

*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, 2022*



**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, 2022 and have issued our report dated March 14, 2023.

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. 2389

March 14, 2023

**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.

**P.L.2020,c.44**

Our audit procedures included an inquiry and subsequent review of health benefit data required per N.J.S.A.18A:16-13.3 (Chapter 44) submitted for the year on audit. The Chapter 44 summary report was reviewed for reasonableness and timeliness.

The data submitted did include all health benefit plans offered by school district. The school district data certification was completed by the chief school administrator. The school district Chapter 44 data was submitted timely.

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

**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.

**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.

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

**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.

**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 \$20,200.00.

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. Governor Murphy's emergency declaration ended June 4, 2021; however, the United States Department of Agriculture's federal waiver continued through June 30, 2022. Food Service Agencies operated under this federal waiver.

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 2021-2022 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report with no 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, 2021 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**

Not Applicable

**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**

None

**SCHEDULE OF AUDITED ENROLLMENTS  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
ENROLLMENT AS OF OCTOBER 15, 2021**

	2022-2023 Application for State School Aid (10/15/21 data)				Sample for Verification				Private School for Disabled			
	Reported on Roll		Reported on Workpapers		Selected from Workpapers		Verified per Registers on Roll		Reported on A.S.A. as Private Schools		Sample for Verification	
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Sample Verified	Sample Errors
Full D Pre K- 3 yr	1,183		1,183		14		14					
Full D Pre K- 4 yr	1,393		1,393		16		16					
Full Day Kindergarten	1,660		1,660		19		19					
One	1,692		1,692		19		19					
Two	1,629		1,629		19		19					
Three	1,695		1,695		19		19					
Four	1,712		1,712		20		20					
Five	1,697		1,697		20		20					
Six	1,688		1,688		19		19					
Seven	1,793		1,793		21		21					
Eight	1,753		1,753		19		19					
Nine	2,222		2,222		26		26					
Ten	1,617	1	1,617	1	19	1	19	1				
Eleven	1,565	1	1,565	1	18	1	18	1				
Twelve	1,451		1,451		17		17					
Post-Graduate												
Adult H.S. (15+ CR.)												
Adult H.S. (1-14 CR.)												
Subtotal	24,750	2	24,750	2	285	2	285	2	147	35	22	22
Sp. Ed. - Elementary	1,514		1,514		17		17			39	24	24
Sp. Ed. - Middle School	743		743		9		9			73	45	45
Sp. Ed. - High School	862	5	862	5	10	4	10	4		147	91	91
Subtotal	3,119	5	3,119	5	36	4	36	4	147	147	91	91
Co. Voc. - Regular												
Co. Voc. Fl. Post Sec.												
Totals	27,869	7	27,869	7	321	6	321	6	147	147	91	91
Percentage Error									0%			0%

	Transportation			
	Reported on DRTS by DOE/county	Reported on DRTS by District	Tested	Verified
Regular - Public School , col 1	2,062	2,062	172	172
AIL, col 2	1	1		
Transportation - Non-Public col 3	200	200	17	17
Reg. Spe Ed, col 4	1,036	1,036	87	85
Spec. Ed., col 6	276	276	23	22
Totals	3,575	3,575	299	296
Percentage Error			0%	1.00%

**CITY OF ELIZABETH SCHOOL DISTRICT  
SCHEDULE OF AUDITED ENROLLMENTS  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
ENROLLMENT AS OF OCTOBER 15, 2021**

	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	1,197	1,197		19	19		521	521		30	30	
Full D Pre K- 4 yr	1,383	1,383		22	22		543	543		31	31	
Full Day Kindergarten	1,338	1,338		21	21		514	514		30	30	
One	1,400	1,400		22	22		522	522		30	30	
Two	1,418	1,418		23	23		510	510		29	29	
Three	1,388	1,388		22	22		460	460		27	27	
Four	1,348	1,348		21	21		345	345		20	20	
Five	1,451	1,451		23	23		296	296		17	17	
Six	1,424	1,424		23	23		252	252		14	14	
Seven	1,708	1,708		27	27		310	310		18	18	
Eight	1,215	1,215		19	19		262	262		15	15	
Nine	1,200	1,200		19	19		271	271		16	16	
Ten	1,100	1,100		18	18		218	218		13	13	
Eleven												
Twelve												
Post-Graduate												
Adult H.S. (15+CR.)												
Adult H.S. (1-14 CR.)												
Subtotal	17,570	17,570		280	280		5,024	5,024		290	290	
Special Ed - Elementary	1,274	1,274		20	20		296	296		17	17	
Special Ed - Middle	660	660		10	10		58	58		3	3	
Special Ed - High	754	754		12	12		28	28		2	2	
Subtotal	2,688	2,688		42	42		382	382		22	22	
Co. Voc. - Regular	2	2										
Co. Voc. Ft. Post Sec.	20,259	20,259		322	322		5,406	5,406		312	312	
Totals	20,259	20,259	0%	322	322	0%	5,406	5,406	0%	312	312	0%
Percentage Error												



**CITY OF ELIZABETH SCHOOL DISTRICT  
 SCHEDULE OF AUDITED ENROLLMENTS  
 APPLICATION FOR STATE SCHOOL AID SUMMARY  
 ENROLLMENT AS OF OCTOBER 15, 2021**

	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	149	149		32	32	
Full D Pre K- 4 yr	93	93		20	20	
Full Day Kindergarten	82	82		18	18	
One	95	95		20	20	
Two	83	83		18	18	
Three	73	73		16	16	
Four	69	69		15	15	
Five	57	57		12	12	
Six	74	74		16	16	
Seven	143	143		31	31	
Eight	82	82		18	18	
Nine	78	78		16	16	
Ten	75	75		16	16	
Eleven						
Twelve						
Post-Graduate						
Adult H.S. (15+CR.)						
Adult H.S. (1-14 CR.)						
Subtotal	1,153.0	1,153.0		248	248	
Special Ed - Elementary	20	20		4	4	
Special Ed - Middle	4	4		1	1	
Special Ed - High	2	2		1	1	
Subtotal	26	26		6	6	
Co. Voc. - Regular						
Co. Voc. Ft. Post Sec.						
Totals	1,179.0	1,179.0		254	254	
Percentage Error			0%			0%

## EXCESS SURPLUS CALCULATION

### SECTION 1

General Fund Expenditures:		
Fiscal Year Ended June 30, 2022		\$680,559,913
Increased by:		
Transfer from General Fund to SFR- Inclusion		4,328,016
Less: Expenditures Allocated to Restricted Federal Resources as reported on Schedule D-2		
		<u>7,609,885</u>
		677,278,044
Less On-Behalf TPAF Pension and Social Security	\$116,456,148	
Assets Acquired Under Leases	<u>31,496,528</u>	
		<u>147,952,676</u>
Adjusted General Fund Expenditures		529,325,368
Excess Surplus Percentage		<u>4.00%</u>
Subtotal		<u>21,173,015</u>
Increased by:		
Extraordinary Aid (Unbudgeted)	1,059,340	
Non-Public Transportation Aid (Unbudgeted)	<u>58,000</u>	
		<u>1,117,340</u>
Maximum Unassigned Fund Balance		<u><u>22,290,355</u></u>

### SECTION 2

Total General Fund Balance		79,893,595
Decreased by:		
Year End Encumbrances	116,226	
Legally Restricted:		
Capital Reserve	37,808,839	
Maintenance Reserve	12,035,834	
State Unemployment Insurance	4,046,415	
Assigned Fund Balance - Designated for Subsequent Year's Expenditures	9,723,338	
Assigned Fund Balance - FFCRA/SEMI- Designated for Subsequent Year's Expenditures	<u>130,844</u>	
		<u>63,861,496</u>
Total Unassigned Fund Balance		<u>16,032,099</u>
Reserved Fund Balance-Excess Surplus		<u><u>\$0</u></u>

### SECTION 3

Recapitulation of Excess Surplus as of June 30, 2022		
Restricted Excess Surplus-Designated for Subsequent Years Expenditures		\$0
Restricted Excess Surplus		<u>0</u>
Total		<u><u>\$0</u></u>

