



State of New Jersey

DEPARTMENT OF EDUCATION

PO Box 500

TRENTON, NJ 08625-0500

CHRIS CHRISTIE  
*Governor*

KIM GUADAGNO  
*Lt. Governor*

CHRISTOPHER D. CERF  
*Acting Commissioner*

March 9, 2011

Mr. Andre Hollis, Lead Person  
New Horizons Community Charter School  
45-59 Hayes Street  
Newark, NJ 07103

Dear Mr. Hollis:

The New Jersey Department of Education has completed a review of funds received and disbursed from one or more federal programs by the **New Horizons Community Charter School**. The funding sources reviewed include titled programs for the American Recovery and Reinvestment Act (ARRA) in particular, and/or No Child Left Behind Act (NCLB), the Individuals with Disabilities Education Act (IDEA) and State Fiscal Stabilization Funds (Education Stabilization Fund and Government Stabilization Fund). The review covered the period July 1, 2009 through June 30, 2010. The resulting report is enclosed. Please provide a copy of the report to each board member. All issued ARRA monitoring reports will be posted on the department's website at <http://www.nj.gov/education/arra/>.

Utilizing the process outlined in the attached "Procedures for LEA/Agency Response, Corrective Action Plan and Appeal Process," the New Horizons Community Charter School 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 **monetary** findings in dispute (emphasis added). 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. 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 school's website.

By copy of this report, your auditor is requested to comment on all areas of noncompliance and recommendations in the next certified audit submitted to the New Jersey Department of Education. If you have any questions, please contact Roseann Lozinski at (609) 292-4452.

Sincerely,

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

RJC/LDM/New Horizons Community Charter School Cover Letter  
Enclosures

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**STATE OF NEW JERSEY  
DEPARTMENT OF EDUCATION  
PO BOX 500  
TRENTON, NJ 08625-0500**

**NEW HORIZONS COMMUNITY CHARTER SCHOOL**  
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**American Recovery & Reinvestment Act 2009**  
*New Jersey K-12 Education*

**ARRA MONITORING REPORT  
MARCH 2011**

**District:** New Horizons Community Charter School  
**County:** Essex  
**Dates on-Site:** December 16-21, 2010  
**Case #:** ARRA-055-09

**FUNDING SOURCES**

<b>Program</b>	<b>Funding Award</b>
ARRA-Title I	\$387,763
ARRA-IDEA Basic	151,767
Total ARRA Funds	<hr/> \$539,530 <hr/>
Title I	\$544,770
IDEA Basic	118,770
Total Non ARRA Funds	<hr/> \$663,540 <hr/>
Total Funds	<hr/> \$1,203,070 <hr/>

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**BACKGROUND**

The *American Recovery and Reinvestment Act of 2009 (ARRA)* and other federal laws require local education agencies (LEAs) to provide programs and services to their schools based on the requirements specified in each of the authorizing statutes (ESEA, IDEA and ARRA). The laws further require that state education agencies such as the New Jersey Department of Education (NJDOE) monitor the implementation of federal programs by sub recipients and determine whether the funds are being used by the district for their intended purpose and achieving the overall objectives of the funding initiatives.

**INTRODUCTION**

The NJDOE visited the New Horizons Community Charter School to monitor the school's use of ARRA funds and the related program plans, where applicable, to determine whether the school's programs are meeting the intended purposes and objectives, as specified in the current year applications and authorizing statutes, and to determine whether the funds were spent in accordance with the program requirements, federal and state laws, and applicable regulations. The on-site visit included staff interviews and documentation reviews related to the requirements of the following programs: Title I; ARRA-Title I; IDEA Basic; and ARRA-IDEA Basic for the period July 1, 2009 through June 30, 2010.

The scope of work performed included the review of documentation including grant applications, program plans and needs assessments, grant awards, annual audits, board minutes, payroll records, accounting records, purchase orders and current district policies and procedures. The monitoring team members also conducted interviews with school personnel, reviewed the supporting documentation for a sample of expenditures and conducted internal control reviews.

**EXPENDITURES REVIEWED**

The following dollar amounts of expenditures were reviewed for each program monitored for the period of July 1, 2009 through June 30, 2010:

- Title I expenditures totaling \$29,631.93 were reviewed;
- ARRA-Title I expenditures totaling \$90,383.93 were reviewed;
- IDEA Basic expenditures totaling \$313,994.83 were reviewed; and
- ARRA-IDEA Basic expenditures totaling \$118,770.00 were reviewed.

**GENERAL DISTRICT OVERVIEW OF USES OF TITLE I AND IDEA FUNDS**

**ARRA-Title I and Title I Projects**

The school is a Targeted Assisted School which met AYP for 2009-10. The Title I funds were used primarily for salaries but also for professional development and supplies. The ARRA-Title I funds were used primarily for salaries, supplies and employee benefits.

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The school has identified several priority problems in their comprehensive needs assessment. Areas identified as “critical” in the school’s needs assessment include Mathematics and Literacy. Presently they are working to close the achievement gap for students by improving teaching with increased professional staff development. Professional development was provided to the staff in Balance Literacy, Everyday Mathematics, utilization and understanding of Assessment data, relating data to drive individual and NJCCS.

The school had four Basic Skills teachers who provide pull-out and in-class support to approximately 100 students. The following data are used to identify supplemental instruction: DRA2 or A-Z, Terra Nova, NJ ASK, and Teacher Assessments and Student Portfolios. Students will receive intervention instruction if they do not meet set criteria and exit the program when they do meet set criteria.

**IDEA and ARRA-IDEA**

The school allocated IDEA and ARRA-IDEA funds to ensure that the money positively impacts special education students and programs. The school services 42 classified students in grades K through 5.

The ARRA-IDEA funds were used to hire a special education teacher to provide instruction in pull-out programs and in-class support in push-in programs. A school psychologist was hired for two years for services to the child study team and special education student services department. IDEA funding was allocated for two resource special education teachers to support children in pull-out support and support in the mainstream.

**DETAILED FINDINGS AND RECOMMENDATIONS**

**Title I and ARRA-Title I**

**Finding 1:** The school records do not match the Title I Electronic Web Enabled Grant (EWEG) application which was submitted. For example, the school budget shows \$32,329.23 but the EWEG application shows \$33,777.00 for Purchased Professional Services, and similarly, the budget shows \$3,387.96 for General Supplies but the EWEG application shows \$3,650.00. The records from fiscal year 2010-2011 also failed to agree with the balances which should be carried in from the fiscal year 2009-2010 grant.

**Citation:** NCLB §9306(a)(5): *Other General Assurances (Assurances)*. EDGAR, PART 80--*Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*, Section 20, Standards for financial management systems. Uniform Minimum Chart of Accounts for New Jersey Public Schools.

**Required Action:** The school must reconcile its budget to correspond to the EWEG application. The final budget must be submitted to the NJDOE for review.

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**Finding 2:** The EWEG application only reflected salaries for Instructional Staff but was used for a program director, paraprofessionals and summer staff. The school payroll inaccurately pays contractual salaries and stipends in the same account. Grants appropriations for salaries should be submitted for FICA and TPAF salaries, or FICA only, and should be maintained separately.

**Citation:** OMB Circular A-87, Attachment B, Section 8(h) *Cost Principles for State, Local and Indian Tribal Governments (Compensation for personal services)*. Uniform Minimum Chart of Accounts (Handbook 2R2).

**Required Action:** Teacher stipends must be charged to Other Salaries as required by the Uniform Minimum Chart of Accounts and to more clearly align stipends to the appropriate grant allocation. Final reports for grants must reflect the actual expenditures in the grants and expenditures must be adjusted to be reflective of actual payments to staff in the correct account code.

**Finding 3:** A review of the school records revealed an ARRA-Title I State Contract sole source purchase. The school did not obtain multiple quotes for purchases between \$4,350 and the bid threshold of \$29,000 as required by Public School Contracts Law, federal procurement law and district policy.

**Citation:** EDGAR, PART 80--*Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*, Section 20, Standards for financial management systems. N.J.S.A 18A:18A-37 *Award of purchases, contracts or agreements*.

**Required Action:** The district must comply with current federal and state procurement regulations and obtain multiple quotes as required.

**Finding 4:** The school spent Title I funds on conference-related activities and other expenditures that are not allowable under federal cost principles. The school utilized Title I funds to provide a hotel room and conference fee in Atlantic City for a staff member.

**Citation:** OMB Circular No. A-87: *Cost Principles for State, Local and Indian Tribal Governments*.

**Required Action:** The school must reverse the charges for these unallowable activities and allocate state/local funds, rather than Title I funds, to support these unallowable expenditures.

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**IDEA and ARRA-IDEA**

**Finding 5:** A review of school documents revealed that Psychological Consulting services purchased through the ARRA-IDEA grant were not reflected in current student IEPs. There was no demonstration of a link between the delivery of the services to students with disabilities in either segregated programs or included in the general education classes. The purchase order should include adequate descriptive detail and invoices should not be paid unless appropriate detail is provided to the school.

**Citation:** IDEA Regulation 34 CFR 300.208 (*Permissive Use of Funds*).

**Required Action:** Specialized services for students with disabilities must be listed in their IEPs. The school must maintain appropriate documentation that these services are linked to student IEPs.

**Financial Management and Reporting**

**Finding 6:** The Board Secretary's Report for June 30, 2010 was not in agreement with the payroll records. The school presented records that did not match and this may have been caused by a transition to a new software package (Fund EZ to Infofund) that the school started using during fiscal year 2009-2010. For example, ARRA-Title I salaries for June 30, 2010 showed \$135,325 for three individuals. In actual payroll records, the expenditures were only \$78,771.

**Citation:** NCLB §9306(a)(5): *Other General Assurances (Assurances)*. EDGAR, PART 80--*Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*, Section 20, Standards for financial management systems.

**Required Action:** The school must reconcile its budget to correspond to the Title I 2009-2010 NCLB Consolidated Application. The revised budget must be submitted to the NJDOE for review. The final report should use actual expenditures which occurred based on the school's budget and payroll records.

**Finding 7:** The school has a teachers' contract which pays people over a full year in 24 equal payments. This is an acceptable arrangement for staff that remain for the full year. However, this system is also used for the staff that began in the middle of the year and consequently these staff members were overpaid. For example, an ARRA-IDEA staff person who started May 21, 2010 was paid in July and August. The staff member should have only earned the wages for May and June which should have been prorated. This yielded an overpayment of \$7,816.64.

**Citation:** OMB Circular A-87, Attachment B, Section 8(h): *Cost Principles for State, Local and Indian Tribal Governments (Compensation for personal services)*.

**Required Action:** Overpayments to staff members who started mid-year must be recovered. The school must submit a report reflecting the plan for recovering these funds.

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**Finding 8:** Purchase orders reviewed did not identify the program (i.e., Title I, ARRA-Title I, IDEA, or ARRA-IDEA) or the targeted group of students for whom the school purchased the goods or services.

**Citation:** EDGAR, PART 80--*Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*, Section 20, Standards for financial management systems.

**Recommended Action:** The school must implement internal controls over the purchasing function and identify the program and location requesting the purchase of goods and services.

**Finding 9:** The staff charged to the grants were not satisfactorily approved in the school's Board of Trustees minutes. The minutes failed to mention the time period for the staff appointment and many approvals occurred throughout the year.

**Citation:** EDGAR, PART 80--*Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*, Section 20, Standards for financial management systems.

**Required Action:** The school must have all staff charged to any federal grant for fiscal year 2010-2011 approved by the Board of Trustees and must submit a copy of the minutes to the NJDOE.

**Recommendation 1:** The school does not have formal written board policies for requesting reimbursement from the EWEG system; however, the school's practices for requesting reimbursement were verified through questions concerning the school's internal controls.

**Citation:** EDGAR, PART 80--*Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*, Section 20, Standards for financial management systems.

**Recommended Action:** The school should approve the policy at an upcoming board meeting and submit the policy to the NJDOE for review.

**Recommendation 2:** The school's Purchasing Manual does not address the issue of contracting with disbarred vendors and needs to be updated for Public School Contracts Law changes.

**Citation:** EDGAR, PART 80--*Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*, Section 36, Procurement.

**Recommended Action:** The school must have the revised Purchasing Manual approved by the Board of Trustees to improve internal control and purchasing policies and to prevent possible contracting errors from occurring.

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The NJDOE thanks you for your time and cooperation during the monitoring visit and looks forward to a successful resolution of all findings and implementation of all recommendations contained in this report.

If you have any questions, please contact Roseann Lozinski at (609) 292-4452 or via email at [roseann.lozinski@doe.state.nj.us](mailto:roseann.lozinski@doe.state.nj.us).