State of New Jersey
DEPARTMENT OF EDUCATION
PO BOX 500
TRENTON, NJ 08625-0500

CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

ROCHELLE R. HENDRICKS
Acting Commissioner

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ARRA Monitoring Findings Alert

TO: Chief School Administrators
Charter School Lead Persons

FROM: Rochelle Hendricks, Acting Commissioner
Department of Education

SUBJECT: Common ARRA Monitoring Findings

The New Jersey Department of Education (NJDOE) has been performing American Recovery and Reinvestment Act of 2009 (ARRA) monitoring for the past year. In an effort to help all New Jersey school districts that have received ARRA funding comply with the rules and regulations concerning the grant funds, the NJDOE has compiled a list of monitoring and reporting issues that have occurred in multiple districts. All detailed ARRA reports can be found on our website at http://www.state.nj.us/education/arra/resources/monitor/.

State Fiscal Stabilization Fund

Tracking of Jobs Created/Jobs Saved – Many districts, according to their reports submitted to the NJDOE, have failed to properly account for jobs created and jobs saved. Districts should be charging direct staff to funds 16 and 17. If amounts are transferred from fund 11, detailed names must be associated with the amounts. Instead, in 41% of monitored districts, no backup was provided, and the district simply charged one-tenth of the amount or some variation.

Cash Management Reports Not Matching District Records – Districts were required to report the amount of funds spent each quarter in order to receive federal funds. A review of the reported data and attempts to reconcile to the quarterly reports revealed that 28% of the districts did not have records to support the amount entered in the Cash Management Report.

Title I

Nonpublic Issues – The NJDOE monitoring teams have noted that districts had a wide range of nonpublic issues that included not having an ongoing and meaningful consultation, not entering student data in the Electronic Web Enabled Grant System (EWEG), and entering unallowable expenses. Title I regulations state that districts are required to locate students that would have attended their district school if they did not opt for a nonpublic school. Some nonpublic schools are beyond the district boundaries but still must be accounted for under Title I since the money follows the students. A good resource tool for districts is the Aid-in-Lieu of Transportation Report. This report includes the Application for Private School Transportation (B6T), the Request for Payment of Transportation Aid (B7T) and the Private School Transportation Summary (B8T). As many public school districts may service the same nonpublic school under Title I, the districts must be sure that all services and materials are for their students only.

Schools in Need of Improvement (SINI) and Supplemental Educational Services (SES) Notification – At least 25% of the districts monitored to date have not properly followed the guidelines which require informing the parents of their rights under this program, providing complete lists of providers to the parents, and properly allowing parents to make their choice in the program. More information on SES procedures can be found at http://www.nj.gov/education/title1/program/ss/ or by contacting the department's Title I staff at ses@doe.state.nj.us.

Unified Plans for Schoolwide Programs or SINI – The NJDOE monitoring teams have noted that many districts have not included all the required information on the Unified Plan. The Unified Plan is the sole source of creating allowable expenses since the plan drives the expenditures. District officials need to review the plan regularly and update it, as necessary, to ensure that all programs are described in the plan. The NJDOE has provided extensive training in this area and is available to provide additional technical assistance.

Non-allowable Expenditures/Supplanting – More than one-third of the districts monitored had non-allowable expenditures charged to their grant. Title I funds are to be used for additional programs and services for a district's lowest performing students. Some districts have sought to allocate portions of programs to Title I based on students being serviced, but these are not considered additional programs if all the students in the district receive the program or service.

Parent Involvement Notices/Policies – More than one-quarter of the districts monitored did not have all their required parent involvement documents in place. Title I mandates retaining on file all parent involvement information including letters, parent compacts, policies distributed, and annual meeting. Todd Flora of the Office of Student Achievement and Accountability may be of assistance. He can be reached at todd.flora@doe.state.nj.us, and additional information may be obtained at http://www.nj.gov/education/title1/program/parent/.

IDEA

Nonpublic Contracts and Payments – The NJDOE monitoring teams have noted that many districts are relying solely on outside contractors when contracting for services for their nonpublic students. These districts lack set guidelines on how services are to be requested, and these districts are not performing their required consultation. Additionally, some districts require equal payments over the term of the agreement, although expenses should be paid when incurred. To ensure that all districts have the required components in place, districts can access http://www.nj.gov/education/specialed/ for more information.

Time and Activity Reports – Several districts have not maintained the required supporting documentation of the time and activity of IDEA funded staff. All grant-funded personnel must have time and activity reports that show dates and hours worked. Additional information on time and activity reporting can be found in OMB Circular A-87, Attachment B, Section 8.h.

Misclassified Expenditures by Function/Object – Many districts have misclassified expenditures by not using the correct function and object codes as described in the budget detail. The Grants Section on the NJDOE website has extensive definitions of each function and object and expenses that are charged to those line items. http://www.nj.gov/education/grants/discretionary/apps/common_costs.pdf.

ADMINISTRATIVE

Competitive Contracting for Purchases with Federal Grants – Over 75% of the districts monitored were not competitively contracting per the Education Department General Administrative Regulations (EDGAR) 80.36. Under New Jersey's Public School Contracts Law (PSCL), districts are not required to advertise for bids or competitively contract the provision of goods and services by vendors on the state contract. However, procurement regulations for ARRA and all federal programs do not include all the exemptions allowed under the PSCL. According to the United States Department of Education (USDE) all goods and services must be competitively bid, whether exempt by PSCL or not. Items such as professional development and software purchases have been a major source of noncompliance.

Equipment Tracking – Some districts did not have an equipment inventory for items purchased with federal funds. All equipment purchased with federal grants needs to be inventoried under EDGAR 80.32. Although New Jersey has a threshold of $2,000 for identified equipment, further clarification has been received from the USDE stating that if it is less expensive to track an item than replace it, then the item should be inventoried.

Verification of Vendor Status – Some districts did not have controls in place to prevent contracting with disbarred vendors. Any vendor providing goods or services funded by a federal grant needs to be cleared for contract. This can be done by checking their status at https://www.epls.gov/ and providing documentation in the procurement request.

EWEG Drawdown Policy – Almost 70% of the districts monitored did not have a formal policy or procedure in place regarding the drawing down of federal grant funds. This is critical as all grants are now on a reimbursement basis and draw downs are critical to financial operations of a district. Excessive draw downs could result in interest being due back to the United States Department of Treasury.

I hope that this information will assist you in complying fully with the federal laws and regulations.

RRH/BG/SO/RJC:CSA Letter ARRA Findings Summary 2010

c: Members, State Board of Education
Senior Staff
Robert Cicchino
Alan Guenther
Suzanne Ochse
Executive County Superintendents
LEE Group
Garden State Coalition of Schools