

**STATE OF NEW JERSEY
DEPARTMENT OF EDUCATION**

STATE AID/GRANT COMPLIANCE SUPPLEMENT

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DEPARTMENT OF EDUCATION

State Aid – Public

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(See Section II-SA of *The Audit Program* issued by the Department of Education for a comprehensive listing of state aid accounts.)

I. PROGRAM OBJECTIVES

To establish a stable funding source for school districts in accordance with the “School Funding Reform Act of 2008” (SFRA) for the fiscal year. SFRA was approved as P.L. 2007, c.260 in January 2008, and provided a new calculation for school funding. This law first applies to the 2008-09 school year.

II. PROGRAM PROCEDURES

For Fiscal Year 2008-09, state aid was calculated in accordance with SFRA. Several categories of state aid were replaced by the five new aid categories highlighted above.

P.L. 2009, c.22, effective for the 2008-09 fiscal year only, required the department to reduce state aid for regular and county vocational districts in the amount of the allowable PERS deferred amount. For 2008-09, regular and county vocational districts’ state aid may have been reduced by the lesser of: 50 percent of the district’s 2008-09 regular PERS payment, 50 percent of the district’s original budgeted PERS amount, or the district’s remaining state aid payment. Accordingly, a new column was added to the State Aid Payment Schedule (SFRAPAY) to show the PERS deduction. Districts were instructed by letter dated March 31, 2009 to revise their 2008-09 budget and reduce the state aid revenue/receivable to reflect the reduction in state aid by the reduced amount. State aid should be adjusted in the following sequential order: Adjustment Aid, Equalization Aid, Security Aid, Transportation Aid, Special Education Categorical Aid, Educational Adequacy Aid, and School Choice Aid. Proration across several or all state aid categories is not acceptable. The payment schedule was reissued to school districts to reflect this adjustment. The 2008-09 state aid printout entitled “NET” was not revised and does not reflect this change. The letter issued to school districts on March 31, 2009 is available at <http://www.nj.gov/education/finance/sf/033109pers.pdf>.

The final payment schedule may still be adjusted further, as in prior years, after all payment adjustments for students sent to CSSDs are finalized. Auditors should make sure they obtain the final payment schedule, after all adjustments.

P.L. 2009, c. 19, effective for 2008-09 fiscal year only, provided regular and vocational school districts the option of deferring 50 percent of the district's 2008-09 regular PERS pension liability.

The deferral of the June 8 and 22, 2009 state aid payments should be recorded as revenue in 2008-09 for budgetary purposes. For GAAP purposes, the amount of revenue reflected in the deferred last state aid payment of June 22, 2008 (received July, 2008) is recognized as revenue in 2008-09. The June 8 and 22, 2009 state aid payments received in July, 2009 are not recognized as revenue until 2009-10. This is reported in the aggregate in the Required Supplementary Information (Exhibit C-3 of the CAFR) and not itemized by state aid category.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. TYPES OF SERVICES ALLOWED OR UNALLOWED

1. Compliance Requirements

The state aid categories listed at the beginning of this chapter are general fund revenue sources.

Suggested Audit Procedures

- Verify that the correct amount of state aid for 2008-09 is recorded as general fund revenue on the district's accounting records and approved budget and that, if applicable, the accounting records reflect the accounts receivable for any aid category having an increase after adjustment. Note that due to the potential reduction in state aid for PERS and extraordinary aid offsets, the state aid notice entitled "NET" may not agree with the revenue reflected in the districts records.

B. ELIGIBILITY

1. Compliance Requirements

The district must complete the Application for State School Aid (A.S.S.A.) in accordance with the instructions provided by the Division of Finance. The district must complete a set of workpapers that document the compilation of data and provide an audit trail for testing the enrollments reported on the A.S.S.A. The district must also have on file written procedures that provide a description of the count process. The workpapers and internal procedures must be maintained on file for seven years.

Beginning with the October 2008 A.S.S.A., districts obtain the A.S.S.A. printout from the district's individual account on the school aid notice website. The Schedule of Audited Enrollments has been revised for June 30, 2009 to reflect the compression of special education tiers and enrollments of LEP low income and LEP not low income students in accordance with the October 2008 ASSA. Questions about the ASSA or obtaining the printout should be addressed to assa@doe.state.nj.us.

Suggested Audit Procedures

- In accordance with instructions and audit procedures in *The Audit Program*, Section I-3 and III-4, issued by the Department of Education, verify enrollments reported on the district's A.S.S.A. printout with the pupil counts on the district's workpapers

C. MATCHING, LEVEL OF EFFORT AND/OR EARMARKING REQUIREMENTS

None.

D. REPORTING REQUIREMENTS

None.

E. SPECIAL TESTS AND PROVISIONS

1. Compliance Requirement

Expenditures, which exceed the bid or quote threshold, must be made in accordance with the requirements of the Public School Contracts Law (*N.J.S.A. 18A: 18A et seq.*). Refer to Section I, Chapter 5, of *The Audit Program*, Bids & Contracts/Purchasing.

Suggested Audit Procedure

- Test expenditures to determine compliance with advertising for bids and obtaining quotes as required by *N.J.S.A. 18A: 18A-3, 18A-4 and 18A-37*.

2. Compliance Requirements

The Board Secretary and Treasurer of School Moneys must prepare and submit financial reports in accordance with *N.J.S.A. 18A: 17-9* and *N.J.S.A. 18A:17-36*, respectively. Districts required to use school-based budgeting are required, pursuant to *N.J.A.C. 6A:10-2.1(d)10* to produce timely and accurate monthly Board Secretary and Treasurer of School Moneys reports within 45 days of month's end for the period July 1, 2008 through February 28, 2009. Other districts are required to submit a copy of the December month end report within 30 days to the county superintendent pursuant to *N.J.A.C. 6A:23-2.12(c)(4)(iii)*. *N.J.A.C. 6A:10-2.1(d)10* sunset on March 19, 2009 and districts required to use school-based budgeting should subsequently follow *N.J.A.C.6A:23-2.12(c)(4)(iii)*. Pursuant to *N.J.S.A. 18A:17-10*, all districts must submit the Annual Report to the board and the county superintendent by August 1.

Suggested Audit Procedures

- Review board minutes for acceptance of reports and the inclusion of the reports or a summary thereof.
- Verify the reports are in agreement with the financial records of the district.
- For districts required to use school-based budgeting, verify the district prepared its monthly Board Secretary and Treasurer of School Moneys reports within 45 days of month's end for the applicable months July through February.

- For districts not required to use school-based budgeting, verify that the Board Secretary and Treasurer reports were prepared within 30 days after December.
- Review the district records to determine if the Annual Report was submitted to the Board and county superintendent by August 1.

3. Compliance Requirement

A district board of education shall not incur any obligation or approve any payment in excess of the amount appropriated by the district board of education in the applicable line item account or program category account. (*N.J.A.C. 6A:23-2.11*)

Suggested Audit Procedure

- Review budgetary appropriation ledger for over-expenditures.
- Review board minutes for approval of transfers and to assure transfers were approved prior to the overexpenditure of any line item account.

4. Compliance Requirement

N.J.S.A. 18A:22-8.1, applicable for regular non-vocational districts, requires Commissioner approval (or county superintendent as Commissioner's designee) for line-item transfers from any general fund appropriation account that on a cumulative basis exceed 10% of the amount of the account included in the budget certified for taxes. The district must also obtain two-thirds affirmative vote of the authorized membership of the school board. *N.J.A.C. 6A:23A-13* provides further guidance regarding transfers. The department has provided an excel worksheet for the districts to complete at least monthly to track transfers. The worksheet and directions are available on the website: <http://www.nj.gov/education/finance/fp/af/transfer/>.

County approval is deemed to have been received by the district if, after 10 working days of receipt of the request by the county superintendent or assistant commissioner, as applicable, no approval or denial has been provided to the district. The district must obtain supporting documentation that the request was received by the county superintendent.

Suggested Audit Procedures

- Review the monthly transfer worksheets prepared by the district and determine that the district received the appropriate approvals, including documentation of county superintendent receipt when applicable.

5. Compliance Requirement

N.J.A.C. 6A:23A-13.3(g) requires regular non-vocational districts to receive county superintendent approval (Commissioner's designee) for any transfer to an advertised appropriation account identified as administration that exceeds, on a cumulative basis, 10 percent of the amount of the account included in the district's budget certified for taxes. These administration accounts include general administration, school administration, central services, administrative information technology or other support services

Suggested Audit Procedure

- Review the monthly transfer worksheets prepared by the district and determine that the district received the appropriate approvals.

6. Compliance Requirement

N.J.S.A. 18A:7G and *N.J.A.C. 6A:23-8.4* require voter or board of estimate approval of the local funding for a capital project (school facility project or other capital project) in the budget certified for taxes, at a special election (type II districts) or by special resolution (type I districts), or by withdrawal from capital reserve in accordance with *N.J.A.C. 6A:23A-14.1*. *N.J.A.C. 6A:23A-13.3(h)* requires county superintendent approval for transfers to capital outlay, excluding equipment, for an "emergent circumstance" after an on-site inspection by the county superintendent. Transfers to equipment accounts or to supplement a capital outlay project previously approved by the voters or board of school estimate pursuant to *N.J.A.C. 6A:23-8.4* do not require approval of the county superintendent.

Suggested Audit Procedure

- Review the monthly transfer worksheets prepared by the district and determine that the district received the appropriate approvals.

7. Compliance Requirement

N.J.S.A. 18A:7G-31(c), and *N.J.S.A. 18A:7G-13* permit districts, by board resolution, to transfer undesignated general fund balance to either the capital reserve account or maintenance reserve account if included in the district's original budget certified for taxes or approved at a special election (type II districts) or by the board of school estimate (type I districts). P.L. 2007, c.62, (*N.J.S.A. 18A:7F-41*), effective for years beginning July 1, 2007, permits a district board of education or board of school estimate to transfer by board resolution at year-end (between June 1 and June 30) any unanticipated revenue or unexpended line-item appropriation amounts, or both, to the capital reserve or the maintenance reserve account for withdrawal in subsequent school years. Deposits may not be permitted if the district sought a tax levy cap waiver in 2008-09.

Suggested Audit Procedure

- Review deposits into the capital reserve account to determine if the transfer was included in the original budget certified for taxes; the district received

voter approval at one of the special elections (type II districts) or by the board of school estimate (type I districts); or the transfer was made by board resolution between June 1 and June 30.

- Review deposits into the maintenance reserve account to determine if the transfer was included in the original budget certified for taxes; the district received voter approval at one of the special elections (type II districts) or by the board of school estimate (type I districts); or the transfer was made by board resolution between June 1 and June 30.

8. Compliance Requirement

N.J.S.A. 18A:7F-41 permits districts to establish a current expense emergency reserve account and appropriate funds into the account in the district's annual budget or through a transfer by board resolution at year end of any unanticipated revenue and unexpended line-item appropriation amounts. Deposits are not permitted if the district sought a waiver in 2008-09. The account balance is not to exceed \$250,000 or one percent of the district's general fund budget up to a maximum of \$1,000,000, whichever is greater. Withdrawals require approval by the Commissioner, except as permitted in *N.J.A.C.* 6A:23A-14.4(a)1 when necessary to meet an increase in total health care costs in excess of four percent if the district did not receive an automatic adjustment for health care costs.. Any amount that exceeds the limit at year end must be reserved as excess for tax relief.

Suggested Audit Procedures

- Review the board minutes to determine that if a reserve account was established and/or determine whether deposits were made between June 1 and June 30 or through the annual budget process.
- Calculate the maximum balance permitted and determine that the emergency reserve account balance does not exceed the statutory amount.

9. Compliance Requirement

N.J.S.A. 18A:7F-41 provides that districts may establish a debt service reserve account in the debt service fund for proceeds from the sale of district property. Deposits may not be made to the reserve account if a district does not have any outstanding debt. Pursuant to *N.J.A.C.* 6A:23A-14.4(a)2, the funds may be used for any outstanding debt obligation or debt obligations of the school district. The funds are to be used to retire outstanding debt obligations of the district within the lesser of five years from its inception or the remaining term on the obligations. Any remaining balance must be used for tax relief.

Suggested Audit Procedures

- If the district has a debt service reserve account, determine that the reserve was established using proceeds from the sale of district property and was properly authorized by a board resolution.

- In the year of deposit, determine that the district had outstanding debt. In future years, determine that the district still has outstanding debt.

10. Compliance Requirement

N.J.S.A. 18A:22-8.1, applicable for regular non-vocational districts, limits transfers from surplus or under budgeted or unbudgeted revenue to those amounts approved in the district's original budget, unless Commissioner approval is obtained. The regulations provide further guidance regarding the appropriation of surplus (*N.J.A.C.* 6A:23A-13.3). Appropriations between April 1 and June 30 require approval from the county superintendent or other Commissioner designee. Prior to April 1, approval is granted by the Commissioner (or the Commissioner's designee) only for an emergent circumstance.

Below are six exceptions that do not require department approval:

- approval is granted in the department's notification of a state grant;
- appropriation of unbudgeted and under budgeted tuition revenue from a school district-specific program that is not part of a formal sending-receiving relationship;
- appropriation of unbudgeted and under budgeted school transportation revenue generated as part of the district's or Coordinated Transportation Services Agency's role as host provider;
- restricted miscellaneous local revenue;
- appropriation of federal revenue; and
- appropriation of surplus generated from any federal or state revenue excluded from the prebudget year excess surplus calculation.

Suggested Audit Procedures

- Review the general fund beginning and ending fund balance and any additional appropriations of revenue or other underbudgeted or unbudgeted revenue during the year in conjunction with the monthly transfer worksheets to determine whether proper approval was obtained for any appropriation of surplus not included in the original budget certified for taxes, which did not meet one of the six exceptions noted above.
- Verify that the district expended the additional appropriation of funds for the approved intended purpose.

11. Compliance Requirement

For regular school districts (excluding non-operating and vocational school districts), *N.J.S.A.* 18A:7F-5(c) established administrative cost limits. School districts are required to budget and appropriate total administrative costs within the administrative cost limit, as calculated and established by the Department of Education. School district total administrative cost is defined by the Comparative Spending Guide as total administrative costs calculated in the Advertised Per Pupil Cost Report of the district's budget statement and include the functions for general administration, school administration, central services, and administrative information technology functions, excluding judgments against the school district, interest on lease purchases, and interest on bond anticipation notes. School districts are required to account for all appropriations, administration as well as other expenditures, consistent with guidance issued in the Chart of Accounts. Proper supporting documentation should be maintained for permissible allocation of salaries. Auditors should refer to Section I-6 of The Audit Program for guidance on classification and allocation of administrative expenditures.

Suggested Audit Procedures

- Review administrative cost functions for significant fluctuations from prior year to determine compliance with coding of expenditures.
- Trace employment contracts for the chief school administrator, business administrator, and principal/vice principal to the amounts recorded in general administration, central services and school administration. The salary for these functions may only be allocated to direct classroom instruction if part of the regular teaching curriculum of the district.
- Verify that proper supporting documentation is maintained for administrative salaries that are allocated to other functions (ex: for allocation to instruction, request the teaching roster or another form of documentation, such as timesheets and inquiry of district personnel, to support the teaching position as a regular part of the curriculum).
- Inquire if any salaries were reclassified from an administrative to a non-administrative function from the prior year, and determine if their job description and/or duties have changed.
- Trace professional contracts, such as legal and audit, to the detailed ledgers to determine proper account classifications.
- Review the district prepared schedule detailing all staff requiring school administrative, business administrative and principal certification in conjunction with the district prepared questionnaire on administrative classifications as a tool in planning the audit and verifying coding accuracy of administrative salaries. Include a finding and recommendation when district prepared schedule and/or questionnaire is substantially incomplete or inaccurate.

12. Compliance Requirement

N.J.S.A. 18A:11-12 provides specific guidelines for district travel policies and procedures. The Commissioner of Education may reduce State aid payments to any district by any amounts found to be in violation of restrictions placed on travel expenditures in accordance with regulations adopted by the Commissioner.

Travel regulations effective July 1, 2008 (*N.J.A.C. 6A:23A-6.13*) require each district board of education to adopt and implement policies and procedures that are in accordance with *N.J.S.A. 18A:11-12*. This statute, approved in 2007, requires that the policies of the board be in compliance with guidelines established by the New Jersey Department of the Treasury and the federal Office of Management and Budget. NJ Circulars 08-19-OMB, effective March 17, 2008 and 06-14-OMB, effective April, 2006 pertain to travel, meals, events and entertainment. Regulations adopted December 18, 2009 (*N.J.A.C. 6A:23A-7.1 et seq.*) codify previously issued guidance from the department on travel, including the requirement issued in October 2007 that each board of education adopt a formal policy and procedures pertaining to travel and expense reimbursement for its employees and board members by December 31, 2005. Further guidance regarding travel policies was issued by the department in November 2005 and posted the department website at <http://www.nj.gov/njded/finance/fp/af/travel.pdf>.

Travel guidance was also provided to districts in a March 17, 2008 letter issued by the commissioner on implementation of the additional travel requirements pursuant to *N.J.S.A. 18A:11-12*. This letter is available on the department website at <http://www.nj.gov/education/genfo/travel.htm>. Prior approval for travel is required for employees and board members. The approval must be itemized by event, event total cost, and number of employees and school board members attending the event.

In addition, travel reimbursements for employees and board members attending in-state conferences must be for department approved events. All department approved events are on the department website at <http://www.state.nj.us/education/genfo/travel/>.

Suggested Audit Procedures

- Determine that the board has adopted a travel and expense reimbursement policy and procedures in accordance with the regulations and the statute.
- Verify that the board has established a travel maximum for the year.
- Determine that the district has accounted for travel separately and has not exceeded the maximum for the year.
- For travel expenditures sampled, determine that the report required by *N.J.S.A. 18A:11-12(d)* that substantiates the purpose and relevance of the travel has been submitted.
- Sample employee travel expenditures and review the minutes for prior approval by a majority of the full voting membership of the board and

review available documentation to determine that prior approval of the chief school administrator (*N.J.S.A. 18A:11-12(f)*) was obtained or if an expenditure was for regular business travel, determine that the cumulative expenditures for the employee did not exceed the board authorized annual maximum for the employee.

- Sample board member travel expenditures and review the minutes for prior approval by a majority of the full voting membership of the board (*N.J.S.A. 18A:11-12(g)*).
- Review approvals in minutes and related documentation to determine that travel expenditures were not approved after the event had occurred.
- Determine that travel expenditures that are sampled as part of the tests of disbursements comply with the statute on travel *N.J.A.C. 6A:23A-7.1 et seq.*
- Determine that expenditures for overnight in-state conferences were approved by the department.

13. Compliance Requirement

N.J.S.A. 18A:23-2.1 requires that the annual audit include test measures to assure that documentation prepared for income tax related purposes complies fully with the requirements of federal and State laws and regulations regarding the compensation which is required to be reported.

Suggested Audit Procedures (may include but are not limited to the following)

- Obtain an understanding of the district's payroll process and assess the risk of noncompliance regarding compensation reporting.
- Review payroll contracts for compensation above the base salary and fringe benefits and determine whether such compensation has been properly reported.
- Review board of education minutes to determine if any deferred payouts upon retirement may be subject to current year tax.
- Test year-end payroll tax reports such as the W-2 forms for inclusion of taxable benefits.

14. Compliance Requirements

As a condition of receiving State aid, *N.J.S.A. 18A:55-3* requires school districts to implement a number of efficiency standards including examining options for insurance policies and opting for the most cost effective plans; taking steps to maximize the district's participation in the federal Universal Service Program (E-rate) and the ACT telecommunications program; participating in the Alliance for Competitive Energy Services (ACES) program; taking steps to maximize participation in the Special Education Medicaid Initiative (SEMI) program; and refinancing all outstanding debt for which a 3% net present value savings threshold is achievable.

Suggested Audit Procedures

- Review the district's E-rate claims and reimbursements to determine whether the district is current on submitting all claims for reimbursable costs under the Federal E-rate program.
- Review the board minutes to determine whether the district participates in available cost-savings programs that include the ACT, and the ACES.
- Review the district's outstanding debt to determine whether the district refinanced all outstanding debt for which a three percent net present value savings threshold was achievable.
- Determine whether the district has maximized its participation in the SEMI program as set forth in *N.J.A.C. 6A:23A-5.3(d)* unless a waiver was granted by the Executive County Superintendent. Maximum participation of SEMI is defined as obtaining 90 percent return rate of parental consent forms for all SEMI eligible students and complying with all program requirements set forth in *N.J.A.C. 6A:23A-5.3(e)*.

DEPARTMENT OF EDUCATION

Transportation Aid

495-034-5120-014

I. **PROGRAM OBJECTIVES**

To provide funding to school districts to provide transportation to and from school for all eligible public, nonpublic and special education students.

II. **PROGRAM PROCEDURES**

Transportation aid is funded based upon *N.J.S.A. 18A:7F-57*. Data from the District Report of Transported Resident Students (DRTRS) is used for purposes such as the district's transportation efficiency rating. For 2008-09, regular and county vocational districts' state aid may have been reduced by the lesser of: 50 percent of the district's 2008-09 regular PERS payment, 50 percent of the district's original budgeted PERS amount, or the district's remaining state aid payment. The reduction was to be made in the district's records in a sequential order against existing categories of state aid, including transportation aid. District auditors should refer to the Program Procedures in the chapter "State Aid – Public" for further explanation of the 2008-09 reduction in state aid.

III. **COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES**

A. **TYPES OF SERVICES ALLOWED OR UNALLOWED**

1. **Compliance Requirements**

State aid is provided for transporting high school pupils residing in excess of 2 1/2 miles from school, and for elementary pupils residing in excess of 2 miles from school. The mileage requirements do not apply to special education students when transportation is required by the student's I.E.P. (*N.J.S.A. 18A:39-1*). Aid is only provided for transporting students to and from school. (*N.J.S.A. 18A:39-1*).

Suggested Audit Procedure

- Review district procedures used to determine that the student counts are correct and that students transported meet the mileage requirements for to and from school.

2. **Compliance Requirements**

School districts shall provide transportation or Aid in Lieu of Transportation, to eligible students in nonprofit private schools, based upon proper registration and certification of attendance by the nonprofit private school. (*N.J.A.C. 6A:27-2.4.*). Districts are notified in July 2009 of the amount for additional nonpublic school transportation aid and instructed to record this as Other State Aid, account 10-3190 in 2008-09.

Suggested Audit Procedures

- Verify the district has properly completed B6T forms on file, completed by parent or guardian to register student for transportation. Verify attendance at private school by review of completed B8T forms. These forms must be completed whether or not a student is transported by the district, or if Aid in Lieu payments are made to the parent or guardian.
- Review the accounting records to determine that any additional nonpublic school transportation aid, if received, was properly recorded.

B. ELIGIBILITY

1. Compliance Requirements

The district must complete a District Report of Transported Resident Students (DRTRS) utilizing the data collection software. The district should either maintain a paper copy of the report produced by the software or the information can be viewed online utilizing the DRTRS data collection software. The district must also have on file written procedures that provide a description of the count process. The workpapers and internal procedures must be maintained on file for seven years.

Suggested Audit Procedures

- In accordance with instructions and audit procedures in The Audit Program issued by the Department of Education, verify the on-roll status of students reported on the DRTRS Eligibility Summary Report produced by the department with the pupil counts on the district's workpapers.

C. MATCHING, LEVEL OF EFFORT AND/OR EARMARKING REQUIREMENTS

None.

D. REPORTING REQUIREMENTS

None.

E. SPECIAL TESTS AND PROVISIONS

1. Compliance Requirement

The district must prepare transportation bid specifications for transportation services that meet the minimum requirements prescribed by *N.J.A.C. 6A:27-9.3*.

Suggested Audit Procedure

- Verify that specifications meet the requirements as prescribed by the administrative code.

2. Compliance Requirement

Bus purchases must be properly bid and awarded pursuant to *N.J.S.A. 18A:18A et seq.*

Suggested Audit Procedure

- Verify that bidding procedures for bus purchases comply with the Public School Contracts Law (*N.J.S.A. 18A:18A et seq.*). Please refer to Section I, Chapter 5 of *The Audit Program*, “Bids & Contracts/Purchasing”.

3. Compliance Requirements

All transportation contracts and renewals must be supported by a signed Executive County Superintendent’s Approval Memo and a certified copy of the board minutes approving the contract. Contracts may not be bid for a term exceeding four years. Contracts may be renewed annually with a negotiated “cost of living” increase not to exceed the current Consumer Price Index (CPI). The CPI increase is calculated on the prior contract cost. For the 2008-09 school year the CPI is 2.89 %. The contract cost is defined as the final cost to the board of education for those items included in the bid. (Please note that effective May 5, 2003, P.L.2003, c.69 amended this provision of *N.J.S.A. 18A:39-3* to clarify that the CPI increase when a contract is extended is based on the previous contract, not the original contract). In addition to this negotiated increase, contracts and renewals may also increase or decrease according to the terms of the original contract (such as additional mileage or the addition of an aide included in the original bid). An addendum to the contract (prescribed form) must be used for this type of change. (*N.J.A.C. 6A:27-9.14*)

Suggested Audit Procedure

- Verify that all transportation contracts and renewals are supported by an Executive County Superintendent Approval Memo and that there is a certified copy of the board minutes approving the contracts. Transportation contracts and renewals must meet the requirements as prescribed by the administrative code. (*N.J.A.C. 6A:27-9 et seq.*).

4. Compliance Requirements

The district must advertise for bids to provide transportation for nonprofit private school students eligible to receive transportation services. However, the district is not required to advertise for bids when another board of education or Coordinated Transportation Services Agency (CTSA) has bid on the board’s behalf, or they can provide transportation utilizing a district owned vehicle or through a contract renewal. If the district has advertised for bids, and no bids are received or the bids exceed the statutory limit of \$884 per pupil, the district must attempt to utilize the services of a Coordinated Transportation Services Agency (CTSA). If no bids are then received, or if the cost generated by those bids would exceed the statutory limit of \$884, the district may provide the parent or guardian with Aid in Lieu of Transportation. (*N.J.S.A. 18A:39-1* and *N.J.A.C. 6A:27-10.1*)

Suggested Audit Procedures

- Verify that the school district advertised for bids. If the district did not advertise for bids, verify that another board of education or CTSA advertised for bids on their behalf. If the district advertised for bids, but did not receive any qualified responses or the bids exceeded the statutory limit, verify that the district attempted to utilize the services of a CTSA, or that a CTSA provided the actual transportation services.
- If Aid in Lieu of Transportation payments were made to parents, verify that the lowest qualified bid received exceeded the state maximum of \$884 or that no bids were received pursuant to the solicitation by the district. Further verify that in this situation the district referred the bidding to a CTSA and the CTSA did not generate any qualified bids not in excess of the statutory limit.
- If the district is a constituent district and has costs for transportation of nonpublic pupils, verify that the regional district transports nonpublic school pupils. (The pupils below the grade level of the regional district are to be transported by the transporting regional district and the costs pro-rated among the constituent districts on a per pupil basis.)
- Verify consistency between reported costs and student counts reported on the DRTRS summary report part A lines 6 and 7.

DEPARTMENT OF EDUCATION

Extraordinary Special Education Aid

100-034-5120-473

I. PROGRAM OBJECTIVES

Extraordinary Aid (EXAID)

EXAID is regulated by the School Funding Reform Act of 2008 (SFRA) and the 2010 budget language. The program objective is to provide assistance to school districts in which the actual costs of providing an education for an individual pupil, excluding transportation costs, exceed a predetermined threshold within a single fiscal year. The types of costs allowable and the calculations of the EXAID award depend on the student's educational placement.

II. PROGRAM PROCEDURES

The application process requires that districts complete one on-line form for each child that is eligible for aid. The department's extraordinary aid application for 2008-09 and related instructions are available on-line at <http://homeroom.state.nj.us>. Additional information including Frequently Asked Questions is available on the website: <http://homeroom2.state.nj.us/exaid.htm>.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. TYPES OF SERVICES ALLOWED OR UNALLOWED

1. Compliance Requirements

EXAID is available for reimbursement of expenditures for individual classified pupils who are placed in one of three categories and whose Individualized Education Plan (IEP) requires the provision of intensive service. The calculations of the award and allowable costs depend upon the category selected.

These categories and thresholds are:

1. Those instances in which a pupil is educated in an in district public school program with non-disabled peers, whether run by a public school or by a private school for the disabled, and the cost of providing direct instructional and support services for an individual classified pupil exceeds \$40,000. For those direct instructional and support services costs in excess of \$40,000 a district shall receive aid equal to 95% of the amount of that excess.
2. Those instances in which a pupil is educated in a separate public school program for students with disabilities and the cost of providing direct instructional and support services for an individual classified pupil exceeds \$40,000. For those direct instructional and support services costs in excess of \$40,000 a district shall receive aid equal to 85% of the amount of that excess.
3. Those instances in which a pupil is educated in a separate private school for students with disabilities and the tuition for an individual classified pupil exceeds

\$55,000. For tuition costs in excess of \$55,000 a district shall receive aid equal to 85% of the amount of that excess.

Suggested Audit Procedures

- Verify that the district prepared EXAID work papers for each student listed on the application.
- Select a sample in accordance with sampling directions for ASSA testing in the Audit Program. Review the student's IEP and determine whether the intensive service claimed in the application is required by the IEP.
- Review the application and determine that the placement category was supported by the IEP or other documentation.

2. Compliance Requirement

Direct instructional costs are those costs associated with providing the services called for in the student's IEP. Typical allowable costs include the educational portion of paid public school tuition and 100% of any related services paid in addition to that tuition. Teacher and teacher aide salaries with their fringe benefits are typical in-district educational costs. Private school tuition payments are accepted at 100% value. Related service costs (physical or occupational therapies, one on one aides, etc.) continue to be considered 100% educational expenses.

All public school tuitions must be prorated to determine their educational and support cost components. This proration can be done either by using a percentage amount provided by the department at the link for "Educational and Support Cost Percentages" at the website <http://homeroom2.state.nj.us/exaid.htm> or by using information provided by the agency submitting the tuition (the receiving district). Unadjusted in-district tuition rates cannot be used to claim educational expenses for in-district students, since they include many non-educational components.

Unallowable costs include transportation, administrative costs, and facility costs such as building maintenance, heating, and cleaning. Districts may adjust their own district tuitions in order to determine the educational and support costs for their in-district student applicant.

Support services costs, both direct and in-direct support costs are also allowable costs. Support costs are expenditures for activities associated with assisting the instructional staff with the content and process of providing a learning experience. A complete description of these costs is in the introduction of the Comparative Sending Guide under Indicator 6 <http://www.state.nj.us/education/guide/2009/>. Typical allowable costs are those associated with the development of the IEP.

Suggested Audit Procedures

- Verify that actual allowable costs were incurred during the fiscal year 2008-09 for the purposes allowed for in the application for extraordinary aid. Costs incurred for multiple years can not be combined in order to reach cost eligibility limits.

- Verify that any public school tuition amount was properly prorated in order to capture only direct educational and support costs within the tuition.

B. ELIGIBILITY

Compliance Requirements

The district must complete the application process in accordance with the instructions provided by the Division of Finance. The district must also have on file supporting work papers. The Finance Division has provided Excel worksheets for each placement type (there are 3). The application and supporting documentation must be maintained on file for seven years. For EXAID applications in 2008-2009, the applicant student must have a birth date between 7/01/1987 to 6/30/2006.

Suggested Audit Procedures

- In accordance with sampling instructions for A.S.S.A testing in the Audit Program, verify that the student is reported on the district's School Register. Verify that the student name and birth date is reported correctly, i.e., agree to the school register. Verify that the student's birth date is between 7/01/1987 to 6/30/2006.
- Verify that the student is classified and in an approved placement.
- Verify that the student received the intensive service being claimed in the application.
- Verify that work papers are in order and supported with cost documentation. Costs must be pro-rated if they are incurred for multiple students.
- For out-of-district placements to a private school for the disabled, verify that tuition stated in the application agrees to the contracted amount in the private schools for the disabled mandated tuition contract for the individual students.
- For out-of-district placements to a public school, verify that tuition stated in the application agrees to the contracted amount of the school in question and that the district prorated the tuition to only accept only the educational and support costs within the tuition.
- Support costs for students placed in-district should agree with the 2008-09 budgeted average district per pupil support cost found in the Comparative Spending Guide (<http://www.state.nj.us/education/guide/2009/>) under Indicator 6. Other amounts are acceptable if the district provides supporting calculations for them. Some out of district students may also have some in-district support costs (such as maintaining the student's IEP). Calculations should be provided as the in-district average cannot be used in these cases.

C. MATCHING, LEVEL OF EFFORT AND/OR EARMARKING REQUIREMENTS

None.

D. REPORTING REQUIREMENTS

Compliance Requirements

Districts were notified of the amount of extraordinary aid in June 2009. Instructions for recording the award were provided in the June 29, 2009 letter from the Assistant Commissioner. In general, Extraordinary Aid revenue is recorded in account 10-3131 in 2008-09. Districts do not have the option to record this in any other fiscal year. However, due to the hold harmless provision in SFRA, some districts will record an adjustment amount in different state aid categories. Auditors should refer to Section II-10 of the Audit Program for guidance on how ExAid should be recorded. The ExAid award amount is reported on line E of the "2008-09 Extraordinary Aid" notice and the payment amount is on line H.

Suggested Audit Procedure

- Verify that the 2008-09 award is recorded in the correct account as revenue for 2008-09.

DEPARTMENT OF EDUCATION

Reimbursed TPAF Social Security Contributions

495-034-5095-002

I. PROGRAM OBJECTIVES

To reimburse school districts for the employers' share of social security (FICA) contributions on TPAF members' regular wages.

II. PROGRAM PROCEDURES

Beginning in February 2007, school districts utilize a new web-based system available on the Department of Education's Homeroom Page to report FICA contributions for TPAF members' regular wages. Districts are reimbursed for the employer share of FICA contributions calculated on TPAF members' regular wages via an electronic funds transfer (EFT) to the district bank account.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. TYPES OF SERVICES ALLOWED OR UNALLOWED

1. Compliance Requirements

Reimbursement is provided for the employer share of FICA contributions calculated on TPAF members' regular wages.

Suggested Audit Procedure

- Verify that only TPAF members' regular wages are utilized for reimbursement. FICA reimbursement is not made for extra compensation wages.

B. ELIGIBILITY

1. Compliance Requirements

Reimbursement is made for TPAF members only.

Suggested Audit Procedures

- Test that only TPAF members are included for reimbursement.

C. MATCHING, LEVEL OF EFFORT AND/OR EARMARKING REQUIREMENTS

None.

D. REPORTING REQUIREMENTS

None.

E. SPECIAL TESTS AND PROVISIONS

1. Compliance Requirement

All applicable requests for reimbursement must be recorded by the district as revenue in the current school year and appropriate reimbursements requested and not received as of June 30 are to be recorded as an account receivable at the end of the school year.

Suggested Audit Procedure

- Verify that accounts receivable recorded as of June 30 were subsequently received in the next school year.

DEPARTMENT OF EDUCATION
Preschool Education Aid
495-034-5120-086

I. PROGRAM OBJECTIVES

The program objective under the “School Funding Reform Act of 2008” (SFRA) is for district factor group A and B school districts, and district factor group CD school districts with a concentration of at-risk children equal to or greater than 40%, to provide free access to full-day preschool for all three- and four-year old children. All other school districts shall provide free access to full-day preschool for resident at-risk children. Districts must reach full implementation by 2013-14; however for most districts 2008-09 was a planning year. Under SFRA, once the program is fully implemented, districts’ preschool education aid amount shall reflect the cost of the child’s placement; in a district program; a licensed child care provider program; or an approved Head Start Program.

Districts that are required to use school-based budgeting are required to provide full-day, full-year preschool programs for three and four year old children and record the preschool appropriations and expenditures for these programs in the special revenue fund. If an early childhood center contains preschool and kindergarten classes, the preschool appropriations and expenditures are recorded in Fund 20 and the kindergarten appropriations and expenditures are recorded in Fund 15.

Districts that were not required to use school-based budgeting were given accounting and budgeting guidance in the 2008-09 Budget Guidelines in the Supporting Documentation 15 section (p.131) to budget Preschool by Half Day -3 Yr., Half Day 4 Yr., Full Day 3 Yr., Full Day 4 Yr., and Other Preschool. Districts should fully account for kindergarten costs in the general fund. If a district has separate preschool programs (i.e., three-year olds half-day, three-year olds full-day, four year olds half-day) they report one combined preschool statement. The statement must include the actual versus budgeted spending for the entire program. The calculation of the 2008-09 Available & Unbudgeted funds and Actual Carryover as of June 30, 2009 is required.

Beginning in 2004-05, districts required to use school-based budgeting were required to separately budget and account for the costs for full day 3 yr and 4 yr - regular preschool education; preschool special education inclusion classroom costs; and, preschool self contained and other special education costs. A line was also included in the budget software for Other: preschool costs. Supporting documentation item 15 was enhanced to allow for this level of budgeting detail. These districts were required to account for these four preschool programs separately in their accounting records to allow for end of year reporting in the CAFR. This requirement continues in 2008-09. The year-end CAFR reporting must reflect this budgeting detail as well as include a column for transfers between line items. A preschool restricted aid schedule is required for each program budgeted separately on supporting documentation item 15 and a summary schedule of all programs is also required to be prepared. The all programs schedule will include lines for the contribution to charter schools and contribution to school-based budget as well as the calculation of budget and carryover, which are not included on the individual preschool program schedules.

Auditor’s Note – This italicized section applies when auditing a district with schoolwide or blended school-based budgets. The only restricted state aid permitted to be combined in Fund 15 to implement schoolwide or blended school-based budget is ECPA carryover. See “Procedures

for Auditing Fund 15 Expenditures” in Section II-SA of Audit Program for specific procedures to be performed when auditing districts with schoolwide or blended school-based budgets. DEPA and DLNA carryover were required to be budgeted on line 360 in the general fund for 2008-09.

A schoolwide or blended school-based budget program is not a separate Federal program as defined in OMB A-133, or a separate State program. Therefore, expenditures incurred in schoolwide or blended school-based budgets must be included in the total expenditures of the program contributing the funds when determining Type A and Type B Programs for Single Audit testing selection determination. The Schedules of Expenditures of Federal and State Awards must include the total expenditures of the program funds for schoolwide or blended school-based budget schools and non-schoolwide or blended school-based budget schools.

II. PROGRAM PROCEDURES

Districts that received Early Childhood Program Aid (ECPA) in 2007-08 but did not receive preschool expansion aid or educational opportunity aid, preschool education aid was provided in 2008-09 equal to the greater of the district’s 2007-08 amount of ECPA for preschool or the district’s 2007-08 per pupil allocation of ECPA, as included in the district’s original 2007-08 budget certified for taxes, inflated by the CPI and multiplied by the district’s projected preschool enrollment. Such districts were to include in their 2008-09 budgets, as detailed on Support Documentation #15, continuation of the preschool program as approved in 2007-08. Districts that had capacity to offer a full-day three and full-day four-year-old program in 2008-09 could request funding for the full-day program upon demonstration of this ability in the One-year Preschool Program Plan submitted to the Commissioner.

Five of the above districts demonstrated this ability and were approved to expand their preschool program for the 2008-09 school year. As a result, preschool education aid was provided for these districts in accordance with the per pupil amounts in the SFRA, depending upon students’ placement in a district program, a licensed child care provider program, or a Head Start Program.

Preschool Education Aid is a restricted state aid that is accounted for in the special revenue fund. Programs operate from July 1st to June 30th. Unexpended or unencumbered funds at June 30th shall be classified as deferred revenue and 1) appropriated in the subsequent year when identified prior to the preparation of the subsequent year budget, 2) appropriated during the subsequent year with the approval of the Commissioner, or 3) retained as deferred revenue until the second subsequent year budget.

The budgetary revenue and GAAP revenue may differ due to state reporting requirements of the last state aid payment. For budgetary purposes, state aid equals the amount shown on the 2008-09 NET in the Special Revenue Fund Aid section. For GAAP financial reporting, revenue equals the amount reported on the 2008-09 NET increased by the first cash payment of July 2008 and decreased by the June state aid payments for June 30, 2009 (paid in July 2009, but not recognized until the subsequent year).

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. TYPES OF SERVICES ALLOWED OR UNALLOWED

1. Compliance Requirements

Districts not required to prepare school-based budgets with at-risk students were required to continue existing programs according to their One-year Operational Plan while starting to work on a 2009-10 Five-year Preschool Program Plan to provide for the full implementation of full-day preschool for all eligible three- and four-year-olds by the 2013-14 school year.

The five “expanding” districts funded by the SFRA per pupil amounts were required to submit a One-year Preschool Program Plan outlining their ability to start expanding their existing preschool program one year early.

Districts that were required to prepare school-based budgets were required to submit an updated Two-year Instructional Priorities Report, and provide full-day preschool for three- and four-year-old children. Districts were permitted to provide preschool education either by the child’s placement in a district program, a licensed child care provider program, or a Head Start Program which provide high-quality full-day preschool in accordance with Commissioner regulations.

Suggested Audit Procedures

- Verify the existence of a preschool program or that a licensed child care provider program or a Head Start program was available to at-risk students as identified in the plan.
- Sample the expenditures to determine if they are consistent with those outlined in the One-year Preschool Operational Plan for districts with at-risk students and in the Two-year Instructional Priorities Report for districts that were required to use school-based budgeting.

B. ELIGIBILITY

1. Compliance Requirements

The above districts with at-risk students are eligible based on filing the annual Application for State School Aid (A.S.S.A.). The district must complete the A.S.S.A. in accordance with the instructions provided by the Division of Finance. The district must complete a set of workpapers that documents the compilation of data and provides an audit trail for testing the enrollments reported on the A.S.S.A. The district must also have on file written internal procedures that provide a description of the count process. The workpapers, original supporting documentation and internal procedures must be maintained on file for seven years.

Suggested Audit Procedure

- In accordance with instructions and audit procedures in The Audit Program issued by the Department of Education, verify enrollments reported on the district’s A.S.S.A. printout with the pupil counts on the district’s workpapers.

C. MATCHING, LEVEL OF EFFORT AND/OR EARMARKING REQUIREMENTS

1. Compliance Requirements

If the expenditures incurred by the district are less than the amount of Preschool Education Aid, unexpended or unencumbered funds must be carried over and 1) expended in the subsequent fiscal year when identified prior to the preparation of

the subsequent year budget, 2) appropriated during the subsequent year with the approval of the Commissioner or his or her designee, or 3) retained as deferred revenue until the second subsequent year budget. All deferred revenue must be used for the purpose of preschool education programs unless approval by the Commissioner was received to transfer funds to the general fund.

Suggested Audit Procedure

- Verify that any unexpended or unencumbered funds are properly reflected as Preschool Education Aid deferred revenue at year-end.
- Verify that the accurate June 30, 2008 Early Childhood Program Aid (ECPA) carryover balance was utilized in the 2008-09 records and/or an adjustment was made if the estimated amount anticipated was incorrect.

D. REPORTING REQUIREMENTS

1. Compliance Requirements

Districts that received Preschool Aid, but were not required to use school-based budgeting or did not expand the program are required to submit a One-Year Preschool Operational Plan to the county office for review and approval.

Districts not required to prepare school-based budgets were required to submit a One-year Operational Plan and annual budget. The five districts approved to expand preschool programs one year early were required to submit One-year Preschool Program Plan and annual budget outlining their ability to start expanding their existing preschool program one year early. Districts required to use school-based budgeting were required to submit an updated Two-year Instructional Priorities Report and annual budget to the Division of Early Childhood Education for review and approval.

The district's June 30, 2009 Comprehensive Annual Financial Report must contain a summary schedule of Preschool Education Aid expenditures, including a summary of the estimated 2008-09 Preschool Education Aid carryover included in the 2009-10 budget compared to the actual carryover calculated at June 30, 2009. Districts required to use school-based budgeting should report each segment of the program on supporting schedules: Preschool- Full Day 3 Yr & 4 Yr – Regular; Preschool Special Education Inclusion Classroom Costs; Preschool- Special Education Self Contained & Other Special Education Costs; and, Other. Districts required to use school-based budgeting should refer to Section II-20 of the Audit Program for unique and specific guidance.

Suggested Audit Procedures

- Review plans for compliance with reporting procedures and due dates.
- Test amounts reported with accounting records.

E. SPECIAL TESTS AND PROVISIONS

1. Compliance Requirements

Preschool Education Aid must be budgeted and accounted for in the special revenue fund using the uniform grant project budget statement coding structure.

Suggested Audit Procedures

- Verify that the aid is recorded in the special revenue fund on the district's accounting records and approved budget.
- Review board minutes for approval of transfers and revisions.

2. Compliance Requirement

Expenditures which exceed the bid or quote threshold must be made in accordance with the requirements of the Public School Contracts Law, *N.J.S.A.* 18A:18A et seq. Please refer to Section I, Chapter 5, "Bids & Contracts/Purchasing," of The Audit Program.

Suggested Audit Procedure

Test expenditures to determine compliance with advertising for bids and obtaining quotes as required by *N.J.S.A.* 18A:18A-3, 18A-4 and 18A-37.

DEPARTMENT OF EDUCATION

Nonpublic Textbook Aid

100-034-5120-064

I. **PROGRAM OBJECTIVES**

To provide funds to school districts for the purchase of textbooks for loan to pupils enrolled in a nonpublic school located within the district.

II. **PROGRAM PROCEDURES**

Nonpublic schools must forward their requests for textbooks to the school districts on or before March 1 for the next school year. Districts should have received full payment of state aid no later than July 31. The amount of state aid shall not exceed the State average budgeted textbook expense per public school pupil, for each student enrolled in grades kindergarten through 12 of a nonpublic school on the last school day prior to October 16 of the preceding year.

III. **COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES**

A. **TYPES OF SERVICES ALLOWED OR UNALLOWED**

1. **Compliance Requirements**

The textbooks that are loaned to students in grades kindergarten through 12 of any nonpublic school, shall be textbooks used in any public school of the state, or approved by any board of education.

The textbooks are to be loaned without charge, subject to rules and regulations approved by the board. These rules may contain requirements for reimbursement by nonpublic pupils to the school district for loss, damage or destruction of loaned textbooks. (*N.J.S.A. 18A:58-37.3, 18A:58-37.4, N.J.A.C. 6A:23-6.6*)

Suggested Audit Procedures

- Verify that the textbooks, which are loaned to nonpublic school pupils, are approved for use by the board.
- Verify that the school district loans textbooks without charge to nonpublic school pupils.
- Verify that charges for loss, damage or destruction of loaned textbooks to nonpublic school pupils are also applicable to public school pupils.

B. ELIGIBILITY

1. Compliance Requirements

A school district is eligible to receive state aid for the purchase and loan of textbooks to nonpublic school pupils.

The nonpublic school pupils must be residents of the state and attend a nonpublic school located within the district. In addition, the parents or legal guardians must maintain a residence in the state. (*N.J.S.A. 18A:58-37.5, N.J.A.C. 6A:23-6.1*)

Suggested Audit Procedures

- Verify, by testing, the residency status of the pupils, parents or legal guardians and that the nonpublic school, which received the textbooks, is located within the district.

C. MATCHING, LEVEL OF EFFORT AND/OR EARMARKING REQUIREMENTS

1. Compliance Requirements

A school district is not required to expend funds for the purchase and loan of textbooks in excess of the amount of state aid received. (*N.J.S.A. 18A:58-37.3*)

If the expenditures incurred by the school district for the purchase and loan of textbooks are less than the amount of state aid received, unexpended funds must be refunded to the state after the completion of the school year, but no later than December 1. (*N.J.S.A. 18A:58-37.7*)

The cost of textbooks for nonpublic school pupils must be entered in a separate line account. (*N.J.A.C. 6A:23-6.5*)

Suggested Audit Procedures

- Verify funds were expended for the purchase of textbooks for nonpublic school pupils.
- Verify that any unexpended funds were returned by the school district to the state no later than December 1 for the prior school year.
- Verify and compute the unexpended balance for the current year under audit.

D. REPORTING REQUIREMENTS

1. Compliance Requirements

The school district shall maintain an accounting system for nonpublic programs and file an annual End of the Year Report which details the amount expended for nonpublic school pupils serviced by the school district. (*N.J.A.C. 6A:14-6.3 and 6A:14-6.4*)

Suggested Audit Procedures

- Verify that the school district maintains a separate account for recording expenditures for eligible purchases for nonpublic school pupils.
- Verify that the End of the Year Report is filed timely and agrees with the school district's supporting documentation.

E. SPECIAL TESTS AND PROVISIONS

1. Compliance Requirements

All textbooks purchased for nonpublic school pupils shall remain the property of the school district, and the label on each book shall indicate ownership.

The school district is responsible for the collection and inventory of textbooks and may require the textbooks be returned to the school district at the end of the school year or allow the nonpublic schools to store the textbooks. The school district shall not pay storage charges to the nonpublic school. (*N.J.A.C. 6A:23-6.4*)

Suggested Audit Procedures

- Verify by testing that textbooks are properly labeled and stored in the district. If the textbooks are stored in the nonpublic schools verify that the school district does not pay storage charges.

DEPARTMENT OF EDUCATION

Nonpublic Auxiliary Services Aid (Chapter 192)

100-034-5120-067

I. PROGRAM OBJECTIVES

School districts receive funds to provide Compensatory Education, English as a Second Language and home instruction to nonpublic school pupils who meet the eligibility criteria for these programs.

II. PROGRAM PROCEDURES

The school district must file an application for funds by November 5, which includes the number of pupils identified as eligible to receive each service during the previous school year.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. TYPES OF SERVICES ALLOWED OR UNALLOWED

1. Compliance Requirements

The school district must provide Compensatory Education and English as a Second Language to nonpublic school pupils who meet the eligibility requirements. Services are provided to pupils between the ages of five and twenty, who reside in New Jersey and are enrolled full-time in a nonpublic school within the district. (*N.J.S.A. 18A:46A-3*)

Suggested Audit Procedures

- Verify by testing that pupils receiving auxiliary services have a valid and signed Application for Individual Pupil Services (Form 407-1) on file, with the type of service requested.
- Verify by testing that pupils receiving services are between the ages of five and twenty, reside in New Jersey and are enrolled full-time in a nonpublic school within the district.

B. ELIGIBILITY

1. Compliance Requirements

Compensatory Education aid is available for those nonpublic school pupils who score below the minimum levels of proficiency (MLP) established by the New Jersey State Department of Education, as measured by testing conducted in the spring of the previous school year.

The nonpublic school must attach a copy of the pupil's standardized test results to the Form 407-1. The nonpublic school must also enter the appropriate test

score on the form, enter the appropriate subject area on the form and submit two forms if the pupil is to receive both communications and computation services.

Suggested Audit Procedures

- Take a test sample of 407-1's and determine if nonpublic school pupils meet the eligibility criteria based on test scores, which are below the Minimum Level of Proficiency. Verify that required information is included on Form 407-1.
- Verify that the service provided to the nonpublic school pupil is based on the service requested on Form 407-1.

2. Compliance Requirements

English as a Second Language aid is available for those nonpublic school pupils who score below the standard level of English proficiency as measured by a standardized test recommended by the New Jersey State Department of Education. The pupil's native language must be other than English.

The parent or guardian must identify the pupil's native language on the Form 407-1. The school district must attach a copy of the test results and record the score on Form 407-1.

Suggested Audit Procedures

- Verify by testing that the eligibility criteria based on the test score is met by nonpublic school pupils.
- Review a test sample of Forms 407-1 and verify that the native language, copy of test results and test score is included on Form 407-1.

3. Compliance Requirements

Home Instruction aid is available for nonpublic school pupils unable to attend school because of illness or injury. The pupil must be unable to attend school for at least two weeks because of illness or injury, and a letter from a physician must verify the illness or injury. Medical evidence must be attached to Form 407-1. Home instruction may be provided for a period not to exceed 60 calendar days in a school year, unless the pupil is classified by the child study team and an IEP indicates the need for home instruction.

Suggested Audit Procedures

- Verify by testing Form 407-1 that the pupil is eligible for home instruction services and that such service does not exceed 60 calendar days, unless such pupil is classified and has a valid IEP which indicates the need for home instruction.

C. MATCHING, LEVEL OF EFFORT AND/OR EARMARKING REQUIREMENTS

1. Compliance Requirements

The school district shall not use more than 6% of the aid received for administration costs, and no more than 18% can be used to rent facilities needed to implement the services. (*N.J.S.A. 18A:46A-8*)

Suggested Audit Procedures

- Review expenditures for administration and rental costs and verify that expenditures are within statutory limits.

2. Compliance Requirements

A school district shall provide Compensatory and English as a Second Language service to nonpublic school pupils at a cost not to exceed the amount of state aid funds. (*N.J.A.C. 6A:14-6.3*)

In the event that expenditures are less than the amount of state aid received, the school district shall refund the unexpended state aid after completion of the school year, but no later than December 1. (*N.J.S.A. 18A:46A-14*)

Suggested Audit Procedures

- Verify expenditures do not exceed the amount of state aid funds, and are for eligible services.
- Verify that the school district refunded the unexpended state aid from the prior school year, and verify the amount of refund, if any, due for the current year.

D. REPORTING REQUIREMENTS

1. Compliance Requirements

The school district shall maintain an accounting system for nonpublic programs and file an annual End of the Year Report that details the number of nonpublic school pupils serviced by the school district. (*N.J.A.C. 6A:14-6.3 and 6A:14-6.4*)

Suggested Audit Procedures

- Verify that the school district maintains a separate account for recording expenditures for eligible services for nonpublic school pupils.
- Verify that the End of the Year Report is filed timely and agrees with the school district's supporting documentation.

E. SPECIAL TESTS AND PROVISIONS

None.

DEPARTMENT OF EDUCATION

Nonpublic Handicapped Aid (Chapter 193)

100-034-5120-066

I. PROGRAM OBJECTIVES

To provide funds to school districts for the purpose of examination and classification of nonpublic school pupils in order to identify a pupil's educational handicap and to prescribe an individual educational plan to address the pupil's needs. Funds are also provided for speech correction and supplemental instruction services for nonpublic school pupils.

II. PROGRAM PROCEDURES

The school district must file an application by November 5, which includes the number of nonpublic school pupils identified as eligible to receive examination/classification, speech correction and supplemental instruction services during the previous school year.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. TYPES OF SERVICES ALLOWED OR UNALLOWED

1. Compliance Requirements

Examination/classification, speech correction and supplemental instruction services are provided to nonpublic school pupils whose parents or guardians reside in New Jersey. In addition, the pupils must be enrolled full time in a nonpublic school located in the district, be between the ages of 5 and 21, meet the eligibility criteria for service and have parental consent for the service. (N.J.S.A. 18A: 46-6, 18A:46-19.5)

Suggested Audit Procedures

- Verify that a valid Application for Individual Pupil Services (Form 407-1) is on file for each nonpublic school pupil indicating the service to be provided.
- Verify that services provided are only for examination/classification, speech correction or supplemental instruction services.

B. ELIGIBILITY

1. Compliance Requirements

Examination/classification services are provided for the purpose of identifying those with disabilities and developing Individualized Educational Plans (IEP).

Supplementary instruction aid and speech correction aid are available for nonpublic school pupils with disabilities who need those services. The pupil must be classified as disabled by the child study team, and an Individual

Educational Plan (IEP) must be on file and indicate the need for supplementary instruction and/or speech correction as appropriate.

Suggested Audit Procedures

- Verify that pupils serviced have an IEP on file that indicates the need for the services rendered (examination/classification supplemental instruction and/or speech correction).
- Review Form 407-1 and verify parental or guardian consent for service provided.

C. MATCHING, LEVEL OF EFFORT AND/OR EARMARKING REQUIREMENTS

1. Compliance Requirements

A school district shall provide services to nonpublic school pupils at a cost not to exceed the amount of state aid funds. (*N.J.A.C. 6A:14-6.3*)

In the event that expenditures are less than the amount of state aid received, the school district shall refund the unexpended state aid after completion of the school year, but no later than December 1. (*N.J.S.A.18A:46-19.8*)

Suggested Audit Procedures

- Verify expenditures do not exceed the amount of state aid funds and are for eligible services.
- Verify that the school district refunded the unexpended state aid from the prior school year, and verify the amount of refund, if any, due for the current year.

D. REPORTING REQUIREMENTS

1. Compliance Requirements

The school district shall maintain an accounting system for nonpublic programs and file an annual End of the Year Report that details the number of nonpublic school pupils serviced by the school district. (*N.J.A.C. 6A:14-6.3 and 6A:14-6.4*)

Suggested Audit Procedures

- Verify that the school district maintains a separate account for recording expenditures for examination, classification, speech correction and supplemental instruction services for nonpublic school pupils.
- Verify that the End of the Year Report is filed timely and agrees with the school district's supporting documentation.

E. SPECIAL TESTS AND PROVISIONS

None.

DEPARTMENT OF EDUCATION

Nonpublic Nursing Services Aid (Chapter 226)

100-034-5120-070

I. PROGRAM OBJECTIVES

To provide funds to school districts in order to provide basic nursing services for pupils enrolled full time in nonpublic school(s) located within the school district.

II. PROGRAM PROCEDURES

Nonpublic schools must submit their New Jersey resident enrollment as of the last school day prior to October 16 of each year and indicate their intent to participate in the program for the next budget year.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. TYPES OF SERVICES ALLOWED OR UNALLOWED

1. Compliance Requirements

The school district must provide basic nursing services to pupils who meet the eligibility requirements. Services are provided to pupils enrolled in grades kindergarten through 12, who reside in New Jersey and are in a nonpublic school located within the school district.

Suggested Audit Procedures

- Verify by testing that pupils receiving services were enrolled in grades kindergarten through 12, reside in New Jersey and are enrolled full-time in a nonpublic school within the school district.

B. ELIGIBILITY

1. Compliance Requirements

A school district is eligible to receive state aid to provide nursing services to nonpublic school pupils.

Suggested Audit Procedures

- Verify, by testing, the residency status of the pupils, parents or legal guardians and that the nonpublic school is located within the district.

C. MATCHING, LEVEL OF EFFORT AND/OR EARMARKING REQUIREMENTS

1. Compliance Requirements

A school district is not required to expend funds for nursing services in excess of the amount of state aid received. If the expenditures incurred by the school district for nursing services are less than the amount of state aid received, unexpended funds must be refunded to the state after the completion of the school year, but no later than December 1. (*N.J.S.A. 18A:40-31*).

Suggested Audit Procedures

- Verify funds were expended for nursing services for nonpublic school pupils.
- Verify that the school district returned any unexpended funds to the state no later than December 1 for the prior year.
- Verify and compute the unexpended balance for the current year under audit.

D. REPORTING REQUIREMENTS

1. Compliance Requirements

The school district shall maintain an accounting system for nonpublic programs and file an annual End of the Year Report which details the amount expended for nonpublic school pupils serviced by the school district. (*N.J.A.C. 6A:14-6.3 and 6A:14-6.4*)

Suggested Audit Procedures

- Verify that the school district maintains a separate account for recording expenditures for eligible services for nonpublic school pupils.
- Verify that the End of the Year Report is filed timely and agrees with the school district's supporting documentation.

E. SPECIAL TESTS AND PROVISIONS

1. Compliance Requirements

Equipment purchased to provide nursing services shall remain the property of the school district, and ownership shall be so marked by labels or other appropriate methods of identification.

Suggested Audit Procedure

- Verify that equipment is properly labeled.

DEPARTMENT OF EDUCATION

Nonpublic Technology Initiative Aid

100-034-5120-373

I. **PROGRAM OBJECTIVES**

To provide funds to school districts in order to provide technology to all pupils attending a nonpublic school(s) located within the school district.

II. **PROGRAM PROCEDURES**

Nonpublic schools must submit their New Jersey resident enrollment as of the last school day prior to October 16 of each year and indicate their intent to participate in the program for the next budget year. The school district must submit to the county superintendent on or before October 31 of the budget year, (1) a written statement verifying a conference was held with the nonpublic school administrator, and (2) a copy of the agreement between the school district and the nonpublic school and the minutes of the board of education approving such agreement.

III. **COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES**

A. **TYPES OF SERVICES ALLOWED OR UNALLOWED**

1. **Compliance Requirements**

The state aid provided to the school district for each participating nonpublic school in the district for the 2008-09 school year is an amount equal to the product of \$40.00 and the number of pupils on roll in the nonpublic school as of October 15, 2007 recorded on the Nonpublic School Enrollment Report.

The technology provided to nonpublic schools must not include providing instructional services directly to nonpublic school students. Allowable expenditures are listed on the accompanying list at the end of this section.

Suggested Audit Procedure

- Verify by testing that pupils included on the Nonpublic School Enrollment Report were enrolled full-time in a nonpublic school within the school district.
- Verify funds were expended for allowable technology initiative program expenditures and not expended for instructional services.

B. ELIGIBILITY

1. Compliance Requirements

The school district must submit to the county superintendent on or before October 31 (1) a written statement verifying a conference was held with the nonpublic school administrator, and (2) a copy of the agreement between the school district and the nonpublic school and the minutes of the board of education approving such agreement.

Suggested Audit Procedures

- Verify that the minutes of the board of education approved the agreement to provide technology to the nonpublic school(s).

C. MATCHING, LEVEL OF EFFORT AND/OR EARMARKING REQUIREMENTS

1. Compliance Requirements

A school district is not required to expend funds for technology services in excess of the amount of state aid received. If the expenditures incurred by the school district for technology are less than the amount of state aid received, unexpended funds must be refunded to the state after the completion of the school year, but no later than December 1.

The funds expended by the school district for the administrative costs related to providing technology for a participating nonpublic school must be limited to five (5) percent of the actual costs of providing the technology for the participating nonpublic school or five (5) percent of the funds allocated to the participating nonpublic school, whichever is less.

Suggested Audit Procedures

- Verify funds were expended for equipment, software, professional development and/or maintenance on equipment purchased.
- Verify that the school district returned any unexpended funds to the state by December 1 for the prior school year.
- Verify and compute the unexpended balance for the current year under audit.
- Verify that administrative costs did not exceed 5% of the actual costs or 5% of the funds allocated to the participating nonpublic school, whichever is less.

D. REPORTING REQUIREMENTS

1. Compliance Requirements

The school district shall maintain an accounting system for nonpublic programs and file an annual End of the Year Report which details the amount expended for nonpublic school pupils serviced by the school district.

Suggested Audit Procedures

- Verify that the school district maintains a separate account for recording expenditures for eligible purchases for nonpublic school pupils.
- Verify that the End of the Year Report is filed timely and agrees with the school district's supporting documentation.

E. SPECIAL TESTS AND PROVISIONS

1. Compliance Requirements

Equipment purchased to provide technology shall remain the property of the school district, and ownership shall be so marked by labels.

The school district is responsible for the inventory of the equipment and may require the equipment be returned to the school district at the end of the school year or allow the nonpublic schools to store the equipment. The school district shall not pay storage charges to the nonpublic school.

Suggested Audit Procedures

- Verify by testing that the equipment is properly labeled and stored in the district. If the equipment is stored in the nonpublic schools verify that the school district does not pay storage charges.

2. Compliance Requirement

Expenditures, which exceed the bid or quote threshold, must be made in accordance with the requirements of the Public School Contracts Law, *N.J.S.A. 18A: 18A et seq.* Please refer to Section I, Chapter 5, "Bids & Contracts/Purchasing", of The Audit Program.

Suggested Audit Procedure

- Test expenditures to determine compliance with advertising for bids and obtaining quotes as required by *N.J.S.A. 18A: 18A-3, 18A-4 and 18A-37*.

NONPUBLIC TECHNOLOGY INITIATIVE AID
Allowable Expenditures
EXAMPLES

Equipment (hardware):

- Computers
- Multimedia
- Server computers for shared files, electronic mail and world wide web communication
- Digital and Video Cameras
- Projection Devices and other peripheral equipment shared by computer systems
- Data communications systems
- Local area networks (including multiple connects for every classroom)
- Wide area network
- High-speed network links that connect schools together in each district
- High-speed Internet connection serving all schools in each district
- Satellite Dish
- Distance Learning ITV Classroom (full-motion interactive video classroom system)
- Transportable ITV System (full-motion interactive video equipment on a cart)
- Videoconferencing Equipment (e.g., PictureTel, Proshare, Swift Site)

Software: programs available on disks, CD-ROMs, etc. used as applications in instructional programs.
Software with a religious theme or content is prohibited.

Professional Development: training that develops and enhances teachers' technology skills for instructional purposes so that teachers effectively use technology with their curriculum (for example, participating in sessions offered by the county-based Educational Technology Training Centers). Professional development training may also be provided to nonpublic school teachers- on-site in a nonpublic school.

Maintenance: contracts or per diem support to make sure equipment purchased and loaned to a nonpublic school by a board of education is maintained and remains usable.

DEPARTMENT OF EDUCATION

Title III Basic State Grants for Vocational Education

495-034-5120-013

I. PROGRAM OBJECTIVES

To provide county vocational school postsecondary programs that develop more fully the academic and technical skills of all segments of the population. The objectives of these grants will principally be achieved through concentrating resources on improving educational programs leading to academic and technical skill competencies needed to work in a technologically balanced society. (*N.J.S.A. 18A:54-1 et seq.*)

II. PROGRAM PROCEDURES

Funds are provided to county vocational schools for postsecondary programs through submission of a general application.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. TYPES OF SERVICES ALLOWED OR UNALLOWED

1. Compliance Requirements

Grant requirements are to be in compliance with P. L. 109-270, Section 135 and shall provide approved career and technical education programs that are of such size, scope and quality as to be effective; integrate academic and technical skills through a coherent sequence of courses; provide students with strong experience in and understanding of all aspects of an industry; develop, improve or expand the use of technology; provide professional development programs; develop and implement evaluations, including the assessment of how the needs of special populations are being met; initiate, improve, expand, and modernize programs; and link secondary and postsecondary programs. No more than 5 percent of the grant may be used for administrative costs.

The county vocational school's request for funds must address labor market areas identified by the appropriate Workforce Investment Board (WIB) or other validated local market demands. Eligible recipients may expend funds in any of the authorized activities/areas described in P.L. 109-270 including:

- a) Strengthening academic and technical skills of students;
- b) Linking secondary and postsecondary CTE programs;
- c) Career guidance and counseling;
- d) Proving students strong experience in, and understanding of, all aspects of an industry;
- e) Teacher preparation programs that assist individuals with experience in business and others in becoming vocational and technical education teachers;
- f) Professional development programs for teachers and staff;
- g) Improving the use of technology;
- h) Programs for special populations;
- i) Nontraditional training and employment;

- j) Work-related experience, such as internships, cooperative education, school-based enterprises, entrepreneurship, and job shadowing;
- k) Program evaluations;
- l) Involving parents, businesses, and labor organizations in the design, implementation, and evaluation of programs;
- m) Local education and business partnerships;
- n) Career and technical student organizations;
- o) Mentoring and support services;
- p) Career and technical education programs for adults and school dropouts to complete their secondary education; and
- q) Assisting participating students in finding employment and continuing their education.

Suggested Audit Procedures

- Verification of submitted data (VEDS), approved five-year plan 2008-2013, one-year funding application and final reports as described in the annual Perkins One-Year Grant Application guidelines.

B. ELIGIBILITY

1. Compliance Requirements

County vocational schools offering postsecondary programs.

Suggested Audit Procedures

- Verify that the schools designated meet the definition and eligibility requirements in P. L. 109-270, Section 3 and Section 132.

C. MATCHING, LEVEL OF EFFORT AND/OR EARMARKING REQUIREMENTS

1. Compliance requirements

Federal match requirement to the Carl D. Perkins Career and Technical Education Improvement Act of 2006, P. L. 109-270.

Suggested Audit Procedure

- Verification of the number of financially needy students, including those eligible for Pell grants.

D. REPORTING REQUIREMENTS

1. Compliance Requirement

The local education agency will be required to submit the following reports:

Data on financial status of students;
Enrollments in career and technical education programs;
Five-year plan revisions, if applicable;
One-year grant application; and

Final Report.

Suggested Audit Procedure

- Verify data reported with agency fiscal and programmatic accounting records.

E. SPECIAL TEST PROVISIONS

1. Compliance Requirement

All students in career and technical programs must be measured for attainment in technical competencies as evidenced by results of certification or licensing examinations or nationally recognized examinations including NOCTI or other available tests as described in the Five-Year Plan for Career and Technical Education, FY 2008-2013.

Suggested Audit Procedure

- Verify pass rate of students in assessment process.

DEPARTMENT OF EDUCATION

Debt Service Aid

495-034-5120-125

I. **PROGRAM OBJECTIVES**

To provide aid to school districts for the payment of their current year's debt service.

II. **PROGRAM PROCEDURES**

For Fiscal Year 2008-09 debt service was calculated pursuant to SFRA. Debt Service aid is calculated by multiplying the school district's debt service budget (including Commissioner approved lease purchase agreements with terms in excess of five years) by its district aid percentage.

Debt Service aid for 2008-09 was adjusted. However, the actual debt service aid revenue and payments for the 2008-09 school year are not adjusted as actual debt service aid adjustments in 2008-09. These adjustments will be made during the 2009-10 school year for both increases and decreases by adding or subtracting the adjustment amount to the 2009-10 entitlement amounts. The accounting records should reflect all 2008-09 debt service aid **increase** adjustments as an accounts receivable and deferred revenue as of June 30, 2009. However, these adjustments (increase or decrease) **should not** be reflected in the budget since all debt service changes are deferred until 2009-10. Any entries made at June 30, 2008 for debt service aid increase adjustments from 2007-08 must be reversed.

For fiscal year 2008-09 state aid, the DS9 and DS10 are the source documents. The debt service adjustment amount for fiscal year 2008-09 is printed as a footnote on the NET printout.

III. **COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES**

A. **TYPES OF SERVICES ALLOWED OR UNALLOWED**

1. **Compliance Requirements**

Debt service aid is a restricted revenue and may only be used for payment of bond interest and principal, and payments for Commissioner approved lease purchase agreements in excess of five years. Funds may not be transferred from debt service to any other fund.

Suggested Audit Procedures

- Verify that aid is used only for repayment of principal and interest.
- Verify that aid is correctly reflected on the school district's accounting records and approved budget.
- Verify that no funds are transferred from debt service to any other fund or account group.

B. **ELIGIBILITY**

1. **Compliance Requirements**

All school districts that received core curriculum standards aid in 2001-02 are eligible to receive Debt Service aid for debt issued prior to July 18, 2000. Aid is calculated by multiplying the school district's debt service budget by its district aid percentage.

For debt issued on or after July 18, 2000, all school districts are eligible for debt service aid if the debt was issued for a project approved by the Department of Education's Office of School Facilities and the district chose debt service aid as the state funding option. Debt issued as the local share of a project receiving a state grant or a project constructed by the SCC is not eligible for debt service aid. Debt issued on or after July 18, 2000 but used for refunding debt issued prior to July 18, 2000 will continue to receive aid under the old formula. Under some circumstances, districts that issued debt prior to July 18, 2000 were eligible for aid under the new formula.

Suggested Audit Procedures

- Review the school district's approved budget for debt service and verify appropriations with the accounting records.
- Review the district's debt service obligation and whether the debt is eligible for aid. Compare the eligible debt service against the district's state aid notice.

C. MATCHING, LEVEL OF EFFORT AND/OR EARMARKING REQUIREMENTS

None.

D. REPORTING REQUIREMENTS

1. Compliance Requirements

N.J.S.A. 18A:7-F-8 requires that districts file an annual report regarding facilities payments to the commissioner. The report shall include the amount of interest bearing school debt, if any, of the municipality or district then remaining unpaid, together with the rate of interest payable thereon, the date or dates on which the bonds or other evidences of indebtedness were issued, and the date or dates upon which they fall due. In the case of a Type I school district, the board secretary shall secure the schedule of outstanding obligations from the clerk of the municipality.

Suggested Audit Procedures

- Agree the amounts reported to the Commissioner with the underlying debt documentation.
- For a Type I district, verify that the district has obtained a current schedule of outstanding obligations from the clerk of the municipality and has properly included this information on the report submitted to the Commissioner.

E. SPECIAL TESTS AND PROVISIONS

None.

DEPARTMENT OF EDUCATION

Discretionary Grant Programs

Career and Technical Student Organizations (Year 3/3 - ext)	100-034-5062-032
Agriculture Education Development Initiative - extension	100-034-5063-032
FFA Statewide Leadership and Admin. Services – extension	100-034-5063-032
Systemic Reform in School Guidance and Counseling Programs (Year 2/3)	100-034-5062-032
Nontraditional Career Resource Center (Year 1 of 3)	100-034-5062-032
LEADS II	100-034-5063-288
The Governor’s Initiative: Enhancing and Expanding In-district Options for Students with Disabilities (Year 2)	100-034-5060-053
Preschool Quality Enhancement Award	100-034-5120-493

The grantee is required to retain a copy of the approved application, Notice of Grant Opportunity (NGO) and any applicable grant agreement and grant program information.

I. PROGRAM OBJECTIVES

Refer to the Notice of Grant Opportunity (NGO) for specific program objectives.

II. PROGRAM PROCEDURES

The grantee must file an application in response to the specifications contained in the NGO. Applications are evaluated by a reader panel and determined eligible for funding. The department, through the issuance of an NGO also solicits non-competitive applications. Applications must conform to program and fiscal parameters indicated in the NGO.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. TYPES OF SERVICES ALLOWED OR UNALLOWED

1. Compliance Requirements

Grant program and spending plans are approved by the New Jersey Department of Education (NJDOE) and contained in the grantee’s approved grant application.

Eligible and ineligible expenditures under this grant are published in the NGO. OMB Circulars for determining cost principles apply as indicated on the Grant Agreement.

Suggested Audit Procedures

- Review Grant Agreement for allowable program activities.
- Perform appropriate sampling of expenditures and related records.
- Ensure expenditures are in accordance with program plan and appropriate line item budget category.

B. ELIGIBILITY

1. Compliance Requirements

Specific eligibility requirements are listed in the NGO.

Suggested Audit Procedures

- Verify that grantee meets eligibility requirements.

C. MATCHING, LEVEL OF EFFORT AND/OR EARMARKING REQUIREMENTS

1. Compliance Requirements

Applicable compliance requirements are published in the NGO.

Grantee's approved Matching Funds Summary and Expenditure Report commits the grantee to matching grant expenditures.

Suggested Audit Procedures

- Perform tests to determine compliance with published requirements.
- Verify that grantee maintains accurate accounting for matching expenditures where required.

D. REPORTING REQUIREMENTS

1. Compliance Requirements

The grantee must submit program and fiscal reports that include elements indicated in the NGO and according to timelines indicated on page two of the Grant Agreement.

Suggested Audit Procedures

- Review reports for compliance with reporting procedures and due dates.
- Test amounts reported with accounting records.

E. SPECIAL TESTS AND PROVISIONS

1. Compliance Requirement

Per Attachment A: Grant Agreement Terms and Conditions¹, grantees must request prior approval, under certain conditions, to modify their approved budget and program plan.

¹ Attachment A: Grant Agreement Terms and Conditions were revised effective August, 2006. See http://www.nj.gov/njded/grants/discretionary/management/attacha_b.shtml.

Suggested Audit Procedures

- Review procedures for grant agreement modification.
- Verify grantee compliance with modification procedures.

2. Compliance Requirements

A grant recipient that uses grant funds for nonemployee compensation must comply with the terms and conditions detailed in Attachment A: Grant Agreement Terms and Conditions, of the New Jersey State Department of Education Grant Agreement.

Suggested Audit Procedures

- Review procedures for nonemployee compensation.
- Verify that a nonemployee compensation report, as applicable, has been submitted to the department.

3. Compliance Requirements

Per Attachment A: Grant Agreement Terms and Conditions, a grantee that generates program income² as a result of receiving a grant, must maintain separate accounts and report such income.

Suggested Audit Procedures

- Review procedures for program income accounting.
- Verify grantee compliance with reporting program income.

² When appropriate, the DOE uses the additional cost use of program income as specified in EDGAR, 80.25, (g)(2).