

*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, 2021*



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

**TABLE OF CONTENTS**

	<b><u>Page</u></b>
Independent Auditor's Report	1
Scope of Audit	2
Administrative Practices and Procedures	
Insurance	2
Official Bonds	2
Tuition Charges	2
Financial Planning, Accounting and Reporting	
Examination of Claims	2
Payroll Accounts	3
Position Control Roster	3
Reserve for Encumbrances and Accounts Payable	3
Classification of Expenditures	3
Board Secretary's Records	4
Treasurer's Records	4
Elementary and Secondary Education Act (E.S.E.A) as Amended by the Every Student Succeeds Act (ESSA)	4
Other Special Federal and/or State Projects	4
T.P.A.F. Reimbursement	5
School Purchasing Programs	
Contracts and Agreements Requiring Advertisement for Bids	5-6
School Food Service	7
Student Body Activities	8
Pupil Transportation	8
Facilities and Capital Assets	8
Application for State School Aid	8
Testing for Lead of All Drinking Water in Educational Facilities	8
Follow-Up on Prior Year's Audit Finding	9
Recommendations	10
Schedule of Meal Count Activity	N/A
Application for State School Aid Summary Enrollment	11-13
Net Cash Resource Schedule	N/A
Excess Surplus Calculation	14

**Tax ID Number 22-6001780**





# SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

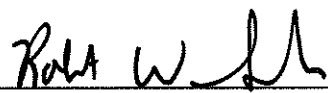
Honorable President and Members  
of the Board of Education  
City of Elizabeth  
500 North Broad Street  
County of Union  
Elizabeth, New Jersey 07201

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, 2021 and have issued our report dated February 15, 2022.

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

February 15, 2022

**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 ACFR. (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	\$1,600,000.00
Harold E. Kennedy, Jr., CPA	Business Administrator/Board Secretary	835,000.00
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.

**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 ACFR. This section of the ACFR 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 ACFR.

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 ACFR. This section of the ACFR documents the financial position pertaining to the aforementioned special projects.

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



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

**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.

**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 \$32,000.00, 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 \$44,000.00. 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."

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

**School Purchasing Programs**

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

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, 2020 and thereafter the bid thresholds in accordance with N.J.S.A. 18A:18A-2 and 18A:18A-3(a) are \$44,000.00 (with a Qualified Purchasing Agent), \$32,000.00 (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 \$19,600.00.

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.

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

**School Food Service**

**COVID – 19 Emergency**

In accordance with the Governor's Declaration of Emergency pertaining to the COVID 19 Virus all Public, Charter and Non-Public schools were ordered to close effective as of March 18, 2020 for an undetermined period to limit the spread of the virus. As a result, School Food Authorities (SFA) were required to institute alternate procedures to provide meals to eligible students during the period of school closures.

During 2020-2021 the public health emergency was still applicable. As a result, School Food Authorities (SFAs) were required to provide meals in accordance with the regulations governing the National School Nutrition Seamless Summer Option (SSO) or the Summer Food Service Program (SFSP) option.

SFAs were notified of the requirement to maintain and report separate meal count records and financial records of all applicable costs incurred in providing meals to all students during the emergency.

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.

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

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.

We also inquired of management about the public health emergency procedures/practices that the SFA instituted to provide meals to all students, maintenance of all applicable production records; meal counts; noncompetitive procurements; modification of existing contracts and applicable financial records to document the specific costs applicable to the emergency operations.

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

**Student Body Activities**

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

**Pupil Transportation**

Our audit procedures included a test of on roll status reported in the 2020-2021 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.

**Capital Assets and Facilities**

Our procedures included a review of the SDA grant agreements for consistency with recording of 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, 2020 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:

**Facilities and Capital Assets**

**Finding 2020-001:**

**Condition:** That County Superintendent approval be obtained for all applicable transfers as required by N.J.A.C 6A:23A-13.3(f).

**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**

None

**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

**Miscellaneous**

None

**Status of Prior Year Audit Findings/Recommendations**

A review was performed on the prior year recommendations and corrective action was taken on all prior year findings.

**SCHEDULE OF AUDITED ENROLLMENTS  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
ENROLLMENT AS OF OCTOBER 15, 2020**

	2021-2022 Application for State School Aid (10/15/20 data)				Sample for Verification				Private School for Disabled					
	Reported as on Roll		Workpapers on Roll		Errors		Selected from Workpapers		Registers on Roll		Errors per Registers on Roll		Reported on A.S.S.A. as Private Schools	
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Sample Verified	Sample Errors
Full D Pre K- 3 yr	615		615				7		7					
Full D Pre K- 4 yr	1,399		1,399				17		17					
Full Day Kindergarten	1,665		1,665				20		20					
One	1,680		1,680				20		20					
Two	1,713		1,713				20		20					
Three	1,756		1,756				21		21					
Four	1,718		1,718				20		20					
Five	1,725		1,725				20		20					
Six	1,797		1,797				21		21					
Seven	1,762		1,762				21		21					
Eight	1,845		1,845				22		22					
Nine	1,755		1,755				21		21					
Ten	1,681		1,681				20		20					
Eleven	1,651		1,651				20		20					
Twelve	1,381		1,381				16		16					
Post-Graduate														
Adult H.S. (15+ CR.)														
Adult H.S. (1-14 CR.)														
Subtotal	24,143		24,143				286		286				169	105
Sp. Ed. - Elementary	1,530		1,530				19		19				43	27
Sp. Ed. - Middle School	712		712				8		8				38	24
Sp. Ed. - High School	758		758				9		9				88	54
Subtotal	3,000		3,000				36		36				169	105

	Percentage Error		Percentage Error		Percentage Error	
	Reported	Recalculated	Reported	Recalculated	Reported	Recalculated
Co. Voc. - Regular	27,143	27,143	322	322	169	105
Co. Voc. Ft. Post Sec.						
Totals	27,143	27,143	322	322	169	105

	Transportation			
	Reported on DRTS by DOE/county	Reported on DRTS by District	Tested	Verified
Regular - Public School, col 1	2,043	2,043	158	158
AIL, col 2	36	36	3	3
Transportation - Non-Public col 3	155	155	12	12
Reg. Spe Ed, col 4	1,220	1,220	95	95
Spec. Ed., col 6	452	452	35	35
Totals	3,906	3,906	303	303

Avg. Mileage - Regular, Including Grade PK students: Reported 2.90 Recalculated 2.90  
 Avg. Mileage - Regular, Excluding Grade PK students: Reported 15.30 Recalculated 15.30  
 Avg. Mileage - Special Ed with Special Needs: Reported 15.30 Recalculated 15.30

**CITY OF ELIZABETH SCHOOL DISTRICT  
SCHEDULE OF AUDITED ENROLLMENTS  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
ENROLLMENT AS OF OCTOBER 15, 2020**

	Resident Low Income			Sample for Verification			Resident LEP Low Income			Sample for Verification		
	Reported on A.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.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	1,288	1,288		21	21		467	467		29	29	
Full D Pre K- 4 yr	1,361	1,361		22	22		517	517		32	32	
Full Day Kindergarten	1,402	1,402		23	23		502	501	1	31	31	
One	1,428	1,428		23	23		547	546	1	34	34	
Two	1,400	1,400		23	23		468	468		29	29	
Three	1,362	1,362		22	22		427	427		26	26	
Four	1,417	1,417		23	23		324	324		20	20	
Five	1,404	1,404		23	23		222	222		14	14	
Six	1,406	1,406		23	23		233	233		14	14	
Seven	1,282	1,282		21	21		231	231		14	14	
Eight	1,324	1,324		21	21		298	298		18	18	
Nine	1,257	1,257		20	20		282	282		17	17	
Ten	1,039	1,039		17	17		210	210		13	13	
Eleven												
Twelve												
Post-Graduate												
Adult H.S. (15+CR.)												
Adult H.S. (1-14 CR.)												
Subtotal	17,370	17,370		280	280		4,728	4,726	2	293	293	
Special Ed - Elementary	1,292	1,292		21	21		244	244		15	15	
Special Ed - Middle	652	652		11	11		43	43		3	3	
Special Ed - High	663	663		11	11		20	20		1	1	
Subtotal	2,607	2,607		43	43		307	307		19	19	
Co. Voc. - Regular	2	2										
Co. Voc. Ft. Post.Sec.	19,979	19,979		323	323		5,035	5,033	2	312	312	
Totals	19,979	19,979	0%	323	323	0%	5,035	5,033	2	312	312	0%
Percentage Error			0%			0%			0.04%			0%



**CITY OF ELIZABETH SCHOOL DISTRICT  
 SCHEDULE OF AUDITED ENROLLMENTS  
 APPLICATION FOR STATE SCHOOL AID SUMMARY  
 ENROLLMENT AS OF OCTOBER 15, 2020**

	Resident LEP NOT Low Income			Sample for Verification		
	Reported on A.S.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	85	85		22	22	
Full D Pre K- 4 yr	74	74		19	19	
Full Day Kindergarten	78	78		20	20	
One	72	72		19	19	
Two	59	59		15	15	
Three	59	59		15	15	
Four	52	52		13	13	
Five	39	39		10	10	
Six	59	59		15	15	
Seven	83	83		21	21	
Eight	57	57		15	15	
Nine	103	103		27	27	
Ten	63	63		16	16	
Eleven						
Twelve						
Post-Graduate						
Adult H.S. (15+CR.)						
Adult H.S. (1-14 CR.)						
Subtotal	883.0	883.0		228	228	
Special Ed - Elementary	13	13		3	3	
Special Ed - Middle	1	1				
Special Ed - High	2	2		1	1	
Subtotal	16	16		4	4	
Co. Voc. - Regular						
Co. Voc. Ft. Post Sec.						
Totals	899.0	899.0		232	232	
Percentage Error			0%			0%

## EXCESS SURPLUS CALCULATION

### SECTION 1

General Fund Expenditures:		
Fiscal Year Ended June 30, 2021		\$552,600,676
Increased by:		
Transfer from General Fund to SFR- Inclusion		3,822,140
Less: Expenditures Allocated to Restricted Federal Resources as reported on Schedule D-2		<u>7,132,086</u>
		549,290,730
Less On-Behalf TPAF Pension and Social Security	\$91,123,884	
Assets Acquired Under Capital Leases	<u>1,796,151</u>	
		<u>92,920,035</u>
Adjusted General Fund Expenditures		456,370,695
Excess Surplus Percentage		<u>4.00%</u>
Subtotal		18,254,828
Increased by:		
Extraordinary Aid (Unbudgeted)	2,161,153	
Non-Public Transportation Aid (Unbudgeted)	<u>64,509</u>	
		<u>2,225,662</u>
Maximum Unassigned Fund Balance		<u><u>20,480,490</u></u>

### SECTION 2

Total General Fund Balance		72,955,344
Decreased by:		
Year End Encumbrances	234,991	
Legally Restricted:		
Excess Surplus - Designated for Subsequent Year's Expenditures	3,379,891	
Capital Reserve	33,296,957	
Maintenance Reserve	10,000,000	
State Unemployment Insurance	4,046,415	
Assigned Fund Balance - Designated for Subsequent Year's Expenditures	9,345,746	
Assigned Fund Balance - FFCRA/SEMI- Designated for Subsequent Year's Expenditures	<u>130,844</u>	
		<u>60,434,844</u>
Total Unassigned Fund Balance		<u>12,520,500</u>
Reserved Fund Balance-Excess Surplus		<u><u>\$0</u></u>

### SECTION 3

Recapitulation of Excess Surplus as of June 30, 2021		
Restricted Excess Surplus-Designated for Subsequent Years Expenditures		\$3,379,891
Restricted Excess Surplus		<u>0</u>
Total		<u><u>\$3,379,891</u></u>

