

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, 2017*

**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, 2017, and have issued our report dated December 12, 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

December 12, 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> |
|-----------------------------|--|----------------------------|
| Louis C. Mai, CPA | Treasurer of School Moneys | \$1,300,000.00 |
| Harold E. Kennedy, Jr., CPA | Business Administrator/Board Secretary | 300,000.00 |
| Rajeev Malhotra, CPA | Comptroller | 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 8 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 2017-003: 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 Materials. 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. In addition, we noted that expenditures for items included in the District's Capital Asset inventory were charged to non-capital outlay accounts. These expenditures have been reclassified for financial statement presentation.

Recommendation 2017-003: 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: 2017-001: 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 2017-001: 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 2017-004: The district is not maximizing its efforts under the Special Education Medicaid Initiative (SEMI) Program for obtaining federal funding for special education services.

Recommendation 2017-004: The district should establish procedures to ensure that it maximizes its efforts under SEMI for obtaining federal reimbursement for special education services.

Finding 2017-005: 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 2017-005: That County Superintendent approval be obtained for all applicable transfers as required by N.J.A.C 6A:23A-13.3(f).

Finding 2017-006: 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 2017-006: 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**

Board Secretary's Records

Finding: 2017-007: We noted that several budget transfer resolutions were approved without the required two-thirds vote of the authorized membership of the board as required by N.J.S.A 18:22-8.1. These transfers were subsequently ratified by the Board.

Recommendation 2017-007: That all budget transfer resolutions be approved by a two-thirds affirmative vote of the authorized membership of the board

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 2017-008: Our examination of the bank reconciliations presented for audit disclosed numerous miscellaneous reconciling items outstanding, that have not been addressed in a timely manner. The District has subsequently corrected these items. The reconciliations however still include checks outstanding in excess of one year.

Recommendation 2017-008: That any miscellaneous reconciling items on the bank reconciliation be investigated and cleared of record on a timely basis and that 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.

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.

**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 90 day grant liquidation period required by the Office of Grants Management. The expenditure was reviewed subsequent to the reimbursement.

Finding 2017-009 The District submitted the TPAF Reimbursement voucher on a timely basis, however subsequent to the submission, it was discovered that certain expenses booked as accounts payable were, in fact, not valid.

Recommendation 2017-009 That the District recalculate and resubmit the TPAF Reimbursement voucher to the State of New Jersey

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."

**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-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.

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.

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

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.

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.

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

School Food Service (Continued)

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 2017-010: 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 2017-010: 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.

Finding 2017-011: During our testing of Cafeteria cash receipts we noted several instances where amount the amount deposited was not reconciled to the Daily receipts report produced by the Point of Service System.

Recommendation 2017-011: That Cafeteria cash receipt deposited be reconciled to the Daily receipts report produced by the Point of Service System.

Student Body Activities

The records for the Student Body Activities were maintained in satisfactory condition.

Pupil Transportation

Our audit procedures included a test of on roll status reported in the 2016-2017 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.

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

Pupil Transportation (Continued)

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 2017-012: 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 2017-012: 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

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 2017-002: The amount reported by the District for Capital Assets could not be reconciled to a detailed listing.

Recommendation 2017-002: 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 14, 2016 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 with minor exceptions. 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.

Testing for Lead of All Drinking Water in Educational Facilities

The school district adhered to the requirements of N.J.A.C. 26-1.2 and 12.4 related to the testing for lead of all drinking water in educational facilities.

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

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 are repeated in this year's recommendations noted as the following current year findings:

Classification of Expenditures

Finding 2016-009:

Condition 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.

Current Status: The condition still exists (2017-003)

Board Secretary's Records

Finding: 2016-001:

Condition: 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.

Current Status: The condition still exists (2017-001)

Finding 2016-003:

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

Current Status: The condition still exists (2017-004)

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

Follow-Up Prior Year's Audit Findings (Continued)

Recommendation 2016-004

Condition: 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.

Current Status: The condition has been corrected

Finding 2016-007:

Condition: 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.

Current Status: The condition has been corrected

Finding 2016-008:

Condition: 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)

Current Status: The condition still exists (2017-005)

Finding 2016-010:

Condition: 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.

Current Status: The condition has been corrected

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

Follow-Up Prior Year's Audit Findings (Continued)

Finding 2016-011:

Condition: 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.

Current Status: The condition has been corrected

Finding 2016-012:

Condition: 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.

Current Status: The condition still exists (2017-006)

Finding 2016-013

Condition: 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.

Current Status: The condition has been corrected

Finding 2016-014

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

Current Status: The condition has been corrected

Treasurer's Records

Finding 2016-015:

Condition: 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.

Current Status: The condition existed as of June 30, 2017 but has subsequently been corrected

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

Follow-Up Prior Year's Audit Findings (Continued)

Other Special Federal and/or State Projects

Finding 2016-005

Condition: During our testing, we noted that expenditures reported to Federal and State agencies did not agree to amounts recorded in the District's financial system (Edumet).

Current Status: The condition has been corrected.

Finding 2016-006:

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

Current Status: The condition has been corrected

Finding 2016-016

Condition: 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.

Current Status: The condition has been corrected

Contracts and Agreements Requiring Advertisement for Bids

Finding 2016-017:

Condition: 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

Current Status: The condition has been corrected

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

Follow-Up Prior Year's Audit Findings (Continued)

Contracts and Agreements Requiring Advertisement for Bids (Continued)

Finding 2016-018:

Condition: 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.

Current Status: The condition has been corrected

Finding 2016-019

Condition: 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

Current Status: The condition has been corrected

Finding 2016-020:

Condition: 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.

Current Status: The condition has been corrected

School Food Service

Finding 2016-021

Condition: 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.

Current Status: The condition still exists (2017-10)

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

Follow-Up Prior Year's Audit Findings (Continued)

Student Body Activities

Finding 2016-022

Condition: Bank reconciliations for the Student Activity Bank Accounts were not performed on a monthly basis.

Current Status: The condition has been corrected

Finding 2016-023

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

Current Status: The condition has been corrected

Finding 2016-024:

Condition: 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.

Current Status: The condition has been corrected

Pupil Transportation

Finding 2016-025

Condition: 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.

Current Status: The condition still exists (2017-012)

Facilities and Capital Assets

Finding 2016-002:

Condition: The amount reported by the District for Capital Assets could not be reconciled to a detailed listing.

Current Status: The condition still exists (2017-002)

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

Recommendations

Administrative Practices and Procedures

None

Financial Planning, Accounting and Reporting

Recommendation 2017-003: 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 2017-001: 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 2017-004: The district should establish procedures to ensure that it maximizes its efforts under SEMI for obtaining federal reimbursement for special education services.

Recommendation 2017-005: That County Superintendent approval be obtained for all applicable transfers as required by N.J.A.C 6A:23A-13.3(f).

Recommendation 2017-006: 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.

Recommendation 2017-007: That all budget transfer resolutions be approved by a two-thirds affirmative vote of the authorized membership of the board.

Recommendation 2017-008: That any miscellaneous reconciling items on the bank reconciliation be investigated and cleared of record on a timely basis and that checks outstanding for over one year be investigated for proper disposition.

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

Recommendations

TPAF Reimbursement

Recommendation 2017-009 That the District recalculate and resubmit the TPAF Reimbursement voucher to the State of New Jersey.

School Food Service

Recommendation 2017-010: 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.

Recommendation 2017-011 That Cafeteria cash receipt deposited be reconciled to the Daily receipts report produced by the Point of Service System.

Pupil Transportation

Recommendation 2017-012: 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 2017-002: 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 14, 2016**

| | 2017-2018 Application for State School Aid (10/14/16 data) | | | | Sample for Verification | | | | Private School for Disabled | | | | | | |
|--|--|-----------|--------------------------------|-----------|---------------------------------|----------|--------------------------------|----------|------------------------------|----------|---|------------|---------------------|--------------------|------------|
| | Reported as on Roll | | Reported on Workpapers on Roll | | 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 Disabled | | |
| | Full | Shared | Full | Shared | Full | Shared | Full | Shared | Full | Shared | Full | Shared | Veri- cation | Sample Verified | Errors |
| Full D Pre K- 3 yr | 761 | | 761 | | 11 | | 11 | | | | | | | | |
| Full D Pre K- 4 yr | 1,543 | | 1,543 | | 19 | | 19 | | | | | | | | |
| Full Day Kindergarten | 1,852 | | 1,852 | | 21 | | 21 | | | | | | | | |
| One | 1,877 | | 1,877 | | 18 | | 18 | | | | | | | | |
| Two | 1,837 | | 1,837 | | 21 | | 21 | | | | | | | | |
| Three | 1,828 | | 1,828 | | 20 | | 20 | | | | | | | | |
| Four | 1,893 | | 1,893 | | 21 | | 21 | | | | | | | | |
| Five | 1,743 | | 1,743 | | 21 | | 21 | | | | | | | | |
| Six | 1,634 | | 1,634 | | 22 | | 22 | | | | | | | | |
| Seven | 1,618 | | 1,618 | | 20 | | 20 | | | | | | | | |
| Eight | 1,550 | | 1,550 | | 18 | | 18 | | | | | | | | |
| Nine | 1,936 | | 1,936 | | 17 | | 17 | | | | | | | | |
| Ten | 1,548 | | 1,548 | | 18 | | 18 | | | | | | | | |
| Eleven | 1,303 | | 1,303 | | 17 | | 17 | | | | | | | | |
| Twelve | 1,053 | | 1,053 | | 17 | | 17 | | | | | | | | |
| Post-Graduate Adult H.S. (15+ CR.) Adult H.S. (1-14 CR.) | | | | | | | | | | | | | | | |
| Subtotal | 23,976 | | 23,976 | | 281 | | 281 | | 281 | | 281 | | 67 | 43 | 43 |
| Sp. Ed. - Elementary | 1,407 | | 1,407 | | 20 | | 20 | | | | | | 67 | 43 | 43 |
| Sp. Ed. - Middle School | 599 | | 599 | | 9 | | 9 | | | | | | 52 | 35 | 35 |
| Sp. Ed. - High School | 622 | 11 | 622 | 11 | 12 | 9 | 12 | 9 | 0 | 0 | 0 | 0 | 80 | 45 | 45 |
| Subtotal | 2,628 | 11 | 2,628 | 11 | 41 | 9 | 41 | 9 | 0 | 0 | 0 | 199 | 123 | 123 | 123 |
| Co. Voc. - Regular Co. Voc. Ft. Post Sec. | | | | | | | | | | | | | | | |
| Totals | 26,604 | 11 | 26,604 | 11 | 322 | 9 | 322 | 9 | 0 | 0 | 0 | 199 | 123 | 123 | 123 |

Percentage Error 0%

Transportation

| | Reported on DRTS by DOE/county | Reported on DRTS by District | Errors | Tested | Verified | Errors |
|-----------------------------------|--------------------------------|------------------------------|--------|------------|------------|-----------|
| Regular - Public School, col 1 | 2,305 | 2,305 | | 140 | 140 | |
| ALL, col 2 | 300 | 300 | | 45 | 45 | |
| Transportation - Non-Public col 3 | 2 | 2 | | 2 | 2 | |
| Reg. Spe Ed. col 4 | 1,431 | 1,431 | | 64 | 52 | 12 |
| Spec. Ed., col 6 | 356 | 356 | | 52 | 52 | |
| Totals | 4,394 | 4,394 | | 303 | 291 | 12 |

Percentage Error 4%

Avg. Mileage - Regular Including Grade PK students Reported 3.10

Avg. Mileage - Regular Excluding Grade PK students Reported 3.10

Avg. Mileage - Special Ed with Special Needs Reported 17.40

Recalculated
3.10
3.10
17.40

CITY OF ELIZABETH SCHOOL DISTRICT
 SCHEDULE OF AUDITED ENROLLMENTS
 APPLICATION FOR STATE SCHOOL AID SUMMARY
 ENROLLMENT AS OF OCTOBER 14, 2016

| | Resident Low Income | | | Sample for Verification | | | Resident LEP Low Income | | | Sample for Verification | | |
|-------------------------|----------------------------------|--------------------------------------|--------|---------------------------------|--------------------------------------|---------------|--------------------------------------|--|--------|---------------------------------|-------------------------------------|---------------|
| | Reported on A.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.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 | 1,581 | 1,581 | | 25 | 25 | | 530 | 530 | | 43 | 43 | |
| Full D Pre K- 4 yr | 1,602 | 1,602 | | 24 | 24 | | 558 | 558 | | 44 | 44 | |
| Full Day Kindergarten | 1,573 | 1,573 | | 24 | 24 | | 533 | 533 | | 43 | 43 | |
| One | 1,577 | 1,577 | | 24 | 24 | | 450 | 450 | | 34 | 34 | |
| Two | 1,622 | 1,622 | | 24 | 24 | | 268 | 268 | | 19 | 19 | |
| Three | 1,421 | 1,421 | | 22 | 22 | | 160 | 160 | | 12 | 12 | |
| Four | 1,381 | 1,381 | | 21 | 21 | | 154 | 154 | | 11 | 11 | |
| Five | 1,355 | 1,355 | | 21 | 21 | | 170 | 170 | | 11 | 11 | |
| Six | 1,283 | 1,283 | | 20 | 20 | | 162 | 162 | | 12 | 12 | |
| Seven | 1,646 | 1,646 | | 26 | 26 | | 300 | 300 | | 21 | 21 | |
| Eight | 1,309 | 1,309 | | 21 | 21 | | 262 | 262 | | 16 | 16 | |
| Nine | 1,057 | 1,057 | | 17 | 17 | | 180 | 180 | | 11 | 11 | |
| Ten | 848 | 848 | | 13 | 13 | | 104 | 104 | | 6 | 6 | |
| Eleven | | | | | | | | | | | | |
| Twelve | | | | | | | | | | | | |
| Post-Graduate | | | | | | | | | | | | |
| Adult H.S. (15+CR.) | | | | | | | | | | | | |
| Adult H.S. (1-14 CR.) | | | | | | | | | | | | |
| Subtotal | 18,255 | 18,255 | | 282 | 282 | | 3,831 | 3,831 | | 284 | 284 | |
| Special Ed - Elementary | 1,229 | 1,229 | | 19 | 19 | | 203 | 203 | | 12 | 12 | |
| Special Ed - Middle | 516 | 516 | | 9 | 9 | | 21 | 21 | | 3 | 3 | |
| Special Ed - High | 536 | 536 | | 10 | 10 | | 13 | 13 | | 4 | 4 | |
| Subtotal | 2,281 | 2,281 | | 38 | 38 | | 237 | 237 | | 19 | 19 | |
| Co. Voc. - Regular | | | | | | | | | | | | |
| Co. Voc. Ft. Post Sec. | | | | | | | | | | | | |
| Totals | 20,536 | 20,536 | | 320 | 320 | | 4,068 | 4,068 | | 303 | 303 | |
| Percentage Error | | | 0% | | | 0% | | | 0% | | | 0% |

CITY OF ELIZABETH SCHOOL DISTRICT
 SCHEDULE OF AUDITED ENROLLMENTS
 APPLICATION FOR STATE SCHOOL AID SUMMARY
 ENROLLMENT AS OF OCTOBER 14, 2016

| | Resident LEP NOT Low Income | | | Sample for Verification | | |
|-------------------------|--------------------------------------|--|--------|---------------------------------|--------------------------------------|---------------|
| | Reported on A.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 | 44 | 44 | | 24 | 24 | |
| Full D Pre K- 4 yr | 36 | 36 | | 18 | 18 | |
| Full Day Kindergarten | 38 | 38 | | 17 | 17 | |
| One | 43 | 43 | | 19 | 19 | |
| Two | 21 | 21 | | 14 | 14 | |
| Three | 26 | 26 | | 13 | 13 | |
| Four | 19 | 19 | | 13 | 13 | |
| Five | 28 | 28 | | 17 | 17 | |
| Six | 26 | 26 | | 15 | 15 | |
| Seven | 51 | 51 | | 23 | 23 | |
| Eight | 30 | 30 | | 13 | 13 | |
| Nine | 16 | 16 | | 12 | 12 | |
| Ten | 11 | 11 | | 11 | 11 | |
| Eleven | | | | | | |
| Twelve | | | | | | |
| Post-Graduate | | | | | | |
| Adult H.S. (15+CR.) | | | | | | |
| Adult H.S. (1-14 CR.) | | | | | | |
| Subtotal | 389.0 | 389.0 | | 209 | 209 | |
| Special Ed - Elementary | 17 | 17 | | 10 | 10 | |
| Special Ed - Middle | 5 | 5 | | 3 | 3 | |
| Special Ed - High | | | | | | |
| Subtotal | 22 | 22 | | 13 | 13 | |
| Co. Voc. - Regular | | | | | | |
| Co. Voc. Ft. Post Sec. | | | | | | |
| Totals | 411.0 | 411.0 | | 222 | 222 | |
| Percentage Error | | | 0% | | | 0% |

EXCESS SURPLUS CALCULATION

SECTION 1

| | | |
|---|--------------|---------------|
| General Fund Expenditures: | | |
| Fiscal Year Ended June 30, 2017 | | \$495,580,112 |
| Increased by: | | |
| Transfer from General Fund to SFR- Inclusion | | 3,336,104 |
| Less: Expenditures Allocated to Restricted Federal Resources as reported on Schedule D-2 | | |
| | | 7,172,939 |
| | | 491,743,277 |
| Less On-Behalf TPAF Pension and Social Security | \$54,047,445 | |
| Assets Acquired Under Capital Leases | 1,831,292 | |
| | | 55,878,737 |
| Adjusted General Fund Expenditures | | 435,864,541 |
| Excess Surplus Percentage | | 2.00% |
| Subtotal | | 8,717,291 |
| Increased by: | | |
| Extraordinary Aid (Unbudgeted) | 24,292 | |
| Non-Public Transportation Aid (Unbudgeted) | 52,548 | |
| | | 76,840 |
| Maximum Unreserved/Undesignated Fund Balance | | 8,794,131 |

SECTION 2

| | | |
|--|-----------|-------------|
| Total General Fund Balance | | 35,493,988 |
| Decreased by: | | |
| Year End Encumbrances | 737,257 | |
| Legally Restricted: | | |
| Excess Surplus - Designated for Subsequent Year's Expenditures | 9,399,913 | |
| Capital Reserve | 5,000,000 | |
| Assigned Fund Balance - Designated for Subsequent Year's Expenditures | 3,000,000 | |
| | | 18,137,170 |
| Total Unassigned Fund Balance | | 17,356,818 |
| Reserved Fund Balance-Excess Surplus | | \$8,562,687 |

SECTION 3

| | | |
|--|--|--------------|
| Recapitulation of Excess Surplus as of June 30, 2017 | | |
| Reserved Excess Surplus-Designated for Subsequent Years Expenditures | | \$9,399,913 |
| Reserved Excess Surplus | | 8,562,687 |
| Total | | \$17,962,600 |

