



State of New Jersey

DEPARTMENT OF EDUCATION
PO Box 500
TRENTON, NJ 08625-0500

CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

DAVID C. HESPE
Commissioner

August 4, 2016

Ms. Judy Ferraro, President
Keansburg Board of Education
100 Palmer Place
Keansburg, NJ 07734

Dear Mrs. Ferraro:

SUBJECT: Keansburg Board of Education – NCLB Title I Audit
OFAC Case #SG-0027-14

The New Jersey Department of Education, Office of Fiscal Accountability and Compliance, has completed a fiscal audit of federal funds disbursed by the Keansburg Board of Education (Keansburg). The funding sources reviewed include one or more titled programs under the Elementary and Secondary Education Act of 1965, as amended by the No Child Left Behind Act of 2001 (ESEA). The review covered the period July 1, 2013 through June 31, 2014. The results of the NCLB Title I audit are detailed in the attached report of examination. Please provide a copy to each board member for his/her review.

Utilizing the process outlined in the attached "Procedures for LEA/Agency Response, Corrective Action Plan and Appeal Process," Keansburg is required, pursuant to N.J.A.C. 6A:23A-5.6, to publicly review and discuss the findings in this report at a public board meeting no later than 30 days after receipt of the report. Within 30 days of the public meeting, the board must adopt a resolution certifying that the findings were discussed in a public meeting and approving a corrective action plan which addresses the issues raised in the undisputed findings and/or an appeal of any findings in dispute. A copy of the resolution and the approved corrective action plan and/or appeal must be sent to this office within 10 days of adoption by the board. Please direct your response to my attention.

Also, pursuant to N.J.A.C. 6A:23A-5.6(c), you must post the findings of the report and the board's corrective action plan on your district's website. The submission of an appeal does not preclude adherence to the provisions of N.J.A.C. 6A:23A-5.6, et seq. Should you have any questions, please contact Lisa D. McCormick, Manager, Single Grants/Audit Unit at (609) 292-7742.

Sincerely,

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

RJC/LDM/tc: Keansburg Board of Education Cover Letter

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STATE OF NEW JERSEY
DEPARTMENT OF EDUCATION
OFFICE OF FISCAL ACCOUNTABILITY AND COMPLIANCE
PO BOX 500
TRENTON, NJ 08625-0500

KEANSBURG BOARD OF EDUCATION
100 PALMER PLACE
KEANSBURG, NJ 07734
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REPORT ON EXAMINATION
NCLB TITLE I AUDIT
OPERATIONS DURING THE PERIOD
JULY 1, 2013 TO JUNE 30, 2014

District: Keansburg
County: Monmouth

AUTHORIZED REPRESENTATIVE: Corey Lowell, Business Administrator

DIRECTOR OF PROGRAM, Christine Formica, Program Director (CURRENTLY)

PERSONS CONTACTED (Name & Title):
Thomas Tramaglino, former Program Director
Dan Castles, Staff Accountant

FUNDING SOURCES

PROGRAM YEAR	N C L B				TOTAL
	TITLE I PART A	TITLE I PART A C/O	S I A PART A	S I A PART A C/O	
	APPROVED FUNDING				
2013-2014	\$1,075,800.00		\$0.00		\$1,075,800.00
2012-2013		\$44,556.00		\$0.00	\$44,556.00
TOTAL	\$1,075,800.00	\$44,556.00	\$0.00	\$0.00	\$1,120,356.00

**KEANSBURG BOARD OF EDUCATION
NCLB TITLE I AUDIT
FISCAL YEAR 2013-2014**

FINDINGS AND RECOMMENDATIONS

I. Adequate documentation was not provided demonstrating that certain charges to the Title I, Part A program represent allowable costs.

During the audit, copies of payroll records and purchase orders were requested to document salary and non-salary expenditures charged to the FY 2013-2014 Title I, Part A grant. The audit disclosed that unreasonable, unsubstantiated and inflated costs were included in line item figures recorded on the LEA's Final Expenditure Report (FER). Following is a summary of the questioned costs identified:

- The LEA operated a mentoring program for teachers throughout the 2013-2014 school year. Although the mentee was responsible for reimbursing the LEA for the amounts paid to their mentors, the LEA charged \$5,214.00 for these costs to the Title I, Part A grant. This allocation of reimbursed costs to the federal program is deemed to be unreasonable.
- A review of hourly timesheets revealed the LEA routinely overpaid and/or underpaid employees, due to inflated and/or incorrectly calculated hours worked. Of the amounts charged to the 100-100 and 200-100 line items, \$280.00 and \$4,935.00, respectively, were not supported. The combined total of \$5,215.00 is comprised of overpayments to employees for hours not worked, along with charges not substantiated by timesheets. The LEA is reminded to carefully review timesheets submitted by employees performing work for the Title I program before issuing payments.
- Additionally, the LEA charged the full amount of two purchase orders to the federal program while corresponding invoices and payments substantiate lower costs, refer to the table below:

Purchase Order	Vendor	Check Number	Amount		
			Charged	Paid	Unsupported
14-02805	School Specialty	3716	\$2,134.94	\$2,006.46	\$128.48
14-01657	Shoprite	1629	170.00	155.98	14.02
Total					\$142.50

It warrants mentioning that the district used purchase order #14-01657 to purchase Shoprite gift cards. However, no documentation was provided demonstrating the gift cards were used in for allowable Title I activities. Therefore, the entire purchase order amount of \$170.00 is disallowed which also serves to explain the strikethrough.

Pursuant to 2 CFR §225 (formerly OMB Circular A-87), Appendix A (the Appendix), Sections C.1.a and b, costs must be necessary and reasonable for proper and efficient performance and administration of federal awards, and be allocable to federal awards in accordance with the provisions of 2 CFR §225, respectively. Section C.3.a states that a cost is allocable to a particular cost objective if the goods or services are chargeable or assignable to such cost objective in accordance with relative benefits received. As a result, the sum of \$10,727.48 (\$5,214.00 +

**KEANSBURG BOARD OF EDUCATION
NCLB TITLE I AUDIT
FISCAL YEAR 2013-2014**

FINDINGS AND RECOMMENDATIONS

\$5,215.00 + \$128.48 + \$170.00) for these disallowed costs are deemed to be unallowable (refer to the Schedule of Audit Recovery Due to State Education Agency (SEA) at the end of this report).

Recommendation

The LEA must improve the procedures utilized to account for expenditures related to the Title I, Part A program in accordance with the requirements of 2 CFR §225.

2. Certain expenditures were misreported or misclassified on the district's FY 2013-2014 Title I, Part A FER.

An examination of general ledger for Title I, Part A disclosed no indication of nonpublic school expenditures. The lack of such expenditures is consistent with the Nonpublic School Participation Refusal form provided for our examination. However, the district improperly reported nonpublic school expenditures on its FER. The LEA must accurately report expenditures recorded in its accounting records when preparing FERs. EDGAR, 34 CFR §76.730(e) requires that the LEA shall keep records in a manner that facilitates an effective audit.

In addition, professional development costs and food costs for a parental involvement event were incorrectly recorded under object code 600 and function code 100, respectively. The Uniform Chart of Accounts for New Jersey School Districts (Chart of Accounts), as required by N.J.A.C. 6A:23 2.2(g), designates object code 600 for purchased professional services and function code 200 for support services.

Recommendation

The LEA must ensure agreement between expenditures recorded in its accounting records and FERs in order to facilitate an effective audit pursuant to EDGAR, 34 CFR §76.730(e). In addition, the district must establish accounts containing codes prescribed by the Chart of Accounts when recording transactions in the general ledger.

3. The LEA did not record payroll expenditures as program activities were performed.

A review of the district's general ledger for Title I, Part A program disclosed salary and payroll costs were recorded via lump sum journal entries for the performance of work throughout the project period. Specifically, contractual salaries for two of three Title I employees were posted in **July 2013** and a disbursement adjustment of \$49,601.44 was recorded on **June 30, 2014** for the cost of substitute teachers.

In accordance with Chapter 9 of the GAAP for New Jersey School Districts, A Technical Systems Manual (GAAP Technical Systems Manual), salaries and stipends must be allocated to appropriate special revenue fund programs **as the charges are incurred each pay period**. Contractual salaries (the board approved, Title I funded portion for applicable staff members) should be prorated based on the number of payroll periods and recorded on a consistent basis as Title I program activities

KEANSBURG BOARD OF EDUCATION
NCLB TITLE I AUDIT
FISCAL YEAR 2013-2014

FINDINGS AND RECOMMENDATIONS

are performed throughout the year. Further, related accounting records must reflect the correct amount of charges. Corresponding time and activity reports must also be prepared and maintained to support all payroll costs.

Recommendation

The LEA's accounting procedures must be modified to charge all program salary expenditures as incurred to the appropriate special revenue fund in accordance with the GAAP Technical Systems Manual.

4. Appointments of Title I, Part A instructional personnel recorded in the board of education meeting minutes did not contain all of the required information.

The board of education meeting minutes evidencing appointments of Title I funded personnel did not include any indication of the Title I program, nor funding percentages. Federal regulations pursuant to the Appendix and New Jersey Department of Education guidelines require LEA's to document all program related costs. To achieve compliance with these requirements, the designation of all Title I employees, both Part A and Carryover (if applicable), *and their salaries, assigned school and funding percentage* must be documented in the board minutes to provide a public record of approval for these expenditures.

Recommendation

The LEA must ensure all Title I employee appointments, including their salaries and funding percentages, are recorded in the board of education meeting minutes documenting proper authorization of these expenditures.

5. The LEA's reimbursement of FY 2013-2014 TPAF/FICA was incorrectly computed.

During the audit, copies of the LEA's FY 2013-2014 Reimbursement to State of New Jersey Pension and Social Security Report (TPAF/FICA Report) and supporting documentation were requested for examination. It was determined the LEA incorrectly computed the Social Security and Medicare portion on aggregate salaries, rather than comparing salary amounts for each individual to established thresholds.

N.J.S.A. 18A:66-90 requires LEAs to reimburse the State of New Jersey for the employer's cost of pensions, group life insurance, social security and other benefits to the Teacher's Pension and Annuity Fund (TPAF). This requirement applies *only* (emphasis added) to the contractual salaries of TPAF members paid in full or in part by federally financed programs. In addition, the 2014 NCLB Reference Manual states "Other benefits may also be budgeted; however, all TPAF/FICA and other fringe benefits must be budgeted in proportion to the allocated federal salary."

KEANSBURG BOARD OF EDUCATION
NCLB TITLE I AUDIT
FISCAL YEAR 2013-2014

FINDINGS AND RECOMMENDATIONS

Recommendation

The LEA must implement procedures to ensure proper submission of the TPAF/FICA Report for federal programs, on an annual basis. Also, the LEA must make certain that TPAF/FICA reimbursement costs are properly calculated, expended and refunded in accordance with N.J.S.A. 18A:66-90.

6. On various occasions, the LEA failed to issue a purchase order prior to services being rendered (confirming order).

The LEA routinely ordered supplies and/or purchased food for parental involvement events without receiving prior approval through a signed purchase order.

N.J.S.A 18A:18A-2(v) indicates, in part, "Purchase order" means a document issued by the purchasing agent *authorizing a purchase transaction with a vendor to provide or perform goods or services to the board of education* (emphasis added). Therefore, a properly executed purchase order must be issued prior to services being rendered.

Recommendation

The LEA must implement a process to ensure purchase orders are issued before the receipt of goods and services from vendors.

7. Expenditures charged to the FY 2013-2014 Title I, Part A program should have been allocated to the subsequent project period.

The LEA issued purchase order #14-02805 to School Specialty on June 30, 2014 for various supplies to be used during the 2014 summer program.

Although no benefit was derived from the items acquired or services performed during the aforementioned project period, the associated costs were reported on the district's FY 2013-2014 FER. These expenditures were allocable to the Title I grant for FY 2014-2015, rather than to FY 2013-2014. For future reference, the district is advised that errors of this nature may result in the need to revise the FER to exclude the sum of expenditures more appropriately allocated to subsequent grant periods and to carryover/re-budget the funds as part of an amended application.

Recommendation

The district must implement procedures to ensure program costs are charged to the appropriate grant year.

**KEANSBURG BOARD OF EDUCATION
NCLB TITLE I AUDIT
FISCAL YEAR 2013-2014**

FINDINGS AND RECOMMENDATIONS

8. Certain records were not maintained in accordance with departmental and federal guidelines.

The audit disclosed that benefits were budgeted incorrectly via the Electronic Web Enabled Grant (EWEG) system. In particular, FICA costs were improperly budgeted for substitute teachers paid through an outside vendor. Benefits associated with Fund 15 schoolwide salaries should be charged to that funding source.

A review of the district's general ledger for Title I, Part D disclosed expenditures for the homeless reserve were not maintained separately. Amounts expended for this set-aside must be used for allowable program activities and accounted for separately to enhance the LEA's ability to monitor unexpended balances, which may be carried forward provided the funds are spent for its intended purpose or returned to the state.

EDGAR, 34 CFR §80.20(b)(2) requires grantees to maintain records which adequately identify the source and application of funds provided for financially-assisted activities. Also, EDGAR, 34 CFR §76.730(e) stipulates that the LEA shall keep records in a manner that facilitates an effective audit.

Finally the district did not provide a log evidencing equipment items charged to federal programs. Although the state threshold for reporting equipment is \$2,000.00 in the EWEG system, the district may have its own lower threshold. The district must track any amount that is less expensive to track than it is to replace, including electronic computing devices. EDGAR, 34 CFR §80.32(d)(1) requires districts to maintain property records which include (among other things) a property description, serial number or other identification, acquisition date, funding source and the percentage of federal cost participation.

Recommendation

The LEA must improve its procedures to ensure Title I funds are budgeted and allocated correctly. Further, the district must make certain Title I reserves are tracked separately with unique numbers and the set-asides are expended as prescribed in the NCLB Reference Manual. To facilitate an effective audit, the district must ensure that its equipment purchased with federal funds meets the minimum requirements pursuant to EDGAR, 34 CFR §80.32(d)(1).

KEANSBURG BOARD OF EDUCATION
NCLB TITLE I AUDIT
FISCAL YEAR 2013-2014


SCHEDULE OF RECOVERY DUE TO SEA

<u>Audit Finding</u>	<u>Recovery</u>
Number One	<u>\$10,727.48</u>
Total Recovery Due to SEA	<u>\$10,727.48</u>

The check is to be made payable to "Treasurer, State of New Jersey" and mailed with the corrective action plan.

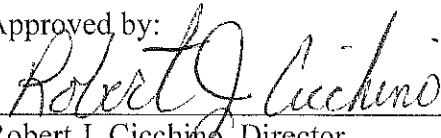
Robert J. Cicchino, Director
Office of Fiscal Accountability and Compliance
State of New Jersey
Department of Education
PO Box 500
Trenton, NJ 08625-0500

Submitted by:



Lisa D. McCormick, Manager
Office of Fiscal Accountability and Compliance

Approved by:



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

Auditor

Joanna Shinn

State of New Jersey
Department of Education
Office of Fiscal Accountability and Compliance

PROCEDURES FOR LEA/AGENCY RESPONSE
CORRECTIVE ACTION PLAN AND APPEAL PROCESS

Board of Education Response:

Pursuant to N.J.A.C. 6A:23A-5.6, the following actions shall occur:

- (a) Any school district or county vocational school district that has been subject to an audit or investigation by the Department of Education, Office of Fiscal Accountability and Compliance (OFAC) shall discuss the findings of the audit or investigation at a public meeting of the district board of education no later than 30 days after receipt of the findings.
- (b) Within 30 days of the public meeting required in (a) above, the district board of education shall adopt a resolution certifying that the findings were discussed in a public board meeting and approving a corrective action plan to address the issues raised in the findings. The resolution shall be submitted to the OFAC within 10 days of adoption by the board of education.
- (c) The findings of the OFAC audit or investigation and the board of education's corrective action plan shall be posted on the district's web site, if one exists.

If the board of education disputes any of the findings of the audit or investigation, it may file a written appeal with the OFAC of any disputed finding(s) within 10 days of adoption of the resolution. Seeking an appeal of the findings does not preclude adherence to the provisions of (a), (b), and (c) listed above.

Corrective Action Plan:

The corrective action plan is to be used when the LEA/Agency is in agreement with any of the findings. To contest a finding, the appeal process must be used. After the appeal is settled, a corrective action plan must be filed for any finding upheld during the appeal process.

The corrective action plan must be prepared by completing the attached form. The LEA/Agency must submit the following information:

- Recommendation number
- Corrective action (approved by the board)
- Method of implementation
- Person responsible for implementation
- Completion date of implementation

If the corrective action plan is acceptable, a letter will be sent to the LEA/Agency indicating that it has been accepted.

If the corrective action plan is not acceptable, a letter will be sent to the LEA/Agency indicating whether further clarification is required or further action is necessary.

Appeal Process:

The appeal process is used to contest disputed findings.

Within 10 days of the board's adoption of the resolution approving an appeal of the findings of the audit or investigation, a written request by the LEA/Agency to review the disputed finding(s), recommendation(s), or questioned costs must be submitted to the OFAC Director. The Request for Appeal must indicate the finding(s) in question.

The Request for Appeal must be in writing and the LEA/Agency must present any supporting documentation for the appeal. Subsequent to the submission of the Request for Appeal, the OFAC Director will issue a written decision.

If the final determination made by the Director, is still unsatisfactory to the LEA/Agency, the LEA/Agency may file a Petition of Appeal pursuant to N.J.A.C. 6A:3-1.3.

NEW JERSEY DEPARTMENT OF EDUCATION
 OFFICE OF FISCAL ACCOUNTABILITY AND COMPLIANCE
CORRECTIVE ACTION PLAN

NAME OF SCHOOL DISTRICT _____ COUNTY _____

TYPE OF EXAMINATION _____

DATE OF BOARD MEETING _____

CONTACT PERSON _____

TELEPHONE NUMBER _____

RECOMMENDATION NUMBER	CORRECTIVE ACTION REQUIRED BY THE BOARD	METHOD OF IMPLEMENTATION	PERSON RESPONSIBLE FOR IMPLEMENTATION	COMPLETION DATE OF IMPLEMENTATION
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CHIEF SCHOOL ADMINISTRATOR _____ DATE _____ BOARD SECRETARY/SCHOOL BUSINESS ADMINISTRATOR _____ DATE _____