



NEWARK PUBLIC SCHOOLS
COUNTY OF ESSEX, NEW JERSEY

AUDITORS' MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE

JUNE 30, 2018

**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, 2018, and have issued our report thereon dated February 25, 2019.

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

February 25, 2019
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)

Name	Position	Amount
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 Finance Committee of the Board.

**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).

The following was noted related to health benefits:

Finding 2018-002

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 2018 health benefits extract, we noted the District incurred costs for thirty-one former employees that were no longer eligible for or current employees who waived District health coverage, sixty-two former employees that were no longer eligible for or current employees who waived District vision and dental coverage and six current employees whose coverage type billed does not match their elections. Upon further review, we identified that five of the six employees elected lower cost coverage types than the types the District had been billed and paid for and 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 twenty employees that were not included on the bill, however were eligible and had elected 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. The District has already begun the process of notifying the insurance company and attempting to obtain credits where possible.

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:

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

Finding 2018-003

Finding:

During our review of accounts payable and open purchase orders, we noted several instances, identified throughout various testing, where the District did not issue a purchase order prior to goods being received or services being rendered (confirming order). We identified two instances where the District obtained quotes subsequent to the first purchase in a series of purchases since the first purchase was a confirming order. We also identified one instance where the District did not obtain quotes for a purchase in excess of the thresholds established by *N.J.S.A. 18A:18A-2* since the purchase was a 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. We also identified two instances where purchase orders were entered and approved without a designated vendor.

Recommendation:

We suggest the District strengthen internal controls and procedures to ensure that all purchase orders are 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 item:

Finding 2018-004

Finding:

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

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

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.

Elementary and Secondary Education Act (E.S.E.A.) as amended by the Every Student Succeeds Act (ESSA)

The E.S.E.A. 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 E.S.E.A.

The study of compliance for E.S.E.A. 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. We noted the following during our testing:

Finding 2018-001

Finding:

The District's Special Education Department is responsible for preparing and submitting the extraordinary aid application that is sent to the New Jersey Department of Education for partial reimbursement of expenditures incurred for individual classified students that require at least one intensive service attending a school district or charter school. In addition, the amount submitted for reimbursement in the application is required to be net of any off-setting grants/revenue (e.g. SEMI

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

Medicare Aid) which are specifically attributable to and received in direct relationship to a specific student listed in the application. During our testing of the Extraordinary Aid Program, we noted that the District submitted costs for students that the District also received funding for several students through the Special Education Medicaid Initiative (SEMI) program and were not deducted from the cost for a student for extraordinary aid purposes in the application. In addition, we identified the District submitted costs for two students in excess of the students' tuition and extraordinary services permitted amounts.

Recommendation:

We suggest that the District improve the current process in place to review the extraordinary aid application for accuracy prior to submission and ensure all offsetting grant amounts are properly deducted.

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

The bid thresholds in accordance with *N.J.S.A. 18A:18A-2* and *18A:18A-3(a)* are \$40,000 with a 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 \$19,000 for 2017-18.

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.

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

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*.

Our testing identified the following:

Finding 2018-005

Finding:

During our testing of Local Public Contracts Law compliance, we identified two instances where the District made purchases under expired contracts. Per *N.J.S.A. 18A:18A-42* contracts may include provisions for no more than one two-year or two one-year extensions and the contract shall be awarded by resolution of the board of education upon a finding by the board of education that the services are being performed in an effective and efficient manner. The District extended the contracts by a letter to the vendor for an additional 60 days or until a new contract was in place. Purchases were made in excess of one year from the date of the letter.

Recommendation:

We suggest the District follow the requirements of *N.J.S.A. 18A:18A-42* for the renewal of all contracts.

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. All vendor discounts, rebates, and credits were tracked and credited to the Food Service Account and reconciled to supporting documentation at least annually.

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

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.

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 13, 2017 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.

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

Finding 2018-006

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 full-time on-roll was under-reported by 16 students.
 - The total number of students reported on the ASSA as shared-time on-roll was over-reported by 14 students.
 - The total number of students reported on the ASSA as receiving low income services was under-reported by 1 student.
 - The total number of students reported on the ASSA as receiving bilingual services was under-reported by 1 student.
- 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 26 students:
 - The District was unable to provide Individualized Educational Plans (IEP) for 11 students.
 - The District provided IEPs for 6 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 10 students. Upon further review, it was noted that these 10 children were misclassified as private school students on the ASSA.
- 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:
 - 23 students were reported on the ASSA as on-roll but were not included in the District Attendance.
 - The District was unable to provide IEPs for 4 students.
 - The attending school listed on the District provided IEP and attendance record for one student did not agree to the school as reported on the ASSA.

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:
 - 1 Regular Public school student was not included in the District Attendance records and 1 Regular Public Special Education student was documented as not enrolled on the attendance records that were reported on the DRTRS.
 - 7 charter school students were misclassified as regular public. It is noted that the charter school attended was improperly coded as a regular public school in the DRTRS system.

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

- The District was unable to provide support for 2 Non-Public students, the students were classified at the wrong school and/or grade on the DRTRS.
- The District was unable to provide an IEP 1 Private School student.
- The District was unable to provide a tuition contract or the October billing statement for 3 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 2017-18 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 bid specifications for the purchase of buses were in compliance with applicable statutes.

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:

Finding 2018-007

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.

Testing for Lead of All Drinking Water in Educational Facilities

The school district adhered to all 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.

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

The school district submitted the annual Statement of Assurance to the Department of Education, pursuant to *N.J.A.C. 6A:26-12.4(g)*.

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.

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 the District continues to implement new oversight procedures related to student activity funds.

Transportation

The Transportation Department of the District did not advertise for bids for non-public transportation, nor did they request their contracted Coordinated Transportation Services Agency to bid the routes. A recommendation is not included in this report, as the Transportation Department properly advertised for bids for non-public transportation for the 2019 fiscal year and in the past no entity bids on the necessary routes.

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 and DRTRS.
- The Facilities and Construction Department is not properly tracking expenditures that are reimbursable by the NJSDA.

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

During the 2018 fiscal year, the Office of Fiscal Accountability and Compliance (OFAC) completed a review of Student Activity Funds and a review of the Fiscal Year 2015 Extraordinary Aid. 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, 2018

PROGRAM	MEAL CATEGORY	MEALS CLAIMED	MEALS TESTED	MEALS VERIFIED	DIFFERENCE	RATE	(OVER) UNDER CLAIM
National School Lunch (Regular Rate)	Paid	791,912	791,912	791,912	-	\$ 0.33	
National School Lunch (Regular Rate)	Reduced	183,041	183,041	183,041	-	2.85	
National School Lunch (Regular Rate)	Free	2,893,448	2,893,448	2,893,448	-	3.25	
	TOTAL	<u>3,868,401</u>	<u>3,868,401</u>	<u>3,868,401</u>			<u>-</u>
National School Lunch (Severe Needs)	Seamless Summer Option	76,965	76,965	76,965	-	3.833	<u>-</u>
School Breakfast (Regular Rate)	Paid	5,965	5,965	5,965	-	0.300	
	Reduced	2,667	2,667	2,667	-	1.450	
	Free	22,628	22,628	22,628	-	1.750	
	TOTAL	<u>31,260</u>	<u>31,260</u>	<u>31,260</u>			<u>-</u>
School Breakfast (Severe Needs)	Paid	758,377	758,377	758,377	-	0.300	
	Reduced	194,678	194,678	194,678	-	1.790	
	Free	2,958,074	2,958,074	2,958,074	-	2.090	
	TOTAL	<u>3,911,129</u>	<u>3,911,129</u>	<u>3,911,129</u>			<u>-</u>
School Breakfast (Severe Needs)	Seamless Summer Option	61,174	61,174	61,174	-	2.188	<u>-</u>
After School Snacks	Free (Area Eligible)	168,891	168,891	168,891	-	0.880	<u>-</u>
Total Net (Over) Under Claim							<u><u>-</u></u>

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, 2018

PROGRAM	MEAL CATEGORY	MEALS CLAIMED	MEALS TESTED	MEALS VERIFIED	DIFFERENCE	RATE	(OVER) UNDER CLAIM
State Reimbursement - National School Lunch (Regular Rate)	Paid	791,912	791,912	791,912	-	\$ 0.050	
State Reimbursement - National School Lunch (Regular Rate)	Reduced	183,041	183,041	183,041	-	0.055	
State Reimbursement - National School Lunch (Regular Rate)	Free	2,893,448	2,893,448	2,893,448	-	0.055	
	TOTAL	3,868,401	3,868,401	3,868,401	-		-
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, 2018

<u>Net Cash Resources:</u>		Food Service B - 4/5	
CAFR	Current Assets		
B-4	Cash & Cash Equiv.	\$	968,581
B-4	Due from Other Gov'ts		1,271,909
B-4	Accounts Receivable		39,898
	Interfund Receivable		732,219
CAFR	Current Liabilities		
B-4	Less Accounts Payable		1,606,046
B-4	Less Accrued Liabilities		50,968
B-4	Less Interfund Payable		
B-4	Less Unearned Revenue		
	Net Cash Resources	\$	<u>1,355,593</u> (A)

Net Adj. Total Operating Expense:

B-5	Tot. Operating Exp.		21,173,024
B-5	Less Depreciation		<u>(217,812)</u>
	Adj. Tot. Oper. Exp.	\$	<u>20,955,212</u> (B)

Average Monthly Operating Expense:

B / 10		\$	<u>2,095,521.20</u>	(C)
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Three times monthly Average:

3 X C		\$	<u>6,286,563.70</u>	(D)
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TOTAL IN BOX A	\$	<u>1,355,593.00</u>
LESS TOTAL IN BOX D	\$	<u>6,286,563.70</u>
NET	\$	<u>(4,930,970.70)</u>
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 13, 2017**

	2018-19 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	708		708					31		32		(1)				
Full Day Preschool - 4yrs	1,118		1,119		(1)			15		15						
Half Day Kindergarten																
Full Day Kindergarten	2,345		2,346		(1)			36		36						
One	2,443		2,445		(2)			43		43						
Two	2,467		2,467					88		86		2				
Three	2,454		2,455		(1)			52		52						
Four	2,419		2,419					48		48						
Five	2,378		2,379		(1)			84		84						
Six	2,259		2,260		(1)			92		91		1				
Seven	2,016		2,016					53		53						
Eight	2,267		2,268		(1)			97		98		(1)				
Nine	1,852		1,853		(1)			1		16		(15)				
Ten	2,005		2,007		(2)			111		111						
Eleven	2,036		2,036					479		430		49				
Twelve	1,965		1,965					119		118		1				
Post-Graduate																
Adult H.S. (15+CR.)	84		84					84		83		1				
Adult H.S. (1-14 CR.)		14	14		(14)	14				14		(14)				
Subtotal	30,816	14	30,841	-	(25)	14	1,433	-	1,410	-	23	-	-	-	-	-
Special Ed - Elementary	2,436		2,431		5								32	14	9	5
Special Ed - Middle School	1,490		1,484		6								35	16	13	3
Special Ed - High School	1,575		1,577		(2)								175	87	71	16
Unallocated																
Subtotal	5,501	-	5,492	-	9	-	-	-	-	-	-	-	242	117	93	24
Co. Voc. - Regular																
Co. Voc. Ft. Post Sec.																
Totals	36,317	14	36,333	-	(16)	14	1,433	-	1,410	-	23	-	242	117	93	24
Percentage Error					-0.04%	100.00%					1.61%	0.00%				20.51%

**NEWARK PUBLIC SCHOOLS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 13, 2017**

SCHEDULE OF AUDITED ENROLLMENTS

	<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 Day Preschool - 3 yrs	500	500		10	10							
Full Day Preschool - 4yrs	944	944		8	8				1	(1)		
Half Day Kindergarten												
Full Day Kindergarten	1,829	1,830	(1)	22	21	1	448	448		3	3	
One	2,169	2,170	(1)	17	17		479	479		51	51	
Two	2,228	2,228		22	22		471	471		15	15	
Three	2,176	2,176		25	25		386	386				
Four	2,158	2,158		18	18		310	310		16	16	
Five	2,084	2,084		18	18		216	216				
Six	1,997	1,998	(1)	24	24		231	231				
Seven	1,771	1,771		10	10		194	194		6	6	
Eight	1,968	1,968		19	19		241	241		10	10	
Nine	1,436	1,436		13	13		202	202		129	129	
Ten	1,495	1,496	(1)	7	7		236	236		12	12	
Eleven	1,463	1,463		17	17		172	172				
Twelve	1,419	1,419		24	24		192	192				
Post-Graduate		3	(3)									
Adult H.S. (15+CR.)												
Adult H.S. (1-14 CR.)												
Subtotal	25,637	25,644	(7)	254	253	1	3,778	3,779	(1)	242	242	-
Special Ed - Elementary	2,214	2,209	5	30	30		176	176		7	7	
Special Ed - Middle	1,345	1,342	3	19	19		33	33		2	2	
Special Ed - High	1,331	1,333	(2)	19	19		25	25		4	4	
Subtotal	4,890	4,884	6	68	68	-	234	234	0	13	13	-
Co. Voc. - Regular												
Co. Voc. Ft. Post Sec.												
Totals	30,527	30,528	(1)	322	321	1	4,012	4,013	(1)	255	255	-
Percentage Error			0.00%			0.31%			-0.02%			0.00%

<u>Transportation</u>							
Reported on DRTRS by DOE/county	Reported on DRTRS by District	Errors	Tested	Verified	Errors	Reported	Recalculated
Regular - Public	6,222	6,222	142	133	9	3.4	3.4
Regular - Spec. Ed	2,919	2,919	66	61	5	3.4	3.4
Transported - Non-Public	3,705	3,705	84	82	2	8.4	8.4
Transported - Aid-In-Leu	580	580	13	12	1		
Spec. Ed - Special needs	601	601	13	9	4		
Totals	14,027	14,027	318	297	21		
Percentage Error			0.00%		6.60%		

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 13, 2017

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	92	92				
One	45	45		3	3	
Two	45	45		2	2	
Three	33	33				
Four	26	26		1	1	
Five	31	31				
Six	29	29				
Seven	22	22		1	1	
Eight	28	28		3	3	
Nine	60	60		30	30	
Ten	58	58		6	6	
Eleven	51	51				
Twelve	43	43				
Post-Graduate						
Adult H.S. (15+CR.)						
Adult H.S. (1-14 CR.)						
Subtotal	<u>563</u>	<u>563</u>	<u>-</u>	<u>46</u>	<u>46</u>	<u>-</u>
Special Ed - Elementary	13	13		1	1	
Special Ed - Middle	3	3				
Special Ed - High	4	4		1	1	
Subtotal	<u>20</u>	<u>20</u>	<u>-</u>	<u>2</u>	<u>2</u>	<u>-</u>
Co. Voc. - Regular						
Co. Voc. Ft. Post Sec.						
Totals	<u>583</u>	<u>583</u>	<u>-</u>	<u>48</u>	<u>48</u>	<u>-</u>
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

NEWARK PUBLIC SCHOOLS
EXCESS SURPLUS CALCULATION

JUNE 30, 2018

SECTION 1

A. 2% Calculation of Excess Surplus

2017-18 Total General Fund Expenditures Reported on Exhibit C-1	<u>\$ 980,011,234</u> (A)
Increased by Applicable Transfers:	
Transfer from Capital Outlay to Capital Projects Fund	<u>\$ -</u> (A1a)
Transfer from Capital Reserve to Capital Projects Fund	<u>\$ -</u> (A1a)
Transfer from General Fund to SRF for Pre-K Regular	<u>\$ -</u> (A1a)
Transfer from General Fund to SRF for Pre-K Inclusion	<u>\$ -</u> (A1a)
Less: Expenditures Allocated to Restricted Federal Sources as Reported On Exhibit D-2	<u>14,111,281</u> (A1b)
2017-18 Adjusted General Fund and Other State Expenditures [(A)+(A1a)-(A1b)]	<u>\$ 965,899,953</u> (A2)
Decreased by:	
On-Behalf TPAF Pension and Social Security	<u>87,667,656</u> (A3)
Assets Acquired Under Capital Leases:	
General Fund 10 Assets Acquired Under Capital Leases reported on Exhibit C-1a	<u>-</u> (A4)
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>-</u> (A5)
Combined General Fund Contribution & State Resources Percent of Fund 15 Resources Reported on Exhibit D-2	<u>95.79%</u> (A6)
General Fund & State Resources Portion of Fund 15 Assets Acquired Under Capital Leases [(A5)*(A6)]	<u>-</u> (A7)
Total Assets Acquired Under Capital Leases [(A4)+(A7)]	<u>-</u> (A8)
2017-18 General Fund Expenditures [(A2)-(A3)-(A8)]	<u>878,232,297</u> (A9)
2 percent of Adjusted 2017-18 General Fund Expenditures [(A9) times .02]	<u>17,564,646</u> (A10)
Enter Greater of (A10) or \$250,000	<u>17,564,646</u> (A11)
Increased By: Allowable Adjustment*	<u>168,200</u> (K)
Maximum Unassigned Fund Balance [(A11)+(K)]	<u>\$ 17,732,846</u> (M)

SECTION 2

Total General Fund - Fund Balances at June 30, 2018	<u>\$ 90,398,424</u> (C)
Decreased By:	
Assigned - Year-end Encumbrances	<u>\$ 12,203,079</u> (C1)
Legally Restricted - Designated for Subsequent Year's Expenditures	<u>\$ -</u> (C2)
Excess Surplus - Designated for Subsequent Year's Expenditures**	<u>\$ 12,619,597</u> (C3)
Other Restricted/Reserved Fund Balances****	<u>\$ 2,509,941</u> (C4)
Assigned - Designated for Subsequent Year's Expenditures	<u>\$ 14,225,912</u> (C5)
Additional Assigned Fund Balance- Unassigned designated for Subsequent year's expenditures. July 1, 2018 - August 1, 2018	<u>\$ -</u> (C6)
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)-(C6)]	<u>\$ 48,839,895</u> (U)

NEWARK PUBLIC SCHOOLS
EXCESS SURPLUS CALCULATION
JUNE 30, 2018

SECTION 3

Restricted Fund balance - Excess Surplus***[(U)-(M)] IF NEGATIVE ENTER-0 \$ 31,107,049 (E)

Summary:

Restricted Excess Surplus - Designated for Subsequent Year's Expenditures** 12,619,597 (C3)
 Restricted Excess Surplus *** 31,107,049 (E)

Total [(C3) + (E)] 43,726,646 (D)

Detail of Allowable Adjustments

Impact Aid \$ - (H)
 Sale & Lease-back \$ - (I)
 Extraordinary Aid \$ - (J1)
 Additional Nonpublic School Transportation Aid \$ 168,200 (J2)
 Current Year School Bus Advertising Revenue Recognized \$ - (J3)
 Family Crisis Transportation Aid \$ - (J4)
 Total Adjustments [(H)+(I)+(J1)+(J2)+(J3)+(J4)] \$ 168,200 (K)

** The amount represents the June 30, 2017 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet 90031.

*** The amount represents the June 30, 2018 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, 2018
- (N-2) Maintenance reserve minimum required under EFCFA
- (N-3) Tuition reserve at June 30, 2018
- (N-4) Emergency reserve at June 30, 2018
- (N-5) School bus fuel offset reserve - current year - June 30, 2018
- (N-6) School bus fuel offset reserve - prior year - June 30, 2018
- (N-7) Impact Aid general fund reserve at June 30, 2018
- (N-8) Impact Aid capital fund reserve at June 30, 2018

Detail of Other Restricted/Reserved Fund Balance

Statutory restrictions:

Approved unspent separate proposal \$ -
 Sale/lease-back reserve \$ -
 Capital reserve (N-1) \$ 2,509,941
 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 \$ 2,509,941 (C4)

Newark Public Schools
Audit Recommendations Summary

We suggest the following:

Administrative Practices and Procedures

None

Financial Planning, Accounting and Reporting

2018-001 - The District improve the current process in place to review the extraordinary aid application for accuracy prior to submission and ensure all offsetting grant are deducted from the calculation.

2018-002 - 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.

2018-003 - The District strengthen internal controls and procedures to ensure that all purchase orders that are issued to vendors for goods or services be approved prior to the vendor providing those goods or services.

2018-004 - 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.

School Purchasing Programs

2018-005 - The District follow the requirements of N.J.S.A. 18A:18A-42 for the renewal of all contracts.

School Food Service

None

Student Body Activities

None

Application for State School Aid

2018-006 - The District strengthen its internal controls to ensure that the students listed on the ASSA and DRTRS reports are properly supported and reported.

**Newark Public Schools
Audit Recommendations Summary**

Pupil Transportation

None

Facilities and Capital Assets

2018-007 - 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

None

Status of Prior Year Findings

All prior year findings were corrected, except the findings 2018-002, 2018-003, 2018-004, 2018-006 and 2018-007.