Pleasantville State Monitor Exit Plan 2017

August, 2017

Dear Pleasantville Board of Education Members,

As the new fiscal year commences, I take this opportunity to present the Board with a plan to promote practice and policy that may result in the exit of a State Monitor. As the Board knows, pursuant to N.J.S.A. 18A:7A-55, the Pleasantville Public School District has been assigned a State Monitor and shall continue to receive the services of a State Monitor until the Commissioner of Education determines that all remedial actions required have been implemented.

Throughout the State of New Jersey, there are 600 public school districts. The Commissioner of Education has detem1ined it necessary to assign State Monitors to 11 school districts in the State. Pleasantville is one of those districts.

This report reinforces guidance provided in prior reports and correspondence I have issued throughout FY 2016-2017. In this report, I initially provide an overview of the State Monitor's role and causes for a State Monitor's appointment in Pleasantville. I also indicate remedial actions that should be taken in order to address deficiencies that contribute to State Monitor assignment. For the Board and District to demonstrate improvements that may in future years result in the exit of a Monitor, the guidance and instruction provided in this report are to be studied and implemented.

Since several Board members are serving their initial terms, in the report I also include an attachment that was disseminated by a prior State Monitor in 2015. I convey the document as it provides a historical perspective of the issues that lead to Monitor appointments in Pleasantville. These documents, along with multiple audit and OFAC reports and the dozens of letters issued by me and prior Monitors, illustrate the reasons that for the past decade, Commissioners of Education have assigned State Monitors to Pleasantville.

As we begin a new fiscal year, this document reviews practices, provides training, informs the Board about where improvement is noted, and identifies areas that remain problematic. The recommendations provided throughout the document are intended to advance the work of the Board and District during the 2017-2018 fiscal year. This report is illustrative of significant areas, but it is not intended as the only source for identifying where improvements may be warranted.

Note that financial references throughout the document are pre-audit; as the CAFR becomes available later this fall, additional training and guidance will be provided.

Sincerely

Constance J. Bauer, Ed.D.

Section A:

Appointment of a State Monitor Pursuant to Statute 18A:7A-55

The items listed below correspond to 18A:7A-55 and reflect areas that contribute to the appointment of a State Monitor: The District currently is commencing the audit process, and as that report becomes available this fall, I will take those data under review and provide additional guidance, as necessary.

Fiscal Matters:

(a)(l) The school district ends the fiscal year with a deficit balance as calculated for budgetary purposes in the general fund, special revenue fund, or capital project funds with the exception of a capital project fund deficit caused by the issuance of bond anticipation notes.

Based upon the 15/16 CAFR, the food services account had a deficit of $484,180.

Exit Criteria: The food services must be eliminated, and the program must not return to deficit status.

(a)(2) The school district receives a qualified opinion by its independent auditor in the annual audit required pursuant to N.J.S. 18A:23-1.

Exit Criteria: The districted received an unqualified audit for the 15/16 school year.

(a)(3) The school district received an adverse, disclaimer of qualified opinion by its independent auditor under the single audit section for State or Federal awards in the annual audit required pursuant to N.J.S. 18A:23-l.

Exit Criteria: Based upon the 15/16 CAFR, the external independent audit team did not make any disclaimers regarding the district's State or Federal awards.

(a)(4)The school district received any audit findings by its independent auditor identified as material weakness in internal controls.

Exit Criteria Based upon the 15/16 CAFR, the external independent audit team did not make any disclaimers regarding material weaknesses of the district's internal controls.

(a)(5) The school district fails to develop and implement a plan acceptable to the commissioner or his designee to address potential or actual deficit balance in general fund, special revenue, or capital projects fund, with the exception of a capital projects fund deficit caused by the issuance of bond anticipation notes.

Exit Criteria: The 15/16 CAFR reported a food services account deficit in the amount of $484,180. Until such time as this deficit is cleared, there will be a continual repeat finding, and the district will not be in compliance.

Moreover, the District processes transfers throughout the year, a practice which often is precipitated by excessive legal expenses, as further addressed in Section B.1 (page 4). The Board is reminded that the Office of Fiscal Accountability and Compliance conducted a Review of Board Attorney Practice, and that report necessitated that the District prepare a Corrective Action Plan. That plan was approved on 11/22/2013 and included measures to be employed in light of excessive legal expenses. The District has not reduced legal spending as required in the CAP. Until the District can demonstrate the reductions required in this fiscal area, the District is not compliant and will continue to have a Monitor.

(a)(6) The school district fails to implement a plan the prior year which caused any findings from the independent auditor to be repeated.

Exit Criteria: The 15/16 CAFR reported a food services account deficit in the amount of $484,180.

(a)(7) The school district is required to return federal funds once it is determined that the school district's expenditures are not in compliance with the grant requirements.

Exit Criteria: Though the CAFR study of compliance for special federal and/or state projects revealed no instances of noncompliance, in December 2015, a Consolidated Monitoring Report from the Office of Fiscal Accountability and Compliance yielded a report containing 15 findings. Finding 4 related to Title II funds being used to supplant state/local funds; Finding 12 addressed a lack of fiscal controls for Carl D. Perkins; Finding 13 addressed lack of loss prevention policies and procedures; and Finding 15 related to fund transfers absent amendment applications. The District developed Corrective Action Plan must continually be monitored to ensure compliance.

(a)(8) The school district submits the annual audit after the submission date required pursuant to NJSA 18A:23-1.

Exit Criteria: The 15/16 CAFR was submitted in accordance with regulations.

Section B:

In addition to guidance letters issued throughout the year, I note that the following issues exist and additionally contribute to the reasons a State Monitor is assigned to Pleasantville:

1. **Budget/Fiscal:**

Per the Attachment provided, the problems plaguing Pleasantville are historic and re111ain a challenge to the current administration. While numerous fiscal recommendations and findings have been addressed since the first Monitor was assigned, there are practices that are recurrently challenging and inherited issues that will take time to resolve. This section serves to highlight some of the most significant matters, though this should not be interpreted as an exhaustive analysis.

As the Board knows, and as is reflected in the 2017-2018 User Friendly Budget Summary (Available on the District's website), in 2016-2017 the revenue from the local tax levy was $8,934,546, in addition to $892,170 for repayment of debt. Th.is represented approximately 11% of total revenue for the year.

The remaining Pleasantville revenue was provided by State and Federal sources. Approximately $64,881,221 of revenue was provided through State sources, including $11,723,109 in grants and entitlements (which were from State and Federal programs), and $1,564,937 in State debt service aid. These funds represented approximately 83% of total revenue.

The remaining funding for the budget was primarily budgeted fund balance in the a111ount of $5,045,892.

The District's FY2017-2018 budget represents significant reductions, and as the Board knows, difficult decisions, including reductions in staffing and extra-curricular programs, have been made. Under the interim superintendent and business administrator, who worked with the administrative team in a deliberative manner over several months, the final budget was presented to and approved by the Board. Subsequently, in accordance with the State aid adjust111ents issued in July, the Board approved an additional $832,205 cut in spending. The adjust111ents to aid received by the District will have an impact on subsequently year's budgeting, as aid and reserve accounts have been reduced.

The Board is reminded that depleted reserve accounts appropriated for the prior and current year's budget 111ean that such are no longer available for subsequent years' budgets. Adjust111ents in budgeted fund balance over the past two years are significant fiscal considerations for FY 17-18 and beyond.

As noted previously, in FY 2016-2017, the budgeted fund balance was $5,045,892; the FYI 7-18 anticipated budgeted fund balance is $1,449,675. The difference over the two years is a reduction of approximately $3,596,217.

This anticipated budgeted fund balance suggests that there may be a significant budget gap to close as the District plans for FY 18-19 and that draconian cuts may be required in FY 18-19; it is prudent for budget reduction options to be identified and evaluated in the first quarter of the current year.

In light of these fiscal issues, I believe it is imperative that the District engage in goal setting and strategic planning. The administration's budget development process should reflect these priorities. (I address this further in the Governance section of this document.)

Foremost, the District does not have a current demographic study. The enrollment trends of charter schools and pre-school are important data to understand in relation to budgetary in1plications, for facilities, staffing, and programs. This is especially the case in the District's pre-k projections, which suggest reductions in this grade will continue through the upcoming school year. A demographic should be started by industry experts in the first quarter of the Current year.

The Board also is reminded that the School Business Administrator is boU11d by law and regulation. Along with the business department, the SBA is responsible for ensuring compliai1ce in all areas of finance, including laws regarding bidding and requests for proposals. On occasions when the Board has not acted to approve contracts presented by the SBA and superintendent, it has been necessary for me to intervene in order to promote fiscally sound contracting practices.

It also is impo1iai1t to recognize the ongoing need to monitor the effectiveness of current systems and to identify ongoing needs. For example, the District was required to refund approximately $189,012 in federal funds for a phone system that was purchased several years ago. The unboxed items were found over the past year, revealing that the system was never installed.

As a result of having to repay the cost of the now-obsolete phone system, the District's E-rate funding application process was delayed, as were technology infrastructure upgrades included in this year’s application. These include, but are not limited to, the purchase ai1d installation of wireless technology in schools and ai1other purchase ai1d installation of phone systems. Obviously, the mai1dated refund also had a deleterious effect on the budget, as a substai1tial fund transfer was required to pay the refund, exacerbating an ongoing fiscal/budget concern.

The District is embarking on substantial technology integration and acquisition, investing approximately $1.8 million in FY 2017-2018. Apart from the installation of phones ai1d wireless technology, the District is investing in the purchase of approximately 2,500 Chromebooks for students' use. This investment is intended to catapult teaching ai1d learning, increasing access and equity to students across the District. The Board should take pride in this investment.

Simultaneously, the Board and District must review policy, procedure ai1d protocols inherently present with such an importai1t initiative. From reviewing Acceptable Use Policies to promoting security of devices, the Board and District must protect the finai1cial investments.

Finally, in a report I provided to the business office on June 19, 2017, I conducted ai1 analysis of some FY16-17 expenditure areas where greater fiscal efficiencies may be possible. (As the year’s final payroll was still forthcoming, actual amounts may be greater than those reported on June 19.)

I present highlights from that report with the guidance that the Board and District review policies and regulations, as well as District practices, that may be cost factors in the following areas:

a. A2 Contracts totaled approximately $416,954, significantly more than the approximately $117,320 represented in the collective bargaining agreement-note that A2 allocations have been reduced in the recently revised budget.
b. Non-teacher substitute costs (nursing, custodian, security, maintenance, bus drivers, bus aides, and secretaries) totaled approximately $1,021,478.76
c. Overtime costs totaled approximately $257,267,84

The District is advised to review procedures for assigning the aforementioned, as these spending areas resulted in expenditures in FY 16-17 that may become m1sustainable in future budget years. In a related consideration, the District’s frequent reliance on time and material contracts suggests such work is prudent to bid. This has been addressed with the business office, and bids should be solicited accordingly in areas where patterns oftin1e and material contract work are noted.

In a second example where the District should monitor the effectiveness of current practices and identify ongoing needs, the District had numerous vehicles (not buses) that were being driven without current inspections. Upon further investigation, it was discovered that titles for several vehicles could not be located in the District.

Moreover, the business office recognized that numerous vehicles were unserviceable and needed to be discarded. Following an onerous process that took a full year, the office was able to address these concerns and appropriately discard the vehicles, thus reducing liability and insurance costs. I cite this situation to illustrate the need for the District to continually assess its practices in all areas of operations, ensuring that monitoring systems are in place to avert such issues.

Problems with District record keeping exist. Thought the District is working to inventory and archive docun1ents, contracting electronic storage solutions, it is imperative that a purposeful plan be developed, resourced, and executed over the next year to inventory storage areas across the District, including the numerous trailers housed on several school sites.

Many of these trailers have become repositories for docm11ents and supplies, and in many cases, the contents are not inventoried and have suffered the damaging effects of negligence and lack of climate control. Additionally, the Board bears a leasing cost that can be reduced through purposeful sorting, archiving, and reorganization of materials.

Lastly, the District has tremendous financial investments in its many properties. In one case, during FY 2016-2017, the District invested significant financial resources in the property at 16 W. Leeds Avenue. Improvements have been made, but facility remains unoccupied.

As buildings across the District continually age, it is necessary that that District adhere to its Comprehensive Maintenance Plan. Of particular importance is for the District to evaluate and prioritize long range facilities planning. It is imperative that this work be reviewed now so that the District can develop a responsible long range financial plan to address repairs and replacements.

Much of the District's facility budget addresses emergency response and repair, such as that which occurred at North Main Street School last summer. The District's preventative maintenance schedules should drive budget development and inform decisions regarding areas where bidding services may be prudent.

2. **Legal expenses:**

Among reasons Pleasantville has been assigned a state monitor is that the district's legal costs have exceeded 130 percent of the statewide average per pupil an1ount. Among reasons Pleasantville has been assigned a state monitor is that the district's legal costs have exceeded 130 percent of the statewide average per pupil amount. The District has been advised to comply with the provisions of N.J.A.C. 6A:23A-5.2a (3), for the district's legal expenses remain a financial concern, one that has existed for the past decade.

To put this fiscal issue in perspective, unaudited financial records indicate that in FY2016-2017 the District has expended approximately $879,134.09 in legal fees (this includes all attorneys paid by the District) and $454,012.00 in judgements.

For perspective, in FY 2013-2014, the District's legal fees were $578,929.11. This year's fees represent a 34% increase in spending, amounting to an additional $ 298,905.

Included in the District total are Legal counsel fees incurred by State Monitors. Analyzing the same longitudinal data, State Monitor legal fees portion of the District total in FY 2013-2014 was $39.561.09 and in FY 2016-2017 was $52,258.30, an increase of $12,697.

Expenses exceeded the legal fees in the approved FY 2016-2017 budget, and, as a result, since July 1, 2016, the district has made substantial transfers to pay its legal bills. Transfer records demonstrate the financial impact on other accounts in the District:

Budget Category	*Net Transfer	% Change
Improvement of Instruction	($408,105)	-27.35
Transfer of Funds to Charter Schools	($1,687,754.37)	-27.79

(*Portions of these funds also were made to increase substitute and salary accounts.)

The ongoing problems with excessive legal costs makes the budget development process more challenging. The District and Board also are reminded that N.J.S.A. 18A:22-8.l, requires approval for cumulative transfers that exceed 10% of the an10U11t of the account included in the school district's budget as ce1tified for taxes. Pleasantville has many accoU11ts where FY 2016-2017 transfers far exceed the pe1111issible level as prescribed in statute. Again, legal costs are contributing to non-compliance regarding transfers. Charter school tuition, where the emergence of new school options made it difficult to budget accurately, is another significant transfer cause.

Since legal expenses remain excessive, the District this year will hire in house counsel to provide legal resource to the administration. The person serving as in-house counsel will report directly to the District administration, providing legal guidance on issues that arise. In house coU11sel will provide guidance that should result in resolution of many issues at the lowest possible legal level. This position is part of the approved budget.

The Board and District also must follow guidance issued regarding legal representation, including, but limited to, receiving multiple bills for Board meeting attendance as well as representation on cases assigned to counsel through the District's insurance carrier.

While the Business office did solicit RFPs and received several in response, I understand the Board's appointment of general counsel was made without review of the proposals submitted for consideration by various legal firms who submitted the comprehensive proposal package.

Appointing counsel irrespective of the RFPs is a fiscal concern, as general counsel clearly is a major professional contract. In FY 16-17, general counsel's portion of the legal bills was $466,769.20, a cost that suggests fiscal analysis of proposals submitted by qualified professionals should have occurred. Additionally, the issuance of a professional contract absent the RFP process may diminish the nun1ber and quality of future responses received by the District. Until fiscal stewardship is advanced through the adherence to the bid and RFP process and the awarding of contracts based on a comprehensive analysis of all submissions, a Monitor is needed in the District.

3. **Personnel:**

The PEA agreement ended on June 30, 2016. Negotiations are at the mediation level.

The PAA agreement ended on June 30, 2017.

The Transportation agreement ended on June 30, 2017.

The Board is advised that all union agreements are in the process of negotiations which is a confidential process until such time as respective parties have reached respective ratification.

There are nun1erous district employees who are non-represented and for whom no contract is available. These staff members are hired via Board action and provided a position and salary. It is necessary to develop contracts delineating the employment conditions for each of these individuals.

On some occasions it was necessary for me to overturn the Board's action when the Board did not support the administration's recommendations regarding personnel issues. This noted, the Board recently did affirm the personnel reductions included in the FY 2017-2018 budget.

4. **Governance:**

This District's 2016-2017 NJQSAC score issued by the Executive County Superintendent is 65%, a score indicative of an area where tremendous improvement efforts are warranted. A "passing" score is 80%. The following guidance is provided so that the Board may improve its practices and receive a higher score insubsequent reviews.

Initially, this exit report focuses on school board training. As several members are in their first elected terms or are serving out a term from a vacancy, it is prudent for the Board to engage in structured training. The Board pays substantial dues-approximately $26,662.70 for FY 17-18-- to the New Jersey School Boards Association and has access to an array of professional services, yet the Board does not solicit the expertise of the organization, especially the experienced field service representatives. For example, the Board held a Saturday retreat last March; training was led by general counsel, at an incurred cost. The resultant legal costs could have been avoided had NJSBA conducted the program.

Further, while the Board attends the annual convention in October, which is a rich, meaningful training opportunity, the workshop sessions are geared to the broad audience attending the convention. Field service representatives are available to the Board throughout the year and are able to provide guidance tailored to Pleasantville's needs. Given the nun1ber of novice members on the Board and the need to improve the NJQSAC score, it is advantageous to plan additional training through NJSBA-whether part of the regular meeting or at another agreeable time--so that all members have access to information and training.

Though the Board may rely on counsel for training, such services henceforward will have to be arranged with the understanding that such training will be delivered at no additional legal cost to the District.

Next, my report provides guidance regarding the Board's organizational structure. Over the past year, the Board has worked by committee, holding one advertised action meeting per month. (Note: Numerous special meetings also have been convened throughout the year.) As part of the structure, Board committees meet numerous times each month.

Ideally, the committee meetings avail the Board members an opportunity to seek necessary clarification germane to that committee's charge. The c01mnittee meetings also provide the administration a chance to offer insight and explanation regarding the district's goals and activities. Board committees also can be charged to address specific issues and report back to the full Board regarding the work of the committee, including making recommendations.

From my observations, the district administrative team invests a great deal of time preparing for the meetings. Board members and district administrators also invest a lot of time attending the meetings. Further, the Board's general counsel sometimes attends the c01m11ittee meetings, resulting in billable hours to the Board and escalating legal costs. Given the time and financial resources invested through the meetings, it is reco1mnended that c01mnittees make reports and rec01m11endations to the full Board regarding committee's work.

Third, the Board has not met its obligation to annually evaluate the superintendent. In order for a superintendent to effectively lead, it is vital that annual goals be established and become the basis for the annual evaluation. Again, NJSBA provides services to support the Board in preparing the evaluation and should be consulted to assist in this vital work. Until such time as the District's leadership is stable for a sustained period, a Mo11itor may be assigned.

Fourth, as the Board is responsible for setting policy, it is important as well to ensure that policy is followed. As such, the Board is encouraged to continue its review of existing policies to promote currency and to ensure implementation. It is suggested this be a focus for committee work over the next year. The Board does take action regarding policy updates recommended by the administration. It is recommended that the Board engage in a process to ensure tl1at policies are current and enforced.

For example, the Board often waives fees for facility use, but as noted above, the District pays significant ove11ime salaries. Given the budget issues I have referenced in this memorandum, I suggest it is prudent to evaluate current practices, ascertain the actual costs associated with such practices, and determine whether existing policies and procedures might require modifications.

Fifth, as recommendations and guidance are provided the administration, the Board is reminded of its role to see that the District is well run. Voluminous regulations and statute guide the administrators the Board has hired to lead the District. The administration is responsible for making decisions accordingly, including bring forth recommendations for Board action. There have been occasions through the year when it has been necessary for me to review and subsequently overturn Board actions that went against recommendations of the superintendent and, sometimes, of general counsel. This suggests that a Monitor's oversight remains necessary.

Finally, as the Board progresses in its work, I again note the Board's votes to approve the school district budget recommendations submitted by the administration. In a year of substantial budget reductions, including the recent additional $832,205 reduction in State aid, the Board approved the budgets-including the spending reductions--submitted by the administration. This is a positive reflection of the work undertaken by the Board and District.

As the budget reductions have been made, resultant deleterious economic effects have been realized in reserve accounts and fund balance, suggesting future budgets may prove even more challenging for this and future Boards. This is one reason why I recommend the Board engage in goal setting activities with the District administration. Diminished financial resources further elevate the need for congruence between the administration and the Board regarding District priorities, as the annual budget should be constructed in supp01i of those.

5. **Closing Remarks:**

While a State Monitor is assigned by the Commissioner of Education, through this document and the others I have issued to the Board throughout this year, I have provided guidance intended to assist the Board and District in effecting necessary changes that may result in the exit of a State Monitor.

Cc: Glenn Forney, Department of Education, Office of State Monitors

Clarence Alston, Ed.D. Superintendent of Schools

Dennis Anderson, Former Interim Superintendent

Elisha Thompkins, SBA/Board Secretary

*Attachment:

Circumstances Surrounding the Appointment of State Monitors by District

Pleasantville

*infom1ation previously presented in 2015 by Dr. Lester Richens, fom1er State Monitor; as necessary for structural unifom1ity, fom1atting edits have been made

A State monitor was appointed on July 2, 2007, based on the June 30, 2006 CAFR. The district meets the criteria for the appointment of a State monitor due to submitting the annual audit on December 14, 2006, after the November 6, 2006 submission date required pursuant to NJSA 18A:23-l; the CAFR containing findings the auditor identified as material weaknesses and repeat audit findings in the CAFR and AMR.

2006

The material weakness findings include the following:

1. Several of the district's bank accounts were not properly reconciled during the fiscal year. The reconciliations that are completed are not done in a timely manner. The bank reconciliation should be provided by the Treasurer and reconciled to the general ledger balance on a monthly basis;
2. The District's financial records do not accurately reflect the financial position and activity of the district. Numerous audit adjustments were required. The general ledger should be reconciled to the subsidiary ledgers on a monthly basis and the differences identified and corrected; and,
3. The budget was properly prepared, including the Abbott school-based budgets, and nun1erous transfers were necessary throughout the year. The budget should be prepared using careful analysis of all appropriation lines, including salaries and future plans for the district.

The repeat audit findings in the CAFR include the following items:

1. Several of the district's bank accounts were not reconciled during the fiscal year and several reconciliations were not in agreement with the general ledger;
2. General ledger accounts were not reconciled with subsidiary ledgers throughout the year;
3. The outstanding purchase order report was not in agreement with the Board Secretary's rep01t;
4. Proper controls were not in place over expenditures. This finding was not cleared; however the newly implemented purchasing manual should address the weakness;
5. The treasurer's reports were not presented to the Board on a monthly basis;
6. Budget transfers were made without appropriate authorization;
7. Receiving documents are not signed indicating receipts of goods and services. This finding was not cleared in this fiscal year, however the newly implemented purchasing manual should address the weakness;
8. District is paying for health benefits for employees no longer working in the district. This finding was not cleared in this fiscal year, however the newly implemented purchasing manual should address the weakness;
9. The Board Secretary's report was not presented monthly to the Board for approval;
10. Contracts were awarded without being properly bid or quoted;
11. Payroll agency balances were not properly reconciled throughout the year;
12. Quotes were not obtained for purchases when required;
13. Purchase orders did not contain adequate supporting documentation for payments made. This finding was not cleared in this fiscal year, however the newly implemented purchasing manual should address the weakness;
14. Reimbursement vouchers for the food service program did not agree with supporting Documentation; The district did not complete the TPAF reimbursement calculation prior to September 30th; The Board Secretary and Treasurer's reports were not filed with the Board on a monthly basis; and, the district did not maintain appropriate records for the ECPA expenditures.

The repeat audit findings in the AMR that are not also in the CAFR are as follows:

1. The district’s treasurer's reports did not accurately reflect the cash position of the district;
2. There were vendors that were paid over the bid threshold for which the district did not go out to bid;
3. Deposits into the unemployment compensation trust fund were not in agreement with amounts that should have been deposited;
4. The district has not liquidated all open purchase orders as of the date of the audit report;
5. The board secretary did not submit the Board Secretary's Report to the Board on a monthly basis;
6. The minutes of the Board meetings did not include the detail of all required Board actions; and,
7. The district did not file the reimbursement to the State for the TPAF social security reimbursements for teachers charged to federally funded programs.

2007

The district continues to meet the criteria for the appointment of a State monitor due to submitting the annual audit on December 13, 2007, after the November 5, 2007 submission date required pursuant to NJSA 18A:23-l; receiving a qualified opinion by its independent auditors on the single audit section for Federal awards in the annual audit; the CAFR containing findings the auditor identified as material weaknesses and repeat audit findings in the CAFR and AMR

The material weakness findings include the following:

1. Several of the district's bank accounts were not properly reconciled during the fiscal year. The reconciliations that were completed were not done in a timely manner. By June 30, the accounts had been reconciled. Bank reconciliations should be provided by the Treasurer and reconciled to the general ledger balance on a monthly basis;
2. General ledger accounts were not reconciled with subsidiary ledgers throughout the year. The general ledger should be reconciled to the subsidiary ledger on a monthly basis and differences identified and connected;
3. The outstanding purchase order report is not in agreement with the Board Secretary’s report. Payables and encumbrances as of June 30, 2007 were outstanding longer than90 days. During the year, the business administrator is carefully reviewing and approving all purchase orders; however, at year-end the computer system "rollover" resulted in the system listing not reconciling to the general ledger. The open purchase order listing should be reviewed, reconciled to the general ledger, appropriate adjustments made and printed at year-end before the system is moved to the subsequent year;
4. The district did not transfer all required withl1olding and budgeted amounts to the unemployment trust as required. Also, the district made disbursements from the general fund budget instead of from the unemployment trust account. The district should transfer and deposit all required funds into the unemployment trust and make all unemployment payments from the trust;

5. The records of the food service fund were completely inaccurate. No bank reconciliations were prepared, no reconciliation of receivables were maintained, no general ledger was maintained, vouchers are being paid for incorrect amounts, meal counts did not agree to reimbursement claims, controls over food inventory was inadequate based on the gross profit calculation and the food service lost approximately $800,000 in this fiscal year. Internal controls for the food service fund should be established. One general ledger should be used to accumulate all transactions. The general ledger should be reconciled on a monthly basis. Controls should be implemented for food inventory;
6. The payroll agency was not properly reconciled throughout the year. Year-end balances were not in agreement with amounts due to outside agencies. The payroll agency account should be reconciled on a monthly basis and the year-end balance should be analyzed and adjusted to reflect the liabilities of the district at June 30th
7. The minutes did not indicate acceptance of the Treasurer's reports monthly, and a copy of the report was not included with the minutes. It does not appear that the Board was receiving the Treasurer's reports on a monthly basis. The Treasurer's reports should be presented to the Board monthly and the minutes should include copies of all rep011s that are accepted at each meeting; and,
8. The preschool expansion aid grant was overspent. The grants should be monitored to detem1ine the amounts that can be expended.

The repeat audit findings in the CAFR include the following items:

1. Several of the district's bank accounts were not properly reconciled during the fiscal year. The reconciliations that are completed are not done in a timely manner;
2. General ledger accounts were not reconciled with subsidiary ledgers throughout the year;
3. The outstanding purchase order report is not in agreement with the Board Secretary's report. Payables and encun1brances as of June 30, 2007 were outstanding longer than 90 days;
4. The minutes did not indicate acceptance of the Treasurer's reports monthly, and a copy of the report was not included with the minutes. It does not appear that the Board was receiving the Treasurer's reports on a monthly basis. This finding was partially cleared in this fiscal year. The monthly reports were presented to the Board but not on a tin1ely basis;
5. Payroll agency was not properly reconciled throughout the year. Year-end balances were not in agreement with amounts due to outside agencies;
6. Several of the reimbursement vouchers tested for the National School Lunch Program were not in agreement with the student counts reported in the District's records; and,
7. The district did not complete the Reimbursed TPAF Social Security Contributions form prior to the completion of the audit.

The repeat audit findings in the A1v1R that are not also in the CAFR are as follows:

1. Expenditures were noted where invoices were dated prior to requisitions being prepared, supp01iing documentation was not included with the voucher packages, bids and quotes were not properly obtained, and payments were not made in a timely manner;
2. The budget and the Board Secretary's report were not properly monitored throughout the year; and,
3. The budget was not properly prepared, including the Abbott school-based budgets, and numerous transfers were necessary throughout the year.

2008

The district continues to meet the criteria for the appointment of a State monitor due to submitting the annual audit on November 12, 2008, after the November 5, 2008 submission date required pursuant to NJSA 1SA:23-1; the CAFR containing findings the auditor identified as material weaknesses and repeat audit findings in the CAFR.

The material weakness findings include the following:

1. General ledger accounts were not reconciled to the subsidiary ledgers throughout the year;
2. District did not transfer all required withholding and budgeted amounts to the unemployment trust fund as required. Also, the district made disbursements from the general fund budget instead offrom the unemployment trust account;
3. The financial records are not being maintained in accordance with the requirements of industry standards. Several significant adjustments were necessary to adjust the trial balance of the district to be in accordance with Generally Accepted Accounting Principles;
4. Several adjustments were made throughout the year to adjust posting of expenditures and salaries of district personnel. The adjustments to the financial information did not have any docun1ented approval process; and,
5. The financial records are not being maintained in accordance with the requirements of industry standards.

The repeat audit findings in the CAFR include the following items:

I. General ledger accounts were not reconciled with subsidiary ledgers throughout the year. This finding was partly cleared; however, the food service ledgers were not reconciled;
2. District did not trai1sfer all required withholding and budgeted an1ounts to the unemployment trust fund as required. Also, the district made disbursement from the general fund budget instead of from the unemployment trust account; ai1d,
3. Records of the food service fund were completely inaccurate. No bank reconciliations were prepared, no reconciliation of receivables were maintained, no general ledger was maintained, vouchers are being paid for incorrect an1ounts, meal counts did not agree to rein1bursement claims, controls over food inventory was inadequate. Food service lost approx. $800,000 in this fiscal year.

2009

The district continues to meet the criteria for the appointment of a State monitor due to submitting the annual audit after November 9, 2009, (Audit Opinion is dated November 9, 2009) after the November 5, 2009 submission date required pursuant to NJSA 18A:23-l; the CAFR containing findings the auditor identified as material weaknesses and repeat audit findings in the CAFR and AMR

The material weakness findings include the following:

1. The district did not have adequate control over the payroll agency or unemployment trust accounts. The amounts in the bank accounts were not reconciled to the district payroll system to determine that the correct balances were included in the accounts. In addition, controls were not in place to ensure that sufficient supporting documentation was available to reconcile the accounts or to identify the purpose of various expenditures. The district should prepare a fom1al reconciliation of the unemployment and agency accounts each month and either transfer sufficient money to the account for liabilities or, if excess cash is included in the account, transfer the excess to the general account;
2. Several adjustments were made throughout the year to adjust posting of expenditures and salaries of district personnel. The adjustments to the financial infom1ation included an approval process but the approvals did not contain sufficient supporting documentation to allow the reviewer to determine the purpose of the adjustment In addition, postings of salary expense were made to accounts that did not agree with the position control roster. It is recommended that formal journal entries be prepared for all adjustments to the financial information of the district and that those entries include support for the reason for the adjustment and evidence of supervisory approval. In addition, all changes in the budget must be made by hun1an resources and not by the business office; and,
3. There is no central monitoring of grant programs. As a result, required reports for cash reimbursement were not made as required by the grant agreements and there was no monitoring to ensure that the Board's financial information was in agreement with the grant budget or expenditures. It is recommended that one individual be identified to report directly to the business administrator at least monthly with a report identifying the exact status of all grant monies available to the district. The report should, at a minimum, include the identifying number of the grant; the amount available; the amount expended; the amount committed but not expended; the amount available to spend; the amount of grant reimbursement requested; the actual cash received and the amount requested but not received. This report will allow for timely follow-up of any open balances or receivables.

The repeat audit findings in the CAFR include the following items:

I. The district did not transfer all required withholding and budgeted amounts to the unemployment trust as required. Also, the district made disbursement from the general fund budget instead of from the unemployment trust account; and,
2. Several adjustments were made throughout the year to adjust posting of expenditures and salaries of district personnel. The adjustments to the financial information did not have any docun1ented approval process. This comment was pai1ially cleared in 08-09.

The repeat audit findings in the AMR that are not also in the CAFR are as follows:

1. It is recommended in a subsidiary ledger for rental and miscellaneous income be maintained and the ledger reconciled on a monthly basis;
2. It is recommended that the formal journal entries be printed at least weekly with identification of the reason for the entry and with evidence of who prepared, entered ai1d approved the journal entries. A file of these entries should be maintained for audit;
3. The treasurer should review the accuracy of the outstai1ding bank reconciliation items and have the district follow-up on items which are outstanding for an extended period of time;
4. All non-routine programs that are operated by the food service program should be approved by the business administrator and a monthly aged accounts receivable should be prepared and provided to the business administrator or for review; and,
5. The student activity bank reconciliations should be prepared in a correct format.

2010

This district continues to meet the criteria for the appointment of a State monitor based on the CAFR being late by one day (the due date was a Sunday), 2 material weakness findings in CAFR, 3 repeat audit findings in CAFR and 6 repeat audit findings in AMR. The district has a monitor assigned to it at the current time and that monitor should continue to be assigned to this district

The material weakness findings include the following:

1. The district did not have adequate control over the payroll agency or unemployment trust accounts. The amounts in the bank accounts were not reconciled to the district payroll system to determine that the correct balances were included in the accounts. In addition, controls were not in place to ensure that sufficient supporting docun1entation was available to reconcile the accounts or to identify the purpose of various expenditures. The auditors recommended that the district should prepared a formal reconciliation of the unemployment and agency accounts each month and either transfer sufficient money to the account for the liabilities or, if excess cash is included in the account, transfer the excess to the general accounts. The reconciliation should contain evidence of supervisory review which could be evidenced by a signature of the District Business Administrator or Comptroller; and,

2. Several adjustments were made throughout the year to adjust posting of expenditures and salaries of district personnel. The adjustments to the financial information included an approval process but the approvals did not contain sufficient supp011ing documentation to allow the reviewer to determine the purpose of the adjustment. In addition, postings of salary expense were made to accounts that did not agree with the district position control roster. The auditors recommended that formal journal entries are to be prepared for all adjustments to the financial information of the district and that those entries include support for the reason for the adjustment and evidence of supervisory approval. In addition, all changes to personnel charges in the budget must be made by human resources and not by the business office.

The repeat audit findings in the CAFR include the following items:

1. The district did not have adequate control over the payroll agency or unemployment trust accounts. The amounts in the bank accounts were not reconciled to the district payroll system to determine that the correct balances were included in the accow1ts. In addition, controls were not in place to ensure that sufficient supporting documentation was available to reconcile the accounts or to identify the purpose of various expenditures. Due to personnel changes during the fiscal year, this finding was not adequately addressed w1til after the year was concluded;
2. Several adjustments were made throughout the year to adjust posting of expenditures and salaries of district personnel. The adjustments to the financial information included an approval process but the approvals did not contain sufficient supporting documentation to allow the reviewer to determine the purpose of the adjustment. In addition, postings of salary expense were made to accounts that did not agree with the district position control roster (PCR). Although the cause was different, this finding still exists. Personnel were moved from positions on the PCR without being formerly adjusted in the system. As a result the Board office made several posting adjustments to match personnel to the position actually worked; and,
3. (IDEA Part B Basic & IDEA Preschool) There is no central monitoring of grant programs. As a result, required reports for cash reimbursement were not made as required by the grant agreements and there was no monitoring to ensure that the Board's financial information was in agreement with the grant budget or expenditures. Although additional grants were tested in this fiscal year, the lack of monitoring of grant expenditures continued to exist.

The repeat audit findings in the AMR that are not also in the CAFR are as follows:

1. It was recommended that journal entries be printed at least weekly with identification of the reason for the entry and with evidence of who prepared, entered, and approved the journal entries. A file of these entries should be maintained for audit;
2. It was recommended that all charges against salary budget line items be made through the position control roster. Any modifications must be made by Human Resources;

3. It was recommended that a detailed reconciliation of all agency accounts be made every month and all variances must be identified and adjusted as necessary. A formal report of the reconciliation should be prepared;
4. It was recommended that the treasurer review the accuracy of the outstanding bank reconciliation items and have the district follow-up on items which are outstanding for an extended period of time;
5. It was recommended that the general ledger be adjusted to reflect actual awards when the district receives the award notification and the expenditures be reconciled on at least a monthly basis. Specific controls should be documented for all grant programs; and,
6. It was recommended that the student activity bank reconciliation be performed in a correct format.

2011

The Pleasantville school district already has a State monitor appointed to it and met two criteria of N.J.S.A. 18A:7A-55 at June 30, 2011, which were one finding the independent auditor identified as a material weakness in internal controls and the district failed to in1plement a plan from the prior year, which caused one CAFR finding plus one additional AMR finding to be repeated. The material weakness finding was that the district did not have adequate control over the payroll agency or unemployment trust accounts; this is also a repeat finding. The additional repeat finding in the AMR was that the Treasurer should review the accuracy of the outstanding bank reconciliation items and have the district follow-up on items which are outstanding for an extended period of time. While the district has made progress over the past year, it still qualifies for the appointment of a State monitor who should continue to be assigned to this district.

2012

The Pleasantville school district already has a State monitor appointed to it and met one criteria of N.J.S.A 18A:7A-55 at June 30, 2012, which was the district failed to implement a plan from the prior year causing three AMR findings to be repeated. The repeat AMR findings are that while the district does maintain a log of all correspondence with the district's legal counsel the log lacks required detail relating to items such as the time, date and details of the conversation; the on-roll students reported in the ASSA were not in agreement with the district work papers; and, several discrepancies were noted between the district-wide list of students and the students reported on the District Report of Transported Resident Students (DRTRS) document submitted to the Department of Education. While the district has made progress over the past couple of years, the district should continue to receive the services of its State monitor until the Commissioner determines that all remedial actions required have been implemented and the necessary local capacity and fiscal controls have been restored to the school district operations.

2013

The Pleasantville School District met the criteria for the appointment of a state monitor pursuant to N.J.S.A. 18A:7A-55 because the district received a qualified opinion by its independent auditor under the single audit section for State awards and the AMR contained one repeat audit finding. The qualified opinion was related to the district's procurement practices and the AMR repeat finding was related to an encumbrance not being recorded for the TPAF reimbursement to the State for federally funded employees which resulted in an over-expenditure of the applicable budget line. The district has a monitor assigned to it at the Current time and should continue to receive the services of a state monitor until the Commissioner determines that all remedial actions required have been implemented and the necessary local capacity and fiscal controls have been restored to the school district operations.