

Auditor's Management Report

for the

*City of Elizabeth
School District*

in the

*County of Union
New Jersey*

for the

*Fiscal Year Ended
June 30, 2016*

**AUDITOR'S MANAGEMENT REPORT OF ADMINISTRATIVE
FINDINGS FINANCIAL AND COMPLIANCE**

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Tax ID Number 22-6001780



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INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Education
City of Elizabeth
500 North Broad Street
County of Union
Elizabeth, New Jersey 07201

We have audited, in accordance with U.S. generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States, the basic financial statements of the City of Elizabeth School District in the County of Union for the year ended June 30, 2016, and have issued our report dated February 14, 2017.

As part of our audit, we performed procedures required by the New Jersey Department of Education, and the findings and results are disclosed on the following pages, as listed in the accompanying table of contents.

This report is intended solely for the information of the City of Elizabeth School District, County of Union, New Jersey, the New Jersey Department of Education and federal and state audit awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.


CERTIFIED PUBLIC ACCOUNTANTS


PUBLIC SCHOOL ACCOUNTANT NO. 948

February 14, 2017

**AUDITOR'S MANAGEMENT REPORT ON ADMINISTRATIVE
FINDINGS – FINANCIAL AND COMPLIANCE**

Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator, the activities of the City of Elizabeth - Board of Education, the records of the various funds under the auspices of the Board of Education.

Administrative Practices and Procedures

Insurance

Insurance coverage was carried in the amounts as detailed in the District's CAFR. (See Exhibit J-20)

Official Bonds

<u>Name</u>	<u>Position</u>	<u>Amount Of Bonds</u>
Ana Mortola, CPA	Treasurer of School Moneys (Until 12/15)	\$1,400,000.00
Louis C. Mai, CPA	Treasurer of School Moneys (From 1/16)	1,300,000.00
Harold E. Kennedy, Jr., CPA	Business Administrator/Board Secretary	300,000.00
William Greene, Jr.	Comptroller to 03/31/16	300,000.00
Rajeev Malhotra, CPA	Comptroller from 06/20/16	300,000.00
Patricia J. Grant	Accountant	300,000.00
Guilherme Matheus	Supervisor of Accounts Payable	300,000.00
All Employees	All Employee Faithful Position Bond	500,000.00

Adequacy of insurance coverage is the responsibility of the Board of Education.

Tuition Charges

Per N.J.A.C. 6A-23A-17.1(f)3 the District is allowed to make adjustments to tuitions billings for the difference between tentative charges and actual certified tuition charges. The District currently bills tuition for 17 students using the tuition rate generated by the State of New Jersey. Considering the small number of students involved the District has elected not to make any tuition adjustments

Financial Planning, Accounting and Reporting

Examination of Claims

Our audit of claims paid during the period under review did not indicate any discrepancies with respect to signatures, certifications or supporting documentation.

AUDITOR'S MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS – FINANCIAL AND COMPLIANCE

Payroll Accounts

The net salaries of all employees of the Board were deposited in the Net Payroll Account. Employees' payroll deductions and employer's share of fringe benefits were deposited in the Payroll Agency Account.

All payrolls were approved by the Superintendent and were certified by the President of the Board and the Board Secretary/Business Administrator.

Salary withholdings were properly remitted to the proper agencies, including health benefits withholdings due to the general fund.

Position Control Roster

The Position Control Roster was reviewed and compared to payroll records, employee benefit records and charges made to the general ledger to ensure proper and consistent financial reporting and that employee benefits are only offered to current employees.

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made as of June 30 for proper classification of orders as reserve for encumbrances and accounts payable.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6A:23-16.2(f) as part of our test of transactions of randomly selected expenditure items. We also reviewed the coding of all expenditures included in our compliance and single audit testing procedures. In addition to randomly selecting a test sample, our sample selection specifically targeted administrative coding classifications to determine overall reliability and compliance with N.J.A.C. 6A:23A-8.3. As a result of the procedures performed, the following was noted:

Finding 2016-009: During the course of our audit we noted that expenditures for the payment of principal and interest on lease payments were charged to Supplies and Material. Per the Uniform Chart of Accounts for New Jersey Public Schools generally lease payments are to be charged to the rentals line under the appropriate program and function code. The expenditures have been reclassified for financial statement presentation. In addition, we noted charges made to Required Maintenance for School Facilities for Cleaning, Repair and maintenance services that should have been charged to Operation and maintenance of plant. These expenditures as well as the associated appropriation have been reclassified in the financial statements.

Recommendation 2016-009: The District should reference The Uniform Minimum Chart of Accounts for New Jersey Public Schools and other available reference materials, such as the Budget Guidelines for the proper classifications required to be in compliance with N.J.A.C. 6A:23A- 16.20.

**AUDITOR'S MANAGEMENT REPORT ON ADMINISTRATIVE
FINDINGS – FINANCIAL AND COMPLIANCE**

Board Secretary's Records

The records maintained by the Board Secretary were in agreement with the records maintained by the Treasurer of School Monies.

Finding: 2016-001: The District did not maintain an accurate or timely general ledger. Balances in the General Ledger were not examined or reconciled to detailed analysis on an ongoing basis. As a result the preparation of the financial statements was delayed and audit adjustments were required to reflect accurate financial statements.

Recommendation 2016-001: That the District implement controls to insure accurate and timely posting of the financial records. These controls should, at a minimum, include:

- Developing and implementing a plan and schedule of interim financial reports and detailed analysis of all general ledger accounts that are prepared and reviewed so that actions can be taken and informed decisions can be made in a timely manner.
- Implementing a series of milestones in the reporting process to ensure that deadlines are met and information is reviewed by an individual at a management level independent from the preparer for accuracy and completeness prior to closing.

Finding 2016-003: The district is not maximizing its efforts under the Special Education Medicaid Initiative (SEMI) Program for obtaining federal funding for special education services.

Recommendation 2016-003: The district should establish procedures to ensure that it maximizes its efforts under SEMI for obtaining federal reimbursement for special education services.

Finding 2016-004: During our testing for the Medical Assistance Program, we noted that the active Student participant files were incomplete and/or missing documentation. Additionally, not all files requested for audit were provided.

Recommendation 2016-004: We recommend that the District take steps to ensure the files are updated and reasonably maintained.

Finding 2016-007: During our examination of the financial statements, we noted that the District was reporting a large Accounts Receivable balance for E-Rate reimbursements. Further investigation and conversation with management revealed that these balances are uncollectable. The financial statements have been adjusted accordingly.

Recommendations 2016-007: That the District improve the internal controls over the E-Rate reimbursement process to insure timely submissions.

**AUDITOR'S MANAGEMENT REPORT ON ADMINISTRATIVE
FINDINGS – FINANCIAL AND COMPLIANCE**

Board Secretary's Records (Continued)

Finding 2016-008: Our examination of the budget transfers revealed that transfers were made in excess of 10% from Undistributed Expenditures – Instruction and from Support Services – School Administration. In addition, we noted that transfers in excess of 10 percent were made to Support Services-General Administration. In neither case did the District receive the approval of the County Superintendent as required by N.J.A.C. 6A:23-13.3 (f)

Recommendation 2016-008: That County Superintendent approval be obtained for all applicable transfers as required by N.J.A.C 6A:23A-13.3(f).

Finding 2016-010: We noted that the financial statements included transfers between budget line items necessitated by year end closing adjustments that were not approved by the governing body as required by N.J.A.C 6A:23A-13.3.

Recommendation 2016-010: That all budget transfers be approved by the governing body as required by N.J.A.C 6A:23A-13.3.

Finding 2016-011: Per N.J.A.C 6A:23A-13.3(i) Each district board of education shall maintain a report of current month and year-to-date transfers between general fund appropriation accounts and submit such report to the Executive County Superintendent with any transfer requests and in accordance with N.J.A.C. 6A:23-2.12. During our audit, we found that the required report for May and June of 2016 were not prepared or submitted to the County Superintendent.

Recommendation 2016-011: That the District prepare the required transfer report on a monthly basis and that the report be submitted to the County Superintendent as required by N.J.A.C. 6A:23-2.12.

Finding 2016-012: Our audit of cash receipts disclosed several instances where receipts were not promptly deposited in accordance with N.J.S.A. 18A:17-34 and 18A:17-9.1. Furthermore, we noted instances where the supporting documentation for the receipts did not indicate the date received.

Recommendation 2016-012: That all receipts be promptly deposited in accordance with N.J.S.A. 18A:17-34 and 18A:17-9.1 and that the actual date of receipt be properly documented on the supporting documentation.

Finding 2016-013: During the course of our audit management disclosed that the results of a forensic audit revealed that 35 District employees were not removed from the Health Benefits coverage after leaving the District's employment.

Recommendation 2016-013: That the District improve the internal controls related to removing employees from health benefit coverage after their employment with the District ends and that an individual independent of the Human Resources function periodically review the employees covered to insure that any errors made during the removal process are identified on a timely basis.

**AUDITOR'S MANAGEMENT REPORT ON ADMINISTRATIVE
FINDINGS – FINANCIAL AND COMPLIANCE**

Board Secretary's Records (Continued)

Finding 2016-014: During the course of our audit, we discovered that disbursements made by wire transfer require the authorization of only one employee.

Recommendation 2016-014: That disbursements made by wire transfer require the approval of at least two employees.

Treasurer's Records

The records maintained by the Treasurer of School Monies were in satisfactory condition and were in agreement with the records maintained by the Board Secretary/Business Administrator.

Finding 2016-015: Our examination of the bank reconciliations disclosed numerous miscellaneous reconciling items outstanding, some dating back to 2014, that have not been addressed in a timely manner. In addition the reconciliations include checks outstanding in excess of one year.

Recommendation 2016-015: That all miscellaneous reconciling items on the bank reconciliation be investigated and cleared of record and checks outstanding for over one year be investigated for proper disposition.

Elementary and Secondary Education Act (E.S.E.A.)/Improving America's Schools Act (IASA) as Reauthorized by the No Child Left Behind Act of 2001

The E.S.E.A./NCLB financial exhibits are contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to the projects under Title I, Title II and Title III of the Elementary and Secondary Education Act as amended and reauthorized.

**AUDITOR'S MANAGEMENT REPORT ON ADMINISTRATIVE
FINDINGS – FINANCIAL AND COMPLIANCE**

Other Special Federal and/or State Projects

The District's Special Projects were approved as listed on Schedule A and Schedule B located in the CAFR.

Our audit of the federal and state funds on a test basis, indicated that obligations and expenditures were incurred during the fiscal year or project period for which the project was approved.

The financial exhibits are contained within the Special Revenue Section of the CAFR.

This section of the CAFR documents the financial position pertaining to the aforementioned special projects.

The study of compliance for the special projects indicated the following areas of noncompliance:

Finding 2016-005: During our testing for the above captioned programs, we noted that expenditures reported to Federal and State agencies did not agree to amounts recorded in the District's financial system (Edumet).

Recommendation 2016-005: That the District make all adjustments on a timely basis to ensure the financial system agrees with the expenditures reported.

Finding 2016-006: During our testing for the Preschool Education Aid program, we noted that some transfers and adjustments were not approved in the Board minutes.

Recommendation 2016-006: That the District institute additional controls to insure that future transfers and revisions are approved in the minutes to comply with the New Jersey Department of Education requirements.

Finding 2016-016: As a matter of good internal controls, year-end grant balances should be examined for proper classification on the District's financial records. Accounts receivable should be evaluated for collectability and unearned revenues should be compared to grant terms to determine if the balances are valid or should be returned to the granting agency.

Our examination of the Schedules of Federal and State Financial Assistance disclosed that the District is carrying numerous inactive accounts receivable and unearned revenue balances for grants dating back to FY2003 that have not been evaluated as detailed above.

Recommendation 2016-016: That the District investigate and clear of record all inactive grant balances and that procedures be implemented to examine all balances on current grants on a timely basis.

**AUDITOR'S MANAGEMENT REPORT ON ADMINISTRATIVE
FINDINGS – FINANCIAL AND COMPLIANCE**

T.P.A.F. Reimbursement

Our audit procedures included a test of the biweekly reimbursement filed with the Department of Education for district employees who are members of the Teachers Pension and Annuity Fund. No exceptions were noted.

The amount of the expenditure charged to the current year's Final Report(s) for all federal awards for the school district to reimburse the State for the TPAF/FICA payments made by the State on-behalf of the school district for those employees whose salaries are identified as being paid from federal funds was made prior to the end of the 60 day grant liquidation period required by the Office of Grants Management. The expenditure was reviewed subsequent to the reimbursement. No exceptions were noted.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

N.J.S.A. 18A:18A-3 States:

“a. When the cost or price of any contract awarded by the purchasing agent in the aggregate, does not exceed in a contract year the total sum of \$29,000.00, the contract may be awarded by a purchasing agent when so authorized by resolution of the board of education without public advertising for bids and bidding therefor, except that the board of education may adopt a resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to subsection b of section 9 of P.L. 1971 c. 198 (C.40A:11-9) the board of education may establish that the bid threshold may be up to \$40,000.00. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.

b. Commencing in the fifth year after the year in which P.L. 1999 c. 440 takes effect, and every five years thereafter, the Governor, in consultation with the Department of Treasury, shall adjust the threshold amount and the higher threshold amount which the board of education is permitted to establish as set forth in subsection a. of this section or the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in N.J.S.A. 18A:18A-2 and shall round the adjustment to the nearest \$1,000.00. The Governor shall notify all local school districts of the adjustment no later than June 1 of every fifth year. The adjustment shall become effective on July 1 of every year in which it is made. Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to paragraph (1) of subsection a. of N.J.S.A. 18A:18A-5 may be awarded for a period not exceeding 12 consecutive months.”

N.J.S.A.18A:18A-4 states, "Every contract for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the board of education to the lowest responsible bidder after public advertising for bids and bidding therefor, except as is provided otherwise in this chapter or specifically by any other law.

**AUDITOR'S MANAGEMENT REPORT ON ADMINISTRATIVE
FINDINGS – FINANCIAL AND COMPLIANCE**

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

N.J.S.A. 18A:18A-3 States:

The board of education may, by resolution approve by the majority of the board of education and subject to subsections b. and c. of this section, disqualify a bidder who would otherwise be determined to be the lowest responsible bidder, if the board of education finds that it has had negative prior experience with the bidder.”

Effective July 1, 2015 and thereafter the bid thresholds in accordance with N.J.S.A. 18A:18A-2 and 18A:18A-3(a) are \$40,000.00 (with a Qualified Purchasing Agent), \$29,000.00 (without a Qualified Purchasing Agent), respectively. The law regulating bidding for public school student transportation contracts under N.J.S.A. 18:39-3 is currently \$18,800.00.

The Board of Education has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the solicitor's opinion should be sought before a commitment is made.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies; the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

Resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A. 18A:18A-5.

The system of records did not provide for an accumulation of purchases for which the School Board used contracts entered into by the State Department of Purchase and Property pursuant to Ch. 114, P.L. 1977, therefore, the extent of such purchases could not reasonably be ascertained.

Finding 2016-017: Per N.J.S.A. 40A:4-11 every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body.

During the course of our audit, management disclosed that the results of a forensic audit revealed one instance in which a vendor was paid in excess of the bid threshold without being awarded by resolution of the governing body as required by N.J.S.A. 40A:4-11

Recommendation 2016-017: That all contract awards in excess of the bid threshold be made by resolution of the governing body in accordance with N.J.S.A. 40A:4-11

**AUDITOR'S MANAGEMENT REPORT ON ADMINISTRATIVE
FINDINGS – FINANCIAL AND COMPLIANCE**

School Purchasing Programs (Continued)

Contracts and Agreements Requiring Advertisement for Bids (Continued)

Finding 2016-018: We noted several vendors that were paid in excess of the bid threshold that were awarded by resolution of the governing body in which the resolution did not include a specific amount and/or an amount not to exceed. As a matter of maintaining a functioning encumbrance accounting system all contract awards in excess of the bid threshold must contain a specific award amount or a not to exceed amount for proper recording on the District's accounting records.

Recommendation 2016-018: That all contract awards in excess of the bid threshold made by the governing body include either a specific amount or an amount not to exceed so that awards may be encumbered on the District's accounting records in a timely manner.

Finding 2016-019: During our testing of State Contracts, we noted several instances where the District was unable to provide documentation that the vendors were approved by the State of New Jersey as State Contract vendors

Recommendation 2016-019: The school district should adopt internal control procedures over State Contract Awards requiring that the Notification of Award be obtained and reviewed for validity prior to the award of contract and that the documentation be made available for audit.

Finding 2016-020: We noted that 1099s were not issued to several vendors who performed services for the District and were paid in excess of \$600.00 with no evidence that they were identified as a corporation on form W-9.

Recommendation 2016-020: That 1099s be issued to all vendors who perform services for the District and are paid in excess of \$600.00 if form W-9 does not identify them as a corporation.

School Food Service

The school food service program was not selected as a major federal and/or State program. However, the program expenditures exceeded \$100,000 in federal and/or State support. Accordingly, we inquired of school management, or appropriate school food service personnel, as to whether the SFA had any Child Nutrition Program reimbursement overclaims or underclaims. No exceptions were noted.

The school food service program was not selected as a major federal and/or State program. However, the program expenditures exceeded \$100,000 in federal and/or State support. Accordingly, we inquired of school management, or appropriate school food service personnel, as to whether the SFA's expenditures of school food service revenues were limited to allowable direct and indirect costs. No exceptions were noted. The financial transactions and statistical records of the School Food Services were maintained in satisfactory condition. The financial accounts, meal count records and eligibility applications were reviewed on a test-check basis.

**AUDITOR'S MANAGEMENT REPORT ON ADMINISTRATIVE
FINDINGS – FINANCIAL AND COMPLIANCE**

School Food Service (Continued)

The number of meals claimed for reimbursement was verified against sales and meal count records. As part of the claims review process the edit check worksheet was completed. Reimbursement vouchers were timely filed, and meals claimed agreed with meal count records.

Applications for free and reduced price meals were reviewed for completeness and accuracy. The number of free and reduced price meals claimed as served did not exceed the number of valid applications on file, times the number of operating days, on a school by school basis. The free and reduced priced meal policy is uniformly administered throughout the School system. The required verification procedures for free and reduced price applications were completed and available for review.

Expenditures were separately recorded as food, labor and other costs. Vendor invoices were reviewed and costs verified. Inventory records on food and supply items were currently maintained and properly applied in determining the cost of food and supplies used.

The cash disbursements records reflected expenditures for program related goods and services. The Board is depositing and expending program monies in accordance with N.J.S.A. 18A:17-34 and 19-1 through 19-4.1. The appropriate revenue and expenditure records were maintained in order to substantiate the non-profit status of the school food service. Net cash resources did not exceed three months average expenditures.

Cash receipts and bank records were reviewed for timely deposit.

National Food Distribution Commodities were received and an inventory was maintained on a first-in, first-out basis.

The school district maintains the detailed revenue and expenditure information necessary in order to execute the USDA mandated Non-Program Food Revenue Tool at least annually.

Exhibits reflecting Child Nutrition Program operations are included in the section entitled Enterprise Funds, Section B.

Finding 2016-021: Financial records maintained by the Nutrition Services Department detailing the operations of the District's Food Service Fund were not reconciled to the financial records of the Central Business Office on a monthly basis. The records maintained by the Nutrition Service Department were inaccurate and required material adjustments at year end.

Recommendation 2016-021: The district should establish procedures that will reconcile the financial records maintained by the Nutrition Services Department and the food service records maintained by the central administration office on a monthly basis.

**AUDITOR'S MANAGEMENT REPORT ON ADMINISTRATIVE
FINDINGS – FINANCIAL AND COMPLIANCE**

Student Body Activities

During our review of the student activity funds, the following items were noted.

Finding 2016-022: Bank reconciliations for the Student Activity Bank Accounts were not performed on a monthly basis

Recommendation 2016-022: That Student Activity bank accounts be reconciled on a monthly basis.

Finding 2016-023: During our testing we noted several instances where cash disbursements did not have proper supporting documentation. (N.J.A.C. 6A:23A-16.12)

Recommendation 2016-023: Proper supporting documentation should be maintained for all cash disbursements.

Finding 2016-024: During our testing of Athletic Fund receipts we noted that deposits were not promptly deposited in accordance with N.J.S.A. 18A:17-34 and 18A:17-9.1.

Recommendation 2016-024: That Athletic Fund deposits be promptly deposited in accordance with N.J.S.A. 18A:17-34 and 18A:17-9.1.

Pupil Transportation

Our audit procedures included a test of on roll status reported in the 2015-2016 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report with minor exceptions. The results of our procedures are presented in the Schedule of Audited Enrollments.

Our procedures also included a review of transportation related contracts and purchases. Based on our review, the District complied with proper bidding procedures and award of contracts. No exceptions were noted in our review of transportation related purchases of goods and services.

Finding 2016-025: During testing of students with special needs, several exceptions were noted where the student's Individualized Education Program (I.E.P.) did not have the proper documentation for required transportation.

Recommendation 2016-025: The District should establish procedures that will correctly report students with special needs that meet the transportation requirements reported on the student's Individualized Education Program.

AUDITOR'S MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS – FINANCIAL AND COMPLIANCE

Facilities and Capital Assets

Our procedures included a review of the SDA grant agreements for consistency with recording SDA revenue, transfer of local funds from the general or capital reserve account, and awarding of contracts for eligible facilities construction. No exceptions were noted.

Finding 2016-002: The amount reported by the District for Capital Assets could not be reconciled to a detailed listing.

Recommendation 2016-002: That the District perform a complete inventory of Capital Assets and institute controls to insure timely and accurate updates.

Application for State School Aid

Our audit procedures included a test of information reported in the October 15, 2015 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped, and low-income. We also performed a review of the district procedures related to its completion. The information on the A.S.S.A. was compared to the district workpapers without exception. The information that was included on the workpapers was verified without exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

The district maintained workpapers on the prescribed state forms or their equivalent.

The district had written procedures for the recording of student enrollment.

Follow-Up Prior Year's Audit Findings

In accordance with *Government Auditing Standards*, our procedures included a review of the prior year audit recommendations. Corrective action had been taken on all prior year findings with the exception of the following, which is repeated in this year's recommendations noted as the following current year findings:

Special Education Medicaid Initiative (SEMI)

Finding 2016-003: The district should establish procedures to ensure that it maximizes its efforts under SEMI for obtaining federal reimbursement for special education services.

Student Body Activities

Finding 2016-021: Not all cash disbursements had proper supporting documentation. (N.J.A.C. 6A:23A-16.12)

Pupil Transportation

Finding 2016-023: During testing of students with special needs, several exceptions were noted where the student's Individualized Education Program (I.E.P.) did not have the proper documentation for required transportation.

**AUDITOR'S MANAGEMENT REPORT ON ADMINISTRATIVE
FINDINGS – FINANCIAL AND COMPLIANCE**

Recommendations

Administrative Practices and Procedures

None

Financial Planning, Accounting and Reporting

Recommendation 2016-009: The District should reference The Uniform Minimum Chart of Accounts for New Jersey Public Schools and other available reference materials, such as the Budget Guidelines for the proper classifications required to be in compliance with N.J.A.C. 6A:23A- 16.20.

Recommendation 2016-001: That the District implement controls to insure accurate and timely posting of the financial records. These controls should, at a minimum, include:

- Developing and implementing a plan and schedule of interim financial reports and detailed analysis of all general ledger accounts that are prepared and reviewed so that actions can be taken and informed decisions can be made in a timely manner.
- Implementing a series of milestones in the reporting process to ensure that deadlines are met and information is reviewed by an individual at a management level independent from the preparer for accuracy and completeness prior to closing.

Recommendation 2016-003: The district should establish procedures to ensure that it maximizes its efforts under SEMI for obtaining federal reimbursement for special education services.

Recommendation 2016-004: We recommend that the District take steps to ensure the SEMI files are updated and reasonably maintained.

Recommendations 2016-007: That the District improve the internal controls over the E-Rate reimbursement process to insure timely submissions.

Recommendation 2016-008: That County Superintendent approval be obtained for all applicable transfers as required by N.J.A.C 6A:23A-13.3(f).

Recommendation 2016-010: That all budget transfers be approved by the governing body as required by N.J.A.C 6A:23A-13.3.

Recommendation 2016-011: That the District prepare the required transfer report on a monthly basis and that the report be submitted to the County Superintendent as required by N.J.A.C. 6A:23-2.12.

Recommendation 2016-012: That all receipts be promptly deposited in accordance with N.J.S.A. 18A:17-34 and 18A:17-9.1 and that the actual date of receipt be properly documented on the supporting documentation.

**AUDITOR'S MANAGEMENT REPORT ON ADMINISTRATIVE
FINDINGS – FINANCIAL AND COMPLIANCE**

Recommendations

Financial Planning, Accounting and Reporting (Continued)

Recommendation 2016-013: That the District improve the internal controls related to removing employees from health benefit coverage after their employment with the District ends and that an individual independent of the Human Resources function periodically review the employees covered to insure that any errors made during the removal process are identified on a timely basis.

Recommendation 2016-014: That disbursements made by wire transfer require the approval of at least two employees.

Recommendation 2016-015: That all miscellaneous reconciling items on the bank reconciliation be investigated and cleared of record and checks outstanding for over one year be investigated for proper disposition.

Other Special Federal and/or State Projects

Recommendation 2016-005: That the District make all adjustments to Federal and State grant accounts on a timely basis to ensure the financial system agrees with the expenditures reported.

Recommendation 2016-006: That the District institute additional controls to insure that future transfers and revisions to grants accounts are approved in the minutes to comply with the New Jersey Department of Education requirements.

Recommendation 2016-016: That the District investigate and clear of record all inactive grant balances and that procedures be implemented to examine all balances on current grants on a timely basis.

School Purchasing Program

Recommendation 2016-017: That all contract awards in excess of the bid threshold be made by resolution of the governing body in accordance with N.J.S.A. 40A:4-11

Recommendation 2016-018: That all contract awards in excess of the bid threshold made by the governing body include either a specific amount or an amount not to exceed so that awards may be encumbered on the District's accounting records in a timely manner.

Recommendation 2016-019: The school district should adopt internal control procedures over State Contract Awards requiring that the Notification of Award be obtained and reviewed for validity prior to the award of contract and that the documentation be made available for audit.

Recommendation 2016-020: That 1099s be issued to all vendors who perform services for the District and are paid in excess of \$600.00 if form W-9 does not identify them as a corporation.

**AUDITOR'S MANAGEMENT REPORT ON ADMINISTRATIVE
FINDINGS – FINANCIAL AND COMPLIANCE**

Recommendations

School Food Service

Recommendation 2016-021: The district should establish procedures that will reconcile the financial records maintained by the Nutrition Services Department and the food service records maintained by the central administration office on a monthly basis.

Student Body Activities

Recommendation 2016-022: That Student Activity bank accounts be reconciled on a monthly basis.

Recommendation 2016-023: Proper supporting documentation should be maintained for all cash disbursements.

Recommendation 2016-024: That Athletic Fund deposits be promptly deposited in accordance with N.J.S.A. 18A:17-34 and 18A:17-9.1.

Application for State School Aid

None

Pupil Transportation

Recommendation 2016-025: The District should establish procedures that will correctly report students with special needs that meet the transportation requirements reported on the student's Individualized Education Program.

Facilities and Capital Assets

Recommendation 2016-002: That the District perform a complete inventory of Capital Assets and institute controls to insure timely and accurate updates.

**SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2015**

	2016-2017 Application for State School Aid (10/15/15 data)						Sample for Verification				Private School for Disabled					
	Reported as on Roll		Reported on Workpapers on Roll		Errors		Sample Selected from Workpapers		Verified per Registers on Roll		Errors per Registers on Roll		Reported on A.S.S.A. as Private Schools	Sample for Verifi-cation	Sample Verified	Sample Errors
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared				
Full D Pre K- 3 yr	812		812					11		11						
Full D Pre K- 4 yr	1,556		1,556					19		19						
Full Day Kindergarten	1,864		1,864					21		21						
One	1,928		1,928					18		18						
Two	1,857		1,857					21		21						
Three	1,916		1,916					20		20						
Four	1,718		1,718					21		21						
Five	1,644		1,644					21		21						
Six	1,613		1,613					22		22						
Seven	1,543		1,543					20		20						
Eight	1,603		1,603					18		18						
Nine	1,855		1,855					17		17						
Ten	1,370		1,370					18		18						
Eleven	1,206		1,206					17		17						
Twelve	1,065	1	1,065	1				17	1	17	1					
Post-Graduate																
Adult H.S. (15+ CR.)																
Adult H.S. (1-14 CR.)																
Subtotal	23,550	1	23,550	1				281	1	281	1					
Sp. Ed. - Elementary	1,345		1,345					19		19			56	35	35	
Sp. Ed. - Middle School	549		549					10		10			44	27	27	0
Sp. Ed. - High School	609		609					12		12			81	50	50	
Subtotal	2,503		2,503					41		41			181	112	112	0
Co. Voc. - Regular																
Co. Voc. Ft. Post Sec.																
Totals	26,053	1	26,053	1				322	1	322	1		181	112	112	0

Percentage Error

0% 0%

0% 0%

0

Transportation

	Reported on	Reported on	Errors	Tested	Verified	Errors
	DRTRS by DOE/county	DRTRS by District				
Regular - Public School , col 1	2,115	2,115		284	284	
AIL, col 2	186	186		116	110	6
Transportation - Non-Public col 3	138	138		94	91	3
Reg. Spe Ed, col 4	1,199	1,199		254	254	
Spec. Ed., col 6	429	429		197	197	
Totals	4,067	4,067		945	936	9

	Reported	Recalculated
Avg. Mileage - Regular Including Grade PK students	2.70	2.70
Avg. Mileage - Regular Excluding Grade PK students	2.70	2.70
Avg. Mileage - Special Ed with Special Needs	17.60	17.60

Percentage Error

0%

1%

**SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2015**

	<u>Resident Low Income</u>			<u>Sample for Verification</u>			<u>Resident LEP Low Income</u>			<u>Sample for Verification</u>		
	Reported on A.S.S.A. as Low Income	Reported on Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors	Reported on A.S.S.A. as LEP low Income	Reported on Workpapers as LEP low Income	Errors	Sample Selected from Workpapers	Verified to Test Score and Register	Sample Errors
Full D Pre K- 3 yr												
Full D Pre K- 4 yr												
Full Day Kindergarten	1,590	1,590		25	25	-	518	518		41	41	
One	1,687	1,687		26	26	-	566	566		45	45	
Two	1,639	1,639		25	25	-	511	511		40	40	
Three	1,671	1,671		26	26	-	443	443		35	35	
Four	1,457	1,457		23	23	-	243	243		19	19	
Five	1,429	1,429		22	22	-	156	156		12	12	
Six	1,389	1,389		22	22	-	144	144		11	11	
Seven	1,319	1,319		20	20	-	138	138		11	11	
Eight	1,369	1,369		21	21	-	149	149		12	12	
Nine	1,626	1,626		25	25	-	259	259		21	21	
Ten	1,219	1,219		19	19	-	202	202		16	16	
Eleven	1,043	1,043		16	16	-	141	141		11	11	
Twelve	894.5	894.5		14	14	-	79	79		6	6	
Post-Graduate												
Adult H.S. (15+CR.)												
Adult H.S. (1-14 CR.)												
Subtotal	<u>18,333</u>	<u>18,333</u>		<u>284</u>	<u>284</u>		<u>3,549</u>	<u>3,549</u>		<u>281</u>	<u>281</u>	
Special Ed - Elementary	1,267	1,267		19	19	-	186	186		15	15	
Special Ed - Middle	553	553		9	9	-	26	26		2	2	
Special Ed - High	640	640		10	10	-	14	14		1	1	
Subtotal	<u>2,460</u>	<u>2,460</u>		<u>38</u>	<u>38</u>		<u>226</u>	<u>226</u>		<u>18</u>	<u>18</u>	
Co. Voc. - Regular												
Co. Voc. Ft. Post Sec.												
Totals	<u><u>20,793</u></u>	<u><u>20,793</u></u>		<u><u>322</u></u>	<u><u>322</u></u>		<u><u>3,775</u></u>	<u><u>3,775</u></u>		<u><u>299</u></u>	<u><u>299</u></u>	
Percentage Error			<u>0%</u>			<u>0%</u>			<u>0%</u>			<u>0%</u>

**CITY OF ELIZABETH SCHOOL DISTRICT
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2015**

	<u>Resident LEP NOT Low Income</u>			<u>Sample for Verification</u>		
	Reported on A.S.S.A. as NOT Low Income	Reported on Workpapers as NOT Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Full D Pre K- 3 yr						
Full D Pre K- 4 yr						
Full Day Kindergarten	49	49		24	24	
One	35	35		17	17	
Two	31	31		15	15	
Three	36	36		17	17	
Four	25	25		12	12	
Five	12	12		6	6	
Six	17	17		8	8	
Seven	17	17		8	8	
Eight	17	17		8	8	
Nine	45	45		22	22	
Ten	16	16		8	8	
Eleven	21	21		10	10	
Twelve	6.0	6		3	3	
Post-Graduate						
Adult H.S. (15+CR.)						
Adult H.S. (1-14 CR.)						
Subtotal	<u>327.0</u>	<u>327.0</u>		<u>157</u>	<u>157</u>	
Special Ed - Elementary	12	12		6	6	
Special Ed - Middle	3	3		1	1	
Special Ed - High						
Subtotal	<u>15</u>	<u>15</u>		<u>7</u>	<u>7</u>	
Co. Voc. - Regular						
Co. Voc. Ft. Post Sec.						
Totals	<u>342.0</u>	<u>342.0</u>		<u>164</u>	<u>164</u>	
Percentage Error			<u>0%</u>			<u>0%</u>

EXCESS SURPLUS CALCULATION

SECTION 1

General Fund Expenditures:

Fiscal Year Ended June 30, 2016 \$467,084,894

Increased by:

Transfer from General Fund to SFR- Inclusion 2,979,024

Less: Expenditures Allocated to Restricted Federal Resources
as reported on Schedule D-2

7,213,810

462,850,108

Less On-Behalf TPAF Pension and Social Security \$49,542,718

Assets Acquired Under Capital Leases 2,580,215

52,122,933

Adjusted General Fund Expenditures

410,727,174

Excess Surplus Percentage

2.00%

Subtotal

8,214,543

Increased by:

Non-Public Transportation Aid (Unbudgeted) 38,321

SEMI - Cost Settlement 520,307

558,628

Maximum Unreserved/Undesignated Fund Balance

8,773,171

SECTION 2

Total General Fund Balance

37,844,163

Decreased by:

Year End Encumbrances 8,344,412

Legally Restricted:

Excess Surplus - Designated for Subsequent Year's Expenditures 858,039

Assigned Fund Balance - Designated for Subsequent Year's

Expenditures 10,468,628

19,671,079

Total Unassigned Fund Balance

18,173,084

Reserved Fund Balance-Excess Surplus

\$9,399,913

SECTION 3

Recapitulation of Excess Surplus as of June 30, 2016

Reserved Excess Surplus-Designated for Subsequent Years Expenditures \$858,039

Reserved Excess Surplus 9,399,913

Total

\$10,257,952

