



State of New Jersey

DEPARTMENT OF EDUCATION

PO Box 500

TRENTON, NJ 08625-0500

CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

July 15, 2010

BRET SCHUNDLER
Commissioner

Mr. Dennis Anderson, Superintendent
Wildwood City Board of Education
4300 Pacific Avenue
Wildwood, NJ 08260

Dear Mr. Anderson:

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

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

ARRA MONITORING REPORT
JULY 2010

District: Wildwood City School District
County: Cape May
Dates On-Site: April 19 and 20, 2010
Case #: ARRA-087-09

FUNDING SOURCES

Program	Funding Award
ARRA - Title I	\$406,218
ARRA – Title I SIA	24,386
ARRA – IDEA –Basic	253,759
ARRA – IDEA –Preschool	9,117
Total ARRA Funds	<hr/> \$693,480 <hr/>
Title I	703,863
Title I - SIA	-
IDEA - Basic	250,061
IDEA - Preschool	4,861
Total Non-ARRA Funds	<hr/> 958,785 <hr/>
Total Funds	<hr/> \$1,652,265 <hr/> <hr/>

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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 Wildwood City School District 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: ARRA-Title I; ARRA-Title I SIA; ARRA-IDEA Basic; ARRA-IDEA Preschool; Title I; Title I SIA; IDEA; and IDEA Preschool for the period July 1, 2009 through March 24, 2010. The monitoring also included a review of the district's most recent ARRA section 1512 quarterly report 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:

- ARRA-IDEA Basic expenditures of \$186,473;
- ARRA-IDEA Preschool funds had not been expended at the time of the monitoring visit;
- ARRA-Title I funds had not been expended at the time of the monitoring visit;
- ARRA-Title I SIA funds had not been expended at the time of the monitoring visit;
- Title I expenditures of \$237,087;
- Title I SIA funds had not been expended at the time of the monitoring visit;
- IDEA expenditures of \$243,087; and
- IDEA Preschool funds had not been expended at the time of the monitoring visit.

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

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GENERAL DISTRICT OVERVIEW OF USES OF TITLE I AND IDEA FUNDS

ARRA-Title I Projects

The Wildwood Public Schools allocates Title I, Part A funds to two of its three schools: Glenwood Avenue Elementary School and Wildwood Middle School. The poverty rates of the schools are 78.01% and 77.58%, respectively, thus the district is required to allocate Title I funds to each school. The elementary school receives \$402,620 in Title I funds and the middle school receives an allocation of \$118,237.

The district was not selected to receive a 21st Century Community Learning Center continuation grant; therefore, a portion of the Title I funds is being used to replace programs that were previously funded with that grant. The district's after-school program for its elementary and middle school students is now being supported with Title I funds.

Title I funds are also being used for a portion of the salaries of Basic Skills teachers. The elementary school has eight partially funded teachers and one partially funded paraprofessional. The middle school has 16 partially funded teachers. The Basic Skills teachers spend varying percentages of their day working with Title I students, ranging from 50% to 100% of their daily schedule. The district has expended Title I funds for Wilson Reading, for the use of the Basic Skills teachers to supplement the instructional program of the low-performing students.

ARRA-IDEA Projects

IDEA funds are allocated to recurring tuition for classified students placed out-of-district. ARRA-IDEA funds are allocated to unanticipated tuition costs for a student court ordered to receive school in a remote location. ARRA-IDEA funds are also being used to purchase technology units to be used in special education resource classes. IDEA and ARRA-IDEA nonpublic funds are being used to support the salary of an instructional aide in the parochial school – recurring salary and increased costs.

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DETAILED FINDINGS AND RECOMMENDATIONS

Title I

Finding 1: The district did not have equipment inventory for items purchased with federal grants (Title I and IDEA).

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

Required Action: The district must have formal tracking of equipment purchased with federal grants. Although the state threshold for reporting equipment is \$2,000 in the Electronic Web Enabled Grant (EWEG) system, the district may have its own lower threshold. The district must track any amount that is less expensive to track than it is to replace. All inventoried items should include tag number, cost, location, date of purchase, and item description.

Finding 2: The district is supplanting by purchasing items not for exclusive use by identified Title I students including costs for history books, encyclopedias for the library, special education resource room, etc.

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: The district must review items charged to the grant to make sure they are qualified purchases for identified Title I students and provide the adjusting entries to show the reclassification of the unallowable expenses. This information must be submitted to the NJDOE for review.

Finding 3: The district does not have defined exit criteria for students in its Title I program.

Citation: NCLB §1115(c): *Targeted Assistance Programs (Components of a Targeted Assistance Program)*.

Required Action: The district must develop multiple educationally related objective criteria to identify students that are no longer in need of Title I services. These criteria should be primarily quantitative in nature.

Finding 4: The letter distributed to parents to inform them of their child's participation in the Title I program does not include all the required components. The letter contains neither the academic/instructional criteria the student must meet to exit the Title I program, nor the instructional strategies the school will use to remediate students in the Title I program.

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

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Required Action: The district must develop the notification letter for distribution to parents of students in the Title I program. The letter must include the following required elements: the quantitative and qualitative criteria to be used to identify students no longer eligible for Title I services and the instructional strategies the district/school will use to remediate the Title I students.

Finding 5: The district's Parents Right-to-Know letter does not meet the legislative/regulatory criteria. The letter still refers to the High Objective Uniforms Standard of Evaluation (HOUSE) as a means for teachers to meet the federal definition of HQT. For the majority of teachers, the HOUSE option expired on June 30, 2007. Additionally, the letter does not provide a process or contact for parents to request the HQT information relating to their child's teacher.

Citation: NCLB §1111(h): *State Plans (Reports)*.

Required Action: The district must modify its Parent's Right-to-Know letter to remove all references to HOUSE. The revised letter must also specify a district contact or process for parents to request information on the professional qualifications of their child's classroom teacher.

Finding 6: The district's process for parents to enroll their child in SES presents barriers to parent involvement. The district requires parents to attend an SES provider fair or schedule a meeting with school officials to get information on state approved SES providers. The notification letter to parents of eligible students includes neither the list of state approved providers nor the link to the provider list on the NJDOE Web site.

Citation: NCLB §1116 (e): *Supplemental Educational Services (Local Educational Agency Responsibilities)*.

Required Action: The district must modify its SES notification and communication process to remove barriers to parents accessing information. The district must revise the SES notification letter to parents of eligible students to include the link to the complete list of approved SES providers in the state of New Jersey. The district must also devise a mechanism to distribute the list to parents without internet access (e.g., pickup at school, mail, send home with the student), and a means to disseminate information on providers without parents having to attend a meeting (e.g., phone number of district contact).

Finding 7: There is no evidence that the district held the annual meeting for parents of Title I students. While the district held several parent activities (e.g., parent-teacher conferences, preschool story time, Family Math Day and Disney Night), these programs are not Title I specific, thus they do not meet the legislative and regulatory requirements.

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

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Required Action: The district must convene the annual meeting to inform parents of the school's participation in Title I and the Title I parent involvement requirements and rights. The district must send copies of the agenda, sign-in sheets and minutes from the annual parent meeting to the NJDOE for review.

Finding 8: There is no evidence that the district's Title I schools have developed and distributed a school-level parent involvement policy.

Citation: NCLB §1118(d): *Parental Involvement (Shared Responsibilities for High Student Academic Achievement)*.

Required Action: The principals of the district's Title I schools must work with their staff and parents to develop a Title I school-parent compact. Each school must distribute the compact to the parents of its Title I students and send a copy of the school-parent compact to the NJDOE for review.

Finding 9: The district is not maintaining appropriate oversight of the Title I staff assigned to provide services to eligible students in nonpublic schools, nor is the district properly expending the Title I funds reserved for services to eligible nonpublic school students. The district is allowing the nonpublic official at St. Ann's School to certify the time sheet of the district employee assigned to the school to provide Title I services.

Citation: NCLB §1120A: *Participation of Children Enrolled in Private Schools (Public Control of Funds)*.

Required Action: The district must immediately develop and implement procedures to authorize the Time and Activity Report for the district employee assigned to the St. Ann's School. The district must submit the authorized Time and Activity Reports for May 2010 and June 2010 to the NJDOE for review.

Finding 10: The district has documented five low-performing Wildwood residents who attend St. Ann's School. The district is mandated to provide Title I services, and accompanying materials and supplies, for its resident low-performing students only; the district purchased 24 Amazon Kindle units for the use of students at St. Ann's School. The district is not responsible for purchasing the units for the use by the 19 non-resident students.

Citation: NCLB §1120A: *Participation of Children Enrolled in Private Schools (Public Control of Funds)*.

Required Action: The district must reverse the charges to the Title I grant for 19 of the Amazon Kindle units and send documentation to the NJDOE verifying the reversal of the expenditure.

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IDEA

Finding 11: The district staff charged to the Title I grant in fund 20 were not approved by the district's Board of Education.

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 should have all staff charged to any federal grant approved by the Board of Education. The district should submit minutes showing the approval of staff funded by Title I.

Finding 12: The district classified expenditures for equipment to a supply line item, when the cost of the component units make up the total cost and should be listed as equipment in the grants system and not supplies.

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

Required Action: The district must update their grant application to reclassify charges from supplies to equipment for items where the total cost of the component unit exceeds the \$2,000 threshold.

Finding 13: The district is non-compliant with the requirements for the provision of services to students with disabilities attending nonpublic schools. The district did not obtain an affirmation of consultation for the IDEA and ARRA-IDEA grants. A Title 1 affirmation letter was on file to document a meeting. The student's service plan did not correspond to the activities listed in the grant applications on EWEG. Service provider time sheets corresponded with the student's service plan, but not the grant application.

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 services listed for nonpublic students in the EWEG applications must correspond to the student services plan and the time and activity sheets maintained for staff serving the nonpublic students. The grant application must be amended to accurately reflect services being delivered.

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Finding 14: The FY 2008 final report in the EWEG system includes carry over funds in the nonpublic category in the amount of \$10,176. The FY 2009 grant application has not been amended to allocate those funds. The FY 2009 final report is now past due.

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 complete the required FY 2009 IDEA grant amendment in the EWEG system. Upon final approval of the amendment through the NJDOE Office of Grants Management, the district must complete the FY09 final report. Since the nonpublic school is due to close at the end of the Spring 2010 term, the district must indicate this in the EWEG final report and return unexpended nonpublic funds.

Administrative

Recommendation 1: The district's internal controls 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: The district does not have formal written policies for requesting reimbursement from the EWEG system; however, the district's practice for requesting reimbursement was 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.

Recommendation 3: 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 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

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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 NJDOE 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.