

*Auditor's Management Report*

*for the*

*City of Elizabeth  
School District*

*in the*

*County of Union  
New Jersey*

*for the*

*Fiscal Year Ended  
June 30, 2019*



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

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with U.S. generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States, the basic financial statements of the City of Elizabeth School District in the County of Union for the year ended June 30, 2019, and have issued our report dated December 11, 2019.

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

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

  
\_\_\_\_\_  
CERTIFIED PUBLIC ACCOUNTANTS

  
\_\_\_\_\_  
PUBLIC SCHOOL ACCOUNTANT NO. 948

December 11, 2019

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

**Scope of Audit**

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

**Administrative Practices and Procedures**

**Insurance**

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

**Official Bonds**

<u>Name</u>	<u>Position</u>	<u>Amount Of Bonds</u>
Louis C. Mai, CPA	Treasurer of School Moneys	\$1,300,000.00
Harold E. Kennedy, Jr., CPA	Business Administrator/Board Secretary	300,000.00
Rajeev Malhotra, CPA	Comptroller	300,000.00
Jean Marie Ball, CPA	Assistant Comptroller	300,000.00
Jessica Alves	Accountant	300,000.00
Stephanie Arcieri	Accountant	300,000.00
Zenab Pankaj Bhagalia	Accountant	300,000.00
Patricia J. Grant	Accountant	300,000.00
Guilherme Matheus	Supervisor of Accounts Payable	300,000.00
All Employees	All Employee Faithful Position Bond	500,000.00

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

**Tuition Charges**

Per N.J.A.C. 6A-23A-17.1(f)3 the District is allowed to make adjustments to tuitions billings for the difference between tentative charges and actual certified tuition charges. The District currently bills tuition for 5 students using the tuition rate generated by the State of New Jersey. Considering the small number of students involved the District has elected not to make any tuition adjustments.

**Financial Planning, Accounting and Reporting**

**Examination of Claims**

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

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

**Payroll Accounts**

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

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

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

**Position Control Roster**

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

**Reserve for Encumbrances and Accounts Payable**

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

**Classification of Expenditures**

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

**Finding 2019-001:** During the course of our audit we noted that certain additions to the Capital Assets inventory were not reconciled to the District's financial records.

**Recommendation 2019-001:** The District should implement controls to ensure that additions to the Capital Asset inventory are reconciled to the District's financial records.

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

**Board Secretary's Records**

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

**Treasurer's Records**

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

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

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

**Other Special Federal and/or State Projects**

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

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

The financial exhibits are contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to the aforementioned special projects.

The study of compliance for the special projects indicated no areas of noncompliance.

**T.P.A.F. Reimbursement**

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

The amount of the expenditure charged to the current year's Final Report(s) for all federal awards for the school district to reimburse the State for the TPAF/FICA payments made by the State on-behalf of the school district for those employees whose salaries are identified as being paid from federal funds was made prior to the end of the 90 day grant liquidation period required by the Office of Grants Management. The expenditure was reviewed subsequent to the reimbursement and no exceptions were noted.



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

**School Purchasing Programs**

**Contracts and Agreements Requiring Advertisement for Bids**

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

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

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

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

N.J.S.A. 18A:18A-3 States: The board of education may, by resolution approve by the majority of the board of education and subject to subsections b. and c. of this section, disqualify a bidder who would otherwise be determined to be the lowest responsible bidder, if the board of education finds that it has had negative prior experience with the bidder.”

Effective July 1, 2015 and thereafter the bid thresholds in accordance with N.J.S.A. 18A:18A-2 and 18A:18A-3(a) are \$40,000.00 (with a Qualified Purchasing Agent), \$29,000.00 (without a Qualified Purchasing Agent), respectively. The law regulating bidding for public school student transportation contracts under N.J.S.A. 18:39-3 is currently \$19,000.00.

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

**School Purchasing Programs**

**Contracts and Agreements Requiring Advertisement for Bids (Continued)**

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

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

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

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

**School Food Service**

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

In addition, we inquired of school management, or appropriate school food service personnel, as to whether the SFA's expenditures of school food service revenues were limited to allowable direct and indirect costs. No exceptions were noted.

The statement of revenues, expenses and charges in fund net position (CAFR exhibit B-5) does separate program and non-program revenue and program and non-program costs of goods sold.

**Student Body Activities**

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

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

**Pupil Transportation**

Our audit procedures included a test of on roll status reported in the 2018-2019 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report with minor exceptions. The results of our procedures are presented in the Schedule of Audited Enrollments.

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

**Facilities and Capital Assets**

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

**Application for State School Aid**

Our audit procedures included a test of information reported in the October 15, 2018 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped, and low-income. We also performed a review of the district procedures related to its completion. The information on the A.S.S.A. was compared to the district workpapers without exception. The information that was included on the workpapers was verified with minor exceptions. The results of our procedures are presented in the Schedule of Audited Enrollments.

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

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

**Testing for Lead of All Drinking Water in Educational Facilities**

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

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).

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

**Follow-Up Prior Year's Audit Findings**

In accordance with *Government Auditing Standards*, our procedures included a review of the prior year audit recommendations. Corrective action had been taken on all prior year findings, as follows:

**Classification of Expenditures**

**Finding 2018-003:**

**Condition:** During the course of our audit we noted that expenditures for items included in the District's Capital Asset inventory were charged to non-capital outlay accounts. These expenditures have been reclassified for financial statement presentation.

**Current Status:** The condition has been corrected.

**Other Special Federal and/or State Projects**

**Finding: 2018-002:**

**Condition:** Our audit of Federal Temporary Emergency Impact Aid for Displaced Students revealed that five (5) student were duplicated on the quarterly counts of enrolled displaced students resulting in an excess reimbursement.

**Current Status:** The condition has been corrected.

**School Food Service**

**Finding 2018-001:**

**Condition:** During the course of audit, we noted exceptions where the meal claims reported for reimbursement did not agree back to the detailed meal count records.

**Current Status:** The condition has been corrected.

**Finding 2018-004:**

**Condition:** During our testing of Cafeteria cash receipts, we noted instances where the amount deposited was not reconciled to the Daily receipts report produced by the Point of Service System.

**Current Status:** The condition has been corrected.

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

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

**Pupil Transportation**

**Finding 2018-005:**

**Condition:** During testing of students with special needs, exceptions were noted where the student's listed on the transportation report did not agree back to the school's registers.

**Current Status:** The condition has been corrected.

**Facilities and Capital Assets**

**Finding 2018-006:**

**Condition:** We noted that the District's Capital Asset Inventory was not reconciled to detailed supporting documentation. In addition, the accumulated costs of SDA funded projects in Construction in Progress that have been completed have not been transferred to the proper inventory classification.

**Current Status:** The condition has been corrected.

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

**Recommendations**

**Administrative Practices and Procedures**

None

**Financial Planning, Accounting and Reporting**

**Recommendation 2019-001:** The District should implement controls to ensure that additions to the Capital Asset inventory are reconciled to the District's financial records.

**School Purchasing Program**

None

**School Food Service**

None

**Student Body Activities**

None

**Application for State School Aid**

None

**Pupil Transportation**

None

**Facilities and Capital Assets**

None

**SCHEDULE OF AUDITED ENROLLMENTS  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
ENROLLMENT AS OF OCTOBER 15, 2018**

	2019-2020 Application for State School Aid (10/15/18 data)				Sample for Verification				Private School for Disabled			
	Reported as on Roll		Workpapers on Roll		Selected from Workpapers		Verified per Registers on Roll		Reported on A.S.S.A. as Private Schools		Sample Verified	
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared
Full D Pre K- 3 yr	774		774		8		8					
Full D Pre K- 4 yr	1,530		1,530		19		19					
Full Day Kindergarten	1,771		1,771		21		21					
One	1,823		1,823		21		21					
Two	1,815		1,815		21		21					
Three	1,782		1,782		21		21					
Four	1,818		1,818		20		20					
Five	1,790		1,790		21		21					
Six	1,862		1,862		20		20					
Seven	1,713		1,713		19		19					
Eight	1,619		1,619		19		19					
Nine	1,951		1,951		20		20					
Ten	1,578		1,578		19		19					
Eleven	1,447		1,447		17		17					
Twelve	1,313		1,313		15		15					
Post-Graduate												
Adult H.S. (15+ CR.)												
Adult H.S. (1-14 CR.)												
Subtotal	24,586		24,586		281		281			193		97
Sp. Ed. - Elementary	1,475		1,475		15		15			65		22
Sp. Ed. - Middle School	668		668		10		10			39		10
Sp. Ed. - High School	741		741		17		17			89		65
Subtotal	2,884		2,884		42		42			193		97
Co. Voc. - Regular												
Co. Voc. Ft. Post Sec.												
Totals	27,470		27,470		323		323			193		97
Percentage Error												0%

  

	Transportation			
	Reported on DRTS by DOE/county	Reported on DRTS by District	Tested	Verified
Regular - Public School , col 1	2,044	2,044	153	153
AIL, col 2	5	5	1	1
Transportation - Non-Public col 3	240	240	30	30
Reg. Spe Ed. col 4	1,286	1,286	94	93
Spec. Ed., col 6	449	449	34	34
Totals	4,024	4,024	312	311
Percentage Error				0.32%

  

	Reported	Recalculated
Avg. Mileage - Regular Including Grade PK students	3.90	3.90
Avg. Mileage - Regular Excluding Grade PK students	8.20	8.20
Avg. Mileage - Special Ed with Special Needs	8.20	8.20

**CITY OF ELIZABETH SCHOOL DISTRICT  
SCHEDULE OF AUDITED ENROLLMENTS  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
ENROLLMENT AS OF OCTOBER 15, 2018**

	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 D Pre K- 3 yr	1,439	1,439		22	22		477	477		42	42	
Full D Pre K- 4 yr	1,522	1,522		23	23		525	525		43	43	
Full Day Kindergarten	1,521	1,521		22	22		541	541		43	43	
One	1,451	1,451		24	24		462	462		34	34	
Two	1,523	1,523		24	23	1	435	435		19	19	
Three	1,472	1,472		23	23		272	272		12	12	
Four	1,514	1,514		22	22		204	204		11	11	
Five	1,340	1,340		21	21		179	179		10	10	
Six	1,262	1,262		21	21		185	185		12	12	
Seven	1,572	1,572		22	22		292	292		19	19	
Eight	1,292	1,292		20	20		247	247		16	16	
Nine	1,218	1,218		19	19		224	224		11	11	
Ten	1,029	1,029		10	10		184	184		8	8	
Eleven												
Twelve												
Post-Graduate												
Adult H.S. (15+CR.)												
Adult H.S. (1-14 CR.)												
Subtotal	18,155	18,155		273	272	1	4,227	4,227		280	280	
Special Ed - Elementary	1,326	1,326		24	24		202	202		12	12	
Special Ed - Middle	615	615		12	12		37	37		6	6	
Special Ed - High	683	683		12	12		22	22		4	4	
Subtotal	2,624	2,624		48	48		261	261		22	22	
Co. Voc. - Regular												
Co. Voc. Ft. Post Sec.												
Totals	20,779	20,779		321	320	1	4,488	4,488		302	302	
Percentage Error			0%			0.31%						0%



**CITY OF ELIZABETH SCHOOL DISTRICT  
 SCHEDULE OF AUDITED ENROLLMENTS  
 APPLICATION FOR STATE SCHOOL AID SUMMARY  
 ENROLLMENT AS OF OCTOBER 15, 2018**

	Resident LEP NOT Low Income			Sample for Verification		
	Reported on A.S.A. as NOT Low Income	Reported on Workpapers as NOT Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Full D Pre K- 3 yr	75	75		21	21	
Full D Pre K- 4 yr	59	59		15	14	1
Full Day Kindergarten	54	54		14	14	
One	44	44		15	15	
Two	32	32		13	13	
Three	34	34		13	13	
Four	25	25		9	9	
Five	36	36		11	11	
Six	38	38		18	18	
Seven	75	75		25	25	
Eight	58	58		15	15	
Nine	38	38		10	10	
Ten	37	37		8	8	
Eleven						
Twelve						
Post-Graduate						
Adult H.S. (15+CR.)						
Adult H.S. (1-14 CR.)						
Subtotal	605.0	605.0		187	186	1
Special Ed - Elementary	12	12		6	6	
Special Ed - Middle	2	2		2	2	
Special Ed - High	1	1		1	1	
Subtotal	15	15		9	9	
Co. Voc. - Regular						
Co. Voc. Ft. Post Sec.						
Totals	620.0	620.0		196	195	1
Percentage Error			0%			0.51%

## EXCESS SURPLUS CALCULATION

### **SECTION 1**

General Fund Expenditures:		
Fiscal Year Ended June 30, 2019		\$540,401,415
Increased by:		
Transfer from General Fund to SFR- Inclusion		3,569,208
Less: Expenditures Allocated to Restricted Federal Resources as reported on Schedule D-2		<u>6,200,182</u>
		537,770,441
Less On-Behalf TPAF Pension and Social Security	\$69,361,176	
Assets Acquired Under Capital Leases	<u>5,533,930</u>	
		<u>74,895,106</u>
Adjusted General Fund Expenditures		462,875,335
Excess Surplus Percentage		<u>2.00%</u>
Subtotal		9,257,507
Increased by:		
Non-Public Transportation Aid (Unbudgeted)	<u>75,050</u>	
		<u>75,050</u>
Maximum Unassigned Fund Balance		<u><u>9,332,557</u></u>

### **SECTION 2**

Total General Fund Balance		37,601,273
Decreased by:		
Year End Encumbrances	1,292,378	
Legally Restricted:		
Excess Surplus - Designated for Subsequent Year's Expenditures	5,517,661	
Capital Reserve	9,054,021	
Assigned Fund Balance - Designated for Subsequent Year's Expenditures	<u>8,953,253</u>	
		<u>24,817,313</u>
Total Unassigned Fund Balance		<u>12,783,960</u>
Reserved Fund Balance-Excess Surplus		<u><u>\$3,451,403</u></u>

### **SECTION 3**

Recapitulation of Excess Surplus as of June 30, 2019		
Restricted Excess Surplus-Designated for Subsequent Years Expenditures		\$5,517,661
Restricted Excess Surplus		<u>3,451,403</u>
Total		<u><u>\$8,969,064</u></u>

