Contents

January 29, 2007

Department of Education
State of New Jersey

This report presents the results of our performance audit (audit) of the Paterson School District (the District). Our audit was conducted in accordance with the standards applicable to performance audits contained in *Generally Accepted Government Auditing Standards (GAGAS),* issued by the Comptroller General of the United States.

Audit Objectives	The objectives of the audit were to (1) identify and provide recommendations to potentially correct deficiencies in internal controls and (2) analyze historical expenditures to identify potential errors and irregularities in spending.
Audit Scope	The business processes included in the scope of our audit related to the assessment of internal controls were budget, accounts payable, payroll, human resources, financial management, purchasing, facilities management, grants management, student activity funds, technology, inventory, risk mangement, and pupil transportation. In meeting the first objective, we considered the process and related internal controls in place at the time of our fieldwork. The scope of this audit did not include testing of internal controls. To achieve the second objective, we utilized automated tools to tabulate and summarize 100% of the salary and nonsalary expenditures of the District from the period July 1, 2004 through June 30, 2006. Using the results of these tabulations, we sampled transactions to further analyze the potential for irregularities. We also judgmentally selected purchase orders from account codes identified by the Department to identify the nature of the purchases.
Audit Methodology	The audit was accomplished through the completion of three phases. The three phases included Project Planning, Information Gathering and Analysis, and Validation and Reporting.
Audit Observations	Observations related to internal controls were noted during our audit. The observations and related recommendations were presented to management by operational area. Irregularities were also noted in the analyses of historical expenditures and review of purchase orders.
Management Response	A draft of this report was discussed at an exit conference with the New Jersey Department of Education (the Department) on November 30, 2006. No significant changes were made to the draft report as a result of the exit conference. In addition, the report has been shared with District management. The District's response is presented as an appendix.

Project Background

The audit entailed interviewing District personnel and administrators, as well as compiling and analyzing data from various sources. The scope included assessing internal controls over business processes as well as an analysis of historical expenditures. The business processes included in our audit were as follows:

- Accounts Payable

- Payroll

- Human Resources

- Financial Management (including Student Activities and Budget)

- Facilities Management

- Food Services

- Pupil Transportation

- Technology

- Purchasing

- Inventory and Fixed Assets

- Risk Management

- Grants Management

Approach

This project was conducted in an objective, confidential, and independent manner. Our results and analysis are documented in a clear, accurate, and credible fashion. The approach and methodology utilized throughout the course of the audit are explained below.

Project Planning

The objectives of project planning included meeting with representatives of the Department to kick off the project, validating our understanding of the audit, confirming key areas to be included in the audit, and developing a tailored audit plan and internal control questionnaire. To achieve the objectives of this phase, we executed the following tasks:

Conducted a Kickoff meeting with the Department – During the kickoff meeting, we covered the following:

- Introduced members of the KPMG team and the Department, and discussed other key stakeholders

- Discussed individual roles and responsibilities for each of the project team members

- Discussed the scope and purpose of the audit in detail and any specifics related to the District

- Confirmed the anticipated audit cycle

Developed an Audit Plan – The project team commenced initial planning efforts by developing an audit program in accordance with GAGAS that included the business processes to be evaluated.

Developed an Internal Control Questionnaire – The project team developed a project specific internal control questionnaire (ICQ) covering each of the business processes included in our audit. The ICQ was tailored to guide our interviews of business process owners with regard to the policies and procedures and related internal controls of the District.

Information Gathering and Analysis

The objectives of this phase included meeting with representatives of the District to initiate the project and conduct fieldwork. To achieve the objectives of this phase, we executed the following tasks:

District Entrance Conference – We conducted an entrance conference with the State District Superintendent and School Business Administrator (BA) by telephone. This meeting was followed up with an entrance meeting with the BA and select members of the District's management group. These meetings set the tone for the audit and facilitated project schedules within the framework of management's normal work routines. During this meeting, we introduced members of the KPMG project team, reviewed the previously submitted request of documents for review and analysis, addressed district questions or concerns related to the audit, and confirmed timing of audit fieldwork and availability of pertinent District staff.

District Fieldwork – Our fieldwork was focused in two areas: internal controls and historical expenditures. In conducting fieldwork, we used an array of techniques to gather and analyze data. These included the following:

- Document Review – We requested and reviewed various documents to acquaint ourselves with the business processes included in the scope of the audit. The following is a list of the key documents reviewed:

  - Policies and Procedure Manuals
  - Organizational Charts
  - Employee Manual and Handbook
  - The Board of Education (the Board) Meeting Minutes
  - Audited Financial Statements
  - Consolidated Budget
  - Collective Bargaining Agreements
  - Other Audit Reports

  The key documents listed above are those that provided us with a high-level understanding of the District's business operations.

- Structured Interviews – More than 20 interviews were conducted with District employees responsible for supervising the business processes included in the scope of our audit. The interviews followed a structured agenda and the ICQ, but also allowed for open-ended discussion to take place. We conducted interviews with the following key process owners:

District Personnel Interviewed[1]	
State District Superintendent	Business Administrator
Deputy Superintendent	Director of Human Resources
Assistant Superintendent Curriculum & Instruction	Assistant Superintendent of Human Resources/Personnel
Director of Grant Development & Evaluation	Grant Analyst – NCLB
Comptroller	Internal Audit Supervisor
Data Processing Supervisor	Labor Relations Officer
Director of Abbott Program Budgets	Senior Systems Programmer
Director of Building and Grounds	Payroll Assistant Supervisor
Director of District Technology	Risk Management Office
Director of Food Service	Accounts Payable Supervisor
Payroll Supervisor	Accounting Supervisor
Personnel/Financial Position Control Coordinator	Fiscal Monitor for the Division of Pupil Personnel Services
Time and Attendance Supervisor	Purchasing Supervisor
Supervisor of Transportation	Supervisor of Central Stores

- Documentation of Processes and Key Controls – At the completion of each interview, the processes and key internal controls, as described by the process "owner," were summarized in a standard format. Observations related to potential internal control weaknesses (i.e., lack of controls) were also documented.

- Walk-through of Key Controls – We selected key controls identified in our documentation of the processes as described by the process owners and performed a walk-through to further understand the process and controls. Walk-throughs were performed by inquiry and observation or by review of sample transactions and related supporting documents. Potential weaknesses identified during the walk-throughs were identified as observations.

- Communication of Preliminary Observations – Facilitated several project management meetings, including periodic status meetings and communications with the Department and District Management.

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[1] This is not an all-inclusive list of interviewees.

- Historical Expenditure Analyses – Requested from the District electronic data encompassing 100% of payroll transactions and vendor disbursements for the period July 1, 2004 through June 30, 2006. Ran the data through a series of queries to identify outliers for focused follow-up.

- Purchase Order Desk Review – Judgmentally selected and requested a sample of purchase orders paid by the District during the audit period from account and object codes provided by the Department. We reviewed the selected purchase orders solely to document the nature of the purchases as indicated in the purchase order package provided by the District.

Validation and Reporting

The objectives of this phase included developing a draft report, facilitating an exit conference at the District, validating our findings, finalizing the audit report, and providing other support. To achieve the objectives of this phase, we executed the following tasks:

- Validation – We shared our summary of the processes and key controls with each process owner and management for validation to help ensure our understanding of the processes and key controls were valid.

- Shared Observations – We shared observations of potential control weaknesses with District management for validation. We also met with the Department to discuss preliminary observations and project status throughout the duration of the fieldwork.

- Draft Report – We prepared a preliminary report to communicate the results of the fieldwork performed and shared this with the District and the Department.

- Final Report – Based upon the agreed process, results, and outcome of discussions with the District and the Department, the project team finalized and issued the report to the Department.

Organization of the Report

This report represents the results of our performance audit of the District. Our audit was conducted in accordance with GAGAS. The remainder of this report is organized as follows:

- Executive Summary

- Individual Business Processes Reviewed

  - Overview and Background
  - Summary of Observations and Recommendations
  - Historical Expenditure Analyses (presented in the Accounts Payable and Payroll sections of this report)
  - Desk Review of Purchase Orders (presented in the Accounts Payable section of this report)

- Process Activities, Key Controls, and Observations (Appendix)

- District Response (Appendix)

It is important that the report be considered in its entirety. Just as the various areas reviewed share functionality and overlap processes, the observations and recommendations provided in this report could impact more than the office and area from which they originated.

Executive Summary

It is important to note that the scope of this audit involved two parts: an assessment of the District's internal controls over key functions and a review of historical expenditures. In order to accomplish both tasks in the timeframe allotted, we began with evaluating key processes, including:

- Accounts payable

- Payroll

- Human Resources

- Financial Management (including Student Activities and Budget)

- Facilities Management

- Food Services

- Pupil Transportation

- Technology

- Purchasing

- Inventory and Fixed Assets

- Risk Management

- Grants Management

Once an understanding of the processes and controls in place was established, we were able to identify gaps or control weaknesses and develop recommendations for improvement. Almost simultaneously, our data team was working to obtain and understand electronic data provided by the District encompassing payroll transactions and vendor disbursements. This information was then analyzed to identify specific instances that raised questions as to the legitimacy of payments made. Often, the analysis of historical expenditures and related follow-up confirmed and provided support to the internal control weaknesses identified. In some instances, additional internal control observations were noted.

This report presents the results of the internal controls assessment and incorporates the analysis of historical expenditures. The Executive Summary includes a high-level summary of our observations and related recommendations developed based on inquiry and observation, as well as data query and detailed transaction review. The report should be read in conjunction with other reports issued by the Paterson Internal Audit Unit.

Assessment of Internal Controls

The following table provides a listing of all internal control observations contained in the body of this report and presents our overall assessment of internal controls over the business processes included in the scope of our audit. Our assessment indicates the potential effect or unmitigated risk of the control weakness noted. We considered the likelihood of the weaknesses to result in errors in recording of financial transactions, whether there were other mitigating controls and whether those controls were also identified as having a weakness. The assessed potential effect of high, medium or low was based upon:

- Our understanding of the related business process and key internal controls identified in performing the audit;

- The potential impact of the weakness on financial records;

- Existence or lack of mitigating controls;

- Pervasiveness of control weaknesses across business functions; and

- Results of the Historical Expenditure Analyses and Purchase Order Desk Reviews.

We would suggest that the District consider first those recommendations that can be implemented in the short term (e.g., within six months) that would have the highest impact on unmitigated risk. Management should also consider, concurrently, those recommendations that require long-term planning, and begin the process of developing a strategy for implementation.

The following chart summarizes 101 internal control observations identified in the 12 business processes reviewed. Specifically, we identified 74 observations that should be addressed in the short term. Of those 74 items, 28 issues could have a high potential unmitigated risk.

Section	Area	Timing		Potential Risk		
		Long Term	Short Term	High	Med	Low
Accounts Payable	Lack of Standard Operating Procedures		√	√		
	Timing of Board Approval		√		√	
	Compliance with Pre-Approved Policy		√	√		
	Lack of Board Approval of Changes to PO Amounts		√		√	
	Lack of a Review of Invoices and PO Entered into the System		√		√	
	Segregation of Duties		√	√		
	Formal Procedures for Maintaining PO Reports		√		√	
	Aging of Accounts Payable	√		√		
	Formal Procedures for Notifying the Accounts Payable and Purchasing departments of Partial Deliveries		√	√		
	Formal Listing of Personnel Authorized to Deliver Checks does not Exist		√		√	
	Ability to Data Enter Duplicate Invoice Numbers in the System		√	√		
	Manual Process of Photocopying Each Check		√			√
	Check Number Generation		√		√	
	Usage of Districtwide Contracts	√			√	
	Timely Receipt of Vendor Invoice and Documentation		√		√	
	Lack of Supporting Documentation for Disbursements		√		√	

Section	Area	Timing		Potential Risk		
		Long Term	Short Term	High	Med	Low
Payroll	Segregation of Duties		√	√		
	Lack of Standard Operating Procedures for Timesheet Processing		√	√		
	Lack of Formal Review and Approvals		√	√		
	Manual Process for Processing Timesheets	√			√	
	Payroll Check Stock is Maintained within the Payroll department		√	√		
	Check Distribution is Manual and Cumbersome	√			√	
	A Formal Reconciliation of the Payroll Check Count does not Exist		√		√	
	Lack of Documentation		√		√	
	Overtime is not Monitored		√	√		
	Payments to Terminated and Deactivated Employees		√		√	
Human Resources	Lack of Standard Operating Procedures		√		√	
	Missing Documentation in Employee Files		√		√	
	Formal Background Checks were not Completed for Certain Employees		√	√		
	Manual processes Exist	√			√	
	System Data is not Complete and Accurate	√			√	

Section	Area	Timing		Potential Risk		
		Long Term	Short Term	High	Med	Low
Financial Management	Lack of Formal Process for Protecting Records		√		√	
	Lack of Standard Operating Procedures		√		√	
	Lack of System Access Controls and Review		√	√		
	Lack of Management Oversight when Posting Cash Receipts		√		√	
	A Formal Process for Conducting a Review of Journal Entries does not Exist		√		√	
	Lack of a Formal Process for Training Employees of District Policies and Procedures		√		√	
	Review of Bank Reconciliations are not Consistently Performed		√	√		
	Formal Review of Student Activity Accounts is Limited		√		√	
	Lack of Involvement in Investments	√		√		
	Segregation of Duties		√	√		
	Receivables are Recorded when Management knows Cash will be Collected		√	√		
	Revenue Recognition		√		√	
	Manual Process for Tracking Accounts Receivables		√		√	
	Cash Management of Student Activity Accounts		√		√	
	Timing of Student Activity Deposits		√		√	

Section	Area	Timing		Potential Risk		
		Long Term	Short Term	High	Med	Low
Facilities Management	Lack of Standard Operating Procedures		√	√		
	No Formal Process for Monitoring Overtime Charges		√		√	
	A High Volume of Outstanding Work Orders Exist	√			√	
	The Five Year Maintenance Plan does not Consider the Impact on the District Budget	√			√	
	Benchmarking Maintenance to Complete the WO		√		√	
	Buildings and Grounds Performs its Own Procurement Process		√	√		
	Performance Bond Requirement	√			√	
	Inspections are not Formally Documented		√	√		
	City Use of District Resources		√		√	
	Lack of Estimating Hours to Complete Work		√	√		
	Lack of a Formal Process for Tracking Inventory		√	√		
	Evacuation Plan	√			√	

Section	Area	Timing		Potential Risk		
		Long Term	Short Term	High	Med	Low
Food Services	Lack of Standard Operating Procedures		√	√		
	Posting Vendor Payments to Edu-Met		√	√		
	A Process for Verifying Proof of Income for the Free and Reduced Lunch Program does not Exist		√		√	
	Formal Process for Reviewing and Approving the Reports Does not Exist		√	√		
	Formal Process for Overseeing the Free and Reduces Lunch Program Does not Exist		√		√	
	Manual processes Exist	√		√		
	RFP Process not Required for Specialty Vendors	√			√	
	Segregation of Duties		√	√		
	Formal Process for Reviewing Par Levels, Reports, and Orders for Delivery does not Exist		√	√		
	Not Compliant with the HACCP	√			√	
	Lack of Budgeting for Food Spoilage	√				√
	Review of Manual Data Entry does not Exist		√		√	
	Lack of Documentation		√			√
Pupil Transportation	Lack of Documenting the Abstract Review		√			√
	Staggering Bus Routes	√		√		
	Excessive Vehicle Inventory		√		√	

Section	Area	Timing		Potential Risk		
		Long Term	Short Term	High	Med	Low
Technology	A Fire Suppression System does not Exist	√		√		
	Password Policy and Controls		√	√		
	Lack of Controls over Super User Access	√		√		
	Lack of a Formal Review of System Access Controls		√		√	
	A Formal IT Training Plan does not Exist	√			√	
	Disaster Recovery Plan does not Exist at the School Level	√			√	
Purchasing	Formal Standard Operating Procedures do not Exist		√		√	
	System Access Controls are Limited		√		√	
	Vendor Master File is not up-to Date		√			√
	Employee and Vendor Relationships	√			√	
	Manual processes Exist		√		√	
Inventory and Fixed Assets	Formal Standard Operating Procedures do not Exist		√		√	
	Manual Process of Tracking Inventory and Fixed Assets	√		√		
	Tagging of Fixed Assets are not Performed Timely		√	√		
	A Formal Process for Conducting Physical Inventory and Fixed Asset Counts do not Exist		√		√	

Section	Area	Timing		Potential Risk		
		Long Term	Short Term	High	Med	Low
Risk Management	Lack of Documentation, Review, and Approvals		√			√
	Safeguarding of Assets		√	√		
	New Claims Investigations Procedures	√			√	
	Lack of Documentation		√			√
	Lack of Monitoring of Outstanding Claims		√		√	
	Notification to Payroll and HR is Inefficient		√		√	
	Insurance Carrier Selection	√			√	
	Lack of Standard Operating Procedures	√			√	
	Lack of Monitoring of Vendor Compliance with Insurance Requirements	√				√
	Revenue Offsets		√		√	
Grants Management	Lack of System Controls to Prevent Spending over Budget	√			√	

Discussion of Overall Results

The following pages summarize the overarching observations related to internal controls as well as some of the observations noted during the review of historical expenditures and purchase orders. The observations summarized below are those that are considered pervasive throughout the District and can have a significant impact on the District's ability to operate in an effective and appropriate manner. Additional observations are provided in further detail in the body of the report by business process.

Lack of Updated Policies and Procedures

Written policies and procedures codify management's criteria for executing an organization's operations. They document business processes, personnel responsibilities, departmental operations, and promote uniformity in executing and recording transactions. Thorough policies and procedures can also serve as an effective training tool for employees.

The District's policies, procedures, and internal controls should be updated to meet the needs of all departments and should provide an accurate reflection of the current system of accounting and processes. An up-to-date policies, procedures, and internal controls manual provides a tool for training District employees, increases standardization of the accounting effort, clarifies accounting responsibilities, and helps ensure consistent application of management's policies, procedures, and internal controls.

Specifically, the following departments do not have or have outdated policies and procedures:

- Accounts Payable

- Payroll

- Human Resources

- Financial Management

- Facilities Management

- Food Services

- Purchasing

- Inventory and Fixed Assets

- Risk Management

Without policies and procedures in place, errors and irregularities can occur. As noted throughout this report, many errors and irregularities have occurred at the District that may have been prevented by having update policies and procedures in place.

We recommend that the District begin developing or revising policies, procedures, and internal controls to provide all departments and schools with the appropriate policies and procedures for use in daily operations and in executing their responsibilities. The District should train all employees on the updated policies and procedures on a regular basis.

Reliance on Manual Processes

In conducting the review, a number of issues arose indicating a need for enhanced systems and an integrated use of technology. The discussion below attempts to highlight some of these issues. As a result of the severity of the issues identified, the integrity of the data contained in the key systems at the District is questionable.

- Many of the functions within the District are paper-based and extremely labor-intensive (e.g., food services ordering and timesheet processing). Often transactions require multipart forms (e.g., personnel transactions and purchases order forms) and physical passage of documents. Information is not recorded into the system until the end of the process, when it is entered in batches, or once multiple levels of data entry (of the same data elements) are completed. This practice is not efficient and may be an area for savings. The timing issue of recording transactions also interferes with managements ability to rely on the computer system for current financials.

- Edu-Met, the financial accounting system, is not integrated with other administrative management systems, such as ADP, the District's new time and attendance tracking system. This makes it difficult to share or access data, and incorporate the appropriate level of automated internal controls, making basic financial management tasks relating to data entry (e.g., attendance data) in the accounting and payroll systems difficult and inefficient.

- As a result of the paper-based, manual, and fragmented nature of the processes, errors can occur. In addition, transactions are processed around the system rather than through it, resulting in control deficiencies and segregation of duty issues. This is a very reactive and time-consuming approach.

- To compensate for the system shortcomings, manual shadow systems (processes) have been developed. Transactions processed and reviewed outside of the system also result in significant duplication of effort and the potential of errors and omissions.

As noted throughout this report, many errors and irregularities have occurred at the District that may have been prevented by having automated procedures in place. We recommend that the District work with the Technology department to implement certain automated controls to help mitigate the situations discussed above. Without system controls and data integrity, the District cannot effectively manage daily operations and the opportunity for inappropriate activities remains.

Limited Internal Control Practices

Internal controls are an essential element in running the affairs of any organization including a school district. During the course of our engagement, we noted that the District does not have internal controls sufficiently documented. Additionally, throughout this report we noted numerous deficiencies in the District's policies and procedures as they relate to internal controls. More specifically, we noted the following:

- Internal controls are not documented for critical financial reporting processes, such as budget, payroll, human resources, financial reporting, cash receipts, and cash disbursement.

- The District does not have a formal program for monitoring internal controls. Review of transactions or processes by a supervisor is often lacking. For example, it is common practice in the District to process journal entries without a review or approval by a supervisor. This practice could lead to a situation were there may be a material impact to the district's financials.

- Staff members are not familiar with internal controls within their area of responsibility.

- As part of the historical expenditure analysis, we found that there was an employee that was terminated due to gross misconduct and subsequently hired again.

- Based on discussions with District management individuals have been prosecuted for fraud.

The absence of internal controls as summarized has caused irregularities to occur in the past. This lack of documented internal controls, significant number of manual processes, and shortcomings in internal controls represents a deficiency and exposes the District to the potential risk of irregularities, fraud, and errors going undetected. Incorporating internal controls should be considered when implementing any process.

Formal documentation and monitoring of internal controls is essential to maintaining an efficient control environment. We recommend that the District establish a formal plan for documenting and performing ongoing testing of the District's internal controls related to key functions. The District should establish a work group to develop:

- Documentation of the District's internal controls;

- A plan for a sustainable internal control monitoring process;

- Routine evaluation of the design and operating effectiveness of key controls established and documentation of the results of such evaluations;

- A process for establishing and following up on corrective action plans created as a result of this and other audits to address control deficiencies; and

- A means to hold supervisors accountable for implementing and enforcing, as well as strengthening where applicable, internal controls.

Segregation of Duties

An element of effective internal controls is the proper segregation of duties. The basic premise of segregating duties is to prevent situations where an employee has the ability to perpetrate an error or irregularity and to conceal it. Proper segregation of duties provides for a system of checks and balances such that the functions by one employee are subject to review through the performance of interrelated functions of another employee. In the course of our review, we noted several situations involving conflicting duties. For example:

- *Payroll data entry* –The Payroll employees who enter and record payroll information within the Edu-Met system are often the same employees who print and prepare the payroll and overtime checks for distribution. In addition, several employees are able to add an employee to the Edu-Met system and process payroll transactions. In addition, based on review of the historical expenditure analysis, we found that payroll employees have access to make changes to their own payroll data within Edu-Met. This is a critical breach of segregation of duties and should be addressed immediately.

- *Recording and depositing funds* –The accounting staff are responsible for receiving the checks, preparing the deposit slip, and preparing and entering the journal entry in Edu-Met. This process is not reviewed and/or approved by the Comptroller.

Each of these situations represents a deficiency and exposes the District to the potential risk of an unintentional error, fraud, or irregularities going undetected. We recommend conflicting responsibilities and sole authority be addressed appropriately and immediately.

Lack of Management Reviews and Approvals

When a process is performed within a department, there should always be another level of review and approval performed by a knowledgeable individual independent of the process. The approval should be documented to verify that a review was done. Review and approval are controls that help management gauge whether operational and personnel goals and objectives are being met. In the discussion below, we attempt to highlight some of these issues:

- Accounting is a system that measures business activities, processes that information into reports, and communicates these findings to decision makers. Two major controls of an accounting system are accurate posting of transactions and adequate account review and reconciliation. For example, we noted the following: The Comptroller and the accountants within the District's Accounting department process and record transactions and journal entries, as well as reconcile reports and the general ledger trial balances without a review or approval of a supervisory-level person prior to recording or processing the transactions and journal entries within the system. Thus, the employee reconciles his or her own work, which defies a basic standard of accounting.

- In Food Services, each school has reconciliation procedures in place requiring the submission of various reports such as the Consolidation Report, Weekly Sales Report, and Student Roster. However, the reconciliations are not always approved or reviewed by the District's Food Services office. In addition, some reviews are not documented. In grades kindergarten through eighth, the lunch money is collected by the homeroom teacher and is not reconciled to the money that should have been collected based on eligibility of students. The lack of a process for the proper reconciliation could allow irregularities, fraud, and errors to go on without detection.

We recommend that the District establish policies and procedures to review and approve the work of individuals and schools within the District. The evidence of the review and approval should be documented (e.g., signed or initialed and dated by the review/approver prior to the recording of the transaction in the system).

Overtime Management

Incurring a significant amount of overtime hours by employees can be costly to the District. Overtime hours are affected by many factors including improper budgeting and estimating, unexpected events, and poor planning. During our review, the following was noted:

● Overtime is processed by Payroll after receipt of a completed and authorized time sheet. The overtime hours and amount of compensation are entered into the Edu-Met system. The overtime amount is not tracked or monitored by Payroll. Payroll does not conduct a review or analysis for overtime paid throughout the year and there is no cap on the amount of overtime an employee can receive. This could lead to improper (intentional or unintentional) payments to employees that may not be detected.

● Many overtime hours are incurred by Facilities employees. Currently, there is no formal overtime monitoring process within the Facilities department. For example, one employee that was selected in the historical expenditure analysis sample received $49,150.63 in excess of his 2005-06 base compensation of $45,831. A majority of this excess gross income is attributable to custodian overtime. The total regular earnings for custodian employees in 2004-05 and 2005-06 was $7,584,467.70. The total overtime for custodian employees in 2004-05 and 2005-06 was $1,055,108.60. In addition, the Facilities department does not have benchmarks to gauge the amount of time required to perform a maintenance task. The lack of controls in this area could lead to uncontrollable payments for extra work that might not have needed any overtime at all. The total regular earnings for maintenance employees in 2004-05 and 2005-06 was $8,633,410.59. The total overtime for maintenance employees in 2004-05 and 2005-06 was $1,784,637.12.

● The City of Paterson (the City) uses District facilities for City activities. The District must provide custodial and security personnel, a recreation director, and some equipment during these activities. Generally, the personnel involved are working overtime to provide these services and the City does not compensate the District.

We recommend that the District review policies and procedures regarding overtime hours. The District should:

- Implement a cap on the amount of overtime an employee may receive each year without Board approval

- Review overtime worked by facilities employees on a monthly basis to establish benchmarks and to impose the cap mentioned above.

- Pursue reimbursement from the City for the activities conducted with District resources

- Implement a formal tracking and monitoring process for overtime paid to ascertain any employees receiving excess overtime payments and to hold their supervisors accountable.

Review of Additional Purchase Orders

At the direction of the Department, we conducted a "desk review" of a sample of purchase orders charged to particular program, function and object codes. Of the 300 transactions selected, 128 appear questionable based on the review of the purchase order packages provided. For the purposes of this report, "Questionable" means that the supporting documentation contained in the purchase order package did not provide sufficient documentation to justify whether the purchase was reasonable or educational in nature. Additional follow-up would be necessary to further understand the purchase (e.g., reason for the purchase, who benefited from the purchase, was it educational and/or essential, were the goods services actually received, is the item available for inspection, etc.). For example, out-of-state travel was identified as questionable, pending related approval documentation from the State Department of Education. Also, in-state travel for non-education related conference is considered questionable. These items total $1,007,695.

It should be noted that any items that we did not consider questionable appear reasonable on the face of the purchase order; for example, a purchase order for textbooks for Mrs. Smith's eighth grade science class would not be considered questionable. However, the "desk review" does not consider if this was the fourth year in a row that textbooks had been purchased for Mrs. Smith's eighth grade science class.

Accounts Payable

Overview and Background

The Accounts Payable department is made up of six employees (one Supervisor and five staff). These individuals are responsible for the payment of invoices for all vendors. The Accounts Payable department processes payments once a month. The checks are printed monthly by the District's Comptroller.

As part of our procedures, we developed a high-level understanding of the Accounts Payable process. The following key sub-processes were identified as part of the Accounts Payable department:

- Payment of Invoices

- Edits and Changes to Purchase Orders (POs)

- Tracking POs

We performed a walk-through of the appropriate sub-processes of the Accounts Payable process to verify our understanding.

Summary of Observations and Recommendations

On the following pages, we present a summary of observations and recommendations related to the sub-processes listed above. We have titled each observation, provided a discussion of the circumstances surrounding the observation, and presented potential recommendations for consideration.

Standard Operating Procedures

The Accounts Payable department does not maintain standard documentation for current policies and procedures. There is also a lack of documented key internal controls performed within Accounts Payable, which impacts consistency of the processes performed.

We recommend that the District develop a Standard Operating Procedure manual for Accounts Payable that incorporates the District's current policies and detailed procedures, as applicable, as well as internal controls.

Approval of Disbursements

The Board is sent a Check List Copy report detailing all transactions posted to the Edu-Met system. The Board approves vendor payments at the monthly Board meetings. The Board approval is obtained subsequent to transactions being posted to the Edu-Met system and checks being processed for payment. Approving payments after the payments have been processed is an ineffective control.

We recommend the District modify the timing of receiving Board approval of vendor payments. The District should obtain Board approval on all POs prior to District commitment to receive the goods or services.

Compliance with Pre-Approved Policy

Based on discussions with District management, we found that there have been several instances of noncompliance with the pre-approval policy. For example, a teacher has purchased tickets to an event with his or her own funds and then held fundraising events to cover the cost. The Board or the Superintendent was not made aware of this purchase until the teacher completed a requisition for a bus to take the students to the event.

We recommend that the District enforce the policy requiring approval for all expenditures prior to purchasing the goods or services.

Approval of Changes to POs

In instances where the invoice amount exceeds the PO amount by ten percent, there is a PO change form that is required from the PO originator in order to increase the amount of the PO. The PO change forms are mailed to Accounts Payable from the originator and all changes are made by the Comptroller. Board approval is not required.

We recommend the District consider changing its policy to obtain Board approval on all PO change forms for all payments in excess of 10 percent.

Based on review of the historical expenditure analysis, we found payments made to vendors for more than the approved PO amount. In summary, for 2004-05 through 2005-06, 2,174 POs had payments to vendors totaling $6,161,440.74 in excess of the original PO amount. Additionally, six POs were related to internal transfers with payments exceeding the original PO amount by $298,687,052.58. Further detail is documented in analysis number seven of the vendor disbursement historical expenditure analysis.

We recommend that vendor disbursements not be processed unless appropriate approvals are obtained. Additionally, Management should expand this analysis to assess if any of the existing purchases were unauthorized.

Review of Invoices and POs Entered into System

The Accounts Payable staff manually post payments into the Edu-Met system on a monthly basis. Management does not perform an accuracy review to ensure payments were correctly posted to the Edu-Met system. After the payments have been posted, the Comptroller generates the checks. Additionally, the Supervisor or Comptroller does not perform an accuracy review of the invoice or PO prior to processing vendor payments.

We recommend that the Accounts Payable Supervisor and Comptroller review all POs and invoices for accuracy and completeness prior to the payments being posted to the Edu-Met system.

Segregation of Duties

An element of effective internal controls is the proper segregation of duties. The basic premise of segregating duties is to prevent situations where an employee has the ability to perpetrate an error or irregularity and to conceal it. Proper segregation of duties provides for a system of checks and balances such that the functions by one employee are subject to review through the performance of interrelated functions of another employee.

Based on review of the historical expenditure analysis, we found a PO that was prepared and signed by the Comptroller, which creates a segregation of duties concern.

We recommend establishing controls to prevent this violation of the current PO processing procedures and to help ensure a segregation of duties throughout the process. The current PO processing procedures are described in the Purchasing process in the Appendix to this report.

Review of Open POs

Every three months, the Accounts Payable Supervisor runs an open PO report from the Edu-Met system. This report is disposed of after the PO closing process is complete. There is no documentation of follow-up activities or retention of results.

We recommend the District establish a policy and procedure for documenting the tracking of open POs using the open PO report. The results from the report and a positive written confirmation of review should also be included.

Aging of Accounts Payable

The Accounts Payable department does not have a formal process for aging accounts payable.

We recommend that the District establish a process for aging accounts payable. Aging accounts payables allows the District to monitor outstanding payables and manage cash flows. It also allows the District to take advantage of discounts offered by vendors which leads to potential savings of District funds.

Partial Payments and Returned Purchases

The District does not have procedures and processes to help ensure the Accounting and Purchasing departments are notified of partial deliveries or returned purchases. At times, notification for returned goods are noted through acknowledgements from vendors through receipt of credits after the full amount of the PO was paid.

We recommend the District establish a process to help ensure that Accounts Payable and Purchasing receive timely notification when goods are partially received or returned.

Authorized Personnel

The Accounts Payable department utilizes employees to deliver checks to and from the City Treasurer's office. The individuals who deliver the checks are typically Security Guards. However, the Accounts Payable department does not have a list of employees who are authorized to deliver the checks.

We recommend the District create a list of personnel who are authorized to make such check deliveries to and from City Hall.

Duplicate Invoice Number Entry

During the monthly payment posting process, the Accounts Payable staff manually inputs the invoice number into the Edu-Met system. Edu-Met will allow a user to enter the same invoice number more than once. No controls exist over identifying duplicate invoice processing.

We recommend the District review the functionality within the Edu-Met system to determine if there is a mechanism to prevent or alert a user when an invoice is entered more than once. If this functionality is not currently available within the Edu-Met platform, we recommend the District consider utilizing an electronic log for the tracking and control of invoice numbers.

Manual Processes

All original printed checks are photocopied by the Accounts Payable Supervisor and stamped to reflect that the check copies are "file" copies. The process of photocopying and stamping all original checks is cumbersome and manually intensive.

We recommend the District use a different form of check stock such as checks that have a carbon copy section or checks that contain detachable check stubs.

Timely Vendor Payments

Documents from vendors, such as the PO "voucher copy" and invoice, may not be received timely by the Accounts Payable department. In addition, payments may not be made timely to the vendor because the District's internal documentation, such as the PO Receiving Copy, is delayed. Further, the delay in receiving the proper documentation does not allow the District to take advantage of vendor discounts.

We recommend the District do the following:

- Communicate expectations regarding the receipt of internal and external documentation

- Implement a method to track and proactively follow-up on delinquent paper requirements

- Assess the District's ability to take advantage of any possible discounts offered by vendors.

Check Number Generation

Check numbers are system generated. However, based on review of the historical expenditure analysis, we found that the Edu-Met system does not prevent a person from inputting a number into the check number field.

We recommend that the District determine if the Edu-Met system has the functionality to block the check number field to prevent errors and manipulation.

Usage of Districtwide Contracts

Funds may be encumbered to pay for services and products Districtwide for efficiency and cost effectiveness. Based on review of the historical expenditure analysis, we found a Districtwide contract for the supply and delivery of five-gallon water bottles for $2.59 per bottle and free monthly rental. We also found a PO for the purchase of five-gallon water bottles from a separate vendor for $5.75 per bottle and $14.00 monthly rental charge.

We recommend that the District establish a policy for employees within the Purchasing department to review all requisitions to ensure that a Districtwide contract is utilized as applicable.

Supporting Documentation

Based on review of the historical expenditure analysis, we have found that some documentation supporting payments was missing.

We recommend that the District strengthen internal controls to ensure proper documentation prior to authorizing disbursements to vendors.

Results of the Historical Expenditure Analyses – Vendor Disbursements

The Historical Expenditure Analyses related to accounts payable considered all nonsalary disbursements for the period 2004 – 2005 through 2005 – 2006. Data for the District is maintained within two separate propriety software platforms called Edu-Met and Horizon. To extract the necessary data elements for the Historical Expenditure Analysis, we obtained the necessary Edu-Met System data from the District's Information Technology department.

Once the necessary data elements were extracted from the system, we continued with a process to normalize and standardize the data. This included mapping and inserting the data into our proprietary system, identifying duplicate transactions, verifying the correctness of the data elements, "cleaning" any dirty data identified, etc. It is important to note that we did not perform tests to determine completeness and accuracy of the data. However, during our review nothing came to our attention indicating that the data was not complete and accurate.

Essentially, this process was done to extract all disbursements, as well as payroll transactions, in order for the team to analyze the payments made. For vendor disbursements, the following queries were run to identify potential anomalies or irregularities:

- *Potential Dummy Vendors* – Matches key employee information against the vendor master file to identify potential dummy vendors in the vendor file. The following data elements were compared:

  - Social Security and Tax ID (exact match)
  - Phone number (exact match)
  - Address (near match)
  - Name (near match)

It should be noted that payments vendors identified as potential employees may be legitimate as an employee may receive an expense reimbursement as a vendor of the school. However, it may be a control weakness as there is no indicator within the system to determine whether a vendor is a true vendor or an employee.

- *Possible Questionable Payments* – *Weekends or Holidays* – Compared dates from the check register file against the holiday schedule (when available) and weekends to flag any instances where checks were written outside normal business days.

- *Possible Questionable Payments* – Gaps in Check Numbers –Analyzed check numbers for the period 2004 – 2005 through 2005 – 2006 to identify any gaps in the check number sequence. Gaps in check sequence may indicate that a check has been voided. Further analysis may be completed by reconciling bank records to determine whether missing checks were cashed.

- *Possible Questionable Payments* – *Round Dollar Payments* – Analyzed check amounts to identify any round dollar payments (i.e., $100 increments up to $1,000 and $1,000 increments thereafter) that may have been blanket payments as opposed to payments for specific goods or services.

- *Possible Questionable Vendors* – *Post Office Mail Drop Box Addresses* – Compared vendor addresses against known PO mail drop box addresses, which are equivalent to PO Box addresses, but appear to be a legitimate address.

- *Possible Questionable Vendors* – *Payments to Vendors not in the Vendor Master File* – Identified payments to vendors that are not included in the vendor master file.

- *Possible Questionable Payments* – *Invoices Paid in Excess of Purchase Order* – Identified payments against any PO where the total of payments made was greater than the original PO amount.

- *Vendor Payments Analysis* – *Number of Disbursements* – Provided summary information related to number of checks per vendor for the period 2004–2005 through 2005–2006.

The tables presented on the following pages provide the results of these queries and include discussion of the follow-up procedures, the related results and any recommendations, as appropriate. It should be noted that 100% of payments made to vendors for the period July 1, 2004 through July 30, 2006 were considered in this analysis. The table presents the outliers or anomalies resulting from that analysis. In many instances, additional follow-up is recommended to further understand the anomalies and review of additional transactions.

Historical Expenditure Analysis – Vendor Disbursements

No.	Analysis Performed	Results of Analysis	Follow-up Procedures	Results from Follow-up and Recommendation
1	Analyzed the vendor master file and employee master file on various key fields (e.g. address, name, SSN) to identify potential dummy vendors.	We noted 4,105 vendors that matched the employee master file on some level. The breakdown is as follows: • 942 vendors matched on address • 339 vendors matched on name • 2,824 vendors matched on Social Security number	• Ascertained through interview of the payroll and accounts payable personnel why the overlap in vendor and employee information. • Selected a sample from the listing of vendors that matched the employee master file on some level. • For each sample item the engagement team: – Verified that supporting documentation exists that supports the information in the vendor file as well as the personnel file.	Based on our interviews of Purchasing personnel, there are many matches of vendor and employee information because employee reimbursements are processed via the procurement process. In addition, it was communicated that District employees could have relationships with vendors. The degree to which such relationships do exist has not been quantified within the District. We selected a sample of 5 instances where the vendor master file matched to the employee master file on address, name, or SSN. We noted the following: 2 vendor samples were reviewed that matched on SSN: • In reviewing vendor #3794839, vendor name was not an exact match to employee name but the difference appears to be a typographical error. There were no vendor payments made to this vendor in 2004–05 or 2005–06 for review. • Vendor #3792239 provides consulting services to the District. There were no vendor payments made to this vendor in 2004–05 or 2005–06. The employee's personnel file (xxx-xx-4132) was requested; however per the explanation provided by HR personnel, this individual was a mentor in the District and was not considered an employee. 2 vendor samples were reviewed that matched on address: • Vendor #479311 appears to be a travel agency. PO #0612532 was reviewed. The PO for $1,632 was utilized to purchase roundtrip travel services for five students to a Division of Career Education conference in Dallas, Texas in May 2006. The corresponding invoice was for six people. In reviewing the personnel file (xxx-xx-5314) associated with this address, we confirmed that the employee's current address matches to the vendor's address on file. We have requested the Vendor form for this vendor to verify if the declaration was signed, however per explanation from Purchasing personnel, an applicable Vendor form does not exist. Further, it was communicated that the signed Vendor form policy began in 2002 and the vendor selected started in 2001. • Vendor #3790060 appears to be a private pre-school academy. There were no vendor payments made to this vendor in 2004–05 or 2005–06. The employee's personnel file (xxx-xx-5258) was also requested for review; however, per the explanation provided by HR personnel, this individual was employed by the New Jersey Youth Corporation and was not considered an employee.

Historical Expenditure Analysis – Vendor Disbursements, continued

No.	Analysis Performed	Results of Analysis	Follow-up Procedures	Results from Follow-up and Recommendation
				1 vendor sample was reviewed that matched on name: • Vendor #315723 is a school Principal (employee ID xxx-xx-7469). The vendor payment for this employee was for a purchase of a fax machine for $300.00. This payment and PO was signed by the comptroller. However, we noted that this PO did not have a corresponding requisition. The PO was also prepared by and signed by the comptroller, which creates a segregation of duties concern. Data from the employee master file (e.g., name, address, social security number) matched data in the vendor file indicating that the vendor and the employee may have a relationship. A formal process of reviewing the vendor files as well as when situations exist with matched data does not exist.
2	Analyzed the payment data for all checks paid within 2004–05 and 2005–06 to identify payment or approval dates that are weekends or holidays.	We noted 40 check dates that fell on weekends. The breakdown is as follows: • 21 payments were made on Saturday • 19 payments were made on Sunday	• Ascertained through interview of the payroll and accounts payable personnel reasons for the payroll disbursements on weekends. • Selected a sample from the listing of disbursements that occurred on a weekend. • For each sample item the engagement team: – Verified that documentation existed which supported the disbursement made on a weekend.	Based on our interviews of Accounts Payable and Payroll personnel, no checks are generated on weekends and the exceptions noted in our data analysis were adjusting entries for reconciling monthly activity. When these adjusting entries were made, the system date was changed to the last day of the applicable month, which was a weekend. Additionally, we selected a sample of 3 checks with check dates that fell on a weekend. We noted the following: • Check #'s 115582 and 131394 were voided checks. • Check #AP on 10/31/04 was an internal transfer for accounts payable. Expenditures tested in the sample selection appear reasonable. Further review is recommended given the potential issues these transactions raise.

Historical Expenditure Analysis – Vendor Disbursements, continued

No.	Analysis Performed	Results of Analysis	Follow-up Procedures	Results from Follow-up and Recommendation
3	Analyzed the payment data for all checks paid within 2004–05 and 2005–06 to identify gaps in the check sequence.	We noted 40 instances where there is a gap in check numbers.	• Selected a sample of checks that include check gaps. • For each sample item, we traced and agreed the number of the check to the voided check.	We selected a sample of 5 checks from the list of missing checks to determine if the check was accounted for. We noted the following: • Check #s 116226, 129246, and 124741 were checks that were issued to vendors. We reviewed the file copy of the check and the supporting PO. We also reviewed the cancelled checks for #129246 and #124741. The cancelled check #116226 was missing. Additionally, management is unaware of why the check numbers appear in the check gap sequence or were distributed to vendors. • Check #124888 was a voided check. We reviewed the copy of the voided check noting that the check was marked void and the preprinted signature was cut off. • Check #156581 fell into a large gap of checks from 124942 to 256581. This check number does not exist. The gap in checks was due to an error in Edu-Met that identified a check as check #256582. This was caused by the staff accountant entering that number in the check number field when it should have been put into the memo field to assist the District in identifying a check received from a vendor as a refund. Check numbers are system generated. However, the Edu-Met system does not prevent a person from inputting a number into that field. As noted above, this allows staff to easily override the control of issuing checks in sequential order.
4	Reviewed data to identify possible questionable payments (e.g. round dollar payments)	We noted 2,555 potentially questionable payments made to 807 unique vendors ranging from $100 to $944,300. The breakdown is as follows: • 2,242 potentially questionable payments for less than $10,000 made to 734 unique vendors	• Ascertained through interview of the purchasing and accounts payable personnel why certain payments would be made in round dollar amounts. • Selected a sample from the listing of payments that were made in round dollar amounts.	We selected a sample of 4 round dollar payments for further review and we noted the following: • One payment (Check #124167) was made to a Bank for $3,500.00 dollars. The payment was made for the administration fees associated with a lease purchase agreement. • One payment (Check #126809) was made for $532,032.00 to a maintenance and repair service company that is responsible for custodial services within the District. Five invoices were associated with the one payment. The invoices were for $2,672.00, $1,800.00, $360.00, $263,300.00, and $263,300.00, respectively.

Historical Expenditure Analysis – Vendor Disbursements, continued

No.	Analysis Performed	Results of Analysis	Follow-up Procedures	Results from Follow-up and Recommendation
		• 295 potentially questionable payments equal to or more than $10,000 and less than $100,000 made to 121 unique vendors. 18 potentially questionable payments for more than $100,000 made to 9 unique vendors	• For each sample item the engagement team: – Traced and agreed the disbursement to supporting documentation (e.g., contract, vendor invoice, purchase requisition, PO, etc) to assess if the disbursement was properly approved and processed. • Reviewed supporting documentation to assess if the disbursement is considered essential.	• One payment (Check #134482) was made for $107,500.00 to a different school district for the monthly installment of preschool tuition. • One payment (Check #117116) was made for $150,000.00 to a structured settlement firm for legal fees. Expenditures tested in the sample selection appear reasonable. Further review is recommended given the potential issues these transactions raise.
5	Reviewed data to determine if any Vendors are paid at addresses listed as similar PO Box, commercial mail receiving agency, etc.	We noted 62 vendors that receive payment at similar mail-drop locations.	• Selected a sample of vendors who receive payment at mail-drop locations. • Verify that the mail-drop location is a legitimate address. • Traced and agreed a disbursement to supporting documentation (e.g., contract, vendor invoice, etc).	We selected a sample of 5 vendors for review and noted the following: • Vendor #3790139 appears to be associated with school curriculum materials. This vendor did not receive any payments from the District in 2004–05 or 2005–06. • Vendor #469563 appears to assist with creating graphics and providing supplies used for delivering presentations. We reviewed check #131846 and supporting documentation for $1,619.70. The address on the check is similar to a known mail-drop location. We performed a Google search for this vendor and found their Web site. We noted the same address on the company's website. • Vendor #331141 is an employee within the District. We reviewed check #126194 and supporting documentation for $214.80. This check was paid as a reimbursement for travel expenses associated with a NJDOE literacy conference held in Atlantic City, NJ. The address listed on the check is similar to a known mail-drop location. • Vendor #3791796 appears to specialize in marketing services. This vendor did not receive any payments from the District in 2004–05 or 2005–06. • Vendor #3792483 is an employee within the District. We reviewed check #132180 and supporting documentation for $1,068.00. This check was for tuition reimbursement. The address listed on the check is similar to a known mail-drop location. Expenditures tested in the sample selection appear reasonable. Further review is recommended given the potential issues these transactions raise.

Historical Expenditure Analysis – Vendor Disbursements, continued

No.	Analysis Performed	Results of Analysis	Follow-up Procedures	Results from Follow-up and Recommendation
6	Analyzed payment data to identify payments made to vendors not in the Vendor Master file	We noted 38 payments made to 7 unique vendors that were not in the Vendor Master file.	• Ascertained through the interview of purchasing and accounts payable personnel why certain payments were made to vendors that were not in the Vendor Master file. • Traced and agreed a disbursement to supporting documentation.	Based upon our interviews with the Purchasing personnel, all vendors that have received payment are located in the vendor master file. The 7 exceptions were not included in the data extract provided by the District because the ship-to flag within Edu-Met indicates "yes." We selected vendor #504 to verify the system showed the ship-to flag was set to yes. In addition to reviewing the ship-to flag, we also selected a sample of 2 of checks. We noted the following: • Vendor #191 is a principal within the District. We reviewed check #115578 for $332.50. This payment was a petty cash reimbursement payment for a variety of goods (e.g., postage, coffee and donuts, and entrance mats) for the school. • Vendor #522 is a private school located in Paterson. We reviewed check #116298 for $18,278.00. This payment was made to the school for professional services associated with the 2005 NCLB grant. Expenditures tested in the sample selection appear reasonable. Further review is recommended given the potential issues these transactions raise.

Historical Expenditure Analysis – Vendor Disbursements, continued

No.	Analysis Performed	Results of Analysis	Follow-up Procedures	Results from Follow-up and Recommendation
7	Analyzed POs where the payment amount exceeds the original PO amount.	We noted 2,180 POs that had payments totaling $304,848,493.32 in excess of the original PO amount. The breakdown is as follows: • 6 POs had disbursements related to internal transfers within the District. The payment amount exceeded the purchase order amount by $298,687,052.58 • 24 POs were setup with an original purchase order amount that was equal to $0. The payment amount exceeded the original purchase order amount by $291,635.65. • 1,805 POs had corresponding payments that exceeded the original purchase order amount by less than 10% totaling $1,845,962.15 in excess. • 283 POs had corresponding payments that exceeded the original purchase order amount by between 10% and 25% totaling $2,528,693.53 in excess • 62 POs had corresponding payments that exceeded the original purchase order amount by greater than 25% totaling $1,495,149.41 in excess.	• Ascertained through interview of the purchasing and accounts payable personnel why certain disbursements would be processed in excess of the PO. • Selected a sample from the listing of disbursements that exceeded the PO amount. • For each sample item the engagement team: - Traced and agreed the disbursement to supporting documentation (e.g., contract, vendor invoice, purchase requisition, etc.) to assess if the disbursement was properly approved and processed. - Reviewed supporting documentation to assess if the disbursement is considered essential. -	We selected 3 samples where the payment amount exceeded the original PO amount. We noted the following: • PO #0502045 is for utilizing Paterson police officers as security in the high school for 2004–05. The total amount of the PO was for $435,000.00. The total amount paid against the PO was $525,098.33, which results in a total overpayment of $90,098.33. We have noted this PO is a multivendor order and each security person is paid directly via a check. We reviewed check #116164 for $880.00, which was paid to vendor #3794184. The review of this payment packet contained appropriate backup; however, the PO was a photocopy. • PO #0610074 has been requested but the supporting documentation has not been received. In reviewing the requisition that was received, it appears this vendor (vendor #350730) is a supplier of educational teaching aids. • PO #0505797 is for utilizing the Paterson Police Athletic League to supervise 80 children after school and on weekends. The total amount of the PO was for $39,540.00 and the total amount of the check was $39,540.16, leaving an overpayment of $.16. Expenditures tested in the sample selection appear reasonable. However, documentation supporting payments was missing. Further review is recommended given the potential issues these transactions raise.

Historical Expenditure Analysis – Vendor Disbursements, continued

No.	Analysis Performed	Results of Analysis	Follow-up Procedures	Results from Follow-up and Recommendation
8	Analyzed the number of disbursements in the two-year period covering 2004–05 and 2005-06.	We noted that 5,041 vendors received at least one disbursement during the two-year period totaling $1,119,388,662.22. Of the $1.1 billion, $726,994,447.56 is related to internal transfers within the District (9 vendors). The breakdown of the remaining is as follows: • 5 vendors received more than 48 checks totaling $9,732,817.90. • 30 vendors received between 25 and 48 checks totaling $96,765,630.82 • 4,997 vendors received 24 or fewer checks totaling $285,895,765.94.	• Ascertained through interviews of the purchasing and accounts payable personnel why certain vendors would receive more than 12 payments within a fiscal year. • Selected a sample from the listing of disbursements. • For each sample item the engagement team: – Traced and agreed the disbursement to supporting documentation (e.g., contract, vendor invoice, purchase requisition, etc.) to assess if the disbursement was properly approved and processed. – Reviewed supporting documentation to assess if the disbursement is considered essential.	Based upon our interviews of Purchasing and Accounts Payable personnel, it is common for multiple checks to be paid to one vendor within a given month because some vendors require a separate payment for each invoice that is provided to the District. We selected a sample of 4 disbursements for review and have noted the following: • Vendor #3788375 received 26 payments over the two-year period. This vendor provides services for vehicle repairs and maintenance of District vehicles and buses. The PO (#0601434) amount associated with this vendor was for $80,000 for 2004–05. • Vendor #320101 received 19 payments over the two-year period. This vendor provides prescription coverage services for District employees. • Vendor #3791919 received 21 payments over the two-year period. This vendor is an individual who provides security services at a District high school. Check #124499 was reviewed. This payment of $4,400.00 was for 20 days (160 hours) of security services. • Vendor #503666 received 2 payments over the two-year period. This vendor is an individual who provides security services at a District high school. Check #120303 was reviewed. This payment of $220.00 was for 1 day (8 hours) of security services. Expenditures tested in the sample appear reasonable. Further review is recommended given the potential issues these transactions raise.

Review of Additional Purchase Orders

At the direction of the Department, we conducted a "desk review" of a sample of purchase orders charged to particular program, function and object codes. Subgroups were identified as follows:

- *Non-Instructional Purchased Professional Educational, Technical and Other Services* – includes program code 000 with object codes 300 through 599, excluding functions 100, 211, 213, 216, 217, 223, and 270; purchases for student support services for attendance/health related and extraordinary services and transportation are excluded.

- *Non-Instructional Miscellaneous Purchases* – includes program code 000 with object codes 800 through 999.

- *Non-Instructional Supplies and Materials* – includes program code 000 with function codes 218, 219, 221, 222, 223, 230, 240, 251, 252, and 290 and object codes 600 through 699; purchases for student support services for attendance/health related and extraordinary services, maintenance and transportation are excluded.

- *Regular Instructional Purchased Professional Educational Services* – includes program code 190 with object code 320.

- *School Sponsored Athletic Supplies and Materials* – includes program code 402 with object code 600.

- *Textbooks* – includes object code 640.

- *Capital Outlay* – includes Fund 12.

- *Purchased Professional, Technical and Other Services for Instructional Staff Training* – includes program code 000 with object codes 300 through 599 and function code 223.

We extracted data from the District's accounts payable system to isolate expenditures charged to each of the various groups identified above. Based on a subjective review of the vendor names, and disbursement amounts, we selected a sample and requested purchase order packages to support the expenditures. The tables on the following pages provide the items selected and the results of our review. All columns presented in the tables, with the exception of the 'comments' column, reflect data exactly as it was pulled from the District's system. The 'comments' column was developed based on review of the purchase order package alone. Follow-up questions were not posed to any District employees nor was additional support requested.

Of the 300 transactions selected, 128 appear questionable based on the review of the purchase order packages provided. For the purposes of this report, "Questionable" means that the supporting documentation contained in the purchase order package did not provide sufficient documentation to justify whether the purchase was reasonable or educational in nature. Additional follow-up would be necessary to further understand the purchase (e.g., reason for the purchase, who benefited from the purchase, was it educational and/or essential, were the goods services actually received, is the item available for inspection, etc.). For example, out-of-state travel was identified as questionable, pending related approval documentation from the State Department of Education. Also, in-state travel for non-education related conference is considered questionable. These items, which have been shaded in the tables, total $1,007,695. Documentation was not made available for 24 of the transactions selected. As such, these items have also been classified as questionable, as further inquiry would be necessary.

It should be noted that any items not shaded appear reasonable on the face of the purchase order; for example, a purchase order for textbooks for Mrs. Smith's eighth grade science class would not be considered questionable. However, the "desk review" does not consider if this was the fourth year in a row that textbooks had been purchased for Mrs. Smith's eighth grade science class.

Review of Purchase Orders – Non-Instructional Purchased Professional Educational, Technical and Other Services

Account Number	Object Code	PO Number	PO Date	Last Check Date	Vendor Name	Total Against PO	Original PO Amount	PO Brief Description	Comments (Based on Review of Purchase Orders)
15000240500005100000000000	500	0510391	2/16/2005	6/1/2005	MUSIC MODES	$ 5,035.80	$ 5,035.80		84 Marching Band rainwear for Eastside HS, supported by invoice.
15000240500010000000000000	500	0506290	11/4/2004	3/2/2005	SPIRIT CRUISES	$ 3,140.00	$ 3,039.00	NULL	8th grade students from school #10 to attend the Spirit Line tour of the Hudson River on 5/6/05, included lunch buffet, supported by cruise confirmation agreement, which includes the invoice.
11000240590439999000000000	590	0511443	3/14/2005	4/6/2005	SIX FLAGS GREAT ADVENTURES	$ 1,000.00	$ 1,000.00		Admission price (Advance Tickets) for B.U.I.L.D Academy on 03/11/05, for the Six Flags Great Adventure, supported by invoice.
15000222300010000000000000	300	0507223	11/18/2004	2/1/2005	COMPANION CORPORATION	$ 599.00	$ 600.00	NULL	Alexandria v5, Macintosh site license, software subscription for school #10, supported by invoice
15000240500027000000000000	500	0504882	10/8/2004	6/1/2005	ZACK'S HOT BAGELS and DELI	$ 828.00	$ 828.00		Bagels, salads, cold cuts, beverages, and papaergoods for Teacher Incentive luncheon for teacher appreciation week at school #27, supported by invoice.
11000261420684999000000000	420	0612278	3/13/2006	6/27/2006	JAY'S TENDER TOUCH DETAILING	$ 858.00	$ 1,000.00	NULL	Bimonthly car wash services for District fleet, state contract #A58926, supported by three invoices/payments totaling $858 for 4/06 and 5/06 (1 included PO, 2 included the car wash log sheet).
11000261420684999000000000	420	0612541	3/30/2006	5/4/2006	MARNAS SPLASH HAND CAR WASH	$ 232.00	$ 233.00		Car Wash Services for 3/1306 for contract 18A:18A–37 for transportation services, supported by receipts.
11000221320000001000000000	320	0502724	8/27/2004	6/30/2005	MERACHNIK, DR. DONALD	$ 160,200.00	$ 159,000.00	NULL	Doctor to serve as interim coordinating director of special services 7/1/04–6/30/05 at a per diem rate of $600 – PO total $144,000. Supported by two checks for 1/05–5/05 services only (checks were supported by monthly report signed by Dr. Merchnik).
11000262444161499900000000	441	0601035	7/1/2005	5/4/2006	RIVER PLAZA REALTY	$ 69,556.44	$ 69,556.44		Encumber funds for rental for Urban Leadership Academy at 39 East 39 Street for the months 7/05–6/06, no supporting documentation provided. No purpose noted.
11000262444161499900000000	441	0612467	3/28/2006	6/1/2006	PATERSON SELF STORAGE	$ 25,000.02	$ 25,000.02		Encumber funds for rental of 408 Grant Street 4/06–6/06, supported by invoices.
11000230331604999000000000	331	0508392	12/15/2004	2/1/2005	EWING, SAUL	$ 9,964.71	$ 9,964.71		Encumber funds for services rendered in connection with V. Epic Inc., supported by invoices.
15000240500015999000000000	500	0603774	9/13/2005	6/1/2006	A and P	$ 1,274.74	$ 1,500.00		Food for school #16, supported by "Purchase Requisitions," receipts, and invoices.
11000261420684999000000000	420	0613507	5/25/2006	6/27/2006	MYERS and SON TRUCK SPECIALIST INC	$ 1,173.40	$ 1,173.40		Food service truck repairs for 1993 Ford F600G plate #MG12353on 5/16/06, supported by "Vehicle Repair and Work Authorization Form" and receipt.
11000230331604999000000000	331	0509738	1/26/2005	3/2/2005	MIKLACKI, JOEL M.	$ 28,275.92	$ 28,275.92		For legal services rendered as Attorney for Dr. Joseph Atallo, Board Member, supported by invoice.
11000251592690000000000000	592	0610759	2/15/2006	3/9/2006	TYLIN PROMOTIONS	$ 1,940.00	$ 1,940.00		For Luis Rojas, Albania Diaz, and Patricia Bornstein staff members to attend the Tylin Promotions at the New York Marriott Brooklyn Bridge Hotel, supported by contract for space rental.
11000230580600000000000000	580	0604743	10/6/2005	10/6/2005	TROPICANA HOTEL	$ 325.00	$ 325.00		Hotel accommodations for 3 nights for Board member to attend the New Jersey SBA 2005 annual workshop in Atlantic City, New Jersey, supported by invoice.

Review of Purchase Orders – Non-Instructional Purchased Professional Educational, Technical and Other Services, continued

Account Number	Object Code	PO Number	PO Date	Last Check Date	Vendor Name	Total Against PO	Original PO Amount	PO Brief Description	Comments (Based on Review of Purchase Orders)
11000230590603999000000	590	0509086	1/10/2005	6/30/2005	CROWN PLAZA HOTELS	$ 7,500.00	$ 7,500.00	NULL	Hotel and conference rooms in Fairfield, New Jersey as needed for negotiations between PPS and PEA during 2004–05 school year, supported by invoices from 12/04–4/05, Vendor name is Prime Hotels.
15000240500051000000000	500	0511450	3/14/2005	6/30/2005	NATIONAL HISTORY DAY	$ 8,700.00	$ 8,700.00	NULL	Housing for National History Day competition, 6/10/05–6/13/05 [25 students, 4 teachers (Eastside HS) @ $251 each], supported by invoice that included registration fee for 29 people and additional PO for that charge.
11000261420680401000000	420	0510957	3/3/2005	6/1/2005	BRANTLEY BROS. MOVING and STORAGE	$ 19,214.00	$ 19,214.00		Increase in price on work done at school number 24 on 04/15/2005, Voucher copy of PO missing, supported by invoice
11000221500066700000000	500	0604860	10/12/2005	6/27/2006	PARTY EXPRESS	$ 365.00	$ 386.90		Inflatable balloons and tablecloths, supported by invoice.
11000230590700000000000	590	0413199	7/1/2004	9/1/2004	BARCIA BROS. FENCE CO.	$ 2,986.00	$ 2,986.00		Installation of fence at school #20 and repair of playground, supported by invoice.
11000261420635000000000	420	0609370	1/27/2006	4/11/2006	C. DOUGHERTY and CO.	$ 27,000.00	$ 27,000.00	NULL	Installation of HVAC system at JFK HS, supported by open bid submission, Board approval, Payment Documentation Certification (Facilities department approval of work performed) and invoice.
11000251340690000000000	340	0611845	3/1/2006	4/11/2006	EL ESPECIAL	$ 1,000.00	$ 1,000.00		Job fair advertisement in the newspaper on 3/3/06, supported by newspaper advertisements and invoices.
11000261420680401000000	420	0503981	9/23/2004	4/6/2005	UNIVERSAL ELECTRIC MOTOR SERVICE	$ 1,380.00	$ 1,380.00		JFK HS Repair Blackboard Motors, state contract #A56221, 133–35 Church Street Rebuild/Replace 2 electric Motor on circulations pump for heating system, supported by invoice.
11000261420642999000000	420	0507232	11/19/2004	3/2/2005	TOOL BOX	$ 84.30	$ 84.30		Milwaukee 0624–20 repair; to repair drill bit, supported by invoice.
15000221500017000000000	500	0611922	3/1/2006	4/10/2006	NEW JERSEY ASSOC. OF PARENT	$ 20,400.00	$ 20,400.00	NULL	New Jersey Association of Parent Coordinator, Inc., 18th annual in–service training conference for Parents on 4/27/06–4/30/06, including food, transportation, and a one full-page advertisement for the event, supported by invoice.
11000230580600000000000	580	0612921	4/19/2006	4/19/2006	SADDLE BROOK MARRIOTT	$ 4,491.27	$ 4,491.27		No supporting documentation or purpose noted because the auditors have the documents, but there is a copy of the check.
11000261420680401000000	420	0512932	5/31/2005	9/1/2005	R. ROBERTS AUTO BODY SHOP	$ 2,026.67	$ 4,208.74		Paint, paint supplies, and labor to repair 2002 Chevy Blazer 4X4 LS, VIN 1GNDT13WO2K223538, supported by preliminary estimate and invoice.
11000262420675001000000	420	0612310	3/16/2006	6/1/2006	PROJECTION SCREEN SERVICES, INC.	$ 2,850.00	$ 2,850.00		Parts and labor for installing a Draper Paragon Electric Screen in school #5, supported by vendor forms, correspondence with the Purchasing department, and a quote, and invoice.
11000262300068299900000	300	0602367	7/25/2005	6/1/2006	YAGAN, TAMBY	$ 860,000.00	$ 800,000.00	NULL	Police security coverage for High Schools for entire year 7/1/05–6/30/06, reviewed one invoice for one officer, 5/10/06 and 5/11/06 total $440 ($220 per eight hour shift), supported by invoices, checks provided only totaled $12,237.50.
11000230531614999000000	531	0600436	7/1/2005	6/1/2006	POSTAGE BY PHONE RESERVE ACCT.	$ 88,000.00	$ 80,000.00	NULL	Postage on reserve account for 2005–06 school year, supported by monthly statements indicated balance in account not the amount due. Paid $10,000 for 7 months and $18,000 for final month.

Review of Purchase Orders – Non-Instructional Purchased Professional Educational, Technical and Other Services, continued

Account Number	Object Code	PO Number	PO Date	Last Check Date	Vendor Name	Total Against PO	Original PO Amount	PO Brief Description	Comments (Based on Review of Purchase Orders)
11000262490677401000000	490	0500132	7/1/2004	1/3/2006	WILLIAM SCOTSMAN, INC.	$ 194,720.00	$ 230,216.00	NULL	School #15 and school #3 rental of 2 each temp classroom trailers for 12 months, including setup and breakdown, supported by contract and monthly invoices for 13 months plus setup and repair costs totaling $182,768.
1100025158061000000000000	580	0502213	8/13/2004	6/1/2005	MOFFITT, WILLIAM P	$ 583.53	$ 2,000.00	NULL	Purchasing Copy of PO not provided, Travel and Mileage for William T Moffit, the Business Administrator, on 08/13/2004, supported by invoice.
11000262300682999900000000	300	0508994	1/6/2005	6/30/2005	WATKINS, JAMES	$ 525,098.33	$ 435,000.00		Purchasing copy of the PO not provided and receiving and purchasing copies of the PO are photocopies, for police security, supported by "Police Security Time Sheets."
11000262420675001000000	420	0607200	12/1/2005	2/1/2006	BOGUSH, INC.	$ 6,750.00	$ 6,750.00		Purchasing copy of the PO not provided, emergency excavate and remove existing building trap and install new PVC building trap near 35 Church Street, supported by correspondence with the Director of Building and Grounds and the vendor and invoice.
11000219320655001000000	320	0607835	12/15/2005	6/27/2006	HEALING HANDS REHAB. INC.	$ 14,900.00	$ 34,000.00		Purchasing copy of the PO not provided, encumber funds for contract services for occupational therapy beginning 1/3/06–6/30/06, supported by invoices.
1100023058060000000000000	580	0504299	9/28/2004	10/19/2004	CAESARS ATLANTIC CITY	$ 1,620.00	$ 1,620.00	NULL	Purchasing copy of the PO not provided, hotel reservations for three Board members to attend the NJSBA 2004 annual workshop in Atlantic City on 10/19/04–10/22/04, supported by receipt.
11000262444161000000000000	441	0500138	7/1/2004	4/6/2005	FATIMA ALBRUZ OR ASSIGNS	$ 38,500.00	$ 38,500.00		Purchasing copy of the PO not provided, rental due for 2004–05 school year at 5 Colt Street, 7/04–5/05, 11 months @ $3,500, supported by invoice, checks provided only totaled $10,500.
11000251340610001000000	340	0613754	6/14/2006	6/27/2006	REAL ESTATE APPRAISAL CORP.	$ 3,500.00	$ 3,500.00		Real estate appraisal settlement fee for three school buildings, supported by invoice.
1100023058060000000000000	580	0503763	9/20/2004	9/21/2004	NJSBA	$ 3,105.00	$ 3,105.00		Receiving copy of the PO not provided, NJASA workshop registration fee for the State District Superintendent, Board members, and BA to attend the convention in Atlantic City from 10/20/04–10/21/04, supported by the registration form.
11000261420680401000000	420	0502453	8/23/2004	11/2/2004	GIORDANO CONTRACTING, L.L.C.	$ 17,290.00	$ 17,290.00		Receiving copy of the PO not provided, playground for school #2, supported by contract and invoice.
15000221500021000000000000	500	0605562	10/24/2005	12/1/2005	AMTNJ	$ 300.00	$ 300.00		Registrations for two participants in the two day conference sponsored by the Association of Math Teachers of New Jersey for school #21, supported by invoice.
15000240500051000000000000	500	0501306	7/15/2004	8/3/2004	FORD, WILLIAM E.	$ 225.00	$ 225.00		Reimbursement for registration fee for the NATA 55th annual conference in Baltimore from 6/15/04–6/19/04, supported by "Application to Attend Professional Improvement Conference" and confirmation letter from NATA for the amount paid.
15000221500019990000000000	500	0609515	1/31/2006	6/1/2006	RINAGGIO, KAREN	$ 175.00	$ 175.00		Reimbursement for registration for the Rutgers conference on reading and writing on 3/31/06 for school #2, supported by invoice.
11000262444161499900000000	441	0600978	7/1/2005	7/21/2005	PATERSON MALL SHOPPING CTR	$ 64,498.22	$ 386,989.32	NULL	Rental for academies located in mall on Main St. ($32,249.11 per month), supported by invoice for 7/05 only.
11000262444161000000000000	441	0500140	7/1/2004	10/22/2004	CIFALDI, HELEN	$ 99,590.00	$ 298,770.00	NULL	Rental of 137 Ellison Street 2004–05 year, 12 months @ $24,895.50, supported by invoice.

Review of Purchase Orders – Non-Instructional Purchased Professional Educational, Technical and Other Services, continued

Account Number	Object Code	PO Number	PO Date	Last Check Date	Vendor Name	Total Against PO	Original PO Amount	PO Brief Description	Comments (Based on Review of Purchase Orders)
11000261420680401000000	420	0508507	12/16/2004	5/10/2005	DRAPERY CORP. OF AMERICA	$ 15,000.00	$ 15,000.00	NULL	Repairs/replacement of shades Districtwide, contract #87351, supported by invoices totaling $15,753.50 for various schools. New PO issued for additional amount. 4 2005 vans appear on vehicle list.
11000230580600000000000	580	0609599	2/2/2006	3/1/2006	GABRIEL'S TRAVEL AGENCY, INC.	$ 430.00	$ 430.00	NULL	Reservation for Board President to attend the National School Boards Association 33rd Annual Federal Relations Network Conference, supported by invoice.
15000240500051000000000	500	0510909	3/2/2005	5/10/2005	VISTA TRAVEL	$ 1,924.50	$ 1,924.50		Reservations for Gloria Taylor, Gerald Zinanelli, Mohammed Moustafa for the National Academy Foundation orientation on 3/11/05–3/13/05 in Baltimore, included transportation and lodging, supported by invoices.
11000230339610000000000	339	0510629	2/23/2005	2/23/2005	EXHIBIT A	$ 3,453.90	$ 3,453.90		Service rendered for 12/08/04 legal presentation, for the Paterson Public Schools, supported by invoice.
11000221590760000000000	590	0603456	8/30/2005	10/3/2005	SURVEY MONKEY. COM LLC	$ 200.00	$ 200.00		Subscription for 12 months includes up to 1000 responses per month and unlimited number of surveys for student assessment testing, supported by invoice.
11000252340643000000000	340	0605997	11/1/2005	3/1/2006	APPLE COMPUTER	$ 2,980.00	$ 2,980.00		Tiger CD and DVD media sets and seats price per license for Apple Care program, supported by invoice.
11000290580609999000000	580	0500352	7/1/2004	2/1/2005	EZ PASS NEW JERSEY	$ 600.00	$ 1,200.00		To encumber funds for EZ pass for Mike Azzara as part of his contract for 2004–05 4C#200115084022, supported by invoice, but only received checks totaling $200 for review.
11000230580699999000000	580	0602379	7/26/2005	9/1/2005	GABRIEL'S TRAVEL AGENCY, INC.	$ 1,645.00	$ 1,645.00		Two Continental Airline tickets for Henderson/Gaile and Parket/Tara on 07/25/05, supported by receipts.
11000230580600000000000	580	0504381	9/30/2004	10/19/2004	BALLY'S PARK PLACE	$ 682.00	$ 682.00		Voucher and receiving copies of the PO not provided, hotel reservations for Board member to attend the NJSBA 2004 annual workshop in Atlantic City on 10/19/04–10/21/04, supported by invoice.
11000290330609999000000	330	0502985A	9/7/2004	9/30/2004	BICK, MICHELLE	$ 4,752.00	$ –	NULL	Voucher copy and Purchasing copy of PO not provided, Science Consultant for Panther Academy not to exceed $40,000 for 37 days @ $216 per diem for September and October, supported by receipts and invoices.
11000230580600000000000	580	0604258	9/26/2005	9/26/2005	RENAISSANCE LAS VEGAS	$ 693.24	$ 693.24		Voucher Copy for PO not provided, Hotel accommodation for Board President Chauncey I. Brown to attend the NSBA cube annual conference on 09/23/2005, supported by receipts.
11000230580600000000000	580	0613434	5/16/2006	5/16/2006	HOLIDAY INN– MONROE	$ 109.00	$ 109.00		Voucher copy not provided, hotel accommodations for Board Member on 5/19/06 to attend the Delegate Assembly, supported by invoice.
11000290330609999000000	330	0500163A	7/1/2004	8/31/2004	SINATRA ASSOCIATES, INC.	$ 12,350.00	$ –		Voucher copy of PO not provided, Hire Sinatra Associates as a consultant in the Business Office needed on a project-by-project basis, supported by invoice.
11000221580700001000000	580	0510251	2/11/2005	3/2/2005	WILLIAMS, SONIA C.	$ 337.99	$ 337.99		Voucher Copy of PO not provided, reimbursement for hotel accommodation for administrators to attend the National Principals Leadership Institute at Fordham University, supported by receipts.

Review of Purchase Orders – Non-Instructional Purchased Professional Educational, Technical and Other Services, continued

Account Number	Object Code	PO Number	PO Date	Last Check Date	Vendor Name	Total Against PO	Original PO Amount	PO Brief Description	Comments (Based on Review of Purchase Orders)
15000222500026000000000	500	0610112	2/14/2006	6/1/2006	OCEAN PLACE SPA	$ 326.40	$ 324.96		Voucher copy of the PO not provided, accommodations for Staples and Stephens Technology Education Association of New Jersey conference and expo on 4/27/06–4/28/06 for school #26, supported by invoice.
11000262441614999000000	441	0600981	7/1/2005	7/21/2005	STRAIGHT ST. and 16th AVE.RTY	$ 80,199.62	$ 80,199.62		Voucher copy of the PO not provided, encumber funds for rental for Alexander Hamilton Academy for 7/05 and 8/05, supported by a copy of the contract.
15000223500008000000000	500	0504921		4/6/2005	RIEDER, JASON	$ 190.00	$ 538.00		Voucher copy of the PO not provided, food and travel reimbursement for Comer Leadership Training on 2/6/05–2/9/05 for participant, Jason Rieder, from school #8, supported by receipts.
11000261420680401000000	420	0505381	10/25/2004	2/1/2005	ELKINS CHEVROLET, LLC	$ 1,000.00	$ 1,000.00		Voucher copy of the PO not provided, towing, diagnose, and repair of 2002 Chevy Blazer, supported by invoice.
15000240500052000000000	500	0502496	8/23/2004	3/2/2005	JOHN'S DRY CLEANER	$ 62.50	$ 700.00		Voucher copy of the PO provided, professionally dry clean robes, tuxedos, vests, and uniforms for the 2004–05 school year for the Rosa Parks Performing Arts, supported by copy of the receipt.
11000230339610000000000	339	0605398	10/20/2005	11/1/2005	TRUKMANN'S	$ 806.78	$ 806.78		Voucher copy of the PO provided, services for off–site reproduction of litigation documents completed on 10/10/05 and 10/12/05, supported by two letters from Schenck, Price, Smith, and King, LLP with attached invoices requesting the invoices be paid.
11000262300682999000000	300	0508994	1/6/2005	6/1/2005	REID, RAYMOND	$ 525,098.33	$ 435,000.00		Voucher copy, Receiving copy and Purchasing copy of PO not provided, Paterson Police Coverage, security for High Schools for 2004–05, supported by invoices and receipts, checks provided only totaled $4,400.
11000221340760000000000	340	0508792	12/23/2004	4/6/2005	NATIONAL COMPUTER SYSTEMS	$ 333,137.00	$ 514,317.00		Voucher copy, Receiving copy and Purchasing copy of PO not provided, to encumber funds for scoring the standard proficiency assessment for grades 5,6,7,9 and 10, supported by invoice.
11000218500459999000000	500	0612289	3/15/2006	6/5/2006	HERFF JONES	$ 5,000.00	$ 5,000.00	NULL	Yearbook deposit for the Sports Business Academy, supported by invoice.
11000221390760000000000	390	0604842	10/11/2005	1/3/2006	1ST RUN	$ 4,295.00	$ 4,295.00		Yearly maintenance service contract for Fujitsu M3099GX, supported by invoice.
15000240500005000000000	500	0612064	3/2/2006	4/11/2006	MEDIEVAL TIMES	$ 5,376.00	$ 5,376.00	NULL	Documentation Not Provided
11000230331603999000000	331	0501621	7/27/2004	6/30/2005	BRENT, DANIEL F.	$ 4,666.00	$ 11,334.00	NULL	Documentation Not Provided
11000230590605600000000	590	0507070	11/16/2004	8/2/2005	CITY OF PATERSON	$ 71,424.88	$ 103,072.50		Documentation Not Provided
11000262300682999000000	300	0602367	7/25/2005	6/1/2006	GUTIERREZ, JAVIER	$ 860,000.00	$ 800,000.00		Documentation Not Provided
11000230580600000000000	580	0504461	10/1/2004	10/19/2004	HILTON CASINO HOTEL RESORT	$ 455.00	$ 455.00		Documentation Not Provided
15000240500001001000000	500	0611921	3/1/2006	5/4/2006	SOMERSET MARRIOTT HOTEL	$ 9,249.80	$ 9,474.08		Documentation Not Provided
11000262300682999000000	300	0602367	7/25/2005	6/1/2006	TAYLOR, EDGAR	$ 860,000.00	$ 800,000.00		Documentation Not Provided

Review of Purchase Orders – Non-Instructional Miscellaneous Purchases

Account Number	Object Code	PO Number	PO Date	Last Check Date	Vendor Name	Total Against PO	Original PO Amount	PO Brief Description	Comments (Based on Review of Purchase Orders)
11000221890633000000000	890	0613065	4/26/2006	6/1/2006	HAPPINESS IS CAMPING	$ 4,953.40	$ 6,066.75	NULL	60 students attending camp for 2 nights, 5/1/06–5/3/06, from schools #4,5,9 and 20 @ $81 ea., supported by invoice.
15000211800033001000000	800	0504070	9/24/2004	11/2/2004	HEAVEN HILL FARMS	$ 2,475.00	$ 2,475.00	NULL	Admission for a school–wide fieldtrip on 10/8/04 to Heaven Hill Farms in Vernon, New Jersey for the Edward Kilpatrick School, supported by receipt.
11000230890600001000000	890	0509746	1/26/2005	3/2/2005	SKY ADVERTISING	$ 8,055.90	$ 8,055.90	NULL	Advertisement for superintendent search as conducted by New Jersey School Board Association – *Education Week* and *Newark Star Ledger*, supported by invoices .
11000251890690001000000	890	0605173	10/17/2005	12/1/2005	RINALDI ASSOCIATES	$ 6,612.48	$ 6,612.48	NULL	Advertisement in the Star Ledger and North Jersey Media newspapers for administrative positions on 5/15/05, supported by copies of the advertisements and invoice.
15000240890010001000000	890	0506320	11/4/2004	6/30/2005	ZOLNIER CLASS RINGS LLP	$ 1,500.00	$ 1,500.00	NULL	Caps and gowns for 8th grade graduation at school #10, supported by invoice.
11000230890710001000000	890	0602332	7/22/2005	8/1/2005	POWERS, DR. TYRONE	$ 1,500.00	$ 1,500.00	NULL	Compensation for Dr. Tyrone Powers for full day presentation on 6/18/05 for Men of Honors Empowerment Conference at Eastside HS, supported by copy of service contract, "Personnel Transaction Form," and invoice.
11000230890600001000000	890	0501649	7/29/2004	5/10/2005	CHURCH STREET CAFE	$ 2,991.35	$ 3,000.00	NULL	Encumber funds for catering services for the Board and Superintendent's meetings for 2004–05 school year, supported by various receipts for breakfast and lunches for 35 Church St. (2/7/05–3/22/05) and JFK HS (11/23/04 – 12/20/04).
11000251890619401000000	890	0601360	7/7/2005	6/27/2006	ALL CITY COFFEE and WATER SVC.	$ 12,601.79	$ 18,000.00	NULL	Encumber funds for Districtwide spring water use under New Jersey State contract for 2005–06 school year, supported by several invoices for several locations within the District.
11000230890604000000000	890	0605697	10/26/2005	1/3/2006	CROWN PLAZA HOTELS	$ 1,117.54	$ 1,000.00	NULL	Encumber funds for PEA mediation meeting on 10/31/05 and 11/28/2005, supported by invoice, check provided only totaled $877.54, vendor name did not match data in EDU–MET.
11000290890610000000000	890	0504143	9/24/2004	2/1/2005	TANNER FURNITURE, INC.	$ 5,988.50	$ 6,181.20	NULL	Encumber funds for 70 student desks for Panther and NASA Academy, supported by invoices.
11000230890600001000000	890	0602876	8/8/2005	2/1/2006	EL DIARIO	$ 5,013.44	$ 5,000.00	NULL	Encumber funds for advertisements in the El Diario newspaper for the notice of Board meetings, supported by newspaper advertisements and invoices.
11000230890600001000000	890	0501651	7/29/2004	2/1/2005	BROWNSTONE HOUSE, INC.	$ 2,922.57	$ 3,000.00	NULL	Encumber Funds for catering services for the board and superintendent's meetings for the year 2004–05, supported by invoice.
11000261800067999900000	800	0605345	10/19/2005	6/27/2006	MR. JOHN	$ 1,524.24	$ 1,958.00	NULL	Encumber funds for standard portable restrooms and fuel surcharges, supported by invoices.
11000290890610000000000	890	0500862	7/8/2004	9/1/2004	BEATTY'S SERVICES, INC.	$ 2,648.25	$ 3,000.00	NULL	Encumber funds for temporary services for business department of security for the month of 7/04, supported by invoices.
11000240800048499900000	800	0511362	3/10/2005	5/10/2005	SPORTS WORLD	$ 261.00	$ 261.00	NULL	Entrance fee to arcade/activity center on 5/12/05, includes tokens, mini golf, 1 ride, and so on. [29 students/staff (Stars Academy) @ $9 each], supported by invoice.
15000240800008000000000	800	0605767	10/27/2005	4/11/2006	WILD WEST CITY	$ 1,065.00	$ 1,065.00	NULL	Fieldtrip on 5/15/05 to Wild West City for school #8, supported by invoice.
11000240890045499900000	890	0613153	5/1/2006	5/4/2006	JAM EXHIBITION	$ 750.00	$ 750.00	NULL	Fieldtrip on 5/22/06 to "Bodies" exhibition for Harp Academy (45 students), supported by "Bodies Exhibition Group Order Form."

Review of Purchase Orders – Non-Instructional Miscellaneous Purchases, continued

Account Number	Object Code	PO Number	PO Date	Last Check Date	Vendor Name	Total Against PO	Original PO Amount	PO Brief Description	Comments (Based on Review of Purchase Orders)
15000240800008000000000000	800	0507994	12/6/2004	6/30/2005	SHOP RITE OF LITTLE FALLS	$ 971.06	$ 972.00	NULL	Graduation reception items (fruit trays, cheese trays, fruit drinks, sugar packets, hot cups, cold cups, napkins, plates, forks, spoons and milk) for school #8, on 10/05/04, supported by invoices.
11000240800039999900000000	800	0512858	5/23/2005	6/30/2005	SIMPLY THE BEST UNISEX CENTER	$ 3,427.00	$ 3,481.30	NULL	Graduation souvenirs (journals, t–shirts with photo and school logo), custom CDs, DJ for graduation ceremony at the Brownstone on 6/21/05 for Great Falls Academy, supported by invoice.
11000230890840000100000000	890	0604983	10/14/2005	12/1/2005	ORIENTAL TRADING CO.	$ 386.57	$ 431.97	NULL	Holiday candy and toys for World Language, supported by invoice.
11000230890700000000000000	890	0602161	7/19/2005	5/4/2006	GLASCOE, DR. MICHAEL E.	$ 12,000.00	$ 12,000.00	NULL	Housing allowance ($1,000 per month) for superintendent per contract, supported by contract and 11 of the 12 checks.
15000240800002000000000000	800	0500087	7/1/2004	9/1/2004	CIUPPA, JOSEPH	$ 300.00	$ 300.00	NULL	Initial Petty Cash requests for school #20, for 2004–05 school year, supported by invoice.
11000223800046500100000000	800	0609757	2/9/2006	6/27/2006	EPLUS TECHNOLOGY	$ 1,185.50	$ 1,185.50	NULL	Ink for printers at JFK HS, supported by invoice.
15000240800008000000000000	800	0604674	10/5/2005	1/3/2006	SPINELLA'S MARKET	$ 437.00	$ 446.00	NULL	Items for the Annual Fall Festival, such as pumpkins and cornstalks, supported by invoice.
15000222800002900100000000	800	0503606	9/17/2004	3/2/2005	SUBSCRIPTION SERVICES OF AMER.	$ 635.58	$ 646.53	NULL	Magazine subscriptions for young students, such as "Zoobooks" and "American Girl," for school #29, supported by invoice.
15000240800003000000000000	800	0610560	2/14/2006	3/1/2006	US BALLOON MFG. CO.	$ 349.14	$ 358.14	NULL	No PO provided. Balloons for Martin Luther King graduation, supported by invoice.
11000230890710000100000000	890	0606762	11/18/2005	12/6/2005	COSTCO WHOLESALE, INC.	$ 1,231.89	$ 1,000.00	NULL	No purchasing copy of the PO provided, funding needed to purchase various items for MJM parent resource center awareness day on 12/3/05 at Eastside HS, supported by receipt.
11000230890605000000000000	890	0509595	1/20/2005	2/1/2005	GODFREY, ESTATE OF:MICHAEL	$ 2,218.33	$ 2,218.33	NULL	Payment of sick days due the estate of deceased with SS #XXX–XX–3427, supported by invoice
11000240890405000000000000	890	0507898	12/3/2004	1/3/2005	DIAMOND AUTO BODY	$ 1,623.05	$ 1,623.05	NULL	Payment on balance past due for work done on school van that was vandalized in the summer of 2003, supported by repair order.
11000230820604999000000000	820	0612585	3/31/2006	3/31/2006	CAMPBELL, JOYCE	$ 30,000.00	$ 30,000.00	NULL	PEA grievance compensates Joyce Campbell for settlement, supported by "Personnel Transaction Form" and consent award letter.
15000240800004300000000000	800	0603504	9/1/2005	10/3/2005	RIXFORD, SCOTT E.	$ 300.00	$ 300.00	NULL	Petty cash for Alexander Hamilton Academy for 2005–06 school year, supported by "Petty Cash Initial Request Form," and receipts totaling $170.
11000251890615000000000000	890	0602569	7/29/2005	9/1/2005	CONSTANTINE, JOAN V.	$ 500.00	$ 500.00	NULL	Petty Cash for Business office for 2005–06 school year, supported by "Petty Cash initial Request Form," "Petty Cash Vouchers," and receipts.
15000240800002000000000000	800	0606909	11/28/2005	1/3/2006	VAN LIEW, FELISA	$ 300.00	$ 300.00	NULL	Petty cash for school #2 for F. Vanliew, supported by "Petty Cash Vouchers," and receipts.
15000240800004300000000000	800	0502922	9/2/2004	10/1/2004	RIXFORD, SCOTT E.	$ 287.62	$ 287.62	NULL	Petty cash replenishment for Alexander Hamilton Academy, supported by receipts.
15000240800010999900000000	800	0510732	2/24/2005	3/2/2005	SANTANA, PAULA	$ 300.00	$ 300.00	NULL	Petty cash request for school #11, supported by receipts.
11000251890690000100000000	890	0603241	8/23/2005	10/3/2005	METRO PARTY RENTALS	$ 150.00	$ 150.00	NULL	Plastic chairs for new teacher orientation on 8/29/05–8/30/05 for school #1, supported by invoice.

Review of Purchase Orders – Non-Instructional Miscellaneous Purchases, continued

Account Number	Object Code	PO Number	PO Date	Last Check Date	Vendor Name	Total Against PO	Original PO Amount	PO Brief Description	Comments (Based on Review of Purchase Orders)
15000240800030000000000	800	0609179	1/24/2006	6/1/2006	GREAT A and P TEA CO. INC.	$ 852.62	$ 1,000.00	NULL	PO not provided, food for schools #30 and 1, supported by receipts and invoices.
11000221800875000000000	800	0511053	3/8/2005	4/6/2005	SUPPLY–SAVER	$ 889.60	$ 889.60	NULL	Purchase of Toner cartridges for Lexmark, 1 box each for cyan, magenta, yellow and black at @ $259.90 and 1 black @ $109.90, supported by invoice.
11000230890600000100000	890	0610730	2/15/2006	3/1/2006	ROBERT TIRRI RETIREMENT	$ 180.00	$ 180.00	NULL	Purchasing copy of the PO is not signed, 3 tickets to attend the retirement dinner for Mr. Robert Tirri, Principal of school #21 on 3/3/06 at the Tides, supported by a typed letter from Cathy Newton of school #21 requesting 3 tickets on behalf of Dr. Glas
11000240800399999000000	800	0612887	4/18/2006	6/1/2006	BARNERT MEMORIAL HOSPITAL	$ 500.00	$ 500.00	NULL	Purchasing copy of the PO not provided, 3rd annual talent night for students of Great Academy Falls at the Tides Estate on 4/20/06, supported by invoice.
15000240800017001000000	800	0505376	10/25/2004	11/2/2004	SANZ, MIRTA, A.	$ 300.00	$ 300.00	NULL	Purchasing copy of the PO not provided, petty cash to cover expenses such as postage and student activities for the 2004–05 school year for school #17, supported by "Petty Cash Initial Request Form" and receipts.
11000230890690001000000	890	0501691	7/30/2004	10/1/2004	BASKINGERS	$ 8,318.00	$ 8,318.00	NULL	Refreshments for the new teacher's orientation on 8/30/04–8/31/04 at school #1, supported by receipts.
11000221890665000000000	890	0602556	7/28/2005	9/1/2005	IZONE, CHARLENE	$ 2,470.86	$ 2,470.86	NULL	Reimbursement for journals used at the Leadership Institute for staff development, supported by an electronically generated order.
11000230890860799000000	890	0606751	11/17/2005	1/3/2006	PERRY, K. MICHELLE	$ 541.15	$ 541.15	NULL	Reimbursement for meals and ground transportation while attending the National Academy Foundation Conference in San Diego on 7/16/05–7/21/05, supported by copies of receipts.
11000251890619000000000	890	0606415	11/9/2005	12/1/2005	THOMAS, TRACEY	$ 206.40	$ 206.40	NULL	Reimbursement for travel expenses (mileage) for Mr. Tracey Thomas to Somerset, New Jersey for certification of Principals of Public Purchasing, supported by "Paterson Public Schools Travel Reimbursement Log."
15000240800008000000000	800	0510402	2/16/2005	5/10/2005	SCHOOL #8 HOME SCHOOL COUNCIL	$ 2,208.00	$ 2,208.00	NULL	Reimbursement of school #8 home school council for theater tickets to show at the Amsterdam Theater in NYC on 01/05/2005 for 46 students @ $48, supported by invoice.
11000251890610000000000	890	0512928	5/27/2005	5/31/2005	TALIAFERRO, ANNA	$ 432.34	$ 432.34	NULL	Reimbursement to Ms. Anna N. Taliaferro for the receipts of Parent Awareness Day, supported by receipts.
15000240800019000000000	800	0609123	1/23/2006	6/1/2006	RAMSEY THEATER	$ 1,000.00	$ 1,000.00	NULL	Rental fees for cinema for K–4th grade and special ed for end of year activity for students to demonstrate interpersonal skills as related to the NJCCCS, two days (half will attend each day) @ $500 per day. Supported by invoice.
15000240800003000000000	800	0607695	12/12/2005	6/27/2006	SEVILLA RESTAURANT	$ 1,800.00	$ 1,800.00	NULL	Rental of facilities for the 8th grade award ceremony on 6/9/06 for 72 people for school #3, supported by invoice.
11000251890610000000000	890	0512447	4/19/2005	6/1/2005	LAWRENCE RENT–A–CAR	$ 212.00	$ 212.00	NULL	Reserve a Mercury Monterey 7 passenger van for contingent from Paterson to visit school District in Virginia, 3 days each @ $56 per day, 200 miles $.22 per mile, supported by receipts.
11000230890600000100000	890	0608704	1/11/2006	1/18/2006	SADDLE BROOK MARRIOTT	$ 2,671.49	$ 2,671.49	NULL	Retreat for the Board, room rental and food, supported by invoices.
15000222890016999000000	890	0606703	11/17/2005	2/1/2006	ECHALK	$ 2,800.00	$ 2,800.00	NULL	School #17 subscription to Echalk, supported by Echalk service order form and invoice.
15000240800008000000000	800	0506876	11/12/2004	5/10/2005	POCONO VALLEY	$ 3,300.00	$ 3,300.00	NULL	School #8 8th grade graduation trip to Pocono Valley Resort on 6/3/05, supported by invoice.

Review of Purchase Orders – Non-Instructional Miscellaneous Purchases, continued

Account Number	Object Code	PO Number	PO Date	Last Check Date	Vendor Name	Total Against PO	Original PO Amount	PO Brief Description	Comments (Based on Review of Purchase Orders)
11000223890630001000000	890	0502519	8/24/2004	12/1/2004	LA NAVE'S CEDAR CLIFF	$ 30,000.00	$ 30,000.00	NULL	Staff Development Workshops La Neve's Restaurant for 2004–05, supported by invoice, but only received checks totaling $15,300 for review.
11000230890700000000000	890	0512627	5/2/2005	5/2/2005	PARRILLA, MARIA	$ 1,665.00	$ 1,665.00	NULL	Stamps purchased for the notice sent out on the New Jersey Department of Education Community Forum on 5/2/06, supported by receipts.
11000252800643000000000	800	0602766	8/4/2005	6/27/2006	BARCA, RALPH	$ 359.60	$ 600.00	NULL	Technology reimbursement for home office for the Director of Technology, Average monthly rate $50 yearly $600 for the 2005–06 school year, supported by receipts, but only received checks totaling $314.65 for review.
11000230890700000000000	890	0504207	9/27/2004	11/2/2004	BROTHERS, INC.	$ 750.00	$ 750.00	NULL	Tickets to attend the 2nd annual awards dinner dance for the B.R.O.T.H.E.R.S. organization on 10/7/04 at the Brownstone in Paterson, supported by invoice.
15000240800051000000000	800	0604582	10/3/2005	12/1/2005	ON THE JOB CAFE	$ 3,600.00	$ 3,600.00	NULL	To provide breakfast for Saturday morning or Friday night football games for Eastside HS from 10/1/05–11/24/05, supported by invoice.
15000240800008000000000	800	0609281	1/27/2006	4/12/2006	TRAVELON ON USA	$ 14,352.00	$ 14,352.00	NULL	Trip to Washington D.C. for 48 students from school #8 on 5/17/06–5/19/06, included lodging, motorcoach, breakfast, dinner, t–shirt and DVD package, gratuity, security, and full insurance, supported by invoice.
11000251890610000000000	890	0606765	11/18/2005	2/1/2006	FAJARDO, CAROLINA	$ 1,825.95	$ 1,825.95	NULL	Tuition reimbursement for Carolina Fajardo, supported by "Request for Course Approval," correspondence with Anthony Infante regarding the approval of the reimbursement, Rutgers University tuition statement, term grade report, and screen–print of confirmation
11000240800399999000000	800	0611683	2/28/2006	6/27/2006	PLATINUM TOURS	$ 1,900.00	$ 1,900.00	NULL	Two Coach buses traveling to Baltimore to go to the Great Blacks in Wax Museum and the Baltimore Inner Harbor Phillips Harborplace Buffet for Great Falls Academy on 5/12/06, supported by invoice.
15000221800040999000000	800	0610042	2/14/2006	6/1/2006	BAUDVILLE	$ 708.16	$ 713.80	NULL	Various items, such as an umbrella – You Make The Difference, for Dale Elementary School, supported by invoice. No purpose noted.
11000230890600001000000	890	0512378	4/13/2005	4/14/2005	HILTON SAN DIEGO GASLAMP QUARTER	$ 1,770.00	$ 1,770.00	NULL	Voucher copy of PO not provided, Hotel reservation for Board member Alonzo Moody to attend NSBA 65th Annual Conference in San Diego, supported by receipts.
11000230820604999000000	820	0506509	11/4/2004	11/5/2004	LOUGHLIN and LATIMER, ESQS.	$ 30,133.55	$ 30,133.55	NULL	Voucher copy of the PO not provided, judgment payment per Judge Linares order on 3/22/04, supported by letter from law firm, De Yoe Heissenbuttel, L.L.C.
11000221890633000000000	890	0613564	5/31/2006	6/27/2006	ZUIDEMA, ROGER	$ 2,563.20	$ 2,563.20	NULL	Voucher copy of the PO not provided, reimbursements for mileage to "happiness is Camping" trips (48 round trips), supported by environmental program schedule and "Travel Reimbursement Log."
11000230820604999000000	820	0613831	6/26/2006	6/27/2006	BURGESS, ROSETTA	$ 3,750.00	$ 3,750.00	NULL	Voucher copy of the PO not provided, settlement in the case of to parent Rosetta Burgess v. the Board, supported by a copy of the judgment, an "Action Form," and correspondence with Schenck, Price, Smith, and King, LLP.
11000261800677800000000	800	0501242	7/15/2004	11/2/2004	ENVIRONMENTAL MONITORING SYSTEMS, INC.	$ 4,269.00	$ 4,269.00	NULL	Voucher copy of the PO not provided, various items for the office of environmental, such as Thomas high volume pump kit, supported by invoice.

Review of Purchase Orders – Non-Instructional Miscellaneous Purchases, continued

Account Number	Object Code	PO Number	PO Date	Last Check Date	Vendor Name	Total Against PO	Original PO Amount	PO Brief Description	Comments (Based on Review of Purchase Orders)
11000240890434999 0000000000	890	0603980	9/16/2005	9/27/2005	SHEA CENTER BOX OFFICE/WPU	$ 320.00	$ 320.00	NULL	Voucher copy of the PO provided, fieldtrip to William Paterson University for tour of Shakespeare's Hamlet with the Aquil Theater Co., supported by invoice for 40 tickets.
11000251890610000 0000000000	890	0512422	4/15/2005	6/1/2005	BRANTLEY BROS. MOVING and STORAGE	$ 1,440.00	$ 1,440.00	NULL	Documentation Not Provided
11000230820604999 0000000000	820	0612614	4/4/2006	4/11/2006	GARCIA, CARLOS	$ 10,000.00	$ 10,000.00	NULL	Worker's Compensation claim for injuries sustained by teacher who fell on wet stairs, supported by "Personnel Transaction Form" and correspondence regarding her claim and settlement amount.
11000230890700000 0000000000	890	0603470	8/30/2005	9/1/2005	SUPERINTENDENTS–PETTY CASH	$ 1,000.00	$ 1,000.00	NULL	Documentation Not Provided
15000240890005999 0000000000	890	0408704	7/1/2004	6/30/2005	A and P	$ 300.00	$ 300.00	NULL	Documentation Not Provided
15000240800004100 0000000000	800	0610374	2/14/2006	5/4/2006	ANJO'S RESTAURANT	$ 420.32	$ 420.32	NULL	Documentation Not Provided
11000251890610000 0000000000	890	0513349	6/30/2005	9/1/2005	BANK OF NEW YORK	$ 1,500.00	$ 3,000.00	NULL	Documentation Not Provided
15000240800003000 0000000000	800	0512152	3/23/2005	6/30/2005	BOB SMITH FLORIST	$ 671.00	$ 671.00	NULL	Documentation Not Provided
11000222800494999 0000000000	800	0612289	3/15/2006	6/5/2006	HERFF JONES	$ 5,000.00	$ 5,000.00	NULL	Documentation Not Provided

Review of Purchase Orders – Non-Instructional Supplies and Materials

Account Number	Object Code	PO Number	PO Date	Last Check Date	Vendor Name	Total Against PO	Original PO Amount	PO Brief Description	Comments (Based on Review of Purchase Orders)
11000221600875001000000	600	0501656	7/29/2004	11/2/2004	FACE	$ 247.50	$ 247.50	NULL	"A Fork in the Road" power point presentation on substance awareness course, supported by invoice.
11000221610805000000000	610	0505920	10/31/2004	1/3/2005	GUILFORD PUB. INC.	$ 613.86	$ 638.40	NULL	"Bringing Words to Life" instructional textbooks for teachers attending bilingual department meeting, supported by invoice.
11000221610830000000000	610	0613159	5/1/2006	6/27/2006	GOOD–HEART WILCOX CORP.	$ 912.42	$ 962.18	NULL	"Understanding my Pyramid Teaching Package" and teen life activity and guideline books, supported by invoice.
15000240600025001000000	600	0611630	2/27/2006	5/4/2006	CORPORATE EXPRESS	$ 632.95	$ 632.95	NULL	1 fax machine and toner cartridge for school #25, supported by invoice.
15000240600020999000000	600	0506626	11/8/2004	6/30/2005	OAK HALL CAP and GOWN CO., INC.	$ 1,502.95	$ 2,360.00	NULL	118 caps and gowns for school #21, supported by invoice.
15000240600050001000000	600	0603976	9/16/2005	12/1/2005	COLLEGE TV INC.	$ 2,628.00	$ 2,628.00	NULL	12 air conditioners for JFK HS for business technology labs and faculty room, supported by receipt and invoice.
11000230600720600000000	600	0501466	7/20/2004	11/2/2004	BORDERS BOOKS	$ 191.52	$ 215.46	NULL	12 copies of the book, "Searching for a Corporate Savior, supported by order worksheet and receipt.
11000221600810001000000	600	0511694	3/15/2005	5/10/2005	VICTOR'S HOUSE OF MUSIC	$ 2,942.00	$ 2,942.00	NULL	12 Instruments, nine violins and three violas, for school #17, supported by invoice.
11000221600810001000000	600	0612873	4/18/2006	6/1/2006	TAYLOR RENTAL	$ 360.00	$ 360.00	NULL	200 chairs for students, from JFK HS, to participate in the All–City concert on 5/11/06, supported by invoice.
11000221610633601000000	610	0508562	12/17/2004	3/2/2005	CAMPMOR	$ 825.85	$ 868.78	NULL	28 Ragwood gripper gloves and mountain hats and two duffels for school #9, supported by invoice.
15000240600025001000000	600	0608143	12/22/2005	3/1/2006	ALLIED EQUIPMENT, CO.	$ 2,035.60	$ 2,035.60	NULL	40 scholar craft 180 series model #SC187 for school #25, supported by invoice.
11000251610690000000000	610	0608083	12/20/2005	3/1/2006	ALPHA–T'S	$ 1,162.50	$ 1,162.50	NULL	500 duet pens with logo ($.95 ea) and 350 presentation folders with print ($1.75 ea) plus setup fees of $75 for the office of personnel, supported by invoice. No purpose noted.
15000222600012999000000	600	0507192	11/18/2004	3/2/2005	DEMCO	$ 978.33	$ 978.33	NULL	Animated hero classics and Black Americans of Achievement video sets for school #13, supported by invoice.
15000240600050001000000	600	0612459	3/27/2006	5/4/2006	ACHIEVEMENT PRODUCTS INC.	$ 622.80	$ 622.80	NULL	Assorted award items such as award pins, medals, and ribbons for school #5, supported by invoice.
11000222600820000000000	600	0607405	12/5/2005	6/1/2006	BAKER and TAYLOR	$ 13,381.80	$ 13,384.20	NULL	Book collection for Library Rutland Center, supported by invoices.
11000230610700599000000	610	0612869	4/18/2006	5/4/2006	DEMAYTA FLORIST	$ 305.50	$ 305.50	NULL	Boutonnieres and corsages for the Teacher Recognition Program on 4/25/06, supported by invoice.
11000230610700599000000	610	0613189	5/4/2006	6/1/2006	TOBDZIC, LISA	$ 985.00	$ 985.00	NULL	Centerpieces for teacher recognition program on 4/25/06, supported by receipt.
15000222600017001000000	600	0508906	1/4/2005	4/6/2005	WHOOTIE OWL INTERNATIONAL	$ 963.54	$ 968.79	NULL	Children's books for school #17, supported by invoice.
15000222600014999000000	600	0504926	10/8/2004	12/1/2004	BCS	$ 626.70	$ 596.86	NULL	Computer accessories for school #15, supported by invoices.
11000230600619600000000	600	0508995	1/6/2005	4/6/2005	PATERSON CARD and PAPERS	$ 60,400.00	$ 60,400.00	NULL	Copy paper (80 each of 4 different colored paper and 2,000 white) for central stores/warehouse, supported by invoices.
15000240600033000000000	600	0507216	11/18/2004	2/1/2005	DAILY BITE INC.	$ 494.67	$ 494.67	NULL	Daily Bite Review and Testing Tidbits for Edward Kilpatrick School, supported by invoice.

Review of Purchase Orders – Non-Instructional Supplies and Materials, continued

Account Number	Object Code	PO Number	PO Date	Last Check Date	Vendor Name	Total Against PO	Original PO Amount	PO Brief Description	Comments (Based on Review of Purchase Orders)
11000230610790601000000	610	0603599	9/7/2005	1/3/2006	BOSLANDS FLOWER SHOP	$ 1,457.74	$ 1,500.00	NULL	Encumber funds for occasional orders for get well, sympathy, best wishes, good luck, and so on. (fruit baskets, floral arrangements, sympathy baskets, and so on.) for 2004–05 school year, supported by 21 invoices for flower arrangements for 20 people (2 to same person for same occasion)
11000221610760000000000	610	0511203	3/9/2005	6/1/2005	TASA	$ 2,001.78	$ 37,998.22	NULL	Encumber funds to purchase MAC II test for the High School bilingual students for 2004–05, voucher copy of PO not provided, supported by invoice.
15000222600050000000000	600	0505243	10/21/2004	4/6/2005	GALE	$ 2,183.00	$ 2,183.00	NULL	Encumber funds for books for the library at JFK HS, supported by invoices.
11000221610760000000000	610	0511204	3/9/2005	6/1/2005	BALLARD and TIGHE CO. INC.	$ 21,830.59	$ 30,000.00	NULL	Encumber funds to purchase IDEA Language Proficiency tests for bilingual students for the 2004–05 school year, supported by invoice.
15000240600000500100000	600	0503021	9/8/2004	3/2/2005	FARKAS COMPANIES	$ 1,186.00	$ 1,655.00	NULL	Executive and visitors chair for school #5, supported by invoice.
11000251610690000000000	610	0512195	3/28/2005	6/30/2005	BOULEVARD EAST FLOWERS and GIFTS	$ 1,500.00	$ 1,500.00	NULL	Flower arrangements for the 2005 District Retirement Dinner on 06/02/05 at the Brownstone House, supported by receipts.
11000251610690000000000	610	0613037	4/25/2006	6/27/2006	COBBY'S FLORIST	$ 1,210.50	$ 1,103.00	NULL	Flower arrangements for the 2006 District Retirement Dinner on 6/1/06 at the Brownstone House, supported by invoice.
15000240600012000000000	600	0502039	8/6/2004	9/1/2004	DANZI, VINCENT	$ 300.00	$ 300.00	NULL	Initial Petty Cash requests for 2004–05 for school #12 on 07/08/04, supported by receipts.
15000222600052000000000	600	0501820	8/4/2004	12/1/2004	LUCILLE MAUD CORP.	$ 4,136.62	$ 4,136.62	NULL	Ink cartridges and toner for Rosa Parks Performing Arts, supported by invoice.
15000240600001999000000	600	0500037	7/1/2004	8/9/2004	APOLLO FLAG CO., INC.	$ 312.28	$ 312.28	NULL	Multicultural items, such as flags from different countries, for school #2, supported by invoice.
11000230610710000000000	610	0604412	9/27/2005	2/1/2006	B.P. SERVICES, INC.	$ 4,530.00	$ 6,240.00	NULL	No PO provided, for purchase of pocket calendars, lanyards, wide body pens, and magnet clips, supported by invoice. No purpose noted.
11000221600040000000000	600	0612302	3/16/2006	5/4/2006	SOPRIS WEST	$ 1,477.69	$ 1,386.00	NULL	No supporting documentation or purpose noted due to a misplacement of all documents aside from a copy of the check and an Edu–Met screen print of the PO # and amount paid.
11000221600755000000000	600	0611435	2/24/2006	6/27/2006	HERTZ FURNITURE SYSTEMS CO.	$ 5,364.12	$ 6,146.03	NULL	Office furniture for Scott Rixford, supported by invoice.
11000230600079060000000	600	0508201	12/10/2004	2/1/2005	GALLERY COLLECTION	$ 540.48	$ 540.48	NULL	Office Items (envelopes and cards) for Paterson Public Schools, State District Superintendent, supported by invoices.
15000240600020999000000	600	0608103	12/22/2005	4/11/2006	SCHOOL SPECIALTY	$ 388.48	$ 400.95	NULL	Office supplies for school #21, supported by invoice.
15000240600007001000000	600	0604871	10/14/2005	1/3/2006	JOSTENS INC	$ 1,000.00	$ 1,000.00	NULL	Payment for balance due on 2004–2005 yearbooks for school #7, supported by invoice.
11000230610790601000000	610	0604427	9/27/2005	12/1/2005	RAG SHOP	$ 1,120.00	$ 1,903.20	NULL	Poster Frames, supported by receipt. No purpose noted.
11000221610664999000000	610	0510665	2/23/2005	4/6/2005	AHA! PROCESS, INC.	$ 81.00	$ 81.00	NULL	Purchase copy of PO not provided, copies of a framework for understanding poverty, whole school reform office, supported by invoice.
11000230610689999000000	610	0508931	1/5/2005	3/2/2005	HR DIRECT	$ 4,696.20	$ 9,392.40	NULL	Purchase of 180 Labor Law Postings on 01/04/05, supported by receipt.

Review of Purchase Orders – Non-Instructional Supplies and Materials, continued

Account Number	Object Code	PO Number	PO Date	Last Check Date	Vendor Name	Total Against PO	Original PO Amount	PO Brief Description	Comments (Based on Review of Purchase Orders)
15000222600004300000000000	600	0603208	8/22/2005	10/3/2005	ETA/CUISENAIRE	$ 1,343.03	$ 1,543.80	NULL	Purchase of 2 sided coordinate grid board and 2 sided centimeter grid board, on 07/20/05, for Alexandar Hamilton Academy, supported by invoice.
11000240610419999000000000	610	0511707	3/15/2005	5/10/2005	ABALOS, DR. DAVID	$ 3,000.00	$ 3,000.00	NULL	Purchase of 200 books of Strategies of Transformation toward a multicultural society, $23.95 per book @ 40 % discount ,supported by invoice.
11000221600755000000000000	600	0510377	2/15/2005	4/6/2005	AUDIO ENHANCEMENT	$ 5,475.00	$ 5,475.00	NULL	Purchase of equipment for the sound system, supported by invoice.
15000240600007500000000000	600	0511159	3/8/2005	5/10/2005	POSITIVE PROMOTIONS	$ 1,067.63	$ 1,067.63	NULL	Purchase of Staff Briefcase bags (Item #BB–7) for Staff Appreciation Day, for Norman S. Weir School, on 03/08/05, supported by invoice.
11000251610690000000000000	610	0511945	3/16/2005	6/1/2005	CALIFON CONSULTANTS OF N.J.	$ 307.50	$ 307.50	NULL	Purchase of textbook, tenure, seniority, and RIF for Anna Adams, supported by invoice.
11000230610603000000000000	610	0509893	1/31/2005	4/6/2005	IMAGIFORCE INC.	$ 1,257.95	$ 1,257.95	NULL	Purchasing copy of PO not provided, purchase of Systran Professional Standard Global 12 Languages Translator – Software Pro and SYSTRAN Professional PREMIUM Arabic Translator–Software Program, for Paterson Public Schools, Ombudsperson, on 01/31/05.
15000240600019000000000000	600	0500183	7/1/2004	10/1/2004	MAGNET STREET (MASTER MARKETING INTER.)	$ 199.00	$ 199.00	NULL	Purchasing copy of the PO not provided, 1,000 magnets with 50 magnetic notepads for school #19, supported by invoice.
11000221610666999000000000	610	0500945	7/9/2004	10/1/2004	CARDILLO, JOANN	$ 199.55	$ 200.00	NULL	Purchasing Copy of the PO not provided, reimbursements of supplies for staff development for Summer Institute for Academy leads and Administrators for Paterson Public School Class Office/Small School, on 07/07/04, supported by receipts.
15000222600005000000000000	600	0510118	2/8/2005	4/6/2005	NOODLETOOLS, INC.	$ 300.00	$ 300.00	NULL	Quotation for a one year subscription to M/S Giblin for Ms. DeAngelo in the library, supported by invoice.
15000221600043000000000000	600	0511516	3/15/2005	5/10/2005	SRA DIVISION	$ 4,160.97	$ 4,037.01	NULL	Reading lab books for Alexander Hamilton Academy, supported by invoice.
11000240610460000000000000	610	0412718	7/1/2004	12/1/2004	FLAGHOUSE	$ 2,435.72	$ 2,458.70	NULL	Receiving copy of the PO not provided, gym supplies for Sports Business Academy, supported by invoice.
11000230600070600000000000	600	0512423	4/18/2005	4/20/2005	KIMBROUGH, MAUDELLYN	$ 347.28	$ 347.28	NULL	Reimbursement for Long Range Facilities Plan advisory committee meeting expenses, supported by receipt.
15000240600009000000000000	600	0613253	5/5/2006	6/1/2006	KAPRELIAN, SUZANNE	$ 655.04	$ 655.04	NULL	Reimbursement for office supplies (toner $117), battery for computer ($50), postage for school needs ($320) and water for principal's office ($165) for school #9, supported by various receipts for above.
11000223600630000000000000	600	0603927	9/15/2005	11/1/2005	WILSON, ROSETTA A.	$ 759.90	$ 748.92	NULL	Reimbursement for Rosetta Wilson for supplies for the superintendent's Conference on 08/29/05 , supported by copies of receipts.
15000222600013990000000000	600	0604052	9/22/2005	12/1/2005	RIVERDEEP	$ 1,224.95	$ 1,224.95	NULL	River Rabbit Learn to Read books, supported by invoice.
15000222600032999000000000	600	0610152	2/14/2006	4/11/2006	SPORTIME	$ 260.08	$ 262.88	NULL	Sportime 330 stopwatch for Edward Kilpatrick School, supported by invoice.
15000240600010000000000000	600	0605341	10/19/2005	1/3/2006	PASSON'S SPORTS DIV. OF US GAMES	$ 1,251.55	$ 1,251.74	NULL	Sports equipment for school #10, supported by invoice.

Review of Purchase Orders – Non-Instructional Supplies and Materials, continued

Account Number	Object Code	PO Number	PO Date	Last Check Date	Vendor Name	Total Against PO	Original PO Amount	PO Brief Description	Comments (Based on Review of Purchase Orders)
15000222600000600000000000	600	0610762	2/15/2006	6/27/2006	HIGHSMITH CO., INC.	$ 1,421.69	$ 1,426.55	NULL	Supplies for library (1 literature display, 1 story board stories, 1 mobile flannel board easel, various labels, library lesson books, and so on.) at school #6, supported by invoice.
15000240600007500000000000	600	0511866	3/16/2005	6/30/2005	KELVIN	$ 735.68	$ 740.44	NULL	Supplies for Norman S. Weir School, supported by invoice
11000230600060500000000000	600	0512682	5/9/2005	6/30/2005	WEST GROUP PAYMENT CENTER	$ 1,091.00	$ 1,091.00	NULL	Update legal books, New Jersey ADMIN CODE 2006, New Jersey STAT 2005, supported by invoice.
11000230610720000000000000	610	0610634	2/15/2006	5/4/2006	BARNES and NOBLE	$ 785.08	$ 863.43	NULL	Various books, supported by invoices – check and support appears to be photocopies, not originals.
11000218600039999900000000	600	0510247	2/10/2005	4/6/2005	E PLUS	$ 4,724.43	$ 4,724.43	NULL	Various electronic equipment for Great Falls Academy, such as a LCD video projector, supported by invoice.
15000221600002100000000000	600	0505460	10/26/2004	12/1/2004	REALLY GOOD STUFF	$ 623.21	$ 586.41	NULL	Various items for the classroom, such as classroom stacking baskets, for school #21, supported by invoice.
15000240600005100000000000	600	0601772	7/12/2005	10/3/2005	ALL STAR IDENTIFICATION, INC	$ 12,386.71	$ 12,300.00	NULL	Various items purchased for printers, such as color ribbons for Eltron P420 printer, for Eastside HS, supported by invoice.
15000240600005100000000000	600	0610820	2/16/2006	6/1/2006	ACTION OFFICE SUPPLIES, INC.	$ 17,149.83	$ 17,149.83	NULL	Various office supplies for Eastside HS (binders, pads, index cards, clips, ink cartridges, lamp, art paper, folders, pens, easels ($799), trimmer ($799), large printer cartridges, scanner, and so on), supported by invoices.
15000240600018000000000000	600	0510216	2/10/2005	4/6/2005	CALLOWAY HOUSE, INC.	$ 606.89	$ 602.45	NULL	Various supplies, such as book caddies and material organizers, for school #18, supported by invoice.
11000251600627000000000000	600	0607379	12/5/2005	3/1/2006	GOODYEAR TIRE and RUBBER CO.	$ 630.60	$ 630.60	NULL	Voucher copy if the PO not provided, six Goodyear tires, parts, and labor for the repair of 2005 GMC Truck, VIN 1GDJG31U051244294 on 12/15/05, supported by estimate and invoice.
15000240600010000000000000	600	0507890	12/3/2004	2/1/2005	ERIC ARMIN, INC.	$ 865.49	$ 952.03	NULL	Voucher copy of the P.O not provided, Ti Calculators for school #21, supported by invoice.
15000222600013999000000000	600	0506254	11/4/2004	6/1/2005	FAVORABLE IMPRESSIONS	$ 44.40	$ 44.40	NULL	Voucher copy of the PO not provided, "Biography for Beginners" 2005 edition for school #14, supported by invoice.
15000240600005000010000000	600	0507573	12/1/2004	5/10/2005	MYRON MFGR. COMPANY	$ 923.05	$ 923.37	NULL	Voucher copy of the PO not provided, 335 3–in–1 pad, calculator, and pens for staff appreciation day at JFK HS, supported by invoice.
11000251600615000000000000	600	0601357	7/6/2005	9/1/2005	MOORE WALLACE	$ 5,837.64	$ 5,502.40	NULL	Voucher copy of the PO not provided, 80,000 pressure seal checks for District Payroll needs, supported by invoice.
15000222600005100000000000	600	0608649	1/9/2006	4/11/2006	GALE GROUP	$ 180.00	$ 180.00	NULL	Voucher copy of the PO not provided, payment for outstanding amount due from invoice on PO #0502795 for the book, "Web Feet Core Collect Print" for Eastside HS, supported by invoice.
15000222600024000000000000	600	0504121	9/24/2004	11/2/2004	ISLAND MAGAZINE SERVICE	$ 1,114.20	$ 1,114.20	NULL	Documentation Not Provided
15000222600024000000000000	600	0505677	10/28/2004	2/1/2005	UPSTART	$ 423.17	$ 455.13	NULL	Documentation Not Provided
15000222600005000000000000	600	0505337	10/23/2004	2/1/2005	VALIANT I.M.C.	$ 7,711.00	$ 7,711.00	NULL	Documentation Not Provided

Review of Purchase Orders – Regular Instructional Purchased Professional Educational Services

Account Number	Object Code	PO Number	PO Date	Last Check Date	Vendor Name	Total Against PO	Original PO Amount	PO Brief Description	Comments (Based on Review of Purchase Orders)
11190100320700000000000000	320	0613280	5/8/2006	6/1/2006	NOONAN, ROBERT W	$ 1,250.00	$ 2,500.00	NULL	Encumber funds for professional services to mentor Dr. Poteat, supported by invoices.
15190100320052002000000000	320	0604872	10/14/2005	6/1/2006	NEW JERSEY PERFORMING ARTS CENTER	$ 8,442.00	$ 8,442.00	NULL	Encumber funds for theater teaching artist to provide 20 instructional sessions to Academy 2, supported by invoices.
15190100320005999000000000	320	0605349	10/19/2005	10/19/2005	PETERS GROUP	$ 3,000.00	$ 3,000.00	NULL	Motivational Speaker for staff at school #6, supported by invoice.
11190100320700000000000000	320	0604737	10/6/2005	12/1/2005	CASCADE CONSULTING GROUP	$ 50,000.00	$ 50,000.00	NULL	No voucher copy of the PO or original receiving copy of the PO provided, encumber funds for recruiting services, supported by a "Personnel Transaction Form," letter of agreement, and an invoice.
11190100320400000000000000	320	0510959	3/3/2005	4/6/2005	HARVEY, YVONNE J.	$ 350.00	$ 350.00	NULL	Perform a leadership presentation on 02/07/05 for students and staff of Great Falls Academy., supported by invoice.
15190100320009002000000000	320	0504906	10/8/2004	3/2/2005	VAGIAS, JAMES	$ 950.00	$ 950.00	NULL	Compensation for Jim Vagias for workshop "Bully Proof Your School" for grades 2–5, two performances on 11/9/04, supported by invoice.
15190100320050998000000000	320	0610687	2/15/2006	4/11/2006	N.Y. AQUARIUM	$ 470.00	$ 470.00	NULL	Two classes on biodiversity for students at Eastside HS, supported by invoices.
11190100320700000000000000	320	0606594	11/17/2005	1/19/2006	DAWSON, MARY E.	$ 8,120.00	$ 10,000.00	NULL	Voucher and receiving copies of the PO not provided, encumber funds to hire Mary Dawson as an educational consultant from 11/7/05–12/23/05, supported by "Additional Compensation Form."
15190100320009002000000000	320	0504240	9/27/2004	12/1/2004	THEATREWORKS USA, CORP.	$ 1,800.00	$ 1,900.00	NULL	Voucher copy of the PO not provided, payment for two performances of "Huck Finn" on 1/13/04 for school #9, supported by invoice.
15190100320033000000000000	320	0609529	1/31/2006	5/4/2006	STREET, DAVE	$ 650.00	$ 650.00	NULL	Documentation Not Provided

Review of Purchase Orders – School Sponsored Athletic Supplies and Materials

Account Number	Object Code	PO Number	PO Date	Last Check Date	Vendor Name	Total Against PO	Original PO Amount	PO Brief Description	Comments (Based on Review of Purchase Orders)
154021006000499990000000	600	0610176	2/14/2006	6/1/2006	R and R TROPHY and SPORTING GOODS	$ 5,600.00	$ 5,600.00	NULL	80 baseball uniforms for JFK HS ($80 ea), supported by invoice.
154021006000499990000000	600	0602684	8/4/2005	1/3/2006	HENRY SCHEIN/MICRO–BIOMEDICS	$ 3,892.40	$ 3,897.94	NULL	Encumber funds for various first aid supplies, supported by invoices.
154021006000499990000000	600	0511404	3/11/2005	5/10/2005	JOHN F. KENNEDY HIGH SCHOOL	$15,000.00	$ 15,000.00	NULL	JFK Spring sports 2005, Officials, Police, Security, staff, announcers, timers, and so on., no supporting documentation provided.
154021006000499990000000	600	0602696	8/4/2005	10/3/2005	W. B. MASON	$ 2,212.62	$ 2,212.62	NULL	Office and cleaning supplies for JFK HS, supported by invoice.
154021006000499990000000	600	0502901	9/2/2004	11/2/2004	GILMAN GEAR	$ 1,807.74	$ 1,691.00	NULL	Sport equipment for JFK HS, supported by invoice.
154021006000499990000000	600	0504540	10/1/2004	12/1/2004	ON THE JOB CAFE	$ 1,800.00	$ 1,800.00	NULL	Supply of breakfast to JFK football team and coaches, 45 people in total, on 9/28/06, supported by invoice.
154021006000499990000000	600	0603577	9/6/2005	11/1/2005	METUCHEN SPORTS CENTER	$ 3,360.96	$ 3,360.96	NULL	Uniforms for athletic sports (100 track t–shirts, 48 hooded football sweatshirts, 36 soccer pants and t–shirts, 24 basketball pants and t–shirts) at JFK HS, supported by invoice.

Review of Purchase Orders – Textbooks

Account Number	Object Code	PO Number	PO Date	Last Check Date	Vendor Name	Total Against PO	Original PO Amount	PO Brief Description	Comments (Based on Review of Purchase Orders)
15204100640015001000000	640	0503446	9/15/2004	3/2/2005	STECK–VAUGHN COMPANY	$ 7,390.63	$ 9,570.63	NULL	Voucher copy of PO not provided, Purchase of 30 level C @ $21.80 and 60 level D books @ $21.80 for school number 15, supported by invoice and receipt.
15240100640050001000000	640	0600168	7/1/2005	12/1/2005	NOURI BROTHERS	$ 503.75	$ 503.75	NULL	25 Arabic–English dictionaries for JFK HS's World Language classes, supported by invoice.
11000221640667000000000	640	0501624	7/27/2004	11/2/2004	HEINEMANN	$ 1,273.68	$ 1,375.00	NULL	50 copies of the book "Rethinking High School," supported by invoice.
11190100640825000000000	640	0512465	4/20/2005	6/1/2005	AMERICAN RED CROSS	$ 1,590.00	$ 1,590.00	NULL	53 first aid textbooks for Sports Business Academy, supported by invoice.
20501100640508001000000	640	0506932	11/12/2004	1/3/2005	BOSLAND'S LEARNING PLUS	$ 1,642.63	$ 1,642.63	NULL	70 Spanish elementary CDs and 67 Building Spanish Vocabulary CDs for grades 2–4, supported by invoice.
15190100640050000000000	640	0601194	7/5/2005	11/1/2005	STAYWELL	$ 3,925.00	$ 3,925.00	NULL	American Red Cross Responding to An Emergency Manual and other health books for the 10th grade for JFK HS, supported by invoice.
20448100640419999000000	640	0609831	2/10/2006	4/11/2006	BARNES and NOBLE	$ 2,131.00	$ 2,131.20	NULL	Books for Panther and NASA Academy, supported by receipt and invoice.
15240100640018000000000	640	0501098	7/13/2004	12/1/2004	HOUGHTON MIFFLIN	$ 20,433.93	$ 20,433.96	NULL	Books for school #18, supported by invoice.
11190100640464999000000	640	0504717	10/6/2004	12/1/2004	SHOPWARE	$ 1,259.95	$ 1,259.95	NULL	DVD–R "Building Trades II" for JFK HS, supported by invoice.
15201100640051001000000	640	0505228	10/20/2004	3/2/2005	AGS, INC.	$ 24,441.00	$ 24,441.00	NULL	History books (150 each of 6 types) for Eastside HS, supported by invoice.
15190100640051000000000	640	0502601	8/25/2004	1/3/2005	INSTRUCTIVISION	$ 8,358.75	$ 8,208.75	NULL	Purchase of 100 pre HSPA success in Mathematics and 725 HSPA success in Mathematics on 8/24/04 for Eastside HS, supported by invoice
11190100640736000000000	640	0603727	9/9/2005	11/1/2005	ZANER BLOSER INC.	$ 5,858.09	$ 5,858.09	NULL	Receiving copy of the PO is not signed, strategies for Writers for grades 4 and 5, supported by invoice.
15190100640050000000000	640	0500940	7/9/2004	11/2/2004	IQRA INTERNATIONAL	$ 635.00	$ 880.00	NULL	Supplies needed for world language class at JFK HS, supported by invoice.
11190100640633000000000	640	0501390	7/16/2004	2/1/2005	HOLT RINEHART and WINSTON	$ 14,808.82	$ 14,808.82	NULL	Textbooks for Panther Academy, supported by invoices.
20501100640513000000000	640	0502050	8/6/2004	2/1/2005	SCOTT FOREMAN	$ 1,186.98	$ 1,192.57	NULL	Textbooks for St. Mary School, supported by invoice.
11240100640805001000000	640	0608305	1/3/2006	5/4/2006	HARCOURT BRACE, INC.	$ 16,282.58	$ 16,282.78	NULL	Various K–4th grade textbooks, supported by invoice.
15190100640005000000000	640	0600761	7/1/2005	10/3/2005	MC DOUGAL LITTELL and CO.	$ 13,874.14	$ 13,862.50	NULL	Various textbooks for school #5, supported by invoices.
15190100640012999000000	640	0502095	8/10/2004	10/1/2004	ADDISON WESLEY	$ 265.09	$ 265.76	NULL	Voucher copy and Purchase copy of PO not provided, 0–201–57816–6 ESL Level C #20, supported by invoice.
15213100640023999000000	640	0500108	7/1/2004	1/3/2005	MAXIMUS	$ 1,427.25	$ 1,425.50	NULL	Voucher copy of PO not provided, Achieving GEPA standards #1–886292–31–0 answer key, supported by invoice and receipt.
11213100640415000000000	640	0611334	2/23/2006	5/4/2006	LINGUI SYSTEMS	$ 704.05	$ 688.05	NULL	Documentation Not Provided

Review of Purchase Orders – Capital Outlay

Account Number	Object Code	PO Number	PO Date	Last Check Date	Vendor Name	Total Against PO	Original PO Amount	PO Brief Description	Comments (Based on Review of Purchase Orders)
1200030073076500010000000	730	0611283	2/23/2006	4/11/2006	SIGNS PLUS	$ 4,240.00	$ 4,300.00	NULL	One indoor messaging board for front window of parent resource center to inform parents/community of workshops, meetings, conferences, and so on., supported by invoice.
1200023073070000000000000	730	0602096	7/18/2005	12/1/2005	WINNER FORD OF CHERRY HILL	$ 20,807.00	$ 20,807.00	NULL	2006 Ford Taurus SEL with GPS system, VIN 1FAHP56U66A162696 for the office of central storage, supported by invoice.
1200025273064300000000000	730	0513333	6/30/2005	10/3/2005	DELL MARKETING L.P.	$130,940.81	$ 261,881.62	NULL	91 Dell Optiflex GX620 Desk tops plus adapter and MS Office software for each for technology laboratories initiative, supported by invoices.
1200040045067299990000000	450	0504334	9/29/2004	3/2/2005	ALARM COMMUNICATIONS and TECHNOLOGY	$ 7,559.00	$ 7,559.00	NULL	Alarms and smoke detectors installed 12/04 for school #3 temporary trailers, supported by invoice.
1200010073046500000000000	730	0604773	10/7/2005	1/3/2006	BAYWAY LUMBER and HOME CTR.	$ 2,997.20	$ 2,997.20	NULL	Construction supplies for classes for the Academy, supported by invoice.
1200029073061000000000000	730	0510730	2/24/2005	4/6/2005	CANDLE/METRO BUSINESS SYSTEMS	$ 110,000.00	$ 110,000.00	NULL	Electronic supplies including ink cartridges, three network B cards, three connection kits, three ram memory upgrades, machines and network installations, supported by invoice.
1200029073062700010000000	730	0510120	2/8/2005	5/10/2005	CROWN LIFT TRUCKS	$ 43,892.00	$ 43,892.00	NULL	No PO provided, requisition indicates 2 Crown Lift Trucks, 2 batteries, and 2 chargers for the Food Services Department and Central Stores warehouse, supported by invoice.
1200029073061000000000000	730	0510830	3/2/2005	2/1/2006	BEYER BROS. CORP.	$ 132,170.00	$ 203,320.00	NULL	No PO provided, requisition indicates 4 commercial cargo vans ($15,600 ea), 1 14ft box truck ($24,500) and 1 24 ft box truck ($39,100), Supported by invoices for the vans purchased 4/27/05 and 5/24/05.
1214010073081000000000000	730	0505172	10/19/2004	2/1/2005	SCHMIEDHAUSER, PETER	$ 3,000.00	$ 3,000.00	NULL	Otto Aldenberg Grand Piano ($10,000 with vendor discount $3,000 and Donation $4,000) for Alexander Hamilton Academy, supported by invoice.
1200025173062700000000000	730	0606348	11/9/2005	2/1/2006	BARCLAY BRAND FERDON	$ 4,135.00	$ 4,135.00	NULL	Yale motorized hand truck, 4000 lb capacity, supported by invoice.

Review of Purchase Orders – Purchased Professional, Technical and Other Services for Instructional Staff Training

Account Number	Object Code	PO Number	PO Date	Last Check Date	Vendor Name	Total Against PO	Original PO Amount	PO Brief Description	Comments (Based on Review of Purchase Orders)
15000223500075000000000000	500	0610824	2/16/2006	4/11/2006	VISSI DANCE THEATER	$ 500.00	$ 500.00	NULL	Black History "Amazing Grace" show at Rosa Parks HS for the 7th and 8th grader students from Norman S. Weir School on 2/17/05, supported by invoice.
15000223320041000000000000	320	0604493	9/29/2005	12/1/2005	COALITION OF ESSENTIAL SCHOOLS	$ 628,850.00	$ 628,850.00	NULL	Contracts for Whole School Reform Coalition of Essential Schools Participation Agreement for Paterson Elementary Schools for 7/1/05–6/30/06, supported by invoice.
15000223320001000000000000	320	0607622	12/8/2005	3/1/2006	CTR. FOR EFFECTIVE PRACTICES	$ 127,351.00	$127,351.00	NULL	Encumber funds for registration fees for the Paterson Elementary Schools to attend Staff Development workshops throughout the 2005–06 school year, supported by invoice.
11000223500063000000000000	500	0612978	4/24/2006	6/27/2006	GOURMET CATERING CONCEPTS	$ 15,632.00	$ 15,000.00	NULL	Encumber funds to cover catering services for the staff development activities at school #2, supported by invoices.
11000223320603000000000000	320	0510319	2/14/2005	3/2/2005	STANCIL–FARRAR, MIETTA	$ 2,500.00	$ 2,500.00	NULL	Hired Mietta Stancil–Farrar and Tehillah Gospel group to present a one time multicultural music assembly program for the District's students at Eastside HS on 4/8/05, supported by invoice.
11000223320603000000000000	320	0608269	12/23/2005	1/4/2006	UNITED RHYTHMS and VISIONS	$ 8,000.00	$ 8,000.00	NULL	Hired United Rhythm and Visions to present a District–wide multicultral celebration of the "Holidays Around the World" for students in school #s 1–21 and 26, supported by a "Personnel Transaction Form," contract, and invoice.
11000223500063000000000000	500	0602816	8/8/2005	8/10/2005	DORAL FORRESTAL	$ 50,050.00	$ 50,050.00	NULL	Hotel accommodations, meals, and use of conference facilities for workshops for the superintendent's Conference, "Building the Capacity for Change" on 8/24/05–8/26/05, supported by correspondence with the vendor and a group sales agreement.
15000223500007000000000000	500	0604596	10/3/2005	2/1/2006	VISTA TRAVEL	$ 2,572.24	$ 2,589.00	NULL	Hotel room at the Westin Copley Place Boston MA from 11/3/05–11/5/05 for school #7,Amtrack 2 way ticket from Penn Station New Ark to South Station Boston to attend coalition of essential schools fall forum 11/3/05–11/5/05, support provided by receipt
15000223500045000000000000	500	0606218	11/4/2005	1/3/2006	LESLEY UNIVERSITY	$ 350.00	$ 350.00	NULL	Northeast K–6 Literacy Conference and Reading Recovery Institute for Nancy Forsberg of Early Learning Center, supported by invoice.
11000223500603000000000000	500	0504252	9/27/2004	11/2/2004	PADILLA, ZAIDA	$ 33.50	$ 33.50	NULL	Purchasing copy of the PO not provided, reimbursement for a plaque given to an Equity and Diversity Counsel member and breakfast for 3 members on 9/27/04, supported by receipts.
11000223320603000000000000	320	0606182	11/4/2005	12/1/2005	VIGNOLA, FRANK	$ 2,600.00	$ 2,600.00	NULL	Purchasing copy of the PO provided, hire Mr. Frank Vignola known as "Bucky Pizzarelli" to present a District–wide multicultural art and music assembly program, supported by "Personnel Transaction Form," and invoice.
15000223500045000000000000	500	0606804	11/21/2005	1/3/2006	FORSBERG, NANCY	$ 1,116.12	$ 1,116.67	NULL	Purchasing copy of the PO provided, reimbursement for hotel accommodations at the Westin in RI, including meals and transportation for 11/6/05–11/8/05 for Northeast K–6 Literacy Conference and Reading Recovery, supported by "Request for Out of State Travel
15000223500005000000000000	500	0507047	11/16/2004	6/30/2005	NEWARK PUBLIC SCHOOLS	$ 7,800.00	$ 7,800.00	NULL	Reading recovery contract from 9/04–9/05 for 12 teachers, supported by invoice.

Review of Purchase Orders – Purchased Professional, Technical and Other Services for Instructional Staff Training, continued

Account Number	Object Code	PO Number	PO Date	Last Check Date	Vendor Name	Total Against PO	Original PO Amount	PO Brief Description	Comments (Based on Review of Purchase Orders)
15000223320051001000000	320	0405040	7/1/2004	10/1/2004	TALENT DEVELOPMENT HS	$ 27,250.00	$ 32,250.00	NULL	Receiving copy and Voucher copy of PO not provided, Eastside HS contracts annually with Talent Development to provide necessary development fees, staff development and implementation visits as required in whole school system, supported by invoice
15000223500075000000000	500	0511703	3/15/2005	6/1/2005	BARDINO, FRANCES	$ 550.00	$ 550.00	NULL	Receiving copy for PO not provided, reimbursement for conference for Fran Bardino in Atlantic City, supported by invoice
15000223500051000000000	500	0503153	9/10/2004	10/1/2004	JANI, VANDANA DR.	$ 563.06	$ 563.06	NULL	Reimbursement for attendance at the "Holistic Learning: Breaking New Ground" Conference, conference was in the 2004–05 school year, but the teacher was never reimbursed then, supported by "Application to Attend Professional Improvement Conference," confer
15000223500045000000000	500	0606803	11/21/2005	1/3/2006	CHADDERTON, CHERYL	$ 703.89	$ 703.89	NULL	Reimbursement for Cheryl Chadderton for two nights in the Westin hotel and meals, supported by receipts and an invoice. No purpose noted.
15000223500015999000000	500	0606616	11/17/2005	1/3/2006	MARICHAL–SERRANO, RAMONA	$ 851.19	$ 853.14	NULL	Reimbursement for hotel accommodations at the Westin in Boston for the CES National Convention on 11/2/05–11/5/05, transportation expenses, meals, and internet use for school #16, supported by copies of receipts totaling $846.80.
15000223500051000000000	500	0609524	1/31/2006	6/27/2006	UNIVERSITY OF MARYLAND	$ 10,150.00	$ 10,150.00	NULL	Student and teacher housing for National History Day Competition at the national level from the Eastside HS, supported by invoice.
15000223500030000000000	500	0610295	2/14/2006	5/4/2006	UNIVERSAL CIRCUS	$ 2,057.00	$ 2,057.00	NULL	Tickets for Universal Circus in Newark, New Jersey for the 5th and 6th grade classes from Martin Luther King Jr. on 5/25/06, supported by sales order and invoice.
11000223500063000000000	500	0606004	11/1/2005	3/1/2006	WILLIAM PATERSON UNIVERSITY	$ 37,623.00	$ 37,623.00	NULL	Tuition reimbursement for "Math Institute" at William Paterson University for the Spring 2005 semester, invoice.
15000223500010000000000	500	0612597	3/31/2006	5/4/2006	PASSAIC COUNTY COMM.COLLEGE	$ 1,350.00	$ 1,350.00	NULL	Documentation Not Provided
11000223500440000000000	500	0605128	10/14/2005	6/1/2006	A and P	$ 209.96	$ 300.00	NULL	Documentation Not Provided
15000223500001000000000	500	0504074	9/24/2004	12/1/2004	BRIGHT, SANDRA	$ 185.00	$ 185.00	NULL	Documentation Not Provided
11000223580063000000000	580	0607725	12/13/2005	3/1/2006	CARTER,TERESA	$ 214.32	$ 214.32	NULL	Documentation Not Provided

Payroll

Overview and Background

The Payroll department consists of a Payroll Supervisor, an Assistant Supervisor, four Senior Specialists, and three Specialists. The Payroll department processes check runs, utilizing the Edu-Met system, twice a month. Payroll check runs are completed on the 15th and last day of the month; check runs may be processed on the business day before the 15th or last day of the month, if payment day is on a weekend or holiday. Each payroll check run is processed for approximately 6,000 employees within the District. Eighty percent of the checks are distributed to salaried employees. The remaining 20 percent are distributed to hourly employees.

As part of our procedures, we developed a high-level understanding of the Payroll process. The following key sub-processes were identified as part of the Payroll department:

- New hire process

- Payroll distribution

- Terminations

- Overtime/stipends

- Travel expense reimbursements

- Pensions

- Vacation and sick time

We performed a walk-through of the appropriate sub-processes of the Payroll process to verify our understanding.

Summary Observations and Recommendations

On the following pages, we present a summary of observations and recommendations related to the sub-processes listed above. We have titled each observation, provided a discussion of the circumstances surrounding the observation, and presented potential recommendations for consideration.

Standard Operating Procedures

The Payroll department maintains high-level documentation regarding current policies and procedures except in the area of timesheet and overtime recording. As part of our review of the Payroll operating procedures, we noted the time sheet and overtime recording procedures do not reflect all the policies and procedures as well as the internal controls in place for all sub-processes.

We recommend that the District develop a Standard Operating Procedure manual for Payroll that incorporates the District's current policies and detailed procedures, as applicable, as well as internal controls.

Segregation of Duties

An element of effective internal controls is the proper segregation of duties. The basic premise of segregating duties is to prevent situations where an employee has the ability to perpetrate an error or irregularity and to conceal it. Proper segregation of duties provides for a system of checks and balances such that the functions by one employee are subject to review through the performance of interrelated functions of another employee.

Segregation of duties concerns exist relating to the processing of payroll data and the subsequent distribution of payroll checks. The Payroll employees who enter and record payroll information within the Edu-Met system are often the same employees who assist in preparing the Payroll and checks for distribution and reconciling the total check count to the checks.

When the same employees who are processing payroll information are also preparing the checks for distribution, there is potential that irregularities, fraud, and errors going undetected may result.

Segregation of duties concerns also exists relating to payroll employees who are able to activate and deactivate an employee to the Edu-Met system and process payroll transactions.

We recommend such conflicting responsibilities be separated to the extent possible.

Furthermore, based on review of the historical expenditure analysis, we found an employee who works in payroll who is able to update his or her own payroll record. Based on a review of the audit trail from Edu-Met, it was noted that this person was changing her Federal withholding dependents on average once a month and making various other changes to deduction

codes and banking amounts throughout the year. It appears that none of these changes resulted in her receiving additional salary or benefits.

We recommend the District assess and make system access changes to preclude an employee from making changes to his/her own human resources or payroll data. Additionally, we recommend the District conduct a review of the receipt of the changes processed by the employees to ensure that they are supported and appropriately approved.

Review and Approvals

The Payroll department lacks formal procedures to help ensure that appropriate approval levels are maintained. For example:

- In order for a new hire to be added into the Edu-Met system, there must be a Personnel Transaction Form (PTF) and Personnel Routing Form (PRF) on file. Per District policy, these forms must have three to five approvals documented. Through discussion with Payroll, it was communicated that Payroll proceeds with processing the payroll information as long as the Superintendent's signature is on the forms. Additionally, there is no authorized signature list in place to validate the signatures are authentic.

- Payroll imports a new employee's demographic and payroll data into the Edu-Met system. There is no supervisory review that the data imported matches to the information contained within the PTF and PRF.

- Time sheets record time worked by hourly employees and require the signatures of the employee's supervisor or principal. However, there is no authorized signature list to validate the signatures are authentic.

- Any changes to an employees pay due to absences, tardiness, etc. is documented on the Payroll Correction Form created by the Time and Attendance department. There is no secondary review of this form.

A lack of management review/approval represents a deficiency and may result in irregularities, fraud, and errors going undetected. We recommend the Payroll Supervisor review and approve all new hire information that is entered in the system as well as confirm that all necessary signatures are present and authentic on the PRF, PTF, and timesheets prior to entry into the Edu-Met system. We also recommend implementing the appropriate review and approval of the Payroll Correction Form.

Manual Processes

The payroll process, as it pertains to hourly employees, is manual, cumbersome, and susceptible to error. There are approximately 1,200 hourly employees within the District. In order for an hourly employee to be paid, a timesheet is submitted to Payroll by the hourly employee and signed by the hourly employee's supervisor. After the timesheet has been received by Payroll, the Payroll Specialist verifies that the employee has a PTF on file and manually enters the hours worked into the Edu-Met system. Further, overtime may be incurred, which is also reported via the employee's timesheet. The manually intensive nature of these processes allows for the potential for error in downstream processes.

We recommend that the District assess if the manual processes can be automated through the existing Payroll System. The District should assess the system's ability to streamline the payroll process for hourly employees, including overtime tracking and reporting.

Securing Check Stock

The payroll check stock is held and maintained within the Payroll department and checks are printed in the Payroll office. Check stock is stored in the Payroll department's copier and printing room, which is not secured. Since the check stock is not safeguarded, there is potential that intentional misuse or fraud could exist. Further, during the check printing process, we reviewed that the printing area is not secured to authorized personnel.

We recommend that the check stock be maintained in a secure location and is regularly tracked for usage. During the check printing process, we also recommend that the printing room can only be accessed by authorized personnel.

Check Distribution

Approximately 4,000 employees are paid through direct deposit. The remaining 2,000 employees are paid via a check. The distribution of the checks is manual and time consuming. Additionally, custodians from each school go to Kennedy High School to pick up the paychecks for their respective schools. The paychecks are then taken back to each school and are distributed.

We recommend that the District enhance communication efforts to increase awareness of the Direct Deposit payment option. In addition, we recommend the District establish a policy to require all personnel use the

Direct Deposit function to eliminate the manual process as well as distribution of checks by the custodian.

Reconciliation of Check Count

When the check printing is complete, a roster is printed from the Edu-Met system, which contains a count and listing of all employees receiving a check by location. The Payroll Specialist verifies that the total checks printed for each location match to the total number record count as indicated on the roster. However, the District does not require a formal review and approval to help ensure that the check count reconciles to the roster report from Edu-Met. The Payroll department does not perform a reconciliation to help ensure all checks were received at each school.

On payment day, the roster accompanies the checks during their distribution and each employee, per Payroll policy, must sign the roster when they receive their check. However, Payroll does not perform a formal review of the check roster when it returned to the Payroll department.

We recommend that the District update its policy to require a review and approval of the reconciliation of the check count to the roster report. We also recommend that Payroll institute the appropriate controls to evaluate the mechanisms in place to track check distribution to each employee.

Documentation

As part of running payroll, the direct deposit information is extracted from the Edu-Met system and saved to a disk. The direct deposit data is transmitted via the PNC Bank Web site. After the transmission is complete, the Payroll Supervisor or the Assistant Supervisor reconciles the control totals to a statement that is printed from Edu-Met. There is no written documentation of this reconciliation.

We recommend that the District maintain a documented record of the reconciliation of the control totals to the statement for direct deposits.

Overtime Charges

Overtime is processed by Payroll after receipt of a completed and authorized time sheet. The overtime hours and amount of compensation are entered into the Edu-Met system. The overtime amount is not tracked or monitored by Payroll or the Department heads. Payroll does not conduct a review or analysis of overtime paid throughout the year. Further, overtime and stipends are paid via a separate check rather than be included in the employee's regular paycheck.

We recommend that the District implement a cap on the amount of overtime an employee may receive in a year without Board approval. In addition, the Payroll department should develop a formal tracking and monitoring process for overtime paid, to ascertain if any employees are receiving excess overtime payments. We recommend that the District assess the benefit of combining overtime and stipend pay into the employee's regular salary paycheck.

An excessive amount of overtime and inefficient District spending is also the result of the monthly Board meetings. Each Board meeting requires two to three secretaries, a stenographer, a videographer and others.

We recommend that the District conduct an analysis to determine the value of requiring two to three secretaries rather than one. In addition, if at least one secretary is required for each Board meeting, than the District should asses if this secretary's overtime hours incurred can be built into the secretary's calendar so that these hours are not charged as overtime. The District should also asses the necessity of requiring a stenographer, a videographer, as well as others at each Board meeting.

Terminations/Deactivations

The Payroll department is responsible for deactivating an employee in the Edu-Met system. We noted the system does not prevent additional payroll checks from being processed for the deactivated employee. Additionally, procedures do not exist to help ensure that Payroll payments are not processed for each deactivated employee. There is no limit to the length of time after an employee has been terminated that an employee may receive a paycheck. In addition, Payroll may not be notified of a termination prior to payroll processing.

We recommend that the District assess if the Edu-Met system has the ability to place a hold (e.g. prohibit payroll checks from being processed) on all employees who become deactivated. If the Edu-Met system does not have the ability to place a hold on a deactivated employee, the District should implement the appropriate policies and procedures to help ensure that Payroll checks are not processed for any deactivated or terminated employees.

Results of the Historical Expenditure Analyses – Payroll Transactions

The Historical Expenditure Analyses related to payroll considered all payroll transactions processed during the period 2004 – 2005 through 2005 – 2006. As discussed previously in this report, data for the District is maintained within a propriety software platform called Edu-Met. To extract the necessary data elements for the Historical Expenditure Analysis, we obtained the necessary data from the District's Information Technology department from the Edu-Met System.

For the District's payroll transaction data, it was necessary for us to make several assumptions due to inconsistencies between the summary line information and detailed salary addition and deduction information related to each paycheck. The following assumptions where taken into consideration in our analysis related to payroll:

- A separate check line item is entered to reverse a voided paycheck. The reversal line item is denoted with a void indicator but the original check is not. Both check amounts were set to NULL in our system to offset the difference based on the check number. This step was taken to get a more accurate depiction of gross salary, overtime, and summary amount.

- For approximately 2 percent of the payroll transactions, the summary line item did not reconcile with our calculation of gross pay, net pay, deductions, or salary calculations. For these transactions, we adjusted the additional pay amount by the difference.

Once the necessary data elements were extracted from the system, we continued with a process to normalize and standardize the data. This included mapping and inserting the data into our proprietary system, identifying duplicate transactions, verifying the correctness of the data elements, "cleaning" any dirty data identified, etc. It is important to note that we did not perform tests to determine completeness and accuracy of the data. However, during our review nothing came to our attention indicating that the data was not complete and accurate.

Essentially, this process was done to extract all disbursements, as well as payroll transactions, in order for the team to analyze the payments made. For payroll disbursements, the following queries were run to identify potential anomalies or irregularities:

- *Possible Questionable Payments – Payments made to Potential Ghost Employees* – Identified any payments made to an employee after the

listed date of death in the Social Security Administration (SSA) Death Master file. A "Ghost" employee is identified as any employee with a social security number listed in the Death Master file provided by SSA. This routine flags any payments made to an employee after the listed date of death in the death master file.

- *Possible Questionable Employees – Duplicate Employees –* Identified employees with the same name and different social security numbers to identify potential duplicate employee records and or payments.

- *Possible Questionable Employees – Employee Age Less Than 18 or Greater than 65 –* Identified employees who are younger than 18 or older than 65.

- *Possible Questionable Employees – Post Office Mail Drop Box Addresses –* Compared employee addresses against known PO mail drop box addresses, which are equivalent to PO Box addresses, but appear to be a legitimate address.

- *Possible Questionable Employees – Employed for a Short Time Period and Payments made after Termination Date –* Identified employees terminated within 60 days of their hire date and who were paid after their termination date.

- *Possible Questionable Payroll Payments – No Benefits Deducted from Paycheck –* Identified any check where benefits were not deducted by comparing gross check amount and net check amount.

- *Possible Questionable Employees – Large Salary Increase –* Identified employees that received a large salary increase (e.g., more than $7,500) for the period 2004 – 2005 through 2005 – 2006.

- *Possible Questionable Employees – Gross Compensation Greater than Base Compensation –* Identified employees whose actual gross compensation was greater than their base compensation.

- *Payroll Payments Analysis– Anomalies in Number of Paychecks Received –* Identified employees who received greater than 52 checks within the period 2004 – 2005 through 2005 – 2006.

- *Possible Questionable Employees – Employees Paid not in HR Master File –* Identified payroll payments made to employees not listed in the HR master file.

- *Possible Questionable Payments* – *Payments made to Employees after Termination Date* – Identified payments made to employees more than 30 days after their termination date as recorded in the District's system.

The tables presented on the following pages provide the results of these queries and includes discussion of the follow-up procedures, the related results and any recommendations, as appropriate. It should be noted that 100% of payroll transactions processed from July 1, 2004 through June 30, 2006 were considered in this analysis. The table presents the outliers or anomalies resulting from that analysis. In many instances, additional follow-up is recommended to further understand the anomalies and review of additional transactions.

Historical Expenditure Analysis – Payroll and Human Resources Disbursements

No.	Analysis Performed	Results of Analysis	Follow-up Procedures	Results from Follow-up and Recommendation

1	Analyzed payroll records to identify any payments made to an employee after the listed date of death as indicated in the death master file provided by the Social Security Administration (SSA).	• We noted 21 employees included on the HR master file that were also on the SSA death master file.
		
		  – 5 of the 21 employees had termination dates after their date of death as recorded in the SSA's death master file.
		
		  – 16 of the 21 employees had no termination date listed.
		
		• 4 deceased employees received compensation (Gross) after their date of death totaling $6,061.
			• Conducted Interviews of the HR and Payroll Personnel to ascertain why the anomalies would exist.
			
			• Selected a sample from the listing of employees
			
			• For each sample item the engagement team:
			
			  – Agreed the social security number per the system to the number listed on the copy of the social security card located in the personnel file.
			
			  – Reviewed payroll ledger to determine reasonableness (timeframe) of last paycheck.
				We selected a sample of 2 employees whose Social Security number appears on the SSA death master file and reviewed their personnel and payroll files. We noted the following:
				
				• One personnel file (xxx-xx-1789) contained a death certificate indicating the date of death as 8/1/2005 agreeing to the death master file. However, the system did not have a termination date. The SSN in Edu-met matched the Social Security card that was in the personnel file.
				
				• One personnel file (xxx-xx-0339) indicated the employee had retired eight months prior to death. However, the system did not have a termination date. The SSN in Edu-met matched the Social Security card that was in the personnel file.
				
				• One employee (xxx-xx-0339) was paid three months after her death. The payment was for retro-pay due to delayed contract settlements regarding the 2004–05 union contract.
				
				• The other employee's (xxx-xx-1789) direct deposit paycheck was generated one month after his date of death; however, the direct deposit was voided after it was generated.
				
				The data in Edu-Met is not complete or accurate, for example, 16 of the 21 employees have no termination date. In addition, the District does not have formal procedures in place to update the system or the personnel files on a timely basis when an employee is deceased.

2	Identified employees with the same name and have different Social Security Numbers.	• In 2004–05, we identified 46 employees that have the same first and last names and different employee numbers in the payroll transaction file. • In 2005–06, we identified 36 employees that have the same first and last names and different employee numbers in the payroll transaction file.	• Selected a sample from the listing of employees that have the same name and different SSNs. • For each sample, the engagement team: – Reviewed the employee's HR file.	We selected a sample of 4 employees (xxx-xx-0782, xxx-xx-7254, xxx-xx-7722, and xxx-xx-1858) with the same name and different SSNs. The documentation within each employee's HR file supported that these are different individuals with the same name.

Historical Expenditure Analysis – Payroll and Human Resources Disbursements, continued

No.	Analysis Performed	Results of Analysis	Follow-up Procedures	Results from Follow-up and Recommendation
3	Analyzed human resources data to identify employees that were either under 18 years old or over 65 years old	As of July 1, 2004, we noted 329 employees under the age of 18 and 157 employees over the age of 65. In addition, we noted 181 employees where their date of birth was not populated. The ages range from negative 25 to 74. Of the employees younger than 18, we noted: • 26 employees with birthdates that are for sometime in the future (e.g. February 18, 2025). • 19 employees with birthdates that reflected ages of 14 years old or younger during the time of review. • 284 employees that reflected ages between 14 and 18. As of July 1, 2005, we noted 215 employees under the age of 18 and 179 employees over the age of 65. In addition, we noted 111 employees where their date of birth was not populated The ages range from -24 to 75. Of the employees younger than 18, we noted: • We noted 18 employees with birthdates that are for sometime in the future (e.g. February 1, 2027). • We noted 10 employees with birthdates that reflected ages of 14 or younger during the time of review. • We noted 187 employees with birthdates that reflected ages between 14 and 18.	• Conducted Interviews of the HR Personnel to ascertain if it is the District's practice to hire employees over the age of 65 and under the age of 18. • Selected a sample from the listing of employees under the age of 18 and over the age of 65 • For each sample item the engagement team: – Verified that the date of per the personnel file agrees with the date per the date in the system.	We selected a sample of 2 employees (xxx-xx-3082, xxxx-xx-5586) whose date of birth reflected ages under 18. We noted the following: • The birth dates for both employees agreed to the Personnel Transaction Form. Both employees were student workers. We selected one employee (xxx-xx-1321) whose date of birth reflected an age over 65. We noted the following: • The date of birth per the personnel file was 9/3/36 while the date of birth per the Edu-Met system was 9/1/36. This employee was a retired teacher. We selected one employee (xxx-xx-0941) whose date of birth is for a future date. We noted the following: • The date of birth per the employee's application for employment is 2/26/1918. The date of birth per the Edu-Met system was 2/26/2018. This employee is an active teacher. The data included in the Edu-Met system is not complete or accurate. The system does not have edit checks to prevent an erroneous (i.e., future date) birth date from being entered into the system.

Historical Expenditure Analysis – Payroll and Human Resources Disbursements, continued

No.	Analysis Performed	Results of Analysis	Follow-up Procedures	Results from Follow-up and Recommendation
4	Reviewed employee data to determine if any employees are paid at addresses listed as a PO box, commercial mail receiving agency, etc.	We noted 10 employees have their address listed as similar to mail-drop locations.	• Reviewed employee human resources records (e.g., personnel folders) to verify mail drop and physical residences as mailing addresses. • Reviewed human resources records for address change form.	We selected a sample of 4 employees whose current addresses in the Edu-Met system are similar to mail-drop locations. We noted the following: • The personnel files for all 4 employees had their current address listed as the address that is similar to the mail drop location. Exceptions tested in the sample selection appear reasonable. Further review is recommended given the potential issues these transactions raise.
5	Analyzed payroll data to identify employees terminated within 60 days of their hire date who were paid after their termination date.	We noted 16 employees that were terminated within 60 days of their hire date and received gross pay after their termination date totaling $17,858.48. The breakdown is as follows: • 15 of the 16 employees were employed 30 days or less and paid a total of $17,498.48 • 1 of the 16 employees was employed 53 days and paid a total of $360.00	• Reviewed the Personnel Transaction Forms and human resources records (e.g., personnel folders) to confirm the actual termination date. • Ascertained through interviews of the payroll personnel examples of when employees are terminated within 30 days of their hire date and are paid after their termination date. • Traced and agreed employee payroll disbursement to the approved time sheets.	We selected a sample of 3 employees that were terminated within 60 days of their hire date and were paid after termination. We reviewed the personnel and payroll files for each employee. The sample employees were employed for 7, 25, and 30 days respectively. We noted the following: • Two employees (xxx-xx-4583, xxx-xx-0433) failed their background check and therefore were terminated. • The third employee (xxx-xx-9001) submitted a letter of resignation due to personal reasons as per the documentation in the personnel file. • All 3 employees selected received their last paycheck within 30 days of their termination date. No unusual payroll additions or deletions occurred for the three sampled employees as per our review of the payroll audit trail report.

Historical Expenditure Analysis – Payroll and Human Resources Disbursements, continued

No.	Analysis Performed	Results of Analysis	Follow-up Procedures	Results from Follow-up and Recommendation
6	Analyzed payroll data to assess if there are any employees that do not have applicable benefits deduction.	We noted 1,799 instances where an employee received a paycheck without any payroll deductions. The total amount paid to these employees was $170,440.39. Of the 1,799 instances, 1,798 were for under $1,000. The remaining one check was for $2,102.26.	• Ascertained through interview of the payroll personnel, the reason for payroll disbursements without any deductions. • Selected a sample from the listing of employees who received a payroll deduction with out any deduction • For each sample item the engagement team: – Reviewed payroll supporting documentation for reason why there were no deductions.	We selected a sample of 4 employees that did not have applicable benefits deductions. We focused primarily where there was an absence of Federal tax withholdings. Per our discussion with the Payroll Supervisor, it was noted that the District uses the federal tax table. Each scenario listed below was discussed with Payroll personnel to determine why federal taxes were not withheld. We noted the following: • The first employee (xxx-xx-3972) received a gross paycheck for $858.00. Due to the number of exemptions claimed, this employee was under the threshold to pay Federal tax. • The second employee (xxx-xx-6127) received a paycheck for $2,102.26. This paycheck was a replacement check for the net pay to this employee because the direct deposit was rejected by the bank. • The third employee (xxx-xx-6864) received a gross paycheck for $716.70. There were no Federal taxes withheld as this employee is a student worker and claimed exemption. • The fourth employee (xxx-xx-0800) received $869.80 in overtime pay. Due to the number of exemptions claimed, this employee was under the threshold to pay Federal tax. Exceptions tested in the sample selection appear reasonable, however, within our review of the payroll information, we found an employee who works in the Payroll department who is able to update her own payroll record. Based on a review of the audit trail from Edu-Met, it was noted that this person was changing her federal withholding dependents on average once a month and making various other changes to deduction codes and banking amounts throughout the year. Further review is recommended given the potential issues these transactions raise.

Historical Expenditure Analysis – Payroll and Human Resources Disbursements, continued

No.	Analysis Performed	Results of Analysis	Follow-up Procedures	Results from Follow-up and Recommendation
7	Analyzed payroll data to identify employees whose gross pay increased by greater than $7,500 from 2004–05 to 2005–06	We noted 581 employees that received gross pay increases greater than $7,500. The range of increase stretched from $7,515.00 to $75,950.03. The total gross amount of increase for these employees was $9,037,281.31. The breakdown is as follows: • 305 employees received a gross pay increase between $7,501 and $12,500 • 195 employees received a gross pay increase between $12,501 and $25,000 • 81 employees received a gross pay increase greater than $25,000	• Ascertained through interview of the payroll personnel the salary increases by job grade. • Agreed the percentage increases to the Board Resolution • Selected a sample from a listing of employees who received a salary increase above the approved percentage • For each sample item, the engagement team verified authorization for the gross pay increased was appropriately documented in the personnel file.	Based on our interviews with Payroll personnel, salary increases for unionized employees are based on the union contract. The Payroll personnel were not aware of any existing thresholds for pay increases. We selected a sample of 2 employees where their pay increased. We noted the following: • One employee (xxx-xx-5249) had a difference of $34,906.41 in gross pay over the two-year period. This employee was on a leave of absence in 04; therefore, gross pay was lower. • One employee (xxx-xx-0770) had a difference of $7,378.86 (6.5% increase) in gross pay over the two-year period. This employee was promoted to the Director of Mathematics in 2005; therefore gross pay increased. We also reviewed one sample where an employee's gross pay decreased in 05 as compared to 04. We noted the following: • The employee's (xxx-xx-8867) salary decreased $7,500 in 2005 as compared to 2004 because in 2004 he received a longevity bonus as stipulated in the Union contract. The employee's total gross pay also decreased $5,551.47 in 2005 as compared to 2004. Exceptions tested in the sample selection appear reasonable. Further review is recommended given the potential issues these transactions raise.

Historical Expenditure Analysis – Payroll and Human Resources Disbursements, continued

No.	Analysis Performed	Results of Analysis	Follow-up Procedures	Results from Follow-up and Recommendation

8	Analyzed payroll records to identify all individuals whose actual gross compensation was greater than their base compensation	In 2004–05, we noted 4,258 employees whose actual gross compensation was greater than their base compensation. The range of increase stretched from $.03 to $43,502.21. The total amount of actual gross compensation in excess of base compensation for these employees was $21,460,082.37.
		
		• 840 employees received gross compensation totaling $5,338,451.47 despite having no listed base compensation
		
		• 1,304 employees received gross compensation that was between 0% and 5% greater than their base compensation totaling $1,501,580.30 above base
		
		• 1,545 employees received gross compensation that was more than 5% and less than 15% greater than their base compensation totaling $8,036,743.05 above base
		
		• 569 employees received gross compensation that was more than 15% greater than their base compensation totaling $6,583,307.55 above base
		
		In fiscal year 2005–06, we noted 4,087 employees whose actual gross compensation was greater than their base compensation. The range of increase stretched from $.03 to $58,262.47. The total amount of actual gross compensation in excess of base compensation for these employees was $19,439,382.06.
		
		• 739 employees received gross compensation totaling $5,095,690.22 despite having no listed base compensation
		
		• 1,390 employees received gross compensation that was between 0% and 5% greater than their base compensation totaling $1,704,042.23 above base
		
		• 1,532 employees received gross compensation that was more than 5% and less than 15% greater than their base compensation totaling $7,949,033.13 above base
		
		• 426 employees received gross compensation that was more than 15% greater than their base compensation totaling $4,690,616.48 above base
			• Ascertained through interview of the payroll personnel why an employee may receive compensation in excess of their base salary
			
			• Selected a sample from the listing of employees whose actual gross compensation was greater than their base compensation
			
			• For each sample item the engagement team:
			
			  – Verified that supporting documentation exists in the personnel file that supports the compensation (e.g., degree dollars, longevity) in excess of their base.
			
			  – Reviewed the payroll disbursements to assess if the amount is reasonable.
				We selected a sample of 4 employees who received gross pay in excess of their base compensation. We the following:
				
				• One employee (xxx-xx-8445) received $23,796.17 in excess of his 2005–06 base compensation of $87,931.00. A majority of this excess gross income is attributable to retroactive pay, which was the result of a contract settlement.
				
				• One employee (xxxx-xx-8628) received $32,556.92 in excess of his 2005–06 base compensation of $84,704. A majority of this excess gross income is attributable to Bedside (home schooling).
				
				• One employee (xxxx-xx-0598) received $21,638.45 in excess of his 2005–06 base compensation of $41,696. A majority of this excess gross income is attributable to security overtime.
				
				• One employee (xxxx-xx-0445) received $49,150.63 in excess of his 2005–06 base compensation of $45,831. A majority of this excess gross income is attributable to custodian overtime.
				
				Payroll disbursements tested in the sample selection appear reasonable. However, overtime is excessive, which may be due to a lack of monitoring of overtime by Payroll or the Department heads. Payroll does not conduct a review or analysis for overtime paid throughout the year. Further review is recommended given the potential issues these transactions raise.

Historical Expenditure Analysis – Payroll and Human Resources Disbursements, continued

No.	Analysis Performed	Results of Analysis	Follow-up Procedures	Results from Follow-up and Recommendation

9	Analyzed payroll data to identify employees who received greater than 52 checks within the two-year period covering 2004–05 and 2005–06.	We noted 1,506 employees that received greater than 52 checks in the two-year period totaling $170,117,819.24 in gross pay. The breakdown is as follows:
		
		• 645 employees received between 53 and 59 checks totaling $72,964,563.22 in gross pay
		
		• 620 employees received between 60 and 79 checks totaling $71,758,122.55 in gross pay
		
		• 241 employees received greater than 79 checks totaling $25,395,133.47 in gross pay (8 of these employees received more than 95 checks)
			• Ascertained through interviews of the payroll personnel why an employee may receive greater than 52 checks in a given fiscal year.
			
			• Selected a sample from the listing of employees who received more than 6 checks in a given fiscal year.
			
			• For each sample item the engagement team:
			
			  – Verified that supporting documentation exists for the additional disbursements
			
			  – Reviewed the payroll transaction history to assess why the additional payroll was processed.
				Based on our interview with the payroll department, it is common for an employee to receive more than one check per pay period because overtime and on-call pay is paid via a separate paycheck. We selected a sample of 4 employees who received more than 45 checks in one fiscal year. We noted the following:
				
				• One employee (xxx-xx- 0317) received 49 paychecks in 2004–05. Per the payroll ledger report, this employee received approximately two checks per pay period. The additional checks received were indicated with an earnings code of "additional pay." Through discussions with Payroll personnel, the "additional pay" earnings code is used for overtime hours associated with many different activities.
				
				• One employee (xxx-xx-3436) received 46 checks in 2004–05. Per the payroll ledger report, this employee received approximately two checks per pay period. The additional checks received were indicated with an earnings code of "custodian overtime."
				
				• One employee (xxx-xx-4038) received 49 paychecks in 2005–06. Per the payroll ledger report, this employee received approximately two checks per pay period. The additional checks received were indicated with an earnings code of "maintenance overtime."
				
				• One employee (xxx-xx-3625) received 49 paychecks in 2005–06. Per the payroll ledger report, this employee received approximately two checks per pay period. The additional checks received were indicated with an earnings code of "on-call pay." Through discussions with Payroll personnel, the "on-call pay" earnings code is used for three supervisors in the facilities department who have an additional amount within their contract that includes compensation for being on-call. This amount is evenly distributed through the year.
				
				We also selected a sample of 2 employees (xxx-xx-5905, xxx-xx-4038) who were each paid one check each year for 2004–05 and 2005–06. We noted the following:
				
				• Both checks that each employee received were payments for unused sick days at the time of their retirement.
				
				Payments tested in the sample selection appear reasonable. However, processing two checks for each employee that receives additional pay is time consuming and inefficient. Further review is recommended given the potential issues these transactions raise.

Historical Expenditure Analysis – Payroll and Human Resources Disbursements, continued

No.	Analysis Performed	Results of Analysis	Follow-up Procedures	Results from Follow-up and Recommendation
10	Analyzed payroll and Human Resources data to identify employees that were paid, but were not included in the Human Resources master file.	In 2005–06, we noted 13 employees that were paid, but were not in the Human Resources master file, totaling $35,566.15 in gross pay. In 2004–05, we noted 18 employees that were paid without being in the Human Resources master file, totaling $39,346.40 in gross pay.	• Ascertained through interview of HR and payroll personnel, why an employee would be paid when they were not listed in the HR master file. • Selected a sample from the listing of employees who were paid and were not listed in the HR master file. • For each sample item the engagement team: – Verified that a Human Resources file exists. – Reviewed supporting documentation to validate that individual was employed within the District.	Based upon our interviews of the HR and payroll departments, all employees should be listed in the HR master file. We selected a sample of 3 employees that were paid and were not listed in the HR master file. We noted the following: • One employee (xxx-xx-6011) had been employed in the District in 2002, but was advised to resign in 2002 because of gross misconduct. Per the personnel file, this employee was then rehired in June 2005 and later terminated in September 2005 because of the facts surrounding the 2002 resignation. Per the agreement contained within personnel file, this employee was paid for time worked between June and September 2005. • The remaining two employees (xxx-xx-2726, xxx-xx-7918) did have personnel files provided by HR. However, we were unable to ascertain why these employees were not contained within the HR master file. Not all employees are included in the HR master file. In addition, employees who have been asked to resign for gross misconduct have been hired for a second time.

Historical Expenditure Analysis – Payroll and Human Resources Disbursements, continued

No.	Analysis Performed	Results of Analysis	Follow-up Procedures	Results from Follow-up and Recommendation
11	Analyzed payroll data to identify employees who were paid greater than 30 days after their termination date.	In 2005–06, we noted 86 employees that were paid greater than 30 days after their termination date totaling $435,108.73 in gross pay. The breakdown is as follows: • 34 employees were paid between 31 and 90 days after termination totaling $134,295.58 in gross pay • 29 employees were paid between 91 and 180 days after termination totaling $129,756.19 in gross pay • 23 employees were paid greater than 180 days after termination totaling $171,056.96 in gross pay. No employees were paid greater than 360 days after termination. In 2004–05, we noted 169 employees that were paid greater than 30 days after their termination date totaling $600,914.15 in gross pay. The breakdown is as follows: • 46 employees were paid between 31 and 90 days after termination totaling $71,384.74 in gross pay • 66 employees were paid between 91 and 180 days after termination totaling $55,372.05 in gross pay • 57 employees were paid greater than 180 days after termination totaling $474,157.36 in gross pay. No employees were paid greater than 332 days after termination.	• Ascertained through interviews of the payroll personnel examples of when employees are terminated within 30 days of their hire date and are paid after their termination date. • Reviewed the HR files to assess documentation exists for the termination. • Traced and agreed employee payroll disbursement to the approved time sheets and termination forms.	Based on our interviews of HR and Payroll personnel, it is common for an employee to be paid after termination due to retirement and delays in union agreements, for example. We selected a sample of 3 employees who were paid greater than 30 days after their termination date. We noted the following: • One employee (xxx-xx-2862) was terminated 8/19/2004 and the last paycheck was received 5/31/05. This employee was a substitute teacher and the last paycheck received was for substitute teaching. The personnel file did not include information regarding the termination. Upon review of the employee's timesheet, it appears this employee did perform substitute teaching in May 2005. • One employee (xxx-xx-1327) was terminated 11/16/2005 and the last paycheck was received 6/30/2006. This employee was a substitute teacher and the last paycheck received was for substitute teaching. The personnel file did not include information regarding the termination. Upon review of the employee's timesheet, it appears this employee did perform substitute teaching in June 2006. • One employee (xxx-xx-0339) was terminated 7/1/2005 and the last paycheck was received 6/26/06. Upon review of the payroll ledger report and through discussion with payroll personnel, this employee received retroactive pay from 2005 because the 2004–05 union contract was not settled until 2006. Payments tested in the sample selection appear reasonable. Further review is recommended given the potential issues these transactions raise.

Human Resources

Overview and Background

The Human Resources department (HR) maintains the primary responsibility for coordinating all employee-related processes and functions. HR consists of a Director of Human Resources and 30 staff members.

As part of our procedures, we developed a high-level understanding of the HR process. The following key sub-processes were identified as part of the HR department:

- Hiring protocols

- Overtime tracking

- Time and attendance tracking

- Employee benefits

We performed a walk-through of the appropriate sub-processes of the Human Resources process to verify our understanding.

Summary of Observations and Recommendations

On the following pages, we present a summary of observations and recommendations related to the sub-processes listed above. We have titled each observation, provided a discussion of the circumstances surrounding the observation, and presented potential recommendations for consideration.

Standard Operating Procedures

HR is in the process of developing District wide procedures regarding the various functions and requirements of District personnel. These procedures are focused more on the policy level rather than the detailed procedure level. The operation procedures specifically, time and attendance tracking, including overtime, should be further enhanced and communicated to all employees.

We recommend that the District further enhancement to the current HR procedures to target the appropriate level of detail. We also recommend that a copy of the HR procedures be distributed to all relevant employees.

Documentation

During the walk-through that was performed, it was identified that two of the employees did not have their benefits election information in their personnel file.

We recommend the District ensure that all information contained within the new hire checklist be included in the employee personnel file. The personnel file should also be kept in an orderly fashion. Any deviations from the new hire checklist should also be clearly identified and indicated within the new hire checklist.

Background Checks

The District had an event in fiscal year 2006-2007 where approximately 70 employees began work without a completed background check. These employees were approved as emergent hires.

We recommend the District plan appropriately to help ensure emergent employee approvals are kept to a minimum and background checks are performed for all District employees.

System Completeness and Accuracy

Based on review of the historical expenditure analysis, we found that the personnel data in Edu-Met is not complete or accurate. For example, several employees that were deceased or had been terminated did not indicate a date of termination. In addition, the District does not have procedures in place to update the system or the personnel files in a timely manner when an employee is deceased.

The Edu-Met system also lacks the functionality to maintain historical data. Therefore, the HR Specialist enters information from the PTF into an offline spreadsheet and Edu-Met. For example, if there is a PTF for an employee receiving a salary increase from $30,000 to $40,000, the spreadsheet will keep a record of the $30,000, whereas Edu-Met will only state the employee's current salary of $40,000.

Additionally, based on review of the historical expenditure analysis, we found that the system does not have edit checks to prevent an erroneous (i.e., future date) birth date from being entered into the system. We also found that not all employees are included in the HR master file. A review of any differences between the HR and Payroll modules does not exist.

We recommend the District pursue methods to help ensure the completeness, accuracy, and integrity of the data that is entered into the system and assess the system's ability to house historical information. We also recommend that edit checks be incorporated into the system functionality to the extent possible.

Manual Processes

The manual sign-in/sign-out process is very cumbersome to administer and is prone to errors. Accordingly, the District is currently in the process of implementing an ADP swipe card system to eliminate the need for manual sign-in/sign-out. The new ADP system is not interfaced with the Edu-Met platform; therefore, there continues to be manually intensive activities associated with attendance tracking.

We recommend the District assess the viability of interfacing the ADP attendance tracking system with the Edu-Met system to further enhance automated control of the attendance tracking process.

Financial Management (including Student Activities and Budget)

Overview and Background

Management of the District is responsible for establishing and maintaining a system of internal controls designed to ensure that the assets of the District are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles.

The Accounting department is responsible for the processing of revenue/cash receipts, journal entry processing (including opening and closing adjustments), management of receivables, general ledger reconciliation, and financial closing and reporting. The Accounting department has five employees (one Supervisor, one Senior, and three staff. Student Activity Accounts are also managed by a Staff Accountant within the Accounting department. Student Activity Accounts are classified separately in the Comprehensive Annual Financial Report.

As part of our procedures, we developed a high-level understanding of the Financial Management process. The following key sub-processes were identified as part of the Financial Management department:

- Financial reporting
- Financial close
- Processing of post closing adjustments
- Reporting of school level activity
- Journal entry processing
- General ledger account reconciliation
- Budget preparation process
- Investments
- Revenue/cash receipts and receivables
- Cash management
- Student activities accounts

We performed a walk-through of the appropriate sub-processes of the Financial Management process to verify our understanding.

Summary of Observations and Recommendations

On the following pages, we present a summary of observations and recommendations related to the sub-processes listed above. We have titled each observation, provided a discussion of the circumstances surrounding the observation, and presented potential recommendations for consideration.

Protection of Records

As presented throughout the report, a significant number of the District's documents are recorded manually (e.g., Personnel Transaction Forms, time sheets, etc.) and processed outside of the Edu-Met system. Therefore, the District maintains large amounts of paper files.

We recommend that the District assess and implement a process on how to best protect its critical manual accounting and personnel records. The District should invest in fire-resistant cabinets for storage or assess the cost-benefit for off-site storage. Adequate protection of accounting records and documents with continuing significance is imperative.

Standard Operating Procedures

The Accounting department does not maintain standard documentation for current policies and procedures. There is also a lack of documented key internal controls performed within Financial Management, which impacts consistency of the processes performed.

We recommend that the District develop a Standard Operating Procedures manual for the Accounting department that incorporates the District's current policies and detailed procedures, as applicable, as well as internal controls.

System Access

In order for segregation of duty controls to be effective, they must be coupled with system access controls. We noted that all the personnel within the Accounting department have the ability to access to process journal entries. A formal review, including approval of the journal entries, is not performed. Additionally, the Accounting Supervisor does not review a transaction report regularly; therefore, an irregular, fraudulent, or unauthorized transaction may be undetected.

We recommend a review of system access be completed by the BA, Comptroller, and Accounting Supervisor. The BA and Comptroller should identify what access level each member of their department should have with final approval coming from the BA. The BA, Comptroller, and Accounting Supervisor should work with the Director of Technology to help ensure that system access rights are updated for all employees and that a review of system access is performed on a consistent basis. All employee system access should be reviewed to confirm that there are no instances where an employee has access that could violate segregation of duty and/or system access controls.

Management Oversight – Posting of Cash Receipts

Cash payments are collected by the Comptroller. The receipts are subsequently forwarded and maintained by the Accounting department. The cash receipts are posted to the Edu-Met system by the Accounting staff. The posting of cash receipts to the Edu-Met system is not reviewed or approved by the Accounting Supervisor.

We recommend that the District establish a policy and procedures to review the cash receipts posting performed by the staff accountants.

Review of Journal Entries

Journal entries are prepared and posted in the Edu-Met system. There is no evidence of review and approval conducted by the Accounting Supervisor over the process of preparing and posting journal entries. In addition, all non-routine, closing, and opening journal entries are recorded by the Accounting Supervisor. There is no subsequent review and approval, by the Comptroller, of journal entries completed by the Accounting Supervisor.

A lack of management review/approval may result in irregularities, fraud, and errors going undetected.

We recommend that the Comptroller approve all journal entries prior to posting. In addition, the Comptroller should log into the system, on a regular basis, to conduct a review of the Edu-Met audit trail function to help ensure that there has been no inappropriate or unapproved activity.

Training Regarding District Policies and Procedures

Per the policy manual, all payments for student activity account fund-raising supplies, equipment, and services are documented and approved via the Expenditure Authorization form except for purchases under $50. However, the Staff Accountant requires all purchases to be recorded and approved with the Expenditure Authorization form. This could lead to inefficiencies in the expenditure approval process.

We recommend that the District train the employees regarding their respective job policies and procedure and emphasize the need to adhere to the Districts policies.

Review of Bank Reconciliations

The Principal at each school is required to review and approve the bank reconciliation performed by the Student Account Treasurer. However, the Principal's review is not always performed and the District's Staff Accountant reviews the bank reconciliation without the Principal's signature.

We recommend the District enhance current internal controls to help ensure that bank reconciliations are performed accurately.

Review of Student Activity Accounts

Each quarter, the Student Activity Accounts for each school are reviewed by the District's Staff Accountant. The review process is documented on a checklist. However, the procedures are not reviewed by the Staff Accountant's Supervisor or integrated systematically into the Edu-Met system.

We recommend that the District require that the Supervisor review and approve the documentation for each account each quarter.

According to Student Activity Procedures, the supervisor of the fund-raising activity is required to complete a "Request for Fundraising Activity Form," which requires multiple approvals, including the Superintendent. However, per discussion with District management, it was noted that not all fundraising activities are approved by the Superintendent.

We recommend that the District institute appropriate controls to ensure proper approvals prior to authorizing use of a student activity account.

Investments

Investing of District funds is conducted by the City Treasurer's office with no involvement of District management or the Board.

We recommend that the District obtain an understanding of the investing processes and decisions that are conducted through the City Treasurer.

Segregation of Duties

An element of effective internal controls is the proper segregation of duties. The basic premise of segregating duties is to prevent situations where an employee has the ability to perpetrate an error or irregularity and to conceal it. Proper segregation of duties provides for a system of checks and balances such that the functions by one employee are subject to review through the performance of interrelated functions of another employee. In the course of our review of the Accounting department, we noted the following:

- Checks are mailed directly to the Accounting department who has the responsibility of preparing the checks for deposit by the City and managing the accounts receivables.

- The Student Accounts Treasurer and the Principal from each school are authorized to write checks for expenditures from the student activities account. They are also authorized to perform the bank reconciliation.

We recommend such conflicting responsibilities be separated to the extent possible. The District should segregate the duties of the above individuals or departments.

Accounts Receivables

Each individual receivable is not posted to Edu-Met. The total of all outstanding receivables is posted to Edu-Met only when it is known that it will be received. Receivables are not reviewed for aging on a periodic basis.

We recommend the District establish a policy to record receivables as they are incurred and to review aged receivables periodically.

Revenue Recognition

Some revenue producing activities provide consistent revenue streams. However, the District does not maintain separate dedicated general ledger accounts for these activities.

We recommend that the District establish general ledger accounts for all activities that produce consistent revenue streams.

Manual Processes

Receivables are recorded and tracked within Edu-Met only by the lump sum of each Accounts Receivable (AR) line item, e.g., tuition. An Excel spreadsheet, which is maintained outside of the Edu-met system, is used to track each receivable in detail. The Edu-Met system lacks the functionality for maintaining an AR subledger.

We recommend the District establish a policy to record receivables as they occur and track them in the Edu-Met system.

Cash Management

If the amount of money raised for student activities is greater than the cost of the activity that the fundraising event was intended to support, the excess funds remain in the Student Activities Bank Account and are used to support the next activity. It is our understanding that formal policies and procedures do not exist on the treatment of the excess funds.

We recommend the District establish policies and procedures including approvals that address the treatment of any excess money raised in fundraising activities.

Timing of Deposits

The District's policy states that all student activity funds must be forwarded to the Principal within 24 hours of collection and deposited that same day. Through interviews, we noted the Principal does not always deposit the funds within that period.

We recommend that the District train the employees regarding their respective job policies and procedure and emphasize the need to adhere to the Districts policies. In addition, we recommend strengthening internal controls regarding cash management.

Facilities Management

Overview and Background

The Facilities department (Facilities) manages and maintains an estimated 3,430,710 square feet of building space at nearly 60 locations. Facilities provides custodial and general maintenance services for all District buildings and grounds. Although the primary source of funding for operations is through the District's general fund, major projects are financed by the New Jersey Economic Development Authority, totaling approximately a $20 million budget. Required maintenance expenditures include major building system inspections, periodic service, and parts replacement, and interior and exterior wall repair, floor refinishing, and ceiling maintenance.

Management of major facility projects is the responsibility of both the New Jersey Schools Construction Corporation and Paterson Public Schools. The Board develops, approves, and implements a comprehensive five-year maintenance plan. The Facilities department is composed of the Director of Buildings and Grounds, a Supervisor of Maintenance, a Lead Project Engineer (including design and construction), three sector Supervisors, a Director's assistant, an accountant, six administrative support staff, 55 maintenance workers, and 268 custodians (223 of which are on a contracted basis). All of the custodial work is outsourced, except for the Chief Custodians. Some of the maintenance work is also outsourced, including maintenance of the elevators and alarm systems.

The Facilities department utilizes the program, Schooldude.com, to track work orders (WO) and initiate preventive maintenance WOs. It enables the Facilities department to provide detailed reporting required by the New Jersey Department of Education. The program also assists in budget preparation by making information regarding completed and outstanding WO activity readily available.

As part of our procedures, we developed a high-level understanding of the Facilities Management process. The following key sub-processes were identified as part of the Facilities department:

• Maintenance protocols

We performed a walk-through of the appropriate sub-processes of the Facilities Management process to verify our understanding.

Summary of Observations and Recommendations

On the following pages, we present a summary of observations and recommendations related to the sub-processes listed above. We have titled each observation, provided a discussion of the circumstances surrounding the observation, and presented potential recommendations for consideration.

Standard Operating Procedures

The Facilities department does not maintain standard documentation for current policies and procedures. There is also a lack of documented key internal controls performed within Facilities Management, which impacts consistency of the processes performed. In addition, the Facilities department is not trained on nor are they following health and safety procedures.

Through discussions with District management, it was noted that multiple individuals were prosecuted because of fraudulent activities taking place within the District. This fraudulent activity involved billing by vendors for work not performed as well as kickbacks that were received by District employees in exchange for service contracts.

We recommend that the District develop a Standard Operating Procedures manual for Facilities Management that incorporates the District's current policies and detailed procedures, as applicable, as well as internal controls. In addition, we recommend providing staff training on all applicable District policies.

Under District policy, the Board approves every new and disposed contract. This process may cause delays in getting the work completed in a timely manner.

We recommend that the District establish thresholds to determine which contracts more appropriately require Board approval.

Work Order Volume

The software, Schooldude, used to monitor WOs was implemented within the District in March 2006. As of November 2006, there were approximately 6,000 assigned WOs and approximately 2,000 WOs are outstanding.

WOs can be entered by employees, typically by the custodians and maintenance staff, who have access to Schooldude in each facility where they are then approved by the Sector Supervisor. The Director of Buildings and Grounds does not review and approve every work order that is requested.

It is our recommendation that additional procedures be put in place regarding establishing and approving WOs. This could include a site inspection before the work order is approved as well as updating the workflow protocols within the Schooldude software.

Overtime Management

As previously stated, many overtime hours are incurred by Facilities employees as a result of the WO volume. Currently, there is no formal overtime monitoring process within the Facilities department. The total regular earnings for maintenance employees in 2004-05 and 2005-06 was $8,633,410.59. The total overtime for maintenance employees in 2004-05 and 2005-06 was $1,784,637.12.

We recommend that the Director of Building and Grounds review overtime worked by facilities employees on a monthly basis to establish benchmarks. These benchmarks can identify when new employees need to be hired, the current staff could be downsized, or when potential abuse is taking place. Each pay cycle, the District should review all overtime approvals and compare the hours identified in the approvals to the hours charged. If the hours charged exceed the hours approved, overtime pay should be withheld until an amended approval form is submitted documenting why the additional hours were necessary; without this form, overtime pay should not be remitted. We also recommend that the District conduct a cost-benefit analysis of hiring additional full-time employees rather than pay overtime to current employees.

District Planning

The Facilities department has a five-year maintenance plan. However, the plan was developed without regard to the staff and the District budget.

We recommend that the District review the plan and revise it based on actual staffing and budgeted dollars.

Benchmarking Maintenance to Complete the WO

The Facilities department does not utilize benchmarks to assist in determining if a contractor's bid is appropriate. Also, travel time that is incurred while addressing a WO is built into the total number of hours it takes to complete the WO.

We recommend the District establish benchmarks for assessing the appropriateness of a bid and take into consideration time spent traveling when establishing the number of hours it should take to complete a WO.

Separate Request for Proposal (RFP) Process

Whereas all other vendors are managed through the Purchasing department, Buildings and Grounds performs their own RFP process for vendors. In addition, the Facilities department does not have a list of vendors to choose from for emergency repair services.

We recommend that all vendors go through the RFP process within the Purchasing department and that a list of vendors be established for emergency repair services.

Requirement for a Performance Bond on All Contracts

Every maintenance contract requires the vendor to have a 100 percent performance bond. This requirement could limit the number of responses received for bids. For smaller, low risk contracts, it may not be necessary.

We recommend that the District revise this policy to allow for lower risk contracts to be exempt from having 100 percent performance bonds.

Management Oversight and Documentation

Completed repair work is inspected by the Sector Supervisor to determine if the work was performed satisfactorily and is complete. However, the inspection is not documented.

We recommend that Sector Supervisor document the completion of the inspection and file a copy with the appropriate WO and other supporting documentation.

City Use of District Resources

The City uses District facilities for City activities. The District must provide custodial and security personnel, a recreation director and some equipment during these activities. Generally, the personnel involved work overtime to provide these services. Additionally, a formal structure for the City to reimburse the District for these services does not exist.

We recommend that the District work with the City to develop a process for obtaining reimbursement for the activities conducted with District resources.

Estimating Time

The District does not have formal procedures for assessing the estimated hours required to complete a job. In addition, job estimates are not currently included as part of the functionality being utilized with the Schooldude software.

We recommend that the District outline and pursue a process to estimate the expected time complete requested WOs.

Inventory Tracking

The District does not have a system in place to track maintenance and custodial inventory (e.g. wood) stored at the warehouse.

We recommend that the District establish a process for monitoring and tracking inventory usage.

Lack of Efficient Building Evacuation Procedures

The District lacks efficient building evacuation procedures. While at the District offices at 33 Church Street, the building was evacuated due to a gas leak. We were located in the basement of the building in the Information Technology area. We were not aware of the evacuation until thirty minutes after it had started and were the last to leave the building.

We recommend that the District review their evacuation plan and revise to help ensure that all persons are properly notified of an evacuation situation and have been evacuated from the building in a timely manner.

Food Services

Overview and Background

Food Services is responsible for 49 schools that produce approximately 1.6 million breakfasts and approximately 3.1 million lunches per year. It is also responsible for the summer and after school snack programs. Food Services staffing consists of a Director, Assistant Director, Operations Manager, three Field Managers, a Warehouse Manager, Field Trainer, Internal Monitor, Accountant, three Staff members, and five Drivers. There are approximately 230 Food Services District employees working in the 49 schools and 30 active substitutes.

The District has 12 schools with pre-plated operating kitchens and 37 cooking schools. Horizon is the system that is used to order food and record the inventory.

As part of our procedures, we developed a high-level understanding of the Food Services process. Accordingly, this document describes the following key sub-processes identified as part of the Food Services department:

- Vendor selection

- Ordering and tracking inventory

- Inventory spoilage

- Free and Reduced Lunch application and cash maintenance

We performed a walk-through of the appropriate sub-processes of the Food Services process to verify our understanding.

Summary of Observations and Recommendations

On the following pages, we present a summary of observations and recommendations related to the sub-processes listed above. We have titled each observation, provided a discussion of the circumstances surrounding the observation, and presented potential recommendations for consideration.

Standard Operating Procedures

The Food Services department does not maintain a manual of standard policies and procedures or internal controls.

We recommend that the District develop a Standard Operating Procedure manual for Food Services that incorporates the District's current policies and detailed procedures, as applicable, as well as internal controls.

Posting Vendor Payments to Edu-Met

While the AP department is responsible for processing vendor payments for all other departments, Food Services is responsible for posting food services vendor payments to the Edu-Met system and maintaining the payment package.

We recommend transferring the responsibility of posting payments and maintaining the payment package to AP.

Free and Reduced Lunch Program Management – Cash Management

In developing an understanding of the District's free and reduced lunch program, we noted the following:

- The applications for the Free and Reduced Lunch program are completed by parents and are based on income. However, proof of income is not required.

- The processes surrounding the free and reduced lunch program and funds associated with this program are not efficiently monitored. Specifically, the cafeteria personnel rely on tickets that are provided to the students. The tickets are not always updated which could lead to inaccurate sales activity. In addition, in grades kindergarten through eighth grade, the homeroom teachers collect money for lunches from the students. The homeroom teacher does not have a list of students who are eligible for free or reduced meals and relies on the student to pay the correct amount. In addition, the homeroom teacher is not required to sign for money he/she has collected.

- There are no policies regarding the transfer of the money from the homeroom teacher to the cafeteria manager. Therefore, money could sit in the classroom for extended periods. Furthermore, cash kept at the school is to be deposited when the amount reaches $40. However, cash is not always deposited when it reaches this threshold.

- Recently the District completed construction of a new school located across the street from the Community College. The District and Community College negotiated an agreement where they would provide lunches to the District's students for $5 per student. The District pays $5.00 per meal while the maximum reimbursement for the Free and Reduced Lunch Program is $2.50.

  We recommend the District establish policies and procedures to improve the cash management process as well as administration of the Free and Reduced Lunch Program.

Reconciliations and District Monitoring

Each school has reconciliation type procedures in place requiring the submission of various reports such as the Consolidation Report, Weekly Sales Report, and Student Roster. However, the reconciliations are not always approved or reviewed by the District Food Services office. In addition, some reviews are not documented.

In addition, in grades kindergarten through eighth, the money collected by the homeroom teacher is not reconciled to the money that should have been collected based on eligibility of students.

We recommend that the District establish policies, procedures and internal controls regarding the reconciliation and monitoring process including having reconciliations reviewed and approved by management.

Manual Processes

We noted that the process performed at the schools regarding ordering, inventory and monitoring the free and reduced lunch program is manual, cumbersome, and susceptible to error. More specifically:

- The Cafeteria Managers do not have access to the Horizon system to enter their food orders directly. Therefore, the Food Services Office receives requests for food orders via fax. The Secretary in the Food Services Office enters the data into the Horizon system for each schools order.

- Cafeteria Managers prepares a Daily Production Record manually. The school keeps a copy and sends the original to the Food Services Office.

- Cafeteria Managers prepares several hard copy documents such as the Consolidation Report, Weekly Sales Report, and the Money Collection Tally Sheet.

We recommend that the District assess if the manual processes can be automated through the existing Horizon system. The District should assess the system's ability to generate additional internal controls to eliminate the manual processes.

Purchasing

Vendors for specialty items such as holiday treats do not go through the RFP process.

We recommend that the District establish a policy to require all vendors to go through the RFP process.

Segregation of Duties

An element of effective internal controls is the proper segregation of duties. The basic premise of segregating duties is to prevent situations where an employee has the ability to perpetrate an error or irregularity and to conceal it. Proper segregation of duties provides for a system of checks and balances such that the functions by one employee are subject to review through the performance of interrelated functions of another employee.

Segregation of duties concerns exist relating to the shipping of inventory. Inventory is picked from the warehouse by the driver who will deliver it.

We recommend such conflicting responsibilities be separated to the extent possible.

Usage and Ordering of Food

The District has set par levels of food items. However, these levels are based on the total number of meals served not the type of meal. In addition, the par levels are not reviewed to ensure they are appropriate.

We recommend that the District reevaluate the par levels established and establish a periodic review of par levels to determine if they are appropriate.

Review of Orders that have been packed for Delivery

Inventory is picked from the warehouse by the driver who will deliver it. There is no process in place to review the order after it has been picked to ensure that the correct inventory is being provided. The Cafeteria Manager, who receives the inventory, is not required to record the delivered inventory or reconcile it against what was ordered.

We recommend that the District put procedures in place to review the inventory for shipment after it has been picked from the warehouse and delivered to the schools.

Inventory Spoilage/Compliance with Hazard Analysis Critical Control Point

Each school is federally mandated to comply with Hazard Analysis Critical Control Point (HACCP). Beginning with 2006-07, HACCP requires each school to check the temperature of the food and refrigerators on a daily basis. Schools in the District do not record the temperatures of the food and refrigerators.

We recommend that the District establish a procedure to record temperatures of food and refrigerators on a daily basis.

Budget Allocation for Food Spoilage

The District does not have an allocation in the budget for food spoilage.

We recommend that the District establish a budget allocation for food spoilage.

Review of Inventory Orders Placed to Vendors

When a process is performed within a department, there should always be another level of review performed by a knowledgeable individual independent of the process. The lack of an adequate review could result in errors being overlooked resulting in misstatements that could affect financial records. In the process of our review, we noted the following:

- There is no secondary review of warehouse food orders placed to the vendors by the Operations Manager.

We recommend that data entries be reviewed by employees that did not enter the information.

Review of Daily Production Reports

A daily production report is prepared to monitor trends and assist the schools in placing orders. However, this report is not reviewed by a manager at the Food Services department.

We recommend that the Food Services office review the Daily Production Report on a periodic basis to identify trends and assist the District in ordering more efficiently.

Review of Manual Data Entry

The secretary enters data from the Weekly Sales Report for each school into Horizon, which generates the Edit Check Report. There is no secondary review of the data manually entered into Horizon by the secretary.

We recommend that the District establish procedures to require manual data entry to be reviewed by employees that did not enter the information.

Formal Documentation of Reviews Performed

The Food Services department performs various reviews of supporting documentation. However, many of these reviews are not documented. For example, we noted the following reviews were not documented:

- Field Managers review orders of perishable foods placed by the schools.

- The Director of Food Services reviews the Edit Check Report run from Horizon to ensure that the number of served meals for the free and reduced lunch program does not exceed the number of eligible students.

- State voucher data that is entered onto the State's website in order for the District to receive reimbursement for meals served is reviewed by the Director prior to submission.

- A Reimbursement Voucher Worksheet is reconciled to the State's vouchers.

We recommend the Food Services department document all reviews to provide for adequate support of internal controls.

Pupil Transportation

Overview and Background

The District's department of Transportation (DOT) is responsible for providing transportation services to approximately 8,000 students daily. The DOT is led by the Supervisor of Transportation (the Supervisor) and is assisted by six staff members. To accommodate the transportation needs of all students within the District, transportation is outsourced to 12 vendors. The contractor's buses are primarily used for transporting Kindergarten through eighth grade, High School, Special Education, Vocational students (to Technical schools), private school students, and for weekend field trip transportation. Shuttle services provide transportation for Kindergarten, Academy students, and two middle schools.

The District also owns about 68 fleet vehicles, seven of which are 16 passenger school buses. The fleet buses are primarily used for athletics, field trips, and interscholastic programs. The remaining 61 fleet vehicles are used for Food and Warehouse deliveries, snowplows, Facilities (e.g., plumbing and electrical), and departmental employees who are required to travel frequently throughout the day. Most of the fleet vehicles are stored at the Facilities department while the others are stored at the International High School. The seven 16 passenger buses are stored at various high schools and about five to six departmental vehicles are stored at the vehicle owner's house because these employees are responsible for emergency calls after normal business hours.

The DOT has a $13 million budget for the school year. The $13 million budget mainly covers the contracted routes. It also covers the maintenance, gas consumption, and repairs of all District owned vehicles, department supplies, and approximately $150,000 on bus tickets for public transportation. The DOT utilizes the system, Transfinder®, to calculate the distance from each student's home to their assigned school, maintain a database of student information, create routes, and run the District Resident Transported Student Report annual report.

As part of our procedures, we developed a high-level understanding of the Pupil Transportation process. The following key sub-processes were identified as part of the Pupil Transportation department:

- Procuring process

- State reimbursement

- Bus tickets

- Fleet maintenance

We performed a walk-through of the appropriate sub-processes of the Pupil Transportation process to verify our understanding.

Summary of Observations and Recommendations

On the following pages, we present a summary of observations and recommendations related to the sub-processes listed above. We have titled each observation, provided a discussion of the circumstances surrounding the observation, and presented potential recommendations for consideration.

Fleet Driver Abstracts

All drivers are required to have a clean abstract in order to drive a District fleet vehicle. The Transportation Supervisor does review each authorized driver's abstract two times per year. However, the review is not documented.

We recommend that the District develop procedures to document the process regarding the review of the driving records.

Coordinating Timing of Transportation Routes

All schools within the District begin and end at approximately the same time. With all schools on the same schedule, buses typically only run two routes per day.

The Supervisor of Transportation recommends that the District consider staggering the start and end times across the schools to allow buses to run more than two bus routes per day. We recommend that the District further analyze this recommendation to quantify potential cost savings.

Vehicle Inventory

The District owns 68 vehicles, several of which are provided to department heads, supervisors, and superintendents. Aside from commuter cars, the DOT does not perform an analysis to assess if the number of owned vehicles is adequate. Additionally, a cost benefit analysis is not performed to assess if the District should own or lease vehicles.

We recommend that the District perform an analysis to assess if all 68 vehicles are required and used by District personnel. In addition, we recommend that a cost benefit analysis be performed to determine if leasing the needed vehicles would be more cost beneficial for the District.

Technology

Overview and Background

The Information Technology (IT) department is responsible for all IT related processes within the District, including the District administrative offices and the individual schools, more than 60 buildings that have approximately 8,000 phones and 10,000 computers. Every classroom is equipped with a phone and a computer with internet access. Ninety percent of internet access is fiber based and the other 10 percent is T1 or wireless based. The IT department is supported by the Director of Technology and his staff, including two help desk personnel, one fiscal monitor, one District network coordinator, one technology operations manager, two Edu-Met system Administrators, and nine field technicians who are responsible for the telephone system and the District's IT Infrastructure.

The District has five systems in place: Edu-Met, ADP, Keystone, Subfinder, and Horizon.

Edu-Met supports Financial, Human Resources (HR), Payroll, and Fixed Asset management in the District. ADP is an attendance tracking system that is still in its pilot phase. Keystone is the District's student information system, Subfinder tracks teacher attendance, and Horizon is its Food Service system.

Edu-Met was implemented in 1998. It has been an Oracle-based system since 2003 and prior to 2003, it was UNIX ® based.

As part of our procedures, we developed a high-level understanding of the IT process. The following key sub-processes were identified as part of the IT department:

- System access and security

- Network security and administrator

- System backup and recovery

- The District's IT processes relative to Edu-Met System Access and Application Change Management are documented. Network Security, District Disaster Recovery (DR) and backup processes are also documented. As a result of an internal control assessment conducted via documentation review and face-to-face interviews for the District, some observations and recommendations were identified. Mitigation of the risks identified in the observations may help the District achieve more consistent and robust controls and procedures to protect and manage their core IT functions.

Summary of Observations and Recommendations

On the following pages, we present a summary of observations and recommendations related to the sub-processes listed above. We have titled each observation, provided a discussion of the circumstances surrounding the observation, and presented potential recommendations for consideration.

Password Policies and Controls

Password policies and controls are in place but should be strengthened. Currently, passwords require six characters and must be alphanumeric. The District Policy and Procedures Manual also provides other useful suggestions on how users may protect their passwords.

We recommend that more user password rules be formally established and that the District adopts industry accepted password standards for its applications. Examples of these standards include:

- Minimum 8 character length

- Automatic password reset after 90 days

- Prevention of reuse of previous passwords

- Automatic suspension of user access after three unsuccessful log in attempts

Super User System Activity

Edu-Met system Administrators have super user access to all functions in the application. These types of super user profiles allow users to conduct all activities within the Edu-Met application without any segregation of duties controls. This increases the risk of accidental or intentional misuse of the District's financial and human resource information.

While this type of super user access may be necessary for senior District leadership or the Edu-Met administration team, the activities of these super users should be regularly monitored by an independent third party for appropriateness.

Active Edu-Met User Access

Regular reviews of non-terminated or non-leave employee permissions do not occur for the Edu-Met system. The absence of monitoring permissions for active employees increases the risk that users may have inappropriate or conflicting levels of access within Edu-Met. This increases the risk of erroneous or fraudulent activities occurring in the system.

We recommend that the District regularly review the access rights of active users of its core IT applications to reduce the risk of inappropriate access to the systems.

Fire Suppression System

The network room in Old School #5 is not protected by a fire suppression system. The absence of fire suppression increases the risk of damage to or destruction of IT equipment critical to the District's operations.

We recommend the District investigate the possibility of installing a fire suppression system to protect its data center. The District should assess the feasibility of establishing a fire suppression system at that site. If the site will not support a fire suppression system, the District should assess the feasibility of moving the network room to another location or mitigating the risk with strong back up and recovery procedures.

IT Training Plan

The absence of a formal IT training plan that is reviewed and updated every year based on the needs of the District, can prevent the alignment of District training activities with new system implementations and existing user support concerns. Since training is a significant component of the implementation phase of any standard system development lifecycle, lack of training planning and resources can prevent or delay the successful implementation of strategic IT initiatives.

We recommend that the District implement an annual IT training planning process and training function within its Technology department.

Disaster Recovery Plan (DR)

The District's DR plan is detailed relative to the procedures needed to restore critical HR and financial system functions. However, the District's plan references and is heavily dependent on locally drafted and administered plans for each District site. These plans are to be created and maintained by a local Site Recovery Team (SRT) for each location. These plans have not been created at the local site level. While the District's plan is sound at the strategic level, without a disciplined commitment to maintaining up to date SRT DR Plans for each site, the plan is likely to fail or experience delays at the local site level. This could ultimately result in a delay or inability to restore operations locally in the event of a disaster.

We recommend that the District's DR plan specifically address the process, standards, and review procedures for drafting, integrating, and approving local SRT disaster recover plans. The quality assurance and oversight of the local SRT planning process should be administered and enforced centrally by the District. Disaster recovery testing should be regularly conducted all the way from the District to the local site level.

Purchasing

Overview and Background

The Purchasing department consists of one Purchasing Supervisor, one Purchasing Agent, three Purchasing Analysts, and two Purchasing Specialists. The Purchasing department is responsible for approving all purchases within the District. The requisition process, request for proposal (RFP) process, vendor contracts, and approving and entering vendors into the Vendor Master file are overseen by the Purchasing Supervisor. The bid threshold is $21,000; therefore, any similar goods or services totaling more than $21,000 for the entire fiscal year must go through the bid process. Any goods or services less than $21,000 and greater than $3,150 must be competitively quoted; however, there is not a requirement to go through the bid process. Any goods or services less than $3,150 are required to go through the purchase requisition process, but do not require competitive quotes. The District uses the Edu-Met system to manage purchase requisitions and to create POs.

As part of our procedures, we developed a high-level understanding of the Purchasing process. The following key sub-processes were identified as part of the Purchasing department:

- Purchase requisitions

- Request for proposal

- Vendor master file maintenance

We performed a walk-through of the appropriate sub-processes of the Purchasing process to verify our understanding.

Summary of Observations and Recommendations

On the following pages, we present a summary of observations and recommendations related to the sub-processes listed above. We have titled each observation, provided a discussion of the circumstances surrounding the observation, and presented potential recommendations for consideration.

Standard Operating Procedures

The Purchasing department maintains high-level documentation regarding current policies and procedures; however, there are few detailed documented procedures. For example, the following procedures do not have documented policies and procedures: determining if goods or services are offered through State contracts, re-advertising RFPs if initial requirements are not satisfied, and updating and maintaining the Vendor Master File.

We recommend that the District develop a Standard Operating Procedure manual for Purchasing that incorporates the District's current policies and detailed procedures, as applicable, as well as internal controls. Due to the Districtwide utilization of the procurement process, it is also suggested that the applicable procedures be shared with impacted personnel with the District.

Master Vendor File

The Purchasing department utilizes a Vendor Master File; however, this list is not actively updated or maintained. In addition, when vendors merge the vendor file is not updated to reflect the new entity.

We recommend that the District develop a means, such as semiannual surveys or communication, in order to actively maintain and update the Master Vendor file.

Employee and Vendor Relationships

Based on review of the historical expenditure analysis, we found that data from the employee master file (e.g., name, address, social security number) matched data in the vendor file indicating that the vendor and the employee have a relationship. The District does not have a formal process for reviewing the existence of employee and vendor relationships.

We recommend that the District incorporate a process to review vendors for conflicts of interest within the District.

System Access

In order for segregation of duty controls to be effective, they must be coupled with system access controls. Access to enter and approve purchase requisitions is based on a specified profile within the Edu-Met system. The Purchasing department does not have a list of personnel authorized to enter and approve purchase requisitions. Furthermore, there is no formal review of the list to ensure access is restricted to the appropriate individuals.

We recommend a review of system access should be completed by the BA, and Purchasing Supervisor. The Purchasing Supervisor should identify what access level each member of the District should have with final approval coming from the BA. The BA and Purchasing Supervisor should work with the Director of Technology to help ensure that system access rights are updated for all employees and that a review of system access is performed on a consistent basis. The District should require employees to change their passwords throughout the year. All employee system access should be reviewed to confirm that there are no instances where an employee has access that could violate segregation of duty and/or system access controls.

Manual Processes

Purchase requisitions are entered and approved within the Edu-Met system; however, final approval from the BA occurs outside the Edu-Met system via hardcopy printouts.

We recommend that the District assess if final approval of the BA is required on all POs and if so, can such approval be conducted through the existing Edu-Met platform in order to streamline the procurement process.

Inventory and Fixed Assets

Overview and Background

The Central Stores Supervisor (CS Supervisor) manages and maintains a central warehouse that stores fixed assets valued at $2,000 or greater. Fixed assets valued at $2,000 or greater typically include computers, cars, and trucks. Some inventory such as textbooks for private schools and other bulk inventory orders are also stored at the warehouse. Examples of items included in bulk orders include copier paper and garbage cans.

Items that are typically shipped directly to and stored at the schools/departments include office supplies, most textbooks, furniture, and most televisions, depending on the size. The CS Supervisor reports to the Purchasing Supervisor and is assisted by six staff members, three drivers, and two mail couriers.

As part of our procedures, we developed a high-level understanding of the Inventory and Fixed Assets process. The following key sub-processes were identified as part of the Inventory and Fixed Assets process with the Central Stores department:

- Receipt and distribution process

- Updating usage records

- Disposal process

- Safeguarding

- Inventory and fixed asset tracking

- Maintaining a fixed asset ledger

We performed a walk-through of the appropriate sub-processes of the Inventory and Fixed Asset process to verify our understanding.

Summary of Observations and Recommendations

On the following pages, we present a summary of observations and recommendations related to the sub-processes listed above. We have titled each observation, provided a discussion of the circumstances surrounding the observation, and presented potential recommendations for consideration.

Standard Operating Procedures

Facilities does not have formal documented procedures or policies regarding the receipt, storage, tracking, and distribution of inventory and fixed assets.

We recommend that the District develop a Standard Operating Procedure manual for Inventory and Fixed Assets that incorporates the District's current policies and detailed procedures, as applicable, as well as internal controls.

Inventory and Fixed Asset Tracking – Manual Processes

The tracking of inventory and fixed assets is a manual process. The items received and stored at the Central Stores location are not tracked within the Edu-Met system. A hard copy receiving log is used to track the receipt of inventory and fixed asset items. When Inventory and fixed assets are delivered from the Central Stores location, a hard copy shipper form is completed. The information from the shipper form is not maintained electronically. These manual processes represent a deficiency and exposes the District to the potential risk of irregularities, fraud, and errors going undetected.

We recommend that the District pursue a means to electronically record the receipt and subsequent delivery of Inventory and fixed assets.

Tagging of Inventory

Fixed assets are not always tagged upon arrival at the District.

We recommend that the Central Stores department tag each fixed asset as it arrives and records it in the fixed asset system.

Physical Inventory Counts

There are no mechanisms in place for maintaining counts of the District's physical Inventory. The District performs annual inventory counts at its Central Stores location but it is done only for record keeping and not verification.

We recommend the District establish policies and procedures to properly account for inventory and consider developing a purchasing/receiving report to help ensure that all department and school purchases are consolidated and efficient.

Fixed Asset Counts

There are no processes in place to properly account for fixed assets such as a Fixed Asset Ledger. In addition, fixed assets are not depreciated. However, the District had an independent count of fixed assets performed in June and July of 2006. The data accumulated from this count is currently being uploaded to the District's fixed asset module in Edu-Met.

We recommend that the District continue with the import of the fixed asset data. In addition, we recommend the District establish policies and procedures to maintain a formal fixed asset ledger including the depreciation of the District's fixed assets.

Documentation, Management Review and Approval

There are processes in place for receiving and distributing of goods. However, the documentation is not always complete. For example:

- The Receiving Copy of the PO does not always arrive at the warehouse prior to the order arrival.

- A Shipper Report is not always complete or included with deliveries to the schools.

In addition, there is a lack of review over these processes. For example:

- The receiving log is not reviewed by a second party or supervisor.

- The Comptroller should approve all copier paper deliveries but approval is not always verified before a delivery is made.

- There is no secondary review of the PO number written on the Shipper report to the Receiving copy of the PO.

- There is no secondary review of the barcode number from the fixed asset tag that the secretary enters into a spreadsheet, which records all fixed assets valued at greater than $2,000.

- Inventory is tracked through hand copy spreadsheets.

- There is no secondary review of disposed assets.

We recommend establishing policies, procedures, and internal controls that incorporate proper documentation and management oversight such as reporting from the schools and providing the proper authorization for inventory management.

Safeguarding of Assets

There is no formal training regarding the safeguarding of assets. There have been physical robberies at the warehouse in the past. There are security cameras in some areas of schools but the tapes are reviewed by a separate department and the information is not relayed to the CS Supervisor or Security.

There is no formal list of employees authorized to pick up inventory or fixed assets at the warehouse or receive goods upon delivery but the recipient is required to sign for the item. Further, there is no authorized signature list in place to validate the signatures are authentic.

We recommend establishing policies, procedures, and internal controls that incorporate proper safeguarding of assets. The District should perform an evaluation of the security measures in place to determine the efficiency and effectiveness of such controls.

Risk Management

Overview and Background

The Risk Management department is responsible for the grievances and arbitration within the District's seven unions, workers' compensation claims, ensuring that the District is compliant with the Occupational Safety and Health Administration, processing legal bills, and working with outside counsel in the defense of third-party liability claims. The information presented herein primarily concerns the payment of claims for workers' compensation. The Risk Management department is responsible for all District employees. It consists of the Risk Management Officer, an Investigator, and one staff member.

The District utilizes the insurance broker, which is responsible for locating insurance companies to insure the District and provide insurance consulting services. The District utilizes an insurance agency to provide student insurance and the difference between fully salaried pursuant to title 18 statutory temporary disability coverage pursuant to title 34 (gap insurance).

As part of our procedures, we developed a high-level understanding of the Risk Management Process. Accordingly, the following key sub-processes were within the Risk Management department:

- Protocols for approving and managing workers' compensation

- Payment of claims

- Miscellaneous insurance processes

We performed a walk-through of the appropriate sub-processes of the Risk Management process to verify our understanding.

Summary of Observations and Recommendations

On the following pages, we present a summary of observations and recommendations related to the sub-processes listed above. We have titled each observation, provided a discussion of the circumstances surrounding the observation, and presented potential recommendations for consideration.

Claims Investigating

Until recently, workers' compensation claims were not investigated. Therefore, it was probable that employees received compensation when they were not eligible. The District has hired an investigator and has begun to investigate all claims.

We recommend that the District continue to enhance this role within risk management and develop standard operating procedures to document the policies and procedures.

Documentation

During the walk-through, it was noted that incident report did not have the following required elements because they were using an outdated form that did not require this information:

- An authorized person's observations and objective findings

- An authorized signature

- A time stamp

- The Local Assistant Superintendent's signature

We recommend the District begin requiring the use of a new form with the required information included.

Monitoring Outstanding Claims

There is no formal process for monitoring the length of time to clear a claim.

We recommend that the District establish policies and procedures to monitor the length of a claim.

Notification for Payroll and Human Resources

The Time and Attendance department relies on the notification of eligible employees for worker's compensation via a screen print that is hand delivered; however, they have access to the Edu-Met system where they can view an employees' eligibility. A report is not generated alerting the Time and Attendance department.

We recommend the District revise the procedures to notify the Time and Attendance Department of employees that are out on workers compensation to allow for a more efficient process.

Insurance Carrier Selection

An outside vendor researches and selects insurance carriers for the District. The District does not require an RFP process nor does it review the third-parties selections.

We recommend that the District review this practice and consider requiring an RFP process for such vendors.

Standard Operating Procedures

Risk Management does not have formal documented procedures or policies regarding the risk management processes such as claims investigations and management, insurance procurement or monitoring vendors for proper insurance coverage.

We recommend that the District develop a Standard Operating Procedure manual for Risk Management that incorporates the District's current policies and detailed procedures, as applicable, as well as internal controls.

Monitoring Vendor Compliance with Insurance Coverage Requirements

Often vendors will send required verification of insurance (certificate of insurance) to the Risk Management office without any other supporting documentation. This requires the Risk Management staff to spend time researching this. In addition, the Risk Management office is not tracking what vendors are required to have the specific insurance.

We recommend that the District establish policies and procedures regarding the managing and monitoring of vendor compliance with insurance coverage requirements.

Revenue Offsets

The District's Policy Manual states that employees who receive workers' compensation are required to endorse and deliver to the Board all workers' compensation temporary disability checks received for the period covered by this policy; however, the Risk Management Officer is not aware of this policy. Therefore, the policy is not being monitored. This could cause the District to loose money owed to the District.

We recommend that the District establish policies and procedures to monitor this requirement.

Grants Management

Overview and Background

Grants Management is responsible for identifying grant sources that match those needs of the District. Sources of funding include Federal, State, and private grants. There are approximately 20 discretionary grants overseen each year. The District has a Director of Grant Development and Evaluation, a Grant Analyst, a Fiscal Monitor, and a Senior Grant Specialist. The Grant Analyst is responsible for the 'No Child Left Behind' (NCLB) grant. The NCLB grant is responsible for funding various programs, including the Free and Reduced lunch program and the Student Educational Services (SES). The purpose of the SES is to fund supplemental education programs, e.g. the Boys and Girls Club and Sylvia Learning tutors. The funding for the SES is monitored completely by the State. The Fiscal Monitor is responsible for overseeing the State grant funds allocated to the District and to non-public schools as well as supervise the Senior Grant Specialist.

As part of our procedures, we developed a high-level understanding of the Grants Management process. Accordingly, the following key sub-processes were within the Grants Management department:

- Identifying grants

- Applying for grants

- Accepting grants

- Applying for the No Child Left Behind Grant (NCLB)

- Allocating NCLB funds

- Applying for NCLB carry over

- Accounting for grant funding

We performed a walk-through of the appropriate sub-processes of the Grants Management process to verify our understanding.

Summary of Observations and Recommendations

On the following pages, we present a summary of observations and recommendations related to the sub-processes listed above. We have titled each observation, provided a discussion of the circumstances surrounding the observation, and presented potential recommendations for consideration.

System Controls on Budgeting

The Edu-Met system will allow the overspending of budgeted funding. Line items can go into negative amounts.

We recommend that the District determine and implement, if possible, the functionality of Edu-Met to prevent over budget spending.

Appendix A

The following pages contain detailed descriptions of the various functions considered during this review. The matrices contain procedures, related controls and observations for various processes, including:

- Accounts Payable

- Payroll

- Human Resources

- Financial Management (including Student Activities and Budget)

- Facilities Management

- Food Services

- Pupil Transportation

- Technology

- Purchasing

- Inventory and Fixed Assets

- Risk Management

- Grants Management

Accounts Payable

Procedures	Key Controls	Observations
Payment of Invoices		
1 As identified in the Purchasing department processes, the purchase order (PO) is distributed by the Purchasing department to the affected parties.		1 The Accounts Payable department does not have procedures and key controls documented in a policy and procedures manual.
2 The PO contains five copies that are distributed as follows: The vendor receives the "Vendor Copy" (white) and the "Voucher Copy" (yellow). The Accounts Payable department receives the "Purchasing Copy" (pink). The Purchasing department maintains the "Other Copy" (green) for filing. The "originator" of the purchase requisition receives the "Receiving Copy".		
3 Once the vendor delivers the goods or provides the services to the District, the "Receiving Copy" of the PO is signed by the originator and is sent to the Accounts Payable department.		
4 Once the "Receiving Copy" of the PO is received in AP, it is date stamped and distributed to the appropriate Accounts Payable staff.		
5 Once the "Voucher Copy" of the PO and the invoice is received (usually received together), from the vendor, they are date stamped and distributed to the appropriate Accounts Payable staff.	1 The originator of the purchase requisition signs the "Receiving Copy" of the PO to confirm that all goods/services have been delivered in accordance with the PO.	
6 The Accounts Payable staff manually matches the "Receiving Copy" of the PO to the vendor invoice and the "Voucher Copy" of the PO. Before payment is made to the vendors, the Accounts Payable staff must have the vendor invoice, the PO "Voucher Copy," and the PO "Receiving Copy."	2 The "Receiving Copy" of the PO is date stamped to document what day the "Receiving Copy" was received by the Accounts Payable department.	
7 Accounts Payable staff stamps the top document "Completed" once all documents are received, matched, and attached together.	3 The "Voucher Copy" of the PO and the invoice are date stamped to document what day the documents were received by the Accounts Payable department.	2 Documents from vendors are not always received by the Accounts Payable department on a timely basis. Per discussions with the District, a new process has been implemented to resolve this problem. If the "Receiving Copy" of the PO is received and the "Voucher Copy" of the PO has not been received, then the "Purchasing Copy" of the PO (AP's initial copy) is sent to the vendor requesting their signature in order to complete the payment transaction. The
8 Partial payments of PO's are sometimes necessary. If circumstances arise where the vendor should not be paid for the full amount of the PO (e.g., not all goods/services were received due to backorder, or there were problems with the goods/services) the "originator" includes directions on the	4 Vendors are not paid if goods have not been delivered or services have not been	

Accounts Payable

Procedures	Key Controls	Observations
"Receiving Copy" of the PO of the partial amount to pay.	provided and the "originator" has not signed the "Receiving Copy" of the PO.	document is stamped with the exact information that was included on the original PO.
9 The "Receiving Copy" of the PO, the "Voucher Copy" of the PO, and the vendor invoice are put together and filed in the "folder for posting."		
10 If the "Voucher Copy" of the PO and/or the vendor invoice have not been received yet, the "Receiving Copies" are filed in the "folder not received."	5 Accounts Payable staff stamps the top document "Completed" once all documents are received and attached together.	3 It may take more than 90 days for the vendor to be paid once the invoice is received. The length of time before an invoice is paid depends on the receipt of the internal documentation. The internal receipt of the "Receiving Copy" of the PO as well is often inefficient.
11 On a monthly basis, the Accounts Payable staff post payments into the Edu-Met system. The staff inputs data directly from the invoice, such as the invoice amount and the invoice number.	6 The system will not allow the invoice amount entered by the AP staff to be greater than the PO amount.	
12 Accounts Payable staff stamps the documents "Posted" and "Paid" following the input into the Edu-Met system.		4 No procedures and controls exist to ensure that the AP and purchasing departments are promptly notified of returned purchases. The School should indicate a situation of a return or undelivered items on the "Receiving Copy." However, this is not always completed. Acknowledgements from vendors are sometimes received with credits after the full amount is paid for POs where the order was not completely delivered.
13 Invoice amounts up to 10 percent greater than the PO amount can be processed and paid in the Edu-Met system, but can only be done by the Comptroller; no other approvals are required.	7 The Accounts Payable staff stamps the documents "Posted" and "Paid" upon completion of posting the payment.	
14 Once transactions are "Posted" and "Paid", Accounts Payable staff cannot make any changes or delete any transactions posted. The Comptroller is the only individual permitted to void a transaction/check after it has been "Posted" and "Paid".	8 The District has established a PO increase threshold. Payments greater than 10% over the PO amount require a new PO.	
15 Following the completion of posting, the Comptroller generates the checks utilizing the Edu-Met system and the check machine.	9 The Comptroller is the only individual permitted to complete PO modifications.	5 No controls exist over identifying the processing of duplicate invoice #"s when processing payment transactions. The Edu-Met system will allow a user to enter the same invoice # on multiple payments.
16 The Check Machine generates checks, for all posted transactions, with sequential check numbers and two electronic signatures (BA and Superintendent).		
17 In addition to the Check Machine generated checks, the Comptroller may also prepare an "Offline Check Request Form," which must be authorized by the Comptroller, Superintendent, and BA. An "Offline Check Request Form" is completed when a payment needs to be made to a vendor for emergency purposes or at year-end when closing the books. In both scenarios, the "Receiving" copy of the PO and/or the invoice might not have been received by the Accounts Payable department, but the payment is made regardless.	10 Only the Comptroller is able to manually change or void any transaction/check after it has been "Posted" and "Paid."	6 There is no review of manual input of information into Edu-Met system.
	11 The Comptroller is the only person that can generate checks in the Edu-Met system.	7 There is no review of the invoice and PO by the Accounts Payable Supervisor or the Comptroller before the generation of the checks.
	12 Check numbers are machine generated and	

Accounts Payable

Procedures	Key Controls	Observations
18 The check is processed through Edu-Met as an off-line check, which is recorded the same as regular checks (discussed above). The payment hits the general ledger and all areas that a regular payment would follow.	sequentially numbered. 13 The City Treasurer tracks the sequence of check numbers.	8 Making copies of each original check and stamping each one is a time consuming process.
19 The Accounts Payable Supervisor makes copies of all checks and stamps each one with "File Copy" for filing.		
20 The vendor invoice, the PO "Voucher Copy," and the PO "Receiving Copy" are attached to a copy of the check and are stored alphabetically in files located at the Accounts Payable department.	14 Checks are copied and stamped "File Copy" for filing.	
21 All documents are attached to a "Payment Approval" checklist that lists every document that is required.	15 The Accounts Payable staff member, Accounts Payable Supervisor, and the Comptroller sign and date the "Payment Approval" checklist for the PO payment transaction verifying the completeness and accuracy of the transaction.	9 There is no list of employees or Security Guards designated to deliver the checks to the City Treasurer's office.
22 The "Payment Approval" document is signed and dated by the A/P staff, the A/P Supervisor, and the Comptroller verifying the completeness and accuracy of the completed transaction and the documentation filed.		
23 Errors identified following the review by the three levels are corrected by the Comptroller through either contacting the vendor and arranging to correct error in the following month or receiving a credit from the vendor.		10 The Board is approving payments after the payments have been processed rather than before the PO is generated.
24 The checks are hand delivered to the City's Treasurers Office located at City Hall where they are located in a safe until they are signed.		
25 Once all checks are signed by the City's Treasurer, they are delivered back to the Comptroller (time can range from two days to up to a week and a half, but never before the check date).		
26 The checks are locked in a filing cabinet in the Comptroller's locked office until the Paterson Board of Education (Board) meeting, which is when the final approval of all payments occurs.	16 Comptroller has the only key to the filing cabinet. Comptroller and secretary have the only keys to the office.	
27 The Board is sent a "Check List Copy" report for their meeting, detailing all transactions posted to be paid based on their review and approval.	17 Checks are not released to vendors until after the Board's approval.	
28 Checks remain in the Comptroller's safe and are not mailed out		

Accounts Payable		
Procedures	**Key Controls**	**Observations**
until after the Board's meeting/approval.		
29 Following the Board's approval, Accounts Payable staff mail checks to vendors.		
30 Requests can be made to pick-up a check instead of receiving it in the mail; however, it rarely occurs. Usually the only checks picked up are checks for employees who work in the building.		
31 Employee reimbursements for expenses are processed like any other purchase. A purchase requisition/PO and receipts (in place of an invoice) are required for payment processing. Except for those used for fuel purchase, credit cards are not used as described in the Transportation process in the Appendix to this report.		
Changes to POs		
32 A "Purchase Order Change Form" is used to change a vendors name, address, amount (over the 10 percent threshold), or account number.	18 A "Purchase Order Change Form" is required to make changes to an existing PO.	
33 When an invoice amount is 10 percent more than the PO amount, a memorandum is sent from the Accounts Payable Supervisor to the PO originator requesting them to generate a new PO for the amount on the invoice greater than the original PO amount. The new PO is generated for the additional amount through the same process as an original PO is as described in the Purchasing process in the Appendix to this report.	19 A memorandum is sent from the AP Supervisor to the PO originator if a new PO is required because of a difference in amounts between the PO and invoice (greater than 10 percent).	
34 "Purchase Order Change Forms" are mailed to the AP department; all changes into the Edu-Met system are made by the Comptroller.	20 All changes to vendor information may only be made by the Comptroller.	11 Board approval is not required for PO increases greater than 10%.
Tracking and Closing POs		
35 Every three months, the Accounts Payable Supervisor, runs a report from the Edu-Met system to locate any open PO's.		12 The Accounts Payable department does not age accounts payable.
36 All open PO's found are investigated by Accounts Payable staff. Information such as how long the PO has been open, who requested the goods/services and didn't receive them, why, and		13 The District does not take advantage of any possible discounted terms provided by vendors because the

Accounts Payable		
Procedures	**Key Controls**	**Observations**
whether or not the PO should remain open, be paid, etc. is gathered.		necessary documents, e.g., the Receivers Copy of the PO, the voucher etc., are not always received on time.
37 Accounts Payable staff document all identified information on the Open PO Report.		
38 The Open PO Report is given to the Accounts Payable Supervisor for her review before giving to the Comptroller.		
39 The Comptroller closes any PO that can be closed.		
40 All PO's are reviewed while books are being closed and the orders that remain are either liabilities or rollovers and they become a part of the next year. Open POs are considered liabilities if the Accounts Payable department has received the either "Receiving" copy of the PO, but not an invoice, or has received an invoice, but not the "Receiving" copy of the PO. Open POs are considered rollovers if the PO has been processed, but the Accounts Payable department has not received the "Receiving" copy of the PO or the invoice.		14 The Open PO Report is not maintained. It is disposed of once PO closing process is complete. There is no documentation or retention of results.

Payroll		
Procedures	**Key Controls**	**Observations**
New Hire Process		
1 When a candidate is hired, Human Resources provides Payroll with the new employee's "Personnel Routing Form" (PRF) and "Personnel Transaction Form" (PTF). These forms contain the new employee's demographic and salary information, and serve as instruction to add the new employee to the District's payroll. Both forms are signed by the Director of HR, BA, State District Superintendent, and if applicable, the Principal and Local School Superintendent.	1 The PRF and PTF are approved by the Director of HR, BA, and State District Superintendent, and if applicable, the Principal and Local School Superintendent.	1 Payroll maintains high-level documentation of current policies procedures except in the area of timesheet and overtime recording.
2 Once Payroll receives the PRF and PTF, the Payroll Specialist reviews the forms for the required approval signatures.	2 The Payroll Specialist reviews the PRF and PTF for the required approval signatures.	2 District policy requires that there are three to five signatures on the PRF and PTF. However, Payroll proceeds with processing the payroll information as long as the State District Superintendent signature is on the forms.
3 The Payroll Specialist then imports the new employee's demographic and salary information into the Edu-Met Payroll system via the interface with the Edu-Met HR system. HR is also responsible for entering the benefits information into Edu-Met HR. The Edu-Met Payroll and Edu-Met HR systems are subsystems of the District wide Edu-Met platform.		
4 After the import of the demographic, salary, and benefits information has been completed, the Payroll Specialist verifies that the imported data matches to the information contained in the PRF and PTF. After verifying the data, the Payroll Specialist initials and dates the forms. All Payroll Personnel have access rights to change employee personal information, such as address, salary, and W-4 data, excluding benefit elections. The Payroll Supervisor and the Assistance Payroll Supervisor have access rights to change data contained in the "control file," information regarding employee earnings code, Federal tax information (W-2), and banking information.	3 The Payroll Specialist verifies that the imported data matches to information contained in the PRF and PTF and initials to indicate as such.	3 There is no supervisory review that the data imported matches to the information contained within the PTF and PRF.
Payroll Distribution		
5 Salaried employees are paid according to a 35-hour workweek and are paid through the day they receive their paycheck. The process is automatic unless a "Payroll Correction Form" is received from the Time and Attendance department. A "Payroll Correction Form" is sent each pay period containing information		4 The "Payroll Correction Form" is not approved prior to submission to the Payroll department.

Payroll		
Procedures	**Key Controls**	**Observations**
regarding adjustments such as absences, tardiness, leave of absences and returns from leave, and retirements. Instruction to dock pay is also made via the "Payroll Correction Form." Pay is docked, for example, when an employee exceeds their allotted sick/personal days or if tardy thresholds are exceeded. 6 Hourly employees (approximately 1,200 within the District) are paid on a two-week lag. The hourly employees are required to complete a manual timesheet and submit their time to Payroll prior the dates indicated in the cut-off schedule. The timesheet is signed by the employee and is approved by the Principal or the Supervisor. Hourly employees that work for a District department are required to sign their timesheet and have it approved by the department Supervisor. 7 Hourly employees will only be paid if a PTF is on file. This PTF is a different form than the one that is submitted for a new hire. The PTF, as it applies to hourly employees, contains program information and lists the specific employees involved in the program, e.g. an employee is required to submit a PTF for an extracurricular Art program. The PTF will contain a description of the extracurricular Art program as well as the employees assigned to this program. 8 The Payroll Specialist verifies that a PTF is on file for each timesheet that is submitted for each employee. Any overtime for hourly employees is also submitted via the timesheet. The Payroll Specialist enters the data from each timesheet into Edu-Met. The same signatures that are required for the new hire PTF are required for the program specific PTF. 9 If an incorrect timesheet is submitted and Payroll is notified before the funds are distributed, then the timesheet can be changed. The employee's supervisor physically goes to the Payroll office and initializes the change in the timesheet. Then the information in Edu-Met is updated. 10 Any last minute changes that occur will come from the HR department via the "Payroll Correction Form." Typically, the	4 An hourly employee's timesheet is signed by the Principal or supervisor before it is submitted to Payroll. 5 The Payroll Specialist verifies that a PTF is on file for each timesheet that is submitted for each employee. 6 The program specific PTF is approved by the Director of HR, BA, and State District Superintendent and if applicable, the Principal and Local School Superintendent. 7 If a change is required to an employee's timesheet after it has been submitted to payroll, the employee's supervisor physically go to the Payroll office and initialize the change in the timesheet.	5 There is no authorized signature list used to validate the Principal or Supervisor's signature. 6 The utilization of timesheets is a manually intense process. 7 In the walk-through, it was noted that the process for validating that a PTF is on file for each hourly employee timesheet that is submitted is manual and prone to errors.

Payroll		
Procedures	**Key Controls**	**Observations**
changes that come through are requests to stop payment. When these changes are communicated, the checks are held until further instruction.		
11 Approximately 4,000 employees are paid through direct deposit. The additional 2,000 employees are paid via a check. Of the 2,000 employees paid via check, about 400 of them are mailed to the employee's address each pay period. Checks are mailed to an employee's home if the employee is a substitute (about 350 checks) or is on vacation or leave (about 50 checks).		
12 All checks are printed in the Payroll office. The checks are printed and prepared within a couple days prior to payday. The Payroll printer prints the City Treasurer's signature on the check. Preparation for running payroll may be done on a weekend or holiday, but not actually run.		
13 As the checks are printing, the direct deposits are extracted from the Edu-Met system and saved to a disk. The direct deposit data is transmitted to the PNC Bank website a couple of days prior to payday and the funds are released on payday. After the transmission is complete, the Payroll Supervisor or the Assistant Payroll Supervisor reconciles the control totals to a statement that is printed from Edu-Met.	8 The control totals from the direct deposit transmission are verified to a statement that is printed from Edu-Met.	8 One-third of employees are paid by check rather than direct deposit.
14 After the checks are printed, they are manually sorted by location based on the school/program indicator.		
15 When the check printing in complete, there is a roster report that is printed and sorted by location.	9 The checks are reconciled by location to the roster report.	9 Checks are printed by Payroll.
16 The total number of checks printed for each location is reconciled to the total number of employees to be paid as printed on the roster report for each location. The employee running payroll performs this reconciliation.		10 The same payroll employees who enter and record payroll information within the Edu-Met system are often the same employees who print and prepare paychecks.
17 The City Treasurer's office is responsible for tracking the numbering sequence of the checks. Each month, a Payroll Specialist reconciles the total amount paid to employees via check and direct deposit as stated on the general ledger, provided by the Accounting department, to the bank statement	10 The City Treasurer tracks the sequence of the checks. 11 Each month, a Payroll Specialist reconciles the general ledger provided by the Accounting department to the bank	11 The check stock is not stored in a secure location. There are non-Payroll employees that could easily access the check stock.

Payroll		
Procedures	**Key Controls**	**Observations**
provided by the City Treasurer.	statement provided by the City Treasurer.	
18 After the checks are reconciled to the roster report, the checks and roster report are locked in secure bags. There is one bag for each location.	12 The checks and roster report are locked in secure bags.	12 During the walk-through, it was noted that checks are printed in the Payroll office's copier room with the City's signature. As the checks are printing, there is no restriction to accessing the copier room.
19 On payday, all bags are then delivered by District Security to a central location (Kennedy High School). Security also signs for the check when the bags are picked up.	13 Security signs for the bag when the checks are picked up from payroll.	
20 A Custodian from each school goes to Kennedy High School to pick up the secure bag. The bags are then taken back to each school and are distributed. The Principal's Secretary distributes the checks at the schools.	14 Employees sign the roster report when he/she receives their paycheck.	13 The Payroll Supervisor and the Assistant Payroll Supervisor do not document the reconciliation of the control totals from the direct deposit transmission to the printed statement from Edu-Met.
21 Each employee is required to sign the roster report when the employee picks up his or her check on payday. The signed roster report, along with any checks that are not picked up, are sent back to the Payroll office by 3:00 on payday.		
22 If a check is returned to the Payroll office, Payroll contacts the Time and Attendance department to determine why the check was not picked up. If the employee is not at school that day, the check is mailed out to the employee.	15 The City Treasurer reconciles the payroll account after every payroll cycle.	14 There is no written documentation that the checks have been reconciled to the roster.
23 On payday, a check register is sent to the City Treasurer's Office. The City Treasurer's office reconciles the payroll account after every payroll cycle.	16 A new check will be issued after the Payroll department calls the City Treasurer and confirms the stop payment.	
24 In some instances, a check may need to be manually processed within the Edu-Met system. A check is typically processed manually in Edu-Met when there is a stop payment or if the check is lost by the employee. A stop payment is completed after the employee completes and signs a "Stop Payment Affidavit Form." The "Stop Payment Affidavit Form" is forwarded to the City Treasurer. A new check will be issued after the Payroll department calls the City Treasurer and confirms the stop payment.		15 There is no reconciliation performed that all checks have been received at the schools. 16 Custodians are utilized to pick up the checks at the schools rather than Security personnel.

Payroll		
Procedures	**Key Controls**	**Observations**
		17 Payroll does not review the signed roster report when it is returned to the Payroll office.
Terminations		
25 When an employee is terminated, Payroll is notified via a PTF from HR. The PTF is signed with the same authorizations as the new hire process.	17 The PTF indicating the termination is signed by the Director of HR, BA, and State District Superintendent, and if applicable, the Principal and Local School Superintendent.	18 Anyone in Payroll can activate or deactivate an employee in the Edu-Met system.
26 The Payroll Specialist deactivates the employee by changing a flag indicator within the Edu-Met system. The date of termination is also input. Anyone in Payroll can activate/deactivate an employee. Checks may be issued after an employee has been deactivated in the Edu-Met system. Retirees may receive a paycheck after termination date for sick and vacation time. Other terminated employees may receive paychecks after their terminated date when retroactive contracted salaries are due.		19 Checks may be issued after an employee has been deactivated in the Edu-Met system. There is no limit to the length of time after an employee has been terminated that an employee may receive a paycheck.
27 A check is voided or the direct deposit is reversed if the PTF noting the termination is received after payroll has been processed. According to Payroll, this step occurs approximately five times a year.		20 Occasionally, Payroll is not notified of a termination until after payroll is run.
Overtime/Stipends		
28 Most overtime pay comes in the form of a stipend. Overtime pay and stipends are paid via a separate paycheck.		20 Overtime pay and stipends are paid via a separate paycheck.
29 Overtime pay is communicated to Payroll via a separate timesheet that is signed by the Principal or supervisor.	18 The employee's Principal or supervisor signs the timesheet in order for the employee to receive overtime pay.	21 The overtime review process is manual process and is not tracked within the Edu-Met system. Offline timesheets are used to submit overtime hours.
30 The Payroll Specialist reviews the timesheet for the approval signatures before entering overtime into the Edu-Met system.	19 The Payroll specialist initials and dates the timesheet after it has been entered in the Edu-Met system.	22 Overtime is not monitored by Supervisor or department Heads. The District incurs a significant amount of overtime.
31 The Payroll Specialist initials and dates the timesheet after overtime is entered in the Edu-Met system		
Travel expense Reimbursement		
32 Reimbursed travel expenses are paid through a separate check from the Accounts Payable department.		
33 According to each employee's union or non-bargaining contract,	21 A "Stipend Form" for travel stipends is	

Payroll		
Procedures	**Key Controls**	**Observations**
employees may receive a predetermined stipend amount as stated in the contract above the employee's actual reimbursable travel expenses. To receive the stipend, the employee completes a "Stipend Form," which is approved by the employee's Principal or supervisor and submitted to Payroll. Payroll issues a separate check for the stipend on payday.	approved by the Principal or supervisor and submitted to Payroll.	
Pensions		
34 If an employee retires, the employee notifies HR and HR notifies Payroll via a PTF.		
35 Payroll gathers the employee's prior earnings information.		
36 The employee's earnings information is notarized and submitted to the State.		
37 The State sends confirmations back to Payroll once the retirement has been approved. All retirement payments are paid by the State.	22 The employee's earnings information is notarized before it is submitted to the State.	
38 A Report of Contribution (ROC) is a report that is submitted quarterly to the State. This report contains information regarding retirement earnings contributions. Before the report is submitted online to the State, it is approved by the BA (BA).	23 The BA approves the quarterly ROC before it is submitted online to the State.	
Vacation		
39 Employee vacation and personal time vary based on which of the seven unions the employee is a member of or if the employee is hired based on a non-bargaining contract. Only full-time salaried employees who work for 12 months are eligible for vacation time. Every employee, who is eligible for vacation, accrues vacation time per the accrual schedule for each calendar group, which differs based on the union or non-bargaining contract. The staff in the Time and Attendance department assigns every employee, upon hiring, to the appropriate calendar group in the Edu-Met system. Vacation time is tracked and monitored by the Time and Attendance department.	24 The staff in the Time and Attendance department assigns every employee, upon hiring, to the appropriate calendar group in the Edu-Met system.	
40 Attendance is recorded daily by the attendance record keeper at each school and department in the attendance book and in the	25 When an employee has used all eligible	

Appendix A

Payroll		
Procedures	**Key Controls**	**Observations**
Edu-Met system as described further in the HR process. The attendance record keeper is also responsible for recording the reason for an absence and therefore enters approved vacation time for employees into the Edu-Met system. When an employee has used all eligible vacation time (based on the calendar group he/she was assigned to in the Edu-Met system), the Edu-Met system will not allow the attendance record keeper to enter in any more vacation days.	vacation time (based on the calendar group he/she was assigned to in the Edu-Met system), the Edu-Met system will not allow the attendance record keeper to enter in any more vacation days.	
41 Every pay period, the Time and Attendance department runs a report in the Edu-Met system called "Negative Balance on Accrued Days" for vacation time to ensure that there are no negative balances. If there are, it will be noted on the "Payroll Corrections Sheet" and the pay will be docked from the employee's pay.	26 Every pay period, the Time and Attendance department runs a report in the Edu-Met system called "Negative Balance on Accrued Days" for vacation time to ensure that there are no negative balances.	
Sick		
42 Every full-time salaried employee is eligible for sick and personal days, but the number of days vary based on which of the seven unions the employee is a member of or if the employee is hired based on a non-bargaining contract.		
43 Employees may carryover an unlimited number of sick days for an unlimited amount of time. All unused personal days roll over into sick days.		
Buybacks		
44 Eligible employees may apply for the reimbursement of unused sick and personal days by completing an application by the beginning of July. The District has two qualifying programs based on the union or other criterion. To qualify, for one the eligible employee must have completed three years of active service by June 30th, have no absences during the school year (not including vacation and bereavement time), and have a minimum of 20 accumulated sick days. If qualified based on these criterion, the employee receives a payment for a minimum of five of a maximum of ten unused sick days at the per diem rate of pay. To qualify for the other program, the eligible employee must have	27 Eligible employees must apply to buy back sick and personal days. 28 Employees are limited to the amount of sick days they can buy back at retirement. The limit is based on contractual agreements.	

Payroll		
Procedures	**Key Controls**	**Observations**
completed three years of active service by June 30th (30 months for 10-month employees and 36 months for 12-month employees); have no more than three absences during the school year (not including accrued and approved vacation time). If qualified based on these criterion, the employee receives payment for a minimum of five of a maximum of ten unused sick days at the $125 per day for teachers and $60 for all others (2005-2006 school year rates).		
45 Any unused sick and personal days not bought back revert to the employee's sick day bank. The annual tally of accumulated sick days is adjusted by the number of days bought back.		
46 The District also offers a perfect attendance incentive program for the eligible employees. Eligible employees may apply for perfect attendance payment by completing an application by the beginning of July. To qualify, the employee must have zero absences for the school year. If qualified, the employee receives a payment of $400 or $250 depending on the plan the employee is eligible for (2005-2006 school year rates).		

Human Resources

Procedures	Key Controls	Observations
New Hire Checklist		
1 A standard new hire checklist is used by HR for all new employees. The checklist contains a listing of all information that is required in an employee's personnel file.	1 A new hire checklist is used to track required information for the employee's personnel file.	1 HR procedures are focused on policy level rather than detailed procedure level.
Hiring Protocols		
2 When a vacancy exists within the District, a "Posting Request Form" (PRF) is submitted to HR by the Principal /Administrator or department Supervisor. HR date stamps the PRF upon receipt.	2 The PRF is date stamped when it is received by HR.	
3 The PRF is then copied and forwarded to the Position Control Coordinator and BA for written approval that the position control number and budget funds are available.	3 The PRF is signed by the Position Control Coordinator and BA as approval that the position control number exists and that the budget funds are available.	
4 The PRF is returned to HR. The position is recorded in an HR internal database and is posted for 21 calendar days. The position is posted throughout District schools and offices, as well as on the District's website.		
5 When a candidate is identified, his/her resume is sent from HR to the school administrator and/or department supervisor that initiated the posting.		
6 The candidate is interviewed by the school or department that has the open position. Candidates that are interviewing for an instructional position are interviewed by the School Leadership Council (SLC). The SLC is composed of administrators, teachers, parents, and community members who are trained in interviewing techniques.		
7 A recommendation for hire is presented to the HR and is accompanied by the "Personnel Transaction Form" (PTF).	4 The PTF for recommending hiring is completed and signed by the Building Principal, Assistant Superintendent, and Director/Supervisor.	
8 The PTF is completed and signed by the Building Principal, Assistant Superintendent (if applicable), and department Director or Supervisor (if applicable).		
9 The PTF, along with the resume and certification (if applicable) is sent to the Director of HR for review and approval.	5 The Director of HR reviews and approves the PTF.	
10 The Director of HR forwards the PTF to the Position Control	6 The BA and Position Control Coordinator	

Human Resources		
Procedures	**Key Controls**	**Observations**
Coordinator (PCC) and BA. The PCC and BA approve the position control number and applicable salary.	sign and approve the PTF.	
11 Once approved and signed by the BA, the PTF is returned to the Director of HR.		
12 The Director of HR provides the PTF to the HR Specialist to enter the information from the PTF into an offline spreadsheet. The purpose of entering information into a spreadsheet is to track all supporting documentation of every PTF. For example, if there is a PTF for an employee receiving a salary increase from $30,000 to $40,000, the spreadsheet will keep a record of the $30,000, whereas Edu-Met will only state the employee's current salary of $40,000. It also tracks the status of the PTF, e.g. it is in the Superintendent's office awaiting approval. At this point, a new personnel file is set-up for this candidate.		2 Edu-Met lacks the functionality to maintain historical data such as salary increases.
13 The PTF is then forwarded to the Superintendent for written approval and returned back to the Director of HR. A copy of the signed PTF is returned to HR for record keeping. The original PTF, along with any supporting documents, are filed in the new hires personnel folder.	7 The Superintendent signs the PTF as approval of the new hire.	
14 Once the Superintendent approval is received, the candidate is contacted by HR to begin completing the necessary paperwork for new hires.		
15 The candidate for hire is also included in the Personnel section of the Board meeting packet.	8 The Board reviews all new hires in their monthly meeting.	
16 At this point, the information (salary, position, etc) in the PTF is keyed into the Edu-Met system.		
17 The candidate signs a contract and enrolls with Health Benefits and Pension.		
18 The District provides employees with full health benefits, at no cost to the employee, through the State Health Benefits Program and follows the State regulations for open enrollment for District employees. The District also offers Prescription, Dental, and Vision plans.		3 Within the walk-through, it was identified that two of the employees did not have their Benefits information contained in their personnel file.

Human Resources

Procedures	Key Controls	Observations
19 Before a hire date is determined for the candidate, a background check and fingerprinting process is completed.	9 A background check and fingerprinting is completed before the start date is determined. If there is an immediate need, the candidate may start once an "Emergent Hire Form" is approved by the County Superintendent.	4 In fiscal year 2006-2007, approximately 70 employees began work without a completed background check. These employees were approved as Emergent hires.
20 The District fingerprinting process is performed by SAGEM MORPHO Inc (SMI) per the regulations set forth by the New Jersey Department of Education (NJDOE). The candidate is responsible for scheduling an appointment and paying all associated fees.		
21 Once an appointment is made with SMI, the receipt of appointment is returned to HR with the "SAGEM MORPHO Form."		
22 The candidate also completes an "Applicant Authorization and Certification Form" for the NJDOE Criminal History Review Unit (CHRU).		
23 If there is a strong need for the candidate to start employment with the District before the background and fingerprinting process are complete, an "Emergent Hiring Form" is completed. The "Emergent Hiring Form" is sent to the County Superintendent for approval.	10 The County Superintendent approves the "Emergent Hire Form."	
24 Once the County Superintendent approves the "Emergent Hiring Form" and sends the document back to HR, the start date is determined.		
25 If the candidate is not classified as an Emergent Hire, a start date will not be determined until all appropriate paperwork is received from the candidate, SMI, and the CHRU.	11 A non-Emergent Hire cannot begin working until the background check is completed and returned to HR.	
Time and Attendance Tracking – Manual process		5 Manual sign-in is very cumbersome to administer and is prone to errors. The District is currently implementing ADP, which is an automated swipe card system used to track attendance (discussed further below).
26 All employees are required to sign an attendance book when they report to and leave work each day by 8:15 AM.		
27 At 8:15, the attendance record keeper removes the attendance book and the employee is required to sign the "late book."	12 Employees are required to sign an attendance book upon beginning and ending their workday.	
28 The attendance record keeper at each school and central office location enters absences into the Edu-Met system by 12:00 PM.		
29 On a weekly basis, the administrator at each location signs the	13 The administrator at each location reviews and signs the attendance book.	

Human Resources

Procedures	Key Controls	Observations
attendance book.		
30 The sign-in book is submitted to the Assistant Superintendent and is reviewed for verification and accuracy.		
31 The sign-in book is submitted to the Staff Attendance Office.		
Time and Attendance Tracking – Automated Process		
32 Effective September 1, 2006, the District began using an automated attendance tracking system that requires all employees to scan-in and scan-out each day. This new system (ADP) is being tested within various schools/offices throughout the District. It is expected that a full implementation will be completed by March 2007. During the pilot phase, employees are following the manual sign-in/sign-out process as well.	14 An automated attendance tracking system is in place to assist with mitigating risk associated with manual sign-in/sign-out procedures.	6 The Edu-Met and ADP systems are not linked electronically requiring manual entering of data.
33 The attendance record keeper has access to the ADP system information and only to their school/central office location.		
34 The attendance record keeper collects absence information (Called-in messages and information from Sub-finder, and previously approved personal/vacation time).		
35 The attendance record keeper reconciles the employee's timecard regarding missed punches, tardy, and unexcused/requested absences.	15 The attendance record keeper reconciles attendance on a daily basis. This is performed via an edit check report.	
36 After all corrections are made, the attendance and absence report is printed.		
37 Any absences for the day are recorded in Edu-Met by 12:00 PM.		
38 On a weekly basis, the school/central office administrator approves the attendance information for the previous week using an Approve button within the ADP system.	16 The school/office administrator approves the attendance information on a weekly basis.	7 The Edu-Met system automatically defaults to provide the highest percentage increase from the seven unions to non-bargaining employees. The Time and Attendance department will adjust the system based on the actual increase received based on merit.
39 The administrator prints out and initials the confirmation of approval from the ADP system as well as the "Custom Time Detail" report from ADP, the "Tardy Report" from Edu-Met, and the "Attendance Register" report from Edu-met.	17 The administrator initials the attendance reports on a weekly basis and submits the reports to the Time and Attendance Supervisor.	
40 The administrator faxes the approval confirmation and all attendance record reports to the Time and Attendance		

Human Resources		
Procedures	**Key Controls**	**Observations**
Supervisor. **Employee Benefits** 41 Employees do not pay for benefits. They are paid 100% by the District. **Salary Changes** 42 Every year, each union employee receives an increase in salary based upon the salary guide for each union. These salary guides are built into the Edu-Met system and are automatically applied to the employee's salary each new school year. 43 Until the current school year, non-bargaining employees have received increases based on the highest percentage increase given by the seven unions. Every non-bargaining employee received a pay increase. Beginning with the 2006-2007 school year, non-bargaining employees will receive salary increases based on merit only. 44 Currently, the Edu-Met system defaults to change the non-bargaining employees pay at the beginning of the next year to the highest percentage give by the seven unions. For 2006-07, the Time and Attendance department will be responsible for changing the defaulted percent increase to the appropriate amount. **Transfers** 45 Employee transfers are processed via a PTF along with all the necessary approvals as described above. 46 Employees do not receive raises unless the employee is promoted. At that time, the salary increase will be based upon the predetermined "steps" in salary, e.g. if an aid is promoted to a teacher, the aid will now be on "step one" and will earn the predetermined teacher "step one" salary.	18 The Edu-Met system automatically applies the pay increase to all union employees based on the union contract. 19 Employee transfers are processed via a PTF along with all the necessary approvals as described above.	

Financial Management		
Procedures	**Key Controls**	**Observations**
Revenues/Receipts and Receivables		
1 Revenue/sources of funding include: Federal funding, local grants, State grants, tax levies, State aid, restitutions, money from the school's cafeterias, rental monies, tuition from other districts, State Internal Audit salaries, reimbursement from Early Childhood Daycare Centers that use the District's Substitute teachers, refunds from vendors, and security/custodial charges from tenants renting space in any of the Education Buildings.		
2 All revenues/sources of funding are deposited (cash and checks) or wired (See Wires process) into the Comptrollers custodial account.		
Wires		
3 The Comptroller has a custodial bank account that is used to pay for every check processed by the District.		
4 The State electronically wires funds into the Comptroller's custodial account.		
5 Wired funds include State and Federal aid and cafeteria funding from the State and Federal government for the "Free and Reduced Lunch Program."		
6 The Accounting department receives a letter from the revenue source, prior to the wiring of the funds, detailing the amount to be wired with the appropriate program code. The Accounting department maintains the documents.	1 Letters are received and maintained within the Accounting department advising them of the funding that will be wired.	
7 The General Fund account is checked regularly by the Comptroller as to funding, cash, etc. The District Comptroller works with the Accounting Supervisor in preparing the monthly reports as described in the General Ledger Reconciliation process.		
8 Wired funds are posted to the Edu-Met system once the Accounting staff determines the funds were wired (following receipt of bank statements from Treasurer). Letters are usually received prior to the wiring to notify the staff that funding is expected (Refer to Wires process), but posting is not completed		

Financial Management

Procedures	Key Controls	Observations
until funding is in the bank.		
9 Accounting staff post the wired revenue receipts to the correct fund and grant/program within Edu-Met based on the codes provided on the bank statement and/or letter. (Wires are usually posted once a month because the Accounting department receives the bank statement on a monthly basis from the City Treasurer)		
Checks		
10 Checks are mailed directly to the Accounting department or to the Comptroller who re-directs it to the Accounting department.		
11 Upon arrival, the Accounting department stamps the back of the check "Deposit Only."		1 Checks are sent directly to the Accounting department.
12 A "Deposit Summary Form" is completed and sent to the City Treasurer's Office at City Hall, along with the check for deposit. Checks are sent to City Hall the same day they are received.	2 Checks are stamped "Deposit Only" upon arrival in the Accounting department.	
13 Treasury will deposit checks the day of receipt (if received in morning) or the day after receipt (if received later in the day).		
14 The "Deposit Summary Form" is signed by the Treasurer indicating receipt and deposit of the funds and is sent back to the Accounting department, along with the deposit slip.		
15 Accounting staff post the deposited revenue receipts to the correct fund and grant/program within Edu-Met, either on the day of receipt or the day after.		
Cash		2 The posting of receipts, in Edu-Met, by accounting staff is not reviewed or approved by the supervisor.
16 Cash is paid for items including book fines, damages caused by a child, employee ID tags, cafeteria money, and miscellaneous items.		
17 All cash payments are collected by the Comptroller.		3 The District does not have a dedicated general ledger account for activities that have consistent revenue streams.
18 Persons paying cash for items are issued cash receipts by the Comptroller. (Cash and checks are treated the same.)		
19 The cash and a copy of the receipt are forwarded to the	3 All cash payments are collected by the	

Financial Management

Procedures	Key Controls	Observations
Accounting staff.	Comptroller.	
20 The Accounting staff fills out the "Deposit Summary Form" and sends the cash and form to City Hall Treasurer for approval and deposit. Cash is sent to City Hall the same day it is received.	4 Cash receipts are issued by the Comptroller.	
21 Treasury will deposit cash the day of receipt (if received in morning) or the day after receipt (if received later in the day).	5 Copies of the receipts are maintained by the Accounting department.	
22 The "Deposit Summary Form" is signed by the Treasurer indicating receipt and deposit of the funds and is sent back to the Accounting department, along with the deposit slip.		
23 The Accounting staff posts the cash receipt in Edu-Met by usually the day of receipt or the day after. Cash is posted to "Misc. Rev" for items such as book fines, prior year claims, school property damages, Board garnishment fees and public service rebates.	6 A "Deposit Summary Form" is signed by the City Hall Treasurer to document their receipt, approval, and deposit of all revenues/cash receipts received.	
Daily Activities		
24 An excel spreadsheet is maintained by the Accounting staff to document the deposits completed on a daily basis.		
25 A "Deposit Made Form," which lists deposits made for the day.	7 Accounting staff maintain an excel spreadsheet for all daily deposits, which generates the "Deposit Made Form."	
26 Following the daily receipt posting, a "Receipts Transaction Report" is run from Edu-Met to ensure the accuracy and completeness of the deposits made and receipts posted.		
27 A "Deposit Package," including the "Deposit Made Form," the "Deposit Summary Form," deposit slip; a copy of the check / cash receipt / bank statement, and the "Receipts Transaction Report" is sent to the City Treasurer so that the City Treasurer will know which account to deposit the funds.	8 A "Receipts Transaction Report" is run from Edu-Met to ensure the accuracy and completeness of the deposits made and receipts posted.	
28 After the funds are deposited, the City Treasurer returns the deposit slip for the Accounting department's records.	9 The Accounting Unit maintains "Deposit Packages" for all receipt/deposit transactions.	
Monthly Activities		
29 On a monthly basis, the Accounting staff runs a "Monthly Receipt Transaction Report" from Edu-Met.	10 On a monthly basis, the "Monthly Receipt Transaction Report" from Edu-Met is compared to the bank statement to ensure accuracy and completeness of receipt	
30 Accounting staff verify all deposits listed on the "Report" are included in the bank statement by checking off each item and		

Financial Management		
Procedures	**Key Controls**	**Observations**
then signing and dating the statement. In addition, the Accounting Supervisor reviews and signs it.	posting. Review is evidenced by check marks on each document and documents are maintained in Accounting department.	
31 The "Report" is sent to the City's Treasurer for their review.		
Receivables		
32 Receivables are usually a result of the District not receiving tuitions from other districts, security or custodial charges, substitute charges from the Day Care Centers, and money from the State for the Internal Auditors. Receivables are minimal. Receivables have never been written off. There is no reserve fund for bad debts.		
33 For receivables that are not received, an invoice is mailed and money is then usually received within a reasonable time.		
34 Each individual AR is tracked in Excel along with all of the supporting details, including the amount of the receivable and the payee. For example, if tuition is the AR line item, then the details would list each school that owes tuition and the amount owed from each school. The Edu-Met system lacks the functionality for maintaining an AR sub ledger; only the outstanding AR total for each line item, e.g. tuition, is posted into Edu-Met (only possible if the receivable was posted by Accounting Staff – can only be done when they know they will receive it, e.g. rent charges, tuitions). An accounting staff member tracks these receivables on a monthly basis, but depending on the type of receivable, they are due at different times, not necessarily every month.		4 Receivables are recorded and tracked within Edu-Met only by the lump sum of each AR line item, e.g., tuition. An excel spreadsheet is used to track each receivables in detail. The Edu-Met system lacks the functionality for maintaining an A/R sub ledger. Spreadsheet is only reviewed by the Supervisor at year-end.
35 The spreadsheet is maintained to manage the collection of receivables. Aged receivables are reviewed as payments are received.		5 Accounting Unit does not have a manual documenting procedures and key controls. They do have an "Oracle Accounting Package" manual and an "End of Year Procedures" manual, but they are more of a step-by-step process for the employees.
36 At year-end, the spreadsheet is reviewed by the Accounting supervisor and auditors.	11 The accounting staff who prepared the reconciliation signs it as well as the Accounting Supervisor who reviews it.	
Journal Entry Processing		
37 The Accounting department is responsible for processing all		

Financial Management		
Procedures	**Key Controls**	**Observations**
journal entries.		
38 The department has a training manual for preparing journal entries into the accounting system. The document only identifies how to post the entry in Edu-Met.		
39 Journal entries are processed on a monthly basis only for Fund 30 (Lease Purchase Fund) in order to reclassify to a regular cash account, other entries are sometimes completed to reclassify from one balance sheet account to another, but are rare. The majority of entries processed are closing and opening entries. Journal entries are not frequently processed.		
40 The Fund 30 entries are completed by one Accounting staff monthly. The rare reclassifications are completed by another Accounting staff, and all closing and opening entries are completed by the Accounting Supervisor.		
41 Journal entries are prepared / posted in the Edu-Met system by either the staff or supervisor (see above).		
42 All personnel within the Accounting department have access to process journal entries. The system tracks the employee inputting the entry. If an unauthorized employee processes an entry, the supervisor may question the transaction.		6 All Accounting department personnel have access to process journal entries. There is no consistent review of a journal entry report to detect unauthorized entries.
43 Journal entries are system generated and sequentially numbered.	12 Journal entries are system generated and sequentially numbered.	
44 A binder is maintained within the Accounting Unit, to file a "Journal Entry log" and all processed entry documentation.		
45 The journal entry preparer signs and provides an explanation for the entry on the "Journal Entry log" after posting.	13 Journal entry preparer/recorder signs the "Journal Entry log" after posting.	
46 A screen printout of the entry, supporting documentation, and a journal entry form are attached and included in the binder behind the "log."	14 All documentation regarding journal entry transactions is filed and maintained in a binder in the Accounting Unit.	
47 Journal entries, not processed by the supervisor, are reviewed by the supervisor to determine the entries reasonableness, accuracy, and completeness.		7 Journal entries, not completed by the Accounting Supervisor are reviewed but not approved following
48 Once journal entries have been posted, they cannot be manually		

Financial Management		
Procedures	**Key Controls**	**Observations**
changed. If the entry must be revised, an adjusting journal entry is made by the Supervisor, or a reversing entry by the preparer.	15 Once journal entries have been posted, they cannot be manually changed.	posting.
49 All non-routine, closing and opening journal entries are recorded by the Supervisor.	16 Only the Accounting supervisor processes non-routine, closing, and opening journal entries.	8 There is no review and approval process of the journal entries completed by the Supervisor (non-routine, opening and closing entries).
Budget Preparation Process		
50 The budget is the financial reflection of the educational plan for the District.		
51 To ensure adequate time for the preparation and review of the proposed budget, the New Jersey Administrative Code (NJAC) states a schedule of events associated with the presentation and adoption of the budget.		
52 The District's budget covers the total expenditures to operate the District. The largest costs are related to salaries, benefits, out of district tuitions, and facilities.		
53 In mid-March, all state-operated school districts prepare an itemized budget and submit the budget to the Commissioner of Education.		
54 Each school is allocated a budget based on the number of enrolled students. There has not been a budget increase in the nonsalary appropriations for Fund 15, Whole School Reform funding, in three years.		
55 About a week later, the Commissioner releases state aid notice for the upcoming school year within two days of the Governor's budget message.		
56 The next day, the Commissioner approves the budget to be advertised by the District and the Superintendent presents the budget to the Board.	17 The Commissioner approves the budget to be advertised by the District.	
57 The proposed budget is set forth in detail and made available to the public as a "Budget Advertisement," as required by law, towards the end of March for the April election.	18 The proposed and accepted budget is set forth in detail and made available to the public as a "Budget Advertisement", as	
58 The public hearing on the budget is held on the last day in March		

Financial Management		
Procedures	**Key Controls**	**Observations**
(the public hearing may be held any day once the Commissioner has approved the budget and the budget and hearing date have been posted and advertised in at least one newspaper). 59 April 8th is the last day each year for the Superintendent to adopt the budget and to certify to the county board of taxation the amount of locale funds to be appropriated for use on the public schools. 60 April 8th is the last day each year to provide the budget statement certification to the Commissioner. 61 A letter is sent to each District notifying them of the Department of Education's approval of the budget in the month of June. 62 The budget is implemented in July.	required by law. 19 April 8th is the last day each year for the Superintendent to adopt the budget and to certify to the county board of taxation the amount of locale funds to be appropriated for use on the public schools.	
General Ledger Account Reconciliation 63 Monthly cash reconciliation (A148), of each funds beginning balance per the G/L is reconciled to the prior months ending balance per the G/L. 64 The reconciliation is prepared by a different Accounting staff than the one that prepares receipts. 65 The ending balance per the G/L is later reconciled to the ending balance per the City Treasury. (See Post Closing process remaining procedures).	20 Separation of duties exists between Accounting staff for the preparation of the cash reconciliation and the posting of receipts.	
Investments 66 All bank accounts are maintained by and investments are done by the City Treasurer's Office. The Board appointed them to handle this area via a Board Action Approval several years ago.		9 The City Treasurer's Office is responsible for investing all District funds. The District does not manage or have knowledge of the investments made with its funds.
Cash Management 67 All cash management is done by the City Treasurer. The Board appointed them to handle this area via a Board Action Approval several years ago.		

Financial Management		
Procedures	**Key Controls**	**Observations**
Financial Close – Month End		
68 On a monthly basis, around the 23rd day, the Accounting department receives a "Draft" Treasurer's Report (A149) (for the previous month) from the City Hall Treasurer.		
69 The Secretary's Report / Cash Reconciliation (A148) (Refer to General Ledger Reconciliation process) is reconciled by the Accounting staff to the A149 Draft. (If there are any negatives, the numbers must be researched. No negatives can exist.)		
70 A "Cash Receipts Journal," "Cash Disbursements Journal," and "Budget Report" are run from Edu-Met.		
71 The Accounting staff and supervisor sign and date the A148 once it is completely reconciled to the A149, with the use of the Edu-Met reports.	21 Accounting staff and supervisor sign and date the A148, after it is reconciled to the A149.	
72 The approved A148 is sent to the Treasurer to make any necessary adjustments.		
73 The "Final" A149 is prepared, signed and dated by the Treasurer and sent back to the Accounting department.	22 The A149 is signed and dated by the City Treasurer.	
74 The "end of period" posting is done in Edu-Met by the Accounting staff by preparing the A148. This is an Edu-Met system function as part of the end of period procedures.		
75 The "Month End Documentation" package (the A149, A148, and all other supporting documentation) is attached to a "Board Action Form" document and sent to the BA for review and approval.	23 The BA approves the "Month End Documentation" package.	
76 The package is forwarded to the Board for their review.		
77 End of period posting is completed in a timeframe of approximately 5 days. Accounting periods are closed in a timely manner because the information needs to be provided to the Board for their monthly meeting.	24 The Board reviews the "Month End Documentation" package.	
Financial Close – Year End		
78 At the end of July, the book closing process is started.		
79 Before closing the books, a full "Ledger Report" and "General Report" are run from Edu-Met, before the rollover process of prior		

Financial Management		
Procedures	**Key Controls**	**Observations**
year POs can begin.		
80 A trial balance is run from Edu-Met.		
81 A cumulative Secretary's Report (A148) is printed thru June 30. This is sent to the County by August 1.		
82 The Secretary's Report (A148) and Trial Balance must agree.		
83 All appropriate outstanding PO's are rolled over by the Accounting Supervisor in Edu-Met, utilizing the rollover system program.		
84 A "Final Trial Balance" is not run from Edu-Met until after all post closing adjustments are made as described in the Post-Closing Adjustments process.		
85 Only the "Final Trial Balance" is provided to the District auditors for the preparation of the financial statements to ensure an accurate reflection of amounts.		
86 The end of period/year" closing post is completed in Edu-Met once the Trial Balance is run, usually in September.		
Post Closing Adjustments		
87 Following the PO rollover, post-closing adjustments are processed.		
88 Post closing adjustments are only completed by the Accounting Supervisor (Refer to Journal Entry process).		
Financial Reporting (Financial Statement Report Preparation and Review)		
89 The District has fund financial statements (government funds, proprietary funds, and fiduciary funds).		
90 Financial statements are compiled by fund and the financial statement line items are consistent with the line items documented in the State of New Jersey Dept. of Education chart of accounts. The Budget Manual lists all the accounts used by the District.		
91 The Accounting department is required to complete seven		

Financial Management		
Procedures	**Key Controls**	**Observations**
specific schedules for the completion of the Comprehensive Annual Financial Report (CAFR).		
92 The schedules completed by the Accounting department are the Budgetary Comparison Schedule (C-1), the Combining Budgetary Comparison Schedule (C-1A), the Blended Resource-Fund 15-Schedule of Expenditures Allocated by Resource Type (DSL), the Special Revenue Fund – Combining Schedule of Revenues and Expenditures (He's), the Schedule of Expenditures of State Financial Assistance (Kiss), and the Student Activity Schedules (Has).		
93 The preparation of these schedules is split between the supervisor and three staff.	25 All schedules completed by the Accounting staff are reviewed and approved by the supervisor and BA.	
94 All schedules are reviewed and approved by the supervisor.		
95 Draft financial statements are provided to the BA and the Accounting Supervisor for review.		
96 The final financial statements are completed in October/November.	26 The BA sends all final audit findings, a "Corrective Action Plan" form and a brief instructional letter with a due date for "Corrective Action Plan" submissions to all respective personnel.	
97 The BA sends all final audit findings, a "Corrective Action Plan" form, and a brief instructional letter with a due date for "Corrective Action Plan" submissions to all respective personnel. The BA also meets with all accounting employees to emphasize the importance of audit compliance and improving the District's audit posture.	27 A "Corrective Action Plan" is documented and signed by the BA and the Superintendent.	
98 A "Corrective Action Plan" is documented and signed by the BA and the Superintendent.	28 The "Corrective Action Plan" is approved by the Board.	
99 The audit report is presented to the Board in December and the Board approves the "Corrective Action Plan."	29 A "Certification of Implementation of Corrective Action Plan" is signed by the BA and the School District Administrator.	
100 A "Certification of Implementation of Corrective Action Plan" is completed and signed by the BA and School District Administrator to document the status of implementation at the end of June.		

Financial Management		
Procedures	**Key Controls**	**Observations**
Student Activities Fund – Reporting of School Level Activity		
101 School Level Activities are funded with the General Fund or the Student Activities Funds.		
102 If the school determines to request the use of the General Fund to fund their School Level Activity, the Procurement Procedures are followed as described in the Purchasing process and Accounts Payable process in the Appendix to this report.		
103 All transactions processed through the General Fund are paid and reported through the Edu-Met system as described in the Accounts Payable process in the Appendix to this report.	30 Refer to the Accounts Payable and Purchasing for key controls identified.	
Student Activities Accounts – Establishment		
104 The Principal of a school that requests a new Student Activities Bank Account for a class or activity approves the account and completes a 'Board Action' form. This form is approved by BA, State District Superintendent, and the Paterson District Board of Education (Board). The Principal is responsible for opening the Student Activities Bank Account at the bank.	31 The Principal completes a 'Board Action' form for the approval of a new Student Activities Bank Account. It is submitted to the BA, the State District Superintendent, and the Board for approval.	
105 The supervisor of a fund-raising activity involving the school and students, e.g. a car wash fundraiser, completes a "Request for Fundraising Activity Form." This form is submitted to the Superintendent for approval. After the activity has been approved, the Student Activities Bank Account is used to manage funds received and expended from this activity. These activities are funded solely through fundraising at the school level.	32 A "Request for Fundraising Activity Form" is approved by the Superintendent for prior approval of proposals for any fund-raising activities.	10 Per discussion with District management, it was noted that not all fundraising activities are approved by the Superintendent.
106 Budgets are established at the school level and there are no fund balance limits.		11 If the student activity money raised is greater than the cost of the activity that the fundraising event was intended to support, the excess funds remain in the Student Activities Bank Account and are used to support the next activity.
107 All monies accumulated in an account of a specific class or activity will revert to the student activity fund upon the graduation of that class or the discontinuance of the activity.		
Student Activity Accounts – Receipts and Disbursements **Receipts**		

Financial Management

Procedures	Key Controls	Observations
108 Funds collected through fund-raising are safeguarded by the Principal or his or her designee until deposited into the appropriate Student Activity Bank Account. All funds are deposited within 48 hours of receipt. 109 A receipt is given to the contributor of funds using a triplicate, pre-numbered standard receipt form. The Principal or fund-raising treasurer maintains a copy of this receipt with the deposit slip attached. Receipts identify the activity in which funds were received, name of the contributor, date, whether the contribution was check or cash, and are signed by the recipient. 110 A cash receipts journal is maintained by the Principal or designee to record all transactions. The cash receipts journal includes the date, receipt number, description, amount, and the total amount deposited. A check register is also maintained. The Staff Accountant is notified of all deposits during the quarterly review of each account. 111 The bankbook documents and ledger are updated with the interest earned for the school year, up to and including June 30th. **Disbursements** 112 Fund-raising expenditures are pre-approved by the Principal or SA Treasurer through the "Expenditure Authorization Form." This form requires the account title and number, date, payee, amount, name of activity, and two signatures. Only the Principal, Vice Principal, or SA Treasurer are authorized to sign the 'Expenditure Authorization' form. Only the Principal and Student Activity Treasurer (SA Treasurer) have authorization to write checks. All payments for fund-raising supplies, equipment, and services are made in accordance with the expenditure authorization form. 113 All expenditures incurred for a particular activity are expended from the account in which the activity funds were deposited. 114 No cash disbursements are made. All payments for goods or services are made by check and recorded in the cash disbursement journal. Only the Principal and SA Treasurer are	33 Collected funds are safeguarded by the Principal or his/her designee. 34 All funds are deposited within 48 hours of receipt. 35 Receipts are issued to the contributor of funds. 36 Receipts are signed by the recipient. 37 A copy of the receipt is attached to the deposit slip by the Principal or Treasurer to verify that the receipt date and deposit slip date match. 38 A cash receipts journal and check register are maintained by the Principal or designee to record and track all transactions. 39 Fundraising expenditures are approved by the Principal and SA Treasurer through the 'Expenditure Authorization' form. 40 The Principal and SA Treasurer are the only authorized individuals able to write checks.	12 The Board policy states that all student activity funds must be turned in to the Principal within 24 hours of collection and deposited the same day. However, the Principal does not always deposit the funds within that period. 13 Per the policy manual, all payments for fund-raising supplies, equipment, and services are documented and approved with the Expenditure Authorization Form except for purchases under $50. However, the Staff Accountant requires all purchases to be recorded and approved with the expenditure authorization form.

Financial Management

Procedures	Key Controls	Observations
authorized to write checks.	41 Checks must have two signatures and may not be pre-signed.	
115 Checks require two original signatures, the Principal or Vice Principal and the other authorized person as noted on the signature card. Any changes to the original account structure, e.g. titles, signatures, are approved by the Principal. Checks are not pre-signed.	42 Any changes to the original account structure, e.g. titles, signatures, are approved by the Principal.	
116 A cash disbursements journal is maintained by the Principal or designee to record all transactions. The cash disbursements journal includes the date, check number, payee, description, and amount. The supporting documents (vendor's invoice, cash register receipts, etc.) and an 'Expenditure Authorization' form, with two signatures are also maintained. If any documents are missing, an explanation must accompany these documents and the Principal must approve (signed) them.	43 All disbursements must have supporting documents (vendor's invoice, cash register receipts, etc.) and a properly authorized voucher. If any documents are missing, an explanation must accompany these documents and the Principal must approve (signed) them.	
Bank Reconciliations	44 Bank reconciliations are completed and signed monthly by the SA Treasurer. The Principal approves and signs the reconciliations.	
117 The SA Treasurer completes bank reconciliations monthly. The Principal approves and signs the reconciliations. All supporting documentation (e.g. bank statement, deposit slip, etc.) is maintained with it as well.		14 The SA Treasurers, who are responsible for the bank reconciliation, are not trained on how to prepare one.
118 Financial reports are completed monthly.		15 The bank reconciliations are not always approved by the Principal. The Staff Accountant signs the bank reconciliation to approve them after they have been reviewed.
119 The SA Treasurer also maintains a summary of transactions (receipts and disbursements).	45 A summary of transactions (receipts and disbursements) and all supporting documentation is maintained by the SA Treasurer.	16 The SA Treasurer and Principal are authorized to write checks and prepare and approve the bank reconciliations.
120 Completed reconciled books are submitted to the Comptroller no later than July 31st.		
Student Activity Accounts – Monitoring		
121 The Staff Accountant requires a representative from each school, referred to as the "contact," to prepare a packet of information each quarter. The contact submits all supporting documentation regarding each account to the Staff Accountant at the District. This packet includes the monthly bank reconciliations, bank statements, cash receipts journal (with pre-numbered receipts and deposit slips) and cash disbursements journal (with	46 All information maintained by the SA Treasurer is submitted to the Staff Accountant from the designated "contact" for a quarterly review.	

Financial Management		
Procedures	**Key Controls**	**Observations**
expenditure authorization forms and invoices or receipts), the check register, and the general ledger (monthly financial reports). This information is provided to the Accountant in person.		
122 When the information is provided to the Accountant, the "contact" signs a letter stating the packet has been submitted, the school it represents, and the date it was submitted. This letter is given to the contact and a copy is kept with the Staff Accountant.	47 The Staff Accountant signs a letter stating the packet has been submitted, the school it represents, and the date it was submitted.	
123 The Staff Accountant maintains a checklist of the requested information for each account, indicating which items are missing from the packet.	48 The Staff Accountant maintains a checklist of the requested information for each account in order to determine which items are missing.	
124 The Staff Accountant then notifies the school contact until all necessary documents have been collected. A list of school contacts is maintained by the Staff Accountant to ensure that each school holds someone responsible for providing the necessary documentation required in these packets.		
125 The Staff Accountant reviews the bank statements and the bank reconciliations from each school and verifies the deposits with the receipts provided within the information packet.	49 The Staff Accountant reviews the bank statements and the bank reconciliations from each school and verifies the deposits with the receipts provided within the information packet.	
126 The Staff Accountant reviews the cash disbursements. First, the 'Expenditure Authorization' form is checked to ensure the expenditure was properly approved and there are two authorized signatures. Then the Staff Accountant reviews the copy of the check to ensure the two appropriate signatures are present. The back up information is then reviewed, e.g. an invoice or receipt is reviewed to ensure that it accurately agrees to the check information.		16 The District's Staff Accountants review of each student activity account is not reviewed by a Supervisor.
127 When all documents have been reviewed, the Staff Accountant makes a note below the checklist that the account has been reviewed, e.g. "September – Successfully Completed" and signs the checklist. A copy of this is provided to the school contact.	50 When all documents have been reviewed, the Staff Accountant makes a note below the checklist that the account has been reviewed, e.g. "September – Successfully Completed" and signed the checklist.	
128 If all of the documents have not been received, the Staff Accountant makes a note below the checklist of any outstanding documentation and notes the account incomplete, e.g.	51 This letter and the checklist are signed by the person picking up the documents and a	

Financial Management		
Procedures	**Key Controls**	**Observations**
"September – Incomplete." 129 The packet of information is then picked up along with the copy of the checklist and a letter stating the school that it represents and the date it is picked up. This letter and the checklist are signed by the person picking up the documents and a copy is left with the Staff Accountant. The Staff Accountant also informs the contact of any outstanding documentation and requests them immediately. 130 A list of all school SAAs is maintained by the Staff Accountant. Each time an account review is complete the Accountant marks the checklist.	copy is left with the Staff Accountant. 52 To ensure that every account is reviewed, the Staff Accountant marks the checklist after each account has been successfully reviewed.	17 The Staff Accountant's work is not reviewed or integrated systematically into the Edu-Met system.

Facilities Management

Procedures	Key Controls	Observations
Maintenance - Processing Work Orders		
1 Select employees from each facility may enter a work order (WO) for the maintenance or repair of facility components. Each requester has a Login name and password in Schooldude where they can enter their work request directly.	1 A WO is submitted through schooldude.com using a universal user name.	1 The Facilities Management department does not have current policies and procedures documented.
2 The Sector Supervisor then checks for these requests using schooldude.com. Schooldude is a program that tracks corrective work orders as well as initiates preventive maintenance work orders. It enables the Facilities department to provide detailed reporting required by the New Jersey department of Education (NJDOE). Information for major divisions of work and specific scheduled activities are also made readily available to assist in accurate budget preparation.		2 Since schooldude.com was integrated in March, there have been over 6,000 WOs and currently there are over 2,000 outstanding. Due to the volume of WOs, there is typically many overtime (OT) hours that are incurred. 3 The Director of Building and Grounds does no review and approve every WO that is requested.
3 Once the Sector Supervisor locates the WO request on schooldude.com, which is also a tool for WO process flow, he or she determines the request is a valid work order. If the request is not valid, the status is changed to "Declined" and the Supervisor enters a reason into the "Action Taken" box.	2 The Sector Supervisor determines if the WO is warranted.	
4 If a WO is valid and necessary, the Sector Supervisor determines whether the work can be performed by the Chief Custodian or the Maintenance department.		
5 If the Chief Custodian can complete the work, the work order is assigned to him and the status changed accordingly.		
6 If the Maintenance department can complete the work, the Work Order Clerk, assigns the work to In-House staff or a pre-arranged outside contractor.		
7 If a contractor is assigned, the Work Order Clerk issues a WO to the appropriate contractor and selects "contractor" in the "Assigned To" box and changes status to "Forwarded."		
8 If the work is assigned to In-House, a Foreman is selected in the "Assigned To" box and the status is changed to "Pending" and the Work Order clerk prints and distributes to the proper Foremen.		
9 The assigned foreman then schedules the work to and the status		

Facilities Management

Procedures	Key Controls	Observations
is changed to "Work in Progress" on the day is it scheduled for.		
10 The Foremen schedule WOs based on priority of the job, not the order they are received. There are always several outstanding WOs, which are monitored on a weekly basis.		
11 The Board of Education (Board) directs that the Facilities Director be responsible for the supervision of all building construction in the District.		
12 Once the work is completed by a Foreman, he or she submits the hours worked to the Work Order Clerk who enters the data into schooldude.com. The hours are entered and the status is changed to "Complete." Any OT worked is pre-approved and an overtime approval sheet approved by the Maintenance Supervisor is attached to the WO.		4 Any travel time incurred while completing a WO is rolled into the total number of hours it takes to complete a job; it is not broken out.
		5 There is no documentation of the inspection before jobs are closed.
13 The Sector Supervisor inspects completed jobs and the work requestor to ensure it was done satisfactorily and then the status is changed to "Closed." Status can be changed to "Closed" prior to the inspection by the Sector Supervisor depending on the complexity of the job whether or not it needs to be inspected. All contractor jobs are inspected prior to authorizing payment.		6 There is no system in place to track the inventory stored at the warehouse and used for repairs, e.g. wood.
14 For all WOs processed In-House, all items needed for repairs (e.g. wood, tools, etc.) are stored in one central warehouse or are ordered as needed through the PO process as described in the Purchasing process in the Appendix to this report.		
15 Any job that is not completed on site is completed in one central repair shop. All employees are required to scan their identification (ID) card at the beginning and end of their shift each day.		
16 If a requested WO is an emergency, the NJAC makes a provision for expediting the procurement process. On rare occasions, the District has declared an emergency in accordance with this provision and had the work done accordingly.	3 To track OT worked on each job, OT hours are attached to the specific WO. Any OT worked is pre-approved and an overtime approval sheet approved by the Maintenance Supervisor is attached to the WO.	
Assigning work to appropriate contractors		7 The District does not have procedures for assigning the estimated hours required to complete a job
17 The Work Order Clerk requests estimates from pre-arranged vendors. The Maintenance Supervisor or Director then decides		8 There are no benchmarks to help determine what a good estimate would be for a particular WO.

Facilities Management

Procedures	Key Controls	Observations
whether to accept it. In the case of pre-arranged contractors, where there is an annual time and material contract, Maintenance Supervisor or Director look at the estimate for reasonableness and check the balance available on the PO to ensure there are sufficient funds still available to complete the work. In other scenarios, the Facilities department follows the procurement regulations in the NJAC to solicit quotes or bids as appropriate or a state contract is utilized if available. The prices are evaluated and the contract awarded in accordance with NJAC requirements.	4 The Sector Supervisor inspects completed jobs and the work requestor to ensure it was done satisfactorily and then the status is changed to "Closed."	9 Cost overruns exist. In addition, job estimates are not currently included in the functionality of schooldude.com software.
18 The only property purchased is pickup trucks, which are purchased through state contracts.		10 The Purchasing department does not handle the RFP process for Buildings and Grounds.
19 Every contract is approved by the Board at the monthly board meeting. The District requires every contract to have a 100 percent performance bond.	5 Maintenance staff scans their ID card when entering and leaving the central repair shop to record the number of hours worked.	11 Requiring every contract, even utilities, to have a 100 percent performance bond is not required by the State and greatly reduces the number of bids received.
20 The disposal of every contract also requires Board approval.	6 Every contract is approved by the Board.	12 Board's approval on every new and disposed of contract can hinder necessary work from being performed because the approval process is time consuming.
Health and Safety		13 Health and safety policies are not followed.
21 The District has health and safety policies established.		14 Staff is not trained on the health and safety policies.
Planning	7 Every contract disposal is approved by the Board.	15 The current staff and budget was not considered when the five-year maintenance plan was developed, therefore, is not predicted to be completed in five years.
22 The Director developed a five-year maintenance plan to have all buildings in the District painted.		16 When the City holds events at school facilities, the District does not receive compensation from the city for its custodial and security coverage.
Additional Responsibilities – City Activities		
23 The City uses District resources (school facilities) to hold City activities. The District provides custodial and security coverage, pays for the Recreation Director (classified as a teacher on assignment), and pays for the cost of some equipment. These activities often result in overtime for these employees.		

Food Services

Procedures	Key Controls	Observations
Vendor Selection		
1 The District's Purchasing department issues a request for proposal (RFP) for Food Service contracts each year in February and March to begin on July 1st and to end on June 30^{tth}.		1 The Food Services department does not maintain a manual of standard policies and procedures or internal controls.
2 The Operations Manager is responsible for preparing these RFPs. The Purchasing department is responsible for advertising the RFPs and collecting the bids as discussed in the Purchasing procedures.	1 Operations Managers prepare all RFP's.	
3 The Operations Manager works with the Purchasing department to analyze the bids and award contracts to 20 to 30 bidders. The criterion used to select vendors includes the price, quality, taste, smell, texture, and appearance of the offered food products. Generally, one-year contracts are negotiated with an option to extend.	2 The Purchasing department advertises RFPs and collects bids. 3 Bids are analyzed by the Operations Manager and the Purchasing department.	
Inventory – Ordering and Tracking		
4 After the vendors have been selected, the Operations Manager and Food Services Accountant work on the encumbrances for the 20 to 30 vendors. Budget encumbrances are made for the total estimated amount that will be spent throughout the year for each vendor based on the respective vendor's contract.		2 As evidenced below, the ordering process is a manual process.
5 If the vendor's goods are still needed, but the encumbered amount is almost exhausted, the Accountant will fax a request to the Comptroller to increase the amount of the original PO or issue a new PO. The Supervisor signs the increase request.	4 New POs are required for an order change of more than 10%. The Supervisor signs the increase request. The Comptroller approves increases in POs.	
6 About 85% to 95% of the budget is spent against the encumbrances and therefore most of the Food Services budget is allocated to the initial choice of vendors selected from the RFPs. The remainder is used for new vendors, not selected from the RFPs, throughout the year for special orders. A reserve is also allocated for emergencies. The budget is based on the expenditures from the previous year and forecasting items, e.g. the number of schools opening and closing, how much the cost of milk will rise, etc.		3 Certain vendors do not go through the RFP process, particularly the vendors associated with special events. 4 Schools do not have access to the Horizon system. Instead, Cafeteria Managers fax orders to the Food

Food Services		
Procedures	**Key Controls**	**Observations**
7 Orders to vendors are placed on a weekly basis by the Operations Manager to replenish the warehouse. Inventory at the warehouse is automatically tracked by Horizon; as items leave the warehouse, the number of items in Horizon is reduced. The Field Managers place weekly orders to the warehouse, which are faxed to the Food Services office by the Cafeteria Managers, to replenish the schools.		Services department. 5 There is no secondary review of the order placed to the vendors by the Operations Manager to replenish the warehouse.
8 The Cafeteria Manager records the number of meals prepared, served, and left over in the 'Daily Production Record' form. This form is used to note trends and to assist the Cafeteria Mangers in placing orders each week. A copy of the 'Daily Production Record' is maintained by the Cafeteria Manager and the original is sent to the Food Services office.	5 Operations Managers place weekly orders to vendors to replenish the warehouse.	6 There is no review of the 'Daily Production Record' form recorded by the Cafeteria Manager. 7 Completing the Daily Production Record is a manual process.
9 Invoices are paid on a monthly basis out of the cafeteria fund per the A/P process as discussed in the Financial Management processes.	6 Field Managers place weekly orders to the warehouse to replenish the schools.	
Warehouse Inventory		
10 Dry, canned, and frozen food items and paper goods are stored at a central warehouse. All perishable items are stored in freezers and a refrigerator.	7 A 'Daily Production Record' form is recorded by the Cafeteria Manager to monitor trends and assist in placing orders.	
11 The Warehouse Manager receives shipments (ordered by the Operations Manager) at the warehouse.		
12 The Warehouse Manager and staff sign and date the invoice and document any back orders and damaged inventory that was delivered.		
School Inventory		
13 The schools store milk, bread, frozen foods, produce, and all inventory needed to prepare meals. All perishable items are stored in refrigerators and freezers.		
Items Ordered from the vendor	8 The Warehouse Manager and staff sign the invoice documenting the receipt of the shipment.	
14 The Cafeteria Managers takes a weekly inventory of the goods on hand to determine what will need to be ordered.		

Food Services		
Procedures	**Key Controls**	**Observations**
15 A faxed order is sent to the Field Managers, located at the Food Services office, at the end of each week by the Cafeteria Managers for any items that will be ordered directly from the vendor and delivered to the school (will not be ordered from the warehouse).		8 Field Managers review of orders and set par levels is not documented.
16 The Field Managers check the orders to ensure the Cafeteria Managers have not requested anything exceeding the set par levels. After the order is approved, the Field Manger initials the order. Par levels are the maximums that a Cafeteria Manager can order of any one item.	9 The Cafeteria Managers takes a weekly inventory of the goods on hand to determine what will need to be ordered.	9 Par levels are not reevaluated on a consistent basis and are based on a total number of meals, not the type of meal.
17 After all Field Managers have approved the orders, the Operations Manger consolidates the orders and faxes it directly to the vendor. These orders typically include bread, produce, beverages, and snacks.	10 Requested orders are reviewed by the Field Managers to ensure set par levels are not exceeded before forwarding order to vendors. After the order is approved, the Field Manger initials the order.	10 Cafeteria Managers do not have access to the Horizon system to enter their food orders directly. Therefore, they submit their orders manually via fax.
18 The Cafeteria Manager at each school inspects all deliveries made to the school to ensure that everything that has been ordered has been delivered.		
Items Ordered from the warehouse	11 Warehouse ordered items are entered into Horizon by the Secretary at the Food Services office.	
19 If the Cafeteria Manager requests inventory from the warehouse, the order is faxed to the Food Services office, but before the Field Managers look at it, the Secretary enters the order into Horizon, prints out a hard copy of the order, and gives it to the Field Managers for review.		
20 The Field Managers pull up the order in Horizon and compare it to the hardcopy to ensure that the Cafeteria Managers have not requested anything exceeding the set par levels. After the order is approved, the Field Manger initials the order. After all Field Managers have approved the orders, the Operations Manger consolidates the orders in Horizon.	12 Requested orders are reviewed by the Field Managers to ensure set par levels are not exceeded before handing order to the warehouse. After the order is approved, the Field Manger initials the order.	11 The order is picked and delivered by the drivers. 12 There is no check to ensure that the inventory listed on the pick ticket is the inventory being picked and loaded onto the delivery trucks. The Cafeteria Managers may or may not verify that they have received the correct order at the school.
21 The Warehouse Manager pulls up the order in Horizon to check par levels and to ensure that the requested inventory is in stock.	13 The Warehouse Manager completes a second review of orders received from the Field Managers ensuring the set par levels are not exceeded.	13 There is no requirement for the Cafeteria Managers to check off the inventory received at the school. The Cafeteria Manager does not record the deliveries made.
22 The Warehouse Managers creates a 'pick ticket' for the delivery. A 'pick ticket' is used by the delivery truck drivers to inform them	14 A 'pick ticket' is created by the Warehouse	

Food Services

Procedures	Key Controls	Observations
of what inventory needs to be picked off the warehouse shelves and where it is to be delivered.	Manager to inform delivery truck driver of what inventory to select and deliver.	
Inventory Spoilage		
23 Milk is delivered everyday without an order per agreement in the contract with the milk vendors. Any changes are made via phone call. Occasionally, a milk vendor will leave milk outside and cause the milk to spoil. It is written in the contract that the District will not pay for any milk left outside of the school.		
24 Each school is federally mandated to comply with Hazard Analysis Critical Control Point (HACCP). Beginning with FY 2006-07, HACCP requires each school to check the temperature of the food and refrigerators on a daily basis. Appliances are maintained by the Cafeteria Manager and if a repair is needed, the Cafeteria Manger will have the repair vendor fix the appliances within 24 hours.		14 Schools do not record or maintain the temperatures of the food and refrigerators taken on a daily basis to comply with HACCP.
25 If inventory spoils in the warehouse or at the schools, Food Service is responsible for this cost and there is no reserve in the budget for the cost of spoilage.		15 There is no allocation within the budget for spoilage, aside from the reserve to pay for emergency/routine repairs or replacements.
26 If an appliance needs to be fixed in the warehouse, the repair vendor will fix the appliance immediately or replace the appliance.		
Free and Reduced Lunch Eligibility and Monitoring		
27 Applications for the Free and Reduced Lunch program are delivered to each school from the District on the first day of school. It is the school's responsibility to distribute the applications to the students.	15 Applications for the Free and Reduced Lunch program are distributed by schools and returned to schools or the Food Services office.	16 As evidenced below, the cash collection and monitoring processes is a manual process.
28 Once received by the student, the application must be returned within 10 days to the school or to the Food Services office.		17 Applications do not require documentation to prove their income.
29 When the applications are received at the Food Services office, the Internal Monitor enters in the application data into Horizon, which determines whether the student is eligible for the free or reduced lunch program (based on the Federal income poverty line for a given number of individuals).	16 The Internal Monitor enters the application data into Horizon.	
30 Horizon also generates a letter stating the student's eligibility,	17 Letters are automatically and electronically	

Food Services		
Procedures	**Key Controls**	**Observations**
which is sent to the respective school. The letter is given to the student's homeroom teacher who gives it to the student. The student is then responsible for bringing it to their parents.	generated from Horizon for each student.	
31 Horizon generates a "Student Roster," which illustrates each school in the District and its respective student eligibility status.		18 The Lead Monitor does not always update the tickets each month. Therefore, when the Cafeteria Manager records the number of students eligible in the program on the weekly sales report, the number may be wrong.
Collections – Kindergarten through Eight Grade	18 A "Student Roster" is automatically and electronically generated from Horizon for use by the schools Lead Monitor.	
32 The student roster (for a given school) is sent to each school's Lead Monitor. In some schools, the Lead Monitor creates a 'lunch ticket' for every student based on the roster. Each ticket has a code on it identifying whether the student is eligible for a free, reduced, or full paid lunch. Before entering the cafeteria, the Lead Monitor distributes a ticket to each student. Some schools do not create these tickets and instead use the student roster to identify who is eligible.	19 A 'lunch ticket' is created for and used by each student to receive lunch.	
33 There are no cash registers in the cafeteria. Students pay for their meals in their homeroom or directly to the Cafeteria Manager when the students arrive at school in the morning or during the lunch period. The homeroom teacher collects the lunch money from each student. The homeroom teacher brings the money to the Cafeteria Manager. One school that does not have a cafeteria; the students eat in the community college's cafeteria located next to the school.		19 The homeroom teacher does not know which students are eligible for a free, reduced, or full paid lunch when he/she is collecting the money. He/She relies on the student to know. Sometimes students do not give their homeroom teacher any money and receive a free lunch in the cafeteria even though the student is not eligible for a free lunch. The Cafeteria Manger and the employees collecting tickets do not know whether the student paid for lunch earlier that day in their homeroom class.
34 In the cafeteria, each student picks out their lunch and then waits on a serving line. The Cafeteria Manager or another employee (trained to recognize a complete meal), ensures that each student has picked a complete meal.	20 Students pay for their meals in their homeroom or directly to the Cafeteria Manager when the students arrive at school in the morning or during the lunch period.	20 The District pays the community college $5.00 per meal, but is only reimbursed up to $2.50 per meal.
35 The Cafeteria Manager or other trained employee will then take the student's ticket, or in schools that do not use tickets, checks them off on the roster. If the student does not have a ticket, the employee at the point of service checks off the student's name on the student roster.		21 The homeroom teacher is not required to sign to acknowledge the amount of lunch money submitted. 22 The teachers have possession of the money until it is handed to the Cafeteria Manager. There is no policy mandating when the money is given to the Cafeteria Manager.
36 After the lunch period, the Cafeteria Manager tabulates the tickets or the roster (depending on the school) and creates a 'Consolidation Report', which lists, by homeroom, the total	21 Collecting 'Lunch tickets' or the process of checking each student off on the 'roster' is completed by the Cafeteria Manager or	23 The 'Consolidation Report' is not signed by the

Food Services

Procedures	Key Controls	Observations
number of students who received a free, reduced, and full price lunch and therefore how much money should have been collected that day. The Consolidation Report is used to generate the Weekly Sales Report.	other trained employee. 22 A 'Consolidation Report' is created daily by the Cafeteria Manager based on the 'lunch tickets' or 'roster'.	Cafeteria Manager. 24 As observed in the walk-through, most schools do not submit their consolidation reports to the Food Services office.
37 The Cafeteria Manager completes the Weekly Sales Report, which records the free, reduced, and fully paid meal sales and the number of meals claimed each day that week. It also records the enrollment for the month and the number of free and reduced eligible students.	23 The Cafeteria Manager utilizes the 'Consolidation Reports' to create a 'Weekly Sales Report.' 24 A 'Money Collection Tally Sheet' is completed and signed off by the Cafeteria Manager.	25 The Cafeteria Manager is not required to sign the 'Weekly Sales Report'. 26 As observed in the walk-through, the amount of money collected from these students was not recorded on the 'Weekly Sales Report.'
38 The Cafeteria Manager also completes and signs a 'Money Collection Tally Sheet', which indicates the amount of money collected for the day and therefore what is to be deposited later. The Cafeteria Manager signs the tally sheet before the money is deposited.		27 There is no review of the 'Consolidation Report' and 'Weekly Sales Report' created by the Cafeteria Manager.
Collections – High School		28 There is no reconciliation of the amount collected directly from the students and from the homeroom teacher to the amount that is supposed to be collected as seen on the 'Consolidation Report'.
39 The student roster (for a given High School) is sent to each school's Lead Monitor. The Lead Monitor creates lunch tickets based on the roster for every student who is eligible for a reduced or free lunch.	25 'Lunch tickets' are distributed to high school students at the beginning of each month.	
40 High school students receive their free or reduced 'lunch ticket' at the beginning of each month in the Registrar's office. Students who are not eligible for the Free and Reduced Lunch program are not issued tickets.		
41 In the cafeteria, each student picks out their lunch and then waits in a serving line. The Cafeteria Manager or another employee (trained to recognize a complete meal) ensures that each student has picked a complete meal. The students pay for their meals at the cash register and the cashier punches a hole in the student's ticket for each day of the month the student is served.	26 In the high schools, all money is collected by the cashier. 27 The cashier punches a hole in the students 'lunch ticket' for each day of the month the student receives lunch.	29 As observed in the walk-through, tally sheets were not always signed by the Cafeteria Manager.
42 At the end of the lunch period, the cashier provides the Cafeteria Manager with the cash, the cash register tape, and the 'Tally' sheet. In the high schools, the cashier is responsible for completing and signing a 'Money Collection Tally' sheet, which indicates what has been collected for the day and therefore what	28 In the high schools, the cashier completes and signs a 'Money Collection Tally' sheet verifying the amount collected for the day and what is to be deposited later.	

Food Services

Procedures	Key Controls	Observations
is to be deposited later. The Cafeteria Manager signs the tally sheet before the money is deposited.	29 All cash, cash register tape, and the 'Tally' sheet are 'packaged' together and given to the Cafeteria Manager.	
43 The Cafeteria Manager tabulates the cash register tape, which notes the number of meals claimed (whether free, reduced, or full price meal) and the price of each meal. This information is used to generate the Weekly Sales Report.		
44 The Cafeteria Manager completes the Weekly Sales Report, which records the free, reduced, and fully paid meal sales. It also records the enrollment for the month and the number of free and reduced eligible students		30 The Cafeteria Managers do not always request the Security Guards to pick up the money when they have reached $40.
Cash Maintenance		
45 The Cafeteria Manager collects cash directly from the students and from homeroom teachers in grades Kindergarten through eighth. The Cafeteria Manager collects cash from the cashiers in the cafeteria at the high schools.	30 Cash is collected when the school has received $40 or by the end of the month.	
46 After the money has been collected, it is picked up either for bank deposit daily, twice a week, or weekly depending on the school. Cash is collected when the school has received $40 (recorded on the weekly sales report) or by the end of the month. Money is held in a safe in the Principal's office until it is deposited.	31 All uncollected money is held in a safe in the Principal's office until it is deposited.	
47 When the deposit is ready, the Cafeteria Manager prepares a deposit slip and places the money and deposit slip into a disposable bank bag, and seals the bag. The Cafeteria Manager also records the bank bag number on the weekly sales report next to the amount to be deposited.	32 Deposit slips are generated and deposit bags are prepared by the Cafeteria Manager.	31 The review of the 'Weekly Sales Report' by the Field Managers is not documented.
48 The District Security Guards picks up the bank bag and deposits the money in the cafeteria fund.	33 The Cafeteria Manager initials the 'Monthly Bank Log Sheet' when the Security Guard picks up a bag.	32 There is no review of the manual data entering by the Secretary.
49 When the Security Guard picks up the bag, the Cafeteria Manager initials a log indicating that the bag was picked up. The Cafeteria Manager also records all of the bank bag numbers (bags that have been picked up) into one log (separate from the weekly sales report) called the Monthly Bank Bag Log Sheet, which is signed by the Security Guard.	34 The Security Guard signs off on the Monthly Bank Log Sheet verifying the accuracy of the documented bag numbers listed as having been picked up.	33 The review of the 'Edit Check Report' is not documented.

Food Services		
Procedures	**Key Controls**	**Observations**
Reimbursement by the State		
50 Food Services receives reimbursements from the State and Federal government after the meal has been served. The amount depends upon what kind of meal it is (breakfast, lunch, after school snack, or summer meals) and whether the child paid nothing, a reduced price, or a full price.	35 On a monthly basis, 'Weekly Sales Reports' are sent to the Food Services office. 36 Field Managers review the 'Weekly Sales Report.'	
51 After the last day of each month, all schools send their 'Weekly Sale Reports' to the Food Services office. The Field Managers review the reports and give it to the Secretary.	37 The Secretary manually enters the data into Horizon.	34 The review of the data entered on the State's website by the Secretary is not documented.
52 The Secretary enters this data into Horizon, which generates an 'Edit Check Report,' which lists the total number of free, reduced, and paid meals served for the month at each school. It also lists the number of students on file who are eligible for the program at each school as seen on the weekly sales report. The Secretary gives this report to the Director for review. The Director reviews the report to ensure that the number of served meals for the free and reduced program does not exceed the number of students on file who are eligible for the program. The report is then filed away at the office.	38 Horizon automatically and electronically produces an 'Edit Check Report.' 39 The Director reviews the 'Edit Check Report' for any anomalies at each school and also ensures that the number of served meals for the free and reduced program does not exceed the number of students on file who are eligible for the program as seen on the weekly sales report.	
53 The State and Federal Government reimburses the cafeteria fund through vouchers submitted on the State website. Every month, the Secretary logs onto the State's website and enters the data provided in the 'Application Summary' and the 'Edit Check Reports' into a voucher for each school. The 'Application Summary' is a summary of all free, reduced, and paid meal applications on file at every school. It also includes the identifying school number, number of days served for the month, and enrollment for the month. This summary is prepared on a monthly basis by the Director using Horizon.	40 On a monthly basis, the Director prepares an 'Application Summary' report from Horizon. 41 On a monthly basis, the Secretary manually enters data from Horizon's 'Application Summary' and 'Edit Check Report' onto the State's website.	35 The comparison of the 'Reimbursement Voucher Worksheet' and the vouchers submitted is not documented.
54 After the data is entered into the vouchers for each school, the Director reviews the entered data for each school, submits the report, and provides a printout to the Comptroller. 55 The Director also runs a report in Horizon, called a "Reimbursement Voucher Worksheet." This report lists the total	42 The Director reviews the data entered on the State's website prior to submission of the report.	

Food Services

Procedures	Key Controls	Observations
number of free, reduced, and paid lunches, breakfasts, and after school snacks claimed. Each number is multiplied by the State and Federal rates. This report is compared to the vouchers submitted on the State's website to ensure the data entered was correct.	43 The Director uses Horizon to produce a 'Reimbursement Voucher Worksheet.'	
56 The Director informs the BA that the data has been submitted and the BA goes onto the website and certifies the report.	44 The Director compares the 'Reimbursement Voucher Worksheet' to the vouchers submitted on the State's website to ensure accuracy.	
57 In two to three weeks, the State and Federal Government wires the total amount reimbursable into the general fund. The Comptroller then wires this exact amount into the cafeteria fund.	45 The Business Administrator certifies the report submitted.	
58 When the State and Federal reimbursement is received for the "Free and Reduced Lunch Program," the Comptroller checks the amount reimbursable as stated on the voucher printout totaling the amount reimbursable for all schools and provides it to the Comptroller.	46 The State of New Jersey (the State) does not reimburse the District before the data is certified.	
59 Once the Comptroller has ensured that the correct amount of money has been received, the Comptroller wires this exact amount into the Cafeteria Fund.	47 The Comptroller checks the amount reimbursable as stated on the voucher printout to the State and Federal reimbursement to ensure the correct amount has been received.	
Payment to the Food Vendors		
60 When deliveries are made to the schools or the warehouse, an invoice or delivery ticket acts as the receipt for the delivered goods (not the "Receiving" copy of the PO because that is sent directly to the Food Services department) and the recipient signs the invoice or delivery ticket and sends it to the Food Services Accountant.		
61 Vendors send in statements on a weekly or monthly basis. Once received, the Food Services Accountant reconciles the statements to the invoices or the delivery tickets (whichever is applicable) and they are attached and filed.	48 When goods are delivered, the recipient signs the invoice or delivery ticket and sends it to the Food Services Accountant.	
62 The Comptroller informs the Food Services Accountant when to post the payments to the Edu-Met system each month. The Food Services Administrative Assistant may also post payments.		36 Food Services is responsible for posting payments to the Edu-Met system versus generating payments by the same process as all other departments as described in the AP process in the Appendix to this report.
63 Once all payments are posted, the Comptroller prints the checks		

Food Services		
Procedures	**Key Controls**	**Observations**
to pay the vendors. Payments to the food vendors are made out of the General Fund. 64 After the Comptroller prints the checks, the file copy of each check is sent to the Food Services Accountant. 65 The Food Services Accountant reviews the copied checks to verify that the correct payments have been made. 66 The Food Services department maintains a "Payment Package," which includes the copy of the check, signed invoice or delivery ticket (to act as the "Receiving" copy of the PO), statement, and any other supporting documentation. 67 To reimburse the General Fund for payments made to the food vendors, the Comptroller wires the exact amount paid to vendors from the Cafeteria Fund into the General Fund. The Cafeteria Fund is comprised of cash collected from cafeteria sales and State and Federal aid.	49 The Food Services Accountant reviews the copied checks to verify that the correct payments have been made.	

Pupil Transportation

Procedures	Key Controls	Observations
Procuring process for Outsourced Transportation Services		
1 The Supervisor enters the student addresses and their assigned school into Transfinder®, which determines the fastest and safest routes for transporting students.		
2 The District sends the route descriptions to the County, where the Superintendent Deputy approves the routes and sends a signed approval letter to the DOT.	1 Route descriptions are approved by the County Superintendent Deputy.	
3 After the routes are approved, the route descriptions are advertised in the Herald Newspaper for a minimum of 10 days.		
4 Majority of the bids are requested in June and July, for the upcoming school year. In addition, DOT bids for services throughout the year as services are needed.	2 Approved routes are advertised in the paper for at least 10 days.	
5 Vendors must comply with bid guidelines per request of the NJDOE for their bids to be considered by the District. These are outlined in the "Bid Specification". The bidder submits the bid on the bid sheet contained in the "Bid Specifications."		
6 For a bid to be considered, it must also contain the following documents: Bidder's Guarantee, Business Registration Certificate, Omnibus Transportation Employee Testing Act Compliance Assurance, Prescribed questionnaire, Consent of Surety, Stockholder's Disclosure Statement, Affirmative Action Documentation or Questionnaire, Non-collision Affidavit, Bid Sheet(s), and Evidence of ability to obtain automobile insurance coverage required by Bid Specification.	3 Vendors bids must comply with the bid guidelines, outlined in the "Bid Specification."	
7 The term of the contract is from July 1st through June 30th. All transportation contracts require the approval of the County Superintendent of Schools.	4 All bids are submitted on the bid sheet contained within the "Bid Specifications."	
8 If the contract is awarded, the contractor returns the contract within 10 business days with original signatures and bonding for the annual amount for the contract.		
9 The contractor submits a list of all vehicle license plate numbers, type of vehicle, and vehicle capacity to the DOT prior to the first day of services. According to the bid specifications, the vendor		

Pupil Transportation

Procedures	Key Controls	Observations
requires background checks of every driver and bus aid.	5 The County Superintendent of Schools approves all transportation contracts.	
10 All schools generally start and end at approximately the same time. Therefore, buses typically only run two bus routes per day.	6 Awarded contracts are returned by the contractor within 10 business days.	1 The Supervisor recommends staggering the school hours so that each school or each group of schools begin and start at slightly different times. This would require less buses and buses drivers. The Supervisor submitted a report describing the benefits of staggered routes to the BA, but there has been no actions have been taken.
	7 All contracts require original signatures and bonding for the annual amount for the contract.	
	8 Prior to the first day of services, the DOT receive a list of vehicles license plate numbers, type of vehicles, and vehicle capacity from contractor.	
Compensating the Contractors		
11 All transportation contracts are generally one-year contracts with renewal options tied to the Consumer Price Index (CPI). Therefore, the increase-contracted amount is based on the CPI. The DOT may offer less than the standard CPI increase if the current year's service was poor, e.g. the drivers were late.		
12 If there are any changes in the described routes and this change results in increased or decreased miles, the amount of the contract is adjusted as specified in the bid.		
13 "Out of District special needs" routes are bid as per diem per pupil. The cost per pupil bids represents the total cost per route per diem for all pupils listed in the route descriptions.		
14 The annual contract amounts of per diem contracts are calculated by multiplying the total per diem cost by actual number of days in the school calendar (180).		2
15 Payment is made within 15 days of receipt of an authorized invoice. Payments on annual contracts are made in 10 monthly installments.		
Joint Transportation Agreements		
16 Two or more Districts may provide jointly for the transportation of students to and from any school if the transportation can be		

Pupil Transportation		
Procedures	**Key Controls**	**Observations**
provided more economically.		
17 A 'Joint Transportation Agreement' form is completed by the host District (the District providing the transportation) and is submitted to the Commissioner of Education and County Superintendent of schools for approval.	9 Payments are subject to the Paterson Board of Education (Board) approval; therefore, payments may be delayed, pending the Board's meeting schedule.	
18 The host District is responsible for ensuring that contracted services are met.		
Reimbursement from the State		
19 The State reimburses the District for any student who is eligible for transportation based on the distance they live from their assigned school. Students in grades Kindergarten through eight are eligible if they live beyond two miles from their assigned school. Students in high school are eligible if they live beyond two and one-half miles from their assigned school. This criterion is documented in the DOT Manual. The Supervisor enters the student's address and his or her assigned school into Transfinder® to calculate the mileage and therefore determine each student's eligibility.	10 A 'Joint Transportation Agreement' form is completed by the host District (the District providing the transportation) and is submitted to the Commissioner of Education and County Superintendent of schools for approval.	
20 State aid is calculated per student according to the transportation formula and is administered by the Commissioner of Education, who sends a signed letter to the DOT describing this amount.	11 The Supervisor enters the student's address and his or her assigned school into Transfinder® to calculate the mileage and determine each student's eligibility.	
21 The Supervisor runs a DRTS report from Transfinder® at the beginning of every school year and submits it to the State in mid-October. This report lists all students eligible for transportation and the amount that is reimbursable to the District.	12 The Commissioner of Education sends a signed letter to the DOT describing the amount per student reimbursable to the District.	
22 When the District cannot provide transportation services to non-public school or charter school students, but these students are eligible for transportation, the District will provide aide in lieu of transportation, which is equal to the per student amount reimbursable directly to the District from the State.	13 The Supervisor runs a DRTS report from Transfinder® at the beginning of every school year and submits it to the State in mid-October. This report lists all students eligible for transportation and the amount that is reimbursable to the District.	
Issuing Bus Tickets	14 Identification cards are issued to high school students and are used as bus passes.	
23 During the first week of school, the High School students receive an identification card which is also used as their bus pass.		

Pupil Transportation

Procedures	Key Controls	Observations
Students in grades kindergarten through eighth do not receive an identification card and are not required to show identification for riding the bus. Most students in grades first through eighth are not eligible to ride the bus (according to the mileage requirement). Kindergarten students and students from schools 1 and 4 are eligible to ride the shuttle bus, but are not issued or required to show identification. To ensure that these eligible students are riding the shuttle buses, the student's classroom aide travels with the students on the shuttle bus and carries a list of all the students in the class who are eligible. Special Education students are not issued or required to show identification; these students travel with an aid and are picked up and dropped off at their door.		
24 High School students who stay after school for extracurricular activities are eligible for a bus ticket to ride the New Jersey Transit public buses.		
25 To receive student tickets, the supervisor of the extracurricular activity submits a list of names and number of program days to the School Administrator, who then submits this list to the DOT.		
26 A representative from the extracurricular activity picks up the allotted school tickets from the DOT office. The representative signs a log, which tracks the disbursed bus tickets. The representative may only pick up the number of tickets needed to provide transportation to students on a temporary basis and not exceeding the length of the program or one month. For example, if the drama club has 10 students who will need to stay after school for a month and a half, the DOT will only issue up to 10 tickets for each day of the first month.	15 A list of names and number of program days is produced by the Supervisor of extracurricular activities to the DOT prior to disbursing tickets.	
27 Students are required to sign a log at the school level before receiving a ticket.	16 The representative from the activity picks up the tickets at the DOT office and signs a log, which tracks the disbursed bus tickets.	
28 Homeless students are also eligible for bus tickets. Every three weeks they receive tickets, which are valid for three weeks at a time. If a ticket is lost or stolen before the next three weeks, it is not replaced.	17 A log is maintained and signed by each student prior to receiving a ticket.	

Pupil Transportation		
Procedures	**Key Controls**	**Observations**
Transporting Special Education Students 29 If there are not enough special education students on a route, e.g., there are only two students that require transportation along one route, the District contracts with the Jointure Commission to provide the transportation. 30 Special Education students are picked up and dropped off at their house. 31 Aides are hired to ride the bus with Special Education students. 32 The cost per aide is bid on a per diem basis separate from the cost of the route.		
Fleet Vehicles 33 DOT is responsible for purchasing fleet vehicles. **Authorized Drivers** 34 The DOT maintains records on all authorized drivers and fleet vehicles. The records that are maintained are license validations, insurance requirements, vehicle registration, monthly maintenance, drug and alcohol testing, license class (e.g. CDL). 35 Twice a year, the DOT staff checks each authorized fleet vehicle driver's abstract on the Department of Motor Vehicles website. The DOT staff enters the password and completes the necessary fields, including the driver's identification number, required to access the driver's abstract. The abstract is printed and filed with the driver's file. If the abstract comes back unclean and the Supervisor determines this to be of serious nature (not just a parking ticket). The driver is advised of possible suspension of driving privileges depending on the violation. 36 **Requirements** 37 The requirements of the 16 passenger, fleet vehicle vans follow the same standards as the contracted vehicles, not including specific standard yellow school bus requirements. Driver requirements are also the same.	18 A copy of all licenses of authorized drivers is maintained at DOT. 19 All drivers are required to have a clean abstract to drive a fleet vehicle. Twice a year, the Supervisor checks each authorized driver's abstract at DMV.	3 There has been no analysis on leasing trucks rather than buying. 4 The review of the abstract reports is not documented.

Pupil Transportation		
Procedures	**Key Controls**	**Observations**

Maintenance

38 General maintenance and repairs of the fleet is contracted out to one vendor. Some services are performed by specialty vendors, e.g. refrigerated trucks are repaired by specialty repair vendors. The District selects the vendor from the State's list of approved vendors; therefore, the RPF process is not required. This contractor submits a list of rates ahead of time for routine maintenance/repairs, e.g. an oil change rate.

39 When a driver requests (via phone call to the DOT) a fleet vehicle to be serviced, a staff member completes a 'Maintenance' form. This form is faxed to the contracted vendor along with the expected price of the service according to the price list submitted by the vendor originally. After the vendor has completed the service, the vendor sends the original 'maintenance' form along with the receipt to the DOT office.

40 The Fleet Coordinator reconciles the receipt to the expected price on the vendor's price list.

41 The receipt is then sent to the Accounts Payable department to be paid as described in the Financial Management process in the Appendix to this report.

42 A public auction is held for vehicles that are to be disposed of as described in the Inventory and Fixed Assets process in the Appendix to this report. In the past, vehicles that have been auctioned without success have been donated to local recycling vendors.

Monitoring of Gasoline Purchases and Mileage

43 Fuel for the fleet vehicles is paid through a Gulf contract. Credit cards for gasoline purchases, called "gas cards," are assigned to each vehicle, not to the driver. Gas cards are only authorized to purchase fuel for the specific vehicle that it is assigned. To ensure the gas cards are only used for the purchase of gas and for the assigned vehicle, each gas card states "Paterson School District," the vehicle identification number (VIN), and "Fuel only."

Key Controls:

20 A list of rates for routine maintenance/repairs is provided by the Service contractor prior to the contract start date.

21 A staff member completes a 'Maintenance' form for the vehicle to be serviced by the contracted vendor.

22 The Fleet Coordinator reconciles the receipt to the expected price on the vendor's price list.

23 Gas cards are only authorized to purchase

Pupil Transportation

Procedures	Key Controls	Observations
44 Drivers submit receipts for each gas purchases on a weekly basis to the DOT office.	gas and state "Paterson School District," the VIN, and "Fuel Only."	
45 Gas card statements are reviewed and reconciled with the submitted receipts on a monthly basis by the DOT staff. The gas card statement is signed by the DOT staff and is sent to the Accounts Payable department to be paid as described in the Financial Management process in the Appendix to this report.	24 Receipts for each gas purchase are submitted weekly from the drivers. 25 Gas card statements are reviewed and reconciled with the submitted receipts on a monthly basis by the Supervisor	
46 A log is maintained to track 'gas card' usage. Receipts are attached to the log.	26 A log is maintained to track 'gas card' usage. Receipts are attached to the log	
47 To monitor vehicle usage, drivers are required to submit the mileage of their vehicle to the DOT office. The DOT staff enters the mileage into an Access database, which is used to track mileage for each fleet vehicle. The DOT staff analyzes the data to ensure reasonable use of the fleet vehicles.	27 Drivers are required to submit the mileage for their vehicle to the DOT office. 28 A DOT staff member ensures that the mileage is reasonable.	

Technology		
Procedures	**Key Controls**	**Observations**
General IT Policies and Processes 1 The Paterson District does posses a comprehensive IT Policies and Procedures Manual. This manual describes the general IT policies and procedures that should be used in the District. The document is structured to address standard areas of IT policy and is written in language that makes it easier for everyday system users to understand. The document describes a regular process for its own update and review in the District. **System Access** 2 All users requesting access to Edu-Met must complete a "Request for Security Clearance" Form. This form includes the justification for new access or changed access rights. It includes the applicant's job description and their requested level of security in the application. The form must be signed by a supervisor and approved by the BA. 3 Password standards and general user guidance for password creation exist. **Access Monitoring** 4 A weekly job is run using HR information to determine which employees have been terminated or are on leave. 5 An automated utility runs that either suspends user access or terminates access depending on whether an individual will return to the District. **Remote Access** 6 Remote access is permitted via VPN to a limited number of users who have proper written authorization and a sound business case. **Interface Monitoring** 7 SubFinder sends teacher attendance and demographic data to Edu-Met's HR and Payroll functions. A file is created on a nightly basis and is automatically posted to Edu-Met. The automated posting process generates an error report indicating if any	1 IT Policies are regularly reviewed and updated. 2 Acceptable use and confidentiality policies for the District are defined. 3 Users requesting access must complete a form defining the permissions they are requesting. This form must be approved by both a supervisor and BA. 4 Passwords require six characters and must be alphanumeric. 5 Edu-Met security profiles can establish security at both function and field levels. User Passwords are encrypted even from Edu-Met Administrators. 6 An automatic query runs using HR information to determine who has been terminated and who is on leave. These users Edu-Met privileges are either suspended or deleted depending on the nature of their absence. 7 System activities undertaken by users can	 1 Password standards are not robust enough and general user password guidance while helpful should be formally required of users. An industry standard password policy would include areas such as: 2 Minimum 8 character length 3 Automatic password reset after 90 days 4 Prevention of reuse of previous passwords 5 Automatic suspension of user access after three unsuccessful log in attempts 6 The absence of these controls makes it easier for passwords to be guessed or hacked increasing the risk of system abuse. 7 Edu-Met System Administrators have super user access to all functions in the application. These types of super user profiles allow users to conduct all activities within the Edu-Met application without any segregation of duties controls. This increases the risk

Technology

Procedures	Key Controls	Observations
transactions could not be processed. Any demographic or data errors are examined and resolved by the District's Supervisor of Attendance.	be monitored using a combination of Edu-Met audit trail functionality and custom-built reports created by the IT team.	of accidental or intentional misuse of the District's financial and human resource information. While this type of super user access may be necessary for senior District leadership or the Edu-Met administration team, the activities of these super users should be monitored by an independent third party for appropriateness.
Physical Security and Protection of Assets		
8 Servers and Network Hardware are stored in a secure room with environmental monitoring controls in Old School #5.		8 Regular reviews of non-terminated or non-leave employee permissions do not occur for the Edu-Met system. The absence of monitoring permissions for active employees increases the risk that users may have inappropriate or conflicting levels of access within Edu-Met. This increases the risk of erroneous or fraudulent activities occurring in the system.
9 Loan forms, Incident, and Theft/Damage forms are documented and required to manage the issuance and replacement of user hardware.		
10 Since July 1, 2005, every computer issued to a user has been tagged and documented. Tagging a computer allows the IT department to control the user's access and better track the District's IT assets. Any computer issued prior to July 1, 2005 is tagged when IT personnel has possession of the computer due to a current problem.	8 Users requesting VPN access must submit an approval form with proper written authorization.	
Program System Development and Change Controls		
11 The District has documented its change control management and system development lifecycle policies in its Policies and Procedures Manual. The plan defines:	9 Transmission and Error reports are generated for the Subfinder/Edu-Met interface. Error reports are examined and resolved by District staff.	9 The network room in Old School Number #5 is not protected by a fire suppression system. This increases the risk that critical IT equipment will be damaged or destroyed in the event of a fire in the data center.
12 what types of changes are covered in the scope of the District Policies		
13 who has responsibility for initiating, scoping, and approving a change		
14 the steps that need to be followed to implement hardware and software changes		
15 that the formal vehicle for requesting and tracking changes is the District's School Dude Help Desk application		
16 who has responsibility for testing	10 Network hardware is secured in a locked room with environmental monitoring controls.	
17 who has responsibility for coordinating and approving the migration of functionality from environment to environment		
18 emergency change request processes	11 Every computer issued is tagged and documented to allow for control of the user's	

Technology		
Procedures	**Key Controls**	**Observations**
19 the documentation that is needed throughout the system development or program change process 20 For a description of how functionality updates are processed for Edu-Met, please see the Patch Management section of this report. **Training** 21 Training is offered in the form of on the job training.	access. 12 The District has documented its change control management and system development lifecycle policies in its Policies and Procedures Manual.	10 The absence of a formal IT training plan inhibits the ability of the District to gather, understand, and attempt to resolve through training or system enhancement common user errors or system functionality gaps. This in turn, promotes the continuation of potential user errors and unapproved workarounds in the application, which can affect the overall quality of the District Financial and HR processes.
Network Security and Monitoring 22 CISCO 535 is the IT department's Enterprise-class Firewall and Intrusion Detection Solution (IDS). Firewall and IDS parameters and rules are formally documented and defined. The school uses its Cisco infrastructure to authorize acceptable traffic into and out of the network and to detect unauthorized or suspicious network activity. **Anti-virus** 23 The District employs Symantec's Norton Anti-virus application suite. Updates are automatically downloaded to a District server and then pushed to District PCs on a regular basis. **Patch Management** 24 The department of Technology has established processes to upgrade and install appropriate patches to computer systems. 25 Client computers are patched using two methods. All systems with Altiris Patch Management are patched on a random schedule selected by the Altiris Agent. As a backup, in the event that the agent fails all systems are all set to use Windows update. Servers are patched manually on an as needed basis. Servers are patched on an as needed basis.	13 The District has documented and employs Firewalls and an IDS to monitor and protect its network. 14 The District supports a redundant firewall, which automatically fails over so that security functions are not compromised if one unit fails. 15 Anti-virus updates are automatically loaded to workstations. Workstations are monitored to make sure their virus definitions are up to date. 16 Patch Management is controlled and monitored using an automated process.	

Technology		
Procedures	**Key Controls**	**Observations**
26 On a weekly basis, Edu-Met downloads new updates to a standby server using a VPN connection. An email is sent to the Data Processing Supervisor to advise him/her to test each applicable modules updates. Once testing is completed, a reply email is sent back to the vendor, advising the testing is done and the updates can be moved to the Production Environment.	17 Patches for Edu-Met are tested before they are moved to Production.	
Internet Usage Policies		
27 District users must sign an internet usage agreement. To keep users from accessing inappropriate web sites, internet access is restricted based on pre-defined rules for user and site access. Internet usage is regularly monitored. N2H2 is the program used to filter the user's website access. The District compliant with the Children Internet Protection Act (CIPA).	18 Employees must sign and internet usage agreement. 19 Internet usage is regulated and monitored and the District is CIPA compliant.	
Back Up Processes 28 Back up of all data in the Church Street Network Operations Center occurs via nightly tape backup. A full day's backup tape is rotated to an offsite location every week. 29 Edu-Met data is backed up to a local drive and stored for 30 days. 30 A copy of the data is moved to a file server and backed up nightly. Edu-Met's data is moved from a forms server to a database server and then backed up on tape as well. 31 The export file is then moved to a standby server at Old School #5 and backed up on tape on a nightly basis. 32 A second copy of the backup data is also exported to a server at the Board Office and backed up nightly. 33 Backup processes are monitored for completion on a daily basis. 34 Backup Tapes are taken to an offsite location for storage every Friday.	20 Edu-Met data is back up on a nightly basis and stored on multiple servers and to backup tape. 21 Backup processes are automated and monitored for successful completion every day. 22 Back up tapes are stored in offsite locations removed from the data center.	
Disaster Recovery Plan 35 The District defines its organization wide Disaster Recovery (DR) procedures in a comprehensive Disaster Recovery Plan. The plan remains in draft form but could be implemented in the event of a	23 The District has a comprehensive disaster recover plan in place and continues to refine	11 The District's Disaster Recovery plan is heavily dependent on locally drafted and administered plans for each District site. These plans are to be created and maintained by a local Site Recovery Team for each location. These plans have not been created at

Technology		
Procedures	**Key Controls**	**Observations**
disaster. The plan does indicate that Disaster Recovery plans at the local site level need to be drafted by Site Recovery Teams (SRTs) for each District location. These local plans drafted by the SRTs do not seem to have been drafted in the District.	that plan on a yearly basis.	the local site level. While the District's plan is sound at the strategic level, without a disciplined commitment to maintaining up to date SRT DR Plans for each site, the plan is likely to fail at the local site level. This ultimately could result in a delay or inability to restore operations locally in the event of a disaster.

Purchasing

Procedures	Key Controls	Observations
Purchase Requisitions		
1 Once a need has been identified within the District, an online purchase requisition within the Edu-Met system is completed. Secretaries, Supervisors, and Directors working in the same department have access to input the purchase requisition into the Edu-Met system. Secretaries typically perform the data entry function.	1 Access to enter and approve requisitions is granted via assigning a specific profile within the Edu-Met system.	1 There is no formal list of employees that can complete purchase requisitions.
2 The completed purchase requisition is forwarded online via Edu-Met to one of the following District employees for approval: the Site Administrator (SA), Supervisor, Director, or Principal. Access to enter and approve requisitions is granted to specific employees and is based on the assigned profile within Edu-Met.	2 The Edu-Met system restricts requisitions from being completed if the funds are not available within the specified account.	2 There is no formal list of employees that can approve purchase requisitions.
3 The SA determines if funds are available, the account to be used, and the items to be purchased. Functionality within Edu-Met will ultimately determine if there are funds available to complete the requisition.	3 An initial review/approval of the purchase requisition occurs at the SA, Supervisor, or Principal level.	3 Even-though specific access levels are given within Edu-Met to enter and approve a requisition, there is no formal review of the list to ensure access is restricted to the appropriate individuals.
4 The SA, Supervisor, or Principal approve the purchase requisition and forward the purchase requisition via Edu-Met to the Assistant Superintendent or Director.	4 A secondary approval of the purchase requisition occurs at the Assistant Superintendent or Director level.	4 The PO approval process is manual whereby the printed PO is sent to the BA for review and approval.
5 The Assistant Superintendent or Director determines if the purchase requisition value is appropriate and that the requisition meets the needs of the area.		
6 The Assistant Superintendent or Director approves the purchase requisition and forwards the purchase requisition via Edu-Met to the Purchasing department.	5 The Purchasing department reviews the requisition to determine if it complies with State Law and District policies.	
7 The Purchasing department reviews the purchase requisition and determines if the purchase requisition complies with State Law and District policies. Purchasing verifies that the items being requested qualify as a new or existing bid, quote, or are exempt from bidding requirements. A bid is required if the purchasing request exceeds $21,000. A quotation is required if the purchasing request is between $3,150 and $21,000. Purchasing also verifies that the appropriate account is being utilized (e.g., a supply requisition is using the supplies account).	6 There are thresholds in place, which determine whether purchase requisitions require a bid or a quotation. 7 Purchasing forwards questionable and split	

Purchasing		
Procedures	**Key Controls**	**Observations**
	order requisitions to the BA.	
8 Purchasing also forwards requisitions that appear non-essential or extravagant to the BA. Split orders are also sent to the BA.		
9 The Purchasing department approves the requisition and creates the PO.	8 Purchasing approves the requisition.	
10 The PO is printed from Edu-Met and is sent to the BA for review and written approval. It is the District's policy that a signed PO is the only valid document to procure goods and/or services. When the PO is signed, the request becomes finally approved. Any POs that are greater than $60,000 are reviewed and signed-off by the Superintendent.	9 The BA reviews and signs all POs.	
11 The BA or Superintendent returns the signed PO to the Purchasing department for mailing.	10 POs over $60,000 are reviewed and signed-off by the Superintendent.	
12 If any of the above processes are not complete, than the requisition will be returned (via Edu-Met) to the originator until the issue is corrected.		
13 The PO is distributed by the Purchasing department to the affected parties.		
14 Five copies of the PO are distributed. The vendor receives the white "Vendor Copy" and the yellow "Voucher Copy". The Accounts Payable department is sent the pink "Purchasing Copy." The Purchasing department keeps the green "Other Copy" for filing. The originator of the requisition receives the Goldenrod "Receiving Copy".		
15 When the District receives the goods or services that were ordered, the "Receiving Copy" of the PO is signed by the originator and sent to the Accounts Payable department.		
16 The vendor submits the "Voucher Copy" of the PO and the invoice to the Accounts Payable department to request payment.		
17 The Accounts Payable department matches the "Receiver Copy" of the PO to the vendor invoice and "Voucher Copy" of the PO in order to make the payment. See Accounts Payable process for		

Purchasing		
Procedures	**Key Controls**	**Observations**
more information.		
Monitoring of Vendor Limits		
18 After a contract is awarded to a vendor, the maximum amount to be paid to that vendor (the awarded bid amount) is entered into the "vendor field" into the Edu-Met system. Any personnel in the Purchasing department can enter the maximum amount.	11 The originator of the purchase requisition signs-off on the PO to confirm that all goods/services have been delivered.	
19 As POs are processed, the amount is deducted from the maximum amount.		
20 If a PO is issued for an amount exceeding the remaining amount in the "vendor field," the system generates a message stating that the vendor has reached its limit on requisitions and it will not allow the PO to be processed. The Purchasing Supervisor can override this function.	12 The "Receiving Copy" of the PO, "Voucher Copy," of the PO and invoice from the vendor are compared and validated before a payment is made to the vendor.	
21 If there is no predetermined maximum for a vendor, the preceding does not apply.		
Contract Amendments/Cancellations		
22 Prior to a contract amendment or cancellation, the Purchasing Supervisor contacts the Risk Management department for their review and legal advice.		
23 The Risk Management department facilitates the contract amendment or cancellation.		
24 Contract amendments and cancellations require the approval of the Purchasing Supervisor, BA, Assistant Superintendent, and Superintendent.		
Unauthorized Purchases		
25 Any employee who orders and receives goods/services without going through the proper PO process may be held responsible for payment of the order and may receive imposed penalties as outlined by the District procedures. The imposed penalties are as follows: First Offense – letter in personnel file; Second Offense – suspension; Third Offense – loss of increment; and Fourth	13 The Edu-Met system generates a message stating that the vendor has reached its limit on requisitions and it will not allow the PO to be processed.	

Purchasing		
Procedures	**Key Controls**	**Observations**
Offense – loss of tenure.		
State Contracts		5 There are no formal documented procedures in place for determining if goods are available through State Contracts before going out to bid.
26 The District is not required to bid on any goods or services that have already been bid by the State.		
27 The Board approves a resolution to accept the State contracts. This State contract list is updated quarterly, if new contracts are needed.	14 Contract amendments and cancellations require the approval of the Purchasing Supervisor, BA, Assistant Superintendent, and Superintendent.	
28 The goods or services associated with State Contracts are posted to the Paterson Schools website. The State contract list is monitored by Purchasing to check if the contract has expired or is extended.		
29 All purchase requisitions via State Contracts must include the following: State Contract Number, Award Notification, Proposals from vendors reflecting total price, and confirmation that shipping and handling are included in the price.	15 There are penalties in place when an employee circumvents the PO process.	
30 The vendor is required to provide a copy of the notification of award before the Purchasing department will approve the purchase requisition.	16 The Purchasing department requires the notification of State Award prior to approving the purchase requisition.	
31 Request for Proposal Process		
32 The Request for Proposals (RFP) used for competitive contracting are issued in the spring and are advertised in the local papers.		
33 The advertisement is listed for a minimum of 20 days (Policy 18A).		
34 RFPs may also be sent to vendors found in the following sources: yellow pages, internet, newspaper, and the Purchasing department's internal bidders list.	17 If only one bid is received and if the vendor is asking for an excessive amount, the RFP advertisement will be sent out again.	6 This is no formal procedure for re-advertising the RFPs.
35 When only one bid is received and when the vendors are asking for an excessive amount, the RFP advertisement will be sent out again.		
36 A master vendor list of every vendor that has been utilized (past or current) is maintained on a CD. Each vendor has a unique		7 The master vendor list is outdated and lists vendors that have not been utilized in several years.

Purchasing		
Procedures	**Key Controls**	**Observations**
identifying number. In addition, an internal database is used to maintain all potential bidders by category.		8 Even though each vendor has a unique number to identify it, if vendors merge, there is no way to tell the difference between the two
37 To activate, modify, or deactivate a vendor, a Vendor form must be filled out and submitted to Purchasing. Purchasing is the only department with access to update or change the master vendor list.		
38 If the initially requested vendor cannot provide the services, a secondary vendor list can be utilized.	18 There is a threshold amount of $3,150 that will prohibit a school from obtaining a quote without the Purchasing department.	
39 If the school wants to obtain quotes without the Purchasing department, it may do so up to $3,150.		
40 If the requisition amount is more than $21,000, the vendor will have to be obtained through a bidding process, state contract, or cooperative purchasing; quotes will not suffice.	19 There is a threshold amount of $21,000 that will prohibit a requisition to go through without the bidding process.	

Inventory and Fixed Assets		
Procedures	**Key Controls**	**Observations**
Inventory – Receipt and Distribution		
Inventory stored at Central Stores (warehouse)		
1 Inventory that is stored in the warehouse includes copier paper, all of the private school's textbooks, and some public school books that are ordered in bulk.		
2 Following the PO generation and approval process, the PO is distributed by the Purchasing department to the affected parties.		
3 The 'Receiving Copy' (Goldenrod) of the PO is sent from the Purchasing department to the warehouse.		
4 When the inventory arrives at the warehouse, two Central Stores (CS) staff members are responsible for receiving the shipments. They ensure that the correct item and number of items have been delivered by comparing the delivered goods to the 'Goldenrod' copy of the PO. The CS staff members circle the received item on the PO, and initial and date. The packing list, which accompanies all deliveries, is also attached to the PO.		
5 The two CS staff members record the received inventory into a receiving log sheet by hand writing the description of the inventory onto the log sheet. There is a different log sheet for each kind of item log sheet, e.g. Textbook Inventory Receiving Log Sheet. Every log includes the PO number, where the inventory is located, date, department or school the item will be delivered to, item description, quantity received, box number, and the item's identifying number (ISBN number for textbooks, product code, or serial number).	1 The Central Stores (CS) staff members circle the received item on the PO, initial and date to verify the accuracy of the items delivered.	1 In the walk-through, it was noted that the Receiving copy of the PO does not always arrive at the warehouse before the inventory arrives. When this happens, the CS Secretary prints a copy of the PO from Edu-Met.
6 A 'shipper' form is completed by the CS Secretary to accompany all inventories for distribution. It identifies the nature/description of the item, quantity, requestor, PO number, date, and line for the receiver to sign, and the location where the goods need to be delivered.	2 The two CS staff members manually record the received inventory into a receiving log sheet.	2 Recording errors are common due to the manual nature of logging the receipt of goods.
7 Inventory may be picked up at the warehouse by an employee from the requesting school/department or it can be delivered by a Central Stores courier (CS courier) from the warehouse. Inventory		3 There is no review of the receiving log.

Inventory and Fixed Assets		
Procedures	**Key Controls**	**Observations**
is distributed based on a first in first out (FIFO) method.		
8 If an employee picks up the inventory, the recipient signs and receives a copy of the 'shipper.' The original 'shipper' is kept at the warehouse with the CS courier. The original 'shipper', with the recipient's signature on it, is stored along with the PO at the warehouse in a cabinet located in an office that is locked every night.	3 A 'shipper' form is completed by CS staff to accompany all inventories for distribution.	4 Inventory received and distributed in the warehouse is not systematically tracked. It is tracked through a manual hard copy process using the receiving log and 'shipper.'
9 If the goods are delivered, the CS courier checks the goldenrod copy of the PO, prior to leaving the warehouse, to ensure that the correct items are being delivered. When the CS courier arrives at the receiving location, the CS courier checks the goods against the 'shipper'.	4 The goods are checked prior to delivery against the PO.	5 In the walk-through, it was noted that a shipper was not completed for inventory received at the CS for a requisition made by the CS. 6 There is no review of the PO number written on the 'shipper' to the Receiver copy of the PO.
10 When the delivery is made, the recipient signs and receives a copy of the 'shipper,' the original 'shipper' is sent back to the warehouse with the CS courier. The original 'shipper', with the recipient's signature on it, is stored along with the PO at the warehouse in a cabinet located in an office that is locked every night.	5 The original 'shipper' is signed by the employee picking up or receiving the inventory.	7 There is no formal list of employees authorized to pick up the goods at the warehouse or receive the goods upon delivery.
11 If the ordered inventory is copier paper, a faxed approval from the Comptroller is provided to the CS Supervisor before the copier paper is delivered or picked up. The faxes are stored along with the original 'shipper' and the PO at the warehouse in a cabinet located in an office that is locked every night.	6 The signed original 'shipper' and the PO are attached and maintained at the warehouse. 7 Disbursement of copier paper is approved by the Comptroller.	8 There is no authorized signature list for items picked up. 9 The approval from the Comptroller to order copier paper is not always received prior to ordering.
Inventory stored at Schools and departments		
12 All other inventory is ordered and shipped directly to each school. Each school or department has a designated employee responsible for keeping track of all inventories that the school or department orders and receives.	8 A designated employee at each school or department is responsible for tracking inventories ordered and received.	10 There are no procedures to track and monitor inventory at the schools or departments. 11 There is no formal reporting from the school level into the District level regarding Inventory that is stored at the schools.
Fixed Assets – Receipt and Distribution		
Fixed Assets stored in the Warehouse		
13 Fixed assets are only received in the warehouse if it is valued at $2,000 or greater.	9 Fixed asset valued at $2,000 or greater are	
14 Following the PO generation and approval process the PO is		

Inventory and Fixed Assets

Procedures	Key Controls	Observations
distributed by the Purchasing department to the affected parties.	required to be delivered directly to the warehouse.	
15 The 'Receiving Copy' (Goldenrod) of the PO is sent from the Purchasing department to the warehouse.		
16 When fixed assets arrive at the warehouse, two CS staff members are responsible for receiving the shipments. They ensure that the correct item and quantity have been delivered by comparing the delivered goods to the goldenrod copy of the PO. The CS staff members circle the received item on the PO and initial and date it. The packing list, which accompanies all deliveries is also attached the PO.	10 The CS staff members circle the received item on the PO, initial and date to verify the accuracy of the delivery.	
17 The two CS staff members record the received fixed assets into a receiving log sheet by hand writing the description of the fixed asset into a log sheet. There is a different log sheet for each kind of item for each day, e.g. Computer Receiving Log Sheet. Every log includes the PO number, location of the fixed asset within the warehouse, date, department or school the item will be delivered to, item description, quantity received box number, and the item's identifying number (ISBN number for textbooks, product code, or serial number).	11 The CS staff members manually record the received fixed assets into a receiving log sheet.	12 Recording errors are common due to the manual nature of logging the receipt of goods. 13 There is no review of the receiving log.
18 Later that day, the CS Secretary enters data provided on the receiving log sheets into Edu-Met. Edu-Met does not receive data electronically from other systems.		
19 The fixed assets are then tagged by the CS Secretary. Tagging a fixed asset means labeling it with its identifying barcode (the number on the tag) and "Paterson Public School." The identifying tag number is entered into the excel spreadsheet with the corresponding fixed asset.	12 Data from the log sheet is manually entered into Edu-Met by the CS Secretary.	14 There is no review of the information entered into Edu-Met.
20 The CS Supervisor or CS staff calls the requester of the fixed asset, as stated on the 'goldenrod' copy of the PO, to validate the order that has been received and to inform the requestor of its delivery.	13 All fixed assets received by the warehouse are tagged. 14 The tag numbers are manually entered into Edu-Met for each item.	15 The CS Secretary does not necessarily tag the fixed asset the same day it is delivered.
21 A 'shipper' form is completed by the CS staff to accompany all fixed assets for distribution. It identifies the nature/description of the item including its quantity, requestor, PO number, date, and	15 The CS Supervisor or CS staff validates the order, per the PO, with the 'requestor.'	

Inventory and Fixed Assets		
Procedures	**Key Controls**	**Observations**
line for the receiver to sign, and the location where the goods will be delivered.	16 A 'shipper' form, completed by CS staff, accompanies all fixed assets for distribution.	
22 Fixed assets may be picked up at the warehouse by an employee from the requesting school/department or they can be delivered by a CS courier from the warehouse. Fixed assets are distributed based on the first in first out (FIFO) method. Fixed assets are assigned to whomever the requestor is as stated in the PO.	17 The goods are checked prior to delivery against the PO. 18 The original 'shipper' is signed by the employee picking up or receiving the inventory.	16 A phone call is made to the requestor of fixed asset to validate and inform them of delivery. 17 There is no review of the PO number written on the 'shipper' to the Receiver copy of the PO.
23 If the fixed assets are picked up, the employee picking them up signs and receives a copy of the 'shipper'. The original 'shipper' is sent back to the warehouse with the CS courier. The shipper is stored in a file cabinet at the warehouse. The original 'shipper', with the recipient's signature on it, is stored along with the PO at the warehouse in a cabinet located in an office that is locked every night.	19 The signed original 'shipper' and the PO are attached and maintained at the warehouse. 20 A designated employee at each school and department is responsible for keeping track of all fixed assets that the school orders and receives.	18 There is no formal list of employees that are authorized to pick up goods at the warehouse. 19 There is no authorized signature list for items picked up. 20 The original 'shipper' with the recipient's signature on it is the only record of fixed asset distribution. Therefore, there is no purchasing/receiving report ensuring that all department and school purchases are consolidated and efficient.
24 If the fixed assets are delivered, the CS courier checks the 'goldenrod' copy of the PO, prior to leaving warehouse, to ensure that the correct items are being delivered. When the CS courier arrives at the receiving location, the CS Courier checks the goods against the goldenrod copy of the 'shipper.'		21 There are no procedures to track and monitor fixed assets at the schools or departments. 22 There is no formal reporting from the school level to the District regarding fixed assets that are stored at the schools.
25 When the delivery is made, the recipient signs and receives a copy of the 'shipper' and the original 'shipper' is sent back to the warehouse with the CS courier. The original 'shipper', with the recipient's signature on it, is stored along with the PO at the warehouse in a cabinet located in an office that is locked every night. The documents are maintained in the cabinet at the warehouse.		
Fixed Assets stored at Schools and departments		
26 All other fixed asset (not exceeding the value of $2,000 or greater) are ordered and shipped directly to each school. Each school and department has an employee who is responsible for keeping track of all fixed assets that the school orders and receives.		

Inventory and Fixed Assets		
Procedures	**Key Controls**	**Observations**
Disposal of wasted or damaged goods or obsolete items 27 Fixed assets that are disposed of include computers and vehicles. A 'Disposal' form is filled out prior to disposing of a fixed asset. Any employee may fill out a Disposal form. 28 For employee requests of the disposal of a computer, the requestor completes a 'Computer Disposal' form. The form is sent to the Department of Technology (IT) staff. The IT staff assumes responsibility for assessing and declaring the computer disposable or not. The IT staff communicates their determination to the CS Supervisor by noting the decision on the original 'Computer Disposal' form, which also requires the IT staff's signature. 29 For employee requests of the disposal of a vehicle, the requestor completes a 'Vehicle Disposal' form. The form is sent to the contracted auto repair vendor. The Vendor assumes responsibility for assessing and declaring the vehicle disposable or not. The vendor communicates their determination to the CS Supervisor by noting their decision on the original 'Vehicle Disposal' form, which also requires the vendor's signature. 30 The CS staff picks up all fixed assets that are declared disposable. 31 When the warehouse has accumulated a large number of disposable computers, it recycles them together. The vehicles are sold, auctioned to the public, or donated. If the vehicles are sold or donated, the Paterson Board of Education's (Board) approval is required.	22 A Disposal form is required to dispose of a fixed asset. 23 Only the IT staff is authorized to assess and declare a computer disposable. 24 IT staff notes decision of disposal and sign off on the original 'Computer Disposal' form. 25 Only the Vendor is authorized to assess and declare a vehicle disposable. 26 The Vendor notes decision of disposal and signs off on the original 'Vehicle Disposal' form. 27 Vehicles sold or donated are approved by the Board.	23 Disposal of fixed assets are documented on the disposal forms, but there is no secondary inspection of the assets before they are disposed.
Safeguarding Inventory and Fixed Assets – Central Stores Location 32 The warehouse secures inventory and fixed assets with several security cameras, two locked doors, and an alarm system. The CS Supervisor and one CS staff member know how to deactivate the alarm system and have access to the three existing keys. The alarm system is automatically activated every night at 7:30pm and		24 The warehouse has had a few robberies. 25 There is no training regarding the safeguarding of fixed assets. 26 Another department within the District, located in School #5, reviews the security cameras and does not relay this information to the CS Supervisor.

Inventory and Fixed Assets		
Procedures	**Key Controls**	**Observations**
is deactivated at 6:00 am every morning.		
Physical Inventory – Inventory and Fixed Assets at the Central Stores location 33 The CS Supervisor creates a 'report' of all inventory stored in the warehouse that has no predetermined destination. Items come into the warehouse and are not delivered or picked up when they have been provided gratis by a vendor, e.g. a teacher orders 100 textbooks and the vendor delivers 10 for free. 34 The 'report' created by the Supervisor is sent to the Purchasing Supervisor. The Purchasing Supervisor forwards this report to the schools and departments to make them aware of what is available to order from the warehouse. 35 One CS staff member is responsible for maintaining a report of the copier paper ordered by each location for record keeping and for the Purchasing Supervisor if requested. 36 A physical count is taken of all inventory and fixed assets stored within the warehouse on a yearly basis per the request of the Purchasing Supervisor. The attributes noted during this inventory include the ISBN number, model number, or serial number (whichever identifying number is applicable), item description, quantity, skid number, and box number. These attributes are recorded with a pen and pad and are then entered into excel. A copy of this report is printed out and sent to the Purchasing Supervisor for the purposes of record keeping. **Inventory and Fixed Assets in the Schools and Departments** 37 All inventory and fixed assets delivered or picked up by an employee from a school or department are required to assume responsibility for the item. Physical counts and reports may be produced on the school and department level, but it is not a formal or required process.	28 A 'report' listing all inventory stored in the warehouse (with no destination) is created by the Supervisor for the schools and departments use. 29 A manual physical count is taken of all inventory and fixed assets stored within the warehouse on a yearly basis.	27 There is no formal and routine reports/ledger generated or maintained to track fixed assets and inventory in the warehouse. 28 Fixed assets are not counted and reconciled to a ledger because it does not exist. The District is not following the District's policy manual, which states that the BA shall maintain an accurate and complete inventory of all buildings, fixed equipment, contents, their value and must meet the requirements of generally accepted accounting principle. It should be noted that a formal inventory count of all fixed assets was completed in August 2006. The District is working with the vendor to download the data to the Districts fixed asset system. 29 There are no formal and routine reports generated to track inventory, aside from the gratis items and the copier paper in the warehouse. 30 The yearly inventory taken in the warehouse of all inventory and fixed assets per request of the Purchasing Supervisor is done for record keeping. There is no count verification. 31 There is no formal tracking of inventory and fixed assets at the schools or departments.

Inventory and Fixed Assets

Procedures	Key Controls	Observations
Fixed Assets Ledger 38 No procedures exist to maintain the fixed asset ledger.		32 Fixed assets are not tracked / accounted for in a fixed assets ledger. Depreciation is not recorded. The Accounting department is in the process of starting to track the items within the fixed assets ledger.

Risk Management

Procedures	Key Controls	Observations
Protocols for Approving workers' compensation Claims **Reporting workers' compensation Claims** 1 Employees who become disabled by an accident or injury at work may be eligible for workers' compensation if it is in accordance with the law. 2 Every injury occurring within the workplace or within the scope of employment is reported by means of the "Incident/Accident Report" (the report). 3 The School Administrator or other authorized person completes the report, which is comprised of three sections: 1. the employee's account of the incident, 2. the School Administrator or authorized person's, and nurse's observations and objective findings and 3. witness statements, if applicable. The report is signed by the employee, School Administrator or other authorized person, nurse, and witnesses if applicable. 4 The report is faxed to the Risk Management department within two hours of the incident for review and processing. In addition, it is submitted to the Local Assistant Superintendent for approval. 5 Once the report is faxed, the Investigator or staff member enters the data from the report, including the employee who has filed a workers' compensation claim and the date of the incident, into the Edu-Met system. 6 The information is entered into the Third Party Administrator's system, Ice; this data entry includes a more comprehensive account of the incident, e.g. recording which body part was injured and describing how the injury was sustained. At this point, a unique claim number is established for tracking purposes. Once the data is entered into the Ice system, it is automatically sent to the Third Party Administrators. Only the Risk Management Officer, Investigator, and staff member have access to the Ice system. 7 The Risk Management department is provided with the original copy of the report, approved by the Local Assistant Superintendent, within five business days of the incident. Reports	1 An "Incident/Accident Report" is required to be completed for all injuries occurring within the workplace. 2 The report is be signed by the employee, School Administrator or authorized person, nurse, and witnesses if applicable. 3 The Risk Management department receives a faxed copy of the report within two hours of the incident. 4 Only the Risk Management Officer, Investigator, and staff member have access to the Ice system.	1 Claims for workers' compensation were not investigated in the past; therefore, it is probable that employees received workers' compensation when they were not eligible. Recently, new reporting procedures have been established for employees and the Risk Management department hired an Investigator. 2 As observed in the walk-through, the report was faxed more than four hours later. The report did not have the School Administrator's or authorized person's observations and objective findings because the report was written on an outdated form, which did not require this section of the report. It also did not have the Administrator's, authorized person's or applicable witness' signatures because the outdated form did not require these approvals. 3 The Risk Management department does not always receive the faxed report within two hours or the hard copy within five business days.

Risk Management		
Procedures	**Key Controls**	**Observations**
are time stamped to record when they have been received. 8 A manila file is created for each report to track and monitor the claims. This file contains the print screens from the data entered into the Edu-Met and Ice systems and the faxed and original reports. The file also contains other documents, such as letters from doctors, sent to the Risk Management office. These files are stored in a cabinet within the Risk Management office, which is locked at the close of every business day.	5 The Local Assistant Superintendent is required to approve the report.	4 As observed in the walk-through, the original report was not time stamped and it did not include the Local Assistant Superintendent's signature because the report was written on an outdated form, which did not require that approval. 5 There is no formal process of monitoring the length of time to clear a claim.
Claim Payments 9 Per the Statewide policy, employees eligible for disability leave are entitled to full pay during the period he/she is on disability leave, up to 12 consecutive months. When employees have exhausted this period, but are still eligible, they are entitled to 70 percent of their regular compensation up to $691 per week or a minimum of $184 per week for 2006, up to 400 weeks, at which point they are considered permanently disabled. 10 After the report has been reviewed and processed, the Edu-Met system is updated with the employees' applicable period to receive Workers Compensation benefits, e.g. October 15, 2006 – December 31, 2006. 11 The staff member from the Risk Management department notifies the Time and Attendance department of all employees' determined eligible to receive workers' compensation benefits by delivering the Edu-Met screen print. The screen print is generated following the report data entered into the Edu-Met system (discussed above). The Time and Attendance staff are the only individuals authorized to record employees workers' compensation days. 12 To track absent days correctly and monitor the number of days employees are on disability leave, the Time and Attendance staff enter a "W" for workers' compensation for everyday approved by Risk Management department (as stated on the print screen) in	6 The Time and Attendance staff are the only individuals authorized to record employees workers' compensation days.	6 The Time and Attendance staff have access to the Edu-Met system where they can view an employees' eligibility, however, a report is not generated within the Edu-Met system alerting the staff of when an employee becomes eligible. Instead, the staff relies on the notification via a screen print from Edu-Met, which is and hand delivered to them once an employee becomes eligible.

Risk Management		
Procedures	**Key Controls**	**Observations**
the Edu-Met system.		
13 Throughout the year, the Assistant Payroll Supervisor runs a report on Edu-Met, which lists eligible employees along with their respective number of approved days. The Assistant Payroll Supervisor then requests a report from the Supervisor of Time and Attendance, which lists the approved dates (not just the number of days) of these employees. The Assistant Payroll Supervisor then has the Risk Management department confirm the two reports.		
14 The Payroll department pays eligible employees as usual, including deducting taxes, because if an employee is eligible for disability, they are entitled to full pay, but they are not required to pay certain taxes under State law. Therefore, the Payroll department utilizes the two reports to determine which employees are eligible to receive a refund.		
15 Employees who receive workers' compensation are required to endorse and deliver to the Board all Workers' Compensation temporary disability checks received for the period covered by this policy.		7 The District's Policy Manual states that employees who receive workers' compensation are required to endorse and deliver to the Board all Workers' Compensation temporary disability checks received for the period covered by this policy, however, the Risk Management Officer is not aware of this policy, which could cause the potential for not receiving money owed to the District.
District Insurance	7 All Workers" Compensation checks received for the period covered by the policy are required to be endorsed and delivered to the Board.	
16 The District's insurance broker locates insurance coverage for three bonds, excess liability and excess compensation, company employment dishonesty, property, automobile, and errors and omissions insurance for the District. These insurance policies cover the amount awarded for claims above the District's deductible, which varies depending on the type of insurance.		
17 The District's deductible for workers' compensation is $350,000 per year. The insurance broker utilizes State National Insurance Company to cover claims exceeding the deductible amount. The Third Party Administrator tracks the deductible amount and notifies the excess carrier when this amount has been exhausted.	8 On an annual basis, Nathan Lanes premium amount is approved by the Board.	
18 Every May, the insurance broker informs the District of the premium amount and when it is due. This amount is approved by		8 The insurance broker is responsible, as the District's insurance consultant, to locate the most cost efficient

Risk Management		
Procedures	**Key Controls**	**Observations**
the Board and the check is issued in July.		carriers. The District does not conduct a review of the insurance broker's chosen carriers.
19 The insurance broker also acts as the District's insurance consultant; therefore, before the District engages in an activity, it consults with Nathan Lane to determine if insurance is recommended and if so, for what amount.		9 There is no RFP process for employing an insurance broker, insurance carrier, or a third party administrator.
Miscellaneous Insurance Processes 20 In some cases, vendors of the District are required to carry specific insurance clauses. In most cases, the vendor will send the verification of insurance (certificate of insurance) to the Risk Management office without any other supporting documentation. This requires the RM staff to spend time researching this. In addition, the RM office is not tracking what vendors are required to have the specific insurance. 21 A central repository of the leases does not exist. The Risk Management Officer often has difficulty identifying a claim with a leased property. 22 A procedure manual documenting the Risk Management policies does not exist.		10 Vendors will send any required verification of insurance (certificate of insurance) to the Risk Management office without any other supporting documentation. This requires the RM staff to spend time researching this. In addition, the RM office is not tracking what vendors are required to have the specific insurance. 11 A central repository of the leases does not exist. The Risk Management Officer often has difficulty identifying a claim with a leased property. 12 A procedure manual documenting the Risk Management policies does not exist.

Grants Management		
Procedures	**Key Controls**	**Observations**
Identifying Discretionary		
1 Discretionary grants are identified in multiple ways. The Director of Grant Development and Evaluation (The Director of Grants) searches for grants on the state and federal Web site as well as through the Foundation Center, a private foundation which maintains a database of all private grants. The State also sends notices of State grants to the District.		
2 The Director of Grants evaluates the needs of the District and then identifies grants to match these needs. In addition, schools may determine a need or find a grant and approach the Director to apply for the grant.		
Applying for Grants		
3 Once discretionary grants are identified, an application process is started. The application process has recently been revised to require that 'an intent to apply form' be completed and approved by the Superintendent.	1 An 'Intent to Apply' form is approved by the Superintendent.	
4 The Director of Grants completes the 'Intent to Apply' form.		
5 It is then is approved by the Superintendent via email and is electronically sent back to the Director of Grants.		
6 The Director of Grants completes an 'Action to Apply' form and submits it to the Superintendent.		
7 The Director of Grants and Superintendent have an informal discussion about the grant.		
8 The grant 'Action to Apply' form is approved by the Board at the following board meeting.	2 An 'Action to Apply' form is approved by the Board.	
9 Once the "Action to Apply" has gone through the approval process described above, the Director of Grants applies for the grant by responding to the Request for Proposal (RFP) issued by the Federal Government, State Government or the private entity. The Business Administrator's signature of approval is required on all applications.	3 The Business Administrator's original signature is required on all applications.	

Grants Management		
Procedures	**Key Controls**	**Observations**
Accepting Grants 10 For all awarded grants, the Director of Grants makes an action to accept the funds. 11 At the following Board meeting, Board members pose questions regarding the grant and the answers are required prior to accepting the awarded funding. 12 Grant money is sent directly to the Accounting Department, where the Comptroller accepts it.	4 Funds are not accepted until all questions from the Board members are answered. 5 The Board approves the acceptance of all grant funds. 6 The Comptroller receives all checks. 7 The Fiscal Monitor prepares payroll reconciliations for grant funding on a monthly basis.	
Applying for the No Childe Left Behind Grant 13 The No Child Left Behind (NCLB) grant is awarded every year by the Federal Government. 14 This grant funds different titles, which each have separate budgets lines within the District (e.g. Title 1i s the budget line for schools expenses and therefore teacher salaries are paid out of Title 1). 15 The Grant Analyst for the NCLB grant prepares the NCLB grant application. 16 Each year, every school completes a 'needs assessment' and a 'school plan' describing the individual school's needs. The Assistant Superintendent of Community and Instruction (the Assistant Superintendent) collects these and delivers them to the Grant Analyst. 17 The Assistant Superintendent and the Grant Analyst create a budget based on the needs assessments and plans. 18 Once the budgets have been created, they go through an approval process, beginning with approval by the Board, followed by the approval and signatures of the Assistant Superintendent, the Business Administrator, and the Deputy Superintendent. Final approval, is also made by the County and the New Jersey Department of Education. 19 After the budgets are created and approved, the Grant Analyst prepares the grant application accordingly.	8 A 'needs assessment' and 'school plan,' describing the individual school's needs, are completed annually. 9 Budgets are approved (in the following order) by the Board, the Assistant Superintendent, the Business Administrator, the Deputy Superintendent, the County, and the New Jersey Department of Education.	

Grants Management		
Procedures	**Key Controls**	**Observations**
20 In 2005-06, the District was awarded $19.5 million NCLB grant.		
Allocating Funds from the NCLB Grant 21 While preparing the grant application, the Grant Analyst informs each area (that is receiving funds from the NCLB grant) how much has been allocated to its area. 22 Once the grant is awarded, the submission is sent to the Business Administrator, who assigns an allocation code to each area. The BA forwards this allocation to the Accounting Department. 23 A staff accountant, from the Accounting department, is responsible for entering in the allocation codes into Edu-Met. 24 Every time a PO is processed for grants, the area's specific allocation code is printed on the PO. Before approving the PO, the Business Administrator (BA) checks the assigned code for accuracy along with the funding, to ensure funds have not been exhausted. 25 While the Grant Analyst is not responsible for receiving and disbursing the grant money (the Comptroller is responsible for this), the Grant Analyst is responsible for ensuring that the NCLB grant funds are properly allocated to each title. 26 Funds are disbursed through POs except for salaries that are covered by the NCLB grant. 27 Employees must state the percentage of time he or she works out of Title 1 so that the correct portion is funded out of the NCLB grant under this title. A time activity sheet is printed every month with the percentages salaried employees are to be paid out of Title 1. At this time, these employees must come to the central office and sign this time activity sheet to verify the percentage. 28 After the funds have been dispersed to all the allocated areas, the Grant Analyst reconciles the funds to each area.	10 The Business Administrator assigns an allocation code to each area. 11 The BA confirms the accuracy of the assigned allocation code and verifies funding is available prior to approving a PO for processing. 12 The Grant Analyst ensures that each area has been allocated the correct funding. 13 Employees paid out of Title 1 verify their monthly time activity sheet approving the stated percentage. 14 The Grant Analyst reconciles the allocated funds to each area.	

Grants Management		
Procedures	**Key Controls**	**Observations**
Applying for NCLB Carry Over		
29 NCLB grants are awarded for August 1st to December 31st. Therefore, all closings are done once a year on December 31st.		
30 If the NCLB grant has not been exhausted by December 31st, a carry over is applied for. .A carry over is a request for the unused funds to be added to the following year's grant. The maximum amount that can be carried over is two million dollars.		
31 In 2004-05, approximately $2 million was carried over to 2005-06. Of that amount, $2,300 was return to the federal government at the end of 2005-06.		
Accounting for Grant Funding		
32 All approved grants require a program number and revenue code.	15 A program number and revenue code are assigned to each approved grant.	
33 An Accounting department staff member, assigns all numbers and codes and monitor all grants.		
34 Once the grantor has approved and provided the Grant Development and Evaluation Department with an approval letter, a call is placed to the Accounting department requesting a program number and revenue code.	16 An Accounting staff member enters grant information, such as the program number, revenue code, funding amount, into Edu-Met in order to allow the grant funds to be used.	
35 The Grant department provides Accounting with the applicable grant information documentation (i.e. the letter received from the grantor) in order to assign the applicable program number (based on the Uniform Minimum Chart of Accounts for New Jersey).	17 Adjustments/transfers of funding of up to $10,000 can be made by Accounting. However, anything over that amount requires the Board's and NJDOE's approval.	
36 The Grant department is notified of the assigned program number and revenue code. Accounting is then provided with a packet of the grant information and budget from the Grant department, establishing how the funds will be spent, by specific line item.	18 On a regular basis, a 'Transaction/Receipt Report' of Fund 20 is reviewed to monitor the receipt of approved grants.	
37 Using Edu-Met, the Accounting staff enters the total grant amount under the 'Receipts' button and each line amount under the 'Appropriations' button.	19 On a monthly basis, a Budget Report is reviewed to identify any negative line items.	
38 The grant is now ready to be charged against. Each account number consists of a function and object that must be used to charge that specific funding.		

Grants Management		
Procedures	**Key Controls**	**Observations**
39 Any adjustments/transfers of funding between line items up to $10,000 must be submitted with explanation and signed by Grant Administrator or Superintendent. Any adjustments/transfers more than $10,000 requires a budget modification approved by the State Department of Education and the Paterson Board of Education.		1 Edu-Met will allow the overspending of budgeted funding. Line items can go into negative amounts.
40 On a regular basis, the Accounting staff produces a 'Transaction/Receipt Report' from Edu-Met for Fund 20 to monitor the actual receipt of grants that were approved and set up in Edu-Met.		
41 On a monthly basis, the Accounting staff produces and reviews a Budget Report, run from Edu-Met, to identify any line items where overspending has occurred.		

District Response

The content of this report was shared with the District on January 4, 2007. District officials had an opportunity to respond to the report in writing by January 18, 2007. That response is included in this Appendix as it was provided to KPMG. No modifications were made to the report as a result of the District's response.

PATERSON PUBLIC SCHOOLS

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Michael E. Glascoe, Ed.D.
State District Superintendent

January 12, 2007

Ms. Meghan Watson
KPMG LLP
345 Park Avenue, 39th Floor
New York, New York 10154

RE: Paterson School District Internal Assessment 2004-05/2005-06

Dear Ms. Watson:

This letter is in response to the referenced KPMG assessment received January 4, 2007.

The Paterson School District Superintendent, Deputy Superintendent and administrative staff welcomed the opportunity presented by KPMG's review of Paterson's operational services with the expectation that the breadth and depth of the study, coupled with the expertise of the reviewers, would result in a comprehensive identification of problem areas to be addressed as the district strives to improve its practices, procedures and audit posture. KPMG's report did not disappoint in this respect. The district's fiscal and operational deficiencies have been well documented for over 15 years; however, the format of KPMG's assessment lends itself to a logical step-by-step approach to remediation based on risk and timing.

That being said, to date the district has focused its attention on areas of deficiency that KPMG highlighted as potential high risk that should be addressed short term. Some of these problems were resolved quickly while KPMG was on-site. Others, notably deficiencies in standard operating procedures, will require more time to correct. The document was reviewed fully with all of the district's assistant superintendents and lead administrators for their information and follow-through. All managers with responsibilities in the areas covered have received copies of the assessment with a directive to correct all deficiencies from short term/high risk through long term/low risk including recommendations noted in the body of the document. Timetables for complete action plans and ongoing inspections are under development.

"Children First"

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Among the shortcomings highlighted by this review is the need to provide not only standard operating procedures but also ongoing training and development to staff who may or may not have had appropriate education related to their current assignments. In addition, ongoing inspections and documentation of same are key to maintaining focus on the essentials of internal control and accountability.

Following are samples of remedial actions taken to date to address potential high risk deficiencies that should be handled in the short term following KPMG's Executive Summary matrix model beginning on page 8 of the assessment. Additional corrective measures are being developed consistent with the findings and recommendations made throughout the body of KPMG's document. All of these changes are in concert with the district's efforts to improve procedures, processes, data integrity and overall fiscal management.

*   Accounts Payable

Standard operating procedures – A manual has been in place in usable draft form since August 2006; however, this was not provided to KPMG during their inspection. The key controls portion of existing manual will be reinforced to improve practices. This response also applies to the areas of Payroll and Financial Management.

Segregation of duties – A/P processors will rotate vendor assignments quarterly effective January 2007.

Ability to enter duplicate invoice numbers in the A/P system – A report will be during the payment processing cycle that will highlight any duplication of invoice numbers previously processed, to alert the processor of a potential problem. The Supervisor will be expected to review and sign approval if a duplicate invoice number is being paid.

*   Payroll

Segregation of duties – Segregation of duties is in place. The only employees able to print checks are the Payroll Supervisor and Assistant Supervisor. Payroll is prepared by the payroll staff.

Lack of formal review and approvals – Payroll is reconciled on a semi-monthly basis by the Assistant Supervisor and approved by the Supervisor.

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Check stock is maintained within the payroll department – Check stock is blank; all information is developed during the printing process. The department will identify area in which the stock can be secured, and will lock the door to the printing area during check processing.

Overtime is not monitored – A new procedure has been developed by Human Resources regarding overtime limitations and pre-approval. Monthly overtime reports will be distributed to the Assistant Superintendents for their information and action as appropriate. In addition, the business administrator will be reviewing overtime earnings by employee on a monthly basis.

*   Human Resources

Lack of standard operating procedures – The department has submitted standard operating procedures to the Superintendent for his approval and is expects to disseminate them in February 2007... A specific overtime standard operating procedure addressing overtime was developed as a consequence of KPMG's review.

Formal background checks were not completed for certain employees – A limited number of newly-hired employees began work in September following processing of fingerprinting through Sagem Morpho but prior to final documentation of successful completion of the criminal history review, a practice that is allowed under the emergent hire process. The district works aggressively to ensure that sufficient time is allowed between job offer and job start to allow the history review to proceed to conclusion; however, there are situations where the staffing requirements and the processing turnaround time conflict. The district is striving to minimize these occurrences.

*   Financial Management

Lack of system access controls and review – Effective immediately the Accounting Supervisor will monitor journal entries made by the accounting staff following posting and document approval; the Comptroller will review and document approval of all journal entries made by the Supervisor.

Review of bank reconciliations not consistently performed – This finding is related to the schools' student activity funds that are also addressed under segregation of duties.

The principal at each school is required to review and approve bank reconciliations monthly. These procedures will be reinforced through additional training.

Recording of receivables – EduMet, the district's financial system, will be reformatted to allow sub-ledger accounts receivable data. In the interim, a spreadsheet will continue to be maintained off-line that will provide details on the total accounts receivable recorded.

Segregation of duties – A designated employee will open all accounting office mail and record incoming checks prior to forwarding them to the accounting department effective immediately. Deposits will be matched against the recorded mail received.

Segregation of duties associated with school student activity funds is being reviewed as part of the district's annual audit. This is an area of long-standing audit findings, so we are looking for "best practices" to emulate in this district and do not have an immediate solution.

*   Facilities Management

Lack of standard operating procedures – The district has an immediate need to implement operational procedures in this area and will solicit assistance from school building and grounds associations, NJ Association of School Business Officials and other districts in an effort to develop a starting point.

Facilities management performs its own procurement process – Facilities works with Purchasing in developing specifications. Once developed, Purchasing assumes responsibility for the bid and RFP process.

Inspections are not formally documented – Management will direct all staff to document in writing all inspections that take place.

Lack of formal process for tracking inventory – Facilities has software with this capability and a process covering high value parts will be developed and implemented in the first quarter of 2007.

*   Food Services

The entire food services operation is under rigorous review because the service has been losing money consistently over the past three-plus years. The function is ripe with inefficiencies, all of which are being examined as the objective is to cut the district's losses.

Lack of standard operating procedures – Procedures will be completed by the end of the first quarter 2007.

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Posting vendor payments to EduMet – Changing the responsibility for vendor payments to Accounts Payable will take place during the first quarter 2007.

Formal process for reviewing/approving reports, deliveries, etc. – Procedures will be implemented immediately to rectify these deficiencies.

*   Pupil Transportation

Lack of documenting abstract reviews – Effective immediately the department will document reviews of abstracts for all approved drivers every January and July and maintain files in the Transportation office. New hires or new assignees will have an abstract review at the time of assignment and then follow the schedule noted above.

*   Technology

Password policy and controls – New password controls and requirements have been established consistent with industry accepted standards.

*   Purchasing

This area was in reasonable compliance with no high-risk exposures.

Formal standard operating procedures do not exist – Standard operating procedures will be updated to reinforce areas identified in the review: State contract offerings, when to re-advertise RFPs, vendor master file maintenance.

*   Inventory and Fixed Assets

Formal standard operating procedures do not exist – Standard operating procedures will be developed to cover this function by March 30, 2007.

Tagging of fixed assets is not performed timely – This will be addressed in the standard operating procedures.

*   Risk Management

Safeguarding of assets – This finding relates to the physical security of assets in central storage and in district buildings. The district will comply with recommendation to develop policies, procedures and internal controls

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safeguarding assets with a preliminary operating procedure targeted for March 30, 2007.
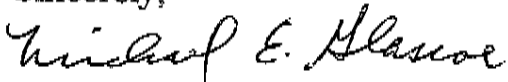
*   Grants Management

Lack of system controls to prevent spending over budget – The district will contact EduMet to determine if this capability exists. In addition, central office departments are scheduled for retraining on the system's functions by the end of February 2007.

In summary, improvements of the magnitude needed to return Paterson to sound fiscal practices are, of necessity, founded on policies, procedures, processes and personnel. District management is fully prepared to address each section KPMG cited and use the "4 Ps" to work purposefully in effecting change.

Thank you again for your contributions.

Sincerely,

Michael E. Glascoe, Ed.D.