

**STATE OF NEW JERSEY
DEPARTMENT OF EDUCATION
OFFICE OF FISCAL ACCOUNTABILITY AND COMPLIANCE
PO BOX 500
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**ATLANTIC CAPE COMMUNITY COLLEGE
5100 BLACK HORSE PIKE
MAYS LANDING, NJ 08330
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**REPORT ON EXAMINATION
CARL D. PERKINS AUDIT
FOR THE PROJECT PERIOD:
JULY 1, 2019 TO JUNE 30, 2020**

DISTRICT: Atlantic Cape Community College
COUNTY: Atlantic

AUTHORIZED REPRESENTATIVE: Barbara Gabe, President
PROGRAM DIRECTOR: Sandra Criscione, Executive Director of Innovation & Academic Resources

PERSONS CONTACTED:

Jeff Wenzel, Assistant Director, Restricted Accounting
Sandra Criscione, Executive Director of Innovation & Academic Resources
Lynda Phommathep, Academic Grants Coordinator
Donna Vassallo, Program Director, Dean of Professional Studies, High School Initiative & Internships (retired)

FUNDING SOURCE(S):

GRANT	AWARD
POSTSECONDARY - #PSFS 7101-20	\$ 596,355.00
TOTAL	\$ 596,355.00

**ATLANTIC CAPE COMMUNITY COLLEGE
CARL D. PERKINS FEDERAL POSTSECONDARY GRANT
FISCAL YEAR 2019-2020**

BACKGROUND

The Carl D. Perkins Career and Technical Education Act of 2006 (Perkins IV) requires grantees to provide career and technical education (CTE) programs and services to secondary and postsecondary students based on the authorizing statutes contained therein¹. In accordance with Section 112(a)(3)(C) and (D) of the Perkins Act², the New Jersey Department of Education (NJDOE) monitors and evaluates subrecipients' implementation/effectiveness of CTE programs and compliance with all applicable Federal laws/departmental guidelines.

The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (UGG), 2 C.F.R. 200.332(d) also requires NJDOE monitor the implementation of Federal programs by subrecipients and determine whether the funds are being used for their intended purposes and achieving the overall objectives of the funding initiatives.

As part of its oversight, NJDOE performed a fiscal audit of the college's use of Perkins funds and related program plans for FY 2012-2013 and FY 2013-2014. During the onsite visit, the Auditor-in-Charge (AIC) conducted a review of the programmatic records and documentation, as well as various purchases orders. As a result, the AIC determined that Federal funds were, in large part, used in a manner that fulfilled applicable legislative requirements. Additional oversight has included annual audits conducted by the college's Independent Public Accountant (IPA). In each fiscal year since FY 2015-2016, the IPA audit yielded no significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs.

The college is currently operating **22** department recognized CTE postsecondary programs. In FY 2019-2020, the college received a Perkins postsecondary award totaling \$596,355. The department approved the college to expend the award primarily for payroll and related costs, instructional equipment, and student technical skill assessments. The college was approved to expend the residual funds on professional development, computing devices and other instructional supplies.

¹ On July 31, 2018, The Strengthening CTE for the 21st Century Act - more commonly referred to as Perkins V - became law (Pub. L. 115-224) replacing Perkins IV. Some provisions of Perkins V went into effect during the 2019-2020 school year, which served as a transition year for the new law. Full implementation of Perkins V began in the 2020-2021 school year.

² Perkins IV and Perkins V are collectively referred to as the Perkins Act herein.

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EXECUTIVE SUMMARY

The department conducted a remote audit of the college's use of Perkins postsecondary funds and related program plans, where applicable, to determine whether:

1. the college's programs are meeting the intended purposes and objectives, as specified in the current year applications and authorizing statutes; and
2. the funds were spent in accordance with the program requirements, Federal and state laws, and applicable regulations.

The scope of work performed consisted of a review of records including, but not necessarily limited to:

1. accounting records;
2. annual audits and inspections;
3. articulation agreements;
4. board meeting minutes;
5. board policies and procedures;
6. CTE program applications or renewal applications;
7. grant applications and related performance reports;
8. a sample of purchase orders, along with the related invoices, contracts, quotes, etc.;
9. reimbursement requests; and
10. final expenditure reports.

The AIC also: conducted interviews with college personnel and the program administrator regarding the Perkins grants to the extent applicable; conducted internal control reviews; and completed a virtual inspection of Perkins funded equipment and computers.

The Perkins subgrant reviewed during the examination consisted of a Federally funded postsecondary grant from July 1, 2019 through June 30, 2020 which totaled \$596,355. The college expended \$581,759 for personnel and non-personnel costs in a manner consistent with the college's approved budget in the department's Electronic Web-Enabled Grant (EWEG) system. The unexpended funds of \$14,596 (\$596,355 - \$581,759) were released to the department.

Our examination revealed one finding with questioned costs that was not attributable to material internal control deficiencies. The examination also disclosed four non-compliance matters and no program issues.

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AUDIT RESULTS

Generally, our testing of selected transactions disclosed the college’s Perkins postsecondary expenditures were allowable and allocable in accordance with applicable laws and regulations. However, we detected one questioned cost, four non-compliance matters and no program specific compliance issues as more fully described below.

FINDINGS AND RECOMMENDATIONS

The Findings and Recommendations are disaggregated in the following subsections in continuous numerical order:

1. those resulting in questioned costs;
2. other non-compliance matters; and
3. program specific compliance issues.

QUESTIONED COSTS

Finding One: An extended, multi-year service contract was improperly charged to the FY 2019-2020 Perkins grant in contravention to department guidelines.

During the 2019-2020 project period, ACCC issued purchase order number 0024055 in the amount of \$56,162.49 to acquire, in part, a three-year Platinum Value Plus Service Program from Laerdal Medical. The service program included the bundling of various services at a discounted cost which are summarized as follows:

Service	Dates		Total Cost	Amount Charged	Amount Disallowed
	Beginning	Ending			
Installation	9/16/2019	9/16/2019	\$ 1,316.00	\$ 1,316.00	\$ 0.00
Extended Warranty	9/16/2020	9/15/2022	5,320.00	973.06	973.06
Preventative Maintenance	9/16/2020	9/15/2022	3,780.00	691.39	691.39
Loaner Program	9/16/2019	9/15/2022	3,727.50	708.05	(274.84)
Total			\$ 14,143.50	\$ 3,688.50	\$ 1,389.61

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AUDIT RESULTS

Coverage under the extended warranty and preventative maintenance commenced in the second year of the triennial plan. Although no benefit was derived from these coverages during the FY 2019-2020 Perkins project period, a portion of the associated costs were reported on ACCC's FY 2019-2020 Final Report (FR). Of the total reported, \$1,389.61 is allocable to subsequent project periods and as such, is deemed to be unallowable.

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, § 200.403(a) stipulates costs must be, among other things, **allocable** to the Federal award. Section 200.405(a) clarifies that a cost is allocable to a particular Federal award, if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received. Expenditures which do not benefit a project period are not allocable to that project period.

Additionally, the New Jersey Perkins Grant Application Guidelines (Guidelines), Appendix F, page 53, advises grantees that costs of "equipment warranties and service contracts beyond the current grant year" are non-allowable costs.

Based on the foregoing, the sum of \$1,389.61 is a questioned cost that would ordinarily be subject to recovery. Notwithstanding, it was determined that ACCC expended *non-Federal resources* totaling \$4,275.92 for NJDOE recognized CTE programs using *non-Federal sources* during the same project period. Such costs included non-instructional personnel and related costs, as well as professional development for college staff. The unreimbursed costs furthered the statutory purpose of the Perkins grant and thus, are deemed to represent allowable program costs. ACCC has been given credit for total unreimbursed expenditure of \$1,389.61 - the extent of unallowable costs attributed specifically to this finding. Consequently, the Schedule of Audit Recovery Due to State Education Agency (SEA) at the end of this report reflects \$0.00 for Finding One.

Recommendation

ACCC must implement procedures to provide reasonable assurance that program costs are charged to the appropriate grant year.

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AUDIT RESULTS

OTHER NON-COMPLIANCE MATTERS

Finding Two: The time and activity reports prepared by college staff did not satisfy all requirements set forth by UGG, 2 C.F.R. § 200.430(i).

ACCC did not provide proper time and activity reports (TARs) to verify the work performed by split-funded administrative personnel charged to the Perkins program.³ For example, two of the three administrative employees prepared one report for the project period, in lieu of monthly reports. All three employees failed to account for 100% of their activities on the TARs. In addition, documentation supporting non-salaried personnel costs was not readily available, incomplete or lacked a detailed description of the work performed.

Going forward, college staff members must prepare documentation for personnel costs to be charged to all grant awards accurately and in accordance with Federal and state regulations **in order to avoid potential monetary findings.**

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) and (g) stipulate that costs must be necessary and reasonable for the performance of the Federal award and must be adequately documented, respectively.

The specific requirements for the documentation related to the compensation of employees are outlined in UGG, 2 C.F.R. § 200.430(i), Standards for Documentation of Personnel Expenses. These requirements include, but are not limited to the following:

- Subsection (1)(i), Be supported by a system of internal control which *provides reasonable assurance that the charges are accurate, allowable, and properly allocated*;
- Subsection (1)(iii), Reasonably *reflect the total activity* for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities;
- Subsection (1)(vii), Support the *distribution of the employee's salary or wages among specific activities or cost objectives* if the employee works on more than one Federal award; a Federal award and non-Federal award;

³ As mentioned previously, the department performed a fiscal audit of the college's use of Perkins funds and related program plans for FY 2012-2013 and FY 2013-2014 and found, as here, that the college did not prepare documentation of the work performed by funded personal in compliance with applicable regulations.

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AUDIT RESULTS

- Subsection (3), In accordance with Department of Labor regulations implementing the Fair Labor Standards Act (FLSA) (29 C.F.R. part 516), *charges for the salaries and wages of nonexempt employees*, in addition to the supporting documentation described in this section, must also be supported by records indicating the total number of hours worked each day.

The Guidelines, 8.3.3, page 26, further requires grant recipients to maintain, among other things, “grant funded employee time and activity records, signed and dated by the employee and designated supervisor.”

Recommendation

ACCC must strengthen its internal control procedures to ensure charges to the award for salaries and wages are documented in accordance with the applicable regulations and provide reasonable assurance that the charges are accurate, allowable, and properly allocated.

Finding Three: Services or materials were improperly purchased prior to procurement approvals.

On numerous occasions, ACCC staff issued purchase orders prior to obtaining approval of the expenditures. Purchasing goods and services in such a manner may increase the risk of fraud or that purchased items/services may not meet the intent and purpose of the federal program. Such anomalies are also indicative that the college’s internal controls must be strengthened to include the proper authorization and careful review of purchase documents.

The Education Department General Administrative Regulations (EDGAR), 34 C.F.R. § 76.702 requires sub-grantees to use fiscal controls to ensure proper disbursement of Federal funds. Additionally, UGG, 2 C.F.R. § 200.302(b)(4) requires sub-grantees to maintain effective control over and accountability for all funds, property, and other assets. Grant recipients must adequately safeguard all assets and assure the items are used solely for authorized purposes.

Clearly, the proper disbursement of Federal funds and maintenance of effective control requires that a properly executed purchase order **must** be issued prior to services being rendered.

Recommendation

ACCC must implement a process to ensure all transactions are properly authorized prior to the acquisition of materials and supplies or services being rendered by vendors.

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AUDIT RESULTS

Finding Four: ACCC did not review vendors for suspension/debarment.

The audit disclosed no indication college staff members performed procedures to ensure vendors are neither debarred nor suspended from receiving federal funds before seeking the provision of materials or services.

According to UGG, 2 C.F.R. § 200.213, non-Federal entities (LEAs) are subject to non-procurement debarment and suspension regulations implementing Executive Orders 12549 and 12689, 2 C.F.R. part 180. These regulations “restrict awards, sub awards, and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities.”

This UGG requirement applies to contracts or purchase orders over \$25,000.00 unless the district chooses a lower threshold. The System for Award Management (SAM) is utilized for searching debarred/suspended vendors and is accessible at [SAM.gov | Exclusions](https://sam.gov). Compliance must be demonstrated by written evidence. Examples of evidence include printouts from SAM, imprints from an ink stamp, or Avery labels affixed to purchase orders memorializing performance of this verification.

Recommendation

Consistent with UGG, 2 C.F.R. § 200.213, the college must develop and maintain complete written policies and internal control procedures to ensure verifications are performed to identify any vendors suspended or debarred from participation in Federal programs.

Finding Five: Certain expenditures were posted to an inappropriate line item on the Perkins Final Report.

A reconciliation of the college’s actual expenditures incurred during the 2019-2020 project period to the ACCC’s Final Report (FR) disclosed several expenditure category misclassifications; refer to the examples below:

Description	Incorrect Line Item	Correct Line Item
Guest speakers for students	Non-Instructional Purchased Prof. & Tech. Services (200-300)	Instructional Purchased Prof. & Tech. Services (100-300)
Equipment installation	Non-Instructional Purchased Prof. & Tech. Services (200-300)	Instructional Equipment (400-731)

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Description	Incorrect Line Item	Correct Line Item
Charging cart for use with instructional computing devices	Non-Instructional Supplies (200-600)	Instructional Supplies (100-600)
Non-instructional salaries	Administration	Non-instructional salaries (200-100)
Fringe benefits associated with non-instructional salaries	Administration	Fringe Benefits (200-200)
Staff professional development	Administration	Non-Instructional Other Purchased Services (200-500)

UGG, 2 C.F.R. § 200.302(b)(2) requires grantees to maintain records that provide an accurate, current and complete disclosure of the financial results of each Federal award or program. Section 302(b)(3) further requires grantees to maintain records that identify adequately the source and application of funds for federally-funded activities.

Section 8.2.1, page 24 of the Guidelines requires the following:

[A]ll eligible recipients prepare budgets and submit expenditure reports in accordance with a minimum chart of accounts consistent with the Financial Accounting for Local and State School Systems (Handbook 2R2). Grantees must use the coding of accounts consistent with the Generally Accepted Accounting Principles. . . The coding system creates a common language for recording, reporting, and controlling the financial activities of eligible recipients.

Section 8.2.2 advises grantees that “the improper coding of expenditures is considered noncompliance with the [regulations] outlined in [N.J.A.C. 6A:23A-16.1 et seq.].”

Recommendation

ACCC must improve procedures used to account for expenditures related to the Perkins program for conformity with the Guidelines.

PROGRAM SPECIFIC NON-COMPLIANCE ISSUES

A review of the expenditures and program documentation yielded no program specific issues.

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SCHEDULE OF RECOVERY DUE TO SEA

<u>Audit Finding</u>	<u>Questioned</u>
Number One	\$ <u>0.00</u>
Total Recovery Due to SEA	\$ <u>0.00</u>

The college's corrective action plan is to be submitted to OFAC personnel as follows:

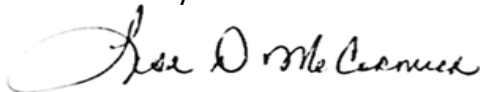
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State of New Jersey
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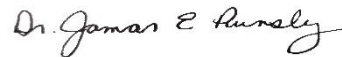
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