

May 18, 2010

Ms. Jeanine Middleton, Lead Person
Oceanside Charter School
1750 Bacarach Boulevard
Atlantic City, NJ 08404

Dear Ms. Middleton:

The New Jersey Department of Education has completed a review of funds received and disbursed from one or more federal programs by the **Oceanside Charter School**. 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 24, 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 Oceanside Charter School Board of Trustees 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's website.

By copy of this report, your auditor is requested to comment on all areas of noncompliance and recommendations in the next certified audit submitted to the New Jersey Department of Education. If you have any questions, please contact Anthony Hearn at (609) 633-2492.

Sincerely,

Robert J. Cicchino, Director
Office of Fiscal Accountability and Compliance

RJC/LDM/tc:Oceanside Charter School Cover Letter
Enclosures

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

ARRA MONITORING REPORT
MAY 2010

District: Oceanside Charter School
County: Atlantic
Dates On-Site: March 24, 2010
Case #: ARRA-061-09

FUNDING SOURCES

Program	Funding Award
ARRA - Title I	218,412
ARRA – Title I SIA	15,445
ARRA – IDEA –Basic	99,919
ARRA – IDEA –Preschool	3,584
Total ARRA Funds	<hr/> \$337,360 <hr/>
Title I	340,419
Title I – SIA	-
IDEA – Basic	77,211
IDEA - Preschool	758
Total Non-ARRA Funds	<hr/> 418,388 <hr/>
Total Funds	<hr/> \$755,748 <hr/> <hr/>

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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 school for their intended purpose and achieving the overall objectives of the funding initiatives.

INTRODUCTION:

The NJDOE visited the Oceanside Charter School to monitor the school's use of *ARRA* funds and the related program plans, where applicable, to determine whether the school'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: ARRA-Title I; ARRA-Title I SIA; ARRA-IDEA Basic; ARRA-IDEA Preschool; fiscal year 2009-2010 Title I; fiscal year 2009-2010 Title I SIA; fiscal year 2009-2010 IDEA; and fiscal year 2009-2010 IDEA Preschool for the period July 1, 2009 through March 24, 2010. The monitoring also included a review of the school's most recent ARRA section 1512 quarterly report 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 school policies and procedures. The monitoring team members also conducted interviews with school personnel, reviewed the supporting documentation for a sample of expenditures and conducted internal control reviews

EXPENDITURES REVIEWED:

Elements comprising the review included the following:

- ARRA IDEA Basic expenditures of \$57,007;
- ARRA IDEA Preschool funds had not been expended at the time of the monitoring visit;
- ARRA Title I expenditures of \$81,228;
- ARRA Title I SIA funds had not been expended at the time of the monitoring visit;
- Title I expenditures of \$163,559;
- Title I SIA funds had not been expended at the time of the monitoring visit;
- IDEA expenditures of \$41,357; and
- IDEA Preschool funds had not been expended at the time of the monitoring visit.

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

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GENERAL DISTRICT OVERVIEW OF USES OF TITLE I AND IDEA FUNDS

ARRA Title I Projects

The largest portion of the school's ARRA Title I funds are spent on the salaries for a summer school program that ran for five weeks for six hours a day. The program, previously funded with state/local funds, was identified for elimination due to budget cuts. As a Title I funded extending learning opportunity, the summer program was designed to address the needs of the students identified for Tier III services under the school's Response to Intervention (RTI) approach.

Professional development is a large part of the school's Title I strategy and is at the core of the school's overall plan for success. As indicated in their professional development plan, they have chosen several key providers to develop their staff in reading and math. J.P. Associates, a consulting firm, provides professional development in Language Arts Literacy and Mathematics. The school also contracts with Sopris West and the Penn Literacy Project to provide services in the area of Language Arts Literacy.

ARRA IDEA Projects

The school is using ARRA IDEA funds to assist special education teachers in obtaining their standard certification and meeting the federal definition of a "highly qualified teacher" through the completion of course work at the Richard Stockton College of New Jersey. These teachers are currently team teaching with general education teachers in inclusive programs, offering resource support and supplemental instruction. The school is also supporting a staff person in obtaining a Learning Disabilities Teacher Consultant (LDTC) certification through the graduate program at Stockton College in order to be able to provide the Child Study Team CST services of an LDTC through a staff member rather than have to contract for itinerant services.

A small portion of the grant is used to offset unanticipated costs for related services for the current school year provided through a contract with Cape May Special Services School District.

DETAILED FINDINGS AND RECOMMENDATIONS

Title I

Finding 1: The school does not have a distinguishable Title I targeted assistance program. Title I funding is being used to support the salaries of three of the eight Intervention Specialists. All of the Specialists serve students at each of the three RTI Tiers; thus, their services are not limited to Title I students. The school is implementing a RTI approach, although the use of Title I funds is restricted to serving the low-performing students in Tiers II and III. The list of Title I eligible students is actually a roster of the school's total enrollment, which is the students participating in all Tiers of the RTI program. Thus, in the absence of a list of Title I eligible students, it is impossible to determine if Tier II and Tier III services are restricted to Title I students.

Citation: NCLB §1115: *Targeted Assistance Programs.*

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Required Actions: The school must implement a Title I targeted assistance program for its low-performing students that meets the legislation and regulations. The school must modify its RTI program to limit the use of Title I funds to support the salaries of the Intervention Specialists that are working exclusively with identified low-performing students in Tiers II and III. A description of the revised program must be submitted to the NJDOE for review.

Finding 2: The school is not using multiple, educationally related objective criteria to identify students for Title I services. The district presented a description of the “Criteria for Inclusion in Title I Programs” that indicates income as the “primary determining factor” and performance in supplemental educational services as the “secondary determining factor.”

Citation: NCLB §1115(b)(1)(B): *Targeted Assistance Programs (Eligible Children From Eligible Population)*.

Required Action: The district must revise its criteria for the identification of students for Title I services. The revised criteria should be based on students’ academic performance only and include multiple, educationally related objective criteria (e.g., NJ ASK scores, teacher recommendations, grades, benchmark assessments). The revised Title I entrance and exit criteria must be included in the program description that is submitted to the NJDOE for review.

Finding 3: The school did not send the required notification to parents of students eligible for participation in the Title I program.

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

Required Action: After revising its Title I program, including the student eligibility criteria, the school must develop a letter to distribute to parents of participating students. The letter must describe the Title I program selection criteria, the entrance and exit criteria for the program, and the instructional approaches the school will use to remediate the child. The school must distribute the revised letter to the parents of its Title I students and provide a copy of the revised parent notification letter to the NJDOE for review.

Finding 4: The School in Need of Improvement Title I Unified Plan does not accurately reflect the instructional strategies the school is using to address the areas of low student achievement. As the basis for remediating its low-performing students, the school is implementing RTI and funding Intervention Specialists. However, the plan focuses primarily on the school’s professional development efforts. The components of the RTI program are not clearly integrated into the plan.

Citation: NCLB §1116(b)(3): *Academic Assessment and Local Educational Agency School Improvement (School Plan)*.

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Required Action: The school must work with its stakeholder group to revise the Title I Unified Plan to integrate the components of the RTI program. The Plan should highlight Tiers II and III of the RTI program as the key instructional strategies being used to address “*the specific academic issues that caused the school to be identified for school improvement.*” The revised plan must be uploaded to the school’s Title I application on Electronic Web Enabled Grant (EWEG) system prior to the end of the project period (August 31, 2010).

Finding 5: The school’s implementation of the Title I supplemental educational services (SES) requirement does not meet the legislative and regulatory requirements. There is evidence that the school has selected the provider for some parents. On the registration form parents may opt to have, “Oceanside Charter School to select a state-approved provider from the approved list for me.” Consequently, the school contracted with one provider, American Tutor, to provide SES to all students requesting services. As clarified in the January 2009 SES guidance distributed by the United States Department of Education, the school may “Help parents choose a provider, if requested,” but the school does not have the authority to make the decision for the parent. Additionally, the letter is not dated thus there is no evidence that parents were given adequate time to enroll their children in an SES program.

Citation: NCLB §1116(e)(2): *Academic Assessment and Local Educational Agency School Improvement (Supplemental Educational Services).*

Required Action: Beginning immediately, the school must offer an additional round of SES enrollment to parents of eligible students. For this enrollment period, the school must revise its registration form to remove the option for the school to select a provider for the parent and date the parent notification letter to include the specific month, date and year the letter is being issued to parents. The school must continue to offer SES until the end of the project period (August 31, 2010). The school must send copies of the notification letter to parents, registration form and enrollment documents to the NJDOE for review. **As a result of the finding this issue was referred for further investigation by the Office of Fiscal Accountability and Compliance.**

Finding 6: The school does not have the required supporting documents to verify the activity of Title I and IDEA funded staff as required by federal law.

Citation: OMB Circular A-87, Attachment B, Section 8(h): *Cost Principles for State, Local and Indian Tribal Governments (Compensation for personal services).*

Required Action: The school must verify the time and activity of staff charged to the grant. The school must submit a list of 2009-2010 Title I and IDEA funded staff, salaries, funding percentages and time sheets to date to the NJDOE for review (including administrative staffing).

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Finding 7: The school does not have a mechanism to track mandatory reserves such as School In Need of Improvement professional development and parental involvement in its accounting system to ensure accuracy of final reports.

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 school must track its restricted reserves to ensure and verify spending of restricted amounts. The school must submit a list of account numbers being used for this purpose with a description of the accounts.

Recommendation 1: The school has expressed an interest in transitioning to a Title I school-wide program. However, the level of parent involvement expenditures has been minimal to date and the school would need to develop a comprehensive stakeholder group, comprised of parents, to participate in the design of the school-wide program. Thus, the school should explore mechanisms to expand its parental involvement activities to better integrate parents into the school's academic and instructional programs.

Citation: NCLB §1114(b)(3): *School-wide Programs (Components of a School-wide Program)*.

Recommended Action: The NJDOE has informed the New Jersey Parent Information and Resource Center (NJ-PIRC) of the need for Oceanside Charter School to expand its parental involvement program. The NJ-PIRC will contact the school to explore the possibility of partnering with the school in its parental involvement efforts. In the meantime, the school should refer to the NJ-PIRC's web site for information on parent involvement resources (<http://www.njpirc.org/>).

IDEA

There were no findings or recommendations for IDEA.

ADMINISTRATIVE

Recommendation 1: The school's internal controls should be updated to include policies and procedures to prevent non-allowable costs from being charged to grants, prevent contracting with disbarred vendors and perform competitive contracting.

Citation: EDGAR, PART 80--*Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*, Section 36, Procurement.

Recommended Action: The school should update internal control policies to prevent these errors from recurring.

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Recommendation 2: The school does not have formal written policies for requesting reimbursement from the EWEG system; however, the school's practice for requesting reimbursement was verified through questions concerning the school'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 3: Under the New Jersey's Public School Contracts Law (PSCL), schools are not required to advertise for bids or competitively contract the provision of goods and services by vendors on the state contract list. In accordance with the PSCL (N.J.S.A. 18A:18A:10(a)), a board of education may place its order with a vendor offering the lowest price, including delivery charges, that best meets the requirements of the board of education. However, for ARRA and all federal funds, districts need to review 34 CFR Part 80.36 on procurement requirements. The federal procurement regulations under this section do not include all the exemptions allowed under the PSCL and therefore, it is our understanding these federal regulations require districts to competitively contract or bid all goods and services over the bid threshold, whether exempt under PSCL or not. The federal rules do include provisions for procurement by "noncompetitive proposals," but only under certain circumstances.

The NJDOE has requested clarification from the federal government regarding vendors on the state contract list and we are still waiting for a definitive response. It is the department's position and recommendation to the federal government that such contracts do not need any additional documentation beyond the statutory requirement under N.J.S.A. 18A:18A:10(c) that prior to placing orders, the board of education shall document with specificity that the goods and services selected best meet the requirements of the board of education. See Local Finance Notice 2010-3 issued January 15, 2010 for more information on competitive contracting for school districts and professional development services.

Citation: EDGAR, PART 80--*Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*, Section 36, Procurement.

Recommended Action: The school should review 34 CFR Part 80.36 and use open and competitive procedures where at all possible. The school should also analyze and include documentation in its files that demonstrates the school ensured the costs were reasonable.

The NJDOE thanks you for your time and cooperation during the monitoring visit and looks forward to a successful resolution of all findings and implementation of all recommendations contained in this report.

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If you have any questions, please contact Anthony Hearn via phone at (609) 633-2492 or via email at anthony.hearn@doe.state.nj.us.