



State of New Jersey

DEPARTMENT OF EDUCATION

PO Box 500

TRENTON, NJ 08625-0500

PHILIP D. MURPHY
Governor

SHEILA Y. OLIVER
Lt. Governor

LAMONT O. REPOLLET, ED.D.
Commissioner

December 11, 2018

Mr. Michael Palutis, Board President
Township of Ocean School District
163 Monmouth Road
Oakhurst, NJ 07755

Dear Mr. Palutis:

SUBJECT: Township of Ocean School District – NCLB Title I Audit
OFAC Case #SG-0027-17

The New Jersey Department of Education, Office of Fiscal Accountability and Compliance, has completed a fiscal audit of federal funds disbursed by the Township of Ocean School District (Township of Ocean). 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, 2016 through June 30, 2017. 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," the Township of Ocean 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) 376-3608.

Sincerely,

Christine A. Soto, Executive Legal Affairs Officer
Acting Director, Office of Fiscal Accountability and Compliance

CAS/LDM/hp: Township of Ocean School District Cover Letter
Enclosures www.nj.gov/education

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

TOWNSHIP OF OCEAN SCHOOL DISTRICT
163 MONMOUTH ROAD
OAKHURST, NJ 07755
PHONE: (732) 531-5600

REPORT ON EXAMINATION
NCLB TITLE I AUDIT
FOR THE PROJECT PERIOD
JULY 1, 2016 TO JUNE 30, 2017

District: Township of Ocean School District
County: Monmouth

AUTHORIZED REPRESENTATIVE: James Stefankiewicz, Superintendent

DIRECTOR OF PROGRAM: Kelly Weldon

PERSONS CONTACTED (Name & Title):

Kenneth Jannarone, Board Secretary/Business Administrator
George Stone, Assistant Board Secretary/Business Administrator
Kelly Weldon, Program Director – Title I

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				
2016-2017	\$518,917.00		\$0.00		\$518,917.00
2015-2016		\$0.00		\$0.00	\$0.00
TOTAL	\$518,917.00	\$0.00	\$0.00	\$0.00	\$518,917.00

**TOWNSHIP OF OCEAN TOWNSHIP SCHOOL DISTRICT
NCLB TITLE I AUDIT
FISCAL YEARS 2016-2017**

FINDINGS AND RECOMMENDATIONS

- 1. Expenditures totaling \$25,515.80 were incurred and charged to the FY 2016-2017 Title I, Part A grant which did not meet the purposes of the federal program. However, the Department does not seek recovery of the questioned costs identified for reasons set forth herein.**

The LEA expended Title I funds of \$24,366.00 to cover payroll costs incurred for Kathleen Friel for the period September 15, 2016 through January 29, 2017. A review of Ms. Friel's time and activity reports for this timeframe disclosed no indication she performed work attributable to the federal program. Rather, Ms. Friel worked as a 5th grade Elementary School Teacher. A disbursement adjustment should have been posted to reverse her payroll costs and to transfer the expenditures to other funding sources.

According to a discussion with district personnel, Devon Ribsam provided Title I services in substitution for Ms. Friel. The district was given credit for Mr. Ribsam's allowable payroll costs of \$6,320.43, as well as \$18,045.57 for a portion of Michael Reilly's compensation. Although Mr. Reilly worked on Title I activities, his salary was not charged to the federal program due to funding limitations. These two adjustments eliminate the questioned costs attributed to Ms. Friel in full.

Similarly, the district charged payroll costs totaling \$1,149.80 for Jessica Fischer for the May 15, 2017 and June 19, 2017 payroll periods while she was on a leave of absence. An examination of Ms. Fischer's time and activity reports for the payroll periods she actually worked during the project period disclosed that she devoted all of her time to Title I activities. After recalculating Ms. Fischer's allowable compensation, the resultant figure exceeded the original costs charged to Title I on her behalf, including the aforementioned questioned costs.

The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (UGG), 2 C.F.R. § 200.403 sets forth general criteria in order for costs to be considered allowable. Of note, UGG, 2 C.F.R. § 200.403(a), costs must be *necessary and reasonable* for the proper and efficient performance and administration of Federal awards and be *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 addition, Section 200.403(g) stipulates costs must be adequately documented. UGG, 2 C.F.R. § 220.302 requires grantees to use fiscal control and fund accounting procedures that insures proper disbursement of and accounting for Federal funds.

Recommendation

The LEA must improve the procedures utilized to account for expenditures related to the Title I program in accordance with the federal requirements of UGG, 2 C.F.R. § 200 et seq.

**TOWNSHIP OF OCEAN TOWNSHIP SCHOOL DISTRICT
NCLB TITLE I AUDIT
FISCAL YEARS 2016-2017**

FINDINGS AND RECOMMENDATIONS

2. The LEA failed to issue a purchase orders prior to services being rendered (confirming order).

The district issued purchase order numbers 16-01025 and 16-01027 on July 1, 2016 to McGraw-Hill Education for the acquisition of the Wonders Program. However, the corresponding invoices were dated June 28, 2016. The LEA furnished copies of a letter evidencing its intention pay the associated costs over a two-year period, yet it remains unclear why the purchase orders were dated before the invoices.

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*. Therefore, a properly executed purchase order must be issued prior to services being rendered or the provision of goods.

Recommendation

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

3. A comparative analysis of the amounts expended for each Title I funded school and corresponding school-based allocations reflected on the district's NCLB Consolidated Grant Application disclosed variances.

The LEA did not furnish a copy of an analysis demonstrating Title I funds were expended for eligible schools in accordance with Step 4, Title I Eligibility Page of the district's NCLB Consolidated Grant Application (Step 4). LEAs are required to spend funding allocations to run Title I programs at eligible schools as set forth by Step 4.

Our examination disclosed approximately \$40,000.00 more in Title I funds were spent for the Wayside Elementary School than provided for by Step 4 and nearly \$40,000.00 less was expended at Township of Ocean Intermediate School. Such variances typically result when:

1. expenditures are not being tracked at the school level in the financial management system;
2. school names are not recorded on purchase orders and/or a single purchase order is utilized to acquire supplies for multiple schools without school by school accounting (i.e. how much was spent on supplies for each school);
3. less funds are expended at one or more eligible schools; or
4. there is excessive carryover.

These anomalies also serve to illustrate why the OFAC has recommended LEAs use of school codes to monitor spending at Title I funds and to track school level expenditures for years, while other LEAs have opted to utilize school codes on their own. The Township of Ocean School District integrated school codes in its financial management system, effective with 2017-2018 school year, in order to comply with federal requirements of the Elementary and Secondary Act (ESEA), as reauthorized by the Every Student Succeeds Act.

**TOWNSHIP OF OCEAN TOWNSHIP SCHOOL DISTRICT
NCLB TITLE I AUDIT
FISCAL YEARS 2016-2017**

FINDINGS AND RECOMMENDATIONS

Section 1113 of ESEA details the process for identifying, selecting and allocating Title I funds to eligible school attendance areas. UGG, 2 C.F.R. § 200.302(b)(5) stipulates that the financial management system of each non-Federal entity must provide for the comparison of expenditures with budget amounts for each Federal award.

Recommendation

The LEA must implement procedures to ensure that funds are expended for each Title I funded school in a manner consistent with Step 4 and Section 1113 of ESEA.

4. Appointments of Title I, Part A instructional personnel were not recorded in the board of education meeting minutes.

The LEA did not furnish copies of board of education meeting minutes evidencing appointments of Title I funded personnel for examination. Consistent with federal cost principles set forth by UGG, 2 C.F.R. § 200.403(g) and New Jersey Department of Education guidelines, LEAs are required to adequately document all program related costs. To achieve compliance with these requirements, the designation of all Title I employees, their salaries, assigned schools and funding percentages must be documented in the board minutes to provide a public record of approval for these expenditures.

The LEA provided copies of board minutes for the 2017-2018 and 2015-2016 school years, among others, demonstrating compliance with the aforementioned requirement. The noncompliance detected for the 2016-2017 school year appears to be an isolated incident and as such, the LEA does not have to respond to this finding as part of its corrective action plan.

Recommendation

Not applicable - the district has satisfactorily addressed this matter.

**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**

CHIEF SCHOOL ADMINISTATOR

DATE

BOARD SECRETARY/SCHOOL BUSINESS ADMINISTRATOR

DATE