



State of New Jersey  
DEPARTMENT OF EDUCATION  
PO BOX 500  
TRENTON, NJ 08625-0500

CHRIS CHRISTIE  
Governor

KIM GUADAGNO  
Lt. Governor

CHRISTOPHER D. CERF  
Commissioner

September 30, 2013

Mr. William Herman, Board President  
Millville Board of Education  
110 N. Third Street  
Millville, NJ 08332

Dear Mr. Herman:

The Department of Education, Office of Fiscal Accountability and Compliance has completed a fiscal audit of the No Child Left Behind (NCLB) Title I Grant of the Millville Board of Education. The review covered the period September 1, 2011 through August 31, 2012. The resulting report is enclosed.

Utilizing the process outlined in the attached "Procedures for LEA/Agency Response, Corrective Action Plan and Appeal Process," the Millville board is required, pursuant to N.J.A.C. 6A:23A-5.6, to publicly review and discuss the findings in this report at a public board meeting no later than 30 days after receipt of the report. Within 30 days of the public meeting, the board must adopt a resolution certifying the findings were discussed in a public meeting and approving a corrective action plan which addresses the issues raised in the undisputed findings and/or an appeal of any findings in dispute. A copy of the resolution and the approved corrective action plan and/or appeal must be sent to this office within 10 days of adoption by the board. Direct your response to my attention.

Also, pursuant to N.J.A.C. 6A:23A-5.6(c), you must post the findings of this report and the board's corrective action plan on your school's website.

By copy of this correspondence, your auditor is requested to comment on all areas of noncompliance and recommendations in the next certified audit submitted to the New Jersey Department of Education. If you have any questions, please contact Lisa D. McCornick at (609) 292-7742.

Sincerely,

A handwritten signature in cursive script that reads "Robert J. Cicchino".

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

RJC/LDM/tc: Millville Board of Education Cover Letter

**Distribution**

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

MILLVILLE SCHOOL DISTRICT  
110 N. THIRD STREET  
PHONE: (856) 327-6005

REPORT ON EXAMINATION  
NCLB TITLE I AUDIT  
FOR THE PROJECT PERIOD:  
SEPTEMBER 1, 2011 TO AUGUST 31, 2012

District: Millville School District  
County: Cumberland

AUTHORIZED REPRESENTATIVE: David Gentile, Superintendent  
DIRECTOR OF PROGRAM: Maggie Colina, Title I Program Director

PERSONS CONTACTED:  
Maggie Colina, Title I Program Director  
Bryce Kell, Business Administrator/Board Secretary

PROGRAM YEAR	N C L B				TOTAL
	PART A	C/O	S I A	S I A C/O	
	APPROVED FUNDING				
2011-2012	\$1,927,984.00				\$1,927,984.00
2010-2011		\$174,240.00		\$56,280.00	\$230,520.00
<b>TOTAL</b>	<b>\$1,927,984.00</b>	<b>\$174,240.00</b>	<b>\$ 0.00</b>	<b>\$56,280.00</b>	<b>\$2,158,504.00</b>

**MILLVILLE SCHOOL DISTRICT  
NCLB TITLE I AUDIT  
FISCAL YEAR 2011-2012**

**FINDINGS AND RECOMMENDATIONS**

**1. Expenditures of \$81,964.14 incurred and charged to the Title I, Part A grant supplanted local funding sources and are therefore deemed to be unallowable program costs.**

The audit disclosed aggregate transportation costs of \$81,964.14 were charged to the Title I, Part A grant during FY 2011-2012. A review of supporting documentation revealed a number of homeless students were transported to schools in need of improvement (SINI) within the district. The LEA is advised Title I funds cannot be expended for the intradistrict transportation of students to ineligible (SINI) schools. Additionally, Title I funds cannot be used for the basic transportation needs of the district's homeless students. Local funds must be used to cover costs of this nature.

Other students were bused to Cumberland County Vocational Technical School, Millville Public Charter School and Saint Mary Magdalen Regional School via routes 710, 801D and SM2, respectively. District personnel attributed these routes to school choice. However, none of the purported choice schools were approved for the state's interdistrict public school choice program. Nor were staff members able to provide copies of contemporaneous documentation evidencing parents were notified about their public school choice options under NCLB. Instead, a letter dated August 17, 2011 was furnished for our examination which indicated supplemental education services would be offered in lieu of school choice. Title I funds can only be used for the transportation of students exercising their choice to change schools in conformity with applicable provisions of NCLB.

Section 1120A(b) of NCLB stipulates that a "LEA shall use Federal funds received under [Title I] only to supplement the funds that would, in the absence of such Federal funds, be made available from non-Federal sources for the education of pupils participating in programs assisted under [Title I] and not to supplant such funds." The use of federal funds for local obligations represents violations of Section 1120A(b) of NCLB, OMB Circular A-133 Compliance Supplement and Title I guidelines and regulations. Based on the foregoing, the transportation costs of \$81,964.14 are deemed to be recoverable by the SEA (Refer to the Schedule of Audit Recovery Due to SEA at the end of this report).

**Recommendation**

The LEA must ensure that Title I program expenditures supplement, not supplant, state and local funds.

**2. Certain salary expenditures charged to the Title I, Part A grant were not deemed to be necessary or reasonable for administration of the program as required by federal cost principles.**

The LEA allocated payroll costs of \$43,095.00 to the Title I, Part A program for a support staff member. A review of related time/activity reports disclosed the individual performed computer trouble shooting.

Section 1001 of NCLB states in part that the purpose of Title I, Part A is to "ensure that all children have a fair, equal, and significant opportunity to obtain a high-quality education and

**MILLVILLE SCHOOL DISTRICT  
NCLB TITLE I AUDIT  
FISCAL YEAR 2011-2012**

**FINDINGS AND RECOMMENDATIONS**

reach, at a minimum, proficiency on challenging state academic achievement standards and state academic assessments.” It is unclear how the use of federal funds for the purpose mentioned advances this objective.

Federal funds must support activities that are necessary and reasonable to accomplish the federal program’s purpose. OMB Circular A-87, Attachment A, Section (C)(1) provides that costs must be necessary and reasonable for proper and efficient performance and administration of federal awards, be allocable to federal awards, and be adequately documented. 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 prevailing at the time the decision was made to incur the cost. 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. As a result, the questioned costs of \$43,095.00 must be refunded to the SEA (refer to the Schedule of Audit Recovery Due SEA at the end of this report).

**Recommendation**

The LEA must ensure that expenses charged to Title I are allowable and support authorized program activities.

**3. Amusement and/or entertainment costs were incorrectly charged to the Title I, Part A program.**

A review of purchase order #06-02077 disclosed that \$1,200.00 was charged to the Title I program for a student field trip to Sahara Sam’s.

OMB Circular A-87, Attachment B, subsection 14 states, “Costs of entertainment, including amusement, diversion, and social activities and any costs directly associated with such costs are unallowable.” In addition, OMB Circular A-87, Attachment A, Section (C)(1) provides that costs must be necessary and reasonable for proper and efficient performance and administration of federal awards, be allocable to federal awards, and be adequately documented. As a result, \$1,200.00 must be refunded to the SEA for unallowable charges to the Title I, Part A program (refer to the Schedule of Audit Recovery Due to SEA at the end of this report).

**Recommendation:**

The district must improve procedures to ensure that expenditures represent allowable program costs and conform to the requirements of OMB Circular A-87.

**4. The LEA did not adhere to applicable provisions of the travel regulations which resulted in unallowable charges of \$655.40 to the Title I, Part A program.**

A review of Title I, Part A program costs revealed that the LEA expended funds for Kimberly Hallenback to attend an out-of-state conference without obtaining the proper quotes for airfare. The following regulations provide authority for the disallowance of these costs:

**MILLVILLE SCHOOL DISTRICT  
NCLB TITLE I AUDIT  
FISCAL YEAR 2011-2012**

**FINDINGS AND RECOMMENDATIONS**

- N.J.A.C. 6A:23A-1.2 defines "Travel expenditures" as those costs paid by the school district using local, State, or *Federal funds*, whether directly by the school district or by employee reimbursement, for travel by school district employees and district board of education members . . . (emphasis added).
- N.J.A.C. 6A:23A-7.2(a) requires a school district board of education shall implement a policy, including procedures, pertaining to travel expenditures for its employees and board members that are in accordance with the provisions of N.J.S.A. 18A:11-12, this subchapter and other rules and procedures the board deems appropriate.
- N.J.A.C. 6A:23A-7.2(b) stipulates the board policy pertaining to school district travel expenditures shall incorporate either expressly, in whole or in part, and/or by reference the laws and regulations contained in N.J.S.A. 18A:11-12 and this subchapter.
- N.J.A.C. 6A:23A-7.2(d) indicates a board shall state in its policy that travel reimbursements will be paid only upon compliance with all provisions of N.J.A.C. 6A:23A-7 and the board's procedures and approval requirements. The policy shall state that the school board will not ratify or approve payments or reimbursements for travel after completion of the travel event, except as provided at N.J.A.C. 6A:23A-7.4(d).
- Finally, N.J.A.C. 6A:23A-7.8(a)(17) requires a board shall state in its policy that air fare without documentation of quotes from at least three airlines and/or on-line services is not eligible for reimbursement.

Based on the foregoing, the district must remit the sum of \$655.40 to the department for the cost of airline tickets not properly supported by quotes (refer to the Schedule of Audit Recovery Due to SEA at the end of this report).

**Recommendation**

The LEA must ensure that its travel policy and payments of any related reimbursements conform to all provisions of N.J.A.C. 6A:23A-7.

**5. On various occasions, the LEA failed to issue a purchase order prior to services being rendered (confirming order).**

Various purchases orders for supplemental educational services and professional development activities were issued after services performed.

N.J.S.A 18A:18A-2(v) indicates, in part, "Purchase order" means a document issued by the purchasing agent *authorizing a purchase transaction with a vendor to provide or perform goods or services to the board of education* (emphasis added). Therefore, a properly executed purchase order must be issued prior to services being rendered.

**MILLVILLE SCHOOL DISTRICT  
NCLB TITLE I AUDIT  
FISCAL YEAR 2011-2012**

**FINDINGS AND RECOMMENDATIONS**

**Recommendation**

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

**6. Appointments of Title I, Part A instructional personnel recorded in the board of education meeting minutes did not contain all of the required information.**

The board of education meeting minutes evidencing appointments of Title I funded personnel did not include salary amounts, funding percentages or the assigned schools. Federal regulations pursuant to OMB Circular A-87 and New Jersey Department of Education guidelines require LEA's to document all program related costs. To achieve compliance with these requirements, the designation of all Title I employees, both Part A and Carryover (if applicable), and their salaries, assigned school and funding percentage must be documented in the board minutes to provide a public record of approval for these expenditures.

**Recommendation**

The LEA must ensure that all Title I employee appointments, including their salaries and funding percentages, are recorded in the board of education meeting minutes documenting proper authorization of these expenditures.

**7. Records were not maintained in accordance with departmental and federal guidelines.**

The district did not provide an adequate inventory log or written procedures for the acquisition, use and disposition of federal funded equipment. In particular, the log examined did not contain acquisition date, evidence of physical inventory or the federal cost participation. EDGAR, 34 CFR §80.32(d)(1) requires districts to maintain property records which include (among other things) a property description, serial number or other identification, acquisition date, funding source and the percentage of federal cost participation.

In addition, some of the purchase orders examined did not contain the amounts charged to the federal program or Title I account numbers. The FY2011 NCLB Reference Manual indicated that purchase orders for items funded by Title I should reflect the following:

- The account number to be charged;
- The program (Title I) that is funding the purchase;
- Business Administrator's signature;
- Easily identifiable Title I amounts if purchase order is split between programs; and
- Final invoices should tie to the purchase order and/or reconcile to the amount posted to Title I funds. The amounts should be easily identifiable and reconcilable.

Chapter 7 of the GAAP for New Jersey School Districts, A Technical Systems Manual (GAAP Technical Systems Manual) provided additional guidance for the accounting of expenditures.

MILLVILLE SCHOOL DISTRICT  
NCLB TITLE I AUDIT  
FISCAL YEAR 2011-2012

**FINDINGS AND RECOMMENDATIONS**

OMB Circular A-87 requires that costs must be adequately documented to be allowable under federal awards. Adequate documentation of expenditures includes, but is not limited to: purchase orders, contracts, requisitions, voucher invoices, receiving reports and cancelled checks related to the transactions.

**Recommendation**

To facilitate an effective audit, the district must ensure its equipment purchased with federal funds meets the minimum requirements pursuant to EDGAR, 34 CFR §80.32(d)(1). In addition, the district must implement procedures that provide for the proper disbursement of and accounting for Title I expenditures in accordance with the GAAP Technical Systems Manual, Chart of Accounts, OMB Circular A-87 and other departmental guidance.

MILLVILLE SCHOOL DISTRICT  
NCLB TITLE I AUDIT  
FISCAL YEAR 2011-2012

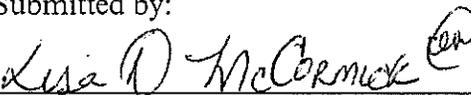
SCHEDULE OF RECOVERY DUE TO SEA

<u>Audit Finding</u>	<u>Recovery</u>
Number One	\$81,964.14
Number Two	43,095.00
Number Three	1,200.00
Number Four	<u>655.40</u>
<b>Total Recovery Due to SEA</b>	<b><u>\$126,914.54</u></b>

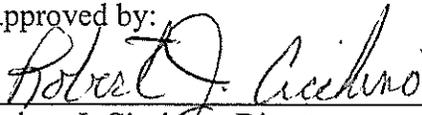
The check is to be made payable to "Treasurer, State of New Jersey" and mailed with the corrective action plan.

Robert J. Cicchino, Director  
Office of Fiscal Accountability and Compliance  
State of New Jersey  
Department of Education  
PO Box 500  
Trenton, NJ 08625-0500

Submitted by:

  
\_\_\_\_\_  
Lisa D. McCormick, Manager  
Office of Fiscal Accountability and Compliance

Approved by:

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

MILLVILLE SCHOOL DISTRICT  
NCLB TITLE I AUDIT  
FISCAL YEAR 2011-2012

SCHEDULE OF RECOVERY DUE TO SEA

Auditor  
Angela Jefferies

State of New Jersey  
Department of Education  
Office of Fiscal Accountability and Compliance

PROCEDURES FOR LEA/AGENCY  
AUDIT RESPONSE CORRECTIVE ACTION PLAN AND APPEAL PROCESS

Resolution:

Pursuant to N.J.A.C. 6A:23A-5.6, within 30 days of receipt of the report, the school board must discuss the findings of the report at a public meeting of the board. Within 30 days of the public meeting, the board must adopt a resolution certifying that the findings were discussed in a public board meeting and approving a corrective action plan to address issues raised in the undisputed findings and/or appeal of any findings in dispute. Within 10 days of adoption of the resolution by the board, such resolution together with the approved corrective action plan and/or appeal must be submitted to the Office of Fiscal Accountability and Compliance. The findings of the Office of Fiscal Accountability and Compliance's report and the board's corrective action plan must be posted on the district's website.

Corrective Action Plan:

The corrective action plan is to be used when the board is in agreement with any of the audit findings. To contest a finding the appeal process must be used. After the appeal is settled a corrective action plan must be filed for any finding upheld during the appeal process.

The corrective action plan must be prepared by completing the attached form. The school must submit the following information:

- Recommendation number
- Corrective action (approved by the board)
- Method of implementation
- Person responsible for implementation
- Completion date of implementation

If the corrective action plan is acceptable, a letter will be sent to the board indicating that it has been accepted.

If the corrective action plan is not acceptable, a letter will be sent to the board indicating whether further clarification is required or further action is necessary.

Appeal Process:

The appeal process is used to contest audit findings.

Within 10 days of the board's adoption of the resolution approving an appeal of the findings of the report, a written request by the board to review the "aggrieved" findings, recommendations or questioned costs must be submitted to the director, Office of Fiscal Accountability and Compliance. The notice of appeal must indicate the findings to be appealed.

The appeal itself may be written or a hearing may be scheduled so that the board can present its case. In either instance, documentation must be presented supporting the appeal. The director, Office of Fiscal Accountability and Compliance will issue a written decision.

If the decision is unsatisfactory to the board it may, within 10 calendar days, file a notice of appeal to the Chief of Staff.

If the final determination made by the Chief of Staff is still unsatisfactory to the board, it may access the formal appeal process described in N.J.A.C. 6A:3-1.3.

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

NAME OF SCHOOL DISTRICT \_\_\_\_\_

COUNTY \_\_\_\_\_

TYPE OF EXAMINATION \_\_\_\_\_

DATE OF BOARD MEETING \_\_\_\_\_

CONTACT PERSON \_\_\_\_\_

TELEPHONE NUMBER \_\_\_\_\_

RECOMMENDATION NUMBER	CORRECTIVE ACTION REQUIRED BY THE BOARD	METHOD OF IMPLEMENTATION	PERSON RESPONSIBLE FOR IMPLEMENTATION	COMPLETION DATE OF IMPLEMENTATION
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\_\_\_\_\_  
CHIEF SCHOOL ADMINISTRATOR

\_\_\_\_\_  
DATE

\_\_\_\_\_  
BOARD SECRETARY/SCHOOL BUSINESS ADMINISTRATOR

\_\_\_\_\_  
DATE

CORRECTIVE ACTION PLAN				
NAME OF SCHOOL:		Millville Board of Education	COUNTY: CUMBERLAND	
TYPE OF AUDIT:		No Child Behind (NCLB) Title I Grant		
DATE OF BOARD MEETING:		November 4, 2013		
CONTACT PERSON:		Bryce Kell, Business Administrator/Board Secretary		
TELEPHONE NUMBER:		856-327-6005		
RECOMMENDATION NUMBER BOARD SECRETARY'S RECORD	CORRECTIVE ACTION APPROVED ACTION APPROVED BY THE BOARD	METHOD OF IMPLEMENTATION	PERSON RESPONSIBLE FOR IMPLEMENTATION	COMPLETION DATE OF IMPLEMENTATION
1	Expenditures of \$81,964.14 incurred and charged to the Title I, Part A grant supplanted local funding sources and are therefore deemed to be unallowable program costs.	The District will ensure that Title I program expenditures supplement, not supplant, state and local funds.	Adhere to the Title I Guidelines and Regulations	Lisa Beatty, Bryce Kell 11/4/2013
2	Certain salary expenditures charged to the Title I, Part A grant were not deemed to be necessary or reasonable for administration of the program as required by federal cost principles.	The District will ensure that expenses charged to the Title I, Part A are allowable and support authorizes program activities.	Support staff member's salary will be funded through local funds.	Pamela Moore, Maggie Colina October 1, 2013
3	Amusement and/or entertainment costs were incorrectly charged to the Title I, Part A program.	The District will ensure that expenditures represent allowable costs and conform to the requirements of OMB Circular A-87.	Adhere to the Title I Guidelines and Regulations	Lisa Beatty, Maggie Colina October 1, 2013
4	The LEA did not adhere to applicable provisions of the travel regulations which resulted in unallowable charges of \$655.40 to the Title I, Part A program.	The district will ensure that its policy and payments of any related reimbursements conform to all provisions of N.J.A.C. 6A:23A-7.	The district will ensure that we obtain 3 quotes prior to the purchase of airline tickets	Pamela Moore, Maggie Colina October 1, 2013
5	On various occasions, the LEA failed to issue a purchase order prior to services being rendered (confirming order).	The district will ensure that purchase orders are issued before the receipt of goods and services from vendors.	Purchase orders will be executed prior to services being issued.	Lisa Beatty, Bryce Kell October 1, 2013
6	Appointments of Title I, Part A instructional personnel recorded in the board of education meeting minutes did not contain all the required information.	The district will ensure that all Title I employee appointments, including their salaries and funding percentages, are recorded in the board of education meeting minutes documenting proper authorization of these expenditures.	Corrected on the September 9, 2013 Board Meeting.	Maggie Colina, Chris Finney September 9, 2013
7	Records were not maintained in accordance with departmental and federal guidelines.	The district will ensure its equipment purchased with federal funds meets the minimum requirements pursuant to EDGAR. The district will also, refine procedures that provide for the proper disbursement of and accounting for Title I expenditures.	The district will establish internal controls on the maintenance of the Title I inventory.	Maggie Colina, Dan Wright Dan Wright October 1, 2013