

**PATERSON PUBLIC SCHOOLS
AUDITORS' MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS -
FINANCIAL COMPLIANCE AND PERFORMANCE
JUNE 30, 2008**

**PATERSON PUBLIC SCHOOLS
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- FINANCIAL, COMPLIANCE AND PERFORMANCE**

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Honorable President and Members
of the Board of Trustees
Paterson Public Schools
Paterson, New Jersey

We have audited in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States, the basic financial statements of the Paterson Public Schools, State of New Jersey as of and for the year ended June 30, 2008, and have issued our report thereon dated November 3, 2008.

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 Board of Trustees, school administration and the New Jersey State Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Lerch, Vinci & Higgins, LLP

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



Jeffrey C. Bliss
Public School Accountant
PSA Number CS00932

Fair Lawn, New Jersey
November 3, 2008

**PATERSON PUBLIC SCHOOLS
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator and Treasurer of School Monies, the activities of the Board of Education, 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 the Insurance Schedule contained in the district's CAFR.

Official Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Michael E. Glascoe	School District Superintendent	\$2,000
Anthony C. Zambrano	Treasurer of School Monies	1,200,000
Betty Jean Shabazz	Deputy Treasurer of School Monies	1,200,000

There is an Employees' Dishonesty Faithful Performance Crime Coverage with the F & D Insurance covering all other employees with multiple coverage of \$100,000 per person.

- **Finding** – Our audit revealed that surety bond coverage for the Treasurer of School Monies was insufficient for the 2007-08 fiscal year.

Recommendation – Surety bond coverage for the Treasurer of School Monies be increased to ensure compliance with the minimum requirement set forth in N.J.A.C. 6A:23-2.5.

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The District made the proper adjustment to the billings to sending districts for the adjustment in per pupil costs in accordance with N.J.A.C. 6:20-3.1(e)4.

**PATERSON PUBLIC SCHOOLS
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Financial Planning, Accounting and Reporting

Examination of Claims

- **Finding** – Our examination of the District’s vision plan insurance bills revealed a certain individual who was no longer employed by the District but was receiving coverage per the monthly bills and who appeared ineligible to receive such coverage. This exception appears to be an isolated instance, therefore no recommendation is warranted.

Payroll Account

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

Salary withholdings were promptly remitted to the proper agencies for the payroll periods tested.

All payrolls were approved by the State District Superintendent and were certified by the Board Secretary/School Business Administrator.

- **Finding** – Our audit of payroll indicated that documentation to support certain payments of pension refunds were not able to be provided for audit.

Recommendation- Documentation to support payments of pension refunds be maintained and made available for audit.

- **Finding** – Our audit revealed that the District’s summer payment plan funds are not maintained in an interest bearing account. After review of the collective bargaining agreement with the Paterson Education Association, this requirement appears to have been waived and therefore no recommendation is warranted.
- **Finding** – Our audit revealed there appears to be excess cash balances existing at year end in the teacher salary and summer payment plan bank accounts.

Recommendation – Balances remaining in the teacher salary and summer payment plan bank accounts be reviewed periodically to determine their validity and any excess amounts be transferred to the General Fund.

- **Finding** – Our audit indicated that an automated employee time management system is not utilized by the District to determine employee overtime or extra compensation hours. A swipe card system is maintained for attendance purposes, but is not utilized for payroll related purposes.

Recommendation – An automated employee time management system be implemented and maintained by the District and be utilized for payroll purposes to determine employee overtime and extra compensation hours.

**PATERSON PUBLIC SCHOOLS
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Financial Planning, Accounting and Reporting (Continued)

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made as of June 30, for goods not yet received or services not yet rendered. Also, unpaid purchase orders included in the balance of accounts payable were reviewed for propriety and to determine that goods were received and services were rendered, as of June 30.

- **Finding** – Our audit of outstanding purchase orders revealed the following:
 - Certain purchase orders were not liquidated within ninety (90) days of year end.
 - Certain purchase orders classified as reserved for encumbrances were deemed invalid or were determined to be accounts payable.
 - Certain purchase orders classified as accounts payable were deemed to be invalid.

Recommendation – Outstanding purchase orders be reviewed at year end to determine their validity, and if deemed valid, be properly classified as an accounts payable or reserved for encumbrance, or otherwise be cancelled.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6A:23-2.2(g) as part of our test of transactions of randomly selected expenditure items. We also reviewed the coding of all expenditures included in our compliance and single audit testing procedures. In addition to randomly selecting a test sample, our sample selection included administrative coding classifications to determine overall reliability and compliance with NJAC 6A:23A-2.4. As a result of the procedures performed, no additional procedures were deemed necessary to test the propriety of expenditure classification.

Board Secretary's Records

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

Acknowledgement of the Board's receipt of the Board Secretary's and Treasurer's monthly financial reports were included in the minutes.

The prescribed contractual order system was followed with exception as previously noted.

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

- **Finding** – Our audit revealed that year end balances reported in the Special Revenue Fund general ledger were not in agreement with amounts reported on the supporting federal, state and private grant activity schedules.

Recommendation – The year end balances reported in the Special Revenue Fund general ledger be reconciled with the amounts reported on the supporting federal, state and private grant activity schedules.

**PATERSON PUBLIC SCHOOLS
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Financial Planning, Accounting and Reporting (Continued)

Board Secretary's Records (Continued)

Finding – Our audit of the District’s Scholarship Fund revealed that a formal District policy is not in effect to determine student eligibility for purposes of scholarship contributions.

Recommendation – The District develop and implement a formal policy relating to the Scholarship Fund to provide guidelines for determining student eligibility.

- **Finding** - Two (2) budgetary line accounts were overexpended at June 30, 2008. Expenditures incurred for workers compensation claims and compensated absences liabilities were charged against budgetary line accounts which were in excess of available budget appropriations at year end.

Recommendation – Greater care be exercised when funding District liabilities to ensure sufficient appropriations are available in the appropriate budget line accounts.

Treasurer's Records

The Treasurer did perform reconciliations for all required accounts, except the Scholarship Fund Account.

The Treasurer's records were in agreement with the Board Secretary's records.

Elementary and Secondary School Education Act (E.S.E.A.)/Improving America’s Schools Act (I.A.S.A.) as Reauthorized by the No Child Left Behind Act of 2001

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

Our examination of the E.S.E.A./NCLB 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.

Other Special Federal and/or State Projects

The district's Special Projects were approved as listed on Exhibit K-3 and Exhibit K-4 located in the CAFR.

Our examination 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 contained herein represent a true statement of the financial position pertaining to the aforementioned special projects.

- **Finding** – Our audit of the Early Childhood Program Aid (ECPA) revealed that noncompliance with program requirements were noted relating to ECPA service providers as indicated in reports prepared by the District’s internal audit department. We noted in several instances amounts are due back from the service providers as a result of the internal audits. We noted the District is monitoring the service providers on a continuous basis therefore, no recommendation is warranted.

**PATERSON PUBLIC SCHOOLS
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Financial Planning, Accounting and Reporting (Continued)

T.P.A.F. Reimbursements

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

DEPA Accounting

The school district's accounting records for Demonstrably Effective Program Aid (DEPA) were maintained in accordance with N.J.A.C. 6:19-4.2(b), which state that the district board of education must maintain separate school accounts in the special revenue fund using the uniform grant project budget statement coding structure. The District had an immaterial unexpended balance at June 30, 2008.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

Effective July 1, 2005 and thereafter the bid thresholds in accordance with N.J.S.A. 18A:18A-3 (as amended) and 18A:39-3 are \$21,000 and \$16,200 respectively.

If the purchasing agent is qualified pursuant to subsection b of section 9 of P.L. 1971, c. 198 (c40A:11-9), the board of education may establish that the bid threshold may be up to \$29,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section. The Board designated the District Purchasing Agent as the qualified purchasing agent.

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

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.

The results of our examination did not indicate any individual payments, contracts, or agreements were made "for the performance of any work or the furnishing or hiring of any materials or supplies," 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.

**PATERSON PUBLIC SCHOOLS
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

School Purchasing Programs (Continued)

Contracts and Agreements Requiring Advertisement for Bids (Continued)

The system of records did not provide for an accumulation of purchases for which the school board used contracts entered into by the State Department of Purchase and Property pursuant to Ch. 114, P.L. 1977, therefore, the extent of such purchases could not reasonably be ascertained. Our examination did reveal, however, that purchases were made through the use of State contracts.

- **Finding** – Our audit revealed that the use of state contract vendors was not approved or included in the official minutes of the District.

Recommendation – State contracts utilized by the District be approved and be made part of the official minutes.

- **Finding** – Our audit of the District's contract awarded for security services to a certain security company revealed the following:

- Overtime hourly rates for additional services were not approved in the contract.
- Rates were charged for certain classes of employees (i.e., Lieutenant, Sergeant, etc.) which were not included in the terms of the contract.
- Amounts paid for services during the contract period of January 1, 2007 to June 30, 2008 exceeded the contract amount awarded.
- The contract does not provide for a not to exceed amount for additional services.
- The contract amount awarded for regular services was \$4,509,952. Payments made by the District for regular and additional services during the contract period totaled \$9,355,983.

- **Recommendation** – With respect to the District's contract for security services, it is recommended that:

- Overtime hourly rates and rates for all classes of employees be included in the terms of the approved contract.
- The contract provide for a not to exceed amount related to additional services.
- The District monitor payments to the security services company to ensure that the approved contract amount is not exceeded.
- Any amounts to be incurred in excess of the original contract amount be made in accordance with the requirements of the Public School Contracts Law.

- **Finding** – Our audit of time and labor rate contracts awarded for custodial and maintenance services revealed that hourly rates were not specifically identified in the contract. Additionally, we noted the total contract amount approved by Board resolution was not in agreement with the contract amount.

Recommendation – Hourly rates for time and labor rate contracts for custodial and maintenance services be specifically identified in the contract and contract amounts be in agreement with amounts approved by Board resolution.

**PATERSON PUBLIC SCHOOLS
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

School Purchasing Programs (Continued)

Contracts and Agreements Requiring Advertisement for Bids (Continued)

- **Finding** – With respect to certain purchases made from bid vendors under per unit bid awards, we noted that certain items were purchased which were not included in the contract bid award. Instances were noted where vendor provided substitute items, however this practice was not included in the language of the contract terms.

Recommendation – All purchases from bid vendors under per unit contract awards be made in strict accordance with approved bid awards or contracts, or contracts be amended to reflect the ability to substitute items of an equal or greater value at a cost not to exceed the per unit bid award.

- **Finding** – Our audit revealed that business registration certificates could not be provided for certain vendors utilized by the District.

Recommendation – Business registration certificates be obtained for all vendors utilized by the District and be made available for audit.

Food Service Fund

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

The number of meals claimed for reimbursement was verified against meal count records with immaterial exceptions noted. As part of the claims review process the Edit Check Worksheet was completed. Reimbursement vouchers were timely filed.

Applications for free and reduced price meals were reviewed for completeness and accuracy. The free and reduced price meal and free milk policy is uniformly administered throughout the school system. The required verification procedures for free and reduced price applications was completed and available for review.

- **Finding** – Our audit revealed that food service collections were not always deposited in a timely manner.

Recommendation – Food sales be deposited within forty-eight (48) hours from time of collection.

- **Finding** – Our audit revealed that a detail report or accounting of capital assets and related depreciation for food service operations is not maintained by the District.

Recommendation – A detailed report or accounting of capital assets and related depreciation for food service operations be maintained and made available for audit.

**PATERSON PUBLIC SCHOOLS
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Food Service Fund (Continued)

- **Finding** – Our audit revealed the following financial related findings in the report of the State of New Jersey as a result of their review of the District’s Food Service Program:
 - Miscategorized and incomplete eligibility applications.
 - Certain temporary status applications were not updated.
 - Direct certification eligibility exceptions.
 - Discrepancies related to the Master Eligibility List.
 - Meal count system review discrepancies.
 - Proper verification procedures were not demonstrated.
 - Edit check worksheet comparisons were not performed.
 - Overt identification of students eligible for free or reduced meals or free milk.

The District submitted a corrective action plan to the State of New Jersey to address these findings which was accepted and approved on May 13, 2008.

Recommendation – The District continue to monitor the corrective action plan filed as a result of the State of New Jersey’s review of the Food Service Program.

- **Finding** – Our audit revealed a year end deficit of \$92,579 existed at year end.

Recommendation – Continued efforts be made to eliminate the deficit in the Food Service Fund.

Expenditures were separately recorded as food, labor and other costs. Vendor invoices were reviewed and costs verified. Inventory records on food supply items were currently maintained and properly applied in determining the cost of food and supplies used.

The cash disbursement records reflected expenditures for program related goods and services. The appropriate revenue and expenditure records were maintained in order to substantiate the non-profit status of the school food service.

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

Exhibits reflecting Child Nutrition Program operations are included in the section entitled Enterprise Funds.

Student Body Activities

The Board has a policy, which clearly established the regulation of student activity funds.

Cash receipts and disbursements records for the various schools were maintained in satisfactory condition.

- **Finding** – Our audit revealed that the Etta Marie Scholarship Fund account is being maintained as a student activity account at the HARP Academy.

Recommendation – The Etta Marie Scholarship Account be maintained by the Business Office and be reported in the District’s Scholarship Fund.

**PATERSON PUBLIC SCHOOLS
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Student Body Activities (Continued)

- **Finding** - Our audit revealed that certain nonstudent related receipts were deposited and disbursements were made from District Student Activity Accounts. We noted items such as scholarships, textbooks, fines, I.D. cards, awards, graduation expenses, athletic uniforms and supplies, instrument repairs and purchases and school supplies which do not appear to be related to student type activities.

Recommendation – Only student activity type receipts and disbursements be maintained and accounted for in Student Activity Accounts.

- **Finding** – Our audit revealed certain instances where checks were made payable to cash from Student Activity Accounts.

Recommendation – All student activity checks be made payable to a vendor or individual and not made payable to cash.

Application for State School Aid

Our audit procedures included a test of information reported in the October 15, 2007 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped, related services and low-income. We also performed a review of the district procedures related to its completion. The information on the A.S.S.A. was compared to the district workpapers with immaterial exceptions noted. The information that was included on the workpapers was verified with immaterial 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 adequate written procedures for the recording of student enrollment data.

Pupil Transportation

Our audit procedures included a test of on roll status reported in the 2007-2008 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report without exception. The results of our procedures noted immaterial differences for amounts tested which are presented in the Schedule of Audited Enrollments.

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

Facilities and Capital Assets

Since the District is classified as an Abbott School District, all EDA grant activity is conducted by the State of New Jersey on behalf of the District.

- **Finding** – Our audit revealed the District's capital asset records did not include a detail accounting of land values related to District owned properties.

Recommendation – The District maintain a detail accounting of land values by location of all District owned properties.

**PATERSON PUBLIC SCHOOLS
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Follow-up Prior Year Findings

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

Suggestions to Management

1. Continued efforts be made to obtain cancelled checks, at no cost to the District, as part of the monthly bank statements of student activity accounts.
2. Rates of pay for athletic event staff and sports officials be approved by the Board and be included in the official minutes.
3. Old outstanding checks remaining on the reconciliations of District bank accounts be reviewed and cancelled, where appropriate.

**PATERSON PUBLIC SCHOOLS
FOOD SERVICE FUND
NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIM
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

SCHEDULE OF MEAL COUNT ACTIVITY

<u>Program</u>	<u>Meals Category</u>	<u>Meals/Milks Claimed</u>	<u>Meals/Milks Tested</u>	<u>Meals/Milks Verified</u>	<u>Difference</u>	<u>Rate</u>	<u>Under Claim</u>
National School Lunch (Regular Rate)	Paid	231,224	18,477	18,477		\$ 0.29	
	Reduced	232,305	13,681	13,681		2.19	
	Free	<u>2,646,818</u>	<u>162,368</u>	<u>162,368</u>	<u>-</u>	2.59	<u>-</u>
	Total Lunch	<u>3,110,347</u>	<u>194,526</u>	<u>194,526</u>	<u>-</u>		<u>-</u>
School Breakfast (Regular)	Paid	93,483	8,030	8,027	\$ (3)	0.34	\$ (1.02)
	Reduced	82,610	4,188	4,188		1.41	
	Free	<u>980,926</u>	<u>50,035</u>	<u>50,035</u>	<u>-</u>	1.71	<u>-</u>
	Total Breakfast	<u>1,157,019</u>	<u>62,253</u>	<u>62,250</u>	<u>(3)</u>		<u>(1.02)</u>
School Snacks (Regular)	Paid						
	Reduced						
	Free	<u>234,960</u>	<u>23,294</u>	<u>23,294</u>	<u>-</u>	0.65	<u>-</u>
	Total Breakfast	<u>234,960</u>	<u>23,294</u>	<u>23,294</u>	<u>-</u>		<u>-</u>
		<u>4,502,326</u>	<u>280,073</u>	<u>280,070</u>	<u>(3)</u>		<u>\$ (1.02)</u>

**PATERSON PUBLIC SCHOOLS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2007
SCHEDULE OF AUDITED ENROLLMENTS**

Enrollment Category	2008-2009 Application for State School Aid				Sample For Verification				On-Roll Related Services				Private Schools for Disabled				Private Schools - Related Services			
	Reported on		Workpapers		Sample Selected		Per Registers		Sample		Reported		Sample		Sample		Sample			
	Full	Share	On Roll	Errors	Full	Share	Full	Share	On Roll	Share	On Roll	Share	On Roll	Share	On Roll	Share	On Roll	Share		
Full Day Preschool - 3 Yr.	35	-	35	-	8	-	8	-	-	-	-	-	-	-	-	-	-	-		
Full Day Preschool - 4 Yr.	37	-	37	-	15	-	15	-	-	-	-	-	-	-	-	-	-	-		
Half Day Kindergarten	1,959	-	1,959	-	36	-	36	-	-	-	-	-	-	-	-	-	-	-		
Full Day Kindergarten	2,131	-	2,131	-	44	-	44	-	-	-	-	-	-	-	-	-	-	-		
One	1,915	-	1,915	-	38	-	38	-	-	-	-	-	-	-	-	-	-	-		
Two	1,852	-	1,852	-	47	-	47	-	-	-	-	-	-	-	-	-	-	-		
Three	1,795	-	1,795	-	36	-	36	-	-	-	-	-	-	-	-	-	-	-		
Four	1,668	-	1,668	-	45	-	45	-	-	-	-	-	-	-	-	-	-	-		
Five	1,687	-	1,687	-	39	-	39	-	-	-	-	-	-	-	-	-	-	-		
Six	1,697	-	1,697	-	43	-	43	-	-	-	-	-	-	-	-	-	-	-		
Seven	1,674	-	1,674	-	45	-	45	-	-	-	-	-	-	-	-	-	-	-		
Eight	1,366	-	1,366	-	40	-	40	-	-	-	-	-	-	-	-	-	-	-		
Nine	1,321	-	1,321	-	31	-	31	-	-	-	-	-	-	-	-	-	-	-		
Ten	1,056	-	1,056	-	32	-	32	-	-	-	-	-	-	-	-	-	-	-		
Eleven	913	-	913	-	39	-	39	-	-	-	-	-	-	-	-	-	-	-		
Twelve	1,035	-	1,035	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Adult High School(15+CR)	22,141	-	22,141	-	538	-	538	-	-	-	-	-	-	-	-	-	-	-		
Subtotal	556	-	556	-	6	-	6	-	14	-	14	-	6	-	6	-	2	-		
Tier II Elementary	670	-	670	-	8	-	8	-	3	-	3	-	7	-	7	-	4	-		
Tier II Middle School	863	-	863	-	5	-	5	-	3	-	3	-	13	-	13	-	7	-		
Tier II High School	454	-	454	-	6	-	6	-	21	-	21	-	17	-	17	-	15	-		
Tier III Elementary	304	-	304	-	8	-	8	-	2	-	2	-	54	-	54	-	42	-		
Tier III Middle School	272	-	272	-	6	-	6	-	12	-	12	-	34	-	34	-	17	-		
Tier III High School	197	-	197	-	5	-	5	-	7	-	7	-	26	-	26	-	10	-		
Tier IV Elementary	80	-	80	-	7	-	7	-	-	-	-	-	95	-	95	-	28	-		
Tier IV Middle School	51	-	51	-	6	-	6	-	-	-	-	-	252	-	252	-	125	-		
Tier IV High School	3,447	-	3,447	-	57	-	57	-	62	-	62	-	125	-	125	-	231	-		
Subtotal	25,588	-	25,588	-	595	-	595	-	62	-	62	-	252	-	252	-	125	-		
Totals																				
Percentage Error																				

**PATERSON PUBLIC SCHOOLS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2007
SCHEDULE OF AUDITED ENROLLMENTS**

	Low Income		Sample For Verification		Bilingual Education		Sample for Verification				
	Reported on A.S.S.A. As Low	Reported on Workpapers As Low	Errors	Sample Selected from Workpapers	Verified To Application and Registers	Errors	Reported on A.S.S.A. Workpapers	Difference	Sample Selected from Workpapers	Verified to Eligibility Criteria	Sample Errors
Full Day Preschool 3 yrs.	23	23	-	3	3	-	2,789	(17)	69	69	-
Full Day Preschool 4 yrs.	30	30.0	-	3	3	-					
Full Day Kindergarten	1,576	1,576	-	9	9	-					
One	1,842	1,842	-	14	14	-					
Two	1,663	1,663	-	10	10	-					
Three	1,615	1,615	-	21	21	-					
Four	1,543	1,543	-	10	10	-					
Five	1,428	1,428	-	14	14	-					
Six	1,403	1,400	3	13	13	-					
Seven	1,375	1,375	-	9	9	-					
Eight	1,358	1,358	-	12	12	-					
Nine	999	999	-	8	8	-					
Ten	876	876	-	14	14	-					
Eleven	651	651	-	14	14	-					
Twelve	563	563	-	8	8	-					
Adult High School(15+CR)	-	-	-	-	-	-					
Subtotal	16,945	16,942	3	162	162	-					
Tier II Elementary	478	478	-	12	12	-					
Tier II Middle School	572	572	-	15	15	-					
Tier II High School	590	590	-	6	6	-					
Tier III Elementary	391	391	-	5	5	-					
Tier III Middle School	258	261	(3)	1	1	-					
Tier III High School	207	207	-	2	2	-					
Tier IV Elementary	165	166	(1)	7	7	-					
Tier IV Middle School	69	69	-	2	2	-					
Tier IV High School	41	41	-	1	1	-					
Subtotal	2,771	2,775	(4)	51	51	-					
Totals	19,716	19,717	(1)	213	213	-					
			-0.01%								0.00%

Percentage Error -0.61%

Percentage Error 0.00%

Percentage Error 2.88%

Percentage Error 0.00%

Percentage Error 0.00%

Percentage Error 0.00%

Percentage Error 0.00%

Percentage Error 0.00%

Percentage Error 0.00%

Percentage Error 0.00%

Percentage Error 0.00%

Percentage Error 0.00%

Percentage Error 0.00%

Percentage Error 0.00%

Percentage Error 0.00%

**PATERSON PUBLIC SCHOOLS
CALCULATION OF EXCESS SURPLUS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

SECTION 1

Calculation A: 2% Excess Surplus:

2007-2008 Total General Fund Expenditures Reported on Exhibit C-1	\$ 461,570,778
Less: Expenditures allocated to restricted federal sources as reported on Exhibit D-2	<u>6,543,081</u>
2007-2008 Adjusted General Fund and Other State Expenditures	\$ 455,027,697
Decreased by: On-Behalf TPAF Pension & Social Security	<u>40,708,670</u>
Adjusted 2007-2008 General Fund Expenditures	414,319,027
2% of Adjusted 2007-2008 General Fund Expenditures	<u>\$ 8,286,381</u>
Enter Greater of 2% of Adjusted 2007-2008 General Fund Expenditures or \$250,000	\$ 8,286,381
Increased by: Allowable Adjustment - Extraordinary Aid	<u>168,855</u>
Maximum Unreserved/Undesignated Fund Balance	<u>\$ 8,455,236</u>

SECTION 2 - All Districts

Total General Fund - Fund Balances at June 30, 2008 (Per CAFR Budgetary Comparison Schedule/Statement)	\$ 29,773,810
Decreased by:	
Reserved for Encumbrances	1,229,054
Other Reserved Fund Balances - Capital Reserve	1,000
Excess Surplus, Designated for Subsequent Year's Expenditures	849,648
Unreserved - Designated for Subsequent Year's Expenditures	<u>17,579,150</u>
Total Unreserved/Undesignated Fund Balance (Deficit)	<u>\$ 10,114,958</u>

SECTION 3 - All Districts

Reserved Fund Balance - Excess Surplus	<u>\$ 1,659,722</u>
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Recapitulation of Excess Surplus as of June 30, 2008

Reserved for Excess Surplus, Designated for Subsequent Year's Expenditures	\$ 849,648
Reserved Excess Surplus	<u>1,659,722</u>
Total	<u>\$ 2,509,370</u>

PATERSON PUBLIC SCHOOLS
Encumbrances
For the Fiscal Year Ended June 30, 2008

Encumbrances per the June 30, 2008 Board Secretary Report (General Fund) \$1,229,054

Description	Total by Category	Amount Properly Encumbered	Encumbrances Cancelled Through Audit Adjustments
Regular Instruction	176,159	176,159	
Special Education Instruction	7,111	7,111	
Other Instruction	26,653	26,653	
School Sponsored Co-Curricular	5,417	5,417	
Student Support Services	52,639	52,639	
General Administration	305,898	305,898	
School Administration	2,833	2,833	
Central Services	74,062	74,062	
Operations and Maintenance	318,170	318,170	
Transportation	58,519	58,519	
Capital Outlay	201,593	201,593	-
	1,229,054	1,229,054	-

Total Encumbrances Cancelled During the Audit

-

Fund Balance Reserved for Encumbrances in the CAFR

\$ 1,229,054

PATERSON PUBLIC SCHOOLS
Encumbrances
For the Fiscal Year Ended June 30, 2008

Encumbrances per the June 30, 2008 Board Secretary Report (Special Revenue Fund) \$4,071,660

Description	Total by Category	Amount Properly Encumbered	Encumbrances Cancelled Through Audit Adjustments
Regular Instruction	2,279,233	2,279,233	
Special Education Instruction	550,888	550,888	
Other Instruction	160,110	160,110	
Student Support Services	1,065,430	1,065,430	
Capital Outlay	15,999	15,999	-
	4,071,660	4,071,660	-

Total Encumbrances Cancelled During the Audit

-

Fund Balance Reserved for Encumbrances in the CAFR

\$ 4,071,660

**PATERSON PUBLIC SCHOOLS
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

RECOMMENDATIONS

I. Administrative Practices and Procedures

It is recommended that surety bond coverage for the Treasurer of School Monies be increased to ensure compliance with the minimum requirement set forth in N.J.A.C. 6A:23-2.5.

II. Financial Planning, Accounting and Reporting

It is recommended that:

1. Documentation to support payments of pension refunds be maintained and made available for audit.
- * 2. Balances remaining in the teacher salary and summer payment plan bank accounts be reviewed periodically to determine their validity and any excess amounts be transferred to the General Fund.
- * 3. An automated employee time management system be implemented and maintained by the District and be utilized for payroll purposes to determine employee overtime and extra compensation hours.
- * 4. Outstanding purchase orders be reviewed at year end to determine their validity, and if deemed valid, be properly classified as an accounts payable or reserved for encumbrance, or otherwise be cancelled.
5. The year end balances reported in the Special Revenue Fund general ledger be reconciled with amounts reported on the supporting federal, state and private grant activity schedules.
6. The District develop and implement a formal policy relating to the Scholarship Fund to provide guidelines for determining student eligibility.
7. Greater care be exercised when funding District liabilities to ensure sufficient appropriations are available in the appropriate budget line accounts.

III. School Purchasing Program

It is recommended that:

1. State contracts utilized by the District be approved and be made part of the official minutes.
2. With respect to the District's contract for security services, it is recommended that:
 - Overtime hourly rates and rates for all classes of employees be included in the terms of the approved contract.
 - The contract provide for a not to exceed amount related to additional services.
 - The District monitor payments to the security services company to ensure that the approved contract amount is not exceeded.
 - Any amounts to be incurred in excess of the original contract award be made in accordance with the requirements of the Public School Contracts Law.

**PATERSON PUBLIC SCHOOLS
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

RECOMMENDATIONS

III. School Purchasing Program (Continued)

It is recommended that:

3. Hourly rates for time and labor rate contracts for custodial and maintenance services be specifically identified in the contract and contract amounts be in agreement with amounts approved by Board resolution.
- * 4. All purchases from bid vendors under per unit contracts be made in strict accordance with approved bid awards or contracts be amended to reflect the ability to substitute items of an equal or greater value at a cost not to exceed the per unit bid award.
5. Business registration certificates be obtained for all vendors utilized by the District and be made available for audit.

IV. School Food Services

It is recommended that:

- * 1. Food sales be deposited within forty-eight (48) hours from time of collection.
2. A detailed report or accounting of capital assets and related depreciation for food service operations be maintained and made available for audit.
3. The District continue to monitor the corrective action plan filed as a result of the State of New Jersey's review of the Food Service Program.
- * 4. Continued efforts be made to eliminate the deficit in the Food Service Fund.

V. Student Body Activities

It is recommended that:

1. The Etta Marie Scholarship Account be maintained by the Business Office and be reported in the District's Scholarship Fund.
- * 2. Only student activity type receipts and disbursements be maintained and accounted for in student activity accounts.
3. All student activity checks be made payable to a vendor or individual and not made payable to cash.

VI. Application for State School Aid

There are none.

**PATERSON PUBLIC SCHOOLS
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

RECOMMENDATIONS

VII. Transportation

There are none.

VIII. Facilities and Capital Assets

It is recommended that the District maintain a detail accounting of land values, by location, of all District owned properties.

IX. Miscellaneous

There are none.

X. Status of Prior Years' Audit Findings/Recommendations

A review was performed on all prior years' recommendations and corrective action was taken on all prior year findings, however further action is required for those recommendations denoted by an asterisk (*).

ACKNOWLEDGEMENT

We received the complete cooperation of all the officials of the school district and we greatly appreciate the courtesies extended to us. In addition, it should be noted that the Business Office deserves much credit for the significant improvements made since the previous audit report.

Respectfully submitted,

LERCH, VINCI & HIGGINS, LLP



Jeffrey C. Bliss
Public School Accountant
PSA Number CS00932