

**PATERSON PUBLIC SCHOOLS
AUDITORS' MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS -
FINANCIAL COMPLIANCE AND PERFORMANCE
JUNE 30, 2009**

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

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LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

17 - 17 ROUTE 208
FAIR LAWN, NJ 07410
TELEPHONE (201) 791-7100
FACSIMILE (201) 791-3035
WWW.LVHCPA.COM

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
JULIUS B. CONSONI, CPA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ANDREW PARENTE, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH KOZAK, CPA, PSA
DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
RALPH M. PICONE, CPA, RMA, PSA

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, 2009, and have issued our report thereon dated November 5, 2009.

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

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

Respectfully submitted,

Lerch, Vinci & Higgins, LLP

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



Jeffrey C. Bliss
Public School Accountant
PSA Number CS00932

Fair Lawn, New Jersey
November 5, 2009

**PATERSON PUBLIC SCHOOLS
 ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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 (5/1/09-6/30/09)	\$ 85,000
Dennis J. Clancy	Interim State District Superintendent/ Board Secretary (7/1/08-4/30/09)	85,000
Anthony C. Zambrano	Treasurer of School Monies	1,200,000
Betty Jean Shabazz	Deputy Treasurer of School Monies	1,200,000

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

Finding – Our audit revealed that the District does not have a formal written policy regarding transactions occurring via wire transfer from District bank accounts.

Recommendation – A formal written policy be adopted with respect to wire transfer transactions from District bank accounts.

Finding – Our audit revealed that the District does not maintain vehicle use logs for all individual and pool assignments for usage of District vehicles.

Recommendation – The District maintain vehicle use logs to ensure accurate recording of usage for all District vehicles.

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.

**PATERSON PUBLIC SCHOOLS
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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.

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

Finding – Our audit of the District’s contract payments revealed the following:

- With respect to the District’s contract for security services, a certain rate was charged on vendor invoices for additional services which was not included in the terms of the contract.
- With respect to the District’s contract for food purchases, certain per unit item amounts charged on vendor invoices were not in agreement with amounts stated in the contract bid award for the same item.

Recommendation – Vendor invoices be reviewed to ensure all purchases from bid vendors under per unit and labor rate contract awards are made for the per unit or labor rate stated in the approved bid awards or contracts.

Payroll Account

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

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

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

Finding – Our audit revealed that the District’s summer payment plan funds are not maintained in an interest bearing account. After review of the collective bargaining agreement with the Paterson Education Association, this requirement appears to have been waived and therefore no recommendation is warranted.

**PATERSON PUBLIC SCHOOLS
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Financial Planning, Accounting and Reporting (Continued)

Reserve for Encumbrances and Accounts Payable

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

- **Finding** – Our audit of outstanding purchase orders revealed the following:
 - Prior year open orders in excess of \$1 million were cancelled during the current year.
 - Certain purchase orders classified as reserved for encumbrances were deemed invalid.
 - 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 and validity.

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.

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

Finding – Our audit revealed that budget appropriation transfers were made to the school administration advertised budget line item which exceeded the statutory maximum (10%). Executive County Superintendent approval was not sought and obtained for such transfers.

Recommendation – Budget transfer worksheets be reviewed on a monthly basis to ensure compliance with statutory regulations and Executive County Superintendent approval be sought if maximum amounts are to be exceeded.

**PATERSON PUBLIC SCHOOLS
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Financial Planning, Accounting and Reporting (Continued)

Treasurer's Records

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

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

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

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

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.

**PATERSON PUBLIC SCHOOLS
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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 contact or by a general delegation of the power to negotiate and award such contracts pursuant to this section. The Board designated the District Purchasing Agent as the qualified purchasing agent.

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

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed; however, to determine whether any clear-cut violations existed.

The results of our examination did not indicate any individual payments, contracts, or agreements were made "for the performance of any work or the furnishing or hiring of any materials or supplies," in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provision of N.J.S.A. 18A:18A-4.

Resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A. 18A:18A-5.

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 certain vendors were paid in excess of the contract award amount without proper change order approval in accordance with the Public School Contracts Law.

Recommendation – Payments made to vendors in excess of contract award amounts be supported by an approved change order in accordance with the Public School Contracts Law.

Finding – Our audit of the District's transportation contracts revealed that current year contract awards and renewals were not approved by the County, as required. We noted contracts were submitted to the County during the year for their review, however, the District was awaiting their response as of the date of this report.

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.

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, 2009**

School Purchasing Programs (Continued)

Contracts and Agreements Requiring Advertisement for Bids (Continued)

Finding – Our audit revealed that certain contracts were awarded without public advertisement for bids that do not appear to be exempt as defined in the Public School Contracts Law.

Recommendation – The Board Attorney’s opinion be sought for contracts to be awarded as exempt from public advertisement for bids to ensure compliance with the Public School Contracts Law.

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 within forty-eight (48) hours from time of collection.

Finding – Our audit revealed that a detail report or accounting of capital assets and related depreciation for food service operations is not maintained by the District. See Facilities and Capital Assets section of this report for recommendation regarding capital asset accounting and reporting.

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.

**PATERSON PUBLIC SCHOOLS
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Student Body Activities

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

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

Finding – Our audit revealed that stipends were paid to employees from student activity accounts.

Recommendation – Stipends be approved by the Board, be charged to the District's operating budget and be processed through the payroll accounting and reporting system.

Finding – Our audit revealed that numerous payments were made to individuals for reimbursements from the student activity accounts.

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

Application for State School Aid

Our audit procedures included a test of information reported in the October 15, 2008 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped, related services and low-income. We also performed a review of the district procedures related to its completion. The information on the A.S.S.A. was compared to the district workpapers with immaterial exceptions noted. The information that was included on the workpapers was verified with immaterial exceptions. The results of our procedures are presented in the Schedule of Audited Enrollments.

The District maintained workpapers on the prescribed state forms or their equivalent.

The District had adequate written procedures for the recording of student enrollment data.

Pupil Transportation

Our audit procedures included a test of on roll status reported in the 2008-2009 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report with exception. The results of our procedures noted immaterial differences for amounts tested which are presented in the Schedule of Audited Enrollments.

Finding – Our audit revealed a difference between the District's report and the County Eligibility Summary Report in the number of students reported as regular public. The District was in contact with the County office to reconcile the difference noted in our audit. As of the date of our audit, this reconciliation was not completed, however, was being addressed. Therefore, no recommendation is warranted.

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, 2009**

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.

Finding – Our audit revealed that capital asset additions were not reconciled with expenditures reported in the District’s budgetary reporting system. Furthermore, the increase in capital assets from the previous year could not be supported by the capital asset accounting and reporting system. In addition, we noted in excess of \$92 million in construction in progress at year end.

Recommendation – The District reconcile capital asset additions with budgetary expenditures and review the capital assets report to determine the accuracy and proper classification of capital assets reported.

Follow-up Prior Year Findings

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

**PATERSON PUBLIC SCHOOLS
FOOD SERVICE FUND
NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIM
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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	147,097	5,109	5,106	(3)	\$ 0.30	\$ (0.90)
	Reduced	192,319	7,967	7,967		2.29	
	Free	<u>2,466,108</u>	<u>129,705</u>	<u>129,706</u>	<u>1</u>	2.69	2.69
	Total Lunch	<u>2,805,524</u>	<u>142,781</u>	<u>142,779</u>	<u>(2)</u>		<u>1.79</u>
School Breakfast (Regular)	Paid	47,683	1,839	1,837	\$ (2)	0.35	\$ (0.70)
	Reduced	55,270	2,503	2,503		1.48	
	Free	<u>892,916</u>	<u>39,359</u>	<u>39,359</u>	<u>-</u>	1.78	-
	Total Breakfast	<u>995,869</u>	<u>43,701</u>	<u>43,699</u>	<u>(2)</u>		<u>(0.70)</u>
School Snacks (Regular)	Paid						
	Reduced						
	Free	<u>343,482</u>	<u>31,791</u>	<u>31,791</u>	<u>-</u>	0.71	-
	Total Breakfast	<u>343,482</u>	<u>31,791</u>	<u>31,791</u>	<u>-</u>		<u>-</u>
		<u>4,144,875</u>	<u>218,273</u>	<u>218,269</u>	<u>(4)</u>		<u>\$ 1.09</u>

**PATERSON BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
ENROLLMENT AS OF OCTOBER 15, 2008
SCHEDULE OF AUDITED ENROLLMENTS**

	2009-2010 Application for State School Aid						Sample for Verification				On Roll - Special Education			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		Sample for Verification	Sample Verified	Sample Errors	Reported on A.S.S.A. as Private Schools	Reported on Workpapers	Errors	Sample from Workpapers	Sample Verified	Sample Errors
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared									
Half Day Pre-K 3yr																					
Full Day Pre-K 3yr	34		34		-																
Half Day Pre-K 4yr																					
Full Day Pre-K 4yr	44		44		-																
Half Day K																					
Full Day K	2,112		2,108		4		148		148												
One	2,058		2,059		(1)		96		96												
Two	2,010		2,010		-		37		37												
Three	1,849		1,849		-		120		120												
Four	1,773		1,773		-		77		77												
Five	1,697		1,697		-		58		58												
Six	1,630		1,628		2		85		85												
Seven	1,663		1,663		-		138		138												
Eight	1,662		1,662		-		31		31												
Nine	1,353		1,354		(1)		110		110												
Ten	1,331		1,332		(1)	-	406		406												
Eleven	747		747		-	-	211		211												
Twelve	916		916		-	-	38		38												
Adult School	514		514		-	-															
Subtotal	21,393	-	21,390	-	3	-	1,555	-	1,555	-	-	-									
<i>Special Education</i>																					
Elementary	1,329		1,414		(85)		48		48		-	-	80	67	13	59	50	9	12	12	-
Middle School	1,048		1,046		2		67		67		-	-	60	66	(6)	48	43	5	5	5	-
High School	1,126		1,042		84	-	380		380		-	-	60	66	(6)	122.5	137	(15)	11	11	-
Subtotal	3,503	-	3,502	-	1	-	495	-	495	-	-	-	200	199	1	229.5	230	(0.5)	28	28	-
Totals	24,896	-	24,892	-	4	-	2,050	-	2,050	-	-	-	200	199	1	229.5	230	(0.5)	28	28	-
Percentage Error					0.02%																0.00%

**PATERSON BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
ENROLLMENT AS OF OCTOBER 15, 2008
SCHEDULE OF AUDITED ENROLLMENTS**

	Low Income			Sample for Verification			Resident LEP Low Income			Sample for Verification			
	Reported on	Reported on	Errors	Sample	Verified to	Sample	Reported on	Reported on	Errors	Sample	Verified to	Errors	
	A.S.S.A as Low Income	Workpapers as Low Income					A.S.S.A as LEP Low Income	Workpapers as LEP Low Income					Selected from Workpapers
Half Day Kindergarten			-										
Full Day Pre-K 3yr	22	17	5	3	3	-							
Full Day Pre-K 4yr	32	31	1	4	4	-							
Full Day Kindergarten	1841	1831	10	25	25	-	372	359	13	8	8	-	-
One	1,820	1,819	1	24	24	-	391	373	18	6	6	-	-
Two	1,819	1,819	-	25	25	-	350	330	20	7	7	-	-
Three	1,645	1,645	-	21	21	-	293	283	10	7	7	-	-
Four	1,598	1,598	-	21	21	-	259	234	25	8	8	-	-
Five	1,517	1,516	1	22	22	-	204	186	18	6	6	-	-
Six	1,419	1,419	-	19	19	-	163	155	8	3	3	-	-
Seven	1,446	1,445	1	18	18	-	170	158	12	6	6	-	-
Eight	1,422	1,424	(2)	18	16	2	179	170	9	7	7	-	-
Nine	1,020	1,020	-	14	14	-	173	164	9	3	3	-	-
Ten	910	910	-	12	12	-	154	143	11	1	1	-	-
Eleven	522	522	-	7	7	-	79	74	5	3	3	-	-
Twelve	596	596	-	8	7	1	85	84	1	1	1	-	-
Adult School (15+ credits)			-										
Subtotal	17,629	17,612	17	241.0	238.0	3.0	2,872	2,713.0	159.0	66.0	66.0	-	-
Elementary	1259	1266	(7)	9	9	-							
Middle School	938	938	-	13	13	-							
High School	755	755	-	10	9	1							
Subtotal	2,952	2,959	(7)	32	31	1	-	-	-	-	-	-	-
Co.Voc. -Regular													
Co.Voc. Ft. Post Sec.													
Totals	20,581.0	20,571.0	10.0	273.0	269.0	4.0	2,872.0	2,713.0	159.0	66.0	66.0	-	-
Percentage Error			<u>0.05%</u>			<u>1.47%</u>			<u>5.54%</u>			<u>0.00%</u>	

	Transportation					
	Reported on	Reported on	Errors(1)	Tested	Verified	Errors
	DRTRS by BOE	DRTRS by District				
Reg. - Public Schools	3831	2295	1,536	73	73	-
Special Ed. - Public	720	720	-	38	38	-
Transported - Non - Public	652	652	-	34	36	(2)
Special Needs - Public	713	713	-	38	32	6
	<u>5916</u>	<u>4380</u>	<u>1,536</u>	<u>183</u>	<u>179</u>	<u>4</u>
Percentage Error			<u>26.0%</u>			<u>2.19%</u>

	Reported	Recalculated
Rev. Avg.(Mileage) = Regular including Grade PK students (Part A)	2.5	2.5
Rev. Avg.(Mileage) = Regular Excluding Grade PK students (Part A)	2.5	2.5
Spec Avg. = Special Ed with Special Needs	4	4

**PATERSON BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
ENROLLMENT AS OF OCTOBER 15, 2008
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	Errors
Half Day Kindergarten						
Full Day Pre-K 3yr						
Full Day Pre-K 4yr						
Full Day Kindergarten	29	29				
One	32	31	1			
Two	19	18	1			
Three	17	16	1			
Four	20	18	2			
Five	15	13	2	2	2	
Six	15	15				
Seven	23	22	1			
Eight	19	18	1	1	1	
Nine	55	54	1			
Ten	82	78	4	2	2	
Eleven	35	34	1			
Twelve	33	33				
Adult School (15+ credits)						
Subtotal	<u>394</u>	<u>379</u>	<u>15</u>	<u>5.0</u>	<u>5.0</u>	<u>-</u>
Elementary						
Middle School						
High School						
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Co.Voc. -Regular						
Co.Voc. Ft. Post Sec.						
Totals	<u><u>394</u></u>	<u><u>379</u></u>	<u><u>15</u></u>	<u><u>5.0</u></u>	<u><u>5.0</u></u>	<u><u>-</u></u>
Percentage Error			<u><u>3.81%</u></u>			<u><u>0.00%</u></u>

**PATERSON PUBLIC SCHOOLS
CALCULATION OF EXCESS SURPLUS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

SECTION 1

Calculation A: 2% Excess Surplus:

2008-2009 Total General Fund Expenditures Reported on Exhibit C-1	\$ 461,060,289	
Less: Expenditures allocated to restricted federal sources as reported on Exhibit D-2		6,568,737
2008-2009 Adjusted General Fund and Other State Expenditures		\$ 454,491,552
Decreased by:		
On-Behalf TPAF Pension & Social Security		28,908,152
Adjusted 2008-2009 General Fund Expenditures		425,583,400
2% of Adjusted 2008-2009 General Fund Expenditures		\$ 8,511,668
Enter Greater of 2% of Adjusted 2008-2009 General Fund Expenditures or \$250,000	\$ 8,511,668	
Increased by: Allowable Adjustment - Non Public Transportation Reimbursement		136,609
Maximum Unreserved/Undesignated Fund Balance		\$ 8,648,277

SECTION 2 - All Districts

Total General Fund - Fund Balances at June 30, 2009 (Per CAFR Budgetary Comparison Schedule/Statement)	\$ 39,204,881	
Decreased by:		
Reserved for Encumbrances	1,315,351	
Other Reserved Fund Balances - Capital Reserve	1,000	
Excess Surplus, Designated for Subsequent Year's Expenditures	1,659,722	
Unreserved - Designated for Subsequent Year's Expenditures		17,271,800
Total Unreserved/Undesignated Fund Balance (Deficit)		\$ 18,957,008

SECTION 3 - All Districts

Reserved Fund Balance - Excess Surplus		\$ 10,308,731
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Recapitulation of Excess Surplus as of June 30, 2009

Reserved for Excess Surplus, Designated for Subsequent Year's Expenditures	\$ 1,659,722	
Reserved Excess Surplus		10,308,731
Total		\$ 11,968,453

PATERSON PUBLIC SCHOOLS
Encumbrances
For the Fiscal Year Ended June 30, 2009

Encumbrances per the June 30, 2009 Board Secretary Report (General Fund) \$1,315,351

Description	Total by Category	Amount Properly Encumbered	Encumbrances Cancelled Through Audit Adjustments
Regular Instruction	167,927	167,927	
Special Education Instruction	125,229	125,229	
Other Instruction	2,489	2,489	
School Sponsored Co-Curricular	11,716	11,716	
Student Support Services	236,125	236,125	
General Administration	24,743	24,743	
School Administration	14,895	14,895	
Central Services	15,703	15,703	
Operations and Maintenance	76,740	76,740	
Transportation	22,611	22,611	
Capital Outlay	617,173	617,173	-
	<u>1,315,351</u>	<u>1,315,351</u>	<u>-</u>

Total Encumbrances Cancelled During the Audit -

Fund Balance Reserved for Encumbrances in the CAFR \$ 1,315,351

PATERSON PUBLIC SCHOOLS
Encumbrances
For the Fiscal Year Ended June 30, 2009

Encumbrances per the June 30, 2009 Board Secretary Report (Special Revenue Fund) \$1,046,908

Description	Total by Category	Amount Properly Encumbered	Encumbrances Cancelled Through Audit Adjustments
Regular Instruction	401,196	401,196	
Special Education Instruction	5,507	5,507	
Other Instruction	47,344	47,344	
Student Support Services	587,663	587,663	
Capital Outlay	5,198	5,198	-
	1,046,908	1,046,908	-

Total Encumbrances Cancelled During the Audit -

Fund Balance Reserved for Encumbrances in the CAFR \$ 1,046,908

**PATERSON PUBLIC SCHOOLS
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

RECOMMENDATIONS

I. Administrative Practices and Procedures

It is recommended that:

1. A formal written policy be adopted with respect to wire transfer transactions from District bank accounts.
2. The District maintain vehicle use logs to ensure accurate recording of usage for all District vehicles.

II. Financial Planning, Accounting and Reporting

It is recommended that:

- * 1. Vendor invoices be reviewed to ensure all purchases from bid vendors under per unit and labor rate contracts are made for the per unit price or labor rate stated in the approved bid awards or contracts.
- * 2. Outstanding purchase orders be reviewed at year end to determine their accuracy and validity.
- 3. Budget transfer worksheets be reviewed on a monthly basis to ensure compliance with statutory regulations and Executive County Superintendent approval be sought if maximum amounts are to be exceeded.

III. School Purchasing Program

It is recommended that:

- * 1. Payments made to vendors in excess of contract award amounts be supported by an approved change order in accordance with the Public Schools Contract Law.
- 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.
- 3. The Board Attorney's opinion be sought for contracts to be awarded as exempt from public advertisement 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 within forty-eight (48) hours from time of collection.

V. Student Body Activities

It is recommended that:

1. Stipends be approved by the Board, be charged to the District's operating budget and be processed through the payroll accounting and reporting system.
2. Efforts be made to limit the number of reimbursements paid to individuals from the student activity accounts and payments be made directly to vendors.

**PATERSON PUBLIC SCHOOLS
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

RECOMMENDATIONS

VI. Application for State School Aid

There are none.

VII. Transportation

There are none.

VIII. Facilities and Capital Assets

It is recommended that the District reconcile capital asset additions with budgetary expenditures and review the capital asset report to determine the accuracy and proper classification of capital assets reported.

IX. Miscellaneous

There are none.

X. Status of Prior Years' Audit Findings/Recommendations

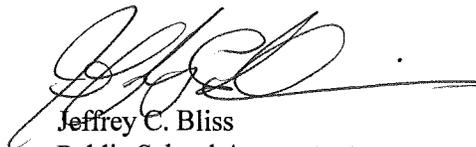
A review was performed on all prior years' recommendations and corrective action was taken on all prior year findings, however further action is required for those recommendations denoted by an asterisk (*).

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