

**PATERSON PUBLIC SCHOOLS  
AUDITORS' MANAGEMENT REPORT ON  
ADMINISTRATIVE FINDINGS -  
FINANCIAL COMPLIANCE AND PERFORMANCE  
JUNE 30, 2010**

**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, County of Passaic, State of New Jersey as of and for the year ended June 30, 2010, and have issued our report thereon dated October 22, 2010.

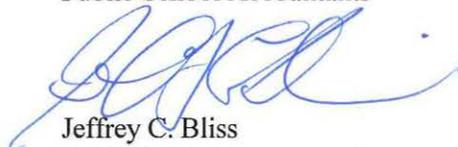
As part of our audit, we performed procedures required by the New Jersey Department of Education, and the findings and results thereof are disclosed on the following pages, as listed in the accompanying table of contents.

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  
October 22, 2010

**PATERSON PUBLIC SCHOOLS  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**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	1,600,000
Betty Jean Shabazz	Deputy Treasurer of School Monies	1,405,000

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 did not reveal any material discrepancies with respect to signatures, certification or supporting documentation.

**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.

**PATERSON PUBLIC SCHOOLS  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

**Payroll Account (Continued)**

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.

- **Finding** – Our audit of outstanding purchase orders revealed the following:
  - Prior year accounts payable in excess of \$1.9 million were cancelled during the current year.
  - Certain purchase orders were misclassified as reserved for encumbrances or accounts payable at year end.
  - Certain purchase orders classified as accounts payable were overstated at year end.

**Recommendation** – Outstanding purchase orders be reviewed at year end to determine their accuracy, validity, and classification.

**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.

**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.

**PATERSON PUBLIC SCHOOLS  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

**Board Secretary's Records (Continued)**

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

- **Finding** – Our audit revealed that the monthly transfer worksheet did not properly calculate the maximum transfer amount. Furthermore, the transfer report does not agree with the transfer amounts reflected on the District's budget report. We noted transfers in excess of ten percent (10%) that were not accurately reported on the June 2010 transfer worksheet.

**Recommendation** – Amounts reported on the monthly transfer worksheets be calculated properly and transfers reported be in agreement with the District's budget report.

**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, IV and V 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.

The State Department of Education conducted a review of the 2009/2010 American Recovery and Reinvestment Act (ARRA) Funds.

The findings noted in the report were as follows

- The mobile parent unit was not being used as effectively as possible.
- The District paid invoices with Federal funds that did not have the necessary supporting documents.
- The District was not in compliance with services to nonpublic schools with regard to their contract with the outside provider as there is no mechanism to verify that services have been delivered as per the student service plans.
- The District did not have the required supporting documents to verify the activity of ARRA IDEA and IDEA funded staff as required by Federal law.
- The District's cash management report does not tie into the general ledger or Board Secretary report as of December 31, 2009.
- The District could not provide a detailed schedule of benefits charged to SFSF funding that agreed to the amount reported on their cash management report.
- The District did not issue a purchase order to a consultant prior to services being rendered.
- The District did not publicly bid a consulting contract which provided a van and "parent coordinator" for a mobile parent outreach center.
- A consultant was paid for services which were not provided.
- The District did not place notice in a newspaper when a professional services contract was awarded.
- The costs associated with the rental of temporary classroom units were charged to the incorrect general ledger account.

**PATERSON PUBLIC SCHOOLS  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

On May 19, 2010 the District approved a corrective action plan to address the findings noted in the State's ARRA monitoring report. The District must continue to monitor the approved corrective action plan to ensure each finding has been properly addressed.

**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. 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, 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.

**PATERSON PUBLIC SCHOOLS  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**School Purchasing Programs (Continued)**

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

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 indicated that the District did not 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** – 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. We also noted from a review of contracts issued in 2010/2011 that contracts awarded on a per unit and time and material basis did include a maximum not to exceed dollar or units stated in the contract agreement. Therefore, no recommendation is deemed warranted.

**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.

- **Finding** – Our audit of contracts revealed the following:
  - A contract was awarded by the District in a previous year for a project which the District chose to abandon. However, this contract was not formally rescinded by formal action and made part of the District minutes.
  - A contract awarded by public advertisement for bids during 2009-10 was amended to reduce the original award amount without formal action taken by the District.

**Recommendation** – All contracts rescinded and amended be approved by formal action and be made part of District minutes in accordance with the Public School Contracts Law.

- **Finding** – Our audit revealed a certain contract was awarded as a professional service without public advertisement for bids for certain services included in the contract that may not have been exempt as defined in the Public School Contracts Law.

**Recommendation** – Greater care be exercised when awarding contracts exempt from public advertising for bids to ensure compliance with the Public School Contracts Law.

**PATERSON PUBLIC SCHOOLS  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**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** – Continued efforts be made to ensure food sales are deposited in a timely manner in accordance with Board policy.

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 the Rosa Parks student activity accounts revealed that documentation to support concert ticket sales and the reporting of such collections were not always sufficient.

**Recommendation** – Internal controls over concert ticket sales and reporting in the Rosa Parks student activity account be reviewed and enhanced.

- **Finding** – Our audit revealed that numerous payments were made to an individual for reimbursements from the SBA/PSA student activity accounts.

**Recommendation** – Efforts be made to limit the number of reimbursements paid to individuals from the student activity accounts and greater efforts be made to pay vendors directly.

**PATERSON PUBLIC SCHOOLS  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**Student Body Activities**

- **Finding** – Our audit of the School #15 and APA & School #6 student activity accounts revealed that documentation to support cash disbursements was not always available for audit.

**Recommendation** – In all instances, documentation to support cash disbursements from student activity accounts be provided for audit.

- **Finding** – Our audit of athletic accounts revealed the following:
  - Certain checks disbursed from the JFK High School athletic account included only one (1) authorized check signature.
  - Game tickets are not utilized to support monies collected at Eastside High School athletic events.

**Recommendation** – With respect to the athletic accounts:

- All athletic account disbursements include two (2) authorization signatures on checks.
  - Game tickets be utilized and reports submitted to support receipts collected at all athletic events.
- **Finding** – Our audit of the APA student activity account revealed a check was issued and made payable to cash. This appears to have been an isolated instance, therefore no audit recommendation is warranted.

**Application for State School Aid**

Our audit procedures included a test of information reported in the October 15, 2009 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 2009-2010 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.

**PATERSON PUBLIC SCHOOLS  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**Facilities and Capital Assets**

Since the District is classified as an At Risk District, virtually all 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.

**Follow-up Prior Year Findings**

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

**Suggestions to Management**

- An automated point of sale reporting system be implemented to provide greater controls over the collection and reporting of food service sales.
- A new surety bond for the Treasurer of School Monies be obtained annually rather than a continuation certificate.
- The Board attorney review the District's "Contributions and Contract Award Policy" to ensure it complies fully with the New Jersey Administrative Code.

**PATERSON PUBLIC SCHOOLS  
FOOD SERVICE FUND  
NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIM  
ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**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	135,759	8,898	8,898		\$ 0.27	
	Reduced	194,586	14,419	14,419		2.30	
	Free	<u>2,879,346</u>	<u>208,883</u>	<u>208,883</u>	<u>-</u>	2.70	<u>-</u>
	Total Lunch	<u>3,209,691</u>	<u>232,200</u>	<u>232,200</u>	<u>-</u>		<u>-</u>
School Breakfast (Regular)	Paid	38,655	2,046	2,045	(1)	0.26	\$ (0.26)
	Reduced	49,190	3,745	3,746	1	1.44	1.44
	Free	<u>965,005</u>	<u>74,401</u>	<u>74,401</u>	<u>-</u>	1.74	<u>-</u>
	Total Breakfast	<u>1,052,850</u>	<u>80,192</u>	<u>80,192</u>	<u>-</u>		<u>1.18</u>
School Snacks (Regular)	Paid						
	Reduced						
	Free	<u>239,277</u>	<u>12,733</u>	<u>12,733</u>	<u>-</u>	0.74	<u>-</u>
	Total Breakfast	<u>239,277</u>	<u>12,733</u>	<u>12,733</u>	<u>-</u>		<u>-</u>
		<u>4,501,818</u>	<u>325,125</u>	<u>325,125</u>	<u>-</u>		<u>\$ 1.18</u>

**PATERSON PUBLIC SCHOOLS  
APPLICATION FOR STATE SCHOOL AID  
ENROLLMENT AS OF OCTOBER 15, 2009  
SCHEDULE OF AUDITED ENROLLMENTS**

	2010-2011 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					
Full Day Preschool - 3 years	38		38		-	-	5		5		-	-					
Full Day Preschool - 4 years	41		41		-	-	15		15		-	-					
Full Day Kindergarten	2,176		2,176		-	-	56		56		-	-					
One	2,170		2,170		-	-	38		38		-	-					
Two	2,008		2,008		-	-	65		65		-	-					
Three	1,968		1,968		-	-	81		81		-	-					
Four	1,814		1,814		-	-	23		23		-	-					
Five	1,779		1,779		-	-	72		72		-	-					
Six	1,702		1,702		-	-	22		22		-	-					
Seven	1,654		1,654		-	-	123		123		-	-					
Eight	1,664		1,664		-	-	43		43		-	-					
Nine	1,408		1,408		-	-	61		61		-	-					
Ten	1,332		1,332		-	-	203		203		-	-					
Eleven	820		820		-	-	219		219		-	-					
Twelve	942		942		-	-	273		273		-	-					
Adult High (15+ Credits)	348	-	348	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	21,864	-	21,864	-	-	-	1,299	-	1,299	-	-	-	-	-	-	-	-
Spec Ed - Elementary	1,333		1,333		-	-	22		22		-	-	52	30	29	(1)	
Spec Ed- Middle School	1,044		1,044		-	-	14		14		-	-	31	18	17	(1)	
Spec Ed - High School	1,196	-	1,196	-	-	-	29	-	29	-	-	-	126	71	67	(4)	
Subtotal	3,573	-	3,573	-	-	-	65	-	65	-	-	-	209	119	113	(6)	
<b>Totals</b>	<b>25,437</b>	<b>-</b>	<b>25,437</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,364</b>	<b>-</b>	<b>1,364</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>209</b>	<b>119</b>	<b>113</b>	<b>(6)</b>	
Percentage Error							<u>0.00%</u>						<u>0.00%</u>	<u>0.00%</u>			<u>-5.04%</u>

**PATERSON PUBLIC SCHOOLS  
APPLICATION FOR STATE SCHOOL AID  
ENROLLMENT AS OF OCTOBER 15, 2009  
SCHEDULE OF AUDITED ENROLLMENTS**

	Resident Low Income			Sample for Verification			Resident 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 LEP Low Income	Reported on Workpapers as LEP Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
	Full Day Pre-School - 3 yr	35.0	35.0	-	-	-	-	-	-	-	-	-
Full Day Pre-School - 4 yr	36.0	36.0	-	-	-	-	-	-	-	-	-	-
Full Day Kindergarten	1,963.0	1,963.0	-	29.0	29.0	-	335.0	335.0	-	30.0	30.0	-
One	1,981.0	1,981.0	-	30.0	30.0	-	440.0	440.0	-	38.0	38.0	-
Two	1,834.0	1,834.0	-	28.0	28.0	-	346.0	346.0	-	30.0	30.0	-
Three	1,803.0	1,803.0	-	27.0	27.0	-	294.0	294.0	-	26.0	26.0	-
Four	1,651.0	1,651.0	-	25.0	25.0	-	245.0	245.0	-	21.0	21.0	-
Five	1,604.0	1,604.0	-	25.0	25.0	-	207.0	207.0	-	18.0	18.0	-
Six	1,491.0	1,491.0	-	22.0	22.0	-	175.0	175.0	-	15.0	15.0	-
Seven	1,446.0	1,446.0	-	22.0	22.0	-	163.0	163.0	-	14.0	14.0	-
Eight	1,419.0	1,419.0	-	21.0	21.0	-	188.0	188.0	-	16.0	16.0	-
Nine	1,043.0	1,043.0	-	15.0	15.0	-	165.0	165.0	-	14.0	14.0	-
Ten	936.0	936.0	-	14.0	14.0	-	158.0	158.0	-	14.0	14.0	-
Eleven	595.0	595.0	-	9.0	9.0	-	97.0	97.0	-	8.0	8.0	-
Twelve	578.0	578.0	-	9.0	9.0	-	84.0	84.0	-	7.0	7.0	-
Subtotal	18,415.0	18,415.0	-	276.0	276.0	-	2,897.0	2,897.0	-	251.0	251.0	-
Spec Ed - Elementary	1,213.0	1,213.0	-	19.0	19.0	-	93.0	93.0	-	8.0	8.0	-
Spec Ed- Middle School	927.0	927.0	-	14.0	14.0	-	42.0	42.0	-	4.0	4.0	-
Spec Ed - High School	853.0	853.0	-	13.0	13.0	-	31.0	31.0	-	3.0	3.0	-
	2,993.0	2,993.0	-	46.0	46.0	-	166.0	166.0	-	15.0	15.0	-
Totals	21,408	21,408	-	322	322	-	3,063	3,063	-	266	266	-
Percentage Error			0.00%			0.00%			0.00%			0.00%

	Transportation					
	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Reg. - Public Schools	2,564.0	2,564.0	-	239.0	231.0	(8.0)
Reg. - SpEd	606.0	606.0	-	25.0	25.0	-
Transported - Non-Public	461.0	461.0	-	20.0	20.0	-
Spec. Ed. Spec. Needs	680.0	680.0	-	28.0	28.0	-
Totals	4,311.0	4,311.0	-	312.0	304.0	(8.0)
			0.00%			-2.56%

**PATERSON PUBLIC SCHOOLS  
APPLICATION FOR STATE SCHOOL AID  
ENROLLMENT AS OF OCTOBER 15, 2009  
SCHEDULE OF AUDITED ENROLLMENTS**

	Resident LEP NOT Low Income			Sample for Verification		
	Reported on A.S.S.A as NOT Low Income	Reported on Workpapers as NOT Low Income	Errors	Sample Selected from Workpapers	Verified to Test Score and Register	Sample Errors
Full Day Pre-School - 3 yrs			-			-
Full Day Pre-School - 4 yrs			-			-
Full Day Kindergarten	18.0	18.0	-	2.0	2.0	-
One	25.0	25.0	-	2.0	2.0	-
Two	25.0	25.0	-	2.0	2.0	-
Three	14.0	14.0	-	1.0	1.0	-
Four	10.0	10.0	-	1.0	1.0	-
Five	18.0	18.0	-	2.0	2.0	-
Six	15.0	15.0	-	1.0	1.0	-
Seven	18.0	18.0	-	2.0	2.0	-
Eight	20.0	20.0	-	2.0	2.0	-
Nine	45.0	45.0	-	4.0	4.0	-
Ten	68.0	68.0	-	6.0	6.0	-
Eleven	38.0	38.0	-	3.0	3.0	-
Twelve	58.0	58.0	-	5.0	5.0	-
Subtotal	372.0	372.0	-	33.0	33.0	-
Spec Ed - Elementary	7.0	7.0	-	-	-	-
Spec Ed- Middle School	1.0	1.0	-	-	-	-
Spec Ed - High School	5.0	5.0	-	-	-	-
	13.0	13.0	-	-	-	-
Totals	385.0	385.0	-	33.0	33.0	-
Percentage Error			0.00%			0.00%

**PATERSON PUBLIC SCHOOLS  
CALCULATION OF EXCESS SURPLUS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**SECTION 1**

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

2009-2010 Total General Fund Expenditures Reported on Exhibit C-1	\$ 468,512,885	
Less: Expenditures allocated to restricted federal sources as reported on Exhibit D-2		6,565,913
2009-2010 Adjusted General Fund and Other State Expenditures		\$ 461,946,972
Decreased by:		
On-Behalf TPAF Pension & Social Security		29,680,537
Adjusted 2009-2010 General Fund Expenditures		432,266,435
2% of Adjusted 2009-2010 General Fund Expenditures		\$ 8,645,329
Enter Greater of 2% of Adjusted 2009-2010 General Fund Expenditures or \$250,000	\$ 8,645,329	
Increased by: Allowable Adjustment*		2,457,928
Maximum Unreserved/Undesignated Fund Balance		\$ 11,103,257

**SECTION 2 - All Districts**

Total General Fund - Fund Balances at June 30, 2010 (Per CAFR Budgetary Comparison Schedule/Statement)	\$ 34,226,357	
Decreased by:		
Reserved for Encumbrances	2,428,268	
Other Reserved Fund Balances **	8,001,000	
Excess Surplus, Designated for Subsequent Year's Expenditures		10,308,731
Total Unreserved/Undesignated Fund Balance		\$ 13,488,358

**SECTION 3**

<b>Reserved Fund Balance - Excess Surplus</b>		<b>\$ 2,385,101</b>
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**Recapitulation of Excess Surplus as of June 30, 2010**

Reserved Excess Surplus, Designated for Subsequent Year's Expenditures		\$ 10,308,731
Reserved Excess Surplus		2,385,101
Total		\$ 12,693,832

**PATERSON PUBLIC SCHOOLS  
CALCULATION OF EXCESS SURPLUS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**\*Detail of Allowable Adjustments**

Extraordinary Aid	\$ 2,382,086
Additional Nonpublic School Transportation Aid	<u>75,842</u>
	<u>\$ 2,457,928</u>

**\*\*Detail of Other Reserved Fund Balance**

Capital Reserve	\$ 1,000
Maintenance Reserve	7,000,000
Emergency Reserve	<u>1,000,000</u>
	<u>\$ 8,001,000</u>

**PATERSON PUBLIC SCHOOLS**  
**Encumbrances**  
**For the Fiscal Year Ended June 30, 2010**

Encumbrances per the June 30, 2010 Board Secretary Report (General Fund) \$2,428,268

Description	Total by Category	Amount Properly Encumbered	Encumbrances Cancelled Through Audit Adjustments
Regular Instruction	\$ 972,022	\$ 972,022	
Special Education Instruction	79,840	79,840	
School Sponsored Co-Curricular	7,741	7,741	
Student Support Services	13,190	13,190	
General Administration	159,861	159,861	
School Administration	5,451	5,451	
Central Services	14,255	14,255	
Operations and Maintenance	611,718	611,718	
Transportation	22,998	22,998	
Capital Outlay	541,192	541,192	-
	<u>2,428,268</u>	<u>2,428,268</u>	-

Total Encumbrances Cancelled During the Audit

-

Fund Balance Reserved for Encumbrances in the CAFR

\$ 2,428,268

**PATERSON PUBLIC SCHOOLS**  
**Encumbrances**  
**For the Fiscal Year Ended June 30, 2010**

Encumbrances per the June 30, 2010 Board Secretary Report (Special Revenue Fund) \$1,369,882

Description	Total by Category	Amount Properly Encumbered	Encumbrances Cancelled Through Audit Adjustments
Regular Instruction	\$ 211,002	\$ 211,002	
Special Education Instruction	5,826	5,826	
Other Instruction	1,483	1,483	
Student Support Services	1,132,396	1,132,396	
Capital Outlay	19,175	19,175	-
	1,369,882	1,369,882	-

Total Encumbrances Cancelled During the Audit -

Fund Balance Reserved for Encumbrances in the CAFR \$ 1,369,882

**PATERSON PUBLIC SCHOOLS  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**RECOMMENDATIONS**

**I. Administrative Practices and Procedures**

There are none.

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

It is recommended that:

- \* 1. Outstanding purchase orders be reviewed at year end to determine their accuracy, validity, and classification.
- 2. Amounts reported on the monthly transfer worksheets be calculated properly and transfers reported be in agreement with the District's budget report.

**III. School Purchasing Program**

It is recommended that:

- 1. 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. All contracts rescinded and amended be approved by formal action and be made part of the District minutes in accordance with the Public School Contracts Law.
- 3. Greater care be exercised when awarding contracts exempt from public advertising for bids to ensure compliance with the Public School Contracts Law.

**IV. School Food Services**

- \* It is recommended that continued efforts be made to ensure food sales are deposited in a timely manner in accordance with Board policy.

**V. Student Body Activities**

It is recommended that:

- 1. Internal controls over concert ticket sales and reporting in the Rosa Parks student activity account be reviewed and enhanced.
- \* 2. Efforts be made to limit the number of reimbursements paid to individuals from the student activity accounts and greater efforts be made to pay vendors directly.
- 3. In all instances, documentation to support cash disbursements from student activity accounts be provided for audit.

**PATERSON PUBLIC SCHOOLS  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**RECOMMENDATIONS**

**V. Student Body Activities (Continued)**

4. With respect to the athletic accounts:

- All athletic account disbursements include two (2) authorization signatures on checks.
- Game tickets be utilized and reports submitted to support receipts collected at all athletic events.

**VI. Application for State School Aid**

There are none.

**VII. Transportation**

There are none.

**VIII. Facilities and Capital Assets**

There are none.

**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