

April 20, 2010

Dr. Donnie W. Evans  
State District Superintendent  
Paterson Public Schools  
90 Delaware Avenue  
Paterson, NJ 07503

Dear Dr. Evans:

The New Jersey Department of Education has completed a review of funds received and disbursed from one or more federal programs by the **Paterson 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. Beginning in May 2010, 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 Paterson 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:Paterson Public Schools Cover Letter  
Enclosures

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**American Recovery & Reinvestment Act 2009**

*New Jersey K-12 Education*

**ARRA MONITORING REPORT  
APRIL 2010**

**District:** Paterson Public Schools  
**County:** Passaic  
**Case #:** ARRA-064-09

**FUNDING SOURCES**

Program	Funding Award
State Fiscal Stabilization Fund – Education Stabilization Fund	\$ 56,821,186
State Fiscal Stabilization Fund – Government Services Fund	2,199,633
ARRA – Title I	12,200,366
ARRA – Title I SIA	641,228
ARRA – IDEA - Basic	7,576,628
ARRA – IDEA - Preschool	272,022
ARRA Food Service Grant	20,590
Total ARRA Funds	<u>79,731,653</u>
 Title I	 16,775,208
Title I SIA	229,991
IDEA - Basic	8,402,935
IDEA - Preschool	207,684
Total Non-ARRA Funds	<u>25,615,818</u>
Total Funding	<u>\$105,347,471</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 Paterson 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; ARRA Title I; ARRA Title I-SIA; 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 100% of expenditures totaling \$25,383,749 were reviewed;
- GSF 100% of expenditures totaling \$637,533 were reviewed;
- Title I 100% of expenditures totaling \$2,071,705 were reviewed;
- Title I-SIA 100% of expenditures totaling \$5,963 were reviewed;
- ARRA Title I 100% of expenditures totaling \$ 2,026,277 were reviewed;
- ARRA Title I-SIA had not been expended at the time of the monitoring visit;
- IDEA Basic 100% of expenditures totaling \$1,637,125 were reviewed;
- IDEA – Preschool 100% of expenditures totaling \$47,298 were reviewed;
- ARRA IDEA Basic 100% of expenditures totaling \$278,543 were reviewed;

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- ARRA IDEA Preschool had not been expended at the time of the monitoring visit; and
- ARRA Food Service Grant 100% of expenditures totaling \$20,590 was reviewed.

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

**ARRA Title I Projects**

The district has identified priority problems affecting all students in their needs assessment. Those listed as critical include: closing the achievement gap, language arts literacy and reading and mathematics. Those priority problems listed as having a high need include a focus on teachers and paraprofessionals receiving professional development in instructional skills and strategies, using data to assess and improve learning and a district effort to improve parent and community involvement. The district also is focusing on developing more effective use of technology in the classroom, while outside they are addressing concerns regarding violence, gang activity and bullying.

The district has elected to use Title I funds for selected programs to address these concerns and is offering extended day and extended year programs, a Saturday Institute, coaching strategies and providing effective professional development aimed at improving technology infusion, differentiated instruction and looking at getting the parents and community more involved to help deal with gangs, violence and bullying. They are actively seeking to improve parent and community involvement to address these concerns from all angles.

The district earmarked more than \$4 million for salaries to hire 45 additional in-class support teachers, as well as adding a Supervisor of Language Arts Literacy. These budgeted amounts are consistent with the district's program plan to focus on the reading and language arts programs and to assist students throughout all funded schools in need of improvement.

In keeping with the goal of using data to drive decision making, the district is looking closely at staff allocations based on a summary report that breaks down the number of students by school that are partially proficient in math, language arts, or both; and assigning coaches and in-class support directly to students in critical needs areas in specific classrooms.

Based on interviews with the staff, the programs and strategies that seem most effective have been Balanced Literacy, Connected Math and Every Day Math.

**Professional Development**

Professional development is consistent with the district goals and accurate records have been provided as evidence of attendance at these workshops conducted to date. Records indicate that 139 teachers and 16 lead teachers received professional development to engage them more effectively in their after school programs. Funds budgeted for staff development also focuses on those teachers in the Saturday Institute and Saturday Literacy Program. District wide coaches will receive additional support and on-going training as they are assigned to various schools throughout the district to effectively reach those students in most need of academic support.

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Title I-SIA Part A ARRA funds are also being used to provide professional development and improve instructional strategies using the Trophies and Wilson Reading System.

Parent Involvement

Parental involvement efforts are in full force in the district. All of the required documentation is circulated throughout the district in a timely manner as part of a package to reach all parents. The district's website also provides an avenue for parents to discover what is currently happening in the district. There have been several routine back-to-school nights at each school, as well as additional documentation showing attendance at several other functions aimed at increasing parental involvement. The district also has a Parent Resource Center available in the lobby of the board office that offers parents the opportunity to come in at any time and use the available computers, pick up materials and information about upcoming events, SES services and other activities being run by the district. It also operates a mobile parent involvement unit designed to bring closer information to the community and concerned parents who may not otherwise make the effort to transport themselves to the board office or school.

Instructional Supplies

Budget supplies are consistent with the Title I programs being implemented and are allowable. They align with the district's needs assessments and program plan and support educational practices throughout the district.

Equipment

There are no budgeted entries made for equipment in the district's application.

**IDEA and ARRA IDEA Projects**

The district has decided to utilize the funds for out-of-district tuition, professional development, additional teachers and paraprofessional staff for in-class resource for the high schools, renovation of Labs (split funding) and the refurbishing of classrooms (split funding).

The NJDOE has questioned the use of some of the renovation expenditures. The district is in the process of revising the plans to conform to the grant requirements and regulations.

The district submitted an ARRA IDEA plan and IDEA grant that has not received final approval at this time. Discussion and review of the ARRA IDEA plan and IDEA grant indicate that the district has planned to utilize the funds for the following projects: employment of staff to permit opening additional special education classes and thereby reducing the need for additional out-of-district placements; employment of special education teachers at Eastside and John F. Kennedy High Schools in order to establish inclusion classes in which special education teachers and core curriculum content teachers jointly provide instruction; to provide partial payment for providing synergistic instructional laboratory systems for mathematics and science classes at Eastside and John F. Kennedy High Schools; purchase of technology; professional development for district

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staff; instructional supplies; provision of consultants working directly with students; provision of the Coordinated Early Intervening Services (CEIS); and provision of services to nonpublic students.

The monies allocated for special education students and students who participate in CEIS activities are designed to increase student performance in academics and participation in the least restrictive environment. The addition of staff to address inclusive education at the high school level is responsive to the identified needs targeted by the OSEP monitoring. Expansion of in-district opportunities will also decrease out-of-district placements. The professional development activities provide specialized instructional techniques to district staff. These intensive reading and mathematics programs are designed to directly address student weaknesses in these areas.

The district has established a variety of methods designed to address the impact of student success. Pre and post testing as well as parent and teacher reports verify the impact of the new programs. The inclusion classes are designed to address statewide graduation testing requirements and decrease dropout rates.

The district's expectations will be assessed by the decrease in out-of-district placements, as well as by teacher and parent surveys. Further, the use of technology to enhance instruction will be reflected in the observations and lessons of the teachers.

### **CEIS**

The district was required to initiate CEIS services due to disproportionality issues for the past few years. The CEIS plans were approved by the NJDOE, Office of Special Education Programs. The current program serves about 300 students. The staff in the CEIS program was trained starting in April 2009 in the Wilson Reading Program and the Waterford Mathematics Program. Further, district classroom teachers who would be serving these students were also trained. The program was initiated during the summer of 2009 and on Saturdays of the current school year. Positive responses to the program have been observed by parents, staff and the students. Several students who participate consistently were on the honor roll. The district is able to provide the CEIS program to about 1,500 students. Discussions with the district note that an analysis of the program to date indicates a need to expand the program to serve more students. An extension of the school day is being considered. Further, email communication between the CEIS staff and the students' teachers is being implemented to ensure consistency and reinforcement.

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**DETAILED FINDINGS AND RECOMMENDATIONS**

**Title I**

**Finding 1:**

**Condition:** It did not appear that the mobile parent unit was being used as effectively as possible. When asked, the district was not certain exactly where it was and no specific plan was provided for the activities and purposes for which it was intended. Expenditures related to this mobile unit were also inconsistent and this finding is addressed more in detail in the fiscal section of the report.

**Citation:** NCLB§1118(a)(2)(d-f): *Parental Involvement*.

**Recommended Action:** From a program perspective, this mobile unit in conjunction with the parent resource center could be used more effectively. Records should be kept as to the unit's location and the materials it requires and should be actively distributing. A schedule of exactly where it will be located each day should be distributed so that parents know when it will be in their neighborhood. Staffing and inventories on board should be consistent with Parent Involvement goals and objectives each time the unit goes into the community.

**Finding 2:**

**Condition:** The district paid invoices with federal funds that did not have the necessary supporting documents. Examples include: invoice amounts with accompanying descriptions such as "SES programs for one hour sessions at six sessions per weekend," or "one child attending for six instructional hours for about 10 weeks in November 2009" along with questionable attendance records.

**Citation:** EDGAR, PART 80.20--*Uniform Administrative Requirements for grants and cooperative agreements to state and local governments*, Section 20, Standards for financial management systems.

**Required Action:** A closer review of SES providers should be conducted and more accurate records should be kept to reflect and prove the student's actual attendance at all SES tutoring sessions. The district should include a required attendance component in future SES contracts and align payment authorization with appropriate documentation. Fiscal recommendations are also made in this report specifically with respect to Catapult Learning LLC (Catapult). **As a result of the finding this issue was referred for further investigation by the Office of Fiscal Accountability and Compliance.**



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**IDEA**

**Finding 1:**

**Condition:** The district was not in compliance with services to nonpublic schools with regard to their contract with the outside provider as there is no mechanism to verify that services have been delivered as per the student 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).

**Required Action:** The district must establish policies and procedures consistent with IDEA regulations. These procedures need to include a formal mechanism to verify services to nonpublic students. They also need to develop an administrative oversight procedure to ensure that service plans meet current eligibility requirements and that services are consistent with student needs. The district needs to revise its contract to include a verification system that documents the time and activity of the outside providers.

**Finding 2:**

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

**SFSF FUNDS**

**Finding 1:**

**Condition:** The district's cash management report does not tie into the general ledger or board secretary report as of December 31, 2009.

**Citation:** EDGAR, PART 80- *Uniform Administration Requirements for grants and cooperative agreements to state and local governments*, Section 20, Standards for financial management systems.

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**Recommended Action:** The district must have a formal tracking of SFSF funding. Amounts submitted with quarterly cash management reports should be reconciled to the district's accounting records.

**Finding 2:**

**Condition:** The district could not provide a detailed schedule of benefits charged to SFSF funding that agreed to the amount reported on their cash management report.

**Citation:** EDGAR, PART 80- *Uniform Administration Requirements for grants and cooperative agreements to state and local governments*, Section 20, Standards for financial management systems.

**Required Action:** The district must maintain documentation to support charges to SFSF funding.

**Financial Management and Reporting Findings and Recommendations**

**Finding 1:**

**Condition:** The district failed to issue a purchase order to a consultant prior to services being rendered (confirming order). The district contracted with Catapult to provide instructional and administrative services during the district's summer program from July 1, 2009 through August 28, 2009 at a cost of \$112,992. The district did not issue a purchase order to Catapult until August 27, 2009. District policy and state regulations require that a properly executed purchase order be issued prior to services being rendered.

**Citation:** 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 2:**

**Condition:** The district violated New Jersey Public School Contracts Law (PSCL) by failing to publicly bid a consulting contract issued to Catapult to provide a van and "Parent Coordinator" for a mobile parent outreach center. The contract, executed on August 12, 2009, was for a total of \$41,461, above the PSCL bid threshold of \$29,000. The district inappropriately claimed that the contract was exempt from bidding under the professional service exception.

**Citation:** N.J.S.A 18A:18A-4 *Contracts and agreements requiring advertising*.

**Required Action:** The district must comply with current federal and state procurement regulations. In addition, the district should establish contract files which contain

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documentation that demonstrates that the district has complied with procurement regulations and costs are reasonable.

**Finding 3:**

**Condition:** A consultant (Catapult) was paid for services which were not provided. The district's contract states that the "Consultant agrees to provide one mobile van equipped in accordance with state and federal regulations and that said van will contain instruction materials and equipment available for use by parents of nonpublic school students in the District two hours per day Monday through Friday." The van used by the consultant was purchased by and is owned by the Paterson Public Schools. Since the consultant did not provide a van, full payments under this contract should not have been made.

**Citation:** N.J.S.A. 18A:19 *Expenditure of Funds; Audit and Payment of Claims.*

**Required Action:** Future payment under the contract should be adjusted for the vendor's failure to provide a vehicle. The district should seek reimbursement for past payments.

**Finding 4:**

**Condition:** The district failed to place notice in a newspaper when a professional services contract was awarded without bidding as required by PSCL.

**Citation:** N.J.S.A. 18A:18A-5(1) *Exceptions to requirement for advertising.*

**Required Action:** The district must comply with PSCL and place a notice in an official newspaper each time a contract is awarded without bidding under the professional services exemption.

**Finding 5:**

**Condition:** The costs associated with the rental of temporary classroom units were charged to the incorrect general ledger account. The rent payments were charged to "purchased professional services" rather than to "facilities rental."

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

**Required Action:** Expenditures should be charged to the correct general ledger account in accordance with the Uniform Chart of Accounts. Those expenditures charged to the wrong account should be reclassified.

**Recommendation 1:** Although the district does not have formal written policies for requesting reimbursement from the Electronic Web Enabled Grant (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 Steve Hoffmann via phone at (973) 621-2750 or via email at [steven.hoffman@doe.state.nj.us](mailto:steven.hoffman@doe.state.nj.us).