



PENNSAUKEN PUBLIC SCHOOLS

ADMINISTRATION OFFICES

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JoAnne Young
Board President

DATE: December 10, 2024

RE: Response to the New Jersey Comptroller "Follow-up" Audit report

To whom it may Concern:

This is the district's response, following the state of New Jersey Office of the State Comptroller's Audit report titled "Follow-up Report - A Performance Audit of Selected Fiscal and Operating Practices of Pennsauken Public Schools."

The district appreciates the cooperation of the auditors and the opportunity given to the district to respond to the recent observations about the level of implementation of prior corrective action plans to date.

Please find below, response to highlighted points enumerated in the audit report, which includes our improvements in the years past and other areas to improve upon.

Recommendation 1:

Evaluate the costs and benefits of participating in the School Employees' Health Benefits Program annually. Implement a process to ensure that any health insurance coverage analysis provided to the District is based on relevant and comparable health insurance plans.

Although the report established the fact that reasonable assumption was used in selecting comparable insurance plan, there was no comparative analysis in prior year. This was because our health insurance contract is always 3 years with annual renewal agreement. 2024/25 is the New Year for a new contract agreement, which is why we have the written comparison analysis. Annual percentile increases between both our private insurance and SEHBP is always reviewed annually before renewals.

However, we will ensure that the annual rate increase comparisons is documented going forward to ensure transparency and reasons for our decisions in compliance to N.J.A.C. 5:34-4 "administration of competitive contracting process".

Recommendation 2:

Implement policies and procedures to ensure that contracts for health insurance broker services and health insurance coverage are procured and awarded in compliance with the PSCL.

The district has been conforming with the N.J.S.A. 52:25-24.2 in our bid specification over the fact that all contracts submitted by our vendors must contain the "disclosure of corporate ownership". This was submitted for this audit. However, the purchasing manual will be updated with this provision as expressed by this report as soon as possible.

Recommendation 3:

Develop policies and procedures to ensure that health insurance brokers disclose any commission, service fee, brokerage, carrier incentive offers, or other valuable consideration received as a result of the health insurance coverage contract pursuant to N.J.S.A. 17:22A- 41.1(a).

The request that vendors for Broker of Record provide a fee proposal for total annual consulting fee for health benefits are included in the district's standard Broker of Record's RFP. Collections of RFPs for various professional services was developed by the district and they formed part of the district's procedures for procurement of services.

The district will however ensure that the Broker of Record's contract quantify any additional provision for broker's commission or remove it entirely if the amounts are not disclosed to ensure transparency.

Recommendation 4:

Develop policies and procedures for the administration of health insurance coverage and the processing of health benefit opt-out waiver payments to ensure that eligible employees are paid pursuant to District policies and the terms of the collective bargaining agreements.

The District actually adopted the Department of Community Affairs' LFN 2016-10 guidance on NJ Bill P. L. 2010, c.2 . This adoption is also in compliance with N.J.S.A. 52:14-17.31a . The reference to the statute will be included in the district's Standard Operating Manual and adequate check and balances will be implemented to eliminate payment errors in the future.

Recommendation 5:

Seek to renegotiate the terms of any collective bargaining agreements to eliminate the health benefit opt-out waiver payments for employees covered by District-provided health insurance.

The District does not see the need to renegotiate the health opt-out waiver payments for employees covered by the District-provided health insurance because the CBA did not authorize the payment. The district has however stopped such payment to the affected staff members this fiscal year of 2024/25.

Recommendation 7:

Develop policies and procedures that ensure Food Services Department purchases are completed through the Purchasing Department in compliance with the Public School Contracts Law. As appropriate, these procedures should ensure that the District adopts its food purchasing policy annually after Board approval and before the start of the school year in accordance with N.J.A.C. 6A:23A-16.5.

The district believes that this recommendation should be labelled "Partially Implemented" because all food services purchases are made through the district's Qualified Purchasing Agent and bids are conducted every year for all food purchases above the bid threshold of \$44,000.00 according to N.J.S.A. 40A:11-3(a) and (c); 18A:18A-3(a) and (c).

Policy #6480 will be re-adopted at the beginning of every school year for other purchases below the bid threshold in accordance with N.J.A.C. 6A:23A-16.5c.

Recommendation 8:

Implement policies and procedures for the handling and tracking of food supplies inventory, addressing such issues as shrinkage and obsolete inventory. Implement a process that provides for the proper retention and monitoring of inventory variance reports.

Efforts will be made by the district to maintaining adequate inventory records and monitor bimonthly physical inventory.

Recommendation 9:

Implement formal policies and procedures for the processing of stipend and accrued leave payments.

Already, there is an approved board resolution limiting the carryover of unused vacation days of all district employees to 5 days. Any unused day(s) beyond this will be forfeited by the end of the fiscal year. In addition, all intending payments of unused vacation (Sell back) time is board approved before payments are made to individual staff members.

However, a revised “condition of employment” will be adopted by the board, which will put a limitation of unused vacation days (sell back) for the unaffiliated administrative staff, including the adherence to the unit Administrator’s CBA limitations and nonpayment of unused vacation (sell back) time to other unaffiliated staff members. The employees’ handbook will also be revised to include the described approved resolutions. Effort will be made to recover the stipend overpayments observed and streamline the administration/approvals of stipend payments in the future, to eliminate the occurrence of stipend overpayments.

Recommendation 10:

Develop policies and procedures for the analysis of fuel usage including appropriate monitoring of actual usage with budgetary data as appropriate. The procedures should include appropriate record retention.

Non implementation was due to the reconstruction of the fuel depot currently taking place. The reconstruction had been in the works for the past 3 years but was delayed by the supply chain issues that took place in the recent times. However, the reconstruction is near completion and necessary monitoring and documentation of fuel usage will be fully implemented.

Recommendation 11:

Implement policies and procedures that provide for verification and timely update of fixed asset records based on the asset status. The procedures should require periodic inventory and supporting documentation for all asset records.

Effort was made by the district over the years to keep records of the fixed assets, conduct annual inventory and maintain a process of fixed asset disposal. However, it was observed that fixed asset disposed of and deleted from our software system were still kept in the report, this was observed to be software problem. We have consulted with our software proprietor and this has been fixed. However, we will monitor this to ensure that it stays fixed.

We not only acknowledge the office of the state Comptroller's meticulous review of the district's fiscal and operating practices, we also value the opportunity to respond to this report and improve on other areas that requires improvement. We are in anticipation of your direction on the next step to conclude this audit process.

Sincerely,

A handwritten signature in blue ink, appearing to read "Caroline Steer", is written over a horizontal line.

Caroline Steer

ACTING SUPERINTENDENT