



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

July 21, 2011

Mr. Ronald Lee, Superintendent
City of Orange Board of Education
451 Lincoln Avenue
Orange, NJ 07050-2704

Dear Mr. Lee:

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

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

**ARRA MONITORING REPORT
JULY 2011**

District: City of Orange Board of Education
County: Essex
Dates on-site: March 22, 23, 24 and 25, 2011
Case #: ARRA-062-09

FUNDING SOURCES

Program	Funding Award
State Fiscal Stabilization Fund – Education Stabilization Fund	\$ 10,479,069
State Fiscal Stabilization Fund – Government Services Fund	405,660
ARRA-Title I	1,258,757
ARRA-Title I SIA	73,877
ARRA-IDEA Basic	1,381,270
ARRA-IDEA Preschool	49,607
Total ARRA Funds	\$ 13,648,240
Title I	\$ 1,934,404
Title I SIA	79,351
IDEA Basic	1,235,209
IDEA Preschool	44,446
Total Non-ARRA Funds	\$ 3,293,410
Total Funding	\$16,941,650

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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 City of Orange 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 I SIA; IDEA Basic; IDEA Preschool; ARRA-Title I; ARRA-Title I SIA; 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 \$10,479,069 were reviewed;
- GSF 100% of expenditures totaling \$405,660 were reviewed;
- Title I 31% of expenditures totaling \$1,763,963 were reviewed;
- Title I SIA 60% of expenditures totaling \$79,351 were reviewed;
- ARRA-Title I 32% of expenditures totaling \$1,020,023 were reviewed;
- ARRA-Title I SIA 83% of expenditures totaling \$73,877 were reviewed;
- ARRA-IDEA Basic 48% of expenditures totaling \$694,980 were reviewed;
- ARRA-IDEA Preschool 91% of expenditures totaling \$49,607 were reviewed;

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- IDEA Basic 60% of expenditures totaling \$1,159,591 were reviewed; and
- IDEA Preschool 100% of expenditures totaling \$44,446 were reviewed.

GENERAL DISTRICT OVERVIEW OF USES OF ARRA FUNDS

Title I Projects

The district has identified several key areas to address in their needs assessment. The district implemented school-wide programs throughout the district using Balanced Literacy, Connected Math, and Wilson Reading programs. In addition, the district expanded the Understanding by Design Approach and trained staff members through coaching techniques throughout all schools within the district.

The district budgeted funds to address the use of data more effectively as a tool to drive instruction and provided additional professional development in order to focus these efforts at the high school. Students at all grade levels are receiving nearly two hours extended content time in language arts and one hour of mathematics instruction each day. A zero period has also been added to the schedule to create extended day programs, along with Saturday programs to extend each week, and summer programs that extend the school year. Many of the students are enrolled and are actively participating in all of these learning opportunities.

The district used \$912,860 of their \$1,934,404 or nearly half of their Title I funds to hire additional instructional staff by adding more than eight teachers to work across 10 attendance centers to address student needs. Supplemental Educational Services required a commitment of \$386,881 to provide tutoring for students enrolled in their schools designated as in need of improvement. Each school received the required funding reserve for Parent Involvement activities and all parent notifications were developed with input from parents and distributed to all parents with the exception of a school-level parent involvement policy.

The district showed combined expenditures out of both Title I and ARRA-Title I funds of \$687,511 for professional development and professional consultative services. Nearly all of the professional and technical services expenditures were targeted towards meeting the academic and professional needs of the teachers and students and align with the unified plan. However, one expenditure in particular was made to Pro-Athletes, Inc. for \$50,000 to address character development which was not a reasonable or allowable Title I expense and should be reviewed by the board before being approved using local funds. Also, the monitoring team found no evidence that this expenditure followed state procurement procedures.

IDEA and ARRA-IDEA Projects

The district developed programs to meet the needs of their student population. Upon announcement of the availability of ARRA funding, the district applied for and received NJDOE approval to expand summer program options for special education students in the alternative school with field trip experiences beginning in 2009. Other anticipated expenditures for ARRA-IDEA funds included transitioning students back into the district from out-of-district placements,

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equip classrooms and related service providers with materials to support special education students, and purchase computers and Smart boards for use in special education classrooms. The district reportedly improved and expanded the extended school year program for special education students per their Individualized Education Plan (IEP's), provided staff development in the Wilson method; implemented a culinary arts program for students and a mentoring program for students.

Additional purchases were for professional and technical services to support special education efforts in areas of LEADS, Sankofa, Naviance, Pathways to College and School Net - all of which are also district-wide initiatives. Tuition was also budgeted for unanticipated out-of-district students entering the district during the funding period.

DETAILED FINDINGS AND RECOMMENDATIONS

Title I

Finding 1:

Condition: The district did not develop a school level parent involvement policy with input from parents. The policy was not distributed to parents and was not broadly disseminated to the community.

Citation: NCLB 1118 –Parent Involvement.

Required Action: The district must convene a meeting and seek input from parents in the development of a school-level parent involvement policy for the 2011-2012 school year. The policy must be adopted and approved by the board and then distributed to the parents of students attending each individual school. The policy must be posted on the district's web site to meet the broader dissemination requirement and submitted to the NJDOE for review.

Finding 2:

Condition: A non-allowable expenditure was made to Pro-Athletes, Inc. for character education. This expenditure constitutes an expenditure that does not adhere to the reasonable standard and does not align with the unified plan.

Citation: OMB Circular No. A-87: *Cost Principles for State, Local and Indian Tribal Governments*, Section 14, Entertainment.

Required Action: The district must reverse the expenditure to Pro-Athletes, Inc. The expense should be charged to state/local funds, rather than Title I funds.

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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 prepare a plan for the evaluation of each activity specified in the ARRA Plan. The district can consider individual progress towards IEP goals and objectives, pre and post test scores, report cards and classroom observations. They may also consider including tracking post secondary outcomes and proficiency on statewide testing.

Finding 2:

Condition: The district was not in compliance with services to nonpublic schools with regard to their contract with an outside provider and communication of how requested services are handled.

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 provider to provide for payments based on specific services provided, develop procedures to capture consultations specifically for IDEA and ARRA-IDEA services, and develop procedures for requests for additional services that come through the district and not the provider. The district must submit its updated contract to the NJDOE for review.

Finding 3:

Condition: The Individual Service Plans (ISP) did not specify the services to be provided for ARRA IDEA and IDEA. Also, the Nonpublic tab for location, time and benefits does not match the budget.

Citation: IDEA Regulations 34CFR §300.130-300.144.

Required Action: The district must develop a specific list of nonpublic students and services under IDEA and ARRA-IDEA; and revise the ISP's to reflect the funding source and revise the grant to match.

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Finding 4:

Condition: The district contracted with a production company (purchase order number 102460) for Disney's High School Musical to be performed at St. John's School. This is not an allowable cost for IDEA proportionate share funds for nonpublic schools.

Citation: IDEA Regulations 34CFR §300.130-300.144.

Required Action: The district should transfer the non-allowable nonpublic expenditures from the Special Revenue Fund 20 to the General Fund 10 and reallocate ARRA-IDEA monies for nonpublic special education student benefit.

Finding 5:

Condition: Through district staff disclosure and document review it was discovered that a number of expenses were non-allowable, such as professional development for general education initiatives that did not target special education student development, School Net district-wide technology, and computers for school-wide use that were not prorated for special education students benefit or use.

Citation: IDEA Regulation 34 CFR § 300.1 and 34 CFR § 300.8.

Required Action: The district shall complete an ARRA-IDEA amendment to properly allocate allowable expenditures and make corrections to the grant. The district is to transfer the non-allowable expenditures from Fund 20 to Fund 10 and reallocate ARRA-IDEA funds for special education student benefit.

Finding 6:

Condition: The district's ARRA-IDEA Plan narrative on the Electronic Web Enabled Grant (EWEG) system did not reflect the actual expenditures for services provided to students.

Citation: 34 CFR § 300.1 §300.202.

Required Action: The ARRA-IDEA plan must be revised to reflect expenditures allowable under ARRA-IDEA for Basic, Preschool and nonpublic programs.

Finding 7:

Condition: Based on a representative document review, supplies and technology purchased through the ARRA-IDEA grant were not reflected in current student IEPs. The district did not demonstrate a link between the instructional supplies purchased and the delivery of services to students with disabilities in either segregated programs or included in the general education classes.

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Citation: IDEA Regulation 34 CFR 300.208 (*Permissive Use of Funds*).

Required Action: The district must maintain appropriate documentation that purchases are consistent with the grant requirements in order to show that they are not supplanting federal funds by purchasing materials intended for schoolwide, general curriculum use. At the next regularly occurring annual review meetings, the district must list specialized materials and devices purchased to support instructional programs for students with disabilities in their IEPs.

Finding 8:

Condition: The district did not have the required supporting documents to verify the activity of 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 district must verify the time and activity of staff charged to the grant. The district must submit a list of 2009-2010 and 2010-2011 ARRA-IDEA funded staff including salaries, funding percentages and time sheets to date to the NJDOE for review (including administrative staffing).

Finding 9:

Condition: The district budgeted a summer program using ARRA-IDEA Basic funds. The program did not appear in the ARRA-IDEA Plan and the program appears to have also been budgeted in the special education local district budget.

Citation: IDEA Regulations 34CFR §300.204-300.205.

Required Action: The district's Special Education Director and School Business Administrator (SBA) must review the local special education district budget to ensure that the proposed summer program is supplementing and not supplanting existing services. The district must complete an ARRA-IDEA amendment to make any necessary revisions.

SFSF Funds

Finding 1:

Condition: The district's reporting of jobs created and jobs retained for ESF and GSF funding was not calculated using the proper methodology. The calculation used the incorrect hours worked resulting in the under reporting of jobs retained.

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

Required Action: The jobs retained reported on the 1512 report must be calculated using the appropriate federal methodology.

Financial Management and Reporting

Finding 1:

Condition: The monitors noted several instances where payments made against a purchase order exceeded the authorized purchase order amount. An example of this was a purchase order for music therapy issued in the amount of \$8,960 which had payments issued totaling \$16,430. Payments in excess of the purchase order without documented authorization are an internal control weakness and a violation of the New Jersey Accountability 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. N.J.A.C. 6A:23A-6.10 *Approval of amounts paid in excess of approved purchase orders; board policy.*

Required Action: The district must adopt a policy establishing the approval process for any remittance of payment for invoice amounts greater than the approved purchase order. The policy shall require the SBA to identify and investigate, if necessary, the reason for any increase to a purchase order. If it is found that such an increase is warranted, the SBA shall either approve a revision to the original purchase order with the reason noted, approve the issuance of a supplemental purchase order for the difference, or cancel the original purchase order and issue a new purchase order.

Finding 2:

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

Citation: EDGAR, PART 80--*Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*, Section 20, Standards for financial management systems. N.J.S.A 18A:18A (2)(v) *Public School Contracts Law.*

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

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Finding 3:

Condition: On several occasions, the district did not obtain multiple quotes for purchases between \$3,150 and the bid threshold of \$21,000, as required by New Jersey Public School Contracts Law (PSCL), federal procurement law and district policy.

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-37 *Award of purchases, contracts or agreements*.

Required Action: The district must comply with current federal and state procurement regulations and obtain multiple quotes as required.

Finding 4:

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

Citation: Uniform Minimum Chart of Accounts (Handbook 2R2). EDGAR, PART 80-*Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*, Section 20, Standards for financial management systems.

Required Action: The district must ensure that expenditures are charged to the appropriate general ledger account in accordance with the Uniform Minimum Chart of Accounts.

Finding 5:

Condition: The district failed to adhere to PSCL and federal regulations when hiring professional development providers. The district contracted with Metamorphosis Teaching and Learning to provide “professional development training” at an approximate total cost of \$150,000. These professional development services exceeded the bid threshold and require competitive contracting under PSCL. The district awarded these contracts without conducting the required competitive contracting process.

Citation: N.J.S.A. 18A:18A-4 *Contracts and agreements requiring advertising*, EDGAR, PART 80—*Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*, Section 36, Procurement.

Required Action: The district must use a competitive contracting process or a public bidding process when contracting for professional development services in excess of the bid threshold.

Recommendation 1: District contract files were not clear as to the method of procurement used. Files did not clearly indicate the reason a purchase was or was not subject to competitive contracting or formal bidding.

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Citation: EDGAR, PART 80--*Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*, Section 36, Procurement. N.J.S.A. 18A:18A-4 *Contracts and Agreements Requiring Advertising*.

Recommended Action: The district should maintain in each contract file a cost or price analysis and justification that demonstrates the purchase price was reasonable. This is especially important if formal bidding or competitive contracting was not followed as the contract file should include justification for not bidding or receiving multiple quotes.

Recommendation 2: Under the PSCL districts are not required to advertise for bids or competitively contract the provision of certain goods and services, such as professional services, even if they exceed the bid threshold. 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. Monitors noted several federally funded contracts awarded by the district without bidding or 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 district must review 34 CFR Part 80.36 and use open and competitive procedures for all eligible contracts. The district should also analyze and include documentation in its files that demonstrates the district 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.

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.