



State of New Jersey

DEPARTMENT OF EDUCATION

PO Box 500

TRENTON, NJ 08625-0500

PHILIP D. MURPHY
Governor

SHEILA Y. OLIVER
Lt. Governor

ANGELICA ALLEN-McMILLAN, Ed.D.
Acting Commissioner

February 17, 2022

Ms. Janine Caudo, Board President
Egg Harbor City Public School District
730 Havana Avenue
Egg Harbor City, NJ 08215

Dear Ms. Caudo:

SUBJECT: Egg Harbor City Public School District – ESSA Title I Audit
OFAC Case #: SG-0004-20

The New Jersey Department of Education, Office of Fiscal Accountability and Compliance, has completed a fiscal audit of federal funds disbursed by the **Egg Harbor City Public School District** (referred to hereinafter as "EHCPSD" or "district"). The funding sources reviewed include one or more titled programs under the Elementary and Secondary Education Act (ESEA) of 1965, as amended by the Every Student Succeeds Act (ESSA) of 2015. The review covered the FY 2020 ESEA project period which commenced on July 1, 2019 and concluded on September 30, 2020. The results of the ESSA 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," EHCPSD 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.

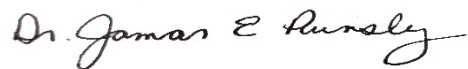
Ms. Janine Caudo

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Should you have any questions, please contact Lisa D. McCormick, Director 2 at (609) 206-4347 or via email at Lisa.McCormick@doe.nj.gov.

Sincerely,

A handwritten signature in black ink, reading "Dr. James E. Runzley". The signature is written in a cursive style with a long, sweeping underline.

Office of Fiscal Accountability and Compliance

JEP/LDM/hp: Egg Harbor City Public School District Cover Letter

Enclosures

c: Jorden Schiff

Kathleen Ehling

Martin Egan

Kathryn Czehut

Leslie Franks-McRae

Lisa D. McCormick

Robert Bumpus

Rodelia Bennett

David J. Kaschak

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Carol Scott, CPA

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

**EGG HARBOR CITY PUBLIC SCHOOL DISTRICT
730 HAVANA AVENUE
EGG HARBOR CITY, NJ 08215
PHONE: (609) 965-1034**

**REPORT ON EXAMINATION
ESSA TITLE I AUDIT
FOR THE PROJECT PERIOD:
JULY 1, 2019 TO SEPTEMBER 30, 2020**

DISTRICT: Egg Harbor City Public School District
COUNTY: Atlantic

AUTHORIZED REPRESENTATIVE:

PROGRAM DIRECTOR: Dr. Gina Forester, Director of Special Projects

PERSONS CONTACTED:
Jason Bedell, Board Secretary/Business Administrator

FUNDING SOURCES

PROGRAM YEAR	ESEA APPROVED FUNDING					TOTAL
	TITLE I			TITLE I SIA		
	PART A	CARRYOVER	TRANSFERABILITY	PART A	CARRYOVER	
2019-2020	\$288,959.00	\$0.00	\$17,941.00	\$31,000.00	\$0.00	\$337,900.00
2018-2019	\$0.00	\$13,198.00	\$0.00	\$0.00	\$10,866.00	\$24,064.00
TOTAL	\$288,959.00	\$13,198.00	\$17,941.00	\$31,000.00	\$10,866.00	\$361,964.00

EGG HARBOR CITY PUBLIC SCHOOL DISTRICT

ESSA TITLE I AUDIT

JULY 1, 2019 TO SEPTEMBER 30, 2020

BACKGROUND

The Elementary and Secondary Education Act (ESEA) of 1965 was reauthorized by the Every Student Succeeds Act (ESSA) of 2015. In accordance with Section 1001 of ESEA, the purpose of the law is "to provide all children significant opportunity to receive a fair, equitable, and high-quality education, and to close educational achievement gaps."

The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (UGG), 2 C.F.R. § 200.332(d) requires that NJDOE perform subrecipient monitoring and determine whether the funds are being used for their intended purposes and achieving the overall objectives of the funding initiatives.

As part of this oversight, NJDOE monitored the Egg Harbor City Public School District (EHCPSD) in FY 2012-2013. During an onsite visit, the monitoring team conducted a review of programmatic records and documentation, as well as a sampling of purchases orders. The monitoring team determined that Title I, Part A funds were used to implement targeted assistance programs, primarily through the provision of in-class tutoring. Additional oversight has included annual audits conducted by EHCPSD's Independent Public Accountant (IPA). In each school year since NJDOE monitored the district, the IPA audit yielded no material internal control deficiencies or questioned costs.

During the FY 2020 ESEA project period, the district was approved to operate *targeted assistance programs* at both of its schools, Charles L. Spragg Elementary School (CLSES) and Egg Harbor City Community School (EHCCS). This distinction necessitated the district use the Title I, Part A award received of \$320,098.00 exclusively for the benefit of Title I students and programs.

Due to EHCCS' categorization as a Comprehensive Support and Improvement school, the district also received a Title I School Improvement Award (SIA) of \$41,866.00 under Part A. SIA must be used in eligible schools only to expand school-level programs and services funded by Title I, Part A or to help the school address priority needs identified in its needs assessment. These funds must be used by identified schools to support school-level improvement efforts, not district level initiatives. The district properly submitted an Annual School Plan for EGCCS as provided for by this categorization.

The NJDOE approved EHCPSD to expend the Title I, Part A and Title I SIA totaling \$361,964.00 primarily on salaries and benefits. The department's Office of Fiscal Accountability and Compliance subsequently conducted a remote audit of EHCPSD's use of these Federal awards and reviewed the annual school plan(s), where applicable, to determine whether:

1. the district operated its programs as specified in the approved ESEA Consolidated Grant Application and as provided for by governing legislation; and
2. the funds were spent in accordance with the program requirements, Federal and state laws, and applicable regulations.

**EGG HARBOR CITY PUBLIC SCHOOL DISTRICT
ESSA TITLE I AUDIT
FISCAL YEAR 2019-2020**

EXECUTIVE SUMMARY

The scope of work performed consisted of a review of records including, but not necessarily limited to:

1. accounting records
2. annual audits and inspections
3. annual school plans
4. board of education meeting minutes
5. board policies and procedures
6. grant applications and related performance reports
7. a sample of purchase orders, along with the related invoices and cancelled checks
8. teacher contracts, certifications, time and activity reports and schedules
9. payroll distribution reports and timesheets
10. reimbursement requests
11. final expenditure reports
12. certain programmatic correspondence and documents

The Manager and Auditor-in-Charge also conducted interviews with appropriate EHCPSD personnel regarding the district's Title I program, and to the extent practicable, performed an internal control review of certain district processes.

The district was awarded Title I, Part A and Title I SIA, Part A funds of \$320,098.00 and \$41,866.00, respectively, for the period covered by our examination. Of the combined total \$361,964.00, EHCPSD expended \$348,458.00 for salaries, benefits, professional development, data assessment software and training.

Our examination disclosed questioned costs totaling \$7,979.75. Nine non-compliance matters and other program specific issues were also detected.

EGG HARBOR CITY PUBLIC SCHOOL DISTRICT
ESSA TITLE I AUDIT
JULY 1, 2019 TO SEPTEMBER 30, 2020

AUDIT RESULTS

Our testing of selected transactions revealed that certain expenditures were neither allowable, nor allocable in accordance with applicable laws and regulations. Moreover, we found program specific and other compliance matters as more fully described below.

FINDINGS AND RECOMMENDATIONS

The Findings and Recommendations are disaggregated in the following subsections in continuous numerical order:

1. those resulting in questioned costs;
2. other non-compliance matters; and
3. program specific compliance matters.

QUESTIONED COSTS

Finding One: The district incurred and charged costs of \$4,785.00 to Title I, Part A and Title I SIA, Part A for data assessment software in part for ineligible beneficiaries.

According to the Step 4, Title I Eligibility Page of the district's ESEA Consolidated Subgrant Application, EHCPD was approved to operate targeted assistance programs for both of its schools – CLSES and EHCCS. Targeted assistance schools must use Title I funds to help identified students meet state standards, which can include programs, activities, and academic courses necessary to provide a well-rounded education¹.

On July 1, 2019, the district issued purchase order (PO) number to 20-0072 to Advanced Assessment Systems, Inc. (AAA) or the acquisition of LinkIt! software, on-site training and a test. The total PO amount of \$17,685.00 was charged to line item 200-500 and was split among Title I funding sources as follows:

1. Title I, Part A - \$7,342.50 for CLS and \$7,342.50 for EHCCS; and
2. Title I SIA, Part A - \$3,000.00 for EHCCS.

¹ New Jersey Department of School District Elementary and Secondary Education Act (ESEA) Guide, Understanding the Federal Funds School Districts Receive Under ESEA as Amended by the Every Student Succeeds Act (ESSA), (February 27, 2017).

EGG HARBOR CITY PUBLIC SCHOOL DISTRICT
ESSA TITLE I AUDIT
JULY 1, 2019 TO SEPTEMBER 30, 2020

AUDIT RESULTS

The supporting records disclosed no rationale for this allocation. The district provided a copy of AAA's Summary Cost Proposal (SCP) which itemized the proposed costs for the software and related services. An examination of the SCP revealed per student costs totaling \$4,785.00 that were not calculated using counts of Title I students only. Rather, the counts used approximated the combined enrollment of all students at both schools and in one case, appeared to be a minimum number of students. The determination of costs in this manner is impermissible for schools approved to run targeted assistance programs.

Consequently, on March 16, 2021, the district was requested to furnish us with lists of Title I students specifically identified through multiple, objective criteria who were served by Title I funded personnel. On March 18, 2021, the district furnished OFAC with a list for CLSES. In lieu of providing a similar list for EHCCS, the district advised that James Connelly and Thomas Culleney, Basic Skills Instruction teachers worked with all eligible Title I students in grades 4-8. On May 24, 2021, the district was asked again to provide the counts and lists of the *specific students identified to receive Title I services at EHCCS*. To date, this information has not been provided. Therefore, the percentage of Title I students for each school cannot be determined for the purpose of calculating how much of the per student costs of \$4,785.00 was allocable to the Federal program.

Section 1115(a) of ESEA states that a LEA serving such school may use funds received under this part only for programs that provide services to eligible children under subsection (c) identified as having the greatest need for special assistance. Subsection (c) clarifies eligible children are children identified by the school as failing, or most at risk of failing, to meet the challenging State academic standards on the basis of multiple, educationally related, objective criteria established by the LEA.

Pursuant to 2 C.F.R. § 200.403(a), costs must be necessary and reasonable for the performance of the Federal award and *allocable* thereto under these principles. Section 200.405(a) states 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.

In light of the facts presented, the district must remit \$4,785.00 to NJDOE for the disallowed costs (Refer to the Schedule of Audit Recovery due to State Education Agency (SEA) at the end of the report).

Recommendation

EHCPSD must ensure expenditures incurred and charged to the Federal program comply with applicable legislative provisions and satisfy the requirements of UGG, 2 C.F.R. § 200 et. seq.

EGG HARBOR CITY PUBLIC SCHOOL DISTRICT
ESSA TITLE I AUDIT
JULY 1, 2019 TO SEPTEMBER 30, 2020

AUDIT RESULTS

Finding Two: The district allocated aggregate professional development costs of \$3,194.75 to the Federal program which should have been charged to local funds.

The district issued two purchase orders (POs) to Southern Regional Institute and ETTC (SRI&ETTC) at Stockton University for the provision of professional development (PD) as summarized by the table below:

Line Item	PO Nbr.	Date	Nbr. of PD Hours	Total
200-500	20-0071	7/1/2019	70	\$1,686.75
200-500	21-0049	7/1/2020	63	1,508.00
Total				\$3,194.75

According to April 24, 2019 SRI&ETTC correspondence, the number of PD hours allocated to the district was based on an enrollment “determined by the ‘on roll’ count listed on the 2019-20 Application for State School Aid. The SRI&ETTC Consortium billed the district \$3.25 for 519 students. The letter advised, in part, that “All SRI&ETTC workshops are eligible to satisfy the NJ DOE Professional Development ‘100 Hours’ requirement.” SRI&ETTC distributed similar correspondence to the district on June 5, 2020 and billed EHCPD in the same manner for the PD in the next fiscal year.

An examination of related documentation yielded no evidence of a discernable connection to the district’s Title I program and therefore, the costs incurred should have been paid with local funds.

Pursuant to UGG, 2 C.F.R. § 200.403(a), costs must be necessary and reasonable for the performance of the Federal award and *allocable* thereto under these principles. Section 200.405(a) states 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.

Based on the foregoing, the district must remit \$3,194.75 to NJDOE for the disallowed costs (Refer to the Schedule of Audit Recovery due to SEA at the end of the report).

Recommendation

EHCPD must improve procedures for the payment of expenditures related to the Title I, Part A program in accordance with Federal requirements.

EGG HARBOR CITY PUBLIC SCHOOL DISTRICT
ESSA TITLE I AUDIT
JULY 1, 2019 TO SEPTEMBER 30, 2020

AUDIT RESULTS

OTHER NON-COMPLIANCE MATTERS

Finding Three: The board of education meeting minutes provided for review disclosed no indication of approval for the district to apply for, accept funds or submit an amendment application as required for one or more Federal awards.

The district did not provide board of education meeting minutes evidencing approval for the submission of an amendment application for Title I, Part A following SEA approval of carryover funds. Nor did the minutes include a resolution for the submission and acceptance of the FY 2019-2020 Title I SIA, Part A award. The district is required to obtain board approval for all applications and amendments and to keep the board resolutions or certified minutes on file and available for review upon request.

Recommendation

The district must ensure the submission of applications, including amendments and acceptance of all grant funds are documented in board of education meeting minutes.

Finding Four: The district failed to submit an amendment application before transferring funds consistent with departmental guidelines.

An examination of the district's general ledger for the Title I SIA, Part A program revealed the LEA transferred funds among budget categories in excess of 10% of the Federal award.

The NJDOE, Office of Grants Management published [FY 2020 ESEA Amendment Instructions](#) on the department's website for reference by LEAs and thereafter, on an annual basis. These instructions identify several circumstances which necessitate completion of an amendment application. Of note, LEAs were advised to "revise the approved budget for a title when the amount of the transfers among budget lines exceeds 10% of the total allocation for the title."

Recommendation

EHCPD must be sure to file amendment applications in accordance with departmental guidelines when applicable.

Finding Five: The district submitted reimbursement requests for Title I, Part A expenditures that were inconsistent with Federal and departmental requirements.

During the FY 2020 ESEA project period, EHCPD submitted a total of four and five Reimbursement Requests for Title I, Part A and Title I SIA, Part A expenditures, respectively. Each time, district personnel certified via NJDOE's EWEG system that by submitting the

EGG HARBOR CITY PUBLIC SCHOOL DISTRICT
ESSA TITLE I AUDIT
JULY 1, 2019 TO SEPTEMBER 30, 2020

AUDIT RESULTS

Reimbursement Request, the funds requested had either already been expended by the grantee or were to be expended in compliance with the Cash Management Improvement Act (CMIA) and UGG. EHCPSD further certified that the funds requested were being expended according to program requirements.

The district's Title I, Part A reimbursement requests were comprised primarily of salaries and *allocations* for "Federal Programs: Pension and Social Security Reimbursement to State of New Jersey for Contributions Paid by the State" (TPAF/FICA) attributable to the salaries claimed. The department processed reimbursement checks within two to three weeks following submission of the reimbursement requests. The district remitted its payment for TPAF/FICA reimbursement to the department on August 31, 2020. This payment occurred *months* after the district claimed the TPAF/FICA allocations as summarized by the table below:

Request Number	TPAF/FICA Allocation	Check Received	Payment Deadline (PD)	Actual Pmt. of TPAF/FICA (AP)	Approx. Nbr. of Months Between PD and AP
One	13,766.00	10/30/2019	11/4/2019	8/31/2020	Ten
Two	13,766.00	12/23/2019	12/26/2019	8/31/2020	Eight
Three	20,649.00	3/31/2020	4/3/2020	8/31/2020	Five
Four	20,649.00	6/29/2020	7/2/2020	8/31/2020	Two

The district's allocation of TPAF/FICA was contrary to the [NJDOE Policies and Procedures for Reimbursement of Federal and Other Grant Expenditures](#) which stipulates that a subgrantee may request reimbursement only for (a) expenditures that have already occurred or (b) will occur within three (3) business days of receipt of funds.

UGG, 2 C.F.R. § 200.305(b) provides in part that "payments methods must minimize the time elapsing between the transfer of funds from . . . the pass-through entity and the disbursement by the non-Federal entity whether the payment is made by electronic funds transfer, or issuance or redemption of checks, warrants, or payment by other means."

Recommendation

EHCPSD must implement procedures to ensure adequate cash management and compliance with CMIA, departmental requirements, as well as those of UGG, 2 C.F.R. § 200.305(b).

EGG HARBOR CITY PUBLIC SCHOOL DISTRICT
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JULY 1, 2019 TO SEPTEMBER 30, 2020

AUDIT RESULTS

Finding Six: Various district board policies relating to internal controls were not provided for examination or require revision.

During the audit, the policies and procedures related to its fiscal operations and internal controls of EHCPSD were requested for examination. The district furnished the documents requested, with the exception of written procedures for:

- Determining the allowability of costs in accordance with Subpart E – Cost Principles of this part and the terms and conditions of the Federal award, as set forth, UGG 2 C.F.R. § 200.302(b)(7);
- The mandatory disclosure of all violations of Federal criminal law involving fraud, bribery, or gratuity violations potentially affecting the Federal award pursuant to UGG, 2 C.F.R. § 200.113. Such disclosures must occur in a timely manner and be submitted in writing to the United States Department of Education or NJDOE; and

An examination of the documents provided also revealed that revisions including, but not limited to, the policies listed on the next page.

- Although the district did not have a policy devoted solely to prohibiting the use of Federal funds to contact with debarred and suspended vendors, the Relations with Vendors policy addressed the topic in part. The policy, however, failed to mention: 1) applicability – contracts or purchase orders over \$25,000.00 unless the district choses a lower threshold; 2) the System for Award Management (SAM) which is utilized for searching debarred/suspended vendors and is accessible at www.sam.gov; and 3) the requirement to demonstrate compliance with written evidence. Examples of evidence include printouts of search results from SAM, imprints from an ink stamp, or Avery labels affixed to purchase orders memorializing performance of this verification.
- The Title I Improving the Academic Achievement and Parent and Family Engagement policy should be modified to: 1) reference The Strengthening Career and Technical Education for the 21st Century Act; 2) current legislative citations; and 3) applicable language outlining the process for ensuring compliance with the supplement not supplant provision of ESEA.

Pursuant to UGG, 2 C.F.R. § 200.303, LEAs must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entities are managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. The internal controls should be in compliance with guidance in the “Standards for Internal Control in the Federal Government” (Green Book) issued by the

EGG HARBOR CITY PUBLIC SCHOOL DISTRICT
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AUDIT RESULTS

Comptroller General of the United States, and the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Moreover, the district’s own policy on Internal Controls stipulates “The school district shall evaluate business processes annually and allocate available resources appropriately in an effort to establish a strong control environment pursuant to the requirements of N.J.A.C. 6A:23A-6.5.”

Recommendation

ECHPSD must prepare written policies and procedures and revise existing versions as necessary for conformity with state regulations and UGG, 2 C.F.R. § 200 et seq.

Finding Seven: Title I split funded personnel did not prepare detailed TARs in a manner consistent with the requirements of UGG, 2 C.F.R. § 200.430(i) and department guidelines.

The district provided monthly schedules/certifications for all employees whose salaries were funded in whole or part by the Title I grant, respectively, for examination. The format of the certifications prepared are consistent with the sample available from the department’s website. However, a review of one certification in particular raised concern that the teacher devoted less time to the Title I program than his salary funding percentage. As a result, district personnel was asked to reexamine the teacher’s schedules and identify which the periods of work attributable to the Title I program. Our computation of time worked using the district’s identification initially resulted in a decrease of the teacher’s salary funding percentage from 55% to 15% and corresponding questioned costs totaling \$33,515.20.

Separate and apart from the foregoing, the district previously provided a description of a remedial program the teacher worked on with students who needed assistance in English Language Arts and Mathematics. Such activities were deemed to be consistent with the intent and purposes of Title I and aligned with the district’s identified needs in the FY 2020 ESEA project period Consolidated Subgrant Application. Considering the time devoted to the remedial program, our recalculated percentage matched the original percentage determined by the district. As such, the questioned costs mentioned were reversed.

The circumstances presented also serve to illustrate why it is important for district staff to list the specific Title I activities performed on relevant records. Specifically, all districts must comply with the requirements of UGG, 2 C.F.R. § 200.430(i) which establishes Standards for Documentation of Personnel Expenses (time and activity reports). The standards include, but are not limited to the following requirements:

EGG HARBOR CITY PUBLIC SCHOOL DISTRICT

ESSA TITLE I AUDIT

JULY 1, 2019 TO SEPTEMBER 30, 2020

AUDIT RESULTS

- Subsection (1)(iii), Reasonably *reflect the total activity* for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities;
- Subsection (1)(vii), Support the *distribution of the employee's salary or wages among specific activities or cost objectives* if the employee works on more than one Federal award; a Federal award and non-Federal award;
- Subsection (3), In accordance with Department of Labor regulations implementing the Fair Labor Standards Act (FLSA) (29 C.F.R. part 516), *charges for the salaries and wages of nonexempt employees*, in addition to the supporting documentation described in this section, must also be *supported by records indicating the total number of hours worked each day*.

Title I staff whose contractual salaries are funded in whole by the Federal program must prepare certifications at least twice a year. Personnel with salaries funded partially by Title I must complete monthly, contemporaneous time and activity reports that reflect:

- a) what, where and when the Title I work is being performed;
- b) be signed by the employee and supervisor; and
- c) reflect dates coinciding to payroll periods.

The requirements a) through c) also apply to *employees paid on an hourly basis* for performing work on Title I programs before or after school and during the summer, etc. Those staff receiving *lump sum disbursements or stipends* for Title I work are required to complete semi-annual certifications as well.

LEAs may only charge payroll costs related to allowable Title I programs/activities. Anytime a change of funding source occurs, the event must be recorded in the School District meeting minutes. A revised certification must be prepared and signed by the appropriate parties. Further, the LEA is reminded that supplanting constitutes a violation of ESEA statutes and funds misspent for local obligations are subject to SEA recovery.

Recommendation

EHCPSD must develop procedures to ensure Title I funded personnel prepare time and activity reports which conform to the requirements of UGG, 2 C.F.R. § 200.430(i) and department guidelines.

EGG HARBOR CITY PUBLIC SCHOOL DISTRICT
ESSA TITLE I AUDIT
JULY 1, 2019 TO SEPTEMBER 30, 2020

AUDIT RESULTS

Finding Eight: The district failed to adhere to New Jersey Public School Contracts Law and Federal regulations when procuring a data assessment/management system.

As previously indicated, the district issued PO 20-0072 in the amount of \$17,685.00 to AAA for the acquisition of *LinkIt!* Assessment Management and Analytics Platform. The dollar amount of this purchase exceeded applicable thresholds of \$6,000.00 with a Qualified Purchasing Agent (QPA) or \$4,350.00 without a QPA. provided for by the New Jersey Public Schools Contract Law (PSCL). EHCPSD administrative staff advised in part that “[d]ue to the nature of the companies, it [wasn’t] possible to have a direct comparison of quotes for [AAA] . . .” In addition, the district provided a copy of a letter from AAA advising it was a sole source vendor for *LinkIt!*

UGG, 2 C.F.R. § 200.318(a) requires non-Federal entities that receive Federal grants, to follow applicable state and local laws (PSCL) and regulations for procurements *provided the procurement provisions conform to applicable Federal law and the standards identified in this part*. It warrants mention that the Federal standards: (1) do not include all exemptions allowed under the PSCL, specifically professional services and (2) prevail when in conflict with or more restrictive than PSCL.

Prior to awarding the contracts for purchases between \$6,000.00 and \$40,000.00, N.J.S.A. 18A:18A-37(a) required district administrative staff to solicit at least two competitive quotations, if practicable.

With respect to Federal standards, the dollar amount of this purchase exceeds the Federal Micro-Purchase Threshold of \$10,000.00 but is less than the Simple Acquisition Threshold of \$250,000.00 authorized by OMB.² As a result, EHCPSD was required follow the Procurement by Small Purchases Procedures set forth by UGG, 2 C.F.R. § 200.320(b). These procedures stipulate, in part, that *price or rate quotations must be obtained* from an adequate number of qualified sources (more than one vendor). Such information must be maintained, along with other underlying records, in purchase order packets and contract files to demonstrate price reasonableness.

Recommendation

EHCPSD must adhere to the PSCL or UGG, 2 C.F.R. §§ 200.318-327, et seq., whichever is most restrictive when obtaining goods and services for the Title I program. In addition, the district must implement processes that ensure all transactions are properly authorized prior to the acquisition of materials and supplies or services being rendered by vendors.

² On June 20, 2018, the OMB issued Memorandum M-18-18, “Implementing Statutory Changes to the Micro-Purchase and the Simplified Acquisition Thresholds for Financial Assistance.” The memorandum raised the thresholds originally established by UGG, 2 C.F.R. § 200.67 from \$3,500.00 to \$10,000.00 and § 200.88 from \$100,000.00 to \$250,000.00, respectively.

EGG HARBOR CITY PUBLIC SCHOOL DISTRICT
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AUDIT RESULTS

Finding Nine: The district purchased certain services without determining whether the subcontractor was neither debarred nor suspended.

On January 13, 2020, the district issued PO number 20-0541 in the amount of \$25,401.60 to the G.E.H.R.H.S.D. Board of Education for transportation of the district's students. An examination supporting documents revealed G.E.H.R.H.S.D. solicited bids for these services on behalf of various districts like EHCPD and awarded the contract to St. Paul Transportation, Inc. The examination, however, disclosed no indication G.E.H.R.H.S.D. verified St. Paul Transportation, Inc. was excluded from the state and/or Federal list of suspended, debarred or disqualified parties in order to participate in the district's competitive bidding process. Such checks are necessary to preclude the EHCPD from entering into contracts with vendors or unwittingly using subcontractors for services whose names appear on the [State of New Jersey Consolidated Debarment Report](#) (Executive Order #34/1976) or on SAM.gov.

Pursuant to UGG, 2 C.F.R. § 200.213, non-Federal entities (LEAs) are subject to non-procurement debarment and suspension regulations implementing Executive Orders 12549 and 12689, 2 C.F.R. part 180. These regulations restrict awards, subawards, and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities. LEAs must maintain written evidence of compliance with this UGG provision for contracts over \$25,000.00.

Recommendation

EHCPD should perform the necessary verifications to identify any vendors suspended or debarred by the State of New Jersey or from participation in Federal programs in accordance with UGG, 2 C.F.R. § 200.213.

Finding Ten: On various occasions, the district failed to issue a purchase order prior to services being rendered (confirming order).

During the audit, testing of non-payroll expenditures revealed EHCPD issued various POs after the services performed such as those listed below:

Vendor	PO Nbr.	PO Date	Invoice Date
G.E.H.R.H.S.D. Board of Education	20-0541	1/13/2020	1/7/2020
Atlantic County Special Services	20-0583	2/11/2020	1/27/2020
G.E.H.R.H.S.D. Board of Education	21-0333	8/24/2020	4/8/2020

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*

**EGG HARBOR CITY PUBLIC SCHOOL DISTRICT
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AUDIT RESULTS

or services to the board of education (emphasis added). Therefore, a properly executed purchase order must be issued prior to services being rendered.

Recommendation

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

PROGRAM SPECIFIC NON-COMPLIANCE MATTERS

Finding Eleven: The district was unable to provide records demonstrating that a programmatic requirement under ESEA was met.

During the audit, EHCPSD advised the Parents' Right-to-Know Highly Qualified Teacher letter was distributed to parents via students' backpacks at the beginning of the 2019-2020 school year. While the method of distribution is acceptable, it should not be the sole method. The district must be able to demonstrate the letter was mailed to the parents through regular mail or electronic mail.

Consistent with ESEA Sections 1112(e)(1)(A) and (B)(ii) and 34 C.F.R. § 200.61(a), LEAs that receive Title I, Part A funds are required at the beginning of each school year to inform parents of students attending Title I schools, the parents may request, and the LEA then will provide, certain information on the professional qualifications of the student's classroom teachers and paraprofessionals providing services to the child. The letter must be translated into a language that is understandable to the parent(s) of the students served.

Recommendation

EHCPSD must keep records evidencing the distribution of Right-to-Know letters to parents of students as required by applicable ESEA legislative provisions and Title I regulations.

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SCHEDULE OF RECOVERY DUE TO SEA

<u>Audit Finding</u>	<u>Recovery</u>
Number One	\$4,785.00
Number Two	<u>3,194.75</u>
Total Recovery Due to SEA	<u><u>\$7,979.75</u></u>

The district's check for the recoveries identified is to be made payable to "Treasurer, State of New Jersey" and mailed with the corrective action plan is to be submitted to OFAC personnel as follows:

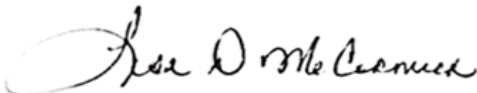
Mail paper copies to:

Dr. Jamar E. Purnsley, Director
Office of Fiscal Accountability and Compliance
State of New Jersey
Department of Education
PO Box 500
Trenton, NJ 08625-0500

Email scanned copies to:

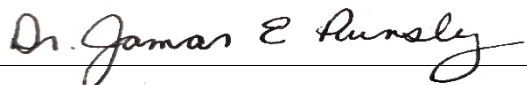
Jamar.Purnsley@doe.nj.gov
Lisa.McCormick@doe.nj.gov

Submitted by:



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

Approved by:



Dr. Jamar E. Purnsley, Director
Office of Fiscal Accountability and Compliance

Auditor

Rodelia Bennett

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

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

LEA/Agency 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 New Jersey Department of Education (NJDOE), 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 the findings were discussed in a public board meeting and approving a corrective action plan (CAP) to address the issues raised in the findings. A copy of the resolution and the approved CAP and/or appeal shall be submitted to the OFAC within 10 days of adoption by the district board of education.
- (c) The findings of the OFAC audit or investigation and the district board of education's CAP shall be posted on the school district's website, if one exists.

These regulations notwithstanding, all grantees are required to develop and submit to a corrective action plan to NJDOE, following receipt a report of examination that indicates noncompliance detected through a monitoring visit or fiscal audit, as provided for by Section E of the department's Perkins Guidelines.

Corrective Action Plan:

The CAP is to be used when the LEA/Agency agrees with the findings in the report of examination and submitted to OFAC personnel as outlined on the previous page. The CAP must be prepared by completing the attached form and contain 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.

To contest any of the findings, the appeal process must be used.

Appeal Process:

If the board of education disputes any of the findings of the audit or investigation, an appeal may be made by petitioning the Commissioner of Education, pursuant to N.J.A.C. 6A:3-1.1 et seq., Office of Controversies and Disputes. Information on the appeal process can be accessed on the NJDOE internet site by visiting <https://www.state.nj.us/education/cd/faq/index.shtml#g3>. The submission of an appeal of a finding(s) does not preclude adherence to the provisions of (a), (b) and (c) listed above.

**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 ADMINISTATOR

DATE

BOARD SECRETARY/SCHOOL BUSINESS ADMINISTRATOR

DATE