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Trenton Board of Education

July 1, 2007 to February 28, 2010

**Stephen M. Eells
State Auditor**

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Enclosed is our report on the audit of the Trenton Board of Education for the period of July 1, 2007 to February 28, 2010. If you would like a personal briefing, please call me at (609) 292-3700.

Stephen M. Eells
State Auditor
July 13, 2010

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Trenton Board of Education

Scope

We have completed a performance audit of the Trenton Board of Education for the period July 1, 2007 to February 28, 2010. We reviewed the home instruction program and other extra duty assignments, attendance and payments for students placed out of district, warehouse inventory control, renovations to a city-owned building, the board approval process, and controls over American Recovery and Reinvestment Act (ARRA) funds for the Wired for Learning program.

The district provides regular and special education programs to approximately 11,500 pre-kindergarten to twelfth-grade students. Total reported expenditures were approximately \$260 million and \$266 million in fiscal years 2008 and 2009, respectively. The state funds the majority of district expenditures. The local share of approximately \$21 million has remained constant for the past 16 years.

Objectives

The objectives of our audit were to determine whether: payments and program requirements for home instruction and other extra duty assignments were properly controlled, students placed out of district were approved by the board and attendance was within district guidelines, inventory was properly maintained, district resources should be utilized to renovate city-owned property, and ARRA programs were properly controlled.

The 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.

Methodology

Our audit was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.

In preparation for our testing, we studied legislation, administrative code, circular letters promulgated by the Department of the Treasury, and policies of the school district. Provisions that

we considered significant were documented and compliance with those requirements was verified by interview, observation, and through our samples of financial transactions. We read the school district budgets, reviewed financial trends, and interviewed school district personnel to obtain an understanding of the programs and the internal controls. In addition, we reviewed annual audit reports issued by public school accountants contracted by the district.

A nonstatistical sampling approach was used. Our samples of financial transactions were designed to provide conclusions about the validity of transactions, as well as internal control and compliance attributes. Transactions were judgmentally selected for testing.

Conclusions

We found questionable payments to home instructors and noncompliance with home instruction program requirements. The district is also ineffective in monitoring time reporting for extra duty assignments. In addition, we identified approximately half of the students sent out of district have absences in violation of district policy and services for these students were not properly board approved. We also found inventories were not properly controlled and district resources were utilized for over five years to renovate a city-owned building. We did find controls were in place for the one ARRA program we reviewed. However, the objectives for another program, the Summer Take Home Book Bag Program, which could have been funded with ARRA monies, were not clearly communicated and achievements were not measured.

In March 2010, the Commissioner of Education appointed a monitor to oversee fiscal operations of the district. This increased departmental oversight should help ensure district policies and internal controls are properly established and followed. These efforts should assist in operational improvements and cost savings that could be used for educational efforts. In addition, certain questionable items will be referred to the state's Division of Criminal Justice.

Home Instruction Program

In accordance with the state administrative code, the board is required to provide instructional services (home instruction) at a student's home or another suitable setting when certain health conditions, legal violations, court orders, or suspensions occur. In addition, a student with a disability (classified) may be placed in the home instruction program when it can be documented that all other less restrictive program options have been considered and determined inappropriate, or while awaiting placement.

The board paid 85 employees approximately \$950,000 in fiscal year 2008 and 82 employees approximately \$1 million in fiscal year 2009 to provide home instruction to students. The program is managed by the Office of Special Services. We found a lack of controls over the program resulting in violations of the administrative code and board policy, as well as overpayments by the district.

Program Compliance

We chose a sample of the ten highest paid home instructors for our testing. These individuals provided home instruction for 136 students. No documentation was available to support the eligibility of approximately half (66) of these students for home instruction services.

In accordance with N.J.A.C. 6A:14-4.8, the district should provide the Department of Education with written notification of its intent to provide home instruction to a classified (disabled) student. Notification is effective for a maximum of 60 calendar days at which time renewal for another 60 calendar days is necessary. Fifty-five of the 136 students in our review were classified. The district could not provide notification forms for approximately half (26) of the classified students. Additionally, we were not provided with any renewal forms for the

Procedures should be developed to ensure the program meets administrative code and board guidelines.

28 classified students who received services beyond 60 days.

Board policy states that each student must be board approved for home instruction. We found that no students were board approved. The district's practice is to board approve home instructors each year. We found one home instructor in our sample was not approved in fiscal year 2008 and was paid \$27,300. In addition, home instructors are required to submit lesson plans to the Office of Special Services for each student. No lesson plans were on file for 115 of the 136 students in our sample.

An Individualized Program Plan (IPP) for a student without disabilities whose projected confinement will exceed 30 consecutive calendar days should be developed. We were not provided with any IPPs for the 28 students in our sample impacted by this provision. A minimum of five hours of instruction should be provided for non-classified students on home instruction for health conditions. Any other condition for home instruction should be assigned a minimum of ten hours per week. We found the district incorrectly applies the code by assigning all non-classified students five hours of home instruction, regardless of the situation.

Home instruction should be in place of classroom instruction. We found students who received classroom instruction were provided tutoring after school through the home instruction program, which is inappropriate. From our sample of home instructors, we identified tutoring services for three students in fiscal year 2008 at a cost of \$16,000 and six students in fiscal year 2009 at a cost of \$60,000.

Home Instructor Payments

Procedures should be developed to control the propriety of payments.

Home instructors are required to submit timesheets to the Office of Special Services. However, the timesheets were not reviewed for reasonableness or accuracy. Total hours on the timesheets were transferred to a form by a secretary in the Office of Special Services and submitted to payroll for payment. The ten home instructors in our sample were paid \$336,000 and \$402,000 in fiscal years 2008 and 2009, respectively. Our testing disclosed questionable payments totaling \$161,000 (48 percent) in fiscal year 2008 and \$160,000 (40 percent) in fiscal year 2009 for the following reasons.

- Home instructors recorded duplicate hours on timesheets totaling \$51,000. We found where home instructors recorded the same times for two students and doubled billed the hours; recorded times that overlapped between students; recorded times for home instruction during the regular work day; and submitted hours for the same date on two timesheets covering overlapping time frames.
- Timesheets could not be provided to support payments totaling \$112,000.
- No start and end times were recorded on timesheets to support hours submitted for payment totaling \$23,000.
- No travel time was reported between school and home instruction locations. We used fifteen minutes as a reasonable travel time. Using this assumption, the district overpaid \$23,000 for time in transit and not with students.
- All ten home instructors reported hours on days utilized for sick or personal reasons totaling \$31,000. One home instructor was on a sick leave of absence

from the district for six weeks and continued submitting home instruction timesheets for payment.

- Home instructors reported hours in excess of those authorized totaling \$9,000. In addition, when compared to times recorded on timesheets, we found home instructors submitted inflated hours for payment totaling \$2,000.
- A detailed review of timesheets submitted by one home instructor disclosed that the instructor consistently photocopied, cut, and pasted parent/guardian signatures onto timesheets. Payments resulting from these timesheets totaled \$51,000.

We attempted to contact 30 parents or guardians to confirm home instruction services and were able to speak with nine. Four of these individuals provided information that disclosed inaccuracies in the time reported. Five of the parents or guardians confirmed the services. However, two of the five never signed the timesheets.

Recommendation

We recommend the district develop policies and procedures for the home instruction program in accordance with the administrative code and incorporate existing board policy to ensure each student is eligible and properly approved for services. Written notification of intent to provide services to a classified student should be provided to the Department of Education; the proper number of hours should be assigned to a student; and an Individualized Program Plan (IPP) should be developed for non-classified students. The policy should specify the days and times acceptable for home instruction services and that home instructors submit original timesheets with original parental or guardian signatures. The number of students assigned to a home instructor in a given period should be limited and consideration given to establishing an overall payment cap per instructor for the program. The

district should also designate an individual to review home instruction timesheets for completeness and accuracy. In addition, the Office of Special Services should maintain student files in an organized manner to ensure proper documentation for each student, including placement forms, IPPs, and lesson plans. We further recommend the district review the questionable payments disclosed during our audit and take appropriate action to recover any overpayments from the home instructors.

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Extra Duty Assignments

The district should monitor the time recording of all extra duty assignments.

The Human Resources Department places teachers on the board agenda for approval to work additional programs. The department does not track or limit the number of programs a teacher may work. The board usually approves a maximum payment per teacher for each program; however, the accounting system is not designed to limit payments for a teacher. We found no procedures in place to monitor the hours reported by teachers working multiple programs simultaneously. This issue was included in our previous audit. However, the district did not follow our prior recommendation in 2002 to implement a comprehensive timesheet for teachers working multiple programs. A risk exists for excessive payments and inaccurate payments for possible overlapping time.

To illustrate, we performed a detailed review of one teacher from our home instruction sample. This teacher, who had a regular salary of \$50,500, received total payments of \$119,000 and \$135,000 for fiscal year 2008 and fiscal year 2009, respectively. The teacher was paid \$117,000 for hours recorded under home instruction during fiscal years 2008 and 2009. In fiscal year 2009 the teacher was paid for nine programs in addition to a regular work assignment. An analysis of fiscal year 2009 payroll disclosed over 2,000 hours of additional

pay, which is equivalent to 5.5 hours per day for 365 days. In addition to the hours recorded for extra duty pay, this teacher also received tuition reimbursements for graduate courses, which would have created additional time demands.

We requested timesheets for additional school programs to ensure no overlap with time billed to the home instruction program. The district was unable to provide timesheets to support all additional payments. With the limited documentation provided, we found on two dates where this teacher was paid for chaperoning a school trip and seven and a half hours for home instruction during the same time frame. We also found a date where the same times were recorded for both curriculum writing and home instruction.

Additionally, the teacher utilized 45 in-service days in fiscal year 2009. In-service days are intended for use when a teacher is working outside of the regular job assignment. These assignments should be approved by the school principal. We met with the teacher's principal and administrators who could not confirm the teacher's location on all of these days. The district does not have a policy on the number of in-service days a teacher can report, nor does the time-reporting system flag or limit the number of these days entered. This teacher was out of the classroom for 25 percent of the school year and was assigned a reduced teaching schedule to accommodate this absence from the classroom.

Recommendation

We had recommended in our prior audit report the district implement a comprehensive timesheet to capture all additional pay requests during a pay period. Leave time should also be indicated on the timesheet. The district should establish procedures to ensure no excessive and overlapping payments. The Human Resources Department should develop a report that documents approved programs by employee. This report should be used in determining an employee's eligibility for additional programs. Finally, the district should inquire about system

updates that would allow for the limitation of program payments and in-service days.

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Monitoring of Attendance

Out-of-district attendance records should be reviewed more closely.

N.J.A.C. 6A:14-1.1 requires that students with disabilities be educated in the least restrictive environment. This may be achieved by sending students out of district, as determined by a district Child Study Team and implemented through an individualized education program (IEP). The district pays annual tuition of approximately \$50,000 for each student sent out of district. This is more than double the district reported \$21,000 cost of educating a special education student in district. The district sent 724 students to 57 out-of-district schools in fiscal year 2008 and 733 students to 47 out-of-district schools in fiscal year 2009 at a cost of \$34.7 million and \$38.7 million, respectively.

We reviewed student attendance records for 13 out-of-district schools which provided services to 607 district students in fiscal year 2008 and to 567 students in fiscal year 2009. The purpose of our review was to verify whether students were regularly attending and therefore receiving the services funded by the district. The board policy on absenteeism states that students cannot have more than 16 absences (approximately 10 percent) per school year. Based on our review, we found approximately half of the out-of-district students had an absenteeism rate greater than 10 percent. We found 120 of the students sampled had absenteeism over 50 days and one as high as 168 days. In comparison, approximately 28 percent of the students in district had an absenteeism rate of greater than 10 percent.

Additionally, we reviewed attendance records for 221 students enrolled in an extended school year out-of-district program for July and August 2007. We found excessive absences in the 32 day summer program.

- Five students missed 10 or more days and 26 students missed between five and nine days in July. If these students had been dropped from the August enrollment, the district could have saved \$91,000.
- Twenty-four students missed every day in July 2007 and were dropped from the program by the out-of-district school. However, the district was billed 10 days at \$242 per day for each student for a total cost of \$58,000.

A January 2008 memorandum directs the Child Study Teams to monitor attendance of out-of-district students. Students with more than five absences should be referred to the Truancy Center and their IEP should be reviewed by a Child Study Team. The Child Study Teams do not review attendance records in a timely manner during the school year and do not work during the summer. We found there are no written policies and procedures on the receipt and review of out-of-district attendance records. In addition, not all students with attendance issues are being referred to the Truancy Center as directed.

Recommendation

The district should implement policies and procedures to ensure attendance records are received from out-of-district schools and reviewed in a timely manner to address absenteeism problems. All instances of excessive absences should be investigated and available resources, including the Truancy Center, should be utilized to help ensure the students regularly attend. The Child Study Teams should review the IEP to determine if the student's current placement is appropriate. In addition, we recommend that the district develop and implement a plan to bring special education programs back in district where attendance and the program can be closely monitored.

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Summer Take Home Book Bag Program

Program objectives should be communicated and results measured for achievement.

The district was awarded approximately \$8 million in American Recovery and Reinvestment Act (ARRA) funds and assigned the responsibility of distributing and oversight of the funds to the Office of Curriculum Development. The Summer Take Home Book Bag program was quickly developed with the intention of utilizing ARRA funds. However, the district subsequently utilized Title I funds to pay for the materials.

The Summer Take Home Book Bag program provided each student a book bag with two or three books, a logbook, and a list of activities to complete over the summer. The program approval request listed objectives and a projected outcome that at least 80 percent of the students would complete the logbooks and activities. We noted the letters to principals, teachers, and parents explaining the program were distributed only days prior to the last day of school. Program expenditures totaled \$154,000.

We found the Office of Curriculum Development did not request feedback from any schools. We contacted the 21 school principals to follow up on the program. Fifteen stated that the majority of log books and activities were not returned and evaluated. One principal stated that no program materials were provided. The program details submitted for Department of Education approval stated that all books would be returned to the schools. We found that the letter sent home with the students contradicted the approved program as it stated the students could keep the books. Only one principal collected the books from the students.

Recommendations

We recommend the district develop policies and procedures to ensure all programs are developed with specific objectives that are clearly communicated to all involved parties. Programs should be properly monitored and results

measured to ensure funds were effectively utilized and program objectives were achieved.



Accounting Practice

Expenditures were improperly reclassified.

When the appropriation for a budget line item is insufficient to meet expenditures, approved transfers from similar line items should be processed. We found that the district accountant improperly reclassified expenditures to avoid disclosing the overexpenditure of budgeted funds. The district expended approximately \$1 million annually in payments to home instructors in fiscal years 2008 and 2009. However, home instruction expenditures were improperly reported in the annual financial reports as \$602,000 and \$848,000 in fiscal years 2008 and 2009, respectively. As a result, a misleading and inaccurate expenditure figure is utilized in preparing future budgets, which serve as a tool for comparison and control.

Recommendations

We recommend that the district discontinue the practice of reclassifying expenditures in the accounting system to avoid a line item deficit. Instead, approved transfers should be utilized.



Inventory Control

The district should implement controls over inventory.

Management is responsible for establishing internal controls that account for the receipt, storage, and distribution of assets to ensure proper usage and safeguarding against misappropriation. We found no inventory system in place during our audit and district personnel could not provide us with any written policies or procedures pertaining to inventory control.

The district maintains three separate locations for warehousing items. During our tour at each location, we noted numerous items that, if accounted for, could have been utilized within the schools. We observed the following issues.

- Pallets of copy paper valued at approximately \$100,000 were on hand; however, schools continued to place outside orders without verifying the available supply. During our visit to this location more paper was delivered.
- Shelves were stocked with custodial supplies that custodians no longer utilize.
- Four hundred guitars with an estimated value of \$52,000 were donated to the district for a program approximately four years ago. These guitars were in an unorganized pile.
- Twenty-three new laptop computers were stored for one year. Two laptops were stolen from the original order and only one was recovered. These laptops were removed from the warehouse after we notified the Business Administrator.
- A massive quantity of student and school records, dating back to the 1970s, were not stored in an organized manner. These records required a large portion of warehouse space.
- There were 20 boxes of reading kits purchased over one year ago for \$20,000. The program was discontinued and the teacher who placed the order no longer wanted them.
- There were several high dollar items purchased over a year ago, such as 14 large air conditioning units.
- Five areas were set aside for each maintenance trade and contained

numerous materials and supplies. The foremen who are responsible for these items maintain no record of items ordered, received, and utilized.

- There were large quantities of furniture, some in a condition not worth storing.

Recommendations

As a result of our audit, the district recently started to implement an inventory system. We recommend that the district develop written policies and procedures to ensure that all inventory is properly accounted for. The system should report all items on-hand, quantity, location, and the dates received and removed from the warehouses. Physical inventory counts should be performed regularly and compared to the inventory reports and any variances investigated. The district should also implement a system to check inventories prior to placing a new purchase order with a vendor. In addition, the district should donate usable items no longer needed and discard any items that have no further utility. We further recommend that the district create a policy on records retention and consider a digital imaging system to reduce the space utilized for record storage.

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Building Renovations

The district should not utilize resources to renovate city-owned property.

In June 2004, the City of Trenton took ownership of a district building and in return appropriated \$1.98 million to the district to renovate another city-owned building for school purposes. In January 2005, the district approved a resolution to pay the city \$1 to purchase the building, stating the need for larger office and warehouse space. Since then, the district has expended \$1.8 million and an undisclosed amount of labor costs. Renovations have not been completed and the district has not taken ownership of the building, although they are using a portion of the space for storage.

The Executive Director of Buildings and Grounds did not require employees to log hours worked on this project into the district's maintenance system. Therefore, we are unable to determine total labor costs for renovations to this building. We were informed that all work was done during downtime. However, we found employees who did log project hours for this building and received overtime payments.

We were informed the building was needed for the Transportation and Truancy departments and for storage of furniture from closing schools. We found that both Truancy and Transportation have ample space within the district. In addition, we found the district has a warehouse that is not efficiently utilized.

We visited the building and observed custom wall colors and a personal bathroom in each office, multiple spacious conference rooms, and a large lounge with a kitchenette for the bus drivers. Renovations have not been done on the second and third floors as this space is used for storage. Work has ceased on this project. The district plan for fiscal year 2011 is to continue using the building for storage and the outside lot for parked buses.

Recommendations

We recommend that the district evaluate the need of the renovated building. In the future, existing space should be thoroughly evaluated before acquiring additional space. The Executive Director of Buildings and Grounds should discuss all renovation plans and cost considerations with the appropriate district leadership team prior to undertaking a project. In addition, all labor hours should be logged into the district's maintenance system.

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Board Approval Process

District should ensure proper approval of contracts and board agenda items.

The district has standard operating procedures for the board approval process. All items awaiting board approval should be presented during a final agenda review meeting held prior to the board meeting. A number of administrators can submit items for placement on the board agenda. The district employs a secretary to the board who compiles the board agenda items. This employee also has the ability to stamp the signature of both the Business Administrator and Board President.

We reviewed a sample of 30 contracts for students who attended out-of-district schools during fiscal year 2008 to verify proper board approval. We noted the Business Administrator's stamped signature on all of the contracts. In addition, we found that the board does not review and approve each student contract. It approves the number of students enrolled at the beginning of the year for each out-of-district school and periodically updates that number throughout the year.

The district does not utilize a standard contract when sending students out of district. We noted that the contract content varied for each school. Our review of contracts disclosed that the district pays for personal assistants for a number of students sent out of district. This service was included in some contracts, while in others a separate contract for the service is prepared. We sampled two schools and found 17 students were provided personal assistants at a cost of \$1 million to the district for fiscal years 2008 and 2009. The services were agreed upon by the Child Study Teams. Neither the board nor the district administrators had knowledge of these services since contracts are not reviewed and expenditures for out-of-district placements were listed as lump sum amounts on the board agendas. Details of the expenditure were not submitted for board review or presented at the final agenda review.

Recommendations

We recommend that controls be strengthened so that standard operating procedures are not circumvented. The secretary to the board should not have access to the Business Administrator's signature stamp to ensure contracts are properly reviewed and contain at least one original signature. All items placed on the board agendas should be presented to the Business Administrator to ensure details of all expenditures are presented at the final agenda review.

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TRENTON BOARD OF EDUCATION

All Together --- Better!

Rodney S. Lofton
Superintendent of Schools



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July 8, 2010

Mr. Stephen M. Eells, State Auditor
Office of Legislative Services
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Dear Mr. Stephen Eells,

This letter and attached document is in response to a report from the New Jersey State Legislature, Office of Legislative Services, and Office of the State Auditor that describes a performance audit of the Trenton Board of Education for the period July 1, 2007 to February 28, 2010. This letter and attachment are in response to the document.

Many of the findings have been addressed prior to receiving the confidential draft on June 21, 2010. Moreover, the efforts by the state monitor appointed by the Commissioner of Education in March 2010 to monitor District Operations should strengthen operational and cost savings improvements.

The District will request from the NJ State Attorney General's Office a meeting to review the potential criminal allegations/misconduct of questionable practices noted in the audit report.

Very truly yours,

A handwritten signature in cursive script that reads "Rodney Lofton".

Rodney Lofton
Superintendent of Schools

RL/pbw
Attachment
c Jayne Howard

Finding 1

Home Instruction Program

Recommendations:

- District develops policies and procedures for the home instruction program in accordance with the administrative code and board policy.
- Written notification of intent to provide services to classified students should be provided to the Department of Education.
- Proper number of hours should be assigned to a student; and Individualized Program Plan (IPP) should be developed for non-classified students.

District Response:

District agrees with the auditors' recommendations and the following actions have occurred to address the recommendations.

- District is in the process of hiring a Director of Pupil Personnel Services to oversee the Home Instruction Program. This individual will be responsible for developing policies and procedures for home instruction in conjunction with the administrative code and recommend policies to the Board for approval. Revisions to the users' manual will be made as needed to ensure the manual is current at all times. The staff will be trained and advised of all changes.

Finding 2

Home Instructor Payments

Recommendations:

- Home Instructors should submit original timesheets with original parental or guardian signatures.
- District should designate an individual to review home instruction timesheets for completeness and accuracy.
- District should maintain student files in an organized manner to ensure proper documentation for each student, including placement forms, IPP's and lesson plans.
- Review questionable payments disclosed and take appropriate action to recover any overpayments from home instructors.

District's Response:

District considers recommendations resolved and the following actions have occurred to address the recommendations.

- Home Instructors only submit original timesheets with original parental or guardian signature before submitting to their Supervisor and payroll for payment.
- District hired a Director of Pupil Personnel Services approved at the June 28, 2010 Board meeting to review all home instruction timesheets for completeness and accuracy.
- State Monitor has contracted with a Temporary Agency to centralize and organize student files to ensure proper documentation for each student.

- District is requesting attorney general to review the potential criminal allegation /misconduct of questionable practices. Depending on the attorney general's review the district would consider hiring a forensic audit firm to review allegations.

Finding 3

Extra Duty Assignments

Recommendation:

- District implements a comprehensive timesheet to capture all additional pay requests during a pay period.
- District should establish procedures to ensure no excessive and overlapping payments.
- Human Resources Department should develop a report that documents approved programs by employee.
- Human Resources develop a policy to limit in-service days for employees in a calendar year.

District Response:

District considers recommendations 1 and 2 resolved and the following actions have occurred to address the recommendations.

- District implemented in January 2010 a comprehensive timesheet to capture all additional pay requests during a pay period.
- Timesheet ensures no excessive and overlapping of payments.
- Monthly, the Supervisor of payroll audits the timesheets to make sure all supporting documentation is attached and there is no overlapping of programs.

District agrees with the auditors' recommendations 3 and 4 and the following actions have occurred to address the recommendations.

- Executive Director of Human Resources will develop a report that documents all approved programs by employee to limit the employee from working more than one program per year.
- Executive Director of Human Resources will look into developing a policy to be board approved that will limit the number of in-service days per employee.

Finding 4

Out of District Attendance

Recommendation:

- District should implement policies and procedures to ensure attendance records are received from out-of-district schools and reviewed in a timely manner to address absenteeism problems.
- District should develop and implement a plan to bring special education programs back in district where attendance and the program can be closely monitored.

District Response:

District partially agrees with the auditors' recommendations and the following actions have occurred to address the recommendations.

- The District met with the Assistant Commissioner of Special Education of the Department of Education along with one of our largest out-of-district-schools to discuss a Standard Operating Procedure for monitoring student attendance.
- Out of District schools will send attendance records on a daily basis to the Executive Director of Special Education.
- Attendance records will be reviewed in a timely manner to address absenteeism problems in accordance with district policy.
- The District along with the State Monitor is working on developing a comprehensive plan to develop programs in district.

Finding 5

ARRA Monitoring

Recommendation:

- District develops policies and procedures to ensure all programs are developed with specific objectives that are clearly communicated to all involved parties.

District Response:

District considers recommendation resolved and the following action has occurred to address the recommendation.

- The Principal in charge of funding program monitors all requisitions and programs to ensure they are meeting objectives outlined in the State approved plan.

Finding 6

Accounting Practice

Recommendation:

- District discontinues the practice of reclassifying expenditures in the accounting system.

District Response:

District disagrees with the recommendation.

- The District funds and accounting records are currently and have always been audited by a CPA firm as a part of the annual audit. Reclassifying of expenditures is appropriate if the reclass is done within like account codes. All reclasses are approved by the Business Administrator/Comptroller before they are entered into the accounting system. All transfers under 10% are approved by the Business Administrator and transfers over 10% must be approved by the State Monitor or County Superintendent.

Finding 7

Inventory Control

Recommendations:

- District develops written policies and procedures to ensure that all inventories are properly accounted for.
- Physical inventory counts should be performed regularly and compared to the inventory reports.
- Implement a system to check inventories prior to placing a new purchase order with a vendor.
- Donate usable items no longer needed and discard any items that have no further utility.
- Create policy on records retention and consider a digital imaging system to reduce the space utilized for record storage.

District Response

District agrees with the recommendations and the following actions have occurred to address the recommendations.

- The District has implemented the state recognized inventory system; school dude/inventory direct.
- At the shipping & receiving warehouse, the warehouse clerk inputs items received and items that are shipped out.
- Warehouse clerk does a monthly inventory of the existing materials and products.
- Shop clerk in the maintenance complex is also inputting materials and products when they are received and items that are shipped out.
- The maintenance shop clerk and the warehouse supervisor are inputting data of newly received and existing inventory in both locations. When items are distributed to school locations, the appropriate information is recorded within the system to maintain accurate accountability.
- The recommendation for policies and procedures for insuring inventory is properly accounted for and record retention is recorded within the system to maintain accurate accountability.
- Donated items will be discarded according to administrative code.

Finding 8

Building Renovations:

Recommendations:

- District evaluated the need of the renovated building.
- District personnel should discuss all renovation plans and cost considerations with management.
- All labor hours should be logged into the district's maintenance system.

District Response

District considers recommendations resolved and the following actions have occurred to address the recommendations.

- District has taken ownership of the building located at 625 Prospect Street. The renovation is not complete. When the renovation began, transportation still resided in the building owned by the city on 255 N. Clinton Avenue. The Board approved plan was to relocate transportation to the 625 Prospect Street building. Due to the extensive renovation to 625 Prospect Street, transportation had to prematurely vacate 255 N. Clinton Avenue; forcing them to move to 1490 Prospect Street until the building on 625 Prospect Street is complete.
- District personnel discussed all renovation plans and cost considerations with management.
- Currently all labor hours are logged into the district's maintenance system.

Finding 9

Board Approval Process

Recommendation:

- Controls are strengthened so that standard operating procedures are not circumvented.

District Response

District considers the recommendation resolved and the following actions have occurred to address the recommendations.

- The business administrator signs all documents and before signing contracts has them reviewed by the legal department and then presented to the Board for approval.