

**STATE OF NEW JERSEY
DEPARTMENT OF EDUCATION
SCHOOL DISTRICT, CHARTER SCHOOL and RENAISSANCE SCHOOL PROJECT
STATE AID/GRANT COMPLIANCE SUPPLEMENT**

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(Note that individual compliance requirements contained in each section of this Compliance Supplement are applicable to school districts, charter schools, and renaissance school projects unless otherwise noted.)

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DEPARTMENT OF EDUCATION

State Aid – Public

Equalization Aid	495-034-5120-078
Educational Adequacy Aid	495-034-5120-083
Special Education Categorical Aid	495-034-5120-089
Security Aid	495-034-5120-084
Adjustment Aid	495-034-5120-085
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School Choice Aid	495-034-5120-068
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PARCC Readiness	495-034-5120-098
Under Adequacy Aid	495-034-5120-096
Transportation Aid	495-034-5120-014
Adult and Post-Graduate Program Aid	100-034-5120-510
Professional Learning Community Aid	495-034-5120-101
Host District Support Aid	495-034-5120-102

(See Section II-SA of The Audit Program issued by the Department of Education for a comprehensive listing of state aid accounts.)

I. PROGRAM OBJECTIVES

To establish a funding source for school districts/charter schools/renaissance school projects in accordance with the “School Funding Reform Act of 2008” (SFRA) P.L. 2007, c.260.

II. PROGRAM PROCEDURES

School districts/charter schools were notified of their 2016-17 allocation of the amounts appropriated as State aid in the February 16, 2016 State aid notice issued by the Commissioner of Education.

For GAAP purposes, the amount of 2015-16 state aid reflected in the deferred last two state aid payments of June 2016 (received July 2016) is recognized as revenue in 2016-17. For budgetary purposes, the two deferred payments from June 2016 were included in 2015-16 revenue. June payments to charter schools and to renaissance school projects were not deferred.

The deferred last two state aid payments to school districts for fiscal year 2016-17 (June 2017) are received July 2017 and included as 2016-17 revenue for budgetary purposes and as 2017-18 revenue for GAAP purposes. This is reported in the aggregate in the Required Supplementary Information (Exhibit C-3 of the CAFR) and not itemized by state aid category.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. TYPES OF SERVICES ALLOWED OR UNALLOWED

1. Compliance Requirements

The state aid categories listed at the beginning of this chapter are general fund revenue sources.

Suggested Audit Procedures

- Verify that the correct amount of state aid for 2016-17 is recorded as general fund revenue in the school district's accounting records and approved budget and that, if applicable, the accounting records reflect the accounts receivable for any aid category having an increase after adjustment.
- Verify that the correct amount of charter school aid for 2016-17 is recorded as general fund revenue in the charter school's accounting records and approved budget and that, if applicable, the accounting records reflect the accounts receivable or payable due to or from the school district.
- Verify that the correct amount of renaissance school project aid for 2016-17 is recorded as general fund revenue in the renaissance school project's accounting records and approved budget and that, if applicable, the accounting records reflect the accounts receivable or payable due to or from the school district.

B. ELIGIBILITY

1. Compliance Requirements

The school district must complete the Application for State School Aid (ASSA) in accordance with the instructions provided by the Office of School Finance. The district must complete a set of workpapers that document the compilation of data and provide an audit trail for testing the enrollments reported on the ASSA. All charter school and renaissance school project students are on-roll in their district of residence and reported in the school district's ASSA.

The school district/charter school/renaissance school project must have on file written procedures that provide a description of the count process. The workpapers and internal procedures must be maintained on file for seven years. The internal control procedures, and related workpapers must be made available for audit.

School Districts:

Districts obtain their October 2016 ASSA printout dated February 16, 2017 from the district's individual account on the school aid notice selection on the district's DOE Homeroom Page. The Schedule of Audited Enrollments presented in the June 30, 2017 Auditor's Management Report (AMR) as of October 15, 2016 will reflect the enrollment reported on the October 2016 ASSA printout inclusive of the compression of special education tiers and detailed enrollments of LEP low income and LEP not low income students in accordance with the October 2016 ASSA instruction manual also available through the district's Homeroom page. Questions about the ASSA or to request to obtain the printout directly from the department, please email assa@doe.state.nj.us.

Charter Schools:

Charter schools obtain their enrollment printouts for the October 15, 2016 and the last day of school enrollment counts from the CHE system accessed through

the charter school's DOE Homeroom page. Questions about the CHE system or requests to obtain the enrollment printouts directly from the department should be addressed to school-funding@doe.state.nj.us.

Charter schools must submit enrollment data through the Charter School Enrollment System (CHE) at October 15, 2016 and last day of school. The CHE enrollment data at October 15, 2016 is automatically populated into the ASSA of the district of residence and used for the determination of resident students and calculation of state aid.

Renaissance School Projects

Renaissance school projects submit enrollment data through NJSMART based on on-roll students in the New Jersey School Register as of October 15, 2016 and on the last day of school. The Renaissance school project prints a Renaissance Enrollment Report through NJSMART, detailing all students on-roll of as of October 15 and last day of school. This Enrollment Report will support the corresponding renaissance school district schedule of aid which is provided by the renaissance school district. A final enrollment count may be conducted, if deemed necessary by the renaissance school project or the renaissance school districts. These reports should be on-file in the business office.

Suggested Audit Procedures

- In accordance with instructions and audit procedures in The Audit Program, Section I-3 and III-4, issued by the Department of Education, verify enrollments reported on the district's ASSA printout, the charter school's CHE printouts or the Renaissance Enrollment Report with the pupil counts on the district's/charter school's /renaissance school project workpapers.

C. MATCHING, LEVEL OF EFFORT AND/OR EARMARKING REQUIREMENTS

None.

D. REPORTING REQUIREMENTS

None.

E. SPECIAL TESTS AND PROVISIONS

1. Compliance Requirements

Expenditures, which exceed the bid or quote threshold, must be made in accordance with the requirements of the Public School Contracts Law (*N.J.S.A. 18A: 18A et seq.*). Refer to Section I, Chapter 5, of The Audit Program, Bids & Contracts/Purchasing. Renaissance school projects are not subject to *N.J.S.A. 18a:18A*.

Suggested Audit Procedures

- Test expenditures to determine compliance with advertising for bids and obtaining quotes as required by *N.J.S.A. 18A: 18A-3, 18A-4 and 18A-37*.

2. Compliance Requirements

The Board Secretary, and Treasurer of School Moneys (where the BOE has elected to maintain the position of Treasurer of School Moneys (*N.J.S.A.* 18A:8-33) of a school district, charter school, or renaissance school project must prepare and submit financial reports in accordance with *N.J.S.A.* 18A:17-9 and *N.J.S.A.* 18A:17-36, respectively. Within 60 days of the December month-end, or later upon approval of the executive county superintendent, every school district board of education and charter school or renaissance school project board of trustees shall provide a copy of the school business administrator/board secretary's and treasurer's (where the BOE/BOT has elected to maintain the position) monthly financial reports to the executive county superintendent pursuant to *N.J.A.C.* 6A:23A-16.10(c)(4)(iv). Pursuant to *N.J.S.A.* 18A:17-10, all school districts, charter schools, and renaissance school projects must submit the Annual Report to the board and the executive county superintendent by August 1.

Suggested Audit Procedures

- Review board minutes for acceptance of reports and the inclusion of the reports or a summary thereof.
- Verify the reports are in agreement with the financial records of the district/charter school.
- Verify that the Board Secretary and Treasurer (where BOE/BOT has maintained the position) reports were prepared within 60 days after December.
- Review school district, or charter school, or renaissance school project records to determine if the Annual Report was submitted to the Board and executive county superintendent by August 1.

3. Compliance Requirements

A school district board of education, charter school or renaissance school project board of trustees shall not incur any obligation or approve any payment in excess of the amount appropriated by the district board of education/board of trustees in the applicable line item account or program category account. (*N.J.A.C.* 6A:23A-16.10)

Suggested Audit Procedures

- Review budgetary appropriation ledger for over-expenditures.
- Review board minutes for approval of transfers and to assure transfers were approved prior to the over-expenditure of any line item account.

4. Compliance Requirements [N/A to charter schools/renaissance school projects]

N.J.S.A. 18A:22-8.1, applicable for regular non-vocational districts, requires Commissioner approval (or executive county superintendent as Commissioner's designee) for line-item transfers from any general fund appropriation account that on a cumulative basis exceed 10 percent of the amount of the account included in the budget certified for taxes. The district must also obtain two-thirds affirmative

vote of the authorized membership of the school board. *N.J.A.C. 6A:23A-13* provides further guidance regarding transfers. The department provided an excel worksheet for the districts to complete at least monthly to track transfers. Districts were able to access the worksheet and directions at: <http://www.state.nj.us/education/finance/fp/af/transfer/>.

County approval is deemed to have been received by the school district if, after 10 working days of receipt of the request by the executive county superintendent or assistant commissioner, as applicable, no approval or denial has been provided to the district. The district must obtain supporting documentation that the request was received by the executive county superintendent.

Suggested Audit Procedures

- Review the monthly transfer worksheets prepared by the school district and determine that the school district received the appropriate approvals, including documentation of executive county superintendent receipt when applicable.

5. Compliance Requirements [N/A to charter schools/renaissance school projects]

N.J.A.C. 6A:23A-13.3(g) requires regular non-vocational school districts to receive executive county superintendent approval (Commissioner’s designee) for any transfer to an advertised appropriation account identified as administration that exceeds, on a cumulative basis, 10 percent of the amount of the account included in the district’s budget certified for taxes. These administration accounts include general administration, school administration, central services, or administrative information technology.

Suggested Audit Procedures

- Review the monthly transfer worksheets prepared by the school district and determine that the district received the appropriate approvals.

6. Compliance Requirements [N/A to charter schools/renaissance school projects]

N.J.S.A. 18A:7G and *N.J.A.C. 6A:23A-8.4* require voter or board of estimate approval of the local funding for a capital project (school facility project or other capital project) in the budget certified for taxes, at a special election (type II districts) or by special resolution (type I districts), or by withdrawal from capital reserve in accordance with *N.J.A.C. 6A:23A-14.1*. For withdrawals from capital reserve to fund projects that would not otherwise be eligible for State support, and where the school district has moved to a November election, the requirement for voter or board of school estimate approval is met through the certification of the board of education/board of school estimate and approval by the executive county superintendent for a school district budget that is within the statutory tax levy cap. *N.J.A.C. 6A:23A-13.3(h)* requires executive county superintendent approval for transfers to capital outlay, excluding equipment, for an “emergent circumstance” after an on-site inspection by the county superintendent. Transfers to equipment accounts or to supplement a capital outlay executive project previously approved by the voters or board of school estimate pursuant to

N.J.A.C. 6A:23A-8.4 do not require approval of the executive county superintendent.

Suggested Audit Procedures

- Review the monthly transfer worksheets prepared by the school district and determine that the district received the appropriate approvals.

7. Compliance Requirements [N/A to charter schools/renaissance school projects]

N.J.S.A. 18A:7G-31(c), and *N.J.S.A.* 18A:7G-13 permit school districts, by board resolution, to transfer undesignated general fund balance to either the capital reserve account or maintenance reserve account if included in the school district's original budget certified for taxes or approved at a special election (type II districts) or by the board of school estimate (type I districts). *N.J.S.A.* 18A:7F-41 permits a school district board of education or board of school estimate to transfer by board resolution at year-end (between June 1 and June 30) any unanticipated revenue or unexpended line-item appropriation amounts, or both, to the capital reserve or the maintenance reserve account for withdrawal in subsequent school years.

Suggested Audit Procedures

- Review deposits into the capital reserve account to determine if the transfer was included in the original budget certified for taxes; the district received voter approval at one of the special elections (type II districts) or by the board of school estimate (type I districts); or the transfer was made by board resolution between June 1 and June 30.
- Review deposits into the maintenance reserve account to determine if the transfer was included in the original budget certified for taxes; the district received voter approval at one of the special elections (type II districts) or by the board of school estimate (type I districts); or the transfer was made by board resolution between June 1 and June 30.

8. Compliance Requirements [N/A to charter schools/renaissance school projects]

N.J.S.A. 18A:7F-41 permits school districts to establish a current expense emergency reserve account and appropriate funds into the account in the school district's annual budget or through a transfer by board resolution at year end of any unanticipated revenue and unexpended line-item appropriation amounts. The account balance is not to exceed \$250,000 or 1 percent of the school district's general fund budget up to a maximum of \$1 million whichever is greater. Withdrawals require approval by the Commissioner, except as permitted in *N.J.A.C.* 6A:23A-14.4(a)1 when necessary to meet an increase in total health care costs in excess of 4 percent if the school district did not receive an automatic adjustment for health care costs or the withdrawal is included in the original budget certified for taxes to finance school security improvements, including improvements to school facilities. Any amount that exceeds the limit at year end must be reserved and appropriated in the second subsequent year's budget.

Suggested Audit Procedures

- Review the board minutes to determine that if a reserve account was established and/or determine whether deposits were made between June 1 and June 30 or through the annual budget process.
- Calculate the maximum balance permitted and determine that the emergency reserve account balance does not exceed the statutory amount.
- If the school district transferred funds from the emergency reserve, review the Commissioner approval letter to determine that the amount transferred was authorized.

9. Compliance Requirements [N/A to charter schools/renaissance school projects]

N.J.S.A. 18A:7F-41 permits school districts to establish an Impact Aid –General Fund Reserve account and an Impact Aid- Capital Reserve fund account and appropriate funds into the account through a transfer by board resolution at year end.

Suggested Audit Procedures

- Review the board minutes to determine if a reserve account was established and/or determine whether deposits were made between June 1 and June 30.
- Ensure that cumulative transfers to the impact aid reserve in a given fiscal year shall not exceed the total amount of federal impact aid received during that same fiscal year. The total yearend balance of funds on deposit in either general fund Impact Aid or capital Impact Aid reserve account shall not be limited.
- Withdrawal may occur through the budget process or by board resolution during the fiscal year in any subsequent school year. The board, at its discretion, may use the withdrawn funds to finance the district’s general fund (general fund Impact Aid Reserve) or to finance school facilities projects (capital Impact Aid Reserve), in a manner consistent with federal law.
- All reserve accounts shall be established and held in accordance with GAAP and shall be subject to annual audit. Any capital gains or interest earned shall become part of the reserve account. A separate bank account is not required; however, a separate identity for each reserve account shall be maintained.

10. Compliance Requirements [N/A to charter schools/renaissance school projects]

N.J.S.A. 18A:7F-41 provides that school districts may establish a debt service reserve account in the debt service fund for proceeds from the sale of district property. Deposits may not be made to the reserve account if a district does not have any outstanding debt. Pursuant to *N.J.A.C.* 6A:23A-14.4(a)2, the funds may be used for any outstanding debt obligation or debt obligations of the school district. The funds are to be used to retire outstanding debt obligations of the

school district within the lesser of five years from its inception or the remaining term on the obligations. Any remaining balance must be reserved and appropriated in the second subsequent year's budget.

Suggested Audit Procedures

- If the school district has a debt service reserve account, determine that the reserve was established using proceeds from the sale of district property and was properly authorized by a board resolution.
- In the year of deposit, determine that the district had outstanding debt. In future years, determine that the school district still has outstanding debt.

11. Compliance Requirements [N/A to charter schools/renaissance school projects]

N.J.S.A. 18A:22-8.1, applicable for regular non-vocational school districts, limits transfers from surplus or under budgeted or unbudgeted revenue to those amounts approved in the district's original budget, unless Commissioner approval is obtained. The regulations provide further guidance regarding the appropriation of surplus (*N.J.A.C. 6A:23A-13.3*). Appropriations between April 1 and June 30 require approval from the executive county superintendent or other Commissioner designee. Prior to April 1, approval is granted by the Commissioner (or the Commissioner's designee) only for an emergent circumstance.

Below are six exceptions that do not require department approval:

- approval is granted in the department's notification of a state grant;
- appropriation of unbudgeted and under budgeted tuition revenue from a school district-specific program that is not part of a formal sending-receiving relationship;
- appropriation of unbudgeted and under budgeted school transportation revenue generated as part of the school district's or Coordinated Transportation Services Agency's role as host provider;
- restricted miscellaneous local revenue;
- appropriation of federal revenue; and
- appropriation of surplus generated from any federal or state revenue excluded from the pre-budget year excess surplus calculation.

Suggested Audit Procedures

- Review the general fund beginning and ending fund balance and any additional appropriations of revenue or other under-budgeted or unbudgeted revenue during the year in conjunction with the monthly transfer worksheets to determine whether proper approval was obtained for any appropriation of surplus not included in the original budget certified for taxes, which did not meet one of the six exceptions noted above.

- Verify that the school district expended the additional appropriation of funds for the approved intended purpose.
- If the school district transferred funds from unreserved, unbudgeted surplus prior to April 1, determine whether the district received Commissioner approval authorizing the transfer.

12. Compliance Requirements [N/A to charter schools/renaissance school projects]

For regular school districts (excluding non-operating and vocational school districts), *N.J.S.A. 18A:7F-5(c)* established administrative cost limits. School districts are required to budget and appropriate total administrative costs within the administrative cost limit, as calculated and established by the Department of Education. School district total administrative cost is defined by the *Taxpayers' Guide to Education Spending* as total administrative costs calculated in the Advertised Per Pupil Cost Report of the district's budget statement and include the functions for general administration, school administration, central services, and administrative information technology functions, excluding judgments against the school district, interest on lease purchases, and interest on bond anticipation notes. School districts are required to account for all appropriations, administration as well as other expenditures, consistent with guidance issued in the Chart of Accounts. Proper supporting documentation should be maintained for permissible allocation of salaries. Auditors should refer to Section I-6 of The Audit Program for guidance on classification and allocation of administrative expenditures.

Suggested Audit Procedures

- Review administrative cost functions for significant fluctuations from prior year to determine compliance with coding of expenditures.
- Trace employment contracts for the chief school administrator, business administrator, and principal/vice principal to the amounts recorded in general administration, central services and school administration. The salary for these functions may only be allocated to direct classroom instruction if part of the regular teaching curriculum of the district.
- Verify that proper supporting documentation is maintained for administrative salaries that are allocated to other functions (ex: for allocation to instruction, request the teaching roster or another form of documentation, such as timesheets and inquiry of district personnel, to support the teaching position as a regular part of the curriculum).
- Inquire if any salaries were reclassified from an administrative to a non-administrative function from the prior year, and determine if their job description and/or duties have changed.
- Trace professional contracts, such as legal and audit, to the detailed ledgers to determine proper account classifications.

- Review the school district prepared schedule detailing all staff requiring school administrative, business administrative and principal certification in conjunction with the district prepared questionnaire on administrative classifications as a tool in planning the audit and verifying coding accuracy of administrative salaries. Include a finding and recommendation when district prepared schedule and/or questionnaire is substantially incomplete or inaccurate.

13. Compliance Requirements

N.J.S.A. 18A:11-12 provides specific guidelines for school district, charter school, and renaissance school project travel policies and procedures. The Commissioner of Education may reduce state aid payments to any district/charter school/renaissance school project by any amounts found to be in violation of restrictions placed on travel expenditures in accordance with regulations adopted by the Commissioner.

N.J.A.C. 6A:23A-7.1 et seq. codifies previously issued guidance from the department on travel, including the requirement that each school district, charter school, and renaissance school project board of education/board of trustees adopt a formal policy and procedures pertaining to travel and expense reimbursement for its employees and board members. *N.J.A.C.* 6A:23A-7.13 requires each district board of education/board of trustees to adopt and implement policies and procedures that are in accordance with *N.J.S.A.* 18A:11-12. This statute, approved in 2007, requires that the policies of the board be in compliance with guidelines established by the New Jersey Department of the Treasury and the federal Office of Management and Budget. NJ Circulars 16-11-OMB, effective March 1, 2016 and 11-09-OMB, effective January 5, 2011 pertain to travel, meals, events and entertainment.

N.J.S.A. 18A:11-12 provides that prior approval for travel is required for employees and board members. The approval must be itemized by event, event total cost, and number of employees and school board/board of trustee members attending the event.

In addition, travel reimbursements for employees and board members attending in-state conferences must be for department approved events. All commissioner decisions are on the department website at <http://www.state.nj.us/education/genfo/travel/>

Suggested Audit Procedures

- Determine that the board has adopted a travel and expense reimbursement policy and procedures in accordance with the regulations and the statute.
- Verify that the board has established a travel maximum for the year.
- Determine that the school district, charter school, or renaissance school project has accounted for travel separately and has not exceeded the maximum for the year.

- For travel expenditures sampled, determine that the report required by N.J.S.A. 18A:11-12(d) that substantiates the purpose and relevance of the travel has been submitted.
- Sample employee travel expenditures and review the minutes for prior approval by a majority of the full voting membership of the board and review available documentation to determine that prior approval of the chief school administrator (N.J.S.A. 18A:11-12(f)) was obtained or if an expenditure was for regular business travel, determine that the cumulative expenditures for the employee did not exceed the board authorized annual maximum for the employee.
- Sample board member travel expenditures and review the minutes for prior approval by a majority of the full voting membership of the board (N.J.S.A. 18A:11-12(g)).
- Review approvals in minutes and related documentation to determine that travel expenditures were not approved after the event had occurred.
- Determine that travel expenditures sampled as part of tests of disbursements comply with the statute on travel N.J.A.C. 6A:23A-7.1 et seq.
- Determine that expenditures for overnight in-state conferences were for events that were issued a travel waiver approval by the department.

14. Compliance Requirements

N.J.S.A. 18A:23-2.1 requires that the annual audit of school districts, charter schools, and renaissance school projects includes test measures to assure that documentation prepared for income tax related purposes complies fully with the requirements of federal and state laws and regulations regarding the compensation which is required to be reported.

Suggested Audit Procedures (may include but are not limited to the following)

- Obtain an understanding of the school district, or charter school, or renaissance school project payroll process and assess the risk of noncompliance regarding compensation reporting.
- Review payroll contracts for compensation above the base salary and fringe benefits and determine whether such compensation has been properly reported.
- Review board of education or board of trustee minutes to determine if any deferred payouts upon retirement may be subject to current year tax.
- Test year-end payroll tax reports such as the W-2 forms for inclusion of taxable benefits.
- Review sufficiency of documentation maintained in support of employee/contractor status determination(s) for professional service

providers; application to income tax and to participation in employee benefit programs.

15. Compliance Requirements [N/A to charter schools/renaissance school projects]

As a condition of receiving state aid, *N.J.S.A.* 18A:55-3 requires school districts to implement a number of efficiency standards including examining options for insurance policies and opting for the most cost effective plans; taking steps to maximize the district's participation in the federal Universal Service Program (E-rate) and the ACT telecommunications program; participating in the Alliance for Competitive Energy Services (ACES) program; taking steps to maximize participation in the Special Education Medicaid Initiative (SEMI) Program; and refinancing all outstanding debt for which a 3 percent net present value savings threshold is achievable.

Suggested Audit Procedures

- Review the district's E-rate claims and reimbursements to determine whether the district is current on submitting all claims for reimbursable costs under the federal E-rate program.
- Review the board minutes to determine whether the district participates in available cost-savings programs that include the ACT, and the ACES.
- Review the district's outstanding debt to determine whether the district refinanced all outstanding debt for which a three percent net present value savings threshold was achievable.[N/A to charter schools/renaissance school projects]
- Determine whether the district has maximized its participation in the SEMI Program as set forth in *N.J.A.C.* 6A:23A-5.3(d) unless a waiver was granted by the Executive County Superintendent. Maximum participation of SEMI is defined as obtaining 90 percent return rate of parental consent forms for all Medicaid eligible students achieving 100 percent of budgeted revenue and complying with all program requirements set forth in *N.J.A.C.* 6A:23A-5.3(e) and the SEMI Provider Handbook. The only exception to the 90 percent parental consent benchmark is for districts that are newly participating in the SEMI Program. During their initial year of participation only, districts are held to a 45 percent return rate requirement and 50% of the budgeted revenue. Additionally, districts that are waived from the program for the current year, but choose to participate are not held to the 90 percent consent or 100 percent budgeted revenue benchmarks, but are held to all cost settlement requirements due to statewide implications.

16. Compliance Requirements

N.J.S.A. 18A:16-17 provides that school district, or charter school, or renaissance school project employees must contribute 1.5% of their base salaries to the cost of their health benefits when contracts were signed after the effective date of the law. P.L.2011,c.78 was approved by the Governor and became effective on June 28, 2011. *N.J.S.A.* 18A:16-17.1(a) specifies the withholding rates for school

district employees and 18A:16-17.1(c) specifies the date which those rates commence depending upon the terms of the employee's employment contract.

The law limits the amounts paid to employees who waive participation in the State Health Benefits Plan (SHBP) to: the lesser of 25% of the employer savings (premium saved net of the employee withholding that would have been made had the employee not waived coverage) for that employee or \$5,000. Guidance was provided in Local Finance Notice 2010-11 available at this website: http://www.nj.gov/dca/divisions/dlgs/resources/lfns_2010.html

Suggested Audit Procedures

- Review school district, or charter school, or renaissance school project employment contracts and determine whether the district withheld the minimum of 1.5% of base salary for all employees and properly implemented the required increase to withholdings of contributions towards the cost of health care benefits coverage based upon the employee's base wage and the employee's cost of coverage as set forth in *N.J.S.A. 18A:16-17.1* for each employee or group of employees predicated on the terms of the employment contract.
- Verify that the amounts withheld offset the employee health benefit expenditures by the amount of withholdings. School districts/charter schools/renaissance school projects were provided guidance that withholdings from employees are an offset to the health benefit premium expenditure account and must not result in the recording or reporting of miscellaneous revenue.
- Review waiver payments to employees covered by the State Health Benefits Plan (SHBP) and verify that payments do not exceed the maximum amount permitted by law predicated on the terms of the employment contract.
- Confirm that the total amount withheld from employees to offset the employee health benefit expenditures is properly reported on Audsum line 71228-Health Cost (premium) withholding.

17. Compliance Requirements [N/A to charter schools/renaissance school projects]

The "Inter-district Public School Choice Program Act" P.L.2010, c.65 authorized the Commissioner of Education to establish an inter-district public school choice program which provides for the creation of choice school districts. A choice school district may enroll students across district lines in designated schools of the choice school district. For state aid purposes, a school district participating in the Inter-district Public School Choice Program that enrolls choice students must report these students on the ASSA as on roll through the "Choice Program On-roll Screen." Refer to page I-3.1 of The Audit Program for ASSA requirements for choice students.

Choice districts are required to submit additional choice enrollments (additions), and choice enrollments that have withdrawn from the choice district (deletions),

through the Supplemental Choice Enrollment Collection process. The Supplemental Choice Enrollment Collection for 2016-17 was due in January 2016.

Suggested Audit Procedures

Review all SY2016-17 Student Applications and Notice of Intent to Enroll forms from new students who enrolled in the SY2016-17 school year. Continuing choice students do not need to reapply each year, and therefore did not submit SY2016-17 applications. If the choice district conducted a lottery, it must also have a Resident District Confirmation of Enrollment/Eligibility from each new student's resident district, which indicates whether the student is Tier I or Tier II. Tier I students are given priority for enrollment in a choice district. Tier I students are enrolled in a NJ public school in his or her resident school district for the entire year immediately preceding enrollment in a choice district, and include charter school students; students who moved during the year but attended the public school of both the old and new resident districts. Tier 2 students include NJ residents who have not attended their resident public school for the entire year immediately prior to enrollment in the desired choice district. Additional information is available at <http://www.state.nj.us/education/choice/cdistricts/process.htm>

- Review each new student's SY2016-17 application and Notice of Intent to Enroll in the Choice District for SY2016-17 to ensure the number on file agrees with the Supplemental Choice Enrollment Collection (additions).
-
- If the number of approved student applications for SY2016-17 exceeds the number submitted by the district in the Supplemental Choice Enrollment Collection, ensure that a waiver application is on file.
- Review documentation of choice students who dropped from the choice program and choice students who completed the final grade in the district at the end of the current school year to ensure the documentation supports the number of removed students reported through the Supplemental Choice Enrollment Collection.
- Review records to ensure that the district did not charge tuition to non-residents in any grade level for which the district offers choice seats.

School districts shall provide transportation or Aid in Lieu of Transportation to eligible students who attend a charter schools or a renaissance school project in grades kindergarten through 12 based upon proper registration and certification of attendance by the charter school or renaissance school project. (*N.J.S.A.* 18A:36A-13 and *N.J.A.C.* 6A:27-3). Charter school or renaissance school project aid in lieu of transportation payments are appropriated and accounted for in 11-000-270-504.

School districts shall provide transportation or Aid in Lieu of Transportation to eligible students who attend a choice school in grades kindergarten through 12 based upon proper registration and certification of attendance by the choice school. (*N.J.S.A.* 18A:39-1 et seq. and *N.J.A.C.* 6A:27-4). Choice school aid in lieu of transportation payments are appropriated and accounted for in 11-000-270-505.

Suggested Audit Procedures

- Verify that the school district has a “Nonpublic School Application for Transportation Services (B6T)” for nonpublic school students completed by the student’s parent or legal guardian on file documenting the registration of the student for transportation services. Verify that the district has a “Charter, Renaissance, or Choice School Application for Transportation Services” completed by the charter, renaissance, or choice school on file documenting the registration of their student for transportation services.
- Verify the district has received a completed “Charter School and Renaissance Certification of Attendance”, “Choice School Certification of Attendance” or a “Private School Transportation Summary (B8T)” form documenting the student’s attendance at the charter school, renaissance school project, choice school, or nonpublic school. These forms must be completed whether or not a student is eligible for transportation services, transported by the school district, or Aid in Lieu payments are made to the parent or guardian.
- For aid in lieu payments made to parents or guardians, verify the school district has received a fully completed parent or guardian certified “Request for Payment of Transportation Aid- Private School (B7T)”, “Request for Payment of Transportation Aid- Charter and Renaissance Schools” or “Request for Payment of Transportation Aid- Choice Schools”. Verify that the aid in lieu payments were made directly to and payable only to the parents or guardians.
- Verify that the district extended transportation to students who reside more than 30 miles from their nonpublic schools located within the state for students living in Cumberland, Gloucester, Hunterdon, Salem, Sussex or Warren Counties. The 20 mile limit still applies to students in all the other New Jersey counties.

- Review the accounting records to determine that any additional nonpublic school transportation aid, if received, was properly recorded.

3. Compliance Requirements

- *N.J.S.A. 18A:38-1.1* (P.L. 2013 c. 231) provides for the reimbursement of the additional cost of transporting students who moved out of the school district during the academic year under audit when the move is the direct result of a family crisis. The new law established Family Crisis Transportation Aid and requires the Department of Education to reimburse the resident school district for the additional costs incurred for continuation of transportation of the student between the resident school of attendance and the student's new out-of-district dwelling. The new requirements ensure that students who are affected by a family crisis and are enrolled in a public school district, or in a charter school, renaissance school project or choice program, or PSSD, may continue to attend the same school (with transportation) for the remainder of the school year.

Suggested Audit Procedures

- Review district documentation to confirm the student's eligibility for transportation services under this provision from the time of crisis to the academic year end. Documentation may include, but is not limited to police reports, court documents, reports of the Division of Children and Families, insurance filings, certifications from medical personnel, etc.
- Verify that the prescribed DOE *Eligibility for Enrollment and Transportation* form is approved by the Executive County Superintendent (ESC).
- Verify documentation, such as paid invoices, executed transportation contracts of eligible costs, for transportation services.
- Review documentation that the district submitted a request for reimbursement of eligible costs for transportation services to the DOE at the conclusion of the fiscal year in which the Executive County Superintendent has determined the situation constitutes a family crisis.
- Verify that Family Crisis Transportation revenue has been recorded in account number 10- 3121 and a related receivable should be recorded in the current year under audit. Reimbursement from the DOE will be made early in the subsequent fiscal year.

B. ELIGIBILITY

1. Compliance Requirements

The district must complete a District Report of Transported Resident Students (DRTRS) utilizing the data collection software. The district should either maintain a paper copy of the report produced by the software or the information

can be viewed online utilizing the DRTRS data collection software. The district must also have on file written procedures that provide a description of the count process. The workpapers and internal procedures must be maintained on file for seven years.

Suggested Audit Procedures

- In accordance with instructions and audit procedures in The Audit Program issued by the Department of Education, verify the on-roll status of students reported on the DRTRS Eligibility Summary Report produced by the department with the pupil counts on the district's workpapers.

C. MATCHING, LEVEL OF EFFORT AND/OR EARMARKING REQUIREMENTS

None.

D. REPORTING REQUIREMENTS

None.

E. SPECIAL TESTS AND PROVISIONS

1. Compliance Requirements

School districts must prepare transportation bid specifications for transportation services that meet the minimum requirements prescribed by *N.J.A.C. 6A:27-9.3*.

Suggested Audit Procedures

- Verify that specifications meet the requirements as prescribed by the administrative code.

2. Compliance Requirements

Bus purchases must be properly bid and awarded pursuant to *N.J.S.A. 18A:18A et seq.*

Suggested Audit Procedures

- Verify that bidding procedures for bus purchases comply with the Public School Contracts Law (*N.J.S.A. 18A:18A et seq.*). Please refer to Section I, Chapter 5 of The Audit Program, "Bids & Contracts/Purchasing."

3. Compliance Requirements

All transportation contracts and renewals must be supported by a signed Executive County Superintendent's Approval Memo and a certified copy of the board minutes approving the contract. Contracts may not be bid for a term exceeding four years. Contracts may be renewed annually with a negotiated "cost of living" increase not to exceed the current Consumer Price Index (CPI). The CPI increase is calculated on the prior contract cost. For the 2016-17 school year the CPI is 0.57 percent. The contract cost is defined as the final cost to the board of education for those items included in the bid. (P.L.2003, c.69 amended)

this provision of *N.J.S.A. 18A:39-3* to clarify that the CPI increase when a contract is extended is based on the previous contract, not the original contract). In addition to this negotiated increase, contracts and renewals may also increase or decrease according to the terms of the original contract (such as additional mileage or the addition of an aide included in the original bid). An addendum to the contract (prescribed form) must be used for this type of change. (*N.J.A.C. 6A:27-9.14*)

Suggested Audit Procedures

- Verify that all school district transportation contracts and renewals are supported by an Executive County Superintendent Approval Memo and that there is a certified copy of the board minutes approving the contracts. Transportation contracts and renewals must meet the requirements as prescribed by the administrative code. (*N.J.A.C. 6A:27-9 et seq.*)

4. Compliance Requirements

The school district must advertise for bids to provide transportation for nonprofit private school students eligible to receive transportation services. However, the district is not required to advertise for bids when another board of education or Coordinated Transportation Services Agency (CTSA) has bid on the board's behalf, or they can provide transportation utilizing a district owned vehicle or through a contract renewal. If the district has advertised for bids, and no bids are received or the bids exceed the statutory limit of \$884 per pupil, the district must attempt to utilize the services of a Coordinated Transportation Services Agency (CTSA). If no bids are then received, or if the cost generated by those bids would exceed the statutory limit of \$884, the district must provide the parent or guardian with Aid in Lieu of Transportation. (*N.J.S.A. 18A:39-1* and *N.J.A.C. 6A:27-10*)

Suggested Audit Procedures

- Verify that the school district advertised for bids. If the school district did not advertise for bids, verify that another board of education or CTSA advertised for bids on their behalf. If the district advertised for bids, but did not receive any qualified responses or the bids exceeded the statutory limit, verify that the district attempted to utilize the services of a CTSA, or that a CTSA provided the actual transportation services.
- If Aid in Lieu of Transportation payments were made to parents, verify that the lowest qualified bid received exceeded the state maximum of \$884 or that no bids were received pursuant to the solicitation by the district. Further verify that in this situation the district referred the bidding to a CTSA and the CTSA did not generate any qualified bids not in excess of the statutory limit.
- If the district is a constituent district and has costs for transportation of nonpublic pupils, verify that the regional district transports nonpublic school pupils. (The pupils below the grade level of the regional district are to be transported by the transporting regional district and the costs pro-rated among the constituent districts on a per pupil basis. (*N.J.S.A. 18A:39-1*; *N.J.A.C. 6A:27-10*))

- Verify consistency between reported costs and student counts reported on the DRTRS summary report part A lines 6 and 7.

5. Compliance Requirements (only applicable to the Commissioner Approved Eligible District)

- N.J.S.A. 18A:39-1d (P.L. 2016 c.22) states that the Commissioner of Education shall establish a three-year nonpublic school pupil transportation pilot program. Under the pilot program, a board of education of the eligible district shall disburse to the consortium an amount equal to the aid in-lieu-of transportation amount for each nonpublic school pupil who is attending a nonpublic school which is a part of the consortium and who is required to be transported by the eligible district pursuant to *N.J.S.A. 18A:39-1*. The consortium shall assume the responsibilities of the eligible district under *N.J.S.A. 18A:39-1* for transporting to and from school the pupils for whom the consortium received an aid in-lieu-of transportation amount under the pilot program.

Suggested Audit Procedures

- Verify that the eligible district has complied with the following requirements:
 - Disbursement(s) made to the consortium do not exceed in total, an amount equal to the aid in-lieu-of transportation amount for each nonpublic school pupil who is attending a nonpublic school which is a part (member) of the consortium and who is required to be transported by the eligible district pursuant to *N.J.S.A. 18A:39-1*.
 - Posted the expense associated with the disbursement of funds to the consortium in the general fund to account 11-000-270-503
 - Recorded a receivable for amounts, if any, that will be returned from the consortium to the district subsequent to the release of the consortium's independent audit report
 - Provided to the Commissioner the necessary assurances that the consortium is capable of complying with the consortium's pupil transportation responsibilities under the pilot program; and
 - The district did not provide any courtesy busing to nonpublic school students who reside in the eligible district as agreed as a condition of participation in the pilot program.
 - If a state monitor has not been appointed, determine if the board of education has entered into a contract with an independent entity to audit the implementation of the pilot program.
 - Complied with rules promulgated by the State Board of Education to effectuate the associated statutory provisions and other guidance issued by the New Jersey Department of Education.

DEPARTMENT OF EDUCATION

Extraordinary Special Education Aid

100-034-5120-473

I. **PROGRAM OBJECTIVES**

Extraordinary Aid (EXAID)

EXAID is regulated by the School Funding Reform Act of 2008 (SFRA) and *N.J.S.A. 18A:7F-55(c)* which requests a school district, charter school, or renaissance school project to file an application with the Department of Education for reimbursement of current year's expenses incurred for which the school district, charter school, or renaissance school project is seeking reimbursement. The program's objective is to provide assistance to school districts, charter schools, and renaissance school projects in which the actual cost of providing an education for an individual pupil, excluding transportation costs, exceeds a predetermined threshold within a single fiscal year. The types of costs allowable and the calculations of the EXAID award depend on the student's educational placement.

A school district, charter school, or renaissance school project shall recognize revenue, and a related receivable, equal to the amount requested within the aforementioned application for reimbursement of expenditures incurred during the school year under audit. Payment will be made in the subsequent school year.

II. **PROGRAM PROCEDURES**

The Extraordinary Aid application process requires that districts complete one on-line form for each child eligible for aid. The department's extraordinary aid application for 2016-17 and related instructions are available on-line at <https://homeroom.state.nj.us/exaid.htm>. Additional information including a Frequently Asked Questions document is available on the same website and offers important guidance on what services qualify a student with a disability who has an IEP for Extraordinary Aid. All auditors should be aware that charter schools and renaissance school projects apply for extraordinary aid through the student's district of residence. All supporting documentation is to be maintained at the charter school and copies provided to the district.

III. **COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES**

A. **TYPES OF SERVICES ALLOWED OR UNALLOWED**

1. **Compliance Requirements**

EXAID is available for partial reimbursement of expenditures incurred for individual classified pupils attending a school district, charter school, or renaissance school project who are placed in one of three categories and whose Individualized Education Plan (IEP) requires the provision of at least one intensive service. Claims of eligible costs for reimbursement related to students attending a charter school or renaissance school project are included in the EXAID application of the student's district of residence. The names and related eligible special education costs for those students are detailed in the school district application. All EXAID reimbursements are made directly to the EXAID-applicant school district. A report is generated indicating the aid for each student.

The EXAID attributable to charter school or renaissance school project students is remitted to the charter school or renaissance school project by the school district. The calculations of the award and allowable costs depend upon the category selected.

These categories and thresholds are:

1. Those instances in which a pupil is educated along with their non-disabled peers,

- in a school district maintained public school program; or
- in a charter school or renaissance school project maintained program; or
- in a private school for students with disabilities located in a public school; and

the cost of providing direct instructional and support services for that individual classified pupil exceeds \$40,000. For those direct instructional and support services costs in excess of \$40,000, a school district/charter school/renaissance school project shall receive aid equal to 90 percent of the amount of that excess. Students in this category must have at least some daily contact with their non-disabled peers. "In a district" is broadly defined as encompassing students that are attending school in a district that is not confined solely to that student's district of residence. Accordingly, in order to qualify for this reimbursement category/threshold it is not required that the student is attending school in their resident district.

2. Those instances in which a pupil is educated in a separate public school program for students with disabilities and the cost of providing direct instructional and support services for an individually classified pupil exceeds \$40,000. For those direct instructional and support services costs in excess of \$40,000 a district/charter school/renaissance school project shall receive aid equal to 75 percent of the amount of that excess. Students in this category have no daily contact with their non-disabled peers.

3. Those instances in which a pupil is educated in a separate approved private school for students with disabilities and the tuition for that individually classified pupil exceeds \$55,000. For tuition costs in excess of \$55,000, a district shall receive aid equal to 75 percent of the amount of that excess.

For the 2016-17 year, the Extraordinary Aid award notices are expected to be available through the districts' Homeroom folder during July 2017. The final payment amount will be made in fiscal 2017-18.

Note: students can be in more than 1 placement category during the fiscal year; however, it is the placement category in which the student spends the greatest relative number of days within the school year that determines that student's aid threshold for the school year.

Suggested Audit Procedures (Applicable to school districts only)

- Verify that the school district prepared EXAID work papers for each student listed on the application, including those students attending a charter school or renaissance school project, or similar documentation.
- Select a sample in accordance with sampling directions for ASSA testing in The Audit Program. Review the student's IEP and determine whether the

intensive service claimed in the application is required by the IEP and was actually provided to the student, including those attending a charter school and renaissance school project.

- Review the application and determine that the placement category selected was supported by the IEP or other documentation.
- Verify that the amount submitted for reimbursement in the application is net of any off-setting grants/revenues which are specifically attributable to and received in direct relationship to a specific student listed in the application. This provision is inclusive of those students reported in the district's application as attending a charter school or renaissance school.

EXAID

2. Compliance Requirements

Direct instructional costs are those costs associated with providing the services called for in the student's IEP. Typical allowable EXAID costs include the educational portion & support portion of paid public school tuition and 100 percent of any related services paid in addition to that tuition. Teacher and teacher aide salaries with their fringe benefits are typical in-district educational costs. Private school tuition payments are accepted at 100 percent value. Related service costs (physical or occupational therapies, one-on-one aides, etc.) are considered to be 100 percent educational expenses. The cost to provide services called for in IEP (aides, residential placement, therapies, etc.) is also considered to be part of the tuition in a private placement. Support costs are not an allowed expense in private placement. The creation and maintenance of the IEP is a typical support cost expense.

All public school tuitions, including those of a private schools for students with disabilities located in a school district when the application is listed as category 1 or 2, must be prorated to determine their educational and support cost components. This proration is done automatically in the aid application based on a percentage amount calculated by the department or using information provided to the department by the agency submitting the tuition (the receiving district). Unadjusted in-district tuition rates cannot be used to claim educational expenses for in-district students, since they include many non-educational components; however, they may be used if the tuition matches the student classification and is treated as tuition to a public school in the manner described above.

Unallowable costs include transportation; administrative costs including, but not limited to, legal services and other costs associated with litigation to implement the Least Restrictive Environment (LRE); and facility costs such as building maintenance, heating, and cleaning.

Support services costs (direct and in-direct) are also allowable costs when a student is in public placement. Support costs are expenditures for activities associated with assisting the instructional staff with the content and process of providing a learning experience. A complete description of these costs is in the "Introduction and Description" selection of the *Taxpayers' Guide to Education Spending* under Indicator 6 at <http://www.state.nj.us/education/guide/>. In general, allowable costs are those associated with the development and maintenance of the IEP.

Suggested Audit Procedures

- Verify that actual allowable costs were incurred during the fiscal year 2016-17 for the purposes specified in the application for extraordinary aid. Costs incurred for multiple years cannot be combined in order to reach cost eligibility limits. Note: Qualified costs are those costs that are in excess of the extraordinary aid reimbursement thresholds, as described in Section I above, for a student. As a point of clarification, qualified prior year's costs incurred for a student that were not included in the prior year application for that student may be added to the costs of the immediate following year for that student only if that student's current year qualifying cost threshold has been met exclusive of those prior year's costs.
- Verify that any public school tuition amount was properly prorated in order to capture only direct educational and support costs within the tuition.

B. ELIGIBILITY

Compliance Requirements

The school district must complete the on-line application process in accordance with the instructions provided by the Division of Finance, Office of School Facilities and Finance. The school district must also have on file, and available for audit, supporting work papers. Calculations related to base educational costs and tuition are performed in the application and school districts are instructed to print and maintain a copy of the application for each student, including those attending charter schools and renaissance school projects. As before, school districts must maintain calculations used in the development of in-district classroom costs. In addition the Division of Finance, Office of School Facilities and Finance, has provided an excel worksheet for itemizing additional costs not included in tuition or classroom costs. Districts can use their own versions of the work paper so long as similar information is clearly presented. The application and supporting documentation must be maintained on file for seven years. For an EXAID application to be valid for school year 2016-2017, the applicant student must have a birth date between 7/01/1995 to 6/30/2014.

Suggested Audit Procedures

- In accordance with sampling instructions for A.S.S.A, testing in The Audit Program, the auditor must verify that the student is reported on the school district School Register. For 2016-17, those students attending charter schools and renaissance schools are shown under the category as "TC"- Transferred to a Charter School. Verify that the student's name and birth date are reported correctly, i.e., agree with the School Register. Verify that the student's birth date is between 7/01/1995 to 6/30/2014.
- Verify that the student is classified and in an approved placement. The district is required to maintain copies of IEPs for students attending charter schools and renaissance school projects.

- Verify that the intensive service and/or other services for which costs are claimed are specified in the IEP for the student that was in place at the time the application was made, including students attending charter schools and renaissance school projects.
- Verify that the student received the intensive service and/or other services being claimed in the application including students attending charter schools and renaissance school projects.
- Verify work papers are in order and supported with cost documentation. Costs must be pro-rated if they are incurred for multiple students.
- For out-of-district placements to an approved private school for students with disabilities, verify that tuition stated in the application agrees with the contracted amount in the approved private schools' mandated tuition contract for the individual students. Costs for students attending charter schools and renaissance schools are paid by the school district.
- For out-of-district placements to a public school, verify that tuition stated in the application agrees with the contracted amount of the school in question and that the district prorated the tuition to accept only the educational and support costs within the tuition.
- For out-of-district placements to a non-approved private school for students with disabilities, verify that tuition stated in the application agrees with the contracted amount in the tuition contract for the individual students. Also verify that the placement meets the requirements of 18A:46-14 h., which requires
 1. The child study team
 - a. has determined that a suitable special education program for a child cannot be provided;
 - b. identifies the most appropriate placement for that child that meets particular circumstances is in a program in a nonpublic school within the State or, in any other state in the United States, and
 - c. determines that the identified program meets the requirements of the child's Individual Education Plan
 2. the identified placement is an accredited nonpublic school
 3. the services of (the placement) are nonsectarian **AND**
 4. the placement is approved by the board of education and
 - a. with the consent of the Commissioner, or
 - b. by order of a court of competent jurisdiction.
- Support costs for students placed in-district should agree with the 2016-17 budgeted average district per pupil support cost found in the *Taxpayers' Guide to Education Spending* for this year under Indicator 6 <http://www.state.nj.us/education/guide/> unless support costs have been itemized and support is shown. Some out of district students may also have additional in-district support costs (such as maintaining the student's IEP). Calculations should be provided, as the in-district average cannot be used in these cases.

C. MATCHING, LEVEL OF EFFORT AND/OR EARMARKING REQUIREMENTS

None.

D. REPORTING REQUIREMENTS

1. Compliance Requirements

Districts were notified through a posting to their homeroom of the amount of 2016-17 extraordinary aid. In general, Extraordinary Aid revenue is a reimbursement of costs incurred during the fiscal year under audit and revenue is recorded in account 10-3131 in the fiscal year under audit (e.g. 2016-17). Districts do not have the option to record this in any other fiscal year. Auditors should refer to Section II-10 of The Audit Program for guidance on how ExAid should be recorded. The ExAid award amount has an anticipated release date in July 2017 and is expected to be reported on line F of the “2016-17 Extraordinary Aid” notice.

Reimbursement funds must be recorded as revenue and as a receivable in the district’s detailed general ledger for the year under audit as Other State Aid in account 10-3131, Extraordinary Aid. This account is used to record additional state aid provided to assist the district with special education costs incurred during the year under audit. The actual cash payment will occur in the subsequent fiscal year - which for the year currently under audit will be the fiscal year of 2017-18. The revenue is unrestricted and can be used for any purpose. A district may appropriate these funds in 2016-17 or in the 2017-18 fiscal year without commissioner approval.

EXAID is an allowable adjustment in a school district’s audited excess surplus calculation made at the end of June 2017, if the district does not appropriate the funds during 2016-17. If the district does appropriate a portion of these funds during 2016-17, then the amount appropriated is not an allowable adjustment for the 2017 audited excess surplus calculation.

Suggested Audit Procedures

- Verify that the 2016-17 award is recorded in the correct account as revenue for 2016-17.

DEPARTMENT OF EDUCATION

Reimbursed TPAF Social Security Contributions

495-034-5094-003

I. PROGRAM OBJECTIVES

To reimburse a school district/charter school/renaissance school project for the employers' share of social security (FICA) contributions on Teacher's Pension and Annuity Fund (TPAF) members' pensionable/regular wages. N.J.S.A. 18A:66-66 authorizes the State to reimburse/provide the amount of the employer's share of the social security contributions for TPAF members paid by that employer. However, the State's provision for the social security contributions is limited to the amount of employer share payments made by the employer calculated on compensation upon which members' contributions to the TPAF retirement system are based. Auditors must be aware that P.L. 2010, c.1 amended N.J.S.A. 18A:66-19.1 to limit the pension contributions for employees serving in multiple covered positions entered into after May 21, 2010. Accordingly, the school district/charter school/renaissance school project may not be reimbursed for the employer's share of the social security contribution upon any portion of an employee's wages that are deemed **not** pensionable.

II. PROGRAM PROCEDURES

A school district/charter school/renaissance school project has been instructed to utilize a web-based system available on the Department of Education's Homeroom Page to report FICA contributions for TPAF members' regular wages. A school district, or charter school, or renaissance school project is reimbursed for the employer's share of FICA contributions calculated on TPAF members' pensionable/regular wages via an electronic funds transfer (EFT) to the school district/charter school/renaissance school project applicable bank account.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. TYPES OF SERVICES ALLOWED OR UNALLOWED

1. Compliance Requirements

Reimbursement is provided for the employer's share of FICA contributions calculated on TPAF members' pensionable/regular wages. FICA reimbursement is not made for extra compensation wages or for wages that were not pensionable.

Suggested Audit Procedures

Compare the FICA reimbursement worksheet that the school district, or charter school, or renaissance school project prepared to support its submission to NJDOE for FICA reimbursement to the district's/charter school's/renaissance school project's Report of Contributions (ROC) and determine that only TPAF members' pensionable/regular wages are included for reimbursement.

B. ELIGIBILITY

1. Compliance Requirements

Reimbursement is made for TPAF members only.

Suggested Audit Procedures

- Test that only TPAF members are included for reimbursement. Confirm that the creditable compensation is limited to “base salary” which is defined under N.J.A.C. 17:3-4.1. Base salary means the annual compensation of a member, in accordance with contracts, ordinances, resolutions, or other established salary policies of the member’s employer for all employees in the same position, or all employees covered by the same collective bargaining agreement, which is reported in regular, periodic installments in accordance with the payroll cycle of the employer.
- Creditable compensation should not include stipends or extra-curricular activity payments.
- Confirm that the employee actually worked, as indicated by attendance records or time submission pursuant to district policy.

2. Compliance Requirements

Reimbursement requests are processed timely and reconciled appropriately.

Suggested Audit Procedures

- Select a sample of staff whose salary is submitted for FICA reimbursement.
- Trace employee to the enrollment report for the TPAF to ensure that the employee is an active employee in the plan.
- Trace employee to the contract or bargaining agreement to ensure that the employee earned the proper salary.
- Trace the employee to the attendance ledger or timesheet to verify that the employee actually worked during the period.

C. MATCHING, LEVEL OF EFFORT AND/OR EARMARKING REQUIREMENTS

None.

D. REPORTING REQUIREMENTS

None.

E. SPECIAL TESTS AND PROVISIONS

1. Compliance Requirements

All applicable requests for reimbursement must be recorded by the school district, or charter school, or renaissance school project as revenue on Audsum Line number 511 in the current school year and appropriate reimbursements requested and not received as of June 30 are to be recorded as an account receivable at the end of the school year.

Suggested Audit Procedures

- Verify that accounts receivable recorded as of June 30 were subsequently received in the next school year

**DEPARTMENT OF EDUCATION
FICA REIMBURSEMENT FROM SCHOOLS TO THE STATE TREASURY
495-034-5094-003**

TPAF PENSION REIMBURSEMENT FROM SCHOOLS TO THE STATE TREASURY

N.J.S.A. 18A:66-90 requires a public employer to reimburse the State Treasury, within 90 days after the close of the fiscal year under audit, reimbursement of the employer's share of pension, group life insurance, social security and other benefits attributable to carrying out the programs financed by the Federal Government involving members of the Teachers' Pension and Annuity Fund. Reimbursements are accompanied by an annual Reimbursement Form – Pension and Social Security – Federally Funded Programs provided by the State Department of Education.

I. PROGRAM OBJECTIVES

The program objective of N.J.S.A. 18A:66-66 is to provide reimbursements from the State of New Jersey to an employer school district, charter school, or renaissance school project for the employer's share of FICA (Social Security and Medicare) payroll tax expense for the contributions paid upon the base wages of members of the Teachers' Pension and Annuity Fund (TPAF) that are eligible for FICA reimbursement per N.J.S.A 18A:66-66.

N.J.S.A. 18A:66-90 requires the employer school district, charter school, or renaissance school project to reimburse the State for those payments (TPAF pension contributions made on-behalf of the employer, and FICA reimbursements requested by the school and made by the state pursuant to 18A:66-66), which represent contributions (TPAF pension (Part A of Reimbursement form) and FICA/Medicare Part B of Reimbursement form) based upon TPAF member employee wages that were charged to federal programs/grants.

II. PROGRAM PROCEDURES

N.J.S.A. 18A:66-66 allows school districts, charter schools and renaissance school projects to request reimbursement from the State for the employer's share of Social Security contributions paid by the school (IRS Form 941) related to contracted TPAF member salaries. Reimbursement is requested through the DOE Homeroom system on a bimonthly basis. Note that the reimbursement includes FICA paid upon the wages of all TPAF members employed by the school, regardless of the fund to which the related wages are charged, and whether the wages paid are funded through State Aid, federal grants, or local revenues.

N.J.S.A. 18A:66-90 requires the employer school district, charter school, or renaissance school project to reimburse the State for those payments made pursuant to N.J.S.A. 18A:66-66 (FICA) and for TPAF on-behalf pension which represent contributions based upon TPAF member employee wages that were charged to federal programs/grants. To facilitate reimbursement to the State, during July, the Department released the pension rate to be used for reimbursement of pension (Part A of Reimbursement form), as well as the reimbursement form for calculation and transmittal of the amount due (representing TPAF pension on behalf payments and FICA payments (Part B of Reimbursement form)) within 90 days after the close of the fiscal year (September 30th).

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. TYPES OF SERVICES ALLOWED OR UNALLOWED

1. Compliance Requirements

Reimbursement is provided for the employer's share of FICA contributions calculated on TPAF members' pensionable, regular wages. FICA reimbursement is not made for extra compensation wages or for wages that were not pensionable. School employers shall only request reimbursement from the State for those employees whose pensionable wages are eligible for the FICA reimbursement pursuant to N.J.S.A. 18A:66-66.

Pursuant to 18A:66-90, school employers must remit reimbursement to the State for those payments made pursuant to N.J.S.A. 18A:66-66 (FICA), and also for TPAF on-behalf pension, which represent contributions based upon TPAF member employee wages that were charged to federal programs/grants. The calculation and transmittal form, accompanied by a school district, charter school, or renaissance school project check representing reimbursement to the State of TPAF pension on behalf payments and FICA payments made by the State must be received by the State within 90 days after the close of the fiscal year (September 30th).

Suggested Audit Procedures

- Review the employer's procedures used to determine that all eligible TPAF pensionable wages of employees whose wages are attributable to carrying out the programs financed by the Federal Government (Title 1 in column 2 of the Reimbursement form and column 3 of the Reimbursement form for all other federal programs) are included in the calculation of total contractual salaries entered in Part A (Pension) and Part B (Social Security and Medicare). Review the calculation of wages in excess of the social security wage limit in effect during the relevant calendar years.
- Obtain a copy of the N.J.S.A. 18A:66-90 reimbursement request letter and accompanying reimbursement calculation and transmittal form issued by the Department during July, 2017 from the Department website and a copy of the cancelled check, representing reimbursement back to the State for TPAF pension and FICA payments made by the State for TPAF member wages.

B. ELIGIBILITY

1. Compliance Requirements

Employers shall only request reimbursement from the State for TPAF member employees whose pensionable wages are eligible for the FICA reimbursement pursuant to N.J.S.A. 18A:66-66. Accordingly, the N.J.S.A. 18A:66-90 reimbursement calculation (returning funds received under 18A:66-66 back to the State for employees charged to federal programs) must include all TPAF employees that were charged to federal grants/awards at any time during the fiscal year.

Suggested Audit Procedures

- Verify the accuracy of the calculations presented on the Reimbursement form, including, but not limited to, verification that only TPAF employees whose wages were charged to federal grants or awards are included in the determination of the reimbursement amount due to the State.
- Verify timely payment to the State; no later than September 30th following the June 30 year end.

C. MATCHING, LEVEL OF EFFORT AND/OR EARMARKING REQUIREMENTS

None.

D. REPORTING REQUIREMENTS

None.

E. SPECIAL TESTS AND PROVISIONS

None.

DEPARTMENT OF EDUCATION

Preschool Education Aid – Applicable to School Districts and Charter Schools Only

495-034-5120-086

I. PROGRAM OBJECTIVES

Former Abbott districts and those former ECPA districts approved to expand their preschool program must provide a full-day program for three- and four-year-old resident students. For these districts, 2016-17 Preschool Education Aid (PEA) reflects the cost of the child's placement in a district program, a licensed child care provider program, or a Head Start Program which provides high quality preschool in accordance with *N.J.A.C. 6A:13A*.

Other former ECPA districts and any former ELLI district may provide either a half-day or a full-day program in accordance with their department-approved preschool plan.

- For these "Other" former ECPA districts, 2016-17 PEA reflects the district's prior year per pupil amount multiplied by a department-determined enrollment projection factor.
- For former ELLI districts, 2016-17 PEA reflects the district's prior year PEA amount.
- Charter schools that are located in Preschool-eligible districts may apply to the Department of Education, Division of Early Childhood Education to operate a preschool program. For FY 2016-17, eight charter schools are operating approved preschool programs: Learning Community Charter School and Golden Door Charter School located in Jersey City, Vineland Charter located in Vineland; Red Bank Charter School located in Red Bank; Phillips Charter School; Newark Educators' Charter School, Great Oaks Legacy Charter School, and University Heights Charter School located in Newark.

The accounting and budgeting guidance for school districts and charter schools receiving Preschool Education Aid is provided in the 2016-17 Budget Guidelines on page 84 and in Appendix C - Minimum Chart of Accounts) to budget Preschool by program for Half Day -3 Yr., Half Day 4 Yr., Full Day 3 Yr., Full Day 4 Yr., and Full Day 3 & 4 Yr. Districts/charter schools receiving Preschool Education Aid should account for the full cost of the preschool program in fund 20, except for self-contained preschool disabled students and support services needed for preschool disabled students served in general education classrooms. Self-contained preschool disabled students and support services needed for preschool disabled students served in general education classrooms should be accounted for in the applicable special education cost centers of the general fund. School districts and charter schools should fully account for kindergarten costs in the general fund. If a school district or charter school has separate preschool programs (i.e., three-year-olds half-day, three-year-olds full-day, four-year-olds half-day, full - day three - and four - year - olds), they report one combined preschool schedule in the Comprehensive Annual Financial Report (CAFR). For school districts only, the school district statement must include the actual versus budgeted spending for the entire program and will include a line for the contribution to charter schools. The calculation of the 2016-17 Available & Unbudgeted funds and Actual Carryover as of June 30, 2017 is required.

II. PROGRAM PROCEDURES

For 2016-17, four school districts remain as school districts that demonstrated the ability to offer a high quality full day three- and four-year-old program and continue as approved to expand their preschool program. For these four school districts, and for each of the former Abbott school districts, 2016-17 Preschool Education Aid was provided in accordance with the per pupil

amounts in the SFRA, depending upon a students' placement in a school district program, a licensed child care provider program, or a Head Start program.

For the "Other" eligible school districts (former ECPA), Preschool Education Aid provided in 2016-17 is equal to the school district's 2015-16 PEA per pupil amount multiplied by a department-determined enrollment projection factor. These districts were instructed to include continuation of the preschool program as approved in 2015-16 and detailed in the budget software.

For former ELLI districts, 2015-16 PEA reflects the district's prior year PEA amount.

For charter schools that are operating state-approved "Preschool Programs", the aid is reflected in the charter school aid notices (FY16-17 projected, 10/15/16 and last day of school).

Preschool Education Aid is a restricted state aid that is accounted for in the special revenue fund. Programs operate from July 1 to June 30. Unexpended or unencumbered funds at June 30 shall be classified as deferred revenue or deferred inflows of resources and: 1) appropriated in the subsequent year when identified prior to the preparation of the subsequent year budget, 2) appropriated during the subsequent year with the approval of the Commissioner, or 3) retained as deferred revenue or deferred inflows of resources until the second subsequent year budget.

The budgetary revenue and GAAP revenue may differ due to state reporting requirements of the last state aid payment. For budgetary purposes, district state aid equals the amount shown on the 2016-17 "NET" in the Special Revenue Fund Aid section of the 2016-17 Net State School Aid Summary. For GAAP financial reporting, revenue equals the amount reported on the 2015-16 NET increased by the first two cash payments of July 2016 and decreased by the two June 2017 state aid payments paid in July 2017 (and not recognized until that subsequent year). Charter school state aid equals the amounts reflected in FY16-17 projected aid notice, the October 15, 2016 notice, and last day of school charter school aid notice. School district payments to charter schools were not deferred.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. TYPES OF SERVICES ALLOWED OR UNALLOWED

1. Compliance Requirements

Former "Other" ECPA school districts and all ELLI school districts were required to submit a One-year Preschool Program Plan Update for 2016-17, detailing any changes to their prior-approved preschool plan.

The former Abbott school districts and the four school districts approved to expand their preschool program were funded by the SFRA per pupil amounts for 2016-17 and were required to submit a Preschool Program Plan update to serve preschool students. The four school districts approved to expand their preschool program are Fairfield Township School District (Cumberland County), Little Egg Harbor Township School District (Ocean County), Red Bank Boro Public School District (Monmouth County), and Woodbine School District (Cape May County). These school districts were permitted to provide preschool education either by the child's placement in a district program, a licensed child care provider program, or a Head Start program which provides high-quality full-day preschool in accordance with the Commissioner's regulations.

Suggested Audit Procedures

- For the former “Other” ECPA districts and all ELLI districts, verify the submission of a One-year Preschool Program Plan Update for 2016-17, detailing any changes to their prior-approved preschool plan. Sample the expenditures to determine whether they are consistent with those outlined in the One- year Preschool Program Plan Update for 2016-17.
- For former Abbott school districts and the four school districts approved to expand their preschool program, verify the submission to the DOE of a Preschool Program Plan update. Verify the existence of a district preschool program, or the availability of a licensed child care provider program, or a Head Start program which provides high-quality full-day preschool pursuant to Commissioner’s regulations to at-risk students as identified in the plan.

B. ELIGIBILITY

1. Compliance Requirements

The above school districts with at-risk students are eligible based on filing the annual Application for State School Aid (ASSA). The district must complete the ASSA in accordance with the instructions provided by the Division of Administration & Finance. The district must complete a set of workpapers that document the compilation of data and provides an audit trail for testing the enrollments reported on the ASSA. The district must also have on file written internal procedures that provide a description of the count process. The workpapers, original supporting documentation and internal procedures must be maintained on file for seven years.

Suggested Audit Procedures

In accordance with instructions/audit procedures in The Audit Program issued by the Department of Education, verify enrollments reported on the district’s ASSA printout with the pupil counts on the district’s workpapers. Preschool students enrolled in approved charter school preschool programs are detailed in the Charter School Enrollment System (CHE), automatically populated into the ASSA of the district of residence and included in the district’s workpapers.

C. MATCHING, LEVEL OF EFFORT AND/OR EARMARKING REQUIREMENTS

1. Compliance Requirements

If the expenditures incurred by the district are less than the amount of Preschool Education Aid, unexpended or unencumbered funds must be carried over and: 1) expended in the subsequent fiscal year when identified prior to the preparation of the subsequent year budget, 2) appropriated during the subsequent year with the approval of the Commissioner or his or her designee, or 3) retained as deferred revenue or deferred inflows of resources until the second subsequent year budget. All deferred revenue or deferred inflows of resources must be used for the purpose of preschool education programs unless approval by the Commissioner was received to transfer funds to the general fund.

Suggested Audit Procedures

- Verify that unexpended or unencumbered funds are properly reflected as Preschool Education Aid deferred revenue or deferred inflow of resources at year-end.

- Verify the accuracy of the June 30, 2016 Preschool Education Aid (PEA) carryover balance that was utilized in the 2016-17 records; and/or that an adjustment was made if the estimated amount anticipated was incorrect. (Refer to the 2016 Audit Program section II-20 for emphasis of this matter).

D. REPORTING REQUIREMENTS

1. Compliance Requirements

Former “Other” ECPA and all ELLI school districts are required to implement the One-year Preschool Program Plan Update for 2016-17 and annual budget that was reviewed and approved by the Division of Early Childhood Education.

Former Abbott school districts and the four (five prior to merger) districts approved to begin expansion in 2008-09 were required to submit a Preschool Program Plan update and annual budget to the Division of Early Childhood Education for review and approval.

The school district’s or charter school’s June 30, 2017 Comprehensive Annual Financial Report must contain a summary schedule of Preschool Education Aid expenditures, including summary of the estimated 2015-16 Preschool Education Aid carryover included in the 2016-17 budget compared to the actual carryover calculated at June 30, 2016. See Section II-20 of The Audit Program for sample schedules.

Suggested Audit Procedures

- Review plans for compliance with reporting procedures and due dates.
- Test amounts reported with accounting records.

E. SPECIAL TESTS AND PROVISIONS

1. Compliance Requirements

Preschool Education Aid must be budgeted and accounted for in the special revenue fund using the uniform grant project budget statement coding structure.

Suggested Audit Procedures

- Verify that the aid is recorded in the special revenue fund based on the district’s accounting records and approved budget.
- Review board minutes for approval of transfers and revisions.

2. Compliance Requirements

Expenditures which exceed the bid or quote threshold must be made in accordance with requirements of Public School Contracts Law, *N.J.S.A. 18A:18A et seq.* Renaissance school projects are not subject to *N.J.S.A. 18A:18A*. Refer to Section I- 5, “Bids & Contracts/Purchasing,” of The Audit Program.

Suggested Audit Procedures

- Test expenditures to determine compliance with advertising for bids and obtaining quotes as required by *N.J.S.A. 18A:18A-3, 18A-4 and 18A-37*.

DEPARTMENT OF EDUCATION

Nonpublic Textbook Aid

100-034-5120-064

This section is not applicable to charter schools or to renaissance school projects.

I. **PROGRAM OBJECTIVES**

To provide funds to school districts for the purchase of textbooks for loan to pupils enrolled in a nonpublic school located within the district.

II. **PROGRAM PROCEDURES**

Nonpublic schools must forward their requests for textbooks to the school districts on or before March 1 for the next school year. Districts should have received full payment of state aid no later than July 31. The amount of state aid shall not exceed the state average budgeted textbook expense per public school pupil, for each student enrolled in grades kindergarten through 12 of a nonpublic school on the last school day prior to October 16 of the preceding year.

III. **COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES**

A. **TYPES OF SERVICES ALLOWED OR UNALLOWED**

1. **Compliance Requirements**

The textbooks that are loaned to students in grades kindergarten through 12 of any nonpublic school, shall be textbooks used in any public school of the state, or approved by any board of education. Textbooks may be in electronic format.

The textbooks are to be loaned without charge, subject to current rules and regulations or those that may be adopted by the commissioner and the board. These rules may contain requirements for reimbursement by nonpublic pupils to the school district for loss, damage or destruction of loaned textbooks. (*N.J.S.A. 18A:58-37.3, 18A:58-37.4, N.J.A.C. 6A:23A-20.6*)

Suggested Audit Procedures

- Verify that the textbooks, which are loaned to nonpublic school pupils, are approved for use by the board.
- Verify that the school district loans textbooks without charge to nonpublic school pupils.
- Verify that charges for loss, damage or destruction of loaned textbooks to nonpublic school pupils are also applicable to public school pupils.

B. ELIGIBILITY

1. Compliance Requirements

A school district is eligible to receive state aid for the purchase and loan of textbooks to nonpublic school pupils.

The nonpublic school pupils must be residents of the state and attend a nonpublic school located within the district. In addition, the parents or legal guardians must maintain a residence in the state. (*N.J.S.A. 18A:58-37.5, N.J.A.C. 6A:23A-20.1*)

Suggested Audit Procedures

- Verify, by testing, the residency status of the parent(s) or legal guardian(s) of the pupil(s) for whom a textbook request form has been submitted, and that the nonpublic school that received the textbooks, is located within the district's boundaries.

C. MATCHING, LEVEL OF EFFORT AND/OR EARMARKING REQUIREMENTS

1. Compliance Requirements

A school district is not required to expend funds for the purchase and loan of textbooks in excess of the amount of state aid received. (*N.J.S.A. 18A:58-37.3*)

If the expenditures incurred by the school district for the purchase and loan of textbooks are less than the amount of state aid received, unexpended funds must be refunded to the state after the completion of the school year, but no later than December 1. (*N.J.S.A. 18A:58-37.7*)

The cost of textbooks for nonpublic school pupils must be entered in a separate line account. (*N.J.A.C. 6A:23A-20.5*)

Suggested Audit Procedures

- Verify funds were expended for the purchase of textbooks for nonpublic school pupils.
- Verify that any unexpended funds reported on the prior year's Schedule of Expenditures of State Financial Assistance were deducted from state aid payments received by the district in the proper amount in the current year under audit.
- Verify and compute the unexpended balance for the current year under audit.

D. REPORTING REQUIREMENTS

1. Compliance Requirements

The school district shall maintain an accounting system for nonpublic programs and file (with the DOE) an annual Nonpublic Project Completion Report (NPCR) which details the amount expended for nonpublic school pupils serviced by the school district. Where the public school district responsible for the provision of

textbooks enters into a contract with a third-party provider (e.g. an ESC), the third-party provider must provide the district with a monthly detailed statement of expenditures made by the third-party provider on behalf of the student(s) receiving textbooks. The district's annual NPCR must reflect the actual expenditures reported by the third-party provider. The transfer of funds by the district to the third-party provider is not an expenditure of funds for purposes of the NPCR, Schedule of Expenditures of State Awards, or Audsum.

The district's NPCR reports only actual expenditures for textbooks made by the district or reported to the district by the district's third-party provider. Where the total of year-end expenditures made by the district (or reported to the district by a third-party provider) is less than the state funds received by the district for the program, the public school district must return the unexpended state funds to the New Jersey Department of Education no later than December 1. The return of unexpended funds to the state will only be accomplished through a reduction to the district's state aid payments for the year immediately following the year under audit. The school district's Audsum must report actual district (or reported third party) expenditures for textbooks provided and report any funds received, but not expended. Those funds reported as received, but not expended, will result in a decrease to the district's state aid payments for the year following the current year under audit. Audsum must agree to the NPCR. (*N.J.A.C. 6A:14-6.3 and 6A:14-6.4*)

Suggested Audit Procedures

- Verify that the school district maintains a separate account for recording expenditures for eligible purchases for nonpublic school pupils.
-
- Verify that the End of the Year Report (NPCR) is filed timely and agrees with the school district's supporting documentation.
- If the district is using a third party service provider, review the documentation supporting the expenditures and determine only actual expenditures are reported on the NPCR and the Audsum agrees to the NPCR.

E. SPECIAL TESTS AND PROVISIONS

1. Compliance Requirements

All textbooks purchased for nonpublic school pupils shall remain the property of the school district, and the label on each book shall indicate ownership.

The school district is responsible for the collection and inventory of textbooks and may require the textbooks be returned to the school district at the end of the school year or allow nonpublic schools to store the textbooks. The school district shall not pay storage charges to the nonpublic school. (*N.J.A.C. 6A:23A-20.4*)

Suggested Audit Procedures

- Verify by testing that textbooks are properly labeled and stored in the district. If the textbooks are stored in the nonpublic schools verify that the school district does not pay storage charges.

DEPARTMENT OF EDUCATION

Nonpublic Auxiliary Services Aid (Chapter 192)

100-034-5120-067

This section is not applicable to charter schools or to renaissance school projects

I. PROGRAM OBJECTIVES

School districts receive funds to provide Compensatory Education, English as a Second Language and Home Instruction to nonpublic school pupils who meet the eligibility criteria for these programs.

II. PROGRAM PROCEDURES

The school district must file an application for funds by November 5, which includes the number of pupils identified as eligible to receive each service during the previous school year.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. TYPES OF SERVICES ALLOWED OR UNALLOWED

1. Compliance Requirements

The school district must provide Compensatory Education and English as a Second Language to nonpublic school pupils who meet the eligibility requirements. Services are provided to pupils between the ages of five and twenty, who reside in New Jersey and are enrolled full-time in a nonpublic school within the district. (*N.J.S.A. 18A:46A-3*)

Suggested Audit Procedures

- Verify by testing that pupils receiving auxiliary services have a valid and signed Non Public School Student Application for Chapter 192 Services (Form 407-1) on file, with the type of service requested.
- Verify by testing that pupils receiving services are between the ages of five and twenty, reside in New Jersey and are enrolled full-time in a nonpublic school within the district.

B. ELIGIBILITY

1. Compliance Requirements

Compensatory Education aid is available for those nonpublic school pupils who score below the minimum levels of proficiency (MLP) established by the New Jersey State Department of Education, as measured by testing conducted in the spring of the previous school year.

The nonpublic school must attach a copy of the pupil's standardized test results to the Form 407-1 for Chapter 192 Services. The nonpublic school must also enter the appropriate test score on the form and enter the appropriate subject area on the form. A single form may be submitted for the provision of both communications and computation services.

Suggested Audit Procedures

- Take a test sample of 407-1's for Chapter 192 Services and determine if nonpublic school pupils meet the eligibility criteria based on test scores, which are below the Minimum Level of Proficiency. Verify that required information is included on Form 407-1 for Chapter 192 Services and that appropriate documentation is attached.
- Verify that the service provided to the nonpublic school pupil is based on the service requested on Form 407-1 for Chapter 192 Services.
- Review Form 407-1 Chapter 192 Services and verify parental or guardian consent for service provided.

2. Compliance Requirements

English as a Second Language aid is available for those nonpublic school pupils who score below the standard level of English proficiency as measured by a standardized test approved by the New Jersey State Department of Education. The pupil's native language must be other than English.

The parent or guardian must identify the pupil's native language on the Form 407-1 for Chapter 192 Services. The school district must attach a copy of the test results and record the score on Form 407-1 for Chapter 192 Services.

Suggested Audit Procedures

- Verify by testing that the eligibility criteria based on the test score is met by nonpublic school pupils.
- Review a test sample of Forms 407-1 for Chapter 192 Services and verify that the native language, copy of test results and test score is included on Form 407-1 for Chapter 192 Services.

3. Compliance Requirements

Home Instruction aid is available for nonpublic school pupils unable to attend school because of illness or injury. To be eligible, the pupil must be unable to attend school for more than 10 consecutive school days or 20 cumulative school days because of illness or injury, and a letter from a physician must verify the illness or injury. Medical evidence must be attached to Form 407-1 for Chapter 192 Services. Home instruction may be provided for a period not to exceed 60 calendar days in a school year, unless the pupil is classified by the child study team and the service plan indicates the need for home instruction.

Suggested Audit Procedures

- Verify by testing Form 407-1 for Chapter 192 Services that the pupil is eligible for home instruction services and that such service does not exceed 60 calendar days, unless such pupil is classified and has a valid service plan which indicates the need for home instruction.
- Verify that any auxiliary and remedial services provided to the nonpublic school pupil during home instruction are within the scope of services allowable under Chapters 192. For compensatory education and ESL services that a student receives while on home instruction, a student improvement plan must be on file.

C. MATCHING, LEVEL OF EFFORT AND/OR EARMARKING REQUIREMENTS

1. Compliance Requirements

The school district shall not use more than 6 percent of the aid received for administration costs, and no more than 18 percent can be used to rent facilities needed to implement the services. (*N.J.S.A. 18A:46A-8*)

Suggested Audit Procedures

- Review expenditures for administration and rental costs and verify that expenditures are within statutory limits. Legitimate proof of payment documentation, including but not limited to signed lease agreements and vouchers for rental costs must be provided.

2. Compliance Requirements

A school district shall provide Compensatory and English as a Second Language service to nonpublic school pupils at a cost not to exceed the amount of state aid funds. (*N.J.A.C. 6A:14-6.3*)

In the event that expenditures are less than the amount of state aid received, the school district shall refund the unexpended state aid after completion of the school year, but no later than December 1. (*N.J.S.A. 18A:46A-14*) The return of unexpended funds to the state will only be accomplished through a reduction to the district's state aid payments for the year immediately following the year under audit.

Suggested Audit Procedures

- Verify expenditures do not exceed the amount of state aid funds, and are for eligible services.
- Verify that any unexpended state aid from the prior school year reported on the prior year's Schedule of Expenditures of State Financial Assistance was deducted from state aid payments received by the district in the proper amount in the current year under audit, and verify the amount of refund, if any, due to be returned for the current year.

D. REPORTING REQUIREMENTS

1. Compliance Requirements

The school district shall maintain an accounting system for nonpublic programs and file an annual Nonpublic School Project Completion Report (NPCR) that details the number of nonpublic school pupils serviced by the school district. (*N.J.A.C.* 6A:14-6.3 and 6A:14-6.4)

Where the public school district responsible for the services (Compensatory Education, English as a Second Language, or Home Instruction) enters into a contract with a third-party provider of services, the public school district must receive from the third-party provider a monthly detailed statement of the expenditures made by the third-party provider on behalf of the student receiving services. The district's annual NPCR must reflect the actual expenditures reported by the third-party provider. The transfer of funds by the district to the third-party provider is not an expenditure of funds for the purposes of the NPCR, Schedule of Expenditures of State Awards, or Audsum.

The district's NPCR reports only actual expenditures for services made by the district or reported to the district by the district's third-party provider of services. Where the total of year-end expenditures made by the district (or reported to the district by a third-party provider) is less than the state funds received by the district for the program, the public school district must return the unexpended state funds to the NJ Department of Education no later than December 1. The return of unexpended funds to the state will only be accomplished through a reduction to the district's state aid payments for the year immediately following the year under audit. The school district's Audsum must reflect only actual district (or third-party provider reported) expenditures for services actually received and any funds due to be returned from the district or the third-party to the state. Audsum must agree to the NPCR. See the Guidelines for Auxiliary and Remedial Services (Chapter 192 and 193) Programs for Nonpublic School Students at this website:

<http://www.state.nj.us/education/nonpublic/for/192193man.pdf>

Suggested Audit Procedures

- Verify that the school district maintains a separate account for recording expenditures for eligible services for nonpublic school pupils.
- Verify that the Nonpublic School Project Completion Report (NPCR) is filed timely and agrees with the school district's supporting documentation.
- If the district is using a third party service provider, review the documentation supporting the expenditures and determine only actual expenditures are reported on the NPCR and the Audsum agrees to the NPCR.

E. SPECIAL TESTS AND PROVISIONS

None.

DEPARTMENT OF EDUCATION

Nonpublic Handicapped Aid (Chapter 193)

100-034-5120-066

This section is not applicable to charter schools or to renaissance school projects

I. PROGRAM OBJECTIVES

To provide funds to school districts for the purpose of examination and classification of nonpublic school pupils in order to identify a pupil's educational handicap and to prescribe an individual service plan to address the pupil's needs. Funds are also provided for speech correction and supplemental instruction services for nonpublic school pupils.

II. PROGRAM PROCEDURES

The school district must file an application by November 5, which includes the number of nonpublic school pupils identified as eligible to receive examination/classification, speech correction and supplemental instruction services during the previous school year.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. TYPES OF SERVICES ALLOWED OR UNALLOWED

1. Compliance Requirements

Examination/classification, speech correction and supplemental instruction services are provided to nonpublic school pupils whose parents or guardians reside in New Jersey. In addition, the pupils must be enrolled full time in a nonpublic school located in the district, be between the ages of 5 and 21, meet the eligibility criteria for service and have parental consent for the service. Non-resident students who attend a nonpublic school located in New Jersey are eligible to receive either examination/classification services or evaluation for speech and language services only (speech correction category). (*N.J.S.A.* 18A:46-6, 18A:46-19.5, 18A:46-19.8b)

Suggested Audit Procedures

- Verify that a valid Non Public School Student Application for Chapter 193 Services or Non Public School Student Application for Chapter 193 Services: Non-Resident (Form 407-1 or 407-1NR, respectively) is on file for each nonpublic school pupil indicating the service to be provided. A separate form must be submitted for each service requested. Student applications cannot include requests for multiple services.
- Verify that services provided are only for examination/classification, speech correction or supplemental instruction services.

B. ELIGIBILITY

1. Compliance Requirements

Examination/classification services are provided for the purpose of identifying those with disabilities and developing services plans.

Supplementary instruction aid and speech correction aid are available for nonpublic school pupils with disabilities who need those services. The pupil must be classified as disabled by the child study team, and a service plan must be on file and indicate the need for supplementary instruction and/or speech correction as appropriate.

Suggested Audit Procedures

- Verify that pupils serviced have a service plan on file that indicates the need for the services rendered (examination/classification supplemental instruction and/or speech correction).
- Review Form 407-1Chapter 193 Services or Form 407-1NR Chapter 193 Services and verify parental or guardian consent for service provided.

C. MATCHING, LEVEL OF EFFORT AND/OR EARMARKING REQUIREMENTS

1. Compliance Requirements

A school district shall provide services to nonpublic school pupils at a cost not to exceed the amount of state aid funds. (*N.J.A.C. 6A:14-6.3*)

In the event that expenditures are less than the amount of state aid received, the school district shall refund the unexpended state aid after completion of the school year, but no later than December 1. (*N.J.S.A.18A:46-19.8*) The refund will only be accomplished through a reduction to the state aid payments to the district in the year immediately following the current year under audit.

Suggested Audit Procedures

- Verify expenditures do not exceed the amount of state aid funds and are for eligible services.
- Verify that any unexpended state aid from the prior school year reported on the prior year's Schedule of Expenditures of State Financial Assistance was deducted from state aid payments received by the district in the proper amount in the current year under audit, and verify the amount of refund, if any, due for the current year.

D. REPORTING REQUIREMENTS

1. Compliance Requirements

The school district shall maintain an accounting system for nonpublic programs and file an annual Nonpublic School Project Completion Report (NPCR) that details the number of nonpublic school pupils serviced by the school district. (*N.J.A.C. 6A:14-6.3 and 6A:14-6.4*)

Where the public school district responsible for the services enters into a contract with a third-party provider of services, the public school district must receive from the third-party provider a monthly detailed statement of the expenditures made by the third-party provider on behalf of the student receiving services. The district's annual NPCR must reflect the actual expenditures reported by the third-party provider. The transfer of funds by the district to the third-party provider is not an expenditure of funds for the purposes of the NPCR, Schedule of Expenditures of State Awards, or Audsum.

The district's NPCR reports only actual expenditures for services made by the district or reported to the district by the district's third-party provider of services. Where the total of year-end expenditures made by the district (or reported to the district by a third-party provider) is less than the state funds received by the district for the program, the public school district must return the unexpended state funds to the NJ Department of Education no later than December 1. The return of unexpended funds to the state will only be accomplished through a reduction to the district's state aid payments for the year immediately following the year under audit. The school district's Audsum must reflect only actual district (or third-party provider reported) expenditures for services actually received and any funds due to be returned from the district or the third-party to the state. Audsum must agree to the NPCR. See the Guidelines for Auxiliary and Remedial Services (Chapter 192 and 193) for Nonpublic School Students at this website:

<http://www.state.nj.us/education/nonpublic/for/192193man.pdf>

Suggested Audit Procedures

- Verify that the school district maintains a separate account for recording expenditures for examination, classification, speech correction and supplemental instruction services for nonpublic school pupils.
- Verify that the End of the Year Report (NPCR) is filed timely and agrees with the school district's supporting documentation.
- If the district is using a third party service provider, review the documentation supporting the expenditures and determine only actual expenditures are reported on the NPCR and the Audsum agrees to the NPCR.

E. SPECIAL TESTS AND PROVISIONS

None.

DEPARTMENT OF EDUCATION

Nonpublic Nursing Services Aid (Chapter 226)

100-034-5120-070

This section is not applicable to charter schools or to renaissance school projects

I. PROGRAM OBJECTIVES

To provide funds to school districts in order to provide basic nursing services for pupils enrolled full time in nonpublic school(s) located within the school district.

II. PROGRAM PROCEDURES

Nonpublic schools must submit their New Jersey resident and non-resident enrollment as of the last school day prior to October 16 of each year and indicate their intent to participate in the program for the next budget year. The school district must submit to the executive county superintendent on or before October 1 annually the following information and shall provide a copy to the chief school administrator of each nonpublic school within their school district boundaries, (1) verification of consultation (signed consultation form) (2) a copy of the contract with an independent contractor or agency to provide the services, if applicable, and approved minutes of the district board of education meeting approving the contract that describes the methods by which the health services will be provided to nonpublic school students for the ensuing year, including a rationale for the distribution of funds, and (3) a description of the type and number of services that were provided during the previous school year on a Commissioner-approved form.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. TYPES OF SERVICES ALLOWED OR UNALLOWED

1. Compliance Requirements

The school district must provide basic nursing services to pupils who meet the eligibility requirements. Services are provided to both New Jersey resident and non-resident pupils enrolled in grades kindergarten through 12, in a nonpublic school located within the school district.

Suggested Audit Procedures

- Verify by testing that pupils receiving services were enrolled in grades kindergarten through 12, and are enrolled full-time in a nonpublic school within the school district.

B. ELIGIBILITY

1. Compliance Requirements

A school district is eligible to receive state aid to provide nursing services to nonpublic school pupils.

The school district must submit to the executive county superintendent on or before October 1 annually the following information and shall provide a copy to the chief school administrator of each nonpublic school within school district boundaries, (1) verification of consultation (signed consultation form), (2) a copy of the contract with an independent contractor or agency to provide the services, if applicable, and approved minutes of the district board of education meeting approving the contract that describes the methods by which the health services will be provided to nonpublic school students for the ensuing year, including a rationale for the distribution of funds, and (3) a description of the type and number of services that were provided during the previous school year on a Commissioner-approved form.

Suggested Audit Procedures

- Verify that the following required documents were provided to the Executive County Superintendent plus a copy to the administrator of the nonpublic school(s) by Oct. 1, for each nonpublic school:
 - Verification of consultation (signed consultation form by each nonpublic school and the district)
 - A copy of the contract with an independent contractor or agency to provide services, if applicable, and approved minutes of the district board of education meeting approving the contract that describes the methods by which the health services will be provided to nonpublic school students for the ensuing year
 - A [rationale for the distribution of funds](#)
 - A [description of the type and number of services](#) that were provided during the previous school year on a Commissioner-approved form

- Verify, by testing, the residency status of the pupils, parents or legal guardians and that the nonpublic school is located within the district.

C. MATCHING, LEVEL OF EFFORT AND/OR EARMARKING REQUIREMENTS

1. Compliance Requirements

A school district is not required to expend funds for nursing services in excess of the amount of state aid received. If the expenditures incurred by the school district for nursing services are less than the amount of state aid received, unexpended funds must be refunded to the state after the completion of the school year, but no later than December 1. (*N.J.S.A. 18A:40-31*). The return of funds will only be accomplished through a reduction to the state aid payments to the district in the year immediately following the current year under audit.

Suggested Audit Procedures

- Verify funds were expended for nursing services for nonpublic school pupils.

- Verify that any unexpended state aid from the prior school year reported on the prior year's Schedule of Expenditures of State Financial Assistance was

deducted from state aid payments received by the district in the proper amount in the current year under audit.

- Verify and compute the unexpended balance for the current year under audit.

D. REPORTING REQUIREMENTS

1. Compliance Requirements

The school district shall maintain an accounting system for nonpublic programs and file an annual Nonpublic School Project Completion Report (NPCR) that details the number of nonpublic school pupils serviced by the school district. (N.J.A.C. 6A:14-6.3 and 6A:14-6.4)

Where the public school district responsible for the services enters into a contract with a third-party provider of services, the public school district must receive from the third-party provider a monthly detailed statement of the expenditures made by the third-party provider on behalf of the student receiving services. The district's annual NPCR must reflect the actual expenditures reported by the third-party provider. The transfer of funds by the district to the third-party provider is not an expenditure of funds for the purposes of the NPCR, Schedule of Expenditures of State Awards, or Audsum.

The district's NPCR reports only actual expenditures for services made by the district or reported to the district by the district's third-party provider of services. Where the total of year-end expenditures made by the district (or reported to the district by a third-party provider) is less than the state funds received by the district for the program, the public school district must return the unexpended state funds to the NJ Department of Education no later than December 1. The return of unexpended funds to the state will only be accomplished through a reduction to the district's state aid payments for the year immediately following the year under audit. The school district's Audsum must reflect only actual district (or third-party provider reported) expenditures for services actually received and any funds due to be returned from the district or the third-party to the state. Audsum must agree to the NPCR. See the Nonpublic School Nursing Program Guidelines at this website:

<http://www.state.nj.us/education/nonpublic/nursing.pdf>

Suggested Audit Procedures

- Verify that the school district maintains a separate account for recording expenditures for eligible services for nonpublic school pupils.
- Verify that the End of the Year Report (NPCR) is filed timely and agrees with the school district's supporting documentation.
- If the district is using a third party service provider, review documentation supporting the expenditures and determine that only actual expenditures are reported on the NPCR and that the Audsum agrees to the NPCR.

E. SPECIAL TESTS AND PROVISIONS

1. Compliance Requirements

Equipment purchased to provide nursing services shall remain the property of the school district, and ownership shall be so marked by labels or other appropriate methods of identification.

Suggested Audit Procedures

- Verify that equipment is properly labeled.

2. Compliance Requirements

Pursuant to P.L. 1991, c 226, s.6; *N.J.S.A.18A:40:28.6*, A board of education may join with other boards of education or contract with any public or private agency approved by the commissioner for the provision of eligible nonpublic nursing services. Prior to any change in the provision of these services, the board shall provide timely and meaningful consultation with appropriate nonpublic school representatives, including parents.

Suggested Audit Procedures

- If there was a change in provision of nursing services, verify that the board provided timely and meaningful consultation (signed consultation form) with appropriate nonpublic school representatives and parents.

DEPARTMENT OF EDUCATION

Nonpublic Technology Initiative Aid

100-034-5120-373

[This section is not applicable to charter schools or to renaissance school projects]

I. PROGRAM OBJECTIVES

To provide funds to school districts in order to provide technology to all pupils attending a nonpublic school(s) located within the school district.

II. PROGRAM PROCEDURES

Nonpublic schools must submit their New Jersey resident enrollment through the Nonpublic Enrollment System on the NJ Homeroom on the last school day prior to October 16 of each year and indicate their intent to participate in the program for the next budget year. Annually, on or before October 1, the school district must submit to the executive county superintendent and provide a copy to the chief school administrator of each nonpublic school, the following information for each nonpublic school within their school district boundaries: (1) a signed consultation form, as verification of consultation between the school district and each nonpublic school located within the district, and (2) minutes of the board of education meeting at which the agreement that describes how the technology and/or services will be provided to each of the nonpublic schools located within the district boundaries.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. TYPES OF SERVICES ALLOWED OR UNALLOWED

1. Compliance Requirements

The state aid provided to the school district for each participating nonpublic school in the district for the 2016-17 school year is an amount equal to the product of \$26.00 and the number of pupils on roll in the nonpublic school as of October 15, 2015 recorded on the Nonpublic School Enrollment Report.

The technology provided to nonpublic schools must not include providing instructional services directly to nonpublic school students. Allowable expenditures are listed on the accompanying list at the end of this section.

Suggested Audit Procedures

- Verify by testing that pupils included on the Nonpublic School Enrollment Report were enrolled full-time in a nonpublic school within the school district.
- Verify funds were expended for allowable technology initiative program expenditures and not expended for instructional services.

B. ELIGIBILITY

1. Compliance Requirements

Annually, on or before October 1, the school district must submit to the executive county superintendent and must provide a copy to the chief school administrator of each nonpublic school within their school district boundaries, the following information (1) verification of consultation between the district and each nonpublic school, the timelines for services, purchases and implementation, and (2) minutes of the board of education meeting at which agreement that describes how the technology and/or services will be provided to each of the nonpublic schools was approved.

Suggested Audit Procedures

- Verify that the following required documents were provided to the Executive County Superintendent along with a copy to the chief school administrator of each nonpublic school by Oct. 1:
 - Signed consultation form by each nonpublic school and the district as verification of the consultation
 - Minutes of the board of education meeting at which the agreement that describes how the technology and/or services will be provided to each of the nonpublic schools located within the district was approved.

C. MATCHING, LEVEL OF EFFORT AND/OR EARMARKING REQUIREMENTS

1. Compliance Requirements

A school district is not required to expend funds for technology services in excess of the amount of state aid received. If the expenditures incurred by the school district for technology are less than the amount of state aid received, unexpended funds must be refunded to the state after the completion of the school year, but no later than December 1. The return of unexpended funds to the state will be accomplished through a reduction to the district's state aid payments for the year immediately following the year under audit.

The funds expended by the school district for the administrative costs related to providing technology for a participating nonpublic school must be limited to five (5) percent of the actual costs of providing the technology for the participating nonpublic school or five (5) percent of the funds allocated to the participating nonpublic school, whichever is less.

Suggested Audit Procedures

- Verify funds were expended for equipment, software, professional development and/or maintenance of equipment purchased.
- Verify that any unexpended state aid from the prior school year reported on the prior year's Schedule of Expenditures of State Financial Assistance was deducted from state aid payments received by the district in the proper amount in the current year under audit.

- Verify and compute the unexpended balance for the current year under audit.
- Verify that administrative costs did not exceed 5% of the actual costs or 5% of the funds allocated to the participating nonpublic school, whichever is less.

D. REPORTING REQUIREMENTS

1. Compliance Requirements

The school district shall maintain an accounting system for nonpublic programs and file an annual Nonpublic School Project Completion Report (NPCR) that details the amount expended for nonpublic school pupils serviced by the school district.

Suggested Audit Procedures

- Verify that the school district maintains a separate account for recording expenditures for eligible purchases for nonpublic school pupils.
- Verify that the annual Nonpublic School Project Completion Report (NPCR) is filed timely and agrees with the school district's supporting documentation.

E. SPECIAL TESTS AND PROVISIONS

1. Compliance Requirements

Equipment purchased to provide technology shall remain the property of the school district, and ownership shall be so marked by labels.

The school district is responsible for the inventory of the equipment and may require the equipment be returned to the school district at the end of the school year or allow the nonpublic schools to store the equipment. The school district shall not pay storage charges to the nonpublic school.

Suggested Audit Procedures

- Verify by testing that the equipment is properly labeled and stored in the district. If the equipment is stored in the nonpublic schools verify that the school district does not pay storage charges.

2. Compliance Requirement

Expenditures, which exceed the bid or quote threshold, must be made in accordance with the requirements of the Public School Contracts Law, *N.J.S.A. 18A: 18A et seq.* Please refer to Section I, Chapter 5, "Bids & Contracts/Purchasing", of The Audit Program.

Suggested Audit Procedure

- Test expenditures to determine compliance with advertising for bids and obtaining quotes as required by *N.J.S.A. 18A: 18A-3, 18A-4 and 18A-37*.
- Verify that the minutes of the board of education approved the agreement to provide technology to the nonpublic school(s).

NONPUBLIC TECHNOLOGY INITIATIVE AID
Allowable Expenditures
EXAMPLES

<http://www.state.nj.us/education/archive/techno/npallowable.pdf>

Equipment (hardware):

- Computers, multimedia, tablets and hand-held devices
- Servers for shared files, electronic mail, and world wide web communication
- Digital and video cameras, GPS - for curriculum areas
- Graphing calculators, scientific probes, data loggers & electronic response systems
- Projection devices and other peripheral equipment shared by computer systems (microscopes)
- Electronic Whiteboards (full size and portable)
- Recharging carts and batteries for wireless laptops **that were purchased with Nonpublic Technology Funds**
- Memory cards and wireless cards
- 3-D printers for Science, Technology, Engineering or Math (STEM) activities that support the curriculum

Software: Programs used as applications in instructional programs (nonreligious)

1. Upgrade of operating system software
2. Online programming and subscriptions
3. Barcoding software and apps for instructional purposes (not library cataloging); and
4. eBooks (not text books)

Professional Development: Training that develops and enhances teachers' technology skills for instructional purposes so that teachers effectively use technology with their curriculum. It is recommended that for every dollar spent on equipment, at least thirty cents be spent on professional development.

1. Professional development training may be provided to nonpublic school teachers on-site in a nonpublic school.
2. Online training and Professional Development with no religious content.
3. Workshops and conferences (registration fees)
4. All professional development must occur within the funding timeline (July 1st- June 30th)

Maintenance: contracts or per diem support to make sure equipment purchased and loaned to a nonpublic school by a board of education is maintained and remains usable.

DEPARTMENT OF EDUCATION

Nonpublic School Security Aid

100-034-5120-509

This section is not applicable to charter schools or to renaissance school projects.

I. PROGRAM OBJECTIVES

To provide funds to school districts for allocation to nonpublic schools within the district to help ensure a safe and secure school environment for nonpublic school students.

II. PROGRAM PROCEDURES

The board of education in each public school district in New Jersey having nonpublic schools within its boundaries is responsible for providing security services, equipment, and technology to the nonpublic schools within the limits of the funds provided by this program. Such security services, equipment, and technology shall be provided directly by the board of education, by contracts with an educational service commission, or an independent contractor.

The district must confer/consult with the administrator of each of the participating nonpublic schools within the district to discuss the program initiative and agree on the security services, equipment, or technology to be provided to the nonpublic school within the limit of the funds that are available for the nonpublic school. The expenditure shall be to implement a new security program, or to enhance/upgrade an existing security program (supplement-not-supplant).

Nonpublic schools must submit their New Jersey resident and non-resident enrollment through the Nonpublic Enrollment System on the NJ Homeroom on the last school day prior to October 16 of each year and indicate their intent to participate in the program for the next budget year. Annually, on or before October 1, the school district must submit to the executive county superintendent and must provide a copy to the chief school administrator of each nonpublic school within their school district boundaries, the following information (1) verification of consultation between the district and each nonpublic school, and (2) minutes of the board of education meeting at which the purchase of security services, equipment, and technology were approved.

COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. TYPES OF SERVICES ALLOWED OR UNALLOWED

1. Compliance Requirements

The state aid provided to the school district for each participating nonpublic school in the district for the 2016-17 school year is an amount equal to the product of \$50.00 and the number of pupils on roll in the nonpublic school as of October 15, 2015 recorded on the Nonpublic School Enrollment Report.

The security aid provided to nonpublic schools must not include providing instructional services directly to nonpublic school students. All security services, equipment and

technology provided under this program must be used for secular, neutral, non-religious and non-ideological purposes.

Suggested items for use with this aid can be found in the Nonpublic Security Program Guidelines under Acceptable Expenditures at:

<http://www.nj.gov/education/nonpublic/state/SecurityGuidance.pdf>.

Suggested Audit Procedures

- Verify by testing that pupils included on the Nonpublic School Enrollment Report were enrolled full-time in a nonpublic school within the school district.
- Obtain a copy of the Nonpublic Security Aid Notice for 2016-17 available through the district's DOE Homeroom page. Compare the number of pupils on the notice against the Nonpublic School Enrollment Report. Verify the amount awarded per the nonpublic State aid notice to the revenue recorded in the special revenue fund account #3241 (Nonpublic Security Aid).
- Verify funds were expended for allowable security aid program expenditures and not expended for instructional services.
- Verify that there is a signed consultation form.

B. ELIGIBILITY

1. Compliance Requirements

Nonpublic schools must submit their New Jersey resident and non-resident enrollment through the Nonpublic Enrollment System on the NJ Homeroom on the last school day prior to October 16 of each year and indicate their intent to participate in the program for the next budget year. Annually, on or before October 1, the school district must submit to the executive county superintendent and must provide a copy to the chief school administrator of each nonpublic school within their school district following information, (1) verification of consultation between the district and each nonpublic school, and (2) minutes of the board of education meeting at which the security services, equipment, and technology were approved.

Suggested Audit Procedures

- Verify that the following required documents were provided to the Executive County Superintendent plus a copy to the chief school administrator of each nonpublic school by Oct. 1:
 - Signed consultation form by each nonpublic school and the district as verification of consultation.
 - Minutes of the board of education meeting at which the agreement that describes how the security services, equipment, and technology will be provided to each of the nonpublic schools located within the district was approved.

C. MATCHING, LEVEL OF EFFORT, AND/OR EARMARKING REQUIREMENTS

1. Compliance Requirements

A school district is not required to expend funds for security services in excess of the amount of state aid received. If the expenditures incurred by the school district for security are less than the amount of state aid received, unexpended funds must be refunded to the state after the completion of the school year, but no later than December 1. The return of unexpended funds to the state will be accomplished through a reduction to the district's state aid payments for the year immediately following the year under audit.

The public school district is not permitted to deduct an administrative fee from the State security funds received by the district for the nonpublic schools; 100% of the allocation must go toward the purchase/acquisition of the safety and security items or services. If a school district chooses to contract with an educational services commission or other third-party provider for the administration of this program, any associated administrative or service fee may not be paid with funds from the State security allocation; however, a school district may pay such fee from the district's general fund if it so chooses.

Suggested Audit Procedures

- Verify funds were expended for security services, equipment, or technology only.
- Verify that any unexpended state aid from the prior school year reported on the prior year's Schedule of Expenditures of State Financial Assistance was deducted from state aid payments received by the district in the proper amount in the current year under audit.
- Verify whether or not the district contracted with an educational services commission or other third-party provider for the administration of the nonpublic security aid program. If such an arrangement exists, verify that any service fee was funded by the district's general fund, and not the nonpublic State aid.

D. REPORTING REQUIREMENTS

1. Compliance Requirements

The school district shall maintain an accounting system for nonpublic programs and filed the annual Nonpublic School Project Completion Report (NPCR) that details the amount expended for nonpublic school pupils serviced by the school district.

Suggested Audit Procedures

- Verify that the school district maintains a separate account for recording expenditures for eligible purchases for nonpublic school pupils.
- Verify that the annual Nonpublic School Project Completion Report (NPCR)

is filed timely and agrees with the school district's supporting documentation.

- Recompute the unexpended balance for the current year under audit reported on the NPCR.

E. SPECIAL TESTS AND PROVISIONS

None

1. Compliance Requirement

Each board of education providing security services, equipment, and technology to nonpublic schools was required to submit the following information to the county superintendent by October 1, 2016, and forward a copy to the administrator(s) of the nonpublic school(s) within their district boundaries:

- Verify that the district has submitted the following information to the county superintendent by October 1, 2016, and forwarded a copy to the administrator(s) of the nonpublic school(s) within their district boundaries:
 - i. A written statement verifying that the required conference with each of the receiving nonpublic school administrators was held, with documentation of the agreed upon security services, equipment, and technology to be purchased and the timelines for purchases and implementation.
 - i.i. The minutes of the board of education meeting at which the security services, equipment, and technology that will be provided to the nonpublic school was granted approval.

DEPARTMENT OF EDUCATION

Career and Technical Education State Aid

100-034-5062-032

This section is not applicable to charter schools or to renaissance school projects

I. **PROGRAM OBJECTIVES**

To provide support to county vocational school postsecondary adult programs that improve the academic and technical skills of postsecondary students. The objectives of these grants will principally be achieved through concentrating resources on improving educational programs leading to academic and technical skill competencies needed to work in a global society. (*N.J.S.A.* 18A:54-1 et seq.)

II. **PROGRAM PROCEDURES**

Funds are provided to county vocational schools for postsecondary career and technical education adult programs through submission of a general application.

III. **COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES**

A. **TYPES OF SERVICES ALLOWED OR UNALLOWED**

1. **Compliance Requirements**

All courses, programs, and projects are conducted in accordance with *N.J.S.A.* 18A:26-2, *N.J.S.A.* 18A:54-1 et. seq., *N.J.A.C.* 6A:19-1 et. seq., *N.J.A.C.* 6A:8-2.2, 2.3, 3.2; and/or the appropriate code regulation for postsecondary institutions. Career and technical education programs must satisfy the following requirements:

- Students enrolled in the adult programs must have a high school diploma or an Adult Education Assessment.
- The program may be an apprenticeship program; or prepare students to take an industry-recognized credential, certificate or licensure examination at the end of the program; or lead to a postsecondary certificate or degree program for which students can earn college credit or advanced placement at a 2-year or 4-year postsecondary institution.
- Programs that are for recertification (e.g. EMT) are not eligible for funding.
- Adult programs must lead to high wage, high skill, or high demand careers.
- Curricula for adult programs must be coherent and aligned with business and industry standards to prepare students for industry-recognized credentials, certificates, licensures, or apprenticeships; or, consist of a coherent sequence of courses that lead to a certificate or degree programs at 2-year or 4-year postsecondary institutions.
- A marketing and recruitment plan must be in place to sustain adult programs.
- Funds cannot be used to support non-eligible Perkins programs.

- Data reporting for all operating vocational programs must be submitted through VEDS to OCTE on a yearly basis.

Eligible recipients may expend funds in any of the authorized activities/areas described in P.L. 109-270 (Carl D. Perkins Career and Technical Education Improvement Act of 2006) including:

- a) Strengthening academic and technical skills of students;
- b) Linking secondary and postsecondary CTE programs;
- c) Career guidance and counseling;
- d) Proving students strong experience in, and understanding of, all aspects of an industry;
- e) Teacher preparation programs that assist individuals with experience in business and others in becoming career and technical education teachers;
- f) Professional development programs for teachers and staff;
- g) Improving the use of technology;
- h) Programs for special populations;
- i) Nontraditional training and employment;
- j) Work-related experience, such as internships, cooperative education, school-based enterprises, entrepreneurship, and job shadowing;
- k) Program evaluations;
- l) Involving parents, businesses, and labor organizations in the design, implementation, and evaluation of programs;
- m) Local education and business partnerships;
- n) Career and technical student organizations;
- o) Mentoring and support services;
- p) Career and technical education programs for adults and school dropouts to complete their secondary education; and
- q) Assisting participating students in finding employment and continuing their education.

Please note that all programs must obtain prior written approval before using program equipment on activities not sponsored or authorized by NJDOE. Although grantees are permitted to make limited budget and program changes to an approved project without authorization, the use of program equipment on other than program activities is permissible only if prior written approval is granted by the awarding agency

Suggested Audit Procedures

- Verification of submitted data (VEDS) approved multi-year plan, one-year funding application and final reports as described in the annual Perkins One-Year Grant Application guidelines. Verification of prior written NJDOE approval of use of program equipment on activities not sponsored or authorized by NJDOE.

B. ELIGIBILITY

1. Compliance Requirements

County vocational schools offering postsecondary adult career and technical education programs to eligible students.

Suggested Audit Procedures

- Verify that the schools designated meet the definition and eligibility requirements in P. L. 109-270, Section 3 and Section 132.
- Verify that the students enrolled in the program(s) are eligible students.
- Verify that a marketing/recruitment program targeting eligible students is in place for the programs, courses, and projects.

C. MATCHING, LEVEL OF EFFORT AND/OR EARMARKING REQUIREMENTS

1. Compliance Requirements

Federal maintenance of effort requirement to the Carl D. Perkins Career and Technical Education Act of 2006, P. L. 109-270.

Suggested Audit Procedures

- Verification of the number of students enrolled in programs.

D. REPORTING REQUIREMENTS

1. Compliance Requirements

The local education agency will be required to submit the following reports:

Enrollments in Perkins eligible postsecondary adult career and technical education programs;

Multi-year plan revisions, if applicable;

One-year grant application; and

Final Report

Annual update of eligible programs

Suggested Audit Procedures

- Verify the data reported with agency fiscal and programmatic accounting records.

DEPARTMENT OF EDUCATION

Debt Service Aid

495-034-5120-075

This section is not applicable to charter schools or to renaissance school projects

I. **PROGRAM OBJECTIVES**

To provide aid to school districts for the payment of their current year's debt service.

II. **PROGRAM PROCEDURES**

For Fiscal Year 2016-17 debt service was calculated pursuant to SFRA. Debt Service aid for 2016-17 was calculated by multiplying the school district's debt service budget (including Commissioner approved lease purchase agreements with terms in excess of five years) by the district's aid percentage.

Debt Service aid for 2016-17 was adjusted to 85% of the calculated aid (DS10 printout). Adjustments were made during the 2016-17 school year for both increases and decreases by adding or subtracting the adjustment amount to the 2016-17 entitlement amounts. The accounting records should reflect all 2016-17 debt service aid **increase** adjustments as an accounts receivable and deferred revenue as of June 30, 2017. The final 2016-17 adjustment amount is printed as an adjustment on the district's 2017-18 DS10 printout.

Any entries made at June 30, 2016 for debt service aid increase adjustments from 2015-16 must be reversed during 2016-17. For fiscal year 2015-16 state aid, the district's 2015-16 DS9 and DS10 are the source documents. The debt service adjustment amount for fiscal year 2015-16 is printed as a footnote on the district's 2016-17 NET (DS10) printout.

III. **COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES**

A. **TYPES OF SERVICES ALLOWED OR UNALLOWED**

1. **Compliance Requirements**

Debt service aid is a restricted revenue and may only be used for payment of bond interest and principal, and payments for Commissioner approved lease purchase agreements in excess of five years. Funds may not be transferred from debt service to any other fund.

Suggested Audit Procedures

- Verify that aid is used only for repayment of principal and interest.
- Verify that aid is correctly reflected on the school district's accounting records and approved budget.
- Verify that no funds are transferred from debt service to any other fund or account group.

B. ELIGIBILITY

1. Compliance Requirements

All school districts that received core curriculum standards aid in 2001-02 are eligible to receive Debt Service aid for debt issued prior to July 18, 2000. Aid is calculated by multiplying the school district's debt service budget by its district aid percentage.

For debt issued on or after July 18, 2000, all school districts are eligible for debt service aid if the debt was issued for a project approved by the Department of Education's Office of School Facilities and the district chose debt service aid as the state funding option. Debt issued as the local share of a project receiving a state grant or a project constructed by the SCC is not eligible for debt service aid. Debt issued on or after July 18, 2000 but used for refunding debt issued prior to July 18, 2000 will continue to receive aid under the old formula. Under some circumstances, districts that issued debt prior to July 18, 2000 were eligible for aid under the new formula.

Suggested Audit Procedures

- Review the school district's approved budget for debt service and verify appropriations with the accounting records.
- Review district's debt service obligation and whether the debt is eligible for aid. Compare the eligible debt service against the district's state aid notice.

C. MATCHING, LEVEL OF EFFORT AND/OR EARMARKING REQUIREMENTS

None.

D. REPORTING REQUIREMENTS

1. Compliance Requirements

N.J.S.A. 18A:7-F-8 requires that districts file an annual report regarding facilities payments to the Commissioner. The report shall include the amount of interest bearing school debt, if any, of the municipality or district then remaining unpaid, together with the rate of interest payable thereon, the date or dates on which the bonds or other evidences of indebtedness were issued, and the date or dates upon which they fall due. In the case of a Type I school district, the board secretary shall secure the schedule of outstanding obligations from the clerk of the municipality.

Suggested Audit Procedures

- Agree the amounts reported to the Commissioner with the underlying debt documentation.
- For a Type I district, verify that the district has obtained a current schedule of outstanding obligations from the clerk of the municipality and has properly included this information on the report submitted to the Commissioner.

E. SPECIAL TESTS AND PROVISIONS

None.

DEPARTMENT OF EDUCATION

Lead Water Testing for Schools Aid

495-034-5120-104

I. PROGRAM OBJECTIVES

The potential exposure to lead-contaminated drinking water poses serious health problems, particularly for children. The program's objective is to provide funding for mandated testing for lead in the drinking water of all New Jersey school districts, charter school and renaissance school projects pursuant to P.L. 2017, c.86, effective January 1, 2016. Additional information is available on the Department of Education website at: <http://www.state.nj.us/education/lead/>

The Department adopted amendments to N.J.A.C. 6A:26-1.2 and 12.4, requiring sampling and analysis of all drinking water in educational facilities within 365 days of the July 13, 2016 effective date of these regulations. This drinking water testing program requests a school district, charter school or renaissance school project to file an application with the Department of Education for reimbursement of expenses incurred. The initial regulations allowed for reimbursement of expenses incurred subsequent to July 13, 2016. However, in May 2017, P.L. 2017, c.85 expanded the dates for eligible reimbursable expenses to also include costs incurred on or after January 1, 2016, but prior to July 13, 2016. Accordingly, districts may request reimbursement for eligible expenses incurred from January 1, 2016 through July 13, 2017.

II. PROGRAM PROCEDURES

To obtain reimbursement, a district/charter school/renaissance school project must submit to the Department of Education a Lead Testing Program [Reimbursement Request Form](#), which includes a checklist of steps each school is required to complete in order to be eligible for reimbursement. This form must be certified as true and correct in content by either the chief school administrator or the business administrator. In addition to this form, each district/charter school/renaissance school project must submit a copy/ copies of the invoice(s) from its NJ-certified laboratory clearly displaying the eligible reimbursable costs.

Reimbursement requests are required to be submitted to the New Jersey Department of Education at the following e-mail address: Leadtesting@doe.state.nj.us. The subject line must read as follows: Lead Testing Reimbursement

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. TYPES OF SERVICES ALLOWED OR UNALLOWED

1. Compliance Requirements

Districts, charter schools and renaissance school projects are eligible to seek reimbursement for the costs of collecting water samples and the testing completed by a New Jersey-certified laboratory. Claims of eligible costs for reimbursements related to collection of water samples and testing of water are included with the Lead Testing Program Reimbursement Request Form, which includes a checklist of steps each district, charter school and renaissance school project is required to complete to be eligible for reimbursement.

Suggested Audit Procedures

- Verify the data reported with agency fiscal and programmatic accounting records.
- Verify that the invoices for the related collection have been paid by the school and the dates of service are within the statutory period referenced in the Program Objectives above.
- Verify the actual payments match the invoice(s) and also agree with the amount of reimbursement requested.

B. ELIGIBILITY

1. Compliance Requirements

The testing of the water sample is required to be completed by a New Jersey-certified laboratory.

Suggested Audit Procedures

- Verify that the school utilized the services of a New Jersey-certified laboratory.

A complete list of certified testing laboratories is available on the Department of Environmental Protection website at <https://www13.state.nj.us/DataMiner/Search/SearchByCategory?isExternal=y&getCategory=y&catName=Certified+Laboratories>

C. MATCHING, LEVEL OF EFFORT AND/OR EARMARKING REQUIREMENTS

None.

D. REPORTING REQUIREMENTS

None.

E. SPECIAL TESTS AND PROVISIONS

1. Compliance Requirement

Schools are permitted to utilize in-house personnel to collect the water sample. If a school seeks reimbursement for that specific cost, the [Internal Labor Calculation Form](#) is required to be submitted to the Department of Education along with the Lead Testing Program Reimbursement Request Form.

Suggested Audit Procedures

- Perform steps to verify the names listed on the forms are actual school employees, the base hourly rate of pay is accurate; overtime pay is in accordance with school policy; the employee's timesheet and/or work orders completed agrees with the dates samples were collected.
- Verify that the amount reported on the Internal Labor Calculation Form for the related water collection agrees with the amount of reimbursement requested.

2. Compliance Requirement

The results of the testing must be made available at the school facility and on the district's website. The notification should describe the steps taken to immediately end the use of each drinking water outlet where water quality exceeded the permissible lead level, as well as the measures taken to ensure that alternate drinking water was made available to all students and staff.

Suggested Audit Procedures

- Verify that the results of the water testing are readily available at the school district, charter school or renaissance school project's facility and on their website.

3. Compliance Requirement

N.J.A.C. 6A:26-12.4 (h) allows school districts, charter schools and renaissance school projects to apply for an exemption from the initial testing if they can demonstrate to the Department of Education that compliance with, or exceedance of the testing requirements, including any required public notifications, had occurred five years prior to the July 13, 2016 effective date of the regulation N.J.A.C. 6A:26-124(h) and (i). A request for exemption from testing on the prescribed Waiver Request Form was due to the Department of Education by April 28, 2017.

Suggested Audit Procedures

- Verify that the school district, charter school or renaissance school project has a completed Waiver Request Form signed by the district's chief school administrator or business administrator and evidence from the Department of Education that the exemption request was submitted to the leadtesting@doe.state.nj.us by April 28, 2017.
- Verify that the request included a Statement of Assurance confirming the prior water testing was completed in accordance with the regulations.
- Verify that the Waiver Request Form included a checklist showing each of the steps required to be completed.

- Verify that the request included information regarding the testing activities conducted, the lead sampling plan and an analysis of the samples taken.
- Verify that the school district, charter school or renaissance school project has a waiver approval letter from the Department of Education.

4. Compliance Requirement

N.J.A.C. 6A:26-12.4 (i) allows school districts, charter schools and renaissance school projects to request an exemption from the testing requirements if they can demonstrate that they do not use any drinking water outlets for human consumption or for food preparation in any of their facilities.

Suggested Audit Procedures

- Verify that the school district, charter school or renaissance school project has an exemption approval letter from the Department of Education
- Verify that the school district, charter school or renaissance school project has a completed Letter of Application for exemption from testing signed by the chief school administrator or business administrator and confirmation from the Department of Education exemption request submitted to the leadtesting@doe.state.nj.us by April 28, 2017

DEPARTMENT OF EDUCATION

Discretionary Grant Programs

Career and Technical Education Partnership (Year 3/4) Business, Management, Admin & Finance (*split funded)	100-034-5062-032
Career and Technical Education Partnership (Year 3/4) Marketing (*split funded)	100-034-5062-032
Career and Technical Education Partnership (Year 3/4) Human Services (*split funded)	100-034-5062-032
Career and Technical Education Partnership (Year 3/4) Construction and Architecture (*split funded)	100-034-5062-032
Career and Technical Education Partnership (Year 4/4) Health Sciences (*split funded)	100-034-5062-032
Career and Technical Education Partnership (Year 4/4) Science, Technology, Engineering & Math (*split funded)	100-034-5062-032
Career and Technical Education Partnership (Year 3) Agriculture, Food & Natural Resources	100-034-5062-032
Career and Technical Education Partnership (Year 3/3) Provisional Teacher Pilot Program	100-034-5062-032
Career Equity Resource Center (Year 2/4)	100-034-5062-032
Green Program of Study (Year 3/4)	100-034-5062-032 **
Excellent Educators for NJ (EE4NJ) – Teacher Evaluation (Cohort 1, Year 2)	416-034-5063-301***

*Notes: * split funded with federal funds CFDA 84.048A*

***Years 1 and 2 were co-operative agreements through Office of Budget and Accounting*

****ACE Utility Settlement Funding*

The grantee is required to retain a copy of the approved application, Notice of Grant Opportunity (NGO) and any applicable grant agreement and grant program information.

I. PROGRAM OBJECTIVES

Refer to the Notice of Grant Opportunity (NGO) for specific program objectives.

II. PROGRAM PROCEDURES

The grantee must file an application in response to the specifications contained in the NGO. Applications are evaluated by a reader panel and determined eligible for funding. The department, through the issuance of an NGO also solicits non-competitive applications. Applications must conform to program and fiscal parameters indicated in the NGO.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. TYPES OF SERVICES ALLOWED OR UNALLOWED

1. Compliance Requirements

Grant program and spending plans are approved by the New Jersey Department of Education (NJDOE) and contained in the grantee's approved grant application.

Eligible and ineligible expenditures under this grant are published in the NGO. OMB Circulars for determining cost principles apply as indicated on the Grant Agreement.

Suggested Audit Procedures

- Review Grant Agreement for allowable program activities.
- Perform appropriate sampling of expenditures and related records.
- Ensure expenditures are in accordance with program plan and appropriate line item budget category.

B. ELIGIBILITY

1. Compliance Requirements

Specific eligibility requirements are listed in the NGO.

Suggested Audit Procedures

- Verify that grantee meets eligibility requirements.

C. MATCHING, LEVEL OF EFFORT AND/OR EARMARKING REQUIREMENTS

1. Compliance Requirements

Applicable compliance requirements are published in the NGO.

Grantee's approved Matching Funds Summary and Expenditure Report commits the grantee to matching grant expenditures.

Suggested Audit Procedures

- Perform tests to determine compliance with published requirements.
- Verify that grantee maintains accurate accounting for matching expenditures where required.

D. REPORTING REQUIREMENTS

1. Compliance Requirements

The grantee must submit program and fiscal reports that include elements indicated in the NGO and according to timelines indicated on page two of the Grant Agreement.

Suggested Audit Procedures

- Review reports for compliance with reporting procedures and due dates.
- Test amounts reported with accounting records.

E. SPECIAL TESTS AND PROVISIONS

1. Compliance Requirements

Per Attachment A: Grant Agreement Terms and Conditions¹, grantees must request prior approval, under certain conditions, to modify their approved budget and program plan.

Suggested Audit Procedures

- Review procedures for grant agreement modification.
- Verify grantee compliance with modification procedures.

2. Compliance Requirements

A grant recipient that uses grant funds for nonemployee compensation must comply with the terms and conditions detailed in Attachment A: Grant Agreement Terms and Conditions, of the New Jersey State Department of Education Grant Agreement.

Suggested Audit Procedures

- Review procedures for nonemployee compensation.
- Verify that a nonemployee compensation report, as applicable, has been submitted to the department.

¹ Attachment A: Grant Agreement Terms and Conditions were revised effective March, 2012. See http://www.state.nj.us/education/grants/discretionary/management/attach_a_b.pdf