



**NEWARK BOARD OF EDUCATION
COUNTY OF ESSEX, NEW JERSEY**

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

JUNE 30, 2019

**NEWARK BOARD OF EDUCATION
AUDITORS' MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS—
FINANCIAL, COMPLIANCE AND PERFORMANCE**

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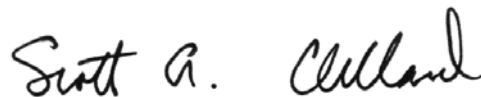
Independent Auditors' Report

President and Members
of the Board of Education
Newark Board of Education
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, 2019, and have issued our report thereon dated December 19, 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 Board members and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.



Scott A. Clelland
Licensed Public School Accountant
No. 1049



WISS & COMPANY, LLP

December 19, 2019
Livingston, New Jersey

**Newark Board of Education
Administrative Findings-Financial,
Compliance and Performance**

Scope of Audit

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

Administrative Practices and Procedures

Insurance

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

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

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

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

Tuition Charges

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

Financial Planning, Accounting and Reporting

Examination of Claims

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

Payroll Account and Position Control Roster

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

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

**Newark Board of Education
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 2019-001

Finding:

The District did not always 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 May 2019 health benefits extract, we noted the District incurred costs for several former employees that were no longer eligible for or who waived District health, vision or dental. Upon further review, we identified that the District was delayed in terminating the benefits of six employees, three employees were listed as inactive by the benefit provider in their system, but were still included in the bill and two former employees listed as active on the bill instead of COBRA. We identified nine individuals included on the bill that the District was unable to identify as employee or dependent. We also identified thirty-six 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.

The following was noted in relation to the payout of unused sick and vacation time:

Finding 2019-002

Finding:

The District did not pay the correct amount to three former employees for their unused sick and vacation time. Two were overpaid, one due to a transposition when entering the payment into the system and one due to improper accrual of days earned. One was underpaid due to the improper accrual of days earned.

**Newark Board of Education
Administrative Findings-Financial,
Compliance and Performance**

Recommendation:

We suggest the District strengthen its internal controls relating to the payment of unused sick and vacation time upon retirement.

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made as of June 30 for proper classification of orders as reserve for encumbrances and accounts payable. Subsequent to the end of the fiscal year, the District performed an analysis of accounts payable and open purchase orders and made entries to properly classify the account balances. Our testing identified the following:

Finding 2019-003

Finding:

During our review of accounts payable and open purchase orders, we noted 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 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.

Recommendation:

We suggest 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.

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:

**Newark Board of Education
Administrative Findings-Financial,
Compliance and Performance**

Finding 2019-004

Finding:

During our testing of legal expenses, we noted the District's annual legal costs exceeded 130 percent of the statewide average per pupil. The District has significantly reduced these costs from \$117 per pupil in the 2017 fiscal year to \$86 per pupil in the 2018 fiscal year.

Recommendation:

We suggest the District continue to 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. We note the District continually strives to reduce this number, but based upon the size of the District and the number of legal cases it is extremely difficult to reduce the costs to \$57 per pupil.

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.

**Newark Board of Education
Administrative Findings-Financial,
Compliance and Performance**

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 2019-005

Finding:

During our audit of the IDEA grant, we noted the District did not obtain board approval for the grant application and amendments to the application, acceptance of grant funds and for charging personnel to the grant.

Recommendation:

We suggest the District obtain appropriate board approval for grant application and amendments, acceptance of funds and grant personnel.

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 2018-19.

**Newark Board of Education
Administrative Findings-Financial,
Compliance and Performance**

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

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

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

No exceptions were noted during our testing procedures.

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.

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.

**Newark Board of Education
Administrative Findings-Financial,
Compliance and Performance**

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 15, 2018 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped, low-income and bilingual. We also performed a review of the District procedures related to its completion. The information on the A.S.S.A. was compared to the District work papers with exceptions as presented in the Schedule of Audited Enrollments. The information that was included on the work papers was verified as presented in the Schedule of Audited Enrollments, with the exceptions listed below. The results of our procedures are presented in the Schedule of Audited Enrollments.

Finding 2019-006

Finding:

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

- During our testing of the amounts reported on the ASSA as compared to District internal workpapers, the following was identified:
 - The total number of students reported on the ASSA as full-time on-roll was under-reported by 118 students while the total number of students reported on the ASSA as shared-time on-roll was over-reported by 119 students. A total of 36,544 full-time and part-time students were reported on the ASSA.

**Newark Board of Education
Administrative Findings-Financial,
Compliance and Performance**

- Out of 567 students selected in a sample of low-income students:
 - The District reported 8 as low income who, upon review were not eligible and were not receiving the services.
 - The District reported 2 students as low income who were eligible for free lunch based on carry-over prior year direct certification status. If a student does not appear on the most recent direct certification list, and an approved application is not completed, the student is no longer low income for state aid reporting purposes.
- Out of 312 students selected in a sample of LEP students, the District reported 13 students as LEP who were not eligible for services and were not receiving services.
- During our testing of the amounts reported on the ASSA as enrolled in private school as compared to District internal workpapers, we noted the District was unable to provide support for 16 of 124 students selected:
 - The District was unable to provide Individualized Educational Plans (IEP) for 5 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 5 students. Upon further review, it was noted that these 5 students were misclassified as private school students on the ASSA.
- During our testing of the amounts reported on the ASSA, we compared the amount of students reported with District attendance records and IEPs (when required). For a sample of 1,498 students, the following was noted:
 - The District reported 14 student as attending a school other than the school the student attended.
 - The District was unable to provide attendance records for two schools, Newark Innovation Academy and Uplift Academy's Adult High school program, with a total of 68 full-time students and 119 part-time students reported.
 - The District was unable to provide IEPs for 1 student.
 - The attending school listed on the District provided IEP and attendance record for 6 students did not agree to the school as reported on the ASSA.

During our testing 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 contracts and bills (when required). The following was noted:
 - 9 of 116 Regular Public school students selected for testing and 14 of 74 Regular Public Special Education students selected for testing were documented on the attendance records of schools that were reported different from on the DRTRS.
 - The District was unable to provide an IEP for 1 of 74 Regular Public Special Education students selected for testing who did not meet the mileage requirement.
 - The attending school listed on the District provided IEP and attendance record for 2 of 85 students selected for testing did not agree to the school as reported on the DRTRS.

**Newark Board of Education
Administrative Findings-Financial,
Compliance and Performance**

- The District reported 1 of 321 students selected for testing on the DRTRS who could not be located on any attendance records provided.
- The District reported 1 of 321 students selected for testing on the DRTRS who graduated in the prior year.
- 1 of the 17 Regular Public school students tested was misclassified as receiving Aid in Lieu (AIL).
- 5 charter school students were misclassified as non-public students of the 11 non-public school students selected for testing.
- The District was unable to provide a certificate of attendance for 13 of 57 charter school students selected for testing—the charter schools failed to provide the required information to the District.
- The District misclassified 1 Special Education Public School student as a Private School student, 1 private school student selected for testing.

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 by District records and reported correctly.

Pupil Transportation

Our audit procedures included a test of on-roll status as reported in the 2018-19 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 audit, the following was noted:

Finding 2019-007

Finding:

The Facilities and Construction Department 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.

**Newark Board of Education
Administrative Findings-Financial,
Compliance and Performance**

Recommendation:

We suggest the Facilities and Construction Department ensure 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.

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

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 and the District had already identified the exceptions as part of its internal procedures.

Transportation

The Transportation Department of the District did not analyze the DRTRS in comparison to prior years. The DRTRS reported approximately 3,000 students less than the prior year. The District contracted a new third-party vendor to assist in the preparation of the DRTRS. Per discussion with the District the vendor provided deficient information for the report upload forcing the District to process as much as possible manually the day of the deadline. This did not leave the District sufficient time to perform analytics and make necessary corrections. In the current year the District decided to revert to using in-house resources to input DRTRS data.

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. The District has made progress reducing this number, but based upon the size of the District and the number of legal cases it is extremely difficult to reduce the costs to \$57 per pupil.
- Findings related to the District's Application for State School Aid and DRTRS.

**Newark Board of Education
Administrative Findings-Financial,
Compliance and Performance**

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

During the 2019 fiscal year, the Office of Fiscal Accountability and Compliance (OFAC) completed a review of District Vehicle and Hiring practices. 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
FOOD SERVICE ENTERPRISE FUND
NUMBER OF MEALS SERVED AND (OVER) UNDERCLAIM - FEDERAL
YEAR ENDED JUNE 30, 2019

PROGRAM	MEAL CATEGORY	MEALS CLAIMED	MEALS TESTED	MEALS VERIFIED	DIFFERENCE	RATE	(OVER) UNDER CLAIM
National School Lunch (Regular Rate)	Paid	759,484	759,484	759,484	-	\$ 0.33	
National School Lunch (Regular Rate)	Reduced	223,833	223,833	223,833	-	2.93	
National School Lunch (Regular Rate)	Free	3,028,595	3,028,595	3,028,595	-	3.33	
	TOTAL	<u>4,011,912</u>	<u>4,011,912</u>	<u>4,011,912</u>			<u>-</u>
National School Lunch (Severe Needs)	Seamless Summer Option	83,990	83,990	83,990	-	3.923	<u>-</u>
School Breakfast (Regular Rate)	Paid	18,867	18,867	18,867	-	0.310	
	Reduced	9,531	9,531	9,531	-	1.490	
	Free	72,765	72,765	72,765	-	1.790	
	TOTAL	<u>101,163</u>	<u>101,163</u>	<u>101,163</u>			<u>-</u>
School Breakfast (Severe Needs)	Paid	732,055	732,055	732,055	-	0.310	
	Reduced	220,209	220,209	220,209	-	1.840	
	Free	2,925,142	2,925,142	2,925,142	-	2.140	
	TOTAL	<u>3,877,406</u>	<u>3,877,406</u>	<u>3,877,406</u>			<u>-</u>
School Breakfast (Severe Needs)	Seamless Summer Option	70,585	70,585	70,585	-	2.233	<u>-</u>
After School Snacks	Free (Area Eligible)	137,305	137,305	137,305	-	0.910	<u>-</u>
Total Net (Over) Under Claim							<u>\$ -</u>

NEWARK BOARD OF EDUCATION
SCHEDULE OF MEAL COUNT ACTIVITY
FOOD SERVICE ENTERPRISE FUND
NUMBER OF MEALS SERVED AND (OVER) UNDERCLAIM - STATE
YEAR ENDED JUNE 30, 2019

PROGRAM	MEAL CATEGORY	MEALS CLAIMED	MEALS TESTED	MEALS VERIFIED	DIFFERENCE	RATE	(OVER) UNDER CLAIM
State Reimbursement - National School Lunch (Regular Rate)	Paid	759,484	759,484	759,484	-	\$ 0.050	
State Reimbursement - National School Lunch (Regular Rate)	Reduced	223,833	223,833	223,833	-	0.055	
State Reimbursement - National School Lunch (Regular Rate)	Free	3,028,595	3,028,595	3,028,595	-	0.055	
	TOTAL	4,011,912	4,011,912	4,011,912	-		-
Total Net (Over) Under Claim							\$ -

NEWARK BOARD OF EDUCATION

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, 2019**

<u>Net Cash Resources:</u>		<u>Food Service B - 4/5</u>	
CAFR	Current Assets		
B-4	Cash & Cash Equiv.	\$	994,310
B-4	Due from Other Gov'ts - State		47,888
B-4	Due from Other Gov'ts - Federal		3,744,916
B-4	Accounts Receivable		44,132
CAFR	Current Liabilities		
B-4	Less Accounts Payable		1,601,276
B-4	Less Accrued Liabilities		26,912
B-4	Less Interfund Payable		1,788,830
B-4	Less Unearned Revenue		-
	Net Cash Resources	\$	<u>1,414,228</u> (A)
 <u>Net Adj. Total Operating Expense:</u>			
B-5	Tot. Operating Exp.		24,577,433
B-5	Less Depreciation		<u>(198,977)</u>
	Adj. Tot. Oper. Exp.	\$	<u>24,378,456</u> (B)
 <u>Average Monthly Operating Expense:</u>			
	B / 10	\$	<u>2,437,846</u> (C)
 <u>Three times monthly Average:</u>			
	3 X C	\$	<u>7,313,537</u> (D)

TOTAL IN BOX A	\$	1,414,228
LESS TOTAL IN BOX D	\$	7,313,537
NET	\$	<u>(5,899,309)</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 BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2018

	2019-20 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 Verification	Sample Verified	Sample Errors
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared				
Full Day Preschool - 3 yrs	788		788													
Full Day Preschool - 4yrs	1,087		1,087					14		14						
Half Day Kindergarten																
Full Day Kindergarten	2,323		2,298		25			38		39		(1)				
One	2,407		2,363		44			22		22						
Two	2,414		2,356		58			33		33						
Three	2,412		2,360		52			42		42						
Four	2,408		2,369		39			19		19						
Five	2,341		2,323		18			32		34		(2)				
Six	2,393		2,365		28			78		78						
Seven	2,220		2,198		22			18		18						
Eight	2,088		2,079		9			14		15		(1)				
Nine	1,983		1,975		8			88		83		5				
Ten	1,863		1,861		2			84		84						
Eleven	2,025		2,019		6			91		96		(5)				
Twelve	2,042		2,041		1			12				12				
Post-Graduate																
Adult H.S. (15+CR.)	56		56					56				56				
Adult H.S. (1-14 CR.)		119	118		(118)	119		118				118				
Subtotal	30,850	119	30,656	-	194	119		759	-	577	-	182	-	-	-	-
Special Ed - Elementary	2,501		2,739		(238)			8		8			27	17	14	3
Special Ed - Middle School	1,476		1,535		(59)			22		22			33	20	16	4
Special Ed - High School	1,597	1	1,618	1	(21)			35	1	39	1	(4)	140	87	78	9
Unallocated																
Subtotal	5,574	1	5,892	1	(318)	-		65	1	69	1	(4)	200	124	108	16
Co. Voc. - Regular																
Co. Voc. Ft. Post Sec.																
Totals	36,424	120	36,548	1	(124)	119		824	1	646	1	178	200	124	108	16
Percentage Error					-0.34%	99.17%						21.60%	0.00%			12.90%

**NEWARK BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2018**

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	452	452										
Full Day Preschool - 4yrs	825	825		8	7	1						
Half Day Kindergarten												
Full Day Kindergarten	1,714	1,692	22	12	12		356	350	6	11	9	2
One	2,046	2,008	38	30	29	1	525	515	10	28	24	4
Two	2,036	1,987	49	23	21	2	478	468	10	25	25	
Three	2,027	1,981	46	32	32		456	444	12	32	32	
Four	1,999	1,964	35	21	21		397	393	4	20	18	2
Five	1,932	1,917	15	23	22	1	292	289	3	20	19	1
Six	1,975	1,952	23	24	24		256	253	3	14	13	1
Seven	1,828	1,807	21	30	29	1	234	234		15	14	1
Eight	1,717	1,709	8	14	13	1	208	208		11	10	1
Nine	1,462	1,455	7	14	13	1	184	181	3	9	9	
Ten	1,290	1,288	2	13	13		160	160		7	7	
Eleven	1,309	1,303	6	6	6		180	180		13	12	1
Twelve	1,296	1,295	1	12	11	1	116	116		8	8	
Post-Graduate												
Adult H.S. (15+CR.)												
Adult H.S. (11-14 CR.)												
Subtotal	23,908	23,635	273	262	253	9	3,842	3,791	51	213	200	13
Special Ed - Elementary	2,210	2,415	(205)	22	21	1	243	288	(45)	30	30	
Special Ed - Middle	1,272	1,324	(52)	18	18		39	42	(3)	2	2	
Special Ed - High	1,283	1,299	(16)	20	20		31	34	(3)			
Subtotal	4,765	5,038	(273)	60	59	1	313	364	(51)	32	32	-
Co. Voc. - Regular												
Co. Voc. Ft. Post Sec.												
Totals	28,673	28,673	-	322	312	10	4,155	4,155	-	245	232	13
Percentage Error			0.00%			3.11%			0.00%			5.31%

Transportation

	Reported on DRTRS by DOE/county	Reported on DRTRS by District	Errors	Tested	Verified	Errors	Reported	Recalculated
Regular - Public	7,610	7,610		218	198	20	3.4	3.4
Regular - Spec. Ed	2,563	2,563		74	57	17	3.4	3.4
Transported - Non-Public	371	371		11	6	5	5.3	5.3
Transported - Aid-In-Leu	545	545		17	16	1		
Spec. Ed - Special needs	9	9		1	-	1		
Totals	11,098	11,098	-	321	277	44		
Percentage Error			0.00%			13.71%		

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

NEWARK BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2018

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	103	103		6	6	
One	75	75		7	7	
Two	77	77		7	7	
Three	78	78		4	4	
Four	70	70		2	2	
Five	66	66		4	4	
Six	76	76		4	4	
Seven	52	52		3	3	
Eight	59	59		2	1	1
Nine	90	90		3	3	
Ten	125	125		12	12	
Eleven	113	113		9	9	
Twelve	106	106		4	4	
Post-Graduate						
Adult H.S. (15+CR.)						
Adult H.S. (1-14 CR.)						
Subtotal	<u>1,090</u>	<u>1,090</u>	<u>-</u>	<u>67</u>	<u>66</u>	<u>1</u>
Special Ed - Elementary	24	24				
Special Ed - Middle	9	9				
Special Ed - High	7	7				
Subtotal	<u>40</u>	<u>40</u>	<u>-</u>	<u>0</u>	<u>0</u>	<u>-</u>
Co. Voc. - Regular						
Co. Voc. Ft. Post Sec.						
Totals	<u>1,130</u>	<u>1,130</u>	<u>-</u>	<u>67</u>	<u>66</u>	<u>1</u>
Percentage Error			<u>0.00%</u>			<u>1.49%</u>

NEWARK BOARD OF EDUCATION

EXCESS SURPLUS CALCULATION

JUNE 30, 2019

SECTION 1

A. 2% Calculation of Excess Surplus

2018-19 Total General Fund Expenditures Reported on Exhibit C-1	\$ 1,021,211,044	(A)
Increased by Applicable Transfers:		
Transfer from Capital Outlay to Capital Projects Fund	\$ -	(A1a)
Transfer from Capital Reserve to Capital Projects Fund	\$ -	(A1a)
Transfer from General Fund to SRF for Pre-K Regular	\$ -	(A1a)
Transfer from General Fund to SRF for Pre-K Inclusion	\$ 2,481,117	(A1a)
Less: Expenditures Allocated to Restricted Federal Sources as Reported On Exhibit D-2	\$ 13,604,028	(A1b)
2018-19 Adjusted General Fund and Other State Expenditures [(A)+(A1a)-(A1b)]	\$ 1,010,088,133	(A2)
Decreased by:		
On-Behalf TPAF Pension and Social Security	97,474,212	(A3)
Assets Acquired Under Capital Leases:		
General Fund 10 Assets Acquired Under Capital Leases reported on Exhibit C-1a	-	(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	-	(A5)
Combined General Fund Contribution & State Resources Percent of Fund 15 Resources Reported on Exhibit D-2	96.11%	(A6)
General Fund & State Resources Portion of Fund 15 Assets Acquired Under Capital Leases [(A5)*(A6)]	-	(A7)
Total Assets Acquired Under Capital Leases [(A4)+(A7)]	-	(A8)
2018-19 General Fund Expenditures [(A2)-(A3)-(A8)]	912,613,921	(A9)
2 percent of Adjusted 2018/2019 General Fund Expenditures [(A9) times .02]	18,252,278	(A10)
Enter Greater of (A10) or \$250,000	18,252,278	(A11)
Increased By: Allowable Adjustment*	606,994	(K)
Maximum Unassigned Fund Balance [(A11)+(K)]	\$ 18,859,272	(M)

SECTION 2

Total General Fund - Fund Balances at June 30, 2019	\$ 117,399,434	(C)
Decreased By:		
Assigned - Year-end Encumbrances	\$ 19,886,931	(C1)
Legally Restricted - Designated for Subsequent Year's Expenditures	\$ -	(C2)
Excess Surplus - Designated for Subsequent Year's Expenditures**	\$ 31,107,049	(C3)
Other Restricted/Reserved Fund Balances****	\$ 4,009,941	(C4)
Assigned - Designated for Subsequent Year's Expenditures	\$ 26,154,786	(C5)
Additional Assigned Fund Balance- Unassigned designated for Subsequent year's expenditures. July 1, 2019 - August 1, 2019	\$ -	(C6)
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)-(C6)]	\$ 36,240,727	(U)

NEWARK BOARD OF EDUCATION

EXCESS SURPLUS CALCULATION

JUNE 30, 2019

SECTION 3

Restricted Fund balance - Excess Surplus***[(U)-(M)] IF NEGATIVE ENTER-0 \$ 17,381,455 (E)

Summary:

Restricted Excess Surplus - Designated for Subsequent Year's Expenditures** 31,107,049 (C3)
 Restricted Excess Surplus *** 17,381,455 (E)

Total [(C3) + (E)] 48,488,504 (D)

Detail of Allowable Adjustments

Impact Aid	\$ -	(H)
Sale & Lease-back	\$ -	(I)
Extraordinary Aid	\$ 448,944	(J1)
Additional Nonpublic School Transportation Aid	\$ 158,050	(J2)
Current Year School Bus Advertising Revenue Recognized	\$ -	(J3)
Family Crisis Transportation Aid	\$ -	(J4)
Total Adjustments [(H)+(I)+(J1)+(J2)+(J3)+(J4)]	<u>\$ 606,994</u>	(K)

** The amount represents the June 30, 2018 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet 90031.

*** The amount represents the June 30, 2019 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, 2019
- (N-2) Maintenance reserve minimum required under EFCFA
- (N-3) Tuition reserve at June 30, 2019
- (N-4) Emergency reserve at June 30, 2019
- (N-5) School bus fuel offset reserve - current year - June 30, 2019
- (N-6) School bus fuel offset reserve - prior year - June 30, 2019
- (N-7) Impact Aid general fund reserve at June 30, 2019
- (N-8) Impact Aid capital fund reserve at June 30, 2019

Detail of Other Restricted/Reserved Fund Balance

Statutory restrictions:

Approved unspent separate proposal	\$ -	
Sale/lease-back reserve	\$ -	
Capital reserve (N-1)	\$ 4,009,941	
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	<u>\$ 4,009,941</u>	(C4)

Newark Board of Education
Audit Recommendations Summary
June 30, 2019

We suggest the following:

Administrative Practices and Procedures

None

Financial Planning, Accounting and Reporting

2019-001 - 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.

2019-002 – The District strengthen its internal controls relating to the payment of unused sick and vacation time upon retirement.

2019-003 - 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.

2019-004 - The District continue to 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. The District continually strives to reduce this number, but based upon the size of the District and number of legal cases it is extremely difficult to reduce the costs to \$57 per pupil.

2019-005 - The District obtain appropriate board approval for grant application and amendments, acceptance of funds and grant personnel.

School Purchasing Programs

None

School Food Service

None

Student Body Activities

None

Newark Board of Education
Audit Recommendations Summary
June 30, 2019

Application for State School Aid

2019-006 - The District strengthen its internal controls to ensure that the students listed on the ASSA and DRTRS reports are properly supported and reported.

Pupil Transportation

None

Facilities and Capital Assets

2019-007 - The Facilities and Construction Department ensure 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 2019-001, 2019-003, 2019-004, 2019-006 and 2019-007, which were repeated in the current year.