New Jersey State Legislature
Office of Legislative Services
Office of the State Auditor

Department of Education
New Jersey After 3 Program

July 1, 2004 to May 31, 2006

Richard L. Fair
State Auditor
The Honorable Jon S. Corzine  
Governor of New Jersey

The Honorable Richard J. Codey  
President of the Senate

The Honorable Joseph J. Roberts, Jr.  
Speaker of the General Assembly

Mr. Albert Porroni  
Executive Director  
Office of Legislative Services

Enclosed is our report on the audit of the Department of Education, New Jersey After 3 Program for the period of July 1, 2004 to May 31, 2006. If you would like a personal briefing, please call me at (609) 292-3700.

Richard L. Fair  
State Auditor  
November 2, 2006
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Department of Education  
New Jersey After 3 Program

**Scope**

We have completed an audit of the Department of Education, New Jersey After 3 program (NJA3) for the period July 1, 2004 to May 31, 2006. NJA3 is a private, non-profit corporation dedicated to expanding and improving after-school opportunities for New Jersey's children. Executive Order No. 117, signed by former Governor James McGreevey on June 25, 2004, recognized the establishment of this organization. NJA3 receives an annual $15 million grants-in-aid appropriation from the state along with grants and contributions from other sources which amounted to $230,000 in fiscal year 2006.

**Objectives**

The objectives of our audit were to determine whether financial transactions were related to NJA3's programs, were reasonable, and were recorded properly in their accounting system. The objective was also to determine compliance with Executive Order No. 117.

This audit was conducted pursuant to the State Auditor's responsibilities as set forth in Article VII, Section 1, Paragraph 6 of the State Constitution and Title 52 of the New Jersey Statutes.

**Methodology**

Our audit was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.

In preparation for our testing, we studied the executive order, grant agreements, bylaws, and policies implemented by NJA3. Provisions that we considered significant were documented and compliance with those requirements was verified by interview, observation, and through our samples of financial transactions. We also read the budget message, reviewed financial trends, and interviewed NJA3 personnel to obtain an understanding of the program and internal controls.
A nonstatistical sampling approach was used. Our samples of financial transactions were designed to provide conclusions about the validity of transactions as well as internal control and compliance attributes. All sample transactions were judgmentally selected for testing.

**Conclusions**

We found that financial transactions included in our testing were related to NJA3's programs, were reasonable, and were recorded properly in their accounting system. In addition, we noted matters of noncompliance with the executive order and other matters meriting management's attention.
Formation of Advisory Committee

Executive Order No. 117 called for the creation of the New Jersey After 3 Advisory Committee. This committee, to be comprised of various state officials, was to organize and meet as soon as possible in order to assist NJA3 in its efforts to strengthen and expand after-school programs and to periodically advise the Governor of their progress. Our review found that this committee was never formed by the state and we note the following areas of concern.

- The fiscal year 2007 state budget provides a $15 million grant to NJA3 and expects them to serve 2,000 more children. In order to meet this condition, NJA3 has increased the amount to be matched by the sub-grantee from 10 percent to 33 percent of the contract amount. Fifty new applications were received and nine have been selected to continue through the approval process. This matching percentage increase alone could create the resources necessary to satisfy the required increase in enrollment. However, our analysis of funds determined that, in addition to the $15 million grant in the fiscal year 2007 budget, there was approximately $3.5 million of unspent funds available as of the end of fiscal year 2006. While NJA3 has proposed program expansion and curriculum development, the state should provide greater oversight in the use of these funds.

- As a public-private partnership, NJA3 is to raise private funds in order to supplement the state grant and ensure long-term program sustainability. NJA3 received contributions of $50,200 in fiscal year 2005 and $232,425 in fiscal year 2006. While NJA3 has hired an employee in June 2006 who will be fully committed
to fundraising and management believes the results of studies being performed by an independent firm will increase the confidence of potential donors, overall fundraising must be greatly increased to satisfy one of the primary reasons the state grant is being provided through a non-profit entity. NJA3 has modeled their program after a program administered by The After-School Corporation (TASC) in New York. Our review of a "TASC Fifth-Year Report" found that private contributions, which included a significant donation from a philanthropist organization, accounted for 32 percent of total funding and involved more than 100 donors. In its second year of operation, NJA3 has received private contributions of less than 2 percent of total funding and has attracted just four major donors. The state should monitor the strategy and results of fundraising by NJA3.

- Each contract between NJA3 and a sub-grantee has a target enrollment number of students to be served. Elementary schools, combined elementary/middle schools, and middle schools are required to meet a minimum daily attendance of 70, 65, and 60 percent of their target enrollment numbers, respectively, in order to maintain their current funding level. Attendance is recorded by the sub-grantees via Internet on a daily basis and is used by NJA3 to monitor the program. In addition, program support staff visit each site at least twice per year to observe the program and determine whether classes are well-attended. Since attendance is obviously one of the major concerns in regards to the success of the program, we analyzed attendance amongst all schools from January
through March of 2006 and found that a number of schools did not meet the minimum daily attendance requirements.

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<th>January</th>
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<td>Elementary-70%</td>
<td>13 of 30</td>
<td>11 of 30</td>
<td>9 of 30</td>
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<td>Combined-65%</td>
<td>6 of 14</td>
<td>6 of 14</td>
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<td>Middle-60%</td>
<td>5 of 9</td>
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Although NJA3 does monitor the programs administered by the sub-grantees, the state should be meeting with NJA3 in order to assist them in developing solutions to improve attendance.

**Recommendation**

We recommend the advisory committee be formed to:

- monitor the use of state funds,
- monitor the outcome of fundraising by NJA3,
- provide assistance in improving student attendance, and
- advise the Governor of the progress of NJA3.
October 31, 2006

Mr. James B. Patterson
Assistant State Auditor
Office of Legislative Services
Office of the State Auditor
125 South Warren Street
P.O. Box 067
Trenton, NJ 08625-0067

Dear Mr. Patterson:

The New Jersey Department of Education (DOE) has received and reviewed the findings and recommendations contained in the Office of the State Auditor report of the Department of Education New Jersey After 3 Program. Thank you for the opportunity to respond to the recommendations. Please include DOE’s response in the final report as follows:

The department has already officially formed and twice convened the New Jersey After 3 Advisory Committee. The Committee has already begun to discuss the specific areas of focus mentioned in the auditor’s report including: monitoring the use of state funds; monitoring the outcome of fundraising by NJA3; forming recommendations that will help NJA3 improve student attendance; and advising the Governor of the progress of NJA3. In addition, the Committee, which will continue to meet as often as necessary to carry out its mission, will take on the responsibilities designated in Executive Order No. 117 and those delineated in the appropriations language contained in the FY2007 budget. It has already been noted that the Committee should be expanded to include other state agencies that can play an integral role in successfully monitoring the progress of NJA3 programs.

DOE agrees with the recommendation to be especially vigilant in making sure that the Committee tracks the use of state funds to prevent a large amount of unspent funds at the end of the fiscal year. Furthermore, a top priority of the Committee will be to monitor NJA3’s fundraising to ensure that the original intent of its non-profit status, to leverage state dollars by raising outside funds, is upheld. Additionally, the Committee will make
recommendations to help NJA3 improve all programmatic aspects of its programs including student attendance rates. Finally, after an appropriate and thorough review of NJA3 programs, the Committee will advise the Governor of the progress of NJA3’s programs and their impact on the overall NJ after-school landscape. DOE would like to address its efforts and progress in each of these areas in more detail.

**Use of state funds:** DOE was made aware of the unspent funds at the end of FY2006, but would like to clarify that the contract between Treasury and NJA3 runs through December 31, 2006. Therefore, DOE staff and members of the Committee have been working with NJA3 to appropriately allocate these funds to improve and enhance New Jersey’s after-school programs. The Committee will review the amount of unspent funds, and will ensure the timely and appropriate use of these funds as well as track NJA3’s spending and make recommendations to prevent a similar situation in the future.

**Fundraising:** As noted in the report, New Jersey After 3 was created as a public-private entity in order to leverage state dollars to enhance the overall impact of state dollars on New Jersey’s after-school programs. DOE would like to reiterate that NJA3 has hired a full-time employee dedicated specifically to improving fundraising efforts. It is also important to note that, in addition to other government grants and contracts it has procured, New Jersey After 3 requires a match from its sub-grantees, exemplifying another way of successfully leveraging state dollars. DOE agrees that NJA3 needs improvement in its procurement of private contributions in order to ensure long-term program sustainability and the Committee will focus its monitoring of NJA3’s overall fundraising, with special consideration given to the amount of private funds raised.

**Attendance:** While DOE agrees that attendance is one of the major concerns in regards to the success of an after-school program, DOE believes that the report gives too much weight to attendance when measuring a program’s success. After-school programs struggle on a national level with attendance rates and DOE feels it would be more appropriate to look at all aspects of a program to determine its success. It is also important to note that New Jersey After 3 does make adjustments to its sub-grantee contracts to ensure that the funding levels are in line with the number of students actually being served at each site. The Committee will take all measurements of a successful after-school program into account and pay particular attention to attendance rates when making recommendations to improve NJA3 programs.

**Advising the Governor of the progress of NJA3:** The DOE will continue to update the Governor’s Office regarding New Jersey After 3 on a regular basis. In addition, once the Committee has properly and comprehensively reviewed NJA3’s programs, the Committee will compose a formal and timely report for the Governor advising him of NJA3’s progress and focusing on the concerns mentioned in this report.

Finally, the Department of Education would like to comment on the contract that currently exists between the State and NJA3. The contract is between the Department of Treasury and NJA3. DOE feels that it would be more appropriate and in line with other state contracts for the funding Department, rather than the Department of Treasury, to be a party of the contract with NJA3.

Thank you again for the opportunity to respond to this report. The Department will take the
necessary steps to ensure full compliance with Executive Order No. 117 as well as work closely with NJA3 and other state agencies to ensure the overall expansion and improvement of New Jersey’s after-school programs.

Sincerely,

Lucille E. Davy
Commissioner

LED: bcs

Cc: Mark Valli, President and CEO of New Jersey After 3, Inc.
    Janellen M. Duffy, Policy Advisor, Office of the Governor