

STATE OF NEW JERSEY
DEPARTMENT OF EDUCATION
OFFICE OF FISCAL ACCOUNTABILITY AND COMPLIANCE
PO BOX 500
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ALLOWAY TOWNSHIP SCHOOL DISTRICT
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REPORT ON EXAMINATION
NCLB TITLE I AUDIT
FOR THE PROJECT PERIOD
JULY 1, 2016 TO JUNE 30, 2017

District: Alloway Township School District
County: Salem

AUTHORIZED REPRESENTATIVE: Kristin Schell, Superintendent

DIRECTOR OF PROGRAM: Kristin Schell

PERSONS CONTACTED (Name & Title):
Rebecca Joyce, former Assistant Board Secretary/Business Administrator
Kristin Schell, Program Director – Title I

FUNDING SOURCES

PROGRAM YEAR	N C L B				TOTAL
	TITLE I PART A	TITLE I PART A C/O	SIA PART A	SIA PART A C/O	
	APPROVED FUNDING				
2016-2017	\$126,670.00		\$0.00		\$126,670.00
2015-2016		\$0.00		\$0.00	\$0.00
TOTAL	\$126,670.00	\$0.00	\$0.00	\$0.00	\$126,670.00

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FINDINGS AND RECOMMENDATIONS

1. Adequate documentation was not provided demonstrating that \$30,984.00 charged to the Title I, Part A program represent allowable costs.

The LEA allocated payroll costs of \$12,441.00 for Debbie Zarin and \$16,860.00 for Deann Nutt to the Title I grant under account number 20-231-100-106. A review of their 2016-2017 school year employment contracts disclosed Ms. Nutt and Ms. Zarin were hired to work as Instructional Aides assisting pre-Kindergarten students and implementing students' individualized education programs (IEPs), respectively. The district, however, was unable to provide documentation demonstrating the staff members worked on Title I activities or supported the federal program.

The audit further disclosed various expenditures were transferred from general fund account numbers to Title I absent any records showing the costs benefited the Title I program. The transfers are depicted in the table below:

Transfer Date	Title I Account Number	Amount
6/30/2017	20-231-100-101D	\$ 622.50
6/30/2017	20-231-100-106	1,060.50
Total		\$1,683.00

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. Section 200.403(g) stipulates costs must be adequately documented.

Additionally, UGG, 2 C.F.R. § 200.302(a) requires in part that the non-Federal entity's financial management systems . . . must be sufficient to permit . . . the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award. Further, EDGAR, 34 C.F.R. § 76.730(e) stipulates that the LEA shall keep records in a manner that facilitates an effective audit.

Based on the foregoing, the sum of \$30,984.00 (\$12,441.00 + \$16,860.00 + \$1,683.00) is recoverable by the SEA (refer to the Schedule of Audit Recovery Due to State Education Agency (SEA) at the end of this report).

Recommendation

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

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- 2. Expenditures totaling \$29,560.82 were incurred and charged to the Title I, Part A grant which did not meet the purposes of the federal program.**

A review of payroll records disclosed the salary for Kim Defabo, a Basic Skills Instruction teacher, was charged to the Title I program. In addition to Title I activities, Ms. Defabo's work schedule revealed that she provided services to students in accordance with students' IEPs and performed work on other special education programs and other activities not attributable to Title I throughout the 2017 – 2018 school year. These ancillary services did not meet the intent and purposes of the Title I program. Accordingly, her salary should have been allocated to IDEA grant and non-federal resources in a manner consistent with the following table and Attachment A:

Salary	Allocable Funding Source(s)	Percentage of Time	Costs
\$ 67,187.00	Title I	54%	\$ 36,472.94
	IDEA or Local	46%	\$ 30,714.06

In order to mitigate this finding, the district provided documentation demonstrating that several of its teachers provided Tier 2 or 3 Response to Intervention services to eligible students during one or more instructional periods from January through June 2017. Based on an examination of the teachers' schedules and payroll records, the LEA was given credit for related payroll totaling \$25,554.49.

Pursuant to UGG, 2 C.F.R. § 200.403(a), costs must be *necessary and reasonable* for 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.

Of the \$29,560.82 total questioned costs¹, the district is required to refund \$4,006.33 after applying the credit of \$25,554.49 (refer to the Schedule of Audit Recovery Due to SEA at the end of this report).

Recommendation

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

¹ This figure is the difference between Ms. Defabo's actual salary charged to the Title I program of \$66,033.76 minus allowable amount of \$36,472.94; refer to Attachment A.

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3. Title I funded personnel did not prepare detailed time and activity reports in a manner consistent with the requirements of UGG, 2 C.F.R. § 200.430(i) and department guidelines.

The LEA did not furnish copies of time and activity reports for Title I funded teachers for examination. Alternatively, the LEA provided teacher schedules and other documentation to substantiate time worked on federal programs. However, the records lacked required signatures and did not include all activities or funding sources.

UGG, 2 C.F.R. § 200.430(i) established Standards for Documentation of Personnel Expenses (time and activity reports) which include, but are not limited to the following requirements:

- 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*.

To achieve compliance with these requirements, it is highly recommended that LEAs use the department's prescribed model, which may be accessed at: <http://education.state.nj.us/broadcasts/2012/DEC/18/8643/Time%20and%20Activity%20Reporting.pdf>. 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. Copies of a sample timesheet and certification deemed appropriate for these types of payments are included for future reference and/or utilization (Attachments B and C).

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 board of education meeting minutes. A revised certification must be prepared and signed by the appropriate parties. Further,

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the LEA is reminded that supplanting constitutes a violation of ESEA statutes and funds misspent for local obligations are subject to SEA recovery.

Recommendation

The LEA 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.

4. The district did not provide evidence of consultation with nonpublic school officials.

The LEA was unable to produce documentation evidencing consultation with nonpublic school officials during the design and development of the Title I program.

Consistent with Section 1120(a) of ESEA, districts must obtain a complete list of all nonpublic schools with students who are residents of the LEA and contact nonpublic school officials to ask if they want their eligible students to participate in Title I services. Conducting internet searches and making telephone calls to nonpublic schools is probably the fastest and most common way to locate such schools.

In addition, districts can access a list of nonpublic schools located in their county or a list of all nonpublic school from the department's website at: <https://homeroom5.doe.state.nj.us/directory/nonpub.php>. Districts can also download a list of all school to filter on those schools located in their city and neighboring towns at: <https://homeroom5.doe.state.nj.us/directory/districtDL.php>.

In order to document the searches were performed, it is recommended that districts print the nonpublic school location data obtained from relevant websites and/or pages from the NJDOE website listing the schools *and* write contemporaneous notes identifying:

- 1) the date and time the preparer called the school,
- 2) the name of the nonpublic school official he/she spoke with, and
- 3) the number of students attending the nonpublic school who reside in the district or outside of its boundaries.

Districts may opt to create and print a telephone call log to memorialize their contact with school officials, the address and record pertinent data for items 1) through 3).

Sections 1120(b) of ESEA and Section 200.63 of the Title I regulations require that timely and meaningful consultation occur between LEA and nonpublic school officials prior to any decision that affects the opportunities of eligible nonpublic school children, their teachers, and their families to participate in Title I programs, and shall continue throughout the implementation and assessment of activities. The LEA's consultation with nonpublic schools officials must occur before completing the NCLB application.

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Finally, districts must maintain records of all consultation, including the Affirmations of Consultation and any Nonpublic School Participation Refusal Forms for each nonpublic school in accordance with Section 200.63(e)(1) of the Title I regulations.

Recommendation

The LEA must implement procedures to locate nonpublic schools and ensure ongoing consultation with its nonpublic school officials in accordance with Sections 1120(a) and (b) of ESEA, respectively. In addition, the LEA must keep records related to consultation on file to demonstrate compliance with Section 200.63(e)(1) of the Title I regulations.

5. 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 federal funding percentages. Consistent with federal cost principles as 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.

Recommendation

The LEA must ensure that 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.