

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

**FAIR LAWN TOWNSHIP BOARD OF EDUCATION
37-01 FAIR LAWN AVENUE
FAIR LAWN, NJ 07410
PHONE: (201) 794-5500**

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

District: Fair Lawn
County: Bergen

AUTHORIZED REPRESENTATIVE: Nicholas Norcia, Superintendent

DIRECTOR OF PROGRAM: Natalie Lacatena, Assistant Superintendent/Program Director

PERSONS CONTACTED (Name & Title):

Brooke Bartley, Business Administrator

Natalie Lacatena, Assistant Superintendent/Program Director

FUNDING SOURCES

PROGRAM YEAR	N C L B				TOTAL
	TITLE I PART A	TITLE I PART A C/O	S I A PART A	S I A PART A C/O	
	APPROVED FUNDING				
2016-2017	\$318,039.00	\$0.00	\$0.00	\$0.00	\$318,039.00
2015-2016	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
TOTAL	\$318,039.00	\$0.00	\$0.00	\$0.00	\$318,039.00

**FAIR LAWN BOARD OF EDUCATION
NCLB TITLE I AUDIT
FISCAL YEAR 2016-2017**

FINDINGS AND RECOMMENDATIONS

- Expenditures totaling \$7,853.38 were incurred and charged to the Title I, Part A grant for ineligible beneficiaries, and thus, were not deemed to be reasonable and necessary for the efficient performance of the federal program.**

According to Step 4, Title I Eligibility Page of the district's NCLB Consolidated Application, the LEA was approved to operate *targeted assistance programs* at three elementary schools - Westmoreland, Warren Point, John A. Forrest and at the Memorial Middle School. The LEA reported the number of Title I student participants on its FY 2016 -2017 Title I Performance Final Report as follows: Kindergarteners – 51; 6th graders – 10; 7th graders – 16; and 8th graders - 1. The district, however, purchased a number of instructional supplies which did not benefit identified Title I students at the aforementioned schools and allocated the costs to the federal award during the 2016-2017 project period. The following is a summary of the questioned costs identified:

Line Item	Purchase Order Nbr.	Date	Vendor	Comments	Amount
100-600	704011	7/5/16	Booksource	Hundreds of books, partially transferred from Fund 11	\$ 10.57
	730134	6/19/17	Heinemann	Fountas & Pinnell leveled literacy books for Forrest Elementary	2,019.60
	760135	6/19/17	Heinemann	Fountas & Pinnell leveled literacy books for Westmoreland Elementary	2,019.60
	760136	6/19/17	Heinemann	Fountas & Pinnell leveled literacy books for Warren Point Elementary	2,019.60
	760156	6/28/17	Schoolwide Inc.	Seven "Fundamentals" annual site licenses	1,784.01
Total					\$7,853.38

The books bought via purchase order number (PO #) 704011 were for 3rd and 4th grade students. Additionally, the leveled literacy books acquired through the issuance of PO #730134, 760135 and 730136 were used for 2nd grade students. Also, the district served *four* Title I schools and funded five Title I Ancillary teachers. The district was unable to provide a rationale for the extra licenses or identify the intended recipients purchased under PO # 760156.

Section 1113(a) of ESEA stipulates that a LEA shall use funds received under this part only in eligible school attendance areas. Section 1113(a)(2)(B) defines an eligible school attendance area as "a school attendance area in which the percentage of children from low-income families is at least as high as the percentage of children from low-income families served by the local educational agency as a whole." Further, Section 1115(b)(1)(B) describes eligible children as "children identified by the school as failing, or most at risk of failing, to meet the State's challenging student academic achievement standards on the basis of multiple, educationally related, objective criteria."

Pursuant to 2 C.F.R. § 200.403(a) costs must be *necessary* and *reasonable* for the performance of the Federal award. Section 200.404 clarifies that a cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances

**FAIR LAWN BOARD OF EDUCATION
NCLB TITLE I AUDIT
FISCAL YEAR 2016-2017**

FINDINGS AND RECOMMENDATIONS

prevailing at the time the decision was made to incur the cost. Further, Section C.3.a states a cost is allocable to a particular cost objective if the goods or services are chargeable or assignable to such cost objective in accordance with relative benefits received. Based on the foregoing, the sum of \$7,853.38 is recoverable by the SEA (refer to the Schedule of Audit Recovery Due to SEA at the end of this report).

Recommendation

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

2. Various expenditures charged to the Title I, Part A grant should have been allocated to the 2017-2018 project period.

The district issued several purchase orders 11 days prior to the end of the 2016-2017 project period for various reading and leveled literacy books, as summarized below:

Line Item	Purchase Order Nbr.	Date	Vendor	Purchase Order Nbr.	Date	Vendor
100-600	730134 ✓	6/19/17	Heinemann	760140	6/19/17	Booksource
	760135 ✓	6/14/17	Heinemann	760141	6/19/17	Booksource
	760136 ✓	6/14/17	Heinemann	760156 ✓	6/28/17	Schoolwide, Inc.
	760139	6/19/17	Booksource			

Although no benefit was derived from the associated costs during the aforementioned project period, the district reported the expenditures on its FY 2016-2017 Title I, Part A Final Expenditure Report.

In order to demonstrate conformity with federal cost principles, the district should make concerted efforts to purchase instructional supplies necessary for the operation of Title I programs at the beginning of the project period or within a reasonable time thereafter. The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (UGG), 2 C.F.R. § 200.403 sets forth general criteria in order for costs to be considered allowable. Of note, UGG, 2 C.F.R. § 200.403 (a) states costs must be necessary and reasonable for proper and efficient performance and administration of federal awards, and be allocable to federal awards in accordance with the provisions of 2 C.F.R. § 200.404. Section C.3.a states a cost is allocable to a particular cost objective if the goods or services are chargeable or assignable to such cost objective in accordance with relative benefits received.

Recommendation

The district must implement procedures to ensure Title I instructional supplies are purchased in a manner that is timely and facilitates the efficient performance of the federal program, as set forth by UGG, 2 C.F.R. § 200.403 et seq. Additionally, the district must ensure Title I expenditures are allocated to the correct project period.

**FAIR LAWN BOARD OF EDUCATION
NCLB TITLE I AUDIT
FISCAL YEAR 2016-2017**

FINDINGS AND RECOMMENDATIONS

3. Certain records were not maintained in accordance with departmental and federal guidelines.

The audit disclosed that the district did not maintain a log evidencing equipment items charged to federal programs. Although the state threshold for reporting equipment is \$2,000.00 in the Electronic Web Enabled Grant system, the district may use a lower threshold. The district must track any amount that is less expensive to track than it is to replace, including electronic computing devices.

UGG, 2 C.F.R. § 200.313(d)(1) requires districts to maintain property records which include description of the property, a serial number or other identification number, the source of funding for the property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

Furthermore, a review of the district's FY 2016-2017 general ledger for Title I, Part A disclosed that accounts for nonpublic expenditures were not maintained separately. Amounts expended for this set-aside must be used for allowable program activities and accounted for separately to enhance the LEA's ability to monitor unexpended balances, which may be carried forward provided the funds are spent for its intended purpose or returned to the state. UGG, 2 C.F.R. § 200.302(b)(3) requires grantees to maintain records which adequately identify the source and application of funds provided for federally-funded activities.

Finally, expenditures are not being tracked at the school level in the financial management system. UGG, 2 C.F.R. § 200.302(b)(5) stipulates that the financial management system of each non-Federal entity must provide for the comparison of expenditures with budget amounts for each Federal award. Section §1113 of ESEA details the process for identifying, selecting and allocating Title I funds to eligible school attendance areas. LEAs are required to spend funding allocations at Title I funded schools as set forth to Step 4, Title I Eligibility Page of the district's NCLB Consolidated Grant Application.

Recommendation

To facilitate an effective audit, the LEA must ensure that its equipment purchased with federal funds meets the minimum requirements pursuant to UGG, 2 C.F.R. § 200.313(d)(1). Additionally, the LEA must implement procedures to ensure that expenses are properly coded to ensure consistency with Step 4, Title I Eligibility Page of the district's NCLB Consolidated Application.

**NEW JERSEY DEPARTMENT OF EDUCATION
OFFICE OF FISCAL ACCOUNTABILITY AND COMPLIANCE
CORRECTIVE ACTION PLAN**

NAME OF SCHOOL DISTRICT: Fair Lawn COUNTY: Bergen

TYPE OF EXAMINATION: NCLB Title I Audit

DATE OF BOARD MEETING: September 20, 2018

CONTACT PERSON: Nicholas Norcia, Superintendent of Schools

TELEPHONE NUMBER: 201-794-5500 ext. 7005

RECOMMENDATION NUMBER	CORRECTIVE ACTION REQUIRED BY THE BOARD	METHOD OF IMPLEMENTATION	PERSON RESPONSIBLE FOR IMPLEMENTATION	COMPLETION DATE OF IMPLEMENTATION
Finding 1	The LEA must improve procedures for the payment of expenditures related to the Title I, Part A program in accordance with federal requirements.	All staff involved in the administration of the Title I grant (Assistant Superintendent Office, Business Office, ESEA Grant Coordinator) will be provided with information pertaining to the specific programs, schools, and grade levels served with Title I grant funds. Additionally, the Assistant Superintendent of Education and Business Administrator will review all Title I purchase orders to ensure that expenditures are aligned with the ESEA Grant.	Assistant Superintendent of Education	All staff will be provided with Title I programmatic information within 30 days of BOE approval. Review of purchase orders will be ongoing.
RECOMMENDATION NUMBER	CORRECTIVE ACTION REQUIRED BY THE BOARD	METHOD OF IMPLEMENTATION	PERSON RESPONSIBLE FOR IMPLEMENTATION	COMPLETION DATE OF IMPLEMENTATION

**NEW JERSEY DEPARTMENT OF EDUCATION
OFFICE OF FISCAL ACCOUNTABILITY AND COMPLIANCE
CORRECTIVE ACTION PLAN**

Finding 2	The district will implement procedures to ensure Title I instructional supplies are purchased in a timely manner and allocated to the correct project period.	The Assistant Superintendent of Education and Assistant Business Administrator will review Title I expenditures/balances on a monthly basis to ensure that funds are spent during the current project project. Funds that are unable to be allocated during the current project period will be carried over to the next project period.	Assistant Superintendent of Education	December 31, 2018
Finding 3	To facilitate an effective audit, the LEA must ensure that its equipment purchased with federal funds meets the minimum requirements. Additionally, the LEA must implement procedures to ensure that expenses are properly coded.	In order to be compliant with the new ESEA requirement for tracking all expenditures by school location (including non-public schools), the chart of accounts has been revised to provide accounts for each school for each type of expenditure. The District will create and maintain a log of all equipment purchased with federal funds in compliance with UGG, 2 C.F.R. Sec. 200.313(d)(1).	Business Administrator	Within 30 days of BOE approval



Chief School Administrator

9/21/18

Date



Board Secretary/Business Administrator

9/21/18

Date