

**PERTH AMBOY PUBLIC SCHOOL DISTRICT
AUDITORS' MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE
JUNE 30, 2018**

**PERTH AMBOY PUBLIC SCHOOL DISTRICT
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- FINANCIAL, COMPLIANCE AND PERFORMANCE**

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AUDITOR'S MANAGEMENT REPORT

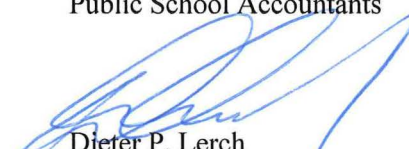
Honorable President and Members
of the Board of Education
Perth Amboy Public School District
Perth Amboy, New Jersey

We have audited in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States, the basic financial statements of the Perth Amboy Public School District, State of New Jersey as of and for the fiscal year ended June 30, 2018, and have issued our report thereon dated February 26, 2019.

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

This report is intended for the information of management, the Board of Education, others within the District and the New Jersey State Department of Education. However, this report is a matter of public record and its distribution is not limited.


LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Public School Accountants


Dieter P. Lerch
Public School Accountant
PSA Number CS00932

Fair Lawn, New Jersey
February 26, 2019

**PERTH AMBOY PUBLIC SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator and Treasurer of School Monies, 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

Finding – Our audit indicated that the District’s filing system for purchase orders and vendor invoices is inconsistent and inadequate.

Recommendation – Purchase orders and related vendor invoices be filed in sequential order by check number.

Finding – The District did not set a maximum travel expenditure amount as required by Board policy. (CAFR Finding 2018-008)

Recommendation – A maximum travel expenditure amount be approved by Board resolution on an annual basis.

Finding – The District maintain substantial cash balances on deposit in numerous financial institutions. As of June 30, 2018 approximately \$95 million was earning interest at a rate of .40%

Recommendation – A formal investment policy be implemented to maximize interest income earned on deposits.

Insurance

Fire insurance coverage was carried in the amounts as detailed on Exhibit J-20, Schedule of Insurance contained in the district's Comprehensive Annual Financial Report (“CAFR”).

Official Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Derek J. Jess	Board Secretary/ School Business Administrator	\$150,000
Michael Adamschick	Treasurer of School Monies	\$1,000,000

There is an Employee Dishonesty Faithful Performance Crime Coverage policy with N.J. Schools Insurance Group covering all other employees with multiple coverage of \$500,000 per employee.

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid during the period under review was made with respect to signatures, certification or supporting documentation.

Finding – Our audit revealed numerous instances where documentation to support District expenditures were not able to be located and made available for audit. (CAFR Finding 2018-001)

Recommendation – In all instances, vouchers/invoices supporting District expenditures be retained and be made available for audit.

**PERTH AMBOY PUBLIC SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Financial Planning, Accounting and Reporting (Continued)

Payroll Account

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.

Salary withholdings were promptly remitted to the proper agencies for the payroll periods tested, including health benefit withholdings due to the General Fund.

The School Business Administrator completed and filed the required certification of compliance with federal and state law respecting the reporting of compensation for certain employees.

Finding – Our audit indicated that the District did not complete the verification of payroll check distribution, as required by N.J.A.C. 6A:23A-22.8.

Recommendation – The District complete a verification of payroll check distribution, as required by N.J.A.C. 6A:23A-22.8.

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made as of June 30 for goods not yet received or services not yet rendered and it was determined that no blanket purchase orders were included in the balance of the reserves for encumbrances. Also, unpaid purchase orders included in the balance of accounts payable were reviewed for propriety and to determine that goods were received and services were rendered as of June 30.

Finding – Our audit of the outstanding purchase order report revealed numerous balances which were either invalid or were misclassified as a reserved for encumbrance rather than accounts payable. (CAFR Finding 2018-002)

Recommendation – The outstanding purchase order report be periodically reviewed for proper classification of balances and validity of obligations. Furthermore reclassifications and/or cancellations be made accordingly.

Travel

The District had an approved board travel policy as required by N.J.A.C. 6A:23A-6.13 and N.J.S.A. 18A:11-12.

Finding - Our audit revealed expenditures for employee travel reimbursements were not always supported by the required post travel report, reflecting the purpose and relevance of the employee travel. (CAFR Finding 2018-008)

Recommendation – Reimbursements for employee travel expenses be supported by a post travel purpose and relevance report.

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 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 included administrative coding classifications to determine overall reliability and compliance with N.J.A.C. 6A:23-8.3. As a result of the procedures performed, no additional procedures were deemed necessary to test the propriety of expenditure classification.

Finding – Our audit indicated that expenditures for employee health benefits, along with the related employee contributions, were not charged to the proper funds in accordance with the respective employee budgetary salary charges.

Recommendation – Expenditures for employee health benefits be charged to the proper fund in accordance with the respective employees' budgetary salary charges.

**PERTH AMBOY PUBLIC SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Financial Planning, Accounting and Reporting (Continued)

Board Secretary's Records

The financial records, books of account and minutes maintained by the Board Secretary were in satisfactory condition.

Acknowledgment of the Board's receipt of the Board Secretary's monthly financial reports were included in the minutes.

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

Finding – Our audit revealed that numerous manual journal entries were made to the general ledger cash accounts throughout the year to adjust the Board Secretary's cash balances to agree to the Treasurer of School Monies report. **(CAFR Finding 2018-003)**

Recommendation – The monthly report of the Board Secretary be properly adjusted and reconciled with the report of the Treasurer of School Monies. Furthermore, the practice of entering manual journal entries to the general ledger cash account be discontinued.

Finding – Our audit revealed that a bank account exists with a cash balance of \$315,362, which is reported in the District's payroll agency fund, for which the District was unable to determine the source or purpose of the funds.

Recommendation – The District's payroll trust fund bank account be reviewed to determine the source of funds and purpose of the account in order to ensure proper reporting on the District's accounting records.

Finding – Our audit revealed that the reconciliations of the food service and payroll bank accounts included numerous reconciling items which appear to be invalid.

Recommendation – Reconciling items on the food service and payroll salary bank account reconciliations be reviewed and appropriately cleared of record.

Finding – Our audit indicated that the District is maintaining a permanent fund on the financial records. The cash balance reported in the fund of \$171,165 could not be supported by bank account documentation. In addition, an investment balance of \$295,767 is reported, however, the source and purpose of the funds could not be documented.

Recommendation – Documentation to support the cash balance reported in the Permanent Fund be maintained and made available for audit. Furthermore, a determination on the purpose of the fund be made.

Finding – Our audit indicated numerous budgetary line items in both the General Fund and Blended Resource Fund which were overexpended. **(CAFR Findings 2018-004 and 2018-007)**

Recommendation – Expenditures be made only upon sufficient funds being made available in the respective budgetary line item accounts.

**PERTH AMBOY PUBLIC SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Financial Planning, Accounting and Reporting (Continued)

Treasurer's Records

The Treasurer did perform monthly reconciliations of the general operating, net payroll and payroll agency bank accounts.

Acknowledgement of the Board's receipt of the Treasurer's monthly financial reports was included in the minutes.

Unemployment Compensation Insurance Trust Fund

The Board 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 Funds.

Finding – Our audit indicated that quarterly payments of unemployment claims were not made on a timely basis. In addition, the District was unable to determine the liability due to the State of New Jersey at year end.

Recommendation – A special review of the District's unemployment claims expenditures and liabilities be conducted to determine the District's liability owed to the State of New Jersey.

Scholarship Trust Fund

Finding – Our audit indicated that expenditures for scholarship awards were not approved by the Board and included in the official minutes.

Recommendation – Scholarship awards be approved by the Board and be made part of the official District minutes.

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

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

The study of compliance for E.S.E.A. disclosed the following areas of noncompliance.

Finding– Our audit of employee salaries charged to the Title I and Title III grant programs indicated the following:
(CAFR Finding 2018-006)

- Salaries charged to the grant programs were not approved by the Board in the official minutes as federally funded employees.
- The semi-annual certifications for federally funded employee salaries did not reflect the funding percentage of the respective employee's salary to be allocated to the grant program.

Recommendation – Employee salaries charged to the Title I and Title III grant programs be approved by the Board in the official minutes. Furthermore, the allocation percentage of individual employee salaries be included in the required semi-annual certification.

**PERTH AMBOY PUBLIC SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Financial Planning, Accounting and Reporting (Continued)

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

Finding – Our audit indicated payments for subscription site licenses and a student summer scholars program were charged to the Title I salaries of teachers line item.

Recommendation – Expenditures funded by the Title I grant program be charged to the appropriate line item in accordance with grant budgetary compliance requirements.

Other Special Federal and/or State Projects

The District's Special Projects were approved as listed on Exhibits K-3 and 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.

Finding – Our audit indicated that amounts reported on the final grant expenditure reports for the Federal ESSA and IDEA grant programs and the State of New Jersey Nonpublic Project Completion Report were not in agreement with the District's financial records.

Recommendation – Final grant expenditure reports be in agreement with amounts reported on the District's financial records.

T.P.A.F. Reimbursements

Our audit procedures included a test of the semi-monthly reimbursement forms filed with the Department of Education for District employees who are members of the Teachers Pension and Annuity Fund.

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

The amount of expenditure charged to the current year's Final Report 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 certain exceptions were noted.

**PERTH AMBOY PUBLIC SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Financial Planning, Accounting and Reporting (Continued)

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

Finding – Our audit with respect to the TPAF/FICA reimbursement for federal salary expenditure revealed the following:

- The payment of the 2016-17 reimbursement was charged to the 2017-18 grant program and 2017-18 school based budgets.
- A portion of the payment for the 2017-18 reimbursement, which was made subsequent to year end, was charged to the 2016-17 grant program year.
- The expenditures for the 2016-17 and 2017-18 reimbursements were not charged in accordance with the respective grant program salary expenditures.
- The 2017-18 reimbursement did not include amounts due for salary expenditures charged to the Temporary Emergency Impact Aid grant program.

Recommendation – Expenditures for the TPAF/FICA reimbursement for Federal Salary Expenditures be charged to the appropriate grant program year and be allocated in accordance with grant program expenditures.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

The bid thresholds in accordance with N.J.S.A. 18A:18A-2 are \$40,000 (with a Qualified Purchasing Agent) and \$29,000 (without a Qualified Purchasing Agent), respectively. The law regulates bidding for public school student transportation contracts under NJSA 18A:39-3 is currently \$19,000.

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. 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. The Board has designated the School Business Administrator as the qualified purchasing agent and established the bid threshold at \$40,000.

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 Board attorney's opinion should be sought before a commitment is made.

Based on the results of our examination, we noted instances where individual payments, contracts or agreements were made for the performance of 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, as amended.

Resolutions were adopted authorizing the awarding of contracts and agreements for "Professional Services" per N.J.S.A. 18A:18A-5 and 19:44A in certain instances.

**PERTH AMBOY PUBLIC SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

School Purchasing Programs (Continued)

Contracts and Agreements Requiring Advertisement for Bids (Continued)

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. Our examination did reveal, however, that purchases were made through the use of state contracts.

Finding– Our audit of purchases and contract awards in excess of the bid threshold revealed the following as it relates to compliance with the Public School Contracts Law and State procurement guidelines: **(CAFR Findings 2018-005 and 2018-009)**

- Our audit indicated that payments were made to a vendor for substitute personnel services in the amount of \$2,924,077. The District was unable to provide evidence of the method of procurement for such services.
- Our audit indicated that contracts for architectural services were not approved in the official District minutes for each individual project. The District’s architect was approved as the architect of record, however, such approval was not advertised upon award.
- Our audit indicated that bids were awarded for HVAC maintenance, inspection and repairs – annual maintenance and for landscaping, snow removal and other services. However, certain auxiliary services were included on the vendor invoices which were not included in the scope of the respective bid specifications.
- Our audit indicated several vendors were paid based on the utilization of state contracts, cooperative purchasing agreements and extraordinary unspecifiable services which were not approved by the Board and included in the official minutes. Furthermore, the applicable state contract and cooperative purchasing agreements were not able to be provided in order to determine the validity of the contracts.
- Our audit indicated that bids were awarded for fire alarms, P.A. system, electrical services and repairs, construction services, painting services and fire code compliance based on time and material rates, however, payments were made based on vendor invoices with lump sum amounts.
- Our audit indicated payments made to a vendor for landscaping services exceeded the amount of the contract award. In addition, another vendor was overpaid resulting from the duplicate payment of an invoice.

Recommendation – It is recommended that:

- Internal control procedures over purchasing be reviewed and revised to ensure all contract awards and purchases which exceed the bid threshold are made in accordance with the requirements of the Public School Contracts Law.
- Documentation be maintained on file and made available for audit to support the District’s awards pursuant to state contract, cooperative purchasing agreements and extraordinary unspecifiable services.
- Invoices be detailed as to time and material utilized as awarded for fire alarms and PA system, electrical services, construction services, painting services and fire code compliance.
- The District seek reimbursement of overpayments made to vendors for construction services and landscaping contracts.

**PERTH AMBOY SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

School Food Service

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 financial transactions and statistical records of the school food service fund were maintained in good condition. The financial accounts, meal count records and eligibility applications were reviewed on a test-check basis.

Cash receipts and bank records were reviewed for timely deposit.

Expenditures were separately recorded as food, labor and other costs. Vendor invoices were reviewed and costs verified. Inventory records on food 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 with exceptions noted. 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.

The number of meals claimed for reimbursement was compared to sales and meal count records. As part of the claims review process the Edit Check Worksheet was completed. Reimbursement claims were submitted/certified in a timely manner.

Applications for free and reduced price meals were reviewed for completeness and accuracy. 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 was reviewed for uniform administration throughout the school system. The required verification procedures for free and reduced price applications were completed and available for review.

USDA Food Distribution Program commodities were received and a separate inventory was maintained on a first-in, first-out basis.

Exhibits reflecting Child Nutrition Program operations are included in the section entitled Enterprise Funds, Exhibits B-4 through B-6 of the CAFR.

Finding – Our audit indicated that transactions related to the Federal Fresh Fruit and Vegetables program were accounted for in the Special Revenue Fund.

Recommendation – Transactions for the Federal Fresh Fruit and Vegetables program be reported in the Food Service Enterprise Fund.

Finding – Our audit revealed deposits were not always made on a timely basis.

Recommendation – Deposits be made on a timely basis.

**PERTH AMBOY PUBLIC SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Student Body Activities

During our review of the student activity funds, the following matters were noted:

Finding – The District was unable to provide documentation for the Early Childhood Center, McGinnis School and PLA bank accounts.

Recommendation – Documentation for the Early Childhood Center, McGinnis School and PLA bank accounts be maintained and be made available for audit.

Finding- Our audit of the various student activity accounts of the District indicated the following:

- With respect to the Anthony V. Ceres Elementary School account:
 - Bank deposit slips were not able to be provided for audit.
 - Pre-numbered receipts were not utilized for monies collected.
- With respect to the James J. Flynn Elementary School account:
 - Pre-numbered receipts were not utilized for monies collected.
- With respect to the Edward J. Patten Elementary School account:
 - Bank deposit slips were not able to be provided for audit.
 - Pre-numbered receipts were not utilized for monies collected.
- With respect to the Herbert N. Richardson Elementary School account:
 - Bank account was not properly reconciled with internal transaction records.
 - Bank deposit slips were not able to be provided for audit.
 - Pre-numbered receipts were not utilized for monies collected.
- With respect to the Robert N. Wilentz Elementary School account:
 - Pre-numbered receipts were not utilized for monies collected.
 - Documentation to support certain disbursements selected for audit were not able to be provided for audit.
- With respect to the Samuel E. Shull Middle School account:
 - Documentation to support deposits made were not able to be provided for audit.
 - Pre-numbered receipts were not utilized for monies collected.
- With respect to the Adult School bank account:
 - Bank account reconciliations were not provided for audit.
 - Pre-numbered receipts were not utilized for monies collected.
 - Several disbursements included only one (1) check authorization signature.
- With respect to the 9th grade academy account:
 - A transaction ledger was not maintained and made available for audit
 -

Recommendation – Internal control procedures for the student activity accounts be reviewed and enhanced to ensure adequate documentation to support the receipt and disbursement of funds is maintained and that all bank accounts are properly reconciled internal records.

**PERTH AMBOY PUBLIC SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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, related services, bilingual students 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 with exceptions noted. The information that was included on the workpapers was verified with exceptions noted. 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 has adequate written procedures for the recording of student enrollment data.

Finding – Our audit indicated that the detailed workpapers provided by the District did not support student counts reported on the ASSA or the individual class registers. **(CAFR Finding 2018-010)**

Recommendation – It is recommended that internal controls over the filing of the District’s ASSA be reviewed and enhanced to ensure documentation to support student counts is retained and available for audit.

Pupil Transportation

Our audit procedures included a test of on roll status 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 without exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

Finding – Our audit of the DRTRS indicated the following:

- Fifteen (15) students were reported as special education with special transportation needs whose IEP did not indicate a special need for transportation.
- Thirty (30) students were noted who did not appear to be eligible for transportation.
- Thirteen (13) students could not be located on a class register or October tuition bill from the attending school.

Recommendation - It is recommended that internal controls over the filing of the District’s DRTRS be reviewed and enhanced to ensure students are eligible for transportation and are reported in the proper category.

Our procedures included a review of transportation related contracts and purchases. Based on our review, the district complied with proper bidding procedures and award of contracts.

**PERTH AMBOY PUBLIC SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Facilities and Capital Assets

Since the District is classified as a District required to utilize school based budgeting, a majority of School Development Authority (SDA) grant activity is conducted by the State of New Jersey on behalf of the District. The on behalf grant activity is reported in the District's financial statements as state aid revenue and capital outlay expenditures in the Capital Projects Fund.

Testing for Lead of all Drinking Water in Educational Facilities

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).

Follow-up Prior Year Findings

In accordance with government standards, our procedures included a review of all prior year recommendations.

**PERTH AMBOY PUBLIC SCHOOL DISTRICT
FOOD SERVICE FUND
NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIM
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

SCHEDULE OF MEAL COUNT ACTIVITY

<u>Program</u>	<u>Meals/Milks Category</u>	<u>Total Meals/Milks Claimed</u>	<u>Meals/Milks Tested</u>	<u>Meals/Milks Verified</u>	<u>Difference</u>	<u>Rate</u>	<u>(Over) Under Claim</u>
National School Lunch (Regular Rate)	Paid	112,208	44,099	44,099	-		
	Reduced	94,678	38,975	38,975	-		
	Free	<u>1,159,106</u>	<u>477,347</u>	<u>477,347</u>	-		-
	Total Lunch	<u>1,365,992</u>	<u>560,421</u>	<u>560,421</u>	-		-
School Breakfast	Paid	128,132	51,936	51,936	-		
	Reduced	83,582	34,388	34,388	-		
	Free	<u>878,271</u>	<u>363,827</u>	<u>363,827</u>	-		-
	Total Breakfast	<u>1,089,985</u>	<u>450,151</u>	<u>450,151</u>	-		-
After School Snacks	Paid	<u>145,895</u>	<u>55,694</u>	<u>55,694</u>	-		
	Total Snacks	<u>145,895</u>	<u>55,694</u>	<u>55,694</u>	-		
TOTAL		<u><u>2,601,872</u></u>	<u><u>1,010,572</u></u>	<u><u>1,010,572</u></u>	-		-

**PERTH AMBOY PUBLIC SCHOOL DISTRICT
FOOD SERVICE FUND
SCHEDULES OF NET CASH RESOURCE
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

			Food Service	
<u>Net Cash Resources:</u>				
CAFR	*	Current Assets		
B-4		Cash	\$ 809,989	
B-4		Intergovernmental Receivables	649,841	
B-4		Accounts Receivable		
B-4		Due from Other Funds	18,767	
CAFR		Current Liabilities		
B-4		Less Accounts Payable	(123,048)	
B-4		Less Due to Other Funds	(51,504)	
B-4		Less Unearned Revenue	0	
Net Cash Resources			<u>\$ 1,304,045</u>	(A)
<u>Net Adj. Total Operating Expense:</u>				
B-5		Total Operating Expenses	7,196,050	
B-5		Less Depreciation	(53,739)	
Adj. Tot. Oper. Exp.			<u>\$ 7,142,311</u>	(B)
<u>Average Monthly Operating Expense:</u>				
B / 10			<u>\$ 714,231</u>	(C)
<u>Three times monthly Average Operating Expense:</u>				
3 X C			<u>\$ 2,142,693</u>	(D)
<hr/>				
TOTAL IN BOX A		\$ 1,304,045		
LESS TOTAL IN BOX D		\$ (2,142,693)		
NET		<u>\$ (838,648)</u>		

Net Cash Resources Did Not Exceed Three Months Expenditures.

**PERTH AMBOY PUBLIC SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID
SCHEDULE OF AUDITED ENROLLMENTS
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 Register On Roll		Errors per Registers On Roll		Reported on A.S.S.A. as Private Schools	Sample for Verifi- cation	Sample Verified	Sample Errors	
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared					
Half Day Preschool - 3 years																	
Full Day Preschool - 3 years																	
Half Day Preschool - 4 years	521		521				338		328		10						
Full Day Preschool - 4 years	571		571				200		201		(1)						
Half Day Kindergarten																	
Full Day Kindergarten	794		794				144		142		2						
1st Grade	844		844				166		165		1						
2nd Grade	796		796				158		157		1						
3rd Grade	766		766				96		96		-						
4th Grade	762		762				108		108		-						
5th Grade	706		706				288		288		-						
6th Grade	702		702				375		376		(1)						
7th Grade	627		627				299		306		(7)						
8th Grade	639		639				346		339		7						
9th Grade	555		555				478		1,110		(632)						
10th Grade	518		518				71		518		(447)						
11th Grade	474		474				433		474		(41)						
12th Grade	432		432				417		432		(15)						
Adult High School (15+ Credits)	66		1		65		1		1								
Adult High School (1-14 Credits)	-	4	-	-	-	4	-	-	-	-	-	-	-	-	-	-	-
Subtotal	9,773	4	9,708	-	65	4	3,918	-	5,041	-	(1,123)	-	-	-	-	-	-
Spec Ed - Elementary	504		504				66		72		(6)		9	10	9	1	
Spec Ed - Middle School	209	11	209	11			88	7	135	7	(47)		10	10	9	1	
Spec Ed - High School	189	27	189	27	-	-	131	25	212	24	(81)	1	33	20	19	1	
Subtotal	902	38	902	38	-	-	285	32	419	31	(134)	1	52	40	37	3	
Totals	<u>10,675</u>	<u>42</u>	<u>10,610</u>	<u>38</u>	<u>65</u>	<u>4</u>	<u>4,203</u>	<u>32</u>	<u>5,460</u>	<u>31</u>	<u>(1,257)</u>	<u>1</u>	<u>52</u>	<u>40</u>	<u>37</u>	<u>3</u>	
Percentage Error					<u>0.61%</u>	<u>9.52%</u>					<u>-29.91%</u>	<u>3.13%</u>					<u>7.50%</u>

**PERTH AMBOY PUBLIC SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID
SCHEDULE OF AUDITED ENROLLMENTS
OCTOBER 13, 2017**

	Low Income			Sample for Verification			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 Low Income	Reported on Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Half Day Preschool (3 Yrs)												
Full Day Preschool (3 Yrs)												
Half Day Preschool (4 Yrs)												
Full Day Preschool (4 Yrs)												
Half Day Kindergarten												
Full Day Kindergarten												
1st Grade	668	647	21	25	25	-	227	217	10	26	26	-
2nd Grade	725	698	27	27	27	-	234	225	9	27	27	-
3rd Grade	672	658	14	25	25	-	214	210	4	24	24	-
4th Grade	646	630	16	24	24	-	186	184	2	21	21	-
5th Grade	625	611	14	23	23	-	149	145	4	18	18	-
6th Grade	591	573	18	22	19	3	104	101	3	12	12	-
7th Grade	599	592	7	22	19	3	99	97	2	12	11	1
8th Grade	596	582	14	22	21	1	113	108	5	13	12	1
9th Grade	585	573	12	22	19	3	112	109	3	13	13	-
10th Grade	555	549	6	21	19	2	176	161	15	21	21	-
11th Grade	497	499	(2)	19	19	-	156	140	16	19	19	-
12th Grade	456	446	10	17	14	3	146	137	9	17	17	-
Subtotal	407	403	4	14	14	-	110	93	17	13	13	-
	<u>7,622</u>	<u>7,461</u>	<u>161</u>	<u>283</u>	<u>268</u>	<u>15</u>	<u>2,026</u>	<u>1,927</u>	<u>99</u>	<u>236</u>	<u>234</u>	<u>2</u>
Spec Ed - Elementary	448	470	(22)	15	15	-	131	149	(18)	16	16	-
Spec Ed - Middle School	203	195	8	7	7	-	17	23	(6)	2	2	-
Spec Ed - High School	206	173	33	7	7	-	22	19	3	3	3	-
Subtotal	857	838	19	29	29	-	170	191	(21)	21	21	-
Totals	<u>8,479</u>	<u>8,299</u>	<u>180</u>	<u>312</u>	<u>297</u>	<u>15</u>	<u>2,196</u>	<u>2,118</u>	<u>78</u>	<u>257</u>	<u>255</u>	<u>2</u>

Percentage Error 2.12% 4.81% 3.55% 0.78%

	Transportation			Tested	Verified	Errors
	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors			
Regular - Public Schools	114	114	-	38	35	3
Transported - Non-Public	-	-	-			
Regular - Spec.	170	170	-	57	54	3
Special Needs - Public	301	301	-	102	78	24
Totals	<u>585</u>	<u>585</u>	<u>-</u>	<u>197</u>	<u>167</u>	<u>30</u>
		<u>0.00%</u>			<u>15.23%</u>	

**PERTH AMBOY PUBLIC SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID
SCHEDULE OF AUDITED ENROLLMENTS
OCTOBER 13, 2017**

	LEP Not 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 Register	Sample Errors
Half Day Preschool (3 Yrs)						
Full Day Preschool (3 Yrs)						
Half Day Preschool (4 Yrs)						
Full Day Preschool (4 Yrs)						
Half Day Kindergarten						
Full Day Kindergarten	24	32	(8)	3	3	-
1st Grade	17	19	(2)	2	2	-
2nd Grade	21	23	(2)	3	3	-
3rd Grade	15	14	1	2	2	-
4th Grade	15	17	(2)	2	2	-
5th Grade	11	12	(1)	1	1	-
6th Grade	6	9	(3)	1	1	-
7th Grade	13	14	(1)	2	2	-
8th Grade	13	13	-	2	2	-
9th Grade	17	26	(9)	2	2	-
10th Grade	10	28	(18)	1	1	-
11th Grade	14	27	(13)	2	3	(1)
12th Grade	3	20	(17)	1		1
Subtotal	179	254	(75)	24	24	-
Spec Ed - Elementary	7	11	(4)			-
Spec Ed - Middle School	2	3	(1)			-
Spec Ed - High School	1	3	(2)			-
Subtotal	10	17	(7)	-	-	-
Totals	189	271	(82)	24	24	-
Percentage Error			<u>-43.39%</u>			<u>0.00%</u>

**PERTH AMBOY PUBLIC SCHOOL DISTRICT
EXCESS SURPLUS CALCULATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

SECTION 1A

2017-2018 Total General Fund Expenditures per the CAFR	\$ 224,752,397	
Add: Transfer to Special Revenue Fund - Preschool Program	765,273	
Less: Expenditures Allocated to Restricted Federal Sources as Reported on Exhibit D-2	<u>(1,757,384)</u>	
2017-18 Adjusted General Fund and Other State Expenditures		\$ 223,760,286
Decreased by:		
On-Behalf TPAF Pension & Social Security		<u>22,867,269</u>
Adjusted 2017-2018 General Fund Expenditures		<u>\$ 200,893,017</u>
2.0% of Adjusted 2017-2018 General Fund Expenditures		\$ 4,017,860
Increased by:		
Allowable Adjustment - Extraordinary Aid	\$ 1,012,010	
Allowable Adjustment - Non Public Transportation	<u>26,970</u>	
		<u>1,038,980</u>
Maximum Unassigned Fund Balance		<u>\$ 5,056,840</u>

SECTION 2

Total General Fund - Fund Balance at June 30, 2018		\$ 109,199,439
Decreased by:		
Year End Encumbrances	\$ 14,125,364	
Capital Reserve	34,314,813	
Designated for Subsequent Year's Expenditures	<u>42,944,956</u>	
		<u>91,385,133</u>
Total Unassigned Fund Balance		<u>17,814,306</u>

SECTION 3

Restricted Fund Balance - Excess Surplus		
Excess Surplus		\$ 12,757,466
Excess Surplus, Designated for Subsequent Year's Expenditures		<u>7,334,768</u>
		<u>\$ 20,092,234</u>

**PERTH AMBOY PUBLIC SCHOOL DISTRICT
RECOMMENDATIONS**

I. Administration Practices and Procedures

It is recommended that:

1. Purchase orders and related vendor invoices be filed in sequential order by check number.
2. A maximum travel expenditure amount be approved by Board resolution on an annual basis.
3. A formal investment policy be implemented to maximize interest income earned on deposits.

II. Financial Planning, Accounting and Reporting

It is recommended that:

1. In all instances, vouchers/invoices supporting District expenditures be retained and be made available for audit.
2. The District complete a verification of payroll check distribution, as required by N.J.A.C. 6A:23A-22.8.
3. The outstanding purchase order report be periodically reviewed for proper classification of balances and validity of obligations. Furthermore reclassifications and/or cancellations be made accordingly.
4. Reimbursements for employee travel expenses be supported by a post travel purpose and relevance report.
5. Expenditures for employee health benefits be charged to the proper fund in accordance with the respective employees' budgetary salary charges.
- * 6. The monthly report of the Board Secretary be properly adjusted and reconciled with the report of the Treasurer of School Monies. Furthermore, the practice of entering manual journal entries to the general ledger cash account be discontinued.
7. The District's payroll trust fund bank account be reviewed to determine the source of funds and purpose of the account in order to ensure proper reporting on the District's accounting records.
8. Reconciling items on the food service and payroll salary bank account reconciliations be reviewed and appropriately cleared of record.
9. Documentation to support the cash balance reported in the Permanent Fund be maintained and made available for audit. Furthermore, a determination on the purpose of the fund be made.
10. Expenditures be made only upon sufficient funds being made available in the respective budgetary line item accounts.
11. A special review of the District's unemployment claims expenditures and liabilities be conducted to determine the District's liability owed to the State of New Jersey.
12. Scholarship awards be approved by the Board and be made part of the official District minutes.
13. Employee salaries charged to the Title I and Title III grant programs be approved by the Board in the official minutes. Furthermore, the allocation percentage of individual employee salaries be included in the required semi-annual certification.
14. Expenditures funded by the Title I grant program be charged to the appropriate line item in accordance with grant budgetary compliance requirements.

**PERTH AMBOY PUBLIC SCHOOL DISTRICT
RECOMMENDATIONS**

II. Financial Planning, Accounting and Reporting (Continued)

15. Final grant expenditure reports be in agreement with amounts reported on the District's financial records.
16. Expenditures for the TPAF/FICA reimbursement for Federal Salary Expenditures be charged to the appropriate grant program year and be allocated in accordance with grant program expenditures.

III. School Purchasing Program

It is recommended that:

1. Internal control procedures over purchasing be reviewed and revised to ensure all contract awards and purchases which exceed the bid threshold are made in accordance with the requirements of the Public School Contracts Law.
2. Documentation be maintained on file and made available for audit to support the District's awards pursuant to state contract, cooperative purchasing agreements and extraordinary unspecifiable services.
3. Invoices be detailed as to time and material utilized as awarded for fire alarms and PA system, electrical services, construction services, painting services and fire code compliance.
4. The District seek reimbursement of overpayments made to vendors for construction services and landscaping contracts.

IV. School Food Service

It is recommended that:

- * 1. Transactions for the Federal Fresh Fruit and Vegetables program be reported in the Food Service Enterprise Fund.
2. Deposits be made on a timely basis.

V. Student Body Activities

It is recommended that:

1. Documentation for the Early Childhood Center, McGinnis School and PLA bank accounts be maintained and be made available for audit.
- * 2. Internal control procedures for the student activity accounts be reviewed and enhanced to ensure adequate documentation to support the receipt and disbursement of funds is maintained and that all bank accounts are properly reconciled internal records.

**PERTH AMBOY PUBLIC SCHOOL DISTRICT
RECOMMENDATIONS**

VI. Application for State School Aid

It is recommended that internal controls over the filing of the District's ASSA be reviewed and enhanced to ensure documentation to support student counts is retained and available for audit.

VIII. Pupil Transportation

It is recommended that internal controls over the filing of the District's DRTRS be reviewed and enhanced to ensure students are eligible for transportation and are reported in the proper category.

IX. Facilities and Capital Assets

There are none.

X. Miscellaneous

There are none.

XI. Status of Prior Years' Audit Findings/Recommendations

A review was performed on all prior years' recommendations and corrective action was taken on all, except those recommendations denoted with an asterisk (*).

ACKNOWLEDGEMENT

We received the complete cooperation of all the officials of the school district and we greatly appreciate the courtesies extended to us.

Respectfully submitted,
LERCH, VINCI & HIGGINS, LLP



Dieter P. Lerch
Public School Accountant
Certified Public Accountant