

**PATERSON PUBLIC SCHOOLS  
AUDITORS' MANAGEMENT REPORT ON  
ADMINISTRATIVE FINDINGS -  
FINANCIAL COMPLIANCE AND PERFORMANCE  
JUNE 30, 2011**

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

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of the Board of Trustees  
Paterson Public Schools  
Paterson, New Jersey

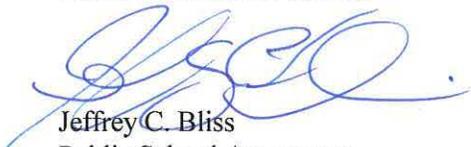
We have audited in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States, the basic financial statements of the Paterson Public Schools, County of Passaic, State of New Jersey as of and for the year ended June 30, 2011, and have issued our report thereon dated November 15, 2011.

As part of our audit, we performed procedures required by the Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey 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 and use of management, the Board of Trustees, others within the District and the New Jersey State Department of Education. However, this report is a matter of public record and its distribution is not limited.

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 15, 2011

**PATERSON PUBLIC SCHOOLS  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**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>
Dr. Donnie W. Evans	State District Superintendent	\$ 85,000
Anthony C. Zambrano	Treasurer of School Monies	2,000,000

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.

**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:A23-3.1(f)3.

**Financial Planning, Accounting and Reporting**

**Examination of Claims**

An examination of claims paid during the period under review revealed immaterial discrepancies with respect to signatures, certification or supporting documentation.

- **Finding** – Our audit of the District's employee health benefit bills indicated several individuals who remained covered under the District's employee benefit program after termination from the District.

**Recommendation** – Employee health benefit bills be reviewed on a monthly basis to ensure that only active employees are receiving coverage.

**PATERSON PUBLIC SCHOOLS  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**Financial Planning, Accounting and Reporting (Continued)**

**Payroll Account**

The net salaries of all employees of the District 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, including health benefits withholding due to the General Fund.

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

- **Finding** – Our audit indicated that required pension reports related to retroactive salary payments made during the 2009-10 fiscal year have not been filed with the State of New Jersey. As of the date of audit, the District has not received the revised reporting requirements from the State of New Jersey; therefore no audit recommendation is warranted.

**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.

**Classification of Expenditures**

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6A:23-2.2(f) as part of our test of transactions of randomly selected expenditure items. We also reviewed the coding of all expenditures included in our compliance and single audit testing procedures. In addition to randomly selecting a test sample, our sample selection included administrative coding classifications to determine overall reliability and compliance with NJAC 6A:23-8.2. As a result of the procedures performed, no additional procedures were deemed necessary to test the propriety of expenditure classification.

- **Finding** – Our audit revealed that certain salaries of Assistant Superintendents of Operations were allocated to Improvement of Instructional Services rather than to General Administration salary budget line accounts. In addition, we noted certain supplies and materials purchased were charged to the capital outlay budget (Fund 12) rather than the operating budget (Fund 11) line accounts.

**Recommendation** – The District reference the Uniform Minimum Chart of Accounts for New Jersey Public Schools, 2008 Edition, and other available reference materials, such as the Budget Guidelines for the proper classifications required to be in compliance with N.J.A.C. 6A:23A-16.2(f).

**PATERSON PUBLIC SCHOOLS  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**Financial Planning, Accounting and Reporting (Continued)**

**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.

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

- **Finding** – Our audit of purchase orders and expenditures revealed the following:
  - Salaries and wages were encumbered at the beginning of the fiscal year for the full amount of the respective budget line item appropriation rather than for projected obligations of existing personnel of the District for the fiscal year.
  - Budget appropriations and related encumbrances were not modified or adjusted to reflect new hires or the transfer/termination of existing employees.
  - Purchase orders for health benefits were encumbered on a monthly basis as invoices were received rather than at the beginning of the fiscal year for the projected obligation of the District for the fiscal year.

**Recommendation** – Internal control procedures be reviewed and revised to ensure purchase orders for salaries and wages, as well as employee health benefits, are encumbered and adjusted accordingly and budget appropriation line accounts are modified to reflect projected obligations of existing personnel of the District for the fiscal year.

- **Finding** – Our audit of the monthly transfer worksheets revealed that a budget appropriation transfer was made to a non-equipment capital outlay line item without seeking approval from the Executive County Superintendent.

**Recommendation** – Budget appropriation transfers to capital outlay line items, other than equipment, be submitted to the Executive County Superintendent for approval.

- **Finding** – Our audit revealed that the receipt from the State of New Jersey for reimbursement of Internal Audit Department salaries and wages was recorded as a budget refund rather than as a revenue. An audit adjustment was made to properly record these transactions, resulting in a line item overexpenditure. As this overexpenditure was the result of an audit adjustment, no recommendation is warranted.

**Treasurer's Records**

The Treasurer did perform reconciliations for all required accounts.

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 and IV 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.

**PATERSON PUBLIC SCHOOLS  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**Financial Planning, Accounting and Reporting (Continued)**

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 (Continued)

- **Finding** – Our audit of the federal No Child Left Behind (NCLB) Programs revealed the following:
  - Grant receipts were not allocated to the proper program year as reflected in the Electronic Web-Enabled Grant (“EWEG”) system.
  - Final grant report expenditures filed on the EWEG system were not always in agreement with the District’s accounting records and reports of audit.

**Recommendation** – Internal controls over federal grant reporting be reviewed and enhanced to ensure that:

- Grant receipts are recorded in the District’s accounting records to the program year requested for reimbursement.
- Final grant report expenditures are in agreement with amounts reported in the District’s accounting records and reports of audit for the respective program year.

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 Preschool Education Aid Program revealed that noncompliance with program requirements were noted relating to preschool 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. Corrective action plans were prepared and approved by the District. We noted the District is monitoring the service providers on a continuous basis therefore, no recommendation is warranted.

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.

**School Purchasing Programs**

Contracts and Agreements Requiring Advertisement for Bids

Effective July 1, 2010 and thereafter the bid thresholds in accordance with N.J.S.A. 18A:18A-2 (as amended) and 18A:18A-3(a) are \$36,000 (with a Qualified Purchasing Agent) and \$26,000 (without a Qualified Purchasing Agent), respectively. The law regulating bidding for public school transportation contracts under N.J.S.A. 18A:39-3 is currently \$17,200. The Board designated the District Purchasing Agent as the Qualified Purchasing Agent.

**PATERSON PUBLIC SCHOOLS  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**School Purchasing Programs (Continued)**

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

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.

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 findings were noted relating to the purchasing department as indicated in reports prepared by the District's internal audit department. The findings noted were as follows:
  - The District issued payment for services provided outside the scope of a State contract.
  - Required documentation supporting the payment of claims was not always obtained.
  - A clerical error resulted in two bids with the same bid number and one bid improperly advertised; in violation of N.J.S.A. 18A:18A-21.
  - The auditors noted a delay in the approval process for several requisitions.

The District has approved a corrective action plan related to the findings; therefore no audit recommendation is warranted.

- **Finding** – Our audit indicated that the District did not always provide notification to the Office of the State Comptroller of contracts awarded for amounts exceeding \$2 million in accordance with N.J.S.A. 52:15C-10.

**Recommendation** – Continued efforts be made to ensure in all instances, notification be provided to the Office of the State Comptroller of contracts awarded by the District which exceed \$2 million in accordance with N.J.S.A. 52:15C-10.

- **Finding** – Our review of contracts awarded on a per unit or time and material basis revealed they did not always include a maximum not to exceed amount of dollars or units stated in the contract agreement. We noted Board resolutions included maximum not to exceed amounts by project but not always by vendor.

**Recommendation** – Contracts awarded on a per unit or time and material basis include a maximum not to exceed amount of dollars or units in the contract agreement.

**PATERSON PUBLIC SCHOOLS  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**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 indicated that the net cash resources of the food service fund exceeded three (3) months average expenditures.

**Recommendation** – Appropriate action be taken to ensure that the net cash resources of the food service fund do not exceed three (3) months average expenditures.

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 of athletic accounts revealed the following:
  - Rates paid for sports officials and event staff were not approved in the official District minutes.
  - IRS tax Form 1099 was not issued to individuals receiving over \$600 for services rendered.
  - JFK gate receipts are deposited into the Student Activity Account.
  - Expenditures for athletic supplies and equipment were paid directly from the Eastside High School Athletic account and JFK Student Activity account.

**Recommendation** – The District revise its student activity policy to include procedures pertaining to athletic accounts.

**PATERSON PUBLIC SCHOOLS  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**Application for State School Aid**

Our audit procedures included a test of information reported in the October 15, 2010 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped and low-income. We also performed a review of the district procedures related to its completion. The information on the A.S.S.A. was compared to the district workpapers 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 2010-2011 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, except as previously noted under the school purchasing program.

**Facilities and Capital Assets**

Since the District is classified as an At Risk District, virtually all School Development Authority (SDA) grant activity is conducted by the State of New Jersey on behalf of the District. The on-behalf grant activity is reported in the District's financial statements as state aid revenue and capital outlay expenditures in the Capital Projects Fund.

- **Finding** – Our audit revealed two (2) instances where capital projects were overexpended at year end. The overexpenditures were the result of the State of New Jersey cancelling direct SDA grant award balances in excess of the amount expended by the District. The District expects to eliminate the overexpenditures during 2011-12 by requesting the State to reallocate available funds from other projects or through a budget transfer, therefore no recommendation is warranted.
- **Finding** – Our audit of the capital assets revealed the following:
  - Records were not presented for audit in a timely manner.
  - Certain assets acquired during the fiscal year were not included in the capital assets accounting system at year end.
  - Certain supplies and materials purchased were charged to the capital outlay budget (Fund 12) rather than to the operating budget (Fund 10) line accounts.
  - The District provided a reconciliation of variances between the financial accounting records and the capital assets accounting system. However, adjustments to the respective budget and capital assets system accounting records were not made to account for such reconciled variances.

**Recommendation** – Internal controls over capital assets reporting be reviewed and enhanced to ensure that the capital assets accounting and reporting system is updated timely and reflects all capital assets maintained by the District and that only capital improvements and acquisitions are charged to the capital outlay budget accounts in accordance with the State Uniform Minimum Chart of Accounts..

**PATERSON PUBLIC SCHOOLS  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**Follow-up Prior Year Findings**

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

**Suggestions to Management**

- Variances noted on the District's payroll check distribution verification report be reviewed and investigated.
- A single check be issued to employees enrolled in the Summer Savings program rather than four (4) separate checks at year-end.
- District review with the accounting software vendor the issue related to multiple vendor codes for vendors with multiple addresses.

**PATERSON PUBLIC SCHOOLS  
FOOD SERVICE FUND  
NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIM  
ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**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	137,914	7,887	7,887		\$ 0.26	
	Reduced	163,678	9,841	9,841		2.32	
	Free	<u>2,978,586</u>	<u>187,086</u>	<u>187,086</u>	<u>-</u>	2.72	<u>-</u>
	Total Lunch	<u>3,280,178</u>	<u>204,814</u>	<u>204,814</u>	<u>-</u>		<u>-</u>
School Breakfast (Regular)	Paid	34,002	1,726	1,726	-	0.26	\$ -
	Reduced	41,581	2,092	2,092	-	1.18	-
	Free	<u>960,658</u>	<u>51,145</u>	<u>51,145</u>	<u>-</u>	1.48	<u>-</u>
	Total Breakfast	<u>1,036,241</u>	<u>54,963</u>	<u>54,963</u>	<u>-</u>		<u>-</u>
School Snacks (Regular)	Free	<u>298,489</u>	<u>34,623</u>	<u>34,593</u>	<u>30</u>	0.74	<u>22.20</u>
	Total Breakfast	<u>298,489</u>	<u>34,623</u>	<u>34,593</u>	<u>30</u>		<u>22.20</u>
		<u>4,614,908</u>	<u>294,400</u>	<u>294,370</u>	<u>30</u>		<u>\$ 22.20</u>

**PATERSON PUBLIC SCHOOLS  
A.S.S.A.  
SCHEDULE OF AUDITED ENROLLMENTS  
10/15/2010**

	2011-2012 Application for State School Aid						Sample for Verification				Private Schools for Disabled						
	Reported on A.S.S.A. On Roll		Reported on Workpapers On Roll		Errors		Sample Selected from Workpapers		Verified per Register On Roll		Errors per Registers On Roll		Reported on A.S.S.A. as Private Schools	Sample for Verifi- cation	Sample Verified	Sample Errors	
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared					
Half Day Preschool - 3 years					-	-					-	-					
Half Day Preschool - 4 years					-	-					-	-					
Full Day Preschool - 3 years	54.0		54.0		-	-	30.0		30.0		-	-					
Full Day Preschool - 4 years	55.0		55.0		-	-	11.0		11.0		-	-					
Half Day Kindergarten					-	-					-	-					
Full Day Kindergarten	2,173.0		2,173.0		-	-	118.0		118.0		-	-					
One	2,237.0		2,237.0		-	-	54.0		54.0		-	-					
Two	2,043.0		2,041.0		2	-	59.0		59.0		-	-					
Three	2,003.0		2,002.0		1	-	21.0		21.0		-	-					
Four	1,942.0		1,942.0		-	-	41.0		41.0		-	-					
Five	1,775.0		1,775.0		-	-	53.0		53.0		-	-					
Six	1,779.0		1,777.0		2	-	116.0		116.0		-	-					
Seven	1,720.0		1,719.0		1	-	54.0		54.0		-	-					
Eight	1,678.0		1,670.0		8	-	65.0		65.0		-	-					
Nine	1,399.0		1,399.0		-	-	497.0		497.0		-	-					
Ten	1,342.0		1,342.0		-	-	104.0		104.0		-	-					
Eleven	917.0		917.0		-	-	260.0		260.0		-	-					
Twelve	1,001.0		1,001.0		-	-	49.0		49.0		-	-					
Adult High School (15+ Cr.)	352.0		352.0														
Subtotal	22,470	-	22,456	-	14	-	1,532	-	1,532	-	-	-	-	-	-	-	
Spec Ed - Elementary	1,301.0		1,302.0		(1)	-	50.0		50.0		-	-	50.00	28.00	25.00	3.00	
Spec Ed- Middle School	1,006.0		1,006.0		-	-	37.0		37.0		-	-	36.00	21.00	20.00	1.00	
Spec Ed - High School	1,130		1,130		-	-	35		35		-	-	121.00	69	65	4	
Subtotal	3,437	-	3,438	-	(1)	-	122	-	122	-	-	-	207	118	110	8	
Totals	25,907	-	25,894	-	13	-	1,654	-	1,654	-	-	-	207	118	110	8	
Percentage Error					0.05%						0.00%					0.00%	

**PATERSON PUBLIC SCHOOLS  
A.S.S.A.  
SCHEDULE OF AUDITED ENROLLMENTS  
10/15/2010**

	Low Income			Sample for Verification			LEP Low Income			Sample for Verification		
	Reported on A.S.S.A as Low Income	Reported on Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors	Reported on A.S.S.A as Low Income	Reported on Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Half Day Pre-School (3 Yrs)			-			-						-
Half Day Pre-School (4 Yrs)			-			-						-
Full Day Preschool - 3 years	44.0	45.0	(1)	1	1	-						-
Full Day Preschool - 4 years	52.0	52.0	-	2	2	-						-
Half Day Kindergarten			-			-						-
Full Day Kindergarten	1,931	1,931	-	31	30	1	174	174	-	18	18	-
One	2,058	2,058	-	33	33	-	381	381	-	40	40	-
Two	1,881	1,881	-	30	30	-	318	318	-	33	33	-
Three	1,834	1,834	-	28	27	1	231	231	-	24	24	-
Four	1,782	1,783	(1)	28	28	-	144	144	-	15	15	-
Five	1,620	1,620	-	26	26	-	142	142	-	15	15	-
Six	1,615	1,612	3	25	25	-	146	146	-	15	15	-
Seven	1,503	1,504	(1)	23	23	-	154	154	-	16	16	-
Eight	1,470	1,464	6	23	23	-	148	148	-	15	15	-
Nine	1,106	1,106	-	17	17	-	169	169	-	18	18	-
Ten	1,030	1,030	-	16	16	-	158	158	-	16	16	-
Eleven	714	714	-	11	11	-	122	122	-	13	13	-
Twelve	705	711	6	11	11	-	109	109	-	11	11	-
<b>Subtotal</b>	<b>19,345</b>	<b>19,345</b>	<b>12</b>	<b>305</b>	<b>303</b>	<b>2</b>	<b>2,396</b>	<b>2,396</b>	<b>-</b>	<b>249</b>	<b>249</b>	<b>-</b>
Spec Ed - Elementary	1,204	1,205	(1)	19	19	-	73	73	-	8	8	-
Spec Ed- Middle School	895	901	(6)	14	13	1	30	30	-	3	3	-
Spec Ed - High School	851	851	-	14	14	-	22	22	-	3	3	-
	2,950	2,957	(7)	47	46	1	125	125	-	14	14	-
<b>Totals</b>	<b>22,295</b>	<b>22,302</b>	<b>5</b>	<b>352</b>	<b>349</b>	<b>3</b>	<b>2,521</b>	<b>2,521</b>	<b>-</b>	<b>263</b>	<b>263</b>	<b>-</b>

Percentage Error 0.00% 0.85% 0.00% 0.00%

	Transportation					
	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Regular- Public Schools	2,589.0		2,589	176	166	10
Regular - Sped.	950.0		950	65	65	-
Transported- Non- Public	506.0		506	34	34	-
Special Needs- Public	417.0		417	28	28	-
<b>Totals</b>	<b>4,462</b>	<b>-</b>	<b>4,462</b>	<b>303</b>	<b>293</b>	<b>10</b>

0.00% 3.30%

**PATERSON PUBLIC SCHOOLS  
A.S.S.A.  
SCHEDULE OF AUDITED ENROLLMENTS  
10/15/2010**

	LEP Not Low Income			Sample for Verification		
	Reported on A.S.S.A as Low Income	Reported on Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Register	Sample Errors
Half Day Pre-School (3 Yrs)						
Half Day Pre-School (4 Yrs)						
Half Day Kindergarten			-			-
Full Day Kindergarten	6	6	-	1	1	-
One	15	15	-	2	2	-
Two	16	16	-	2	2	-
Three	14	14	-	1	1	-
Four	10	11	(1)	1	1	-
Five	13	13	-	1	1	-
Six	11	11	-	1	1	-
Seven	13	13	-	1	1	-
Eight	17	17	-	2	2	-
Nine	29	29	-	3	3	-
Ten	47	47	-	5	5	-
Eleven	37	37	-	4	4	-
Twelve	34	34	-	4	4	-
Subtotal	262	263	(1)	28	28	-
Spec Ed - Elementary	2	2	-	-	-	-
Spec Ed- Middle School	3	3	-	-	-	-
Spec Ed - High School	1	1	-	-	-	-
	6	6	-	-	-	-
Totals	268	269	(1)	28	28	-
Percentage Error			<u>-0.37%</u>			<u>0.00%</u>

**PATERSON PUBLIC SCHOOLS  
CALCULATION OF EXCESS SURPLUS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**SECTION 1**

**Calculation A: 2% Excess Surplus:**

2010-2011 Total General Fund Expenditures Reported on Exhibit C-1		\$ 445,410,844
Less: Expenditures allocated to restricted federal sources as reported on Exhibit D-2		<u>6,640,499</u>
2010-2011 Adjusted General Fund and Other State Expenditures		\$ 438,770,345
Decreased by: On-Behalf TPAF Pension & Social Security		<u>27,667,336</u>
Adjusted 2010-2011 General Fund Expenditures		411,103,009
2% of Adjusted 2010-2011 General Fund Expenditures		<u>\$ 8,222,060</u>
Enter Greater of 2% of Adjusted 2010-2011 General Fund Expenditures or \$250,000	\$	8,222,060
Increased by: Allowable Adjustment*		<u>2,385,974</u>
Maximum Unassigned Fund Balance		<u>\$ 10,608,034</u>

**SECTION 2 - All Districts**

Total General Fund - Fund Balances at June 30, 2011 (Per CAFR Budgetary Comparison Schedule/Statement)		\$ 39,702,411
Decreased by:		
Year End Encumbrances		1,643,562
Other Restricted Fund Balances **		15,001,000
Restricted for Excess Surplus, Designated for Subsequent Year's Expenditures		2,385,101
Assigned-Designated for Subsequent Year's Expenditures		<u>6,662,844</u>
Total Unassigned Fund Balance		<u>\$ 14,009,904</u>

**SECTION 3**

**Reserved Fund Balance - Excess Surplus** \$ 3,401,870

**Recapitulation of Excess Surplus as of June 30, 2011**

Reserved Excess Surplus, Designated for Subsequent Year's Expenditures		\$ 2,385,101
Reserved Excess Surplus		<u>3,401,870</u>
Total		<u>\$ 5,786,971</u>

**PATERSON PUBLIC SCHOOLS  
CALCULATION OF EXCESS SURPLUS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**\*Detail of Allowable Adjustments**

Extraordinary Aid	\$ 2,316,901
Additional Nonpublic School Transportation Aid	<u>69,073</u>
	<u>\$ 2,385,974</u>

**\*\*Detail of Other Restricted Fund Balance**

Capital Reserve	\$ 1,000
Maintenance Reserve	14,000,000
Emergency Reserve	<u>1,000,000</u>
	<u>\$ 15,001,000</u>

**PATERSON PUBLIC SCHOOLS**  
**Encumbrances**  
**For the Fiscal Year Ended June 30, 2011**

Encumbrances per the June 30, 2011 Board Secretary Report (General Fund) \$1,643,562

Description	Total by Category	Amount Properly Encumbered	Encumbrances Cancelled Through Audit Adjustments
Regular Instruction	\$ 962,862	\$ 962,862	
Special Education Instruction	41,116	41,116	
Other Instruction	72,892	72,892	
School Sponsored Co-Curricular	191	191	
Student Support Services	8,837	8,837	
General Administration	911	911	
School Administration	17,038	17,038	
Central Services	64,168	64,168	
Operations and Maintenance	61,838	61,838	
Capital Outlay	413,709	413,709	-
	<u>1,643,562</u>	<u>1,643,562</u>	-

Total Encumbrances Cancelled During the Audit -

Fund Balance Reserved for Encumbrances in the CAFR \$ 1,643,562

**PATERSON PUBLIC SCHOOLS**  
**Encumbrances**  
**For the Fiscal Year Ended June 30, 2011**

Encumbrances per the June 30, 2011 Board Secretary Report (Special Revenue Fund) \$204,808

Description	Total by Category	Amount Properly Encumbered	Encumbrances Cancelled Through Audit Adjustments
Regular Instruction	\$ 100,113	\$ 100,113	
Special Education Instruction	64,640	64,640	
Other Instruction	10,252	10,252	
Student Support Services	29,803	29,803	
	204,808	204,808	-
Total Encumbrances Cancelled During the Audit			-
Fund Balance Reserved for Encumbrances in the CAFR			\$ 204,808

**PATERSON PUBLIC SCHOOLS  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**RECOMMENDATIONS**

**I. Administrative Practices and Procedures**

There are none.

**II. Financial Planning, Accounting and Reporting**

It is recommended that:

1. Employee health benefit bills be reviewed on a monthly basis to ensure that only active employees are receiving coverage.
2. The District reference The Uniform Minimum Chart of Accounts for New Jersey Public Schools, 2008 Editions and other available reference materials, such as the Budget Guidelines, for the proper classifications required to be in compliance with N.J.A.C. 6A:23A-16.2(f).
3. Internal control procedures be reviewed and revised to ensure purchase orders for salaries and wages, as well as employee health benefits are encumbered and adjusted accordingly and budget appropriation line accounts are modified to reflect projected obligations of existing personnel of the District for the fiscal year.
4. Budget appropriation transfers to capital outlay line items, other than equipment, be submitted to the Executive County Superintendent for approval.
5. Internal controls over federal grant reporting be reviewed and enhanced to ensure that
  - Grant receipts are recorded in the District's accounting records to the program year requested for reimbursement.
  - Final grant report expenditures are in agreement with amounts reported in the District's accounting records and reports of audit for the respective program year.

**III. School Purchasing Program**

It is recommended that:

- \* 1. Continued efforts be made to ensure in all instances, notification be provided to the Office of the State Comptroller of contracts awarded by the District which exceed \$2 million in accordance with N.J.S.A. 52:15C-10
2. Contracts awarded on a per unit or time and material basis include a maximum not to exceed amount of dollars or units in the contract agreement.

**IV. School Food Services**

It is recommended that appropriate action be taken to ensure that the net cash resources do not exceed three months average expenditures.

**PATERSON PUBLIC SCHOOLS  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**RECOMMENDATIONS  
(Continued)**

**V. Student Body Activities**

It is recommended that the District revise its' student activity policy to include procedures pertaining to the athletic accounts.

**VI. Application for State School Aid**

There are none.

**VII. Transportation**

There are none.

**VIII. Facilities and Capital Assets**

It is recommended that internal controls over capital asset reporting be reviewed and enhanced to ensure that the capital assets accounting and reporting system is updated timely and report reflects all assets maintained by the District and that only capital improvements and acquisitions are charged to the capital outlay budget accounts in accordance with the State Uniform Minimum Chart of Accounts.

**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