

**NEWARK PUBLIC SCHOOLS
COUNTY OF ESSEX, NEW JERSEY
MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE**

JUNE 30, 2017

**NEWARK PUBLIC SCHOOLS
AUDITORS' MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS—
FINANCIAL, COMPLIANCE AND PERFORMANCE**

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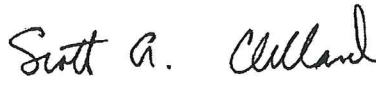

Independent Auditors' Report

Honorable President and Members
of the Board of Education
Newark Public Schools
County of Essex, New Jersey

We have audited, in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Board of Education of the Newark Public Schools, in the County of Essex, for the year ended June 30, 2017, and have issued our report thereon dated December 29, 2017.

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

This report is intended solely for the information of the Newark Public School's management and Advisory Board members and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.


Scott A. Clelland
Licensed Public School Accountant
No. 1049

WISS & COMPANY, LLP

December 29, 2017
Livingston, New Jersey

**Newark Public Schools
Administrative Findings-Financial,
Compliance and Performance**

Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator and Treasurer of School Moneys, the activities of the Board of Education, and the records of the various funds under the auspices of the Board of Education.

Administrative Practices and Procedures

Insurance

Fire insurance coverage was carried in the amounts as detailed on J-20, Insurance Schedule contained in the District's CAFR.

Official Bonds (N.J.S.A. 18A:17-26, 18A:17-32, 18A:13-13)

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Evan S. Gillingham	Treasurer of School Monies	\$3,000,000

There is a Public Employee's Faithful Blanket Position Bond with Fidelity Insurance Company covering all other employees with coverage of \$200,000.

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. Adjustments to the billings to sending districts for the change in per pupil costs, in accordance with *N.J.A.C 6A:23A-17.1(f)3*, was required.

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid during the period did not identify any discrepancies with respect to signatures, certification or supporting documentation.

Payroll Account and Position Control Roster

The net salaries of all employees of the Board were deposited in the payroll account. Employees' payroll deductions and employer's share of fringe benefits were deposited in the payroll agency account.

All payrolls tested were approved by the School Business Administrator and Payroll Director and reviewed by the Advisory Board Finance Committee.

**Newark Public Schools
Administrative Findings-Financial,
Compliance and Performance**

Salary withholdings were promptly remitted to the proper agencies, including health benefits premium amounts withheld due to the general fund.

Payrolls were delivered to the Treasurer of School Monies with a warrant made to his order for the full amount of each payroll.

A review of the Position Control Roster found it to be consistent with payroll records, employee benefit records (e.g. pension reports and health benefit coverage reports) and the general ledger accounts to where wages are posted (administrative versus instruction).

Finding 2017-001

Finding:

The District did not follow internal policies and procedures with respect to the removal of terminated employees from the monthly health benefit billings. During our testing of the District's April 2017 health benefits extract, we noted the District incurred costs for three former employees that were no longer eligible for District health coverage. Upon further review, we identified that the terminated employees received medical coverage for several months after their departure from the District that were paid for by the District that should have been avoided. We also identified ten employees that were not included on the bill, however were eligible for District health coverage.

Recommendation:

We suggest the District strengthen its internal controls relating to the timely removal of employees from the District's health insurance coverage and timely submissions of employees' changes in coverage elections to the health insurance company to ensure the District is charged accurately for health benefits at the time of the employee's separation from the District or change in election of coverage.

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. Subsequent to the end of the fiscal year, the District performed an analysis of accounts payable and open purchase orders and made entries to properly classify the account balances. Our testing identified the following:

Finding 2017-002

Finding:

During our review of accounts payable and open purchase orders, we noted three invoices that pertained to Fiscal year 2017 were charged against a 2018 purchase order. Several other instances were identified throughout various testing where the District did not issue a purchase order prior to goods being received or services being rendered (confirming order). District policy and State regulations require that a properly executed purchase order be issued prior to the purchase of goods or the rendering of services. The majority of the items selected for testing did have authorizations for an unauthorized purchase forms approved prior to payment.

**Newark Public Schools
Administrative Findings-Financial,
Compliance and Performance**

Recommendation:

We suggest the District strengthen internal controls and procedures to ensure that all purchase orders issued to vendors for goods or services be approved prior to the vendor providing those goods or services.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with *N.J.A.C. 6A:23A-16.2(f)* as part of our test of transactions of randomly and haphazardly 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 selected 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, a transaction error rate of 0.0% was noted and no additional procedures were deemed necessary to test the propriety of expenditure classifications.

Board Secretary's Records

Our review of financial and accounting records maintained by the Board Secretary disclosed the following items:

Finding 2017-003

Finding:

During our testing of legal expenses, we noted the District's annual legal costs exceeded 130 percent of the statewide average per pupil.

Recommendation:

We suggest the District follow the requirements of *N.J.A.C. 6A:23A-5.2* that requires school districts to establish policies setting forth strategies to minimize the costs of legal services that exceed 130 percent of the statewide average.

Treasurer's Records

Our review of the financial and accounting records maintained by the Treasurer did not disclose any exceptions.

Unemployment Compensation Insurance Trust Fund

The District has adopted the direct reimbursement method and has established an Unemployment Compensation Insurance Trust Fund. The financial transactions of this fund are reported in the Fiduciary Fund. No exceptions were noted.

**Newark Public Schools
Administrative Findings-Financial,
Compliance and Performance**

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

The E.S.E.A./NCLB financial exhibits are contained within the Special Revenue Section of the Comprehensive Annual Financial Report (CAFR). This section of the CAFR documents the financial position pertaining to the projects under NCLB.

The study of compliance for E.S.E.A./N.C.L.B. did not identify any area of noncompliance.

Other Special Federal and/or State Projects

The District's Special Projects were approved as listed on Schedule A (K-3) and Schedule B (K-4) 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 2017-004

Finding:

During our testing over payroll related to the Preschool Education Aid Program and the Head Start Program, we noted that the District paid retirement sick day buy out payments for individuals who did not earn all of the days paid out while working under the programs. The Preschool Education Aid Program was charged \$22,328, and the Head Start Program was charged \$7,785 in error. The District's current policy for expensing the retirement sick payments is to charge the last salary line the individual worked under. The District proposed journal entries to allocate these costs to proper funding sources subsequent to year-end.

Recommendation:

We suggest the District strengthen its internal controls and procedures over the retirement sick payment process to ensure that grants are only charged for the time earned while working under the program.

**Newark Public Schools
Administrative Findings-Financial,
Compliance and Performance**

Finding 2017-005

Finding:

During our testing over payroll of the Head Start program, we noted that the District charged a portion of an individual's salary when that employee did not work for the program and that the District was unable to provide adequate support for several payroll journal entries. The program was charged \$12,348 for an employee who did not work for Head Start. The District proposed a journal entry to allocate these costs to appropriate funding sources subsequent to year-end in order to allow for proper reporting of allowable costs to the federal agency.

On a monthly basis, the District prepares a journal entry allocating payroll charges between Preschool Education Aid and Head Start. The journal entry is submitted by a grant accountant to the Executive Director of the Office of Early Childhood for approval, and then sent to Accounting for approval of the Executive Controller. The Grant accountant and Executive Director sign off on the journal entry certifying approval and that the allocations are accurate. The allocations are based on actual enrollments by classroom of Head Start program eligible children. The journal entries are posted to the financial system, but the payroll records on file are not modified due to the journal entry process and the voluminous nature of the entries. The Grant accountant keeps separate files that contain support of the journal entry information by line item and by employee. While testing payroll, we noted that the journal entries posted agreed to the corresponding support by line item. However, for several entries, the District was unable to provide support for the entire entry detailed by employee. The dollar amount of unsupported journal entry detail was deemed immaterial.

Recommendation

We suggest the District strengthen its internal controls over the payroll process to ensure the appropriate employees are charged to the grant and that journal entries for payroll are properly supported.

Finding 2017-006

Finding:

The District reimbursed several employees who submitted for reimbursement of travel related costs without prior board approval of travel, authorization forms, and support of expenses in accordance with the Board's adopted travel policy. We noted instances that the District was unable to provide support of approval for attendance at a conference, along with related travel expenses prior to the event. We noted instances that the District was unable to provide copies of travel authorization forms. We noted instances that the District misplaced support of approved expenses during the accounts payable process; the payment was issued based upon a memo approving the payment due to the circumstances.

Recommendation:

We suggest the District strengthen its internal controls relating to the approval of travel reimbursement requests and verifying appropriate documentation is provided prior to payment.

**Newark Public Schools
Administrative Findings-Financial,
Compliance and Performance**

T.P.A.F. Reimbursement

Our audit procedures included a test of the biweekly reimbursements filed with the Department of Education for District employees who are members of the Teacher's Pension and Annuity Fund. No exceptions were noted.

T.P.A.F. Reimbursement to the State for Federal Salary Expenditures

The amount of the expenditure charged to the current year's Final Reports 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 and no exceptions were noted.

Non-Public State Aid

Our review of Non-Public State Aid did not identify any exceptions.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

Effective July 1, 2010 and thereafter, the bid thresholds in accordance with *N.J.S.A. 18A:18A-2* and *18A:18A-3(a)* are \$40,000 with a Qualified Purchasing Agent and \$29,000 without a Qualified Purchasing Agent, respectively. The law regulating bidding for public school transportation contracts under *N.J.S.A. 18A:39-3* is \$18,800 for 2016-17.

The Newark Public Schools has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the contract 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.

Procedures were performed on a test basis, to indicate if any individual payments, contracts, or agreements were made for the performance of any work or goods or services, in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provision of *N.J.S.A. 18A:18A-4*.

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

No exceptions were noted.

**Newark Public Schools
Administrative Findings-Financial,
Compliance and Performance**

School Food Service

The financial transactions and statistical records of the school food service fund were reviewed on a test basis and are being maintained in satisfactory condition. The financial accounts, meal count records and eligibility applications were reviewed on a test-check basis. No exceptions were noted.

The cash receipts and bank records were reviewed on a test basis for timely deposits without exception.

The District does not utilize a food service management company to operate its food service program.

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

The cash disbursements records reflected expenses for program related goods and services. The appropriate revenue and expense 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.

Timesheets were reviewed and labor costs verified on a test basis. Payroll records were maintained on all School Food Service employees authorized by the District. No exceptions were noted.

The number of meals claimed for reimbursement was compared to sales and meal count records on a test basis. As part of the claims review process, the Edit Check Worksheet was completed. Reimbursement claims were submitted / certified in a timely manner. No exceptions were noted.

Applications for free and reduced price meals were reviewed for completeness and accuracy on a test check basis. The number of free and reduced price meals claimed as served was compared to the number of valid applications/or to the list of directly certified students on file, times the number of operating days, on a school by school basis. The free and reduced price 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. No exceptions were noted.

USDA Food Donation program commodities were received and a single inventory was maintained on a first-in, first-out basis. No exceptions were noted.

The Statement of Revenues, Expenses, and Changes in Fund Net Position (CAFR Schedule B-5) does separate program and non-program revenue and program and non-program cost of goods sold.

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

**Newark Public Schools
Administrative Findings-Financial,
Compliance and Performance**

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

Student Body Activities

During our audit of the student activity funds, no exceptions requiring corrective action were noted.

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, low-income and bilingual. 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 work papers with exceptions as presented in the Schedule of Audited Enrollments. The information that was included on the work papers was verified as presented in the Schedule of Audited Enrollments, with the exceptions listed below. The results of our procedures are presented in the Schedule of Audited Enrollments.

Finding 2017-007

Finding:

During our review of the District's A.S.S.A., the following was identified:

- During our verification of the amounts reported on the ASSA with District internal workpapers, the following was noted:
 - The total number of students reported on the ASSA as on-roll was under-reported by 102 students.
 - The total number of students reported on the ASSA as receiving low income services was under-reported by 137 students.
 - The total number of students reported on the ASSA as receiving bilingual services was over-reported by 187 students.
- During our verification of the amounts reported on the ASSA as enrolled in private school with District internal workpapers, we noted the District was unable to provide support for 27 students:
 - The District was unable to provide Individualized Educational Plans (IEP) for two students.
 - The District provided IEPs for 24 students that did not cover the reporting date, and therefore could not be verified.
 - The District was unable to provide a tuition contract or October billing statement for one student.
- During our verification of the amounts reported on the ASSA we compared the amount of students reported with District attendance records and IEPs (when required), on a test-basis, the following was noted:
 - Two additional students were included in the District Attendance records that was not reported on the ASSA as on-roll.
 - The District was unable to provide IEPs for eleven students.

**Newark Public Schools
Administrative Findings-Financial,
Compliance and Performance**

- The District provided IEPs for 25 students that did not cover the reporting date, and therefore could not be verified.

During our review of the District's DRTRS, the following was identified:

- During our verification of the amounts reported on the DRTRS we compared the amount of students reported with District attendance records and IEPs (when required), and tuition contract and bills (when required,) on a test-basis, the following was noted:
 - 49 Regular Public and 8 Regular Special Education students were not included in the District Attendance records that were reported on the DRTRS.
 - The District was unable to provide IEPs for 4 Charter School students receiving special transportation. It is noted the students attend a charter school and the charter school is the keeper of the IEP and the Charter school refused to provide support.
 - The District provided IEPs for 24 Regular Public Special Education (2 of which were not included District Attendance Records), 5 Public Special Education Special Needs, and 3 Private School students that did not cover the reporting date, and therefore could not be verified.
 - The District was unable to provide IEPs for 6 Regular Public Special Education (1 of which were not included District Attendance Records), and 6 Private School students.
 - The District was unable to provide a tuition contract or the October billing statement for 8 students.

Recommendation:

We suggest that the District strengthen its internal controls to ensure that the students listed on the ASSA and DRTRS reports are properly supported and reported.

Pupil Transportation

Our audit procedures included a test of on-roll status as reported in the 2016-17 District Report of Transported Resident Students ("DRTRS"). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report. The results of our procedures are presented in the Schedule of Audited Enrollments with exceptions noted in the ASSA section.

Our procedures also included a review on a test check basis of transportation related contracts and purchases. Based on our review, the District complied with proper bidding procedures and award of contracts relating to transportation. The District did not purchase any buses during the 2017 fiscal year.

Facilities and Capital Assets

Our procedures included a review of the New Jersey Schools Development Authority ("NJSDA") grant agreements for consistency with recording NJSDA revenue and awarding of contracts for eligible facilities construction. During our review, the following was noted:

**Newark Public Schools
Administrative Findings-Financial,
Compliance and Performance**

Finding 2017-008

Finding:

The Facilities and Construction Department of the District is not always properly tracking budgeted expenditures by individual project that are fully reimbursable by the NJSDA. This could lead to potential over-expenditures of the projects that must be transferred and funded by the General Fund at the close of the project.

Recommendation:

We suggest the Facilities and Construction Department ensure the budgeted expenditures recorded in the system are in agreement with the NJSDA approved amounts on a project-by-project basis.

Miscellaneous

Capital Assets

During our review of District capital assets, we noted records were provided in multiple versions and were inaccurate. The fixed asset department incorrectly calculated depreciation, net book value, included assets acquired in prior years that were not previously recorded, included assets that were under the capitalization threshold, and excluded assets that are still valid. Through discussion with the fixed asset manager, review of prior year audited reports, and review of current year capital asset expenditures current year records were adjusted to be materially accurate. We suggest the District reevaluate the process used to inventory and record capital assets to ensure accurate reports are prepared in the future.

Legal Expenses

During our testing of legal expenses, we noted the District did not have a contract in place with any of the outside legal counsel that perform work for the District. The last contracts/engagement letters on file date back to 2012. The District has already completed corrective action through issuing a request for proposal for legal services in June 2017. Contracts were awarded to several firms for Fiscal Year 2018.

Student Activity Funds

During our testing of student activity fund receipts and disbursements, we noted immaterial instances of noncompliance related to the timeliness of deposits and deposited amounts not always agreeing to receipt records. A recommendation was not included in this report, as during the latter part of the 2017 fiscal year, the District implemented new oversight procedures related to student activity funds.

**Newark Public Schools
Administrative Findings-Financial,
Compliance and Performance**

Follow-up on Prior Year Findings

In accordance with *Government Auditing Standards*, our procedures included a review of all prior year recommendations. Corrective action has been taken on all prior year findings with the exception of the following, which are repeated in this year's recommendations.

- Terminated employees were not timely removed from the District's health benefits system.
- Purchase orders not always being approved prior to goods being received or services being rendered (confirming orders).
- Legal costs exceeded 130 percent of the statewide average per pupil.
- Findings related to the District's Application for State School Aid.
- Reimbursement for District travel was made without prior board approval.
- The Facilities and Construction Department is not properly tracking expenditures that are reimbursable by the NJSDA.

During the 2017 fiscal year, the Office of Fiscal Accountability and Compliance (OFAC) completed a review of Legal Expenses and an audit of Health Benefits. Additionally, several Early Childhood reviews were completed. The District completed and submitted the required corrective action plans, which were accepted by OFAC. The District also posted all reports on its website as required.

Acknowledgment

We received the complete cooperation of all the officials of the School District and we greatly appreciate the courtesies extended to the members of the audit team.

SCHEDULE OF MEAL COUNT ACTIVITY

NEWARK PUBLIC SCHOOLS
FOOD SERVICE ENTERPRISE FUND
NUMBER OF MEALS SERVED AND (OVER) UNDERCLAIM - FEDERAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

<u>PROGRAM</u>	<u>MEAL CATEGORY</u>	<u>MEALS CLAIMED</u>	<u>MEALS TESTED</u>	<u>MEALS VERIFIED</u>	<u>DIFFERENCE</u>	<u>RATE (a)</u>	<u>(OVER) UNDER CLAIM (b)</u>
National School Lunch (Regular Rate)	Paid	654,786	654,786	654,786	-	\$ 0.32	
National School Lunch (Regular Rate)	Reduced	205,323	205,323	205,323	-	2.78	
National School Lunch (Regular Rate)	Free	3,002,931	3,002,931	3,002,931	-	3.18	
	TOTAL	3,863,040	3,863,040	3,863,040			-
National School Lunch (Severe Needs)	Seamless Summer Option	71,390	71,390	71,390	-	3.180	-
School Breakfast (Regular Rate)	Paid	6,264	6,264	6,264	-	0.290	
	Reduced	1,917	1,917	1,917	-	1.410	
	Free	15,953	15,953	15,953	-	1.710	
	TOTAL	24,134	24,134	24,134			-
School Breakfast (Severe Needs)	Paid	679,090	679,090	679,090	-	0.290	
	Reduced	213,387	213,387	213,387	-	1.740	
	Free	3,052,070	3,052,070	3,052,070	-	2.040	
	TOTAL	3,944,547	3,944,547	3,944,547			-
School Breakfast (Severe Needs)	Seamless Summer Option	57,579	57,579	57,579	-	2.040	-
After School Snacks	Free (Area Eligible)	103,474	103,474	103,474	-	0.860	
Total Net (Over) Under Claim							-

SCHEDULE OF MEAL COUNT ACTIVITY

NEWARK PUBLIC SCHOOLS

FOOD SERVICE ENTERPRISE FUND

NUMBER OF MEALS SERVED AND (OVER) UNDERCLAIM - STATE

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

PROGRAM	MEAL CATEGORY	MEALS CLAIMED	MEALS TESTED	MEALS VERIFIED	DIFFERENCE	RATE (a)	(OVER) UNDER CLAIM (b)
State Reimbursement - National School Lunch (Regular Rate)	Paid	654,786	654,786	654,786	-	\$ 0.400	
State Reimbursement - National School Lunch (Regular Rate)	Reduced	205,323	205,323	205,323	-	0.055	
State Reimbursement - National School Lunch (Regular Rate)	Free	3,002,931	3,002,931	3,002,931	-	0.055	
	TOTAL	3,863,040	3,863,040	3,863,040	-		-
Total Net (Over) Under Claim							-

NEWARK PUBLIC SCHOOLS

NET CASH RESOURCE SCHEDULE

Net cash resources did/did not exceed three months of expenditures
Proprietary Fund - Food Service Enterprise Fund
 Year ended June 30, 2017

		Food Service		
		B - 4/5		
<u>Net Cash Resources:</u>				
CAFR	Current Assets			
B-4	Cash & Cash Equiv.	\$	930,536	
B-4	Due from Other Gov'ts		4,252,929	
B-4	Accounts Receivable		78,812	
	Interfund Receivable		829	
CAFR	Current Liabilities			
B-4	Less Accounts Payable		1,402,358	
B-4	Less Accrued Liabilities		252,024	
B-4	Less Interfund Payable		2,351,655	
B-4	Less Unearned Revenue		-	
	Net Cash Resources	\$	1,257,069	(A)
<u>Net Adj. Total Operating Expense:</u>				
B-5	Tot. Operating Exp.		21,670,016	
B-5	Less Depreciation		(237,423)	
	Adj. Tot. Oper. Exp.	\$	21,432,593	(B)
<u>Average Monthly Operating Expense:</u>				
	B / 10	\$	2,143,259.30	(C)
<u>Three times monthly Average:</u>				
	3 X C	\$	6,429,778.00	(D)

TOTAL IN BOX A	\$	1,257,069.00
LESS TOTAL IN BOX D	\$	6,429,778.00
NET	\$	(5,172,709.00)
From above:		
A is greater than D, cash exceeds 3 X average monthly operating expenses.		
D is greater than A, cash does not exceed 3 X average monthly operating expenses.		

SCHEDULE OF AUDITED ENROLLMENTS

**NEWARK PUBLIC SCHOOLS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 14, 2016**

	2017-18 Application for State School Aid						Sample for Verification						Private Schools for Disabled			
	Reported on A.S.S.A. 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 Veri- fication	Sample Verified	Sample Errors
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared				
Full Day Preschool - 3 yrs	744		747		(3)		5		5							
Full Day Preschool - 4yrs	1,155		1,157		(2)		15		15							
Half Day Kindergarten																
Full Day Kindergarten	2,332		2,335		(3)		48		48							
One	2,549		2,550		(1)		35		35							
Two	2,569		2,569				16		16							
Three	2,460		2,463		(3)		34		34							
Four	2,443		2,443				22		22							
Five	2,270		2,273		(3)		27		27							
Six	1,999		2,002		(3)		1		1							
Seven	2,150		2,153		(3)		35		35							
Eight	2,084		2,085		(1)		3		3							
Nine	1,860	1	1,872	1	(12)		9		9							
Ten	1,951		1,963		(12)		3		3							
Eleven	1,945		1,967		(22)		60		61		(1)					
Twelve	1,835		1,849		(14)		43		44		(1)					
Post-Graduate Adult H.S. (15+CR.)																
Adult H.S. (1-14 CR.)																
Subtotal	30,346	1	30,428	1	(82)	-	356	-	358	-	(2)	-	-	-	-	-
Special Ed - Elementary	2,321		2,319		2		2		2				37	21	18	3
Special Ed - Middle School	1,459		1,459				7		7				49	26	21	5
Special Ed - High School	1,595	6	1,617	6	(22)		18		18				215	98	79	19
Unallocated																
Subtotal	5,375	6	5,395	6	(20)	-	27	-	27	-	-	-	301	145	118	27
Co. Voc. - Regular																
Co. Voc. Ft. Post Sec.																
Totals	35,721	7	35,823	7	(102)	-	383	-	385	-	(2)	-	301	145	118	27
Percentage Error					-0.28%	0.00%					0.00%	0.00%				18.62%

NEWARK PUBLIC SCHOOLS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 14, 2016

SCHEDULE OF AUDITED ENROLLMENTS

	Resident Low Income			Sample for Verification			Resident LEP Low Income			Sample for Verification		
	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 Day Preschool - 3 yrs		35	(35)									
Full Day Preschool - 4yrs		49	(49)									
Half Day Kindergarten												
Full Day Kindergarten	2,015	2,016	(1)	20	20		440	416	24	14	14	
One	2,280	2,281	(1)	20	20		483	465	18	27	27	
Two	2,314	2,314		20	20		433	422	11	23	23	
Three	2,184	2,185	(1)	21	21		342	335	7	31	31	
Four	2,097	2,097		20	20		196	189	7	18	18	
Five	2,015	2,015		20	20		195	186	9	5	5	
Six	1,717	1,719	(2)	20	20		169	157	12	12	12	
Seven	1,851	1,854	(3)	20	20		200	192	8	19	19	
Eight	1,754	1,755	(1)	21	21		231	218	13	9	9	
Nine	1,367	1,371	(4)	21	21		202	197	5	19	19	
Ten	1,415	1,421	(6)	20	20		195	192	3	9	9	
Eleven	1,322	1,334	(12)	26	26		163	162	1	35	35	
Twelve	1,181	1,185	(4)	27	27		141	140	1	33	33	
Post-Graduate												
Adult H.S. (15+CR.)												
Adult H.S. (1-14 CR.)												
Subtotal	23,512	23,631	(119)	276	276	-	3,390	3,271	119	254	254	-
Special Ed - Elementary	2,078	2,076	2	16	16		145	130	15	8	8	
Special Ed - Middle	1,273	1,274	(1)	14	14		32	21	11	1	1	
Special Ed - High	1,193	1,212	(19)	16	16		28	22	6	3	3	
Subtotal	4,544	4,562	(18)	46	46	-	205	173	32	12	12	-
Co. Voc. - Regular												
Co. Voc. Ft. Post Sec.												
Totals	28,056	28,193	(137)	322	322	-	3,595	3,444	151	266	266	-
Percentage Error			-0.49%			0.00%			4.20%			0.00%

Transportation

	Reported on DRTRS by DOE/county	Reported on DRTRS by District	Errors	Tested	Verified	Errors	Reported	Recalculated
	Regular - Public	6,501	6,501		129	80	49	3.4
Regular - Spec. Ed	3,376	3,376		91	47	44	3.4	3.4
Transported - Non-Public	2,895	2,895		65	65		7.8	7.8
Transported - Aid-In-Leu	711	711		16	15	1		
Spec. Ed - Special needs	756	756		17	5	12		
Totals	14,239	14,239	-	318	212	106		
Percentage Error			0.00%			33.33%		

Reg Avg.(Mileage) = Regular Including Grade PK students
Reg Avg.(Mileage) = Regular Excluding Grade PK students
Spec Avg. = Special Ed with Special Needs

NEWARK PUBLIC SCHOOLS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 14, 2016

SCHEDULE OF AUDITED ENROLLMENTS

	<u>Resident LEP NOT Low Income</u>			<u>Sample for Verification</u>		
	<u>Reported on A.S.S.A. as NOT Low Income</u>	<u>Reported on Workpapers as NOT Low Income</u>	<u>Errors</u>	<u>Sample Selected from Workpapers</u>	<u>Verified to Application and Register</u>	<u>Sample Errors</u>
Full Day Preschool - 3 yrs						
Full Day Preschool - 4yrs						
Half Day Kindergarten						
Full Day Kindergarten	40	37	3			
One	46	39	7			
Two	39	30	9	1	1	
Three	25	24	1	1	1	
Four	33	29	4	4	4	
Five	30	28	2	1	1	
Six	21	20	1	2	2	
Seven	20	19	1	4	4	
Eight	38	35	3	5	5	
Nine	49	50	(1)	6	6	
Ten	53	52	1	4	4	
Eleven	53	54	(1)			
Twelve	52	51	1	6	6	
Post-Graduate						
Adult H.S. (15+CR.)						
Adult H.S. (1-14 CR.)						
Subtotal	<u>499</u>	<u>468</u>	<u>31</u>	<u>34</u>	<u>34</u>	<u>-</u>
Special Ed - Elementary	8	4	4	1	1	
Special Ed - Middle	1	1				
Special Ed - High	7	6	1	2	2	
Subtotal	<u>16</u>	<u>11</u>	<u>5</u>	<u>3</u>	<u>3</u>	<u>-</u>
Co. Voc. - Regular						
Co. Voc. Ft. Post Sec.						
Totals	<u>515</u>	<u>479</u>	<u>36</u>	<u>37</u>	<u>37</u>	<u>-</u>
Percentage Error			<u>6.99%</u>			<u>0.00%</u>

NEWARK PUBLIC SCHOOLS
EXCESS SURPLUS CALCULATION
JUNE 30, 2017

SECTION 1

A. 2% Calculation of Excess Surplus

2016-17 Total General Fund Expenditures Reported on Exhibit C-1	\$ 947,596,643 (A)
Increased by Applicable Transfers:	
Transfer from Capital Outlay to Capital Projects Fund	\$ - (A1a)
Transfer from Capital Reserve to Capital Projects Fund	\$ - (A1a)
Transfer from General Fund to SRF for Pre-K Regular	\$ - (A1a)
Transfer from General Fund to SRF for Pre-K Inclusion	\$ - (A1a)
Less: Expenditures Allocated to Restricted Federal Sources as Reported On Exhibit D-2	<u>16,966,785 (A1b)</u>
2016-17 Adjusted General Fund and Other State Expenditures	\$ 930,629,858 (A2)
[(A)+(A1a)-(A1b)]	
Decreased by:	
On-Behalf TPAF Pension and Social Security	<u>78,636,032 (A3)</u>
Assets Acquired Under Capital Leases:	
General Fund 10 Assets Acquired Under Capital Leases reported on Exhibit C-1a	<u>- (A4)</u>
 Add: General Fund & State Resources Portion of Fund 15 Assets Acquired Under Capital Leases:	
Assets Acquired Under Capital Leases in Fund 15 reported on Exhibit C-1a	<u>- (A5)</u>
 Combined General Fund Contribution & State Resources Percent of Fund 15 Resources Reported on Exhibit D-2	<u>94.97% (A6)</u>
 General Fund & State Resources Portion of Fund 15 Assets Acquired Under Capital Leases [(A5)*(A6)]	<u>- (A7)</u>
 Total Assets Acquired Under Capital Leases [(A4)+(A7)]	<u>- (A8)</u>
 2016-17 General Fund Expenditures [(A2)-(A3)-(A8)]	<u>851,993,826 (A9)</u>
 2 percent of Adjusted 2016-17 General Fund Expenditures [(A9) times .02]	<u>17,039,877 (A10)</u>
 Enter Greater of (A10) or \$250,000	<u>17,039,877 (A11)</u>
 Increased By: Allowable Adjustment*	<u>524,928 (K)</u>
 Maximum Unassigned Fund Balance [(A11)+(K)]	<u>\$ 17,564,805 (M)</u>

SECTION 2

Total General Fund - Fund Balances at June 30, 2017	\$ 65,565,434 (C)
Decreased By:	
Assigned - Year-end Encumbrances	\$ 14,979,664 (C1)
Legally Restricted - Designated for Subsequent Year's Expenditures	\$ 147,472 (C2)
Excess Surplus - Designated for Subsequent Year's Expenditures**	\$ - (C3)
Other Restricted/Reserved Fund Balances****	\$ 9,698 (C4)
Assigned - Designated for Subsequent Year's Expenditures	\$ 20,244,198 (C5)
Additional Assigned Fund Balance- Unassigned designated for Subsequent year's expenditures. July 1, 2017 - August 1, 2017	\$ - (C6)
 Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)-(C6)]	<u>\$ 30,184,402 (U)</u>

SECTION 3

Restricted Fund balance - Excess Surplus***[(U)-(M)] IF NEGATIVE ENTER-0	\$ 12,619,597 (E)
Summary:	
Restricted Excess Surplus - Designated for Subsequent Year's Expenditures**	- (C3)
Restricted Excess Surplus ***	<u>12,619,597 (E)</u>
 Total [(C3) + (E)]	<u>12,619,597 (D)</u>

NEWARK PUBLIC SCHOOLS
EXCESS SURPLUS CALCULATION
JUNE 30, 2017

Detail of Allowable Adjustments

Impact Aid	\$ - (H)
Sale & Lease-back	\$ - (I)
Extraordinary Aid	\$ 401,214 (J1)
Additional Nonpublic School Transportation Aid	\$ 123,714 (J2)
Current Year School Bus Advertising Revenue Recognized	\$ - (J3)
Family Crisis Transportation Aid	\$ - (J4)
Total Adjustments [(H)+(I)+(J1)+(J2)+(J3)+(J4)]	<u>\$ 524,928 (K)</u>

** The amount represents the June 30, 2016 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet 90031.

*** The amount represents the June 30, 2017 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet 90032.

**** Amount for Other Restricted/Reserved Fund Balance must be detailed for each source and request for approval to use amounts other than state imposed legal restrictions in the excess surplus calculation must be submitted to the Assistant to the Commissioner for Finance prior to September 30.

(N-1) Capital reserve at June 30, 2017

(N-2) Maintenance reserve minimum required under EFCFA

(N-3) Tuition reserve at June 30, 2017

(N-4) Emergency reserve at June 30, 2017

(N-5) School bus fuel offset reserve - current year - June 30, 2017

(N-6) School bus fuel offset reserve - prior year - June 30, 2017

(N-7) Impact Aid general fund reserve at June 30, 2017

(N-8) Impact Aid capital fund reserve at June 30, 2017

Detail of Other Restricted/Reserved Fund Balance

Statutory restrictions:

Approved unspent separate proposal	\$ -
Sale/lease-back reserve	\$ -
Capital reserve (N-1)	\$ 9,698
Maintenance reserve (N-2)	\$ -
Tuition reserve (N-3)	\$ -
Emergency reserve (N-4)	\$ -
School Bus Advertising 50% Fuel Offset Reserve - current year (N-5)	\$ -
School Bus Advertising 50% Fuel Offset Reserve - prior year (N-6)	\$ -
Impact Aid General Fund Reserve (Sections 8002 and 8003) (N-7)	\$ -
Impact Aid Capital Fund Reserve (Sections 8007 and 8008) (N-8)	\$ -
Other Restricted/Reserved Fund Balance not noted above****	\$ -
Total Other Restricted/Reserved Fund Balance	<u>\$ 9,698 (C4)</u>

**Newark Public Schools
Audit Recommendations Summary**

We suggest the following:

Administrative Practices and Procedures

None

Financial Planning, Accounting and Reporting

2017-001 - The District strengthen its internal controls relating to the timely removal of employees from its health insurance coverage and timely submissions of employees' changes in coverage elections to the health insurance company to ensure the District is charged accurately for health benefits at the time of the employee's separation from the District or change in election of coverage.

2017-002 - The District strengthen internal controls and procedures to ensure that all purchase orders issued to vendors for goods or services be approved prior to the vendor providing those goods or services.

2017-003 - The District follow the requirements of N.J.A.C. 6A:23A-5.2 that requires school districts to establish policies setting forth strategies to minimize the costs of legal services that exceed 130 percent of the statewide average.

2017-004 - The District strengthen its internal controls and procedures over the retirement sick payment process to ensure that grants are only charged for the time earned while working under the program.

2017-005 - The District strengthen its internal controls over the payroll process to ensure the appropriate employees are charged to the grant and that journal entries for payroll are properly supported, posted and approved.

2017-006 - The District strengthen its internal controls relating to the approval of travel reimbursement requests and verifying appropriate documentation is provided prior to payment.

School Purchasing Programs

None

School Food Service

None

Student Body Activities

None

**Newark Public Schools
Audit Recommendations Summary**

Application for State School Aid

2017-007 - The District strengthen its internal controls to ensure that the students listed on the ASSA and DRTRS reports are properly supported and reported.

Pupil Transportation

None

Facilities and Capital Assets

2017-008 - The Facilities and Construction Department ensure the budgeted expenditures recorded in the system are in agreement with the SDA approved amounts on a project-by-project basis.

Miscellaneous

None

Status of Prior Year Findings

All prior year findings were corrected, except the findings 2017-001, 2017-002, 2017-003, 2017-006, 2017-007 and 2017-008.