UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL

Audit Services
New York Audit Region

May 4, 2011

Control Number
ED-OIG/A02K0011

Mr. Christopher D. Cerf
Acting Commissioner of Education
New Jersey Department of Education
100 River View Plaza
P.O. Box 500
Trenton, NJ 08625

Dear Mr. Cerf:

This **final audit report**, titled "Camden City Public School District's Administration of its Supplemental Educational Services Program," presents the results of our audit. The purpose of the audit was to determine whether Camden City Public School District's (Camden) Supplemental Educational Services (SES) expenditures, funded through the Elementary and Secondary Education Act of 1965, as amended by the No Child Left Behind Act of 2001 (ESEA), were allowable and spent in accordance with applicable laws and regulations. Our review covered the period July 1, 2005, through June 30, 2009. We determined that Camden's SES expenditures were not always spent in accordance with applicable laws and regulations.

BACKGROUND

The ESEA was enacted for the purpose of enabling all students to become academically proficient based upon each State's assessment program. Each school's progress toward meeting the student proficiency target was measured annually. Schools that did not meet the measurements of Adequate Yearly Progress (AYP) for 2 consecutive school years were identified as schools in need of improvement (SINI). As required by ESEA, SES must be offered to students if a school did not make AYP after the third year of SINI status. SES is academic assistance, such as tutoring, that is tailored to the particular needs of participating students. In addition, services must be of high quality, research-based, and consistent with local educational agencies (LEAs) and State Educational Agencies (SEAs) academic standards.

An SEA is responsible for ensuring that SES is available to all eligible students by qualified SES providers. The SEA must approve SES providers, maintain a list of approved providers, monitor implementation of SES by LEAs, and monitor the quality and effectiveness of providers. New

Jersey currently has 591 operating LEAs. During our audit period, the number of LEAs that were required to provide SES ranged from 120 to 145. (See Table 1 below).

Table 1: Schools and LEAs Required to Provide SES		
Fiscal Year[1]	**New Jersey Schools in SINI Status of 3 Years or Longer**	**LEAs Required to Provide SES**
2005-2006	366	135
2006-2007	380	145
2007-2008	359	135
2008-2009	316	120

To help ensure that LEAs offered meaningful choices to students, ESEA required LEAs to spend an amount equal to 20 percent of their Title I, Part A allocation to provide school-choice related transportation and SES to eligible students, unless a lesser amount was needed to satisfy all demands. During our audit period, Camden's SES expenditures totaled $8,927,268, and Camden students received services from 15 SES providers.

AUDIT RESULTS

We found that Camden overpaid seven SES providers $392,323 in excess of rates approved by the New Jersey Department of Education (NJDOE). The overpayments were a result of SES providers who submitted rates in their agreements with Camden that were higher than the NJDOE approved rates. Camden paid the erroneous rates because it did not have proper controls to ensure that SES providers were paid using NJDOE's approved rates. We also found that NJDOE did not have adequate procedures for informing school districts that SES providers had been removed from its approved provider list. As a result, Camden paid an SES provider $21,393 after it had been removed from NJDOE's approved SES provider list. Further, NJDOE's monitoring process was ineffective to ensure payments to SES providers were allowable. In view of these issues, LEAs throughout New Jersey may be overpaying SES providers or receiving services from ineligible SES providers.

We provided a draft of this report to NJDOE for review and comment on March 9, 2011. In NJDOE's comments to the draft report, dated April 4, 2011, it did not comment on whether it agreed or disagreed with our findings. NJDOE concurred with our recommendations, with the exception of Recommendations 1.1 and 2.1, which directed Camden to return the unallowed SES expenditures. The entire narrative of NJDOE's comments is included as Enclosure 2 to this report.

[1] Camden's fiscal year (FY) period is from July 1 to June 30.

FINDING NO. 1 – Seven SES Providers Were Overpaid $392,323

Camden overpaid seven SES providers $392,323 for services at rates that exceeded NJDOE's approved rates. From July 1, 2005, through June 30, 2009, Camden students received services from 15 SES providers. As part of NJDOE's SES provider application, applicants must indicate the rates they would charge for SES services, the subject areas for tutoring, the grade level, and the schedule of provided services. If NJDOE approved an SES provider's application, it published the SES provider's name and approved rate on its Web site.

ESEA § 1116(e)(4)(E) states that an SEA shall "provide annual notice to potential providers of [SES] of the opportunity to provide services . . . and of the applicable procedures for obtaining approval from the [SEA] to be an approved provider of those services."

NJDOE's SES application states that any scope changes must be submitted and approved by NJDOE. In addition, at the mandatory SES provider technical assistance training, SES providers were informed that significant scope changes, including rate increases, must be approved by NJDOE, which would then be reflected on NJDOE's Web site. NJDOE also provided guidance for schools, LEAs, and providers to implement SES. The guidance explained that LEAs must contact providers selected by parents and enter into contractual agreements on behalf of the students.

In its effort to implement services, Camden contacted NJDOE's approved SES providers to ascertain whether they planned to provide services to Camden students. Based on the providers' responses, Camden furnished blank agreements to the providers to complete by filling in their name, address, the date that services were to commence, and the rate to be charged per hour of instruction. However, despite being informed by NJDOE that the approved rates could not be changed by a provider, seven SES providers filled in the blank agreements with rates that were above the rates approved by NJDOE and submitted the agreements to Camden. Camden accepted the agreements from the SES providers and paid the excess rates when the provider submitted its invoices for services rendered.

According to the Office of Management and Budget Circular A-87, Part C (1)(e), to be allowable a cost must be "consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit."

Camden overpaid the seven SES providers because it did not have proper controls to ensure that SES providers were paid using NJDOE's approved rates. Although Camden verified that the SES providers were approved by NJDOE to provide services within the district, Camden admitted that it did not verify that SES charges were appropriate by checking the NJDOE Web site to ensure the rate charged was also the rate approved by NJDOE. Without verifying the rates in the submitted agreements against NJDOE's approved rates, Camden accepted the erroneous rates and paid the providers based on incorrect rates. Because the rates were not verified, Camden overpaid $392,323 in unallowed expenditures to the seven providers.

We also found that the New Jersey monitoring process would be ineffective to find that SES providers were being paid rates above the NJDOE approved rates. According to Title 34 of the Code of Federal Regulations § 80.40(a), an SEA is responsible for monitoring "[g]rant and subgrant supported activities to assure compliance with applicable Federal requirements."

Starting in FY 2009, NJDOE planned to monitor each LEA's SES program every 3 to 4 years, either through a desk audit or site visit. NJDOE determined which LEAs were monitored based on various risk factors including time elapsed between monitoring visits, late or incomplete submissions to the NJDOE Electronic Web-Enabled Grant System,[2] previous findings, and reports of misuse. In May 2010, NJDOE conducted a site visit to monitor Camden's SES program for the 2009-2010 school year. According to the NJDOE SES coordinator, NJDOE did not identify any issues with Camden's SES program and had no regulatory findings. Prior to the recent SES review, NJDOE's last monitoring of Camden's SES program was performed as part of its Title I program review, issued November 14, 2005. That review did not identify any issues with Camden's SES program. However, we noted that the review periods that NJDOE monitored (September 1, 2004, through August 30, 2005, and September 1, 2009, through August 20, 2010) did not include the audit period we reviewed.

NJDOE's monitoring process included the use of monitoring tools that outlined the steps to review the Title I and SES programs. We reviewed the 2008-2009 Title I monitoring tool and the 2009-2010 SES Oversight and Monitoring Tool that NJDOE used to review the LEAs' SES programs. Both tools included steps to review a sample of the agreements between the LEA and selected providers to ensure that each agreement met statutory requirements. Neither of these tools included steps to verify that the SES provider agreements included the approved NJDOE rate and that the provider rates paid were the approved NJDOE rates.

Because NJDOE's monitoring tools did not include steps to verify that the rates on provider agreements and the rates paid by LEAs were the approved NJDOE rates, we concluded that NJDOE's monitoring process was ineffective to ensure LEAs were being billed the correct rates and payments to providers were in accordance with the NJDOE approved rates. Because the monitoring tools are used to monitor all New Jersey LEAs, it is possible that other LEAs throughout New Jersey may be overpaying SES providers.

RECOMMENDATIONS

We recommend that the Assistant Secretary for Elementary and Secondary Education, in conjunction with the Assistant Deputy Secretary for Innovation and Improvement, require NJDOE to:

1.1 Direct Camden to return the $392,323 for unallowed SES expenditures, with applicable interest, to the U.S. Department of Education.

1.2 Issue guidance ensuring all NJDOE LEAs pay SES providers based on NJDOE's approved rates.

[2] The Electronic Web-Enabled Grant System is the NJDOE system that allows grant applications to be submitted, reviewed, and approved electronically.

1.3 Improve its monitoring tools for LEA implementation of the SES program in accordance with applicable laws and regulations to ensure that NJDOE's approved rates are used to pay for SES services.

NJDOE Comments

NJDOE neither agreed nor disagreed with our finding. NJDOE concurred with Recommendations 1.2 and 1.3 and did not concur with Recommendation 1.1. In its response to Recommendation 1.1, NJDOE stated that Camden began immediate action to recapture the funds from SES providers upon notification of the discrepancy and has already recaptured $158,325. Camden is in the process of taking legal action against SES providers that went out of business and those who are not currently working in the district in order to reclaim overpayments. In addition, in its response NJDOE stated that Camden is requesting special consideration to use the recaptured funds to increase SES services to additional students. For Recommendations 1.2 and 1.3, NJDOE plans to issue guidance to LEAs and SES providers to use rates published on the NJDOE Web site as well as revise its monitoring tools to include a review of SES rates.

OIG Response

We considered NJDOE's response to Recommendation 1.1 and our position remains unchanged. All ESEA funds related to the unallowed SES expenditures from our audit period have lapsed. Therefore, all unallowed expenditures, including those that have been or will be recaptured should be returned to the Department, with applicable interest. In addition, we recognize that NJDOE plans to issue guidance to LEAs and SES providers to use NJDOE approved rates, as well as revise its monitoring tools to ensure LEAs are being billed the correct rates and payments to SES providers are in accordance with the NJDOE approved rates. If implemented correctly, we believe these corrective actions would address our concerns.

FINDING NO. 2 – NJDOE Did Not Have Adequate Procedures for Informing LEAs of SES Providers Removed From Its Approved List

NJDOE did not have adequate procedures for informing LEAs of SES providers removed from its approved SES providers list. Although NJDOE posted information regarding the removal of SES providers on its Web site, it did not inform LEAs that the status of SES providers was available for review on that Web site. In addition, NJDOE did not issue notices to LEAs informing them that a particular SES provider had been removed. As a result, Camden continued to use services of and paid $21,393 to an SES provider that had been removed as an approved provider by NJDOE.

In FY 2008, one of eight providers of SES services to Camden students included the Regional Enrichment and Learning (REAL) Center. REAL Center was approved by NJDOE to provide services in seven counties in New Jersey, including Camden. Effective February 13, 2008, NJDOE removed REAL Center from its list of approved SES providers. However, REAL Center continued to provide SES services to Camden students through May 2008. Camden paid REAL Center $21,393 for services provided after it had been removed from the approved SES provider list.

NJDOE removed REAL Center from its approved provider list for failure to submit its SES provider self-evaluation survey, assurances, instructors and qualifications, as well as additional required documentation. NJDOE used the survey and associated materials to assess the effectiveness of SES provider services. Without the survey and associated materials, New Jersey could not determine whether REAL Center provided effective services to Camden students.

According to ESEA § 1116(e)(4)(D), States are required to monitor the quality and effectiveness of approved SES providers and withdraw approval from providers that fail to provide valuable services for 2 consecutive years. In addition, NJDOE's SES provider application states that providers could be removed from the approved list and approval could be revoked during the project period.

NJDOE is required to monitor LEAs' SES programs to ensure compliance with Federal requirements. NJDOE's monitoring tools used to review SES programs would not have been effective because it did not include steps to verify that providers subsequently removed from NJDOE's approved provider list were no longer providing services. In addition, NJDOE did not directly notify LEAs that providers had been removed from its approved provider list. Therefore, it is possible that other LEAs throughout New Jersey may be receiving services from SES providers that had been removed from NJDOE's approved list.

RECOMMENDATIONS

We recommend that the Assistant Secretary for Elementary and Secondary Education, in conjunction with the Assistant Deputy Secretary for Innovation and Improvement, require NJDOE to:

2.1 Direct Camden to return the $21,393 for unallowed SES expenditures, with applicable interest, to the U.S. Department of Education.

2.2 Timely inform Camden, and all NJDOE LEAs, when SES providers are removed from the approved SES provider list by developing an effective notification process.

2.3 Assess the extent that SES providers that were removed from the approved SES provider list continued to provide services to students and were paid with Federal funds.

NJDOE Comments

NJDOE neither agreed nor disagreed with our finding. NJDOE concurred with Recommendations 2.2 and 2.3 but did not concur with Recommendation 2.1. NJDOE stated that the SES provider in question was permitted to continue servicing students until the end of the school year because the provider was removed for administrative issues. NJDOE stated that its notification procedures were insufficient and Camden should not be held responsible for the State's lack of a notification system. For Recommendations 2.2 and 2.3, NJDOE stated it has developed and is operating an email system to notify all LEAs of removed SES providers. In addition, NJDOE is analyzing the impact of removed providers across New Jersey LEAs and will complete the analysis in April 2011.

OIG Response

We considered NJDOE's response to Recommendation 2.1 and our position remains unchanged. NJDOE's Director of Title I Program Planning and Accountability sent a notification letter to the SES provider, dated February 6, 2008. The notification letter states that the SES provider was no longer approved to provide SES services in New Jersey, effective February 13, 2008. It did not state that the SES provider was permitted to continue servicing students through the end of the school year. In addition, despite NJDOE's stated lack of a dynamic notification system, Camden should still be held accountable for the unallowed expenditures, because it was aware that NJDOE posted notice of removed providers on its Web site. Camden did not check the NJDOE Web site for removed SES providers during the three and a half months after the SES provider was no longer approved to provide SES services in New Jersey. In response to NJDOE's comments regarding Recommendations 2.2 and 2.3, we recognize that NJDOE stated it has developed an email system to notify LEAs of removed SES providers and that NJDOE is analyzing the impact of removed providers for all New Jersey LEAs. If implemented correctly, we believe these corrective actions would address our concerns.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of our audit was to determine whether Camden's SES expenditures, funded through ESEA, were allowable and spent in accordance with applicable laws and regulations. Our audit period was July 1, 2005, through June 30, 2009.

To accomplish our objective, we:

- Obtained an understanding of Camden's internal controls over its operations by reviewing Camden's policies and procedures and conducting interviews with District officials during our preliminary review.
- Reviewed selected provisions of the ESEA, Code of Federal Regulations, and Office of Management and Budget Circulars.
- Reviewed the U.S. Department of Education No Child Left Behind SES Non-Regulatory Guidance.
- Interviewed:
    - Camden's Director of Office of Grants, Federal and State Funds;
    - NJDOE's Title I Coordinator;
    - NJDOE's SES Coordinator;
    - NJDOE's SES Specialist;
    - NJDOE's Policy Coordinator; and
    - NJDOE's NCLB Coordinator of Oversight & Monitoring.
- Reviewed Camden's documents related to SES providers that were paid with ESEA funds, including (but not limited to):
    - Board of Education (Board) meeting minutes held during calendar years 2005, 2006, 2007, and 2008;
    - Board resolutions;

  - Purchase order files, invoices, and student attendance records;
  - Provider agreements; and
  - Expenditure reports for ESEA funds for FYs 2006, 2007, 2008, and 2009.
- Reviewed NJDOE's documents related to SES providers including:
  - SES provider's applications;
  - Technical assistance training overview;
  - Monitoring tool for SES programs in New Jersey;
  - Monitoring tool for Title I programs in New Jersey;
  - NJDOE's approved SES provider lists for FYs 2006, 2007, 2008, and 2009 (The list includes vendor information, hourly cost per-pupil, scope of services, and geographical areas the vendor serves); and
  - NJDOE's SES provider removed lists for FYs 2007, 2008, 2009.[3]
- Compared NJDOE's list of SINI with Camden's list of SINI.

The SES provider lists received from Camden's Director of Office of Grants, Federal and State Funds established the universe of SES providers that provided services in Camden. Because the number of providers of SES services in Camden was relatively small each year, we judgmentally reviewed 100 percent of the SES providers, which were paid a total of $8,927,268. (See Table 2 below). Through a comparison of Camden's Board resolutions and expenditure reports regarding SES providers, we obtained reasonable assurance that the SES provider list provided by Camden was a complete universe of SES providers.

Table 2: Camden's SES Expenditures

Fiscal Year	SES Expenditures	Universe of SES Provider Agreements
2005-2006	$2,036,879	7
2006-2007	$2,283,595	6
2007-2008	$2,142,416	8
2008-2009	$2,464,378	10
Total	**$8,927,268**	**31**

During our review, we used computer-generated expenditure reports to verify that expenditures documented on SES purchase orders corresponded to what Camden had recorded in its accounting system. The expenditure reports were used as an additional source of information and were sufficiently reliable for the purpose used.

We conducted audit fieldwork at Camden's office in Camden, New Jersey, from November 10, 2008, through June 30, 2010. However, on April 3, 2009, the audit was placed on hold and resumed on December 14, 2009. We visited NJDOE's office in Trenton, New Jersey. We held our exit conference with NJDOE and Camden officials on July 21, 2010.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions

[3] There were no providers removed in FY 2006.

based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

ADMINISTRATIVE MATTERS

Statements that managerial practices need improvements, as well as other conclusions and recommendations in this report, represent the opinions of the Office of Inspector General. Determinations of corrective action to be taken, including the recovery of funds, will be made by the appropriate Department of Education officials in accordance with the General Education Provisions Act.

If you have any additional comments or information that you believe may have a bearing on the resolution of this audit, you should send them directly to the following Department of Education officials, who will consider them before taking final Departmental action on this audit:

Thelma Meléndez de Santa Ana, Ph.D.
U.S. Department of Education
Office of Elementary and Secondary Education
400 Maryland Avenue S.W.
LBJ, 3W315
Washington, DC 20202

James H. Shelton III
U.S. Department of Education
Office of Innovation and Improvement
400 Maryland Avenue, S.W.
LBJ, 4W317
Washington, DC 20202

It is the policy of the U. S. Department of Education to expedite the resolution of audits by initiating timely action on the findings and recommendations contained therein. Therefore, receipt of your comments within 30 days would be appreciated.

In accordance with the Freedom of Information Act (5 U.S.C. § 552), reports issued by the Office of Inspector General are available to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act.

Sincerely,

/s/
Daniel P. Schultz
Regional Inspector General for Audit

Enclosures

Abbreviations, Acronyms, and Short Forms Used in This Report

AYP	Adequate Yearly Progress
Board	Board of Education
Camden	Camden City Public School District
ESEA	Elementary and Secondary Education Act of 1965, as amended by the No Child left behind Act of 2001
FY	Fiscal Year
LEA	Local Educational Agency
NJDOE	New Jersey Department of Education
REAL	Regional Enrichment and Learning
SEA	State Educational Agency
SES	Supplemental Educational Services
SINI	Schools In Need of Improvement

Enclosure 1: Camden SES Overpayments

Table 3 - Camden SES Overpayments				
SES Provider	**FY**	**NJDOE Approved Max. Rate[4]**	**Camden's Agreement Rates**	**Amount Overpaid**
Power Communicators, Inc.	2005-2006	$51 per pupil/per hour	$55 per pupil/per hour	$ 341
Platform Learning, Inc.	2005-2006	$60 per pupil/per hour	$63.74 per pupil/per hour	$ 56,159
	2006-2007	$60 per pupil/per hour	$62.72 per pupil/per hour	$ 11,098
Education Station, LLC	2005-2006	$900 to $1,500 per pupil/per year	$60.30 per pupil/per hour not to exceed $2,231	$ 73,497
	2006-2007	$900 to $1,500 per pupil/per year	$73.93 per pupil/per hour not to exceed $2,070	$ 51,934
Arline Institute, A Subsidiary of Arline, LLC	2007-2008	$50 per pupil/per hour	$60 per pupil/per hour	$158,325
Communities in Schools of New Jersey	2008-2009	$40 per pupil/per hour	$56 per pupil/per hour	$ 20,417
Brienza's Academic Advantage	2008-2009	$40 per pupil/per hour	$40.90 per pupil/per hour	$ 8,252
American Tutor, Inc.	2008-2009	$45 per pupil/per hour	$65 per pupil/per hour	$ 12,300
			Total	**$392,323**

[4] The rates were based on documentation published by NJDOE regarding its approved SES provider rates. Where a range was provided for the approved rate, in order to be conservative we used the maximum allowed NJDOE approved SES provider rates to calculate overpayments.

Enclosure 2: NJDOE's Comments to the Draft Report

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

CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

CHRISTOPHER D. CERF
Acting Commissioner

April 4, 2011

Mr. Daniel P. Schultz
Regional Inspector General for Audit
U.S. Department of Education
Office of Inspector General
Financial Square
32 Old Slip, 26th Floor
New York, NY 10005

Dear Mr. Schultz:

The New Jersey Department of Education (NJDOE) has received and reviewed the findings and recommendation contained in the United States Department of Education (USDOE), Office of Inspector General's Audit Report titled Camden City Public School District's Administration of Supplemental Educational Services Program (Control Number ED-OIG/A02K0011). Below is the NJDOE's response to the findings and recommendations contained in the report.

FINDING NO. 1 – Seven SES Providers Were Overpaid $392,323

Camden overpaid seven SES providers $392,323 for services at rates that exceeded NJDOE's approved rates. From July 1, 2005, through June 30, 2009, Camden students received services from 15 SES providers. As part of NJDOE's SES provider application, applicants must indicate the rates they would charge for SES services, the subject areas for tutoring, the grade level, and the schedule of provided services. If NJDOE approved an SES provider's application, it published the SES provider's name and approved rate on its Web site. ESEA § 1116(e)(4)(E) states that an SEA shall "provide annual notice to potential providers of [SES] of the opportunity to provide services . . . and of the applicable procedures for obtaining approval from the [SEA] to be an approved provider of those services."

RECOMMENDATIONS

We recommend that the Assistant Secretary for Elementary and Secondary Education, in conjunction with the Assistant Deputy Secretary for Innovation and Improvement, require NJDOE to:

1.1 Direct Camden to return the $392,323 for unallowed SES expenditures, with applicable interest, to the U.S. Department of Education.

1.2 Issue guidance ensuring all NJDOE LEAs pay SES providers based on NJDOE's approved rates.

1.3 Improve its monitoring tools for LEA implementation of the SES program in accordance with applicable laws and regulations to ensure that NJDOE's approved rates are used to pay for SES services.

NJDOE RESPONSE

1.1 The NJDOE does not concur with this recommendation. Upon notification of this discrepancy the district took immediate action to recapture the funds from providers that were currently providing services in the district (see attached chart I).

First, the district recaptured $158,325 from the Arline Institute on July 21, 2010. Currently, the district is recapturing $12,300 from American Tutor for the April 2011 payment schedule. The district is in the process of taking legal action against the providers that went out of business (Power Communications, Platform Learning, Education Station and Bienza's Academic Advantage) and the providers that are not currently working in the district (Communities In Schools).

Secondly, the district put procedures in place that all SES contracts will be reviewed by the SES Staff and the Business Administrator prior to execution. This review would include an analysis of all contract rates with the NJDOE Approved SES Providers Listing on their site.

The Camden City School District is requesting special consideration for the repayment of funds due to this oversight. We are requesting to use the funding recaptured from the SES Providers to increase the services to additional students (see attached chart II).

1.2 The NJDOE concurs with this recommendation. The NJDOE is issuing guidance to both LEAs and SES providers to use the rates published on the NJDOE website. The information is also included in the SES provider applications and the provider assurances. The NJDOE plans to issue guidance to the LEAs and SES providers in April 2011.

1.3: The NJDOE concurs with this recommendation. The SEA is revising its SES monitoring tool, the Title I monitoring tool and the audit guide to include a review of the SES rates included in the LEA contracts. The monitoring tools will be updated and be in use in April 2011.

FINDING NO. 2 – NJDOE Did Not Have Adequate Procedures for Informing LEAs of SES Providers Removed From Its Approved List

NJDOE did not have adequate procedures for informing LEAs of SES providers removed from its approved SES providers list. Although NJDOE posted information regarding the removal of SES providers on its Web site, it did not inform LEAs that the status of SES providers was available for review on that Web site. In addition, NJDOE did not issue notices to LEAs informing them that a particular SES provider had been removed. As a result, Camden continued to use services of and paid $21,393 to an SES provider that had been removed as an approved provider by NJDOE.

RECOMMENDATIONS

We recommend that the Assistant Secretary for Elementary and Secondary Education, in Conjunction with the Assistant Deputy Secretary for Innovation and Improvement, require NJDOE to:

2.1 Direct Camden to return the $21,393 for unallowed SES expenditures, with applicable interest, to the U.S. Department of Education.

2.2 Timely inform Camden, and all NJDOE LEAs, when SES providers are removed from the approved SES provider list by developing an effective notification process.

2.3 Assess the extent that SES providers that were removed from the approved SES provider list continued to provide services to students and were paid with Federal funds.

NJDOE RESPONSE

2.1 The NJDOE does not concur with this recommendation. The NJDOE reviews and makes decisions about the continued use of SES providers who are "removed" from the approved list on a case-by-case basis. NJDOE policy permits some providers to continue to service its existing students and not register any new students. In other instances, the NJDOE stops all services when the provider's continued operation poses a potential threat to student safety. The NJDOE provider in question was permitted to continue servicing students until the end of the school year, as this provider was "removed" for administrative issues. During this audit period, the NJDOE did not have a dynamic system to notify districts. Posting the information on the NJDOE website is insufficient. The district should not be held responsible for the state's lack of a notification system.

Mr. Daniel P. Schultz
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2.2 The NJDOE concurs with this recommendation. The NJDOE has developed an email system to notify all districts of "removed" providers and the limitations established by the NJDOE. The posting will also continue on the NJDOE's web site. The notification system is operational.

2.3 The NJDOE concurs with this recommendation. The NJDOE is analyzing the impact of "removed" providers across the districts. The analysis has begun and will be completed in April 2011.

We trust that our responses and corrective actions satisfy the concerns raised in the report. Should you have any questions or need further information, please contact me at 984-5593.

Sincerely,

Cicchino, Director
Office of Fiscal Accountability and Compliance

RJC/SO/CP/Response to OIG Audit of Camden – SES
c: Christopher Cerf
Gregg Edwards
Barbara Gantwerk
Suzanne Ochse
Michael Azzara

Chart I - Camden SES Overpayments

SES Provider	FY	NJDOE Approved Max. Rate[4]	Camden's Agreement Rates	Amount Overpaid	Amount Collected in 2009-2010	Amount To Be Collected in 2010-2011	To be Given to Solicitor to Collect
Power Communicators, Inc.	2005-2006	$51 per pupil/per hour	$55 per pupil/per hour	$ 341			$ 341
Platform Learning, Inc.	2005-2006	$60 per pupil/per hour	$63.74 per pupil/per hour	$ 56,159			$ 56,159
	2006-2007	$60 per pupil/per hour	$62.74 per pupil/per hour	$ 11,098			$ 11,098
Education Station, LLC	2005-2006	$900 to $1,500 per pupil/per year	$60.30 per pupil/per hour not to exceed $2,231	$ 73,497			$ 73,497
	2006-2007	$900 to $1,500 per pupil/per year	$73.93 per pupil/per hour not to exceed $2070	$ 51,934			$ 51,934
Arline Institute, A Subsidiary of Arline, LLC	2007-2008	$50 per pupil/per hour	60 per pupil/per hour	$ 158,325	$ 158,325		
Communities in Schools of New Jersey	2008-2009	$40 per pupil/per hour	$56 per pupil/per hour	$ 20,417			$ 20,417
Brienza's Academics Advantage	2008-2009	$40 per pupil/per hour	$40.90 per pupil/per hour	$ 8,252			$ 8,252
American Tutor, Inc.	2008-2009	$45 per pupil/per hour	$65 per pupil/per hour	$ 12,300		$ 12,300	
			Total	$ 392,323	158325	12300	221698

Chart II- Camden's SES Expenditures

Fiscal Year	SES Expenditures	Universe of SES Provider Agreements	Annual Per Pupil Cost	Number of Students Eligible	# of Students Serviced
2005-2006	$ 2,036,879.00	7	$ 2,231.00	7534	1,419
2006-2007	$ 2,283,595.00	6	$ 2,070.00	9773	1,918
2007-2008	$ 2,142,416.00	8	$ 1,709.00	9830	1,733
2008-2009	$ 2,464,378.00	10	$ 2,255.00	9338	1,515
Total	**$ 8,927,268.00**	**31**			