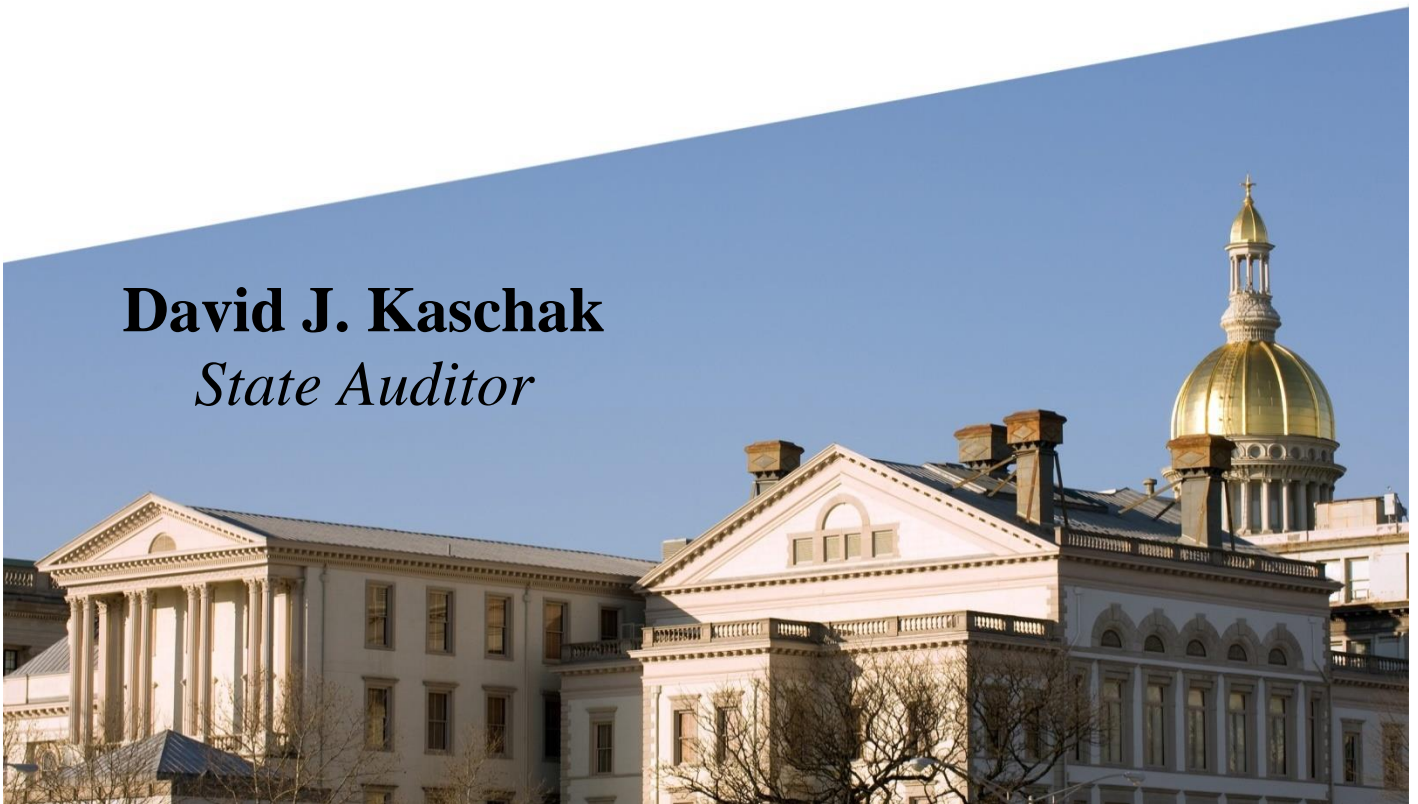


New Jersey Legislature
★ *Office of* LEGISLATIVE SERVICES ★
OFFICE OF THE STATE AUDITOR

Trenton Board of Education

July 1, 2017 to October 31, 2022

David J. Kaschak
State Auditor



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OFFICE OF THE STATE AUDITOR
125 SOUTH WARREN ST. • P.O. BOX 067 • TRENTON, NJ 08625-0067
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OFFICE OF THE
STATE AUDITOR
609-847-3470
Fax 609-633-0834

David J. Kaschak
State Auditor

Brian M. Klingele
Assistant State Auditor

Thomas Troutman
Assistant State Auditor

The Honorable Philip D. Murphy
Governor of New Jersey

The Honorable Nicholas P. Scutari
President of the Senate

The Honorable Craig J. Coughlin
Speaker of the General Assembly

Ms. Maureen McMahon
Executive Director
Office of Legislative Services

Enclosed is our report on the audit of the Trenton Board of Education for the period of July 1, 2017 to October 31, 2022. If you would like a personal briefing, please call me at (609) 847-3470.

A handwritten signature in cursive script that reads "David J. Kaschak".

David J. Kaschak
State Auditor
June 14, 2023

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Scope

We have completed an audit of the Trenton Board of Education (district) for the period July 1, 2017 to October 31, 2022. Our audit included payroll expenditures from the district's general fund and a review of student attendance records. More than 88 percent of all district revenues were funded by state appropriations in fiscal years 2018 through 2021.

The district averaged 1,709 employees and \$118 million in payroll expenditures in fiscal years 2018 through 2021 (44 percent of total district expenditures). The district provided regular and special education services to 12,522 pre-kindergartners through twelfth-grade students at 21 schools in fiscal year 2021. Elementary students made up 51 percent of student enrollment in fiscal year 2021.

Objectives

The objectives of our audit were to determine whether payroll expenditures for additional assignments were related to the district's programs, were reasonable, and were recorded properly in the district's accounting system. An additional objective was to determine compliance with student attendance recording requirements.

This audit was conducted pursuant to the State Auditor's responsibilities as set forth in Article VII, Section I, Paragraph 6 of the State Constitution and Title 52 of the New Jersey Statutes and Title 18A:7F-6(d), originally known as the "Comprehensive Educational Improvement Act and Financing Act of 1996" and amended by the "School Funding Reform Act of 2008".

Methodology

Our audit was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In preparation for our testing, we studied legislation, the administrative code, and policies of the district. Additional guidance for the conduct of the audit was taken from the *Federal Information System Controls Audit Manual (FISCAM)*, published by the U.S. Government Accountability Office. Provisions we considered significant were documented, and compliance with those requirements was verified by interview, observation, and through our testing. We also read the district's board minutes and interviewed district personnel to obtain an understanding of processes and internal controls. In order to achieve our objectives, we performed various tests and analyses, as we deemed necessary. In addition, we reviewed the financial reports of the district prepared by public school accountants. Additional detail regarding our methodology and work performed can be found in the findings section of this report.

A nonstatistical sampling approach was used. Our samples were designed to provide conclusions on our audit objectives, as well as internal controls and compliance. Sample populations were sorted, and transactions were judgmentally selected for testing. Because we used a nonstatistical sampling approach for our tests, we cannot project the results to the respective populations.

Data Reliability

We assessed the reliability of payroll expenditure data obtained from the district's accounting system (EduMet) by tracing transactions to source documentation. We assessed the reliability of student attendance records by reconciling multiple reports contained within the student information system (PowerSchool). We determined the data to be sufficiently reliable for the purposes of this report.

Conclusions

We found that the payroll transactions included in our testing were related to the district's programs, were reasonable, and were recorded properly in the district's accounting system. In making these determinations, we noted noncompliance with certain policies and internal control weaknesses that resulted in inaccurate payments for additional assignments. We also found the district was generally in compliance with student attendance recording requirements; however, we found weaknesses in the process. Additionally, we observed potential district savings regarding the payment of health benefits waivers.

Our audit identified reportable conditions deemed confidential in nature. These were separately communicated in a confidential management letter provided to district management.

Observation

Health Benefits Waiver Incentive

Employees with health insurance coverage from another source may be paid to waive district health benefits coverage. The waiver incentive payment amount depends on the employee's bargaining unit contract and is paid only if proof of other health benefits coverage is provided.

The district does not participate in the New Jersey School Employee Health Benefits Program (SEHBP), administered by the New Jersey Division of Pensions and Benefits. The SEHBP permits incentives to waive coverage; the waiver cap is defined by P.L. 2010, c.2 and N.J.S.A. 52:14-17.31a and may not exceed 25 percent of the amount saved by the employer or \$5,000, whichever is less.

We performed an analysis of health benefits waiver payments the district paid in fiscal years 2018 through 2022 and noted individual payments as much as \$19,900. If the union contracts capped health benefits waiver payments at \$5,000, the district could have saved \$5.4 million over the five fiscal years we reviewed. The following chart summarizes the five-year health benefits incentive payments:

<u>Fiscal Year</u>	<u>Total Incentive Payment</u>	<u>Total Employees</u>	<u>Total Exceeding \$5,000</u>	<u>Employees over \$5,000</u>
2018	\$ 2,596,867	309	\$ 1,131,054	242
2019	2,655,256	320	1,146,097	249
2020	2,707,002	342	1,160,623	232
2021	2,561,805	337	1,029,003	214
2022	2,492,015	343	977,232	204
Totals	<u><u>\$ 13,012,945</u></u>		<u><u>\$ 5,444,009</u></u>	

Health benefits payments exceeding \$5,000 is trending down because two contracts began capping payments at \$5,000 for employees who opted to waive health benefits for the first time and for newly hired employees – one in 2018 and another in 2020.



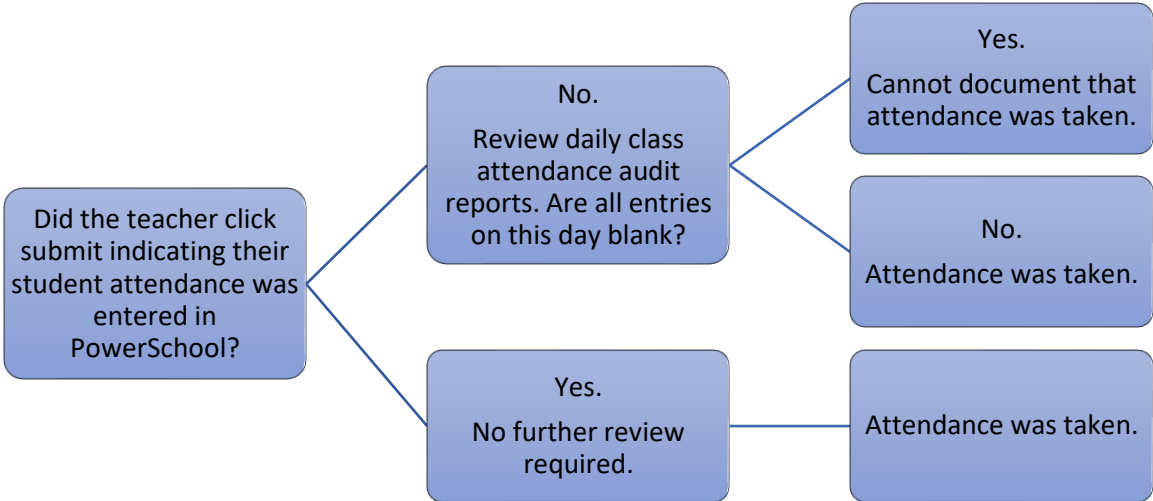
Findings

Student Attendance Records

Absenteeism rates may be higher than the system reflects because of the inaccurate recording of student attendance and lack of supervisory oversight.

N.J.A.C. 6A:32-8.1(d) requires the recording of student attendance each day schools are in session. Truancy and chronic absenteeism should be tracked and monitored in accordance with N.J.A.C. 6A:16-7.6 and N.J.S.A. 18A:38-25.1. Accurate recording is needed for the district to properly identify and address attendance problems. District procedures require attendance to be entered and submitted into the student information system (PowerSchool) by 10 a.m. daily, and submissions are to be verified by the schools' principals by reviewing the Teacher Attendance Submission Status Report. Attendance is entered on an exception basis, i.e., the attendance entry will be blank if a student is present. PowerSchool detailed daily attendance records are used to generate a system audit report. We used those audit reports in our testing. If the audit report showed no absences, it could indicate either full attendance or the teacher did not take attendance. Therefore, we were unable to determine whether student attendance was accurately recorded, and the district's absenteeism rate may be higher than the system indicates.

We reviewed the submission status reports for teachers of elementary students attending schools operating in fiscal year 2020 for the following days: all days in October and February of fiscal years 2018 through 2020; all days in February 2021; and Mondays and Fridays in October 2021. The chart below depicts our testing procedures and how we reached our conclusions.



Overall, we could not verify that 1,054 teachers took student attendance for 5,106 of the 6,684 days (76 percent) we reviewed, as shown in the following chart:

<u>Fiscal Year</u>	<u>Schools tested</u>	<u>Teachers</u>	<u>Days tested</u>	<u>Teachers with no attendance submission for at least one day</u>	<u>Days attendance not submitted</u>	<u>Days attendance not submitted and no evidence of attendance was entered</u>	<u>Percentage with no evidence of attendance taken</u>
2018	11	298	39	252	2,154	1,654	77%
2019	12	311	38	258	1,783	1,384	78%
2020	13	324	42	274	2,190	1,582	72%
2021	13	342	17	143	304	289	95%
2022	13	343	9	127	253	197	78%
Totals		<u>1,618</u>	<u>145</u>	<u>1,054</u>	<u>6,684</u>	<u>5,106</u>	76%

Additionally, we performed a complete review during our previous test of one teacher's PowerSchool student attendance records for fiscal year 2020 because we noted during our previous test this teacher did not enter student attendance for any days in October 2019. We found that no attendance was entered for any students for September, October, and November 2019. Starting in December 2019, attendance was entered regularly through April 2, 2020.

Regular attendance is essential for students to receive a proper education. The lack of accurate attendance records prevents the district from identifying and addressing truancy and/or chronic absenteeism, as required. Accurate daily attendance is also critically important for student safety and during emergency situations.

Recommendation

We recommend the district enforce the existing requirements for teachers to submit attendance and principals to verify submissions.



Additional Assignments Payroll

The district makes payroll payments for additional assignments performed. Payments for additional assignments are supported by voluminous paper payroll vouchers and are cumbersome to process. Additional assignments payroll earning codes include Class Coverage, Missed Prep, and Extra Duties. Total additional assignment expenditures were:

<u>Fiscal Year</u>	<u>Additional Assignments</u>		
	<u>Class Coverage</u>	<u>Missed Prep</u>	<u>Extra Duties</u>
2018	\$ 41,680	\$ 206,338	\$ 1,170,779
2019	83,574	465,321	1,250,174
2020	<u>53,348</u>	<u>522,553</u>	<u>954,906</u>
Total	<u>\$ 178,602</u>	<u>\$ 1,194,212</u>	<u>\$ 3,375,859</u>

The board annually approves a bi-monthly payroll schedule for submission of additional assignments payroll vouchers based on the dates additional assignments were performed. Paper payroll vouchers are filled out by the employee. An additional assignments payment may be supported by multiple payroll vouchers and multiple line items on each payroll voucher detailing the dates and time worked by the employee. The supervisor of each program, who may not be the employee's direct supervisor, reviews the voucher, signs each line indicating an authorization for payment, then forwards it to the payroll unit for processing.

Payroll processors must verify that payment was not already made for the same date and time and should also review school calendars for closures before processing a payment. Payroll processors and supervisors who sign payroll vouchers do not have access to employee leave records. There were three payroll processors in fiscal year 2018 through 2020. As of February 2023, the district had one full-time processor and one temporary payroll processor. The district began using an online timekeeping system in September 2022; however, it was too early in its implementation to test the system as part of our audit.

Additional Assignments Payments

The district's cumbersome payment process for additional assignments increases the risk of inaccurate payments to employees.

We tested additional assignments payments for fiscal years 2018 through 2020 to determine their propriety. We noted internal control weaknesses that resulted in inaccurate payments and found payments were not always paid in accordance with the applicable contracts, memorandum of agreement (MOA), payroll procedures, or board approvals. In addition, the district lacked policies specifying when Extra Duties may be performed. Approximately 70 percent of district employees were members of the teacher's union and 7 percent were members of the paraprofessionals' union.

Class Coverage

Class Coverage payments are made to paraprofessionals to cover classes in the absence of a teacher. Payments are based on a daily rate that is dictated by the Trenton Paraprofessional Association (TPA) contract, and payment rate and eligibility varied in each fiscal year we reviewed. We selected the 10 employees who were paid the most for Class Coverage during each fiscal year to test for propriety. Fiscal year payments that pertained to work completed in a prior fiscal year were excluded. The following table summarizes our samples and the testing population:

Class Coverage Payments Summary			
Fiscal Year	2018	2019	2020
Total Number of Payments	285	493	294
Total Employees Paid	53	91	74
Total Payments Tested	\$21,019	\$36,940	\$26,772
Number of Payments Tested	89	111	61
Number of Vouchers Tested	160	214	138
Number of Line Items Tested	420	797	487
Sampled Employees	10	10	10

Of the 261 payments we tested, 167 had at least one error (64 percent), with 28 of the 30 sampled employees (93 percent) receiving at least one incorrect payment. In total, we determined \$34,441 was incorrectly paid to employees. The majority of incorrect payments were made to paraprofessionals without a substitute certification calculated and paid at the rate for employees with a substitute certification.

Missed Prep

Missed Prep payments are made to teachers who miss their contracted preparation period in order to perform another needed duty. Payments are based on a rate that is dictated by the Trenton Education Association (TEA) contract. We selected the 10 employees who were paid the most for Missed Prep during each fiscal year to test for propriety. Fiscal year payments that pertained to work completed in a prior fiscal year were excluded. One employee was removed from our fiscal year 2019 sample because all payments were related to work completed in the prior year, leaving nine employees tested. The following table summarizes our samples and the testing population:

Missed Prep Payments Summary			
Fiscal Year	2018	2019	2020
Total Number of Payments	1,793	2,740	1,927
Total Employees Paid	490	648	530
Total Payments Tested	\$49,041	\$68,452	\$90,035
Number of Payments Tested	67	111	116
Number of Vouchers Tested	210	288	317
Number of Line Items Tested	926	1,271	1,620
Sampled Employees	10	9	10

Of the 294 payments we tested, 105 had at least one error (36 percent), with 28 of the 29 sampled employees (97%) receiving at least one incorrect payment. In total, we determined \$22,782 was incorrectly paid to employees.

In fiscal year 2019, we noted 67 percent of the incorrect payments were related to the same employee. The majority of these exceptions were for payroll vouchers that did not indicate the hours worked and others that indicated the employee worked multiple programs in different locations simultaneously.

In fiscal year 2020, 66 percent of the incorrect payments were related to two employees, the majority of which were for work that was performed in the prior fiscal year. One employee submitted payroll vouchers in February 2020 for work performed from September 2018 to February 2019. The other employee submitted payroll vouchers in February 2020 for work performed from February to June 2019.

Extra Duties

Extra Duties are those performed outside of the employee's regular workday. The board sets the hourly rates of pay, applicable program expenditure thresholds, individual employee participation approval, and maximum income for select programs. However, the district does not have policies that specify the days or times employees may perform these duties, and leave records are not available to payroll processors or all supervisors of Extra Duties. The accounting system (EduMet) summarizes expenditures by program; it does not provide total payments to individual employees. We selected the 10 employees who were paid for the most hours worked for Extra Duties during each fiscal year to test for propriety. Fiscal year payments that pertained to work completed in a prior fiscal year were excluded. The following table summarizes our samples and the testing population:

Extra Duties Payments Summary			
Fiscal Year	2018	2019	2020
Total Number of Payments	3,239	3,300	2,815
Total Employees Paid	609	623	716
Total Payments Tested	\$129,233	\$126,875	\$55,393
Number of Payments Tested	160	165	61
Number of Vouchers Tested	296	440	205
Number of Line Items Tested	1,322	1,920	850
Sampled Employees	10	10	10

Of the 386 payments we tested, 95 had at least one error (25 percent), with 26 of the 30 sampled employees (87 percent) receiving at least one incorrect payment. In total, we determined \$9,605 was incorrectly paid to employees.

In fiscal year 2018, 77 percent of the incorrect payments and 75 percent of the total exceptions related to three employees. A variety of exceptions were noted with each employee.

In fiscal year 2019, 46 percent of incorrect payments were related to one employee, 65 percent of which were for an incorrect earnings code classification.

In fiscal year 2020, 50 percent of the incorrect payments and 46 percent of the total exceptions were related to two employees and were the result of a variety of reasons.

If an employee worked a half day and received an Extra Duty payment that day, we did not consider this to be an exception because we could not determine which portion of the day was worked. However, we noted 21 instances where an employee worked half a day and received a payment for Extra Duty.

We also did not consider it to be an exception when employees received an Extra Duty payment on days that they took a personal day off or schools were closed for professional development. However, we noted eight employees received \$656 on days they took a personal day off and four who were paid \$483 when schools were closed for professional development.

Recommendation

We recommend payments be made in accordance with applicable contracts, district payment procedures, and board approvals. Supervisors and payroll personnel should be granted access to view employee leave records prior to approval. The district should formulate policies specifying the allowable dates and times that Extra Duties can be performed.



*Incomplete Supervisory Approvals***Payments for additional assignments were made with incomplete supervisory approval.**

Supervisors are required to sign each line on a payroll voucher to certify the employee worked the date and time indicated, thereby authorizing payment. During our testing of additional assignments payments for fiscal years 2018 through 2020 described above, we noted instances where a supervisor signed the top line of the payroll voucher and then arrowed down the remaining lines as a means of approval. Although we did not include these as exceptions in our testing of payments, we considered this to be an incomplete approval that could lead to improper payments. The following was noted during testing:

<u>Earnings Code</u>	<u>Voucher Lines Reviewed</u>	<u>Lines with Incomplete Approval</u>	<u>Percentage with Incomplete Approval</u>
Class Coverage	1,704	485	28%
Missed Prep	3,817	369	10%
Extra Duties	4,092	663	16%
Total	9,613	1,517	16%

Recommendation

We recommend the district enforce the requirement of supervisory approvals on each line of the payroll voucher as authorization for additional assignments payments.

*Timely Payroll Voucher Submission***Payroll vouchers not submitted in accordance with the bi-monthly payroll schedule create additional work for payroll processors and could lead to improper payments.**

District policy requires employees to submit payroll vouchers in accordance with the board-approved bi-monthly payroll schedule. Timely submission is necessary to provide time for supervisors and the payroll unit to review, approve, and process accurate payments owed to the employee. The payroll processors must also verify the additional assignments were not previously paid; therefore, timely submission is critical to the process.

During our testing of additional assignments payments for fiscal years 2018 through 2020 described above, we tested submitted vouchers for compliance with the schedule and found

vouchers submitted up to 13 pay periods late after allowing for two pay periods leeway. We noted the following late submissions:

Number of Pay Periods Late	FY 2018	FY 2019	FY 2020
2	180	230	241
3	85	122	191
4	25	69	123
5	35	23	71
6	22	7	47
7	14	1	49
8	18	1	57
9	8	0	48
10	10	1	4
11	5	0	0
12	1	0	1
13	1	0	0
Total Late Vouchers	404	454	832
Total Line Items Reviewed	2,668	3,988	2,957
Percentage submitted late	15%	11%	28%
Total Employees who submitted vouchers late	21	21	23

We noted one employee submitted a payroll voucher on June 26, 2018 for work performed on November 15, 2017 and was paid for this work on July 13, 2018 (13 pay periods late; approximately 6.5 months).

Recommendation

The district should enforce existing requirements to submit payroll vouchers in accordance with the established schedule.



Extra Duties Payments Thresholds

The payroll system cannot track program payments by employee, therefore board-set thresholds are exceeded.

The board approves employees to perform Extra Duties and sets earnings thresholds for certain Extra Duties. Specific programs have board-approved budget thresholds; however, not all employees who worked Extra Duties were for programs with established budget thresholds. We compared board minutes to payroll vouchers for the sampled employees and found thresholds were not maintained. The following summarizes our review:

Fiscal Year	2018	2019	2020
Total employees tested	10	6	6
Number of programs worked	35	15	9
Program exceptions noted	4	4	1
Employees with exceptions	3	4	1
Threshold exceeded by	\$7,810	\$5,757	\$1,845

We found payroll payments that exceeded the board-approved thresholds totaling \$15,412 for the three fiscal years tested. Payments exceeded the thresholds because the EduMet system was unable to track program payments to individual employees.

Recommendation

We recommend the board implement controls that would ensure payments to employees do not exceed applicable program thresholds.



TRENTON BOARD OF EDUCATION

"Children Come First, niños son primeros."

James Earle
Superintendent of Schools



Jayne S. Howard
School Business Administrator/
Board Secretary
609-656-5464 phone * 609-777-5459 fax
jhoward@trenton.k12.nj.us

June 5, 2023

David J. Kaschak, State Auditor
New Jersey Legislature
Office of Legislative Services
Office of the State Auditor

Dear Mr. Kaschak,

Please consider this letter as the District's responses to your audit recommendations and observation of the Trenton Board of Education (district) conducted by the Office of Legislative Services for the period July 1, 2017 to October 31, 2022.

Health Benefits Waiver Incentive

Observation

The district does not participate in the New Jersey School Employee Health Benefits Program (SEHBP), administered by the New Jersey Division of Pensions and Benefits. An analysis of health benefits waiver payments was performed and it was noted that if union contracts capped health benefits waiver payments at \$5,000 the district could have saved \$5.4 million over the five fiscal years reviewed.

Resolution

The District agrees with the auditor's observation, and the following action has been taken. Effective July 1, 2023, the District will be participating in the New Jersey School Employee Health Benefits Program (SEHBP). All waivers are defined by P.L. 2010, c@ and N.J.S.A. 52:14-17.31a and may not exceed 25 percent of the amount saved by the employer or \$5,000, whichever is less.

FINDING AND RECOMMENDATIONS

1. Student Attendance Records

Recommendation

Recommend the district enforces the existing requirements for teachers to submit attendance and principals to verify submissions.

Resolution

The District agrees with the auditors' recommendation, and the following action has been taken to improve the situation. The Executive Director of Technology and Innovation has developed a protocol to ensure all teachers have access to take attendance daily. Principals have also been provided with instructions on how to monitor and validate that teachers have properly taken daily attendance.

2. Additional Assignments Payroll

Recommendation

Recommend payments be made in accordance with applicable contracts, district payment procedures, and board approvals.

Resolution

The District agrees with the auditors' recommendation, and the following action has been taken to improve the situation. The District implemented an electronic payroll processing system effective September 1, 2022. The system allows employees to enter additional assignments for payroll in a payroll portal in accordance with board approval. The system reduces the voluminous paper payroll vouchers that were cumbersome to process. The electronic system has allowed the district to process payroll vouchers efficiently and more accurately, which includes payments for Class Coverage, Missed Prep, and Extra Duties.

Recommendation

Supervisors and payroll personnel should be granted access to view employee leave records prior to approval.

Resolution

Supervisors currently have access to view their employee's attendance records and should refer to them when processing and approving payroll vouchers. The District disagrees with the auditors' recommendation that payroll personnel should have to verify employee attendance because this level of verification should occur at the building level with the administrator that supervises the employee.

Recommendation

The district should formulate policies specifying the allowable dates and times that Extra Duties can be performed.

Resolution

The District agrees with the auditors' recommendation that policies should be formulated specifying the allowable dates and times that Extra Duties can be performed.

3. Incomplete Supervisory Approvals

Recommendation

Recommend the district enforces the requirement of supervisory approvals on each line of the payroll voucher as authorization for additional assignments payments.

Resolution

The District agrees with the auditors' recommendation, and the following action has been taken to improve the situation. The district implemented an electronic payroll processing system in which supervisors must authorize each individual employee's payroll entries.

4. Timely Payroll Voucher Submission

Recommendation

Recommend the district enforces existing requirements to submit payroll vouchers in accordance with the established schedule.

Resolution

The District agrees with the auditors' recommendation and will work with payroll staff to enforce procedures for processing timely payroll voucher submissions in accordance with established schedule.

5. Extra Duties Payments Thresholds

Recommendation

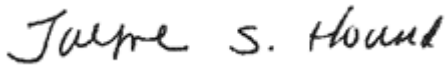
Recommend the board implement controls that would ensure payments to employees do not exceed applicable program thresholds.

Resolution

The District agrees with the auditors' recommendation, and the following action will be taken to improve the situation. All administrators will ensure by working with their accountant, that employees do not exceed applicable board approved program thresholds.

Please contact me should you have any questions at 609.656.5464 or email jhoward@trenton.k12.nj.us.

Regards,



Jayne S. Howard

School Business Administrator/
Board Secretary