonpublic setting. The district utilizes the Essex Regional Educational Services Commission for their nonpublic students.

**DETAILED FINDINGS AND RECOMMENDATIONS**

**Title I**

**Finding 1:**

**Condition:** The nonpublic school enrollment information contained in the 2010-11 NCLB Consolidated EWEG application (Step I of the Title I Eligibility section) does not accurately reflect the nonpublic enrollment.

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

**Required Action:** The district should revise the nonpublic student enrollment data in Step 1 of the Title I Eligibility section of their application in EWEG.

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**Finding 2:**

**Condition:** The district did not have completed Affirmation of Consultation forms or Nonpublic School Refusal of Funds forms for all nonpublic schools eligible for Title I services.

**Citation:** NCLB § 1120 and § 9501 and §200.63 of the Title I regulations.

**Required Action:** The district must submit its Affirmation of Consultation forms and Nonpublic School Refusal of Funds forms for Title I funds to the NJDOE for review.

**Finding 3:**

**Condition:** The district did not provide documentation to verify that consultation occurred with all eligible nonpublic school officials.

**Citation:** NCLB § 1120 and § 9501 and §200.63 of the Title I regulations.

**Recommended Action:** In order to ensure ongoing, timely, and meaningful nonpublic school consultation, it is recommended that the district institute steps to enhance its record keeping of its initial contact, as well as its ongoing contact, with the nonpublic schools. This is to be accomplished by establishing procedures to track nonpublic school contact via certified return receipt letters, telephone logs, and e-mail logs, as well as to include meeting agendas and sign in sheets in the district's internal nonpublic audit files.

**Finding 4:**

**Condition:** A review of the personnel files of paraprofessionals indicated that at least two instructional aides' files did not contain evidence of meeting the requirements for paraprofessionals.

**Citation:** NCLB §1119: *Qualifications for Teachers and Paraprofessionals*; 34CFR §200.58: *Qualifications of paraprofessionals*.

**Required Action:** The district must provide evidence to the NJDOE that all instructional aides, whose salary is paid in whole or in part with Title I funds, have met the Title I requirements for paraprofessionals. If the district is unable to verify that these employees have met the Title I requirements, the district must immediately reassign the employees to full-time non-instructional positions or terminate their employment with the district.

**Finding 5:**

**Condition:** There was no evidence of parent input into the development of the Parent Involvement Policy and Parent School Compact.

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**Citation:** NCLB §1118(c): *Parental Involvement, Policy Involvement.*

**Required Action:** The district must maintain a record of any and all meetings with parents. The district is expected to keep an accurate account of the agenda and list of those in attendance in order to comply with this provision within the legislation.

**Title II, III, IV**

The review of this area yielded no findings or recommendations.

**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 all the 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 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.

**Finding 2:**

**Condition:** The district is not in compliance with services to nonpublic schools as it 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. However, they do maintain service plans and lists of students being served. The contract with the service provider is not specific as to services being delivered and is 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 its contract with its nonpublic providers to provide for payments based on specific services provided; develop procedures to capture consultations specifically for IDEA and ARRA-IDEA services; obtain confirmation of consultation forms from the nonpublic schools; develop procedures for requests for additional services that come through the district and not the provider; have a specific list

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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:** The district's reporting of jobs created and jobs retained for ARRA-IDEA funding was incorrectly calculated on the 1512 report. The district failed to include 13 aides funded by ARRA-IDEA in the jobs created and jobs retained calculation.

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

**Required Action:** The jobs created and jobs retained calculation must be properly revised on the district's fourth quarter 1512 report.

**Finding 4:**

**Condition:** The district used ARRA-IDEA and Title IV funds to pay employees who were not highly qualified, as required by federal and state regulations.

**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 pay these salaries/stipends from local funds.

**Financial Management and Reporting**

**Finding 1:**

**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 and segregated in the district's fixed asset inventory.

**Finding 2:**

**Condition:** The district failed to properly appoint all individuals charged to Title I and ARRA-IDEA by board resolution. Grant funded employees were recorded in the board minutes as locally funded professional staff and general instructional aides.

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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 amend board minutes to record the names, positions, salaries and funding source of all NCLB and ARRA-IDEA employees.

**Finding 3:**

**Condition:** The district did not comply with required timekeeping standards for NCLB and IDEA grants. The district provided no timesheets that were signed by employees and counter-signed by the employee's supervisor. Payroll time and activity must be provided on a quarterly basis for all employees who receive NCLB and IDEA funds.

**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 submit quarterly timesheets that have been verified by supervisors.

**Recommendation 1:** The district does not have a purchasing manual that details procedures for the procurement of goods and 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.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.

**Recommendation 2:** 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.

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