

April 22, 2010

Mr. Stanley Sanger, Superintendent
Union City Board of Education
3912 Bergen Turnpike
Union City, NJ 07087

Dear Mr. Sanger:

The New Jersey Department of Education has completed a review of funds received and disbursed from one or more federal programs by the **Union 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 December 31, 2009. The resulting report is enclosed. Please provide a copy of the report to each board member. Beginning in May, 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 Union 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 Steven Hoffmann at (973) 621-2750.

Sincerely,

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

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

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American Recovery & Reinvestment Act 2009

New Jersey K-12 Education

**ARRA MONITORING REPORT
APRIL 2010**

District: Union City Board of Education
County: Hudson
Case #: ARRA-078-09

FUNDING SOURCES

Program	Funding Award
State Fiscal Stabilization Fund – Education Stabilization Fund	\$ 25,203,226
State Fiscal Stabilization Fund – Government Services Fund	975,655
ARRA- Title I	4,222,299
ARRA – Title I-SIA	276,062
Total ARRA Funds	<u>30,677,242</u>
Title I	5,802,432
Title I SIA	-
Total Non-ARRA	<u>5,802,432</u>
Total Funding	<u>\$ 36,479,674</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 Union 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); Title I; ARRA-Title I and ARRA-Title I-SIA 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 - 1% of expenditures totaling \$10,592,712 were reviewed;
- GSF - 100% of expenditures totaling \$975,655 were reviewed;
- Title I - 89% of expenditures totaling \$953,835 were reviewed;
- Title I SIA - 60% of expenditures totaling \$147,481 were reviewed; and
- ARRA Title I expenditures were \$77,955 yet could not be verified.

**Expenditures were estimated due to the districts lack of a general ledger. See financial finding #1 .*

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

ARRA Title I Projects

The Union City School District has identified several critical areas to be addressed in the Needs Assessment and Program Plan in their Electronic Web Enabled Grant (EWEG) application. Consistent with their application the district has begun to focus using their 2010 Title I and Title I-ARRA funds to provide professional development in order to improve teaching and learning for all students. Program plans for all attendance centers are school-wide and include the hiring of coaches to assist in implementing specific strategies in Language Arts Literacy and Mathematics. The district is also developing greater vertical and horizontal articulation and promoting teacher effectiveness by allowing common planning time to share best practices.

Teachers are receiving technical support in order to better use data to analyze student performance and to assist target populations where they have demonstrated partial proficiency. The district supports all aspects of its *Blueprint for Sustained Academic Achievement* as well as implementing all of the CAPA recommendations.

Each of the five schools that have been identified as schools in need of improvement, corrective action, or restructuring, are meeting the federal requirements for parent involvement and providing Supplemental Educational Services. Allocations to each of these attendance centers support additional professional development efforts to specifically benefit students by addressing the achievement gap and establishing the goal of making adequate yearly progress (AYP) across all subpopulations.

DETAILED FINDINGS AND RECOMMENDATIONS

Title I

Finding 1:

Condition: The district did not formally appoint Title I staff in the board minutes.

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: All staff charged against grants should be reappointed annually by board resolution.

Finding 2:

Condition: The district is charging ARRA Title I and ARRA Title I-SIA to the 200 series program codes in the general ledger when they should be charged to program codes in the 450 to 469 series "Other Federal Projects."

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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. The district was provided with the detailed transaction data accordingly.

SFSF FUNDS

Finding 1:

Condition: The district's reporting and tracking of jobs created and jobs saved did not have 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 necessary backup documentation to support that the information submitted is consistent with the federal guidance recently issued on jobs created and jobs saved. The district must submit updated information with detailed staffing data through March 31, 2010 to the NJDOE for review.

Finding 2:

Condition: The district's reporting and tracking of SFSF funding did not have the required supporting detail. The district needs to charge direct salaries to Fund 16 and Fund 17 with an identified list of staffing that reconciles to the ESF and GSF Cash Management 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 necessary backup documentation to support that the information submitted is consistent with the federal guidance recently issued on tracking ARRA funds. The district must submit updated information with detailed staffing data through March 31, 2010 to the NJDOE for review.

Finding 3:

Condition: The district is inappropriately charging salaries of maintenance workers (function codes 261 and 262) to Fund 16. Eighty-four maintenance workers with annual salaries of \$2,283,218 are currently being charged to SFSF.

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Citation: *American Recovery and Reinvestment Act (ARRA)*, Section 14003.

Required Action: The district must cease charging the salaries of maintenance workers to Fund 16. Those salaries already charged to Fund 16 must be reclassified.

Finding 4:

Condition: The district failed to report contracts in excess of \$25,000 on their ARRA quarterly Section 1512 report.

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

Required Action: The quarterly 1512 report should be fully completed including any contracts in excess of \$25,000.

Recommendation 1:

Condition: The district has charged the purchase of approximately \$881,000 of telecommunications equipment for which they are also seeking federal reimbursement under the Telecommunications Act of 1996 E-Rate program to SFSF funds.

Citation: *American Recovery and Reinvestment Act (ARRA)* Section 14003.

Recommended Action: In order to avoid the possibility of charging the same equipment purchases to two separate federal programs the purchases should be reclassified out of the SFSF program.

Financial Management and Reporting Findings and Recommendations

Finding 1:

Condition: As of March 17 through 19, 2010, which were the dates of the on-site monitoring, the district did not have an up-to-date general ledger. The district is in the process of transitioning to a new general ledger system and transactions had not been fully posted since September 2009. In addition, the district could not provide payroll records by individual to support amounts charged to federal programs. The lack of a current general ledger limited the scope of the work performed by the monitoring team. Supporting documentation and other available records were used to estimate certain expenditures. The lack of up-to-date financial records has also caused the district to be delinquent in the filing of their Board Secretary Reports which have not been filed since August 2009.

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: District financial records should be brought up-to-date as soon as possible and past due Board Secretary Reports should be prepared.

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Finding 2:

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

Citation: 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 3:

Condition: The district charged equipment purchases to the incorrect general ledger account. Smart Boards with a total cost in excess of \$2,000 were improperly charged to supplies. New Jersey regulations require that equipment with a unit cost greater than \$2,000 be charged as equipment.

Citation: Uniform Minimum Chart of Accounts for New Jersey Public Schools, EDGAR, PART 80—*Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*, Section 32, Equipment.

Required Action: The district should comply with existing regulations and charge all equipment purchases of \$2,000 or greater to an equipment account. Those expenditures charged to the wrong account should be reclassified. The district was provided with the detailed transaction data accordingly.

Finding 4:

Condition: The district is not properly tagging and inventorying all equipment purchases. Auditors reviewed a sample of 14 equipment purchases. Nine of the 14 items tested were not tagged or inventoried and none were labeled 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: All equipment purchases should be appropriately tagged and inventoried. Equipment purchased with federal funds should be labeled as such.

Finding 5:

Condition: The district does not have a current written policy for the procurement of goods and services. The district is in the process of preparing new policies.

Citation: NJAC: 6A:23A-6.6: *Standard operating procedures for business function*.

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Recommended Action: The district must have a formal policy for the procurement of goods and services. Once policies are completed they should be adopted by the board and distributed to the appropriate personnel.

Finding 6:

Condition: The district failed to adhere to New Jersey Public Schools Contracts Law (PSCL) and federal regulations when hiring professional development providers. The district contracted with Standards Solution, LLC to provide “professional development training” at a total cost of \$239,900. The district also contracted with Scantron to provide “professional development for district instructional staff on project management” at a cost of \$103,000. These professional development services exceeded the bid threshold and require competitive contracting under PSCL. The district awarded these contracts without conducting the required competitive contracting process.

Citation: N.J.S.A. 18A:18A-4 *Contracts and agreements requiring advertising*, EDGAR, PART 80—*Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*, Section 36, Procurement, N.J.S.A. 18A:19-3 *Verification of claims*, N.J.S.A. 18A:18A-40 *Form and execution of contracts and bonds*.

Required Action: The district must use a competitive contracting process or a public bidding process when contracting for professional development services.

Finding 7:

Condition: The district failed to comply with state and federal procurement regulations when purchasing Smart Boards. The district purchased a total of \$35,466 of Smart Boards from Keyboard Consultants, Inc.; however, they could not provide any evidence to the monitors that the purchases were publicly bid or purchased under a state contract in accordance with PSCL.

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

Required Action: The district must comply with current federal and state procurement regulations. No additional purchases should be made from this vendor unless a contract is awarded through advertised bids. In addition, the district should establish contract files which contain documentation that demonstrates that the district has complied with procurement regulations and costs are reasonable.

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.

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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.

Recommendation 2: District contract files were often not clear as to the method of procurement used. Files did not clearly indicate the reason a purchase was or was not subject to competitive contracting or formal bidding.

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

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

The NJDOE thanks you for your time and cooperation during the monitoring visit and looks forward to a successful resolution of all findings and implementation of all recommendations contained in this report.

If you have any questions, please contact Steve Hoffmann via phone at (973) 621-2750 or via email at steven.hoffmann@doe.state.nj.us.