

**PENNSVILLE PUBLIC SCHOOL DISTRICT
NCLB TITLE I AUDIT
FISCAL YEARS 2016-2017**

FINDINGS AND RECOMMENDATIONS

- 1. Expenditures totaling \$18,029.14 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 - Valley Park, Central Park, Penn Beach; the Pennsville Middle School (PMS); and Pennsville Memorial High School (PMHS). The LEA reported the number of Title I student participants at PMS on its FY 2016 -2017 Title I Performance Final Report as follows: 6th graders – 38; 7th graders – 52; and 8th graders - 70. Zero Title I students were reported for PMHS.

It was determined the district improperly allocated certain expenditures to account number 20-231-100-600, Supplies and Materials during FY 2016-2017 which benefited both Title I and non-Title I students at PMS. Additionally, the LEA reimbursed three PMHS staff members and one elementary level counselor for mileage to various professional development workshops - none of which benefited a specific Title I program. The following is a summary of the questioned costs identified:

Purchase Order Nbr.	Date	Vendor	Comments	Amount
700101	7/1/16	Achieve 3000	Set up for 285 software licenses at PMS	\$ 3,135.00
700102	7/1/16	Achieve 3000	250 software licenses for PMS with professional development	14,675.00
701005	10/17/16	Casey Slusher	FBLA advisor workshop	70.91
701253	10/21/16	Nicole Warrington	NJ School Counselor Assoc. conference	29.33
701268	10/21/16	Tracy Turner	Congressional Medal of Honor workshop	51.71
701272	10/25/16	Susan Bobjak	Mileage reimbursement to Congressional Medal of Honor workshop	67.19
Total				\$18,029.14

The number of software licenses acquired far exceeds the 170 identified students at PMS. Further, the LEA failed to provide additional documentation or explain how these licenses were fused or one or more Title I programs.

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."

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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, 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 prevailing at the time the decision was made to incur the cost. Further, Section 200.405(a) states a cost is allocable to a particular cost objective if the goods or services are chargeable or assignable to such cost objective in accordance with relative benefits received.

Based on the foregoing, the sum of \$18,029.14 must be refunded to the department for these questioned costs (refer to the Schedule of Audit Recovery Due to State Education Agency (SEA) at the end of this report).

Recommendation

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

2. A comparative analysis of the amounts expended for each Title I funded school and corresponding school-based allocations reflected on the district's NCLB Consolidated Grant Application disclosed significant variances.

Section §1113 of NCLB details the process for identifying, selecting and allocating Title I funds to eligible school attendance areas. LEAs are required to spend funding allocations to run Title I programs at Title I schools as set forth by Step 4, Title I Eligibility Page of the district's NCLB Consolidated Application.

During the audit, expenditures incurred by eligible Title I schools were summarized and compared to corresponding allocations reported on the Eligibility Page in accordance with standard operating procedures. Although \$86,518.00 was allocated PHMS, the district did not expend any Title I funds for the high school.

Recommendation

In order to achieve compliance with Section §1113 of NCLB, the LEA must implement procedures to ensure that funds are expended for each Title I funded school in a manner consistent with Step 4, Title I Eligibility Page of the district's NCLB Consolidated Application.

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

The audit disclosed that employee benefits were neither budgeted, nor accounted for correctly in the LEA's accounting system. In particular, the LEA failed to properly charge FICA for hourly employees who performed work for afterschool and summer programs.

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N.J.S.A. 18A:66-90 requires that all LEAs budgeting federal grant funds for the salaries of full-time and part-time staff who participate in TPAF *must* budget for the reimbursement of TPAF and FICA. Additionally, districts must budget FICA (7.65%) for employee wages/earnings in excess of base salaries such as stipends, hourly pay and lump sum distributions. The reimbursement should be calculated and encumbered prior to the close of the fiscal year (June 30), and be liquidated in a timely manner.

Furthermore, the district did not track expenditures 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.

Recommendation

The LEA must properly budget and expend employee benefits for Title I funded staff pursuant to N.J.S.A. 18A:66-90 and grant application requirements. To facilitate an effective audit, 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.

4. On multiple occasions, the LEA failed to issue a purchase orders prior to services being rendered (confirming order).

The LEA consistently reimbursed teachers for mileage to professional development workshops and contracted with vendors, such as Achieve 3000 and Metz Culinary Management, without receiving prior approval through signed purchase orders.

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*. Therefore, a properly executed purchase order must be issued prior to services being rendered.

Recommendation

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