



State of New Jersey

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CHRISTOPHER JENSEN
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December 10, 2024

Acting Superintendent Caroline Steer
Pennsauken Public Schools District
1695 Hylton Road
Pennsauken, NJ 08110

Re: Follow-Up Report – A Performance Audit of Selected Fiscal and Operating Practices of Pennsauken Public Schools

Dear Acting Superintendent Steer:

On December 10, 2021, we issued an audit report, *A Performance Audit of Selected Fiscal and Operating Practices of Pennsauken Public Schools* (2021 Audit),¹ in which we made recommendations to address identified weaknesses. Pursuant to N.J.S.A. 52:15C-11, we have conducted a follow-up review of the corrective action plan of the Pennsauken Public Schools District (Pennsauken or District) to assess the implementation of the recommendations contained in the 2021 Audit. Our findings and conclusions are set forth below.

Background, Scope, and Objective

Our audit of the District identified internal control weaknesses which include the District's failure to comply with (1) state statutes and regulations in procuring its health insurance broker and health insurance coverage provider; (2) its own policies and procedures, terms in employment contracts and collective bargaining agreements (CBAs) addressing health benefit opt-out waiver payments; (3) federal regulations for income verification in the school lunch program; and (4) the Public School Contracts Law (PSCL) for its food supplies procurement. The District did not have adequate controls over its food supplies inventory, stipend and unused accrued leave payment processing, fueling operations, and fixed assets inventory. The District also failed to identify the opportunity to cut \$1.6 million in health insurance benefit expenses and made approximately \$95,000 in improper health benefit opt-out waiver, stipend, and unused accrued leave payments to employees.

¹ Available at: https://www.nj.gov/comptroller/news/docs/pennsauken_audit_report.pdf.

The objective of our follow-up review was to determine if the District implemented the 11 recommendations contained in our 2021 Audit report.

Summary Conclusion

We found that the District has made limited progress in implementing the recommendations set forth in our 2021 Audit report and that substantial work remains. Of the 11 audit recommendations, 1 was implemented, 5 were partially implemented, and 5 were not implemented. We urge the District to continue its efforts to comply with the recommendations not yet fully implemented.

Status of Initial Audit Recommendations

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.

Status: Partially Implemented

Our 2021 Audit found that Pennsauken's health insurance broker's analysis concluded that the District's purchase of private health insurance would have saved the District \$750,000 for fiscal years (FYs) 2014 and 2015 compared with the School Employees' Health Benefits Program (SEHBP). However, we noted two flaws in the broker's analysis: the broker compared its recommended plan with a plan from the SEHBP that was not comparable in terms of insurance coverage and the analysis underestimated the health insurance premiums, including commissions, for its recommended health insurance provider. We compared Pennsauken's actual insurance premiums for FYs 2014 and 2015 to the rates of a SEHBP plan with comparable coverage, including copays, for the same number of covered employees and retirees and concluded that the District expended \$1.6 million more than it would have if it had enrolled in the SEHBP. The District advised in its corrective action plan that it had implemented a process to ensure an adequate cost comparison is established between the SEHBP and other independent insurance carriers.

Our review found that on April 17, 2024 the District's broker prepared a medical and prescription coverage analysis comparing the District's current carrier to the SEHBP for FY 2025. The analysis reflected that the SEHBP benefits were not equal to or better than the District's current health insurance benefits. We completed our own analysis to determine the accuracy of the analysis. We determined that the District's FY 2025 analysis comparing the SEHBP to its current insurance carrier utilized relevant data and made reasonable assumptions when selecting comparable insurance plans.

We requested but did not receive evidence that the District or its broker performed a cost analysis comparing the District's coverage to the SEHBP for FYs 2023 and 2024. For this reason, we find this recommendation partially implemented. We encourage the District to obtain cost data for comparable insurance coverages annually to identify potential cost savings for health insurance.

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.

Status: Partially Implemented

Our 2021 Audit found that in FYs 2014 and 2015 the District improperly procured and awarded the health insurance broker services and health insurance coverage contracts pursuant to the “professional services” exception to the PSCL, N.J.S.A. 18A:18A-5(a)(1), instead of using the extraordinary unspecifiable service (EUS) exception, N.J.S.A. 18A:18A-5(a)(10), or another permissible procurement method. We also found missing or incomplete compliance documents required under the PSCL. The District advised in its corrective action plan that it had implemented a policy and procedure to ensure health insurance broker services and health insurance coverage were procured and awarded under the PSCL.

During our review, we found that the District has not implemented 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 provided a copy of its purchasing manual for our review. The purchasing manual does not address the need to obtain the disclosure of corporate ownership required by N.J.S.A. 52:25-24.2 and lacks a detailed explanation of the EUS process. We reviewed the District’s procurement of the most recent contracts for broker services, prescription coverage, and dental coverage for FYs 2023 and FY 2024 to determine compliance with the PSCL. Our review found that the District utilized the EUS procurement process for each contract and generally complied with the requirements of the PSCL. However, we identified minor instances of noncompliance related to the compliance documents and communicated those instances with management.

We find this recommendation partially implemented due to the actions taken. We urge the District to improve its purchasing manual to ensure compliance with the PSCL and to obtain in complete form all of the necessary compliance documents.

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).

Status: Partially Implemented

Our 2021 Audit found that the health insurance broker did not notify the District, in writing, of the amount of any commission, service fee, brokerage, or other valuable consideration that the broker will receive as a result of the sale, solicitation or negotiation of the health insurance policy or contract, as required by N.J.S.A. 17:22A-41.1(a). Our review of the health insurance broker’s FY 2015 contract found that the broker prepared the contract and included provisions that may have increased the broker’s compensation beyond the standard commission. These provisions appeared to benefit the broker exclusively and were unlikely to be in the best interest of the District. The District advised in its corrective action plan that it had revised the Request for

Proposal (RFP) to ensure that health insurance brokers disclosed 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 District did not develop detailed policies and procedures addressing the disclosure of health insurance broker compensation. The District's RFP for Broker of Record requested that vendors provide a fee proposal for total annual consulting fee for health benefits as well as list and describe any other fees or additional costs and charges not included in that figure. Our review of the District's FY 2023 health insurance broker services contract found that the broker listed its gross annual compensation as \$217,000 of which \$62,000 was identified as third party expenses paid by the broker on behalf of the District.

The broker disclosed gross commissions as we had recommended, but provisions in the broker's contract, which the broker prepared and the District accepted, may have increased the broker's compensation beyond the standard commission as previously identified in the 2021 Audit. The contract included a provision stating that in the event that the number of enrolled employees increased by 25 percent or more, the District would be required to pay the broker a larger commission or an additional separate fee. The contract also entitled the broker to earn from the insurance providers "profit sharing, contingencies, incentives, bonuses, trips, prizes, awards and/or other forms of compensation that insurers pay based on such items as overall premium volume and profitability with that insurer, provided that [the health insurance broker's] services and advice are independent of such insurers and are solely in the interest of [the Board.]". The broker did not disclose in writing to the District an estimate of the amount of compensation the broker received under these provisions. The provision permitting additional compensation and rewards without disclosing the expected amounts lacks transparency. Further, additional compensation could create a conflict of interest where the broker has an incentive not to act in the best interest of the District.

We find this recommendation partially implemented. We recommend that the District revise its broker contract to remove provisions that allow the broker's compensation to exceed the standard commission amount. We also recommend that the District develop policies and procedures to ensure accountability and disclosure for all broker compensation.

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.

Status: Not Implemented

Our 2021 Audit found that in FYs 2014 and 2015, the District provided 155 employees with health benefit opt-out waiver payments totaling \$567,000. We also found 2 of the 13 employees tested received \$2,700 in improper health benefit opt-out waiver payments while covered under District-provided health insurance. The District advised in its corrective action plan that it had a procedure that ensured that both the state regulations and the district's policies were followed in making accurate opt-out waiver payments. The District further added that its human resources department collated the data and the business office verified the accuracy of the payment's calculations and qualifications.

During our review, we found that the District did not have written policies for the administration of health insurance coverage and the processing of health benefit opt-out waiver payments. However, the District utilized an internal waiver approval form and its CBAs to determine an employee's eligibility to waive health benefits. We found that the District made 203 health benefit opt-out waiver payments totaling approximately \$394,000 in FY 2024. We tested a sample of 15 waiver payments totaling approximately \$23,000 to ensure they were made pursuant to the terms of the District's CBAs.

Our testing found \$3,867 in overpayments and \$608 in underpayments for 10 of the 15 waiver payments sampled. The District failed to apply CBA provisions limiting waiver payments to employees who are covered under District-provided health insurance resulting in approximately \$3,600 in overpayments.

We consider this recommendation not implemented because the District lacks waiver payment policies. We urge the District to formally adopt written policies to help avoid errors regarding waiver payments in the future and document benefits eligible for employees who are not subject to a CBA.

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.

Status: Not Implemented

Our 2021 Audit found that the District incorrectly interpreted CBA provisions related to spousal coverage. The District improperly paid opt-out waiver payments to employees who were covered as dependent or spouses on another employee's health insurance coverage, which resulted in improper payments totaling \$18,600 for 14 couples that were both employed by the District. The District advised in its corrective action plan that it would consider seeking to renegotiate the terms of its CBAs to eliminate the health benefit opt-out waiver payments for employees whose alternate health insurance coverage is District-provided.

During our review, the District could not provide evidence of any negotiations with the labor unions to eliminate the health benefit opt-out waiver payments for employees covered as dependent or spouses on another employee's District-provided health insurance.

The District reported that an exception was made by the previous Superintendent to allow the waiver payments to employees covered as dependent or spouses on another employee's District-provided health insurance from 2021 through June 30, 2024. The District provided subsequent communication to its employees related to this matter on July 1, 2024 mentioning that and reiterating that, "Effective immediately, employees and their dependents that work in the District and are currently covered under District insurance will no longer be eligible for buyback waiver payouts." However, the District's communication to its employees did not address the CBA terms nor mention any negotiations being done to eliminate the health benefit opt-out waiver payments for employees covered as dependent or spouses on another employee's District-provided health insurance. We were provided evidence from the District that in FY 2024 it issued waiver payments to 20 employees covered as a dependent or spouse on another employee's District-provided health insurance totaling approximately \$46,000.

We find this recommendation not implemented and urge the District to seek to renegotiate the terms of its CBAs to eliminate the health benefit opt-out waiver payments for employees covered by District-provided health insurance.

Recommendation 6

Develop policies and procedures to ensure compliance with the National School Lunch Program regulations on income verification.

Status: Implemented

Our 2021 Audit found that Pennsauken did not verify income as required by the United States Department of Agriculture (USDA) regulation set forth in 7 *C.F.R.* § 245.6a. The District did not comply with USDA's income verification regulation or verify any of the 48 applications that reported zero income as required by the USDA regulation. The District advised in its corrective action plan that it had incorporated all applicable policies and procedures per the National School Lunch Program (NSLP) to ensure income verification was done correctly. It also ensured that training in NSLP guidelines as they relate to income verification was performed yearly. The District assigned one individual to handle all verifications and completed a verification checklist for each application to ensure full compliance.

During our review, we found that the District has developed policies and procedures to ensure compliance with the NSLP regulations on income verification and ensured that employees underwent annual training in NSLP guidelines as they relate to income verification. We tested a sample of five lunch program applications for eligibility and found that all applications were properly confirmed and verified with sufficient supporting documentation, including paystubs to verify monthly income.

We find this recommendation implemented due to the corrective actions taken by the District.

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.

Status: Not Implemented

Our 2021 Audit found that the Pennsauken Board of Education (Board) did not adopt a food purchasing policy for FY 2014. The Board, however, adopted a policy for FY 2015 on February 26, 2015 - more than five months after the start of the school year. Accordingly, the District was not authorized to purchase food supplies in FY 2014 or during the first five months of FY 2015 without conducting a public bidding process. During that time period, the District issued 544 disbursements for food supplies totaling approximately \$4.3 million. The District advised in its corrective action plan that it had adopted policy #6480. This policy states that purchases are made through the District's Qualified Purchasing Agent in compliance with all applicable laws. The Food Services Department worked with its Purchasing Agent on all purchases.

During our review, we found that the District's policy #6480 related to purchases of food supplies is the same policy in existence at the time of our 2021 Audit. The policy must be renewed prior to the beginning of each school year if the District plans to purchase food supplies without utilizing advertised bids. The District informed us that they advertise bids for food supplies. Our review found that the District utilized food supply vendors without having evidence of advertised bids, which prompts the need for the District to adopt or re-adopt policy #6480 in accordance with N.J.A.C. 6A:23A-16.5(c).

We find this recommendation not implemented and urge the District to adopt its food purchasing policy annually, before the start of the school year in accordance with N.J.A.C. 6A:23A-16.5(c).

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.

Status: Not Implemented

Our 2021 Audit found that the District did not have formal policies and procedures regarding the inventory of its food supplies. Although the Food Services Department conducted an inventory every two months, our audit found that the Food Services Department lacked appropriate monitoring and oversight of the inventory, therefore it was not able to ensure appropriate safeguarding. In addition, the District's prior inventory records were not maintained in the system and were automatically deleted after any updates. The District advised in its corrective action plan that bi-monthly meetings were conducted with managers to review inventory totals and specific areas in which counts did not match were investigated. Also, periodic and random checks were performed to ensure that theft was not taking place.

During our review, we found that the District implemented policies and procedures for the handling and tracking of food supplies inventory, however they do not specifically address such issues as shrinkage and obsolete inventory. The District has failed to implement a process that provides for the proper retention and monitoring of inventory variance reports. In addition, the District could not provide food supplies inventory totals for each month for FY 2023 through the present. The District explained that its system does not allow employees to return to previous months and print reports. As a result, we only received four inventory reports for November 2023 and April, May, and June 2024. The reports showed numerous variances where the physical count and system count did not agree.

We find this recommendation not implemented and urge the District to examine its food service inventory practices related to maintaining inventory records and monitoring physical inventory for improvement.

Recommendation 9

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

Status: Partially Implemented

Our 2021 Audit found that the District improperly issued stipend payments to six employees totaling \$24,920 in FY 2014 without supporting documentation and supervisory approval. In FY 2015, we identified stipend payments to four employees totaling \$23,330 that were not approved by the Board and did not have supporting documentation to confirm the work was performed. Furthermore, the CBAs included provisions that allowed employees who resigned or retired to be paid for accrued unused sick leave. The District advised in its corrective action plan that it revised its stipend payment procedure for necessary Board and administrative approvals and put in place proper checks and balances to guarantee correct payments. Under this approach, the Board annually approved all stipend positions and the direct administrator verified and approved the job performance form for individual staff before payment would be issued. In addition, the business office had to verify accrued leave calculations before Board approval and payment would be made.

During our review, we found that the District failed to implement the formal policies and procedures for the processing of stipend and accrued leave payments detailed above. The District explained that procedures exist, but the details are not formalized in writing. We examined a sample of stipend payments and a sample of accrued leave payments to determine the effectiveness of the District's procedures.

In FY 2024, the District paid approximately \$1.35 million in stipend payments to 173 employees related to student extracurricular activities. We examined a sample of stipend payments to ten employees totaling approximately \$230,000. Our review found that five out of ten sampled employees' stipend payments were greater than the Board approved amounts by a total of approximately \$30,409.

In FY 2024, the District paid approximately \$428,000 in accrued leave payments to 57 current and former employees. We examined a sample of accrued leave payments to 14 employees totaling approximately \$214,000. Our review identified that all payments had Board approval. However, we identified that all payments were missing evidence of business office review and approval. Three of the 14 employees' accrued leave payments sampled lacked complete supporting documentation. Our testing revealed four payments to employees who did not possess contractual or legal entitlement to payment for unused vacation time totaling approximately \$26,936 and three payments that exceeded District contractual obligations by approximately \$9,519. This wasteful practice is effectively a substantial bonus for highly paid administrative employees and those not covered by CBAs. The District attributed the wasteful payments to informal policies of the former Superintendent. We found no evidence that the Superintendent approved most of the unaffiliated employees' unused vacation payments. Additionally, we found two payments that contained miscalculations totaling approximately \$8,434.

We find this recommendation partially implemented. We urge the District to memorialize its practices in writing related to payments of stipends and accrued leave payments. Additionally, we recommend that the District end the wasteful practice of issuing payments for unused vacation leave and consult labor counsel about adopting a policy, consistent with N.J.S.A. 18A:30-9, limiting the carryover and accumulation of unused vacation days.

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.

Status: Partially Implemented

Our 2021 Audit found that fuel usage records for FYs 2014 and 2015 were unavailable because the data was purged from the fueling system. The District did not maintain hardcopy reports from the system prior to deleting the records. We identified ten users who were coded to the wrong department (*e.g.*, transportation, maintenance, grounds, or food service) causing inaccurate fuel usage budgeting between those departments. The District advised in its corrective action plan that the District's fuel depot would undergo a complete replacement in July 2022. The current underground fuel storage would be replaced by above ground storage. In addition, there would be an installation of a software program that would ensure accurate recordings and retention of records for fuel usage by vehicles and department. There would also be an implementation of checks and balances for fuel monitoring.

During our review, we found that the District did not develop policies and procedures for the analysis of fuel usage including appropriate monitoring of actual usage with budgetary data as appropriate. However, the Standard Operating Procedure (SOP) document provided contained a policy for vehicle tracking which specifies that vehicle use logs be maintained for all individual and pool assignments in order to accurately record all usage of each vehicle, including the driver, mileage, and starting and destination points. We received fuel usage records for grounds, maintenance, and transportation departments for FYs 2023 and 2024.

The District informed us that the new fuel tanks would be installed during the summer and fall of 2024. The Board approved a vendor on February 21, 2023 to supply equipment for transportation gas pumps and fuel tanks as part of the 2022-2023 budget. The Board awarded a second contract on January 23, 2024 to install a fueling system and a regulated underground storage tank closure for transportation gas pumps and fuel tanks as part of the 2023-2024 budget.

We find this recommendation partially implemented and recommend that the District implement written policies and procedures to accompany the installation of new fuel tanks and include an analysis of fuel usage into those written policies.

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.

Status: Not Implemented

Our 2021 Audit found that Pennsauken used a fixed asset inventory tracking system. The system included fixed asset details such as: purchase date, purchase price, asset name, description, location, acquisition cost, and salvage value. We could not locate 6 of the 15 fixed assets chosen for physical inspection. The District informed us that the fixed assets had since been disposed of and the disposition was not properly accounted for in the fixed asset records. In addition, the District could not provide evidence of when it last performed a count of its physical inventory. The District advised in its corrective action plan that the fixed asset record was added to the District's budgetary software to facilitate automated entries of future assets at the point of procurement.

In addition, the District advised that current fixed asset records were also migrated into the budgetary software and that annual physical counting of the District's fixed assets was also being implemented.

During our review, we found that the District's SOP document contained procedures covering fixed assets. The District's procedure explains the criteria for fixed assets, the identification and reporting of equipment purchases, and the transfers and disposal of equipment. We asked for copies of the annual physical count and received evidence of only one physical count that appeared to have been conducted subsequent to our request. The evidence of the physical count indicated that many fixed assets could not be located. We judgmentally selected and reviewed a sample of ten fixed assets from the District's fixed asset inventory record as of June 30, 2024.

The District provided support for only five out of the ten fixed assets. We received three disposal forms. The dated forms, one from 2020 and the other two from 2023, indicated that timely removal from the fixed asset records did not occur. The support for the other two fixed assets did not include a copy of the District fixed asset form and indicated that the assets had been sold at auction and should have been removed from the fixed asset inventory record. The support provided for the auctioned assets listed dozens of other fixed assets that may have been auctioned but remained on the District's fixed asset record. Overall, the District failed to follow its SOP and remove fixed assets from its records on a timely basis. Despite not implementing the proper policies and procedures, the District was able to provide supporting documentation showing that it keeps records for the inspection and disposal of fixed assets. However, this supporting documentation was not maintained for all fixed asset disposals.

We find this recommendation not implemented. We urge the District to perform annual inventories of fixed assets and consider additional staff training to improve the effectiveness of its fixed asset procedures.

Reporting Requirements

We provided a draft copy of this report to the District for its review and comment. Its response was considered in preparing our final report and is attached as Appendix A.

By statute, we are required to monitor the implementation of our recommendations. To enable us to meet this requirement, within 90 days, the District shall provide a plan detailing the corrective actions taken or underway to implement the outstanding recommendations. We will review the corrective action plan to evaluate whether the proposed actions effectively implement our recommendations.

We thank the management and staff of the District for the courtesies and cooperation extended to our auditors during this review.

Sincerely,

JOSH LICHTBLAU
DIRECTOR, MEDICAID FRAUD DIVISION
ACTING STATE COMPTROLLER



By: _____
Christopher Jensen, CPA
Director, Audit Division

c: Kevin Dehmer, Acting Commissioner, Department of Education
Ambrose Duckett, Assistant Commissioner, Division of Field Support and Services,
Department of Education
Dr. Jamar E. Purnsley, Director, Office of Fiscal Accountability and Compliance, Department
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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