



State of New Jersey

DEPARTMENT OF EDUCATION

PO Box 500

TRENTON, NJ 08625-0500

CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

August 4, 2010

BRET SCHUNDLER
Commissioner

Mr. Edward Yergalonis, Superintendent
Rahway Board of Education
Rahway Middle School
Kline Place
Rahway, NJ 07065

Dear Mr. Yergalonis:

The New Jersey Department of Education has completed a review of funds received and disbursed from one or more federal programs by the **Rahway 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 April 15, 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 Rahway 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 Ronald Fisher at (609) 777-3723.

Sincerely,

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

RJC/LDM/tc:Rahway Board of Education Cover Letter
Enclosures

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

ARRA MONITORING REPORT
AUGUST 2010

District: Rahway Board of Education
County: Union
Dates On-Site: April 14, 15 and 22, 2010
Case #: ARRA-070-09

FUNDING SOURCES

Program	Funding Award
State Fiscal Stabilization Fund - Education Stabilization Fund	\$2,965,054
State Fiscal Stabilization Fund - Government Services Fund	114,433
ARRA - Title I	383,960
ARRA - Title I SIA	20,009
ARRA - IDEA Basic	1,025,269
ARRA - IDEA Preschool	36,883
Total ARRA Funds	4,545,608
Title I	587,176
Title I SIA	-
Title II - Part A	168,417
Title II - Part D	5,891
Title III	62,706
Title IV	12,017
IDEA Basic	980,671
IDEA Preschool	27,921
Total Non-ARRA Funds	1,844,799
Total Funding	\$6,390,407

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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 Rahway 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; ARRA-Title I; ARRA-Title I SIA; Title II Parts A and D; Title III; Title IV; IDEA Basic; IDEA Preschool; ARRA-IDEA Basic; and ARRA-IDEA Preschool for the period July 1, 2009 through April 15, 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 April 15, 2010:

- ESF salary expenditures totaling \$164,225 were reviewed;
- GSF salary expenditures totaling \$6,358 were reviewed;
- Title I expenditures totaling \$140,368 were reviewed;
- Title II Part A expenditures totaling \$5,564 were reviewed;
- Title II Part D expenditures totaling \$600 were reviewed;
- Title III expenditures totaling \$1,514 were reviewed;
- Title IV expenditures were not reviewed;
- ARRA-Title I expenditures totaling \$76,049 were reviewed;
- ARRA-Title I SIA expenditures were not reviewed;
- IDEA Basic expenditures totaling \$54,152 were reviewed;

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- IDEA Preschool expenditures totaling \$22,701 were reviewed;
- ARRA - IDEA Basic expenditures totaling \$35,070 were reviewed; and
- ARRA - IDEA Preschool expenditures were not reviewed.

GENERAL DISTRICT OVERVIEW OF USES OF TITLE I AND IDEA FUNDS

ARRA - Title I Projects

The Rahway School District will utilize the ARRA-Title I funds for the following academically focused programs targeting at-risk students in its four elementary schools:

1. A summer enrichment program that began in the summer of 2009 and will continue each summer through 2011; and
2. An after-school tutoring program.

Summer Enrichment Program

During an examination of student test data, the Rahway staff members identified a group of elementary students who had demonstrated continual academic difficulty in the areas of mathematics and language arts literacy and reading. Further, using other educationally-related objective criteria, such as pre and post curriculum measures in mathematics and reading, New Jersey Assessment of Skills and Knowledge (NJASK) cluster data, demographics from the state report card, and teacher observations, this same group of elementary students was identified as demonstrating low performance, and determined to be at-risk of failure in most academic subjects. Consequently, a decision was made to provide continual academic instruction and support throughout the summer months for this group of students. The primary focus of this academic summer program will be on mathematics and language arts literacy and reading, although instruction will be provided in all academic subjects. Gains in student learning and achievement will be determined through portfolio-based assessment, weekly quizzes, student scores on state and local assessments, and parent reports.

After-School Tutoring Program

An analysis of students' grades, per quarter, as well as in-class assessments and teacher observations, revealed approximately 30 elementary students who were at risk of failure at their grade level. Specifically, this analysis identified that these students would be served best by an after-school program that was student directed, allowing the students to perform ongoing self-assessments, while receiving immediate feedback from their teachers through one-on-one tutoring services.

As a result, the Rahway School District will utilize the ARRA-Title I funds for the purchase of a software program entitled "Success Maker." This purchase also includes one server and five computers to be used only in this after-school program, which will be conducted Monday through Thursday, from 3:10 p.m. – 4:10 p.m. The goal of this program is to enable these students to be on grade level by the end of the 2009-2010 school year. Students' success in the program will be measured through "Success Maker" data, benchmark assessments, class grades, teacher observations, and performance-based assessments.

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ARRA - Title I SIA Part (a) Projects

The ARRA-title I SIA Part (a) funds will be utilized to implement an academic intervention program for the sixth, seventh and eighth grade students who attend the Rahway Middle School.

Specifically, additional instruction will be provided for at-risk students who have not met proficiency levels in the areas of mathematics and language arts literacy and reading. The approach to instruction is based on a differentiated instruction model and is designed to obtain student data via a multiple senses approach to assessment (i.e., student think-aloud, principal and supervisor learning walks, and project based activities). In fact, the learning walks enable principals and supervisors the opportunity to provide immediate feedback on the use of effective teaching strategies and methodologies. Students are recommended for the program based on teacher referrals, parent referrals, and state and local assessment scores. The goal of the program is for students to meet proficiency levels on state and local assessments. Gains in student learning and achievement will be determined through, performance-based assessment, class participation, teacher observations, and student scores on state and local assessments.

Title I Projects

The Rahway School District will utilize the FY 2010 Title I funding for the salaries of four Title I teachers, who will implement a push-in resource support program for identified, at-risk students in the fifth grade. Specifically, the district has established a 90-minute block schedule format for this remedial instruction.

Within this format, the first 30 minutes are devoted to whole group instruction, followed by 60 minutes of supplemental instruction delivered through a series of learning centers (i.e., listening center, creative writing center, math center, etc.). The 90 minutes are then followed with a 30 minute session focused solely on writing skills and strategies. Students are identified for this remedial support program based on their failure to meet proficiency levels on the NJASK, and other measures such as attendance rates, student grades, homework, class participation, and benchmark assessments. The goal of this program is for more than 75% of the students to meet proficiency levels on the state assessment. The success of the program will be determined through the use of self-assessments, chapter exams, report cards, teacher observations, and scores on the NJASK for grade five.

ARRA - IDEA Projects Basic & Preschool

The Rahway School District will utilize ARRA-IDEA Basic funds to hire a special education teacher and safety officer. The Maintenance of Effort (MOE) funds will be utilized for half of the administrative staff salary and benefits and half of a computer laboratory costs. The purchase of instructional equipment and supplies will include smart boards or projectors to infuse technology into lessons and present materials using multi-modal approach. Specific lessons and materials include, Soar to Success and Good Habits-Great Readers, instructional programs for students in both resource programs and self-contained programs. The district plans to enhance related services programs by purchasing supplies for occupational therapy and providing funds for counseling. In addition, a consulting behaviorist will also be retained to work directly with

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special education students. The consultant will also provide training to staff and parents at both the preschool and elementary levels. The remainder of ARRA-IDEA preschool funds will be expended for out-of-district tuition costs.

Expectations and Benefits

The additional funds that are expended for salaries and instructional support and materials will result in successful in-district placement of students with severe behavioral disabilities. The expected outcome is to lower the districts out-of-district statistics from 11 percent to the state's targeted nine percent. This will result in more students educated in the least restrictive environment. The computer laboratory will allow for technology to be infused into lessons in order to facilitate research and improve the quality of student work. Instructional programs will document individual pupil progress of fluency and comprehension. These skills will result in improved state assessment scores.

IDEA Projects Basic and Preschool

The Rahway School District plans to utilize IDEA Basic funds for out-of-district tuition costs. Additional purchases with IDEA Basic funds include, teacher to student communication systems, a Smart Board and other instructional programs and supplies, behavioral consultants, transportation costs, workshops and contracted evaluations. There has been no request for IDEA Basic and IDEA Preschool nonpublic services to date. The IDEA Preschool funds are being spent solely on out-of-district tuition costs.

Expectations and Benefits

The grant resources will allow staff the benefit of a behavioral specialist as an additional resource to develop behavioral plans and provide continued consultation models for both the preschool disabled program and the autistic program. When preschool disabled student's exit the program based on age the district will be able to maintain the majority of autistic students in district programs. The consultant model will provided professional development training in how to conduct discrete trials, collecting data, and functional analysis. In addition, the Assessment of Basic Language and Learning Skills (ABLLS) Program will provide feedback and data to monitor student progress.

DETAILED FINDINGS AND RECOMMENDATIONS

ARRA - Title I

Finding 1:

Condition: The district did not have completed Affirmation of Consultation forms for any nonpublic schools eligible for ARRA-Title I eligible services.

Citation: NCLB § 1120 and § 9501 and §200.63 of the Title I Part A Regulations.

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Required Action: The district must submit to the NJDOE for review the completed Affirmation of Consultation forms for all nonpublic schools that were eligible to receive ARRA-Title I eligible services.

Finding 2:

Condition: The district budgeted ARRA-Title I funds for the salary of a nonpublic school teacher. The funds cannot be used for the salary of a nonpublic school teacher since this person is not an employee of the district.

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

Required Action: The district must revise its ARRA Title I budget by removing the budgeted cost of \$4,530 for the salary of a nonpublic school teacher and budget these funds for other allowable ARRA-Title I programs, services, or activities.

Title I and NCLB

Finding 1:

Condition: In the district's Supplemental Education Services (SES) notification, parents were instructed to access the SES provider list either via the Internet or the Rahway Public Schools Web site. SES guidance requires that a complete list of state approved SES vendors, including those in the geographic area, as well as online providers, be included in the SES notification information distributed to parents.

Citation: NCLB §1116 (b)(6): Academic Assessment and Local Educational Agency and School Improvement.

Required Action: The district must ensure that a complete list of state approved SES vendors is made available to all parents of students by distributing a second round of SES eligibility letters to parents of eligible students. These letters must contain the complete list of SES providers. The district must submit a copy of the second SES notification letter to the NJDOE for review.

Finding 2:

Condition: The district did not have completed Affirmation of Consultation forms for any nonpublic schools eligible for Title I Part A allowable services.

Citation: NCLB § 1120 and § 9501 and §200.63 of the Title I Part A Regulations.

Required Action: The district must submit to the NJDOE for review the completed Affirmation of Consultation forms for all nonpublic schools that were eligible to receive Title I Part A allowable services.

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Finding 3:

Condition: The district's letter and supplementary material to nonpublic school officials regarding the type of information to be collected on eligible low-income nonpublic school students asked for the nonpublic school officials to provide the name(s) of the eligible nonpublic school students. The request and disclosure of the names of the students is not allowed.

Citation: NCLB §1120(c)(1)(B) (Participation of Children Enrolled in Private Schools).

Required Action: In future communications with nonpublic school officials, the district cannot request the name(s) of the eligible nonpublic school students. The district must use the results of a survey, which to the extent possible, protect the identities of the families of nonpublic school students. The survey information can only be address-specific, and any follow-up notifications from the district cannot request the name(s) of the eligible nonpublic school students.

For the 2009-2010 school year, the district must remove the name(s) of any eligible nonpublic school students, if provided by the nonpublic school officials, from the district's nonpublic school audit files. The district must incorporate this practice into its policies and procedures for all future participation of children who are enrolled in nonpublic schools and eligible for Title I services.

Finding 4:

Condition: While the district provided very thorough, detailed, and specific documentation on the initial consultation meeting with all nonpublic school officials, no documentation was provided to verify that this consultation remained ongoing, timely, and meaningful. Title I regulations stipulate that consultation must continue throughout the implementation and assessment of services. To verify this requirement the district must maintain documentation to affirm that consultation occurs beyond the initial meeting.

Citation: NCLB § 1120 and § 9501 and §200.63 of the Title I Part A Regulations.

Required Action: In order to ensure ongoing, timely, and meaningful nonpublic school consultation, it is required that the district institute steps to enhance its record keeping of its ongoing contact with the nonpublic school officials. 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 5:

Condition: The district did not demonstrate that it had set policies for the identification and inventory of any supplies, materials, and equipment that are purchased with Title I Part A funds for use with eligible nonpublic school students.

Citation: NCLB§9501(d): (Participation by Private School Children and Teachers).

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Required Action: The district must establish formal policies for the identification and inventory of any supplies, materials, and equipment that are purchased with Title I Part A funds. A copy of these formal policies must be provided to the NJDOE for review.

Finding 6:

Condition: The district did not provide sufficient documentation that they engaged in timely and meaningful consultation with the nonpublic school officials, nor did the district collect the required written documentation from the nonpublic school officials to confirm that consultation occurred and decisions were reached based on that consultation.

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

Required Action: The district must submit to the NJDOE all documentation to verify that consultation was timely and meaningful, covered all appropriate topics, and resulted in program designs that had a reasonable expectation of success. The district should review the NJDOE and/or USDE guidance on the provision of equitable services to eligible nonpublic school children to ensure all requirements are satisfied. Additionally, the district can review NJDOE Nonpublic School Documentation and Sample Correspondence, which is available at: <http://www.nj.gov/education/grants/entitlement/nclb/>.

Title IV

Finding 1:

Condition: The district's plan identifies three Title IV programs for implementation in 2009-2010 school year. The programs are: Second Step: A Violence Prevention Curriculum; SOS Signs of Suicide; and Strengthening Families Program. However, only one of the programs, SOS Signs of Suicide, has been implemented in grades 9-12 health classes by the Student Assistance Counselor. The other two programs have not been implemented as of the date of our monitoring visit. Additionally, the district has formed partnerships with the Municipal Alliance and other community organizations to offer parent workshops, speakers, a Red Ribbon campaign, and curriculum that focus on drug and alcohol awareness and prevention at all district schools.

Citation: Section 4115 (a) and 20 U.S.C. 7101 et seq., Title IV requirements.

Required Action: The Title IV application should be revised to reflect the programs actually being implemented. Additionally, the LEA should request a waiver to indicate that other research-based program(s) that are not included on the list of approved programs in the online NCLB system are being implemented. However, when requesting a waiver, evidence must be provided that the program has been successful and that it is achieving the intended outcomes.

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ARRA - IDEA and IDEA Basic and Preschool

Finding 1:

Condition: The IDEA Basic nonpublic proportionate share and ARRA IDEA nonpublic proportionate share Service Plans (SP) did not consistently specify the services provided by separate funding sources. The current SP combine 193 and IDEA services and copies of the service plans are not maintained in the district.

Citation: IDEA Regulations 34CFR §300.130-300.144.

Required Action: The district must develop separate lists of nonpublic students and services under both IDEA and ARRA-IDEA grants. The service plans must be revised to reflect the funding source and services. Copies of the SP must be maintained in the district.

Finding 2:

Condition: The district does not consistently generate and maintain documentation of the refusal of services following consultation with the nonpublic schools.

Citation: IDEA Regulations 34CFR §300.130-300.144.

Required Action: The district must develop procedures to consistently document when the nonpublic schools refuse services under both IDEA and ARRA-IDEA.

Finding 3:

Condition: The districts nonpublic proportionate share appropriations for both IDEA and ARRA-IDEA are recorded under budget function and object code 200-300, Purchased Professional and Technical Services, under the Consultants Professional and Technical line in the grant application.

Citation: IDEA Regulations 34CFR §300.130-300.133.

Required Action: The district should amend both grant applications to reflect the contract under the Approved Service Provider line. The text box on the application page must include the name of the approved service provider that the district has contracted with.

Finding 4:

Condition: The districts nonpublic section of the grant application for both IDEA Basic and ARRA-IDEA Basic does not contain the required minimum detail under the Location, Time and Service Tab.

Citation: IDEA Regulations 34CFR §300.130-300.133.

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Required Action: The district must amend both grant applications to reflect more specific reference to time and services. Specifically, clarify who will provide and receive the consultation services. Additionally, the district must provide a description the consultation service to be provided.

Finding 5:

Condition: Child Find policies and procedures are not consistently implemented. Specifically, the district does not maintain documentation of Child Find activities being conducted that lead to the identification of children who are eligible for special education programs and services.

Citation: IDEA Regulations 34CFR §300.131.

Required Action: The district must consistently implement Child Find policies and procedures to include documentation of activities including, but not limited to, posting information and providing letters to physicians, newspapers and local cable television public service announcements.

Finding 6:

Condition: The district's ARRA-IDEA grant application narrative section does not indicate that the MOE option is being utilized; however, the fiscal/budgetary pages indicate the MOE option is being utilized. The narrative section at a minimum must indicate what the freed up local funds will be used for.

Citation: IDEA Regulations 34CFR §300.203.

Required Action: The district must revise their ARRA-IDEA grant application to indicate and describe the use of the MOE option and how the freed up funds are being utilized.

Finding 7:

Condition: The district is utilizing ARRA IDEA funds to support 50% of the cost of a computer lab. This is a non-allowable use of ARRA-IDEA funds as the lab supports both general education and special education students.

Citation: IDEA Regulations 34CFR §300.203.

Required Action: The ARRA-IDEA grant application must be amended and the funding source must be revised to eliminate the non-allowable cost. The district can revise their ARRA-IDEA grant application and increase the allocation for MOE freed up local funds to support 100% of the lab costs.

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Finding 8:

Condition: The district's ARRA-IDEA Plan and the grant application for support services refers to a safety officer which supports both the Special Education Behavioral Disabilities Program and General Education Alternative Program. The duty description and location of this position indicate that it is supporting general education programs. The costs for the safety officer are considered non-allowable under ARRA-IDEA funding for the portion this position supports general education programs.

Citation: IDEA Regulations 34CFR §300.202.

Required Action: The grant application and the safety officer job description must be amended. The district must clarify whether the position is solely for special education or general education. If the position does not service special education students, the district must amend the grant application and remove the position. However, if the position supports both general education and special education students the district must document the percentage of time the position services each program and split fund the position accordingly.

Finding 9:

Condition: The ARRA-IDEA appropriation in the grant application for the safety officer, recorded under budget function and object code, 200-100, Support Services - Personal Services-Salaries – Teachers Pension and Annuity Fund (TPAF) eligible, is budgeted on the wrong line.

Citation: IDEA Regulations 34CFR §300.202.

Required Action: The safety officer must be moved to the 200-100, Support Services - Federal Insurance Contributions Act (FICA) only line. The safety officer is not TPAF eligible.

IDEA Basic and Preschool

Finding 1:

Condition: The district's contract cost with the county educational services commission for services to nonpublic school student with disabilities is based on the total amount of funding received by the district. The contract cost should be based on the type and quantity of services to be provided. The IDEA Basic payment schedule in the nonpublic proportionate share contract also reflects transfers of the total allocation to the service provider without associated services.

Citation: IDEA Regulations 34CFR §300.130-300.144.

Required Action: The district must revise the current contract with the services commission to include the type services and associated rates to be provided. Current and future payment schedules for the IDEA Basic nonpublic proportionate share should reflect payments for services provided rather than a transfer of the total allocation funds. The updated contract should be submitted to NJDOE for review.

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Financial Management and Reporting

Finding 1:

Condition: Our testing of a sample of Title I funded expenditure transactions disclosed that the district had obtained professional services from two different sources without proper awarding of contracts. The contracts were awarded without obtaining any price or rate quotes or an open competitive bid process. Additionally, the documents presented as the contracts did not contain the services to be provided, rates for the services or the maximum amount to be paid under the contract.

Citations: Education Department General Administration Regulations (EDGAR), PART 80 - Uniform Administration Requirements for Grants and Cooperative Agreements to State and Local Governments, Section 36, Procurement. The federal procurement regulations under this section requires districts to follow the New Jersey Public School Contracts Law (PSCL) except where the federal standards detailed in 80.36 are in conflict or more restrictive. The federal standards do not include all the exemptions allowed under the PSCL, specifically professional services. In addition, subsection (f) of 80.36 requires districts to conduct an independent price analysis and include such documentation in the contract files that demonstrates the district ensured the costs were reasonable. This becomes considerably more important when formal bidding or competitive contracting was not followed. Contracts awarded for professional services must contain the specific services to be provided, rates for the services and a maximum amount to be paid through the contract.

Required Action: The district must review EDGAR Part 80.36 on procurement standards and requirements and include federal procurement provisions in their purchasing policy. Specific emphasis should be placed on: the awarding of contracts in a manner providing for full and open competition where at all possible; and performing and documenting a cost or price analysis and justification that demonstrates the contract price was reasonable. All professional services contracts awarded must contain a minimum level of detail which includes the services to be provided and rates for those services and the maximum amount to be paid through the contract.

Finding 2:

Condition: Our testing of a sample of Title I funded expenditure transactions disclosed that the district had purchased computer hardware without following procurement procedures. The contracts were awarded without obtaining any price or rate quotes or an open competitive bid process. Additionally, there is no evidence that the district attempted to determine if the items purchased were available through the New Jersey State Division of Purchase and Property contracts.

Citations: EDGAR, PART 80 - Uniform Administration Requirements for Grants and Cooperative Agreements to State and Local Governments, Section 36, Procurement. The federal procurement regulations under this section requires districts to follow the New Jersey Public School Contracts Law (PSCL) except where the federal standards detailed in 80.36 are in conflict or more restrictive. In addition, subsection (f) of 80.36 requires districts to conduct an

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independent price analysis and include such documentation in the contract files that demonstrates the district ensured the costs were reasonable. This becomes considerably more important when formal bidding or competitive contracting was not followed.

Required Action: The district must review EDGAR Part 80.36 on procurement standards and requirements and include federal procurement provisions in their purchasing policy. Specific emphasis should be placed on: the awarding of contracts in a manner providing for full and open competition where at all possible; and performing and documenting a cost or price analysis and justification that demonstrates the contract price was reasonable.

Finding 3:

Condition: The district does not maintain complete written policies and procedures covering all procurement and cash management functions. Specifically, policies covering procurement are dated and would be enhanced through updating. Updates should include language covering the use of federal funds rather than just referencing the federal procurement regulations. Procurement policies do not include procedures covering disbarred vendors. Additionally, a policy covering the drawdown of federal funds does not exist.

Citations: EDGAR Part 80.20 - Standards for Financial Management Systems and New Jersey Administrative Code 6A:23A-6.6 - Standard Operating Procedures for Business Functions.

Required Action: The district must develop and update required policies and procedures. The district must develop and maintain complete written policies and procedures which as part of internal controls provides reasonable assurance that the following objectives are being achieved: effectiveness and efficiency of operations; reliability of financial reporting; and compliance with applicable laws and regulations.

Finding 4:

Condition: The district is not separately tracking the freed up (local) general funds generated by the reduction of local funds through the Reduction of Local MOE provisions under ARRA-IDEA.

Citation: IDEA Section 613(a)(2)(c) (34 CFR).

Required Action: The district should separately account for all local funds freed up under the MOE provisions in order to ensure that these funds were expended on authorized activities under the Elementary and Secondary Education Act.

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 Ronald Fisher at (609) 777-3723 or via email at ronald.fisher@doe.state.nj.us.