

**NEW JERSEY DEPARTMENT OF EDUCATION
OFFICE OF FISCAL ACCOUNTABILITY AND COMPLIANCE
P.O. BOX 500
TRENTON, NEW JERSEY 08625-0500**

**REVIEW OF THE APPLICATION FOR EXTRAORDINARY AID FOR SPECIAL
EDUCATION COSTS FOR FISCAL YEAR 2012-2013
OFAC CASE #SAAU-2A-15**

**PATERSON PUBLIC SCHOOLS
PASSAIC COUNTY
90 DELAWARE AVENUE
PATERSON, NEW JERSEY 07503**

**PATERSON PUBLIC SCHOOLS
PASSAIC COUNTY
REVIEW OF THE APPLICATION FOR EXTRAORDINARY AID FOR SPECIAL
EDUCATION
COSTS FOR THE FISCAL YEAR 2012-2013
OFAC CASE #SAAU-2A-15**

SCOPE

The Office of Fiscal Accountability and Compliance (OFAC) reviewed the educational and special education services costs for resident students reported on the Application for Special Education Extraordinary Aid (EXAID). This review verified the actual educational and special education services costs for resident students in comparison to students and costs listed on the EXAID Applications in excess of \$40,000, or \$55,000, as prescribed by N.J.S.A. 18A:7F-55. The review verified the total enrollment and costs for all categories, as applicable to the Paterson school district (district), for all special education placements in the district, as well as all out of district placements. Costs were verified to the district's accounting records and supporting documentation to ensure that all costs were incurred. Student Individualized Education Programs (IEPs) were also verified to ensure that all costs were for required services, and that all services met the New Jersey Department of Education (NJDOE) criteria for intensive services.

FINDINGS

The district filed the FY 2012-2013 Application for Special Education EXAID based upon submitted costs in the amount of \$23,415,797 for 301 students. The total itemized student costs exceeding \$40,000 for all public student placements and \$55,000 for all private schools for students with disabilities placements was reported as \$9,620,797. The total itemized student costs of \$9,620,797 were the basis for the EXAID totaling \$5,575,489.

The OFAC auditors examined supporting cost documentation for all reported students. In addition to 301 reported students, the auditors also examined nine additional files submitted for review. These nine students were added to the eligible list after further inquiry. The audit found that 42 out of 310 possible students were disqualified from the EXAID thresholds, pursuant to N.J.S.A. 18A:7F-55. Thus, the total allowable aggregate cost identified for 268 eligible students has been determined to be \$19,484,742, a reduction of \$3,931,055 in the submitted total costs. Of this amount, total allowable excess costs greater than the applicable EXAID thresholds for the 268 eligible students was determined to be \$6,477,247, a reduction of \$3,143,550 from the original total of allowable excess costs. This resulted in a revised EXAID award of \$3,684,665. Therefore, the OFAC has determined a decrease in the EXAID award of \$1,890,824.

In addition to the 42 students eliminated from EXAID consideration, the review identified cost decreases for 168 students. There were cost increases identified for nine students. The EXAID application contained 82 students with reported costs which were unchanged by the OFAC audit.

In summary, a total of 310 student records were examined. (301 reported plus nine not reported minus 42 equals 268).

The 42 students who were disqualified from EXAID consideration as having eligible actual costs were found to be below the EXAID thresholds, according to guidance issued by the NJDOE Division of Finance. Included in the population of 42 students were 15 students who were

**PATERSON PUBLIC SCHOOLS
PASSAIC COUNTY
REVIEW OF THE APPLICATION FOR EXTRAORDINARY AID FOR SPECIAL
EDUCATION
COSTS FOR THE FISCAL YEAR 2012-2013
OFAC CASE #SAAU-2A-15**

reported without verification of intensive services in IEPs, the requirements which are specified at N.J.S.A 18A: 7F-55 (5).

The 42 disqualified students are further itemized as follows:

- Five (5) Class 3 students' actual incurred costs were less than \$55,000, due to student placements being less than a full year.
- Twenty-two (22) Class 1 students' actual incurred costs were less than \$40,000, after audit adjustments. Each of these student exceptions were the result of verified costs being below the \$40,000 threshold. Documentation was provided by the district to support employee benefit costs. The review of this documentation indicated that the cost of employee benefits associated with in-district students were not supported by accounting records. The employee benefit cost per student reported in the initial EXAID application was significantly overstated, apparently from a district reporting error that caused the benefits costs to be doubled. The OFAC audit restated the costs. The resulting adjustments for actual costs significantly reduced EXAID eligible reimbursements. The adjustments made by the OFAC were verified by district personnel during the audit process. During the audit, district staff confirmed the OFAC adjustments as accurate.
- Fifteen (15) Class 3 students' IEPs omitted a clearly defined requirement of an intensive special education service such as Extended School Year (ESY).

**PATERSON PUBLIC SCHOOLS
PASSAIC COUNTY
REVIEW OF THE APPLICATION FOR EXTRAORDINARY AID FOR SPECIAL
EDUCATION
COSTS FOR THE FISCAL YEAR 2012-2013
OFAC CASE #SAAU-2A-15**

CONCLUSION

The reporting differences in enrollments and verified costs will reduce future state aid payments as a result of this review. The OFAC has determined a state aid overpayment for EXAID of \$1,890,824.

RECOMMENDATIONS

As part of the Procedures for LEA/Agency Response, Corrective Action Plan and Appeal Process attached to this report of review, the district must present detailed corrective actions for the recommendations contained in this report.

The OFAC recommends that:

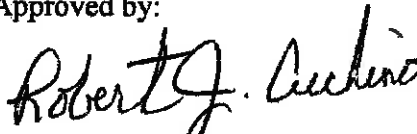
1. Careful, due diligent attention must be given during the preparation, completion and retention of the EXAID application supporting work papers in the area of actual and projected costs, particularly when placement changes become known;
2. Only qualified students who require an intensive service, clearly specified in each student's IEP, and whose costs are in excess of \$40,000, or \$55,000 must be reported on the application in accordance with EXAID instructions published by the NJDOE Division of Finance; and
3. A clear audit trail must be developed by the school district business office at the time of submission of the EXAID application to encompass the steps in the above recommendations to ensure that all reported costs can be accurately presented for audit verification.

Submitted by:



Robert W. Ortle, Manager
State Aid Audit Unit

Approved by:



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


CORRECTIVE ACTION PLAN

Name of School: Paterson Public School
 Type of Audit: OFAC #SAAU-2A-15
 Date of Board Meeting: August 31, 2016
 Contact Person: Cheryl D. Coy, Acting Chief Special Education Officer
 Telephone Number: 973-321-0431

County: Passaic

AUDIT FINDINGS AND RECOMMENDATIONS	CORRECTIVE ACTION APPROVED BY THE BOARD	METHOD OF IMPLEMENTATION	PERSON RESPONSIBLE FOR IMPLEMENTATION	COMPLETION DATE OF IMPLEMENTATION
------------------------------------	---	--------------------------	---------------------------------------	-----------------------------------

<p><u>Finding:</u></p> <p>The 42 students who were disqualified from EXAID consideration as having eligible actual costs were found to be below the EXAID thresholds, according to guidance issued by the NJDOE Division of Finance. Included in the population of 42 students were 15 students who were reported without verification of intensive services in IEPs, the requirements which are specified at N.J.S.A 18A: 7F-55 (5).</p> <p><i>1. Five (5) Class 3 students' actual incurred costs were less than \$55,000, due to student placements being less than a full year.</i></p> <p><u>Recommendation:</u></p> <p>Careful, due diligent attention must be given during the preparation, completion and retention of the EXAID application supporting work papers in the area of actual and projected costs, particularly when placement changes become known.</p>	<p>Prior to EXAID submission, the department will review enrollment of Class 3 (Private School Placement) students to verify active enrollment and attendance.</p>	<p>The department will implement the procedure of verifying the minimum \$55,000 in tuition costs has been achieved prior to determining student eligibility for EXAID.</p> <p>Students who do not qualify will not be included in the application.</p>	<p>Cheryl D. Coy</p>	
---	--	---	----------------------	--


 Dan W. Evan
 Chief School Administrator


 Board Secretary/Business Administrator

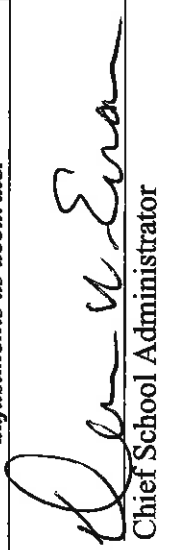
9/2/16 _____ Date
 _____ Date

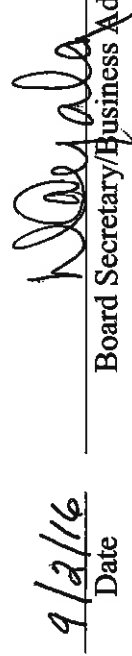
CORRECTIVE ACTION PLAN

Name of School: Paterson Public School
 Type of Audit: OFAC #SAAU-2A-15
 Date of Board Meeting: August 31, 2016
 Contact Person: Cheryl D. Coy, Acting Chief Special Education Officer
 Telephone Number: 973-321-0431

County: Passaic

AUDIT FINDINGS AND RECOMMENDATIONS	CORRECTIVE ACTION APPROVED BY THE BOARD	METHOD OF IMPLEMENTATION	PERSON RESPONSIBLE FOR IMPLEMENTATION	COMPLETION DATE OF IMPLEMENTATION
<p>2. <i>Twenty-two (22) Class 1 students' actual incurred costs were less than \$40,000, after audit adjustments. Each of these student exceptions were the result of verified costs being below the \$40,000 threshold. Documentation was provided by the district to support employee benefit costs. The review of this documentation indicated that the cost of employee benefits associated with in-district students were not supported by accounting records.</i></p> <p><i>The employee benefit cost per student reported in the initial EXAID application was significantly overstated, apparently from a district reporting error that caused the benefits costs to be doubled. The OFAC audit restated the costs. The resulting adjustments for actual costs significantly reduced EXAID eligible reimbursements. The adjustments made by the OFAC were verified by district personnel during the audit process. During the audit, district staff confirmed the OFAC adjustments as accurate.</i></p>	<p>Prior to EXAID submission, the department will collaborate with HR to gather the salary and benefits cost exactions.</p>	<p>The department will request the salary and benefits cost report from HR to be reviewed and verified for accuracy prior to submission to the department for EXAID reporting.</p>	<p>Cheryl D. Coy</p>	


 Cheryl D. Coy
 Chief School Administrator

9/2/16
 Date

 Board Secretary/Business Administrator

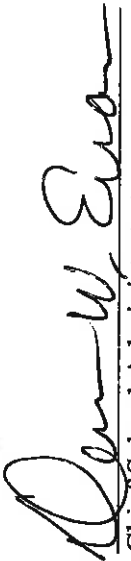
Date

CORRECTIVE ACTION PLAN


Name of School: Paterson Public School
 Type of Audit: OFAC #SAAU-2A-15
 Date of Board Meeting: August 31, 2016
 Contact Person: Cheryl D. Coy, Acting Chief Special Education Officer
 Telephone Number: 973-321-0431

County: Passaic

AUDIT FINDINGS AND RECOMMENDATIONS	CORRECTIVE ACTION APPROVED BY THE BOARD	METHOD OF IMPLEMENTATION	PERSON RESPONSIBLE FOR IMPLEMENTATION	COMPLETION DATE OF IMPLEMENTATION
<p><u>Recommendation:</u> A clear audit trail must be developed by the school district business office at the time of submission of the EXAID application to encompass the steps in the above recommendations to ensure that all reported costs can be accurately presented for audit verification.</p> <p>3. <i>Fifteen (15) Class 3 students' IEPs omitted a clearly defined requirement of an intensive special education service such as Extended School Year (ESY).</i></p> <p><u>Recommendation:</u> Only qualified students who require an intensive service, clearly specified in each student's IEP, and whose costs are in excess of \$40,000, or \$55,000 must be reported on the application in accordance with EXAID instructions published by the NJDOE Division of Finance.</p>	<p>Prior to EXAID submission, the department will review student IEPs to verify intensive special education services as outlined by EXAID guidelines are included. Ex: 1:1 aide, 1:1 nurse, ESY.</p>	<p>The department will implement a verification and review process of intensive special education services per student, per IEP, on a monthly basis to maintain accuracy for EXAID reporting.</p>	<p>Cheryl D. Coy</p>	



 Chief School Administrator



 Board Secretary/Business Administrator

9/2/16 Date

_____ Date