



State of New Jersey

DEPARTMENT OF EDUCATION

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*Governor*

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*Lt. Governor*

CHRISTOPHER D. CERF  
*Acting Commissioner*

February 18, 2011

Mr. Dennis Fyffe, Superintendent  
Stanhope Borough Board of Education  
24 Valley Road  
Stanhope, NJ 07874

Dear Mr. Fyffe:

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

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STANHOPE, NJ 07874  
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**American Recovery & Reinvestment Act 2009**  
*New Jersey K-12 Education*

**ARRA MONITORING REPORT  
FEBRUARY 2011**

**District:** Stanhope Board of Education  
**County:** Sussex  
**Dates on-Site:** November 3 and 19, 2010  
**Case #:** ARRA-075-09

**FUNDING SOURCES**

Program	Funding Award
State Fiscal Stabilization Fund – Education Stabilization Fund	\$216,331
State Fiscal Stabilization Fund – Government Services Fund	8,374
ARRA-Title I	5,687
ARRA-IDEA Basic	85,392
ARRA-IDEA Preschool	3,085
<b>Total ARRA Funds</b>	<b>\$318,869</b>
Title I	\$17,330
Title IIA	8,390
Title IID	173
Title IV	747
IDEA Basic	92,837
IDEA Preschool	4,845
<b>Total Non-ARRA Funds</b>	<b>\$124,322</b>
<b>Total Funding</b>	<b>\$443,191</b>

**STANHOPE BOROUGH PUBLIC SCHOOLS**  
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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 Stanhope 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 IIA; Title IID; Title IV; IDEA Basic; IDEA Preschool; ARRA-Title I; 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 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 \$216,331 were reviewed;
- GSF 100% of expenditures totaling \$8,374 were reviewed;
- Title I 100% of expenditures totaling \$16,959 were reviewed;
- Title IIA 47% of expenditures totaling \$8,390 were reviewed;
- Title IID 100% of expenditures totaling \$173 were reviewed;
- Title IV 67% of expenditures totaling \$747 were reviewed;
- ARRA-Title I had not been expended at the time of the monitoring visit;
- ARRA-IDEA Basic 78% of expenditures totaling \$66,511 were reviewed;
- ARRA-IDEA Preschool had not been expended at the time of the monitoring visit;

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- IDEA Basic 36% of expenditures totaling \$92,837 were reviewed; and
- IDEA Preschool 65% of expenditures totaling \$4,845 were reviewed.

**GENERAL DISTRICT OVERVIEW OF USES OF ARRA FUNDS**

**ARRA-Title I Projects**

The district identified both Language Arts Literacy and Mathematics as their priority problems. To address these concerns the district budgeted funds to hire an additional support staff member to focus on direct instruction and to provide targeted assistance for eligible students.

Educational consultants provided professional development to improve technology infusion and to enhance efforts being made towards differentiating instruction. ARRA-Title I funds were specifically budgeted for instructional supplies to support these efforts.

Time and activity reports do not clearly identify the teacher activities and the time spent working with Title I eligible students.

While the district does have a Parent Involvement Policy it needs to convene an annual Title I meeting and garner input from parents in the formation of its Parent Involvement Policy and Parent-School Compact.

Federal funds were budgeted for non-allowable costs for reimbursement of local funds to send students on an overnight trip to Washington, DC and for a day trip to Dorney Water Park.

**ARRA-IDEA Projects**

The district has elected to utilize the IDEA and ARRA-IDEA funds for out of district tuitions, retain a preschool disabilities teacher and hire two instructional aides. Funds were also allocated for consultants working directly with students, and to purchase instructional supplies and materials.

**DETAILED FINDINGS AND RECOMMENDATIONS**

**Title I**

**Finding 1:**

**Condition:** The district has expended Title I funds for out of state travel including hotel, meals, and transportation for students to attend a field trip to Washington, DC. These expenditures are unallowable. Expenses were also identified for a one day trip to Dorney Water Park which is also unallowable.

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**Citation:** OMB Circular A-87, Attachment B, *Cost Principles for State, Local and Indian Tribal Governments*, NCLB Section 1120A(b) *Fiscal Requirements, Federal Funds To Supplement, Not Supplant, Nonfederal Funds*.

**Required Action:** These expenditures are non-allowable and must be charged to local funds. An adjustment and reappropriation of local funds must be made to replace the federal funds used for this purpose.

**Finding 2:**

**Condition:** The district did not provide evidence of convening the annual Title I meeting for parents to inform them of the school's participation in Title I and the Title I parent involvement requirements and rights. No evidence of parent input was noted in the development of the district's Parent Involvement Policy.

**Citation:** NCLB §1118(c)(1) (2): *Parental Involvement (Policy Involvement)*.

**Required Action:** The district must convene an annual parent involvement meeting and submit the invitational letter/flyer, meeting notes, sign in sheets, and the agenda from the meeting to the NJDOE for review.

**Finding 3:**

**Condition:** The district did not upload the Parents' Right-to-Know letter into the Electronic Web Enabled Grant Application (EWEG). Also, there was no evidence that the letter was distributed to parents.

**Citation:** 34 CFR §200.61 Parents' Right-to-Know, NCLB §1111(h)(6): *State Plans*.

**Required Action:** The district must develop the Parents' Right-to-Know letter and distribute a copy to the parents. The district must send a copy of the letter to the NJDOE for review.

**Finding 4:**

**Condition:** The district did not have supporting documents to verify the activity of Title I 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 Title I funded staff, salaries, funding percentages and time sheets to date to the NJDOE for review.

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**Title II, Part A**

**Finding 1:**

**Condition:** The district provided no documentation to support the implementation of Title IIA programs. For example, the district provided no documents to show the relationship between professional development expenditures under Title IIA and the district's professional development plan. There is no record to show that professional development plans are consistent with funded activities or that funded activities are being implemented in accordance with the approved application. The expended \$1,500 in Title IIA funds for professional development activities was related to special education.

**Citation:** NCLB §2122.

**Required Action:** The district must generate and retain documentation to support the implementation of Title IIA programs and services. Professional development plans must be reviewed to confirm consistency between funded activities and the approved application.

**Finding 2:**

**Condition:** The district provided no documentation to show that professional development activities were consistent with content and performance standards, needs assessment for professional development, efforts to enhance continuous improvement, methods to teach students with special needs, and gender equity. For example, the district's needs assessment showed that bullying and school climate/environment were priority problem areas; however, the district provided expenditure reports of professional development activities related to travel allowances for staff who attended a variety of workshops. No documentation to support the relationship between these workshops and performance standards or priority problem areas was provided.

**Citation:** NCLB §1112, NCLB §1119, NCLB §2122, NCLB §2123.

**Required Action:** The district must ensure that professional development activities are consistent with content and performance standards so that district initiatives such as the anti-bully program will be aligned with performance standards or priority problem areas.

**Title II Part D**

**Finding 1:**

**Condition:** The district provided no documentation to show how technology was used to effectively promote parental involvement, increase communication with parents, and ensure that educational technology is integrated into the curriculum and instruction.

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**Citation:** NCLB §2402, NCLB §2414, NCLB §2416.

**Required Action:** The district must clearly demonstrate how technology is used to effectively promote parental involvement, increase communication with parents and integrated into the curriculum.

**Finding 2:**

**Condition:** The district provided no documentation to show compliance with the Children's Internet Protection Act.

**Citation:** NCLB §2441.

**Required Action:** The district must retain documentation to show compliance with the Children's Internet Protection Act.

**Finding 3:**

**Condition:** The district provided no evidence to show that a technology plan was being implemented. For example, the documents provided by the district showed expenditures related to supplies.

**Citation:** NCLB §2414.

**Required Action:** The district must generate and retain documentation which shows that the technology plan is being implemented.

**Title IV, Part A**

**Finding 1:**

**Condition:** The district provided no evidence of parental involvement in the administration of funded programs, services and activities.

**Citation:** NCLB §4115.

**Required Action:** The district must actively engage and involve parents in the administration of funded programs, services and activities.



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**IDEA**

**Finding 1:**

**Condition:** The district did not establish 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 have a plan for the evaluation of each activity specified in the ARRA Plan. The district should consider individual progress towards Individualized Education Program 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 ARRA-IDEA plan recorded in EWEG system did not match the intended use of these funds for services to special education students. This was discovered through document review and interviews with district administrative staff.

**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 should review the ARRA-IDEA plan recorded in EWEG and, if necessary, amend the application to assure concurrence between the grant application and allowable program expenditures for IDEA.

**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 district provided a list of employees who were reported as a job retained; however, these employees were not funded with ESF or GSF funds.

**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.

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**Financial Management and Reporting**

**Finding 1:**

**Condition:** The district recorded ARRA-Title I, ARRA-IDEA Basic and ARRA-IDEA Preschool in the same 200 series program codes in the general ledger as non ARRA-Title I and IDEA.

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

**Required Action:** The district must establish accounts using the appropriate program codes in the general ledger and transfer the balances from the incorrect accounts. ARRA transactions should be charged to separate program codes in the 450 to 469 series "Other Federal Projects."

**Finding 2:**

**Condition:** The district charged Title IID and Title IV expenditures to the same program code (271) in their general ledger.

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

**Required Action:** The district must establish accounts using the appropriate program codes in the general ledger and transfer the balances from the incorrect accounts. These programs should be charged to separate program codes.

**Finding 3:**

**Condition:** The district did not tag applicable equipment purchases as being purchased with federal funds.

**Citation:** EDGAR, PART 80—*Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*, Section 32, Equipment.

**Required Action:** Equipment purchased with federal funds should be labeled as such.

**Finding 4:**

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

**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*.

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

**Finding 5:**

**Condition:** The district charged numerous expenditures to the incorrect general ledger accounts. Among the coding errors noted were equipment purchases charged to supplies, instructional supplies charged to non-instructional supplies, a conference charged to supplies, and occupational therapy services charged to benefits.

**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 should ensure that expenditures are charged to the appropriate general ledger account in accordance with the Uniform Minimum Chart of Accounts.

**Recommendation 1:** Although the district does not have formal written policies for requesting reimbursement from the EWEG system, the district's practices for requesting reimbursement were verified through questions concerning the district's internal controls.

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

**Recommended Action:** The district must have a formal board policy concerning the reimbursement of grant funds and should submit this to the NJDOE for review.

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 Steven Hoffmann via phone at (973) 621-2750 or via email at [steven.hoffmann@doe.state.nj.us](mailto:steven.hoffmann@doe.state.nj.us).