



State of New Jersey

DEPARTMENT OF EDUCATION

PO Box 500

TRENTON, NJ 08625-0500

CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor
June 28, 2010

BRET SCHUNDLER
Commissioner

Dr. Amiot Michel, Superintendent
Salem City Board of Education
205 Walnut Street
Salem City, NJ 08079

Dear Dr. Michel:

The New Jersey Department of Education has completed a review of funds received and disbursed from one or more federal programs by the **Salem City 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 May 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 Salem City 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 Anthony Hearn at (609) 633-2492.

Sincerely,

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

RJC/LDM/tc:Salem City Board of Education Cover Letter
Enclosures

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TRENTON, NJ 08625-0500**

SALEM CITY BOARD OF EDUCATION
205 WALNUT STREET
SALEM CITY, NJ 08079
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American Recovery & Reinvestment Act 2009
New Jersey K-12 Education

**ARRA MONITORING REPORT
JUNE 2010**

District: Salem City Board of Education
County: Salem
Dates On-Site: May 24 and 25, 2010
Case #: ARRA-073-09

FUNDING SOURCES

Program	Funding Award
State Fiscal Stabilization Fund – Education Stabilization Fund	2,413,217
State Fiscal Stabilization Fund – Government Services Fund	96,419
ARRA – IDEA – Basic	345,819
ARRA – IDEA – Preschool	12,401
Total ARRA Funds	<u>\$2,867,856</u>
IDEA – Basic	322,097
IDEA – Preschool	7,653
Total Non-ARRA Funds	<u>329,750</u>
Total Funds	<u><u>\$3,197,606</u></u>

**SALEM CITY SCHOOL DISTRICT
ARRA MONITORING REPORT
JUNE 2010**

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 Salem City 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); ARRA-IDEA Basic; ARRA-IDEA Preschool; IDEA; and IDEA Preschool for the period July 1, 2009 through May 24, 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:

Elements comprising the review included the following:

- ESF expenditures for salary of \$1,784,787;
- GSF expenditures for salary of \$71,204;
- ARRA-IDEA Basic expenditures of \$82,099;
- ARRA-IDEA Preschool funds had not been expended at the time of the monitoring visit;
- IDEA expenditures of \$ 322,097; and
- IDEA Preschool of \$ 7,653

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

**SALEM CITY SCHOOL DISTRICT
ARRA MONITORING REPORT
JUNE 2010**

GENERAL DISTRICT OVERVIEW OF USES OF TITLE I AND IDEA FUNDS

ARRA-IDEA Projects

The district is using FY 2010 IDEA Basic funds to support out-of-district placements for students who have educational needs which cannot be currently addressed within the existing district programs. FY 2010 IDEA Preschool funds support the cost of an instructional aide in the preschool disabilities class.

The ARRA-IDEA basic funds are dedicated to a school renovation project to make the middle school accessible to students with mobility issues. ARRA funds are also being used to support a teacher for the multiple disabilities program, provide counseling services to students who exhibit behavioral and learning issues due to emotional distress, and a transition coordinator to work with students attempting to accomplish post secondary transition goals. A modest portion of ARRA funds are providing for professional development, instructional supplies and educational field trips. ARRA-IDEA preschool funds are providing educational field trips for preschool students attending the ESY program and to provide professional consultation services.

DETAILED FINDINGS AND RECOMMENDATIONS

SFSF

Finding 1: The district's cash management report did not tie into the general ledger.

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 formal tracking of SFSF funding and the backup necessary to support the charges consistent with the federal guidance issued with regard to jobs created and jobs saved.

Finding 2: The districts reporting and tracking of jobs created and jobs saved did not reconcile with the required supporting detail to identify the jobs reported for ESF and GSF funding on the 1512 Report.

Citation: EDGAR, PART 80--*Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*, Section 20, Standards for financial management systems.

Required Action: The district must have formal tracking of SFSF funding and the backup necessary to support the information submitted is consistent with the federal guidance recently issued with regard to jobs created and jobs saved.

**SALEM CITY SCHOOL DISTRICT
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IDEA

Finding 3: The district did not submit a renovation project certification to the Office of Special Education Programs prior to undertaking a ramp construction project to be paid for using ARRA-IDEA funds. This form can be located at <http://www.state.nj.us/education/arra/se/>.

Citation: 2 CFR Part 225, Appendix B, 15.b.

Required Action: The district must submit the necessary documents to the Office of Special Education Programs prior to contracting for services related to any renovation or construction project.

ADMINISTRATIVE

Finding 4: The district's 2008-2009 Comprehensive Annual Financial Report (CAFR) identifies amounts due to grantor for federal funds of \$20,981.74 from expired NCLB (Even Start) and Perkins grants.

Citation: *EDGAR, PART 80--Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*, Section 20, Standards for financial management systems.

Required Action: The district must refund the NCLB amounts of \$20,981.74 in a check made payable to "Treasurer, State of NJ" with clear identification as to the grant and the grant year to which the funds pertain. The check can be mailed with the Corrective Action Plan for processing.

Recommendation 1: The district's internal controls and standard operating procedures 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 district should update internal control policies to prevent these errors from recurring.

Recommendation 2: Under the New Jersey's Public School Contracts Law (PSCL) districts 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

**SALEM CITY SCHOOL DISTRICT
ARRA MONITORING REPORT
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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 department 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 district should review 34 CFR Part 80.36 and use open and competitive procedures where at all possible. 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 Anthony Hearn via phone at (609) 633-2492 or via email at anthony.hearn@doe.state.nj.us.